



Agenda Item #: _____

Staff Report

City of Manhattan Beach

TO: Honorable Mayor Ward and Members of the City Council

THROUGH: Geoff Dolan, City Manager

FROM: Neil Miller, Public Works Director
Bruce Moe, Finance Director
Dana Greenwood, City Engineer
Stephanie Katsouleas, Senior Civil Engineer

DATE: April 4, 2006

SUBJECT: Consideration of Utility Underground Assessment District Issues:
a) Final Approval of Fact Booklet for Mailing
b) Preliminary Application Materials for Assessment Deferral Program

RECOMMENDATION:

Staff recommends that the City Council: a) approve the revisions to the Utility Underground Assessment District Fact Booklet and authorize mailing; and b) review and approve the preliminary Underground Assessment Deferral Program application materials.

FISCAL IMPLICATION:

There are no fiscal implications associated with the recommended actions.

BACKGROUND:

During its March 21, 2006 meeting, the City Council reviewed the Utility Undergrounding Draft Fact Booklet and instructed staff to make several modifications. The assessment deferment program was also discussed, with Council 1) approving the criteria developed by the Utility Underground Financial Assistance Committee, and 2) directing staff to develop a preliminary application process for Council review.

DISCUSSION:

Fact Booklet

City Council directed staff to modify the Draft Fact Booklet (Attachment A) to include additional language addressing the financial cost of undergrounding over 20 years, as well as to include a question and answer about opting out. Additionally, other text and formatting changes were suggested. These changes were incorporated and minor modifications were made to clarify/correct language where needed. The color scheme was also revised to create more “white space” given the dense amount of information provided. A summary of the substantial content changes made are as follows:

A. Letter from City Council: Language incorporated (please see booklet).

1. Undergrounding In Manhattan Beach

Added the following language: “The arm height and length of the new street lights should be consistent, while the poles will typically be.....” to address concerns about the new street lights to be installed.

2. Forming a District

Changed the lead in question to the following: How Is A Utility Underground District Initially Formed?” in lieu of “How Do I Get An Underground Program Started in My Neighborhood?” Based on calls received, more people are concerned with how a district is formed rather than how to start one themselves, and the question as revised addresses that concern more specifically.

Added two sentences to the first paragraph: 1) “Utility undergrounding is a homeowner driven process, rather than a City-wide directive” to clarify that the City does not proactively form utility districts; and 2) “The City will notify all property owners within the proposed boundary that such an effort is underway at the time a petition drive commences.” This action will ensure that all residents become aware of potential district formation.

Added the following sentence to the last paragraph: “The proposed assessment is not the same as the Assessed Tax Value of your home.” This should alleviate confusion about the use of the term “assessment.”

3. Frequently Asked Questions (FAQs) About Undergrounding

Eliminated the following question: “How much will undergrounding improve my property values?” and its corresponding answer to make room for the opt-out question.

Added the following question and answer: “What if I want to opt out of the district? Currently, the City has no opt-out policy for residents who wish to be excluded from a proposed district. However, the City does recognize that not everyone included in a proposed district is in favor of undergrounding. That’s why the City requires a minimum 60% showing of support among property owners in the defined area before approving the district boundaries and proceeding with design plans.”

6. Tell Me More About Past Assessments and Future Estimates

Modified language in the second paragraph, last two sentences, as follows: “Labor wages and material costs also rose significantly between Phase 1 and Phase 2, further impacting the price differences observed” and eliminated the statement, “We do not expect to see such significant increases when future districts are priced.”

7. Is There Financial Assistance for Undergrounding?

Added the following language and table: **If You Elect to Pay Yearly for 20 Years...**If financing a utility underground assessment over twenty years, the total cost of the project will include the base value of the assessment plus the interest associated with the bond.

The following table provides examples of the total cost residents will have paid either in full within 30 days or over 20 years using three different interest rates.

If the Proposed Assessment is...	Then the Actual Assessment if Paid in Full Within 30 Days is Estimated to Be...	Estimated Total Amount Paid Over 20 Years if Financed at the Following Interest Rates <i>[The yearly assessment payment due can be determined by dividing the total by 20.]</i>		
		5%	6%	7%
\$10,000	\$8,800	\$15,840	\$17,195	\$18,607
\$20,000	\$17,600	\$31,680	\$34,387	\$37,215
\$30,000	\$26,400	\$47,516	\$51,582	\$55,820
\$40,000	\$35,200	\$63,356	\$68,777	\$74,428
\$50,000	\$44,000	\$79,194	\$85,970	\$93,035

Assessment Deferral Program

City Council reviewed and approved the program parameters developed by the Financial Assistance Committee and instructed staff to create a preliminary application, which will be used for both determining demand for the program and for allocating City funds. The program notification packet (Attachment “B”) includes a cover letter from the City Council introducing the program, a “Program Guidelines and Frequently Asked Questions” handout, instructions on completing the preliminary application, and the application itself. The packet will be sent to all residents in Districts 1, 2, 3, 5 and 6.

The application is structured as preliminary, meaning that it asks for basic information to determine interest and qualification. Once the responses are received, staff will report to Council on the interest and resulting funding demand. Because the application is only preliminary at this time, we will not be asking for all required documentation (copies of tax returns and complete assets listings). Those items will be requested after the loan program is finalized and loan documents are created.

If the materials are approved this evening, staff anticipates mailing the packets in the next week, and returning to Council after the preliminary applications are received in order to discuss the results and the funding allocation requirements.

CONCLUSION:

Staff recommends that the City Council approve the modifications to the Fact Booklet and authorize its mailing. Additionally, we recommend that Council approve the preliminary application materials and distribution to all residents in Districts 1, 2, 3, 5 and 6.

