

THE FARGO SPECIAL ASSESSMENTS TASKFORCE



PUBLIC FORUMS

WELCOME & TASKFORCE SCOPE OF WORK

[Tony Grindberg | Taskforce Chair]

PUBLIC FORUM AGENDA

- Welcome & Taskforce Scope of Work
- Special Assessments History and North Dakota Century Code Overview
- Special Assessments Taskforce Overview
- Public Comment
- Wrap Up Summary and Next Steps

TASKFORCE SCOPE OF WORK

Appointed in late August of 2018, the Fargo Special Assessments Taskforce will review history of special assessments in Fargo to include current and past funding methodology for greenfield development and upgrading the City of Fargo existing infrastructure (streets, arterials, public safety, water and sewer).

The taskforce will also research, review and recommend innovative financing options to include elimination of current voter-approved sales tax special assessment funding practices and replacing with other financing options.

TASKFORCE MEMBERS

- **Jim Bullis** | Developer
 - **Kent Busek** | Fargo Resident
 - **John Cosgriff** | Fargo Resident
 - **Don Dabbert, Jr.** | FM Home Builders Association
 - **Kristy Fremstad** | Fargo Resident
 - **Curtis Goroski** | Fargo Resident
 - **Kevin J. Hanson** | Mortgage Lending Industry Representative
 - **Gloria Palm Connor** | FM Association of Realtors
 - **Jeff Volk** | FMWF Chamber of Commerce Business Representative
 - **Bill Worth** | Fargo Resident
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- **Tony Gehrig** | Fargo City Commissioner
 - **Tony Grindberg** | Chair & Fargo City Commissioner
 - **Bernie Dardis** | West Fargo Commission President (*Ex-Officio*)

RECENT ACTION ON SPECIALS

- On July 2, 2018, the Fargo City Commission voted to rescind the 2016 Special Assessments Policy and replace it



Broadway, 25th Ave N, 8th St N
80' Residential Lot (Direct)
Option also for 25-year assessment



South Drive, 19th Ave S, 7th St S
80' Residential Lot (Direct)
Option also for 25-year assessment



4th St S
80' Residential (Direct)
Option also for 25-year assessment



REMARKS

[Tony Gehrig | City Commissioner]

SPECIAL ASSESSMENTS HISTORY & NORTH DAKOTA CENTURY CODE OVERVIEW

[John T. Shockley | Ohnstad Twichell, P.C.]

