

TO: MAYOR AND CITY COUNCIL

FROM: LANELL ENDRES, ASSISTANT CITY ADMINISTRATOR

SUBJECT: INTEREST ON ASSESSMENTS-SOUTH OF SCHOOL PROPERTIES

DATE: MAY 6, 2014

BACKGROUND

The City Council directed staff to review information regarding the special assessment interest charges made to the ten properties involved in the 2013 water and sewer improvements to the area south of Highway 19 across from the schools. The property owners signed assessment agreements which stated, among other things, they would pay the assessment amount of \$15,000 spread over 15 years together with 5% interest per year on the unpaid balance. The agreement also states "Prepayment shall be accepted as provided by law. The first installment shall be payable in 2014." Staff certified the first installment to Goodhue County to be collected with the taxes payable in 2014 as stated in the agreements. The interest charge for the first installment is \$750 and the principal portion on that installment is \$695.13 for each of those ten properties.

At the last Council meeting, several residents impacted by these assessments were present and indicated they felt they should not have been charged the first installment because they intended to pay the amount in full. The agreement did not specify a date. We verified the process with the City Attorney regarding what would need to be done to make any changes to the agreements. We were informed that if the City were to make any adjustments to the agreements, including offering a refund, either full or partial, the property owners would need to sign an addendum to the assessment agreement.

There are several options for the Council to consider.

1. Not make any changes to the agreements or amounts due;
2. Amend the Assessment Agreement to extend the date by which the assessment needs to be paid in order to avoid any interest charges;
3. Amend the Assessment Agreement to extend the date and offer a partial refund of the interest charges.

It needs to be made very clear that regardless of any action that may be taken by the Council, the property owners need to pay the full amounts shown on their tax statements to the County by the dates indicated on those statements. If they do not pay the full amounts (either paid in two installments by May 15th and October 15th or paid in one installment for the entire year's taxes by May 15th), they will incur penalties and interest charges by Goodhue County. If any adjustments to the interest charges are

approved, they would be provided as refunds from the City-not as a reduction of the amount paid to the County.

STAFF RECOMMENDATION

Staff is recommending the Council authorize an amendment to the Assessment Agreement for the property owners that wish to pay the full amount of the assessment in order to avoid any interest charges by allowing them to pay in full by June 30, 2014. We also recommend that the principal portion paid on the property taxes be deducted from the amount due to the City which would result in the payoff amount payable to the City to be \$14,304.87. We further recommend that the interest charges be fully refunded upon proof of payment to Goodhue County. Acceptable proof of payment would be either a cancelled check or a receipt of payment from the County and the interest portion would be refunded either in one payment (\$750) if paid in one payment or half of the amount (\$375) twice depending on how the property owner made payment to the County.

REQUESTED COUNCIL ACTION

Staff respectfully requests a motion to authorize an amendment to the Assessment Agreement as recommended.

Attachment:
Proposed Addendum to Assessment Agreement

SPECIAL ASSESSMENT AGREEMENT ADDENDUM

AGREEMENT made this _____ day of _____, 2014, by and between the **CITY OF CANNON FALLS**, a Minnesota municipal corporation (“City”) and

(“Property Owner”).

RECITALS

- A. Property Owner is the fee owner of real property as described on the original Special Assessment Agreement.
- B. The City has installed public water and sewer laterals to serve the Subject Property (“Public Improvement”) and specially assessed \$15,000 against the Subject Property for said improvement.
- C. Property Owner has requested to pay the full amount of the special assessment without interest.

NOW, THEREFORE, IN CONSIDERATION OF THEIR MUTUAL COVENANTS, THE PARTIES AGREE AS FOLLOWS:

- 1. SPECIAL ASSESSMENT.** The first installment of principal and interest was certified to Goodhue County for collection with the 2014 property taxes; however, prepayment in the amount of \$14,304.87 shall be accepted until June 30, 2014. If prepayment is received by the stated date, a refund of the interest portion of the assessment (\$750.00) paid to Goodhue County shall be provided to the Property Owner from the City. The principal portion paid to the County will not be refunded. Refunds will be provided upon receipt of proof of payment by either a copy of a cancelled check or receipt of payment from Goodhue County. The refunds shall be given in the same manner in which the interest was paid to the County with regard to full payment of entire year’s taxes in one installment or half of the taxes paid in two installments. Refunds shall be processed within 35 days of the receipt of the proof of payment.

No refunds of additional charges of interest or penalty due to late payment to Goodhue County will be given.

- 2. ADDENDUM.** This Addendum shall be attached to the original Public Improvement and Special Assessment Agreement and shall become a part of the agreement thereof.

CITY OF CANNON FALLS:

BY: _____
Lyman M. Robinson, Mayor

AND: _____
Ronald S. Johnson, City Administrator

STATE OF MINNESOTA)
)ss.
COUNTY OF GOODHUE)

The foregoing instrument was acknowledged before me this _____ day of _____, 2013, by Lyman M. Robinson and Ronald S. Johnson, respectively the Mayor and City Administrator of the City of Cannon Falls, a Minnesota municipal corporation, on behalf of the corporation and pursuant to the authority granted by its City Council.

Notary Public



PROPERTY OWNER:

NAME

NAME

STATE OF MINNESOTA)
)ss.
COUNTY OF GOODHUE)

The foregoing instrument was acknowledged before me this _____ day of _____, 2013, by _____ and _____, husband and wife.

Notary Public