

CITY OF SAINT PAUL SPECIAL ASSESSMENT POLICIES AND PROCEDURES FOR PUBLIC IMPROVEMENT PROJECTS

FINAL

June 2024

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SECTION 1. GENERAL POLICY STATEMENT

The purpose of these special assessment policies is to describe the City's process for assessing properties for the cost of public improvements. The requirements and procedures used to levy special assessments are guided by Minnesota Statutes Chapter 429 and the City Charter. As a general operating principle, assessments for public improvements are determined based upon an allocation of eligible project costs and a determination of special benefit to properties impacted by the improvements. Accordingly, properties within a project area are allotted a proportionate share of the public improvement costs based upon front footage. The actual assessment of the allocated project costs then factors in the special benefit that the improvement provides to the properties.

Three basic criteria must be satisfied before a property can be assessed:

1. The property must have received a special benefit from the improvement.
2. The amount of the assessment must not exceed the special benefit to the property.
3. The assessment must be uniform by property class within the project area.

The policies and procedures in this document are intended to guide the determination of assessments by the City. However, there may be exceptions to these general policies where unique circumstances or situations require special consideration by the City.

SECTION 2. COST OF PUBLIC IMPROVEMENTS

The City's cost of undertaking public improvement projects ("Project Cost") includes direct costs such as construction work required to accomplish the improvement, and indirect costs such as engineering and other contingent costs, including acquisition of right-of-way. The Department of Public Works calculates all costs for public improvement projects.

The “City Cost” of a public improvement project is a component of the Project Cost. The City Cost is the portion of Project Cost that is financed with non-assessment sources. The City Cost for Street Mill and Overlay projects on arterial streets includes cost items that do not apply to residential streets (e.g., wider pavement, lane striping, signal looping).

The “Assessable Cost” of a public improvement is a portion of the Project Cost that directly benefits the properties located within a project area. Assessable Cost is equal to the Project Cost minus the City Cost.

SECTION 3. FINANCING PUBLIC IMPROVEMENTS

Public Improvements are financed using a variety of funding sources including:

- City Issued Street Reconstruction Bonds
- City issued General Obligation bonds
- Municipal State Aid
- Funds received from other government agencies (federal, state, county)
- Other non-bonded city funds (Saint Paul Regional Water Services or Sewer Utility revenues)
- Special assessments

SECTION 4. PUBLIC IMPROVEMENT PROJECTS SUBJECT TO SPECIAL ASSESSMENTS

The construction, extension, and maintenance of public improvements is authorized by Minnesota Statutes, Sections 429.021 and 459.14, Subd. 7 and Chapter 13.02 of the City Charter. Improvement projects eligible for a special assessment typically undertaken include the following:

1. Street Reconstruction – Generally includes constructing new bituminous street surfaces, installing concrete curbs and gutters, installing concrete driveway aprons and outwalks if present, as well as sidewalk “infill” and pedestrian ramps where needed, landscaping boulevards with sod and trees and replacing existing wood pole streetlights with a city standard lighting system.
2. Street Mill and Overlay – Generally includes resurfacing existing paved city residential and arterial streets.
3. Street Rehabilitation – Generally includes resurfacing existing paved residential and arterial streets and repairing and/or replacing curbs, gutters, storm sewer systems, sidewalks, and pedestrian ramps when determined needed.
4. Storm and Sanitary Sewer Mains – Generally includes repairing, replacing or

upgrading storm or sanitary sewer infrastructure as determined necessary.

5. “Standalone” Sidewalk Installation – Sidewalk construction only if capacity exists to undertake the project.
6. Alleys – Reconstructed or newly constructed to address pavement surface and/or drainage above/below ground only if capacity exists to undertake the project.
7. Joint Improvement Projects – Projects undertaken with other government agencies, including curb, gutter, lighting, paving and storm sewer.

