



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

**Date:** December 2, 2008

**To:** Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee

**Subject:** **Establish 2009 Uniform Assessment Rates for Street Construction, Renovation and Resurfacing**

**Recommendation:**

- a. Passage of a Resolution establishing the 2009 street construction, street renovation and street resurfacing Uniform Assessment Rates.
- b. Approval of mixed-use property calculation.
- c. Consolidation of Assessment Rate Structure.

**Prepared by:**

Suzette R. Hjermstad, RE Investigator II, 673-2401  
Robert J. Carlson, Principal Professional Engineer. 673-3614

**Approved by:** \_\_\_\_\_

Steven A. Kotke, P.E., City Engineer, Director of Public Works

**Presenters:**

Suzette R. Hjermstad, RE Investigator II, 673-2401  
Robert J. Carlson, Principal Professional Engineer. 673-3614

Permanent Review Committee (PRC)	Not applicable
Civil Rights Affirmative Action Plan	Not applicable
Policy review Group (PRG)	Not applicable

**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
- Business Plan:  Action is within the plan.  Action requires a change to plan.
- Other financial impact: Special Assessments against benefited properties
- Request provided to department's Finance Dept. contact when provided to the Committee Coordinator

## Community Impact

Neighborhood Notification: n/a

Neighborhood Meetings: n/a

City Goals: Maintain the physical infrastructure to ensure a healthy, vital and safe city

Comprehensive Plan: Not Applicable

Zoning Code: Not Applicable

## Background/Supporting Information:

The purpose of this letter is to:

1. Propose the 2009 Uniform Assessment Rates for street construction, street renovation and street resurfacing.
2. Illustrate what percent of recent past projects have been assessed and what the 2009 rates would be if 25% were to be assessed.
3. Propose to continue the mixed-use property calculation method for assessable area.
4. Propose to consolidate the Assessment Rate Structure by establishing the "Residential Other" rate be the same rate as "Residential Local" rate; thus eliminating the need for the Residential Other rate. (The "Non-residential Other" rates have been the same as the "Non-residential Local" rates for recent past years.)

## Proposed 2009 Uniform Assessment Rate:

The City Council establishes yearly Uniform Assessment Rates for similar improvements across the city, rather than using costs specific to each project (one project area might be more costly because of poor weather during construction or poor soil conditions or other conditions). The yearly Uniform Assessment Rates are calculated (See Attachment No. 1) 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 on May 22, 1998 and June 12, 1998 that established the method of assessing for "Local" and "Other" designated streets for Residential and Non-Residential benefited properties. The Non-Residential Rate is based on a previous constructed project referred to as the "Non-residential Base Paving Project located in a commercial area (Downtown West). The Residential Rate is also based on two previous constructed projects and likewise is referred to as the "Residential Base Paving Projects" located in residential areas (Whittier NE and Elliot Park).

**Non Residential:** The Construction Non-Residential Uniform Assessment Rate for 2008 was \$1.67 per square foot and for 2007 was \$1.50 per square foot. The recommended 2009 Non-Residential Uniform Assessment rate is \$1.82 per square foot to be applied to the land area of benefited parcels located within the street influence zone along the improved street.

**Residential:** The Construction Residential Uniform Assessment Rate for 2008 was \$0.64 per square foot and for 2007 was \$0.57. The recommended 2009 Residential Uniform Assessment rate is \$0.69 per square foot to be applied to the land area of benefited parcels located within the street influence zone along the improved street.

As shown in Attachment No. 1, we are proposing to establish the 2009 assessment rates by adjusting the 2008 assessment rates with 25% of the difference in the "Base Project" costs from 2008 to the 2009 (estimated) divided by the assessable square footage in the respective Base Projects (Residential and Non-residential). The project cost for each year is established by using the actual 2008 unit prices times the known quantities for each of the Base Projects (and reused year after year) and the estimated 2009 unit prices times the same known Base Projects quantities stated above. If the City were to assess 25% of the total 2009 estimated cost for the base projects stated above, the 2009 construction assessments rates would be:

Non-Residential: \$2.44 sq ft compared to the proposed \$1.82.

Residential: \$0.82/sq ft compared to the proposed \$0.69.

Thus we are below the original goal to assess 25% of our annual paving construction projects.

