

Reply to Common Council File No. 160996  
From DOA-Budget and Management Division

December 5, 2016

Ref: 16010

Common Council File 160996 contains an ordinance to allow property owners to pay special assessments over 10 years instead of the current 6 years.

Extending the payment term for special assessments from 6 years to 10 years is intended to reduce the amount due each year to make the cost of assessable improvements more manageable. A portion of the costs for all assessable improvements including alley reconstruction, sidewalk replacement and lead service line replacement are assessed to property owners based on recovery amounts defined by ordinance. File 160965 adopted in November 2016 increased the recovery rate for alley reconstruction from 30% to 50%, which will raise the typical property owner's assessment from \$760 to \$1,800 for alley reconstruction. The proposed lead service line (LSL) replacement program will assess property owners for 1/3 of annual average cost, up to a maximum of \$1,600, when lead service lines are replaced. Providing the option of extending payback terms over 10 years is expected to support compliance with the proposed LSL replacement requirements, and could have a positive impact on property owner support for assessable improvement projects.

The fiscal impact of this ordinance is additional interest cost to the property owner who elects to pay the special assessment over 10 years. For a typical alley reconstruction project, a property owner would be assessed \$1,800. If paid over the current term of 6 years, the annual payment would be \$343 and the total interest paid by the property owner over the 6 year payment period would be \$257. If paid over the proposed term of 10 years, the annual payment would be \$223 and the total interest paid by the property owner over the 10 year payment period would be \$439. Property owners have the option of paying the full amount of the assessment up front to avoid paying interest. Property owners also have the option of paying special assessments in less than the full term without penalty for prepayment.

This ordinance makes special assessments more manageable by allows property owners to reduce the annual payment for special assessments by extending the allowable term of payment from 6 years to 10 years.

**RECOMMENDATION: ADOPT FILE 160996**



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BJC:dmr