

**CITY OF BIRMINGHAM
AD HOC UNIMPROVED STREETS
COMMITTEE
CITY COMMISSION ROOM
151 MARTIN ST., BIRMINGHAM, MI
(248) 530-1850
REGULAR MEETING AGENDA
THURSDAY, AUGUST 2, 2018, 8:00 A.M.**

1. ROLL CALL
2. APPROVAL OF JULY 19, 2018
MEETING SUMMARY
3. STAFF PRESENTATION:
NEIGHBORING COMMUNITIES –
STREET UPGRADE POLICIES
4. STAFF PRESENTATION: ROAD
IMPROVEMENT FUNDING OPTIONS
5. MEETING OPEN FOR MATTERS
NOT ON THE AGENDA
7. NEXT MEETING: THURSDAY, AUGUST
16, 2018 AT 8AM

Persons with disabilities that may require assistance for effective participation in this public meeting should contact the City Clerk's Office at the number (248) 530-1880, or (248) 644-5115 (for the hearing impaired) at least one day before the meeting to request help in mobility, visual, hearing, or other assistance.

Las personas con incapacidad que requieren algún tipo de ayuda para la participación en esta sesión pública deben ponerse en contacto con la oficina del escribano de la ciudad en el número (248) 530-1800 o al (248) 644-5115 (para las personas con incapacidad auditiva) por lo menos un día antes de la reunión para solicitar ayuda a la movilidad, visual, auditiva, o de otras asistencias. (Title VI of the Civil Rights Act of 1964).

City of Birmingham
AD HOC UNIMPROVED STREETS COMMITTEE

Birmingham City Hall Commission Room
151 Martin, Birmingham, Michigan
Wednesday, July 19, 2017

MINUTES

These are the minutes for the second meeting of the Ad Hoc Unimproved Streets Committee held on Wednesday, July 19, 2018. The meeting was called to order at 8 a.m. by Chairman Scott Moore.

1. **ROLLCALL**

Present: Chairman Scott Moore
Jason Emerine
Michael Fenberg
Katie Schafer
Stuart Sherman
Janelle Whipple-Boyce

Absent: Pierre Boutros

Administration: Aaron Filipski, Public Services Manager
Austin Fletcher, Asst. City Engineer
Mark Gerber, Finance Director
Tiffany Gunter, Asst. City Manager
Paul O'Meara, City Engineer
Carole Salutes, Recording Secretary
Joe Valentine, City Manager
Lauren Wood, Director of Public Services

2. **APPROVAL OF AD HOC UNIMPROVED STREETS COMMITTEE
MINUTES OF JUNE 28, 2018**

Motion by Ms. Whipple-Boyce to approve the Minutes of the Ad Hoc Unimproved Streets Committee of June 28, 2018.

Motion carried 6-0.

VOICE VOTE

Yeas: Whipple-Boyce, Emerine, Fenberg, Moore, Schafer, Sherman

Nays: None

Absent: Boutros

3. STAFF PRESENTATION: SPECIAL ASSESSMENT DISTRICT - PETITION INITIATION AND BILLING PROCESS

Mr. O'Meara advised the City has the right to create a Special Assessment District for a variety of improvements in order to defray the cost. This presentation will focus on engineered, permanent street pavement.

Rarely does staff initiate a project that would require a special assessment without positive input from a majority of the involved property owners. He followed with a detailed description of the petition format and the petitioning process for a typical, generally residentially zoned street.

Petitioning Process

After the signatures are checked for accuracy, if a simple majority in favor still exists, the petition moves to the next phase of the process.

Over the course of the next several weeks, the Engineering Dept. will prepare an eight-page booklet specific to the suggested project at hand.

- The booklet is mailed with an introductory cover letter explaining why it was prepared and inviting residents to a neighborhood meeting.
- A thorough description of the intended project is spelled out.
 - Special treatments that people have in the right-of-way, such as landscaping, sprinklers and/or a fancy driveway approach, most likely will get disrupted. These can be replaced at the homeowner's expense. A Special Treatment License is required for placements within the right-of-way.
- The multiple-step approval process is outlined.
- A chart helps explain how the typical property will be charged, and how the costs can be financed over 10 years.
- The report also clarifies that once this assessment is paid, the City will not proceed with other assessments for pavement improvements in the future.

A few weeks are allowed to pass intentionally to give people a final chance to decide their position. If a majority of owners (50%+) still remain on the petition, the issue will be moved forward to the City Commission. After the Commission holds a public hearing, they decide whether to proceed or not. If they pass a motion approving the project, a second public hearing is then scheduled to confirm the assessment roll. If the roll is approved at the hearing, the assessment lien is then placed on all properties within the district. The project design then begins, with construction generally scheduled for the next construction season.

When first initiating a project, the question of the limits of the project can be an issue. In crafting a final policy recommendation, staff recommends that the Committee consider language that speaks to the need to create logical boundaries that are in the best long-term interests of both the City and the neighborhood.

At Mr. Valentine's request, Mr. O'Meara explained the grade issues and what it means for water run-off and other complications when half a street is graded and the other half is left ungraded. The cape seal streets have had lots of material dumped on them over the years, so they sit up high relative to the sidewalks. Grading removes that material and the road becomes lower.

There are many remnants of side streets where the interest is less for people to pay out money for paving. That is something this Committee should talk about.

Billing Process

Mr. O'Meara explained that homeowners in a paving assessment district will be charged based on two factors:

- The front footage of their property times the set rate per foot, which is based on actual costs, minus 15%;
- The square footage of their drive approach(s) times the actual cost per square foot that the contractor charges for a new concrete drive approach.

The assessment can be paid out over ten years and interest will be applied to the remaining balance each year.

Responding to Ms. Whipple-Boyce, Mr. Valentine explained that sidewalks are a separate issue that would require a whole new petition process.

Mr. O'Meara then went on to outline several unique circumstances and how they are handled:

- Corner Properties - If the short side is being paved, the homeowner is charged the full length of that side. For the long side, the homeowner is charged 33% of the long side's length. The City pays the remaining 67%.
- City-Owned Properties - If a project includes an intersection where a public right-of-way is being crossed, the width of the right-of-way is not included in the footage charged for the project. The cost of that area is blended into the overall rate that is charged to all properties. If the project has frontage on other City properties, the City will pay the full 100% cost for that frontage.
- Federal or Public School District Owned Properties - There is no expectation that the City will receive any funding for these. Therefore they are treated similar to City-owned properties.

- Condominiums - Certain residential streets may be primarily single-family residential, but have one multi-family residential property on its frontage that is owned by many parties. For billing purposes, each owner gets an equal share of the cost.
 - A condominium can sometimes have a high percentage of the owners on a residential block, but not necessarily that much frontage. Therefore percentages in favor are calculated both by percentage of owners and percentage of front footage, to help understand that a true majority is reflected both ways.

4. STAFF PRESENTATION: LOCAL STREETS SURFACE TYPES AND PAVEMENT METHODS AND POLICIES

Mr. O'Meara explained the various permanent road surface types used in Birmingham. Streets can be broken into the categories of improved, engineered pavements, and unimproved pavements.

Concrete vs. Asphalt

- Concrete tends to be more expensive to install than asphalt, averaging about 25% more when concrete is installed in assessment districts.
- Concrete can be expected to last 30 to 40 years with virtually no expense to the City other than some patching.
- Asphalt likely needs attention after 20 years.
- Concrete streets are more difficult to construct, especially on occupied streets. Asphalt can go in much quicker.
- The installation of a concrete street can change the look of the neighborhood that was used to a dark, cape sealed surface historically.
- As the aging process on newer asphalt streets became more apparent, the Engineering Dept. began reconstructing local streets (those not being assessed) with concrete in 2009.

Road Maintenance - Asphalt

- When an asphalt road surface is first placed, the City hires a separate contractor that puts down a chemical compound (rejuvenator) on the new surface. It reactivates the asphalt materials to bond with each other again, creating a waterproofing sealer.
- Between 5 and 10 years the street is checked for its condition. If it is aging normally, it will be crack sealed and another coating of asphalt rejuvenator is applied.
- Between years 10 and 20, if possible, the deteriorating spots should be removed and patched with asphalt. A micro-layer of asphalt is placed to cover the original top surface and extend the life of the pavement.

- On asphalt streets where these processes were not implemented, a more significant resurfacing project is needed between years 15 and 25.
- Some asphalt streets have been successful in having their life extended up to 70 years, although by doing so, the surface will have been rather poor for a considerable amount of time.

Road Maintenance - Concrete

- As a part of the initial construction, the new pavement is sawcut and joints are sealed.
- Between years 25 and 40 years the joints are monitored and sealed if needed. Miscellaneous deteriorating concrete sections are replaced as needed.
- Between years 40 and 60, depending on the nature of the deterioration, the concrete can be:
 - Milled and overlaid with a thin asphalt layer - generally only done on low traffic streets. It is then treated as an asphalt road for future maintenance cycles.
 - Spot patched as needed to extend the life of the street indefinitely.

Staff continues to recommend that all new streets be constructed with concrete, in order to provide the best long-term use of available funds.

5. STAFF PRESENTATION: CAPE SEAL/CHIP SEAL PROGRAM OVERVIEW

Mr. Filipski explained that cape seal surface treatment is the primary maintenance method used by the Dept. of Public Services to maintain Birmingham's unimproved streets. Cape seal is a chip seal street surface treatment that is followed by an application of a slurry or micro-surface. It can be applied to existing pavements in order to extend service life, or be applied to gravel roads in order to reduce dust and improve drivability. His report summarized the cape seal process.

Cape Seal Benefits and Challenges

- Short of a full improvement, cape seal maintenance remains the best option for unimproved streets. The alternative is to have these streets as untreated gravel - a condition unlikely to be welcomed by residents.
- Cape seal longevity is typically 7-10 years, but can vary depending on a number of factors. The cost is really quite inexpensive, relative to other alternatives.
- From an administrative perspective, cape seal presents a number of challenges.

