Inver Grove Heights City Council

Tuesday, September 5, 2023 at 6:00 PM

8150 Barbara Avenue, Inver Grove Heights, MN 55077

AGENDA

NOTICE TO RESIDENTS: Individuals may submit written public comments in advance of the meeting by emailing comments to Rebecca Kiernan (rkiernan@ighmn.gov). Comments received prior to 4:00 p.m. on Tuesday, September 5, 2023, will be provided to the Council at or before the September 5, 2023 meeting.

1. **Call to Order**
2. **Roll Call**
3. **Discussion Items**
   - **A.** 2024 Preliminary Levy & Budget
   - **B.** Pavement Management Initiative - Program Update
4. **Adjourn**

This document is available upon a three (3) business day request in alternate formats such as braille, large print, audio recording, etc. Please contact Rebecca Kiernan, City Clerk, at 651.450.2513 or rkiernan@ighmn.gov.

Agenda Item 3.A.

Request for Council Action

SUBJECT: 2024 Preliminary Levy & Budget

MEETING DATE: September 5, 2023
ITEM TYPE: Discussion Items
CONTACT: Kris Wilson, City Administrator, 651.450.2511
Amy Hove, Finance Director, 651.450.2521

ACTION REQUESTED

The Council is asked to receive updated information and recommendations regarding the City's 2024 preliminary tax levy and budget, discuss and provide direction to staff.

BACKGROUND

At its July 31 and August 21 work sessions, the Council was presented with first draft budgets for the City's General Fund, as well as for Debt Service and Pavement Management. Together, these three components of the City's 2024 budget are most directly funded by property taxes.

State statute requires the City to adopt a preliminary 2024 budget and tax levy and certify it to the County no later than September 30. With the Council's September 25 meeting coming very close to this deadline, staff is requesting that Council act on the preliminary levy and budget at its September 11 meeting. This agenda item serves as a final opportunity for questions, discussion and direction to staff prior to this action.

It is important to note that once the Council adopts a preliminary tax levy, it may reduce the levy prior to final adoption in December – but it cannot increase it.

The following will recap each of the three components to the levy-supported budget and provide the City Administrator's recommendations for changes or adjustments to the first draft budgets.

Debt Service

The City has outstanding levy-supported debt for various street projects and for the cost of constructing Fire Station #2. It should be noted that the City also has outstanding debt for the extension of sanitary sewer services into the northwest area, but the annual debt service payments on these bonds come from utility funds and not from the property tax levy. Additionally, the City no longer takes on debt to fund the City-share of street projects, but we are still paying off old debt for this purpose.

The City's outstanding levy-support debt can be summarized as follows:

Bond Issuance	Last Year Levy Needed for this Bond	2024 Budget
2015A G.O. Bonds - Streets	2030	633,210
2016A G.O. Bonds - Streets	2033	718,292

2017B G.O. Bonds - Streets	2032	262,882
2018A G.O. Bonds - Fire Station #2	2038	739,552
2019A G.O. Bonds - Fire Station #2	2038	188,475
2020A G.O. Bonds - Streets	2026	177,250
Use of Closed Bond Fund		-177,250
Total Proposed Debt Service Levy		**$2,542,411**

The City began the practice of using a portion of the Closed Bond Fund to make the annual debt service payment on the 2020A G.O. Bonds with the 2022 levy and budget and this is recommended to continue. There are sufficient funds in the Closed Bond Fund to continue this practice through the final year of bond payments for 2020A.

There are additional funds in the Closed Bond Fund, beyond what will be required to pay the 2020A bonds in full, but not enough to pay any of the other outstanding bonds in full. So while it is an option to use additional money from the Closed Bond Fund to make debt service payments next year, thereby reducing the 2024 levy, staff is not recommending this because that debt service cannot be completely satisfied by the Closed Bond Fund and would therefore boomerang back to the tax levy in future years.

Therefore, staff's recommendation is to establish a preliminary debt levy of $2,542,411 for 2024.

Pavement Management Fund

The Pavement Management Fund pays for repair and maintenance of the City's streets, with a small amount also dedicated to other City-owned, paved surfaces – like parking lots and trails.

Revenue into the Pavement Management Fund consists of the following:

Revenue Type	2023 Budget	2024 Proposed Budget
Pavement Management Property Tax Levy	**$2,900,000**	**$3,045,000**
Transfers In From Host Community Fund	**$600,000**	**$500,000**
Franchise Fees	$1,065,000	$1,100,000
State Aid	$530,000	$1,626,800
Repayments of Past Special Assessments *(annual collections)*	$1,260,468	$1,460,810
Interest	$76,818	$150,000
Transfers In From Utilities *(project driven)*	$1,367,000	$2,054,233
State/Federal/County Reimbursements	$440,000	$340,240
2024 Bond Proceeds *(to cash flow 2023 & 2024 assessments)*	$5,562,000	$9,399,502
TOTAL Revenues & Transfers In	**$13,801,286**	**$19,676,585**

The top two rows above – which appear in bold – are the two funding mechanisms for Pavement Management that the Council most directly controls via annual budget decisions. Staff is recommending a 5% increase in the 2024 Pavement Management Levy compared to 2023 and a $100,000 decrease in the transfer from the Host Community Fund.

Transfers from the Host Community Fund to Pavement Management have been utilized in recent years to help the Pavement Management Fund as the property tax levy for this purpose was gradually increased to support a more robust Pavement Management Program, without relying on the issuance of debt. Looking ahead to 2024, the Pavement Management Fund appears to be in a healthy place and can fully afford the program of street improvements proposed for the next 5 years in the 2024-2028 Capital Improvement Program (CIP). The Host Community Fund, on the other hand, is seeing a decline in revenue, suggesting the need to be more conservative in allocating those funds. While the Council is not officially committing to any particular course of action in future years, staffs' recommendation based on the information we have today is to gradually wean the Pavement Management Fund off of transfers from the Host Community Fund, by reducing the transfer $100,000 per year until it reaches zero in the year 2029.

Therefore, staff's recommendation is to establish a preliminary Pavement Management levy of $3,045,000 for 2024.

General Fund
The General Fund includes the operating budgets for many of the City's most visible departments and services, including Police, Fire, Streets, Parks, Recreation, Planning, Inspections, and Engineering, plus administrative functions such as Finance, Communications, Human Resources and the City Clerk's office. Full funding of the initial 2024 budget requests submitted by each General Fund department and division, plus the proposed increase to the Pavement Management levy and a relatively flat Debt levy, would result in an 8.9% overall increase to the property tax levy – without adding any of the 7.7 new staff positions that were requested.

Key drivers of this 8.9% increase include:

1. A 3% wage increase, plus step increases, for all full-time staff, as has been negotiated with the various employee unions, who all have settled contracts for 2024.
2. A 10% increase in the City's costs for employee health insurance.
3. Rising costs for many supplies and services the City purchases, as well as certain contracts for service.
4. A 5% increase in the Pavement Management Levy, as discussed above.
5. A slight increase in the amount of the levy transfer to the EDA and to the Parks Capital Improvement Fund.
6. Reduced revenues from permits, as the level of building and development is projected to remain down.
7. The obligation to levy for a Tax Abatement to the Crossings apartment building, as was approved by the City in 2020.

Recommended Reductions to the General Fund Tax Levy
After further review of the initial budget requests submitted by the various General Fund departments and divisions, the City Administrator is recommending the reductions and/or adjustments identified in Attachment A, which would bring the overall levy increase down to 6.7% - prior to adding any new staff positions.

Staffing Recommendations
After careful consideration of the staffing requests submitted by individual departments, the City Administrator is recommending the following positions be given priority:

1 full-time Park Maintenance Worker
1 full-time Street Maintenance Worker
(funded 20% by the General Fund / 80% by the Stormwater Fund)

1 full-time Utility Billing Coordinator in the Finance Department
1 full-time Firefighter

Funding these four positions would bring the overall levy increase for 2024 to 7.9%. The presentation on Monday evening will provide additional context for an increase of this level, with detail regarding what other Dakota County cities are contemplating for a preliminary levy increase, as well as historical IGH data.

The recommended additions to parks and streets maintenance staff are needed in response to increasing development within the City, which has added to the acres of parks and natural areas, streets and trails that must be maintained. After many, many years without any staff growth, both divisions sought the addition of 2 full-time employees in the 2023 budget and were awarded 1. An additional staff person in each division for 2024, fulfills the original requests.

An additional staff person in the Finance Department, with responsibilities for coordinating Utility Billing and other utility-related financial tasks, is needed to ensure we have the skill level and depth necessary to sustain these critical operations on an ongoing basis.

An additional full-time firefighter is recommended as a priority in order to move the Department closer to fulfilling the service level of having two units of three people staffed 24/7. The legitimate and deserved use of paid time off by the full-time staff hired with the SAFER grant funds, combined with a reduced number of paid-on-call firefighters from which to draw, has resulted in too many days when there are gaps in the schedule. Solving this problem ultimately requires the addition of three full-time firefighters (one for A shift, one for B shift and one for C shift), which was Chief Thill's request. The City Administrator's recommendation is that this be funded gradually through the addition of one full-time firefighter per year for each of the next three years. (Grant funds may be available which would allow for all 3 positions to be brought on sooner, but that will be discussed further with Council this fall prior to any application being submitted.)

If there is Council support to go beyond the four positions listed above, it is recommended that an additional police officer be the next priority. This would allow for expansion of the PD's Strategic Response Group from three full-time officers, to four.

As a reminder, the additional staffing requests made also included an additional Assistant Fire Chief, which was identified as a need in the Citygate study, and an additional half-time Communications Specialist. Both warrant additional consideration in future year's budget processes.

Impact on a Median Value Home
Last, but certainly not least, attached please find information regarding the change in value for a median value home in IGH and information on how various percentage increases to the City levy are estimated to impact the City-portion of the property tax bill for a median value home. More discussion of this will also be included in the presentation during Monday's work session.

FISCAL IMPACT

RECOMMENDATION

ATTACHMENTS

1. Attachment A
2. 2024 Budget-Levy Scenario Slide 8.2023

Non-Personnel Changes that Reduce the Levy

-$40,183	use some EDA Fund Balance (but less than last year) for a portion of the consultant/staff cost rather than shifting it fully onto the levy in 2024 as originally planned
-$125,000	remove chipper from Parks operating budget and purchase with unallocated funds in Central Equipment account
-$15,443	updated cost estimates for Elections based on latest info from Dakota Co regarding absentee voting, epollbooks, etc.
-$80,000	remove large technology purchases from operating budgets and fund via Technology Fund fund balance
-$78,843	updated Police revenues (full state reimbursement for health insurance premiums for disabled former public safety employees + new SRO contract)
-$49,000	reduce professional services budget in multiple departments/divisions (total reduction to the General Fund)
-$68,550	reduce unspecified $ for supplies in multiple departments/division (total reduction to the General Fund)
-$107,000	remove Police Station bldg improvements from PD operating budget, spread over multiple years & fund from Central Facilities
-$181,600	alternative funding of station location study & radios for Fire Dept / defer request for cameras to future year
-$745,619	**Subtotal**

Non-Personnel Changes that Increase the Levy

$41,567	updated info on Tax Abatement amount
$50,000	updated Central Equipment allocations (multiple depts.)
$91,567	**Subtotal**

-$654,052 **Net Proposed Reduction to the 2024 General Fund Levy**

Impact of Various Levy Scenarios on Median Value Homestead

Median Value Homestead in IGH was $336,900 for taxes payable this year (2023)

