

CITY OF CIRCLE PINES SPECIAL ASSESSMENT POLICY

SECTION 1: GENERAL POLICY STATEMENT

The purpose of this assessment policy is to set forth a guide of policies and procedures to be followed by the City of Circle Pines in making improvements for the general safety, health and welfare of the City, and charging special assessments to finance such improvements.

Minnesota State Statutes, Chapter 429, provides that a municipality shall have the power to make public improvements such as sanitary sewer systems, storm sewers, water supply, storage and distribution facilities, street improvements including grading, curb & gutter, surfacing, sidewalks and street lighting. The various procedures that a municipality must follow in regards to financing public improvements are well defined within the law.

The special assessment is a device used to finance these public improvements desired by a particular neighborhood or area. The beginnings of use of the special assessment dates back over three hundred years. It has now grown to be an essential and reliable source of municipal revenue.

CHARACTERISTICS AND APPLICATIONS

Special assessments are defined by three distinct characteristics:

1. They are compulsory charges used to finance particular public improvement projects.
2. The special assessments are charged only against those particular parcels of property deemed to receive some special benefit from the project.
3. The amount of the assessment bears some relationship to the value of the benefits received:
 - (a) the assessment must be confined to property specially benefited;
and
 - (b) the amount of the assessments must not exceed the special benefits.

In theory, special assessments are frequently regarded as more equitable than property taxes because a more direct benefit is received from the improvements undertaken. Also, special assessments are only imposed on real estate, and they are never levied upon personal and/or movable property.

Special Assessments have three important applications:

1. *Financing New Improvements.* The assessments are frequently used to finance the construction of new street/road improvements, sanitary sewer system improvements, water system improvements, storm water system improvements and other appropriate improvements in developing and/or developed areas of the City.
2. *Financing Redevelopment.* When commercial and residential neighborhoods are confronted with deterioration, special assessments can be utilized in a variety of ways to redevelop and revitalize an area.
3. *Financing Major Infrastructure Maintenance Programs.* Rehabilitation and reconstruction improvements on streets, sidewalks, sewer systems, water systems and similar facilities can and often should be financed with special assessments.

SECTION 2: INTENT

The policies contained in this document establish and delineate a procedure for undertaking public improvements and levying special assessments pursuant to Minnesota State Statutes. This policy should be viewed as a starting point for conducting assessments for public improvement projects. When an improvement conveys special benefit to properties in a definable area, the City intends to levy special assessments on those benefited properties to finance such improvements. It shall be the policy of the City of Circle Pines that the amount of the assessment for public improvements should not exceed the special benefit to the property. The City will use the assessment policy to insure that assessments have a reasonable relationship to benefits. Public improvements include the construction and reconstruction of streets, sidewalks, storm sewer, sanitary sewer, water works, street lighting, or any other public improvements allowed by State law.

When applying this assessment policy the City Council reserves the right to adjust the policy so as to achieve a more equitable distribution. This may occur in the event that the literal application of the provisions outlined herein would result in an inequitable distribution of special assessments.

The City maintains the right to apply this policy differently for the purposes of fairness and equity. It should also be noted that any errors or omissions in this policy are not to be held against the City of Circle Pines.

SECTION 3: GENERAL ASSESSMENT POLICY

TYPES OF IMPROVEMENTS

This policy shall relate only to those public improvements allowable under Minnesota State Statutes, Chapter 429. Those public improvements include, but are not limited to, the following:

- Street improvements; including curb, gutter, grading, graveling, and surfacing
- Sanitary sewer system improvements
- Water utility system improvements
- Storm sewer and drainage systems
- Appropriate, related landscaping such as planting, trimming, care and removal of trees
- Sidewalks and Trails
- Street lighting systems

INITIATION OF IMPROVEMENTS

The initiation of public improvement projects may occur in one of three ways:

Petition of not less than 35% of property owners. An improvement project can begin with a signed petition by the owners of not less than 35% of the frontage of the real property abutting the proposed improvements. This improvement can only be ordered after a public hearing.