- Among the greatest is managing residents' outcome expectations, most typically issues with drainage and/or durability. The other big objection is the related assessment rationale.

Discussion by the group followed the staff presentations.

Mr. Valentine stated that part of what this Committee will evaluate and recommend going forward is how to address the unimproved streets (perhaps changing the policy, changing the maintenance frequency, etc.)

Responding to Mr. Emerine, Mr. Filipski said that assessment occurs whenever ADA ramps do not meet the standards. They are administered through the Sidewalk Replacement Program.

Ms. Whipple-Boyce noticed that at times she sees ramps that are wider than the sidewalk. Mr. O'Meara advised there are a lot of 4 ft. sidewalks which by today's standards are considered inadequate. Therefore they want to at least bring the ramps up to current standards, which is 5 ft. wide. However it would be a big undertaking to widen all of the City sidewalks.

Ms. Schafer noted there is a Multi-Modal Master Plan, so she thought as policy is being recommended, this Committee should refer back to that plan so that multi-modal improvements can be made to the best extent possible as the streets are improved. Mr. O'Meara clarified that most of the multi-modal suggestions relate to the busier improved streets.

Mr. Fenberg thought the Quarton Lake cape seal project has made a huge improvement.

The Chairman inquired about the difference in cost between pulverizing the roads and cape sealing. Mr. Fenberg replied that in areas where the buildup of material creates a pronounced crown in the road center, the road can be pulverized, but there is no place to put the material and it has to be spread. Pulverizing adds \$3-\$4 per foot. Where it is possible and feasible, and the road is not curved, the City does it.

Mr. O'Meara explained that the list of petitioning processes shows how many times petitioning was successful vs. not successful.

Chairman Moore noted that Chesterfield, which received part of the improvements in Quarton Lake, is used by everyone in the City. Should its cost be the same as other streets in Quarton Lake. The residents pay 15%, yet Chesterfield is used by everyone in the City. If he were living on Chesterfield he would think that he should get more of a break because the improvements are

not only inuring to his benefit, but they are also inuring more than the 15% to all City residents.

Mr. Valentine clarified that the question is whether connector streets such as Chesterfield, which is used more prevalently than other streets, should be addressed separately.

Ms. Whipple-Boyce thought the biggest obstacle is the cost to the residents. Part of what she knows this Committee will attempt to do is to figure out how to make this more affordable to the residents. Also she struggles with the burden on staff and all they must go through to process the petitions. Ultimately it comes to the elected officials to make the decisions anyway. She thinks this Committee should re-evaluate the process on how they get the streets improved as well as finding alternate funding methods, because everyone uses the streets.

The Chairman suggested that the petitioning process has worked, but is it the best way? It takes a lot of staff time to meet with the residents. Going forward, this Committee can evaluate how to best become more efficient for staff and evaluate City policy on how to get streets improved.

6. MEETING OPEN FOR MATTERS NOT ON THE AGENDA (none)

7. NEXT MEETING

Thursday, August 2, 2018 at 8 a.m. Mr. Valentine advised they will look at what other communities are doing with regard to how they pay for and maintain their streets. Subsequent to that they will get into the issues of what has to be addressed as part of the scope of this Committee.

ADJOURNMENT

No further business being evident, the chairman adjourned the meeting at 8:53 a.m.

City Engineer Paul O'Meara

Asst. City Manager Tiffany Gunter



MEMORANDUM

Department of Public Services

DATE: July 23, 2018

TO: Ad-hoc Unimproved Street Study Committee

FROM: Aaron J. Filipski, Public Services Manager
Paul T. O'Meara, City Engineer

SUBJECT: Neighboring Communities - Street Upgrade Policies

As this committee examines Birmingham's street improvement policies and explores potential changes, it may be useful to reference the policies of neighboring communities. The following report summarizes policy differences between Farmington Hills, Rochester Hills, Royal Oak, Troy, and the Oakland County Road Commission.

The information was compiled mostly through conversation with relevant staff at these agencies. A standardized questionnaire was sent as well, with limited response. At the beginning of this process we sought insights from the smaller southeast Oakland County communities that are most similar to Birmingham, such as Clawson, Berkley, Huntington Woods, and Pleasant Ridge. These communities have long had a fully-improved local road system that appears to date back to the 1950s, and current staff at these communities had few historical insights to share.

The policy examination revealed several key areas in which policies differ between communities. They include resident support thresholds for the instigation of a cost/viability study and final project approval, assessment cost sharing, and payment terms. It also considered current unimproved street mileage and maintenance practices. The following chart summarizes the information:

	Miles of Unimproved Roads	Use of Chip Seal For Maintenance?	Cost Study/Informational Meeting Threshold	Project Approval Threshold	Based on	Front Footage Assessment Cost Share % (City/Owner)	Payment Term (Years)
Farmington Hills	22	No	25%	51%	Parcels	20/80	10
Rochester Hills	20	No	60%	61%	Parcels	40/60	15
Royal Oak	3.6	No	n/a	50%	Footage	50/50	15
Troy	10	Yes	50%	50%	Footage	50/50	10
Birmingham	26	Yes	50%	50%	Footage	15/85	10

The following sections highlight noteworthy differences among several of the studied communities.

Farmington Hills

Among the cities examined, Farmington Hills is most similar to Birmingham in terms of unimproved street surface quantity. It maintains 22 miles of unimproved gravel roads through frequent grading and the application of dust control measures. Unlike Birmingham, Farmington Hills' unimproved streets are not chip sealed. An important difference from Birmingham is that even after a road is paved, it is not rehabilitated unless another assessment district is created.

The process to upgrade to a fully-improved street is petition-driven, although it only requires 25% interest from affected property owners to trigger a city-performed preliminary cost and viability study. The lower threshold makes it easier for interested petitioners to obtain preliminary cost estimates, but risks spending staff time and resources on projects that have a greater potential for rejection. Reducing this threshold can also give the appearance of staff 'taking sides' by encouraging discussion when there is not a majority in favor of exploring an improvement.

Farmington Hills also has a 'directed' road improvement policy and procedure. The 2015 policy notes:

"...in instances where road conditions have become seriously degraded and become an issue of safety and overall community appearance, it may become necessary for City Council to initiate a road reconstruction project without a petition. The objective of this policy is to establish a process for DPS staff to evaluate and recommend a directed road reconstruction special assessment district to the City Manager and City Council."

The policy considers regularly-updated road pavement condition assessments in determining eligibility and project prioritization. Note: the excerpt above uses the term *reconstruction*, implying that it only applies to the reconstruction of existing improved surfaces. Within the context of the full policy, however, it is clear that it also applies to unimproved streets. The full policy and other background information is included in attachment A.

Rochester Hills

Rochester Hills publicizes an annual 'call for projects' during the months of September and October to gauge public interest in special assessment projects, including gravel street improvements. During the 60-day time frame, property owners desiring an improvement may submit an informal petition indicating at least 60% homeowner interest. Subsequent steps follow a defined schedule and process similar to Birmingham, including public meetings, circulation of official petitions, etc.

By limiting submissions to the defined time frame, the city can better plan for and schedule potential projects. Staff efforts on such initiatives can be more focused and the various tasks related to administering SAD projects can be accomplished more efficiently. Additionally, by publicizing the request regularly, the city is continually educating the public on their available options, which can have the effect of starting conversations among neighbors. One drawback is that if there is momentum and interest in pursuing an improvement outside of the designated time frame, it may wane if forced to wait a number of months before being able to proceed

through the process. It could also potentially strain staff if multiple request are received simultaneously.

Another noteworthy feature of Rochester Hills' street improvement policy is that it provides homeowners an inflation-indexed assessment cap. Details of the procedures and policies described here are included in attachment B.

Royal Oak

Royal Oak maintains relatively few unimproved roads – only 3.6 miles out of an approximate 200 miles. Within the past few years, Royal Oak has taken a more aggressive stance to encourage residents to submit petitions, hoping to eventually remove the remaining unimproved roads from their system.

In order to encourage resident support for street improvements, Royal Oak has extended a considerable discount to residents during the term of a local road millage. Typically assessed the full cost for an improvement, the incentive offers a 50% discount for property fronting an improvement, and 75% discount for side lots. Staff indicated that the incentive has largely been successful, having upgraded 7 of unimproved streets since the 2015 millage. Additional detail is provided in attachment C.

Road Commission for Oakland County

Although not included in the table above, staff also spoke with the local roads manager for the Road Commission. In townships, maintenance of all public streets is the duty of the Road Commission. Unlike cities, the Road Commission has no legal authority to force a special assessment district. Roads that are paved are not invested in further, other than for patching holes and keeping them safe. Property owners must petition the Road Commission to get a rehabilitation project started, and owners must pay 100% of the assessment cost. Gravel roads must also be petitioned and paid for by assessment in order to be paved.

At times, roads get in such poor condition that the County has explored the idea of removing the old asphalt and making it a gravel road again. That too would involve a cost for which there is no source of funds. It also would be a setback for the road system, so to date, that has not yet occurred.

Attachment A

Supplemental Information

City of Farmington Hills

Policy Number: 24.4 Pavement Management System Self-Assessment Practices Manual	Subject: Directed Special Assessments for Road Improvements
Revised: N/A Issued: 4/27/15	Page: 1 of 2
Intent: Establish a policy and procedure for submitting a directed road improvement special assessment district project to City Council.	
Applies to: All divisions of the Public Services Department (DPS) Employees.	

