

ENB-12.02 - Assessment Loan Program Policy

ASSESSMENT LOAN PROGRAM POLICY

Administrative Rule Adopted by Auditor's Office Pursuant to Rulemaking Authority

ARB-ENB-12.02

PURPOSE

The purpose of this policy is to establish the basis and guidelines by which property owners finance special assessments of the City of Portland. Property owners have the right under City Code and Oregon Revised Statute to finance certain incurred charges or special assessments such as Local Improvement District assessments, Sidewalk Repair, and various System Development Charges (SDCs) for the Bureau of Environmental Services, Portland Office of Transportation, and Portland Parks & Recreation.

POLICY

A. Principles. The Assessment Loan Program is guided by the following basic principles:

1. Assessment loans are available to any property owner to finance special assessments which result from local improvements, system development charges or sidewalk repairs.
2. To the greatest extent possible, the Auditor's Office will promote the use of 5 and 10 year loan terms in order to minimize the loan servicing costs to property owners and increase the financial integrity of City debt service funds.
3. To the greatest extent possible, the Auditor's Office shall process installment payment contracts within 30 days of receipt.
4. To the greatest extent possible, the Auditor's Office shall not include in a bond sale any installment loan contract which is less than six months old or which is more than 60 days past due.
5. The Auditor's Office shall work collaboratively with the City Debt Manager to establish permanent interest rates on assessment loans within 60 days of the closing date of the related bond sale.
6. The Auditor's Office shall assist the City Debt Manager to determine the size and issuance schedule of related improvement bond sales.
7. The Auditor's Office shall recover all recording and financing costs through a non-refundable fee. The fee may be paid at the time of filing the contract, or financed as a part of the assessment loan.

B. Loan Processing. The Auditor's Office shall adhere to the following guidelines when processing installment payment contracts:

1. The Auditor's Office shall accept only those contracts which are complete and signed by all recorded owners. The Auditor's Office may accept contracts signed by others, only if the contract is accompanied by appropriate documentation of the person's authority to enter into the contract. The Auditor's Office shall rely on the current information found on the county property tax records to determine the name(s) of the current owner. Under no circumstances shall the Auditor's Office accept contracts which have been signed by leasees or renters.
2. The Auditor's Office shall establish the mailing address of the assessment loan based on the information provided in the contract, or if none is provided, the mailing information found on the county property tax record.
3. Except for System Development Charge contracts (SDC contracts), the Auditor's Office shall return incomplete contracts to the property owner with appropriate instructions to ensure satisfactory completion of the contract. The property owner shall be responsible for any interest, penalties or costs which may accrue as a result of the filing of an incomplete contract.
4. In the case of SDC contracts, the Auditor's Office shall work with the respective City bureau or property owner to correct errors or omissions in the contract prior to creating a lien record. In no case shall the original contract be returned to the property owner or bureau without being directed to do so by the responsible bureau. If so directed, the bureau making the request shall be responsible for the contract, and for documenting in their system that the contract has been returned and that the charges have not been financed and are still due. In such cases, the Auditor's Office shall not be held responsible for contracts returned to any City bureau.
5. The Auditor's Office shall determine the City status of each contract. In cases of contracts for properties located outside of the City limits, the Auditor's Office shall record the contract with the appropriate county, as well as the Docket of City Liens. If the affected property is located within the City limits and outside of Multnomah County, the Auditor's Office shall record the contract with the appropriate county, as well as the Docket of City Liens. For

properties located in the City limits and Multnomah County, the Auditor's Office shall record the contract only in the Docket of City Liens.

