

Memorandum

January 12, 2021

To: Jennifer Winfrey and Jason Forga, San Diego County
From: Pat Perinich, Harris & Associates, Inc.

Re: Permanent Road Division No. 1000, Zone 49 (Sunset Knolls)

INTRODUCTION

Permanent Road Division No. 1000, Zone 49 – Sunset Knolls (“PRD” or “PRD 49”) provides annual funding to pay for services associated with road improvements and maintenance associated with Sunset Knolls Road in Lakeside. The current funding, which results from the levy of assessments on parcels within the PRD, is not sufficient to pay for the capital rehabilitation and replacement of the improvements and the maintenance services provided. The purpose of this memorandum is to identify funding mechanisms and to propose levy methodologies for property owner consideration to pay for the annual costs associated with providing roadway improvements and services (the “annual funding requirement”).

FUNDING MECHANISM OPTIONS

Under Article 3 – By Permanent Road Divisions [Section 1160 – 1197] of the California Streets & Highways Code, two (2) funding mechanisms have been identified for consideration by the County and property owners to pay for the annual funding requirement: 1) a Special Tax (“special tax”), and 2) a Benefit Assessment (“benefit assessment” or “assessment”). For the purposes of this memorandum, the basis of allocating the annual funding requirement to the PRD parcels and approval process for both methods are briefly described below.

Special Tax

The methodology for allocating the annual funding requirement to the PRD parcels and determining the amount of the special tax for each parcel may be based on any reasonable formula, except it cannot be based on property value.

The process to establish a special tax requires 2/3 approval by the “voters” within the PRD. If there are 12 or more registered voters within the boundaries of the PRD, then there will be a registered voter election which will be held by the County Registrar of Voters. The registered voters will cast their votes in favor of, or in opposition to, the special tax and each vote will be weighted equally when

the votes are counted. If there are less than 12 registered voters within the boundaries of the PRD, then there will be a property owner vote by mailed ballot. The property owner's will cast their votes in favor of, or in opposition to, the special tax and a property owner's vote will be weighted based on the acreage of their parcel when the votes are counted, with each acre, or portion thereof, worth one vote. For example, a parcel that is one acre or smaller has one vote and a parcel that is larger than one acre, up to two acres, has two votes.

Benefit Assessment

The methodology for allocating the annual funding requirement to the PRD parcels and determining the amount of the benefit assessment for each parcel must be based upon the special benefit each property receives from the improvements and services to be funded by the assessment.

Benefit assessments may be established, change, or increased if there is not a majority protest from property owners during proceedings that are in compliance with Proposition 218 as outlined Article XIII D of the State Constitution. In compliance with Proposition 218, assessment ballots will be mailed to property owners at least 45 prior to a public hearing and tabulation of the ballots received will be conducted upon completion of the public hearing. During the voting period, property owners will cast ballots in favor of, or in opposition to, the proposed assessment and each property owner's vote will be weighted based on the proportional financial responsibility they have for the special benefit that is received by their parcel. In other words, a parcel's vote will be equal to its proposed assessment amount (\$1 equals 1 vote). A majority protest will exist if the weighted value of ballots received that are in opposition to the assessments is greater than the weighted value of ballots received that are in favor of the assessments and the assessments will not be levied. If there is not a majority protest, the assessment may be levied.

PROPOSED LEVY METHODOLOGIES FOR CONSIDERATION

Three (3) approaches are considered for allocating PRD 49 costs to the parcels within the PRD as described below.

- **Special Tax Per Parcel.** This option provides for a flat per parcel special tax to be levied. The initial per parcel special tax to be levied would be determined by taking the annual funding requirement and dividing it by the number of taxable parcels ("TP") subject to the special tax. In this case, each parcel would pay the same amount each year in order to pay the annual funding requirement. Since this is a special tax rather than an assessment, the tax on a parcel does not have to be proportional to the benefit it would receive.
- **Special Tax Per Acre.** This option provides for a per acre special tax to be levied. The initial special tax rate per acre to be charged to each parcel would be determined by taking the annual funding requirement and dividing it by the number of taxable acres subject to the special tax. In this case, each parcel would pay a percentage of the annual funding requirement based on its proportionate share of the total taxable acreage within PRD 49. Because of the variation in the tax per parcel this option is not recommended.