Attachment A: Final Draft Fact Booklet

Attachment B: Preliminary Deferral Program Application Materials

Fact Booklet

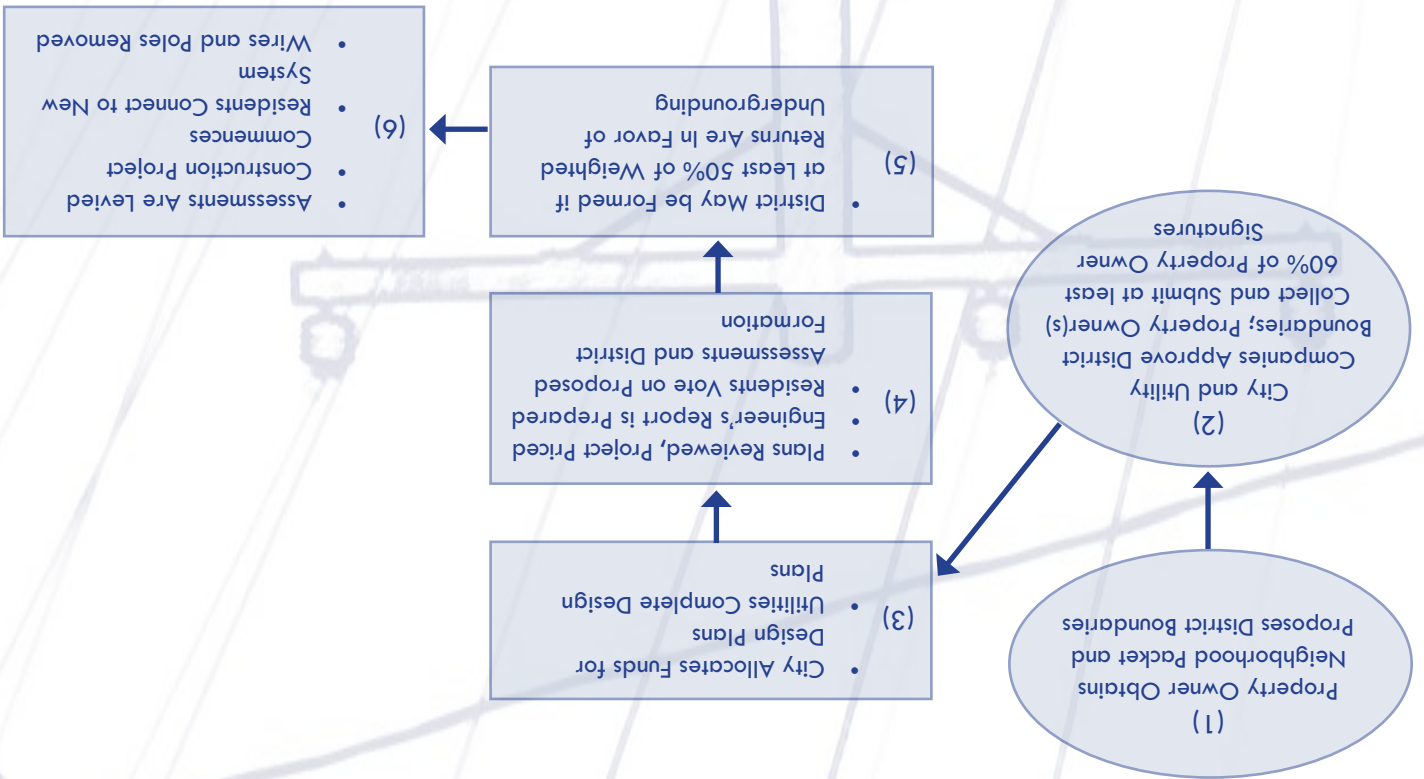
Utility Undergrounding in the City of Manhattan Beach

2 0 0 6

www.citymb.info

If you have more questions after reading this brochure, call the City of Manhattan Beach and ask to speak with the Neighborhood Utility Undergrounding Coordinator. (310) 802-5000

District Formation Flow Chart



7. Is There Financial Assistance for Undergrounding?



What Are My... Options For Paying the Assessment?

When a proposed district is approved by voters and City Council, three options become available to pay the assessment. These include:

1. Pay the full amount within 30 days after receiving a "Notice to Pay Assessment" from the City. You can expect to pay about 10-12% less than the assessment presented due to the elimination of financing fees.
2. Pay Yearly. You can spread all or a portion of the assessment PLUS INTEREST over 20 years as a lien on your property tax bill. The interest rate is determined when bonds are sold to finance the total project and will be current market rate at that time.
3. Defer your assessment partially or completely. If you are on a fixed income, or have a household income below thresholds established by the City and State of California, you may be able to defer all or part of your assessment until the sale or transfer of your home, at which time the assessment PLUS INTEREST ACCRUED will be repaid with the proceeds from the sale of your house. See "The City's Assessment Deferment Program" to the right.

If You Elect to Pay Yearly for 20 Years...

If financing a utility underground assessment over twenty years, the total cost of the project will include the base value of the assessment plus the interest associated with the bond. The following table provides examples of the total cost residents will have paid either in full within 30 days or over 20 years using three different interest rates.

If the Proposed Assessment Is...	Then the Actual Assessment if Paid In Full Within 30 days is Estimated to be...	Estimated Total Amount Paid Over 20 Years if Financed at the Following Interest Rates [The yearly assessment payment due can be determined by dividing the total by 20.]		
		5%	6%	7%
\$10,000	\$8,800	\$15,840	\$17,195	\$18,607
\$20,000	\$17,600	\$31,680	\$34,387	\$37,215
\$30,000	\$26,400	\$47,516	\$51,582	\$55,820
\$40,000	\$35,200	\$63,356	\$68,777	\$74,428
\$50,000	\$44,000	\$79,194	\$85,970	\$93,035

The City's Assessment Deferment Program

The City has created a tiered financial assistance (loan) program to help residents over age 62 with an annual household income of less than \$100,000 defer all or part of the cost of undergrounding utilities until the sale or transfer of their homes. The amount loaned by the City will accrue interest until it is repaid, with a fixed interest rate determined at the time the project commences. Qualifying for the program requires filling out an application form and providing certain information about your age, income and assets so that the City may determine your eligibility. The table below illustrates the various levels of assistance available to residents. Other qualifying factors include:

- Applicant must be 62 years of age or older, or blind or disabled as defined by the IRS.
- The applicant must apply for funds within a specified period as identified on the "Notice to Pay Assessment" and may remain in the program until the sale or transfer of the property qualifying for assistance.

