

## **xx.xx Special Assessment Policy**

### **Purpose:**

The City's special assessment policies and procedures have been established to:

1. Provide a stable and continuing source of funding within the financial capacity of the City, in combination with federal, state, county, and other local financial resources available to the City, to accommodate infrastructure needs for new development, redevelopment, and maintenance within the existing community in the most cost-effective manner.
2. Balance needs and costs for new and existing infrastructure to support and promote economic development and growth as well as maintenance within the existing community by providing for the equitable distribution of infrastructure costs to ensure that specific developments are financially self-supporting to the extent warranted.
3. Provide a comprehensive, well-constructed and well-maintained infrastructure system that services individual properties and takes advantage of economies on a regional scale and flexibility in the timing of infrastructure development.
4. Respond to community needs and desires for health, safety, welfare, accessibility, and mobility provided by new infrastructure and the maintenance of existing infrastructure.
5. Function in harmony with the City's comprehensive plan and growth area plans by providing the infrastructure and amenities associated with those plans thereby promoting orderly growth in areas where services are available or can be provided at the most reasonable cost.
6. 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 benefit from the improvement.

### **General Policy Statement:**

While the special assessment purposes, policies and procedures have been identified herein, the City Council may deviate from this policy when such rationale in equity arises or the law is required.

#### **I. Policy Definitions:**

- A. Adjacent 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, or public street, or when the street classification would allow the property to be granted driveway access. 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. 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.
- E. Assessable Footage: The assessable footage is the total front footage of all of the benefiting properties, calculated by using the front footage method.
- F. Assessment Rate: The assessment rate is determined by dividing the assessable cost of an improvement by the total number of assessment units such as the total adjusted front footage or square footage, acreage, number of lots, or number of parcels.
- G. Assessment Unit: Front footage, area or unit.
- H. Benefit: The increase in property value as a result of a public improvement such as a street, sidewalk, trail, curb and gutter, water main, sanitary sewer, storm sewer, park, or street landscaping.
- I. 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 the cost at a later date.
- J. Driveway Approach: That area which lies between the existing pavement to the right-of-way line; curb cut to curb cut.
- K. Front Footage: The distance measured along the right-of-way line that directly abuts an improvement, not counting Side-Lot Footage.
- L. Limited Access Street: A street, such as a major or minor collector street, which because of its high volume of traffic has been designated by the City for controlled access, meaning the number of access points to the street will be limited.
- M. 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.
- N. 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.
- O. Special Assessment: A legal process whereby the benefited property is charged for all or a portion of the cost of public improvements.
- P. Standards for Surface Improvements: Standards for surface improvements have been established in the City's Engineering Standards.
- Q. Street: All public ways designed as means of access to the adjoining properties. Streets are classified into four groups and classified per a Collector or Local roadway status in the City's Comprehensive Plan:
1. Local Urban – examples include, but are not limited to, Lakeshore Avenue, Morningside Road, Cherry Hill Trail, Foxberry Farms Road, and Lythrum Lane.
  2. Local Rural – examples include, but are not limited to, Chestnut Road, Deerhill Road, and Navajo Road.
  3. Collector Urban – examples include, but are not limited to, Hamel Road in Uptown Hamel, Clydesdale Trail, and Tower Drive.
  4. Collector Rural – examples include, but are not limited to, Hunter Drive, Willow Drive, Tamarack Drive, Pioneer Trail, Hackamore Road, and Chippewa Road.
- R. 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 first application about 5 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 – 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. **Reconstruct** – Reconstructing 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. Generally done on roadways that exhibit signs of major distress, such as rutting, cracking, and potholes.
- S. **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.
- T. **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; driveway approach length, width and depth.

## II. **Policy Implementation and Procedures:**

### A. **Assessment Classification**

The assessment process shall address the feasibility of physical construction and also the affordability of the improvements. In meeting these responsibilities, a classification system is established below for public improvement projects based on the design capacity and the level of use. Cost apportionment is based on the extent of use of the improvement by the benefiting property owners and City policies for street paving, curb, gutter, and sidewalk construction shall be used as a basic guide. The classification system groups improvements into the three categories:

- **Type I improvements** consist of projects that are mostly of benefit to the abutting properties and include curb, gutter, water and sewer services, and driveway improvements. Street construction, sidewalk, paving, storm sewer, sanitary sewer, and water mains may be Type I if solely designed to serve the abutting properties.
- **Type II improvements** consist of projects that benefit a larger, yet definable, area. Street construction, sidewalk, paving, storm sewer, sanitary sewer, and water mains may also be Type II if the improvement benefits a larger area. Collector Urban or Collector Local streets, which are likely to be used by a broader segment of the public, should be proportionately assessed to a larger area.

