



*Briefing paper---2013*

## Minnesota cities and street improvement districts

### **League position**

The League supports HF 745 (Erhardt, DFL-Edina) and SF 607 (Carlson, DFL-Eagan), legislation that would allow cities to create street improvement districts. This authority would allow cities to collect fees from property owners within a district to fund municipal street maintenance, construction, reconstruction, and facility upgrades. If enacted, this legislation would provide cities with an additional tool to build and maintain city streets.

### **Supporters**

HF 745/SF 607 is also supported by the following organizations:

- Association of Metropolitan Municipalities
- Coalition of Greater Minnesota Cities
- Minnesota Association of Small Cities
- North Metro Mayors
- Minnesota Transportation Alliance
- City Engineers Association of Minnesota
- Minnesota Chapter of the American Public Works Association

### **Background**

Just as the state has fallen behind in making transportation investments, some cities faced with budget challenges have made the difficult decision in recent years to hold off on scheduled street improvement projects. Maintenance projects, such as seal coating and overlays, can prolong the lifecycle of streets to 50 to 60 years. Without ongoing maintenance, the average life expectancy of local streets is approximately 25 to 30 years. For every \$1 spent on maintenance, a road authority saves \$7 in repairs. But this maintenance requires a reliable dedicated funding source other than the current volatile property tax system.

For the same reasons, cities are also falling behind on the reconstruction projects necessary to help keep property values stable; and, cities lack viable options for building new transportation infrastructure to attract and retain the investments by businesses that keep Minnesota's economy strong.

Existing funding mechanisms for street maintenance and reconstruction are inadequate. Special assessments can be onerous to property owners and are difficult to implement for some cities. Special assessments are not always useful for funding collector streets and other streets that do not abut private property. Property tax dollars are generally not dedicated and are sometimes diverted to more pressing needs such as public safety, water quality and cost participation in state and county highway projects. Municipal state aid (MSA) is limited to cities over 5,000 population--147

of 853 cities in Minnesota--and cannot be applied to more than 20% of a MSA city's lane miles. Existing MSA is not keeping up with needs on the MSA system.

**Key messages**

- This is enabling legislation. No city would be required to create a municipal street improvement district.
- The street improvement district authority legislation is modeled after Minn. Stat. 435.44, which allows cities to establish sidewalk improvement districts.
- This authority would provide a funding mechanism that is fair. It establishes a clear relationship between who pays fees and where projects occur, but stops short of the benefit test that sometimes makes special assessments vulnerable to legal challenges. It also does not prohibit cities from collecting fees from tax exempt properties within a district.
- Fees paid under a street improvement district would be deductible just as property taxes are.
- This tool allows cities to perform maintenance and reconstruction on schedule. Timely maintenance is essential to preserving streets and thereby protecting taxpayer investments.
- This tool would allow property owners to fund expensive projects by paying relatively small fees over time. The tool could be used to mitigate or eliminate the need for special assessments.

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