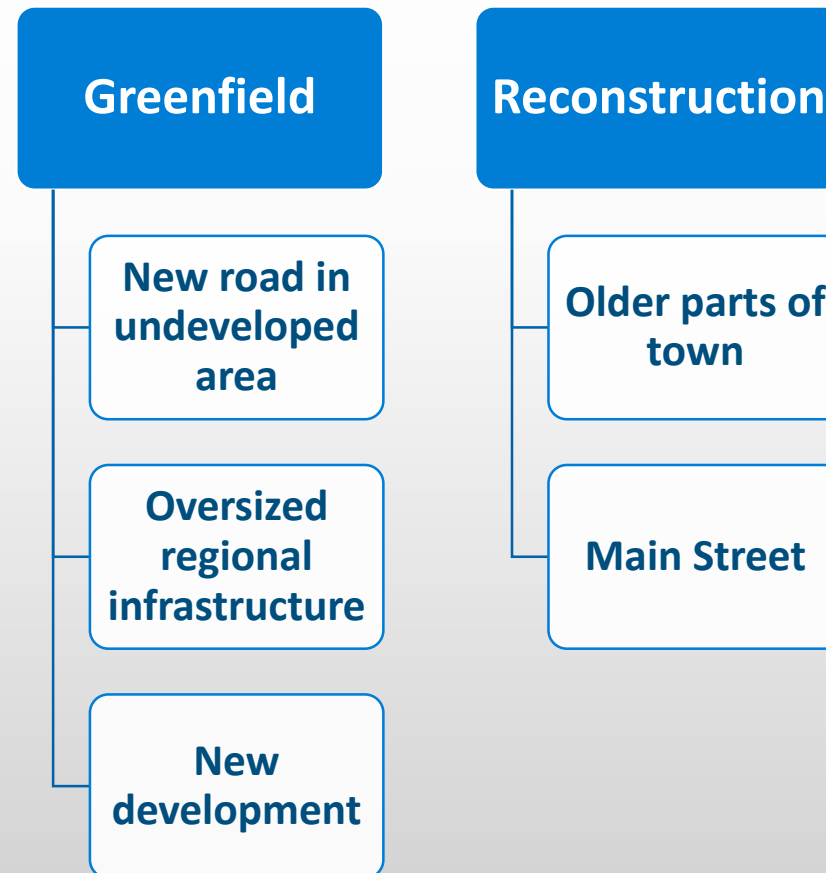
DISCLAIMER

- Not here representing any party
- Not a policy direction or initiative
- Purpose is to provide information and background
- Feel free to ask questions

SPECIAL ASSESSMENTS BACKGROUND

- Special Assessments History
- Prevalence of Special Assessments Today
- North Dakota Special Assessments
- Special Assessment Commission (SAC)
- Main Methods of Assessment
- Length of Time for Assessments and Interest Rates
- Special Assessment Bonds

TWO MAJOR AREAS OF SPECIAL ASSESSMENTS



GREENFIELD ISSUES

City Special Assessments For Local Infrastructure

- **Advantages**

- City controls engineering, construction management and oversight
- Developer does not have carrying costs
- Growth – opportunity for more development and smaller developers
- City controls risk by requiring letter of credit from developer

- **Disadvantages**

- City debt/issuance of Refunding Improvement Bonds
- Requires City security in the event of default
- Administration of project and potential market distortions

- **Facts**

- Greenfield developments are 100% special assessed to the property owner
 - These assessments have a 25-year duration

GREENFIELD ISSUES

Developer-Funded

- **Advantages**

- No City debt issuance and no specials for new homeowners
- Developer has lower engineering costs
- Developer not required to follow public bidding laws
- No payment or performance bonds

- **Disadvantages**

- Loss of control by City over design
- Economic recession – Minneapolis issues: when developer fails, City must step in
- Less developers have access to capital sufficient for development costs – leads to less lots and higher prices
- Developers are risk adverse
- City inspections are still required to hand over infrastructure (who pays?)
- Still have regional infrastructure costs

- **Facts**

- All costs for infrastructure are included in the initial lot price but does not exclude the potential for future special assessments

RECONSTRUCTION

- **Financially burdensome to levy special assessments on existing homeowners/business for 100% of improvement costs**
 - The City of Fargo has an infrastructure funding policy to reduce this burden on property owners
- **City of Fargo uses other sources of revenue to supplement:**
 - **Internal** – sales taxes and utility revenues
 - **External** – federal and state grants
- However, these sources have limited capacity in relation to overall needs and sometimes legal restrictions

SPECIAL ASSESSMENTS TASKFORCE OVERVIEW

[John T. Cosgriff | Taskforce Member]

TASK FORCE SURVEY RESULTS

- **Nine (9) of the ten (10) voting Fargo Special Assessments Task Force members participated in an anonymous survey to determine how the Task Force generally believed special assessments could be improved**
- **The survey revealed key takeaways about the following topics:**
 1. Improvements should continue to be special assessed in some manner.
 2. The cost for those residents who are assessed should be reduced; however, new taxes or fees will be needed to offset the reduction.
 3. New approaches to distribute savings or residual balances from special assessment funds.
 4. Transparency and communication in the process of special assessments should be improved.

