



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

Date: January 19, 2010

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

Subject: **Establish 2010 Uniform Assessment Rates for Street Construction, Renovation, and Resurfacing and Alley Resurfacing**

Recommendation:

- a. Passage of a Resolution establishing the 2010 street construction, street renovation, street resurfacing and alley resurfacing Uniform Assessment Rates.
- b. Approval of mixed-use property calculation for street improvement projects.

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Approved by:

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

Presenters: Suzette R. Hjermstad, RE Investigator II, 673-2401
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Reviews:

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

Financial Impact:

Action is within current department budget

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 2010 Uniform Assessment Rates for street construction, street renovation and street resurfacing and alley resurfacing.
2. Illustrate what percent of recent past projects have been assessed and what the 2010 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 including the Alley Resurfacing rate.

Proposed 2010 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. 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 2009 was \$1.82 per square foot and for 2008 was \$1.67 per square foot. The recommended 2010 Non-Residential Uniform Assessment rate is \$1.96 per square foot to be applied to the land area of benefited parcels located within the street influence zone along the improved street. An average size lot of 40 x 125 or 5,000 sq ft would have an assessment amount of \$9,800 for a reconstruction project which would be assessed over 20 years.

Residential: The Construction Residential Uniform Assessment Rate for 2009 was \$0.69 per square foot and for 2008 was \$0.64. The recommended 2010 Residential Uniform Assessment rate is \$0.75 per square foot to be applied to the land area of benefited parcels located within the street influence zone along the improved street. An average size lot of 5,000 sq ft would have an assessment of \$3,750 for a reconstruction project (assessed over 20 years).

As shown in Attachment No. 1, we are proposing to establish the 2010 assessment rates by adjusting the 2009 assessment rates with 25% of the difference in the "Base Project" costs from 2009 to the 2010 (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 2009 unit prices times the known quantities for each of the Base Projects (and reused year after year) and the estimated 2010 unit prices times the same known Base Projects quantities stated above. If the City were to assess 25% of the total 2010 estimated cost for the base projects stated above, the 2010 construction assessments rates would be:

Non-Residential: \$2.57/sq ft compared to the proposed \$1.96.

Residential: \$0.87/sq ft compared to the proposed \$0.75.

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.

Alley Resurfacing:

To extend the operational life of the concrete alley and to facilitate localized drainage, Public Works recommends that concrete alleys be overlaid with bituminous materials. A uniform assessment rate is used for the portion of the project cost being assessed, conforming to current City policy of using a Uniform Assessment Rate for street construction, renovation and resurfacing projects. Including the establishment of the alley resurfacing rates with the street uniform assessment rates consolidates the rate establishment process. The uniform assessment rate for alley resurfacing for 2008 was \$0.0415 and 2009 was \$0.045 per square foot of property. This cost was estimated by using the same assessment policy of 25% of the project cost being paid by the adjacent property owners and the remaining 75% being paid by Net Debt Bonds. In 2009, an analysis of the actual expenses to resurface an alley was calculated and it was noted that the 2009 rate of assessment per square foot did not adequately cover the cost incurred. Therefore, the proposed 2010 rate better reflects the actual costs and the uniform assessment rate for alley resurfacing should be set at \$0.065 per square foot. The alley resurfacing program uses the same rate for residential and non-residential properties that are benefited by the alley improvement.

Sample Calculations:

For an average size lot that is 40' x 125' or 5,000 sq ft, the assessments for **2010** paving projects would be as follows:

	<u>Non-Residential</u>	<u>Residential</u>
Reconstruction (20 yr)	@ \$1.96/ sq ft = \$9,800	@ \$.75/sq ft = \$3,750
Renovation (10 yr)	@ \$.98/sq ft = \$4,900	@ \$.38/sq ft = \$1,900
Resurfacing (5 yr)	@ \$.49/sq ft = \$2,450	@ \$.19/sq ft = \$ 950
Alley resurfacing (5 yr)	@ \$.065/sq ft = \$ 325	@ \$.065/sq ft = \$325

2009 uniform assessment rates calculated on the average lot size of 5,000 sq ft were:

