

## **LOCAL IMPROVEMENT DISTRICT - LID**

### **DEFINITION**

A Local Improvement District is a special public improvement area created under State of Oregon statutes. These statutes allow for public financing of public improvement projects that benefit private property. The eligible category of public improvements is quite broad and includes most major types of construction. Typical use of an LID is to install sanitary sewers, storm drainage, water lines, streets and sidewalks.

### **REQUIREMENTS**

In order to form an LID, a minimum of 50 percent of the property owners fronting on, or benefiting from, the proposed improvement must petition the city to construct the project. The petition must specify the type of improvement desired.

For a property to be included in the LID, it must receive some benefit from the project. For example, the benefits of a street improvement project generally accrue to just those properties abutting the street, while the benefits of a sanitary sewer trunk line will accrue to the entire area that it serves, not just to abutting properties.

### **PROCEDURE**

The property owners are responsible for circulating the petition and obtaining signatures. The petition is then submitted to the City Recorder. City staff presents the petition to the City Commission, which accepts the petition and requests staff prepare an Engineer's Report.

This Engineer's Report describes the project and provides a description of the benefit to the city, the area served, details of the project, a cost estimate, a recommended method of assessment, the estimated cost allocation to the benefited property owners, and a map of the LID. The report is then presented to the City Commission with a Resolution of Intent to Create the LID. The Commission may accept, modify, or reject the Engineer's Report.

If the report is accepted, a public hearing is set to consider any objections to the project. Notice of the public hearing is published, and objections are heard and considered. If two-thirds (66%) of the benefiting property owners object, the Commission must discontinue further discussion of the project for three months. At the end of the three months, the project may be reconsidered.

If less than two-thirds of the benefiting property owners object, the Commission may approve the formation of the LID and direct staff to have engineering plans prepared. The project design is completed and then advertised to solicit construction bids. If these

bids are within 10 percent of the Engineering Cost Estimate, the project can continue and is awarded to the lowest bidder.

At the conclusion of the construction, the City accepts the project, and the costs are tabulated. A public hearing is then held to conform the final assessments to each property owner. Objections to the assessments are heard by the City Commission.

## **FUNDING**

The LID is a method of providing public financing for the construction of public works improvement projects that benefit private properties. The property owners within the LID benefit area are responsible for repaying the costs of the project. If the project benefits the general public, in addition to private property within the LID, the City can assist with those costs.

The City finances the project with the sale of bonds. These bonds are redeemed with the project assessment proceeds.

Following the construction, all costs associated with the improvements are tabulated and totaled. These costs include such items as the construction payments, engineering and construction management costs, and bond issuance costs. When the total costs are tabulated, they are divided by the basis of the assessments, generally by either a front footage, or land area method, to arrive at a unit cost.

The unit cost is then multiplied by the number of units associated with each property to determine each property's share of the total costs. Thus each property's cost is equitable to the benefit it receives.

## **PAYMENT**

Payment in full for the outstanding balance of the assessment can be made at any time. If full payment is not made, a payment schedule is established using the Bancroft Bond Act. This schedule stretches the payment out over a period of time (generally 10, 15 or 20 years) with payments due every 6 months. Interest on the unpaid balance is charged with each payment.

A lien is placed against the property until the assessment is paid off. The lien is due and payable when a property is sold unless the property owner requests a transfer to the buyer. If payments are not made, the City can foreclose upon its lien to collect the owed amount.