

SANTIAGO HILLS ASSESSMENT DISTRICT



Community Meeting



City of Orange Staff

Marie Knight, Director of Community Services

Barbara Messick, Assistant Director of Community Services

Dana Robertson, Park and Facilities Manager

Jerry Bradshaw, Consultant, SCI



Santiago Hills Assessment District

- *Why are we here, and how did we get here?*
- *Where we are today?*
- *The Survey*
 - *Fiscal Controls*
 - *Drought Tolerant Landscaping*
 - *HOA Fees*
 - *Mello Roos*
- *Where do we go from here?*



Q&A

How did we get here?

When Developing a neighborhood, first questions are:

(1) What do we do with all of this land? (2) Should we have common improvements?

It was (and still is) typical for nicer neighborhoods to have common improvements as they tend to provide an area with a higher aesthetic value and help property values to remain high. Without common improvements, the neighborhood is reliant on each property owner to care not only for his/her property but public frontages as well– which can lead to spotty results.



How did we get here?

When common improvements are included, there are two costs involved:

- (1) The cost of original construction
- (2) The cost of ongoing maintenance, repairs, and operations.



How did we get here?

There are one of two ways to pay for the construction of all of the initial common improvements:

- Either build those costs into the price of each home (and ultimately into each property owner's mortgage), or
- Create some external funding mechanism to pay for it such as a Mello Roos District.



Your Developer chose a Mello Roos District

How did we get here?

- Then the ongoing maintenance of those improvements have to be funded. There are, again, several options for taking on the responsibility of ongoing maintenance:
 - Benefit Assessment District
 - Mello Roos District
 - Home Owners Association



Your Developer chose an Assessment District.

What is an Assessment District?

An Assessment District is formed whereby the City maintains the common property areas for the property owners.

It is funded through fees assessed to the property owners to pay for that maintenance, similar to an HOA structure.



The Santiago Hills Landscape Maintenance Assessment District was established in 1987 in lieu of a Master Homeowners Association. At that time (Pre Prop 218) it was foreseen that they would operate the same, meaning fees paid by the property owners would be raised as costs increased.

- It was created to maintain your common area landscape improvements.
- These are landscape improvements that are above and beyond what is found in a typical neighborhood or subdivision that aesthetically benefit the property owners in that neighborhood.





The Survey

You probably received the survey that was mailed to property owners earlier this year to solicit feedback on the increase.

You and your neighbors had a lot of comments and questions that we hope to answer today related to:

- Mello Roos
- HOA Fees
- Fiscal Controls
- Drought Tolerant Landscaping



Mello Roos vs. Assessment District

- Mello Roos are payments made on the bonds issued to construct the infrastructure for a development. This can include roads, sidewalks, sewer and water service, or anything else that was required of the developer.
- Mello Roos does **NOT** fund the upkeep, maintenance, and rehabilitation work of the development infrastructure, and is retired once the bonds, plus interest, are paid-off.



Assessment District vs. Master HOA

Most developments create a Master HOA to collect fees and oversee the maintenance of common area amenities.

- HOAs are governed by Boards elected from and by the property owners of the Development.
- HOAs can adjust fees as needed to match increases in costs.
- In many cases, HOA's use property management companies, which add another level of associated costs to the fees.



Assessment District vs. Master HOA

- The Assessment District is administered by the City, but is not paid-for by the City. The City acts as an agent for the District.
- No General Fund Revenues (Taxes) are used to maintain the District, and no District funds are not used for any other City services.
- We manage the funds collected via the Assessment, and supervise the contracts for the companies hired to maintain the District's assets.



Assessment District vs. Master HOA

Unlike HOAs, the City cannot just raise fees to cover rising costs.

Prop 218, which was passed after the formation of the District, requires a vote of the property owners before the assessment can be raised.

THIS WAS NOT A SITUATION ENVISIONED BY THE DEVELOPER OR THE CITY WHEN THE DISTRICT WAS CREATED.



Condo HOA vs. Assessment District

There are several smaller HOAs within the District that maintain the common areas adjacent to their condo/home.

The fees you pay those HOAs do not cover, nor do they maintain, the main common areas – walkways, paseos, parkways, medians, lighting, etc...in the Master Development.



What is the current ANNUAL assessment?

- 987 Single Family Property Owners pay \$369
- 512 Condo Property Owners pay \$221
- 18 Commercial Property Owners pay a weighted per acre fee
- Most Master HOA's charge between \$2,000 - \$4,800 a year



What am I paying for?

