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TECHNICAL MEMORANDUM

**TO: JOHANNES HOEVERTSZ, DIRECTOR OF TRANSPORTATION AND
PUBLIC WORKS, COUNTY OF SONOMA**

**FROM: SARA MARES, DIRECTOR, NBS
GREG GHIRONZI, SENIOR CONSULTANT, NBS**

RE: SFD FEASIBILITY ANALYSIS FOR WASHINGTON BRIDGE PROJECT

DATE: FEBRUARY 2021

PURPOSE

The County of Sonoma (the "County") engaged NBS to evaluate the feasibility of forming a Special Financing District ("SFD") to finance the construction of a permanent bridge to replace the seasonal bridge at the Washington School Road crossing of the Russian River.

The County provided a cost estimate and description of the project. NBS evaluated the suitability of both a special tax and a special assessment. NBS weighed the strengths and weaknesses of these tools and created a proposed boundary and modeled rates for the selected recommendation. This memorandum will allow the County and the property owners to discuss the project more meaningfully and to gauge the public support for the project to determine the most efficient path forward.

PROJECT BACKGROUND

The primary purpose of the proposed bridge is to provide an additional, reliable, year-round emergency egress to escape wildfires (or other disasters, natural or otherwise) that may impact the project area. The wildfire issue has been well studied by various public safety agencies in the County. The project area has limited egress points at the Crocker Street Bridge and the temporary/seasonal Washington School Road Bridge. Should a fire approach from the North such that the Crocker Street Bridge is inaccessible, and the temporary Washington School Road Bridge is seasonally closed, this could trap the residents of the area. A permanent bridge will provide the needed additional year-round egress point.

The total estimated project cost is \$20 million, and the County proposes to fund \$16 million. Property owners may be required to fund up to \$4 million of project costs, dependent on any grant moneys that may be available, and the special benefit determined as discussed below.

FINANCING OPTIONS - Special Financing Districts

Special Financing District, or SFDs, include all special assessments and special taxes levied by local agencies on parcels of land. There are several types of special assessments and special taxes and each has a specific list of improvements and services that can be financed or funded. In this case, transportation infrastructure construction funding with the potential for the issuance of long-term debt is the circumstance NBS evaluated. A material consideration in the evaluation is the County's contribution to the project (\$16mm).

Special Assessments

Also known as "Special Benefit Assessments", special assessments are a financial charge levied against a parcel of land for the benefit that is generated by the underlying public service or improvement project. By law, special assessments cannot be based on the value of property. Instead, each district (project area) establishes a benefit formula and each parcel in the project area is assessed according to the benefit it receives from the services and/or improvements. The governing body of the entity levying the assessment must make a finding of special benefit in order to validate this process. The assessment amount is limited to the proportional value of the improvement or service provided to each assessed property.

Special assessments are approved by a protest ballot proceeding. Each property owner's ballot is weighted by the amount of the assessment assigned to that owner's property. Of the property owner ballots returned, if a majority of the ballots oppose the assessment, a majority protest exists, and the assessment may not be imposed.

1911/1913/1915 ACT ASSESSMENT DISTRICTS

Pursuant to the Improvement Act of 1911 and the Municipal Improvement Act of 1913, assessment districts are authorized for establishment to finance infrastructure needs that include the following:

- Public works and infrastructure
- Utility infrastructure
- Real property acquisition
- Payment of existing special assessment liens

In order to form a 1911/1913 Act assessment district, the establishing agency must conduct a study, prepare an engineer's report, and propose the formation of an assessment district and the levy of assessments. The engineer's report must separate the general from the special benefits, and assessments may only be collected for the special benefit portion. Affected property owners are then notified and a public hearing is held. In order to approve the district, a protest ballot proceeding is required. Once approved, assessments will be placed on property tax bills each year to pay for the improvements and services.

The Improvement Bond Act of 1915 is normally used in combination with either the 1911 or 1913 Acts to issue bonds to finance the improvements. When bonds are issued, installments will be charged annually until the bonds are paid in full.