SECTION 5. PUBLIC IMPROVEMENT ASSESSMENT PROCEDURES

The procedures for public improvement project initiation and assessment determinations follow this path:

1. Generally, public improvement projects are initiated by the Department of Public Works (“DPW”). The DPW prepares a Summary of Engineering Recommendations (“SOER”), which describes the public improvements to be undertaken, explains the need for the improvements, and provides an estimate of project costs and financing sources.
2. The SOER is delivered to the Assessments Section of the Office of Financial Services (“OFS”) which prepares and submits to the City Council a Preliminary Order Resolution (“POR”). The POR identifies each public improvement project and contains a preliminary assessment roll which lists each property to be specially assessed and an estimate of the assessment, as calculated per the policies in Section 6 below.
3. The City Council considers the POR on the Council’s consent agenda. If the POR is approved, the Council sets a public hearing date at which time a Final Order Resolution (“FOR”) will be considered. If adopted, the FOR authorizes the improvement project recommended in the SOER and updates the POR’s assessment roll.
4. Prior to the public hearing to consider the FOR, property owners are notified by US mail at least 20 days in advance of the public hearing. At the public hearing, property owners can offer testimony on the proposed project and the preliminary assessment for the project. When the FOR is adopted, the project is authorized to begin.
5. When project construction nears substantial completion, OFS prepares a city council resolution which sets a public hearing date to adopt or “levy” the final assessment roll for the project.
6. OFS notifies property owners of the public hearing by US mail at least 20-days prior to the public hearing. OFS also publishes a notice of the public hearing in the City’s official newspaper. These notices must include information regarding a property owner’s right to

defer the assessment or to appeal the assessment.

7. The City Council conducts the public hearing on the final assessment for the project and, following the public hearing, can either adopt, revise, or reject the project's final assessment roll.
8. Following the adoption of the project's final assessment roll, OFS mails an invoice to property owners reflecting the total amount of the levied assessment. Property owners may pay all or a portion of the assessment without interest within 30 days following the levy date. After that date, interest on the assessment principal begins to accrue from the levy date.
9. In mid-November OFS certifies to Ramsey County the annual principal amounts, plus interest when applicable, of the assessment levied against each property.

SECTION 6. ASSESSMENT CALCULATION POLICIES

Special assessment calculations for public improvements center around the following objectives:

- I. Allocation of assessable cost policies;
- II. Calculation of special benefit; and
- III. Final Assessment.

I. Allocation of Assessable Cost Policies for City Projects

Assessable cost, as defined in Section 2, is the difference between Project Cost and City Cost. Project Cost is the sum of all project costs that could be assessed to benefitting properties. City Cost is the portion of Project Cost that the City will pay and can vary from one type of project to another.

A. The general policies for City Cost and Assessable Cost are as follows:

- Street Reconstruction Projects and Street Rehabilitation Projects

City Cost – 75%; Assessable Cost – 25%

- Mill and Overlay projects

City Cost – 75%; Assessable Cost – 25%

- Storm and Sanitary Sewer Mains

City Cost – 100%; Assessable Cost – 0%

- Lead Water and Sanitary Sewer Service Lines

City Cost – 0%; Assessable Cost – 100%

- For all other Projects, including standalone sidewalks, alleys, above-standard lighting, and projects undertaken with other agencies, City Cost and Assessable Cost are determined as needed by City staff with approval of the Mayor's Administration.

Once Assessable Cost has been established for a public improvement project, the cost is allocated across properties within the project area by dividing Assessable Cost for each property type by the project's total street frontage to derive a per-lineal-foot rate for each property type. The rate is multiplied by each property's Assessable Frontage (defined in Section 7) and an assessment amount is calculated.

B. Assessable Frontage Calculation Exceptions

Assessable Frontage used in the assessment calculation is generally defined as the actual lineal footage that a property borders a street being reconstructed. This applies to all properties being assessed under these special assessment policies. For condominium and townhome associations, the frontage assigned to each unit is the total association street frontage divided by the number of dwelling units.

