

Assessment Policy

I. INTRODUCTION

The purpose of this Assessment Policy is to establish a fair and equitable manner of recovering and distributing the cost of public improvements. The procedures used by the City of Lester Prairie ("City") for levying special assessments are those specified by Minnesota Statutes § Chapter 429, which provides that "all or a part of the cost of improvements may be assessed against benefiting properties." This assessment policy is intended to serve as a guide for a systematic assessment process in the City of Lester Prairie.

A. Special Assessments must meet the following criteria:

1. The land must have received special benefit from the improvement.
2. The amount of the assessment must not exceed the special benefit.
3. The assessment must be uniform in relation to the same class of property within the assessment area.

The City must recover the expense of installing public improvements undertaken, while ensuring that each parcel pays its fair share of the project cost in accordance with these assessment guidelines. It is important that assessments be implemented in a reasonable, consistent and fair manner. There may be exceptions to the policy or unique circumstances or situations that may require special consideration and discretion by City staff and the City Council.

II. IMPROVEMENTS ELIGIBLE FOR SPECIAL ASSESSMENT

1. Street, sidewalk and storm sewer improvements. Acquisition, opening and widening of any street and improvement of streets, sidewalks and storm sewers by constructing, reconstructing and maintaining sidewalks, pavement, gutters, curbs, and vehicle parking strips of any material or by grading, graveling, or otherwise improving them. Included are charges for beautification. .
2. Sanitary sewer systems. Acquisition, development, construction, reconstruction, and extension of sanitary sewer systems. This may include treatment plants, pumps, lift stations, mainline pipes, service connections, installation of connections to the curb and other appurtenances of a sewer system within and outside the corporate limits.
3. Waterworks systems. Construction, reconstruction, and extension of waterworks systems. This includes all appurtenances of a waterworks system, even a treatment plant, whether inside or outside the City.

4. Nuisance abatement. Includes, but is not limited to, draining and filling swamps, marshes, and ponds on public or private property.
5. Other improvements as deemed necessary by the City Council.

III. INITIATION OF PUBLIC IMPROVEMENT PROJECTS

Public improvement projects may be initiated in the following ways:

1. A public improvement project may be initiated by petition. This requires the signatures of the owners of at least 35% in frontage of the property bordering the proposed improvements.
2. Public improvements may also be initiated by the City Council when, in its judgment, such action is required.

IV. FINANCING OF PUBLIC IMPROVEMENTS

1. It is the general policy of the City of Lester Prairie to require future development in accordance with the City Comprehensive Plan and for new areas of development in an orderly manner, typically contiguous to existing development areas. It is also the general policy of the City of Lester Prairie to require all new development areas to provide for adequate public infrastructure at the Developer's sole expense (less oversizing) and in accordance with the City Comprehensive Plans and Design Standards. No credit will be given to developers for extra depth needed to perpetuate the City's sanitary sewer or storm sewer system.
2. The use of special assessments will typically be employed by the City to finance needed public improvements (e.g. parks, sidewalks, water, sanitary sewer, and street improvements) in certain areas that have previously been developed without all needed infrastructure, or to repair and/or replace aging infrastructure.
3. The City may finance all or part of the improvement as a Special Assessment. Special Assessments are generally accepted as a means by which areas can obtain improvements or services; however, the method of financing these is a critical factor to both the City and the property owner. Full project costs spread over a very short term can cause an undue hardship on the property owner and, likewise, City costs and systems costs spread over a long period of time can produce an undue hardship on the general public of the City.
4. Financing improvements can be done with Special Assessments which are an indirect form of taxation. These assessments, for particular improvements, or services which benefit the owners of selected properties, are compulsory and benefit the particular property. There is a distinct difference between taxes and Special Assessments. Although both are billed to the property owner along with real estate taxes, the real estate tax is a function of the value of the real estate as

determined by the Assessor, while Special Assessments are a direct function of the enhancement or benefit which a specific improvement gives to the property.

5. Once the City Council has determined that a certain public improvement is necessary and desirable, the general success and acceptance of the special improvement is dependent upon the most equitable and consistent method of levying the cost. The City Council also may elect to defer assessments on undeveloped lands for a specified length of time or until it develops. Terms and conditions of this deferral will be established in the resolution adopting the assessments

V. GENERAL ASSESSMENT POLICIES

The cost of any improvement shall be assessed upon property benefited by the improvements, based upon the benefits received. The following general principles shall be used as a basis of the City's assessment policy:

