

FINAL DRAFT
CITY OF BERLIN
SPECIAL ASSESSMENT POLICY

INTRODUCTION

The purpose of this policy is to clarify the responsibilities for funding the public improvements described herein. The following policies are intended to promote housing development and increase the residential tax base within the City of Berlin. A premise for this policy statement is to view housing development as a distinct industry. Consequently, incentives must be created to promote the orderly development of housing.

it is also recognized that the financial burden for public improvements falls on both residents as well as city government. Therefore, this policy is intended to minimize the financial impact of funding public improvements on all affected parties.

This policy shall cover the following areas:

1. Streets to include roadbed, storm sewer, curb and gutter, ditching, sidewalks, and hard surfacing.
2. Sewer and Water to include sewer and water mains, laterals, lift stations, and service connections.
3. New development, including the concept of a land development fee.
4. Payment options for special assessments.

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CATEGORIES OF PUBLIC IMPROVEMENTS SUBJECT TO SPECIAL ASSESSMENTS

<u>Category</u>	<u>Streets</u>	<u>Water and Sewer</u>
I.	Existing open streets	Water and sewer currently serves property.
II.	Streets are platted (owned) <u>or</u> City streets have been designated through the planning process (not owned but designated). Projects which are City installed without request of owner.	Property is not currently served (extension of existing utilities).
III.	New development in which street is not platted.	New development in which water and sewer is not currently provided.

Special assessment policies

1. Streets

- a. For category I streets, all improvements shall be paid for by the city, including curb and gutter, storm drains, and hard resurfacing. Because these improvements will be fully City funded and not subject to special assessments, the City shall reserve the right to determine if, when, and what improvements will occur.
- b. For category II streets, the city shall assess according to the schedule of assessments as approved by the Common Council on an annual basis. Costs for street improvements in excess of 36 feet in width shall not be subject to special assessments. Once a street is opened to a minimum 36 feet width, the street automatically becomes a category I street.

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- c. For category III streets, the initial road excavation and roadbed shall be constructed according to city specifications, with a minimum 36 feet width. Plat sponsors may exceed 36 feet width at their option and cost. Costs up to the minimum 36 feet shall be borne exclusively by the property owner.

2. Water and Sewer

- a. Lift stations and forced mains are not subject to special assessments.
- b. The cost of lateral maintenance shall be the responsibility of the property owner.
- c. For category I improvements, all improvements shall be paid for by the utility (City). The utility shall determine if, when, and what improvements will occur.
- d. For category II improvements, the following policy shall apply:
 - i. Mains and laterals will be provided and assessed to the property according to the schedule of assessments as annually adopted by the Common Council.
 - ii. When main extensions are made, laterals shall be required to serve all existing users of water and sewer, regardless of source. If laterals are requested within five years of construction of the initial improvements, the following penalties shall apply:

First year following improvements: cost + 100% of cost
Second year following improvements: cost + 80% of cost
Third year following improvements: cost + 60% of cost
Fourth year following improvements: cost + 40% of cost
Fifth year following improvements: cost + 20% of cost
Sixth and subsequent years following improvements: Cost
 - iii. Laterals are not subject to mandatory hook up to water or sewer system unless hook up is mandated by State laws or regulations.

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- e. For category III improvements, all costs for mains and laterals shall be borne by the property owner(s). Costs to be determined according to schedule of assessments.

3. Financing of improvements subject to special assessments

a. The City of Berlin shall allow for a repayment of special assessments over a 10 year period to lessen the financial burden on property owners. Interest shall apply at a rate of 7%, or at some other rate established by Council which is not otherwise limited by State law.

b. In order to reduce the financial burden on the city, it shall be the objective of the City to seek financing for larger projects which is not subject to the general debt limit of the City. Current vehicles for such financing are special assessment "B" bonds. The City shall make use of such financing tools to the maximum amount possible.

4. Term of Policy

It is the intent of this policy to provide an impetus for residential development in the City of Berlin. This policy shall remain in effect until December 31, 2004, and shall be subject to review on or after December 31, 1999.

ATTACHMENT "A"

CITY OF BERLIN RESIDENTIAL HOUSING INCENTIVE PROGRAM PROGRAM OVERVIEW

INTRODUCTION

The purpose of the Residential Housing Incentive Program is to encourage residential development by providing financial incentives to developers and builders of residential housing within the City of Berlin. The program is also intended to further enhance the City's residential tax base by providing incentives to property owners who are subject to special assessments for public improvements and choose to build improvements on their residential lots. The program is specifically designed to encourage housing development and increase the tax base in an accelerated fashion; therefore, incentives will be offered for a limited time period.

