



## CITY OF MARSHALL AGENDA ITEM REPORT

<b>Meeting Date:</b>	Tuesday, March 12, 2019
<b>Category:</b>	NEW BUSINESS
<b>Type:</b>	ACTION
<b>Subject:</b>	Revised procedure to calculate special assessment amounts due for public infrastructure projects.
<b>Background Information:</b>	<p>The development of special assessment policies and the implementation of special assessments procedures have been complicated processes undertaken by municipalities in an attempt to comply with Minnesota Statutes Chapter 429. City of Marshall has been involved in special assessments policies and procedures for a period of time. The City of Marshall has developed and implemented a procedure which has been fairly successful for special assessment projects implemented by the City of Marshall since 2006. Numerous court cases undertaken in 2006 have developed the process to calculate special assessment amounts due for residential improvement projects.</p> <p>City of Marshall staff (Administration, Engineering, Legal and Finance) have spent considerable time analyzing and reviewing special assessment policies for numerous municipalities within the State of Minnesota. The findings of that analysis have been reviewed with Ways &amp; Means Committee members. In addition, Council Member Bayerkohler as Ways &amp; Means Committee member has also conducted his own analysis and review of state municipality policies and procedures for calculation of special assessment amounts due for public improvement projects.</p> <p>The analysis of Minnesota Statutes, Minnesota case law and review of additional municipality procedures has led to the proposal for a new procedure to calculate special assessment amounts. Attached is draft of the procedure to be used by City of Marshall to calculate special assessments. The first application of the new procedure will impact the public improvement Project Z67 Michigan Road/Superior Road construction project.</p> <p>The review of Minnesota Statutes and case law has revealed that there are numerous procedures used by municipalities to calculate special assessment to be levied for public improvement projects. I believe that the most important ruling from Minnesota Supreme Court regarding establishment of special assessment policies is the following statement from the case entitled <i>Continental Sales &amp; Equip. Co. v. Town of Stuntz</i>, 257 N.W.2d 546, 550 (Minn. 1977). The Minnesota Court stated as follows: “<u>Any method</u> resulting in a fair approximation of the increase in market value for each benefited parcel may be used. A method which on its face appears to be a fair approximation will be presumed valid with the burden resting upon the objector to show its invalidity.” (emphasis added)</p> <p>The term “any method” has been substantiated to support special assessments based upon front footage calculation of the lots. Any method as supported calculation of actual costs for the project based upon front foot cost. Other cities have used a conversion factor converting a general residential lot size compared to a commercial property. All of those various methods have been supported by Supreme Court action. Attached is the proposed procedure to be used by the City of Marshall on Project Z67 Michigan/Superior Road. You will note that there are three calculations that must be run for the determination of the special assessment to be levied on a lot by lot basis.</p>

The property will receive the lesser of the various calculations done to determine the appropriate calculation for special assessment for each lot. The procedure as proposed (assuming a fee increase for residential lots to \$5,700 maximum) would indicate that the special assessments to be recommended for Project Z67 at the March 26, 2019 public hearing will be as follows:

	<b>Parcel #</b>	<b>Owner</b>	<b>Proposed/Revised total</b>	<b>(For reference) Original \$166.08/LF</b>	<b>Difference</b>
1.	27-383006-0 1507 Superior Rd.	Schwan's Sales Enterprises	\$35,720.06	\$54,414.50	(\$18,694.44)
1.1	27-383006-1 1509 Superior Rd.	Pete, LLC	\$28,938.95	\$44,051.40	(\$15,112.45)
2.	27-383015-0 600 Michigan Rd.	SFC Global Supply Chain, LLC	\$72,402.46	\$107,587.94	(\$35,185.47)
3.	27-383017-0 602 Michigan Rd.	Schwan's Shared Services, LLC	\$17,185.95	\$25,261.30	(\$8,075.35)
5.	27-383020-0 604 Michigan Rd.	Jackson Acquisition Corp.	\$47,577.74	\$98,548.08	(\$50,970.35)
8.	27-383027-0 1500 Superior Rd.	Schwan's Food Manufacturing	\$148,786.21	\$222,300.78	(\$73,514.57)
		<b>TOTAL</b>	<b>\$350,611.37</b>	<b>\$552,164.00</b>	<b>(\$201,552.63)</b>

You will note that the amounts to be levied are approximately 63% of the amounts initially discussed and considered previously. The new policy to be implemented does considerably lessen the amounts due by the property owners. City Attorney will be presenting and discussing this matter at the Council meeting.

<b>Fiscal Impact:</b>	Proposed procedure decreases the special assessment to the property owners.
<b>Alternative/Variations:</b>	None recommended.
<b>Recommendations:</b>	Approve City Council direction to staff to implement the new procedure to calculate special assessments.