I. Objective

Current City Charter, Ordinances and Policies prescribe a special assessment district (SAD) process for improvements/reconstruction of neighborhood streets. In the past, SADs have been brought to City Council based on a neighborhood petitioning process. However, in instances where road conditions have become seriously degraded and become an issue of safety and overall community appearance, it may become necessary for City Council to initiate a road reconstruction project without a petition. The objective of this policy is to establish a process for DPS staff to evaluate and recommend a directed road reconstruction SAD to the City Manager and City Council

II. Procedures Relating to Directed Road Improvement SAD's for Local and Non-Residential

1. The DPS shall update the City's road pavement condition assessment on at least a bi-annual basis (every other year).
 2. Based on the pavement condition assessment, roads with an average PASER rating (or equivalent) of a 2.75 or less, within a district to be defined by the DPS Director, are considered to be beyond their useful lives, in very poor condition, a public health and safety deficiency, a detriment to the community at large, and in need of reconstruction. The boundary of the district shall be determined by considering recognized neighborhoods in terms of commonality in the age of the existing roads, economics of the improvement project, and the reasonableness of providing the improvement.
 3. The DPS shall develop cost estimates for the reconstruction of the local and non-residential roads in such defined districts, as well as the estimated cost for each property within the districts.
 4. The DPS will then review and prioritize these districts, placing them into a 5 year local road capital improvement plan (CIP).
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5. The City Manager shall direct staff to proceed with submitting the road improvement special assessment district projects to City Council based on the prioritization and projects listed in the local road CIP, such that Council can then consider proceeding with initiation of the project and special assessment in the manner provided under the City Charter and Code of Ordinances.
 6. Owners within these project areas will be notified, in writing, about their road conditions and provided with information on the City's special assessment process, public hearings, and how payments can be spread over several years as determined.
 7. Deferments, special considerations and/or financing may be available under State laws or the City Charter for those that meet income eligibility requirements.
 8. The plans and specifications prepared by the DPS for Directed Road Improvement SADs shall provide for the road to be constructed with the most cost effective and durable cross-section, as determined by the Director of DPS, to achieve a minimum 20 year design life.
 9. When a district reaches a PASER rating of 4 or less, the property owners in the district will be notified in writing by City staff. This policy does not preclude residents from utilizing the process of submitting petitions to City Council for an SAD for reconstruction of their roads other capital pavement preservation practice, as appropriate for the pavement condition and as approved by the Director of Public Services in their neighborhood.
 10. The determination of the units of benefit, no less than 1 and no more than 1.3, shall be calculated by the City Assessor utilizing the Assessment Formula Policy for Residential and Non-Residential Road Improvements, as adopted by City Council on April 27, 2015.
 11. Special assessment deferments shall be determined on a case by case basis, after application to the State of Michigan has been made. The City's Finance Director, according to the City of Farmington Hills Application for Special Assessment Deferment, would then make a recommendation to City Council for consideration.
 12. City Council shall determine, based on city staff recommendation, the length of repayment term for the special assessment.

**CITY OF FARMINGTON HILLS
ASSESSMENT FORMULA POLICY FOR
RESIDENTIAL AND NON-RESIDENTIAL ROAD
IMPROVEMENTS**

A determination is made as to the number of homesites in a given special assessment district. The average homesite size in the district is determined by dividing the total abutting roadway footage by the total number of homesites in the district. The units of benefit are derived for each homesite by utilizing the Declining Rate Formula. The rationale behind the Declining Rate Formula is that as the frontage of a homesite increases beyond a certain point, the amount of benefit received increases, but at a lesser rate.

The methodology we are using was developed by the Oakland County Road Commission and is used consistently on Road Commission assessment Projects for all local roads within the County. It has been upheld in the courts in the past as an equitable way of assessment. Each homesite will receive somewhere between 1.00 units and 1.30 units of benefit, with the majority receiving 1.00 unit of benefit.

There are three (3) special conditions for homesites which abut a roadway or roadways on more than one property line.

1. Condition – A homesite which abuts two local roadways, both of which are to be improved.

Procedure – The homesite is assessed by applying the total abutting footage to the improvement, to the Declining Rate Formula. **The maximum unit benefit to the property for both roadways is 1.30.**

2. A homesite which abuts two local roadways, one of which is to be improved and the other to remain in its existing condition.

Procedure – The homesite is assessed by applying the total footage abutting both roads to the Declining Rate Formula and then proportioning that unit of benefit to the two roadways. That portion of benefit received by the proposed road improvement is included in the assessment district, with the portion of benefit for the unpaved road assessed when the road is improved through a later assessment district. **The maximum unit benefit to the property for both roadways is 1.30.**

- 2a. A homesite which abuts two roadways (one local road and one major road), where the local road is to be improved and the major road remains in its existing condition.

Procedure – The homesite is assessed by applying the total footage abutting only the local road to the Declining Rate Formula. That portion of benefit received by the proposed road improvement is included in the assessment district. **The unit of benefit to the property for the local road will be between 1.00 and 1.30. The portion of benefit for the major road, if and when the major road is improved**

through a later assessment district shall be no greater than the difference of 1.30 and the unit of benefit applied to the local road, i.e., between 0.00 and 0.30. The maximum unit benefit to the property for both roadways is 1.30.

3. A homesite which abuts two local roadways, one of which has previously been improved and the other is proposed to be improved.

Procedure – The homesite is assessed by applying the Declining Rate Formula to the total footage abutting both roads. Subtract the unit of benefit paid previously from the unit of benefit received from the entire frontage. This will result in the unit of benefit for this assessment district. (Normally this benefit will be between 0.01 and 0.30 units). **The maximum unit benefit to the property for both roadways is 1.30.**

Note: Major and Local Roads are those City Roads certified by the Michigan Department of Transportation, respectively.

Attachment B

Supplemental Information

City of Rochester Hills

City of Rochester Hills

Special Assessment District Information for Paving Local Gravel Roads

April 17, 2017
(Final Approved Version)



CITY OF ROCHESTER HILLS

SPECIAL ASSESSMENT DISTRICT PAVING PROGRAM FOR LOCAL GRAVEL STREETS

INTRODUCTION

Some neighborhoods in the City of Rochester Hills were developed before the availability of municipal utilities and prior to the adoption of standards that are in place today for construction of new subdivisions. Consequently, these neighborhoods have gravel streets that residents find to be a nuisance and generally undesirable. Residents of these neighborhoods have long desired to have their streets paved. With the subsequent construction of municipal utilities in many of these neighborhoods, streets now contain the improvements needed to permit paving.

An SAD is a special financing district set up to fund the capital costs of a public improvement that provides special benefits to property owners in a subdivision or a defined neighborhood. The legal theory behind SAD's is that the owners' share of the cost assessed against their property will be offset by a reasonably proportionate increase in the value of the property resulting from the improvement.

By law, municipalities have authority to establish SAD's. The City's role is to establish the SAD, provide the financing for the improvement (sometimes through the sale of bonds), contract for design and construction of the improvement, collect the SAD payments from the benefiting property owners and pay off the debt (if used).

Since the greatest benefits of local street improvement accrue to the owners of property along those streets, the costs of these improvements are borne by the benefiting property owners in many municipalities. The City of Rochester Hills, like many other municipalities, has very limited resources for local street improvement and does not receive an adequate level of funding through general property taxes, existing voted millage or the gas and weight taxes to bear the sole cost of paving the local gravel streets. For this reason, the City has adopted the special assessment district (SAD) approach to finance paving of local gravel streets.

Rochester Hills has recognized a benefit in reduced operation and maintenance costs and health and quality of life benefits of a paved road versus an equivalent length of gravel road. Thus, to encourage and assist residents fronting gravel roads to pave their streets, a policy of cost sharing intent at 40% City, 60% Property Owner. A not-to-exceed cap of \$12,000.00 property owner charge indexed annually to inflation (including food and fuel) per each potentially buildable lot is proposed.

The \$12,000 per-buildable-lot cap applies to 2017 SAD projects and this cap is subject to revision based on being indexed to inflation utilizing the Bureau of Labor Statistics, Consumers Price Index – food and energy table for Detroit Metropolitan Area for each subsequent year.

If the property owner cap is met, a combined assessment per buildable lot will equal \$20,000.00 for the property owner and City share. If any SAD project with a buildable lot assessment in excess of \$20,000.00 per buildable lot average occurs, this condition will require that the Department of Public Services to seek economies of scale by bundling an SAD project with other similar proximate City project(s). Since the SAD projects involve asphalt pavement, the SAD project would likely be bundled with the annual local road asphalt repair program or possibly the asphalt pathway rehabilitation project.

This recommendation was endorsed for incorporation by a resolution by the Public Safety and Infrastructure Technical Review Committee at their March 2, 2017 meeting.

SPECIAL ASSESSMENT DISTRICT PROGRAM PROCESS

Call for Projects

The SAD process will start with an annual Call for Projects that will occur during the months of September and October. Residents that desire to request the process to start an SAD process for paving their gravel road will be expected to provide written documentation to the City with at least 60% of street residents showing support to request a public information meeting to learn more about the SAD program. This initial informal petition should be submitted to the Department of Public Services within the 2-month Call for Project timeframe. The intent of the SAD program is for a project request to include a complete roadway paving project. The expected limits would be bookended between a starting and terminus of either two paved cross-roads or from the beginning of a road segment to a terminus (cul-de-sac or dead end point) of the same road.

First Public Information Meeting

When the City receives one or more qualifying requests to initiate an SAD request, a public information meeting will be arranged. Residents will be notified by mail of the date, time and location of the meeting. Typically, these meetings are held on a Wednesday or Thursday at the Rochester Hills City Hall Auditorium and start at 6:00 p.m. City Engineering and Treasury Department staff will be in attendance to answer questions and provide an overview of the SAD policy. City elected officials or staff members from the City Fiscal and Clerks Department may also attend the meeting.

At the meeting, it will be explained that petitions to establish an SAD may be obtained from the City Clerk's office by property owners who wish to volunteer to circulate petitions. The Treasury Department will create the SAD petition template for the Clerk's office. The name, address and phone number of each volunteer will be taken at the meeting. These people will be notified by the City Clerk's office when the petitions are available. The petitions may then be picked up by the volunteers and circulated throughout the neighborhood to obtain signatures of property owners who support the establishment of an SAD.