What is... Utility Undergrounding?

Utility undergrounding is the process of placing all overhead utilities (electric, telephone, and cable TV wires) and electrical facilities such as transformers underground. Street lights are also replaced with standard marbelite poles. The arm height and length of the new street lights should be consistent, while the poles will typically be narrower and shorter than the wood utility poles removed.

1. Undergrounding In Manhattan Beach

Dear Neighbors,

Your City Council has prepared this Utility Undergrounding Fact Booklet as part of our ongoing effort to keep you informed. Our purpose is to make sure that you have accurate and updated information about residential undergrounding proposals in our City. Those of you who live in proposed undergrounding districts will have an opportunity this summer to complete a survey which will help us decide the future of undergrounding projects not yet underway. Based on the results of the surveys, we will make every effort to design/redesign districts to meet the needs of homeowners in those districts.

For those residents in districts which have already been constructed (Districts 1, 3, 5) or which have been approved by City Council (Districts 2 and 6), our Council has created an Assessment Deferment Program to address the concerns of our senior residents who do not have the present financial resources to pay for undergrounding. The program is described in detail in this booklet. Other residents may also qualify for financial assistance under the hardship exception program.

We recognize that undergrounding utility wires is one of the most challenging issues to face our community in many years. Your five Council representatives are committed to remaining neutral and we assure you that we will not become advocates for any position. We

will, however, proactively meet with our residents to provide and discuss accurate information, while dispelling any rumors and misinformation circulating throughout our community.

We also commit to you that we will advocate on your behalf with the utility companies to ensure accurate pricing and increase their accountability and transparency. Our aim is to partner with the utility companies and work together to make undergrounding more affordable and efficient for those residents who support it, regardless of the size of the districts ultimately formed.

This Fact Booklet is our first step in the process of bringing undergrounding to the forefront so that you can make informed decisions should a district be formed in your neighborhood. The ultimate decision of whether to approve an underground district rests with the City Council. However, before we make that decision, each and every resident within a district has the opportunity to cast a vote and be heard. The Council has already demonstrated that undergrounding will only proceed in those districts where a clear majority of residents support it. For those of you throughout the City who are not in proposed undergrounding districts, we provide you with this information as concerned neighbors.

Can I Also.. Defer the Private Property Expenses I Will Incur to Connect to the New System?

If you qualify for the City's Assessment Deferment Program, the additional cost to connect your private property to the new underground utility system may also be included. This one-time expense would simply be added to your annual assessment the year the expense is incurred, and the qualifying balance would still be paid by the City according to the criteria established in the table to the right.

For example, let's assume your annual assessment is \$1,500 and your annual defined taxable income is \$45,000. Under the City's loan program, you would pay the first \$900 of your annual assessment (2% x \$45,000), and the City would loan you the remaining balance of \$600. If your private property expense to connect to the new system was \$3,000, then in that year, you would still pay \$900, but the City would loan you \$3,600.

If grant funds or donations become available to pay for private property hook up costs, the city will allocate them according to the greatest need until such funds are expended.

- Hardship exceptions will be considered for those who do not meet established criteria, although funding is not guaranteed.
- This program applies to the principal residence only.

Defined Taxable Income (DTI)*	Resident Pays....	City Loans...
\$24,000 or less	<i>Resident qualifies for State Property Tax Deferment Program**</i>	
\$24,001 - \$40,000	\$0	Full Assessment Amount
\$40,001 - \$70,000	First 2% of Defined Taxable Income towards annual assessment	Balance of Annual Assessment
\$70,001 - \$80,000	First 3% of Defined Taxable Income towards annual assessment	
\$80,001 - \$90,000	First 4% of Defined Taxable Income towards annual assessment	
\$90,001 - \$95,000	First 5% of Defined Taxable Income towards annual assessment	

* The Defined Taxable Income (DTI) is determined by the inclusion and exclusion of certain income and expenses, as specified on the application for assistance.

** For more information about the State's Property Tax Deferment Program, please visit the State Controller's Office website at www.sco.ca.gov or call (800) 952-5661.

If your household income is less than \$24,000, you qualify for the State Controller's Office (SCO) Property Tax Postponement Program and thus would not be eligible for assistance through the City's program. More information about the State program can be obtained by contacting SCO directly.

Please note that you need only qualify during the initial application period (i.e., one time). The level of assistance available to you would remain the same over the duration of the deferment due to the program's funding pool constraints. For full program details, please contact the City's Finance Department at 310-802-5550.

Help Me Calculate How Much Assistance I Can Receive

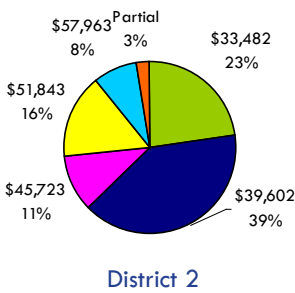
Let's assume you are 66 years old, have a Defined Taxable Income (DTI) of \$62,000, meet other program guidelines, and your annual assessment is \$3,875. Under the City's program, you would qualify for partial assessment deferment under the income bracket \$40,001 - \$70,000 and thus be expected to contribute the first 2% of your DTI toward your assessment. The City would loan you the remaining balance due. The calculated amounts are as follows:

\$1,240	You pay this annual amount (\$62,000 x 2%)
\$2,635	City loans you this amount (\$3,875 - \$1,240)
<hr/>	
\$3,875	Total Annual Assessment Due

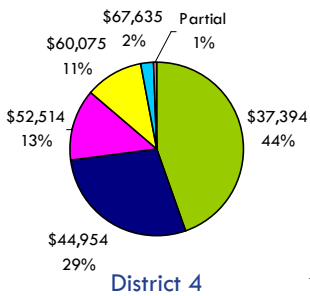
6. Tell Me More About Past Assessments and Future Estimates



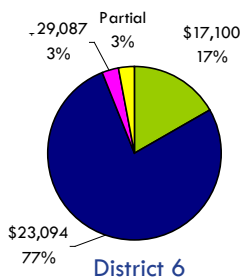
The pie charts below present assessment distributions among property owners in Districts 2, 4 and 6. They show that the majority of assessments presented to property owners in Districts 2 and 4 were toward the lower end of the range (green + blue; 62% and 73%, respectively), while the majority for District 6 was the median assessment (blue only, 77%).