Petition of 100% of property owners. An improvement project can begin with a signed petition by the owners of 100% of the frontage of the real property abutting the proposed improvements. This improvement does not require a public hearing, and may be ordered by the City Council by a simple majority vote if the petitioning property owners agree to pay 100% of the costs of the improvements.

City Council Initiation. No petition is needed. This improvement can only be ordered after a public hearing. The resolution ordering the improvement must be adopted by four-fifths (4/5) vote of the City Council.

GENERAL DEFINITIONS

Project Cost. The project costs of an improvement shall be deemed to include the costs of all necessary construction work required to accomplish the improvement, including expenses incurred or to be incurred in making the improvement that includes engineering, consulting, legal, administration, financing, easements, right-of-way acquisition, and other contingent costs.

City Cost. Where the project cost of an improvement is not attributable to the need for service to the areas served by said improvement, or whereas unusual conditions beyond the control of the property owners in the area served by the improvement would result in inequitable distribution of special assessments, the City, through the use of other funds, may negotiate such city costs which, in the opinion of the City Council, represents those costs not directly attributable to the area served.

Assessable Cost. The assessable cost of an improvement shall be defined as those costs which, in the opinion of the City Council, are attributable to the need for service in the areas served by the improvement and are not in excess of the special benefit conveyed to the property by the improvements.

Use of Other Funds. If financial assistance is received from the federal government, from the State of Minnesota, or from any other source to defray a portion of the cost of a given improvement, such aid will first be used to reduce the city cost of the improvement.

Improvement. An improvement shall be considered a new project or an upgrade of existing systems that the Council determines is necessary for the Community and meets the statutory guidelines for special assessment.

Residential Property. Shall be defined as buildable parcels occupied or unoccupied and zoned for residential use by Circle Pines zoning regulations, except apartment buildings.

Multiple Dwelling Units. Are defined for the purposes of this policy as those that consist of two or more dwelling units per building or having any common walls, with the exception of apartment buildings.

Townhomes. Are defined as multiple dwelling units.

Non-Residential Property. Shall be defined as a buildable parcels occupied or unoccupied and zoned for non-residential use by Circle Pines zoning regulations. Including commercial, industrial, apartment buildings and tax-exempt properties.

City Property. City-owned property, including municipal building sites, parks, nature areas, but not including public streets and alleys (Public Rights of Way), shall be regarded as being assessable on the same basis as if such property was privately owned.

Application of Policy. In the event the literal application of the provisions outlined herein would result in an inequitable distribution of special assessments in the opinion of the City Council, the Council reserves the right to adjust the policy so as to achieve a more equitable distribution.

SECTION 4: METHOD OF ASSESSMENT

METHODS OF ASSESSMENT

Different methods of assessing property are available to the Council when considering special assessments. However, in general, the Council will use the per unit method for residential properties unless it is demonstrated that an alternative method (area method, front foot method or some other method that is deemed appropriate and equitable by the City Council) which allows for a fair distribution of the cost. A front-foot method will be used for non-residential properties as defined herein.

SECTION 5: STREET/ROAD IMPROVEMENTS

NEW STREET/ROAD CONSTRUCTION

Street/road construction is defined as the initial installation of a permanent street/road into an area, consisting of the necessary grading, base, hard surfacing (bituminous or concrete), and curb and gutter.

Policy. It is the intention of the City to install all utilities and utility service lines concurrently with construction of new streets/roads. However, each road needs to be examined on a case by case basis. No street/road construction shall be approved for less than both sides of a street/road except as necessary to complete the improvement of a block that has previous partial completion.

Method of Assessment. The assessable costs for street/road construction shall be distributed among benefited properties on a per unit basis or on a front-foot basis *Assessable Cost.* The assessable cost equals 100 percent (100%) of the entire project cost for the street/road construction including intersections, alley openings, and street/road openings.