Receipt of Signed Petitions by the City

Circulators of the petitions will have the months of November, December and January to obtain at least a 60% + 1 household support of property owner signatures on their respective local street. If this requirement is accomplished, they may turn in the signed petitions to the City Clerk's office. Upon receipt of the signed petitions by the City Clerk, the Assessing Department will be asked to verify that the persons signing the petitions are the property owners according to City land records. In the event that a street does not achieve the minimum petition support by January 31st or City Council does not accept the petitions, new signatures will be required for each subsequent year until the signatures are accepted by City Council.

A City Council agenda summary will be prepared for street petitions verified to have a minimum 60% + 1 household support at a regularly scheduled meeting in February. City Council will be asked to accept each local street petition request, or streets if making a combined submission, for a potential SAD project and pass a resolution of support. Property owners within the proposed SAD will receive notice of the meeting.

Petitions received by the City are advisory and do not compel the City Council to establish an SAD. The City Council will establish an SAD only when it is clear there is majority support for the project from the affected property owners. If it is clear there is not a significant level of support (60% + 1 household or greater) for the project, the City Council shall decline to accept the petitions and the process will stop.

Capital Improvement Plan Project Submission

The Department of Public Services shall prepare an individual Capital Improvement Plan (CIP) entree for each SAD Project request that City Council has accepted petition signatures of support by resolution. CIP project submissions will be prepared by the end of February so that they can be incorporated into the final version of adopted by Planning Commission in April. The CIP process evaluates all capital projects based on predefined ranking criteria. The ranked capital projects include budget estimates and a proposed fiscal year for implementation.

City Budget Incorporation of Qualifying SAD Project Candidates

The Department of Public Services and the City Council will annually review the proposed SAD projects that are included in the latest adopted Capital Improvement Plan for inclusion with the next budget approval. Like all capital projects, a SAD project may be moved to a different fiscal year to take advantage of collaborative purchases or availability of specific funding sources. City Council will determine the actual number of SAD project candidates, if any, that can be included in the next approved City Budget fiscal year.

Approval to Proceed with Preliminary Engineering Design Phase

Once a proposed SAD Project has been included in an adopted budget, the Department of Public Services will solicit a proposal from one or more of the quality based selection design consultants to perform the preliminary engineering services. The proposal will be submitted to City Council for approval at a meeting in January. It is also expected that the City Council will direct the Department of Public Services to commence with the preparation of the City Engineer's report for each SAD project being granted preliminary engineering approval. The Engineer's report will outline a preliminary engineering design for the project, a scope of work, a cost estimate for the project, an estimate of the number of properties within the proposed SAD, an estimate of the City's share of the cost and an estimate of the average pro rata share of the cost for property owners.

Second Public Information Meeting

The City will notify property owners and hold a second information meeting. The purpose of the second information meeting is to provide property owners with more detailed information about the project, including detailed design plans and current engineer's cost estimates. This meeting will allow property owners to obtain the most current and complete information in advance of the public hearing on necessity. Also, property owners will have an opportunity to ask general questions about the project or specific questions about their properties in an atmosphere that is less formal than the public hearing on necessity. The meeting will be conducted by City staff who have been involved with development of the project. The second public information meeting will be planned for the month of May.

Receipt of City Engineer's Report and Tentative Determination to Proceed

The City Engineer's Report will be completed subsequent to the second public information meeting for each SAD project candidate and submitted to City Council for a regularly scheduled meeting in June. At this same meeting, the City Council will be asked to pass a resolution to tentatively determine to proceed with an SAD project. The City Council may, by resolution, determine tentatively to proceed to establish an SAD for the project, setting forth the nature of the project and requiring the City Engineer's report to be filed with the City Clerk so it is available for review by the public. In the same resolution, the City Council will set forth the time and place for a public hearing on the advisability of proceeding to establish the SAD.

Public Hearing on Necessity

The public hearing will be held at least ten (10) days after notice has been published in the City's official newspaper and sent by first class mail to all property owners in the proposed SAD as shown on the City's current assessment roll. The public hearing will be held at a regular or special meeting of the City Council. At the public hearing, all persons interested shall have an opportunity to be heard by the City Council. Public Hearings on necessity will be planned for the month of July.

Determination to Continue S.A.D. Process

Following the public hearing, the City Council may determine whether to end the process or to proceed. If it determines to proceed, a decision on a final determination is deferred for twenty-eight (28) days to give property owners who may be opposed to the SAD an opportunity to circulate petitions of objection. If the City Council decides to end the SAD process for a project subsequent to the public hearing, a resolution will be passed at the same July Public Hearing on Necessity meeting.

Objections to Improvements

After the public hearing has been held by the City Council, if there is a desire by the property owners within the limits of the proposed SAD to terminate the project, written petitions objecting to the proposed improvements may be obtained from the City Clerk on the fourteenth (14th) day after the public hearing and circulated, signed and returned to the Clerk by noon on the twenty-eighth (28) day, or the next business day if the City offices are closed on the twenty-eighth (28th) day, immediately following the public hearing. The Treasury Department will create the Petitions of Objection and provide them to the City Clerk's office prior to the 14th day.

The improvement shall not be made if properly filed petitions objecting to the proposed improvement are signed by 50% + 1 household of the owners of:

- A. the total land area,
- B. front footage, or
- C. number of parcels or units to be assessed, as determined by the City Council in a resolution adopted following the public hearing,

Final Determination

If the City Council determines to proceed, it shall pass a resolution determining that the improvement is necessary, approving the plans, specifications and detailed cost estimates, prescribing what part of the costs are to be paid by the SAD, delineating the limits of the SAD, determining the method to be used to make the assessment, and directing the City Assessor to prepare the draft special assessment roll in accordance with the City Council's determination. This meeting will be planned for the month of August. At this same meeting, the City Council may need to decide whether the construction and construction engineering phases will be included in the next fiscal year budget prior to their typical adoption of the budget in late September.

Draft Special Assessment Roll

The City Assessor will make a draft special assessment roll of all lots and parcels of land within the designated district benefited by the proposed improvement and specially assess each lot or parcel of land. The roll will list each property in the SAD and its special assessment. The amount spread in each case shall be based upon the detailed estimate of the City Engineer as approved by the City Council.

When completed, the City Assessor shall file the draft special assessment roll with the City Clerk for presentation to the City Council for review and confirmation. Upon receipt of the roll, the City Council, by resolution, shall accept the roll and order it filed with the City Clerk for review by the public.

The City Council shall determine the time and place for a public hearing and hold the public hearing, in the same manner as previously outlined, to consider objections to the roll, corrections to the roll, or annulment of the roll. The submission of the draft special assessment roll to City Council will be targeted for September.

Public Hearing on the Draft Special Assessment Roll

The public hearing for the draft special assessment roll will be held by the City Council at an October meeting.

After the public hearing, if the City Council believes assessments are proper, it shall pass a resolution confirming the roll. The Council will also authorize the City Treasurer to bill and collect the SAD roll at the same meeting or a time closer to construction.

Proceed to Construct Improvement

Once the proposed SAD project receives the City Council approval for the assessment roll, the DPS shall work with the Fiscal Department Purchasing Division to advertise the project and receive bids. City Council will be asked to award the construction contract and the construction engineering (CE) contract at a meeting in January or February. Construction of the SAD gravel to pavement project would then be planned to commence in April or May and complete the improvements that same construction year.

GENERAL INFORMATION ABOUT SPECIAL ASSESSMENT DISTRICTS

Determination of Proration of Cost to Each Property

As previously indicated, the legal foundation of SAD's is that the cost assessed to each property will result in a reasonably proportionate increase in property value. There are a number of formulas used to distribute costs among properties in an SAD that have been developed over many years of experience. The cost assessed to an individual property based on these formulas is called a unit benefit.

For street improvement SAD's, the City uses the "Declining Rate Benefit Ratio" method to determine unit benefits. That method establishes the unit benefit by calculating the average width of each property where it is adjacent to the street. Properties having a width equal to or less than the average will be assessed on (1.00) unit benefit. Properties with widths greater than the average will be assigned a unit benefit greater than one (1.00) based upon the declining rate curve, and up to a maximum of one and three tenths (1.30) unit benefit costs. Note: it is possible that a single parcel of land under one ownership may be assigned multiple (i.e. 2, 3, 4, etc.) unit benefits. This usually involves larger parcels of land, which could be divided into two or more building sites. In these cases each potential building site is assessed a unit benefit.

Term of Special Assessment Installment Payments and Interest Rate

While a special assessment can be paid in full at the onset, most property owners choose to make installment payments. The term of special assessment installment payments will be based on a 15-year amortization schedule with the current SAD interest rate applied. Installment payments shall be paid annually and are due on April 1. City Council shall set the rate of interest on the unpaid balance.

Typically, the interest rate set by Council is one (1) percent over the average rate of the bonds if sold to finance the project or related to other measures such as Prime. The additional one (1) percent is added to provide sufficient cash flow for administration, and if issued, bond principal and interest payments.

Special Assessment is a Lien Until Paid

The special assessment shall become a lien upon the property until it is paid in full. The lien will be of the same character and effect as is created by the City Charter for City taxes. To protect the taxpayers of the City, the City will not subordinate the lien in the case of a sale of the property, refinancing, second mortgage, home equity loan, etc. In these cases, the special assessment will have to be paid in full to discharge the lien.

Adjustments and Corrections to Assessments

Over Assessment:

If a special assessment exceeds the actual cost of the improvement and incidental expenses by five (5) percent or less of the amount assessed, that excess may be placed in the General Fund of the City. If the assessment proves larger than is necessary by more than five (5) percent, the entire excess shall be refunded, or credited if a balance is still outstanding, on a pro rata basis to the owners of properties in the SAD provided, however, that no refunds of less than Five Dollars (\$5.00) will be made.