District 2



District 4



District 6

How is A... Proposed District Approved by Voters and City Council?



See also the
District Formation Flow Chart
on the back page of this booklet.

In the City of Manhattan Beach, 6 of the 14 proposed assessment districts have been priced and voted on district formation, of which five have been approved. The public right-of-way assessment ranges presented to property owners in these first six are provided in the two tables below (Phase 1 and Phase 2). Each district's assessment range reflects the unique dynamics of the area, i.e., timing in moving forward, housing density, size of the district, etc. It is anticipated that the remaining 8 districts (7-10 and 11-14) will be priced and voted on sometime in 2008 and 2009, respectively.

It is worth noting that neighborhoods with lower housing densities will be, on average, more expensive per parcel to construct due to the fewer number of homes sharing the total cost of construction. For example, the four sand section districts witnessed significantly lower assessments than the two hill section districts because the lot sizes, and thus trenching distance per house, were much smaller. See the MAP in this booklet for corresponding locations. Labor wages and material costs also rose significantly between Phase 1 and Phase 2, further impacting the price differences observed.

Assessment Ranges for Recent Districts

The ranges provided below do not include the private property connection expenses discussed previously.

Phase 1

District No.	Formation Date	No. of Homes	Per Parcel Range	Total District Cost
District 1	March 2004	186	\$8,103 - \$13,087	\$2,075,434
District 3		219	\$4,978 - \$8,036	\$1,478,538
District 5		173	\$6,393 - \$10,591	\$1,447,500

Districts 1, 3 and 5 are located in the Sand Section.

Once a proposed district has been created, and design plans finalized, the project will be priced for construction and the following steps will occur:

- Each property owner in a proposed district will receive a ballot in the mail identifying his/her share of the project cost and will have 45 days to consider support for or opposition to the proposed assessment. (See also the tab "*What's Included in the Cost to Underground Utilities?*"). Under California State law, you **CANNOT** be assessed until you are informed of what the exact assessment will be and provided the opportunity to cast your vote either for or against that assessment.
- Each ballot must be returned to the City by a specified deadline; those returned are counted during a public hearing at a City Council meeting.
- The project area or assessment district is formed only if:
 - It is approved by a majority of the affected property owners based on the ballots cast (the weighted returns must be greater than 50%) , AND
 - A resolution is passed by a majority vote from City Council following the combined procedures of CA Proposition 218 and the Municipal Improvement Act of 1913.

[Once approved, the assessment presented cannot be increased without implementing new balloting and voting procedures.]

What Does "Weighted Return" Mean?

CA Proposition 218 mandates that the value of each vote be weighted according to the proposed underground assessment presented to each parcel. This means that parcels with higher proposed underground assessments will have a stronger vote. For example, the value of a vote given to a parcel receiving a \$40,000 proposed assessment would count for twice as much as the value of a vote given to a parcel receiving a proposed \$20,000 assessment. The proposed assessment is not the same as the Assessed Tax Value of your home.

2. Forming a District



How Is A... Utility Underground District Initially Formed?



Ocean Views... Why Aren't They Considered When Allocating the Cost of Undergrounding to Each Property?

The opportunity to enhance ocean views is one of several reasons that motivate home owners to consider undergrounding utilities. However, ocean views are not a protected right in the City of Manhattan Beach, and are subject to change based on surrounding development. For this reason, the assessment methodology considers lasting factors such as safety, reliability, and aesthetic improvements to the neighborhood itself, rather than ocean views in allocating costs among parcels in the proposed district.

For more information about Assessment Methodologies, see the sidebar under "What's Included in the Cost to Underground Utilities?" or call the City's Utility Underground Coordinator at (310) 802-5000.

Utility undergrounding is a homeowner driven process, rather than a City-wide directive. District boundaries are proposed by one or more property owners interested in starting a project in a particular neighborhood. Ideally, a proposed district should include no more than 300 homes due to the initial cost of design plans using funds allocated by the City. At least 60% of the property owners within the defined district boundary must sign a petition in favor of undergrounding before the proposed district will be formally recognized. The City will notify all property owners within the proposed boundary that such an effort is underway at the time a petition drive commences.

If you are interested in forming a proposed district, contact the City to obtain a "Neighborhood Utility Undergrounding" Packet, or download the information from the City's website at www.citymb.info. After obtaining the packet, take some time to review its materials. You should then contact the City's Neighborhood Utility Undergrounding Coordinator by calling 310-802-5000. From there, we will discuss your project and the steps that must be taken to form a proposed district in your neighborhood.

Phase 2

District No.	Formation Date	No. of Homes	Per Parcel Range	Total District Cost
District 2	November 2005	194	\$33,482 - \$57,963	\$8,103,771
District 6		304	\$17,100 - \$29,087	\$6,652,236
District 4	Not Formed	167	\$37,393 - \$67,635	\$7,420,574

Districts 2 and 4 are located in the Hill Section

District 6 is located in the Sand Section

Future Estimates

At the time petitions are circulated and signatures collected, the City can ESTIMATE future assessment ranges in today's dollars for your neighborhood based on its housing density and known open-market construction prices. However, the City cannot forecast the ACTUAL assessment that will be presented to you because the project is typically priced 2-3 years after signatures are submitted to the City. This lag is due to the time needed by the utilities to design construction plans for the district. For districts already proposed (Districts 7-14), the following table highlights the estimated assessment ranges in today's dollars (Spring 2006). While not a guarantee of future prices, the values may help residents estimate what future assessments might be when these proposed districts are priced in the future.