- **Benefit Assessment Per Equivalent Benefit Unit.** The State Constitution states that an assessment can only be levied for the special benefit received by the properties within the PRD boundaries. The proposed PRD assessment methodology utilizes the Equivalent Benefit Unit (“EBU”) methodology to apportion the costs associated with the annual funding requirement based on the special benefit conferred on each property within the PRD. The special benefit associated with the improvements are specifically:
 - Enhanced desirability of the property due to the improvements and the services provided by PRD 49 which relieves property owners of the responsibility for the maintenance of the roadways which serve their property.
 - Providing all weather access for improved ingress and egress to property along the maintained roadways.

MAPS AND TABLES

Maps and tables illustrating the apportionment of the annual funding requirement to the PRD parcels are provided for each levy methodology are provided on the following pages.

- Special Tax Per Parcel Methodology (pages 6-7)
- Special Tax Per Acre Methodology (pages 8-9)
- Benefit Assessment Per Equivalent Benefit Unit Methodology (pages 10-11)

BENEFIT ASSESSMENT PER EBU RECOMMENDED

The benefit assessment levy methodology based on EBUs is recommended for PRD 49. A discussion of the methodology and estimated assessment rates and amounts for the PRD is presented below.

Assigning EBUs to Parcels

The first step in calculating the assessment rates and amounts for the PRD is to assign EBU's to the assessable parcels within the boundaries of the PRD. EBU's are assigned to parcels based upon the information shown on the County Assessor's records and analysis of parcel imagery that is available from the County GIS website, Google Earth or some other image source.

There are two types of benefit that are assigned to parcels in the PRD. One benefit comes from access to the roadway. Each parcel with access to Sunset Knolls Road is assigned one (1.0) EBU for roadway access benefit.

The other benefit comes from roadway usage. This is based on the expected trip generation rates for a parcel based on the type and quantity of improvements on the parcel. Each parcel with one or more residential dwelling units is assigned EBUs for roadway use benefit. Single family residential homes are assigned 1.0 EBU each and mobile, manufactured, modular and park homes are assigned 0.5 EBU each. The lower EBU factor for mobile, manufactured, modular and park homes reflects lower expected trip generation rates from these types of dwelling unit in comparison to roadway use expected from single family homes. Although there are no parcels with commercial

uses at this time, 3.0 EBU would be assigned for each commercial building, if built, reflecting the higher expected trip generation rates for commercial property.

The table below shows the EBU factors for PRD 49.

EQUIVALENT BENEFIT UNIT FACTORS

Description of Special Benefit	EBU Factor
<u>Roadway Access Benefit</u> Sunset Knolls Road	1.00 EBU per Parcel
<u>Roadway Use Benefit</u> Single Family Residential Homes	1.00 EBU per Dwelling Unit
Mobile/Manufactured/Modular/Park Homes	0.50 EBU per Dwelling Unit
Commercial Buildings	3.00 EBU per Building

Total Equivalent Benefit Units

A table providing the EBU assignments for each of the PRD parcels and the total EBUs for all of the parcels is provided on page 11. The total EBUs for the PRD are summarized shown below.

$$21.0 \text{ Roadway Access EBUs} + 21.5 \text{ Residential Development EBUs} = 42.5 \text{ Total Equivalent Benefit Units}$$

Annual Funding Requirement

The next step in calculating the assessment rates and amounts for the PRD is to determine the annual funding requirement. The following table provides the estimated costs for the PRD:

<u>Roadway Improvements</u>		
Roadway Improvements	\$315,000	(over-eight year period)
District Formation/Assessment Balloting	\$25,000	(one-time initial cost)
Total Roadway Improvement Costs (divide by collection period)	\$340,000	<u>÷ 8 years</u>
Annual Cost of Improvements	\$42,500	
<u>Roadway Maintenance</u>		
Roadway Maintenance	\$7,350	(annual cost)
Assessment Administration	\$5,000	(annual cost)
Reserve Fund	\$5,000	(annual cost)
Annual Cost of Maintenance	\$17,350	
Annual Funding Requirement	\$59,850	

The estimated costs for roadway improvements, district formation and assessment balloting costs were provided by PRD staff. The estimated cost for roadway maintenance is equal to the amount currently assessed in PRD 49. Estimated assessment administration costs are based on costs for assessment districts that are similar to PRD 49 in size and complexity. The amount for deposit to the PRD reserve fund would be added to the current PRD fund balance of \$55,000. Once sufficient reserves are built up, the annual assessments will be reduced.

