

**CITY OF ORANGE
PRELIMINARY ENGINEER'S REPORT**

FOR THE ANNUAL LEVY

ASSESSMENT LANDSCAPE MAINTENANCE
DISTRICT NO. 15-1

FISCAL YEAR 2024-2025



**LANDSCAPE MAINTENANCE DISTRICT NO. 15-1
SANTIAGO HILLS**

Intent Meeting:	April	23, 2024
Public Hearing:	May	28, 2024

AFFIDAVIT FOR THE ENGINEER'S REPORT

This Report describes the City of Orange Landscape Maintenance District No. 15-1 and proposed changes or modifications related thereto including the improvements, budgets, parcels and assessments to be levied for Fiscal Year 2024-2025, pursuant to the City's Resolution of Intention. Reference is hereby made to the Orange County Assessor's maps for a detailed description of the lines and dimensions of parcels within the District. The undersigned respectfully submits the enclosed Report as directed by the City Council.

Dated this 2nd day of April, 2024.

By: 
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Assistant Public Works Director / City Engineer



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INTRODUCTION

Overview

The City of Orange (the "City") services and maintains perimeter and median landscaping, interior walkways and paseos, and other improvements ("Improvements") in the Santiago Hills neighborhoods in the eastern part of the City. This Engineer's Report ("Report") was prepared to establish the budget for the Improvements (as described below) that will be funded by the new 2024-2025 assessments, if approved, and other revenue, to determine the general and special benefits received from the Improvements by property within the Improvement District ("District"), and to determine the method of assessment apportionment to lots and parcels. This Report and the 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 XIII D of the California Constitution (the "Article").

Landscape Maintenance District (LMD) No. 15-1 was formed in 2015. This assessment district is identical to the existing Landscape Maintenance District No. 86-2 in its geographic boundaries, parcels to be assessed, Improvements to be serviced, maintained, or repaired and budgeted cost centers. The assessments collected, if approved, will be in addition to those collected for Landscape Maintenance District 86-2.

District's Facilities

The City's landscape facilities to be funded by assessments within this District are located in the Santiago Hills neighborhoods of the City. The Improvements generally include entrance signs, traffic islands and medians, parkways, recreation areas, paseos, lighting, and the infrastructure required to support these Improvements.

Assessment Background

The City formed Landscape Maintenance District No. 86-2 in 1987 to service and maintain the specific landscape facilities and improvements relevant to this report. Revenues from that district remain relatively flat, there is not an inflation adjustment provision, while the costs to maintain and service these facilities and improvements have risen steadily. In 2007 the City began to decrease service levels in an effort to contain costs within available revenues. The service levels continued to decrease to offset the effects of rising utilities, labor and materials costs until the creation of LMD No. 15-1.

In order to restore service levels and make needed repairs and improvements to the District's facilities, the LMD No. 15-1 that exactly overlaid the existing assessment district, was formed.

PLANS & SPECIFICATIONS

The City maintains landscaping and other improvements in locations within the proposed Assessment District's boundaries. The work and improvements proposed to be undertaken by the Landscape Maintenance District No. 15-1 and the cost thereof paid from the levy of the annual Assessment provide special benefit to Assessor Parcels within the District as defined in the Method of Assessment herein. In addition to the definitions provided by the Landscaping and Lighting Act of 1972, (the "Act") the work and improvements are generally described as follows:

Entrance Sign

The entrance signs with landscape improvements to be maintained are to be located at the following locations within the District:

- Chapman Avenue at Newport Boulevard (southeast corner)
- Newport Boulevard at Canyon View Avenue (northeast corner)

Parkways and Recreation Areas

The landscaped parkways and recreation areas to be maintained by the District are located as follows:

- Newport Boulevard – approximately 18-foot wide zone (including the width of the sidewalk) from the back of the curb to the property line, and corner cutoffs at intersections, on the east side from Santiago Canyon Road to 312 feet south of the centerline of Skylark Place.
- Chapman Avenue – approximately 18-foot wide zone (including the width of the sidewalk) from the back of the curb to the property line, and corner cutoffs at intersections, on both sides from Newport Boulevard to Jamboree Road.
- Canyon View Avenue – approximately 30-foot wide zone (including the width of the sidewalk) from the back of the curb to the property line, and corner cutoffs at intersections, on both sides from Newport Boulevard to Jamboree Road.
- White Oak Ridge – approximately 17-foot wide zone (including the width of the sidewalk) from the back of the curb to the property line, and corner cutoffs at intersections, on both sides from Newport Boulevard to Canyon View Avenue.
- Trails End Lane – approximately 17-foot wide zone on the west side and approximately 28- to 32-foot wide zone on the east side (including the width of the sidewalk), both zones from the back of the curb to the property line, and corner cutoffs at intersections, from White Oak Ridge to Chapman Avenue.
- Handy Creek Corridor – from the intersection of Chapman Avenue and Newport Boulevard to White Oak Ridge, and from White Oak Ridge to the intersection of Canyon View Avenue and Aspen Street (Lot 20, a portion of Lot 11, and Lot D of Tract 12417) including concrete walkways which also serve as emergency access ways.
- Paseo – approximately 50-foot wide zone from Santiago Hills Park to White Oak Ridge and from White Oak Ridge to Old Camp Road (Lots A and B of tract No. 12417) and approximately 35-foot wide zone from the Paseo to White Oak Ridge (Lot C of Tract No. 12417) including surface and subsurface drainage facilities and concrete walkways which also serve as emergency access ways.
- Aspen Street – approximately 10-foot wide zone (including the width of the sidewalk) on south side from the back of the curb to the property line from the end of Handy Creek

Corridor (Lot D, Tract No. 12417) near Canyon View Avenue to the northerly terminus of the street.

