

SAN MATEO

**LOCAL AGENCY FORMATION COMMISSION**

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

May 8, 2002

TO: Members, Local Agency Formation Commission

FROM: Martha Poyatos
Executive Officer *Martha Poyatos*

SUBJECT: **LAFCo File 01-14—Proposed Annexation of 53 Properties in
Los Trancos Woods to the West Bay Sanitary District
(Continued from March 20, 2002)**

Summary

This annexation application was continued from your March 20 meeting to allow time to complete additional work in sewer design and cost estimates, determining feasibility of proposed easements, as well as determining the actions necessary to form an assessment district to fund the sewer main construction. As reported to you in March, the West Bay Sanitary District Board of Directors applied on behalf of property owners to annex 53 non-contiguous, developed residential parcels located in unincorporated Los Trancos Woods. The application has 100% consent of the owners of all 53 properties and the territory is located in the District's sphere of influence. Annexation is requested in order to provide sewer service to replace failing and inadequate septic systems. Following submittal of the District's application, the property owners approached the County regarding formation of an assessment district to finance what is currently estimated to be an approximately \$2.1 million sewer construction project.

The following report summarizes revised cost estimates as well as responses to some of the concerns and questions raised by the residents since your March meeting. Staff recommends approval of the annexation application conditioned upon successful formation of the assessment district or securing other financing to fund sewer construction and execution of necessary agreements between the County of San Mateo, West Bay Sanitary District and the Town of Portola Valley.

Background

The attached March 13 report provides detail on agency comments on the proposed annexation. In summary, the assessed valuation of the annexation territory is \$18,458,056 and there are 87 registered voters. San Mateo County General Plan land use designation for the area is low density residential (0.3 to 2.3 dwelling units per

acre). Zoning is R-1/S-8, 7,500 square foot minimum lot size. County Planning cites several General Plan policies which favor extension of sewer service as requested in the application. San Mateo County Environmental Health has commented that based on antiquated septic systems designed for summer vacation occupancy, small lot sizes and hydrological conditions in the area, sewer extension is supported.

Los Trancos County Water District, in the course of environmental review noted that the District's water supply assurance could not accommodate new construction that could occur if sewer were extended to all parcels in the area. West Bay Sanitary District subsequently adopted a mitigation measure that limited annexation to developed properties and a limited number of undeveloped properties for which owners could obtain will serve letters from the Water District. The Water District also completed a study that determined that the demand in the entire Los Trancos Woods neighborhood would increase by 10% once all currently developed parcels are converted to sewer.

Executive Officer's Report

While annexation of non-contiguous parcels is common practice with West Bay Sanitary District¹, this application is unlike other West Bay Sanitary District annexations in that it is by far the largest area of residentially developed territory proposed for annexation in decades. Also, because of the scope of the sewer construction it is the first time property owners are proposing use of an assessment district instead of privately financing construction of the sewer main.

Since the March LAFCo meeting, County and LAFCo staff met with 35 of the 53 property owners to review the annexation and assessment district processes and respond to questions. Staff presented the following information on assessment district formation:

1. Property owners petition the Board of Supervisors to form the assessment district and deposit funds
2. Feasibility study of easement is completed and reviewed by Town of Portola Valley and West Bay Sanitary District
3. Town of Portola Valley, West Bay Sanitary District with the County enter into necessary agreements regarding terms of granting easement and acceptance of sewer lines by West Bay

¹A feature unique to sanitary districts is the ability of the District to annex non-contiguous areas as permitted by sanitary district enabling legislation. The practice of non-contiguous annexations throughout the District's sphere of influence is common because by District ordinance, properties in district boundaries and within 100 feet of a sewer main must hook up to sewer. Therefore properties with functioning septic systems are not included in annexation boundaries until systems fail

- Sanitary District (If easement is not feasible, alternative of pump station is developed)
4. Engineer's report containing costs and assessment information complying with Proposition 218 and Improvement Act of 1913 is prepared.
 5. Board of Supervisors adopts resolution of intention to form the assessment district, assessment ballots are sent and hearing is set for at least 45 days following mailing of ballots.
 6. Board of Supervisors holds hearing, hears protests, closes hearing and counts ballots.
 7. If there is no majority protest, the Board of Supervisors forms the assessment district, assessments become a lien on property and a cash payment period begins.
 8. Certificate of completion is recorded, completing annexation
 9. Engineer completes construction plans.
 10. Board of Supervisors calls for bids, opens bids, adjusts assessments, authorizes sale of bonds
 11. Project is constructed and sewer system is turned over to West Bay Sanitary District.

