



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of September 8 and 22, 2025

Title/Subject

Ordinance No. 2371 Creating Local Improvement District No. 323

Summary and Background

BACKGROUND

Northwest 2nd Street is a gravel unimproved street between W Elm Avenue and W. Cherry Avenue which provides direct access to three active industrial businesses, and two industrial lots which regularly get used for construction laydown activities.

This street has been identified as project ST 13.0 in the City's Capital Improvements Plan since 2018, but has existed in the appendix due to a lack of available funds.

The Oregon Department of Transportation is scheduled to erect traffic barricades on W Elm Avenue to better manage the efficient and safe flow of traffic through the Elm/395 intersection. These barricades will eliminate the ability for left-hand turning movements in to and out of NW Spruce. Therefore, the only remaining access on Elm Ave to the active businesses on NW 2nd for vehicles coming from the Northeast will be on NW 2nd. Similarly, the only Elm Avenue access for vehicles coming from these businesses looking to go West will be on NW 2nd. This will significantly increase the amount of traffic on this sub-standard street.

NW 2nd has been an unimproved gravel roadway due to two main factors:

- Non-Remonstrance Agreements (NRA)
 - o The City of Hermiston's standard requires that when a tax lot develops (structures are built on it), then the roadway in front of it must be built.
 - o Developers can avoid this obligation through signing an NRA. This generally states that they will not have to develop the street in order to build on their property, but if/when a Local Improvement District is proposed, then they waive their ability to formally oppose it's formation.
 - o Two of the five tax lots on NW 2nd have executed NRA's
- Undeveloped

- Undeveloped lots within the City are generally only required to pay to improve their street frontage at the time that they develop.
- Two of the five tax lots on NW 2nd have not formally developed

Due to the impending increase in traffic on NW 2nd triggered by the shift in traffic pattern accessing these businesses, it was recommended that the roadway be constructed to city standards.

Formation of a Local Improvement District (LID) is a way to finance public streets by levying the cost of the roadway on to the abutting properties which benefit from the street in amounts proportionate to their frontage.

The City of Hermiston has successfully executed 322 LID's, primarily to develop roadways.

ACTION TO-DATE

City Council, on March 24, approved Resolution 2362 to initiate LID formation by calling for development of a preliminary engineering report outlining the improvements to be made. For various reasons, city staff had already compiled this report so that it was ready and available.

City Council, on March 24, reviewed the preliminary engineering report and approved Resolution 2363 which declared the City's intent to form an LID to construct the improvements called for in the report. This action also established May 12 for a Public hearing in order to receive feedback from impacted property owners, stakeholders, and the general public.

City Staff mailed official notice to all 5 property owners on March 31. The notice included the date/time of the Public Hearing, a copy of the PER, forms to submit formal opposition, and an outline of the property owners' rights.

Engineering Staff, on May 8, identified a typographical error in the Project Cost Allocation table on Figure 4-1. The decision was made to postpone the Public Hearing in order to update the table, and notify the property owners of the changes.

City Staff, on May 9, received it's first communication from the property owners, in the form of 5 signed remonstrances. The remonstrances were identical, owing to the fact that they are controlled by the same group of individuals. Generally the two main objections regarded a concern for safety associated with increased speeds on a better street, and a concern for stormwater runoff associated with the newly impervious surface.

City Legal Staff, on May 23, identified what appeared to be a copy and paste error in the signed non-remonstrance agreement which rendered it somewhat nonsensical, and advised it would be unusable.

City Council, at the May 27 Council meeting voted to move forward with the LID, but lacking a unanimous vote, it was unable to over-ride the remonstrances from the property owners. Without unanimous support, and more than 60% of properties having remonstrated against formation, the issue would not be able to return for 6 months.

Throughout the Summer, Staff continued discussions with the property owners/representatives, and ended up with an agreement for the City to help pay for \$75,000

of the cost of LID323 in order to buy-down the cost to the impacted properties. In exchange, the owner of Tax Lot 2200 signed an updated Non-Remonstrance Agreement.

The current status of only 3 valid remonstrances allows for the issue to be brought back to Council consideration at this time, and also for the LID formation to proceed without a unanimous vote. Therefore, LID 323 is being re-proposed exactly the same as before, with the only exception being that previously there was \$0 of city cost-share included, and as presented now, there is \$75,000 of city taxpayer cost-share included.

Finally, although the scope of the project is the exact same, in doing this extra round of review, one line-item for base rock, which would have been addressed in construction, was identified to be too high, and so the revised amount of base rock was amended lower in the updated version. This reduces the total estimated cost by \$57,000.

NEXT STEPS

1. Public Hearing- Council will accept public testimony at the public hearing on Sept. 8. Depending on the testimony received, Council may choose to continue the hearing, table the issue, cease formation of the LID, or approve moving forward with the LID as presented.
2. If Ordinance 2371 is approved, then City Staff will begin full design engineering and target public advertisement for bids in late Fall '25 with construction anticipated in late Spring '26.
3. Upon construction completion, all actual costs will be tallied, and a final property assessment, based on actual costs, will be levied by City Council. Property owners will be given the option to pay their portion in one lump sum, or to pay their portion over 10 years based on the best borrowing terms the City is able to obtain, with no markup applied by the City, and the amount owed will become a lien on the property.

Tie-In to Council Goals

Transportation: Improve Mobility and Transportation

Fiscal Information

This LID will be paid for predominantly by the benefitting property owners, with the city taxpayers now covering \$75,000 of the cost to be paid from Transportation SDC's which will need to be diverted from other street priorities.

Alternatives and Recommendation

Alternatives

1. Approve Ordinance 2371
2. Reject Ordinance 2371

Recommended Action/Motion

Motion to approve Ordinance 2371

Submitted By:

Mark Morgan