- Fort Road – approximately 17-foot wide zone (including the width of the sidewalk) from the back of the curb to the property line on south side from White Oak Ridge to Jamboree Road.
- Santiago Canyon Road – approximately 18-foot wide zone (including the width of the sidewalk) from the back of the curb to the property line on north and south sides from Newport Boulevard to Jamboree Road.
- Old Camp Road – approximately 4-foot wide zone from the back of the curb to the property line on both sides from Canyon View Avenue to northerly terminus of the street.
- Skylark Place – approximately 18-foot wide zone (including the width of the sidewalk) from the back of the curb to the property line on both sides from White Oak Ridge to Newport Boulevard.
- Jamboree Road – variable width zone (including width of the bike trail-sidewalk) from back of the curb to the property line on the west side from Canyon View Avenue to Santiago Canyon Road.
- Additional Areas – areas adjacent to the 18-foot wide zones along Skylark Place, Chapman Avenue, and Jamboree Road have been dedicated to the City with tracts 12672, 12741, 12711, 15398 and PM 92-195. Such areas have been landscaped by the developers and the sprinkler systems tied to the District's.

Traffic Islands and Medians

- The landscaped islands and medians to be maintained by the District are located as follows:
- Chapman Avenue – 14-foot wide median from Newport Boulevard to Jamboree Road.
- White Oak Ridge – 14-foot wide medians at Newport Boulevard and Canyon View Avenue.
- Trails End Lane – 14-foot wide median from White Oak Ridge to Chapman Avenue.
- Jamboree Road – 24-foot wide median from southerly City limits to Santiago Canyon road.
- Santiago Canyon Road – Variable width from Newport Boulevard to Jamboree Road.
- Newport Boulevard – 22-foot wide median from Chapman Avenue to Santiago Canyon Road.

Excluded Improvements

The following items are excluded from the District:

- The 8+/- acre Santiago Hills Park is excluded from this District
- The City's public safety facility on East Fort Road is excluded from this District
- Chapman Hills Elementary School is excluded from this District
- Santiago Canyon College is excluded from this District (Note that while some public improvements along the College frontage are maintained along with District Improvements, the College pays directly into the District's fund to compensate for that work)
- Sidewalks along all streets within the District are excluded
- The Equestrian trail along Canyon View Avenue is excluded from this District

Definitions

Installation, maintenance and servicing of Improvements, may include, but are not limited to, turf and play areas, landscaping, ground cover, shrubs and trees, irrigation systems, sidewalks, parking

lots, drainage systems, lighting, fencing, entry monuments, recreational facilities, security patrols to protect the Improvements, graffiti removal and repainting, and labor, materials, supplies, utilities and equipment, as applicable, at each of the locations owned, operated or maintained by the District.

As applied herein, "Installation" means the construction of Improvements, including, but not limited to, land preparation (such as grading, leveling, cutting and filling), sod, landscaping, irrigation systems, walkways and drainage, lights, and recreational facilities.

"Maintenance" means the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of any Improvement, including repair, removal or replacement of all or any part of any Improvement; providing for the life, growth, health, and beauty of landscaping, including cultivation, irrigation, trimming, spraying, fertilizing, or treating for disease or injury; the removal of trimmings, rubbish, debris, and other solid waste, and the cleaning, sandblasting, and painting of walls and other Improvements to remove or cover graffiti.

"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 other Improvements; or water for the irrigation of any landscaping, the operation of any fountains, or the maintenance of any other Improvements.

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).

Modifications to the District structure could include, but are not limited to, substantial changes or expansion of the Improvements provided, substantial changes in the service provided, modifications or restructuring of the District including annexation or detachment of specific parcels, revisions in the method of apportionment, or proposed new or increased assessments.

The Assessment proceeds will be exclusively used for Improvements within the District plus incidental expenses.

FISCAL YEAR 2024-25 ESTIMATE OF COST AND BUDGET

Budget for Fiscal Year 2024-25

The following budget shows the cost of the Improvements that would be funded by the District in Fiscal Year 2024-25. This table shows the total combined expenditures associated with the Improvements for both Landscape Maintenance Districts (No. 15-1 and No. 86-2). Accordingly, revenues from both Districts are also shown.

OPERATION & MAINTENANCE FUND BALANCE FROM PRIOR YEARS

Estimated Fund Balance (Includes 15-1 & 86-2) as of March 2024 \$1,123,760

The estimated budget necessary for the 2024-2025 Fiscal Year for the District is as follows:

BUDGET ITEM	COST
ANNUAL MAINTENANCE	
Landscaping	\$383,562
Tree Trimming	\$145,870
Electrical Maintenance	\$40,000
Misc. Contract Services	\$0
Repair/ Maintenance Services	\$82,051
Supplies	\$5,300
Other Professional Services	\$1,000
Telephone	\$1,000
Electricity	\$13,000
Water	\$168,000
Salaries & Benefits	\$51,842
City Administrative Services	\$46,461
Capital Replacement/ Dedicated Reserves	\$0
TOTAL EST. LANDSCAPE MAINTENANCE EXPENDITURES	\$938,086
 ESTIMATED REVENUE	
Landscape Maintenance District No. 86-2	\$533,651
Rancho Santiago Community College District	\$26,557
Proposed Benefit Assessment FY 2024/25 (LMD 15-1)	
(See LMD 15-1 Engineer's Report for specifics)	\$367,579
• CPI Adjustment (Current Year 3.0%)	\$11,027
• Unused CPI Adjustment (Carry over from prior years)	\$0
TOTAL ESTIMATED REVENUE	\$938,814

SURPLUS FUNDS TO BE ADDED TO RESERVES

\$728

District Expenditures will be adjusted to match the maximum allowable assessment.

