



City of Blaine Anoka County, Minnesota

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WORKSHOP ITEM *Robert Therres, Public Services Manager/Assistant City Manager*

OPTIONS FOR HASTINGS STREET ASSESSMENTS

In May of 2016 as part of the Pavement Management Program (PMP) the City ordered the reconstruction of Hastings Street. The reconstruction included the removal of the road and base, the rebuilding of the road, storm sewer improvements, watermain replacement, and curb and gutter. The improvements were funded through a 2016 bond issue pursuant to State Statutes 429 and 475, where levied assessments were identified to help repay the bonds.

Following our PMP program and the City’s assessment policy, the benefitting properties are proposed to be assessed 25% of the actual cost of the construction. Assessments would range from approximately \$4,600 for the 28 single-family homes and \$950 for the 76 townhomes affected by this project.

However this is not a normal PMP project and staff is looking for direction from the City Council on the next steps for assessing this project.

On September 21, 2016, during the reconstruction of Hastings Street, a severe storm dumped over six inches of rain on the City in the span of several hours. The work on Hastings Street was left in such a manner that allowed the rainwater to flood the sewer manholes causing sewer backups in the basement of 19 homes on or adjacent to Hastings Street. The City and our insurance carrier, the League of Minnesota Cities (LMCIT) contend that this flooding was

caused by the contractor's negligence in not taking the normal and necessary measures to prevent water from entering the sanitary sewer manholes, especially with the knowledge that the heavy rain event was forecast several days in advance. The contractor's insurance company has denied all claims for damage from the homeowners. To date, the homeowners have not received any reimbursement from the contractor or its insurance carrier. It is estimated that the average cost of repairing the damages from the sewer back-up is \$20,000 per home.

The City has already incurred additional costs on behalf of the residents. Following the storm, the City provided garbage dumpsters, at no cost to the affected properties, to remove the damaged and soiled material. The cost for this service was approximately \$20,000. The City also made no interest loans available through our EDA Home Improvement Loan Program, to help affected property owners make repairs. Six property owners have used this program.

The City is still holding approximately \$130,000 in payment requests from the contractor in an effort to leverage further discussion on resolving this issue.

The project is substantially complete and is ready to complete the assessment process. There are a couple of homes in this project that have sold and the property owners have been required to place money in escrow for pending assessments and need the City to act so they can get their money out of escrow.

The City Council has limited options addressing the assessment issue. If the Council wishes to consider deviating from the typical assessment process, it is important to point out that Minnesota statute and IRS regulations would require that all properties be treated equally regarding the spreading of assessments.

Assessment options:

1. **Assess all properties as originally proposed** - The sewer back-ups affected 15 out of 104 properties that are proposed to be assessed. Four properties that experienced sewer damage were on 86th Avenue and not part of the proposed assessments. The Council can continue to pursue alternatives for retrieving funds for those residents who experienced sewer back up damage outside of the assessment process.
2. **Not assess the project** - The Council has the authority to not levy any assessments for this project. The proposed amount to be assessed in the Feasibility Study is \$200,216. This will increase the amount the City will need to levy on the general tax roll to pay the bonds and could create a bad precedent for assessing future PMP projects. There are also

four properties that experienced damage that are not being addressed.

- 3. Reduce the assessments** - Similar to option one, just reducing the assessment for all the properties to a lower level. Have the same issues of increasing the general tax levy, not addressing all damaged property owners, and setting of precedent for future PMP projects.

Direct staff how to proceed with the assessments.