Assessment Rate Per EBU

The assessment rate per EBU for the PRD is calculated by dividing the annual funding requirement by the total number of EBUs in PRD 49.

$$\begin{array}{rcl} \textit{Annual Funding Requirement} & \div & \textit{Total Equivalent Benefit Units} = \textit{Assessment Rate Per EBU} \\ \$59,850 \textit{Required} & \div & 42.5 \textit{Equivalent Benefit Units} = \$1,408.23 \textit{Per EBU} \end{array}$$

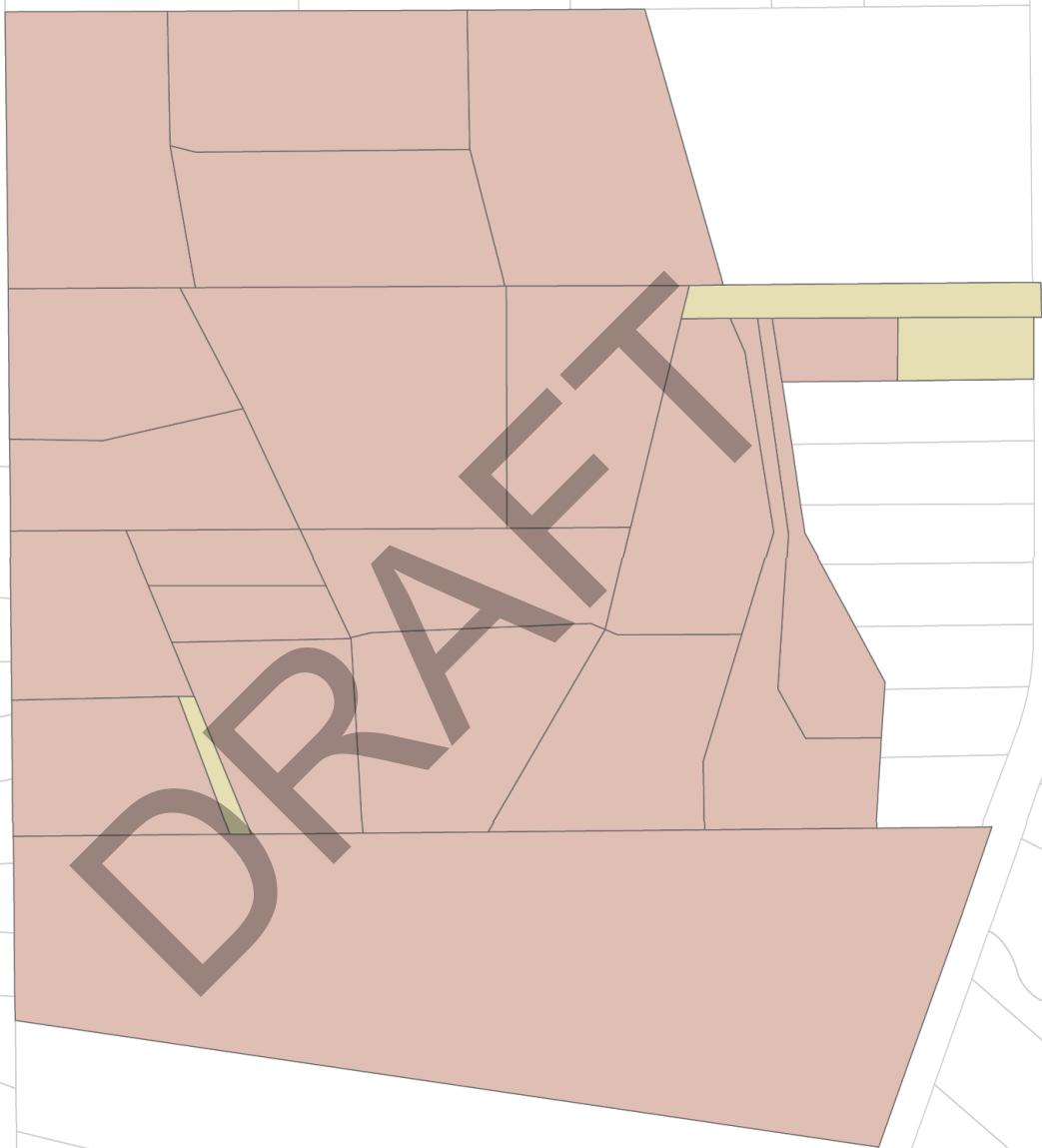
Parcel Assessments

The assessment amount for each parcel is calculated based on the following formula.

$$\textit{Parcel Equivalent Benefit Units} \div \textit{Assessment Rate Per EBU} = \textit{Parcel Assessment Amount}$$

The assessment amount for each parcel is provided in the table on page 11.

**PRD 49 Sunset Knolls
Special Tax Per Parcel**

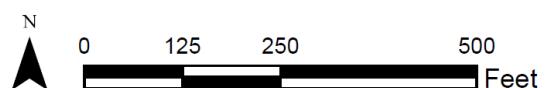


Legend

- Non-Taxable Parcels
- Taxable Parcels
- San Diego County Parcels



Harris & Associates



There are three (3) PRD 49 parcels that are not taxed for reasons listed below:

- APN 382-040-08 is part of Sunset Knolls Road.
- APN 382-040-09 accesses Marilla Road directly and it does not currently access Sunset Knolls Road.
- APN 382-040-28 is a sloped, unbuildable parcel. It adjacent to APN 382-040-24 and both parcels have the same property owner.

Special Tax Per Parcel Methodology

Assessor's Parcel No.	Taxable Parcels
382-040-03	1.00
382-040-04	1.00
382-040-05	1.00
382-040-06	1.00
382-040-07	1.00
382-040-08 ¹	0.00
382-040-09 ²	0.00
382-040-17	1.00
382-040-18	1.00
382-040-20	1.00
382-040-21	1.00
382-040-22	1.00
382-040-24	1.00
382-040-28 ³	0.00
382-040-29	1.00
382-040-30	1.00
382-040-33	1.00
382-040-34	1.00
382-040-35	1.00
382-041-01	1.00
382-210-08	1.00
382-210-24	1.00
382-210-25	1.00
382-210-31	1.00
Total Taxable Parcels	21.00

