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Office of Financial Services Treasury/Assessments

**Presentation on Special Assessments for City Council Policy Committee
March 18, 2026**

Presentation Agenda

- Special Assessment Background
- City's Response to Assessment Challenges
 - Special Benefit Analysis
 - Special Assessment Policies
- Proposed Policy Revisions
- Councilmember Questions/Discussion





Special Assessment Background

- Assessment Theory
- Brief History of Special Assessments in Saint Paul



Assessment Theory

- Definition
 - A special assessment is a charge imposed on real property (land and buildings) to help pay for a public improvement that benefits the property.
 - Taxes on land and buildings deriving direct benefits as a result of a transportation improvement.
- Historic roots -
 - 1600's – France charged property owners for the cost to widen their streets.
 - Late 1600's – New York City codified in law, expanded to other New York cities mid-1800s
 - By late 1800s – Across the Midwest, the Great Plains states, and as far west as California



Assessment Theory (cont'd)

- Value Capture – A type of public financing that recovers some or all of the value that public infrastructure generates for private landowners. In the City of Saint Paul, value capture is operationalized when the City specially assesses abutting property owners for the increased value to their properties as a result of city street improvements.
- Special Benefit – Similar to value capture. Rests on the notion that government has the right to capture a property's increased value, i.e., its special benefit, through a special assessment.

Until the City began revising its special assessment practices in 2016 – and then codified the revisions in 2024 with the adoption of the new special assessment policies – special benefit was not explicitly considered or measured. It is now front and center in the City's calculation.



Assessment Theory (cont'd)

- Legal Authorization – The legal basis for specially assessing properties for the cost of public improvements is provided in state constitutions and statutes, and in local government charters and ordinances.
- In Minnesota, special assessments are authorized in the State Constitution (Citation: Article X, Section 1). The laws governing special assessments for local governments are primarily found in Minn. Stats. Ch. 429.
- Special assessment law has been further developed and refined in case law.
- In Saint Paul, special assessments are codified in Chapter 14 of the City Charter and in various ordinances, particularly Chapters 60-64 of the Administrative Code.



History of Special Assessments

- Street Maintenance
 - 1909 – City's cost to water gravel city streets to settle dust, charged to properties along the streets through property taxes.
 - 1974 – Summer Street Maintenance Program - street and alley sweeping, pothole patching, oiling and chip sealing on improved streets and alleys, blading and gravel on unimprovement streets and alleys. Financed with annual assessments on properties abutting the streets and alleys.
 - 2003/2005 – Cost of some street maintenance services shifted from General Fund to street maintenance fund to relieve fiscal pressure due to state LGA cuts: street overlays, litter pick up, snow plowing, sanding and salting, snow removal, snow emergency tagging and towing, mainline sidewalk maintenance and repair, boulevard tree maintenance and trimming. In 2005, expanded to include street lighting maintenance.



History of Special Assessments

- Street Maintenance
 - 2011/2016 – 2011, First Baptist Church and Saint Mary’s Catholic Church appealed their assessment in District Court, arguing ROW maintenance assessment was a tax and required recognition of special benefit. 2016 – MN Supreme Court agreed.
 - 2017 – City crafted new Street Maintenance Service Program (SMSP), citing different state statute that allowed for collection of unpaid special charges through special assessment. City then charged fees for citywide street and alley sweeping, citywide street light maintenance, and discrete mill and overlay projects.
 - 2022/2023 – Property owners appealed SMSP Assessment in District Court. May, 2022 Court ruled SMSP charges not valid without City showing special benefit. In response, City shifted cost of street/alley sweeping and citywide lighting maintenance to General Fund, a major contributor to the 15% property tax levy increase in 2023.



History of Special Assessments

- Street Improvements
 - 1970's – City established program to assess for cost of street/alley construction, sewer line extensions, new lighting, in-fill sidewalks. Project cost allocated to affected properties by applying a per-foot assessment rate to the property's front footage. City adopted special assessment policies.
 - 1980's – 1985 – Combined Sewer Separation Program (CSSP) created and City assessed for storm sewer improvements. 1986 – special assessment for street paving, curb and gutter. 1989 – added lantern-style lighting, bent straw lighting. Named Residential Street Paving Program (RSPP), later Residential Street Vitality Program (RSVP).
 - 2000's – Some assessment appeals, but City's position upheld. 2015 and 2016 – appeal settlements led to significant assessment reductions. On a 2016 appeal city hired outside appraiser to provide new analytical approach to determine special benefit. City then contracted with appraiser to begin analyzing special benefit for street reconstruction projects.



City's Response to Assessment Challenges

- Special Benefit Analysis
 - Analytical Approach – Jon Barclay, Hosch Appraisal and Consulting, Inc.
 - Application to City's Assessment Calculation



Analytical Approach

Introduction

- Hosch Appraisal & Consulting, Inc. — Regional firm specializing in complex valuation assignments
- Experienced in municipal special benefit analysis and public improvement valuation
- Engagement: Evaluate maximum supportable special benefits for Saint Paul public improvement projects



Analytical Approach (cont'd)

Purpose of Special Benefit Analysis

- Provide market-based opinions of maximum supportable special benefit
- Identify impacts to market value attributable to:
 - Street reconstruction projects
 - Mill & overlay projects
 - Other types of limited-scope projects
- Support internal City decision-making for proposed special assessments



Analytical Approach (cont'd)