1. The "project cost" of an improvement includes the costs of all necessary construction work required to accomplish the improvement, plus engineering (surveying, construction observation, materials testing, and other review), legal, administrative, financing, and other contingent costs, including acquisition of right-of-way and other property. The financing charges include all costs of financing the project. These costs include, but are not limited to, financial consultant's fees, bond attorney's fees, and capitalized interest. When the project is started and funds are expended prior to receiving the proceeds from a bond sale, the project may be charged interest on the funds expended from the date of expenditure to the date the bond proceeds are received. The interest rate charged will be the average interest rate earned by the City's investments during the six months preceding the receipt of the bond proceeds. The interest charged to the project shall be included as financing charges.
2. The "assessable cost" of an improvement is equal to the "project cost" minus the "City cost."
3. The City of Lester Prairie will charge interest on Special Assessments at a rate specified in the resolution. If bonds were sold to finance the improvement project, the interest rate shall be one percent (1%) more than the net effective interest rate of the bonds, rounded to the nearest quarter of a percent. If no bonds were sold, the interest rate shall be set at the rate allowed by State law.
4. Property owners may pay their assessments in full, interest free for a period of 30 days after the assessment hearing. After such period interest shall be computed from the date specified in the assessment resolution. The City will certify each year's collection (principal and interest) to the County Auditor by November 30th. Where an improvement is designed for service of an area beyond that of direct benefit, increased project costs due to such provisions for future service extensions may be paid for by the City. The City will levy assessments to cover this cost when a new improvement is installed as an extension of the existing

improvement. As an alternative, the City may assess these costs to the area of future benefit immediately.

5. Where the project cost of an improvement is not entirely attributable to the need for service to the area served by said improvement, or where unusual conditions beyond the control of the owners of the property in the area served by the improvement would result in an inequitable distribution of special assessments, the City, through the use of other funds, may pay such "City cost" which, in the opinion of the City Council, represents the excess cost not directly attributable to the area served.
6. If financial assistance is received by the City from the Federal Government, from the State of Minnesota, the McLeod County, or from any other source to defray a portion of the costs of a given improvement, such aid will be used first to reduce the "City cost" of the improvement. If the financial assistance received is greater than the normal "City cost", the remainder of the aid will be applied according to the terms of the assistance program or at the Council's discretion.
7. City-owned properties, including municipal building sites, parks and playgrounds, but not including public streets and alleys, shall be regarded as being assessable on the same basis as if such property was privately-owned.
8. Improvements specifically designed for or shown to be of direct benefit to one or more properties may be constructed by the City. The costs for these improvements will be assessed directly to such properties, and not included in the assessments for the remainder of the project. An example of this would be utility service lines running from the main lines to the property.
9. If certain streets in a basically residential area are deemed arterial streets carrying a larger or heavier volume of traffic that requires a wider and/or heavier road above a usual standard street, the additional costs above a standard street width and depth shall be paid by the City as a whole and not assessed to the individual benefited property owners.

VI. METHODS OF ASSESSMENT

A. GENERAL STATEMENT

There are different methods of assessment: per lot, front foot, and area. For any particular project one of these methods will more adequately reflect the true benefits received in the assessment area than the other methods. The City Engineer, in his Feasibility Study to the Council, will recommend one or a combination of these methods for each project, based upon which method would best reflect the benefit received for the area to be assessed. The City Council will select the preferred method of calculating the assessments at the time the project is ordered.

B. POLICY STATEMENT

The following methods of assessment, as described and defined below, are hereby established as the official methods of assessment in the City of Lester Prairie: The general rule is to assess platted residential lots using the front footage basis however, where platted residential lots do not reflect a general similar size and shape, "unit" assessment basis may be used. Water, sewer and utilities will utilize the unit method. Commercial and industrial lots and non-platted residential lots will be assessed on the front footage basis however, consideration will be given to a "unit" assessment if the special benefit to the property in the district is essentially the same. In all cases, assessment methods may be modified based on recommendations by the City's Engineer.