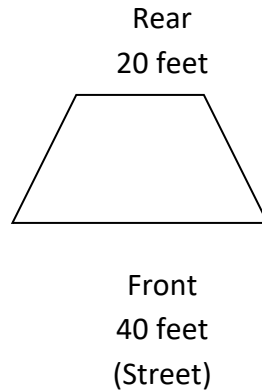
There are some exceptions to using actual lineal footage for a property's assessable frontage, as noted below:

Exception 1: Irregularly-Shaped Properties

Irregularly-shaped properties present a special challenge for determining assessable frontage. The measured frontage of an irregularly-shaped property could differ significantly from the measured frontage of a rectangular-shaped property that is identical in area. Irregular-shaped properties must be mathematically "adjusted" to derive an assessable frontage for a more rectangular-shaped property. The following formulas adjust frontages for the most common types of irregularly-shaped properties and apply to all property types. These formulas are intended to establish as much uniformity as possible among property types.

a. Properties with wider front than rear

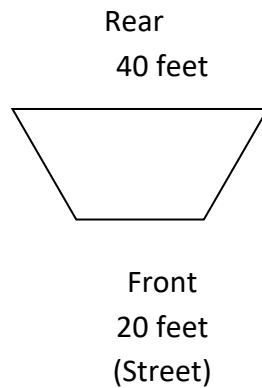
Policy: Measure rear lot dimension plus 60% of difference between street frontage and rear dimension



Example: $20 + (40 \text{ feet} - 20 \text{ feet}) \times .60 =$
 $20 + 12 = 32 \text{ feet of assessable frontage}$

b. Properties with wider rear than front

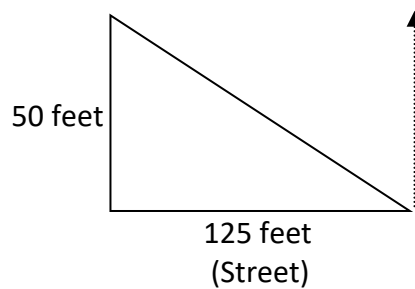
Policy: Measure street frontage plus 20% of difference between front and rear lot dimension



Example: $20 + (40 \text{ feet} - 20 \text{ feet}) \times .20 =$
 $20 \text{ feet} + 4 \text{ feet} = 24 \text{ feet of assessable frontage}$

c. Properties with right-angled triangular shape

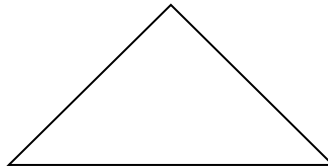
Policy: Extend lot lines to a square corner and use corner lot policy (short side plus 0% of first 150' of long side).



Example:
Short side = 50 feet of assessable frontage

d. Properties with acute-angled triangular shape

Policy: Multiply street frontage by 60% of same frontage

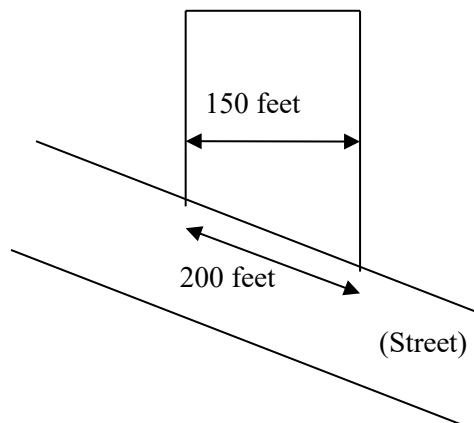


Front
50 feet
(Street)

Example:
 $50 \text{ feet} \times .60 = 30 \text{ feet of assessable frontage}$

e. Properties with slanted street frontage at least 10% greater than lot width measured perpendicular to the property sides

Policy: Assessable frontage equals perpendicular lot width.



