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City of Rochester Hills

Special Assessment District Information for Paving Local Gravel Roads

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(Final Approved Version)



CITY OF ROCHESTER HILLS

SPECIAL ASSESSMENT DISTRICT PAVING PROGRAM FOR LOCAL GRAVEL STREETS

INTRODUCTION

Some neighborhoods in the City of Rochester Hills were developed before the availability of municipal utilities and prior to the adoption of standards that are in place today for construction of new subdivisions. Consequently, these neighborhoods have gravel streets that residents find to be a nuisance and generally undesirable. Residents of these neighborhoods have long desired to have their streets paved. With the subsequent construction of municipal utilities in many of these neighborhoods, streets now contain the improvements needed to permit paving.

An SAD is a special financing district set up to fund the capital costs of a public improvement that provides special benefits to property owners in a subdivision or a defined neighborhood. The legal theory behind SAD's is that the proportional owners' share of the cost assessed against at their property will be offset by ~~an equal~~ a supportable reasonably proportionate increase in the value of the property resulting from the improvement.

By law, municipalities have authority to establish SAD's. The City's role is to establish the SAD, provide the financing for the improvement (sometimes through the sale of bonds), contract for design and construction of the improvement, collect the SAD payments from the benefiting property owners and pay off the debt (if used).

Since the greatest benefits of local street improvement accrue to the owners of property along ~~the~~ those streets, the costs of these improvements are borne by the benefiting property owners in many municipalities. The City of Rochester Hills, like many other municipalities, has very limited resources for local street improvement and does not receive an adequate level of funding through general property taxes, existing voted millage or the gas and weight taxes to bear the sole cost of paving the local gravel streets. For this reason, the City has adopted the special assessment district (SAD) approach to finance paving of local gravel streets.

Rochester Hills has recognized a benefit in reduced operation and maintenance costs and health and quality of life benefits of a paved road versus an equivalent length of gravel road. Thus, to encourage and assist residents fronting gravel roads to pave their ~~subdivisions~~ streets, a policy of cost sharing intent at ~~60%~~ 40% City, 40% ~~60%~~ Resident Property Owner, ~~and a~~ A not-to-exceed cap of ~~\$5,000.00~~ \$12,000.00 property owner charge indexed annually to inflation (including food and fuel) per each potentially buildable lot is proposed.

The \$12,000 per-buildable-lot cap applies to 2017 SAD projects, and this cap is subject to revision based on being indexed to inflation utilizing the Bureau of Labor Statistics, Consumers Price Index – food and energy table for Detroit Metropolitan Area for each subsequent year.

If the property owner cap is met, a combined assessment per buildable lot will equal \$20,000.00 for the property owner and City share. If any SAD project with a buildable lot assessment in excess of \$20,000.00 per buildable lot average occurs, this condition will ~~trigger that~~require the Department of Public Services ~~is required~~ to seek economies of scale by bundling an SAD project with other similar proximate City project(s). Since the SAD projects involve asphalt pavement, the SAD project would likely be bundled with the annual local road asphalt repair program or possibly the asphalt pathway rehabilitation project.

This recommendation was endorsed for incorporation by a resolution by the ~~Police and Local Road Funding~~ Public Safety and Infrastructure Technical Review Committee at their ~~November 7, 2012~~ March 2, 2017 meeting.

SPECIAL ASSESSMENT DISTRICT PROGRAM PROCESS

Call for Projects

The SAD process will start with an annual Call for Projects that will occur during the months of September and October. Residents that desire to request the process to start an SAD process for paving their gravel road will be expected to provide written documentation to the City with at least 60% of street residents showing support to request a public information meeting to learn more about the SAD program. This initial informal petition should be submitted to the Department of Public Services within the 2-month Call for Project timeframe. The intent of the SAD program is for a project request to include a complete roadway paving project. The expected limits would be bookended between a starting and terminus of either two paved cross-roads or from the beginning of a road segment to a terminus (cul-de-sac or dead end point) of the same road.

First Public Information Meeting

When the City receives ~~inquiries from property owners, and believes there is a significant level of interest in a neighborhood for street improvements and an SAD,~~ one or more ~~qualified~~qualifying requests to initiate an SAD request, a public information meeting will be arranged. Residents will be notified by mail of the date, time and location of the meeting. Typically, these meetings are held on a Wednesday or Thursday at the Rochester Hills City Hall Auditorium and start at 6:00 p.m.

