



## Special Assessment Policy

City of Maplewood, Minnesota

Adopted by the Maplewood City Council on February 8<sup>th</sup>, 2010

Policy Revisions

xxxxxxx

**TABLE OF CONTENTS**

1.0 POLICY GOALS .....3

2.0 INTRODUCTION.....3

3.0 POLICY DEFINITIONS .....4

4.0 METHODS OF ASSESSMENT .....6

5.0 ASSESSMENT UNIT RATES.....7

6.0 PAYMENT OF ASSESSMENTS .....7

7.0 DEFERRED ASSESSMENTS.....8

8.0 ASSESSMENT CONSIDERATIONS.....8



## 1.0 POLICY GOALS

The goals of Maplewood's special assessment policies and procedures are to:

- A. Provide a stable and continuing source of funding within the financial capacity of the City to accommodate infrastructure needs for new development, redevelopment, and maintenance within the community in a cost-effective manner.
- B. To be responsive to community needs and desires for health, safety, welfare, accessibility, and mobility provided by new infrastructure and the maintenance of existing assets.
- C. Provide for and ensure consistent, uniform, fair, and equitable treatment, insofar as is practical, lawful, and possible, of all property owners in regard to the assessment of cost for benefits to properties for the qualifying improvements listed in Minnesota Statutes, Chapter 429.
- D. Provide the City Council and staff with guidelines and methods to efficiently distribute infrastructure costs to benefited properties in an equitable and consistent manner.
- E. Provide a comprehensive, well-constructed and well-maintained infrastructure system that services individual properties and takes advantage of economies of regional scale and allows for flexibility in the timing of infrastructure development.
- F. To provide an effective tool for the management of municipal resources to support a highly functional and well-maintained system of infrastructure that promotes economic development and growth, fosters a sense of pride throughout the community, and facilitates the development and adoption of short and long-range capital improvement plans by identifying the extent and sources of funding available.

## 2.0 INTRODUCTION

A special assessment is a charge imposed on a property for a particular improvement that benefits those selected properties. Minnesota Statutes, Chapter 429, grants cities the authority to use special assessments to levy and collect assessments to help fund a broad range of public improvements. Special assessments are one of several funding sources that the City utilizes to fund public improvement projects, thereby reducing the reliance on the general tax levy.

Chapter 429 limits a special assessment to the benefit the property receives, which is equal to the increase in market value of the property as a result of the public improvement. This can be determined by appraisals completed prior to and after the subject public improvement project.

Special assessments are a valuable tool for cities to help fund public improvement projects by assigning a portion of the improvement costs to benefited properties. The properties benefiting

City of Maplewood, MN  
Special Assessment Policy

from the public improvements also have the opportunity for involvement with the City Council as outlined in the Chapter 429 process, notably through public hearings.

While the special assessments goals, policies, and procedures have been identified herein, the City Council has the authority to deviate from this policy when equity or compliance with the law requires such deviation.

### **3.0 POLICY DEFINITIONS**

- A. Abutting Property: A property which has a boundary line that directly touches a public improvement project.
- B. Non-Abutting Property: A property which is adjacent, near, or close to a public improvement project but is not abutting.
- C. Access: Properties shall be considered to have access to public street improvements when they may enter onto the improvement from their own private driveway, private road, common driveway, shared easement, or a public street.
- D. Adjusted Factor: A factor that modifies the assessment rate, assessable area, or assessable front footage to more accurately represent the true benefit that the property receives from the public improvements. The adjustment factor will be based on the improvement design parameters that are applicable to that parcel, as approved by the City Council. Design parameters that may be used to determine the adjustment factor include, but are not limited to: developable area, lot area comparison to surrounding lots in order to calculate equivalent front footage, trip generation; storm water runoff coefficients; water or sanitary sewer use; needed fire flow; and zoning or future land use.
- E. Adjustable Frontage: The front footage of a benefited property that has been modified by an adjustment factor to more accurately represent the true benefit that the property receives from the public improvements. This is useful for flag lots or other improved properties that have little direct frontage adjacent to the improvement, but from which access is available directly to and from the improvement area.
- F. Assessable Costs: Those costs of public improvements that benefit abutting and/or non-abutting properties include, but are not limited to, land acquisition, demolition, construction, administration, and engineering, legal, financing and other costs as determined by the City Council. The financing charges include all costs of financing the project. These costs include, but are not limited to, financial consultant's fees, bond attorney's fees, and capitalized interest.
- G. Assessable Area: The assessable area is the total area of a benefited property, when using an area based assessment.
- H. Assessable Footage: The assessable footage is the total front footage of a benefited property, calculated by using the front footage method.
- I. Assessment Rate: Is determined by taking the lesser of the Maximum Assessment Rate and the assessment rate established by the special benefit appraisal.