STREET RECONSTRUCTION AND RESURFACING

Street/road reconstruction and resurfacing projects shall include, but are not limited to the following:

Full-reconstruction of an existing street: Reconstruction of an existing street/road including but not limited to grading, necessary drainage, curb and gutter and hard surfacing.

Cold in place recycling and repaving (CIR/Repaving): Recycling of existing deteriorated pavements by pulverizing, mixing with new asphaltic oils and compacting in place. New paving materials are then placed over the cold recycled pavement similar to a standard overlay.

Partial Reconstruction of an existing street: Complete pavement removal, subgrade correction as needed, partial repair/replacement of concrete curb and gutter and hard surfacing.

Bituminous Mill and Overlay: Milling and placement of an additional bituminous layer, generally one to two inches thick, over an existing bituminous surfaced urban street.

Concrete Pavement Restoration: Replacement of existing concrete panels which have deteriorated, mud jacking panel to improve rideability, and the filling of joints and cracks with a petroleum-based material to eliminate flow of water to the base below the surface.

Method of Assessment- Single-Family Residential/Townhomes/Multiple Dwelling Units individually owned. The assessable costs for street/road construction shall be distributed among benefited properties on a per unit basis. Corner lots shall be considered one unit and assessed for the street it fronts on.

Method of Assessment- Commercial/Industrial/Apartment Buildings/Tax Exempt. The assessable costs for street/road construction shall be distributed among benefited properties on a front-foot basis. Corner lots shall be assessed for all frontages where there is driveway access to the street(s) it fronts on.

Assessable Cost- Single-Family Residential/Townhomes/Multiple Dwelling Units. The assessable cost equals Forty-One Hundred Seventy Dollars (\$4,170) for full reconstruction of an existing street, Twenty-Eight Hundred and Fifty Dollars (\$2,850) for a partial reconstruction of an urban street and Fourteen Hundred Twenty Five Dollars (\$1,425) for milling and overlaying an urban street. Street/road improvements shall be assessed consistent with the street/road improvement method. Such amounts shall be reviewed and adjusted regularly to reflect current construction costs.

Assessable Cost- Commercial/Industrial/Apartment Buildings/Tax-Exempt. Will be assessed on a front-foot basis. The front-foot rate is determined by dividing the single-family residential rate by 80 (the average residential lot width) and multiplying by 1.25 (for increased usage on roadways). The resulting rates are as follows:

Street Reconstruction: \$65.16 per foot

Partial Reconstruction: \$44.53 per foot

Mill and Overlay: \$22.27 per foot

Street/road improvements shall be assessed consistent with the street/road improvement method. Such amounts shall be reviewed and adjusted regularly to reflect current construction costs.

APPURTENANCES

Appurtenances are items such as sidewalks, street lighting, or trees that are often encountered during street improvement projects.

Policy. Appurtenances to new street construction, street/road reconstruction or resurfacing projects shall be included in the cost of the street/road improvement project and assessed according to those methods and policies. Appurtenances constructed or provided separate from new street/road construction; street/road reconstruction or resurfacing projects shall be assessed consistent with the above assessment procedures. Special requests shall be assessed 100% of the cost of the improvement.

SECTION 6: SUPPLEMENTAL ASSESSMENT GUIDELINES

A. SUPPLEMENTAL ASSESSMENT AND REASSESSMENT

The City Council may, subject to legal notice and hearing requirements, make supplemental assessments to correct omissions, errors, or mistakes in the relating to the total cost of the improvement or any other particular item. If an assessment is set aside by a court for any reason or if the Council finds that the assessment or any part of it is excessive or determines on the advice of the City Attorney that it is or may be invalid for any reason, the Council may upon notice and hearing as required for the original assessment, make a reassessment or a new assessment as to such parcel or parcels.