Has increased 1.75% to **$342,800** for taxes payable in 2024

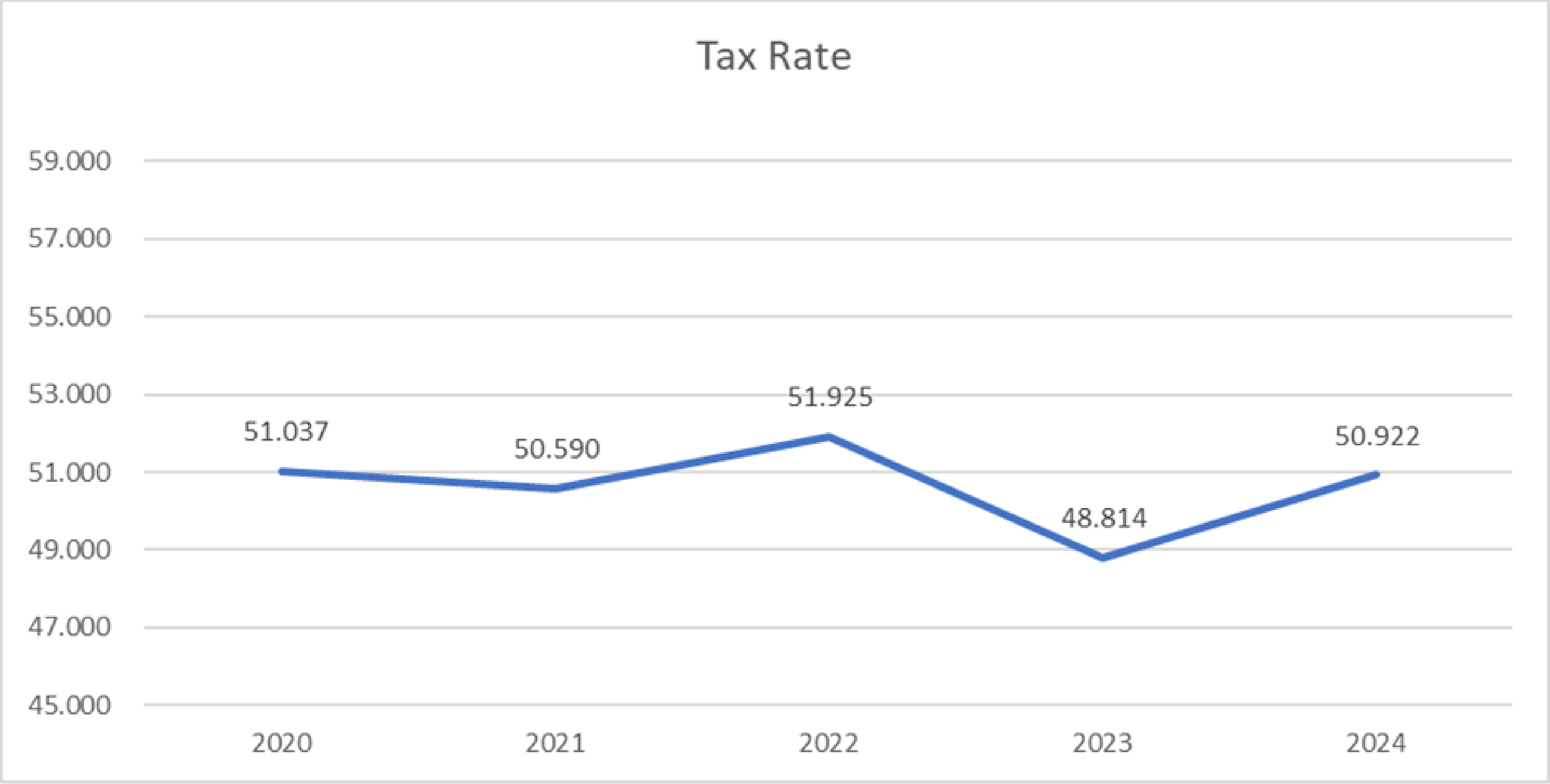
Commercial and Industrial properties have seen larger increases in market value for 2024 than residential.

Impact of Various Levy Scenarios on Median Value Homestead

% Increase from 2023 Levy		$ Increase over 2023 Levy	Estimated Tax Rate	City Tax Increase on Median Value Homestead
7.0%		$2,123,436	49.955	$69.79
7.5%		$2,275,110	50.211	$78.41
7.7%	Equal to 5-Year Average % Increase (2019-2023)	$2,335,779	50.314	$81.86
8.4%	Equal to 2023 % Increase	$2,548,123	50.673	$93.92
8.9%	2024 Preliminary Draft (7/31/2023 Work Session)	$2,695,651	50.922	$102.30

Tax Rate History

- 2024 Tax Rate shown below based on 8.9% Levy Increase
- Large dip in 2023 tax rate primarily due to inflationary pressures of housing market



Agenda Item 3.B.

Request for Council Action

SUBJECT: Pavement Management Initiative - Program Update

MEETING DATE: September 5, 2023
ITEM TYPE: Discussion Items
CONTACT: Paul Merchlewicz, City Engineer, 651.450.2572
Brian Connolly, Public Works Director, 651.450.2571

ACTION REQUESTED

The Council is asked to receive an update from the City Engineer and Public Works Director regarding the City's Pavement Management Initiative (PMI).

BACKGROUND

In June, 2021, the City Council adopted a resolution establishing a Pavement Management Program Citizen Task Force to perform a review of the City's pavement management program, and to provide a broad range of perspectives from the community regarding potential improvements to the program in order to achieve a more effective and efficient pavement management program. Over the following year, a task force comprised of 11 citizens and two city council members convened to meet and discuss a wide range of pavement management-related subjects. The result of the task force was a comprehensive Pavement Management Initiative (PMI) final report, which was presented and accepted by the City Council on June 13, 2022. At the time of the report's acceptance, staff was directed to review and provide feedback and guidance to the City Council as to the challenges and opportunities for implementation of the report's recommendations.

Over the past year, staff have endeavored to implement many of the recommendations contained in the PMI final report through design and construction of PMI projects in 2022 and 2023, as well as future planning through the Capital Improvement Plan (CIP) process. Staff have also worked with contractors and cohorts in other communities to further understand and implement different contracting and pavement maintenance techniques that have found success in different agencies. While several of the recommendations and resulting impacts of changes being implemented will take several more years to evaluate the effectiveness and potential benefits of the PMI program, there are several areas where progress has already been made, and the results can be shared. Staff felt that providing the City Council with an update on the progress and implementation efforts would be beneficial in both the forthcoming finalization of the 2024-2028 CIP, as well as budgeting efforts associated with the Pavement Management and Street Maintenance funds.

Subject matter to be reviewed as part of this update includes:

- Original PMI task force recommendations
- Implementation efforts undertaken to-date, and what future efforts are planned
- A proposed "demonstration project" to add a new pavement maintenance technique known as Ultra-Thin Bituminous Wear Course (UTBWC) to address accelerated pavement deterioration

as a result of pavement stripping/degradation being experienced in select neighborhoods throughout the community
- Proposed updates to the City's Special Assessment Policy

In regards to the last bullet point above, staff is working to revise and update the Special Assessment Policy in order to achieve better organization, clarity and transparency, as well as some potentially substantive changes to the policy. The end result is a draft policy (see attached) that is not easily presented in a redlined format. Instead, staff will walk through the proposed changes during Monday's presentation.

FISCAL IMPACT

RECOMMENDATION

Staff requests feedback from the City Council on the material presented as part of this item.

ATTACHMENTS

1. 20230905 - PMI Progress Update (Worksession)
2. Revised Special Assessment Policy (DRAFT)

1 **Pavement Management Initiative Progress Update**

1 City Council Worksession, September 5, 2023

2 Paul Merchlewicz, City Engineer

Brian Connolly, Public Works Director

2 **Why Are We Here?**

- Staff Update on Pavement Management Initiative
  - What's been done?
  - What's in progress?
  - What needs more work?
- Focus on Citizen Task Force Report Recommendations
- Review what's Working (and what isn't)
- What's on the Horizon?
  - New Pavement Maintenance Techniques
  - Updated Pavement Rating Metrics
  - Inclusion of Trails, Sidewalks, and Parking Lots
  - Updated Assessment Policy

3 **CTF Recommendations - Summary**

24 Recommendations Across Six (6) Subject Areas

- Success & Solutions (4)
- Utilities (4)
- Financing (6)
- Rural Roads (3)
- Road Standards (2)
- Communications (5)

4 **Success & Solutions**

✓Continue to use Pavement Condition Index (PCI) across urban and rural roadways
- Added rural roads back into rating program in 2022
- Exploring options for enhanced PCI ratings in future

✓Focus on overall PROGRAM progress: Maximize miles of rehabilitation over building perfect projects
- 6-7 miles/year (up from 2-3 miles/year prior to 2022)

✓Adopt a "minimalist" approach to perform lower-cost rehabilitation over full street reconstruction

✓Focus project choice on life-cycle cost effectiveness, as opposed to specific condition or neighborhood activism
- Addressing through the CIP process (age, preservation/longevity of life, cost, other infrastructure needs)

5 **Utilities**

✓Utilities should self-fund for their share of improvement.

• Ceased use of PM funds for storm improvements in 2023

✓Long-term planning to get maximum life and value out of utility infrastructure

• Annual review built into the CIP program

➢Review general utility rates and adjust so rates are fair and equitable across full community (NWA vs. greater IGH)

✓Coordinate projects with private utilities to minimize resident impact

6 **Financing**

✓Most important PROGRAM goal: maximize miles per dollar spent

✓Maintain existing mix of funding sources (PMP, Franchise Fees, Host Community Fund, Assessments), and apply consistently (i.e., assessments)

• Positioned to achieve fiscal goals for next 5 years

• Reviewing ways to "ween" off Host Community Fund (finite fiscal resource)

• 2022 was a good year for diligence on assessment rates

✓PMP monies should stay in the PMP program for roadway rehabilitation (not for utilities or new road construction)

7 **Financing**

✓Use Bonding to "jump start" program

• Has not been necessary for 2022 & 2023 (good fiscal position)

• Remains a viable tool in our toolbox

➢To reduce truck traffic, neighborhood "self organizing" for trash collection should be explored, including City education on the effort

✓Ongoing communication of financing and how the money is obtained and spent.

• Continue to connect CIP, annual budget, and project budgets

• Limiting use of PMP money for non-PMP items helps streamline this effort

8 **Rural Roads**

✓Restart Pavement Condition Index (PCI) on rural roadways

• Added rural roads back into rating program in 2022

✓Continue use of Broad Area Patching (BAP) on rural roadways to address poor pavement conditions

• BAP has continued in 2022 and 2023

➢Consider assessing costs for BAP against benefitting properties

9 **Road Standards**

✓Consider road narrowing to standard width (28' or 32') if traffic volume doesn't warrant a wider street

• Standard procedure for full street reconstruction projects

• Staff recommending studies on larger streets (i.e., Cahill Ave.) to determine if future projects can result in a narrower "complete street" concept.

➢Apply Northwest Area road standards to entire city (28' wide with sidewalk) for new streets

10 **Communications**

✓Implement Pavement Management Initiative Branding

➢Include more public communication/outreach regarding PMI funding sources (franchise fees, host community fund, assessments, etc.)

✓Create a long-term Capital Improvement Plan

- 5-year plans developed in 2022 and ongoing for 2023
- Annual updates

➢Work toward more advance notice for property owners of upcoming projects

✓Create newsletters, Insights articles, website, and social media postings that provide notice of upcoming project work

- Ongoing effort, with recent updates to PMI project website

11 **In-Progress CTF Recommendations**

➢Review general utility rates and adjust so rates are fair and equitable across full community (NWA vs. greater IGH)

- Completed sewer and water rate study in 2023
- Storm sewer rate study forthcoming in 2024

➢Include more public communication/outreach regarding PMI funding sources (franchise fees, host community fund, assessments, etc.)

- General education is an ongoing effort as part of project development and community outreach

➢Work toward more advance notice for property owners of upcoming projects

- Goal is 2-years before construction starts
  - 2024 projects – 11 months
  - 2025 projects – 18 months (goal)
  - 2026 projects – 24 months (goal)

12 **CTF Recommendations – Further Discussion**

➢Apply Northwest Area road standards to entire city (28' wide with sidewalk) for new streets

- Several issues with reduced street width (parking, emergency access, snow storage)
- Staff are recommending possible review of NWA standards to revert to city-wide 32' wide streets
- Added sidewalks = Added maintenance responsibility

➢To reduce truck traffic, neighborhood "self organizing" for trash collection should be explored, including City education on the effort

➢Consider assessing costs for BAP against benefitting properties

- Lack of staff resources to adequately track/implement via the State Statute 429 requirements
- BAP is being used as a "bridge" to a rehabilitation project, and has shorter effectiveness (10-15 years) than other rehabilitation projects (20-25 years)
- Ability to prove benefit is lacking when the improvement doesn't correct underlying deterioration issues
- BAP has been performed on roughly 85% of rural streets

13 **Questions for Council**

Does the Council agree with staff's recommendation to continue exploring modifications to the NWA street width standard?

Does the Council see benefit in the City providing guidance to neighborhoods to self-organize for single-company trash collection?

Does the Council agree with staff's recommendation to continue use of Broad Area Patching as a non-assessed maintenance technique?

14 **Pavement Management Initiative (PMI)**

- Project Selection Criteria
  - Pavement Condition Index (PCI)
  - Age
  - Annual maintenance costs
  - Past prioritization (i.e., 2023-2027 CIP, carryover projects)
  - Public utility condition
-
- Annual Project Goals
  - 6-7 miles of roads per year
    - 147 miles of paved City streets
    - Rehab project on every street once every 25 years +/-
  - Combine neighborhood streets into single project
  - Focus on most effective rehabilitation technique

15 **Pavement Management Initiative (PMI)**

16 **Fiscal Limitations**

- Pavement Management – Local Fund (Fund 440)
  - Well funded
    - Avg. $12 million balance for next 5 years
  - Able to cover annual goals (6-7 miles per year)
  - Has contingency funding as needed
  - Will be further bolstered if MSA funding used for existing State Aid streets (not just new/expansion)
  - Could perform more maintenance and/or CIP projects
-
- Limiting Factor is <u>Utility Funding</u>
  - Storm is biggest challenge
  - Sanitary Sewer & Water have similar constraints

17 **Fiscal Limitations**

18 **Fiscal Limitations**

- Reasons for Limitations
  - Still "recalibrating" CTF Recommendation
    - Utilities pay for their fair share
  - Water & Sewer deficiencies not as well-defined/known as storm sewer

- Past utility rate increases have not kept pace with needs increases
-
- Staff Recommendations
  - Improve project scoping & costing
  - “Stay the course” on 2022 Rate Study recommendations
  - Find more balance between “rural” and “urban” projects

19 **Questions for Council**

Does the Council wish to take on more PMI projects annually?

If so, does the Council wish to provide more utility funding to make that possible, or otherwise supplement utility costs via other funding sources?

