



Special Assessment Policy

City of Maplewood, Minnesota

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1.0 POLICY GOALS

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

- 1) 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.
- 2) 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.
- 3) 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.
- 4) Provide the City Council and staff with guidelines and methods to efficiently distribute infrastructure costs to benefiting properties in an equitable and consistent manner thereby enhancing the value of property by assigning a proportionate value of the improvements to the properties deriving from the improvement.
- 5) Provide a comprehensive, well-constructed and well-maintained infrastructure system that services individual properties and takes advantage of economies of regional scale and flexibility in the timing of infrastructure development.
- 6) 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 magnitude and sources of funding available.

2.0 INTRODUCTION

A special assessment is a levy on a property to defray the cost of public improvements. Minnesota State Statutes, Chapter 429, grants cities the authority to use special assessments as a mechanism to finance a broad range of public improvements. The special assessment exists to assign as much cost as reasonable to those properties receiving a direct benefit from a public improvement project, thereby reducing the reliance on the general tax levy.

Chapter 429 limits the special assessments to the amount the property receives in direct benefit. This can be determined by appraisals completed prior to and after the subject public improvement project.

Special assessments are a valuable tool to cities in that the public improvement costs are assigned to benefiting properties. This reduces the burden on the property tax levy. And those properties benefiting from the public improvements 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 such rationale in equity arises or the when the law or statutes require such deviation.

3.0 POLICY DEFINITIONS

A. Adjacent or Abutting Property: A property directly adjacent to public improvements.

B. 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 public street. Properties shall be considered to have access to underground utility improvements when they directly abut and are within 150 feet of the utility.

C. Adjusted Area: An area of a benefited property that has been modified by an adjustment factor to more accurately represent the true benefit that property receives from an improvement in comparison to other properties in the assessment area. The adjustment 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: trip generation; storm water runoff coefficients; water or sanitary sewer use; needed fire flow; and zoning or future land use.

D. Adjusted Frontage: The assessable front footage of a benefited property that has been modified by an adjustment factor to more accurately represent the true benefit that property receives from an improvement in comparison to other properties in the assessment area. The adjustment will be based on the improvement design parameters that are applicable to that parcel, as approved by the City Council. This is useful for flag lots or other improved properties that have little direct frontage adjacent to the improvement but access is available directly to and from the improvement area. Design parameters that may be used to determine the adjustment factor include, but are not limited to: 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. Assessed Cost: Those costs of public improvements that have been determined to benefit specific properties. The assessed cost will be equal to the project cost minus the City cost. Project costs eligible for assessment include all costs associated with the improvements, including, but not limited to, land acquisition, demolition, construction, administration, 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.

F. Assessable Area: The assessable area is the total area of all of the benefiting properties, when using an area based assessment.

G. Assessable Footage: The assessable footage is the total front footage of all of the benefiting properties, calculated by using the front footage method.

H. Assessment Rate: The assessment rate is determined and annually adopted by the City Council. The Council adopts a unit rate which is associated with a single building lot as defined by City Code. 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 residential lot defined by City Code. Commercial and multi-family properties are assessed on a front footage basis, while residential is assessed on a unit basis. If a residential property has frontage that allows for a

future lot split such as 150 feet, then the second lot would be assessed. The commercial rates are 1.5 times greater than residential due to the increased use of the improvement.

I. Assessment Unit: Front footage, area or unit.

J. Benefit: The increase in property 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.

K. Deferment: A process of postponing the collection of the cost of public improvements and funding them as a system cost with the intention of collecting at a later date.

L. Driveway Approach: That area which lies between the existing pavement and the right-of way line; curb cut to curb cut.

M. Front Footage: The distance measured along the right-of-way line that directly abuts an improvement.

N. Lot Definitions:

1. Corner Lot: A lot located at a street intersection having both front and side-lot footage.
2. Double Frontage Lot: A lot with access to two separate non-intersecting or intersecting streets but not a corner lot.
3. Irregularly Shaped Lot: Those lots abutting curved streets, cul-de-sacs, or other lots where there is more than five feet of difference in length between the front and back lot lines.
4. Rectangular Lot: A lot with less than five feet of difference in length between the front and back lot lines.
5. Special Case Lot Residential: A lot which may not directly abut the improvement shall be assessed on a per unit basis if the improvement can be accessed.
6. Special Case Lot Commercial: A lot which accesses the improvement but may have little or no real property fronting the improvement shall be assessed in a fair and equitable manner consistent with surrounding properties fronting the improvement. Adjusted frontage shall be considered.

O. Public Improvement: Improvements as allowed by State statute 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.

P. Special Assessment: A legal process whereby the benefited property is charged for all or a portion of the cost of public improvements.

Q. Standards for Surface Improvements: Standards for surface improvements have been established in the City's Engineering Standards.