PROGRAM DESIGN

Effective March 21, 1995 and continuing through December 31, 1996, the City of Berlin will offer a rebate of up to 6% of the building costs for each parcel of property which is improved with a residential housing unit or to an existing improved residential lot which meets certain qualifications. The amount of the rebate shall not exceed the amount paid for the special assessments or residential development fee paid to the City for the parcel in question.

For builders or owners who prepay their public improvement assessments or residential development fee, or install dedicated public improvements at their own cost and to City standards, a maximum of 6% of the building costs will be available for reimbursement. For those paying assessments under an installment plan, the maximum reimbursement shall be 4% of the building costs, up to a maximum of the unpaid portion of the assessments. Attachment "B" provides examples of how the incentive "rebate" will work.

The rebate may be requested following the issuance of an occupancy permit (in the case of a new housing unit) or upon final inspection and approval (for new improvements on existing improved residential lots). The amount eligible for rebate shall be determined by the date an occupancy permit is issued or final inspection is completed.

For purposes of determining the value of the improvements

eligible for a rebate, the assessed value of the property as of the January 1 previous to the improvement being made shall serve as the base. For existing improved residential lots, only the value of the new improvements shall be used to determine the incremental increase in value. Increases in value due to reassessment or revaluation of the existing improvements shall not be used in the calculation of the amount eligible for a rebate. The Common Council shall be the final authority in determining any disputes on eligible value.

All undeveloped and developed residential lots in the City with current outstanding assessments shall be eligible, with the amount of rebate capped by the current outstanding balance on their assessment. For all special assessments not paid in full at the time the initial assessment notice is received (i.e. on any installment payment plan), only the outstanding balance of the special assessment at the time a permit is issued shall be used to calculate the rebate. Prepaid assessments not on any installment plan shall be eligible for a rebate based on the full amount of the prepaid assessment. Any property which is currently delinquent or has previously been delinquent on the outstanding special assessments are ineligible for a rebate.

The Common Council shall be the final authority on any interpretation of the regulations concerning this incentive program.

In order to encourage accelerated residential development, the incentive will gradually reduce after December 1996. The program will no longer be available for occupancy permits or building permits approvals issued after December 31, 2000.

**ATTACHMENT B
RESIDENTIAL HOUSING INCENTIVE PROGRAM
SAMPLE OF AVAILABLE "REBATES"**

A. Prepaid Development Fees or Special Assessments

	<u>Example 1</u>	<u>Example 2</u>	<u>% incentive available</u>
Parcel with prepaid development fee/special assessment of :	\$7,500	\$8,000	
Incremental value of residential unit/improvement:	\$10,000	\$150,000	
Amount of fee eligible for incentive "rebate":	6%	6%	
Maximum rebate available in :			
1995	600	8,000	100%
1996	600	8,000	100%
1997	480	7,200	90% 100
1998	360	5,400	80% 100
1999	240	3,600	40% 80
2000	120	1,800	20% 60
2001	0	0	0% 40
2002			20
2003		0%	

B. Development fees/assessments paid in installments

	<u>Example 3</u>	<u>Example 4</u>	<u>% incentive available</u>
Parcel with initial development fee/special assessment of :	\$7,500	\$8,000	
Incremental value of residential unit/improvement:	\$10,000	\$150,000	
Amount of fee eligible for incentive "rebate":	4%	4%	
Maximum rebate available in :			
	<u>Remaining Balance</u>	<u>Rebate</u>	<u>Remaining Balance</u> <u>Rebate</u>
1995	7,500	400	8,000 6,000 100%
1996	6,957	400	7,421 6,000 100%
1997	6,376	320	6,801 4,800 6,000 - 80% 100
1998	5,755	240	6,139 3,600 6,000 - 60% 100
1999	5,090	160	5,429 2,400 4,800 - 40% 80
2000	4,378	80	4,670 1,200 3,600 - 20% 60
2001	3,617	0	3,858 0 2,400 - 0% 40
2002			1200 - 20
2003			0 - 0

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HOUSING TASK FORCE

PRELIMINARY REPORT

MARCH 14, 1994

INTRODUCTION:

In late 1993, a Housing Task Force was established by the City Council for the purpose of examining City policies, practices and ordinances as the same relate to housing development and present recommendations for Council consideration. Such recommendations, if approved and adopted, would encourage development and construction of single and multiple family housing units. Construction of single and multiple family units, within the City of Berlin, would address increasing demand for such housing and add to the assessable tax base to fund increasing public service costs.

The Task Force consists of Richard Doro, Jerry Wenzel, Russell Wallace, Stan Shemanski, W. M. McMonigal, with meeting assistance and support from City Administrator, Mark Rohloff. The committee met for organizational purposes January 10, 1994 and has, prior to preparation of this report, met seven times with each meeting spanning approximate two and a half hours.