~~The meeting will be attended by City staff familiar with the City's SAD program and technical and financial aspects of the public improvement being considered~~

City Engineering and Treasury Department staff will be in attendance to answer questions and provide an overview of the SAD policy. City elected officials or staff members from the City Fiscal and Clerks Department may also attend the meeting. ~~A brief presentation, including handout materials, will be made by the City, which will be followed by a question and answer period.~~

At the ~~conclusion of the~~ meeting, it will be ~~announced~~ explained that petitions to establish an SAD may be obtained from the City Clerk's office by property owners who wish to volunteer to circulate petitions. The Treasury Department will create the SAD petition template ~~and provide it to for~~ the Clerk's office. The name, address and phone number of each volunteer will be taken at the meeting. These people will be notified by the City Clerk's office when the petitions are available. The petitions may then be picked up by the volunteers and circulated throughout the neighborhood to obtain signatures of property owners who support the establishment of an SAD.

Receipt of Signed Petitions by the City

~~When the circulators of the petitions believe they have sufficient~~ Circulators of the petitions will have the months of November, December and January to obtain at least a 60% + 1 household support of property owner signatures on their respective local street. If this requirement is accomplished, they may turn in the signed petitions to the City Clerk's office. Upon receipt of the signed petitions by the City Clerk, the Assessing Department will be asked to verify that the persons signing the petitions are the property owners according to City land records. In the event that a street does not achieve the minimum petition support by January 31st or City Council does not accept the petitions, new signatures will be required for each subsequent year until the signatures are accepted by City Council.

A City Council agenda summary will be prepared for street petitions verified to have a minimum 60% + 1 household support at a regularly scheduled meeting in February. City Council will be asked to accept each local street petition request, or streets if making a combined submission, for a potential SAD project and pass a resolution of support. ~~After the Assessor's review, the City Council will schedule, as an agenda item at a regular meeting, consideration of a resolution to accept the petitions and refer the proposed project to the Department of Public Service for preparation of the City Engineer's report.~~ Property owners within the proposed SAD will receive notice of the meeting.

~~At this time, the City Council will solicit volunteers to serve as citizen participants for the project. The City Engineer will work with and communicate with the citizen participants who in turn may communicate with neighbors about the project.~~

Petitions received by the City are advisory and do not compel the City Council to establish an SAD. The City Council will establish an SAD only when it is clear there is majority support for the project from the affected property owners. If it is clear there is not a significant level of

support (60% + 1 household or greater) for the project, the City Council shall decline to accept the petitions and the process will stop.

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Capital Improvement Plan Project Submission

The Department of Public Services shall prepare an individual Capital Improvement Plan (CIP) entree for each SAD Project request that City Council has accepted petition signatures of support by resolution. CIP project submissions will be prepared by the end of February so that they can be incorporated into the final version of adopted by Planning Commission in April. The CIP process evaluates all capital projects based on predefined ranking criteria. The ranked capital projects include budget estimates and a proposed fiscal year for implementation.

City Budget Incorporation of Qualifying SAD Project Candidates

The Department of Public Services and the City Council will annually review the proposed SAD projects that are included in the latest adopted Capital Improvement Plan for inclusion with the next budget approval. Like all capital projects, a SAD project may be moved to a different fiscal year to take advantage of collaborative purchases or availability of specific funding sources. City Council will determine the actual number of SAD project candidates, if any, that can be included in the next approved City Budget fiscal year.

Approval to Proceed with Preliminary Engineering Design Phase

Once a proposed SAD Project has been included in an adopted budget, the Department of Public Services will solicit a proposal from one or more of the quality based selection design consultants to perform the preliminary engineering services. The proposal will be submitted to City Council for approval at a meeting in January. It is also expected that the City Council will direct the Department of Public Services to commence with the preparation of the City Engineer's report for each SAD project being granted preliminary engineering approval. The Engineer's report will outline a preliminary engineering design for the project, a scope of work, a cost estimate for the project, an estimate of the number of properties within the proposed SAD, an estimate of the City's share of the cost and an estimate of the average pro rata share of the cost for property owners.

Second Public Information Meeting

~~Upon completion of the City Engineer's report,~~ the City will notify property owners and hold a second information meeting. The purpose of the second information meeting is to provide property owners with more detailed information about the project, including detailed design plans and current engineer's cost estimates. This meeting will allow property owners to obtain the most current and complete information in advance of the public hearing on necessity. Also, property owners will have an opportunity to ask general questions about the project or specific questions about their properties in an atmosphere that is less formal than the public hearing on necessity. The meeting will be conducted by City staff ~~that has~~ who have been involved with development of the project. The second public information meeting will be planned for the month of May.

Receipt of City Engineer's Report and Tentative Determination to Proceed

Upon receipt of the ~~The City Engineer's Report will be completed subsequent to the second public~~

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information meeting for each SAD project candidate and submitted to City Council for a regularly

scheduled meeting in June. At this same meeting, the City Council will be asked to pass a resolution to ~~T~~ tentatively ~~D~~ determine to ~~P~~ proceed with an SAD project. The City Council may, by resolution, determine tentatively to proceed to establish an SAD for the project, setting forth the nature of the project and requiring the City Engineer's report to be filed with the City Clerk so it is available for review by the public. In the same resolution, the City Council will set forth the time and place for a public hearing on the advisability of proceeding to establish the SAD.