20 **Staff Initiatives**

- PCI Rating Index – Improvement Options
  - Can we do more for less?
  - Can we get better data?
  - Consider Different Rating Techniques
  - Leverage Image Data (Cyclomedia, Google, etc.)
  - Leverage Artificial Intelligence

21 **Staff Initiatives**

- Holistic Approach to Maintenance
  - Leverage maintenance to complement PMI goals (raise city-wide PCI Rating)
    - Broad Area Patching (rural roads)
    - Maintenance Overlays (urban roads)
  - Focus on preservation
    - More crack sealing, less/no sealcoating
    - Re-examine application of fog sealing
    - Thin bituminous overlays
  - Develop maintenance schedule
    - Crack seal overlays on year 1, 2, and 3 (capture reflective cracking)
    - Bituminous Overlay at year 25, Reclamation at year 50
    - Etc.

22 **Staff Initiatives**

- Pavement Rehabilitation for Existing Trails/Sidewalks
  - 31 Miles of Existing Bituminous Trails
    - 17 Miles (55%) in Parks/Natural Areas/Non-Boulevard Areas
    - 14 Miles (45%) along Roadways
  - 26 Miles of Concrete Sidewalks

- Parks & Facility Parking Lots/Site Improvements
  - Fire Stations (3)

        - VMCC/City Hall/Police/Maintenance Facility
        - City Parks
        - Water Treatment Facility
        - Wells & Lift Stations

    - Re-Integrate into PCI Ratings
    - Prioritize and Budget in 5-year CIP to Address Deficiencies
    - Account for Needs in Budget

23 **Examples of Trail & Parking Lot Conditions**

24 **Question for Council**

How should City parking lots, trails, and sidewalk maintenance/replacement be funded?

- From existing department budgets?
    - Water, Sewer, Storm for Utility Facilities
    - Central Equipment, Streets, Parks for Maintenance Center
    - Parks for VMCC
    - Police for Police Parking Lot
    - Fire for Fire Station Parking Lots
    - Most of these are funded via General Fund Tax Levy
- From Pavement Management Fund
    - Utilize General Fund Tax Levy
    - Includes supplemental funding sources (host community, franchise fees)
- From other source of funding?

25 **Staff Initiatives**

- Long-Term Capital Improvement Plan
    - Capture scheduled maintenance needs
    - Account for full-system, life-cycle needs
        - 10-, 15-, 20-, and 25-year CIP for Roadways
    - Integrate Utility Costs/Needs
    - Develop/balance maintenance schedule

26 **South Grove Pavement Deterioration**

27 **South Grove Pavement Deterioration**

- What is happening?
    - Issues (history, pavement age, stripping issues)
        - Constructed in 2006 (17-year-old pavement)
        - Seal Coat in 2017 (6-year-old seal coat)
        - Currently, pavement stripping is causing increased maintenance and poor rideability
    - Repair Options Explored (mill overlay, UTBWC)
        - All options needed to incorporate removal of chip seal
        - Looked at Micro Surfacing, Mill and Overlay, UTBWC
    - Funding Options (assessments, PM-Local Streets, etc.)

        - Options should consider proposed fix along with current pavement age
        - Can incorporate strategies over time

28 **Pavement Deterioration Solutions**

- 1.5" Mill and overlay vs UTBWC
    - Cost
        - Costs are nearly the same with UTBWC coming in slightly less overall (for this proposed project)
    - Performance
        - Mill and Overlay may have a longer life – need to factor in future maintenance (sealing) to ensure, however
        - UTBWC uses pavement structure in place and seals it to extend performance and life
    - Demo Project
        - Staff proposes use of UTBWC for a demo project
        - Project will provide solution to early deterioration of pavement
        - Project will provide information on additional maintenance solution to extend pavement lifespan

29 **Demo Project**

- Project Details
    - 72nd Street from Clayton to Dawn Avenue E
    - Includes micro-milling and UTBWC
    - Estimated construction time – two days (one day to mill, one day to apply UTBWC)
- Project Goal
    - Remove failing chip seal and provide smooth surface while protecting in-place good pavement structure

30 **Ultra-Thin Bituminous Wear Course (UTBWC)**

- What is it?
    - UTBWC is a coarse graded asphalt mix placed on top of a polymer membrane that gets "wicked" in
- Uses
    - As a surface seal for hot mix asphalt pavements to slow down deterioration caused by traffic, weathering, raveling and oxidation
    - Seals small cracks and provides a wearing surface with excellent frictional resistance

31 **Ultra-Thin Bituminous Wear Course**

- Propose as a "maintenance" effort (non-assessed)
    - Existing streets didn't reach their anticipated design life
    - Recency of past assessments for rehabilitation projects
    - Anticipated to extend expected life of these streets from 20-25 years to 30-35 years
        - UTBWC will provide 10-15 years of additional service life
        - Allows PMI program to focus on other streets that have not received a Capital Improvement but are in need of a pavement upgrade.

- Allows "shovel ready" project to take advantage of good bid environment, and potential savings in annual PMI projects
    - We can respond to changes in the market more readily if not bound by special assessment project requirements.

32 **Ultra-Thin Bituminous Wear Course**

- Alternate Options to Assess for Project Costs
  - Consider a "prorated" assessment, based on the reduced life of the original project
    - May result in varying assessment rates for a single project
  - Other?

33 **Questions for Council**

Does Council agree with staff recommendation to proceed with an ultra-thin bituminous wear course demo project in 2023 on a street in South Grove to understand the constructability and determine potential benefits for a future project?

Does Council agree with staff recommendation that, for previously-rehabilitated streets in the South Grove neighborhood, that a maintenance overlay (ultra-thin bituminous wear course or 1.5" bituminous overlay) should be treated as a "maintenance" project, with no assessments levied?

34 **Special Assessment Policy Update**

Goals:

- Provide clarity and transparency in the application of special assessments for PMI and other CIP projects
- Simplify the calculation for special assessments so it can be applied equitably and understood by the general public
- Modify assessment payback requirements based on assessment value, and not project type

35 **Special Assessment Policy Update**

What's Changed from 2016 Policy

- Format & use of "plain language"
  - Includes an extensive "glossary" of common terms (Appendix A)
- <u>Section 4</u>: Clarity in the public improvement process
  - Identify key steps required by statute
  - Clarifies how City staff will respond to petition requests
- <u>Section 5 & Appendix B</u>: Adds figures and examples for calculating assessments for different types of assessment methods
  - Per Lot
  - Adjusted Front Foot
  - Area

36 **Special Assessment Policy Update**

What's Changed from 2016 Policy

- <u>Section 5</u>: Clarifies assessment method calculations based on current zoning classifications
  - Current policy lacks clear connection between assessment rates and zoning/property use classifications
- <u>Section 6</u>: Adds assessment rates for upgrade/paving of gravel roads

    - One rate for roads without public utilities (sewer & water)
    - One rate for roads with public utilities
    - Current policy notes 100% assessment; limits application to situations where projects are petitioned with nearly unanimous resident support (very rare)
  - Section 6: Provides clarity for utility "oversizing" or "over-depth" thresholds

37 **Special Assessment Policy Update**

What's Changed from 2016 Policy

- Section 7: Propose assessment terms based on assessment value (not project type)
  - Current policy is based on project type
    - Mill and overlay – 5 years
    - Other project types – 10 years
  - Changes would limit annual property tax bill increase for most single-family assessments (under $10,000) to $1,000 or less.

38 **Special Assessment Policy Update**

Key Policy Changes

- Section 6: Adds assessment rates for upgrade/paving of gravel roads.

39 **Special Assessment Policy Update**

Key Policy Changes

- Section 7: Recommends assessment terms based on assessment value (not project type)

40 **Special Assessment Policy Update**

Potential Additional Policy Changes

- Allow partial pre-payment of assessments
  - Would require a new City Ordinance to allow
  - Requires additional vetting by Finance staff to understand capability to track and accurately update certified assessment to Dakota County (currently lack systems to accommodate this)
  - May wish to consider minimum pre-payment requirements

41 **Questions for Council**

Does Council agree with the proposed addition of an assessment rate for the upgrade of gravel roads to the current list of project types/rates?

Does Council agree that a value-based assessment payback period provides benefit to the community, and does the dollar values/payback periods proposed appear fair? If not, are there other values/payback periods staff should consider modeling?

42 **Questions for Council**

Does the Council wish for staff to explore options for partial payment of assessment in first 30-days after an assessment hearing? If so, does the Council wish to place any particular limits/restrictions/requirements on a partial payment option (i.e., at least 25% of total cost)?

43 **Special Assessment Policy Update**

Next Steps:

- Staff will refine/update draft policy
- Revisit with Council in October/November

- Understand there is overlap between project years
  - 2023 projects – Follow existing policy
  - 2024 projects – If no change to assessment rate calculation from current policy (none proposed), policy could be applied for fall, 2024 assessments
  - 2025 projects –Include/implement for 2025 project feasibility studies – Scheduled to be drafted and presented in Spring, 2024.
- Recommend adoption by end of 2023
  - May push to early-2024 if City Ordinance approval is needed for pre-payment of assessments

44 **General Questions/Comments**

CITY OF
INVER GROVE
HEIGHTS

Special Assessment Policy

DRAFT – 9/5/2023

Adopted by City Council: XX/XX/2023 – Resolution 2023-XXX

This Policy is effective as of November 1, 2023, and will supersede all previous assessment policies, and such amendments thereto. The Special Assessment Policy adopted January 25, 2016, shall remain in effect until that date.

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Table of Contents

Section 1: Policy Purpose & Goals

The purpose of this policy is to establish a consistent, uniform, fair, and equitable manner of assessing *public improvements* to benefiting properties. The procedures used by the City of Inver Grove Heights for levying *special assessments* are designed to be in conformance with those specified by Minnesota Statute, Chapter 429 – Local Improvements, Special Assessments.

The goals of the City of Inver Grove Heights special assessment policy are to:

1. Provide a stable and continuing source of funding within the financial capacity of the City to accommodate the infrastructure needs of new development, redevelopment, and maintenance of existing infrastructure facilities within the community in a cost-effective manner.
2. Provide the City Council and staff with clear guidelines and methods to efficiently distribute infrastructure costs to benefiting properties in an equitable and consistent manner, thereby enhancing the value of property by assigning a proportionate value of the improvements to the properties deriving from the improvement.
3. Provide an effective tool for the management of City resources to support a highly functional and well-maintained system of infrastructure that promotes economic development and growth, fosters a since of pride throughout the community, and facilitates the development and adoption of short- and long-range capital improvement plans by identifying the magnitude and sources of funding available.

Section 2: Introduction

A **Special Assessment** is a charge imposed on real property to help defray the cost of public improvements. The State of Minnesota constitution allows the legislature to authorize local governments to use special assessments to help pay for local improvements based on the benefit the improvement provides to individual properties. Since 1953, that authority has been detailed in Minnesota Statute, Chapter 429 – Local Improvements, Special Assessments. Chapter 429, as it is henceforth referenced in this policy, authorizes local government entities such as cities, towns, and counties to make specific improvements and recoup the costs through special assessments, and outlines the requirements and procedures that a local government entity must follow to impose special assessments.

The City of Inver Grove Heights ("City") utilizes special assessments as a tool to help finance the construction of major infrastructure projects (roads, sidewalks/trails, storm sewer facilities, water facilities, sanitary sewer facilities, etc.), as well as the rehabilitation and/or replacement of public infrastructure as it ages. The City has utilized several versions of a formal special assessment policy ("Policy") dating to 1981, with the most recent policy being adopted in 2016.

In 2022, the Pavement Management Program Citizen Task Force delivered a report focused on recommendations for the City to improve its Pavement Management Initiative, which included a review of the City's Special Assessment Policy provisions. The primary recommendation of the Citizen Task Force related to the Policy was to maintain the general rates and structure of the assessment policy, but to make clarifying changes to ensure consistent application of the policy provisions for different types of projects. The Policy modifications put forth in this current version include:

- Use of "plain language", to better explain technical aspects of the Policy.
- Inclusion of definitions for common words/phrases utilized throughout the Policy.
- Inclusion of links to referenced State Statute, City Code, and various other City Council-adopted documents that are utilized in the implementation of this Policy.
- Revised public improvement project process summary.
- Modified assessment calculation methods, with clear visual descriptions and examples of assessment calculations.
- Updated assessment rate tabulations and descriptions, standardizing language across different improvement types (street, utilities, etc.), and incorporating the revised Pavement Management Initiative project types identified through the Citizen Task Force effort.
- Condensed description of assessment payment period and process, including the addition of partial prepayment options and an assessment payment period based on assessment amount, not project type.

Words that are *italicized* within the Policy are defined in ***Appendix A – Definitions***.

The ***bold italicized*** words reference other sections within the Policy.

Section 3: Public Improvement Project Types

The types of *public improvements* that are eligible for the levying of *special assessments* are detailed in Chapter 429 (§429.021), with an additional provision in Minnesota Statute Chapter 459 (§459.14). At the discretion of the City Council, the City may choose to levy *special assessments* for any type of eligible project as allowed by Statute. The primary project types that the City regularly, levies *special assessments* for new and/or rehabilitation of public infrastructure are:

- Streets, curb and gutter, and appurtenant improvements thereto (new and rehabilitated)
- Sidewalks, trails, and other non-motorized transportation facilities (new and rehabilitated)
- Storm sewer and storm water management systems (new and rehabilitated)
- Sanitary sewer systems (new)
- Water systems (new)
- Streetlights and street lighting systems, including decorative lighting (new)
- Abatement of nuisances as defined in City Code and allowed by §429.101

Section 4: Public Improvement Process

The *public improvement* process is defined by Chapter 429 and applies for projects where *special assessments* may be levied. Statute allows for some flexibility in how local governments can choose to review and approve projects, and how to levy *special assessments* (i.e., before vs. after construction). The City's *public improvement* process for projects with *special assessments* is as follows:

4.1 Project Initiation

Public improvement projects may be initiated in several ways. The following are the most common methods utilized by the City:

City Initiated Projects

On recommendation of staff through the Capital Improvement Plan (CIP) process, the City Council decides an improvement is necessary and desirable for the community, and schedules it for a specified year within the CIP.