On February 15, 2008, the City Council adopted a policy establishing the Street Resurfacing Program and the uniform assessment rates for 2008. The rates were established at one-half of the approved Uniform Assessment Rates for street renovation. Attachment No. 2 shows the rate comparisons used for the recommended rate increases.

**Mixed-use property:**

The City has approximately 118,500 property tax parcels. Of these, approximately 635 are designated as mixed-use properties, or 0.5%. Of those, 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.

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, 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 No. 3 for an example.

**Consolidation of Assessment Rate Structure:**

Public works recommends that the residential assessments for all future paving projects be based on the "Residential Local" assessment rate. As illustrated in Attachment No. 4, it will increase the residential assessments for MSA, County and a few State Highway projects. It would assess all residential properties at the same rate for any given year and also eliminating the potential perception of assessing based on use of the street. If approved, the assessment rate structure will simply consist of Residential and Non-residential with each having components for construction, renovation and resurfacing. Again, the Non-residential Other rates have been the same as the Non-residential Local rates for recent past years.

Attachment 1 - 2009 UAR Calculations

Attachment 2 - Recommended 2009 Uniform Assessment Rates

Attachment 3 - Mixed Use Property Calculation Example

Attachment 4 - Recent examples of using "Residential Other"

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

## Attachment No. 1

### 2009 Uniform Assessment Rate (Calculations for Increase/Decrease) Comparisons from Base Paving Project(s) – 1998

#### Non-Residential (Downtown W Commercial)

2008 Costs = \$4,169,931.16  
2009 Est. Costs = \$4,432,636.82  
Cost Difference = + \$262,705.66

$(\$262,705.66 / 454,069 \text{ sq ft in base proj.}) \times 25\%$   
= \$0.1446/ sq ft (increase in construction  
assessment rate)

#### Residential (Whittier NE & Elliot Park)

2008 - \$2,753,212.58 + \$1,275,123.51  
2009 - \$2,926,664.97 + \$1,355,456.29  
Cost Difference = + \$253,785.67

$(\$253,785.67 / 1,309,175 \text{ sq ft in base projs.}) \times 25\%$   
= \$0.0485/ sq ft (increase in construction  
assessment rate)

#### Conclusions - Non-Residential

- |  |  |
|--|--|
| 1. 2009 Construction assessment rate - local | = \$1.82 / sq ft (\$0.15 increase from 2008) |
| 2. 2009 Construction assessment rate - other | = \$1.82 / sq ft (\$0.15 increase from 2008) |
| 3. 2009 Renovation assessment rate - local   | = \$0.91 (\$1.82/ 2)                         |
| 4. 2009 Renovation assessment rate - other   | = \$0.91 (\$1.82/ 2)                         |
| 5. 2009 Resurfacing assessment rate – local  | = \$0.46 (\$0.91/2)                          |
| 6. 2009 Resurfacing assessment rate – other  | = \$0.46 (\$0.91/2)                          |

#### Residential

- |  |  |
|--|--|
| 7. 2009 Construction assessment rate - local | = \$0.69 / sq ft (\$0.05 increase from 2008) |
| 8. 2009 Construction assessment rate - other | = \$0.69 / sq ft (\$0.18 increase from 2008) |
| 9. 2009 Renovation assessment rate - local   | = \$0.35 (\$.69/ 2)                          |
| 10. 2009 Renovation assessment rate - other  | = \$0.35 (\$.69/ 2)                          |
| 11. 2009 Resurfacing assessment rate – local | = \$0.18 (\$.35/2)                           |
| 12. 2009 Resurfacing assessment rate – other | = \$0.18 (\$.35/2)                           |

**Attachment No. 2**

**RECOMMENDED 2009 UNIFORM ASSESSMENT RATES**

**STREET CONSTRUCTION, STREET RENOVATION AND STREET RESURFACING**

- 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.
- Resurfacing - mill and overlay of street surface only.
- 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>Benefited Parcel Category</u>	<u>Recommended 2009 Rate Per Sq Ft</u>	<u>Comparative Rates</u>	
			<u>2008</u>	<u>2007</u>
			<u>Per Sq Ft</u>	
Construction	Non-Residential	\$ 1.82	\$ 1.67	\$ 1.50
Construction	Residential	\$ 0.69	\$ 0.64	\$ 0.57
Renovation	Non-Residential	\$ 0.91	\$ 0.84	\$ 0.75
Renovation	Residential	\$ 0.35	\$ 0.32	\$ 0.29
Resurfacing	Non-Residential	\$ 0.46	\$ 0.42	n/a
Resurfacing	Residential	\$ 0.18	\$ 0.16	n/a