6. The installment payment contract represents an irrevocable selection by the property owner of the amount to be financed and the method of repaying the loan.
 - a. The installment payment contract may not be cancelled if any of the following conditions are present:
 - i. Contract is for a Sewer SDC for a property which has connected to the sewer system;
 - ii. Contract is for a Parks and/or Transportation SCC in which a permit has been issued and the bureau determines that the charges are still in force;
 - iii. Contract which have been closed for purposes of selling municipal bonds;
 - iv. Contract for which the City has received installment payments;
 - v. Contract for which the cancellation request has not been received by the due date of the third installment bill for monthly accounts, or by the due date of the first installment bill for semi-annual accounts.
 - vi. Contract is for the financing of LID or Sidewalk Repair assessments.
 - b. The repayment frequency and length of contract may not be altered if any of the following conditions apply:
 - i. The financed lien has a delinquent balance.
 - ii. If the number of installment already billed exceeds the following:
 1. 6 bills for 5 year monthly contract.
 2. 18 bills for 10 year monthly contract.
 3. 36 bills for 20 year monthly contract.
 4. 6 bills for 20 year semi-annual contract.
 - iii. Exception shall apply to a property owner who qualifies for the State of Oregon Senior Deferral program and requires semi-annual repayments.
 - c. In all other cases, the Auditor's Office shall consider a property owner request to cancel the contract (SDC's only) or to change the installment payment option based on the following conditions:
 - i. The request to cancel or change an installment payment contract must be made in writing and signed by all current property owners.
 - ii. The request to cancel a contract must be approved by the respective City bureau.
 - iii. The request for cancellation must be received in the Auditor's Office before the sale of related municipal bonds.
 - iv. In the case of a cancellation, the request must be accompanied by full payment of the financing fee. In the case of requests to cancel system development charges, received after assessment by Council, the request must be accompanied by full payment of the financing fee and cancellation charges to defray the costs incurred in canceling the contract. See "DETERMINATION OF FEES CHARGED FOR SDC LIEN CANCELLATIONS" shown at the end of this policy.
 - v. The City shall limit the request for a change in the installment payment option to only current accounts.
 - vi. The City shall not process changes from semi-annual to a monthly payment frequency except for on a normal semi-annual billing date (not on a delinquent billing cycle).
 - vii. A change in payment option shall be requested and granted only once.
 - viii. In the case of a change in installment payment option, the request must be accompanied by a \$25 option change charge.
 - d. The Auditor's Office may waive charges and fees related to a request to alter or cancel an installment contract if the alteration or cancellation requested is due to an oversight, error, or omission by City staff. In cases of

cancellation, the appropriate City bureau shall reimburse the Auditor's Office the financing costs, which represent its cost of originally processing the contract.

C. Loan Terms and Conditions. Assessment loans carry the following terms and conditions:

1. **Payment Schedule.** Assessment loan billings begin within 4 to 6 weeks of the City receiving a monthly contract, or within 6 months of receiving a semi-annual contract.

2. The City calculates installment amounts as follows:

Monthly Payment Option. Equal monthly installments are based on a standard loan payment schedule, similar to those used for mortgages, home improvement loans and automobile loans.

Semi-Annual Payment Option. Installment payments are billed every six months. Each installment consists of one fortieth (1/40) of the original loan amount plus 6 months of interest on the outstanding balance.

3. **Special Certification for 5-Year Loans.** The 5-year loan term option may be selected on a voluntary basis. In so doing, the property owner consents to repay this contract in less than the 10 year minimum term required of State law. The property owner acknowledges that this contract accurately describes the assessed property and the local sewer improvement for which the assessment is made. In addition, the property owner acknowledges that the loan amount described in this contract is a lien which is recorded in the City Bonded Lien Docket.

4. **Interest Rates and Billing Charges.** The City finances the installment loan by selling municipal bonds at favorable interest rates. Prior to the bond sale, the installment interest is based on an interim interest rate, which is determined by the City Debt Manager and is currently set at 6.75%. After the bond sale, the installment interest cost is based on a rate equal to the true interest cost of the bonds plus a financing rate recommended by the City Debt Manager and authorized by City Council. A separate interest rate will be calculated for each of the 5, 10 and 20 year loan terms. Each bill includes a billing charge which may be adjusted at any time without notice. The current charge is \$3.00 per bill.

5. **Late Interest and Penalties for Non-Payment.** The City charges late interest based on the amount of the past due installment(s) principal, the loan interest rate and the amount of time that each installment payment is past due. The City may charge a penalty equal to five percent (0.05) of the delinquent installment balance when the installment is more than 30 days past due. The City may add a collection charge of \$25.00 for each collection letter sent after the loan is 60 days past due. Beyond 60 days past due, the City may declare the loan in default and require payment of the entire unpaid balance, plus interest, penalties, billing charges and collection charges.

Beyond one year past due, the City may revoke any special sewer assistance, and assess the property for the amount of assistance provided by the City.

The assessment loan is secured by a lien on the benefited property. The City lien may be assumed when the property is transferred, however the City may not subordinate the lien. The City may enforce its property lien by foreclosing and selling the property to collect the outstanding loan balance and all related costs.