B. TAX-EXEMPT PROPERTY

Other than land under city ownership, there are three categories of tax exempt property. Said properties are to be assessed as follows:

1. Tax-exempt property shall be assessed in the same manner as if it were

privately owned, subject to the limitations set forth in Minnesota State Statutes, Section 435.19, subd.1, as long as the assessments do not exceed the special benefits conferred.

2. State land is subject to assessment based upon procedures set forth in Minnesota State Statutes, Section 435.19, subd.2.
3. County land and land owned by all other local taxing jurisdictions is subject to assessment and shall be assessed in the same manner as if it were privately owned, subject to the limitations set forth in Minnesota State Statutes, Section 435.19, subd.1, as long as the assessments do not exceed the special benefits conferred.

The method of assessment and assessable cost applied to tax exempt property to determine the special assessment amount shall be calculated at the time of the special assessment and as outlined in Section 5.

C. COMMERCIAL PROPERTY

All aspects of this policy apply to commercial property. The method of assessment and assessable cost applied to commercial property to determine the special assessment amount shall be calculated at the time of the special assessment and as outlined in Section 5.

D. MULTIPLE DWELLING UNITS

Multiple dwelling units are defined for the purposes of this policy as those that consist of two or more dwelling units per building or having any common walls, with the exception of apartment buildings. All aspects of this policy apply to multiple dwelling units. Each unit in a multiple dwelling unit shall be considered one residential unit.

E. TOWNHOUSES

All aspects of this policy apply to townhouses. Each townhouse unit shall be considered one residential unit.

F. TAX FORFEITURE ASSESSMENTS

When a parcel of tax forfeited land is returned to private ownership, and the parcel is benefited by an improvement for which special assessments were canceled because of the forfeiture, the City may, upon notice and hearing as provided for the original assessment, make a reassessment or a new assessment as to the parcel in an amount equal to the remaining unpaid on the original assessment.

G. ASSESSMENT OF NON-CITY ROADS

It is the policy of the City that, in general, non-city street/road projects will not be special assessed. However, the City reserves the right to assess its share of non-city street/road projects.

SECTION 7: CONDITIONS OF PAYMENT OF ASSESSMENTS

Minnesota State Statutes, Chapter 429, provide the City with considerable discretion in establishing the terms and conditions of payment of special assessment by property owners. Chapter 429 does establish two precise requirements regarding payment. First, the property owner has thirty (30) days from the date of adoption of the assessment roll to pay the assessment in full without interest charge (429.061, subd. 3).

Second, all assessments shall be payable in equal annual installments extending over a period not exceeding thirty (30) years from the date of adoption of the assessment roll (429.061, subd. 2). The conditions of payment established in this section follow the requirements of Chapter 429 and seek to balance the burden of payment of the property owner with the financing requirements imposed by debt issuance.

A. TERMS OF ASSESSMENT

The City shall collect payment of special assessments in equal annual installments of principal for the period of years indicated, and as recommended by the City Engineer, from the year of adoption of the assessment roll by the following types of improvements:

Street System Improvements (street, curb and gutter)	10-25 years
Appurtenances	10-25 years
Other	5-10 years

In some cases, improvements that are undertaken could warrant longer or shorter terms. In any event, the assessment term should never exceed the potential life of the improvement.

B. INTEREST RATE

The City most often finds itself required to issue debt in order to finance improvements. Such debt requires that the City pay an interest cost to the holders of the debt with such interest cost varying on the timing, bond rating, size and type of bond issue. In addition, the City experiences problems with delinquencies in the payment of assessment by property owners or the inability to invest prepayments of assessments at an interest rate sufficient to meet the interest cost of the debt. These situations create immediate cash flow problems in the timing and ability to make scheduled bond payments.

Therefore, for all projects financed by debt issuance, the interest rate charged on assessments shall be 2% greater than the new interest on the bonds issued, or 2% greater than the current investment rate if the project is funded internally.