In its organizational process, the Task Force felt it could best achieve its responsibility by approaching the task parallel to the City's successful industrial development program. More specifically, the Task Force identified housing development as an "industry". The product of the housing industry is the production of housing units, both single and multiple family. The profit of the housing industry is the increased assessable tax base and resulting increased local tax collections. As the City has successfully done in encouraging industrial development, the Task Force felt the City must create certain incentives, make certain concessions and reinvest its profits in developing this industry.

The Task Force identified a further parallel to economic development in that policies to encourage the objective cannot be geared solely for the benefit of new development but must embrace equity and fairness to existing property owners.

The Task Force further felt any recommendations made must strike a fair balance between achieving the incentive while not unfairly impacting on the City's fiscal resources.

The Task Force identified areas of City policies, practices and ordinances which required examination in conjunction with making recommendations. These areas include the following:

1. Public improvement assessment policies.
2. Subdivision/platting ordinances and policies.

3. Zoning codes and requirements.
4. Building and housing codes.
5. Overall City planning.

For purposes of this PRELIMINARY REPORT, the Task Force is making recommendations principally in the area of assessment policies as the committee determined, after extensive investigation, that public improvement assessments are the single most significant factor in encouraging housing development and construction. The committee felt it was necessary to present preliminary findings to the Council and to receive further direction from the Council in this regard before proceeding to any final recommendations. Thus, this PRELIMINARY REPORT is limited to preliminary recommendations in the area of assessment policies though formulation of these preliminary recommendations have embraced related issues in the area of zoning, platting and building codes.

In formulating these preliminary recommendations, the Task Force has studied assessment policies from communities throughout Wisconsin through publications provided by the League of Municipalities as supplemented by individual community programs obtained by the City Administrator. The Task Force has evaluated traditional assessing mechanisms as well as alternative mechanisms including Residential Equivalency Units (REU's) and other devices. The Task Force has further received input from City property owners affected by past and future public improvement projects and the variety of concerns involved when public improvement projects are proposed.

The Task Force encountered some handicap to formulating preliminary recommendations because of the singular lack of new plats or development within the City of Berlin in the past 20 or more years. Most public improvement projects conducted within the City in the recent past have been initiated by the City and represent upgrades of existing City utilities and streets as opposed to creation of new streets in newly platted areas. As a result, the Task Force has attempted to break down its recommendations into types of public improvements and then, within each type of improvement, establish different categories of lands affected by such improvements. In so doing, the committee attempted to address the competing and conflicting interests of those seeking extension of public improvements into newly developed areas but, out of necessity, pass through existing neighborhoods and past property owners who are being involuntarily asked to receive such services.

The Task Force identified three general types of public improvements as follows:

1. STREETS: Including initial construction of roadbed, storm sewer, curb and gutter, and finish surfacing;
2. LIFT STATIONS: Required to provide availability of sewer

services to low lying areas of the City;

3. SEWER AND WATER SERVICES: Sewer and water mains and laterals.

The Task Force further found that property owners facing public improvement costs dislike uncertainty and would prefer fixed costs for various types of improvements. Presently, a contemplated public improvement project results in an initial proposal by the City, an informational meeting attended by affected property owners who typically oppose or question the need for the project, an engineering estimate of the costs, the City's decision to proceed with the project and the property owners involuntary payment for the costs. Until the project is completed, the actual cost to the property owners is unknown. The Task Force further identified certain areas of unfairness on a project-to-project basis. Principally among these was the lack of control by the property owners over planning and size of project. Specifically, a 400 foot public improvement project involving sewer, water and street reconstruction, when compared to a 1500 foot project including the same improvements, may result in a substantially different per foot cost and consequent assessment to the separate property owners. Because the property owners have no control over the size or scope of the project, property owners on "short projects" may end up paying higher costs for the same services that those on the "longer projects" paid. Likewise, the property owners have no control over engineering decisions that may be involved that may impact on actual costs of construction. For example, shallow sewers may be adequate to address the needs of the direct abutting property owners but engineering might suggest that deeper sewers, and more costly constructed sewers as a result, would be of greater benefit to the City in the long term to allow further utility extensions in the future. This results in the affected property owners on the current project bearing higher costs because of a future need than those directly required to service their properties.

To address these variables, the Task Force believes a schedule of fixed costs, or some variation, may be beneficial in giving property owners comfort that costs of a project are the same, project-to-project.

With respect to the types of public improvements outlined above, the Task Force made some findings regarding each category.