The requirement to separate general from special benefit and only assess for the special benefit makes these less flexible than other mechanisms. The assessment is recorded as a lien on the property and is not altered in the future by land-use changes. If a property is subdivided, the original amount assessed to the subdividing parcel is allocated to the resulting new parcels.

Special Taxes

A special tax is a financial charge imposed for a specific purpose. The tax amount is calculated via an established special tax formula and levied annually on property for a defined period of years. Special tax measures require a two-thirds majority of voters but have the most flexibility.

The amount of the special tax is not limited to the relative benefit it provides to property, property owners, or taxpayers. Typically, they are levied on a per parcel basis either according to the square footage of a parcel or on a flat charge, although the law usually provides flexibility to levy the special tax on a “reasonable basis”. However, special taxes cannot be based on property value.

COMMUNITY FACILITIES DISTRICTS

A Community Facilities District (“CFD”) is formed pursuant to the Mello-Roos Community Facilities Act of 1982 (“CFD Act”), commencing with Section 53311 of the California Government Code.

A CFD special tax may fund a variety of capital improvements and infrastructure, as well as a range of services including recreation program services, maintenance and lighting of parks, parkways, streets, roads and open space, flood and storm protection services, and maintenance and operation of any real property or other tangible property with an estimated useful life of five or more years that is owned by the public agency or by another local jurisdiction.

The successful establishment of a CFD requires approval of two-thirds of the registered voters voting in the election. Each voter has one vote regardless of their weighted share of the proposed CFD special tax levy. In the event there are fewer than 12 registered voters, the vote is by landowners based on the acreage of taxable parcels.

There is flexibility in the formula used to calculate the annual special tax levy, which is referred to as the Rate and Method of Apportionment of Special Tax (“RMA”). The RMA may be as complex as needed to account for any unique property characteristics or development stages. CFD special tax rates can be based upon any number of parcel characteristics such as development, parcel classification, building square footage, or parcel size.

A key distinction of a CFD special tax, as opposed to a 1913 Act assessment, is the special tax is recalculated each year according to the current conditions of the property to be taxed. As noted above, the specific special assessments mentioned are only reallocated to the resulting subdividing parcels.

RECOMMENDATION

NBS evaluated the project and the project area and recommends the County pursue the formation of a 1913 Act Assessment District paired with debt issuance under the 1915 Act to finance the property owner portion of the costs. The recommendation is based upon the following.

1. The project is authorized by the 1913 Act
2. The County is contributing sufficient funds to cover the estimated amount of general benefit
3. The relative special benefits provided by the improvement (bridge) are able to be determined and quantified by established methods/measurements.
4. The approval process is less burdensome than for a special tax

METHOD OF ALLOCATION OF PROJECT COSTS

An Engineer’s Report is required to form the Assessment District. This memorandum provides preliminary, yet substantial guidance regarding the required findings of the Engineer’s Report. NBS makes the following recommendations regarding the findings of benefit, separating general from special benefit, and the proportional allocation of special benefit to the properties proposed to be assessed.

The County’s contribution of \$16 million of the \$20 million project cost comfortably accounts for the estimated general benefits. The Engineer’s Report will describe and quantify those general benefits in detail.

SPECIAL BENEFIT

The Special Benefits that accrue to the property are two-fold and will be expressed in the Engineer’s Report in terms of Benefit Points. Benefit Points are used to measure the total proportional Special Benefit received by each parcel.

PRIMARY SPECIAL BENEFIT

The primary special benefit is based upon the property having reliable, year-round emergency egress. The primary special benefit (egress) applies to all parcels. If the Crocker Street bridge and the area North of the bridge is inaccessible, all parcels will have to route to the new Washington School Road bridge to evacuate. The proportional benefit to each parcel is allocated according to the projected traffic load each parcel will place upon the bridge. This is measured and allocated by trip generation factors which have been computed and published by the Institute of Transportation Engineers (“ITE”). For land uses whose trip generations are calculated based on acreage, acreage of property that is currently in the “river bottom” has been calculated and netted out from a parcel’s gross acreage. Property with a County Land Use of pasture, hardwoods and chaparral, utility, private road, and right-of-way are not currently developable and will not generate traffic, and therefore do not receive benefit.