Partner Agency Projects

A project may be initiated by a public agency, such as the Minnesota Department of Transportation (MnDOT), Dakota County, or an adjacent City.

1. Such partner projects generally include interagency agreements (i.e., joint powers and/or cooperative agreements) that detail the scope and cost of such projects, allowing the City to determine if participation in such a project is fiscally viable and/or in the best interest of the community, and plan for these projects through the CIP process.

Petitioned Projects

Chapter 429 (§429.031) specifies that *public improvements* may be initiated by *petition* of owners of not less than 35% in frontage of the real property abutting a requested improvement. Additionally, a developer may *petition* the City for *public improvements* related to a new subdivision or plat, to have the City provide new streets or public utilities to service new development. A developer *petition* will not be considered without the developer waiving all rights to appeal the assessment through a formal Development Contract.

When property owners or a developer submit a *petition* for any *public improvement*, the following process will be undertaken:

1. The Engineering Division will receive and review the *petition* for completeness.
2. A staff member from the Engineering Division will be assigned to reach out to the *petition* submitter, and schedule a meeting to discuss the following items:
    a. Scope and parameters of the *petition* as submitted.
    b. Review items within the *petition* related to City Code, policy, CIP, or Chapter 429 that may impact the *petitioned* request.
    c. Review *assessment waiver* provisions, if applicable.
    d. Request and/or provide clarity on the needs and desires for a project, to provide education to petitioners regarding project planning, cost, and general process.

3. After the staff review and initial meetings with a petitioner, if a petitioner desires to move forward with formal presentation and review before the City Council, staff will prepare a schedule and timeline for a formal agenda item to be presented and prepare a submittal as part of a Regular Agenda item on a future City Council meeting. The petitioner will be informed of the proposed meeting date.
4. At the scheduled Council Meeting, staff will present to the City Council the *petition*, options to address the *petitioned* request, and staff's recommendation on how to proceed with the *petition* request, and the petitioner will be given an opportunity to speak to the Council.

4.2 Feasibility Report

In response to the City Council's desire to proceed with a project, whether initiated via the City's planning process, a partner agency, or a *petition*, the City Council will authorize the preparation of a *feasibility report* for the proposed *public improvements*. As defined in ***Appendix A***, a *feasibility report* is an engineering and fiscal planning document that details whether a *public improvement* is necessary, cost-effective, and feasible to complete. The key components of a *feasibility report* include:

1. Project Scope
2. Cost Estimates
3. Funding Sources
4. List of Benefiting Properties
5. Preliminary Assessment Calculations and Preliminary/Draft *Assessment Roll*
6. Feasibility and Recommendations Regarding the *Public improvement*

4.3 Public Hearing

Upon completion of the *feasibility report*, the City Council holds a *public hearing*, to accept the *feasibility report* and discuss the merits of authorizing that a project proceeds to final design. *Public hearings* require specific public notification in accordance with Chapter 429 (§429.031), including two publications in legal newspapers, and direct notification to benefiting property owners via US Mail. After the *public hearing* is held, the City Council votes on a resolution authorizing the improvements, setting a timeline for the project to be bid, and directing staff to prepare final plans and construction specifications. Upon authorizing the improvements, the assessments become *pending*, but will not be finalized until the assessment hearing.

1. A vote on a resolution is typically held on the same date as the *public hearing*, but the City Council may choose to table the discussion or extend the *public hearing* to a future meeting date. A formal vote to authorize a *public improvement* must be held within six months of the initial *public hearing* date, or else the *public hearing* process must re-start.
2. *Public improvement* projects with assessments that are initiated through the *petition* process and meet the requirement of 35% *front footage*, as described in ***Section 4.1***, may be authorized via the *public hearing* process with a three-fifths majority vote of the City Council.
    a. *Public improvement* projects with assessments initiated in any other manner (City or other public agency) require authorization via the *public hearing* process with a four-fifths majority vote of all members of the City Council.

3. *Public hearings* are not necessary for *petitioned* projects where 100% of the benefiting property owners have *petitioned* for the project, or 100% of benefiting property owners have signed an *assessment waiver*. A City Council resolution with a three-fifths majority vote is still necessary to authorize improvements for either of these scenarios.

4.4 Final Plan Design, Bidding, and Construction

Final plan and construction specification compilation occurs following the City Council authorization of improvements. While City Council approval of plans and specifications and authorization of the advertisement for contract bids is not required under Chapter 429 (§429.041), the City chooses to follow this step to ensure transparency in the assessment process, and to consider any changes in cost or scope that may have occurred through the final plan design process.

The advertisement period for bids is detailed in Chapter 429 and varies based on the estimated construction cost for the *public improvement*. The City typically uses a sealed bid process and advertises bids for *public improvements* with *special assessments* for at least three weeks. Upon receipt of bids, the sealed bids are opened, and the bids are reviewed by staff for conformance with the contract bidding documents, and a formal bid tabulation is developed. If the bids are found to be in conformance with anticipated budgets, staff prepare a recommendation and resolution for the City Council to award a contract based on the bid requirements (low-bid or best-value alternative). Concurrently, staff will prepare a final project budget resolution for the City Council to review and approve, comparing the *feasibility report* costs and the as-bid costs, and detailing the funding sources to be utilized for the construction of the *public improvement*.

Upon City Council approval of resolutions awarding a contract and setting the project budget, construction of the *public improvement* in accordance with the plans and specifications commences. The timeframe for construction of every project varies and will impact the final timing of the *assessment hearing*, as detailed in ***Section 4.5***.

Should a *project bid* not be awarded, due to financial or other project concerns of staff or the City Council, staff will provide recommendations as to the next steps in the project review process. These steps may include revised plans, re-bidding, or potential tabling or termination of a project.

4.5 Assessment Hearing

When a project is deemed to be *substantially complete*, the *assessment hearing* is scheduled. Chapter 429 (§429.061) allows for the *assessment hearing* to be held prior to construction (based on estimated *public improvement costs* after bids are received); however, the City typically holds the hearing after construction is *substantially complete*, allowing final assessments to be based on the actual project costs incurred.

1. After completion of a project, a final cost report is prepared that calculates the actual project costs (construction costs plus all overhead costs such as legal, engineering, administrative, and finance (LEAF) costs).
2. The final *assessment roll* is generated and cross-checked against the preliminary *assessment roll* for accuracy in address and assessment calculation data.
3. Notice for the *assessment hearing* (time, place, and assessment amount) is performed in accordance with Chapter 429. This notice includes one publication in a legal newspaper, and direct notification to benefiting property owners via US Mail.

4. The City Council conducts the *assessment hearing* at a City Council meeting. Following the *assessment hearing*, the City Council votes on a resolution to adopt the *assessment roll*, thereby levying the assessments and beginning the assessment collection process.

4.6 Assessment Payment and Certification

After the *assessment hearing* is held, there are several options for benefiting property owners to pay their assessment, and steps that City staff take to certify assessments with the Dakota County Auditor. These items are detailed in ***Section 7***.

Section 5: Assessment Calculation

Assessable costs may be distributed to *benefited properties* using a variety of *assessment methods*. The specific method chosen depends on the project type, parcel layout, and parcel type/zoning classification. The City utilizes three primary assessment calculation methods for *public improvements*:

1. Per Lot
2. Adjusted Front Footage
3. Area

Assessments must be applied uniformly to <u>*the same classification of property within an assessed area*</u>. That means that for some properties (i.e., residential lots zoned R-1, R-2, E-1, etc.), the per lot *assessment method* may provide the most equity, while for other properties (i.e., business or PUD lots), the area or *front footage* method may be more equitable. The City endeavors to be consistent in the application of assessments and may utilize one or more of the assessment calculation methods for a project. The specific type of assessment calculation utilized, and the calculation applied thereto, will be detailed in the *public improvement feasibility report* for each project and summarized in the *assessment roll*.

5.1 Per Lot Assessment Method

When the "per lot" *assessment method* is utilized, all lots in the *assessable area* with similar zoning classification are assessed equal amounts, independent of their area or *front footage*. The "per lot" method for assessments is most utilized for street improvement projects, where most, if not all, properties are single-family residential (E-1, E-2, R-1, and R-2 parcels where the number of dwelling *units* can be ascertained). The *assessable cost* is divided by the total number of properties to determine the per-property *assessment rate*.

<u>Example</u>:

Total Assessable Cost:	$10,000
Number of Lots/Properties:	5
Per Lot Assessment:	$10,000/5 Lots = <u>**$2,000/Lot**</u>

Special Considerations

1. When a "per lot" *assessment method* is utilized in combination with an "*adjusted front foot*" or "area" *assessment method*, the sum of the total *adjusted front footage* or total area attributed to be assigned on a "per lot" basis will be calculated, and the total divided by the total number of lots to determine a "per lot" *assessment rate*. Refer to example in ***Exhibit B-1*** and ***Exhibit B-2*** in ***Appendix B***.
2. For street improvement projects, corner residential lots will be assessed on a "per lot" basis for the street where the primary driveway *access* is located. If a residential property has two driveway *accesses*, the driveway on the longest *adjacent/abutting property* frontage will be identified as the "primary" driveway. Refer to example in ***Exhibit B-1*** in ***Appendix B***.
3. When considering larger residential lots for a per *lot assessment*, the ability for a lot to subdivide shall be considered. The *assessable cost* of the *public improvement* may be

allocated to subdividable lots based on the number of residential parcels that the property could be subdivided into. The number of lots will be based on the size of surrounding residential properties in the *assessable area*, City Code requirements for lot subdivision, and zoning classification.

5.2 Adjusted Front Foot Assessment Method

The "*adjusted front foot*" *assessment method* considers that individual parcels vary by size, area, zoning classification, and land use type. The procedure for calculating the "*adjusted front foot*" for different parcels will vary based on the following conditions:

1. Rectangular Lots: The *adjusted front footage* is the actual *front footage* of the lot.
2. Odd-Shaped Lots: For use on lots that exist on cul-de-sacs and curved streets where the front and back lot footage is not proportional to the lot depth. The computation for *adjusted front footage* may be computed as follows:
    a. Taking the average of the front and back *front footage* of the lot; or
    b. Using the width of the lot at the building setback line, as defined in City Code; or
    c. Using the average lot width for comparable properties in the *assessable area*; or
    d. Another method deemed appropriate and detailed in the feasibility study to calculate the assessment fairly and equitably for the property and approved by the City Council.
    e. Refer to examples in ***Exhibit B-3*** in ***Appendix B***.
3. Flag Lots: For use on lots that are flag-shaped and have main *access* to a street or project area but are otherwise "landlocked" by other properties with no secondary street frontage or *access*. The *adjusted front footage* for flag lots shall be considered the greater of the rear-lot property line (farthest from the street *access*), or the sum of the main *access* frontage plus the portion of the lot that is adjacent and parallel to, but not abutting, the street *right-of-way*. Refer to example in ***Exhibit B-3*** in ***Appendix B***.
4. Corner Lot Adjustment (Single-Family Residential Properties Only): ***NOTE: This method only applies to projects where single-family residential parcels are assessed on an adjusted front footage basis.*** For a corner *lot assessment*, the short side is assessed for the actual *front footage* and the long side is assessed for *front footage* that exceeds 135'. Refer to example in ***Exhibit B-3*** in ***Appendix B***.
5. Non-Single-Family Lot Adjustment: ***NOTE***: ***This method only applies to projects where single-family parcels are within a project's assessable area.*** The actual frontage for non-single-family lots (all zoning classifications other than E-1, E-2, R-1, and R-2 parcels where the number of dwelling *units* can be ascertained), after applying the procedures noted in items 1-3 above, will be multiplied by a factor of two (2) to calculate the *adjusted front footage*. This is done to account for the fact that non-single-family parcels may have multiple *access* points to a roadway and generate more traffic than single-family parcels. Refer to ***Exhibit B-1*** in ***Appendix B***.
6. Common Interest Parcels: When *common interest* parcels exist within an *assessable area*, the *adjusted front footage* shall be calculated as defined in item 5 above, and subsequently divided equally to all taxable parcels with a *common interest* in that parcel.

Adjusted front footage will be determined based on plat maps, section maps, and property data supplied by Dakota County via GIS or other digital mapping means. In areas where parcels are un-platted, the centerline length of the roadway or utility improvement may be utilized and extrapolated to calculate the *front footage* of an *adjacent property*.

Upon determination of the "adjusted front foot" calculation for each parcel within a project's *assessable area*, the *assessable cost* is divided by the sum of the "adjusted front foot" calculation for all properties to determine a per-adjusted front foot *assessment rate* for the project.

<u>Example</u>:

Total Assessable Cost:	$10,000
Total Adjusted Front Footage:	2,000 Feet
Per Adjusted Front Foot Assessment:	$10,000/2,000 Feet = **<u>$5/Adjusted Front Foot</u>**

Special Considerations

1. When an "*adjusted front foot*" *assessment method* is utilized in combination with an "per lot" *assessment method*, the sum of the total *adjusted front footage* attributed to be assigned on a "per lot" basis will be calculated, and the total divided by the total number of lots to determine a "per lot" *assessment rate*. Refer to example in ***Exhibit B-1*** in ***Appendix B***.