With respect to Lift Stations, the Task Force believes such costs ought to be borne entirely by the whole city and not merely the property potentially served by the lift station. The Task Force believes that all lands within the corporate limits of the City are entitled to the same access to public services. By requiring potentially serviced lands to bear the costs of a lift station to serve those lands, many areas of the City may never be available for development. Further, the Task Force identified a comparable in that all property owners/residents within the City are entitled to receive the same level of police and fire

protection, ambulance services, refuse collection services, street maintenance services, dog catcher services, etc. regardless of whether the service is being provided to property in the central City or in the outlying districts or property situated at the top of a hill or at the bottom of a hill. The same availability ought to be applied to lift station services.

With respect to Streets, the Task Force identified street construction or reconstruction as the most controversial portion of any public improvement project. Because future new development to facilitate the Task Force objective of developing housing growth will likely occur in the outlying portions of the City, any proposed project to secure public services to new development will necessarily pass through or across existing streets and existing neighborhoods. The typical argument presented by a property owner facing street improvement assessments is that the current street is satisfactory and no upgrade is required or, alternatively, the street upgrade is required because of the extension of utilities or other improvements being made for property further out. A secondary argument generally includes the fact streets area available for everyone's use and not for the exclusive use of the property owner who is being asked to pay a substantial portion of the cost of that street. An additional argument is that formalization of streets with the construction of storm sewers, curbs and gutters facilitate Public Works management by controlling water runoff and to facilitate street maintenance. The Task Force finds that the argument weighs in favor of the City assuming costs for street construction and upgrading subject to the more formal recommendations set forth later in this report.

With respect to Sewer and Water mains and laterals, the Task Force found these to be an inevitable necessity if increased housing activity is to be achieved. The Task Force found that such improvements are unquestionably of benefit to the properties being served and that assessment for these costs are entirely appropriate and necessary. However, the Task Force did identify certain inequities that exist within the current structure that may warrant modification and thus reduce potential opposition to projects. The Task Force has previously identified the need for consideration of fixed costs for such improvements. The Task Force believes that installation of laterals to existing structures should be mandated but lateral construction waived, under certain restrictions, to lands the abutting property owner represents as not available for development. The Task Force further believes that waivers should be granted to existing property owners currently required to hook up to municipal sewer and water services within one year after availability. This mandate typically forces a property owner to face abandonment of an otherwise functioning private sewage disposal system and well in favor of accepting municipal services and the ongoing quarterly costs.

The Task Force identified one advantage to the City in assuming responsibility for general street improvement costs. The advantage would be that the City would assume full control over the

decision making process as to which streets get attention, the extent to which the streets will be improved and the type of improvement to be made. Specifically, the City currently approaches a street upgrade project as a major and long term improvement typically including utility upgrades, curb and gutter and hard surfacing. Current City Codes require street upgrade projects to be handled in this manner. With modification of codes in conjunction with the City's assumption of this responsibility, the City could potentially be vested with authority to simply lay and overlay to improve street conditions ignoring curb and gutter and underlying utility improvements. This would allow the City's street budget to potentially be extended to cover more streets with lower level improvement leaving longer term improvements to be made when the City deems appropriate and necessary. Similarly, as the City's development lands expand, curb and gutters may not be initially appropriate. Extended construction activity and heavy truck traffic may mandate street construction to be delayed until after a certain level of development has been achieved. The Task Force believes that while the first impression would be that the City would assume substantial cost presently not borne, the flexibility may be an offset.

The Task Force further identified the "hassle factor" as a reason for the City to consider assuming this responsibility as the City would eliminate the need for public hearings and the assessment procedures. The "hassle factor" typically includes arguments of whether a street project is properly assessable or is merely "maintenance". The Broadway street project was an example of this type of debate. The City originally proposed major reconstruction of Broadway from Washington to Hunter. After objection from Mall merchants and many abutting property owners, the City essentially accomplished the same "street upgrade" but not with complete reconstruction as originally proposed. The project was ultimately completed with resurfacing, periodic curb and gutter replacement and installation and sporadic assessments. A more recent example identified by the Task Force include street projects completed within the past two years. West Park Avenue from Capron to Wisconsin was reconstructed including new surface and areas of replacement of curb and gutter. This was an area of an existing street with existing curb and gutter and the Task Force believes no assessments were levied for these improvements. By comparison, Moore Street from Wisconsin to Center was also reconstructed during the same time frame. This was an area of an existing street with existing curb and gutter. This street was reconstructed and looks remarkably like West Park Avenue after both projects were completed. However, property owners on Moore Street were assessed for the improvement. Both streets required work because of age and the wear of traffic. There was no opposition to the West Park Avenue project because there were no assessments made for the work. There was objection to the Moore Street project because there were assessments. Both projects were completed and Moore Street residents were subject to involuntary assessments.

For reasons stated in this introduction, the Task Force asks

that the City Council give serious consideration to the recommendations forthcoming. The Task Force asks that the City Council evaluate this preliminary report and its recommendations and, after an appropriate opportunity to seek public input, schedule the matter for discussion at an April Council Meeting where the Task Force will be present to address specific questions regarding the recommendations.

