

**MINUTES
CITY OF DELANO
SPECIAL MEETING
City Council/Economic Development Authority
Tuesday, September 28, 2010
6:00 PM**

1. CALL TO ORDER

Mayor McDonald called to order the Special Meeting of the Delano City Council/Economic Development Authority of Tuesday, September 28, 2010 at 6:00 PM.

2. ROLL CALL

Members Present: Joe McDonald, Mayor
Holly Schrupp, Council Member
Brad Hotchkiss, Council Member
Larry Bartels, Council Member
Betsy Stolfa, Council Member

Members Absent: None

Also Present: Phil Kern, City Administrator
Vince Vander Top, City Engineer
Bob Van Lith, Fire Chief
Paula Bauman, Recorder

3. SPECIAL ORDER OF BUSINESS

A. Discuss Street Assessment Policy.

Kern summarized past discussions regarding the Street Assessment Policy discussing suggestions and concerns from Staff, Council and residents. Two critical questions are 1. Is the street reconstruction plan too aggressive or appropriate for the City of Delano? 2. How do we fund the street reconstruction?

Phil Kern discussed Mark Johnson's memo dated September 17 discussing whether, and under what circumstances, a City can specially assess a parcel of property to help pay for a street reconstruction project. Minnesota statute authorizes Cities to use special assessments for construction of new streets but also for reconstruction existing streets. In order for such a special assessment to be upheld by a court, three requirements must be established. 1. Property must receive "special benefit"; 2. The assessment must not exceed the special benefit; 3. The assessment must be uniform upon the same class of property. Mr. Johnson discussed how the special benefit is measured by the change in market value of that property from before the project is constructed to after and discussed the use of an expert appraiser. Attention should be given to the following factors when evaluating whether a street reconstruction project might justify a special assessment: 1. The condition of the street.

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How smooth the driving surface, how many times has it been sealed, reconstructed, or excavated for utilities? 2. Does the street appropriately channel or drain storm water, or is there ponding? 3. Have the City's maintenance efforts become less and less effective as the street ages? 4. Have there been neighborhood complaints about the street condition? 5. Are there any features that might be added in the street reconstruction, such as a more appropriate crown, gutters, drainage improvements, curbs, width adjustment or turn lanes.

Kern reviewed his memo regarding Special Assessment Policy stating on the street reconstruction portion of the policy, there has been a lot of public involvement since its first presentation. The Council has held five public hearings and taken a considerable amount of public comment in that forum. Staff has also held a series of meetings with a particular group of residents focused on the street reconstruction elements. All of this feedback has provided options for proceeding (or not proceeding) with the policy in its current form or developing amendments.

Kern discussed some possible amendments related to the street reconstruction elements include:

1. Cost share allocation between assessed properties and property tax.

The draft currently contemplates a 50% assessment/50% property tax share for residential properties and a 70% assessment/30% property tax share for commercial properties. This was determined by taking a midpoint of the assessment policies collected from other communities. Some suggestions include: A. An alternative percent allocation has been suggested of 35% residential and 50% commercial with the remaining picked up by the property tax system. B. Kern discussed bonding stating the City could set its assessment rate as close to the minimum assessment as possible. In order to achieve the minimum the lowest possible assessment amount at 25% of project costs. C. A third suggestion is to have a fixed assessment number instead of a percentage number. The fixed assessment could be based on sample projects already examined and tried to a level that would generate a minimum 20% amount. Essentially, creating a fixed fee that gets charged anytime a street is reconstructed.

2. Repayment period for assessment.

In presenting the assessment policy, staff has outlined that a property assessed would have two choices for repayment. The first choice is to pay the assessment in full during the year it was levied and second choice to have the assessment filed against the property and collected over a period of time up to ten years. Suggestions include extending a repayment period for

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a longer period of time. This would have the next effect of lowering the payment per year, but increasing the total amount of interest paid over time.