5.3 Area Assessment Method

The "area" *assessment method* shall be based on the area (square feet or acres) of benefiting properties within an *assessable area*. Upon determination of the total area calculation for each parcel within a project's *assessable area*, the *assessable cost* is divided by the sum of the "area" calculation to determine a per-square foot (or per acre) *assessment rate* for the project.

<u>Example</u>:

Total Assessable Cost:	$10,000
Total Parcel Area:	1,000 Square Feet
Per Square Foot Assessment:	$10,000/1,000 square feet = **<u>$10/Square Foot</u>**

Special Considerations

1. When an "area" *assessment method* is utilized in combination with an "per lot" *assessment method*, the sum of the total area attributed to be assigned on a "per lot" basis will be calculated, and the total divided by the total number of lots to determine a "per lot" *assessment rate*. Refer to example in ***Exhibit B-2*** in ***Appendix B***.
2. *<u>Stormwater Easements</u>*: Parcels that contain a drainage and utility easement for the purposes of stormwater ponding or stormwater treatment will have the area calculation reduced by the area of the stormwater ponding easement. For instance, a 50,000 square foot parcel that is encumbered by a 10,000 square foot stormwater ponding easement will have an *assessable area* of 50,000 – 10,000 = 40,000 square feet.
    a. Front, rear, and/or side yard drainage and utility easements that are applied equally throughout a plat that covers all or portions of the *assessable area* will not be considered for area calculation reduction.
    b. Properties with stormwater ponding facilities that are not encumbered by a dedicated easement will not receive a reduction in the *assessable area*.

3. *Common Interest Parcels*: When *common interest* parcels exist within an *assessable area*, the area shall be calculated and subsequently divided equally to all taxable parcels with a *common interest* in that parcel.

5.4 Recommended Assessment Calculation Methods

Table 5.4.A summarizes the assessment calculation methods that can be implemented for each type of zoning classification within the City.

TABLE 5.4.A – Assessment Calculation Method

Zoning Type		Assessment Calculation Method		
Code	**Definition**	**Per Lot**	**Adjusted Front Footage**	**Area**
A	Agricultural	X	X	X
E-1 & E-2	Estate Lots (Residential)	X[4]	X	
R-1	Residential (Single-Family Homes)	X[4]	X	
R-2	Residential (Duplex/Triplex)	X[2]	X[1][2]	
R-3	Residential (Apartments/High Density)		X[1]	
R-4	Manufactured Homes		X[1]	X
B-1 - B-4	Business		X[1]	X
OP	Office Park		X[1]	X
PUD	Planned Urban Development		X[1][3]	X
I-1 & I-2	Industrial		X[1]	X
P	Public/Institutional		X[1]	X

(1) *Front footage* rate is doubled for multi-family zoning (R-2, R-3, R-4), business, office park, industrial, and public/institutional zoning classes when assessments calculated based on the "*adjusted front footage*" method only.

(2) Where number of dwelling *units* can be confirmed, per lot rate may apply to R-2 zoning classifications when calculated based on a "per lot" basis alone, or in combination with other assessment calculation methods.

(3) In PUD's, the current land use type may be utilized to determine *front footage* rate to apply.

(4) Refer to "lot equivalent" definition in ***Appendix A***

The zoning classifications noted above are based on the zoning classification in place at the time of the adoption of this policy. Current zoning classifications are available on the City's website: [Zoning Classifications].

The "per lot" method shall be utilized to the greatest extent possible on Pavement Management Initiative projects where the majority of properties are zoned single-family residential (E-1, E-2, R-1, and R-2 parcels where the number of dwelling *units* can be ascertained).

5.5 Unique Property Considerations

There are several types of unique property situations that may arise within the *assessable area* of a project. The following types of property are most encountered in the performance of Capital Improvement Projects where *special assessments* are utilized:

Public Right-of-Way

When a *public improvement* fronts the *right-of-way* of the City, County, State, or other political subdivision, that *right-of-way* shall be excluded from the calculation of *special assessments*.

Frontage Roads

Frontage roads along highways or other arterial streets are deemed to be of benefit to the adjacent properties. The entire cost of any *public improvements* on such frontage roads, notwithstanding any roadway width adjustments as defined in ***Section 6.1***, will be assessable to the benefiting properties along the frontage road.

Tax-Exempt Property

Apart from *public right-of-way*, benefiting property owned by the City, County, State, or other political subdivisions shall be regarded as being assessable on the same basis as if the property was privately owned. Property owned by other tax-exempt organizations such as charitable organizations, religious organizations, and school districts shall be regarded as being assessable on the same basis as if the property was taxable. The assessment calculation method for these properties will be applied based on the zoning classification of the benefiting property, to calculate the assessment fairly and equitably for all benefiting parcels.

1. When the calculated assessment for public property is not identified in a formal *assessment roll* for the *public improvement* project, the public property assessment cost will be otherwise identified in the budget for the *public improvement*, and where applicable, the payment of costs identified through an inter-agency cost sharing agreement.
2. The calculated assessment for private, tax-exempt property will be shown on the *assessment roll* for the *public improvement* project.

Railroad Property

While railroad property is assessable in accordance with Chapter 429, not all types of railroad property may be found to receive a *special benefit* from a *public improvement*. Determination of the *special benefit* and whether a railroad property is considered assessable will be determined through the *feasibility report* process.

Indirect Property Access

Properties that are in the *assessable area* of a *public improvement*, have *access* via easement (i.e., a private road or driveway) or have common ownership with adjacent parcels that *abut* a *public improvement*, but do not have *abutting* frontage to the project themselves, are considered to have indirect property *access*. Such properties will have their assessment calculated based on the area method detailed in ***Section 5.3***.

Undeveloped Property

Undeveloped land within an assessable area may be assessed in accordance with the highest and best use of the property, as defined in the City's most current Comprehensive Plan. The zoning classification assigned to undeveloped property for the purposes of calculating a special assessment will be the zoning classification with the greatest density of development when comparing the current zoning classification, and the land use classification as defined in the Comprehensive Plan.

Section 6: Assessment Rates

The *assessment rate* that is utilized for a *public improvement* project will be based on the type of project being performed. ***Table 6.1.A*** summarizes the *assessment rates* applied to the noted project types:

TABLE 6.1.A – Assessment Rates

	Project Type	Percent Assessed
Street Improvements (Includes Storm Sewer)	New Construction	100%
	Reconstruction	35%
	Partial Reconstruction/Reclamation	55%
	Mill & Overlay	80%
	Gravel Road Paving (no Public Utilities)	80%
	Gravel Road Paving (with Public Utilities)	55%
	Routine Maintenance	Not Assessed
Utility Improvements (Sanitary Sewer & Water)	New Construction	100% (1)
	Reconstruction/Replacement	(2)
Other Improvements	Sidewalks/Trails (New Construction)	100%
	Sidewalks/Trails (Replacement)	(3)
	Streetlights	(4)

(1) Refer to ***Section 6.2*** regarding oversizing and over-depth costs.

(2) Refer to ***Section 6.2*** regarding assessments related to maintenance costs.

(3) Refer to ***Section 6.1*** regarding assessing sidewalk & trail reconstruction/replacement as part of street improvements.

(4) Refer to ***Section 6.3*** regarding new street light assessments.

6.1 Street Improvements

Street improvements are most often undertaken as part of the City's Pavement Management Initiative. These *public improvements* often include work on the pavement surface, curb and gutter, adjacent sidewalks and trails, storm sewer systems, ditches, and boulevard areas within the *public right-of-way*.

New Construction

The construction of new streets with a full street section, curb and gutter (if within Municipal Urban Services Area (MUSA) boundary), storm sewer system, and appurtenant improvements in accordance with the current City engineering design standards for roadway classification is considered "new construction." Costs of construction of new streets will be assessed based on the following minimum design standards:

1. 7-ton axle load (for local/residential streets).
2. 9-ton axle load (for collector and State Aid streets).
3. 6' sidewalk (for local streets, when required by City Code).
4. 10' bituminous trail and 6' sidewalk (for collector and State Aid streets).

5. Design width of 32' curb-face to curb-face (all street types).
6. Storm sewer facilities necessary to accommodate the above minimum roadway design standards, including piping, manholes, and stormwater treatment facilities (ponds, treatment structures, infiltration basins, etc.)

Where the installation of a roadway or stormwater features exceed the minimum standards noted above, the City Council may authorize funding of the improvements via any method deemed acceptable, including *special assessments*.

Reconstruction

Reconstruction is defined as the removal and replacement of pavement, curb and gutter (in urban areas), aggregate base and subgrade replacement, the partial or full reconstruction of storm sewer systems (including ditch grading for rural areas), and appurtenant improvements in accordance with the current City engineering design standards.

Where sidewalks or bituminous trail currently exist, the partial or full replacement of those facilities will be included in the *assessable cost* for the *public improvement* project.

Partial Reconstruction/Reclamation

Partial Reconstruction/Reclamation is defined as the removal/recycling of pavement and aggregate base, spot curb repair (in urban areas) and spot storm sewer repairs (including minor ditch grading for rural areas), and appurtenant improvements in accordance with the current City engineering design standards. The following metrics will be utilized to determine if a given *public improvement* project should be reclassified as a "reconstruction" project:

1. Spot subgrade correction (under aggregate base/reclamation) exceeds 25% by total *area* of the *public improvement*.
2. Curb replacement exceeds 35% by total curb footage of the *public improvement*.
3. Replacement/upgrade of storm sewer utilities exceeds 35% of the estimated total storm sewer replacement cost for a *public improvement*.

Where sidewalks or bituminous trail currently exist, the partial or full replacement of those facilities will be included in the *assessable cost* for the *public improvement* project.

Mill & Overlay

Mill and overlay is defined as the removal of the top 1.5"-4" of pavement via mechanical milling, and placement of new bituminous pavement surfacing on the roadway. Work may include spot repairs to storm sewer structures and/or castings, and spot curb repair in accordance with the current City engineering design standards.

Where sidewalks or bituminous trail currently exist, spot repairs or replacement of those facilities (less than 35% by area) will be included in the *assessable cost* for the *public improvement* project. If full replacement of sidewalk or bituminous trail is performed (greater than 35% by area), the sidewalk and bituminous trail work will be reclassified under the "partial reconstruction/reclamation" category for calculating the assessment.

Gravel Road Paving

Existing gravel roads that are upgraded with pavement will include grading of the roadway and ditches, installation of storm sewer culverts, shoulder aggregate, and where necessary to accommodate drainage, installation of curb and gutter. The *assessment rate* for paving of gravel roads has been separated into the following two categories:

1. <u>Gravel Roads with no Public Utilities</u>: These are existing gravel roads with no sanitary sewer or water service, and/or located outside the Metropolitan Council's Municipal Urban Service Area (MUSA) boundary. The cost for the *public improvement* to upgrade the street to a paved street (with or without curb and gutter) and install storm sewer systems are assessed at a rate of 80% to *benefited properties*.
2. <u>Gravel Roads with Public Utilities</u>: These are existing gravel roads with sanitary sewer and/or water service, and are located inside the Metropolitan Council's Municipal Urban Service Area (MUSA) boundary. The cost for the *public improvement* to upgrade the street to a paved street (with or without curb and gutter) and install storm sewer systems are assessed at a rate of 55% to *benefited properties*.

Routine Maintenance

Routine maintenance activities include patching of potholes, placement of crack sealing, sealcoating, broad area patching (patching large segments of roadway utilizing City crews to address deteriorating sections of pavement without removal or replacement of existing pavement or subgrade surfaces), and other maintenance techniques that are deemed to be routine in nature are not assessed.

As it relates to storm sewer, routine maintenance includes cleaning of storm sewer structures, cleaning of pond sediment, replacement of castings (separate from Pavement Management Initiative street improvements), replacement of inlet and outlet structures from stormwater or infiltration basins, and other routine inspection and maintenance required as part of the City's Municipal Separate Storm Sewer System (MS4) permit with the Minnesota Pollution Control Agency.

Assessment Reduction for Wide Roadways

For the purposes of calculating street assessments for residential properties, the assessable rate calculation will be based on the lesser of:

1. 32' wide roadway (curb face to curb face); or
2. The actual road width, measured from curb face to curb face (or in the case of rural roads, from edge of pavement to edge of pavement), perpendicular to the centerline of the road.

For roads wider than 32' (curb face to curb face), the cost for the additional width of pavement over 32' will not be assessed.

For neighborhood reconstruction projects where road widths may vary between streets, the average of all roadway widths will be measured and applied equally to all *benefited residential properties* within the project area. There will be no assessment reduction associated with cul-de-sac or intersection areas.

There will be no assessment reduction associated with road width for non-residential properties.

6.2 Utility Improvements

Utility improvements include improvements associated with the City's sanitary sewer and water main utilities. Improvements to these utilities are typically undertaken via new or redevelopment activities, or as part of the City's Pavement Management Initiative. In certain undeveloped areas within the Metropolitan Council's Municipal Urban Service Area (MUSA) boundary, extension of sanitary sewer and watermain may be requested by property owners via *petition* and considered in accordance with ***Section 4.1***.

Storm sewer improvements are categorized the same as street improvements and are detailed in ***Section 6.1***.