Attachment A
LOCAL ROAD POLICY AND FUNDING CRITERIA
FOR PAVING GRAVEL ROADS

- ◆ In general, roads shall consist of a 22-foot wide asphalt road, grass shoulders and an open ditch drainage system in accordance with the latest City of Rochester Hills engineering standards and specifications for paving.
- ◆ The cost to the property owner shall be capped at \$12,000 cost to the property owner for a 2017 SAD project per buildable lot (existing and/or potential) for paving to current minimum standards. As stated in the SAD Policy language, this capped amount will be subjected to annual adjustment for inflation for subsequent years. Additional betterment improvements or work deemed aesthetic in nature by the property owner will be assessed for 100% of the cost to the property owners and shall be applied in addition to the assessment cap.
- ◆ If recommended by the Department of Public Services and determined to be in the best interests of the residents and City, the City Council may require the installation of water, sanitary and/or storm sewer utilities prior to or in conjunction with the SAD paving project.
- ◆ The City Council encourages citizens' initiative pursuant to the Special Assessment District Ordinance, Chapter 90 of the Rochester Hill codified code of ordinances, to improve and upgrade their local roads.
- ◆ Special assessment projects that have plans already designed will be considered for first priority. If there are no existing plans for a project, special assessment projects generally will be taken in order of the filing date of valid and sufficient petitions.
- ◆ The service life will be designed to a 15-year performance standard
- ◆ Driveway approaches will match existing drive in material type (concrete or asphalt) and width, from edge of road to property line. Existing gravel driveway approaches will be constructed as asphalt.
- ◆ Mailbox posts will be replaced per the US Postal Service approved version
- ◆ Private property items such as fencing, lamps, irrigation systems, ornamental or monument mailboxes, landscaping, etc., is in right-of-way, then the City will give notice to homeowner to remove the private property. If not removed by the owner, then City will remove the private property and not replace it.

Under Assessment:

Additional pro rata assessments may be made when any special assessment roll is insufficient to pay for the improvement for which it is levied, provided that the aggregate of the additional pro rata assessments shall not exceed twenty-five (25) percent of the total assessment as originally confirmed unless a meeting of the City Council is held to review such additional assessment and interested citizens have had an opportunity to provide input.

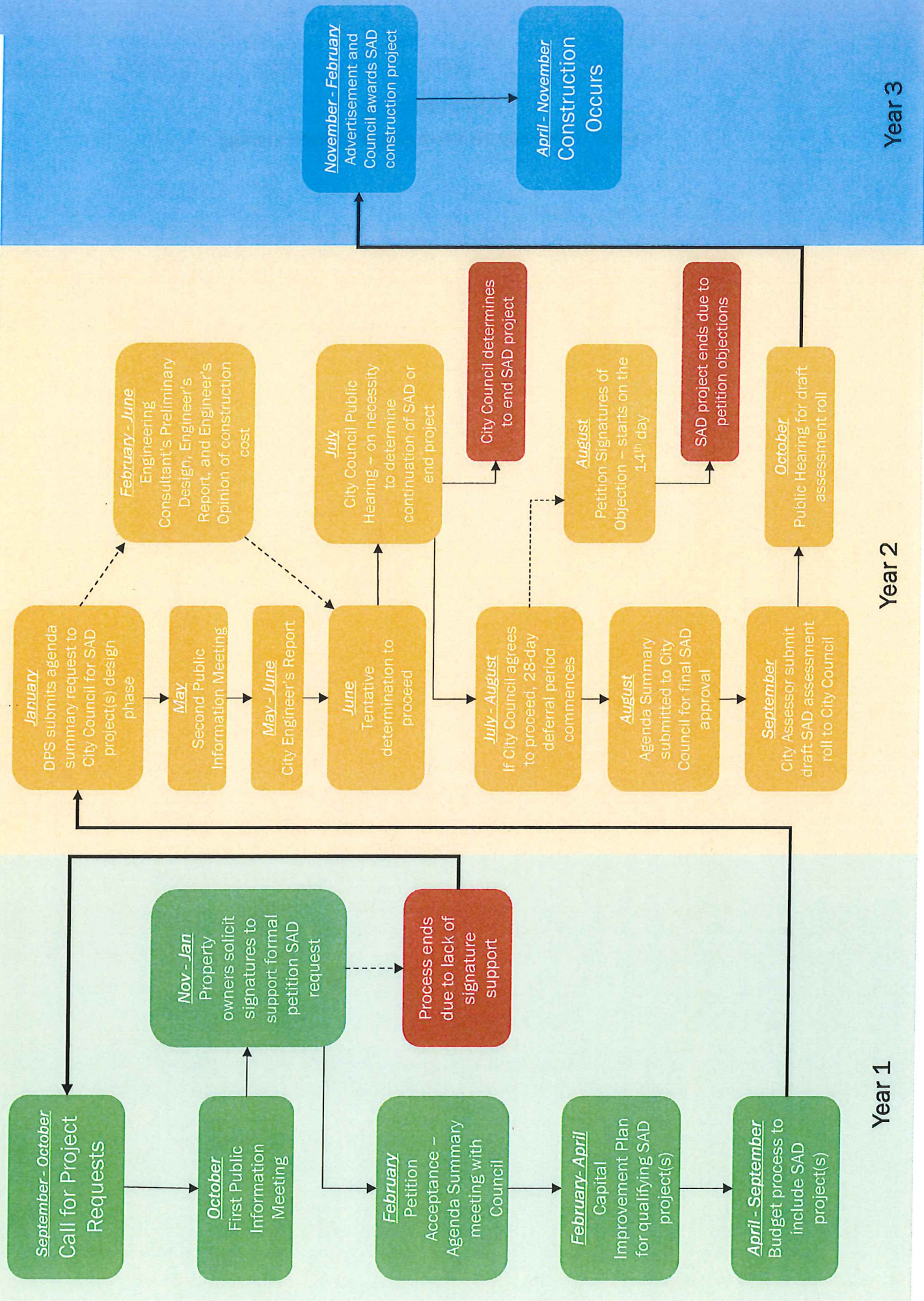
ADDITIONAL COMMENTS

The information contained in this overview is a summary of the process and provisions of Chapter 90 Special Assessments of the Code of Ordinances of the City of Rochester Hills. It is intended only as a reference and should not be construed as a complete description of all provisions and requirements of the ordinance. There are additional provisions and requirements outlined in the ordinance that may be applicable to certain property owners or situations. If there are specific concerns or questions concerning the special assessment process or requirements, they should be referred to the Director of the Department of Public Services at 248.656.4640.

This policy shall be reviewed in three years (year 2020) for applicability and economics.

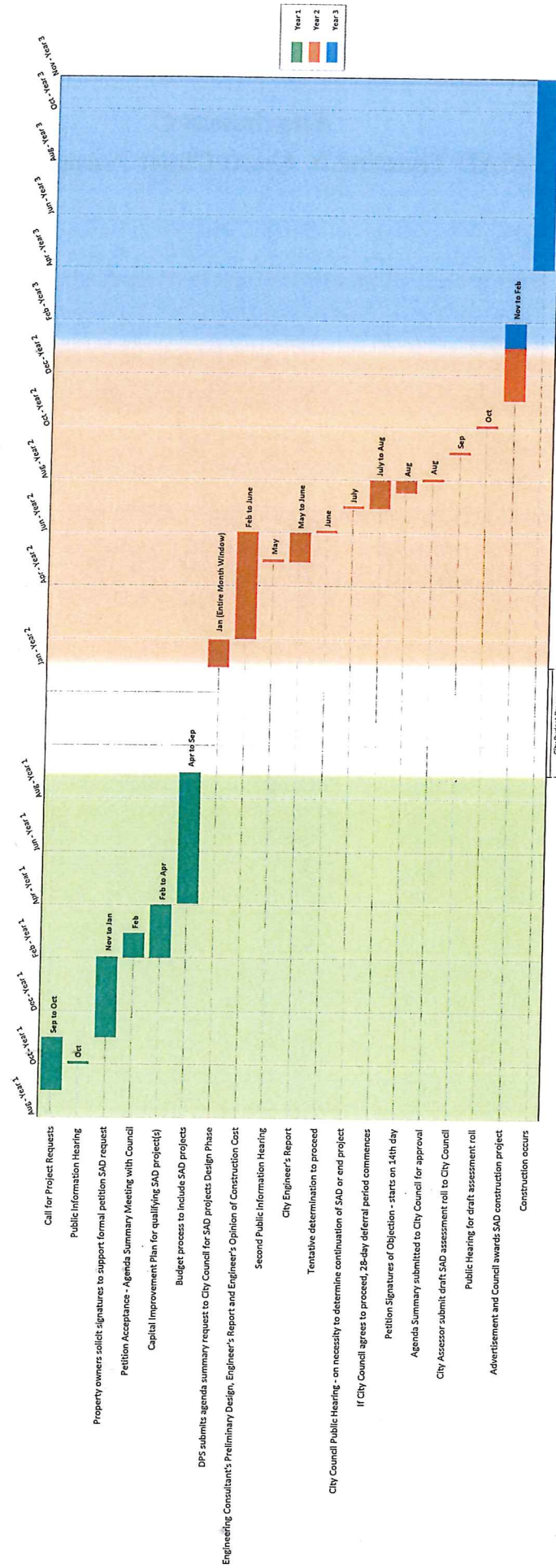
Attachment B
(SAD Timeline in Flowchart Presentation)

Proposed Schedule for Special Assessment District Gravel to Pavement Projects



Attachment C
(SAD Timeline in Gantt Chart Presentation)

Proposed Schedule for Special Assessment District (SAD) Gravel to Pavement Projects



Attachment D

SPECIAL ASSESSMENT CHECKLIST

PROJECT: _____ SEC. NO. _____

LOCATION: _____

PROCESS INITIATED:

- _____ Call for Projects Occurs – September thru October
- _____ City is provided with written documentation stating that at least 60% of street requests that a public information meeting is scheduled
- _____ Letter sent to property owners regarding meeting, including information on process, policies and project. [DPS] sends letter with copy to all departments involved in SAD process

FIRST PUBLIC INFORMATION MEETING:

- _____ Public information meeting held to review the SAD Policy and determine resident volunteers that will obtain petition signatures

PETITIONS:

- _____ Petition template created by Treasury and provided to Clerks Department
- _____ Clerks Department provides petition template to resident volunteers
- _____ Petitions returned to Clerk by circulators - November thru January
- _____ Petitions verified and report prepared by Assessing
- _____ Mailing to property owners advising when petitions will be on City Council agenda [Assessing prepares mailing labels and Clerk sends mailing]
- _____ Council resolution to accept petitions (RES A)

CAPITAL IMPROVEMENT PROJECT:

- _____ The DPS will prepare a CIP project entry for inclusion with the next version.