RECOMMENDATIONS:

For Council consideration and advice, the Housing Task Force respectfully requests endorsement by the City Council of the recommendations set forth herein with instructions that they be incorporated into any final report and recommendation presented by the Housing Task Force:

1. SCHEDULE OF COSTS/ASSESSMENTS:

- A. The Task Force recommends the adoption of a schedule of costs or assessments, to be adjusted annually in conjunction with the preparation of the City Budget, which would set forth unit costs or other measures of fixing costs to property owners for planned public improvement projects during the subject budget year. These fixed costs would cover areas as follows:
 - i) Per foot costs for sewer and/or water mains of a minimum size;
 - ii) Fixed charges for installation of sewer and/or water laterals regardless of length or depth;
 - iii) Per foot cost to abutting property owner of initial construction of category 2 streets as hereinafter defined;
 - iv) establishment of fixed "land development fee" to be applied in category 3 to projects as hereinafter set forth;
 - v) Such other costs as may be determined to be included and related to the subject projects.

2. STREET CONSTRUCTION:

- A. CATEGORY 1: Currently existing City streets opened for public vehicular traffic and generally maintained by the City and regardless of current state of improvement; Category 1 Streets would be subject to the City paying for all future improvements required for such streets reserving unto the City, however, the sole right to determine when and what improvements may occur in the future

to such streets including curb and gutter, storm drains, and/or resurfacing.

- B. CATEGORY 2: Streets in this category would include streets currently platted and owned by the City by virtue of plats placed of record on or before the effective date selected by the City or streets which may be placed on the City Map for future development through the City planning process, such streets being designated but not necessarily owned. Development of Category 2 Streets may be undertaken by the City provided that streets opened in Category 2 shall have a travelable surface not less than 30 feet wide and shall be constructed to street specifications, including base coarse travel to minimum specifications established by the City. Property owners abutting Category 2 Streets shall be responsible for assessment of a portion of the costs, such portion being established and fixed on the schedule of costs/assessments adopted by the City with such costs to each property owner generally not exceeding 20% of the total street construction costs.

After construction of the required roadbed as described above, the street would become a Category 1 street with all future street improvements being funded by the City.

- C. CATEGORY 3: Streets in this category are streets not in existence by approved plat as of the effective date selected by the City. Streets created by private platting or subdivision processes after the effective date would be Category 3 Streets and development of a minimum roadbed as set forth in Category 2 would be the sole and exclusive responsibility of the party proposing the plat. Street construction requirements and time frames shall be established as conditions when acceptance of the plat is made by the City. Once the roadbed has been constructed to City specifications, it then becomes a Category 1 street and the City assumes responsibility for street improvements.

3. SEWER AND WATER SERVICES:

- A. CATEGORY 1: Category 1 would include properties already served by existing sewer and/or water services. This category embraces properties where service has already been established for sewer and/or water services. Upgrading services or establishing new service to these properties would not constitute a benefit because these properties

already have the service. This category would include corner properties currently exempted only to the extent of 66 feet. This exemption would apply to all second street services provided that the depth of the lot along the side street would not, at some future date, be subject to subdivision and sale. As in Category 1 Streets, the City would retain the sole right to determine if, when and what improvements will occur.

- B. CATEGORY 2: Properties in this category are typically properties being served as a result of a City directed public improvement project. Properties in this category would typically include existing residential properties and undeveloped frontage. Properties in this category would face mandatory assessment for sewer and water mains as prescribed on the schedule of costs/assessments and laterals to existing residential or commercial structures would similarly be mandated and charged at the rate specified in the schedule of costs/assessments. Undeveloped frontage not currently needed for existing residential purposes would be entitled to either accept laterals at a prescribed spacing or apply for a waiver if the current property owner certifies that no subdivision or future development is likely to occur. To encourage property owners in Category 2 to install laterals where probable future development may occur or, alternatively, to discourage property owners in this category to opt for waiver simply to avoid current impact of cost, a contract would be required to be entered into similar to the contract currently utilized by the City but with some modification. In exchange for the installation of a waiver to current vacant land in Category 2, the contract would prescribe that no lateral would be requested for a period of five years after the completed project. If a lateral is installed in the sixth or subsequent year, the requesting property owner would be required to pay only the lateral construction cost as prescribed on the schedule of costs/assessments together with street repair costs. However, if a lateral is requested within the five years after project completion, the property owner requesting would be subject to a decreasing penalty. If the lateral is requested in the first year, the property owner would pay the cost of the lateral as prescribed on the schedule of costs/assessments plus a surcharge of 100% of that cost plus street repair charges. In the second year, the surcharge would be 80% of the lateral cost, third years 60% surcharge, fourth year 40% surcharge, fifth year 20% surcharge and

sixth year no surcharge, all plus cost of street repair.