Example:
Slanted street frontage = 200 feet
Perpendicular lot width = 150 feet
 $\text{Perpendicular lot width} + 10\% = 150 \text{ ft} + (150 \text{ ft} \times 0.1) = 150 \text{ ft} + 15 \text{ ft} = 165 \text{ ft}$
200 feet > 165 feet; therefore
Assessable frontage = 150 feet

Note: In special circumstances where an irregularly-shaped property or a multi-ownership property does not conform to one of the above policies, the City's Finance Director or designee may determine an appropriate assessable frontage.

Exception 2: Residential Properties (1-4 Units)

Residential properties consisting of 1-4 units are defined by the “Land Use Code” assigned to each property by the Ramsey County Department of Property Records and Revenue. Such will be assessed as follows:

If the property abuts two or more streets (e.g., corner property), and when a street reconstruction, rehabilitation or mill and overlay project improves one or more of the ~~an~~ abutting streets, the frontage used in the assessment calculation is the property’s short side.

Note: Exception 2 also applies to residential properties 1-4 units that are tax-exempt, and to residential properties 1-4 units that are taxable but owned by a tax-exempt entity (e.g., private college). Taxable properties with a split residential/commercial use are not eligible for the above exceptions.

Exception 3: Subsequent Assessments – All Properties

If a property has been previously assessed for a street reconstruction, rehabilitation or mill and overlay project and in a subsequent year a similar project improves the same street, the property will not be assessed for the second project unless ratification of the assessment for the second project occurs more than 20 years after ratification of the assessment for the first project.

If a property has been previously assessed for a street reconstruction, rehabilitation or mill and overlay project and in a subsequent year a similar project improves a different abutting street, the property will be assessed for the second project as follows:

- a. If the assessment for the later project occurs within the term of the first assessment and the second assessment is less than the first assessment, the property is exempt from the second assessment.
- b. If the assessment for the later project occurs within the term of the first assessment and the second assessment is greater than the first assessment, the second assessment will be reduced by the amount of the first assessment.
- c. If the assessment for the later project occurs after the first assessment term has expired, the property will be assessed the full amount of the second assessment.

Properties NOT Assessed

Certain properties abutting streets within project areas are not assessed based on their

property type, proximity and accessibility to the street, and status as a “legally-exempt” property:

1. Property Type

- a. Storage units associated with condominiums or town homes
- b. Garage units associated with condominiums or town homes
- c. Platted outlots

2. Proximity

- a. Land-locked parcels (not abutting street right-of-way)
- b. Parcels abutting unimproved right-of-way if the right-of-way is not used to access abutting properties

3. Access

Properties abutting either improved or unimproved right-of-way where the grade difference between property and right-of-way is so substantial that the right-of-way can provide no access are not subject to the special assessments. If the right-of-way is still reasonably accessible but property owners choose not to use it to access their properties, the frontage abutting the right-of-way is still subject to the assessment.

4. Exempt by Law

Properties owned by the federal government are generally exempt by federal law from paying local assessments. Certain other properties under public ownership and certain cemeteries are also exempt by state law from paying local assessments; these are evaluated on a case-by-case basis in consultation with the city attorney.

II. Calculation of Special Benefit

Special benefit is defined as the increase in market value of a property resulting from the public improvement project. The assessment levied against any property may not exceed its special benefit. The City generally calculates special benefit as follows:

1. A baseline market value for a property is established using the most recent estimated market valuation published by Ramsey County for property taxation purposes. Each property is then assigned a special benefit percentage, as provided by an independent appraisal consultant, based on an analysis of maximum supportable special benefits and broad market research. The market value of the property is then multiplied by the special benefit percentage to produce a maximum special benefit assessment amount.

2. In some instances, the City might employ a different method to calculate special benefit for a single property or for a class of properties. The City reserves the right to employ other calculation methods if deemed necessary for any particular public improvement project. However, it is always the City's goal to levy an assessment that does not exceed special benefit.

III. Final Assessment

Once an assessment amount has been calculated for a property based on its property type, assessable cost, and assessable frontage, as described in Sec. 6, I. A., that amount is compared to the special benefit assessment amount, as described in Sec. 6, II., 1., and the final assessment is the lesser of the two amounts.