New Construction

Sanitary sewer and watermains installed as part of new subdivisions are assessed at a rate of 100%. This includes all costs associated with excavation, backfilling, compaction, and material costs required to complete the installation of the *public improvement*s in accordance with the current City engineering design standards. Credits resulting from the oversizing or over-depth of sewer and water utilities are detailed in a separate subsection. Trunk area charges are levied to all un-platted property at the time of plat in accordance with City Code Title 3, Chapter 4. Where sanitary sewer or water service are extended to previously-platted or un-platted property, the assessment for the *trunk area assessment* will be determined as specified in City Code, Title 3, Chapter 4. The City may levy a *lateral assessment* for any costs of sanitary sewer or water main extension that are above and beyond the *trunk area assessments*.

Reconstruction/Replacement

Reconstruction or replacement of existing sanitary sewer and water main infrastructure is not assessed, when reconstruction or replacement is a result of routine maintenance, or replacement of existing facilities with new facilities of similar size. Where water and sewer facilities may require upsizing via a *public improvement* due to new property development or redevelopment, the cost for the replacement may be assessed as "new construction", but only to the new development or redevelopment property *benefited* by the upsizing improvement.

Water service lines are owned by the City from the mainline to the curb stop, generally located at the *right-of-way*/property boundary. The remaining water service from the curb stop to the building is owned by the respective property owner. Sanitary sewer service lines are owned by the respective property owner from the sewer main to the building, including the portion in the *right-of-way*. In the course of reconstruction or replacement of the mainline, the City may identify defective service lines that are owned by a private property owner and may require replacement. The costs for service line replacement that is not owned by the City will be 100% assessed to the *benefited property*.

Oversize & Over-Depth Considerations

The oversizing of sanitary sewer and watermain, and the installation of sanitary sewer at a depth necessary to serve adjacent development, is often necessary to ensure the design and installation and extension of new utility services is adequate to serve future development needs. The City recognizes that the oversizing or over-depth installation of sanitary sewer and water utility infrastructure provides benefit beyond individual development and subdivisions, and as such, the City will provide for a credit to developers or property owners who install these utilities. ***Table 6.2.A*** summarizes the oversizing and over-depth considerations the City will utilize in determining development utility credits:

TABLE 6.2.A – Utility Oversize & Over-Depth Considerations

	Oversize	Over-Depth	Calculation of Credit
Sanitary Sewer	12" or larger	24 feet or greater	Material Cost Difference (compared to 12" Sanitary Sewer) Material and Labor Cost (compared to 12" sanitary sewer at 24' depth)
Water Main	12" or larger	N/A	Material Cost Difference (compared to 12" Water main)

The calculation of cost differential related to utility oversize and over-depth credits will be determined by the City Engineer, and as agreed to in the Development Contract for the proposed *public improvements*.

6.3 Other Improvements

Other types of improvements include stand-alone sidewalk and bituminous trail improvements, street light installation, and other general improvements that may be eligible for *special assessments* in accordance with Chapter 429 (§429.021).

Sidewalks and Trails

Installation of **new** sidewalks and trails may be assessed to *benefited properties* at a rate of 100%. Where existing sidewalks and trails serve a local neighborhood or street, the cost for partial or full reconstruction of these facilities may be assessed in conjunction with a street improvement project at the rates detailed in ***Section 6.1***. Maintenance activities such as patching, crack sealing, sealcoating, mud jacking, or grinding of trip hazards are considered routine maintenance, and are not assessed.

Streetlights

All costs for new streetlights installed as part of constructing new streets, or the addition of streetlights to a neighborhood where streetlights did not previously exist, are to be assessed to the *benefited properties* at a rate of 100%. Further information regarding determination and assignment of street lighting costs are detailed in City Code, Title 7, Chapter 4.

6.4 Special Benefit Analysis and Assessment Caps

To determine the *special benefit* received by a *benefiting property* due to a *public improvement* project, the City will perform a review of past *public improvement* project assessment rates and comparable property values during the *feasibility study* process, to determine if the assessment rates are reasonable in value. In cases where the City believes the assessment rates for a project may exceed the *special benefit* value for properties within the *assessable area*, the City Council may request a *special benefit* analysis be performed by an independent appraiser, and the results will be included in the *feasibility study*. The assessment rates will be "capped" at the *special benefit* value for each property within the *assessable area*, as summarized in the preliminary assessment role in the *feasibility study*.

Section 7: Payment

Special assessments shall be levied for the designated term as summarized below:

$0.00 - $999.99	1 Year
$1,000 - $4,999.99	5 Years
$5,000 - $9,999.99	10 Years
$10,000 and over	15 Years

Exceptions to these terms may be determined through *assessment waiver* agreement, Development Contract, or deferment agreement (refer to ***Section 8***), as approved by the City Council.

7.1 Assessment Interest

Accrual of interest will commence beginning on January 1 of the year following the certification of the *special assessment*, unless otherwise specified by the City Council.

The interest rate is determined via the following process:

1. If the City issues bonds for the *public improvement*, the rate will be the City's current year bond rating +2%.
2. If the City does not issue bonds for the *public improvement*, the rate will be the current market interest rate for an AAA rated bond +2% at the time of the *assessment hearing*.

7.2 Assessment Payment and Certification

After the *assessment hearing* is held, there are several options for benefiting property owners to pay their *special assessment*:

1. Property owners can pay all or part of their assessment "interest free" by submitting payment directly to the City of Inver Grove Heights within 30 days of the *assessment hearing*.
    a. The City does not currently allow partial payment of assessments.
2. Following the 30-day period after the *assessment hearing*, the City will certify assessments to Dakota County, and will no longer accept assessment payments.
3. Upon certification to the County, any unpaid assessment will be added to the benefiting parcel's property taxes, with annualized installments based on the term of the assessment.
    a. Assessments levied on or before October 31 will be included in the next year's property taxes (Example: Assessments levied on September 1, 2023, will be included in the 2024 property taxes)
    b. Assessments levied on or after November 1 will be included in the following year's property taxes (Example: Assessments levied on November 15, 2023, will be included in the 2025 property taxes).
4. Payment of any remaining assessment balance can be made at any time after certification of the assessment to Dakota County by making payment directly to the Dakota County Auditor.
    a. A property owner may pay all or part of their assessment "interest free" to the Dakota County Auditor until noon on the last business day of the calendar year in which the assessment was levied.

b. After that time, interest will be due on any payoff amount for the calendar year in which the payment is made.

Section 8: Deferrals

Chapter 429 ([§429.061]) allows for *deferred* or delayed assessments. The City approved Resolution 09-13 on January 26, 2009, approving a deferral policy for special assessments. This section provides a summary of Resolution 09-13 and is meant to cover the most frequent cases encountered by the City in the performance of Capital Improvement Projects where *special assessments* are utilized.

8.1 Hardship Deferment

Deferment based on will be considered based on the following:

1. The property upon which the assessment is levied is a homestead property; AND
2. One or more owners of the property meet the following criteria:
    a. Is over 64 years of age; or
    b. Is retired by virtue of a permanent and total disability; or
    c. Is a member of the Minnesota National Guard or other military reserve service who is ordered into active military service, as defined by Minnesota Statute, Chapter 190.05, subdivision 5(b) or 5(c), as stated in the person's military orders;

    AND
3. Payment of the assessment would be a hardship for the owner(s) of the property.

Hardship Definition

"Hardship" shall be deemed to exist if:

1. The average annual payments of principal and interest for all assessments levied against the property exceed one percent (1%) of the owner's adjusted gross income as filed in the owner's U.S. income tax return for the tax year prior to the year in which the assessment was certified; and
2. The total amount of the principal of the *levied assessment* exceeds $300.

This definition is intended to provide a guideline for implementation of equitable hardship determination across all *public improvement* and property types. The City Council may determine that a hardship exists based on exceptional and unusual circumstances not covered by the standards and guidelines where the determination is made in a non-discriminatory manner and does not give the property owner an unreasonable preference or advantage over other property owners.

Hardship Deferment Application Process

Individuals seeding deferral shall make their application on a form prescribed by the City Clerk (See ***Appendix C***). The form shall require the property owner to furnish to the City Clerk the documentation necessary to prove the hardship in accordance with the "Hardship Definition" section above.

If the City Council agrees to a hardship deferment, it shall be memorialized via a resolution approved by the City Council, and subsequently recorded with Dakota County and on file with the Dakota County Auditor. The resolution shall state the assessment amount, deferral period, interest rate, and criteria regarding termination of deferrals, as defined in the following section.

Deferment Payment and Termination

If a deferral is granted, the payment of annual installments of principal and interest with respect to the *special assessment* shall be *deferred* until occurrence of one of the following:

1. The death of the eligible owner; provided no other owner is otherwise eligible for the benefits under this resolution.
2. The sale, transfer, donation, or subdivision of the property, or any part thereof.
3. Contracting to sell, transfer, or donate the property.
4. The property no longer has its homestead status.
5. The owner is no longer eligible for deferral.
6. The City Council determines, for any reason, that there would be no hardship to require immediate full or partial payment.

The interest shall accrue during the period of deferment and shall be added to the principal amount of the *special assessments*, and both principal and interest shall become payable at the end of the deferment.

If the deferment ceases prior to the last year over the term by which the original assessments were levied (refer to Section 8), then the *deferred* unpaid installments of principal, together with the accrued interest, shall become due and payable with the real estate taxes in the next calendar year. The remaining principal installments, if any, together with interest, shall be paid in the years as originally levied.

If the deferment ceases in or after the last year over the term by which the original assessments were levied (refer to Section 8), then the entire unpaid principal amount of the *special assessments*, together with the accrued interest, shall become due and payable with the real estate taxes in the next calendar year.

8.2 Other Deferments

The City Council has the authority to defer assessments for unimproved or undeveloped property as deemed appropriate. If deferments are granted for unimproved property, they shall be for a term no longer than 15 years, and interest shall accrue over the period of the deferment.

Deferments shall be memorialized via a formal deferment agreement, and a resolution approved by the City Council. These documents shall be subsequently recorded with Dakota County and on file with the Dakota County Auditor. The deferment agreement and resolution shall state the assessment amount, deferral period, interest rate, and criteria regarding termination of deferrals.

Section 9: References

The digital references listed below were utilized in the compilation of this Policy and are accurate as of the date of adoption.

Minnesota Statute, Chapter 190: https://www.revisor.mn.gov/statutes/cite/190

Minnesota Statute, Chapter 429: https://www.revisor.mn.gov/statutes/cite/429

Minnesota Statute, Chapter 459: https://www.revisor.mn.gov/statutes/cite/459.14

League of Minnesota Cities – Special Assessment Toolkit: https://www.lmc.org/wp-content/uploads/documents/Special-Assessment-Toolkit.pdf

City of Inver Grove Heights – City Code: https://codelibrary.amlegal.com/codes/invergrovehtsmn/latest/invergrovehts_mn/0-0-0-1

City of Inver Grove Heights Zoning Classifications: https://igh.maps.arcgis.com/apps/MapSeries/index.html?appid=d3b2e6703e514b9cbc9156a449036ce4

Appendix A - Definitions

Adjacent/Abutting Property: A property directly adjacent to a *public improvement*

Access: Properties shall be considered to have *access* to public street improvements when they may enter onto the improvement from a private driveway, private road, common driveway, shared easement, or public street. A property with an alley or front and rear/side street footage will be deemed to have primary *access* on the driveway frontage. A property need not be an *adjacent/abutting property* to have *access* to the street. Properties shall be considered to have *access* to underground utility improvements when they directly abut a public utility improvement within a street or utility easement, and the utility is less than 150 feet from the property.

Adjusted Front Footage: Where the *assessable footage* of a *benefited property* has been modified by an adjustment factor to more accurately represent the true benefit that a property receives from an improvement in comparison to other properties in a project area. The adjustment will be based on the design parameters of the that are applicable to that parcel, as approved by the City Council. Refer to the "Assessment Calculation" section of this policy.

Assessable Area: The area of an *adjacent/abutting property*, and/or a property with *access*, to an improvement.

Assessable Cost: The portion of the *public improvement cost* to be financed by *special assessments*.

Assessable Footage: The *front frontage* of an *adjacent/abutting property*, and/or a property with *access*, to an improvement, minus any non-assessable frontage and/or corner lot credits.

Assessment Hearing: A hearing held during a City Council meeting, where the project costs and final *assessable costs* are summarized based on the expected final project costs, and the final *levied assessments* are determined and voted on by the City Council.

Assessment Method: The method of distributing *assessable costs* to benefiting parcels. Refer to ***Section 5***.

Assessment Rate: The *assessable cost* calculated by the *assessment method* utilized. The *assessment rate* may be weighted to apportion the benefits of the *public improvement* fairly and equitably to properties of different zoning or land use classifications.

Assessment Roll: A tabular format of all *special assessments* for a *public improvement*, including the current property owner name, property address, property identification number, *special assessment rate*, and individual property assessment. A draft *assessment roll* is prepared with the Feasibility/Preliminary Report based on preliminary cost estimates, while a final *assessment roll* is prepared for the *Assessment Hearing* based on as-bid or final construction costs.

Assessment Waiver: A legal document whereby a benefiting property owner has agreed to pay and not challenge a *special assessment*.

Benefited Property/Assessable Property: A property determined to receive a *special benefit* due to a *public improvement*. Typical *benefited properties* may consist of *adjacent/abutting properties*, and/or property with *access*, to a *public improvement*, and properties where a *special benefit* may be realized by a *public improvement* in an *assessable area*. Property owned by other political subdivisions, school districts, non-profit organizations, and other parcels exempt from property taxes are *benefited property* when adjacent/abutting or with *access* to a *public improvement*.