- J. Assessment Unit: Front footage, area or a single family residential standard lot.
- K. Benefit: The increase in market value as a result of a public improvement such as, but not limited to, a street, sidewalk, trail, curb and gutter, water main, sanitary sewer, storm sewer, park, or street landscaping.
- L. Deferment: A process of postponing the collection of the special assessment with the intention of collecting it at a later date.
- M. Front Footage: The distance of a property measured along the right-of-way line that directly abuts an improvement.
- N. Lot Definitions:
1. Standard Lot: A lot that abuts and has access to a street on only one side of the lot.
  2. Corner Lot: A lot located at a street intersection abutting a street on both the front and side of the lot.
  3. Double Frontage Lot: A non-corner lot abutting two separate streets.
  4. Non-Abutting Lot: A lot which benefits from a public improvement but does not directly abut the improvements.
- O. Maximum Assessment Rate: The maximum assessment rate is determined and annually adopted by the City Council. The Council adopts a unit rate which is associated with a single family residential lot as defined by the City's zoning code. If a residential property has frontage that allows for a future lot split (such as 150 feet allowing for two 75 foot wide lots), the second lot would be assessed. Commercial and multi-family properties are assessed on a front footage basis, while single family residential is assessed on a unit basis. The commercial rates are 1.5 times the amount of a single family residential rate due to the increased use of the improvement. The commercial and multi-family rate is calculated by multiplying the single family residential unit rate by 1.5 and then dividing by 75, which is the minimum frontage of a single family residential lot defined by the City's zoning code.
- P. Public Improvement: Improvements as allowed by Minnesota Statutes, section 429.021, that provide a special benefit to properties, including but not limited to streets, sidewalks, trails, curb, gutter, sanitary sewer systems, storm sewer systems, water treatment and distribution systems.
- Q. Special Assessment: A legal process whereby the benefited property is charged for all or a portion of the cost of public improvements.
- R. Street: All public ways designed as means of vehicular and pedestrian access to the adjoining properties.
- S. Undeveloped Property: A property that lacks physical improvements and has the potential to be developed/improved for commercial, industrial, residential or other uses.

- T. Unit: A unit represents the assessment for one single family residential property or one buildable single family residential property, consistent with the City's zoning code.

#### 4.0 METHODS OF ASSESSMENT

The following are several methods utilized to allocate special assessments to properties benefited by public improvements:

**Residential Unit Method**: This method is used for single family residential properties.

- A. Standard Lot: A standard lot will be assessed one unit.
- B. Corner Lot: A corner will be assessed one unit. If a driveway abuts both streets and only one street is being improved then the lot will be assessed 50% of the per unit basis for the street that is being improved. When the other street is improved in the future the property will then be assessed 50% of one unit for the second improvement project.
- C. Double Frontage Lot:
1. A double frontage lot that has a driveway which accesses only one of the streets and cannot be split to form a second developable lot will be assessed one unit when the street that the driveway accesses is improved.
  2. A double frontage lot that has a driveway that accesses both streets will be assessed using the same method as a Corner Lot.
  3. A double frontage lot that can be split into a two or more developable lots will be assessed one unit for each developable lot when the street that provides access is improved.
- D. Non-Abutting Lot: A Non-Abutting Lot will be assessed one unit. Adjusted frontage, area, or the use of an adjustment factor shall be considered.

**Commercial/ Multi-Family Front Footage Method**: This method is used for multi-family and commercial properties. The commercial and multi-family rates are 1.5 the amount of a single family residential rate due to the increased use of the improvement. The commercial and multi-family rate is calculated by multiplying the residential unit rate by 1.5 then dividing by 75, which is the minimum frontage of a single family residential lot as defined by the City's zoning code.

- A. Corner Lot: A corner lot shall be assessed for each side of the property abutting an improvement.
- B. Double Frontage Lot: A double frontage lot shall be assessed using the same method as a corner lot.
- C. Non-Abutting Lot: A Non-Abutting Lot will be assessed in a fair and equitable manner consistent with surrounding properties fronting the improvement. Adjusted frontage, area, or the use of an adjustment factor shall be considered.

**Area Method:** The Area Method distributes the assessment according to the gross area of the benefited lot, parcel, or area. The assessable area shall be expressed in terms of the number of acres or the number of square feet subject to assessment. The assessment for an individual property is equal to the assessable area (acres or square feet) x assessment rate per acre or per square feet. The use of an adjustment factor may be considered when appropriate.

## **5.0 ASSESSMENT RATES**

The City Council shall review and set the Maximum Assessment Rate on annual basis. For each public improvement project a “benefits appraisal” shall be conducted to determine the actual special assessment based on the benefit received by the subject property.