Public Hearing on Necessity

The public hearing will be held at least ten (10) days after notice has been published in the City's official newspaper and sent by first class mail to all property owners in the proposed SAD as shown on the City's current assessment roll. The public hearing will be held at a regular or special meeting of the City Council. At the public hearing, all persons interested shall have an opportunity to be heard by the City Council. ~~Public Hearings on N~~ecessity will be planned for the month of July.

Determination to Continue S.A.D. Process

Following the public hearing, the City Council may determine whether to end the process or ~~may determine~~ to proceed. If it determines to proceed, a decision on a final determination is deferred for twenty-eight (28) days to give property owners who may be opposed to the SAD an opportunity to circulate petitions of objection. ~~If the City Council decides to end the SAD process for a project subsequent to the public hearing, a resolution will be passed at the same July Public Hearing on Necessity meeting.~~

Objections to Improvements

After the public hearing has been held by the City Council, if there is a desire by the property owners within the limits of the proposed SAD to terminate the project, written petitions objecting to the proposed improvements may be obtained from the City Clerk on the fourteenth (14th) day after the public hearing and circulated, signed and returned to the Clerk by noon on the twenty-eighth (28) day, or the next business day if the City offices are closed on the twenty-eighth (28th) day, immediately following the public hearing. ~~The Treasury Department will create the Petitions of Objection and provide them to the City Clerk's office prior to the 14th day.~~

The improvement shall not be made if properly filed petitions objecting to the proposed improvement are signed by ~~50% + 1 household~~ of the owners of ~~more than fifty (50) percent~~ of:

- A. the total land area,
- B. front footage, or
- C. number of parcels or units to be assessed, as determined by the City Council in a resolution adopted following the public hearing,

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Final Determination

If the City Council determines to proceed, it shall pass a resolution determining that the improvement is necessary, approving the plans, specifications and detailed cost estimates, prescribing what part of the costs are to be paid by the SAD, delineating the limits of the SAD, determining the method to be used to make the assessment, and directing the City Assessor to prepare the **draft** special assessment roll in accordance with the City Council's determination. **This meeting will be planned for the month of August. At this same meeting, the City Council may need to decide whether the construction and construction engineering phases will be included in the next fiscal year budget prior to their typical adoption of the budget in late September.**

Draft Special Assessment Roll

The City Assessor will make a **draft** special assessment roll of all lots and parcels of land within the designated district benefited by the proposed improvement and **specialy** assess each lot or parcel of land ~~the amount it is benefited~~. The roll will list each property in the SAD and its ~~pro rata~~ **special** assessment. The amount spread in each case shall be based upon the detailed estimate of the City Engineer as approved by the City Council.

When completed, the City Assessor shall file the draft special assessment roll with the City Clerk for presentation to the City Council for review and confirmation. Upon receipt of the roll, the City Council, by resolution, shall accept the roll and order it filed with the City Clerk for review by the public.

The City Council shall determine the time and place for a public hearing and hold the public hearing, in the same manner as previously outlined, to consider objections to the roll, corrections to the roll, or annulment of the roll. **The submission of the draft special assessment roll to City Council will be targeted for September.**

Public Hearing on the Draft Special Assessment Roll

The public hearing for the draft special assessment roll will be held by the City Council at an October meeting.

After the public hearing, if the City Council believes assessments are proper, it shall pass a resolution confirming the roll. The Council will also authorize the City Treasurer to bill and collect the SAD roll at the same meeting or a time closer to construction.

Proceed to Construct Improvement

Once the proposed SAD project receives the City Council approval for the assessment roll, the DPS shall work with the Fiscal Department Purchasing Division to advertise the project and receive bids. City Council will be asked to award the construction contract and the construction engineering (CE) contract at a meeting in January or February. Construction of the SAD gravel to pavement project would then be planned to commence in April or May and complete the improvements that same construction year.

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~~At this point, and after having received public bids for the work and selecting the lowest responsible and responsive bid, the City will proceed to construct the improvements.~~

GENERAL INFORMATION ABOUT SPECIAL ASSESSMENT DISTRICTS

Determination of Proration of Cost to Each Property

As previously indicated, the legal foundation of SAD's is that the cost assessed to each property will result in a ~~corresponding~~ reasonably proportionate increase in property value. There are a number of formulas used to distribute costs among properties in an SAD that have been developed over many years of experience. The cost assessed to an individual property based on these formulas is called a unit benefit.