- **Type III improvements** consist of large-scale projects of benefit to the entire City regardless of location. The criteria for designation of any improvement as Type III are facilities that serve areas larger than a definable neighborhood or those areas separated by major identifiable barriers, such as a river, railroad tracks, or collector streets. Typically, Type III improvements are financed through a combination of Federal and State appropriations and available City funds; however, special assessments may be needed to fully fund the project.

If financial assistance is received by the City from the Federal Government, from the State of Minnesota, the County, or from any other source to defray a portion of the costs of a given improvement, such aid will be used first to reduce the “City cost” of the improvement. If the financial assistance received is greater than the normal “City cost”, the remainder of the aid will be applied according to the terms of the assistance program or at the Council’s discretion.

The assessment classifications are listed in Table 1 below. The City Council may from time to time adjust the classification of improvements to maintain the equitability of the assessment cost.

**Table 1. Assessment Classification**

Type I Improvements	Type II Improvements	Type III Improvements
Curb & Gutter	Trunk Sanitary Sewers (greater than 8” diameter)	Bridges
Sidewalks and trails, 5 feet or less	Trunk Water Main (greater than 8” diameter) and Looped Water Main	Community Facilities Library Law Enforcement Fire Station
Sanitary Sewer Laterals (less than or equal to 8” diameter)	Collector Streets	
Water Main (less than or equal to 8” diameter)	Sidewalks and trails, greater than 5 feet	Collector Streets
Sewer & Water Services	Storm Drainage Improvements	Community Parks
Local Urban Streets/Alleys	Pumping Stations	Wastewater Treatment Facilities
Storm Drainage Improvements		Water Tower
		Water Treatment Plant
Other improvements mandated or authorized by law		

**B. Methods of Assessment**

The City shall use the following methods in determining assessments for public improvements.

1. Front Footage Method

This method computes the assessable frontage for the project and for each property. The assessment rate is obtained by dividing the total assessable cost by the assessable footage in an assessment district. The assessment for each parcel is then obtained by

multiplying the assessment rate times the front footage for each property. Front footage is determined as follows:

- a. For rectangular lots, the front footage shall be the same as the front footage at the right-of-way.
- b. For irregularly shaped lots, the front footage will typically be calculated as the width of the lot as defined in the City's zoning ordinance, although other methods may be used at the City's discretion (such as average lot width) if they are determined to be more equitable.
- c. For all corner lots, street assessments, regardless of the orientation of the house, shall be based on one-half of the footage of the road being improved.
- d. For a rectangular corner lot, water and sewer assessments, regardless of the orientation of the house, the short side of the lot shall be considered to be the "frontage".
- e. Double frontage lots may be assessed for any street improvement that it has direct access to, if the lot is of such size that it could be split into multiple buildable lots. The front footage for each improvement will be determined in accordance with the above-described policies, whichever is appropriate.

## 2. Area Method

This method computes cost on a square foot or acreage basis. The assessment rate is determined by dividing the total assessable cost by the total benefiting area. A parcel's assessment is then determined by multiplying the assessment rate times the benefiting area of the parcel. When the benefiting area includes both platted and unplatted properties, the gross benefiting area will be used to apportion the benefit among the properties. An adjustment factor reflecting land use may be applied to a parcel's benefiting area in some cases. For example, for storm sewer design, the assumed rate of runoff per acre from a commercial lot is greater than the runoff rate from a residential lot. If all uses are the same in a project area (single family, multi-family, commercial, or industrial), the assessment rate is the same for all. Where there is variation in residential density or uses, the assessment rate may be adjusted to reflect the corresponding differences in benefit.

The assessable area shall include all properties legally eligible for assessments. The following items may not be included in area calculations: public right-of-ways, natural waterways, lakes or other wetlands.

