

ASSESSMENT POLICY FAQ's

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Over a period of seven months, the City Council has worked with the City financial consultant, City Attorney, and City Engineer to come up with an Assessment Policy to guide the decisions of the City for years to come on various projects it may undertake. Specifically, the Assessment Policy directs, in general terms, how and when the City will employ special assessments in the partial or total funding of projects within the City of Rockville.

WHY ADOPT AN ASSESSMENT POLICY?

The goals of an Assessment Policy are to provide a uniform method of applying City policy to the difficult decisions the Council has to make every day. An Assessment Policy ensures that the financial, legal and administrative considerations of widely varying projects are effectively addressed, and that the staff and Council have direction and guidance for most types of projects. Finally, an Assessment Policy helps residents, businesses and developers understand the policy of the City so that these stakeholders can understand the tools available to them, and plan for future projects. Most, if not all cities of our size, use an Assessment Policy.

WHAT ARE THE GOALS OF THE ASSESSMENT POLICY?

The City's Assessment Policy is drafted with several goals in mind:

1. Be fair and equal to all City residents and businesses;
2. Ensure the financial stability of the City;
3. Assure developers are accountable for the costs for new municipal projects and the impact of new development on existing facilities;
4. Balance the special benefits of municipal projects for specific property owners with the general benefit of the projects for all City residents;
5. Provide a clear guidance for staff, developers and the public; and,
6. Provide for clear policy that is forward-looking, and not project specific.

WHAT IS THE OVERALL POLICY OF THE CITY?

Most if not all potential issues have been addressed with fairness and sound financial considerations as the foundation of the policy. It is an objective set of standards that will apply to this unique city.

The Council has chosen to adopt a Schedule of Costs, which is used to calculate assessments for public projects. The Schedule of Costs is based on an annual review of the actual market costs of various standard projects, and is used to equalize charges to similar properties and provide a tool for property owners to estimate the costs of various projects. This Schedule of Costs is reviewed annually.

FREQUENTLY ASKED QUESTIONS?

How is the assessment against a property determined?

There are a few different ways the amount a property is assessed can be determined:

- a) Per Lot, Connection or Improvement;
- b) Per adjusted linear foot;
- c) On an area basis (per square foot or acre).

How are properties located in the SP-1 or A-40 districts treated differently?

Properties in areas with limited residential density (SP-1 and A-40 districts) are assessed differently for road projects, only. For these improvements, the properties are adjusted to have no more than 200 adjusted assessable linear feet for each potential residence on the property. In other words, if the property could, under the zoning code, have four residential dwellings, the adjusted footage would be 800 feet (200 ft. x 4). If the property had 1200 actual front feet, it would be adjusted to 800, and any current assessment would be based on that amount.

In the A-40 district, the difference between actual and adjusted (400 feet) would be deferred for up to 10 years, or when the property was developed. After that, it would be assessed. In the SP-1 district, the difference is waived, and will not be assessed, as these properties within the SP-1 are not expected to develop within the near future.

Why doesn't the City just use property taxes?

The City currently funds over \$250,000 of street repair and routine maintenance work on the 52 miles of City-owned streets and roadways each year. These costs are paid using property taxes - roughly one of every four city tax dollars is used for road maintenance. Unfortunately, this level of funding is not sufficient to handle major repair costs of certain older streets which have reached the end of their useful life. By assessing a portion of the costs of major repair projects and using debt judiciously, the City can systematically upgrade these roadways while keeping your property taxes under control.

In addition, by assessing even a small portion of projects, the City retains financing options that provides flexibility to address unknown future needs or emergencies, and reduces the cost to future residents to finance those needs.

Can't we establish a road and bridge fund? What happened to road and bridge funds from the Pre-consolidation Township and cities?

A road and bridge fund is simply another name for general property taxes. Townships are required to levy for different items and account for them individually. The City does not separate its property tax levy that way. If the City were to budget more funds for road and bridge improvements, it would do so by raising taxes on all property.

After consolidation, all of the former township's funds were assumed by the new consolidated city. Those funds have been used, as has other property taxes, to maintain and repair roads.

Why does the City assess for improvement projects on County-jurisdiction roads?

The core goal of the City's Assessment Policy is to treat all property owners fairly and equally. Whether a property owner is on a residential side street in a subdivision development, a commercial street in the urban area or a collector street through the rural portions of the City, the Assessment Policy attempts to even out differences so that every similar property owner is treated equitably.

The Assessment Policy recognizes that some projects may be funded through outside sources, while other projects will not benefit from private, County or state funding. The Assessment Policy shares those windfalls equally to all residents.

Similarly, the Assessment Policy recognizes that each project has special benefits to the property owners who use the new road for access to their property. The City expects that these properties will contribute a portion of the overall cost of the project. While no property will be expected to contribute the full amount of the reconstruction of a road, all properties will contribute some portion, based on the same Schedule of Costs.

By assessing for all road projects, every property owner is treated fairly and equally. Since a property owner who lives on a City-jurisdiction road, who pays both City and County property taxes, is required to pay for a portion of any improvement to their road; the identical property owner who lives on a County-jurisdiction road, who pays the same property taxes, will contribute a portion of their new road.

Where is the authority to assess for County roads derived?

