

BACKGROUND

In 2004 a developer submitted plans to construct luxury homes in the Annandale Canyon area. Specifically, Annandale Canyon Estates, LLC, a development company submitted an entitlement application to construct 24 single family homes. The development site referred to as the Annandale Estates property consists of 37 parcels and is approximately 20.6 acres in size. The City and the developer are currently in litigation centering on the timing of the City's environmental review of the project. In November of 2007, the City and the developer entered into an agreement for the acquisition of the property.

Over the past year the City has researched State, County and Federal sources to determine if there are funds available to acquire the site. The City also evaluated the establishment of an assessment district as a source of potential funds. The total acquisition is estimated to cost \$7,000,000. The proposed benefit assessment district is proposed to yield a total of \$3,000,000 and the Santa Monica Mountain Conservancy grant \$2,500,000 thereby leaving a balance of \$1,500,000 to be funded from State and County sources. In April, 2007 the City applied for and received a grant from the Santa Monica Conservancy to assist with the acquisition of the site. The grant to the City from the Conservancy is in the amount of \$2.5 million.

Following approval of these funds it was determined that additional State and County funds and the establishment of an open space assessment district would be needed to secure the balance of the acquisition cost estimated at a total of \$7,000,000.

In August, 2007, the City retained the services of Koppel & Gruber to evaluate and determine the amount of funds needed from the assessment district, to determine the boundary area for the proposed district and to prepare the required Engineer's Report for the assessment district.

PROPOSED OPEN SPACE ASSESSMENT DISTRICT

The proposed District would be formed in accordance with Chapter 4.95 of Title 4 of the City's Municipal Code, the Landscaping and Lighting Act of 1972, Article XIID of the California Constitution and the Proposition 218 Omnibus Implementation Act. The City has retained Koppel & Gruber Public Finance to prepare an Engineer's Report which (a) describes the boundaries of the District and the zones within, (b) the cost of the open space to be acquired, (c) the determination of the general versus special benefit, (d) the contributions of other entities toward the purchase price, (e) the methodology utilized to spread the proposed assessments, and (f) the amount of the total proposed assessment for each parcel and its estimated annual assessment installments.

The proposed District involves an assessment balloting process and is subject to Proposition 218. Property owners will receive mailed assessment ballots to vote for or against the District. The ballots are weighted based on the total amount of the proposed assessment to be levied on such parcel. For example, a parcel with a proposed assessment of \$1,000 constitutes twice as many votes as a parcel with a proposed assessment of \$500. If a majority of the weighted votes cast are in favor of the District, the District may be formed.

Tonight's recommended action is to (a) initiate the assessment district proceedings, (b) approve the boundaries (c) preliminarily approve the Engineer's Report, (d) declare its intention to form the District and issue bonds, (e) set March 31, 2008 as the date for a public hearing and to return assessment ballots, (f) approve balloting procedures, and (g) adopt a reimbursement resolution allowing for reimbursement of City funds which may be advanced pending issuance of assessment bonds and receipt of bond proceeds.

Assessment Ballots will be mailed following this meeting giving property owners at least 45 days notice of the public hearing. Community educational out reach is to be provided by the neighborhood. On April 7, 2008, the ballots which are returned will be opened and tallied. To pass, the District would need to have 50% or more of the returned weighted ballots be in favor of the proposed District's formation. If the District's passes, the Council would have the opportunity on April 7, 2008 to approve a resolution forming the District and levying the assessments. Assessment bonds will be issued secured by the assessments. Each year, assessment installments will be placed on the County property tax bill and are payable semiannually with an owner's property tax bill.

Should a citywide assessment district which includes open space improvements be formed in the future, the homeowners have requested inclusion of the proposed District lien within the citywide assessment district thereby avoiding two open space assessments.

COMMUNITY PARTICIPATION

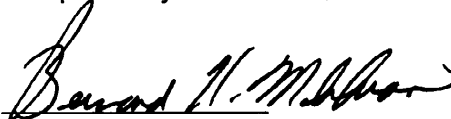
Over the past several months staff has been working closely with representatives of the Linda Vista Neighborhood Association including property owners immediately adjacent to the proposed parcels to be acquired regarding the establishment of open space assessment district. Specifically, this group has been helpful in shaping the boundary district and the 4 assessment zones within the boundary area. The working group was also instrumental in assisting with the preparation of an information packet containing most frequently asked questions and answers regarding assessment districts. Over the next few weeks the working group will be holding several group meetings with property owners within the district to determine if there is support for the district.

FISCAL IMPACT

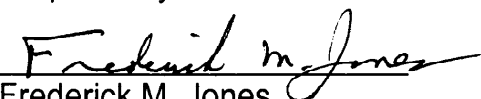
The estimated total acquisition cost (including closing costs) of the open space land is approximately \$7,000,000. A grant from the Santa Monica Mountains Conservancy in the amount of \$2,500,000 has been secured. The proposed District will generate \$3,000,000 toward the purchase price by the issuance of assessment district bonds. The remaining \$1,500,000 is to be funded by State, County and City funds. If State and County funds are not obtained the City will fund up to a maximum of \$1,500,000. The fiscal impact to the City is that the City may be required to advance all funds for the acquisition cost and deposit the funds into escrow in May, 2008. The City contribution will be drawn from the General Fund, Undesignated Reserve. The approval of the reimbursement resolution will enable the City to reimburse itself from bond proceeds (in June 2008) and until such time as the City secures the additional funds from the State and County.

The City will incur ongoing maintenance costs for the open space estimated at \$50,000 per year.

Respectfully submitted,


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Concurrence:


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ATTACHMENTS

- Engineer's Report
- Community Schedule