- C. CATEGORY 3: Category 3 properties would be areas platted after the effective date of this program. Property owners of newly platted lands would be required to pay a "land development fee" as established on the schedule of costs/assessments which fee would include costs of sewer and water main and lateral installation to each prescribed lot within the subdivision together with street improvement costs as more specifically outlined herein.

4. LAND DEVELOPMENT FEE:

A land development fee would be imposed by the City in conjunction with plat approval. The land development fee would be established on the schedule of costs/assessments and would be computed on a per-front-foot of platted streets within the proposed subdivision and would contemplate a lateral for sewer and water services at prescribed intervals (greater than the current 66 foot requirement but not more than each 100 feet unless lot size within the proposed plat and zoning of proposed plat would otherwise direct); additional laterals required due to duplex or multi-family development would be in addition to the land development fee and as prescribed on the schedule of costs/assessments and over-sized laterals required would be subject to additional cost. The land development fee would further contemplate constituting a contribution to the ultimate costs borne by the City to install streets, curb and gutter or other street improvements as may ultimately be requested by abutting property owners.

The land development fee would be computed at the time of plat approval and fixed. The sponsor of the plat would be entitled to prepay into a City Trust Fund the total land development fee required for the plat subject to reimbursement from the Incentive Plan as hereinafter proposed. Alternatively, the sponsor of the plat would be permitted to have the land development fee fixed as a lien on each lot within the subdivision and subject to repayment as hereinafter set forth and further subject to credit under the Incentive Plan hereinafter set forth.

Any land development fees paid whether by advance payment or through annual incremental payments shall be segregated in a trust fund to be maintained for reinvestment in the plat generating those fees and the City, upon request from property owners within the subdivision for prescribed public improvements, shall give priority to those improvements utilizing such trust

funds.

5. INSTALLMENT REPAYMENT OF PUBLIC IMPROVEMENT ASSESSMENTS:

The Task Force recommends that the period for repayment of assessments be increased from the current five years to ten years. The Task Force further recommends that a threshold total assessment arising from one project be established and that assessments below such threshold shall be repayable over five years and assessments over such threshold may be repayable over a five to ten year period.

For example, total assessments of \$2500.00 or less would be payable over five years in minimum \$500.00 per year principal increments; a total of \$3500.00 would be payable over seven years still at minimum annual increments of \$500.00, etc.

Payment of land development fees on an incremental basis would permit the plat sponsor to have incentive credits applied to early installments as well as payments made from lots sales. The incentive would be credited against early installments of deferred payments. For example, if a plat sponsor had ten lots resulting in a \$60,000.00 land development fee being due, the plat sponsor entitled to a \$3,000.00 incentive credit would have that credit applied to the first installment due under the deferred payment plan. If the same sponsor also sold a lot which would trigger the payment of a \$6,000.00 lien release fee to permit the sponsor to sell the lot free and clear of the land development fee lien, that would be applied to the installments. This example would result in the credit coupled with the lien release payment equating to all of the first annual installment and half the second annual installment. This would result in the plat sponsor dealing with unpaid assessments only in the later years of the plat and not being required to pay annual increments in addition to any other credits or lien release fees paid.

The Task Force further recommends that the ten year repayment period for plat sponsors be adjusted to permit interest only on deferred increments for the initial two years of a ten year repayment plan with the principal to be repaid over an eight year period but not necessarily in equal increments. The Task Force felt that, absent any prohibition by statute, this modified repayment plan would allow for the typical lag period between launching a development and completion of preliminary improvements and initial sale.

The Task Force further recommends that mandated sewer/water hookups be modified to require hookups upon

current system failure or, alternatively, upon some life expectancy formula. This would reduce objection to a proposed project.

INCENTIVE PLAN:

The Task Force believes that many of the recommendations proposed thus far make development within the City more friendly. However, even with the elimination of some traditionally assessed costs for Category 1 and Category 2 street and sewer and water improvements, the Task Force recommendations still require a plat sponsor to bear the full or nearly full costs of traditional development. The Task Force felt that some additional incentive is necessary to entice plat sponsors to the community and to accelerate development.