SECTION 7.

GENERAL ASSESSMENT POLICIES FOR PUBLIC IMPROVEMENT PROJECTS

A. Assessable Property

Property owned by the City, other political subdivisions, railroads, and certain utilities, including, e.g., municipal building sites, parks and playgrounds, will be assessed on the same basis as privately-owned property.

B. Payment of Assessments

When the City Council approves a special assessment, property owners are allowed 30 days to pay the charge in full without interest. Any unpaid balance will be collected with the owner's property taxes over the term of the assessment, plus interest and/or a flat fee for administration.

C. Assessment Appeals

As authorized by the Saint Paul City Charter (Sec. 14.01.4), property owners may appeal City Council-adopted assessments in Ramsey County District Court. Property owners must file a notice stating the grounds for the appeal with the City Clerk within 20 days after the order adopting the assessment. Property owners must file the same notice with the Clerk of District Court within 10 days after filing with the City Clerk. The mailed notice of the assessment hearing includes notice of the right and procedure to appeal.

D. Reassessments

As authorized by the Saint Paul City Charter (Sec. 14.01.3), if the City Council finds an assessment or part of an assessment to be defective, inadequate or invalid, the Council may notify the affected property owner(s) and, upon a subsequent public hearing, make a reassessment or a new assessment or a supplemental assessment.

E. Interest

The City will charge interest on special assessments at a rate specified in the resolution approving the assessment roll. If bonds were sold to finance the improvement project, the interest rate will be equal to the interest rate of the bonds plus 1%, rounded to the nearest quarter of a percent.

F. Prepayment

Property owners may pay their assessments in full, interest free, for a period of 30 days after City Council adoption of the assessment. After such period interest will be computed from the date of the assessment approval.

G. Certification

Each year by November 30 the City will certify and transmit to Ramsey County the total amount of principal and interest installments on assessments against each parcel that will be due in the following year with property owners' tax statements.

H. Deferment

Property owners may apply to defer the payment of principal and interest on a special assessment. A deferral is not a forgiveness of the assessment, and is not an exemption, exclusion or reduction of any amount due. It is a delay in payment of the assessment. At some point in the future the assessment must be paid with compounded interest. Notice of the assessment hearing includes information regarding deferment rights and procedure.

Eligibility Requirements:

1. Applicant must own the property
2. The property must be classified as homesteaded by Ramsey County.
3. Applicant must be:
 - a. 65 years of age or older, or
 - b. Retired by virtue of a permanent or total disability based on a doctor's certificate, or
 - c. An active member of any of the U.S. armed forces, Minnesota National Guard or other military reserves, who is ordered into active military service, as defined in Minnesota Statutes, Section 190.05, subdivision 5b or 5c, as stated in the person's military orders; and
4. Applicant must also meet the qualifications for a financial hardship. A hardship will be deemed to exist when the amount of all assessments annually levied upon a property exceeds one percent (1%) of the household's adjusted gross

income, as evidenced by the household's most recent federal income tax return(s) or a sworn affidavit by applicant.

Deferral Termination:

An approved assessment deferral will automatically terminate if one of the following is true:

1. The death of the owner, provided the spouse is not eligible for the deferral;
2. The sale, transfer or subdivision of the property or any part thereof;
3. The property should lose its homestead status; or
4. The City determines there would be no hardship to require immediate or partial payment.

Upon termination of the deferment, the property owner will be required to pay all principal and interest that has accumulated from the levy date to the termination date. Any remaining assessment balance that may be due in future years may be paid over time according to the original payment schedule.

I. Individual Benefits

The City may construct improvements specifically designed for or shown to be of benefit solely to one or more properties. The costs for these improvements will be assessed directly to such properties following property owners signing an agreement to pay for the improvements through a special assessment and to not appeal the assessment.

J. Other Improvements

Based on the City's determination, any other eligible improvements may be fully assessed or assessed in part.