Your assessed fees are used to maintain, repair, and replace the common areas to include:

- Landscape turf, shrubs, ground cover and trees
- Irrigation infrastructure
- Concrete walkways and stairs and railing in the common areas
- Lighting along the walks and paths
- Electrical infrastructure
- Utility costs (water and electricity)
- Contract/Staff services to manage the District



What aren't I paying for? Maintenance of:

- The Park
- The Elementary School grounds
- The College grounds
- Sidewalks along the public streets
- Public Streets
- Street Lights



Where does the money go?

Revenues and Expenditures

	Fiscal Year 2012/2013	Fiscal Year 2013/2014
Revenues	\$576,689	\$581,128
Expenditures	\$608,053	\$560,545
Difference	-\$31,364	\$20,583



Where does the money go?

	FY 2013/14	% of Budget
Revenues	\$581,128	
Salaries/Contract Services Oversight	\$28,098	5%
Utilities - Water	\$105,055	19%
Electricity	\$21,219	4%
Landscape Maint.	\$278,182	50%
Other Contractual Services (Tree trimming, electrical./repair, misc.)	\$78,861	14%
Professional and Consulting	\$452	Less than 1%
Misc Supplies and Expenses	\$139	Less than 1%
District Administration	\$48,539	8%
TOTAL	\$560,545	100%
DIFFERENCE	\$20,583	

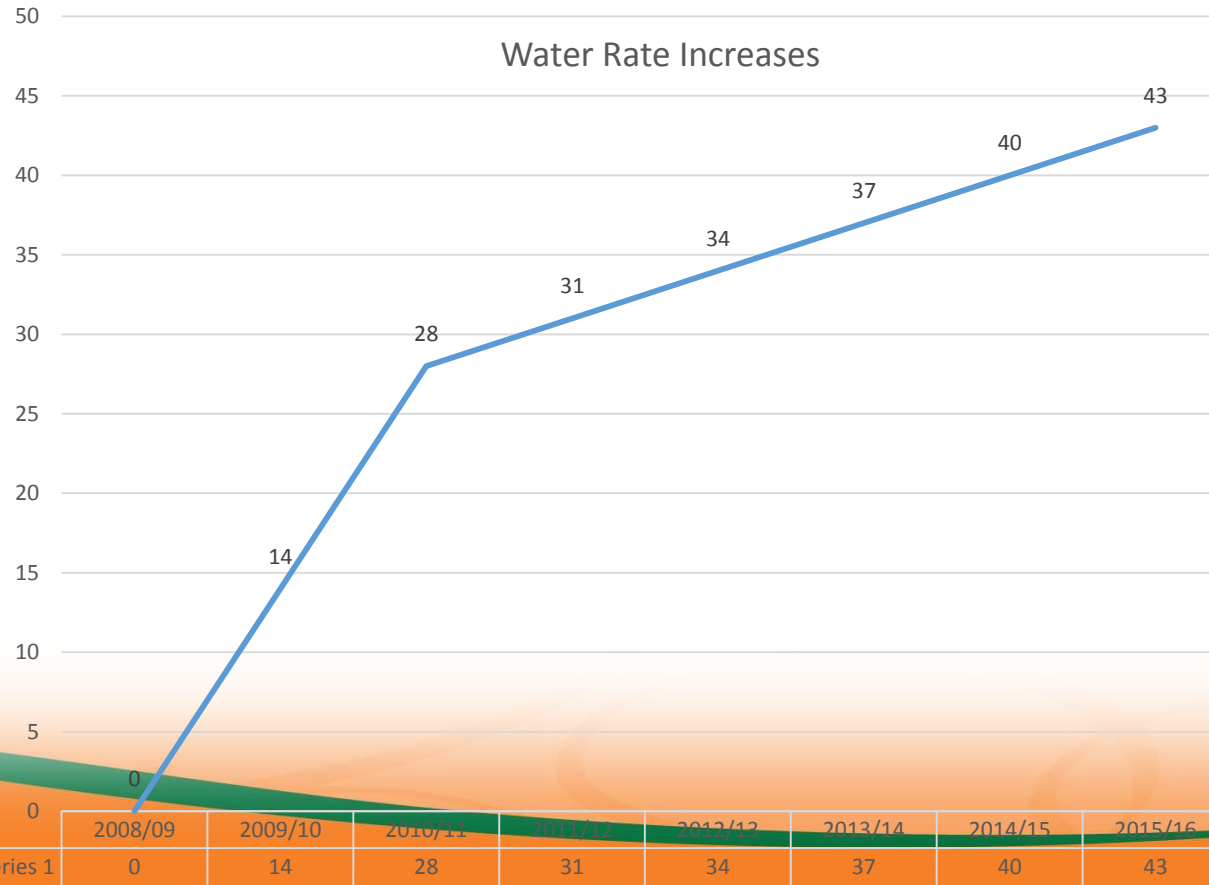


Water

Water costs have skyrocketed over the past 7 years.