## **6.0 PAYMENT OF ASSESSMENTS:**

- A. Assessments for single family residential and multi-family properties can be paid over a 15 year period through certification to property taxes as a special assessment. Interest rates vary, but are set no more than 2% above the City’s rate on the bond sale. The increased rate covers administration and collection of the assessments over the life of the repayment period.
- B. Assessments for commercial properties can be paid over an 8 year period through certification to property taxes as a special assessment. Interest rate vary, but are set no more than 2% above the City’s rate on the bond sale. The increased rate covers administration and collection of the assessments over the life of the repayment period.
- C. For projects where the City does not utilize general obligation bonds, the interest rate will be set at 1.5% over the most recent (within a one year period) general obligation bond sale (rounded to the nearest .25%). If the City has not sold a general obligation bond within a one year period, the interest rate will be 1.5% over the current market rate for similarly rated municipal general obligation bonds (rounded to the nearest .25%).
- D. Property owners may wish to make a payment to the City within 30 days of the adoption of the assessment roll. Property owners may choose to make a full or partial payment. No interest will be charged for payments received within 30 days of the adoption of the assessment roll. For payments received more than 30 days after the adoption of the assessment roll but on or before November 15, interest will be charged from the date of the adoption of the assessment roll to the date of payment. After November 15, unpaid balances will be certified to Ramsey County for payment with property taxes beginning the year after the assessment roll was adopted.
- E. It should be noted that if only a partial payment is made before certification to Ramsey County, the assessment balance may be paid over the same 15 year period for single family residential property or multi-family property and 8 years for commercial property.

## **7.0 DEFERRED ASSESSMENTS:**

Minnesota Statutes, Chapter 429 allows for deferred assessments. This section is only meant to cover the most frequent cases encountered by the City in past years. Minnesota Statutes shall govern in all cases.

### **Hardship Deferral for Seniors, Disabled or Military Persons**

Minnesota Statutes, section 435.193 authorizes the City Council to enact said deferrals. The City Council hereby provides for the deferral of a special assessment regarding any homestead property owned by a person who is:

- A. 65 years of age or older or retired by virtue of a permanent and total disability for whom it would be a hardship to make the payments; or
- B. A member of the Minnesota National Guard or other military reserves who is ordered into active military service for whom it would be a hardship to make the payments.

As a general guideline, a financial hardship exists if the total payment for the first year of the assessment is greater than 2% of the household's adjusted gross income. In order to determine financial hardship, the City's public works director or finance director shall review the applicant's income. This financial hardship guideline is intended to make clear the standard basis for financial hardship and remain non-discriminatory in financial hardship reviews. However, the public works director or finance director may approve deferrals where extenuating circumstances exist as presented by the applicant.

It should be noted that a deferred assessment accrues interest. The deferment comes due with interest upon death of the owner (provided that the spouse is not otherwise eligible), sale/transfer/subdivision of property, termination of eligibility for the deferral, loss of homestead status of the property, or determination by the City Council that requiring immediate or partial payment would impose no hardship. The deferred assessment, with accrued interest, shall be payable over such period as may be determined by the City Council but no longer than 30 years from the year in which the assessment was levied.

### **Unimproved Property**

The City Council may grant deferrals for unimproved properties. The City Council may defer assessments for a period of 15 years, after which time if no improvement occurs the assessment shall be terminated. If improvements are made within 15 years the assessment shall come due with interest. The deferred assessment, with accrued interest, shall be payable over such period as may be determined by the City Council but no longer than 30 years from the year in which the assessment was levied.

## **8.0 ASSESSMENT CONSIDERATIONS:**

- A. Some private development projects require the construction of public infrastructure. All such infrastructure shall be constructed as a public improvement project. The developer must execute a petition and waiver agreement providing for the assessment of 100 percent of the costs of the public improvement to the property within the development, unless otherwise agreed to by the City.

City of Maplewood, MN  
Special Assessment Policy



- B. All properties benefiting from improvements are subject to the special assessment.
- C. The assessment rates will change year to year depending on City rate adjustments and benefit appraisal information. Special assessments may be imposed for improvements listed in Minnesota Statutes, Chapter 429 and are not limited to those listed in this policy.
- D. The special assessment methods described in the policy statement should not be considered as all inclusive. Unique or unusual circumstances may, at times, justify special consideration and the use of adjustment factors.
- E. Prior to the adoption of the assessment roll, a special benefit appraisal will be performed to determine the benefit to the properties from the improvement project. The assessment amount may not be greater than the benefit received by subject properties. The assessment amount will be the lesser of the special benefit appraisal determination or the Maximum Assessment Rate as set by the City Council.