1. "Unit" Method - When it has been determined to assess by the "unit" method, all lots within the benefited area shall be assessed equally for the improvements. The "cost per unit" shall be defined as a quotient of the "assessable cost" divided by the total assessable lots or parcels benefiting from the improvement. For the purpose of determining the "units" or "parcels", all parcels, including governmental agencies, shall be included in such calculations. When large lots can be subdivided into more than one lot, the number of assessable lots attributed to that parcel will be determined from the number of potential future lots that could be obtained using current subdivision regulations. When deemed appropriate by the City Engineer, "Equivalent Residential Units" or "ERU's" may be calculated for commercial, industrial, or other non-residential lots. ERU's may be calculated based off of traffic or sewer/water usage.
2. "Area" Method of Assessment - When it has been determined to assess by the "area" method, the area shall be defined as the number of square feet or acres within the boundaries of the appropriate property lines of the areas benefiting from the project. The assessment rate (i.e. cost per square foot) shall be calculated by dividing the total assessable cost by the total assessable area. On large lots, the City Engineer may determine that only a portion of the lot receives the benefit and may select a lot depth for the calculations equal to the benefit received. For the purposes of defining assessable areas, all properties included in the benefited area, including other governmental areas, churches, etc. shall be included in the assessable areas. The following items may not be included in area calculations: public right-of-ways, natural waterways, swamps and lakes or other wetlands designated by the MN/DNR. The City Engineer will make the recommendation on the benefited area in the Feasibility Report.
3. "Front Footage" Method of Assessment - When it has been determined to assess by the "Front Footage" method, the "cost per front foot" shall be defined as the quotient of the "assessable cost" divided by the total assessable frontage benefiting from the improvement. For the purpose of determining the "assessable frontage," all properties, including governmental agencies, shall have their frontages included in such calculation. The actual physical dimensions of a parcel abutting an improvement (i.e., street, sewer, water, etc.) shall NOT be construed as the frontage utilized to calculate the assessment for a particular parcel. The frontages shall be calculated based on actual property lines and right-of-way lines in the project area using plats or property deeds.

4. Multiple Fronted Parcels- Parcels with City streets on two or more sides of their property shall be considered multiple fronted parcels. When utilizing the “Unit” method, these properties shall be considered one-half of a unit for the construction of each street bordering the property. When utilizing the “Front Footage or Area” method, these properties shall receive a 50% credit for the construction of each street bordering the property.

Parcels bordering one City street and one or more County road or private road shall NOT be considered a multiple fronted parcel. When utilizing the “Unit” method, these properties shall be considered one unit for the construction of the City street bordering the property. When utilizing the “Front Footage” method, these properties shall be assessed for the frontage bordering the City street.

Parcels bordering only County road or private road shall be assessed for utility costs.

VII. STANDARDS FOR PUBLIC IMPROVEMENT PROJECTS

The following standards are hereby established by the City of Lester Prairie to provide a uniform guide for improvements within the City and also to be used by the City Engineer in establishing "Systems costs" as differentiated from "assessable costs" and "City costs."

VIII. POLICIES OF REASSESSMENT

The City of Lester Prairie in constructing or reconstructing any public improvement shall design such improvement to last for a definite period. The life expectancy or service life shall be as stated in the policy statement of this section, or if different, shall be as stated in the Resolution ordering the improvement and preparation of plans. When such project needs renewing or replacement prematurely, the amount to be assessed against the property owner shall be limited to an amount determined by dividing the actual life of the original improvement by the expected service life of the original improvement.

A. POLICY STATEMENT

The following are hereby established as the "life expectancies" or "service lives" of public improvements unless otherwise stated in the Resolution ordering improvement and preparation of plans, in which case, the life set forth in the Resolution shall govern.

1. Sidewalks - 15 years
2. Street Improvements, including surfacing and curb and gutter - 20 years
3. Water Mains - 30 years
4. Sanitary Sewers - 30 years
5. Storm Sewers - 30 years

IX. ASSESSMENT PRACTICE AND COMPUTATIONS

A. IMPROVEMENTS

Improvement assessments are typically levied over a 10-year or 15-Year term. Other terms may be used at the discretion of the City Council.

New Construction - All new improvements for streets, storm sewer, or utilities will be assessed 100% to the benefited properties. Any necessary widening or oversizing for street construction shall also be assessed 100% to the benefited properties. Oversizing costs for utilities needed to perpetuate the system shall be paid by the City of Lester Prairie. These costs shall be determined by the increase in material cost above the size necessary to serve the development plus a 20% handling fee.

Reconstructions & Reclamations - All reconstructions and reclamations shall be assessed 30% of the project cost for the construction of a standard local street based on the front footage method or the unit method. The standard street section shall be defined as a 40-foot wide street with 4.5 inches of bituminous (placed in two lifts), 9.0 inches of aggregate base, and geotextile fabric. The City pays 70% of the cost of the standard local street and 100% the additional cost of construction for widening and extra depth. Business Districts shall be assessed 30% of the total project costs or as determined on a project-by-project basis.

Street Maintenance – Overlays & Seal Coats - Bituminous overlay projects, bituminous seal coats, patching, crack sealing, and filling potholes will not be assessed when completed as part of the street system's "life cycle" maintenance activities.

Utilities - All mainline sewer and water installation and service stubs to the property line shall be assessed 30% of the cost of the project based on the unit method. Stand-alone service replacements shall be assessed 100% to the property owner.

Storm Sewer - All storm sewer installations or replacements (structures, mainline pipes, service lines, draintile, etc.) shall be paid 100% by the City.

Utility Maintenance – Lining, Spot Repairs, Cleaning/Jetting, etc. - All utility maintenance activities shall be paid 100% by the City.