## 3. Unit Method

This method computes the costs on the basis of individual assessment units. For example, sewer and water services, sidewalks, trails, and driveway approaches are typically considered separate individual units. The total project cost is divided by the total number of assessment units to calculate the fixed cost. Assessment units could be determined on a per lot or per unit basis, or any combination thereof. For lots that may be further subdivided, the City may determine the number of assessable units based on the number of equivalent lots that could be created from a particular parcel.

4. Combination Method

This method involves using one or more of the above defined methods to more equitably calculate assessments. The combination method shall be considered when there is varying land use, undeveloped properties available for future development, or other circumstances involving the defined public improvement that may provide assessment inequities.

**C. Determination of Assessable Costs, Rate and Term**

1. Water System

- a. Water Mains: The assessable cost for installing new water main improvements shall be based on the level of service required by the property. In residential areas, 100% of the cost of installing water main that is 8-inches in diameter or less shall be assessed to the benefiting properties, and up to 50% for reconstruction, see chart below. In commercial areas, 100% of the cost of installing new water main and 50% of the cost of reconstruction will be assessed, based on current design standards.

The cost of over sizing the water main for general distribution purposes shall not be assessed. Where larger diameter water mains are required to serve commercial, industrial or institutional properties, the increased cost of water main installation shall be assessed to those properties. Where improvements are designed to serve an area beyond that of direct benefit, the City may postpone the assessment and fund the increased project cost as a system cost. The system cost shall be assessed to the newly developing area as a system charge together with direct benefits for other services.

**Reconstruction Assessments**

<b>Years After First Assessment Levied<sup>1</sup></b>	<b>City Share<sup>2</sup></b>	<b>Assessed Share<sup>2</sup></b>
0-20 years	100%	0%
20-40 years	75%	25%
Over 40 years	50%	50%

<sup>1</sup>First assessment refers to the original assessment for properties developed or platted at or before the time the improvement is constructed or to the deferred assessment for properties developed or platted some time after the improvement is constructed.

<sup>2</sup>Percentage based on project construction cost. The assessed share of the project cost, as listed in the above table, will be apportioned against the benefiting properties. The City Engineer will use standard procedures to determine the benefiting property for each specific project.

- a. Water Services: The assessable cost for the construction or replacement of water services shall be 100% of the project cost. The unit cost method will be used to calculate the assessment.

2. Sanitary Sewer

Sanitary Sewer Assessments shall be based on engineering design standards. The assessable cost for installing sanitary sewer improvements shall be based on the type of service required by the property. In residential areas, 100% of the cost of installing new sanitary sewer that is 8-inches in diameter; and up to 50% for reconstruction, shall be assessed to the abutting properties. The assessable cost for the construction or replacement of sewer and water services shall be 100% of the project cost. The unit cost method will be used to calculate the assessment.

The cost of pumping stations, lift stations, force mains, and over sizing the sanitary sewer to provide service to properties that do not directly abut the improvements shall be proportionally assessed to the entire design service area. Where larger diameter sanitary sewers are required to serve commercial, industrial or institutional properties, the increased cost of installation shall be assessed to those properties. Where improvements are designed to serve an area beyond that of direct benefit, the City may defer that portion of the assessment and fund it as a system cost. The system cost shall be assessed or otherwise charged to the newly developing area as a system charge together with direct benefits for other services.

- a. Sanitary Sewer Assessment Formula: Assessments to be levied against properties within the benefited area shall be distributed to those properties on the basis of the following provisions:
  1. Assessment Rate: The assessment rate shall be equal to the “assessable cost” of the improvement divided by the total number of assessable units benefited by the improvement. Projects having an uneven distribution of benefits may be subdivided into separate improvements using multiple assessment methods and rates to more equitably apportion the assessments.
  2. Assessable Units: The assessable units shall be determined as follows:
    - i. *Lateral Sewers.* The assessable unit shall be the “front footage” of the property, unless otherwise specified by the Council.
    - ii. *Trunk Sewer and Lift Station.* The assessable unit shall be the area (square foot or acre) of the benefited property, both present and future, as determined in the project design, unless otherwise specified by the Council.
    - iii. *Sewer Services.* The assessable cost for the construction or replacement of sewer service lines shall be 100% of the project cost. The assessment shall be based on the number of sewer services installed for each individual property. This is the unit cost method of assessment.
  3. Assessment Formula for Replacement: The following table shows the cost split for replacement of sanitary sewers (trunk sewers, lateral sewers, and lift stations), if they are to be assessed.