Analytical Framework

- Review project data and proposed assessment roll
- Site inspections and project area analysis
- Identify and analyze property classifications adjacent to project area
- Analyses tied to most recent Assessor's Estimated Market Value (EMV)
- Market research & literature review
- Sales data analysis
- Interviews with market participants



Analytical Approach (cont'd)

Project Area Inspection

- On-site review of each project area
- Confirm physical attributes and neighborhood context
- Validate scope and expected impacts

Neighborhood & Trend Analysis

- Review surrounding neighborhood trends
- Analyze land use patterns and market demand
- Identify sensitivity to public improvement impacts



Analytical Approach (cont'd)

Broad Market Research

- Literature on impacts of public improvements on real estate values
- Sales & market data from similar project areas
- Interviews with market participants
 - Brokers and Realtors
 - Owners
 - Developers
 - Others



Analytical Approach (cont'd)

Use of Assessor Estimated Market Value Data

- EMV establishes baseline property values
- Appropriate based on Sales Ratio Study
- Provides reasonably current valuation basis
- Provides consistent valuation basis across all projects
- Supports classification-level and aggregate benefit analysis



Analytical Approach (cont'd)

Application of Research and Analysis of Project Benefits

- Apply research findings to project conditions
- Reconcile market-supported special benefit by classification
- Determine level of special benefit
 - Measurable
 - Inconclusive or negligible
 - Zero benefit



Analytical Approach (cont'd)

Maximum Supportable Special Benefit

- Calculate special benefit by property classification
- Aggregate for all real estate abutting project area
- Provide maximum supportable (not predictive) benefit opinions
 - Determine the upper limit of the benefit that can be credibly supported by market evidence.
 - The maximum supportable benefit is based on property classification in general.
 - The conclusions are not a prediction of value impacts to individual properties.



Analytical Approach (cont'd)

Key Takeaways

- Objective, market-based approach
- Consistent methodology across projects
- Defensible, classification-specific conclusions
 - Provides an independent, arms-length perspective
- Incorporates neighborhood context and market trends
- Supports equitable and informed City decision-making



Office of Financial Services – Treasury/Assessments

Application to City's Assessment Calculation

					Traditional Calculation Method			Special Benefit Calculation Method			FINAL ASSESSMENT (Lesser of Traditional Method and Special Benefit Method)
	TOTAL PROJECT COST (per PW)	LESS NON-ASSESSABLE COST (per PW) *	REVISED PROJECT COST (Total Project Cost less Non-Assessable Cost)	ASSESSABLE COST (@25% of Revised Project Cost)	ASSESSABLE FRONTAGE (linear feet)	ASSESSMENT RATE (per lineal foot)	PROPOSED ASSESSMENT	PROPERTY VALUE (per Ramsey County assessor)	MAXIMUM SUPPORTABLE SPECIAL BENEFIT PERCENTAGE (per independent appraisal firm)	PROPOSED ASSESSMENT	
Mill and Overlay Project											
Victoria Street - Summit Avenue to Concordia Ave	\$1,623,178	(\$18,900)	\$1,604,278	\$401,070	3,822	\$104.94					
Sample Properties											
232 Victoria St No (single family residential)					40	\$104.94	\$4,197.60	\$371,100	1.25%	\$4,638.75	\$4,197.60
130 Victoria St No (commercial)					238	\$104.94	\$24,975.72	\$2,271,000	1.00%	\$22,710.00	\$22,710.00
55 Victoria St No (religious institution)					150	\$104.94	\$15,741.00	\$676,900	0.50%	\$3,384.50	\$3,384.50
Street Reconstruction Project											
Annapolis Street - Smith Ave to Robert St (Ph 1)	\$2,858,779	\$0	\$2,858,779	\$714,695	2,709	\$263.82					
Sample Properties											
261 Annapolis St W (single family residential)					50	\$263.82	\$13,191.00	\$211,900	3.00%	\$6,357.00	\$6,357.00
71 Annapolis St W (commercial)					100	\$263.82	\$26,382.00	\$190,900	2.50%	\$4,772.50	\$4,772.50
875 Manomin Ave (religious institution)					116	\$263.82	\$30,603.12	\$295,100	3.00%	\$8,853.00	\$8,853.00



Creation of New Special Assessment Policies

- **Assessable Project Types** – Street reconstruction, mill & overlay, rehabilitation, storm/sanitary sewers, sidewalks, alleys, joint agency improvements (e.g., County or State projects with City involvement)
- **Assessable Cost** - Portion of a project cost that directly benefits the properties located within a project area (versus City Cost that provides a general benefit to the public)
- **Special Benefit Application** – A property's market value multiplied by the special benefit percentage
- **Exceptions** – Odd-shaped properties, corner properties



Proposed Revisions to Policies

- **City Cost / Assessable Cost** – Revised definitions to clarify City Cost (general benefit to public) and Assessable Cost (direct benefit to property owners). Also, to allow some project costs (i.e., sewer/water mains) that do not provide a benefit to property owners to shift to City Cost. This shift reduces total Project Cost against which the 25% assessable percentage is applied to derive Assessable Cost.
- **Exception 3** – All corner properties currently benefit from this exception that effectively caps assessments for corner properties at the highest assessment when two abutting streets are assessed for separate street improvements. The exception will now be restricted to only residential 1-4 unit properties.



Council Questions/Discussion