| Trip Generation Data | | | |
|-----------------------------|---|-------------|--|
| Land Uses | Property Type | Trips / Day | Per |
| Residential | Single Family Dwelling (developed and vacant) | 9.44 | Parcel |
| | Single Parcel with two Single Family Dwellings | 18.44 | Parcel |
| | Single Family Dwelling with Granny Flat | 14.16 | Parcel |
| | Single Family Dwelling with Vineyard ⁽¹⁾ | 9.44 | Parcel, plus 0.44 trips / day / net acre. Net acre = gross acres - 2 acres for homesite - any river bottom acreage and then limited to 120 total acres maximum |
| Agricultural ⁽¹⁾ | Vineyards | Calculated | Parcel Rate = 0.44 trips / day / net acre. Net acre = gross acres - any river bottom acreage and then limited to 120 total acres maximum |
| Commercial | Winery | 45.96 | 1,000 SqFt of building area |
| | Private Campground ⁽²⁾ | 3.08 | Per occupied site |

(1) Vineyard trips are estimated at 0.44 trips per day per acre in order to annualize the ongoing care, maintenance & harvest activities.

(2) Campground occupancy estimated at 25% accounting for weekday and seasonal variances.

The total egress trips per day are calculated for each parcel according to the table above and then adjusted by a factor of 3x per trip. This factor provides Benefit Point adjustment between the egress and convenience special benefits to recognize the higher relative and proportional benefit of Primary (egress) to Secondary (convenience) trips as explained below.

SECONDARY SPECIAL BENEFIT

The secondary special benefit is based on the convenience of having a closer reliable, year-round access point to cross the river for daily use. The secondary special benefit (convenience) is related directly to a parcel's location within the proposed project boundary. Convenience is determined by considering the likelihood a parcel will use the new bridge daily or not. As all traffic will access either the Crocker Street bridge or the Washington School Road bridge via River Road, where a parcel accesses River Road is used as the baseline to determine the likelihood of using the new bridge. River Road was segmented into thirds between the two bridges. A parcel that accesses the upper third of River Road will most likely use the Crocker Street bridge whether traveling North or South once across the river, so no convenience benefit is found. A parcel in the center third will most likely use the Crocker Street bridge whether traveling North and the new bridge when traveling South, so a 50% convenience benefit is found. A parcel that accesses the lower third of River Road will most likely use the new bridge whether traveling North or South once across the river, so a 100% convenience benefit is found. The convenience factor is applied to the same trip generation values used in the primary special benefit calculations.

| Convenience Segmented into Upper, Middle & Lower 1/3rds of where a parcel takes access to River Road | | | |
|---|---------------------------|------------------|--|
| | River Road Section | % Benefit | Reason |
| Upper | 1/3 | 0% | Residents in this section will not use new bridge for convenience as they are primarily closer to Crocker Bridge |
| Middle | 1/3 | 50% | Residents in this section will use new bridge for convenience 1/2 the time, if traveling south |
| Lower | 1/3 | 100% | Residents in this section will use new bridge for convenience all the time, if traveling north or south |

The convenience calculation multiplies the Egress Trips / Day by the % Benefit factor above to arrive at the total convenience trips

