



## Request for City Council Committee Action From the Department of Finance and Property Services

**Date:** May 11, 2015

**To:** Honorable John Quincy, Chair Ways & Means Committee

**Subject:** **Implementing a Revised Program for Hardship Deferrals of Special Assessments**

**Recommendation:**

That the City Council and Mayor adopt a Resolution creating a revised program for Hardship Deferrals of Special Assessments.

**Previous Directives:**

- 4/16/1993 - Expanding the deferral program to include persons who are retired due to a permanent and total disability
- 8/8/1980 - Creating a program for senior citizens that allows hardship deferrals of special assessments

**Prepared by:** Rebecca Law, Project Manager, Property Services, 673-5064

**Approved by:**

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Kevin Carpenter, Chief Financial Officer, Finance and Property Services Dept.

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Spencer Cronk, City Coordinator

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Steven A. Kotke, City Engineer / Director of Public Works

**Presenters:** Rebecca Law, Project Manager

**Reviews**

Permanent Review Committee (PRC):	Approval _NA
Civil Rights Approval	Approval _NA
Policy Review Group (PRG):	Approval _NA

**Financial Impact**

No financial impact

## **Community Impact**

City Goals: A City that works: City government runs well and connects to the community it serves

## **Background/Supporting Information**

**History:** In 1980, Minneapolis government created a program allowing senior citizens with financial hardships to defer payment of their special assessments, as was authorized by MN Statutes Section 435.193. The City expanded the program in 1993 for persons who were retired due to a permanent and total disability. No part of the special assessment is forgiven and the deferred amount accrues interest until it is paid. Full payment is required when the house is either sold, no longer has "homestead" status or the hardship disappears.

Deferments were administered by the Senior Citizen Ombudsman until that position was eliminated several years ago. Requests under the existing program require City staff to do detailed verifications of the hardship circumstances, a process that is labor-intensive and intrusive for the applicant. Each request also requires Council action. The deferral procedures have not changed in 30+ years, except for the 1993 adjustment.

Most deferment requests involve special assessments for paving, lighting, and sidewalks because those projects have the highest costs. After the Ombudsman position was eliminated, Public Works staff took over the assessment deferment duties. Public Works recently requested the Finance and Property Services Department's assistance in exploring whether there was a better way to process these requests.

**Research Findings:** Staff researched best practices and how other municipalities conducted their special assessment deferment programs because state law gives cities considerable latitude in designing their deferral procedures. Minneapolis' volume of deferments and their financial impact were also examined. The major findings were:

- There is no state law requirement that deferment requests need Council approval or that City staff must independently verify the health and financial status of an applicant.
- In 2008, MN Statutes Section 435.193 was amended to add a third category of persons who could be given a hardship deferral: military reservists who are ordered into active duty.
- The volume of hardship deferrals is low. Most people decide against deferral once they understand the program only postpones payment and is not a debt forgiveness program. Deferred amounts accrue interest until paid in full. Approximately 50 deferrals are active at any given time.
- The financial impact to the City from offering this program is negligible since interest is charged. The balance of all deferred assessments hovers around \$150,000.

**Recommendation:** Staff recommends adoption of the attached Resolution to make the Hardship Deferral Program for Special Assessments more efficient, cost-effective and user-friendly. Under the proposed program, the deferral process would become completely administrative with the Finance Officer being the authorized signatory. Applicants would sign a sworn statement about their hardship status. City staff would not be required to independently verify the hardship circumstances. Military reservists on active duty would become eligible for the deferral program.

RESOLUTION 2015R - \_\_\_\_\_

**Establishing a hardship deferral program for special assessments**

Whereas, Minnesota Statutes Sections 435.193 through 435.195 grants cities the discretion to defer special assessments for certain individuals for whom payment would be a hardship; and

Whereas, Minnesota Statutes Section 435.193 states that hardship deferrals may be granted on homestead property to individuals who fit within one or more of these categories:

- A. Owned by a person 65 years of age or older;
- B. Owned by a person retired by virtue of a permanent and total disability; or
- C. Owned by a person who is a member of the Minnesota National Guard or other military reserves who is ordered into active military service, as defined in section 190.05, subdivision 5b or 5c, as stated in the person's military orders; and

Whereas, the Council has determined that deferment of special assessments may be desirable for certain individuals;

Now, Therefore, Be It Resolved by the City Council of the City of Minneapolis:

That the City of Minneapolis special assessment hardship deferral program shall be an administrative process with the following rules:

1. The special assessment must be on homestead property owned by an individual who fits within one or more of the above categories;
2. The special assessment amount(s) to be deferred must total more than \$750 in aggregate;
3. No deferrals are allowed on one-year special assessments.
4. Interest on the deferred amount(s) shall accrue at the interest rate adopted for the related special assessment program;
5. The qualifying individual must sign an application that includes a sworn statement about their financial hardship and acknowledging that the special assessment payment is being deferred, not forgiven;
6. The Finance Officer shall sign qualifying documents granting approval of the hardship deferral and forward said documents to the Hennepin County Auditor for entry into the property tax rolls.
7. The deferment period shall end when an event listed in Minnesota Statutes Section 435.195 occurs, such as a sale of the property or loss of homestead status.

Be It Further Resolved that Resolution 80R-365 and Resolution 93R-134 are hereby repealed.