Proposed District No.	Projected Voting Date	No. of Homes	Per Parcel Range	Parcel Average
District 7	Spring 2008	62	\$21,701 - \$37,164	\$27,127
District 8		146	\$12,163 - \$20,525	\$15,204
District 9		208	\$18,464 - \$31,158	\$23,080
District 10		262	\$23,705 - \$40,595	\$29,632
District 11	Summer 2009	202	\$15,397 - \$25,597	\$19,246
District 12		229	\$6,196 - \$10,300	\$7,745
District 13		278	\$11,288 - \$18,767	\$14,111
District 14		245	\$7,697 - \$12,795	\$9,621

District 7 is located near American Martyrs

Districts 8, 12, 13 and 14 are located in the Sand Section

Districts 9 and 10 are located in the Hill Section

District 11 is located in the Tree Section

5. What's Included in the Cost to Underground Utilities?



What is... An Assessment Methodology and How is it Derived?

California State Proposition 218 requires that an Assessment Methodology be conducted by a professional Assessment Engineer when allocating the cost of a project among parcels of a defined area. It is based on a particular formula that first evaluates the direct benefit(s) that each parcel will receive as a result of the project, and then allocates a proportionate share of the total project cost to each parcel based on those benefit(s). Property values cannot be considered in allocating costs.

In developing an Assessment Methodology (i.e., formula), the benefits considered by the Assessment Engineer must be appropriate for both the district and the proposed project, as well as be legally defensible and supported by City Council. In the City of Manhattan Beach, the Utility Undergrounding Assessment Methodology considers these key benefits - Safety and Enhanced Reliability, and Improved Neighborhood Aesthetics - and uses them in deriving an assessment for each parcel in the district.

In residential neighborhoods, the total cost to underground utilities is paid for by property owners. It includes the proposed assessment for undergrounding utilities in the PUBLIC RIGHT-of-WAY, and PRIVATE PROPERTY EXPENSES associated with installing underground service connections from the property line to the house. The proposed assessment represents a collection of variables such as design, assessment engineering and financing fees, construction labor and materials costs, staff time, and the assessment methodology used to allocate project cost among all parcels in the proposed district. See sidebar, [“What is An Assessment Methodology and How is it Derived?”](#) Private property expenses are further described below. Additionally, because the utility companies own and maintain the wires placed underground, both in the street and on your property, maintenance of these wires is paid for by them. However, if the conduit installed on your property fails, you will be responsible for the cost of repairing it. Please note that wires located underground may take longer to repair than overhead wires.

1. Public Right-of-Way Expenses (The Proposed Assessment)

How much individual assessments will be depends on several factors, including the density of housing within a district, the total trenching distance needed to underground all utilities, and the difficulty of construction (e.g., digging in sand or through narrow streets). Additionally, construction labor and material costs are continually rising. Until a thorough design is completed, an accurate estimate cannot be obtained. However, the range of assessments presented to residents of previously formed districts may help you estimate what your future assessment might be. See [“Tell Me More About Past Assessments and Future Estimates.”](#)

5. Why can't the City pay for a part of this project, or incorporate undergrounding as part of other infrastructure improvements?

The City of Manhattan Beach is supportive of neighborhood undergrounding projects, and the City Council has set aside seed money to initiate them. However, there are many competing infrastructure needs that must be met, such as repaving roads, repairing public buildings, sewer lines and water lines, and maintaining our parks. If your neighborhood qualifies, the City Council will fund the initial engineering studies to determine the cost of the project. The seed money provided by the City will be added to the assessment if the project is approved by property owners. The City has also created a financial assistance program to help qualifying residents defer all or a portion of the assessment until the sale or transfer of their homes. For more information about this program, see [“Is There Financial Assistance For Undergrounding?”](#).

6. Why can't the Utilities pay for this project? It's their wires.

There is no legal requirement for utility companies to underground their existing overhead facilities. However, Edison is mandated by the California Public Utilities Commission (CPUC) to set aside funds to pay for undergrounding projects in high traffic or public use areas such as Manhattan Beach Blvd., Sepulveda Blvd. and other locations throughout the City. Additionally, Edison does bear some costs associated with undergrounding, such as pole removal and continued maintenance of the new system.

6. What if I want to opt-out of the district?

Currently, the City has no opt-out policy for residents who wish to be excluded from a proposed district. However, the City does recognize that not everyone included in a proposed district is in favor of undergrounding. That's why the City requires a minimum 60% showing of support among property owners in the defined area before approving the district boundaries and proceeding with design plans.

7. How do new technologies like fiber optics fit into utility undergrounding?

New technologies such as fiber optics can exist both on overhead poles or underground. Currently when undergrounding projects take place, there is additional room to include fiber optic cables.

3. Frequently Asked Questions (FAQs) About Undergrounding



1. Is undergrounding safe?

YES. In fact, undergrounding may be safer than overhead wires. In the event of an earthquake, the likelihood of someone being hurt from utility poles and wires is eliminated. The risk of utility wires coming into contact with water or other substances is also eliminated because the wires are placed in underground conduit. Additional benefits include improved electrical service and a reduction in fire hazards.

2. How long does it take an undergrounding project to finish?

Based on the size of the project, it will typically take 3-5 years to complete once funds are authorized by the City to initiate the project. While this may seem like a long time, several steps must be accomplished. These include:

- Creation of Utility Design Plans (up to 2 years)
- Review, Pricing and Voting Procedures (6 months)
- Construction (including bidding, 9-12 months)
- Cabling and Residential Connections (9-12 months)
- Pole Removal (3 months)

3. Will my electricity be out during construction?

NO. During construction there will be some disruption because the streets in the area will be dug up, but your electricity, cable TV, and telephone service should not be affected.

Will I Incur Additional Out-of-Pocket, Private Property Expenses if...