●This Budget Estimate is for the purpose of establishing an Annual Assessment. It may vary from the adopted City Budget. All assessments collected by the District may only be used for District expenditures regardless of the Budget Estimate.

BALANCE TO LEVY FOR 15-1

\$378,606

Notes to Estimate of Costs:

1. The Act requires that proceeds from the Assessments must be deposited into a special fund that has been set up for the revenues and expenditures of the 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 dedicated reserve fund for contingencies and special projects as well as a dedicated capital improvement fund for accumulating funds for larger capital improvement projects or capital renovation needs. Any remaining balance would either be placed in the dedicated reserve fund, the capital improvement fund, or would be used to reduce future years' Assessments.
2. The rate shown here is for a single family home or its equivalent. For the definition of the term SFE and rates for other types of property, see the section titled, "Method of Assessment Apportionment" and the sections following it in this report.
3. The total cost of the services and Improvements is the total assessment amount of \$356,873 plus the value of the general benefit contributions from the City described in the section titled, "Method of Assessment Apportionment."
4. The Assessment allows for an annual adjustment tied to the Consumer Price Index (the "CPI"), as detailed in the section titled "Method of Apportionment – Annual Cost Indexing." For Fiscal Year 2024-2025, the CPI is 3.5% for the Los Angeles-Long Beach-Anaheim area as of December 2023. Due to the remaining fund balance from Fiscal Year 2023-24, the Public Works staff recommends setting the CPI adjustment at 3.0% (maximum allowed) for Fiscal Year 2024-2025.

METHOD OF APPORTIONMENT

Method of Apportionment

This section of the Engineer's Report explains the benefits to be derived from the Improvements and the methodology used to apportion the total assessment to properties within the District.

The method used for apportioning the Assessment is based upon the relative special benefits to be derived by the properties in the District over and above general benefits conferred on real property or to the public at large. The Assessment is apportioned to lots and parcels in proportion to the relative special benefit from the Improvements. 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.

This section of the Engineer's report includes a discussion of the benefits to be provided by the proposed Improvements and the method of apportionment of assessments within the District. The formula below identifies the final level of service as the sum of the baseline level of service (without this proposed Assessment) and the enhanced level of service to be funded by the proposed Assessment.

Final Level of Service	=	Baseline Level of Service	+	Enhanced Level of Service
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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. 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 and that the value of the special benefits must be equal to or exceed the cost of the assessment:

"No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel."

The following benefit categories summarize the types of special benefit to residential, commercial, industrial and other lots and parcels resulting from the Improvements to be provided with the assessment proceeds. These types of special benefits are summarized as follows:

- A. Proximity to Improved Landscaped Areas and Other Public Improvements within the District.
- B. Access to Improved landscaped areas and Other Public Improvements within the District.

C. Improved Views within the District.

D. Extension of a property's outdoor areas and green spaces for properties within close proximity to the Improvements.

E. Creation of individual lots for residential and commercial use that, in absence of the Assessments, would not have been created.

In this case, the recent *Silicon Valley Taxpayers Association, Inc. v. Santa Clara County Open Space Authority (SVTA)* decision in 2008 provides enhanced clarity to the definitions of special benefits to properties from similar improvements in three distinct areas:

- Proximity
- Expanded or improved access
- Views

The *SVTA* 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* decision also provides specific guidance that Improvements are a direct advantage and special benefit to property that is proximate to a facility 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 herein further strengthen the basis of these Assessments.

Moreover, the *Dahms v. Downtown Pomona Prop. & Bus. Improvement Dist. (Dahms)* decision in 2009 further clarified that certain services and Improvements funded by assessments, that are over and above what otherwise would be provided and that other property in general and the public do not share or receive are 100% special benefit. The assessment-funded services upheld by *Dahms* included streetscape maintenance and security services.

Benefit Factors

The special benefits from the Improvements are further detailed below:

Proximity to Improved Landscaped Areas within the District

The boundaries of the District were developed in conjunction and concurrent with the planning and design of the subdivisions and Improvements, and thus have been carefully drawn to only include the properties in the City of Orange that are proximate to the Improvements and that would materially benefit from the Improvements. In other words, the District has been narrowly drawn to include the properties that receive special benefits from the Improvements. Therefore, property in the District enjoys unique and valuable proximity to the Improvements that the public at large and property outside the District do not share.

In the absence of the Assessments, the Improvements would not be provided and the public improvements funded in the 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 District, they provide a direct advantage and special benefit to property in the District.

Access to Improved Landscaped Areas within the District

Since the parcels in the 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 and other public improvements that are provided by the Assessments. This is a direct advantage and special benefit to property in the District.

