

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 Maintenance 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:

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

Presenters: Brette Hjelle, Public Works Interagency Coordinator

Financial Impact

Special Assessments against benefited properties

Background/Supporting Information

Minneapolis Public Works Department has an annual budget of \$14,959,775 for street maintenance. This work includes pothole repair, seal coating, and snow plowing on the city's 1,500 miles of streets 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 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 maintenance levy and a separate street light operations and maintenance levy against nongovernmental tax exempt parcels for property taxes payable beginning in 1975.

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 Statue 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 proposed, 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 the result to the nearest whole dollar. 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 maintenance budget by the citywide assessable square footage.

$\$14,959,775 / 764,437,240/\text{sq. ft.} = \$0.01957/\text{sq. ft.}$

The assessment rate is then multiplied by the respective assessable 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/sq. ft. The median (middle value) assessment for these properties is \$203/year and the mean (average) assessment is \$484/year. The projected income for the street maintenance assessment in the first year is \$775,125 and will vary slightly over time as properties change and the uniform rates are adjusted. Current revenue from street maintenance assessments against nongovernmental tax exempt parcels is approximately \$114,000/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.