TASK FORCE SURVEY CONSENSUS

1. Improvements should continue to be special assessed in some manner

A consensus was reached on the following:

- The City should continue to special assess the cost of new sewers, paving and water mains.
- Special assessments should continue to be used to help fund reconstruction projects.
- Reducing infrastructure repairs is not a valid option to reduce special assessments.

TASK FORCE SURVEY CONSENSUS

- 2. The cost for those residents who are assessed should be reduced; however, new taxes or fees will be needed to offset the reduction.**

If special assessments are reduced, the Task Force reached a consensus on the following:

- Utility fees should increase to compensate for the reduction.
- The City should evaluate the creation of a new street utility tax to compensate for the reduction.
- Developers should pay for the cost of LOMR (Letter of Map Revision), which is the process of elevating lots to remove them from the floodplain.
- The City should reduce the amount it charges for engineering and administration.

TASK FORCE SURVEY CONSENSUS

3. New approaches to distribute savings or residual balances from special assessment funds

The Task Force reached a consensus on the following regarding what to do with special assessment funds:

- After refinancing special assessment debt, the City should pass interest savings onto those with outstanding special balances for that specific project.
- If the full cost of a project is special assessed and paid for, the City should rebate the fund balance to property owners within the special assessment district.
- At the end of special assessment districts, the City should discontinue its current practice of transferring the fund balance into the General Fund.

TASK FORCE SURVEY CONSENSUS

4. Improvements in transparency, communication and process of special assessments should be considered.

The Task Force reached a consensus that the following improvements should be made:

- The City should develop a longer term Capital Improvements Plan.
- If special assessments (Greenfields) continue, a deadline for infrastructure requests should be established to ensure construction costs are reasonable.
- The bidding process should continually be evaluated for improvements if doing so would result in overall project cost savings.
- The City should share more information about current and future special assessments.

PUBLIC COMMENT

[Tony Grindberg | Taskforce Chair]

WE WANT TO HEAR YOUR IDEAS

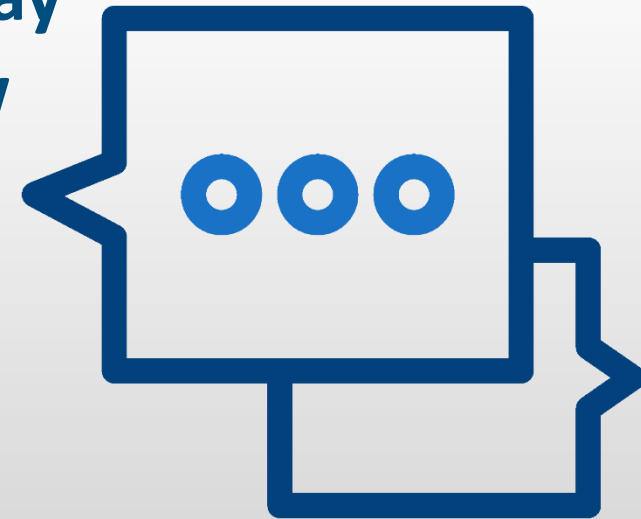
- **Public comment is being sought on the following topics:**
 - New developments (greenfield)
 - Capped costs (caps)
 - Reconstruction projects
 - Arterial roadways
 - Transparency & communication
- **Please share your opinions, either in person during the public forum or in written form via the comment sheets distributed tonight**
 - All comments discussed tonight or provided in writing will be included in a public forum summation to the Fargo City Commission for its consideration
- **Public comments will also be received online at www.FargoND.gov/Specials through the end of Friday, June 28**

NEW DEVELOPMENTS (GREENFIELD)

- Currently, the City of Fargo accepts requests from developers to construct new greenfield developments.
- Through this process, the City's Engineering Department is responsible for the design of the project (construction of sewer, water, street lights and pavement).
- This allows the City greater oversight to ensure a high quality product, which it will maintain from that point forward.
 - These costs for engineering and construction are then quantified and distributed to the benefitting lots; this is the process of special assessments.