3. Interest rate applied for those paying over time or deferred.

The initial presentation of the assessment policy stated the city would extend the bond rate received on the special assessment bond to those paying over time or deferred payment, plus some added interest amount for the processing and administration of the assessment. Some suggestions include have a fixed interest rate for the assessment at a rate equivalent to the special assessment bond rate. Another suggestion would be to eliminate the interest rate all together.

4. Guarantee period to not be assessed again for improvements.

The draft policy contains an exemption for a period of time from additional assessments for the same purpose as an initial assessment. The policy states the property owner would have a 20 year no assessment guarantee after being assessed for the street reconstruction.

5. Application of assessments for multi-tenant buildings.

The policy treats all residential units the same. A suggestion would be to change the assessment policy to more accurately reflect typical size and benefit received by multiple family dwellings. Kern discussed other cities breakdowns who breakdown units based on quantity on a parcel. Another suggestion would be to charge all units with three or more units on the same property at 0.5 units per dwelling.

6. Application of assessments for irregular "flag" lots.

A flag lot is a lot with a narrow front street footage, but a wider, larger lot size where the principal structure is built. For commercial or institutional properties under the current plan are calculated by front footage. Some suggestions include to judge the width of the lot at the building setback line or the location on the property of the principal structure. Another method would be to determine a typical parking demand for the facility, based on zoning requirements for parking. This can establish how many trips per day the parcel generates.

7. Application of assessments for undeveloped property.

The policy proposes against every developed and undeveloped piece of property fronting a street reconstruction project. Every individual residential lot, developed or not, would be assessed for unit. A suggestion would be to charge vacant lots a street access fee. This

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would eliminate undeveloped properties/vacant lots from the assessment rolls. Once developed then they would pay the unit fee.

Joe McDonald recommending changing the word “fee” to expense.

Dick Grinley suggested adopting a policy that has fixed fees. Kern stated procedure would still need to be followed.

Bob Van Lith stated on a vacant lot, there is no sewer and water hook up. When a street is reconstructed how Van Lith questioned how that would be handled. Should it be stubbed in for future development?

Dan Vick, 312 2nd Street South, questioned if residents who don't have the extra funds will be apt not to fix repairs on their homes because their money went towards the assessment charges. Mayor McDonald felt there are certain responsibilities and expenses to owning a home feeling the majority of people will stay on top of repairs even with the added expense of the assessment.

Council discussed the use of flat rate versus a percentage on assessments. Bartels stated it sounds like a good idea but for some residents it would be a disadvantage. Council discussed the costs of a reconstruction project.

Dan Vick stated he is not a fan of the policy stating he uses all the streets in town and he's happy to pay for all the streets. Mr. Vick suggested Council find a better plan. The way the policy is written the assessment is the street that they address from. For people who have an alley they access the alley more than the street.

Brad Hotchkiss stated he was more comfortable with using a percentage versus a flat rate. Hotchkiss discussed 30% residential and 50% commercial. Council discussed the suggested percentage rates.

Council discussed the proposed projects and the year to be completed.

Dan Vick questioned Council the percentage rate of assessments stating if the required percentage is 20% why is Council increasing that amount. Mr. Vick discussed the economy. Mayor McDonald agreed stating if we're in good times we do projects and when the economy is down we put it off.

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Council recommended staff to look into different percentage rates and bring back at a later date.

B. Discuss Street Access Fee.

Council briefly discussed using a street access fee. No motion taken.

4. ADJOURNMENT

Motion Number (M-10-210) Motion by Betsy Stolfa, seconded by Holly Schrupp to adjourn the special meeting of the Delano City Council/Economic Development Authority of Tuesday, September 28, 2010. Motion Carried.

There being no further business to discuss the Special Meeting of the Delano City Council/Economic Development Authority meeting of Tuesday, September 28, 2010 was adjourned at 8:15 PM.

Joe McDonald, Mayor

Marlene E. Kittock, City Clerk

ATTEST:

Paula Bauman, Recorder