### Attachment No. 3

#### 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 \$1.82 (non-res rate) = \$2,729.18

\$4,400 (Residential) = 38% (of 2,419.2 sq ft) = 919.3 sq ft X \$ .69 (res rate) = \$ 643.32

\$11,400 TOTAL =100% = \$3,363.50

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. Further, the Street Resurfacing rates are approximately one-half of the renovation rates and are payable over a 5-year period.

#### Attachment No. 4

#### Recent examples of assessing using “Residential Other” Compared to “Residential Local”

Public Works has reviewed the total assessments for the following Municipal State Aid projects constructed in recent past years. Each project was assessed using the uniform assessment rate for the year of construction, with the residential properties in each project, assessed at the “Residential Other assessment rate”. The “Residential Other assessment rate” has been established at 80% of “Residential Local assessment rate” (RLR) Also illustrated are the would be assessments had we assessed the residential properties at the Residential Local assessment rate.

Project	Total Expenses	Total Amount Assessed	% Assessed	Projected Amount Assessed via RLR	Projected % Assessed via RLR
Lyndale Ave N	\$1,918,284	\$259,670	13.5%	\$283,910	14.8%
27 <sup>th</sup> Ave. S.	\$5,805,504	\$988304	17.0%	\$1,026,301	17.7%
50 <sup>th</sup> St. E.	\$5,490,280	\$410,910	7.5%	\$483,446	8.8%
Summation	\$13,214,068	\$1,658,884	12.6%	\$1,793,657	13.6%

Please note that both Lyndale Ave. N. and 27<sup>th</sup> Ave. S projects are north – south linear projects; whereas 50<sup>th</sup> St. E. project is an east – west linear project. Typically east – west linear projects have shorter block dimensions, more intersections; resulting in less assessable area per average foot of construction. Thus it not unusual to see a much smaller percent assessed for a linear east – west paving project.

**T&PW** – Your Committee recommends passage of the accompanying Resolution establishing uniform assessment rates for street construction, street renovation and street resurfacing improvements for the 2009 calendar year.

Your Committee further recommends summary publications of the above-described Resolution.

**Colvin Roy**

**Establishing uniform assessment rates for street construction, street renovation and street resurfacing improvements for the 2009 calendar year.**

Whereas, the City Council adopted a policy on October 31, 1980 establishing yearly uniform assessment rates for similar improvements at various locations; and

Whereas, the City Council adopted assessment policies on May 22, 1998 and June 12, 1998 relating to residential and non-residential properties and relating to Local and Other streets; and

Whereas, the City Council adopted a policy on February 15, 2008 establishing the street resurfacing program and assessment policy relating to residential and non-residential properties;

Whereas, the City Engineer has submitted the recommended 2009 Uniform Assessment Rates, all as contained in Petn No \_\_\_\_\_ on file in the Office of the City Clerk;

Now, Therefore, Be It Resolved by The City Council of the City of Minneapolis;

That the following rates are hereby established as the 2009 uniform assessment rates and are to be applied in determining the assessments for the benefited parcels for certain types of work to be constructed in the 2009 calendar year:

Construction (street paving, curb and gutter and other street paving related improvements) – appropriate rate is applied to the land area of benefited parcels located within the street influence zone along the improved street:

\$1.82/sq ft – Non-Residential;

\$0.69/sq ft – Residential;

Renovation (mill and overlay of street surface and selected curb and gutter and street construction as needed) – appropriate rate is applied to the land area of benefited parcels located within the street influence zone along the improved street:

\$0.91/sq ft – Non-Residential;

\$0.35/sq ft – Residential;

Resurfacing (mill and overlay of street surface only) – appropriate rate is applied to the land area of benefited parcels located within the street influence zone along the improved street.

\$0.46 – Non-Residential;

\$0.18 – Residential.