Minnesota Statutes authorizes Cities to assess properties for special benefits that they receive from public projects. Specifically, Minn. Stat. § 429.051 authorizes the assessment for projects paid for by various state-aid funds, as well as authorizing the assessment for projects that were originally paid for by other non-property tax revenues or funds.

Special assessments differ from general taxes (such as property taxes) in that they are collections based not on the characteristics of the property, but instead on the benefit received from an improvement project. This is because the special benefit to the property is unique to the property, and is not a general benefit shared by all property owners in the City.

As far back as 1962, the Minnesota Attorney General has recognized that:
"The fact certain property owners happen to own property benefited by the improvement on county state-aid highways whereas certain other property owners happen to own property benefited by improvement on streets which are not county state-aid highways should not result in an inequitable assessment. To hold otherwise would in effect be holding that some property owners in your municipality would be excused from payment of assessments for improvements inuring to the benefit of their property."
Opinion of Attorney General Walter F. Mondale, March 21, 1962 (59A-4).

Again, the authority to assess for the benefit of a project does not rest on the amount of funds the City expends from its general fund. Instead, it is based on the fact that the property has inured a benefit from the improvement on which the assessment is based.

The fact that a project is fully or partially funded by outside sources, or is funded in excess of the municipality's expenditures, is not considered for purposes of authorizing

a special assessment based on benefit. Instead the funds obtained by the special assessment in excess of the municipality's expenditure may be used for the project, or for similar or related public purposes. All assessments must be based on the actual project, treat all property owners similarly, and benefit the assessed properties.

What is the "benefit" of a road to my property?

All property requires access to a road to have value. City regulations require certain access for emergency vehicles and other purposes. In today's market, the ability to access a road is necessary to use the property, and is an important characteristic of value.

It is important to note that "benefit" to a property is not determined based on the specific use of the property at this time, but on the highest and best use of the property. In other words, if a property has more value being used in another capacity or with different types of structures, the benefit of an improvement is based on the increase in value to the property if it was used to its optimal level. While this frequently seems unfair, especially to residential owners, it is a well-recognized doctrine of Minnesota law, and actually ensures that each property is treated equally and the true value of an improvement is assessed.

Of course, in order to have value for any property, the road must be in a condition to use. A road will have less value if it is deteriorated, unsafe or difficult to navigate. Furthermore, the value of property has been shown to be increased by its proximity to better quality roads, to roads that are easier to navigate and to roads that have desired improvements, for example better travel lanes, curb and gutter, or turn lanes, that make travel easier and safer. A road that is improved to remove dangerous conditions, correct deterioration, prepare the road for long-term use or make travel easier will be a greater value to the properties it serves. While some improvements to a road, for example increasing it to a four-lane highway, might not be a 100% benefit to a residential property, the property would almost certainly have some benefit, and would be subject to be specially assessed for some portion of the costs.

Will all non-City roads be assessed?

Not all properties adjoining a road are benefited by road improvements. At this time, unless a property uses the road for access, the City is not assessing for improvements. In addition, some unique circumstances may interfere with the City assessing for a specific improvement. These will be dealt with when they arise.

My road is a major thorough street, why do I have to pay for a road for trucks and other cars?

The short answer is that your assessment is not for the entire cost of the project, and takes into account the public nature of the road.

Of course, every public road is used to some extent by vehicles other than the resident, their guests, and service providers. Therefore, the City has adopted a policy to only assess a portion of reconstruction against the benefiting properties. The remainder is considered a "public cost," or the amount of the improvement that serves a general purpose, and is not assessed.

It is virtually impossible to analyze the special vs. general benefit for most projects. To keep it simpler, the City reduces the individual property owners' assessment and assumes a greater public, or general, benefit. For most roads, the assessment is 30% of the overall cost of the project. Therefore, at least 70% of the cost of the project is not assessed.

For non-City jurisdiction roads, the City assumes the road to have a greater public use. These are usually collector roads or are used for shipping or commercial traffic. For these projects, the City only assesses at 15% of the cost of the project. At least 85% is not assessed.

It should be noted that rarely is 30% (or 15%) of the entire cost of the project ever assessed. The costs of intersections and other individual issues that are non-assessable, and increase the percentage of the entire project that is not assessed.

Do I pay more for a collector road than I would for a residential road?

No. Within the same class of property (usually, the zoning district), the rate assessed for a project is the same or similar, no matter the type of road or other improvement installed. This varies a little bit for roads that might be a little wider, but in no case does a residential property get assessed for more than the benefit received by the road. The Schedule of Costs insures that similar properties are treated the same.

What if my property is in Green Acres?

Special assessments levied against the property that has been granted "Green Acres" status is deferred. The program defers the special assessments until the property is no longer qualified under the Minnesota Agricultural Property Tax Law (Green Acres).

When the property is no longer deferred, the assessment, plus interest, is due. If bonds were issued in relationship to the improvement, and they are still outstanding, then the assessment plus interest is spread over the remaining term of the bonds. If no bonds remain, the deferment, plus interest, is due within 90 days.

The city must record a certificate against the legal description of the property with the amount deferred. Otherwise, the City does not need to approve or grant the deferral provided by Green Acres. This is different than the deferral provided elderly and disabled persons pursuant to MN Section 435.193

For more information or to read the entire Assessment Policy visit our website at www.rockvillecity.org or stop into City Hall.