BUDGET INCORPORATION OF QUALIFYING PROJECTS:

- _____ City Council determines which SAD projects will be included for engineering design in the next fiscal year.

APPROVAL TO PROCEED WITH THE PRELIMINARY ENGINEERING PHASE:

_____ Recommendation is made on selection of PE consultant for project [DPS]
_____ City Council awards PE services contract to consultant
_____ City Council directs DPS to commence preparation of the City Engineer's Report

SECOND PUBLIC INFORMATION MEETING:

_____ Second public information meeting is held in May

COUNCIL RECEIVES THE CITY ENGINEER'S REPORT AND DETERMINES TO TENTATIVELY PROCEED:

_____ Council receives Engineer's report with detailed cost estimate and plans
Total project estimate: \$
Portion of project estimate to be assessed: \$
Number of parcels in the SAD:
Estimated base unit benefit: \$
_____ **Engineer's** report and plans filed with **Clerk**
_____ Council resolution to determine tentatively to proceed and to set public hearing on necessity (RES B) [**Clerk's Office** prepares and **Clerk** certifies with copy provided to all departments involved in SAD process]

PUBLIC HEARING ON NECESSITY:

_____ Public Hearing notice prepared [**Treasurer**]. Attach CDBG letter from Fiscal Team
_____ Public Hearing notice mailed to property owners [**Clerk**]
_____ Public Hearing notice published in official newspaper [**Clerk**]
_____ Public Hearing held by City Council in July
_____ Council resolution to continue process with further action deferred 28 days (RES C) [**Clerk's Office**]

PETITIONS OF OBJECTION:

_____ Letter sent to all property owners regarding Petitions of Objection [**Clerk**]
_____ Petitions prepared by Assessing and available to requestors from Clerk on the 14th day after public hearing
_____ Petitions returned by circulators to **Clerk** by noon on the 28th day after public hearing

AFTER 28-DAY DEFERRAL:

_____ Petitions of Objection received: YES ____ NO ____
_____ Verification Report prepared by Assessing
_____ Signed by 50% + 1 or more: YES ____ NO ____
_____ Returned to Council – accept Petitions of Objection (RES D-P) [Clerk's Office]
_____ Council resolution to proceed with improvement, to establish a SAD and to
authorize preparation of SAD roll (RES D); planned for an August Council meeting

_____ Council agrees to budget the construction and construction engineering phases for
the next fiscal year budget; planned for an August or September Council meeting

DRAFT SAD ROLL:

_____ Draft SAD Roll prepared by Director of Assessing
_____ Draft SAD Roll filed with City Clerk
_____ Draft SAD Roll submitted to City Council at a September meeting
_____ Council resolution to accept roll, to order roll filed with Clerk for public
examination, and to set a public hearing (RES E) [Clerk's Office]
_____ RES E is certified and filed with City Clerk

PUBLIC HEARING ON SAD ROLL:

_____ Public Hearing notice prepared [Treasurer]. Mail CDBG application from Fiscal
Team
_____ Public Hearing notice and CDBG information mailed to property owners [Clerk]
_____ Public Hearing notice published in official newspaper [Clerk]
_____ Public Hearing held by City Council; planned for an October meeting
_____ Council resolution to confirm SAD roll and to command that special assessments
be spread (RES F) [Clerk's Office]

CERTIFICATION OF SAD ROLL:

_____ Final roll prepared and certified by Director of Assessing
_____ Assessor proofs parcels and forwards apportionment to Treasury
_____ Treasury inputs changes, prints roll and sends to Assessing

BILL AND COLLECT:

_____ Council resolution to bill and collect, setting of interest rate and setting of date
interest begins (RES G) [Clerk's Office] prepares with Treasurer providing
recommendation on interest rate and date interest is to begin]
_____ Mail bill and collect notification and amortization schedules to property owners
[Treasurer]
_____ Mail notice of confirmation to property owners [Treasurer]
_____ Provide copy of amortization loan to Accounting [Treasurer]

PROCEED TO CONSTRUCT IMPROVEMENT:

_____ DPS and Fiscal coordinate to advertise and bid the SAD project
_____ City Council awards bid for construction
_____ City Council awards contract for CE services to consultant
_____ File liens with county **Treasurer**

CONSTRUCTION:

_____ Construction started
_____ Construction completed

FINAL ACCOUNTING FOR SAD:

_____ Report on final accounting and allocation of costs [DPS]
_____ Adjustments to assessments [Treasurer]

Attachment C

Supplemental Information

City of Royal Oak



SPECIAL ASSESSMENT STREET PAVING
INFORMATIONAL HANDOUT

GENERAL

Property owners may petition to have a street paved by special assessment. Petitions are available in the City Engineer's Office. The City Commission may order a street paved as an assessment project with or without a petition. However, when a petition is submitted, it has generally been the requirement that property owners representing 50% or more of the assessable frontage must sign the petition. Up to two public hearings are held by the City Commission and all property owners of record are notified. The first public hearing is the "Hearing of Necessity" to determine if a street is to be paved or repaved; the second hearing is the "Special Assessment Hearing" to set the special assessment rate for affected property. A public "Hearing of Necessity" can be waived if 100% of the assessed frontage is represented in the petition.

PROCEDURE

1. Secure a petition form from the City Engineer's Office.
2. Contact the City Engineer's Office for a rough cost estimate for the project before the petition is circulated.
3. Secure signatures on the petition from owners of the adjacent property. The name of the owner of record can be secured from the City Engineer's office if necessary.
4. Return the petition to the City Clerk's Office.
5. The City Engineer will calculate the percentage of assessable frontage signing in favor of the project. This will be reported to the City Commission. The City Commission will decide whether to adopt the "First Resolution" which would direct the preparation of detailed cost estimates and a special assessment roll showing estimated cost for each property.
6. As part of special assessment street paving, driveway approaches will be replaced in concrete.
7. The remaining steps of the assessment procedure are shown in Attachment A.

ASSESSMENT POLICY

The policy for determining the portion of the total project cost to be charged to adjacent property owners is shown in Attachment B.

The time allowed for special assessments to be repaid is 15 years. The standard interest rate of special assessments is 6% beginning with the second consecutive payment upon the unpaid assessed balance.

Note: The City may sell bonds to finance the cost of special assessment projects. The interest rate paid by the homeowner is 1% above the interest rate paid by the City on any bond issue. This rate is determined at the time the bonds are sold.



PROPOSED SPECIAL ASSESSMENT PROCEDURE

City Commission is presented with a recommendation or petition to consider a public improvement.

Resolution No. 1

Commission orders preliminary plans and estimate of cost prepared by City Engineer, and directs City Assessor to prepare a Special Assessment District. City Assessor refers topic back to City Commission when Special Assessment District is prepared - usually 2 to 3 weeks are required.

Resolution No. 2

Commission establishes a Special Assessment District, setting forth the estimated cost to the City and to the Assessment District, and setting a public hearing date on necessity.

City Clerk advises Commission on date - usually 3 to 4 weeks are required. Notice of said public hearing must be published in a newspaper and also sent to the individual property owners.

Resolution No. 3

Public Hearing is held on scheduled date and any objections are registered. If the proposed improvement is deemed a necessity, then the Commission declares that a necessity exists, directs the City Assessor to prepare a Special Assessment Roll, and sets a public hearing date for review of the assessments proposed to be levied.

City Clerk advises Commission on date - usually 2 to 3 weeks are required. Notice of this public hearing must also be published and the individual property owners notified.

Resolution No. 4

Public Hearing is held on scheduled date and any objections are registered. If it is still the desire of the Commission to proceed, then the improvement is "Advanced and Tabled" to await the receipt of bids. City Engineer refers topic back to Commission after receipt of bids - usually 2 to 4 weeks are required.

Resolution No. 5

Following the receipt of bids and awarding of a contract, the Commission confirms the Special Assessment Roll which sets forth the number of years over which the Special Assessments will be spread and the dates when these payments fall due.

ABOVE PROCEDURE ADOPTED BY THE CITY COMMISSION 7/23/79.

The Oakland Press (<http://www.theoaklandpress.com>)

Royal Oak offering big discounts to pave dirt roads in neighborhoods on 47 streets

Royal Oak has 47 unpaved streets

By Mike McConnell, mike.mcconnell@dailytribune.com, [@mmccconnello1](https://twitter.com/mmccconnello1) on Twitter

Wednesday, April 15, 2015

Though Royal Oak is mostly known to outsiders for its urban downtown stores, restaurants and clubs that make it an entertainment mecca, there is another side to the city where dozens of neighborhoods have unpaved dirt streets.

There are a total of 47 unpaved streets in the city, left that way by housing developers who made no provision to include paved streets when the homes were built years ago.

This week the City Commission voted to give homeowners on those streets an additional discount on the assessed cost of constructing concrete streets if a majority of residents in a neighborhood petition to create a special assessment district.

Royal Oak this month started a 10-year, \$50 million project to improve roads throughout the city. Some officials see the project, supported by a voter-approved millage, as a chance to help homeowners on unpaved side streets get paved roads.

For the next five years, neighborhoods that request a special assessment can get a 50-percent discount on the cost of a new street. Now, those who have corner houses with side lots can get a 75-percent discount on the cost of putting up to 150 feet of paved streets along their side lots.

Officials “wanted to provide an incentive for residents for whom it has been cost prohibitive” to pave streets, said City Commissioner Kyle DuBuc, adding that the road discount “is a real incentive.”