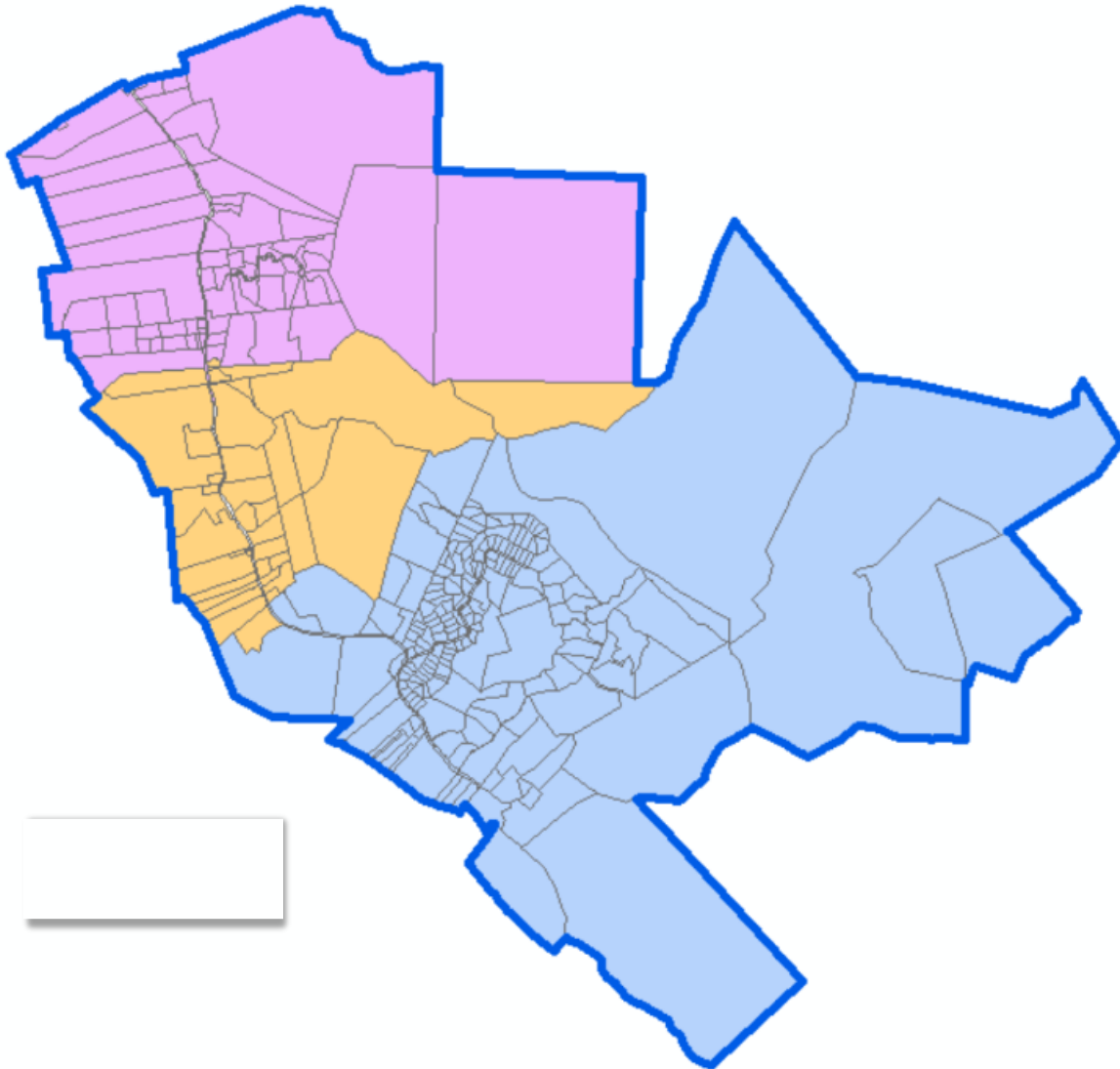
The total convenience trips per day are calculated for each parcel according to the trip generation factors and then multiplied by the % Benefit values shown in the table above. This factor provides adjusted Benefit Points between the properties receiving convenience Special Benefits.

The parcels proposed to be assessed (the district boundary) and the assessment amounts are preliminary and require further discussion and analysis prior to finalization in the Assessment Engineer's Report. A preliminary calculation of the proposed assessment is included in Attachment A.

PROJECT AREA

The proposed project area is shown below. The upper, middle, and lower Secondary Special Benefit areas are differently colored to provide reference.

COUNTY OF SOMOMA WASHINGTON SCHOOL ROAD ASSESSMENT DISTRICT - PROPOSED BOUNDARY



| River Road Section | | % Benefit | Reason |
|--------------------|-----|-----------|--|
| Upper | 1/3 | 0% | Residents in this section will not use new bridge for convenience as they are primarily closer to Crocker Bridge |
| Middle | 1/3 | 50% | Residents in this section will use new bridge for convenience 1/2 the time, if traveling south |
| Lower | 1/3 | 100% | Residents in this section will use new bridge for convenience all the time, if traveling north or south |