Orange buys 70% of its water from external sources.

The original design of the District's landscaping did not anticipate water scarcity 30 years later.



Fiscal Controls

- The City is financially audited every year.
 - Every Assessment dollar you pay is kept in a dedicated account.
 - Every dollar spent is accounted for.
- Your funds are **never** comingled with the City's General Fund.
- The City releases an annual financial report of how it spends money.
 - Assessment District funds are also accounted for.
- An Engineers report is prepared each year for the District and includes the District Budget and Revenues.
- Both documents are approved at City Council meetings and public hearings, and can be downloaded at www.cityoforange.org.



Where are we today?

There has been no increase in the amount you have been assessed since 1987.

The 1987 assessment was set with a range, contemplating inflation over a multi-year period AND the ability to raise the assessment as costs for goods and services increased.

For many years the range of the assessment covered the costs of maintenance and repairs.



1987 fees no longer work for us today

According to the Consumer Price Index, \$1 in 1987 had the same buying power as \$2.06 does in 2015

<i>What things cost:</i>	<i>1987</i>	<i>2014</i>
<i>Gallon of Milk:</i>	<i>\$2.28</i>	<i>\$3.15</i>
<i>Gallon of Gas</i>	<i>\$.89</i>	<i>\$3.50</i>
<i>Dozen Eggs</i>	<i>\$.78</i>	<i>\$1.98</i>
<i>Price of a movie ticket</i>	<i>\$4</i>	<i>\$12</i>
<i>Average Rent</i>	<i>\$395</i>	<i>\$1,600</i>
<i>Average Water Bill (Family of 4)</i>	<i>\$14</i>	<i>\$92</i>



The 2007 Ballot Measure.

- Residents voted the measure down.
- Immediate service reductions had to be made to bring maintenance costs in line with the amount of money you pay.



Since then, those initial reductions have continued, with further cuts made as costs continued to increase.

- The contract amount with the private landscape company was reduced decreasing the size of work crews.
- Less frequent mowing operations, ground cover/shrub trimming and removal of weeds.
- Longer response times to correct landscape problems as they occur at the District.
- A reduction of the frequency of trash and leaf litter removal in the landscaping.
- Reduced weed abatement, reduced fertilization
- No replacement of dead landscape



NOW



Dead plant material

Concrete in need of work



NOW



Dead Trees

**Irrigation system in
need of replacement**



Why Now?

The Current Assessment has been inadequate for sometime, in the past two years it has been exacerbated by:

- The cost of water has increased 43% and will continue to increase.
- The drought – mother nature is not watering the District during the winter months, and too many hot months in the fall
- Labor, materials, electricity, and other costs have also increased significantly.
- The again infrastructure needing more repair : electric panels, new irrigation systems...
- Plants and trees that are now past their planned life expectancy.
- Vandalism to District assets has increased.



Why doesn't the City pay for the common area maintenance and repair?

- The City does not pay for the upkeep or maintenance of any of the landscape enhancements in any other development.
- Private property owners or HOAs pay for parkway landscaping in other neighborhoods.
- No other area of the City has medians with the higher level of maintenance needed as in your common areas.