The city has no obligation to pave neighborhood streets and under the City Charter can force neighborhoods to pay a special assessment to construct a paved road. Many of the neighborhoods with unpaved roads were built during the 1930s, 40s and 50s. Developers that included streets passed the cost onto the new homeowners at the time.

The measure the City Commission passed Monday is similar to the road paving discounts offered to neighborhoods back in 1985, the last time Royal Oak did large-scale road improvements supported by a voter-approved millage.

The full rate for building a concrete street is \$270 per foot for a 27-foot-wide road, according to City Engineer Matt Callahan.

Royal Oak has a total of five miles of unpaved neighborhood streets. If every such neighborhood elected to create a special district for road improvements it could cost the city up to \$3.9 million to make the upgrades, with the homeowners paying \$2.1 million, Callahan said.

The number of neighborhoods requesting special assessments to pave the dirt roads on their streets has jumped more than 25 percent over the past year.

Some City Commissioners were concerned that allowing discounts on road paving was unfair to all those in the past who have had to pay the full price.

City Commissioner David Poulton was not in favor of carving out special exceptions with discounts and voted against the incentive program.

Others, such as City Commissioner Jeremy Mahrle, said the discount incentive program is way for Royal Oak to have as “many walk-able and bike-able streets as possible.”

“I really don’t see many downsides,” he said.

URL: <http://www.theoaklandpress.com/general-news/20150415/royal-oak-offering-big-discounts-to-pave-dirt-roads-in-neighborhoods-on-47-streets>

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Unimproved Streets

There are some streets in Royal Oak that are considered unimproved (i.e. gravel, chip seal, seal coat, etc.), as shown on the adjacent map. The initial paving of unimproved streets is performed by special assessment to the adjacent property owners per city commission policy adopted in 1958.

Property owners may petition to have a street paved by special assessment by sending a written request to the Engineering Division. The City Commission may order a street paved as an assessment project with or without a petition. However, when a petition is submitted, it has generally been the requirement that property owners representing 50% or more of the assessable frontage must sign the petition.

Unimproved Roads (Click to enlarge)



Local Road Millage

Unimproved streets are not scheduled for paving as part of the road millage, except by special assessment to the adjacent property owners. The City Commission has adopted a policy to pay for 50% of the full frontage rate of special assessment paving approved during the millage period. In addition, the city will also cover 75% of the full frontage rate for the first 150 feet of side-lot frontage on an unimproved street.

Procedure to Pave a Street by Special Assessment:

1. Send a letter or e-mail to the Engineering Division to request a petition. The petition will include a rough cost estimate for the project, including the estimated cost per property.
2. Secure signatures on the petition from owners of the adjacent property. Typically 50% or more of the assessable frontage must sign the petition in order for it to be approved by the City Commission.
3. Return the petition to the Engineering Division. Note that the final page of the petition must be signed by the circulator and notarized.

4. The petition will be presented to the City Commission, and the following steps must take place. The following items typically require three to four months before the project can be designed and bid:

- **Standard Resolution 1:** The percentage of assessable frontage signing in favor of the project will be reported to the City Commission. The City Commission will decide whether to adopt the "First Resolution" which orders preliminary plans and estimate of cost prepared by city engineer, and directs city assessor to prepare a special assessment district. City assessor refers topic back to City Commission when special assessment district is prepared.
- **Standard Resolution 2:** The City Commission establishes a Special Assessment District, setting forth the estimated cost to the city and to the assessment district, and sets a date for the Public Hearing of Necessity. A notice regarding the public hearing is sent to the affected property owners and published in a newspaper by the City Clerk.
- **Standard Resolutions 3 & 4 and Public Hearing of Necessity:** The Public Hearing of Necessity is held on the scheduled date and any objections are registered. If the proposed improvement is deemed a necessity, then the City Commission declares that a necessity exists, directs the city assessor to prepare a special assessment roll, and sets a date for the Public Hearing of Assessment to review the assessments proposed to be levied. A notice regarding the public hearing is sent to the affected property owners and published in a newspaper by the City Clerk.
- **Public Hearing of Assessment:** The hearing is held on the scheduled date and any objections are registered. If it is still the desire of the City Commission to proceed, then the improvement is "Advanced and Tabled" to await the receipt of bids.

5. The project will move forward for construction unless the lowest bid for the project is greater than 5% above the original estimate provided to residents. If the lowest bid is 5% over the estimated cost, another public hearing will be held.

6. **Standard Resolution 5:** After the construction is completed, the City Commission confirms the Special Assessment Roll which sets forth the number of years over which the Special Assessments will be spread and the dates when these payments are due. The time allowed for special assessments to be repaid is typically determined by the City Commission to be 15 years. The standard interest rate of special assessments is 6% beginning with the second consecutive payment upon the unpaid assessed balance.

At a regular meeting of the Commission of the City of Royal Oak, Michigan, held at the City Hall in said City, on the tenth day of February, 1958, at 7:30 o'clock p.m., Eastern Standard Time:

PRESENT: Commissioners Fries, Hayward, Horn, Maudlin,
and Osgood

Mayor Kelley

ABSENT: Commissioner Crosby

The following action was taken:

"RESOLVED, that all street improvements made to the roadways of streets by means of paving, graveling or otherwise, be assessed against the abutting parcels of land according to the front foot rule.

FURTHER RESOLVED, that the following policy is hereby established for computing assessments for street improvements against corner parcels of land abutting upon two streets:

1. Corner parcels zoned for single family use, either vacant or developed for single family use -- In all cases where such corner parcels have side frontage of not more than 150 feet, the assessment for side street improvements shall be for one-half the actual side street frontage. In all cases where such corner parcels have side frontage in excess of 150 feet, the excess of such side frontage over 150 feet shall be assessed in the usual manner, by the front foot rule.
2. All other corner parcels -- The assessments for side street improvements shall be for the full side frontage.
3. In the case of lots of irregular shape or size, the above rules shall apply after adjustment by the Somer's Rule. In the case of other unusual conditions, special adjustments consistent with justice and equity may be made.

FURTHER RESOLVED, that in all cases where extra width pavement is installed at street intersections in order to facilitate traffic movement, the assessment for any extra width at the intersection shall be absorbed by the City-at-large, and shall not be assessed against the abutting properties.

FURTHER RESOLVED, that in all cases where the City has an easement over private property for the purpose of installing a public sidewalk, the property on which said easement is located and any property between said easement and the curb shall be regarded as being public property in the computation of special assessments for street improvements.

ATTACHMENT B
B-1

FURTHER RESOLVED, that in all cases the cost of street paving up to a width of 31 feet shall be assessed against abutting properties; that in all cases where pavement of a width of more than 31 feet is installed in order to facilitate traffic movement, the cost of said pavement in excess of 31 feet in width shall be assumed by the City-at-large; provided, that in unusual cases where it appears that a special benefit will accrue to abutting properties as the result of the installation of pavement in excess of 31 feet in width, then the cost of such pavement in excess of 31 feet in width shall be assessed against such properties.

FURTHER RESOLVED, that in all cases where pavement of greater than ordinary thickness is installed, any extra cost occasioned by such extra thickness shall be assumed by the City-at-large; provided, that in unusual cases where it appears that a special benefit will accrue to abutting properties as a result of the installation of greater than ordinary thickness, then the cost of the extra thickness of pavement shall be assessed against such properties."

I hereby certify that the above is a true and correct copy of a Resolution adopted by the City Commission of the City of Royal Oak at a regular meeting held February 10, 1958.

GLADYS FOGO, CITY CLERK

ATTACHMENT B
B-2

DATE: July 26, 2018

TO: Unimproved Streets Study Committee

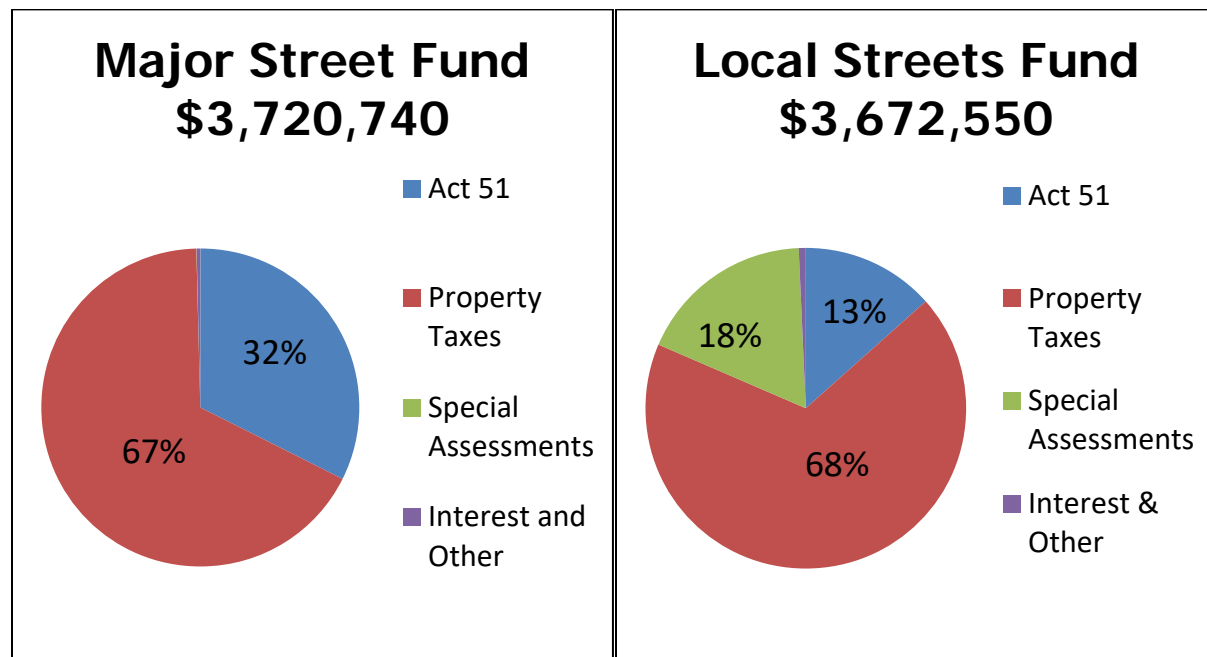
FROM: Mark Gerber, Director of Finance/Treasurer

SUBJECT: Road Funding

Overview of Road Funding

There are generally four sources of funding for roads: Act 51 distributions from the Michigan Department of Transportation, property taxes by way of transfers from the City's General Fund, special assessments from property owners directly benefiting from a road improvement, and road bonds. Currently, the City receives from funding from all of the sources except for road bonds.

