

RESOLUTION NO. 3128

WHEREAS, the Engineer's Report and Financial Investigation Report have been prepared for SS-90-07, North Albany Sanitary Sewer Project, as directed by the Albany City Council by Resolution No. 3125; and

WHEREAS, the Engineer's Report and Financial Investigation Report have been received by and meet with the Albany City Council's approval; and

NOW, THEREFORE, BE IT RESOLVED, that the Albany City Council hereby directs that a public hearing be scheduled for February 12, 1992, at 7:15 p.m., at the North Albany Middle School Cafeteria, 1205 North Albany RD. NW, to consider the proposed project, SS-90-07, North Albany Sanitary Sewer Project, and that notices of the public hearing be in compliance with AMC Section 15.04.060.

Dated this 29th day of January, 1992.



Mayor

ATTEST:



Deputy City Recorder



TO: Albany City Council

VIA: Steve Bryant
City Manager

FROM: D. Gary Holliday
Finance Director

SUBJECT: North Albany Sewer Project - SS-90-7

DATE: January 22, 1992

Because of the large number of properties in this proposed local improvement district, and because of the mandate from the state to complete this project, the financial investigation report will take a different format from prior reports.

The preliminary engineer's report indicated that there will be 746 parcels subject to assessment in this project area. The average assessment is \$8,547 and the average property value is \$63,247. The monthly payment on this average property would be \$64.00 per month or \$385 semiannually. The largest assessment is \$84,875 and will have a monthly payment of \$633 or a semiannual payment of \$3,800.

Out of the 746 parcels to be assessed, 102 will have assessments (\$726,372) higher than the current value of the parcel. There has been no appraisal on these 102 individual parcels to try and determine if the value of the lots will be increased due to the sewer improvement. In addition to these lots there are additional parcels that will have assessments (\$434,680) in which the assessment will be 80% of the property value. In prior L.I.D.'s, our requirement has been that the value of the property must be twice the amount of the assessment. This project is being funded through a sewer revenue bond, and a state SRF loan, and is not Bancroft bonded. **BECAUSE OF THE LACK OF COVERAGE IN ASSESSMENT TO VALUE IT SHOULD BE ASSUMED THAT THERE WILL BE SOME FORFEITURES OF ASSESSED PROPERTY.**

A property cannot be foreclosed until there is at least one-year delinquency. The property owner then has one more year to "redeem" the property. If the assessment is not paid by that time, title to the property will be transferred to the City. The City can then sell the property to satisfy the lien. In this circumstance the City has to be prepared to make bond and loan payments for these parcels for at least two years.

The City has made a commitment to alleviate the health hazard in this area by the construction of this sewer project, however, additional areas have been included in this project which are outside the health hazard area. Within this additional area there are 42 parcels where the assessment will be larger than the property value. This means the City will be assuming some voluntary risk of foreclosure in addition to the mandatory risk that will occur in the health hazard designated area.

It is the City's policy to add 2% onto the cost of the borrowed monies to help alleviate the risk of nonpayment or foreclosure. That 2% administrative cost will bring in \$120,000 per year. It is my evaluation that the worse-case scenario would be that the City would receive no payment on those assessments where the assessed value of the property is less than twice the value of the property. If that were to hold true, then the City would be responsible for bond-principle and interest payments of an additional \$134,000. In this case funds would come from the sewer user fees of the entire City. The difference between the worse-case scenario cost and the additional money received from the 2% administrative cost is approximately \$14,000 per year. This is probably a reasonable risk for the City.

Most of the properties which have an assessment greater than the property value do not have improvements on them. Those properties would not be eligible for the Community Development Block Grant money or the city or state deferred assessment program.

It is anticipated that new zoning within the local improvement district will allow for a minimum of 10,000 sq. ft. lots. This in turn should increase the value of the property and allow for easier development.

The district is totally inside the City's urban growth boundary. It is governed by the City's Comprehensive Plan including special policies adopted for the North Albany area.

Summary

Because the assessments on some parcels will be greater than the value of the property, it can be assumed that there will be some property foreclosures. In those foreclosure cases, there will be a minimum of two years before the City will obtain title and be able to sell the property to satisfy the lien. The additional two-percent administrative cost added to the assessment loan should cover the delinquencies in the short term. The City still could be subject to a deficit which may have to be made up through sewer-user fees levied over the entire City.

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