



CITY OF MARSHALL AGENDA ITEM REPORT

Meeting Date:	Tuesday, March 26, 2019
Category:	PUBLIC HEARING
Type:	INFO/ACTION
Subject:	Project Z67: Michigan Road/Superior Road Reconstruction Project - 1) Continuation of Public Hearing on Assessment
Background Information:	<p>At their meeting on September 25, 2018, the City Council voted to continue the public hearing at the regular Council meeting held on October 23, 2018. At the October 23, 2018 meeting, the City Council voted to continue the public hearing on assessment to March 26, 2019.</p> <p>One objection letter, as attached, has been received as of March 19, 2019. An owner may appeal an assessment to District Court pursuant to Minnesota Statutes Section 429.081 by serving notice of the appeal upon the Mayor or Clerk of the City within 30 days after the adoption of the assessment and filing such notice with the District Court within ten days after service upon the Mayor or Clerk.</p> <p>This project consists of the following: Reconstruction and utility replacement on Michigan Road between Superior Road and Hahn Road and on Superior Road from a point approximately 175 feet north of Ontario Road to Huron Road. All utilities will be replaced, including watermain, sanitary sewer, and storm sewer.</p> <p>The purpose of the continuation of the public hearing was to review and potentially revise the City's assessment procedure for commercial and industrial properties.</p> <p>City of Marshall staff (Administration, Engineering, Legal and Finance) have spent considerable time analyzing and reviewing special assessment policies for numerous municipalities within the State of Minnesota. The findings of that analysis have been reviewed with Ways & Means Committee members. In addition, Council Member Bayerkohler as Ways & Means Committee member has also conducted his own analysis and review of state municipality policies and procedures for calculation of special assessment amounts due for public improvement projects.</p> <p>The analysis of Minnesota Statutes, Minnesota case law and review of additional municipality procedures has led to the proposal for a new procedure to calculate special assessment amounts.</p> <p>The Minnesota Court stated as follows: "Any method resulting in a fair approximation of the increase in market value for each benefited parcel may be used. A method which on its face appears to be a fair approximation will be presumed valid with the burden resting upon the objector to show its invalidity."</p> <p>The result of this review was brought to the City Council on March 12, 2019 resulting in a revision of the 2019 Fee Schedule that established a maximum amount formula for commercial/industrial street assessments for reconstruction. In addition, this maximum is compared to actual costs and square footage and the minimum amount of the three methods is the recommended street assessment for the improvement for the property owners.</p>
Fiscal Impact:	The following table is a comparison of the proposed breakdown of the project funding. The costs shown below include 5% for contingencies and 16% for engineering and administrative costs, for a total project cost of \$1,245,316.82.

Fund	Hearing 09/25/2018 and 10/23/2018	Hearing 03/26/2019	Difference
Wastewater Fund	297,443	297,443	0
MMU	326,109	326,109	0
Surface Water Management Utility	65,912	65,912	0
City Participation (Ad Valorem)	3,689	205,242	201,553
Assessed to Property Owners	552,164	350,611	(201,553)
Total Project Amount	1,245,317	1,245,317	0

Per the current Special Assessment Policy, the assessment interest rate is calculated using the most recent bond interest rate and adding 2% for administrative costs. The 2018A GO Bond interest rate was 2.96%, plus 2%, results in a 4.96% assessment interest rate.

The term of the assessment repayment is proposed by staff to be ten (10) years. If additional principal is paid each year, the interest is recalculated annually to address the payments. Therefore, there is no penalty for individuals to repay on a more accelerated schedule if they so choose.

**Alternative/
Variations:**

- Modify assessments to property owners, thereby modifying the attached proposed assessment.
- Amend the terms of the assessments.
- Continue the public hearing to a specific date.

Recommendations:

1) that the Council close the continuation of the public hearing on assessment for Project Z67: Michigan Road/Superior Road Reconstruction Project.