R. Street: All public ways designed as means of access to the adjoining properties.

S. Street Treatment Definitions:

1. Crack Seal and Seal Coat – Crack sealing involves patching and sealing cracks in the roadway. This is followed by seal coating, which involves spraying the road with oil and covering it with a layer of small rock. Crack sealing and seal coating is generally considered routine roadway maintenance. The recommended interval is 4-8 years with the first application about 5-10 years after new roadway construction.
2. Mill and Overlay – Milling and overlaying consists of grinding off the upper layer of asphalt (typically 1"-3") and replacing it with a new layer of asphalt. This is generally done on roadways that have a fair amount of cracking and other surface distress, usually at about 60% of the street's life cycle. This is considered a structural improvement that will renew the street surface and extend its useful life.
3. Rehabilitate/Pavement Replacement – Rehabilitating a roadway consists of grinding up the existing asphalt and mixing it with a portion of the underlying gravel base (typically 4"- 8"). This combination of bituminous and gravel is then used as the new road base, and a new asphalt surface is paved over this. This is generally done on roadways that have a significant amount of distress. This can be a good alternative to reconstructing a road if the existing road base appears to be structurally sufficient.
4. Partial Reconstruct – Partial Reconstruction of a roadway consists of completely removing the existing road and underlying gravel and sand base material, and constructing a new road section. This may also include correcting any poor base material beneath the section, or updating the road to meet design standards such as width and drainage. This is often done in conjunction with utility repairs/replacement. This is generally done on roadways that exhibit signs of major distress, such as rutting, cracking, and potholes. For the purposes of this policy, to be considered a partial reconstruct, a majority of existing concrete curb and gutter must be salvaged.
5. Full Reconstruct – Reconstructing a roadway consists of completely removing the existing road and underlying gravel and sand base material, bituminous curbing (or a majority of the existing concrete curb and gutter) and constructing a new road section. This may also include correcting any poor base material beneath the section, or updating the road to meet design standards such as width and drainage. This is often done in conjunction with utility repairs/replacement. This is generally done on roadways that exhibit signs of major distress, such as rutting, cracking, and potholes.

T. Storm Drainage: Stormwater runoff. A storm drainage assessment is applied to all properties receiving improvement if the property has not previously been assessed for this one-time assessment.

U. System Cost: That portion of the assessable cost that benefits properties whose assessments are deferred because they qualify for green acres status, are located outside of the City limits, or are unable to make use of the improvements due to factors beyond their control. The City may reimburse itself for such system costs from the benefiting properties when the basis for the deferral is no longer valid.

V. Unit: A unit may include, but is not limited to: a household; a parcel/lot; water or sewer main length and size; sidewalk or trail length, width and depth; infiltration area per parcel/lot.

4.0 METHODS OF ASSESSMENT

All single-dwelling residential properties will be assessed by unit. Multiple-dwelling and commercial properties will be assessed by front-foot.

Residential Unit Method: This method is used for single dwelling residential properties. A unit shall be defined as one buildable lot consistent with the City of Maplewood's building ordinances.

1. **Corner Lot:** A lot located at a street intersection having both front and side-lot footage shall be assessed per 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.
2. **Double Frontage Lot:** A lot with access to two separate non-intersecting or intersecting streets but not a corner lot may be assessed for any street improvement that it has direct access to.
3. **Irregularly Shaped Lot:** Those lots abutting curved streets, cul-de-sacs, or other lots where there is more than five feet of difference in length between the front and back lot shall be assessed per unit.
4. **Rectangular Lot:** A lot with less than five feet of difference in length between the front and back lot lines shall be assessed per unit.
5. **Special Case Lot Residential:** A lot which may not directly abut the improvement shall be assessed on a per unit basis if the improvement can be accessed.

Commercial/ Multi-Family Front Footage Method: This method is used for multi-family and commercial properties. The commercial rates are computed by taking the residential unit rate, dividing it by 75 (minimum residential lot width) and multiplying by 1.5 (commercial properties are assessed at 1.5 times the residential rate).

6. **Corner Lot:** A lot located at a street intersection having both front and side-lot footage adjacent to improvements shall be assessed for both sides. However no assessment would occur for an unimproved side.
7. **Double Frontage Lot:** A lot with access to two separate non-intersecting or intersecting streets but not a corner lot may be assessed for any street improvement that it has direct access to.
8. **Irregularly Shaped Lot:** Those lots abutting curved streets, cul-de-sacs, or other lots where there is more than five feet of difference in length between the front and back lot lines the front footage shall be calculated using an average or other equitable means such as adjusted frontage.
9. **Rectangular Lot:** A lot with less than five feet of difference in length between the front and back lot lines shall be assessed based on front feet.
10. **Special Case Lot Commercial:** A lot which accesses the improvement but may have little or no real property fronting the improvement shall be assessed in a fair and equitable manner consistent with surrounding properties fronting the improvement. Adjusted frontage shall be considered.