The Task Force further recognizes that the underlying theme to this whole program is to increase housing units and to increase tax receipts. A \$100,000.00 addition to the City's assessable tax base would result in the City increasing its revenue by \$1,000.00 the first year. The Task Force identified the need for the City to "reinvest" in this plan. On that theory, the Task Force believes that if a plat sponsor can be encouraged to commence development and construction of improvements at the earliest possible stage, it accelerates the potential receipt of taxes for the benefit of the community. The Task Force is proposing, for preliminary consideration, that a credit of up to 5% of the assessed improvements to a platted lot be returned to the plat sponsor either from land development fees deposited or by credit against deferred land development fees if payable on the incremental plan. The maximum 5% credit would be available for assessed value created within the first two calendar years after plat approval excluding the year of approval if plat approval is given after April 1st with the credit decreasing 1% per year in each calendar year thereafter and providing that no credit would apply to improvements created in the seventh or successive years. By way of example, if the plat sponsor created a ten lot single family development, paid in \$60,000.00 in land development fees at the rate of \$6,000.00 per lot, a \$100,000.00 house constructed in the year of plat approval or in the first or second calendar year thereafter would result in a \$5,000.00 refund from the land development fees deposited into the trust fund. Because that refund would decrease the land development fund, improvements required for construction utilizing those funds would require a corresponding greater contribution from general City revenues. The City is essentially saying that if we can encourage a \$100,000.00 home to be constructed on this lot within the first couple years after plat approval, we will utilize the additional tax revenue from that permanent improvement to pay for improvements otherwise normally borne by the plat sponsor. This is essentially the TIF concept. The City is using the increased taxes generated from the new construction to pay for the infrastructure improvements needed to make the bare land otherwise buildable. The Task Force is requesting the City Council to give consideration, alternatively, to the incentive credit remaining

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constant for a longer period of time so the incentive remains very attractive. It may be impractical or impossible for a plat sponsor to construct and sell ten \$100,000.00 homes in a two year period no matter how the plat sponsor chooses to market them. The market may simply be unable to absorb them at that rate.

The Task Force would further recommend that these incentives, while directed at new plats, could be applied to development of existing lands upon which assessments exist or may in the future exist. For example, a property owner in a Category 2 sewer and water project may have an adjacent lot to which a lateral may or may not have been installed at time of original construction. That adjacent lot may be subject to an outstanding assessment for the sewer and water services. A land owner could apply to the City for an incentive credit if the land owner were to construct an improvement. If the land owner constructed a \$100,000.00 house on that lot, the land owner would be entitled to 5% credit against the assessment.

The Task Force did not contemplate any actual cash payments to persons improving property but rather the credit would be applied to assessments or land development fees to the maximum of those land development fees.

RETROACTIVITY:

The Task Force would recommend that these assessment modifications be retroactive to recently proposed or completed projects. Specifically, these assessment recommendations would be applicable to the improvements contemplated on Center and Waushara Streets, and these assessments policies, if adopted by the Council, should be retroactive to the Moore Street project with appropriate credits or refunds given to the assessed property owners.

The Task Force would recommend that the incentive program outlined be retroactive and applicable to any lands on which current assessments may be outstanding from any prior sewer, water, street or lift station project.

The Task Force appreciates the anticipated close review of this preliminary report and looks forward to an opportunity to meet in joint session with the Council to address specific questions and concerns of Council Members. The Task Force would request that such a joint session be scheduled during the month of April either in conjunction with a regular City Council Meeting if time permits or at a special session if that would be the Council's preference.

Upon receiving further direction from the City Council, the Task Force would then resume its deliberation and proceed further towards making final recommendations.

Respectfully submitted,

HOUSING TASK FORCE

RESOLUTION # 95 - 12

A RESOLUTION OF THE COMMON COUNCIL
OF THE CITY OF BERLIN, WISCONSIN
ADOPTING A RESIDENTIAL HOUSING INCENTIVE PROGRAM

WHEREAS, the Common Council of the City of Berlin created a Housing Task Force ("HTF") to recommend policies and programs which will stimulate residential growth and increase the tax base of the City; and

WHEREAS, on March 21, 1995, the Common Council of the City of Berlin approved a residential housing incentive program to implement some of the HTF's recommendations; and

WHEREAS, the Common Council believes that an incentive program is in the best interest of the City of Berlin to increase its tax base and promote balanced economic development.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMON COUNCIL OF THE CITY OF BERLIN:

1. The Common Council hereby adopts the Housing Incentive Program as outlined in Attachments "A" and "B".
2. The Common Council shall maintain full authority over this program and shall serve as the final authority on any questions or disputes arising from administration or implementation of this program.
3. In order to stimulate residential development in a timely fashion, this program shall be offered for a limited time and shall expire on December 31, 2000.

PASSED APPROVED, AND ADOPTED THIS 11TH DAY OF APRIL, 1995.

