

The Mandan City Commission met in a working session at 5:30 p.m. on October 29, 2013 in the Ed “Bosh” Froehlich Meeting Room at City Hall, 205 2nd Ave NW, Mandan, ND. Commissioners present were Van Beek, Tibke, Rohr, Frank and Braun. Department Heads present were: City Attorney Brown, City Administrator Neubauer, Planning & Engineering Director Froseth, Engineering Project Manager Fettig, Public Works Director Wright, Planner Decker, Finance Director Welch and Building Official Lalim. In addition the following individuals were present: Barb Bakken, Cam Bachmeier, Katie Moch, Barb Aasen, Susie Kocourek, Joe Sheehan, Greg Larson, Duane Bentz, Pat Vannett, R.J. Fischer, Roxy Jacobson, Brian Ritter, Mike Manstrom, Vance Vetter, Eric Brenden, Nancy Deichert, Tammy Skogen, Kelvin Hullet, Corey Kost, Kevin Magstadt, Tricia Schlosser, Ken Knodel, Natalie Friesz, Kathy Maier, Dennis Kraft, Minda Lloyd, Greg Zenker, Amy Hullet and Todd Porter.

NEW BUSINESS:

1. Introductory Remarks – Mayor Van Beek

Mayor Van Beek thanked the of following organizations for their attendance, Bismarck Mandan Chamber, Bismarck Mandan Development Association, Bismarck Mandan Homebuilders Association and the Bismarck Mandan Board of Realtors. Mayor Van Beek asked the sign-up sheet be passed around and that participants utilize the microphones. Participants introduced themselves. Mayor Van Beek stated that due to this being a special meeting of the City Commission, discussion would be limited to the item on the agenda and that the City Commission would not be taking any action this evening but will take comments into consideration as the discussion progresses forward. In addition, Commissioners and staff will not be participating in the online polling.

2. *Discussion and receive input regarding the use of special assessments for financing in new developments.*

Mayor Van Beek provided background information related to special assessment debt and in turn lead the group through a series of questions that attendees were asked to provide their comments on. Information and results of the questions are below:

The Commission has become increasingly concerned about the rising cost of infrastructure which in turn leads to higher special assessments being placed on residential and commercial lots and an increasing debt load for the City of Mandan.

Standard and Poor’s (a bond rating agency) has a “Debt per Capita” range. That range is as follows: low (<\$1,000), Moderate (\$1,000 - \$2,500), and High (>\$2,500).

Looking at special assessment projects that will be completed in 2013 and those we anticipate in 2014 our special assessment Debt per Capita will approximately be \$2,400, which is very near the high end. Comparatively, the City of Bismarck’s Debt per Capita is approximately \$1,200 as of October 2013.

Some of Board’s concerns are:

The level of Debt per Capita and how it may negatively affect our ability to borrow money and the corresponding interest rate.

Special assessments are generally placed on a property a year after the improvements are completed, therefore, the buyer may not have included them in their financing at the time of purchase.

Lack of competitive bids for public improvements (infrastructure costs to be assessed, by state law, must go through the public bid process)

Citizens expressed desire to reduce property taxes (many feel special assessments are property taxes)

1. How concerned are you about Mandan's debt per capita?
 - a. Very concerned - 9
 - b. Somewhat concerned - 12
 - c. Not concerned
 - d. Unsure

Eliminating the use of special assessments as a way to finance new infrastructure will have an effect on all parties.

2. What benefits do you see to having developers assume responsibility for above-ground infrastructure costs? (multiple responses permitted)
 - a. More timely completion of infrastructure - 6
 - b. Lower infrastructure costs
 - c. Buyer will know upfront costs through lot or home price - 18
 - d. Buyer can mortgage cost over 30 years instead of 15 years - 13
 - e. Other
 - f. None
3. What negatives do you see to having the developer assume responsibility for above-ground infrastructure costs? (multiple responses permitted)
 - a. Developers may face financing obstacles - 18
 - b. Buyers may face financing obstacles - 3
 - c. It could reduce the number of developers active in Mandan - 10
 - d. It could slow development in Mandan - 4
 - e. Increased lot or new home costs could deter buyers - 5
 - f. Other
 - g. None

We have amortized our special assessment debt repayments through the year 2028. If the Board were to pursue a goal of bringing our Debt per Capita ratio to \$1,000 by the year 2028 the City would be limited to issuing new special assessment debt of \$3,400,000 per year. The \$3.4M would include new development and street maintenance debt. As you might expect, that amount of borrowing doesn't get many projects completed.

