

# CITY OF PALM DESERT STAFF REPORT

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MEETING DATE: November 14, 2024

PREPARED BY: Chris Escobedo, Assistant City Manager  
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SUBJECT: OPTIONS TO ADDRESS RETENTION BASIN OWNED BY THE PALM  
DESERT REGENCY ESTATES HOMEOWNERS' ASSOCIATION

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## **RECOMMENDATION:**

Consideration of three options to address the deteriorating conditions of the retention basin owned by the Palm Desert Regency Estates Homeowner Association.

## **BACKGROUND/ANALYSIS:**

On August 20, 2023, Tropical Storm Hilary brought severe weather conditions to the Coachella Valley, leading to historic flooding across Palm Desert, especially along Interstate 10. Since the storm, the City of Palm Desert (City) has undertaken extensive cleanup efforts, including debris removal, road repairs, and drainage system maintenance, to restore affected areas and enhance future flood resilience. Additionally, the City created an Emergency Grant relief program for property owners to alleviate some of the costs associated with their personal property damages.

One of the areas still affected by Tropical Storm Hilary is a retention basin owned by the Palm Desert Regency Estates Homeowners Association (Association). The basin remains filled with water, debris, and vegetation, and is not functioning properly to facilitate drainage. While the Association has not adequately maintained the basin over the years, the City shares some responsibility by not enforcing proper cleanup and maintenance.

## **Development History**

On December 13, 1990, Tract Map No. 25445 was recorded by the County of Riverside, setting the foundation for the development of Regency Estates. This gated residential community spans a total of 48 acres, featuring 92 single-family homes with a combination of one- and two-story designs. The development included an existing 1.80-acre retention basin (Lot 97) for an adjacent residential neighborhood, Regency Palms, and a new 3.06-acre basin (Lot 95).

On December 12, 1991, the City executed Annexation 28 (Resolution No. 91-138) that formally incorporated Regency Estates into the City's jurisdiction, ensuring the development was subject to municipal regulations and services. The Regency Estates completed construction in 1993, with occupancy occurring thereafter.

## **Basin Responsibilities**

Drainage from this development has been identified as a contributor to the Mid-Valley Stormwater Project. The Association is responsible for all water management related to the basin as a condition of approval. This includes the ongoing maintenance of the drainage systems

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to prevent flooding on the property and in surrounding areas. Additionally, to further clarify these responsibilities, the City has requested additional documents from the Coachella Valley Water District (CVWD) and the County of Riverside.

### **Current Conditions**

As noted, the retention basin does not function properly to facilitate adequate drainage. To restore the basin, is estimated to require a one-time cleanup cost of \$600,000, with an additional annual maintenance cost of \$25,000. The lack of enforcement over the years has exacerbated the basin's condition, leading to increased deferred maintenance needs. Additionally, the Association has stated that it does not have sufficient reserve funds to cover the costs of repairing the basin.

### **Options**

Staff has identified three options for addressing the condition of the basin, considering the substantial repair costs, ongoing maintenance needs, and historical issues with enforcement.

#### **Option 1: Existing Emergency Grant Program**

On March 28, 2024, the City Council approved an emergency grant program (Program) to assist commercial property owners and homeowners' associations along Interstate 10 with cleanup, repair, and restoration efforts following the damage caused by Tropical Storm Hilary. Each eligible applicant was able to receive up to \$200,000, covering a maximum of 35% of costs. This option would reopen the Program, enabling Regency Estates to apply for assistance. The Program was funded with \$1,500,000 and has encumbered approximately \$284,000, while leveraging \$527,000 in private cleanup activities. The Program has an unencumbered balance of approximately \$1,216,000.

#### **Option 2: Revised Emergency Grant Program**

This option proposes increasing the grant coverage under the Program to 50-75% of eligible costs, up from the original 35% approved. Reopening the Program with these revised terms would allow Regency Estates to apply for additional assistance, offering more substantial support for their recovery efforts. If the Council decides to pursue this option, staff recommends increasing the reimbursement amounts for the four property owners currently receiving grants under the existing guidelines.

#### **Option 3: Dedication with Ongoing Maintenance Responsibilities**

This option proposes to enter into Dedication Agreement that outlines the transfer of property to the City through a quitclaim deed, with the City taking on the responsibility for initial clean-up costs. These costs can be covered by grant funds from the Southern California Association of Governments (SCAG) to improve retention basins along Interstate 10. While this grant cannot be used for acquisition, it can fund improvements.

Once the clean-up is complete, the City proposes to oversee the ongoing maintenance of the area to ensure it remains in good condition. In turn, the Association will be required to compensate the City for the maintenance expenses in perpetuity. Maintenance costs are

estimated to be around \$25,000 annually, which breaks down to an additional assessment of approximately \$22 per month for each homeowner.

**Benefit Assessment District**

In two of the options provided above, there is a requirement for the HOA to fund a substantial portion of the capital costs. Regency has indicated there is an insufficient reserve balance to cover their costs associated with the basin deferred maintenance. In an effort to resolve the issue and assist Regency homeowners, staff suggests implementing a Benefit Assessment District (BAD) to fund the needed improvements and maintenance. A BAD is a financing tool used by local governments to fund public services and improvements for a specific geographical area.

BAD's are similar to homeowners' associations in that they fund neighborhood-specific facilities and work through an annual assessment collected by the County Assessor with collection of property tax. A benefit assessment is an annual charge that property owners pay for a public improvement or service that provides a special benefit to their property. The amount of the assessment is directly related to the amount of the benefit their property receives. Benefit assessments can finance public projects like flood control, street improvement, streetlights, and public landscaping.

The BAD requires formation approval by the homeowners and City Council. The steps of formation include:

- 1) Petition by Property Owners and Resolution to Form the District;
- 2) An Engineer's Report must be completed to determine special benefit assessment;
- 3) A Public Meeting must be held to present Engineer's Report and receive comments;
- 4) Ballots are sent to property owners;
- 5) A Public Hearing is held to count ballots and approve plan

After adoption of the assessment plan, the City will impose the benefit assessment. The City may then begin work on the improvements and services immediately. Assessments appear on a property owner's annual property tax bill. A cost-of living increase may be included with the assessment or as new improvements and services become available.

**Legal Review:**

This report has been reviewed by the City Attorney's Office.

**FINANCIAL IMPACT:**

The financial impact will vary based on the chosen option. Currently, the Emergency Grant Program has \$1,216,000 in unencumbered funds available in Account No. 4004159-4219100. Additionally, the City previously received an \$8 million grant from the SCAG to improve retention basins along Interstate 10. Staff also recommends that whichever decision is selected, a similar option be extended to Regency Palms to ensure effective maintenance of their basin.

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Account / Options	Funds	One-Time Cost	HOA Cost	City Cost	Account Balance
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City of Palm Desert  
 Regency Estates Retention Basin

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SCAG Grant	\$8,000,000				
Emergency Grant Program (4004159-4219100)	\$1,216,000				
Option 1: Existing Program		\$600,000	\$400,000	\$200,000	\$616,000
Option 2: Revised Grant Program (up to 75%)		\$600,000	\$150,000	\$450,000	\$616,000
* Option 3: Dedication with Maintenance		\$600,000	\$ 0	** \$600,000	\$1,216,000

\* HOA responsible for ongoing maintenance costs

\*\* Cleanup activities to be funded by SCAG grant so program funds will not be impacted

**ATTACHMENTS:**

1. PowerPoint Presentation
2. Emergency Grant Program Guidelines