Improved Views within the Assessment Districts

The City, by maintaining permanent public improvements funded by the Assessments in the District, provides improved views to properties in the District. The properties in the District enjoy close and unique proximity, access and views of the specific Improvements funded in the District; therefore, the improved and protected views provided by the Assessments are another direct and tangible advantage that is uniquely conferred upon property in the District.

Extension of a Property's Outdoor Areas and Green Spaces for Properties within Close Proximity to the Improvements

In large part because it is cost prohibitive to provide large open land areas on property in the District, the residential, commercial and other benefiting properties in the District do not have large outdoor areas and green spaces. The Improvements within the District provide additional outdoor areas that serve as an effective extension of the land area for proximate properties because the Improvements are uniquely proximate and accessible to property in close proximity to the Improvements. The Improvements, therefore, provide an important, valuable and desirable extension of usable land area for the direct advantage and special benefit of properties in the District because such properties have uniquely good and close proximity to the Improvements.

Creation of Individual Lots for Residential and Commercial Use that, in Absence of the Assessments, Would Not Have Been Created

In most of the District, the original owner/developer(s) of the property within the District agreed unanimously to the Assessments. The Assessments provide the necessary funding for public improvements that were approved as a condition of development and subdivision approval. Therefore, such Assessments allowed the original property to be subdivided and for development of the parcels to occur. As parcels were sold, new owners were informed of the Assessments through the title reports, and in some cases, through Department of Real Estate "White Paper" reports that the parcels were subject to assessment. Purchase of property was also an "agreement" to pay the Assessment. Therefore, in the absence of the Assessments, the lots within most of the District would not have been created. These parcels, and the Improvements that were constructed on the parcels, receive direct advantage and special benefit from the Assessments.

Summary of Relative Weight of Benefit Factors

A solid argument could be made that the Creation of Individual Lots benefit comprises 100% of the benefit because the Improvements were incorporated into the original planning and design of the subdivision, and thus were deemed to be necessary and required for the development of the lot. Without those Improvements and associated benefit, the lots would not have been created in the first place. Nevertheless, four other definitive benefits accruing to the parcels within the District are identified, and an allowance should be made within the overall relative importance of benefits. The table below illustrates the relative benefit level of the five identified benefits used in this Report.

<u>Benefit Factor</u>	<u>Relative Weight</u>
Proximity	10%
Access	10%
Views	10%
Outdoor Area or Green Space Extension	10%
Creation of Individual Lots for Development	<u>60%</u>
Total Benefit	100%

General Versus Special Benefit

Article XIIC of the California Constitution requires any local agency proposing to increase or impose a benefit assessment to “separate the general benefits from the special benefits conferred on a parcel.” The rationale for separating special and general benefits is to ensure that property owners subject to the benefit assessment are not paying for general benefits. An assessment can fund special benefits but cannot fund general benefits. Accordingly, a separate estimate of the special and general benefit is given in this section.

In other words:

Total Benefit	=	General Benefit	+	Special Benefit
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There is no widely-accepted or statutory formula for 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. *SVTA* provides some clarification by indicating that general benefits provide “an indirect, derivative advantage” and are not necessarily proximate to the improvements.

In this Report, the general benefit is liberally estimated and described, and then budgeted so that it is funded by sources other than the Assessment.

The starting point for evaluating general and special benefits is the current, baseline level of service. The Assessment will fund Improvements “over and above” this general, baseline level and the general benefits estimated in this section are over and above the baseline.

A formula to estimate the general benefit is listed below:

General Benefit	=	Benefit to Real Property Outside the Assessment District	+	Benefit to Real Property Inside the Assessment District that is Indirect and Derivative	+	Benefit to the Public at Large
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Special benefit, on the other hand, is defined in the state constitution as “a particular and distinct benefit over and above general benefits conferred on real property located in the district or to the public at large.” The *SVTA* decision indicates that a special benefit is conferred to a property if it “receives a direct advantage from the improvement (e.g., proximity to a park).” In these Assessments, as noted, properties in the District have close and unique proximity, views and access to the Improvements and uniquely improved desirability from the Improvements and other properties and the public at large do not receive significant benefits because they do not have proximity, access or views of the Improvements. Therefore, the overwhelming proportion of the benefits conferred to property is special, and is only minimally received by property outside the Assessment Districts or the public at large.

Benefit Finding

Quantification of General Benefit

In this section, the general benefit from landscaping and other types of Improvements is liberally estimated and described, and then budgeted so that it is funded by sources other than the Assessment.

Benefit to Property Outside the Assessment Districts

Properties within the District receive almost all of the special benefits from the Improvements because properties in the District enjoy unique close proximity and access to the Improvements that are not enjoyed by other properties or the public at large. However, certain properties within the proximity/access radius of the Improvements, but outside of the boundaries of the District, may receive some benefit from the Improvements. Since this benefit is conferred to properties outside the District boundaries, it contributes to the overall general benefit calculation and will not be funded by the Assessments. The general benefit to property outside of the District is calculated with the parcel and data analysis performed by SCI Consulting Group.

Since the properties outside the District but with frontage abutting the Improvements receive benefit but cannot be assessed by the District, this is a form of general benefit to other property. The primary ways that parcels outside the district benefit by the Improvements is from proximity,

access, views and extension of outdoor space, which account for 40% of the available benefit. Therefore, parcels that abut the landscape areas and are not separated from the Improvements by a privacy fence are counted for this general benefit. The general benefit to property outside of the District is calculated as follows.

