

Annexation Task Force Meeting

APRIL 26, 2017



City of Sioux Falls

Special Assessments and Financing of Infrastructure Improvements

- Relevant statutes in the handout.
- SDCL 9-43-75 through SDCL 9-53-139.

Purpose of Special Assessment

- Special Assessments are a financial mechanism that allow payment for local improvements.
- Can be used alone in financing a project, or in combination with general funds, bonds, or other financing mechanisms.

Local Improvements

- Local Improvement, means the process of building, altering repairing, improving, or demolishing any local infrastructure facility, including any structure, building or other improvement of any kind to real property, the cost of which is payable from taxes or special assessments.

SDCL 9-43-75

Relevant to Annexation

- Resolution of Intent to Annex
- 2 of 7 Requirements of Resolution:
 1. Ample and suitable resources exist to accommodate the orderly growth of development of the contiguous territory.
 2. Provide approximate cost of the extended service to the residents of a municipality.

Substantially Equivalent

- Services need to be substantially equivalent in standard and scope to services being provided to property already located within City at the time of annexation.

Special Assessment Process

- City initiated or City can accept petitions by Owners for improvements to be assessed against the property benefiting from the improvement.
- A Resolution of Necessity must be passed by Council if any portion of the improvement is financed by assessment

Resolution of Necessity

- Requires public hearing.
- Resolution of Necessity drafted and set for hearing.
- Include general nature of improvement, materials to be used, estimate of total cost, description of classes of lots to be assessed, method of apportioning the benefits and details, and that plans and specifications may be reviewed at finance office. See SDCL 9-43-82

Amount of Special Assessment

- Special Assessments may be assessed in the amount equal to the special benefit received by the property benefiting from the local improvements after investigation by the governing body to determine the amount of benefit from construction of the local improvement to the lots and tracts fronting or abutting the improvements.
(SDCL 9-43-78 and 9-43-79)

State law provides two ways to determine assessment amount:

1. Calculation based on per foot.

By dividing the total cost of the improvement by the number of feet fronting or abutting the improvement, and the quotient may be assessed per front foot upon the property fronting or abutting the improvement.

See SDCL 9-43-78

State law provides two ways to determine assessment amount:

2. Assessment according to special benefit.

The governing body determines the amount in which each lot and tract will be specially benefitted by the construction of the improvement and shall assess against each lot and tract the amount, not exceeding the special benefit, as is necessary to pay its just portion of the total cost of the work to be assessed. See SDCL 9-43-79

Some Measureable Special Benefits:

- Increase in market value.
- Future prospects and reasonable expectations of the future use.
- Realized aesthetic value.
- Relief from a burden.
- An improvement which allows the land to continue to be used.
- The measure of Special Benefits doesn't have to be exact or actual monetary benefit, but needs to have a fair degree of exactness.

Publish Notice of Hearing on Resolution of Necessity

- Time and Place.
- Objections will be considered from owners.
- Published once, not less than ten nor more than twenty days before the hearing date.

Notice of Hearing Mailed to Property Owners

- Not less than ten nor more than twenty days before hearing personal notice mailed by first class or certified mail to each person owning property to be assessed.
- Copy of Notice of Hearing and proposed resolution of necessity included.

Time for Construction, Contract, Levy and Collection of Assessments

- Twenty days after publication of the adopted Resolution of Necessity, unless the referendum is invoked or unless a written protest is filed with the finance officer signed by the owners of more than fifty-five percent of the frontage of the property to be assessed, the governing body may cause the local improvement to be made, may contract for the improvement, and may levy and collect special assessments.

Protest Petition

- If a protest petition is filed upon a two-thirds vote of the governing body, a protest petition may be denied and the governing body may cause the local improvement to be made.

Assessment Roll

- May file assessment roll any time after contract is signed.
- Don't have to wait for construction to be completed.

Assessment Roll

- After assessment roll is filed with finance officer.
- Hearing to approve assessment is required.
- Notice published not less than ten nor more than twenty days before date of hearing.
- Notice describes improvement, time and place of hearing, roll open to public.
- Mailed to property owners.

Hearing on Assessment Roll

- Governing body must approve. It becomes effective twenty days after publication and notice to property owners.
- Appeal can be made to Circuit Court within that time frame.
- Notice of assessment is mailed to owners to allow for payment within 30 days without interest.
- Assessment is continuing lien on property.

Payments due and payable

- First payment due and payable on January first following the date of approval of the assessment roll and one on January first of each succeeding year until the entire assessment is paid.
- Installment payments are included in the taxes collectable in the year in which the installment is due.

Interest on Assessment Roll

- City Ordinance No. 29-14 sets interest rates.
- Term of Assessment can be up to 20 years.
- Current yield published by Federal Reserve Bank constant maturity plus 2%:
 - 5 years or less: 4.00%
 - 5 to 15 years: 4.50%
 - 15 to 20 years: 5.00%

Waiver or Reduction

- City may waive or reduce special assessments levied against owner-occupied single family dwelling if the head of household is sixty-five years of age or older, or is disabled, or in the annual household income does not exceed the federal poverty level.

See SDCL 9-43-101

QUESTIONS?

Financial Impacts

This topic will review:

- Property Tax Changes
- Cost of Infrastructure Improvements
- Additional Annual Fees

Property Tax Changes

- Property taxes are calculated by the County Auditor.
- Property taxes are collected by the County Treasurer.
- Tax levies vary depending on the township, city, county, and school district a property is located within.
- A property pays for a township tax levy OR a city tax levy, **not both**.
- Property taxes due for the current year are paid the following year (2017 taxes will be paid in 2018).

