

ments is the same as the average coupon rate being paid on the bonds. Until paid in full, the special assessment represents a lien against the property involved. Normally, the property owner's mortgage company will escrow the annual assessment on a monthly basis and will disburse the assessment to the County Treasurer.

A special assessment is not considered a property tax and is not an income tax deduction according to the State and Federal income tax codes.

### **Project Costs**

In addition to the cost of construction, there are direct costs associated with financing and project administration. Engineering fees for design services and construction management services will be from 10-15 percent of the construction cost. Legal fees and the costs associated with issuance of bonds for the project may be 5-10 percent, depending on the size of the bond issue. These costs are included in the financing of the district and the assessment to the property owners.

### **Engineering and Design**

Based on the direction of the Board of County Commissioners through the Authorization Hearing, project plans and specifications for the improvements are designed by a registered professional engineer through the Transportation Department. In all cases, improvements are designed to meet County standards for road construction. The design work will also include analysis of drainage systems, and any changes in drainage associated with the proposed improvements. If the purpose of the LID is for paving an existing County road, all the engineering and construction costs incidental to the addition of the paving are included in the LID.

### **Construction Contract**

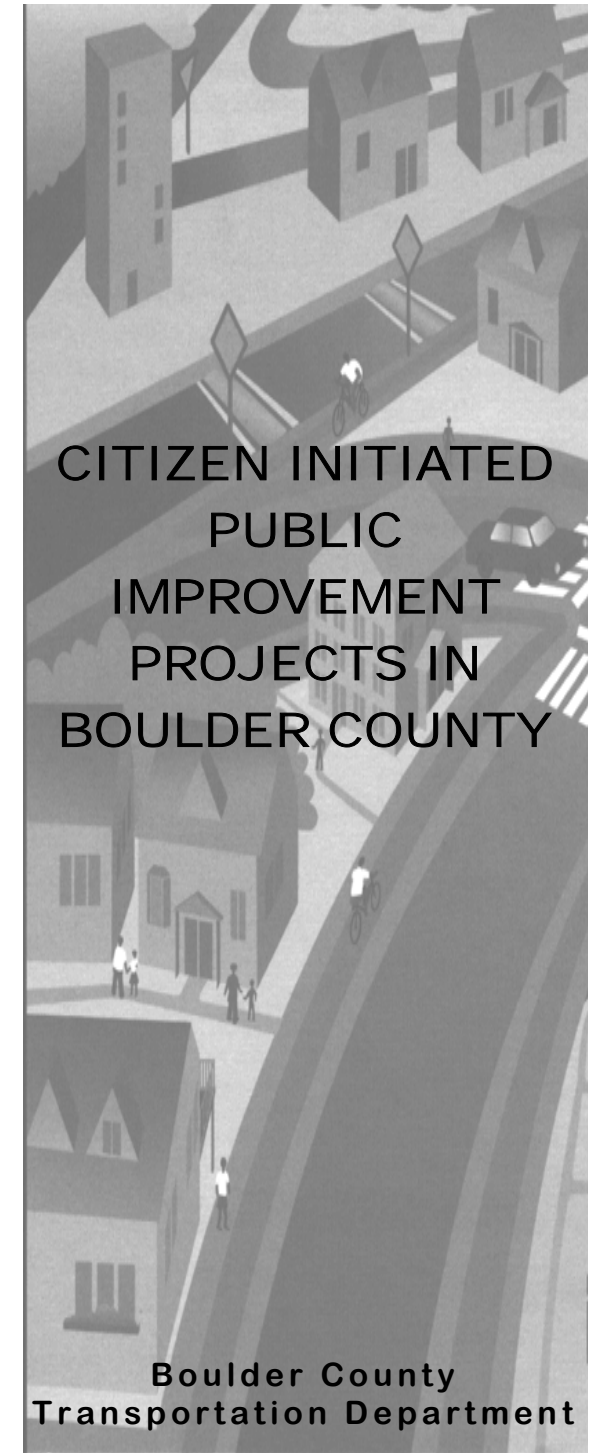
The Colorado Statutes for LIDs require that the improvements are contracted and implemented through a competitive bidding process where the contract is awarded to the lowest, most responsible bidder. Before finalizing a construction contract,

the Contractor must supply an executed labor, materials and performance bond to assure completion and a warrantee of the work. During construction, work is inspected by members of the Boulder County Transportation staff and by the design engineer to assure compliance with project specifications and County minimum standards. After the final inspection by the County, a legal notice is published to require notification of any claims against the contractor prior to a final settlement with the Contractor. The warrantee period is for one year after completion of the work.

