



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of September 28, 2026

Title/Subject

Length of Loan Term on Local Improvement District Loans

Summary and Background

At the July 13, 2026, council meeting Councilor Linton motioned, and Councilor Roberts seconded for the Council to discuss the length of a loan related to a local improvement district at a future meeting. The motion passed 4-3 with the Mayor breaking a tie vote of the councilors in attendance.

As a courtesy, the City currently offers property owners participating in a Local Improvement District two options to finance their obligations; to immediately pay their portion of the actual costs of the completed project or to pay their portion of the costs over a ten-year period. The 10-year repayment plan amounts to the city allowing the property owners to access the taxpayers' creditworthiness, which generally means access to lower interest costs than a typical person might be able to access from their own lender.

To protect the taxpayers, the City charges an interest rate equal to what the Local Government Investment Pool (LGIP) is paying at the beginning of the loan period. This is in recognition of the fact that by loaning funds to the LID participants, the taxpayers are experiencing the opportunity-cost of foregone LGIP interest on their resources. Very generally, in the credit markets of the past several decades, this arrangement matches up relatively well with the interest that a typical property owner may otherwise be able to obtain from a traditional bank for a 10-year loan.

In financial markets, generally, a longer repayment term corresponds to a higher interest rate, given that the lender is assuming more risk associated with unknown changes in future markets. So, by offering a longer loan term the City would need to increase the interest rate charged due to the increased risk and opportunity cost to the taxpayer. That increase would meaningfully increase the cost of borrowing for the LID participant.

\$50,000 Loan at Sept. 2026 Market Average Rates			
	10-Yr (6.19%)	15-Yr (6.5%)	30-Yr (7.25%)
Total Cost	\$67,186	\$78,399	\$122,791
Interest Alone	\$17,186	\$28,399	\$72,791

Finally, it is important to note that, in an LID, to protect the taxpayers, the loan is secured through a lien on the property. Liens are typically cleared (paid) at the time a property sells; the cost of which is presumably accounted for in the transaction. While owners of residential properties hold their properties for an average of 12 years, the average holding period for undeveloped commercial real estate is much shorter; typically, only 8 to 10 years. Therefore, aside from the higher cost to the borrower of a longer loan term, extending the borrowing period for LID's beyond 10 years is likely to be irrelevant to most LID participants.

Tie-In to Council Goals

Fiscal Responsibility

Fiscal Information

Actual fiscal impact depends on the actual terms of the loan (term length, interest rate, etc.)

Alternatives and Recommendation

Action Options:

1. Motion and vote to direct staff to change policy related to the length of a loan related to paying back a local improvement district obligation.
2. No action

Submitted By:

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