1. My utility wires are already located underground to the nearest telephone pole and there are no overhead wires to my house?

Most Likely No. Your home will be connected to the new underground system and your wires “picked up” by the utilities when cabling begins.

2. My house has overhead wires, but was built or significantly remodeled (+50%) after 1977?

Yes. \$500 - \$1,000 (typically) Expenses should be minimal as the City required that conduit be installed when the house was built or remodeled unless an exemption was granted. Exemptions may have been granted to homes with utility poles located in the back yard between two property lines where there is no street access. If you do have conduit, you will incur the cost associated with connecting the new underground wires to your house connection points.

3. My house has overhead wires and was built prior to 1977?

Yes. The cost depends on several factors as described under Private Property Expenses (to the right).

2. Private Property Expenses (Not Part of the Proposed Assessment)

You may or may not incur additional private property expenses in addition to proposed assessment described above, depending on when your house was built, the location of the utility wires serving your house, and whether you will need to install underground conduit on your private property. See sidebar “Will I Incur Additional Out-of-Pocket Private Property Expenses if.”

If installation of conduit is needed for the service conversion, homeowners will need to hire a licensed electrical contractor to perform the work. Expenses incurred to make a home ready for underground service typically range from \$3,000 - \$6,000, OR MORE depending on parcel and house characteristics. Recent estimates for some neighborhoods have been:

Sand Section

\$1,500 - \$5,000,
with the average being \$3,000

Hill Section

\$3,000 - \$12,000,
with the average being \$6,000

The actual cost will depend on property characteristics such as trenching distance needed from your property line to your house connection point, the type and quality of the surface material(s) that must be disrupted (e.g., cutting concrete, removing brick or flagstone, digging in dirt) and whether your electrical panel box must be upgraded. Since every house is unique, the City is not able to accurately estimate what this additional cost will be for individual homes.

The City encourages you to consider this additional expense and to obtain quotes for such work prior to any decision you make about undergrounding. Please note that it cannot be financed in conjunction with the proposed assessment unless you qualify for the City-sponsored deferment program (see “Is There Financial Assistance for Undergrounding?”). You will be required to pay your electrical contractor in full when the work has been completed.

4. MAP of Proposed and Existing Underground Districts



Map of UUADs

Districts 1-14



Utility Undergrounding Assessment Districts (UUADs) 1-14 in the City of Manhattan Beach (general boundaries as described)

- District 1* The Strand to Manhattan Ave., from 26th St. to Rosecrans
- District 2* Ardmore to Poinsettia, from 2nd St. to 8th St.
- District 3* Manhattan Ave. to Highland, from 26th St. to Rosecrans
- District 4+ Ardmore to Sepulveda Blvd. , from Boundary Pl. to 1st St.
- District 5* The Strand to Highland, from Marine to 26th St.
- District 6* The Strand to Highland, from 15th St. to Marine
- District 7^ 19th St. from Ardmore to Flourney, and Ardmore from 19th St. To Flourney
- District 8^ The Strand to Manhattan Ave., from 8th St. to 15th St.
- District 9^ Anderson to Larsson, from 2nd St. to 8th St.
- District 10^ Ardmore to Poinsettia, from 9th St. to Manhattan Beach Blvd.
- District 11 Blanche to Laurel, from 26th St. to 29th St.
- District 12 The Strand to Highland, from Moonstone to 45th St.
- District 13 Highland to Alma, from Marine to Rosecrans
- District 14 The Strand to Highland, from Rosecrans to Moonstone

* These districts have been approved
 + This district was not approved
 ^ These districts are in design
 Districts 7-10 Voting: Spring 2008
 Districts 11-14 Voting: Spring 2009

Attachment “B”

Preliminary Application Materials
Assessment Deferral Program



City Hall 1400 Highland Avenue Manhattan Beach, CA 90266-4795
 Telephone (310) 802-5000 FAX (310) 802-5001 TDD (310) 546-3501

April 5, 2006

Name
 Address
 Manhattan Beach, CA 90266

Re: Utility Underground Assessment Deferment Program

Dear -----:

As a Manhattan Beach homeowner with property located in Utility Underground District No. <<>>, you are undoubtedly aware of concerns raised that the cost of placing overhead utilities underground may cause a severe financial burden on some of our residents. To assist those who may be facing just such a challenge, the City Council has created an Assessment Deferment Program (ADP), the details of which are provided in the attachment, *Underground Assessment Deferment Program Guidelines and Facts*. In summary, the program is structured to assist homeowners over age 62 with a household income of less than \$100,000 defer all or a portion of their underground assessment until the sale of their home (primary residence only). The level of assistance available is coupled with income levels as defined in the following table:

Defined Taxable Income (DTI)*	Resident Pays	City Loans
\$24,000 or less	Resident qualifies for State Property Tax Deferment Program	
\$21,001 - \$40,000	\$0	Full Assessment Amount
\$40,001 - \$70,000	First 2% of DTI towards annual assessment	Balance of Annual Assessment
\$70,001 - \$80,000	First 3% of DTI towards annual assessment	
\$80,001 - \$90,000	First 4% of DTI towards annual assessment	
\$90,000 - \$100,000	First 5% of DTI towards annual assessment	

* The Defined Taxable Income (DTI) is determined by the inclusion and exclusion of certain income and expenses, as specified on the application for assistance.

Because we are uncertain of the demand for this loan program, and hence the amount of funding required to establish it, a preliminary application process is now being initiated. The preliminary application will provide the City with an estimate of the number of homeowners whom are interested and may qualify for the program, and the amount of the assessments for which loans may be made. Funding for the ADP will be determined in-part by the demand from the preliminary applications received. **Therefore, you are encouraged to return a completed application if interested in receiving financial assistance for your assessment.** Once the internal review has been completed, City Council can appropriate funding and determine how applications will be prioritized.