The assessment district formation process is estimated to take approximately six months. After reviewing this process with the property owners, concerns were raised regarding the method of assessment. Property owners present expressed consensus that the preferred method of assessment was to evenly spread the cost of the sewer construction over all 53 properties. However, the assessment district process requires that the residents petition the Board of Supervisors to form the district prior to determination of the method of assessment. While the law does permit an equal assessment if findings can be made that all properties benefit equally, it cannot be guaranteed. The assessment must be based on the benefit to the property as determined by findings in the engineer's report.

Cost Estimate

Property owners also wanted a better understanding of the upfront costs versus the annual assessment and annual sewer service charges that would apply.

Following further review of the preliminary design and West Bay Sanitary District's sewer design specifications, County Public Works has revised the original project estimate of \$1.8 million prepared by the property owners. The revised estimate of \$2.1 million provides for mitigation measures that may be required following special plant and animal surveys, as well as assessment district formation proceedings. The estimate is conservative in order to ensure that the ballots for the assessment proceedings will adequately cover project costs when the project bid is awarded. If

the final cost of the project as bid exceeds the amount allowed by the assessment as approved by the property owners in the ballot process, the assessment proceedings would have to be conducted again. If the accepted bid is less than the project estimate, the assessment would be reduced to reflect the actual project cost.

As reported to you in March, extension of sewer service to the annexation area will facilitate construction of approximately 8,500 feet of sewer main within public streets and in some cases easements with stubs to the property line to accommodate clean-outs/sewer laterals for individual parcels. Individual property owners are then responsible for the cost and construction of individual laterals from the property line to the home and ejector pumps where parcels are below the grade of the sewer main. The revised estimate for the cost of construction of sewer mains and associated Class III permit, reimbursement fees, road restoration, and assessment district administration is \$2,100,000 or approximately \$40,000 per household², compared to the original estimate of \$1.8 million and assessment of \$34,000 per parcel.

The following table summarizes the estimated costs related to construction, assessments and annual sewer service charges. The table also includes costs already incurred for environmental review, map preparation and application fees. Also shown is the deposit amount of \$2,000 per parcel to fund the engineering and assessment district proceedings. This amount would be payable by the property owners when the petition to form the assessment district is submitted to the Board of Supervisors. Additional costs may apply to individual parcels or groups of parcels that are below the grade of the sewer main and must pump effluent to the main. Annual assessment can not be determined at this time because it depends on the number of property owners paying cash in the cash payment period, the bond interest and term and method of assessment.

² West Bay Sanitary District has a reimbursement policy by which annexation of property that could subsequently be served by these sewer mains would be subject to reimbursement of their proportional share of the sewer main extension to the original 53 property owners at the time property is annexed to the District.

Los Trancos Woods Sewer Extension Cost Estimate Summary

Costs Already Incurred Per Parcel

Description	Estimated Cost
Environmental Document, Mapping & Application Fees (Paid)	\$1,500

Estimated Assessment District Costs Per Parcel

Deposit for Assessment District Formation (Due upon submittal of Assessment District petition)	\$2,000
Remaining estimated Assessment District Costs (Depends on the number of parcels assessed)*	\$38,000
Bond Costs applicable only to those property owners that choose not to pay for assessment in cash during cash payment period	Will depend on number of property owners that decide to let assessment go to bond- Costs are spread over 15 years and include interest on the bonds plus cost to prepare and sell bonds
West Bay Sanitary District - Class 3 - Permit (One time fee for entire sewer main construction \$5,200)	incl. in assessment
Total	\$40,000

Non Assessment District Costs Associated with Removing Existing Septic System and Connecting to the Proposed Sewer System

Estimated Cost to Property Owner to construct lateral and other required site specific improvements	\$2,500 to 7,000
Septic Tank Abandonment Cost**	\$1,500 to 2,500
Envir. Health Fees** (may increase by approx. 3-5% per year)	\$529
WBSD Connection Charge (Current Per parcel)	\$2,436
WBSD Sewer Residential Lateral Inspection	\$100
Total	\$7,065 to \$12,565