### **Reconstruction Assessment**

Years After First Assessment Levied <sup>1</sup>	City Share <sup>2</sup>	Assessed Share <sup>2</sup>
0-20 years	100%	0%
20-40 years	75%	25%
Over 40 years	50%	50%

<sup>1</sup>First assessment refers to the original assessment for properties developed or platted at or before the time the improvement is constructed or to the deferred assessment for properties developed or platted some time after the improvement is constructed.

<sup>2</sup>Percentage based on project construction cost. The assessed share of the project cost, as listed in the above table, will be apportioned against the benefiting properties. The City Engineer will use standard procedures to determine the benefiting property for each specific project.

4. Length of Assessment: The assessment period for sanitary sewer improvements, including new construction and replacement projects, is a maximum of twenty years.

### 3. Storm Sewer

Storm sewer improvements shall be classified to include all storm sewer, storm sewer pumping stations, culverts, ditches, rain gardens, swales, street grading and any other improvement, which will facilitate drainage. The assessment for the construction of storm drainage improvements shall be based on the level of service required by the property.

- a. Storm Sewer Assessment Formula: Assessments to be levied against properties within the benefited area shall be distributed to those properties on the basis of the following provisions:

1. Assessment Rate: The assessment rate shall be equal to the assessable cost of the improvement divided by the total number of assessable units benefited by the improvement. Projects having an uneven distribution of benefits may be subdivided into separate improvements using multiple assessment methods and rates to more equitably apportion the assessments.
2. Assessable Units: The assessable unit, unless otherwise specified by the Council, shall be the gross area (square foot or acre) of the benefited properties, both present and future, as determined in the project design.
3. Assessable Cost: The assessable cost shall be 100% of the total project cost for new or expanded storm drainage improvements, and up to 50% for reconstruction, based on the chart below.

#### **Reconstruction Assessment**

Years After First Assessment Levied <sup>1</sup>	City Share <sup>2</sup>	Assessed Share <sup>2</sup>
0-20 years	100%	0%

20-40 years	75%	25%
Over 40 years	50%	50%

<sup>1</sup>First assessment refers to the original assessment for properties developed or platted at or before the time the improvement is constructed or to the deferred assessment for properties developed or platted some time after the improvement is constructed.

<sup>2</sup>Percentage based on project construction cost. The assessed share of the project cost, as listed in the above table, will be apportioned against the benefiting properties. The City Engineer will use standard procedures to determine the benefiting property for each specific project.

4. Assessment Formula for Replacement: The cost split for replacement of storm sewers, lift stations, and miscellaneous drainage improvements, if they are to be assessed, will be assessed in the same manner as sanitary sewer replacement, as shown above.
5. Length of Assessment: The assessment period for storm sewers, lift stations, and miscellaneous drainage improvements is a maximum of twenty years.

#### 4. New Street Construction

The City's general policy and practice is to require new residential street construction during land use development applications to be constructed to City standards by the developer/applicant with no special assessments or public bonding support.

#### 5. Street Reconstruction, Rehabilitation, and Mill and Overlays

- a. Local Urban Roadways - The assessable cost of local urban projects shall be 50% of the total project cost necessary to conduct a street improvement within the public right-of-way to the current Standards for Surface Improvements in the City's Engineering Standards. The method of assessment shall be based on per unit. The remaining cost shall be a City cost.
- b. Collector Urban Roadways – The assessable cost of collector urban projects shall be 40% of the total project cost necessary to conduct a street improvement within the public right-of-way to the current Standards for Surface Improvements in the City's Engineering Standards. The remaining cost shall be a City cost. The rate for collector urban projects shall be calculated using the area or front footage method, or a combination of both. An additional commercial or future developable land use factor will be applied to mixed use areas.
- c. Local Rural Roadways – The assessable cost of local rural projects shall be 50% of the total project cost necessary to conduct a street improvement within the public right-of-way to the current Standards for Surface Improvements in the City's Engineering Standards. The remaining cost shall be a City cost. The method of assessment shall be based on per lot.
- d. Collector Rural Roadways – The assessable cost of collector rural projects shall be 25% of the total project cost necessary to conduct a street improvement within

the public right-of-way to the current Standards for Surface Improvements in the City's Engineering Standards. The remaining cost shall be a City cost. The method of assessment shall be based on a combination method. The remaining cost shall be a City cost.

