



## Request for City Council Committee Action From the Department of Public Works

**Date:** January 30, 2007  
**To:** Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee  
**Subject:** **Establish 2007 Uniform Assessment Rates for Street Construction and Renovation**

**Recommendation:** Passage of a Resolution establishing the 2007 street construction and street renovation Uniform Assessment Rates.

**Prepared by:** Suzette R. Hjermsstad, RE Investigator II, 673-2401  
Richard H. Smith, Assistant Director of Public Works, Director, Management Services

**Approved by:** \_\_\_\_\_  
Steven A. Kotke, P.E., City Engineer, Director of Public Works

**Presenters:** Suzette R. Hjermsstad, RE Investigator II

**Financial Impact** (Check those that apply)

- No financial impact - or - Action is within current department budget.  
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain): Increased assessments to benefited property owners within street paving/renovation projects.
- Request provided to the Budget Office when provided to the Committee Coordinator

### Background/Supporting Information:

The purpose of this letter is to establish the 2007 Uniform Assessment Rates for street construction and street renovation.

The Non-Residential Uniform Assessment Rate for 2006 was \$1.36 per square foot and for 2005 was \$1.30 per square foot. The recommended 2007 Non-Residential Uniform Assessment rate is \$1.61 per square foot to be applied to the land area of benefited parcels located within the street influence zone along the improved street. This rate was developed in accordance with City Council Policy adopted October 31, 1980, establishing the assessment of similar improvements by yearly uniform rates. Additionally, City Council adopted policies May 22, 1998 and June 12, 1998 that established the method of assessing for Local and Other designated streets for Residential and Non-Residential use properties.

The Residential Uniform Assessment Rate for 2006 was \$0.52 per square foot and for 2005 was \$0.50. The recommended 2007 Residential Uniform Assessment rate is \$0.62 per square foot to be applied to the land area of benefited parcels located within the street influence zone along the improved street. This rate was also developed in accordance with City Policies adopted October 31, 1980, May 22, 1998 and June 12, 1998.

The yearly uniform assessment rate policy has a goal to assess approximately 25% of project costs. Our analysis of construction unit prices has determined that recent year rate increases have been inadequate to keep up with inflationary increases in construction unit pricing and maintain a goal of assessing approximately 25% of project costs. The 2006 construction unit price costs increased considerably for the non-residential based project. In order to maintain this goal of assessing approximately 25% for 2007 paving construction projects, our uniform assessment rate will need to be increased \$0.25 per sq ft, to \$1.61. The residential assessment rate is recommended to increase \$0.10 per sq ft to \$0.62 (construction) and \$0.05 to \$0.31 (renovation) based on the increase of unit price costs. Attachment No. 2 shows the rate comparisons used for the recommended rate increases.

The 2006 assessment rates were based on increasing the 2005 construction unit prices by 4%, the estimated construction cost index at the time. The 2006 assessment rate was established prior to the major increases in the cost of construction materials that occurred as a result of Hurricane Katrina, fuel prices and major construction work in Southeast Asia. The 2007 assessment rates are based on 2007 unit prices that reflect the impacts to the cost of construction materials that occurred in 2006.

For calculating an assessment on a parcel that is designated as mixed-use property, such as a commercial storefront on street level with residential unit(s) above, we recommend that the method adopted by Council Resolution 2004R-057, on February 13, 2004, establishing the 2004 Uniform Assessment Rates, be continued. The mixed-use calculation uses both residential and non-residential rates based on the percentage of land market value for each classification. The City Assessor's land market value records are used because our assessment calculations are based on property square foot areas. See Attachment 1 for example.

The City has approximately 118,500 property tax parcels. Of these, approximately 635 are designated as mixed-use properties, or 0.5%. Of the one-half percent, 10% are an equal split between commercial and residential land use, 57% are commercial majority land use designated and 33% are residential majority land use designated. These mixed-use parcels are mostly found in the business districts of the City. Although the method of calculation is more labor-intensive to compute for mixed-use parcels, the number of parcels in a normal residential paving project is minimal.

Attachment 1 - Mixed Use Property Calculation Example

Attachment 2 - Recommended 2007 Uniform Assessment Rates

Cc: Jack Qvale, Secretary, Board of Estimate and Taxation

## Attachment 1

### Mixed-Use Calculation Example

Property at 615 35<sup>th</sup> St W is a storefront with an apartment above it. The square footage of property in the influence zone is 2,419.2 sq ft.

Land MV

\$7,100 (Commercial)	= 62%	(of 2,419.2 sq ft)	= 1,499.9 sq ft	X \$1.61 (non-res rate)	= \$2,414.84
<u>\$4,400</u> (Residential)	= <u>38%</u>	(of 2,419.2 sq ft)	= 919.3 sq ft	X \$ .62 (res rate)	= <u>\$ 569.97</u>
\$11,400 TOTAL	=100%				= \$2,984.81

The example above is based on the Street Construction assessment rate and would be payable over a 20-year period. Street Renovation rates are approximately one-half of the construction rates and are payable over a 10-year period.

**RECOMMENDED 2007 UNIFORM ASSESSMENT RATES****STREET CONSTRUCTION AND STREET RENOVATION**

- Construction - street paving, curb and gutter and other street paving related improvements.
- Renovation - mill and overlay of street surface and selected curb and gutter and street construction as needed
- Local - City only funding for street improvements.
- Other - City along with other(s) (e.g. C.S.A., M.S.A., T.H.) funding for street improvements.
- Rate Procedure - appropriate assessment rate from table below is applied to the land area of benefited parcels located within the street influence zone along the improved street.

<u>Improvement Category</u>	<u>Funding Category</u>	<u>Benefited Parcel Category</u>	<u>Recommended 2007 Rate Per Sq Ft</u>	<u>Comparative Rates</u>	
				<u>2006</u>	<u>2005</u>
				<u>Per Sq Ft</u>	
Construction	Local	Non-Residential	\$ 1.61	\$ 1.36	\$ 1.30
Construction	Other	Non-Residential	\$ 1.61	\$ 1.36	\$ 1.30
Construction	Local	Residential	\$ 0.62	\$ 0.52	\$ 0.50
Construction	Other	Residential	\$ 0.50	\$ 0.42	\$ 0.40
Renovation	Local	Non-Residential	\$ 0.81	\$ 0.68	\$ 0.65
Renovation	Other	Non-Residential	\$ 0.81	\$ 0.68	\$ 0.65
Renovation	Local	Residential	\$ 0.31	\$ 0.26	\$ 0.25
Renovation	Other	Residential	\$ 0.25	\$ 0.21	\$ 0.20