A blank application form has been included with this letter. Additional copies may be obtained by calling the City of Manhattan Beach, Department of Finance at 310-802-5550 or by visiting the City's website at www.citymb.info. **Completed applications must be returned to the City by <<<>>, 2006.** Please mail or hand delivered to:

City of Manhattan Beach
Finance Department
1400 Highland Avenue
Manhattan Beach, CA 90266

Once the Council has finalized the program details, all applicants will be contacted with further instructions. In the mean time, if you should have questions, please contact Bruce Moe at 310-802-5552 or bmoe@citymb.info.

Sincerely,

Manhattan Beach City Council

City of Manhattan Beach
Underground Assessment Deferment Program (ADP)

PROGRAM GUIDELINES AND FREQUENTLY ASKED QUESTIONS (FAQS)

The Manhattan Beach City Council has created the utility undergrounding *Assessment Deferment Program* (a loan program) to help qualified individuals meet their obligations to pay assessments for undergrounding utilities. The level of assistance available is coupled with income according to the table below. To qualify for this program, you must be able to answer **YES** to all of the three (3) questions below and meet certain other qualifications as outlined. If you believe that you will qualify, and would like to participate in the program, you should complete a preliminary application. After reading this information, please contact the City's Finance Department at 310-802-5550 should you have further questions.

Program Guidelines

Yes	No	Question
_____	_____	Are you or your spouse at least 62 years old, or are you blind or disabled in accordance with standards used by the Internal Revenue Service for tax return purposes?
_____	_____	Is the property (assessment) for which you are requesting assistance your primary residence?
_____	_____	Is the property for which you are requesting assistance owned by you or your spouse, ¹ or is it held in a revocable trust owned by you or your spouse?

- Excluding the applicant's primary residence (which is the subject of the assessment) and the cash value of a life insurance policy with a death benefit to age 100 at guaranteed rates, the applicant and spouse's assets may not exceed \$1 million. Assets in a revocable trust shall be considered owned by the applicant.
- Any assessment loan amount from the City, plus residential debt senior to the assessment loan, may not exceed 80% of the value of the property. An appraisal and title report will be required.

¹ For purposes of qualification, a registered domestic partner under the laws of the State of California will be considered a spouse.

Frequently Asked Questions (FAQs)

Which districts are eligible for the Assessment Deferment Program (loan program)?

Residents in all currently formed utility underground districts (1,2, 3, 5 and 6) are eligible, as are residents in all future districts once formed. All loans are subject to City funding availability.

How much assistance will I be eligible to receive?

The loan program will provide varying levels of City support based on your defined income. For example, a person with income of between \$24,001 and \$40,000 will be eligible to defer 100% of the annual assessment (plus applicable utility hook up costs and program administration fees), while a person in the \$90,001 to \$100,000 range will be required to contribute 5% of their income towards the total cost (which in some cases may phase out any assistance). The tiered assistance program is as follows:

Income	Program	Resident Contribution as a Percent (%) of Income
\$0 - \$24,000	State Program ²	N/A
\$24,001 - \$40,000	City Deferment	0%
\$40,001 - \$70,000	City Deferment	2%
\$70,001 - \$80,000	City Deferment	3%
\$80,001 - \$90,000	City Deferment	4%
\$90,001 - \$100,000	City Deferment	5%

As an example, if your annual assessment is \$2,000, and your income is \$45,000, you will pay the first \$900 (2% of \$45,000) of the annual assessment, and the City will loan the remaining \$1,100 each year.

When should I apply for the loan?

The City is currently accepting preliminary loan applications through <<<>>>, 2006. The purpose of this preliminary application is to determine the scope of interest in the program, which will then be used to set funding levels. Therefore, it is very important that you submit an application if you would like to participate in the program to ensure that appropriate funding is allocated by City Council.

² The State has a program that allows individuals making less than \$24,000 per year to completely defer all property taxes and assessments until the sale of the property. Contact the State Controller's office at 800-952-5661 for more information.

What's the difference between a preliminary loan application and a final loan application?

On the preliminary loan application submitted, you will need to enter certain income and expenses to determine your Defined Taxable Income, and thus your eligibility for the program. However, you will not be required to attach and submit supporting documentation at that time.

Your preliminary loan application will become your final loan application once the City appropriates funding for the program and then requests the necessary supporting documentation from you.

If I receive financial assistance from the City, will a lien be recorded against my property?

Yes. A lien is recorded against your property as security for the repayment of the loan once it is funded. Upon repayment, the City's lien will be removed.

When will I be required to repay the loan?

Repayment will be required when you sell or transfer your property to another individual, which includes family members other than your spouse. No payments are required until that date, but interest will continue to accrue on the outstanding balance. You may make payments toward, or pay off the entire loan at any time prior to selling or transferring your property if you wish (prepayment penalties may apply).

What is the interest rate of the loan?

A fixed interest rate will be set at the time the bonds are sold for the improvements. The loan rate will be equal to the rate paid for those improvement bonds. As of April 2006, that rate is expected to be approximately 5.25%.

Will the loan program be available to cover costs associated with the final hook-ups of my utilities?

Yes. If you qualify for the City's Assessment Deferment Program, you may also obtain a City loan for the basic hook-up costs.

What if I do not qualify for the program, but have other extenuating financial hardships that preclude me from making the annual assessment payments?

Those who do not qualify for the basic loan program, but have extenuating situations such as medical expenses which may preclude them from paying the annual assessment, may apply to the City under the hardship exception program. Contact the City's Finance Director at 310-802-5552 for further details.

What if I need a loan but wish to remain anonymous?

The City will not publicize the names of loan participants. However, under the Public Records Act, state law mandates that the City provide any information considered "public" if requested. This includes the name, address, parcel number and loan amount of anyone receiving City Funds, even if through a loan program such as the ADP. However, personal information including social security numbers, tax returns and other personal information is not subject to the law and will not be made public. The City will safeguard those documents without disclosure.

What if my circumstances change later, and I cannot afford the annual assessments?

Currently, there is only a *one-time option* to apply for the program as described above. If your circumstances change later, you may apply through the City's hardship program application process. However, funding cannot be not guaranteed. Please call the Finance Department for more information (310-802-5550) should your circumstances change.