ROLL CALL VOTE:

6 AYES
0 NOES
0 ABSENT

CITY OF BERLIN

By

Harold R. Klassa
Harold R. Klassa, Mayor

Approved as to Form:

ATTEST:

Milton Spoehr
City Attorney

Louise Sedarski
Louise Sedarski
City Clerk

* * * DRAFT * * *
April 6, 1995
(new language shown in *bold italics*)

ATTACHMENT "A"

CITY OF BERLIN
RESIDENTIAL HOUSING INCENTIVE PROGRAM
PROGRAM OVERVIEW

INTRODUCTION

The purpose of the Residential Housing Incentive Program is to encourage residential development by providing financial incentives to developers and builders of residential housing within the City of Berlin. *The program is also intended to further enhance the City's residential tax base by providing incentives to property owners who are subject to special assessments for public improvements and choose to build improvements on their residential lots.* The program is specifically designed to encourage housing development and *increase the tax base in an accelerated fashion; therefore, incentives will be offered for a limited time period.*

PROGRAM DESIGN

Effective March 21, 1995 and continuing through December 31, 1996, the City of Berlin will offer a rebate of up to 6% of the building costs for each parcel of property which is improved with a residential housing unit or to an existing improved residential lot which meets certain qualifications. The amount of the rebate shall not exceed the amount paid for the special assessments or residential development fee paid to the City for the parcel in question.

* * * DRAFT * * *
April 6, 1995
(new language shown in ***bold italics***)

For builders or owners who prepay their public improvement assessments or residential development fee, or install *dedicated* public improvements at their own cost and to City standards, a maximum of 6% of the building costs will be available for reimbursement. For those paying assessments under an installment plan, the maximum reimbursement shall be 4% of the unpaid portion of the assessments. Attachment "B" provides examples of how the incentive "rebate" will work.

The rebate may be requested following the issuance of an occupancy permit (*in the case of a new housing unit*) or upon *final inspection and approval* (for new improvements on existing improved residential lots). The amount eligible for rebate shall be determined by the date an occupancy permit is issued or *final inspection is completed*.

For purposes of determining the value of the improvements eligible for a rebate, the assessed value of the property as of the January 1 previous to the improvement being made shall serve as the base. For existing improved residential lots, only the value of the new improvements shall be used to determine the incremental increase in value. Increases in value due to reassessment or revaluation of the existing improvements shall not be used in the calculation of the amount eligible for a rebate. The Common Council shall be the final authority in determining any disputes on eligible value.

* * * DRAFT * * *
April 6, 1995
(new language shown in ***bold italics***)

All undeveloped and developed residential lots in the City with current outstanding assessments shall be eligible, with the amount of rebate capped by the current outstanding balance on their assessment. For all special assessments not paid in full at the time the initial assessment notice is received (i.e. on any installment payment plan), only the outstanding balance of the special assessment at the time a permit is issued shall be used to calculate the rebate. Prepaid assessments not on any installment plan shall be eligible for a rebate based on the full amount of the prepaid assessment. Any property which is currently delinquent or has previously been delinquent on the outstanding special assessments are ineligible for a rebate.

The Common Council shall be the final authority on any interpretation of the regulations concerning this incentive program.

In order to encourage accelerated residential development, the incentive will gradually reduce after December 1996. The program will no longer be available for occupancy permits or building permits approvals issued after December 31, 2000.

DRAFT

ATTACHMENT B
RESIDENTIAL HOUSING INCENTIVE PROGRAM
SAMPLE OF AVAILABLE "REBATES"

A. Prepaid Development Fees or Special Assessments

	<u>Example 1</u>	<u>Example 2</u>	<u>% incentive available</u>
Parcel with prepaid development fee/special assessment of :	\$7,500	\$8,000	
Incremental value of residential unit/improvement:	\$10,000	\$150,000	
Amount of fee eligible for incentive "rebate":	6%	6%	
Maximum rebate available in :			
1995	600	8,000	100%
1996	600	8,000	100%
1997	480	7,200	80% 10
1998	360	5,400	60% 10
1999	240	3,600	40% 8
2000	120	1,800	20% 6
2001	0	0	0% 4
2002			20
2003			0

B. Development fees paid through deferred assessments

	<u>Example 3</u>		<u>Example 4</u>		<u>% incentive available</u>
Parcel with initial development fee/special assessment of :	\$7,500		\$8,000		
Incremental value of residential unit/improvement:	\$10,000		\$150,000		
Amount of fee eligible for incentive "rebate":	4%		4%		
	<u>Remaining Balance</u>	<u>Rebate</u>	<u>Remaining Balance</u>	<u>Rebate</u>	
Maximum rebate available in :					
1995	7,500	400	8,000	6,000	100%
1996	6,957	400	7,421	6,000	100%
1997	6,376	320	6,801	4,800	80%
1998	5,755	240	6,139	3,600	60%
1999	5,090	160	5,429	2,400	40%
2000	4,378	80	4,670	1,200	20%
2001	3,617	0	3,858	0	0%
2002					20
2003					0

Proposed