



Assessment Manual

POLICIES AND PROCEDURE GUIDE

City of Vadnais Heights, Minnesota

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Appendix A Special Assessments Summary for 2021 Street Improvements Project

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POLICIES AND PROCEDURE GUIDE

1 General

Minnesota State Law, Chapter 429 provides that a municipality has the power to make public improvements such as: sanitary sewer, storm drainage, water source, storage and distribution facilities, street improvements including grading, curb and gutter, and surfacing, sidewalks, street lighting, and recreational facilities, among others. Minnesota Statute 429 states that the cost of any of these types of improvements, or any part thereof, may be assessed upon property benefited by the improvement, based on the benefits received. Sections in this Manual denoted with an asterisk (*) are based on Minnesota Statute 429.

1.1 The Theory of Special Assessments

Special assessments are an indirect form of taxation. They are a compulsory charge on selected properties for a particular improvement or service that presumably benefits the owners of the selected property and are also undertaken in the interest of the public. Special assessments have three distinct characteristics:

1. They are a compulsory levy used to finance a particular public improvement program.
2. The levy is charged only against those particular parcels of property deemed to receive some special benefit from the program.
3. The amount of the charge does not exceed the value of the benefits received.

Special assessments are imposed only on real estate. They are never levied against personal or movable property. In theory, special assessments are frequently regarded as more equitable than property taxes because those who pay them obtain some direct benefits from the improvements undertaken.

1.2 Special Assessments Uses

Special assessments have three important applications:

1. Redevelopment of existing neighborhoods--When residential areas are confronted with progressive deterioration, or even when presently sound neighborhoods can be made more desirable through the development of parks, playgrounds, tree planting, and new street patterns, the City can utilize special assessments to fund a portion of the improvements.
2. New improvements--Assessments can be used to finance new improvements, particularly when new tracts of land are being converted to urban use. In this application they are frequently used to pay for sanitary sewer, storm drainage, water source, storage and distribution facilities, street improvements including grading, curb and gutter, and surfacing, sidewalks, street lighting, and recreational facilities.

3. Major maintenance--Special assessments may also be used to underwrite the cost of major maintenance programs. Large-scale repairs and maintenance operations on streets, sidewalks, water main, sanitary sewers, storm drainage and similar facilities can and often should be financed with special assessments.

1.3 *The Benefit Principle

Special assessments may be levied only upon property receiving a special benefit from the improvement. In Minnesota, the Constitution and courts apply this general rule by placing the following limitations upon the power to levy special assessments:

1. The rate must be uniform and equal upon all property within a similar class receiving special benefit;
2. The assessment must be confined to property specially benefited; and
3. The amount of the assessment must not exceed the special benefit.

2 Steps in Special Assessment Proceedings

2.1 Public Informational Meeting

In effort to inform the parties affected by the upcoming years' street project, an informational meeting shall be held in conjunction with development of a project feasibility report. This informational meeting shall be held at least two weeks in advance of the preliminary public hearing.

2.2 *Initiation of Proceedings

This may be done either by the Council or by petition of affected property owners. If a petition is used, it must be signed by the owners of the least 35% in frontage of the property bordering on the proposed improvements. Even if the Council acts originally on its own initiative, an extraordinary majority is not needed to initiate the proceedings. In initiating proceedings, or in accepting a petition requesting such proceedings, the Council should simultaneously order a feasibility report on the proposed improvement.

2.3 *Preparation of a Report

The law requires that a report on the feasibility of the proposal be prepared by the City Engineer or by some other competent person selected by the Council. It must cover such factors as the need for the project, an estimate of cost, and any other information thought pertinent and necessary for complete Council consideration.

2.4 *Preliminary Public Hearing

This step may be omitted when a petition requesting the improvement has been signed by 100% of the affected landowners. Notice of the hearing must be published twice in the official newspaper with each publication appearing at least one week apart. At least three days must elapse between the last publication date and the date set for the hearing. At the hearing, all interested persons should have a chance to be heard, whether or not they are liable to be assessed.

Furthermore, a notice must be mailed to each property owner in the area to be assessed stating the time and place of the hearing, the general nature of the improvement, the estimated cost, and the area proposed to be assessed. A reasonable estimate of the assessment will be made available at the hearing. If the estimated assessment is subsequently revised, notice of the revision will be provided to the affected property owner.

