



# CITY COUNCIL MEETING

## AGENDA ITEM

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<b>Prepared By:</b> <i>Allie Polsfuss, City Administrator</i>	<b>Meeting Date:</b> <i>8/4/2025</i>	<b>Item No.</b> <i>7b</i>	<b>Item Name:</b> <i>Special Assessment Policy Discussion</i>
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### **COUNCIL ACTION REQUESTED**

Discuss alternatives below, and direct staff on how to proceed with City of Breezy Point's Special Assessment Policy.

### **BACKGROUND/DISCUSSION**

At the City Council meeting on July 7, 2025, it was requested to have a discussion about the special assessment Policy in Breezy Point. It was requested to review the Financing of Improvements section of the policy. Currently, the policy states the below financial responsibility between property owners and City.

<b>Roads</b>	<b>City Responsibility</b>	<b>Property Owner Responsibility</b>
Collector Roads	100%	0%
Local Roads < 15 years old	50%	50%
Local Roads > 15 years old	0%	100%

To comply with Minnesota State Statute Chapter 429, the City can not assess for anything other than the financial benefit (increase in property value) that the improvement brings to the property. The concern with the policy as it is currently, is that the assessments associated with the upcoming projects could be more than the benefit to properties causing the assessment to fall outside of the guidelines per state statute and lead to disputes about the assessments.

As the city begins to implement their street CIP, it is essential to have the proper policy in place to assess residents an appropriate value. Assessments can be a main factor for a property owner to not support a project. Ensuring we have an equitable process for levying special assessments is important.

Staff has investigated what other communities do for special assessments, and as you can imagine, the processes vary immensely. Below are the main three ways cities assess:

1. 100% incorporated into the levy
2. Special assessments splits between city and benefiting property owner
3. Special benefit appraisal

### **Special Benefit Appraisal**

The special benefit appraisal method of developing a special assessment benefit as a per project cost and uses the professional services of an appraiser to develop a means to establish a benefit to a specific property based on the project type. The process involves the appraiser grouping like properties and then finding comparable properties both before and after a similar project and ultimately establish a benefit to that specific group of properties based on the project. The end product is a report that can be shared with property owners and the public describing the rationale for the special assessment, noting the City Council always retains the right to adjust special assessments how they see fit.

At the direction of City Council, staff has drafted proposed language for the special benefit appraisal in attachment A. It is suggested that this policy is reviewed each year to increase the benefit amounts to align with any market changes.

This draft language has not been reviewed by City's legal counsel. If directed, staff will have legal counsel review.



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### Special Assessment Percentage Split

City Council may also want to consider revising the assessment split between benefiting properties and the City. A commonly used model is a 50/50 cost share, where 50% of the total project cost is assessed to benefiting properties, and 50% is funded by the City. This approach can improve the City's ability to budget and plan for future road projects.

To enhance transparency and predictability for residents, the City could also adopt assessment caps based on project type. This would establish a maximum cost per property, helping residents better understand potential financial impacts ahead of time.

Example of possible Assessment Maximums for Residential properties:

- Full Reconstruction Projects: \$10,000
- Mill and Inlay Projects: \$5,000
- Overlay Projects: \$1,000

This method supports fairness and clarity while ensuring the City can continue investing in infrastructure responsibly. If directed, staff will draft language for this policy.

### **FINANCIAL IMPACT**

Staff has reached out to Nagell Appraisal & Consulting (Crosslake recently used their services on a project and spoke highly of their report.) The cost of a special benefit report would be \$5,500-\$7,000. The report would include a range of assessment amounts for each project type (Full Depth Rehabilitation, Reclamation, Mill and Inlay, Overlay.)

### **STAFF RECOMMENDATION**

Staff wishes to engage City Council in discussion about Breezy Point's Special Assessment Policy and get direction on how to proceed.

### **SUPPORTING DOCUMENTS**

Attachment A- Special Assessment Policy Draft Language