



10/20/09 - Postponed

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

Date: October 20, 2009
To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee
Subject: **Nongovernmental Tax Exempt Parcel Street Light Operations Fee Assessment – Public Hearing**

Recommendation:

Passage and summary publication of a Resolution adopting the special assessments for 2010, levying the assessment, adopting the assessment roll, and directing the City Clerk to transmit a certified copy of the assessment roll to the Hennepin County Auditor.

Previous Directives:

September 1, 2009 – Set Public Hearing for October 20, 2009

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Approved by:

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Presenters: Brette Hjelle, Public Works Interagency Coordinator

Financial Impact

Special Assessments against benefited properties

Background/Supporting Information

Minneapolis Public Works operates 46,700 street lights with an annual budget of \$5.5 million. Approximately \$3 million of this total pays for the operations of the street light system, namely electricity costs and light bulb replacement. These costs are funded by the city's general fund which is primarily made up of property taxes and local government aid (a revenue sharing formula distributed by the state).

History

From 1960 to 1973, Minneapolis expanded the street lighting network by adding midblock lights. Project districts were created and a rate was set by spreading the costs of the project to all properties within the district. These rates were assessed annually to all properties in the district on a front foot basis. As districts were added after 1973, rates were calculated based on the district project cost with the rate being applied to nongovernmental tax exempt parcels within that district.

The Minnesota Legislature passed a special law in 1973 that the general revenues of the city of Minneapolis be used for pay for maintenance of streets and street lighting. That 1973 law was then 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 light operations and maintenance levy and a separate street maintenance levy against nongovernmental tax exempt parcels for pay-1975 property taxes.

On August 14, 2009, the Minneapolis City Council authorized Public Works to update the nongovernmental tax exempt street light assessment.

Methodology

The recently adopted Chapter 431 of the City of Minneapolis Code of Ordinances allows for the City to assess nongovernmental tax exempt parcels for the cost of operating the street light system. 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.

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 the result to the nearest whole dollar amount. The minimum assessment amount is \$1.00/year.

The properties included in this proposed assessment are all qualifying, nongovernmental tax exempt parcels. The list has been updated to reflect changes in property ownership and tax exempt status to date. 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 light operations budget by the citywide assessable square footage.

$\$3,000,000 / 764,437,240/\text{sq. ft.} = \$0.00392/\text{sq. ft.}$

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

Rate changes will require a new public hearing and Public Works anticipates rate changes occurring when Xcel Energy adjusts electricity rates. Xcel changes electricity rates approximately every five years.

Assessment Results

There are approximately 1,600 nongovernmental tax exempt parcels in the city with a total assessable area of 40,550,443/sq. ft. The median (middle value) assessment for these properties is \$41/year and the mean (average) assessment is \$96/year. The projected income for the street light operations assessment is \$155,262/year. Current revenue from assessments against nongovernmental tax exempt parcels is \$51,500/year.

Public Meetings

Minneapolis Public Works hosted pre-assessment public meetings on October 14th and 15th. Approximately 50 people attended the meetings, representing 15 organizations. Public Works staff had individual conversations with the attendees and gave a presentation that included a large group question and answer session.

Common concerns expressed by the attendees included the policy of charging tax exempt parcels, the amount of the assessment, and the cumulative effect of the various city fees on their properties.