2.5 *Ordering the Improvement and Preparation of Plans

The resolution ordering the improvement may be passed by a majority of the Council if proceedings were originally commenced by petition. If not, the resolution must be adopted by an affirmative vote by at least four-fifths of the Council. It is after this that the City Engineer should prepare the necessary plans and specifications. At this point the Council should decide how the work is to be done and, if necessary, issue a call for bids.

2.6 *Performance of Work Under Contract or by Day Labor

The City enters into a contract with the lowest responsible bidder after advertising for bids, or the work may be done by day labor.

2.7 *Preparation of Proposed Assessment Roll

Assessment rolls are lists prepared for each assessment project. They should contain a description of each parcel of property, and the amount of the assessment.

2.8 *Public Hearing on the Proposed Assessment

The purpose of this second hearing is to give affected property owners an opportunity to be heard on the matter of the actual assessments being levied. Notice must be published in the official newspaper and mailed to each property owner at least two weeks prior to the hearing date. Finally, the total cost of the improvement project must be published in the City newspaper. This assessment hearing may also be held prior to awarding the contract.

2.9 *Approval and Certification of Assessment Roll

After the hearing, the roll must be officially adopted by a Council resolution and then certified to the Ramsey County Auditor.

2.10 Issuance of Obligations to Finance the Improvements

Most special assessments may be paid over a period of several years. Consequently, on most public improvement projects thus financed, necessary funds are obtained from utility franchise fees and/or bonds issued at the time the improvement is made. If bonds are used, they are generally paid off as the funds become available through the collection of the assessments and any taxes levied especially for that purpose.

3 General Policy

The purpose of this assessment manual is to set forth a guide to be utilized by the City Engineer, Finance Director, and City Administrator when preparing assessment rolls for approval by the City Council so as to assure uniform and consistent treatment to the various properties from year to year.

The City Engineer will plan and organize improvement projects of large enough scope in hopes of obtaining lower bid prices. To help insure proper planning, all petitions for local improvements should be submitted to the City by the 1st meeting in October of the year before construction of the improvement is desired. Exceptions to this general rule may be considered if the benefiting property owners understand the project may not get completed and the interest cost due to not being able to assess the project that year will increase the total cost of the improvement.

It is the policy that all properties shall pay their fair share of the cost of local improvements as they benefit; it is not intended that any property shall receive the benefits of improvements without paying for them.

4 Policies Relating to Special Assessments

4.1 *Assessments

The total of assessments cannot exceed the project cost and must be apportioned equally within properties having the same general land use (residential, institutional, multiple family, commercial, or industrial), based on benefit. Total assessment against any particular parcel shall not exceed the benefit to that parcel from the improvements.

4.2 Assessment Period

Improvements installed as a part of a new residential subdivision and petitioned for by the Developer shall be assessed for a period of up to 10 years. New commercial and industrial subdivisions petitioned for by the Developer shall be assessed for a period of up to 10 years. Assessments for improvements not included as part of a development shall be assessed for up to a 10-year period. A hardship deferral is permitted. (See State Law).

4.3 Interest Rate

The rate of interest on assessments shall be set by the City Council on each project based on market conditions or other factors.

4.4 Properties Not Assessed

Special assessments will not be levied against the properties described as follows:

1. Undeveloped lands having unbuildable soils and/or lying within the flood plain of major drainage channels.
2. Drainage pond area below the 100 year flood elevation (defined within a public easement) and major drainage ditch
3. City-owned parcels.
4. Federal government owned property.
5. Single family residential corner lots that have been assessed for similar improvements within past 15 years. Other corner lots on a case by case basis as approved by the City Council.

4.5 Methods Of Assessment

The City Council has in the past, in preparing assessment rolls, used three methods of apportioning assessments. Any combination may be used for a particular project.

It should be emphasized that the special assessment method and policies summarized herein cannot be considered as all-inclusive and that unusual circumstances may at times justify special considerations. As needed, the City may utilize the services of an independent appraiser when setting proposed assessment levels.