Assumptions:
47 parcel outside the District
1517 parcels in the District

Calculation:
General Benefit to property outside the District =
 $47 / (47 + 1517) * 40\% = 1.20\%$

Benefit to Property Inside the Assessment Districts that is Indirect and Derivative

The “indirect and derivative” benefit to property within the District is particularly difficult to calculate. A solid argument can be presented that all benefit within the District is special, because the Improvements are clearly “over and above” and “particular and distinct” when compared with the baseline level of service and the unique proximity, access and views of the Improvements enjoyed by benefiting properties in the District.

Nevertheless, the *SVTA* decision indicates there may be general benefit “conferred on real property located in the district.” A measure of the general benefits to property within the Assessment area is the percentage of land area within the District that is publicly owned and used for regional purposes such as major roads, rail lines and other regional facilities because such properties used for regional purposes could provide indirect benefits to the public at large. Approximately 7.15% of the land area in the District is used for such regional purposes, so this is a measure of the general benefits to property within the District.

Benefit To The Public At Large

The general benefit to the public at large can be estimated by the proportionate amount of time that the District’s Improvements including landscaping are used and enjoyed by individuals who are not residents, employees, customers or property owners in the District. It should be noted that these Improvements do not attract the public at large in the same way as park improvements – and they confer far less benefit to the public at large than do similar park improvements.

One way to measure the special benefit to the general public is by the car trips through an area with Improvements. Of the five ways benefits are conferred (proximity, access, views, extension of a property’s green space, and creation of lots), the only benefit that is conferred by way of pass-by car trips is views, which accounts for 10% of the total benefits. For pass-by car trips, the benefit of views is found to be approximately half that of residents, employees, customers or property owners in the District due to the brevity of the views. Therefore the relative benefit factor is reduced to 5%.

Next, the views factors are weighted by the relevant number of car trips. Using the lane miles as representative of pass-by traffic, an analysis shows that 60% of the lane miles are on arterial or collector streets where the general public has views of the landscaping. Therefore (60% of 5% =) 3.0% of the benefits from the Improvements are general benefits to the public at large.

Special Considerations of Improvements Outside of District

The benefits are categorized into to two geographic groupings of Improvements: In-District Improvements that include parkways, medians and paseos that are either inside the district boundaries, or are traffic medians that directly abut or front the district; and Out-of-District Improvements that are parkways or medians that are both outside the District boundaries and are not abutting, fronting or lying adjacent to the District. Based on weighted square footage of the various types of Improvements, Out-of-District Improvements count for approximately 11.6% of the total benefits. These Out-of-District benefits are found to be entirely General Benefit. For example some Improvements at Santiago Canyon College are maintained, but the funding for this work comes entirely from the College as general benefit funds.

The In-District Improvements, conversely, provide approximately 88.4% of the total benefits. The general benefits provided by these Improvements are discussed above.

Total General Benefits

Using a sum of these three measures of general benefit plus the special considerations of general benefit from Out-of-District benefits (both weighted accordingly), we find that approximately 21.6% of the benefits conferred by the Improvements may be general in nature and should be funded by sources other than the Assessment. This calculation is shown below.

		<u>Relative General Benefit</u>		<u>Percent of Overall Benefit</u>	<u>General Benefit</u>
In-District General Benefits					
Outside the District	1.20%				
Property within the District	7.15%				
Public at Large	<u>3.00%</u>				
Total In-District	11.35%	11.4%	x	88.4%	= 10.0%
Out-of-District General Benefits		100.0%	x	11.6%	= <u>11.6%</u>
TOTAL GENERAL BENEFIT					21.6%

Although this analysis finds that 21.6% of the Assessment may provide general benefits from the Improvements, the Assessment Engineer establishes a requirement for a minimum contribution from sources other than the Assessments of 22%. This minimum contribution above the measure of general benefits will serve to provide additional coverage for any other general benefits.

Final Step – Calculate the Current General Benefit Contribution from the City

This general benefit cannot be funded from the Assessments; it must be funded from other sources such as the City's General Fund or other non-District funds. These contributions can also be in the form of in-lieu contributions to the installation and maintenance of the Improvements such as other City assets that support and protect the Improvements. The City of Orange will contribute both monetary and in-lieu resources to ensure that the general benefits conferred by the proposed Improvements are not funded by the District's property owners.

A summary and quantification of these other contributions from the City is discussed below:

The City of Orange owns, maintains, rehabilitates and replaces curb and gutter along the border of the District Improvements. This curb and gutter serves to support, contain, retain, manage irrigation flow and growth, and provide a boundary for the Improvements. The contribution from the City towards general benefit from the maintenance, rehabilitation, and replacement of the curb and gutter is conservatively estimated to be 5%.

The City owns and maintains a storm drainage system along the border of the District Improvements. This system serves to prevent flooding and associated damage to the Improvements, and manage urban runoff including local pollutants loading from the Improvements. The contribution from the City towards general benefit from the maintenance, and operation of the local storm drainage system is conservatively estimated to be 5%.

The City owns and maintains local public streets along the border of the District Improvements. These public streets provide access to the Improvements for residents' enjoyment as well as efficient maintenance. The contribution from the City towards general benefit from the maintenance of local public streets is conservatively estimated to be 5%.