NEW DEVELOPMENTS (GREENFIELD)

Understanding these greenfield development costs would ultimately become the responsibility of the homeowner in either method, do you feel the City should continue to special assess the cost of new developments? Or do you believe developers should be responsible to pay for the design and construction of new developments, and build these costs into the price of the lot and/or home?



WE WANT TO HEAR YOUR IDEAS

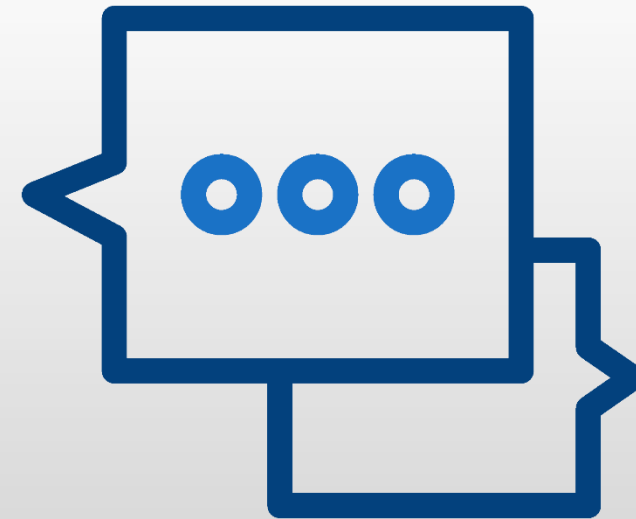
CAPPED COSTS (CAPS)

- Currently, the City caps the cost of special assessments on reconstruction projects.
 - The previous special assessments policy used a percentage-based calculation (50% City & 50% property owner)
 - Capping the cost of special assessments has advantages for property owners:
 - The City is able to easily estimate the cost to a property owner for future reconstructions.
 - The amount a property owner pays is consistent and does not change based on the complexity of the project or the market conditions when the project is bid.
 - For example, on a street reconstruction project, the maximum amount (or cap) a single family residence will be charged for the street reconstruction portion is \$75 per front foot.
 - The front foot is the width of a property adjacent to the street.
 - Corner properties only pay for the one side (the narrowest) of their property.

CAPPED COSTS (CAPS)

Currently on local street reconstruction projects utilizing capped costs, the City covers approximately 70% of the total project costs and the remainder is special assessed.

Should caps be adjusted to either increase or decrease the amount the City contributes, knowing the increased City share would need to be offset elsewhere?