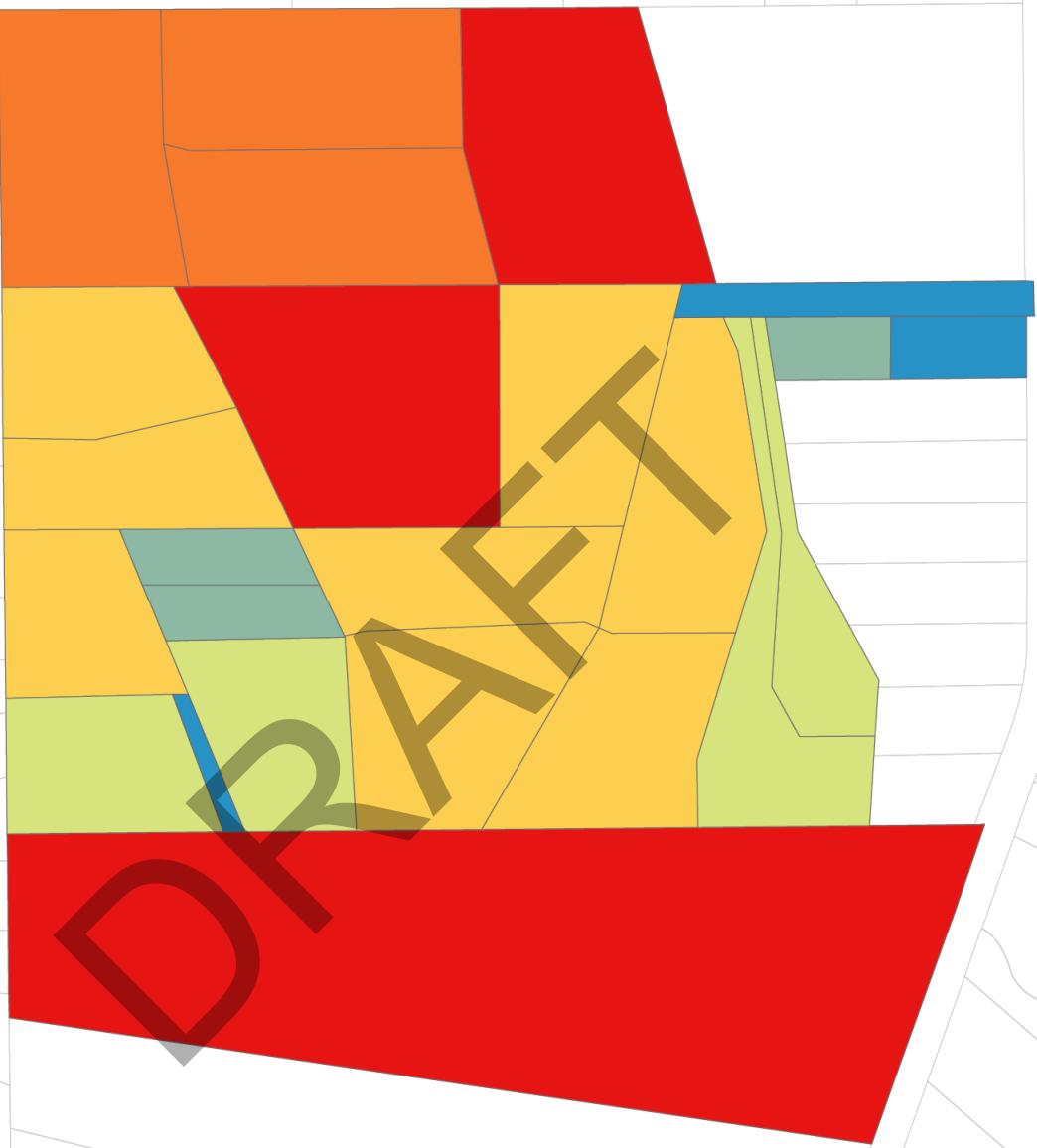
There are three (3) PRD 49 parcels that are not taxed for reasons listed below:

¹ APN 382-040-08 is part of Sunset Knolls Road.

² APN 382-040-09 accesses Marilla Road directly and it does not currently access Sunset Knolls Road.

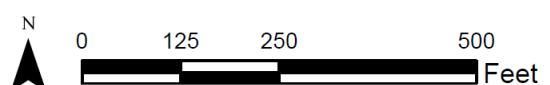
³ APN 382-040-28 is a sloped, unbuildable parcel. It is adjacent to APN 382-040-24 and both parcels have the same property owner.

**PRD 49 Sunset Knolls
Special Tax Per Acre**



Legend

Non-Taxable Parcels	1.51 - 2.00 acres
< 0.50 acres	> 2.00 acres
0.50 - 1.00 acres	San Diego County Parcels
1.01 - 1.50 acres	



There are three (3) PRD 49 parcels that are not taxed for reasons listed below:

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- APN 382-040-09 accesses Marilla Road directly and it does not currently access Sunset Knolls Road.
- APN 382-040-28 is a sloped, unbuildable parcel. It adjacent to APN 382-040-24 and both parcels have the same property owner.