Estimated Annual Costs

West Bay Sanitary District Annual Sewer Service Charge	\$242
Annual Assessment Costs for those parcels that let the assessment go to bond	Dependent upon final cost of project, bond interest rate, bond term, method of assessment

*Based on Estimated Construction Cost of \$2,500,000

**Savings may be realized by grouping work of neighboring properties.

Reimbursement Agreements

West Bay Sanitary District has a standard reimbursement agreement that provides for prorated reimbursement by property owners who annex and hook up to a sewer main after it has been funded and constructed by others. Use of the assessment district with the County as sponsor requires further analysis of whether the County or the District should administer reimbursement by subsequent users.

Agreements between Public Agencies

As summarized in the assessment district process outlined above, agreements between the County of San Mateo, West Bay Sanitary District and the Town of Portola Valley would be necessary for the proposed easement and acceptance of the sewer lines by West Bay Sanitary District.

Environmental Review

The West Bay Sanitary District, acting as lead agency under the California Environmental Quality Act (CEQA), has prepared and adopted an Initial Study and Negative Declaration for the Los Trancos Woods Sewer Construction and Annexation Project. The Negative Declaration is included with this report. As responsible agency under CEQA, the Commission must use the Negative Declaration prepared by the District in considering annexation to the District.

The Initial Study identified less than significant impacts related to biological resources, geology, traffic, construction and water demand and also incorporated mitigation measures. In regard to water, the Los Trancos County Water District commented that the District did not have adequate capacity to serve additional development that could occur on currently undeveloped lots. In response, West Bay Sanitary District adopted a mitigation measure that only developed properties or properties that had been issued "will serve" letters from Los Trancos County Water District would be considered for annexation to the Sanitary District. . Other mitigation measures include measures to address impacts related to construction, traffic and biological and cultural resources.

As responsible agency under CEQA, the Commission would need to certify that it has reviewed and considered West Bay Sanitary District's Negative Declaration if the Commission decides to approve the proposal.

Recommendation:

The study area and annexation parcels consist of a developed residential area in the sphere of influence of the West Bay Sanitary District. The District has applied by resolution with 100% written consent of the property owners who have demonstrated genuine interest and financial commitment in moving the annexation application forward. Annexation is consistent with the District's plans for extending services and with the County of San Mateo's general plan provisions favoring extension of sewerage systems to serve unincorporated urban areas presently using individual sewage disposal systems where warranted by public health concerns or the planned density of development. The County of San Mateo Environmental Health Division supports extension of sewer to serve the area based on the age of the septic systems, the small lot sizes, and hydrogeologic conditions in the area.

Section 56886 provides that a change of organization may be approved subject to conditions including additional taxes or assessments. Approval of the annexation application conditioned upon formation of the assessment district will enable the property owners to move forward to pursue the assessment district to fund the sewer main construction.

Recommended Action, by motion:

The Commission certifies that it has reviewed and considered the final Initial Study and Negative Declaration for the Los Trancos Woods Sewer Annexation Project, prepared by the West Bay Sanitary District as lead agency.

Recommended Action, by resolution

Approve LAFCo File No. 01-14-Proposed Annexation of 53 parcels (Los Trancos Woods Group) to the West Bay Sanitary District, subject to the following terms and conditions:

- a. Formation of an assessment district to fund the sewer main construction to serve the annexation parcels.

Attachments: March 13, 2002 staff report
 Application Materials
 Negative Declaration

Cc: Tim Clayton, West Bay Sanitary District
 Paul Scannell, Assistant County Manager
 Neil Cullen, Director, San Mateo County Dept. of Public Works
 Marcia Raines, Director, San Mateo County Environmental Service Agency
 Tom Vlasic, Town of Portola Valley, Planning
 Stan Gage, Los Trancos County Water District
 Carol Woodward, Dep. County Counsel
 "Los Trancos Woods Group"

