



LOCAL IMPROVEMENT DISTRICTS

SEPTIC TO SEWER

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WHAT IS A LID?



- An area Council determines should be benefitted by a public improvement
- LIDs are a financing tool—process is about financing infrastructure improvements, not constructing them
- The goal is to assess property owners as fairly as possible in relation to special benefit received
- Cannot include private improvements (sewer and water laterals that are on the property of the customer) in the LID project

VALUE THAT LIDs OFFER



- Comprehensive rather than piecemeal infrastructure
- Assurance of performance via public project
- One time payment or installment payments available for benefitted properties
- Avoids diseconomy of scale for single property owners



- LID may be initiated by Council on its own motion or by petition of owners of at least half of the properties benefited by the proposed public improvement.
- First step: Council directs a preliminary engineer's estimate, which includes boundaries of the project, list of parcels, estimate of probable cost (including design, construction and administrative costs), recommendation of assessment method, and estimate of cost per unit to properties.

FORMATION HEARING



- City mails notice to property owners in proposed district at least ten days prior to hearing, with description of improvement, estimate of cost, statement of where preliminary engineer's report can be obtained, method of assessment and allocation of costs (including any public funding).
- Statement that costs and proposed method of assessment are estimates only; actual costs to be determined after construction is complete.
- At the hearing, Council considers oral and written testimony. If property owners owning 2/3 of property area within the district remonstrate against the improvement, Council does not proceed (cannot protest if owner signed waiver of remonstrance. Exception: Council unanimously finds the improvement is needed because of an emergency or public health concern).

HOW IS THE LID FINANCED AND REPAID?



- LID financing is generally through the sale of bonds to investors (Bancroft Bonding Act)
- Bonds are repaid by LID assessments on benefiting properties
- Owners can pay assessments in full or by installments
- Financing costs include interest and debt issuance costs
- Lien against benefited property is security for repayment per ORS 223.393

WHAT IS THE LID ASSESSMENT PROCEDURE



- After formation, the City can file notice of potential future lien in City lien docket
- Construction proceeds according to final plans and specs, under City public contracting rules
- Upon completion, City determines actual costs (final engineering report describing the completed improvement; financing costs, engineering and surveying costs, advertising, notice, legal, other necessary expenses)

WHAT IS LID ASSESSMENT PROCEDURE – CONT.



- Final assessment hearing: same notice procedure.
- City has to explain any difference in the proposed cost allocation or method of assessment previously proposed.
- Ability to object to final/deficit assessment (cost more than estimate or difference in method of assessment). Must state basis for objection.

FLEXIBILITY AND ISSUES TO CONSIDER



- Document non-LID funding sources in formation resolution or ordinance
- Proportionally apply non-LID funding to all properties
- Who pays extra (over budget) or saves (if under budget)
- Council makes finding of special benefit—assessments shouldn't be “shuffled” by property owners
- Internal equity among properties in LID--Is burden proportionally spread among properties?