Instructions for Completing the Preliminary Application for the City of Manhattan Beach Underground Assessment Deferral Program

Please refer to this list when filling-out the preliminary application.

<u>Line</u>	<u>Description of Information Required</u>
A	Please enter your name and your spouse's name (if applicable) as an applicant for the program. Please note that registered domestic partners under California law are considered spouses for the purposes of this program.
B	Enter the street address of your primary personal residence
C	Enter the city, state, zip code of your primary personal residence.
D	Please provide the telephone number at which we may contact you during normal business hours (Monday - Friday 8 AM – 5 PM).
E	To be considered for this program, you must be a resident of Manhattan Beach (a resident is defined as having your primary personal residence located in Manhattan Beach).
F	The program parameters require that you or your spouse must be 62 years of age or older at the time of application. Please fill-in the birthday of you or your spouse, whoever is older.
G	Individuals under the age of 62, who can claim an exemption on his/her federal tax return (form 1040) for being disabled or blind, may also qualify for this program.
H	To qualify for the loan program, you must live in the home for which the assessment loan will be made.
I-a	The City's deferment program requires that homeowners cannot have debt that is secured by their homes that exceeds 80% of the market value of the home. Please total all mortgages against the property (first trust deeds, seconds, home equity lines of credit, reverse mortgages, etc.) and enter that amount on line I-a.
I-b	Please enter your <u>estimate</u> of what you believe to be the current market value of your home. This is an estimate only. An actual appraisal will be required at the time of final loan approval to verify value.
J	Applicants may have up to \$1 million in assets in addition to primary personal residences and the cash value of life insurance. If the market value of those other assets (investments, second homes, income property, watercraft, automobiles, etc.) is less than \$1 million then you may qualify for the program. If the value exceeds \$1 million you will not qualify. An accounting of assets will be required in the actual application for verification purposes.

- K-T The City program includes an income based calculation to determine the amount of assessment that may be deferred. In order to complete this section, you will need to refer to your most recent income tax return (Internal Revenue Service form 1040, and Schedule "A" if applicable). Please use the most recent return you have filed:
- K. Enter the amount that appears on line 43 of form 1040
 - L. Enter any foreign income that is not taxed (and not reported on Form 1040).
 - M. Enter any municipal bond interest income you received (line 8b of form 1040).
 - N. Add lines K-M on the application and enter the subtotal on line N.
 - O. From Schedule "A" enter the amount shown on line 3 or line 1, whichever is less. If you did not file a Schedule "A" form with your tax return, enter 0.
 - P. From form 1040, add lines 63, 66a and 68, and enter the total on line O of the application.
 - Q. If you received wages as reported on form W2, please enter the amount shown in box number 4. If you did not receive a W2, please enter 0.
 - R. From Schedule "A," enter the lower amount shown on line 23 or 25. If you did not file a Schedule "A" with your tax return, please enter 0.
 - S. Add lines O-R and enter the total amount on line R.
 - T. Subtract line S from line N and enter the amount on line T.
- U. If you are eligible for the deferral program, you will also be eligible for a loan for the hook-up costs (i.e. completing the connection from the newly undergrounded electric, cable and telephone wires to your home's service panel). The loan will be due and payable upon sale or transfer of your home.
- V. Please provide your email address as an additional communications channel on this program.

Please contact the Finance Department at 310-802-5550 if you should have questions regarding the application.

City of Manhattan Beach Underground Assessment Deferral Program - Preliminary Application

Please use this form to indicate an interest in participating in the City of Manhattan Beach Underground Assessment Deferral Program. This application is preliminary and will be used to determine eligibility for, and interest in, the program. Program information and instructions are attached. If you have questions or need assistance in completing the form, please contact Bruce Moe at 310-802-5552. **Please complete this form and return by <<<<>>>>, 2006 to City of Manhattan Beach Finance Department, 1400 Highland Avenue, Manhattan Beach, CA 90266.**

#	Applicant Information	
A	Name	
B	Address	
C	City, State, Zip Code	
D	Telephone	
E	Are you a resident of Manhattan Beach?	
F	Are you or your spouse (or registered domestic partner) 62 years of age or older?	
G	Are you or your spouse disabled or blind for the purposes of claiming an exemption on your Federal income tax?	
H	Do you live in the home for which the assessment loan is to be made?	
I-a	What is the value of all existing loans secured with your primary personal residence?	\$
I-b	What do you estimate is the current market value of your home?	\$
Assets		
J	Excluding your home and cash value of life insurance, do you or your spouse have other assets with a market value of more than \$1 million?	
Income Qualifications:		Please complete this section using your most recent Federal Income Tax return (Form 1040).
K	<i>Taxable Income</i> from Form 1040 - Line 43	\$
Continued on next page		

City of Manhattan Beach Underground Assessment Deferral Program - Preliminary Application

L	Foreign Income Not Taxed	\$
M	Municipal Bond Interest from Form 1040 - Line 8b	\$
N	Subtotal (add lines K+L+M)	\$
Deductions		
O	<i>Non Deductible Medical Expenses</i> : Enter the lesser of Line 3 or Line 1 from Schedule "A" from your tax return	\$
P	<i>Payments/Credits</i> : Federal Tax Paid - Form 1040 - Line 63, 66a & 68	\$
Q	<i>Social Security Taxes Withheld</i> : Social Security Taxes from form W2 (Tax and Wage Statement), Box 4	\$
R	<i>Non Deductible Expenses</i> : Expenses from Schedule "A" - the lesser of line 23 or 25	\$
S	Subtotal of Deductions (add O+P+Q+R):	\$
T	Total Income for Qualification Purposes (subtract line S from line N).	\$
Other Information		
U	Will you need assistance with the hook-up costs?	
V	Please provide your email address	

Signature of Applicant(s)

Please return your completed preliminary application to:

Finance Department
 City of Manhattan Beach
 1400 Highland Avenue
 Manhattan Beach, CA 90266