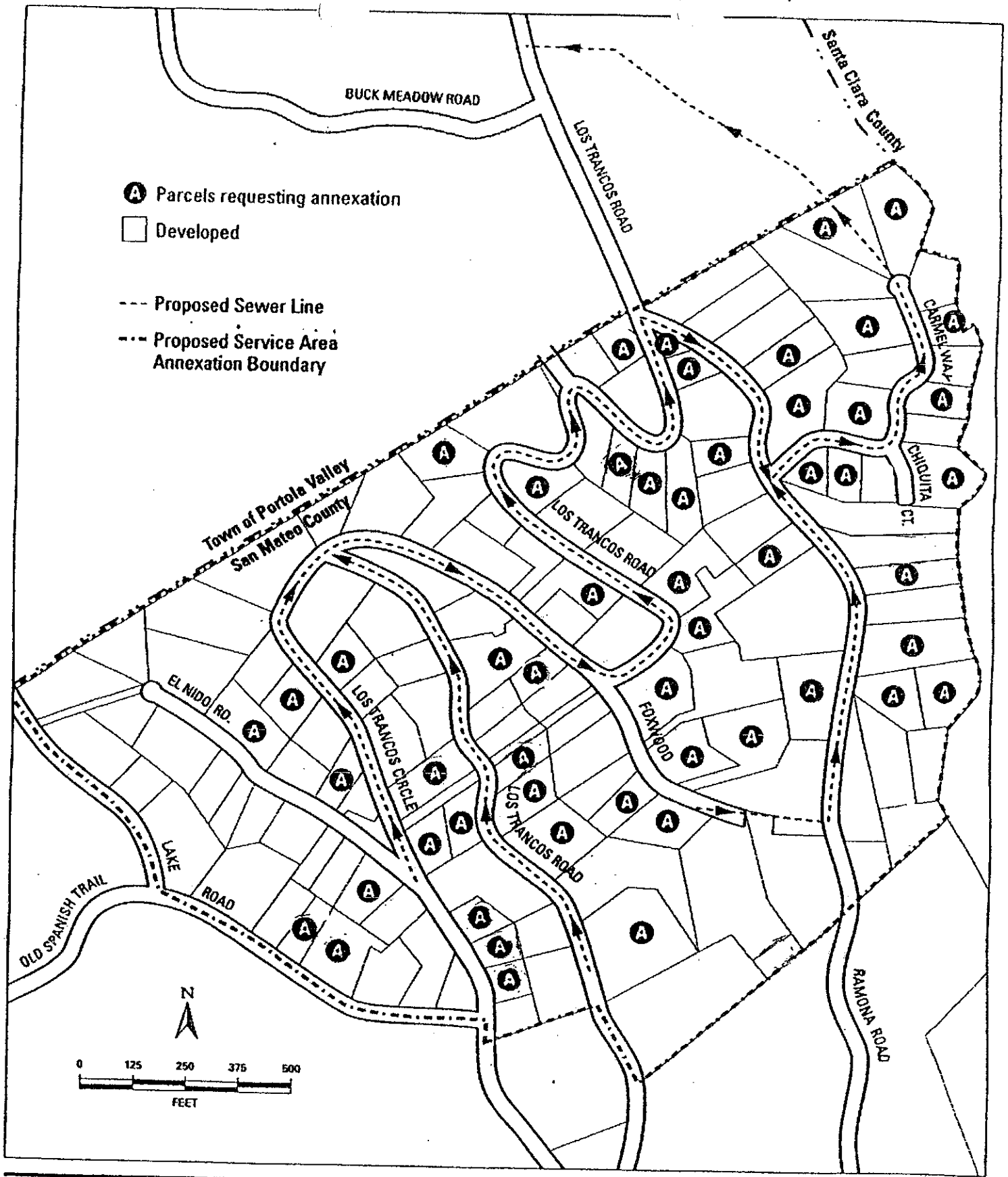


Figure 3

Proposed Sewer Lines

Source: West Bay Sanitary District and San Mateo County

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APPLICATION FOR A CHANGE OF ORGANIZATION OR REORGANIZATION TO THE
LOCAL AGENCY FORMATION COMMISSION

A. GENERAL INFORMATION

1. Briefly describe the nature of the proposed change of organization or reorganization.

Proposed sphere amendment and annexation to the West Bay Sanitary District

2. An application for a change of organization or reorganization may be submitted by individuals in the form of a petition or by an affected public agency in the form of a certified resolution. This application is submitted by (check one):

 Landowners or registered voters, by petition
 x An affected public agency, by resolution

(If this application is submitted by petition of landowners or registered voters in the affected territory, complete the petition form.)