Certified Assessment: An assessment that has been levied and forwarded to the Dakota County Auditor for including on the property tax rolls.

City Cost: The cost share of a *public improvement* that the City will pay based on this special assessment policy, as approved by the City Council.

Common Interest: Parcels zoned as planned urban developments (PUD) and for manufactured home communities, as well as properties with common-interest ownership via homeowner's associations (HOA) such as townhomes, condominiums, and where applicable, single-family homes.

Deferred Assessment: A *certified assessment* for which the levy will be delayed. Refer to ***Section 8***.

Feasibility/Preliminary Report: An engineering and fiscal planning document that details whether a *public improvement* is necessary, cost-effective, and feasible to complete. A feasibility or preliminary report is mandated by Chapter 429 (§429.031), unless *petitioned* by 100% of *adjacent/abutting property* owners requesting the full cost of an improvement be assessed against their properties.

Front Footage: The distance measured along the *right-of-way* line that directly abuts an improvement. Where improvements occur in unplatted areas or where *right-of-way* exists by prescriptive easements or rights, the *front footage* will be the distance measured along the centerline of the road in which the improvement is occurring.

Improvement Cost: The total cost of the *public improvement* which shall include, but not be limited to: preliminary design, final design, *right-of-way*, easement, construction, legal, engineering, administrative, finance, and other costs associated with the improvement.

Lateral: The portion of a *public improvement* that provides direct utility service to a limited area as necessary to provide a minimum standard service to meet the area's immediate or future service demands.

Lateral Assessment: The *assessable costs* calculated to account for the cost of extension of *lateral* sanitary sewer or water service to a *benefited property* as part of a *public improvement*. The *lateral assessment* for a given utility is typically calculated by taking the total utility cost, subtracting the *trunk area assessment*, and then appropriating the cost fairly and equitably to properties based on the *assessment method* utilized.

Levied Assessment: An assessment that has been approved by the City Council.

Lot Assessment: The *assessable cost* of a *public improvement* is allocated to each property based on the classification of the zoning/land use of the property. Refer to ***Table 5.4-A*** in ***Section 5.4***.

Pending Assessment: A *preliminary assessment* that has been specified in a feasibility study/report that has been accepted by the City Council via a Council Resolution.

Petition: A formal request submitted by *adjacent/abutting property* owners to the City to request a *public improvement*. *Petitions* require a minimum of 35% of the property owners, determined by *front footage* of *adjacent/abutting property*, to be included in the *petition* to meet the requirements of Chapter 429 (§429.031) related to City Council approval for a *petitioned public improvement*.

Project Bid: The formal process of selecting a contractor to perform the construction phase of a project. A *public improvement* project performed under this policy must be competitively bid, with the lowest responsible bidder being awarded a contract to perform the construction work.

Public Hearing: A hearing held during a City Council meeting where the merits of the project are discussed based on the *Feasibility/Preliminary Report*. Following a *public hearing*, the City Council votes on whether to advance the project to final design.

Public Improvement: Improvements as allowed by Minnesota Statute, Chapter 429 that provide a *special benefit* to properties, including but not limited to streets, sidewalks/trails, curb, gutter, sanitary sewer systems, storm sewer systems, water treatment and distribution systems, etc.

Public Right-of-Way: The area on, below, or above a public roadway, highway, street, or sidewalk in which a government subdivision (i.e., City, County, State, etc.) has an interest in maintenance of an existing transportation facility, or the future installation of a transportation facility.

Special Assessment: A charge imposed on a *benefited property* to help defray the cost of *public improvements*.

Special Benefit: The increase in property valuation because of a *public improvement* for which a *special assessment* may be applied.

Street: All public ways designed as means of *access* to *adjacent/abutting properties*. *Streets* may exist within dedicated or prescriptive right-of-way or easements.

Substantial Completion: Defined specifically and in detail in the construction contract documents for each *public improvement*, this is typically point that a project is determined to be complete enough for the public to utilize a project, and for the *special benefit* value received by benefiting properties to be realized. For most *street* projects, *substantial completion* typically is the point that the final layer of roadway pavement has been placed, all other hard-surface areas (curb and gutter, sidewalk, driveways, etc.) have been completed, and 95% of the contract work by cost has been completed.

Trunk Area Assessment: An assessment for the extension of trunk sanitary sewer or water to a previously platted or un-platted area that has not been previously assessed for sewer or water service. The t*runk area assessment* is set annually via City Code, Title 3, Chapter 4.

Unit: A *unit* may include, but is not limited to a household, a dwelling *unit*, a parcel/lot, or a similar collection of measurements that can be quantified and divided equally among *benefiting properties*.

Appendix B – Assessment Calculation Examples

ADJUSTED FRONT FOOT & UNIT COMBINATION EXAMPLE

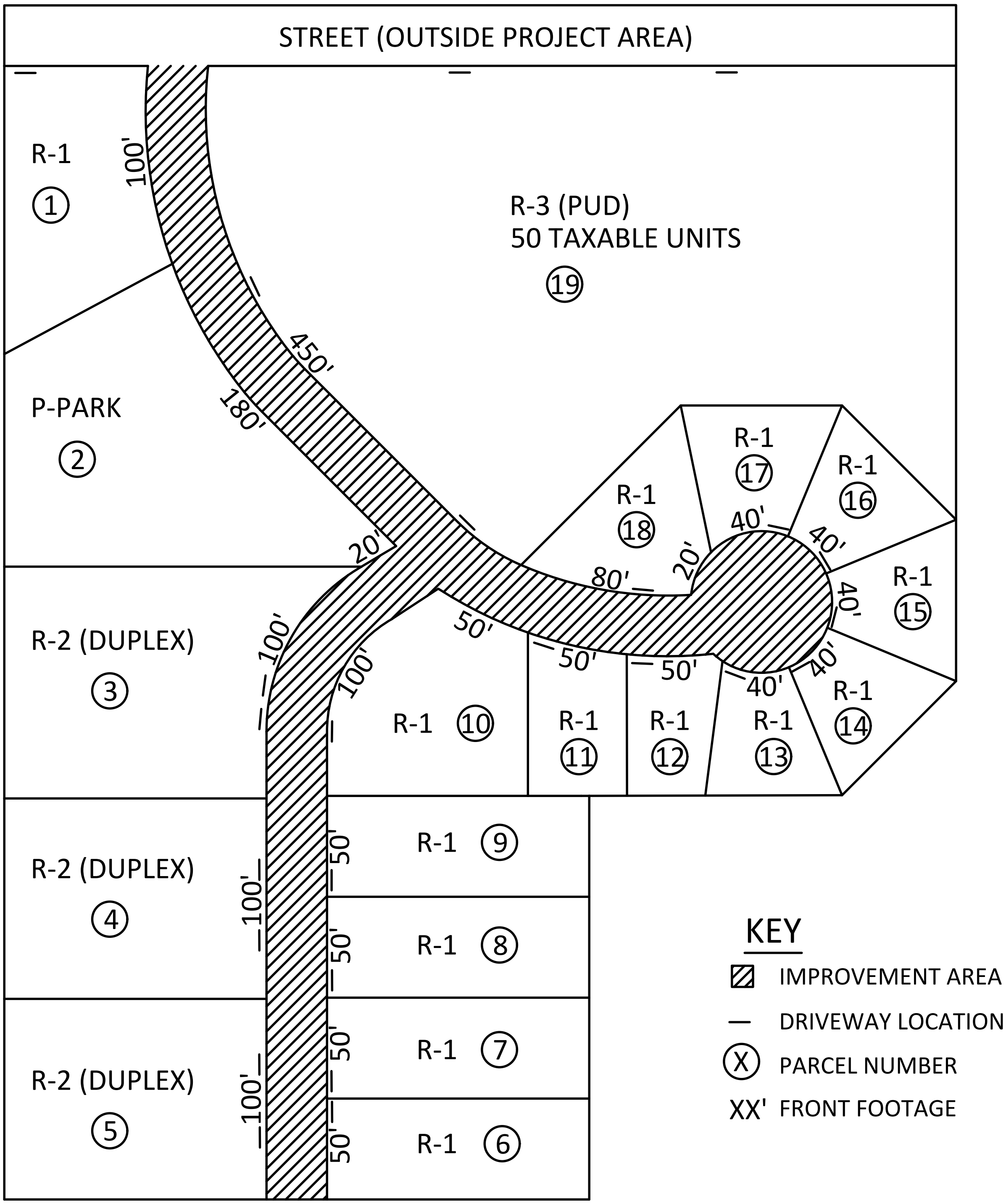

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EXHIBIT B-1

SAMPLE ASSESSMENT CALCULATION and ASSESSMENT ROLL

Map #	Property Type Classification	Driveway Access in Project Area	SF Residential Front Footage	Non-Residential Front Footage	Adjusted Front Footage	Equivalent SF Residential Units	Per Policy Assessment	Notes
	MILL & OVERLAY							
1	R-1 - SF RESIDENTIAL	0	100		100	1	**$0.00**	**Driveway access not on project street. No assessment (Assessment Policy Section 5.1, Special Consideration #2)**
2	P - PARK	0		200	400		**$32,652.00**	**City Property - Assessment Paid Through Pavement Management Fund**
3	R-2 - SF RESIDENTIAL	2	100		100	2	**$9,387.45**	**Duplex - 2 Units**
4	R-2 - SF RESIDENTIAL	2	100		100	2	**$9,387.45**	**Duplex - 2 Units**
5	R-2 - SF RESIDENTIAL	2	100		100	2	**$9,387.45**	**Duplex - 2 Units**
6	R-1 - SF RESIDENTIAL	1	50		50	1	**$4,693.73**	
7	R-1 - SF RESIDENTIAL	1	50		50	1	**$4,693.73**	
8	R-1 - SF RESIDENTIAL	1	50		50	1	**$4,693.73**	
9	R-1 - SF RESIDENTIAL	1	50		50	1	**$4,693.73**	
10	R-1 - SF RESIDENTIAL	1	150		150	1	**$4,693.73**	
11	R-1 - SF RESIDENTIAL	1	50		50	1	**$4,693.73**	
12	R-1 - SF RESIDENTIAL	1	50		50	1	**$4,693.73**	
13	R-1 - SF RESIDENTIAL	1	40		40	1	**$4,693.73**	
14	R-1 - SF RESIDENTIAL	1	40		40	1	**$4,693.73**	
15	R-1 - SF RESIDENTIAL	1	40		40	1	**$4,693.73**	
16	R-1 - SF RESIDENTIAL	1	40		40	1	**$4,693.73**	
17	R-1 - SF RESIDENTIAL	1	40		40	1	**$4,693.73**	
18	R-1 - SF RESIDENTIAL	1	100		100	1	**$4,693.73**	
19	R-3 - CONDOS (PUD)	2		450	900		**$73,467.00**	**Assessment Divided Among 50 Units in PUD $73,469.39/50 Units = $1,469.39/Unit**
	TOTALS	**21**	**1150**	**650**	**2450**	**20**	**$ 195,300**	

Blue Cells - Denotes Per Lot (Unit) Assessment Method Utilized
Yellow Cells - Denotes Adjusted Front Foot Assessment Method Utilized

	IGH STREET & STORM ASSESSMENT (MILL & OVERLAY) ASSESSMENT RATE CALCULATIONS		
A	TOTAL STREET & STORM COST:	$250,000.00	Public Improvement Cost (Street & Storm Only) - EXAMPLE COST ESTMATE
B	ASSESSABLE STREET & STORM COST (80%):	$200,000.00	= Line A x 80%
C	TOTAL PROJECT ADJUSTED FRONT FOOTAGE (LF):	2,450	From Table Above (Total of Adjusted Front Foot)
D	**NET ASSESSMENT RATE PER ADJUSTED FRONT FOOTAGE (LF):**	**$81.63**	= Line B / Line C
E	FRONT FOOTAGE OF SF RESIDENTIAL PARCELS	1,150	From Table Above (Total of SF Residential Front Footage)
F	ASSESSMENT APPLIED TO SF RESIDENTIAL PARCELS	$93,874.50	= Line D x Line F
G	NUMBER OF SF RESIDENTIAL UNITS	20	From Table Above (Total of Equivalent SF Residential Units)
H	**ASSESSEMENT RATE PER RESIDENTIAL UNIT**	**$4,693.73**	= Line F / Line G