4. If the City were to limit its special assessment debt exposure, what would be the best approach?
 - a. City should not special assess any infrastructure costs
 - b. Annual cap allocated first-come, first served - 3

- c. Place a limit per lot - 9
 - d. Place a limit on a percentage basis - 4
 - e. Limit according to type of above-ground infrastructure - 4
 - f. Other
5. If the city were to cap special assessments debt for new developments to \$1.7M per year, should it be allocated on a first-come, first-served basis?
- a. Yes – 3
 - b. No – 12
 - c. Unsure - 4
6. If the City were to limit its special assessment debt per lot, where should the limit be? Note: Above ground infrastructure cost estimates have ranged from \$18,000 to \$30,000 per lot in 2013.
- a. \$25,000 maximum - 3
 - b. \$20,000 maximum - 4
 - c. \$15,000 maximum - 10
 - d. Other – 3

In general, infrastructure placed below ground (water and sewer lines etc.) is paid for by the developer and infrastructure installed above ground (curb, streets, street lights, etc.) are special assessed.

7. What share of above ground infrastructure costs should be the developer's responsibility?
- a. 100% - 8
 - b. 75% - 2
 - c. 50% - 8
 - d. 25% - 1
 - e. 0% - all should be special assessed – 2
8. What above-ground infrastructure costs should be the responsibility of the developer? (multiple responses allowed)
- a. Street - 7
 - b. Sidewalk Curb & Gutter - 2
 - c. Storm Sewer - 4
 - d. Street Lights - 1
 - e. All of the above – 7
 - f. None of the above – 5

26% of Mandan's tax base is commercial.
36% of Bismarck's tax base is commercial.

One of our goals has been to increase the % of Mandan's commercial tax base, which we feel would assist in reducing property taxes.

9. If special assessment policy should changes, should commercial development be treated the same as residential?
- a. Yes - 9
 - b. No - 9

c. Unsure – 2

The use of special assessments as a financing mechanism certainly has many aspects. Bismarck and Mandan are considered one community too many, however, the two cities finances vary considerably.

10. If Mandan’s assessment policies were more restrictive than Bismarck’s, would Mandan be viewed negatively?

- a. Yes - 9
- b. No
- c. Unsure - 8

A summary of comments received: If special assessments are known upfront it puts everyone on the same page; land values are now lower than Bismarck; financing the improvement would be better if included up front; long term people will purchase what they can afford; ND is unique in special assessments, most other states do not utilize this tool; do not believe having developers pay for infrastructure costs would deter development; if the commission is contemplating eliminating special assessments on new development, now would be the time (referring to the state of the economy); West Fargo has started extending special assessment debt from 15 to 25 years; in the end the user pays the bill whether it be in the lot and home price or special assessments, if the city were to eliminate specials it may be an advantage to the buyer as they could finance those specials over a 30 year mortgage than the 15 year term that is normal; elimination of special assessments may reduce the number of developers due to financing issues; customers or buyers are mostly concerned about the monthly payment, when specials come a year or two later, they may not be able to absorb those costs; it is about the “now” what is my payment now?; specials are not necessarily recognized dollar for dollar in an appraisal, thereby issues may arise in financing.

3. Closing Remarks

Mayor Van Beek thanked all those for attending and participating. The commission will continue its discussion on this important topic over the next several months.

ADJOURN

There being no further actions to come before the Board, Commissioner Frank moved to adjourn the meeting. Commissioner Rohr seconded the motion. The motion received unanimous approval of the Board members present and the meeting adjourned at 6:53 p.m.

/s/ James Neubauer

James Neubauer,
City Administrator

/s/ Arlyn Van Beek

Arlyn Van Beek
President, Board of City
Commissioners