

UNDERGROUNDING UTILITIES – FREQUENTLY ASKED QUESTIONS

Q.1 who is entitled to form a Utility Undergrounding District?

A. Since Kensington is unincorporated, the Contra Costa County Board of Supervisors will normally begin forming an assessment district when the Board receives a petition to form the District from 60 % of the owners of an affected area. The 60 percent is based upon the net street area, rather than the number of residents, so that a person with two lots, would, in effect, have two votes.

Q. 2 Who pays for an Applicant Financed Utility Underground District project?

A. The parcel owners within the District pay their determined share of the work in the public right of way (street) AND for the conversion/connection work on their own parcel. This includes the trenching from the street to the house, and possibly the upgrading of the utility box of the house.

If an undergrounding District is formed, the District will issue municipal bonds which will be sold to generate the funds for doing the undergrounding work. The bonds will be paid back by the parcel owners either all at once at a discount, or in yearly installments on their property tax bills. Bonds often are repaid over 15, 20 or 25 year periods, with annual assessments on the property tax bill. The bonds bear a market rate of interest determined at the time of issuance. Bond counsel and underwriters will be hired to structure and market the bonds.

Q.3 Are there public funds available for undergrounding Utilities?

A. Generally, NO. The Public Utility Commission has Rules that govern undergrounding utilities projects. Under Rule 20A of these Rules, some funds received from utility ratepayers are allocated for public utility undergrounding projects. Unfortunately, the Rule 20A funds are already “spoken for” for many, many years into the future, because the number of scheduled projects exceeds the available funds. Realistically, the property owners in the District will have to pay for the undergrounding themselves. That being said, there may be some participation by the Utility Companies. For instance, PG&E recently contributed some \$700,000 towards an undergrounding project in Sausalito. In addition, PG&E must credit back to the undergrounding District the value of receiving a new overhead utility installation. This amount can be substantial, as much as ____% of the project.

Q. 4. How are the costs of the Undergrounding District determined?

A. A cost range is developed initially based upon costs incurred in other cities’ recent projects, with attention to locating similar conditions. Costs include design and engineering costs, trenching work, replacement of lamp poles, employment of bond counsel, financial consultants, and other work. The City of Berkeley has recently completed a project in the area of Maryland and Kentucky Avenues immediately adjacent

to Kensington, and the costs incurred in that project may provide the best and most recent indicator of likely costs, since the houses and geological conditions are similar.

Each construction project, however, has specific conditions that can impact costs. At the completion of the design, a more accurate estimate will be prepared. However, until the construction date is established and formal bids from various contractors are obtained, only estimates can be given.

Q. 5. How is each parcel owner's share of the public right of way portion of the work determined?

A. Property owner assessments for the work are based upon the benefit of the work to each parcel. A Professional Engineer is hired to be the Engineer of Record (Assessment Engineer) for the District. The Assessment Engineer will review the project and work with the District and County to determine how best to weigh the benefit to be derived from the work, and to apportion the assessments to the parcels in the District. An experienced Finance manager will also be hired.

“Benefit” to a parcel is a flexible term which can include safety, reliability, frontage, total land area, or an allocation per household. The Town of Tiburon and the City of Rolling Hills determined that an equal assessment existed for each parcel of their undergrounding projects. The City of Hermosa Beach assigned benefit to each parcel based on safety and reliability (Overhead Conversion Benefit), and Aesthetic View Enhancement of the neighborhood area.

Q.6. If a property owner can't afford an additional assessment, is there any County program to help lower income owners?

A. NO, but there may be private financing mechanisms available. In some instances the County may be able to help by loaning funds through the Neighborhood Conservation Program. This Program has been able to help persons in danger of losing their homes for inability to pay taxes, but these funds are very limited. The District's bond counsel and financial consultant may be able to identify options of equity lines of credit or reverse mortgages to help pay the costs of the undergrounding. One of the local banks has stated that it would be willing to provide lines of credit to qualified applicants for undergrounding at a half point *below* the prime rate. This same bank has offered to hold a meeting with interested parties to discuss how reverse mortgages work.

Q.7. Must the amount of the bonds be approved by a vote of the owners?

A. YES. There are a number of preliminary hearings that occur before there is a vote on whether or not to approve the assessment and bonds.

Q.8 Are there upfront costs before the bonds are issued?

A. YES. There are costs to hire an engineer to come up with a very preliminary estimate of a range of costs for the project, for a proposed boundary map of the assessment district, and for the design of the project by the utility agencies and civil engineer. These costs are recoverable as part of the bond when and if the bond issue is funded. These funds can be advanced by a few of the petitioning property owners, or by all.

Q.9. If the ballot measure to form the assessment district fails, are the parcel owners liable for the up front costs?

A. YES. The parcel owners who had advanced funds would *not* be reimbursed.

Q.10. Could projects be combined to lower costs? Could undergrounding be accomplished in conjunction with street paving, sewer work, or water work?

A. There can be some savings if adjacent undergrounding projects are combined. These savings may result from “economy of scale“ savings on design and construction, and a reduced need for rise poles at a District’s boundaries. However, it has been the experience of Berkeley that there are no meaningful savings in combining the work with sewer, water or street paving/reconstruction. Possible savings would, however, be considered in the planning stage of the project.

Q.11. Will undergrounding utilities affect property values?