For street improvement SAD's, the City uses the "Declining Rate Benefit Ratio" method to determine unit benefits. That method establishes the unit benefit by calculating the average width of each property where it is adjacent to the street. Properties having a width equal to or less than the average will be assessed on (1.00) unit benefit. Properties with widths greater than the average will be assigned a unit benefit greater than one (1.00) based upon the declining rate curve, and up to a maximum of one and three tenths (1.30) unit benefit costs. Note: it is possible that a single parcel of land under one ownership may be assigned multiple (i.e. 2, 3, 4, etc.) unit benefits. This usually involves larger parcels of land, which could be divided into two or more building sites. In these cases each potential building site is assessed a unit benefit.

Term of Special Assessment Installment Payments and Interest Rate

While a special assessment can be paid in full at the onset, most property owners choose to make installment payments. The term of special assessment installment payments will be ~~set by the City Council and will generally coincide with the City Engineer's certified life of the improvement and/or term of the bond if issued~~ based on a 15-year amortization schedule with the current SAD interest rate applied. Installment payments shall be paid annually and are due on April 1. City Council shall set the rate of interest on the unpaid balance.

Typically, the interest rate set by Council is one (1) percent over the average rate of the bonds if sold to finance the project or related to other measures such as Prime. The additional one (1) percent is added to provide sufficient cash flow for administration, and if issued, bond principal and interest payments.

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Special Assessment is a Lien Until Paid

The special assessment shall become a lien upon the property until it is paid in full. The lien will be of the same character and effect as is created by the City Charter for City taxes. To protect the taxpayers of the City, the City will not subordinate the lien in the case of a sale of the property, refinancing, second mortgage, home equity loan, etc. In these cases, the special assessment will have to be paid in full to discharge the lien.

Adjustments and Corrections to Assessments

Over Assessment:

If a special assessment exceeds the actual cost of the improvement and incidental expenses by five (5) percent or less of the amount assessed, that excess may be placed in the General Fund of the City. If the assessment proves larger than is necessary by more than five (5) percent, the entire excess shall be refunded, or credited if a balance is still outstanding, on a pro rata basis to the owners of properties in the SAD provided, however, that no refunds of less than Five Dollars (\$5.00) will be made.

Under Assessment:

Additional pro rata assessments may be made when any special assessment roll is insufficient to pay for the improvement for which it is levied, provided that the aggregate of the additional pro rata assessments shall not exceed twenty-five (25) percent of the total assessment as originally confirmed unless a meeting of the City Council is held to review such additional assessment and interested citizens have had an opportunity to provide input.

ADDITIONAL COMMENTS

The information contained in this overview is a summary of the process and provisions of Chapter 90 Special Assessments of the Code of Ordinances of the City of Rochester Hills. It is intended only as a reference and should not be construed as a complete description of all provisions and requirements of the ordinance. There are additional provisions and requirements outlined in the ordinance that may be applicable to certain property owners or situations. If there

are specific concerns or questions concerning the special assessment process or requirements, they should be referred to the Director of the Department of Public Services at 248.656.4640.

This policy shall be reviewed in three years (year 2020) for applicability and economics.

LOCAL ROAD POLICY AND FUNDING CRITERIA FOR PAVING GRAVEL ROADS

- ◆ In general, roads shall consist of a 22-foot wide asphalt road, grass shoulders and an open ditch drainage system in accordance with the latest City of Rochester Hills engineering standards and specifications for paving.
- ◆ The cost to the property owner shall be capped at ~~\$5,000~~ \$12,000 cost to the property owner for a 2017 SAD project per buildable lot (existing and/or potential) for paving to current minimum standards. As stated in the SAD Policy language, this capped amount will be subjected to annual adjustment for inflation for subsequent years. Additional betterment improvements or work deemed aesthetic in nature by the property owner will be assessed for 100% of the cost to the property owners and shall be applied in addition to the assessment cap.
- ◆ If recommended by the Department of Public Services and determined to be in the best interests of the residents and City, the City Council may require the installation of water, sanitary and/or storm sewer utilities prior to or in conjunction with the SAD paving project.
- ◆ The City Council encourages citizens' initiative pursuant to the Special Assessment District Ordinance, Chapter 90 of the Rochester Hill codified code of ordinances, to improve and upgrade their local roads.
- ◆ Special assessment projects that have plans already designed will be considered for first priority. If there are no existing plans for a project, special assessment projects generally will be taken in order of the filing date of valid and sufficient petitions.
- ◆ The service life will be designed to a 15-year performance standard
- ◆ Driveway approaches will match existing drive in material type (concrete or asphalt) and width, from edge of road to property line. Existing gravel driveway approaches will be constructed as asphalt.
- ◆ Mailbox posts will replaced per the US Postal Service approved version
- ◆ Private property items such as fencing, lamps, irrigation systems, ornamental or monument mailboxes, landscaping, etc., is in right-of-way, then the City will give notice to homeowner to remove the private property. If not removed by the owner, then City will remove the private property and not replace it.