



**Request for City Council Committee Action
From the Department of Public Works**

Date: September 1, 2009

To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee

Subject: **Nongovernmental Tax Exempt Parcel Street Maintenance Assessment – Set Public Hearing**

Recommendation:

Adoption of a Committee Report designating the Citywide street maintenance assessment against properties exempt from ad valorem taxation and directing the City Clerk to give notice of a public hearing to be held on October 20, 2009 before the Transportation and Public Works Committee.

Previous Directives:

None

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Approved by:

Steven A. Kotke, P.E., City Engineer, Director of Public Works

Presenters: Michael D. Kennedy, P.E., Director, Transportation Maintenance and Repair

Financial Impact

Special Assessments against benefited properties

Background/Supporting Information

The purpose of this letter is to establish the special assessment proceedings for a street maintenance assessment against nongovernmental tax exempt parcels.

Minneapolis Public Works Department has an annual budget of \$19,299,457 for street maintenance. This work includes pothole repair, seal coating, and snow plowing on the city's 1,500 miles of roads and alleys.

History

Prior to 1973, Minneapolis utilized a uniform assessment against all properties in the city to fund street maintenance activities. The Minnesota Legislature passed a special law in 1973 requiring "that all costs of maintenance of streets and street lighting within the city may hereafter be paid from the general revenues of the city of Minneapolis." This special law prohibited the city from continuing its practice of assessing for street maintenance costs (as well as street lighting costs, which the city was also doing). The 1973 law was amended in 1974 with qualifying language that stated "provided that the portion of the costs assessable against nongovernmental real property exempt from ad valorem taxation may be levied as a special assessment against the property."

Under this authority, the city implemented an annual street maintenance levy and a separate street light operations and maintenance levy against nongovernmental tax exempt parcels for pay-1975 property taxes.

The street maintenance fee was established in 1974 at \$0.35/linear front foot and was updated in 1978 to \$0.45/linear front foot. That is the current rate. Given the escalation in street maintenance costs over the past 30 years, it is the recommendation of Public Works to update the fee.

Methodology

State Statute 429.101 and special legislation applying to the City of Minneapolis allows the city to provide collection of special charges, fees and taxes for all or any part of one of any service to streets or sidewalks. Based on this authority, and to be consistent with the current practices of uniformity and fairness, the fee will be applied to properties via a uniform assessment rate using the influence area method. This is the method currently used for street and street light capital construction projects and is also consistent with the updated street lighting assessment methodology.

The assessment for a single parcel is calculated by multiplying the parcel's assessable area, rounded to the nearest square foot, by the assessment rate and rounding it to the nearest dollar amount. The minimum assessment amount is \$1.00/year.

The group of properties included in this assessment are all assessable, nongovernmental tax exempt parcels. Governmental properties not being assessed include:

1. City of Minneapolis
2. Hennepin County
3. University of Minnesota
4. Minneapolis Park and Recreation Board
5. Metropolitan Council
6. State of Minnesota
7. Minneapolis School District #1

Rate

The assessment rate is determined by dividing the street maintenance budget by the citywide assessable square footage.

$\$19,299,457 / 764,437,240/\text{sqft} = \$0.02525/\text{sqft}$.

The assessment rate is then multiplied by the assessable square area of individual nongovernmental tax exempt parcels to determine annual assessments.

Assessment Results

There are approximately 1,600 nongovernmental tax exempt parcels in the city with a total assessable area of 40,550,443/sqft. The median assessment for these properties is \$262/year. The mean assessment is \$624/year. The projected income for the street maintenance assessment is \$1,023,899/year. Current revenue from street maintenance assessments against nongovernmental tax exempt parcels is approximately \$114,000/yr.

Next Steps

Prior to the October 20, 2009 public hearing, notices will be mailed to all properties receiving an assessment. Included in the notice will be dates for pre-assessment public meetings where questions can be answered prior to the public hearing. Additionally, e-mail addresses (streetlightfee@ci.minneapolis.mn.us and streetmaintenancefee@ci.minneapolis.mn.us) will be used in conjunction with 311 to take and answer questions from property owners.

T&PW – Your Committee reports that in accordance with procedures set out at Minnesota Statute § 429.061 and authority derived from special legislation applying to the City of Minneapolis, the City finds it to be in the interest of all citizens that the maintenance of the city street system promotes the general health, safety and well-being of the citizenry and provides a benefit to each and every parcel within the City and further that the cost of street maintenance should be offset by imposing a street maintenance assessment upon benefited parcels that are otherwise exempt from ad valorem taxation. And further the City engineer has presented to your committee the details required by Chapter 429 in connection with Street Maintenance District #1 for assessment of the maintenance costs on Minneapolis streets for the convenience and safety of the whole City of Minneapolis area.

A summary of the facts relative to this assessment is as follows:

Number of assessable parcels in the City of Minneapolis	1,640
Total assessable square footage	40,550,443
Annual cost per square foot	\$0.02525

Your Committee recommends that the City Clerk be directed to give notice of a Public Hearing to be held by the Transportation and Public Works Committee on October 20, 2009, in accordance with the provisions of Chapter 429 of the Minneapolis Code of Ordinances, to be considered for the establishment of said proposed Street Maintenance District #1.