

# SAINT PAUL STREETS ASSESSMENT POLICY

2/21/18

# Overview

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- Current Financing Source
- Key Points of Current Assessment Practices
- Problems with Current Financing Source and Practices
- Recommended Changes
- Proposed Timeline

# Current Financing Source

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## Street Improvement Bonds (SIB)

- Per state law, SIB require a minimum of 20% of the total cost be assessed to the benefitting property owner

# Assessment Practices – Key Points

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- ▣ Residential properties cannot be assessed twice in 20 years (“20 year rule”)
- ▣ Adjustments to actual footage are made for residential and commercial irregular shaped lots (about 4,000 lots, or 5% of all properties)
- ▣ Current policy provides a subsidy to corner residential properties by charging only the “short side” frontage
- ▣ All other properties are assessed at the actual front footage of their property
- ▣ Rates are set by project
- ▣ City, state, and Ramsey County properties pay these assessments
- ▣ Federal buildings, the Met Council, and cemeteries do not pay these assessments

# Problems with Current Financing Sources and Policy

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Keeping a minimum 20% assessment requirement will lead to unreasonably high and unpredictable assessment rates for 2018 projects and beyond

<u>Project</u>	<u>Assess 20% of Costs (65% growth vs. 2017)</u>	<u>2018 Proposed Rates</u>
Rates per linear foot		
Woodlawn-Jefferson (Residential)	\$198.25	\$130.00
Change vs. 20% cost recovery		(\$68.25)
Wheelock: Danforth-Wstrn (Arterial)	\$233.44	\$138.00
Change vs. 20% cost recovery		(\$95.44)
Como Avenue - Cmnwlth-Brompton (Arterial)	\$233.44	\$138.00
Change vs. 20% cost recovery		(\$95.44)

# Impact of Assessment Changes

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Assessing less than 20-25% of project costs will increase the levy funding needed for street debt repayment

24% of Project Costs Assessed (Baseline)		12.5% of Project Costs Assessed (Proposed)		0% of Project Costs Assessed (100% levy funded)	
Levy Increase Over 2018		Levy Increase vs. 2018 baseline		Levy Increase vs. 2018 baseline	
<u>Year</u>	<u>Increased Levy</u>	<u>Year</u>	<u>Increased Levy</u>	<u>Year</u>	<u>Increased Levy</u>
2019	\$0	2019	\$88,893	2019	\$185,768
2020	\$0	2020	\$160,580	2020	\$335,580
2021	\$0	2021	\$232,268	2021	\$485,393
2036	\$0	2036	\$1,307,580	2036	\$2,732,580
2037	\$0	2037	\$1,379,268	2037	\$2,882,393
2038	\$0	2038	\$1,450,955	2038	\$3,032,205

\*Assumes borrowing \$15.5m in 2018 \$12.5m annually thereafter

# Recommended Changes

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## **Financing Source**

- Change financing source for SPS projects from Street Improvement Bonds to Street Reconstruction Bonds/CIB Bonds
  - State law requires that the council adopt a 5 year street plan in order to use street reconstruction bonds
  - Street reconstruction bonds also have some limitations on the kind of work performed
    - For example, they cannot be used to add curbs and gutters where none previously existed (with some exceptions)
  - In rare cases where project work cannot be done with street reconstruction bonds, CIB bonds will be used

# Recommended Changes

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## **Assessment Policies**

- Projects will be planned such that no property will be assessed twice in a 20 year period
- Assessments for corner residential properties
  - If work is completed on one side of the property during a project, the property would be assessed based on its short side frontage, regardless of which side the work is done on
  - If work is completed on both sides of the property during the project, the property would receive a 50% discount on both sides of their frontage
- Set a policy that increase rates by a somewhat predictable amount each year
  - The rate of growth would be reviewed each year by Public Works and OFS staff, and would be set after considering a variety of factors including inflation, growth in City project costs, project specific factors, special benefit received by properties, the current construction environment, feasibility and affordability
- Maintain current policy for irregular shaped lots, continue to set rates by project, and maintain policy of no corner subsidy for commercial properties



# Recommended Changes

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## **Intended Outcomes**

- ▣ These changes will increase predictability, uniformity, and affordability

# Proposed Timeline

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## Late February

Rates are finalized and Council documentation is prepared

FEBRUARY

## Wednesday March 7

Council materials are "agenda ready"

MARCH

## Week of March 19

Public hearing on street reconstruction bonds is published in the newspaper.

APRIL

## After April 18

Public Works is allowed to open project bids and award contracts

SUMMER

## Wednesday March 14

- Council approves preliminary order resolution setting PH Date of 4/18
- Council also sets public hearing date of 4/18 to approve the 5 year capital plan and to authorize selling street reconstruction bonds
- Public hearing notices are sent to property owners

## April 18th

Public hearing on assessment rates, 5 year capital plan, and approval to sell street reconstruction bonds

## Bonds Sold

# Questions?