PREPAYMENT AND ASSESSMENT CERTIFICATION

Partial Prepayment. After the adoption by the City Council of the assessment roll in any local improvement proceeding, the owner of any property specially assessed in the proceeding may, prior, to the certification of the assessment of the first installment to the County Auditor, pay to the City any portion of the assessment. The remaining unpaid balance shall be spread over the period of time established by the Council for installment payment of the assessment.

Certification of Assessments. After the adoption of any special assessment by the City Council, the City Clerk shall transmit a certified duplicate of the assessment roll with each installment, including interest, set forth separately to the County Auditor on an annual basis to be extended on the proper tax lists to the County.

SECTION 8: HARDSHIP DEFERRALS

Minnesota State Statutes Chapter 435.193, allows the City, at its own discretion, to defer the payment of any assessment for any homestead property owned by a person 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 is a member of the Minnesota National Guard on active duty for whom it would be a hardship to make the payments.

Section 8.1 PURPOSE OF DEFERMENT. The City Council hereby finds that there is a need to establish a procedure permitting deferment of special assessments pursuant to Minnesota Statutes Section 435.193-435.195 in cases where immediate payment thereof would create a hardship for qualifying homeowners who are elderly, disabled or members of the military.

Section 8.2 ELIGIBILITY FOR DEFERMENT. To be eligible for a deferment, a person must be the owner of homestead property and:

- A. Is 65 years of age or older for whom it would be a hardship to make payments; or

- B. Is retired by virtue of a permanent and total disability for whom it would be a hardship to make the payments; or
- C. Is a member of the Minnesota National Guard or other military reserves who, as stated in the person's military orders, is ordered into active military service, as defined in Minnesota Statutes, section 190.05, subdivision 5b or 5c for whom it would be a hardship to make the payments.

Section 8.3 APPLICATION. Application for deferred assessment shall be made to the City Administrator upon forms prescribed by Anoka County and the City, and shall contain true statements of such information as requested thereon. Application for deferment of assessments beginning in any year shall be made by October 15th of the preceding year.

Section 8.4 APPROVAL OF DEFERMENT. The City Administrator shall recommend approval or disapproval of each application on the basis of whether payment of the assessment would constitute a hardship. No person shall be deemed to have a hardship unless;

- A. The annual assessment installment exceeds one and one-half percent (1.5%) of the previous year's total adjusted gross incomes, for Federal Income Tax purposes, for all owners of the property. In no event shall total adjusted gross income include Social Security benefits, Railroad Retirement Benefits, retirement benefits attributable to employee contributions, disability benefits, personal injury awards or workers' compensation payments.
- B. Nothing herein shall be construed to prohibit the determination of hardship on the basis of exceptional and unusual circumstances not covered by the standards and guidelines where the determination is made in a nondiscriminatory manner and does not give the applicant an unreasonable preference or advantage over other applicants.

Section 8.5 INTEREST. Interest at the rate determined by the City Council at the time the assessment is established shall continue to accrue on any principal amount of special assessment which may be deferred until the same is paid.

Section 8.6 TERMINATION OF RIGHT TO DEFERRED PAYMENT. The option to defer the payment of special assessments shall terminate and all amounts accumulated plus accrued interest shall become due upon the occurrence of any of the following

events:

- A. The death of the owner provided that the spouse is otherwise not eligible for the benefits hereunder;
- B. The sale, transfer or subdivision of the property or any part thereof;
- C. The property should for any reason lose its homestead status;
- D. If for any reason the City Council shall determine that there would be no hardship to require immediate or partial payment; or
- E. At the request of the property owner.
- F. For active military deferments, they will terminate for assessments payable the year after they are off active duty status.

SECTION 9: CONSOLIDATING PROJECT FINANCING

If several public improvements are being carried out at the same time, the City Council reserves the right to consolidate all necessary financings into one improvement project for the purpose of issuing improvement bonds. This election will be made at the time of the public hearing on the improvements.