1. Area:

The area to be assessed is the total land area in acres of a property, including street and utility easements, but excluding those areas as described under "Properties Not Assessed".

2. Unit (Lot):

Unit is a parcel or lot in a residential area that cannot be further subdivided, i.e., in single family R-1 Zoning Classification the minimum lot size is 85' wide x 120' deep. Lots that may be further subdivided into conforming lots will be considered multiple units. Institutional properties will be considered multiple units generally based upon the total property frontage divided by the minimum lot width requirement for that area.

3. Front Footage:

Front footage is the total length of a property at the building setback line abutting the improvements. On corner lots, generally only the short side will be considered as front footage.

4.6 Assessable Costs

Contract Costs: Amount paid to contractors for constructing the improvements.

Expenses to be Assessed: Costs incurred by the City in addition to the contract costs, include but are not limited to: advertising, sewer televising, soils investigation, material testing, engineering, legal fees, appraisal fees, financing charges, administration and assessing.

5 Procedures Relating to Special Assessments

5.1 New Street and Utility Construction

The initial cost of street, storm sewer, sanitary sewer, and water main will generally be paid 100% by the site developer or the adjacent property owner. Sidewalks, trails, lighting and other improvements may be considered to be part of the street costs.

5.2 Street and Utility Reconstruction

The cost of street, storm sewer, sanitary sewer and water main reconstruction, replacement, or rehabilitation will be paid for through special assessments to properties that benefit from the improvements, and by City funds through user charges and other city funds. Sidewalks, trails, lighting and other improvements may be considered to be part of the street costs.

Generally, special assessments for single family residential and institutional properties may be calculated at a unit rate to avoid significant variations in the assessment amounts between projects. Assessments for multi-family residential, commercial and industrial properties will generally be based on a rate that approximates the benefit of the improvements. If the proposed assessment seems to exceed the benefit to the property, an independent appraiser may be used to determine if changes to the proposed assessment are needed.

Generally, City funds through user charges will be used to fund a portion of sanitary sewer and water main replacement and rehabilitation, and may fund a portion of storm sewer replacement. The remainder of these costs may be assessed.

6 Options Available for Paying Special Assessments

6.1 Payment In Full

From the date the assessment roll is adopted by the City Council, property owners have 60 days to pay the special assessment amount in full without interest. Payments made after the 60-day no interest period, and on/before October 1st of the year the improvements are installed, will incur interest charges based on the date the payment is made. After October 1st, remaining special assessment amounts will be certified to Ramsey County.

6.2 Payment Of Special Assessments With Tax Statement

The City offers a ten-year installment plan for payment of special assessments. If the property owner allows each year's installment to go on their tax statement, interest will be charged at the rates identified in "Policies Relating to Special Assessments - Interest Rate". Additional fees may be included by Ramsey County for collection and processing of payments.

6.3 *Hardship Appeal

The City Council will consider a deferment of the payment of special assessments on any property:

1. Owned by a person 65 years of age or older or retired by virtue of a permanent or total disability for whom it would be a hardship to make payments; or
2. Owned by a person who is a member of the Minnesota National Guard or other military reserves who is ordered into active military service, as defined in Minnesota Statutes §190.05, subdivision 5b or 5c, as stated in the person's military orders, for whom it would be a hardship to make the payments.

All deferred assessments will continue to bear interest on the unpaid balance. The unpaid balance is required to be paid in full prior to the transfer of title on the property.

To request a hardship deferral, the property owner shall forward a letter requesting the deferral to the City Administrator.

Appendix A

Special Assessments Summary for 2021 Street Improvements Project

Special Assessments Summary for 2021 Street Improvements Project

- A loan from the City to cover a portion of infrastructure improvement costs.
- Spread over 10-year period.
- Annual interest rate determined by City Council.
- Option 1a: Can be paid in full within 60 days after assessment hearing without interest.
- Option 1b: Can be paid in full between 61 days after assessment hearing and October 1, 2021 with interest.
- Option 2: If not prepaid in full, then paid with Property Tax payments beginning 2022.
- May pay off remaining principal and outstanding interest any time during 10-year period.
- City has a hardship deferral policy based on income for seniors, disabled, and active military. Interest continues to accrue if deferred.