For streets designated as major streets, almost all of the funding comes from property taxes and Act 51. This is because these streets are predominately improved streets. For streets designated as local streets, most of the funding comes from property taxes, with smaller contributions from Act 51 and special assessment revenue. The special assessment revenue is dependent on the number of roads either in the process of being improved or being cape sealed. Below is a comparison of the revenue budgets for fiscal year 2018-2019 for the major street fund and local street fund.

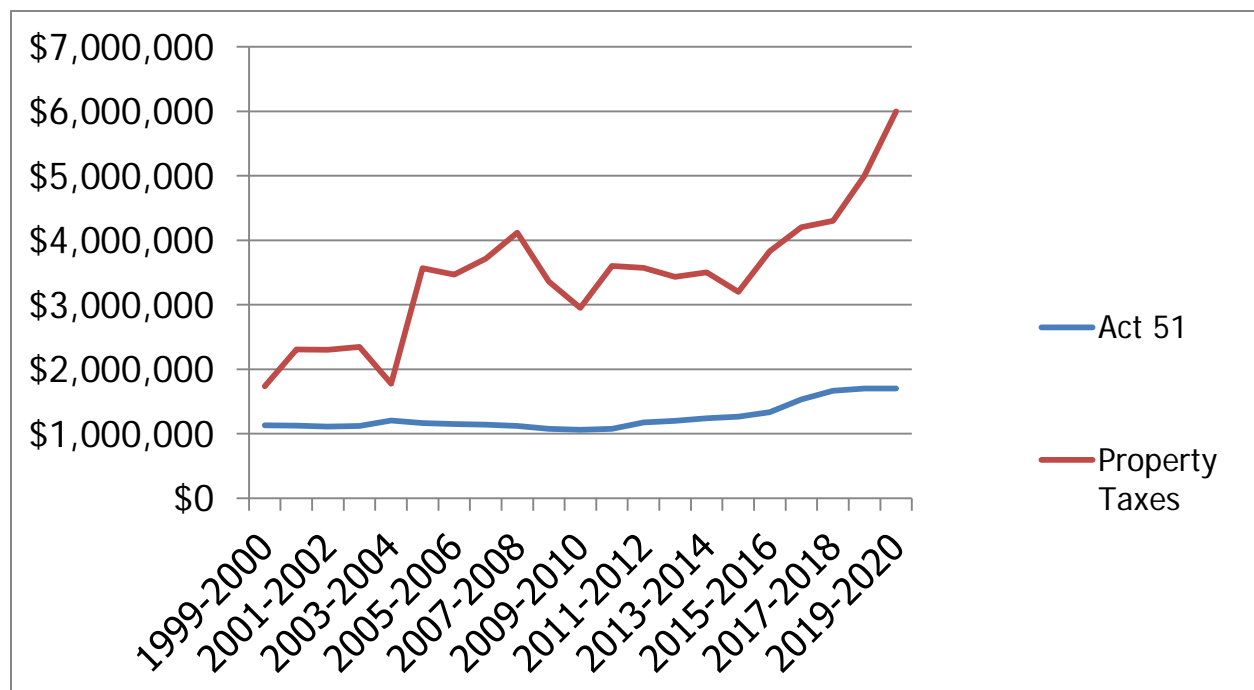


Act 51 Funding

Act 51 funding comes from the Michigan Department of Transportation. This funding is generated at the state level from receipts from fuel taxes, vehicle registrations, and contributions from the state's General Fund. 21.8% of the funds collected from these revenue sources are distributed to cities and villages. Of this amount, 75% is allocated to major streets and 25% is allocated to local streets. The amount distributed to each community is based 60% on population and 40% on the number of road miles.

Property Taxes

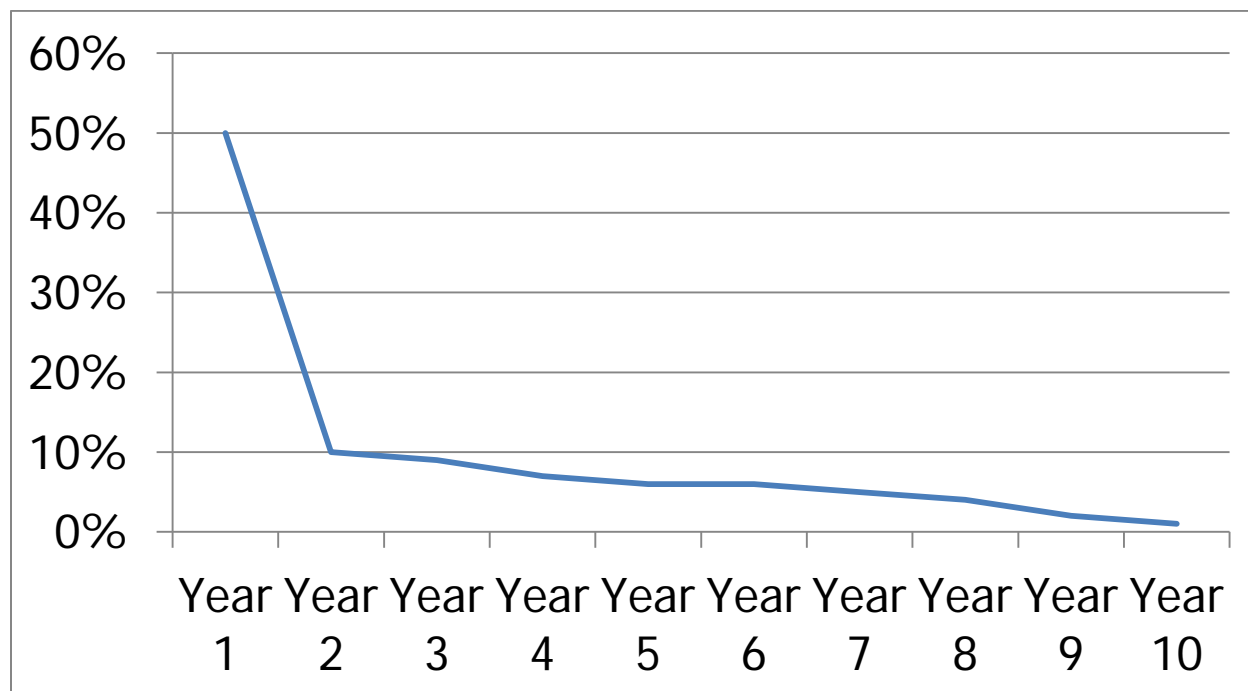
Act 51 funding is insufficient to fund street maintenance and improvements on a year-to-year basis. Therefore, funding from the City's general operating millage has to be used to supplement other funding. Historically, the City has used 15%-20% of the property taxes collected in the General Fund to provide road maintenance and improvements. Over the years, property taxes have become a greater contributor to road funding than from Act 51 funding as shown below:



Special Assessments

Special assessments are used as a funding source to offset a portion of the cost of a road where it is being upgraded to an improved road or when the road is being cape sealed. For these projects, the City will pay for the improvement in advance and bill the property owners. The payback from the property owners differs depending on the type of road improvement being done. When a road is being improved, the special assessment is generally set for 10 years. When a road is being cape sealed, the special assessment is generally billed only once. City ordinance does not allow for special assessments greater than 10 years. Typically, the City collects approximately half of

the total special assessment in the first year of a ten year assessment period and then smaller amounts the following years as shown below:



Grants

Grants with the Michigan Department of Transportation (MDOT) are available but are generally restricted to roads that receive heavy use and therefore are not likely source of revenue for unimproved streets. Examples of roads the City has received MDOT funding for include W. Maple Road and N. Old Woodward. Another MDOT grant that is available is the Transportation Alternatives Program (TAP) which is used for activities that enhance the intermodal transportation system and provide safe alternative transportation options. The City has used these funds for traffic-calming and multi-modal enhancements. Again, it is unlikely that these funds would be available for unimproved streets. Both of these grants require a local match and are on a competitive basis which means that the City's projects are compared to other projects from other municipalities and a governing board determines which projects will receive funding. Additionally, there is Oakland County Tri-Party funds available. These funds may be used for road or traffic control system upgrades on county roads. The City is required to fund one third of the project with the other two thirds coming from Oakland County and the Oakland County Road Commission. A municipality may save up to 3 years of funding for a project. These funds are generally for small improvements and would not be enough to fund a complete street. Because of the restriction to county roads, this source of funding would not be applicable to the City's residential streets.

Bonding

The City could issue bonds for road improvements, although, looking through the City's records, it doesn't look like this method has ever been used before, at least in recent history. The debt service for the bonds would be paid from Act 51 funds, or a special assessment, or property taxes or all three. It is unknown whether this funding source would be successful for unimproved streets as there may be some reluctance to use the City's debt capacity for this type of project or to bond for something specific to a neighborhood like a road unless the debt service was paid by a special assessment.

Road Expenditures

Road funding is used to pay for traffic controls & engineering; street and bridge maintenance; street tree maintenance; street cleaning; ice and snow control; and capital improvements. Currently, Act 51 funding is not sufficient to pay for the non-capital improvement expenditures.

Capital improvements are projected out for 6 years to assist in long-range financial planning. When a neighborhood determines that they want an improved road, that project has to be then added to the long-range planning process to determine which budget year the City can afford to do the project considering both funding for the road and funding for water and sewer improvements if those utilities need to be updated.