

CITY OF DELANO DRAFT ASSESSMENT POLICY

Presentation and Public Hearing – April 6, 2010

Assessment Policy – Background



- What is an assessment?
 - ▣ Process created by State Statutes
 - ▣ Allocates public costs in cases where special benefits are received by private properties
- Assessment History in Delano
 - ▣ Street/Utility Project (Johnson Avenue) in the late 1990's
 - ▣ New Developments, 100% assessed for new infrastructure
 - ▣ Nuisance issues, unpaid utility bills, legal challenges

Assessment Policy - Purpose



- Why present policy now?
 - ▣ City has been using statutory authority
 - ▣ Formalizes process and communicates assessment procedures directly for all stakeholders
 - ▣ With aging infrastructure issues on the horizon, having a mechanism in place to be uniformly applied
- What does the policy accomplish?
 - ▣ Outlines a detailed procedure for assessments
 - ▣ Establishes consistent and transparent process
 - ▣ Formalizes the allocation of public improvement costs

Assessment Policy – The Details



- Section 2
 - ▣ Outlines categories of public improvements that are allowed by Statute to be assessed
- Section 3
 - ▣ Restates the three ways public improvements may be initiated
 - ▣ Both Section 2 and 3 essentially restate State Statutes

Assessment Polity – The Details



- Section 4 – Outlines process (14 steps)
 - ▣ Provides City Council review stages
 - To order project, initiate feasibility report
 - To approve/deny feasibility report
 - Hold public hearing prior to solicit bids
 - Accept bids, award contract
 - Hold public hearing prior to establishing assessment rolls
 - ▣ Establishes public involvement process
 - Notice and Public Hearing after feasibility report
 - Notice and Public Hearing before assessments approved

Assessment Policy – The Details



- Sections 5 and 6 – Financing and General Policies
 - Assessments can be financed over time
 - Deferment provisions defined for those:
 - Over 65 years of age
 - Persons retired because of disability
 - Active National Guard or other military reserve
 - Defines payment terms
 - Establishes definitions and general policies

Assessment Policy – The Details



- Section 7 – Methods of Assessments
 - ▣ Two Different Mechanisms for two different types of property
 - ▣ Adjusted Front Footage – Commercial Properties
 - Total footage of commercial property affected by an improvements
 - Divide assessable costs by front footage
 - ▣ Per Lot Method of Assessment – Residential properties
 - Total cost of assessable improvements is divided equally amongst residential units
 - A unit is a unit (single family house, apartment unit, etc.)

Assessment Policy – The Details

- Section 10 – What gets assessed
 - ▣ New Streets – 100% of project cost
 - ▣ Existing Street Reconstruction – 50% Residential, 70% Commercial/Industrial
 - ▣ Existing Alley Reconstruction – 100% of project cost
 - ▣ Existing Street Maintenance (sealcoating, overlays) – not ordinarily assessed
 - ▣ New Sidewalks – 100%
 - ▣ Existing Sidewalks – 50%
 - ▣ New/Existing Trails – No assessment

Assessment Policy – The Details



- Section 10 – What gets assessed?
 - ▣ New Utilities – 100%, and/or infrastructure fees
 - ▣ Existing Utilities – reserved for case-by-case basis

- Section 8 – Standards for Construction
 - ▣ Types of construction (Surface and Sub-surface)

- Section 9 – Expected Life of Construction
 - ▣ Standards for improvements, “guarantee” of assessment

Assessment Policy – The Impact



- New Construction – No Impact
- Nuisances, utility billing, other misc. – No Impact
- Trails, Utilities (possible exceptions) – No Impact
- Street/Sidewalk Reconstruction – Change of Impact
 - ▣ Partial Shift of Cost Responsibility
 - Recent years – 100% Property Tax
 - Proposed – 50-70% Assessment, 30-50% Property Tax

Assessment Policy – The Impact

- Current City Tax Levy – \$2,388,101
 - General Operations Levy – \$1,754,470
 - Delano Crossings Tax Abatement Levy - \$100,000
 - Unallotment Levy - \$160,631
 - Debt Service Levy – \$301,072
 - **2001 Franklin Avenue - \$50,000**
 - **2005 Tiger Drive/Rockford Avenue - \$159,000**
 - **2009 Highway 12/Bridge Avenue - \$72,000**
 - 2002 Fire Station Expansion - \$92,000
- Street portion of levy - \$281,000 (11.8%)

Assessment Policy – The Impact



- Street portion of levy - \$281,000
 - ▣ 11.8% of local property tax paying for debt on street projects
 - ▣ Cash expended as well for previous projects
- Pavement Management Plan
 - ▣ Identifies a number of streets already beyond lifespan
 - ▣ Deteriorating condition, replacement recommended within the next 15 years
 - ▣ Projects could have 100% property tax impact; or combination of benefiting properties and property tax

Assessment Policy – The Impact

- Example – 2014 (est.) Downtown Area Streets
 - Street Reconstruction Costs - \$1,681,878
 - 50-70% Assessable Costs - \$1,003,848
 - 30-50% Tax Levy Amount - \$681,878 (2% increase)
 - 77 Residential Properties – \$5,414 (\$663/yr. * 10 yrs)
 - Commercial Properties - \$158 per foot
 - Downtown Business, 25' lot = \$3,950 (\$484/yr. * 10 yrs)
 - Downtown – City, School properties greater
- Current Process
 - Property Tax Application - \$124,428 for 20 years (5.2%)

Assessment Policy – The Impact

- 20 year Financial Impact on Property Owners
 - Street Reconstruction Residential Property Owners
 - Average Assessment (at some time) = \$5,400
 - Lesser Property Tax Increase* = \$1,904
 - Avg. Tax = \$850/year * 11.2% * 20 years
 - Street Reconstruction Cost = \$3,496
 - Non-Assessed Residential Property Owners
 - Lesser Property Tax Increase* = \$1,904
 - Avg. Tax = \$850/year * 11.2% * 20 years

* Assuming application of 2009 Pavement Management/Street Reconstruction Plan

Assessment Policy – The Impact

- 20 year Financial Impact on Property Owners
 - ▣ Street Reconstruction Commercial Property Owners
 - Average Downtown Property Owner = \$3,950
 - Lesser Property Tax Increase* = \$2,520
 - Avg. Tax = \$1125/year * 11.2% * 20 years
 - Street Reconstruction Cost = \$1,430
 - ▣ Non-Assessed Commercial Property Owners
 - Commercial Property Valued at \$510,000
 - Lesser Property Tax Increase* = \$11,888
 - Avg. Tax = \$5,307/year * 11.2% * 20 years
 - Roughly 2.3% of Market Value

* Assuming application of 2009 Pavement Management/Street Reconstruction Plan

Assessment Policy – The Summary

- Purpose: Allocate portion of public improvement costs to properties deriving special benefit
- Purpose: Outline and formalize the procedures and practices for special assessments
- Community Financial Impact:
 - ▣ No change for many categories of property owners
 - ▣ Properties on Street Reconstruction Areas will see increase in cost balanced by lower property tax increases
 - Estimated Average Impact = \$1,400 - \$3,500 over 20 yrs.
 - ▣ Properties not in Street Reconstruction Areas will see lower increases in property taxes

Assessment Policy – Next Steps



- Public Hearing Advertised – April 6, 2010
- Comments/Questions
- Amendments/Modifications
- Recommendation for Approval