Special Tax Per Acre Methodology

Assessor's Parcel No.	Taxable Acreage
382-040-03	2.13
382-040-04	1.46
382-040-05	0.99
382-040-06	1.26
382-040-07	0.26
382-040-08 ¹	0.00
382-040-09 ²	0.00
382-040-17	0.68
382-040-18	1.15
382-040-20	0.98
382-040-21	0.38
382-040-22	0.38
382-040-24	1.00
382-040-28 ³	0.00
382-040-29	1.11
382-040-30	1.20
382-040-33	1.14
382-040-34	1.38
382-040-35	1.10
382-041-01	8.85
382-210-08	1.78
382-210-24	1.52
382-210-25	1.51
382-210-31	2.19
Total Taxable Acreage	32.45

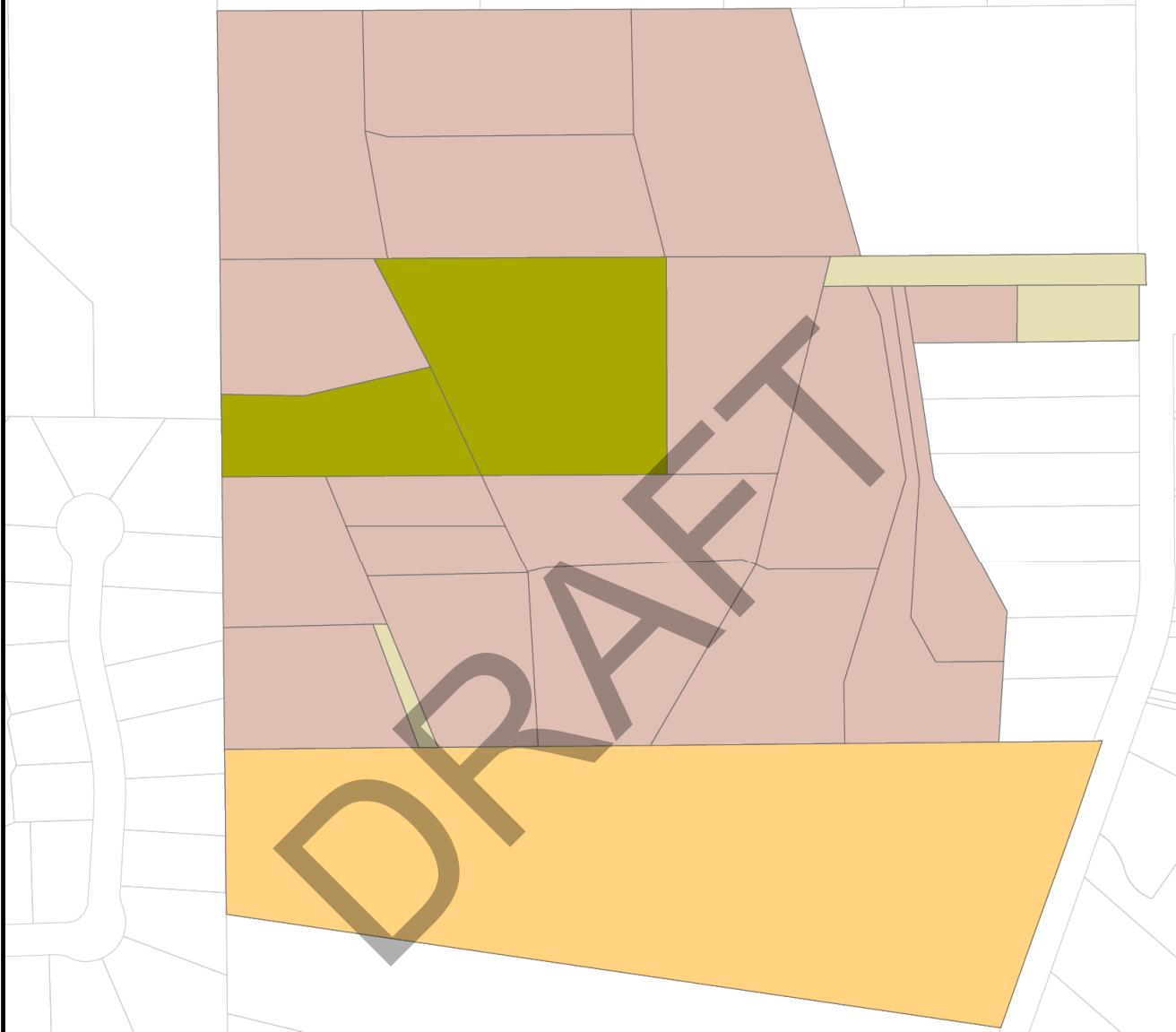
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**PRD 49 Sunset Knolls
Benefit Assessment
Per Equivalent Benefit Unit (EBU)**



