

ASSESSMENTS POLICY DISCUSSION

March 23, 2016

OVERVIEW

History

- Since 2007 Saint Paul has used street improvement bonds (SIB) to improve **residential** streets.
 - 20% of the improvement costs must be assessed by law.

- 2015 The Residential Street Vitality Program (RSVP) is amended to include **arterial** streets and is rebranded Saint Paul Streets (SPS).
 - 20% of the improvement costs still must be assessed by law.
 - Inclusion of arterials introduces greater complexity including:
 - Greater mix of properties (residential, commercial/industrial, apartment)
 - Arterials typically cost more to reconstruct due to wider streets and enhanced amenities.

Background

Issue: Historical assessment policy has become challenging due to the introduction of arterials and recent growth in project costs.

Background:

- December 2, 2015 the four principles below were presented to Council.
 - A team has been working on policy options to address these principles over the last 3 months.
 - The policy session today will provide the opportunity to further explore options and receive further direction from City Council.
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- Principle 1 – Property owner cost participation should continue with an average goal of 25%.
 - Principle 2 – Assessment rates should be consistent and predictable.
 - Principle 3 – New (infill) sidewalk along reconstruction routes should be treated as part of the overall project and assessed at similar rates.
 - Principle 4 – Property owners should continue to bear the full cost of above standard amenities.

Financing Sources for Street Improvement

Today's discussion focuses on Saint Paul Streets (SPS)

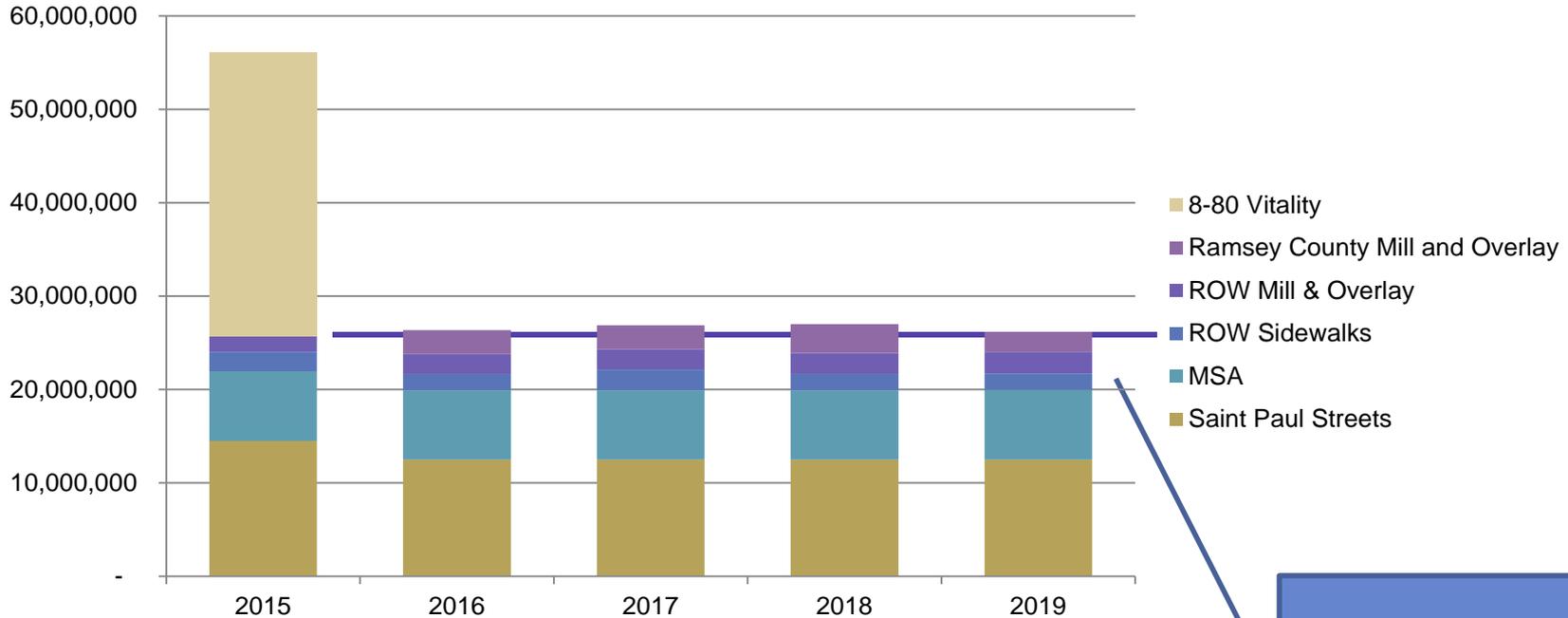
Program	Assessed Rate	Financing	2016 Budget
Saint Paul Streets (SPS)	20-25%	Fees Assessed and Street Improvement Bonds, <i>20% requirement</i>	\$12,500,000
MSA*	varies	Gas Tax from State of MN <i>(assessed at SPS rate)</i>	\$7,400,000
Right-of-way Sidewalks	100%	Fee Assessed via ROW	\$1,749,000
Right-of-way Mill and Overlay	100%	Fee Assessed via ROW	\$2,137,000
Ramsey County	varies	County assesses 0%, City assesses portion of city share	\$2,578,730