The value of the construction of the Improvements can be quantified and monetized as an annuity. Since this construction was performed and paid for by non-assessment funds, this "annuity" can be used to offset general benefit costs, and is conservatively estimated to contribute 10%.

The total General Benefit is liberally quantified at 22% which is entirely offset by the conservatively quantified total non-Assessment contribution towards general benefit described above of 25%. Therefore, no additional General Benefit must be funded by the City.

Zones of Benefit

The boundaries of the District were developed in conjunction and concurrent with the planning and design of the subdivisions and Improvements, and thus include only the properties in the City of Orange that are proximate to the Improvements and that would materially benefit from the Improvements. Certain other properties surrounding the District were not part of the designed association between the Improvements and the assessed areas, and are generally less proximate to the Improvements. In other words, the boundaries of the District have been narrowly drawn to include only properties that will specially benefit from the Improvements, and would receive a declining level of service if the Assessments were not approved.

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 District, the advantage that each parcel receives from the Improvements is direct, and the boundaries are narrowly drawn to include only parcels that benefit from the Assessment. Therefore, the even spread of Assessment throughout the narrowly drawn district is indeed consistent with the *SVTA* decision. For the most part, the benefits from the Improvements within the District do not vary further based on proximity of the parcels to the Improvements because the increased benefits of greater proximity to the Improvements are generally offset by a parallel increase in negative factors such as higher levels of traffic, noise, etc. that comes with increased proximity.

There are two distinct neighborhoods within the District: Santiago Hills and Hillsdale. Santiago Hills is a complex neighborhood with arterial and collector streets traversing the residential areas and a commercial area on the northeast portion. In addition, Santiago Hills has a system of walking paths, or paseos, that provide additional benefits not found in the Hillsdale neighborhood. Hillsdale is a relatively small neighborhood, linear in shape centered on one residential street (Hillsdale Drive) with Improvements along only one exterior frontage (Santiago Canyon Road).

In order to most conservatively assure that Assessments are proportional to the relative level of special benefits in the District, two zones have been created. Zone of Benefit A (or "Zone A") consists of all of the parcels that lie within the Santiago Hills neighborhood bounded generally by Chapman Avenue, Jamboree Road, Canyon View Avenue, Skylark Lane and Newport Boulevard. Zone A receives the full complement of special benefits.

Zone of Benefit B ("Zone B") consists of all the parcels that lie within the Hillsdale neighborhood lying generally north of Santiago Canyon Road. A detailed analysis of the proportionate benefits received by the Hillsdale neighborhood as compared to the Santiago Hills neighborhood based on the weighted areas of parkways, paseos, and traffic medians within or proximate to the two zones shows that the Hillsdale neighborhood (Zone B) receives approximately 75% as much special benefit as the Santiago neighborhood (Zone A). Therefore Assessments for parcels in Zone B are reduced approximately 20% from the rates for Zone A (see Assessment Diagram).

Method of Assessment

As previously discussed, the proposed Assessments will provide comprehensive Improvements that will clearly confer special benefits to properties in the 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 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 on the type of parcel, the size of parcels and the population density of parcels.

The next 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 a 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.

Not only residential improved property will be assessed, because commercial and other properties may also receive direct benefits from the Improvements, and will be assessed.

A fixed or flat Assessment is proposed for all single family residential properties regardless of occupancy or parcel size. Assessments on multi-family residential parcels vary based on the number of dwelling units. Assessments on commercial property are levied on an acreage basis because larger properties generally support larger buildings and have higher numbers of employees, customers and guests who would benefit from proximity and improved access to well-maintained and improved landscaping.

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, a specific property owner's occupancy of property, or the property owner's demographic status such as age or number of dependents. The benefits conferred to property are related to the average number of people who could potentially live on, work at, or otherwise could occupy 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 occupy 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 of property, the relative size of the property, property location, its relative population and its proximity to Improvements. This method is further described below.

Residential Properties

Certain residential properties in the District that contain a single residential dwelling unit are assigned one Single Family Equivalent or 1.0 SFE. Detached or attached houses and zero-lot line houses 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 (Population Density Factor) and the relative size of each type of residential dwelling unit (Square Foot Factor). The population density factors for the area in Orange County encompassing the 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 of the District from the 2010 Census and

dividing it by the total number of such households, finds that approximately 3.21 persons occupy each single family residence, whereas an average of 2.93 persons occupy each condominium. The ratio of 3.21 people on average for a single family residence and 2.93 people per dwelling unit in a condominium unit results in a population density equivalent of 0.91 for condominiums. 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 condominium, this calculation results in an SFE factor of 0.71 per dwelling unit.

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	1.00
Condominium	0.91	0.78	0.71

There are no other multi-family property types (e.g., duplex, triplex, fourplex, apartments) in the District, and none are foreseen in the future. Therefore no SFE-based assessment rate is calculated.

Commercial Properties

SFE values for commercial land uses are based on the equivalence of special benefit on a land area basis between single family residential property and the average commercial property. The SFE values for various commercial land uses are further defined by using average employee densities because the special benefit factors described previously can be measured by the average number of people who work at commercial properties.

In order to determine employee density factors, the findings from the San Diego Association of Governments Traffic Generators Study (the “SANDAG Study”) are used because these findings were approved by the State Legislature as being a good representation of the average number of employees per acre of land area for commercial properties. As determined by the SANDAG Study, the average number of employees per acre for general commercial property is 24.