5.0 ASSESSMENT RATES AS OF 2010

Public Street Improvement Assessments:

| | <u>Residential (Unit)</u> | <u>Commercial/Other (Front Foot)</u> |
|------------------------------------|---------------------------|--------------------------------------|
| Mill and overlay: | \$ 2,450.00 | \$ 49.00 |
| Rehabilitate/Pavement replacement: | \$ 3,450.00 | \$ 69.00 |
| Partial reconstruct: | \$ 4,950.00 | \$ 99.00 |
| Full reconstruct: | \$ 6,600.00 | \$132.00 |
| Storm drainage: | \$ 1,090.00 | \$ 21.80 |

Other Improvement Assessments:

| | <u>Residential (Unit)</u> | <u>Commercial/Other (Front Foot)</u> |
|--|---------------------------|--------------------------------------|
| Cash connect charge - water: | \$ 3,960.00 | \$48.00 |
| Water service w/new main construction: | \$ 1,500.00 | Case by case |
| Water service w/tap to existing main: | \$ 1,860.00 | Case by case |
| Cash connect charge - sewer: | \$ 3,960.00 | \$48.00 |
| Sewer service w/new main construction | \$ 1,500.00 | Case by case |
| Sewer service w/tap to existing main: | \$ 2,820.00 | Case by case |

Note: These assessment rates are shown for guidance purposes only. Prior to a 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:

- 1) Assessments for residential and multi-family 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.
- 2) Assessments for commercial 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.
- 3) Property owners may wish to make a payment to the City within 30 days of the Assessment Hearing. Property owners may choose to make a full or partial (25% minimum) payment. No interest will be applied to payments received within 30 days of the Assessment Hearing. Payments received after 30 days of the Assessment Hearing but before certification to Ramsey County (October 1) interest will be applied to the payment calculated from the date of the Assessment Hearing. The City will accept no more than two (2) payments up until the certification deadline (October 1) date. Unpaid balances will be certified to Ramsey County for payment with property taxes after October 1 of the year in which the Assessment Hearing was conducted.
- 4) It should be noted that if only a partial payment is made before certification to Ramsey County then the assessment balance can be paid over the same 15 year period for residential or multi-family and 8 years for commercial property.

7.0 DEFERRED OR DELAYED ASSESSMENTS:

Minnesota Statute Chapter 429 allows for deferred and delayed 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.

A. Senior Citizen, Disability, National Guard and/or Military Reserves Deferrals

Minnesota Statutes 435.193 authorizes the City Council to enact said deferrals. Therefore the City Council shall, at its discretion, defer the payment of an assessment for any homestead property owned by a person for who it would be a hardship to make the payment if the owner is one of the following:

- A person who is 65 years of age or older.
- A person who is retired by virtue of a permanent and total disability.
- A member of the National Guard or other military reserves called into active service.
- A person that is unable to meet payment obligations due to proven financial hardship.

In order to determine financial hardship the Public Works Director or Finance Director shall review the applicant's income statement. As a general guideline, a financial hardship deferral is automatically met if household adjusted gross income is at or below 125% of the most recently published Federal Poverty Line issued by the Department of Health and Human Services. 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, sale/transfer/subdivision of property, loss of homestead status of the property, or determination by the Council that requiring immediate or partial payment would impose no hardship.

B. Undeveloped Property

The City Council may grant deferrals for unimproved properties. The City Council shall defer assessments for a period of 15 years upon 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.

8.0 ASSESSMENT CONSIDERATIONS:

- 1) Developers proposing projects that will be public infrastructure upon completion shall be completed as a Public Improvement Project and requires the Developer to petition the City for said improvement according to the 429 process. 100% of the total project cost shall be paid by the petitioner(s) unless stipulated otherwise in a Developer Agreement approved by the City Council.
- 2) Properties receiving a full or partial street reconstruct beginning on or after 1999 as part of a neighborhood street improvement project will not be assessed for a full or partial reconstruct for a period of 35 years.
- 3) All properties benefiting from improvements are subject to the special assessment.
- 4) The assessment rates listed in Section 5.0 will change year to year depending on council rate adjustments and benefit appraisal information. Special assessments can be made for improvements listed in Minnesota Statutes Chapter 429 and are not limited to those listed in this policy.
- 5) The special assessment methods described in the policy statement cannot be considered as all inclusive. Unique or unusual circumstances may, at times, justify special consideration. In such situations, the City Council may, from time to time, establish by resolution or as part of a Feasibility Study, amendments to the assessment policy to cover situations that may not have been contemplated in this policy.
- 6) Prior to assessment role adoption the special assessment levy shall be verified to be at or below that of the benefit received by subject properties. The City Council may consider assessing up to 100% of total project costs or proven benefit whichever is less when such cases are warranted.