3. What are the reasons for the proposal?

To receive sanitary sewer service from WBSD, no service available from the County of Santa Clara.

4. Does this application have 100% consent of landowners in the affected area?

 x Yes No

5. Estimated acreage: **25.03715 combined acreage (Exhibit C)**

B. SERVICES

1. List the name or names of all existing cities and special districts whose service area or service responsibility would be altered by the proposed change of organization or reorganization.

West Bay Sanitary District

2. List all changes to the pattern of delivery of local services to the affected area. For each service affected by the proposed change(s) of organization, list the present source of service (state "none" if service is not now provided), the proposed source of service and the source of funding for construction of necessary facilities (if any) and operation.



<u>SERVICE</u>	<u>PRESENT</u>	<u>PROPOSED</u>	<u>FUNDING SOURCE</u>	
	<u>SOURCE</u>	<u>SOURCE</u>	<u>CONSTRUCTION</u>	<u>OPERATING</u>
<u>Sewer</u>	<u>None</u>	<u>West Bay S.D. Proponent</u>		<u>Fees</u>

C. PROJECT PROPOSAL INFORMATION

1. Please describe the general location of the territory which is the subject of this proposal. Refer to major highways, roads and topographical features.

Arastradero Road, Santa Clara County (City of Palo Alto)

2. Describe the present land use(s) in the subject territory.

See Exhibit D, Initial Study Arastradero Road Area Sewer Annexation Project.

3. How are adjacent lands used?

North: **See Exhibit D**

South: **See Exhibit D**

East: **See Exhibit D**

West: **See Exhibit D**

4. Will the proposed change of organization result in additional development? If so, how is the subject territory to be developed?

N/A

5. What is the general plan designation of the subject territory?

See Exhibit D

6. What is the existing zoning designation of the subject territory?

See Exhibit D

7. What pre-zoning, environmental review or development approvals have already been obtained for development in the subject territory?

**Initial study/mitigated negative declaration, prepared September 1998
Initial study/mitigated negative declaration, prepared June 2001**

8. What additional approvals will be required to proceed?

LAFCo



9. Does any portion of the subject territory contain any of the following --agricultural preserves, sewer or other service moratorium or wetlands subject to the State Lands Commission jurisdiction?

No

10. If no specific development projects are associated with this proposal, will the proposal increase the potential for development of the property? If so, how?

No

LAFCo will consider the person signing this application as the proponent of the proposed action(s). Notice and other communications regarding this application (including fee payment) will be directed to the proponent at:

NAME: West Bay Sanitary District
ADDRESS: 500 Laurel Street
Menlo Park, CA 94025

PHONE: 650-321-0384

ATTN: Tim Clayton, District Manager



Signature of Proponent



D. AFFECTED PUBLIC AGENCIES

Please complete this section if this application is submitted by resolution of one or more affected public agencies. Certified copies of resolutions listed below must accompany this application.

1. The names and resolutions of agencies applying for the change of organization or reorganization described above are as follows:

<u>Affected Agency</u>	<u>Resolution No.</u>	<u>Date Adopted</u>
WBSD	1450 (01)	8/13/01

2. Does this application have 100% consent of landowners in the affected area?

Yes No (If yes, include proof of consent.)

PLAN FOR PROVIDING SERVICES

1. Enumerate and describe the services to be extended to the affected territory.

Sanitary sewer service

2. Describe the level and range of those services.

Residential sanitary sewer service

3. Indicate when those services can feasibly be extended to the affected territory.

Upon completion of construction of sewer mains and pumping station

4. Indicate any improvements or upgrading of structures, roads, sewer or water facilities, or other conditions to be imposed or required within the affected territory.

The construction of a pump station and 2400 feet of 8" gravity sewer

5. Describe financial arrangements for construction and operation of services extended to the affected territory. Will the territory be subject to any special taxes, charges or fees? (If so, please specify.)

All construction to be financed by property owners.

6. In as much detail as required to give a clear explanation, explain why this proposal is necessary at this time.

To provide sanitary sewer service and abandon existing failing septic/leach field systems.

This section completed by

Elizabeth Clayton
(Name)

District Manager
(Title)

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