In comparison, the average number of people residing in a single family home in the area is 3.21. Since the average lot size for a single family home in the District is approximately 0.12 acres, the average number of residents per acre of residential property is 26.8.

The employee density per acre is roughly equal to (or 0.9 times) the population density of single family residential property per acre (24 employees per acre / 26.8 residents per acre). However, the benefit derived by employees on commercial properties is less than that derived by a resident on residential property, generally due to less time of use of services and Improvements. The Assessment Engineer determines that this factor is 0.5 for commercial to 1 for residential. Table 2 below shows the average employees per acre of land area or portion thereof for various types of commercial properties and lists the relative SFE factors per 0.12 acre for properties in each land use category.

Commercial 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 property land area in excess of 5 acres is determined to be the SFE rate per 0.12 acre for the first 5 acres and the relevant SFE rate per each additional acre over 5 acres.

Table 2 – Commercial Density and Assessment Factors

Type of Commercial Land Use	Average Employees per Acre ¹	SFE Units per 0.12 Acre ²
General Commercial	24	0.500
Office ³	68	1.420
Shopping Center	24	0.500

1. Source: San Diego Association of Governments Traffic Generators Study.
2. The SFE factors for commercial and industrial parcels are applied by the 0.12 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.
3. Currently there are no parcels in the District in the Office category. This rate is included in the event General Commercial space is converted to Office space.

Vacant/Undeveloped 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 Orange found that approximately 55% of the assessed value of improved properties is classified as the land value. It is reasonable to assume, therefore, that approximately 55% of the benefits are related to the underlying land and 45% 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 0.55 per parcel.

Other Properties

Article XIIID 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. Certain other publicly owned property that lie within the District boundaries, including Santiago Canyon College, Chapman Hills Elementary School, Santiago Hills Park, and City of Orange public safety facility on East Fort Road, are not assessed. These are discussed below.

Santiago Canyon College: The College lies within the District and certain Improvements lie on their property. Although the College is not assessed in this District, the College pays for any special

benefit through a separate agreement with the City, and that monetary contribution is shown in Table 1. In addition, all benefit attributable for the College property is included in the General Benefit calculation shown above.

Chapman Hills Elementary School: Any special benefit attributable to the School buildings and parking lots are entirely offset by the benefit provided to the neighborhood by the outdoor fields. This facility was also included in the list of regional facilities in the calculation of general benefit to properties inside the district that is indirect and derivative above.

Santiago Hills Park: Any special benefit attributable to the Park is entirely offset by the benefit provided to the neighborhoods by park facilities. This facility was also included in the list of regional facilities in the calculation of general benefit to properties inside the district that is indirect and derivative above.

City of Orange Public Safety Facility on East Fort Road: Any special benefit received by this facility is entirely offset by the benefit provided back to the neighborhood similar to other in-lieu contributions to the General Benefit contributions that are funded by the City's General Fund or other non-District funds.

Miscellaneous, small and other parcels such as roads, right-of-way parcels, and common areas typically do not generate significant numbers of employees, residents, customers or guests, and have limited economic value. These miscellaneous parcels receive minimal, if any, benefit from the Improvements and are assessed an SFE benefit factor of zero SFEs.

Annual Cost Indexing

The Assessment is subject to an annual adjustment tied to the Consumer Price Index-U for the Los Angeles-Long Beach-Anaheim area as of December of each succeeding year (the "CPI"), with a maximum annual adjustment not to exceed 3%. Any change in the CPI in excess of 3% 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 3%. 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 either 3% or the change in the CPI plus any Unused CPI as described above.

Appeals of Assessments Levied to Property

Any property owner who feels that the Assessment levied on the subject property is in error as a result of incorrect information being used to apply the foregoing method of assessment may file a written appeal with the City of Orange City Manager or his or her designee. Any such appeal is limited to correction of an Assessment during the then-current Fiscal Year and applicable law. Upon the filing of any such appeal, the City Manager or his or her designee will promptly review the appeal and any information provided by the property owner. If the City Manager or his or her designee finds that the Assessment should be modified, the appropriate changes shall be made to the Assessment Roll. If any such changes are approved after the Assessment Roll has been filed with the County for collection, the City Manager or his or her designee is authorized to refund to the property owner the amount of any approved reduction. Any dispute over the decision of the City Manager or his or her designee shall be referred to the Orange City Council, and the decision of the City Council shall be final.

Assessment Funds Must Be Expended Within the District Area

The net available Assessment funds, after incidental, administrative, financing and other costs shall be expended exclusively for Improvements within the boundaries of the District or as described herein, and appropriate incidental and administrative costs as defined in the Plans and Specifications section.