6. **No Penalty for Pre-Payment.** Property owners may shorten the payment period by paying more than the required amount. The entire unpaid balance may be paid off at any time, with interest to the date of final payment.

7. **Change of Address.** The property owners are responsible for notifying the City of any change of address.

8. **Finance Fee.** The City charges a non-refundable financing fee to pay for processing the loan and selling bonds. The current fee is \$40.00 plus 0.49% (.0049) of the loan amount.

9. **Bond Reserve Fee.** In addition, the City may charge a bond reserve fee if required to sell assessment bonds. Proceeds from the bond reserve fee is dedicated to a reserve account and used as security for the assessment bonds.

AUTHORITY:

City Charter: 9.801

Ordinance: 166334

PCC: 17.12.140; 17.13; 17.14; 17.15; 17.28.150

ORS: 223.208; 223.210

APPLICABILITY:

This policy applies to all special assessments financed by the City of Portland and recorded in the Docket of City Liens. All managers, supervisors, and staff of the Auditor's office will consistently apply the policy to all City liens.

DETERMINATION OF FEES CHARGED FOR SDC LIEN CANCELLATIONS:

INTRODUCTION

There are times when property owners who have signed SDC contracts, and have locked into current rates to be paid over a five, ten or twenty year period request to have their contract cancelled. The cancellation request usually is a result of bank requirements during the sale or refinancing of the property.

Per Ordinance 166334, the property owner must request the cancellation in writing. In addition, the property owner must revoke their right to the same SDC rates, charges and financing costs as stated in the signed contract. To facilitate these requirements, the Auditor's Office has made available a form entitled "Request to Cancel Installment Payment Contract" which the property owner can sign.

An Installment Payment Contract may not be cancelled under any of the following 6 (six) circumstances:

1. The contract is for a Sewer SDC and the property has connected to the public improvement;
2. Installment payments have been received on the contract;
3. The contract is for a Parks or Transportation SDC where the permit has been issued and the bureau asserts that it is still in force;
4. The contract has been closed for a Bond Sale;
5. The cancellation request was received after the due date of the third installment for monthly accounts, or after the due date of the first installment for semi-annual accounts;
6. The contract is for a LID or Sidewalk Repair assessment.

CANCELLATION CHARGES

In accordance with Ordinance 166334, the City Auditor established fees and charges related to the cancellation of installment payment contracts. On the "Request to Cancel Installment Payment Contract" form, the total amount of the financing fee and cancellation charge is indicated. Payment of this amount must be received with the cancellation request. The amounts that may be charged are as follows:

- (1) The contract **financing fee** (originally determined at the time of contracting). This fee covers the cost of creating the account and handling the original contract.
- (2) A **fixed cancellation component** of \$35.00 for labor and computer costs for canceling the lien account.
- (3) A **variable cancellation component** of \$4.00 for each outstanding installment plus the outstanding billing transaction costs incurred (currently at \$3.00). This variable cost is to cover the labor and computer costs to cancel the bills, and the billing transaction costs.

THE SDC CONTRACT HAS NOT BEEN ASSESSED

Only the contract **financing fee** is charged.

THE SDC CONTRACT HAS BEEN ASSESSED AND BONDED, BUT NOT CLOSED

The contract **financing fee**, the **fixed cancellation component**, and the **variable cancellation component** are charged.

Exceptions to the above:

In rare cases, upon approval by the responsible Bureau and the Chief Deputy Auditor, or their designee, an account that has had payments applied to it may be cancelled. A typical situation is where one or two payments have been received, and would be forfeited by the owner due to the costs involved in refunding the payments and adjusting the lien account.

If an account has been assessed, bonded, and closed, and has been approved for cancellation as an exception by the responsible Bureau and the Chief Deputy Auditor, or their designee, then all three cancellation charges apply. In addition, a *fixed bonded closed component* of \$27.00 is charged to cover the cost of preparing entries to reimburse the bonded fund as well as support documentation.

EXHIBITS

- Exhibit A - [SDC Lien Cancellation Fee Worksheet](#)
- Exhibit B - [Request to Cancel SDC Installment Payment Contract](#)
- Exhibit C - [Support for SDC Cancellation Fees & Rates](#)

HISTORY

Filed for inclusion in PPD September 28, 2004.