A. There is no definitive information on undergrounding’s effect on property values. Local real estate agents believe that undergrounding would increase property values, perhaps in the average amount of 5%. Some properties will benefit more than others will, and the ultimate assessment of benefit to that property will reflect that. All properties will have increased safety from the hazards of overhead wires and poles, as further discussed below.

Q12. Are votes cast by citizen owner or by parcel?

A. There is only one vote per parcel. Joint owners of a parcel will have to agree on how to cast their vote. The votes are weighted based upon the proportionate amount an owner must pay based on the Assessment Engineer’s determination of benefit to that owner’s property.

Q.13. Will a corner lot or a lot fronting on two streets pay more than a lot only fronting on one street?

A. Probably not. The amount of the assessment would be determined after the Assessment Engineer completes the study and determines the benefits each parcel gained. See Question 5 above.

Q.14. What happens if costs for materials and labor rise during the time from when the project is approved, and construction is completed?

- A. A contingency amount is included in the final estimate of the project in order to protect against most cost increases that can be anticipated. District bonds are not actually sold until bids are received and construction schedules are firm. If funds remain after the project is complete, all the bonds may not need to be sold, or, the remaining money may be applied to the payment of the assessments.

Q15. What happens if I don't pay the assessment on my tax bill?

- A. Assessments are a lien on the property. If you do not pay, you will be considered in default by the County. The County can begin the lien process which could result in the sale of the property if the amount remains unpaid.

Q.16. If I don't agree with the cost apportionment determined by the Assessment Engineer, what are my options?

- A. You may object in writing up to and including the time when the Board of Supervisors hold the Public Hearing on the issue and/or voice your objections in person at the Public Hearing before the Board. At the close of the public hearing the ballots are counted. If the District passes based on the ballots cast, the District is formed. If you still disagree with the formation of the District after the ballots are counted, your recourse then would be through the Court system.

Q.17 If I sell my house, do I have to pay off a lien on my house for this kind of Assessment?

- A. NO. The assessment District follows the parcel, like any other assessment would. There is no actual lien on your house, unless the amount is unpaid. Your realtor or attorney will help you disclose all the assessment information pertaining to your property at the time of sale.

Q.18. How long will it take to form a District and complete the undergrounding of the proposed District?

- A. It depends upon the size of the District. For a whole community it can take many years. For a District involving a hundred homes or so, it takes approximately 3 years from the establishment of the District to the removal of the poles.

Q.19. Approximately how much does undergrounding cost per parcel?

- A. The City of Berkeley project mentioned above involved terrain similar to that involved in Kensington. The project involved 105 homes. The assessment was between \$25,000 and \$35,000 per household. In terms of a bond, this would be about \$1200 to \$2000 per year, which includes the interest. The city of Belvedere has stated in its FAQs

on undergrounding that the cost range for utility undergrounding is between \$20,000 and \$36,000 per parcel. The more properties in the District, the lower the average cost. In addition, owners can expect to pay between \$2,000 to \$5,000 for lateral conduits bringing the services to the building, and possibly \$250 to \$1,000 for upgrading of the electrical service box, if that is necessary.

Q. 20 Is the installation of the laterals and conversion of the service box handled by the same contractors who do the undergrounding work?

A. Generally the parcel owners are responsible for contracting for their own installation. Private parcel laterals can be included in the District, and there may be some economies if a single contractor is utilized by a group. Even then, however, each parcel owner is required to have a separate contract between the parcel owner and the contractor so as to protect the individual rights of the parcel owner.

Q. 21. Could we form an Applicant Financed Utility Underground District project now and later, when Rule 20A funds become available, be reimbursed?

A. NO. Once the Utility Underground District is established under the various rules, that District cannot change, nor can funds for other Utility Underground Districts be used to reimburse older established Districts.

Q.22. Since our community lies along the Hayward Fault, and much of it is in a Very High Fire Hazard Severity Zone, can we possibly get pre-disaster mitigation funds from entities like FEMA to help pay for part of the costs?

A. This is unknown. The startup committee looking into forming the District can pursue this inquiry with FEMA.

Q.23. What are the advantages to utility undergrounding?

A. The aesthetic advantage is clear: the removal of overhead wires, poles, crossarms, transformers and hardware eliminates visual blight. Driving around undergrounded areas, such as Spruce just after the junction with Grizzly Peak shows the dramatic impact on aesthetics. Views will be vastly improved. There is also a significant public safety aspect to undergrounding utility poles. There is improved reliability of service because of protection from storms and wind. Poles and wires can fall down in storms, wind and earthquakes, and prevent and delay emergency vehicles needing access. Tree limbs can fall on wires. Electrocution from downed wires is also a hazard. Numerous major fires have been reported as having been started by downed and arcing wires. Undergrounding utilities eliminates many of those hazards.

Q.24. Can underground facilities be serviced as rapidly as overhead facilities?

A. Probably not, since it is more difficult to determine exactly where the problem is located. However, it can be easier to pull new wires through a conduit than to string them overhead. There is far less likelihood of failure due to knockdown of poles, or falling tree limbs, so there should be less emergency repair incidents.

Q.24. Can the County employees supervise the project in order to save money?

A. Unknown. The City of Tiburon uses its own personnel to supervise undergrounding projects, and has stated in its FAQ sheets that this amounts typically to a 15-20% savings.

Q.25. If I plan to install solar panels, why should I invest in an underground facility?

A. A homeowner relies on the grid to store power and provide back-up power when usage exceeds the production.