AREA & UNIT COMBINATION EXAMPLE

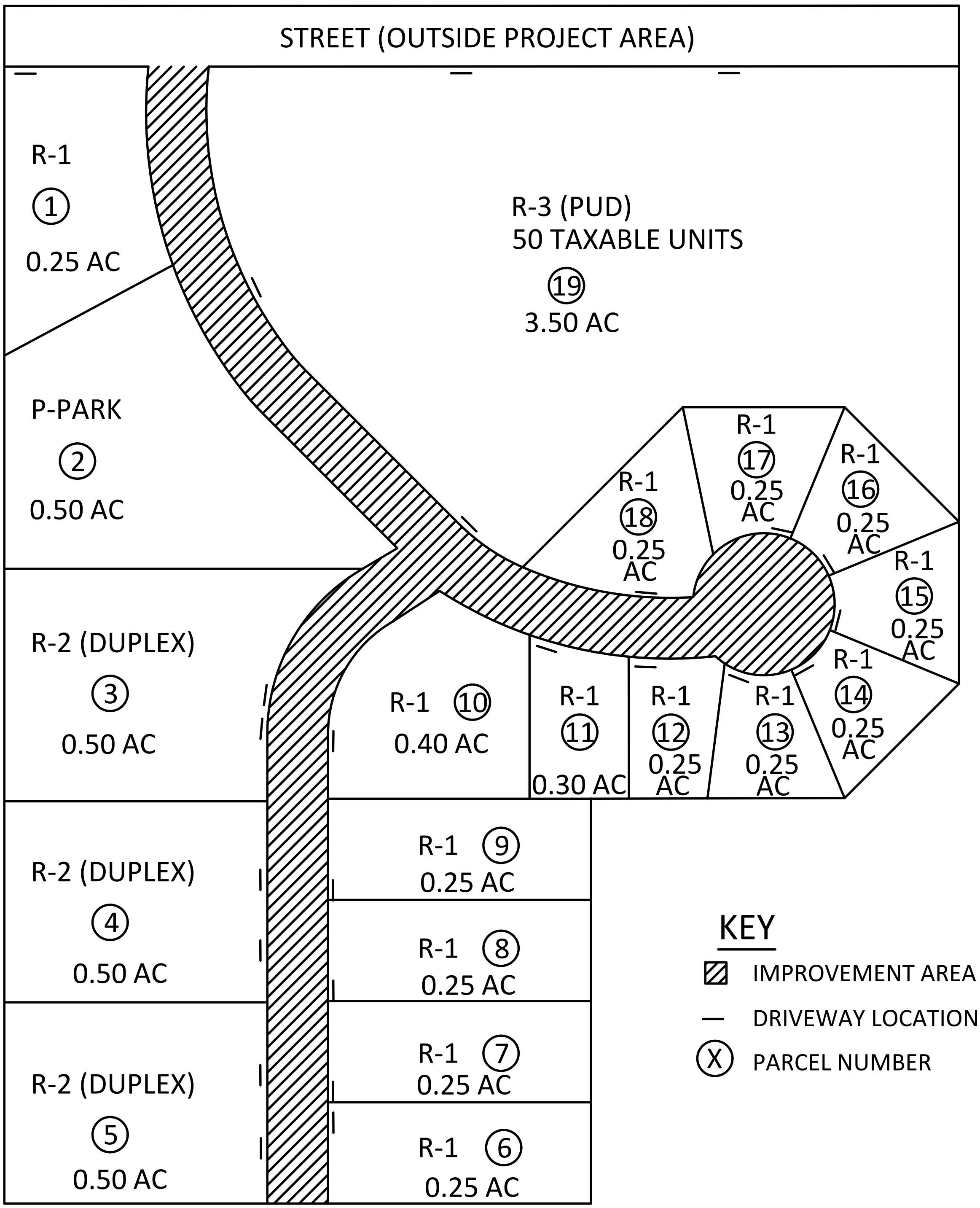

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EXHIBIT B-2

SAMPLE ASSESSMENT CALCULATION and ASSESSMENT ROLL

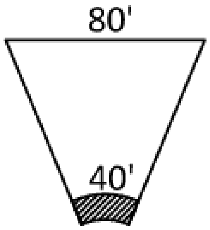
Map #	Property Type Classification	Driveway Access in Project Area	SF Residential Area (Acres)	Non-Residential Area (Acres)	Total Area (Acres)	Equivalent SF Residential Units	Per Policy Assessment	Notes
	MILL & OVERLAY							
1	R-1 - SF RESIDENTIAL	0	0.25		0.25	1	**$0.00**	**Driveway access not on project street. No assessment (Assessment Policy Section 5.1, Special Consideration #2)**
2	P - PARK	0		0.5	0.5		**$10,869.57**	**City Property - Assessment Paid Through Pavement Management Fund**
3	R-2 - SF RESIDENTIAL	2	0.5		0.5	2	**$11,304.35**	**Duplex - 2 Units**
4	R-2 - SF RESIDENTIAL	2	0.5		0.5	2	**$11,304.35**	**Duplex - 2 Units**
5	R-2 - SF RESIDENTIAL	2	0.5		0.5	2	**$11,304.35**	**Duplex - 2 Units**
6	R-1 - SF RESIDENTIAL	1	0.25		0.25	1	**$5,652.17**	
7	R-1 - SF RESIDENTIAL	1	0.25		0.25	1	**$5,652.17**	
8	R-1 - SF RESIDENTIAL	1	0.25		0.25	1	**$5,652.17**	
9	R-1 - SF RESIDENTIAL	1	0.25		0.25	1	**$5,652.17**	
10	R-1 - SF RESIDENTIAL	1	0.4		0.4	1	**$5,652.17**	
11	R-1 - SF RESIDENTIAL	1	0.3		0.3	1	**$5,652.17**	
12	R-1 - SF RESIDENTIAL	1	0.25		0.25	1	**$5,652.17**	
13	R-1 - SF RESIDENTIAL	1	0.25		0.25	1	**$5,652.17**	
14	R-1 - SF RESIDENTIAL	1	0.25		0.25	1	**$5,652.17**	
15	R-1 - SF RESIDENTIAL	1	0.25		0.25	1	**$5,652.17**	
16	R-1 - SF RESIDENTIAL	1	0.25		0.25	1	**$5,652.17**	
17	R-1 - SF RESIDENTIAL	1	0.25		0.25	1	**$5,652.17**	
18	R-1 - SF RESIDENTIAL	1	0.25		0.25	1	**$5,652.17**	
19	R-3 - CONDOS (PUD)	2		3.5	3.5		**$76,086.96**	**Assessment Divided Among 50 Units in PUD $76,086.96/50 Units = $1,521.74/Unit**
	TOTALS	**21**	**5.2**	**4**	**9.2**	**20**	**$ 194,348**	

Blue Cells - Denotes Per Lot (Unit) Assessment Method Utilized
Purple Cells - Denotes Area Assessment Method Utilized

IGH STREET & STORM ASSESSMENT (MILL & OVERLAY) ASSESSMENT RATE CALCULATIONS			
A	TOTAL STREET & STORM COST:	$250,000.00	Public Improvement Cost (Street & Storm Only) - EXAMPLE COST ESTMATE
B	ASSESSABLE STREET & STORM COST (80%):	$200,000.00	= Line A x 80%
C	TOTAL PROJECT AREA (ACRES):	9.2	From Table Above (Total Area)
D	**NET ASSESSMENT RATE PER ACRE:**	**$21,739.13**	= Line B / Line C
E	ACRES OF SF RESIDENTIAL PARCELS	5.2	From Table Above (Total of SF Residential Front Footage)
F	ASSESSMENT APPLIED TO SF RESIDENTIAL PARCELS	$113,043.48	= Line D x Line F
G	NUMBER OF SF RESIDENTIAL UNITS	20	From Table Above (Total of Equivalent SF Residential Units)
H	**ASSESSEMENT RATE PER RESIDENTIAL UNIT**	**$5,652.17**	= Line F / Line G

Exhibit B-3 – Adjusted Front Footage Examples

Average of Front & Back Footage



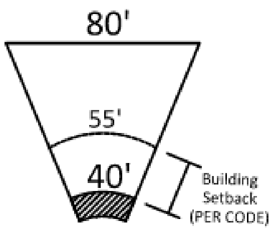
Front Footage: 40’

Back Footage: 80’

Average Footage: (40’+80’)/2 = 60’

Adjusted Front Footage: **60’**

Footage at Building Setback



Front Footage: 40’

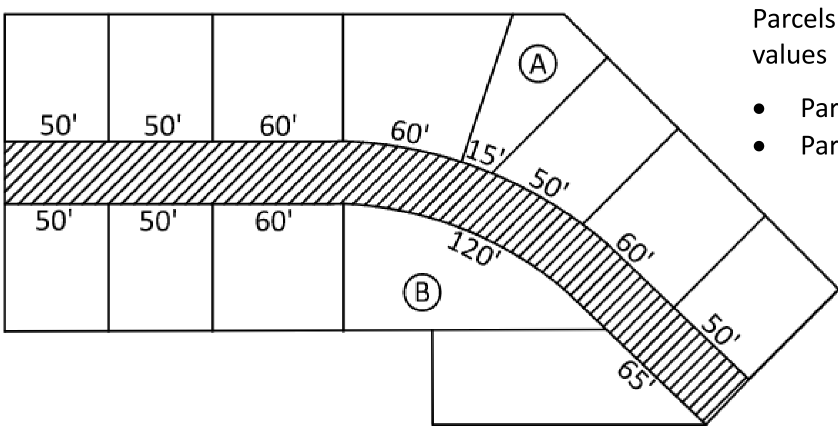
Back Footage: 80’

Building Setback Distance: Per City Code

Footage at Building Setback: 55’

Adjusted Front Footage: **55’**

Average Footage of Comparable Properties in Assessable Area



Parcels “A” and “B” have unique frontage values

- Parcel “A” is very long
- Parcel “B” is very short

Determine average Front Footage based on other properties in assessable area:

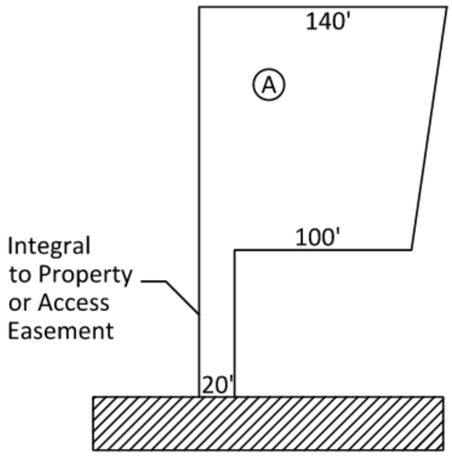
Total of all Other Property Frontage: 595’

Number of Other Properties: 11

Average Footage: 595/11 = 54’

Adjusted Front Footage for Parcels “A” and “B”: **54’**

Flag Lots



Front Footage: 20’

Adjacent & Parallel Front Footage: 100’

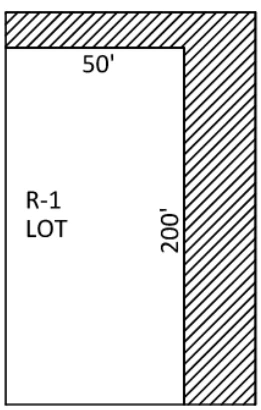
Total of Front + Adjacent & Parallel: 20 + 100 = 120’

Back Lot Footage: 140’

Greater of Two Values: 140’ > 120’

Adjusted Front Footage: **140’**

Corner Lot Adjustment



Short Side Frontage: 50’

Long Side Frontage: 200’

Discounted Long-Side Frontage: -135’

Sum of Footage: 50 + 200 – 135 = 115’

Adjusted Front Footage: **115’**

Appendix C – Hardship Deferral Application

DRAFT

CITY OF INVER GROVE HEIGHTS
PUBLIC WORKS DEPARTMENT

8150 Barbara Avenue
Inver Grove Heights, MN 55077
651-450-2500
Engineering: 651-450-2570
Streets and Utilities: 651-450-4309
www.ighmn.gov

CITY OF INVER GROVE HEIGHTS
DEFERRAL OF SPECIAL ASSESSMENT

The undersigned apply to the City of Inver Grove Heights for a deferral of a special assessment on City Project No. ___________________________

Names of all Property Owners **Birth Date**

____

____

Property Address **Property ID Number**

____

____

Property Owner Email Address **Property Owner Phone Number**

____

☐ **65 years of age or over**

☐ **Permanent and Total (100%) Disability**

☐ **Active military service**

The applicant(s) must provide written evidence of their status eligibility and attach a copy of their federal tax return for the year prior to the year the assessment is certified.

Owner Signature:____

Owner Signature:____

Dated:________________________

Eligibility Requirements per Resolution No. 09-13, Adopted 1/26/2009

If the property is the homestead of the eligible applicant, if payment of the assessment would be a hardship (as defined below) for the owner of the property, and if one or more of the following conditions exist:

1. One or more of the owners of the property is 65 years of age or older; or
2. One or more of the owners of the property is retired by virtue of a permanent and total disability; or
3. One or more of the owners of the property is a member of the Minnesota National Guard or other military reserves who is ordered into active military service (as defined in Minnesota Statutes Section 190.05, subdivision 5(b) or 5(c)) as stated in the person's military orders.

"Hardship" shall be deemed to exist if (1) the average annual payments of principal and interest for all assessments levied against the property exceed one percent of the owner's adjusted gross income as filed in the owner's U.S. income tax return for the tax year prior to the year in which the assessment was certified; and (2) the total amount of the principal of the levied assessment exceeds $300.00. The "average annual payment" is the total principal of the levied assessment plus the interest that would be payable based on a declining principal balance during the number of years over which the principal assessment was originally spread with the sum of principal and interest then being divided by the number of years over which the principal assessment was originally spread.

Deferrals granted pursuant to this resolution shall terminate upon the occurrence of any of the following events:

(a) The death of the eligible owner provided that no other owner is otherwise eligible for the benefits under Resolution No. 09-13.
(b) The sale, transfer, donation or subdivision of the property or any part thereof.
(c) Contracting to sell, transfer or donate the property.
(d) The property no longer has its homestead status.
(e) The owner is no longer eligible for a deferral.
(f) The City Council determines, for any reason, that there would be no hardship to require immediate, full or partial payment.

Appendix D – Policy Adoption Resolution

TO BE INCULDED UPON ADOPTION