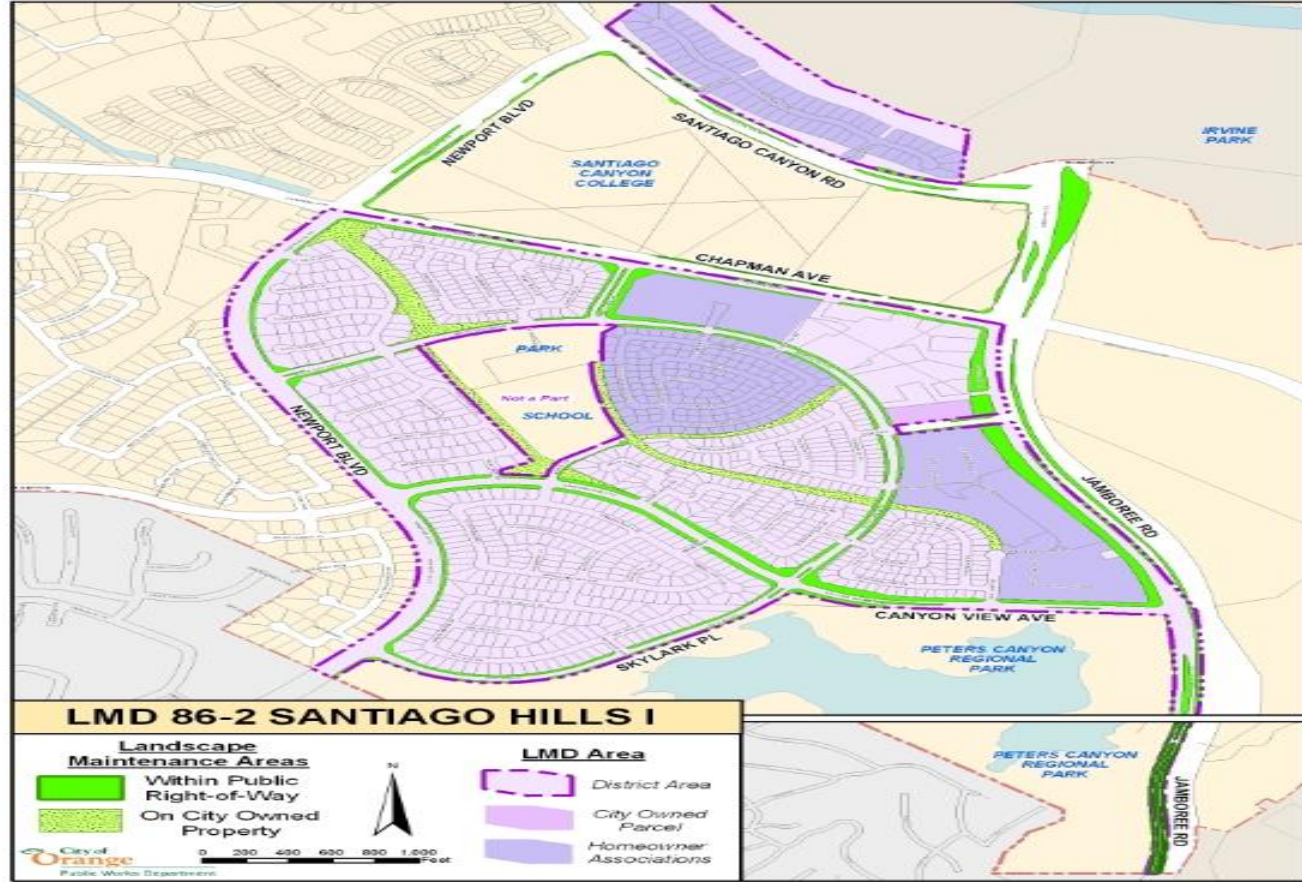
The Proposed Assessment

The City is proposing a increase to your yearly Assessment in addition to the amount you currently pay :

Single Family Home Santiago Hills	\$100 - \$225/yr
Single Family Home Hillsdale	\$80 – 180/yr
Condo	\$70- \$160/yr

- The lower end of the Assessment increase will simply allow us to keep up with the rising costs of service contracts and water – status quo
- The higher end of the Assessment increase will allow us to gradually get back to our previous maintenance levels





Where do we go from here?

What happens if the increased Assessment passes?

- The Assessment will go into effect in mid-2015, and be paid by Property Owners beginning in November/December 2015.
- Funds collected by the County will be available for use by the district in early 2016.



What happens if the increased assessment passes?

Service levels will gradually return to proper maintenance levels.

Gradual capital improvements over 10 years:

- Drought tolerant and native landscaping
- Replacement of dead or dying plants
- Update of the irrigation system using water saving technology
- Phased updates to the electrical and lighting to energy efficient systems



Let's talk about drought tolerant?

- City is committed to this
- We have passed landscape efficiency and water conservation ordinances
- This takes a financial investment:
 - Design
 - Purchase
 - Change in irrigation
- Upcoming Demonstration Area – looking for design input



Drought Tolerant Landscaping



Drought Tolerant Landscaping



Drought Tolerant Landscaping



What happens if the increased assessment fails to pass?

As costs continue to increase

- Watering frequency will be further reduced.
- The landscape areas will continue to deteriorate.
- Trimming cycles will either be less frequent or eventually landscape will need to be removed.
- Lights will not be repaired
- Irrigation repairs will be discontinued.



Santiago Hills Assessment District

Q&A



SANTIAGO HILLS ASSESSMENT DISTRICT

Thank you for coming



Community Meeting