



TO: Kent Studebaker, Mayor
Members of the City Council

FROM: Scott Lazenby, City Manager
Erica Rooney, City Engineer
David Powell, City Attorney
Shawn Cross, Finance Director

SUBJECT: PROPOSAL FOR A STREAMLINED LOCAL IMPROVEMENT DISTRICT PROCESS

DATE: April 10, 2017

COUNCIL MEETING DATE: April 18, 2017

ACTION

Move to direct staff to prepare a resolution for City Council adoption, implementing the streamlined LID process.

INTRODUCTION/BACKGROUND

Article 40.02 of the Lake Oswego Municipal Code provides for the formation of Local Improvement Districts. These districts provide a mechanism for funding public improvements (e.g., streets, sidewalks, storm water) that benefit a specific local area (e.g., street, block, or neighborhood). Briefly, the owners of benefitted properties pay for the improvements over time through a special assessment, taking advantage of the city's borrowing power.

The City Council has expressed support for the use of this financing mechanism. One of the 2016 Council Goals was to "Explore the use of Local Improvement Districts with matching grants for neighborhood street and sidewalk improvements."

This mechanism was used extensively in Lake Oswego in the past, but not recently. Some of the reasons LID financing has fallen out of use may include:

- The burden of forming the district is put on the property owners. They must create a petition and then obtain the signatures of other property owners representing at least 51 percent of the value of the district.
- Engineering staff is stretched thin managing larger projects, and we do not have the capacity in-house to design and manage smaller localized projects.

At the same time, this mechanism could be an excellent tool to help address our pavement condition challenge. Many of the streets with low PCI ratings (i.e., those that require full

reconstruction) are local streets in older neighborhoods. One could argue that asking the benefitted properties to help contribute to the cost of street reconstruction is fair, because property owners in newer neighborhoods have already paid for their streets through the cost of their lot. This is not the case for older neighborhoods, where the streets were built years ago on the cheap, and have never met current standards for the quality of the road base and thickness or quality of asphalt.

PROPOSAL

We propose a substantially streamlined process that will make it easier for our residents and property owners to realize the benefits of a local improvement district. LOC Article 40.02 gives the City Council substantial discretion in the decision to start the LID formation process (40.02.020(1)), to decide *not* to form the district (40.02.060), and to set the interest rate charged to the benefitting properties (40.02.151).

The streamlined process for street reconstruction LIDs would include these elements:

1. *Any* residential property owner could initiate the process through a simple request (an on-line form, an e-mail, or a letter, as long as the necessary information is provided).
2. The LID engineer (a contracted position) would review the suggested District boundary and if necessary, make changes based on pavement condition, opportunities to meet our “dig once” policy, impact on storm water, and other technical criteria. The engineer would also verify that the street(s) warrant reconstruction rather than a simple overlay or seal coat.
3. Once a proposed District boundary is established, we would send a letter to owners of property within the District, letting them know a local improvement district is being considered, and that they would have an opportunity to weigh in on creation of the district when final cost estimates (and proposed assessments) have been prepared. Even at this stage, however, we would give property owners the opportunity to halt consideration of the district by written communication from owners representing at least 50 percent of the property value. We would not want to invest the time and money in engineering design if the majority of property owners are opposed to it.
4. Assuming the majority of property owners acquiesce, the LID engineer would prepare the preliminary design, cost estimates, and assessment method (for street projects, it is typically based on frontage).
5. As an incentive, the city would:
 - a) Subject to availability of funds, match the LID contribution dollar for dollar, using the pavement preservation budget in the street fund. In other words, only half the cost of the street reconstruction would be funded through the special assessments. This match would apply only to street reconstruction cost, but the

property owners could also choose to include sidewalks, pathways, or storm water improvements as part of the LID improvements.

- b) Cover all costs of engineering, bond issuance, contract and project management, LID billing, and other overhead expenses.
 - c) Set the interest rate at the actual amount paid by the city for the LID bonds.
6. Once the design and cost estimates are completed, a public hearing would be scheduled per LOC 40.02.090. Affected property owners would be mailed a notice (LOC 40.02.080), providing details on the proposed LID, inviting them to attend the hearing, and giving them the opportunity of “remonstrance” (written communication opposing the creation of the district).
 7. While not required by our code, by policy (resolution) the City Council would not approve formation of the LID if owners representing over 50 percent of the property value remonstrate. The Council could also find, for other reasons, that forming the LID is not in the public interest. Otherwise, the district would be formed, and the LID engineer would be directed to complete the improvements.

The result of this proposed approach would be to significantly leverage available street funds, while still giving residents the ability to veto creation of a local improvement district. It would help answer the question, which we received recently from an Old Town neighborhood leader, “how do we move our streets to the top of the list for repair?”

There are, however, costs to the proposed program. Interactions with property owners, design, and project management will take resources beyond the capabilities of our current staff. For this reason, we propose hiring an individual or firm as our “LID Engineer.” Managing the special assessments would place a burden on our Finance Department. But these costs are offset by the benefits that LID financing offers.

RECOMMENDATION

Direct staff to prepare for Council consideration a Resolution that would enable the proposed streamlined LID process for reconstruction of local streets.

Link: [LOC 40.02](#)