**State requires an allocation of the MSA funds to be spent on maintenance. The requirement is a minimum of 25% and maximum of 35%, this equates to \$1.8-2.6MM that is not directed to street improvements.*

Challenges

- 20% cost participation requirement for street improvement bonds.
- Arterials are significantly more expensive to reconstruct than residential streets.
- Arterial costs introduce greater variability by project – depending on road width, signals, medians, etc.
- Projects have traditionally been averaged to meet 20% assessment criteria, which is no longer practical when including arterials.
- Rising costs for all projects in recent years.
- Utilities construction can increase the complexity, time, and cost of the project.
- Method allocations (long side subsidies, square footage, per parcel, etc.).
- Sidewalk infill.
- Projects with cost participation.

Street Improvement Financing Sources



	2015	2016	2017	2018	2019
Saint Paul Streets	14,500,000	12,500,000	12,500,000	12,500,000	12,500,000
MSA	7,432,000	7,400,000	7,400,000	7,400,000	7,465,000
ROW Sidewalks	2,099,000	1,749,000	2,233,600	1,749,000	1,749,000
ROW Mill & Overlay	1,678,700	2,137,000	2,179,700	2,243,500	2,312,500
Ramsey County Mill and Overlay		2,578,730	2,573,961	3,101,551	2,135,166
8-80 Vitality	30,400,000				
Total	56,109,700	26,364,730	26,887,261	26,994,051	26,161,666

Funding is relatively flat, 2015 benefitted from one time 8-80 funds.

OTHER CITIES

Other City Analysis-

- No two cities are alike
- Key Differences
 - Unit measure -linear front foot, by lot, by parcel, % of appraised values, residential equivalent unit.
 - Rate of assessment - Ranged from 25%-100%, some had set amount by parcel regardless of lot size, and Minneapolis has a uniform assessment rate dependent on the type of improvement.
 - Residential vs. Non-Residential properties. (Non-Residential paid more)

CONSIDERATIONS & OPTIONS

Allocation Methodology Considerations

Status Quo

- Assessments distributed by lineal (front) footage
- LSS applied to corner residential properties
- Uniform rates (residential & commercial)

Lineal footage with no LSS

- Same as status quo with corner properties charged for both long and short sides

Square Footage

- Allocate by square footage of each property instead of lineal footage

Parcel by Parcel

- Each parcel is allocated the same assessment regardless of size.

Allocation Methodology Considerations

Establish different rates for residential and commercial

- Residential rate payers would pay a different rate than commercial rate payers.
- Could be combined with other allocation changes
- Considerations for condominiums and apartments

Project Classification Considerations

Residential (RSVP)

- Status quo
- Mostly contain residential properties

Small Arterial (3rd Street)

- Width, complexity and amenities fall between residential and larger arterial
- Both residential and commercial properties

Large Arterial (University, Wabasha)

- Wide streets with lots of amenities and greater complexity
- Many commercial properties (although some residential)

Downtown

Rate Options

1. **Status Quo by Project Class** – Assess at 25% of cost

- Doesn't deviate from current practice
- Ensures consistency with cost participation
- New project classifications introduce complexity
- Smaller/unique set(s) of projects each year exposes outliers

2. **Standard Rate by Project Class** – Assess at a set rate that inflates annually

- In order to maintain compliance with bonds, floor must be set at 20%
- Inflation capped at x% (use appropriate inflation index)
- If cost participation dips below 22%, additional x% is added on.
- Attempts to establish predictability
- Could easily erode cost participation and revert to a fixed (lower) %.
- **Alternatives**
 - Establish initial rate at a higher level (35%)
 - Delay implementation to collect more data but both options are reported annually.

Rate Considerations

3. Residential & Commercial Rates with Blended Averages

- Rates are uniform across both arterial and residential
- Commercial rates are higher based on benefit
 - Mpls currently assesses C/I at 3.0x residential
 - ROW is approx 2.5x residential
- Consistency across property types
- Would allow for project blending when evaluating assessment rates for 20% bonds test, which may minimize outliers.