- e. Frontage Roads and Alleys – The assessable cost of frontage roads or alleys will be the same as for local urban roadways, and should be assessed against the abutting properties using the front foot or area method, or a combination of both in mixed-use districts and per lot method for urban residential land uses.
  - f. Corner Lots – The City shall provide a credit to corner lot owners who are assessed for two or more abutting street improvements and assessments.
  - g. Curb and Gutter – The assessable cost of curb and gutter installation shall be 100% for new construction, and up to 50% for reconstruction. The benefited property shall be assessed using front footage method.
  - h. Length of Assessment – The assessment period for street improvements is a maximum of twenty years.
6. SIDEWALK

The front footage or fixed cost method shall be the basis for assessment. The assessable cost for sidewalk improvements shall be 100% for both new construction and reconstruction up to 5 feet. Sidewalk maintenance and rehabilitation is the responsibility of the abutting property owner.

#### 7. DRIVEWAY APPROACHES

The assessable cost for driveway approaches, both new and reconstructed, shall be 100%. Assessments to be levied against properties within the benefited area shall be distributed to those properties on the basis of the following provisions:

- a. Assessment Rate: The assessment rate for each individual property shall be equal to the assessable cost of the project divided by the total number of assessable units benefited by the improvement.
- b. Assessable Units: The assessable unit, unless otherwise specified by the Council, shall be calculated using the area method of the benefited properties. The size and design standard of individual driveways determines the assessment for that property.
- c. Assessable Cost: The assessable cost shall be determined in accordance with Section II B of this policy.
- d. Length of Assessment: The assessment period for driveways is a maximum of twenty years.

#### **D. Deferred Assessments for Green Acres**

In cases where improvement projects are determined to benefit properties that have been certified to qualify for Green Acres exemption, the City will determine that portion of the project cost that benefits those properties, and finance that portion of the project cost as a system cost. Landowners of benefiting properties may have the option of paying the entire assessment in one lump sum or through deferral as allowed by Minnesota Green Acres statutes. During the period of deferral, the City will add the accrued interest to the principal. Once the benefiting properties no longer qualify for Green Acres status, the City may recover the system cost. Assessments against Green Acres Parcels will be filed with the County Recorder.

#### **E. Determination of Assessment Rate and Terms**

1. **Interest Rate on Assessments:** The City will charge interest on special assessments at a rate specified in the resolution approving the assessment roll. If bonds were sold to finance the improvement project, the interest rate shall generally be two percent (2.0%) more than the average rate of the bonds, rounded to the nearest quarter of a percent. If no bonds were sold, the interest rate shall be set using the same formula based on the current bond market.
2. **Length of Assessment:** The assessment period for all improvements is subject to the requirements of the bond market at the time of project financing and thus may vary in length from the time periods proposed.

#### **F. Undeveloped Property**

The City shall require the developer, owner or sub-divider of any property within the City's corporate limits desiring to install street, curb and gutter, sidewalk, sanitary sewer or water main improvements to follow the City's subdivision ordinance, in addition to the following:

1. Upon written request by a developer, the City Council shall give consideration to the preparation of a feasibility report to determine the feasibility of construction for the desired improvements. The developer will prepare a plan and other such information, as the Council requires, prior to the Council making a decision on the request.
2. The developer and/or the property owner are required to sign a Developer's Agreement and Petition and Waiver Agreement prior to awarding a contract.
3. At the completion of an improvement, all improvement costs will be recorded or certified to the County per the Developer's Agreement

#### **G. Petitioned Improvement Projects**

The City will consider petitioned improvement projects. However, the need for specific projects shall be determined based on engineering standards (e.g. the existing condition represents a physical or structural hazard, or is no longer cost-effective to maintain, etc.) as determined by the City Public Works Superintendent and City Engineer and approved

by the City Council. Petitioned projects may be rejected by the City if it is determined that they are not necessary. The City Council has the authority to initiate non-petitioned improvement projects, if it is felt the improvements are in the best interest or safety of the citizens.

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