Legend

[Light Yellow Box]	0.00 EBU	[Pink Box]	2.00 EBU
[Orange Box]	1.50 EBU	[Green Box]	2.50 EBU
[White Box]	San Diego County Parcels		



There are three (3) PRD 49 parcels that are not assessed for reasons listed below:

- APN 382-040-08 is part of Sunset Knolls Road.
- APN 382-040-09 accesses Marilla Road directly and it does not currently access Sunset Knolls Road.
- APN 382-040-28 is a sloped, unbuildable parcel. It adjacent to APN 382-040-24 and both parcels have the same property owner.

All of the assessed PRD 49 parcels have one (1) dwelling unit, a single family home, except for the following:

- APN 382-040-08 and APN 382-040-35 both have two (2) dwelling units, a single family home and a mobile home.
- APN 382-041-01 has one (1) dwelling unit, a park home.



0 125 250 500
Feet

Assessment Per EBU Methodology

Assessor's Parcel No.	Situs Address	County Assessor's Land Use Code and Description	No. of Dwelling Units	Equivalent Benefit Units			Assessment	
				Roadway Access	Roadway Use	Total EBU	Amount	
382-040-03 ^a	11604 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	2.00	1.00	1.50	2.50	3,520.59	
382-040-04	11642 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
382-040-05	11651 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
382-040-06	11637 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
382-040-07	11661 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
382-040-08 ¹	SUNSET KNOLLS RD	19 RESIDENTIAL	0.00	0.00	0.00	0.00	0.00	
382-040-09 ²	9638 MARILLA DR	11 RESID. SINGLE FAMILY	1.00	0.00	0.00	0.00	0.00	
382-040-17	11653 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
382-040-18	11627 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
382-040-20	11615 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
382-040-21	11613 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
382-040-22	11611 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
382-040-24	11623 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
382-040-28 ³	11623 SUNSET KNOLLS RD	19 RESIDENTIAL	0.00	0.00	0.00	0.00	0.00	
382-040-29	11621 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
382-040-30	11603 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
382-040-33	11612 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
382-040-34	11622 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
382-040-35 ^b	11609 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	2.00	1.00	1.50	2.50	3,520.59	
382-041-01 ^c	9540 MARILLA DR	10 VACANT	1.00	1.00	0.50	1.50	2,112.35	
382-210-08	11565 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
382-210-24	11602 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
382-210-25	11560 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
382-210-31	11666 SUNSET KNOLLS RD	11 RESID. SINGLE FAMILY	1.00	1.00	1.00	2.00	2,816.47	
Total Equivalent Benefit Units				21.00	21.50	42.50	59,850.00	

³ APN 382-040-28 is a sloped, unbuildable parcel. It is adjacent to APN 382-040-24 and both parcels have the same property owner.

Google Earth imagery was reviewed to verify the number of dwelling units on each CSA 49 parcel. There are three (3) parcels where the data has been changed to match the actual number of units on the property:

^a County Assessor's records indicate one (1) dwelling unit on APN 382-040-03. However, Google Earth shows two (2) dwelling units, a single family home and a mobile home. The parcel is assigned 1.50 dwelling unit EBUs (1.00 EBU for the single family home and 0.50 EBU for the mobile home).

^b County Assessor's records indicate one (1) dwelling unit on APN 382-040-35. However, Google Earth shows two (2) dwelling units, a single family home and a mobile home. The parcel is assigned 1.50 dwelling unit EBUs (1.00 EBU for the single family home and 0.50 EBU for the mobile home).

^c County Assessor's records indicate no dwelling units on APN 382-041-01. However, Google Earth shows one (1) dwelling unit, a motor home. The parcel is assigned 0.50 dwelling unit EBUs.