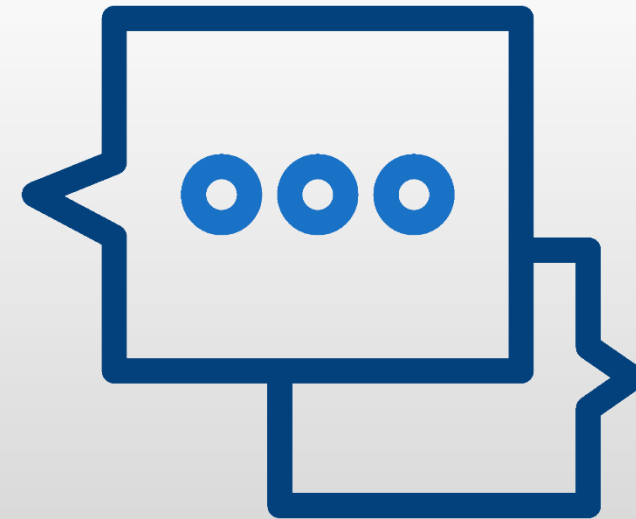
WE WANT TO HEAR YOUR IDEAS

RECONSTRUCTION PROJECTS

- The City completes six to eight full street reconstruction projects annually.
- These projects typically replace existing infrastructure that is 60 to 100 years old, has reached the end of its useful life and has begun to fail.
- These projects are special assessed to those properties that directly benefit from these improvements (imagine the road right in front of your house).
- There are three caps that typically are utilized on these projects, resulting in a total amount of \$155 per front foot, or about \$7,750 for a house on a 50-foot lot.
 - Street reconstruction - \$75 per front foot
 - Water main replacement - \$40 per front foot
 - Sanitary sewer replacement - \$40 per front foot
- These capped costs limit the property owners' financial responsibility for the many aspects within the project. These include several items including the replacements of storm sewer mains, water and sewer services, driveway aprons, deficient sidewalks and streetlights.
- In order to eliminate these types of special assessments, the City would need to increase some other tax/fee to offset it (such as sales tax rates, sewer and water utility rates, property taxes, etc.).

RECONSTRUCTION PROJECTS

Do you think the City should continue to special assess reconstruction projects in this way or do you believe the City should eliminate these special assessments and raise some other tax or fee?



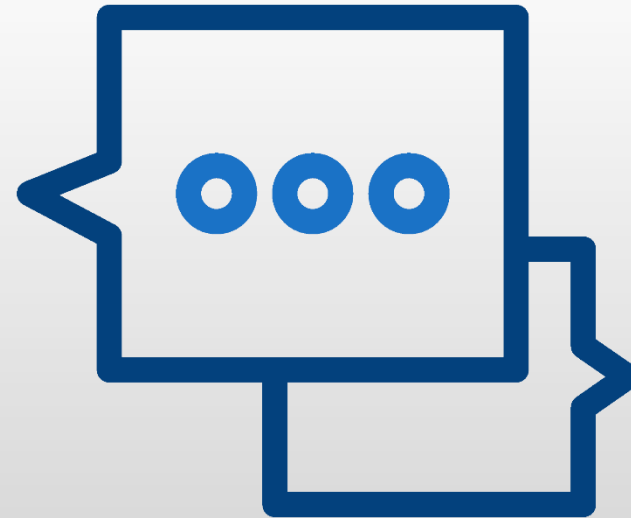
WE WANT TO HEAR YOUR IDEAS

ARTERIAL ROADWAYS

- An arterial roadway is a road utilized to travel through town (such as 45th Street, 13th Avenue or University Drive).
 - Each property in Fargo helps to pay for one north-south arterial and one east-west arterial.
- In some of the older parts of the community, single family residences directly front arterial roadways, but most properties throughout the city fall into a secondary benefit category.
 - This generally means there is an arterial roadway within one-half of a mile from their home, which is the arterial for which they pay.
- The capped cost of an arterial reconstruction is \$15 per front foot.
 - A single family residence with a 50 foot-wide lot would pay a maximum of \$750 for their north-south arterial and a maximum amount of \$750 for their east-west arterial.
- This method of special assessing arterials ensures that property owners are only paying for those arterial roadways that most directly benefit them (someone in north Fargo is not paying for the construction of 52nd Ave S and vice versa).
- In order to eliminate these types of special assessments, the City would need to increase some other tax or fee to offset it (such as sales or property taxes).

ARTERIAL ROADWAYS

Do you think the City should continue to special assess arterial roadway projects in this way or do you think the City should eliminate these special assessments and raise some other tax or fee?