	<u>Non-Residential</u>	<u>Residential</u>
Reconstruction (20 yr)	@ \$1.82/ sq ft = \$9,100	@ \$.69/sq ft = \$3,450
Renovation (10 yr)	@ \$.91/sq ft = \$4,550	@ \$.35/sq ft = \$1,750
Resurfacing (5 yr)	@ \$.46/sq ft = \$2,300	@ \$.18/sq ft = \$ 900
Alley resurfacing (5 yr)	@ \$.045/sq ft = \$ 225	@ \$.045/sq ft = \$225

Attachment 1 - 2010 UAR Calculations

Attachment 2 - Recommended 2010 Uniform Assessment Rates

Attachment 3 - Mixed Use Property Calculation Example

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

Attachment No. 1

2010 Uniform Assessment Rate (Calculations for Increase/Decrease) Comparisons from Base Paving Project(s) – 1998

Non-Residential (Downtown W Commercial)

2009 Costs = \$4,432,636.82
2010 Est. Costs = \$4,682,361.38
Cost Difference = + \$249,724.56

$(\$249,724.56 / 454,069 \text{ sq ft in base proj.}) \times 25\%$
= \$0.13749 sq ft (increase in construction
assessment rate)

Residential (Whittier NE & Elliot Park)

2009 - \$2,926,664.97 + \$1,355,456.29
2010 - \$3,135,771.51 + \$1,452,174.98
Cost Difference = + \$305,825.23

$(\$305,825.23 / 1,309,175 \text{ sq ft in base projs.}) \times 25\%$
= \$0.05840/ sq ft (increase in construction
assessment rate)

Conclusions - Non-Residential

1. 2010 Construction assessment rate = \$1.96 / sq ft (\$0.14 increase from 2009)
2. 2010 Renovation assessment rate = \$0.98 (\$1.96/ 2)
3. 2010 Resurfacing assessment rate = \$0.49 (\$0.98/2)

Residential

4. 2010 Construction assessment rate = \$0.75 / sq ft (\$0.06 increase from 2009)
5. 2010 Renovation assessment rate = \$0.38 (\$.75/ 2)
6. 2010 Resurfacing assessment rate = \$0.19 (\$.38/2)

Attachment No. 2

RECOMMENDED 2010 UNIFORM ASSESSMENT RATES

**STREET CONSTRUCTION, STREET RENOVATION, STREET RESURFACING
And ALLEY 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/alley surface only.
- Rate Procedure - appropriate assessment rate from table below is applied to the land area of benefited parcels located within the street/alley influence zone along the improved street.

<u>Improvement Category</u>	<u>Benefited Parcel Category</u>	<u>Recommended 2010 Rate Per Sq Ft</u>	<u>Comparative Rates</u>	
			<u>2009</u>	<u>2008</u>
			<u>Per Sq Ft</u>	<u>Per Sq Ft</u>
Construction	Non-Residential	\$ 1.96	\$ 1.82	\$ 1.67
Construction	Residential	\$ 0.75	\$ 0.69	\$ 0.64
Renovation	Non-Residential	\$ 0.98	\$ 0.91	\$ 0.84
Renovation	Residential	\$ 0.38	\$ 0.35	\$ 0.32
Resurfacing	Non-Residential	\$ 0.49	\$ 0.46	\$ 0.42
Resurfacing	Residential	\$ 0.19	\$ 0.18	\$ 0.16
Alley Resurfacing	Non-Residential, Residential	\$ 0.065	\$0.045	\$ 0.0415

Attachment No. 3

Mixed-Use Calculation Example

Property at 615 35th 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 \$1.96 (non-res rate)	= \$2,939.80
<u>\$4,400</u> (Residential)	= <u>38%</u>	(of 2,419.2 sq ft) = 919.3 sq ft	X \$.75 (res rate)	= <u>\$ 689.48</u>
\$11,400 TOTAL	=100%			= \$3,629.28

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.

Mixed-Use calculations do not apply to alley resurfacing as there is only one rate applied to property influence area, regardless of land use designation.