## **Boulder County Transportation Department**

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## Local Improvement Districts

Colorado statutes provide a means by which residents may, with assistance of County government, work together to finance and construct improvements for the benefit of a neighborhood. The following is to provide information to property owners contemplating improvements to a public road for better drainage, sidewalks, paving gravel roads and in some cases, County acceptance of the roads for maintenance. Such mechanisms, or improvement districts, can be initiated either through citizen action, or by the Board of County Commissioners.

Some local improvement districts (LID) are used to bring about road improvements such as, storm drainage improvements, storm sewers, paving, curb, gutter and sidewalks, and may be initiated by a petition of residents within the proposed district. The improvement is financed by issuance of special assessment bonds and repaid by the residents through payment of special assessments.

Financing the district through the assessment bond requires that the qualified electors residing in the district approve the assessments or property taxes at the general election in November. The election is a requirement of the Colorado Constitution and is more commonly known as “Amendment 1, the TABOR amendment or the Bruce amendment.”

The time line for implementing a LID is approximately eighteen to twenty-four months from the initial petition process to construction of the improvements.

### Formation of a Local Improvement District

The process of forming a local improvement district usually begins with a request from a substantial majority of the property owners to make public improvements within their surrounding neighborhood. Upon receipt of such a request, the Boulder County Transportation Department, at the direction of the Board of County Commissioners, prepares a conceptual cost estimate for the project,

a map of the project area, and a description of the improvements. The Transportation Department will assist with the coordination to hold a neighborhood meeting in order to discuss the issues surrounding the improvements and the assessments. This information can then be modified and used in a petition which can be circulated to form the district. Upon presentation of a properly written and executed petition, the County normally proceeds to hold a public hearing to consider formation of a district. After formation of a district by resolution, the next public hearing scheduled before the Board of Commissioners is to consider approval of construction of the improvements. This hearing is called an Authorization Hearing. Prior to each hearing, all affected property owners are notified by mail of the time and place for the hearings, and by publication of a legal notice. At each hearing the Board of County Commissioners may approve, alter, or disapprove the LID.

In order to meet the submittal requirements for the November ballot, the petition process must be complete by

May 1st, and the district's creation resolution adopted by the Board of County Commissioners by June 1st.



### Financing the District

At the time of formation for each district, the Transportation Department determines an estimate of expenses for the district and proposed Treasurer's

assessment roll for the project. Expenses include, in addition to the cost of construction, engineering design and inspection fees, legal fees, bond interest during construction, incidental expenses and the cost of the bond issuance. After the total cost is determined and the project is approved, special assessment bonds are issued through an independent investment banking broker to finance the project. The County may choose to construct the improvement prior to issuing the bonds in order to reduce the interest cost. Interest rates on assessment bonds or municipal bonds fluctuate with changes in the interest rate market, although they are usually several points below private financing rates.

### Assessments

The cost of the project is apportioned to each lot or tract of land in the district. According to law, the costs must be apportioned in an equitable manner, according to the benefit derived by the properties being assessed. The state statutes provide that the costs may be apportioned on a per lot or frontage foot basis. The method of the assessment must be determined prior to the petition process. After preparation of the final assessment roll, or a list of the properties to be included in the district, an assessment hearing is held before the Board of County Commissioners to consider the apportionment and any complaints or objections which may be made by property owners. The assessment hearing is usually held after the general election and prior to the final design and construction of the improvements. All property owners are notified of the hearing and the proposed assessments both by mail and by publication of a legal notice. After the hearing and subsequent passage of an assessing resolution, the assessments become final and are due and payable within 30 days. The property owner may elect to pay the assessment either in whole or in annual installments with interest payments on the unpaid balance. The period of payment is usually ten years, although it can be a period of up to twenty years, depending on desires of the property owners and conditions in the bond market. For those individuals electing to pay in installments, the interest rate being paid on install-

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