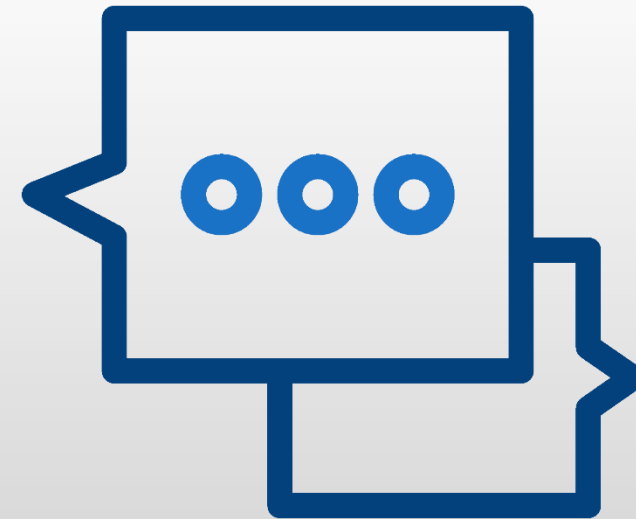
WE WANT TO HEAR YOUR IDEAS

TRANSPARENCY & COMMUNICATION

- The City of Fargo's Engineering Department has developed a longer term (four years) capital improvement plan.
 - Engineering will be asking the City Commission for its approval on the plan.
 - This will allow for greater transparency and notification to residents of upcoming projects.
- City staff members are readily available to meet with residents to discuss upcoming projects and special assessments.
- Many informational materials are found on the City's website and sent to residents regarding specials, but this information can be difficult to understand for citizens.
 - Staff is seeking input on the types of resources to implement to make this more helpful in educating residents about the process.

TRANSPARENCY & COMMUNICATION

How can the City more effectively communicate upcoming special assessment projects and the costs associated with them?



WE WANT TO HEAR YOUR IDEAS

WRAP UP SUMMARY & NEXT STEPS

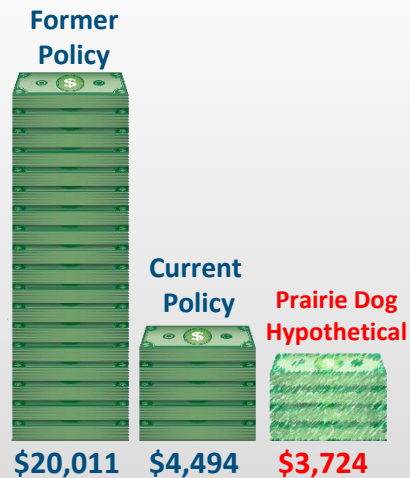
[Dr. Tim Mahoney | Mayor]

OPTIONS FOR CONSIDERATION

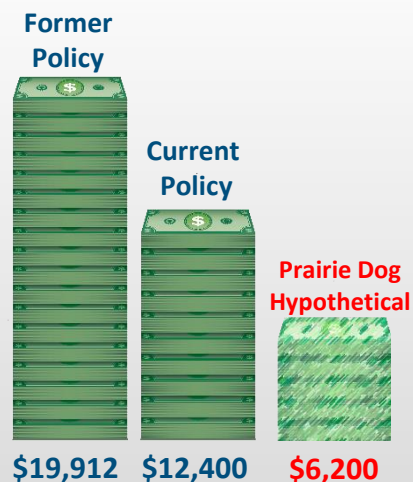
- Amend the 2018 Infrastructure Funding Policy
 - Utilize Operation Prairie Dog funds to further reduce specials



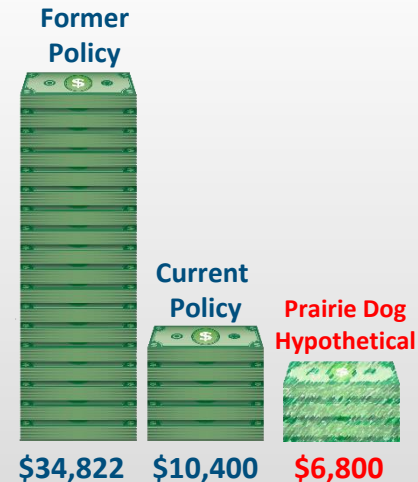
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80' Residential (Direct)
Option also for 25-year assessment



- Consider modifications to administration and engineering fees if found to be in best interests of Fargo residents
- Increase utility fees

OPTIONS FOR CONSIDERATION

The options just discussed, in addition to others discussed by members of the public tonight, will be among those considered by the Fargo City Commission as it contemplates solutions to potentially reduce or eliminate special assessments.

THE FARGO SPECIAL ASSESSMENTS TASKFORCE



PUBLIC FORUMS