ASSESSMENT

The amount to be paid for said Improvements and the expense incidental thereto, to be paid by the District for the Fiscal Year 2024-25 is generally as follows:

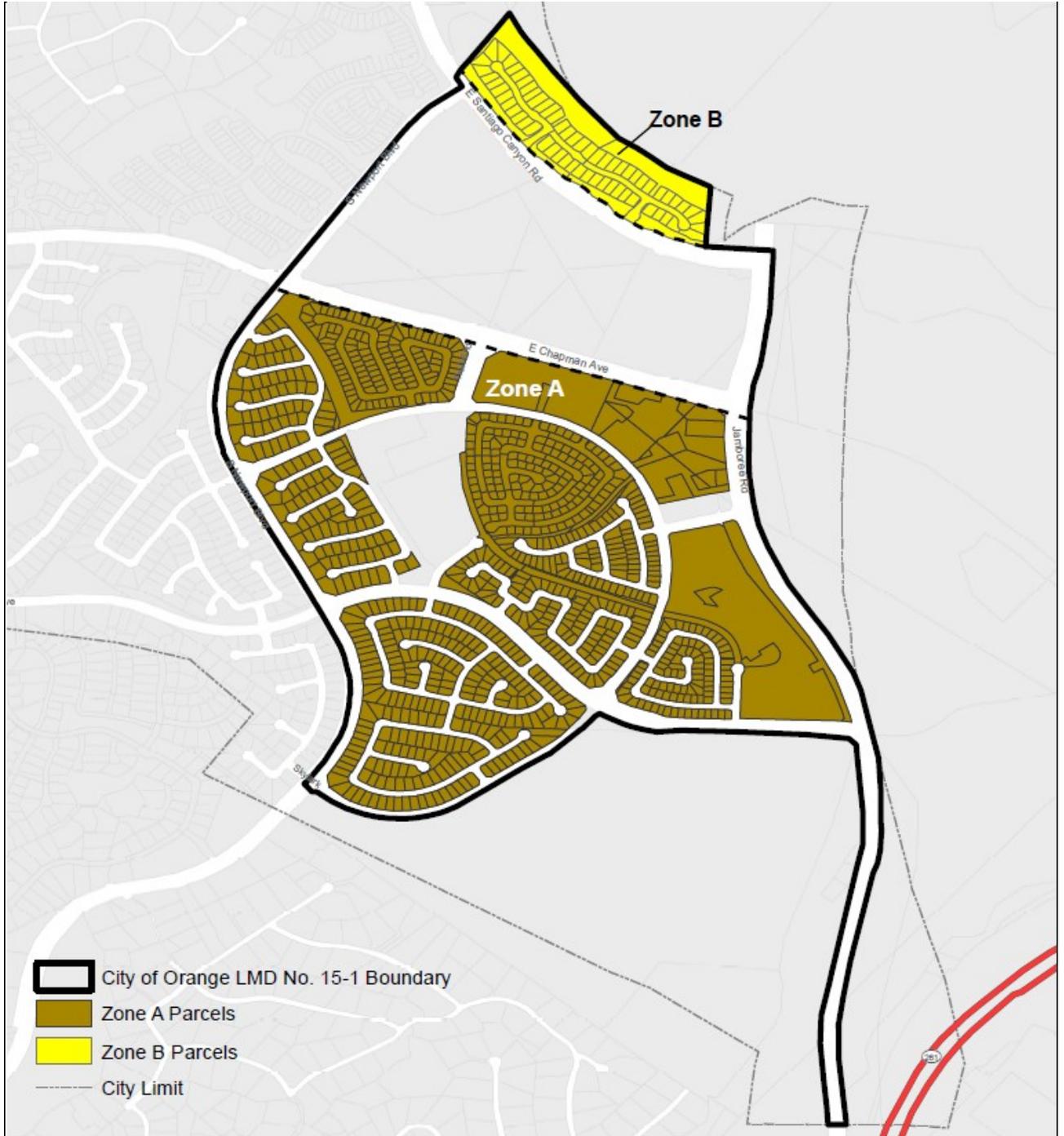
**Table 3 – Summary Cost Estimate
For Landscape Maintenance District No. 15 -1
For Fiscal Year 2024-25**

BUDGET ITEM	COST
ANNUAL MAINTENANCE	
Operating Expenses	\$839,783
Salaries & Benefits	\$51,842
Administration and Project Management	\$46,461
Capital Expenses/ Revenues	\$0
Total for Services	\$938,086
Less Other Revenue	(\$560,208)
Reserve Funds	\$728
 Net Amount of Assessment	 \$378,606

As required by the Act, an Assessment Diagram showing the exterior boundaries of the Improvement District is hereto attached and incorporated herein by reference. The distinctive number of each parcel or lot of land in the District is its Assessor Parcel Number appearing on the Assessment Roll.

ASSESSMENT DIAGRAM

The parcels proposed to be assessed in Landscape Maintenance District No. 15-1 are shown on the Assessment Diagram, which is on file with the City Clerk of the City of Orange, and includes all those properties included in the original formation of LMD No. 86-2. The following Assessment Diagram is for general location only and is not to be considered the official boundary map. The lines and dimensions of each lot or parcel within the District are those lines and dimensions as shown on the maps of the Assessor of the County of Orange, for Fiscal Year 2024-25, and are incorporated herein by reference, and made a part of this Diagram and this Report.



CITY OF ORANGE LANDSCAPING MAINTENANCE DISTRICT No. 15-1 ASSESSMENT DIAGRAM

PREPARED BY SCI CONSULTING GROUP
4745 MANGELS BLVD
FAIRFIELD CA 94534
(707)430-4300

ASSESSMENT ROLL

An Assessment Roll (a listing of all parcels assessed within the Assessment District and the amount of the Assessment) will be filed with the City Clerk and is, by reference, made part of this Report and is available for public inspection during normal office hours at the City Hall at 300 East Chapman Avenue, Orange, California 92866.

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.