Tax Levy Details—Rural Minnehaha County

In rural Minnehaha County:

- There are 6 total levies that add together to get the total levy on a property:

(Blue color represents RURAL county levy only)

- Township
- Rural Fire
- Rural Library
- County
- Water Protection
- School District

Tax Levy Details—Rural Minnehaha County

- Levy rates for all properties are the same for County, Water Protection, Rural Fire, and Rural Library levies.
- Levy rates change depending on location.

Before Annexation	Benton			Mapleton			Brandon			Wayne			Sioux Falls			Split Rock		
	SF	Tri-Valley	St Central	SF	Brandon	Brandon	SF	West Central	Sioux Falls	Tea	Tri-Valley	SF	Brandon	SF	Brandon			
County	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341			
Rural Fire	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149			
Rural Library	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326			
Water	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025			
Township	0.324	0.324	0.324	1.045	1.045	0.26	0.566	0.566	0.566	0.566	0.566	0.883	0.883	0.883	0.883			
School District	8.439	8.836	9.276	8.439	9.846	9.46	9.276	9.276	9.656	11.102	8.836	8.439	9.846	8.439	9.846			
Total:	12.604	13.001	13.441	13.325	14.732	13.46	12.846	13.683	14.063	15.509	13.243	13.163	14.57	13.163	14.57			

Townships

Numbers based on 2016 taxes payable in 2017

Tax Levy Details—Rural Minnehaha County

- Levy rates for all properties are the same for County, Water Protection, Rural Fire, and Rural Library levies.
- Levy rates change depending on location.

Before Annexation	Benton			Mapleton			Brandon			Wayne			Sioux Falls		Split Rock	
	SF	Tri-Valley	West Central	SF	Brandon	Brandon	SF	West Central	Lennox	Tea	Tri-Valley	SF	Brandon	SF	Brandon	
County	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	
Rural Fire	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	
Rural Library	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	
Water	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	
Township	0.324	0.324	0.324	1.045	1.045	0.26	0.566	0.566	0.566	0.566	0.566	0.566	0.883	0.883	0.883	
School District	8.439	8.836	9.276	8.439	9.846	9.846	8.439	9.276	9.656	11.102	8.836	8.439	9.846	8.439	9.846	
Total:	12.604	13.001	13.441	13.325	14.732	13.947	12.846	13.683	14.063	15.509	13.243	13.163	14.57	13.163	14.57	

School Districts

Numbers based on 2016 taxes payable in 2017

Tax Levy Details—Rural Minnehaha County

- Levy rates for all properties are the same for County, Water Protection, Rural Fire, and Rural Library levies.
- Levy rates change depending on location.

Before Annexation	Benton			Mapleton		Brandon		Wayne					Sioux Falls		Split Rock	
	SF	Tri-Valley	West Central	SF	Brandon	Brandon	SF	West Central	Lennox	Tea	Tri-Valley	SF	Brandon	SF	Brandon	
County	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	
Rural Fire	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	0.149	
Rural Library	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	0.326	
Water	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	
Township	0.324	0.324	0.324	1.045	1.045	0.26	0.566	0.566	0.566	0.566	0.566	0.566	0.883	0.883	0.883	
School District	8.439	8.836	9.276	8.439	9.846	9.846	8.439	9.276	9.656	11.102	8.836	8.439	9.846	8.439	9.846	
Total:	12.604	13.001	13.441	13.325	14.732	13.947	12.846	13.683	14.063	15.509	13.243	13.163	14.57	13.163	14.57	

Numbers based on 2016 taxes payable in 2017

Tax Levy Details—Urban Minnehaha County

In urban Minnehaha County:

- There are 4 total levies that add together to get the total levy on a property:

(Green color represents URBAN county levy only)

- County
- School District
- Water Protection
- City

Tax Levy Details—Urban Minnehaha County

- Levy rates for all properties are the same for County, Water Protection, and City.
- Levy rates for School Districts change depending on location.

After Annexation	Benton			Mapleton		Brandon	Wayne					Sioux Falls		Split Rock	
	SF	Tri-Valley	West Central	SF	Brandon	Brandon	SF	West Central	Lennox	Tea	Tri-Valley	SF	Brandon	SF	Brandon
County	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341	3.341
Water	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025
City	4.713	4.713	4.713	4.713	4.713	4.713	4.713	4.713	4.713	4.713	4.713	4.713	4.713	4.713	4.713
School District	8.439	8.836	9.276	8.439	9.846	9.846	8.439	9.276	9.656	11.102	8.836	8.439	9.846	8.439	9.846
Total:	16.518	16.915	17.355	16.518	17.925	17.925	16.518	17.355	17.735	19.181	16.915	16.518	17.925	16.518	17.925

Numbers based on 2016 taxes payable in 2017

Tax Levy Details—Rural Lincoln County

In rural Lincoln County:

- There are 4 total levies that add together to get the total levy on a property:

(Blue color represents rural county levy only)

- Rural Fire
- Township
- County
- School District

Tax Levy Details—Rural Lincoln County

- Levy rates for all properties are the same for County and Rural Fire.
- Levy rates change depending on location for Townships and School Districts.

<u>Before Annexation</u>	Delapre				Springdale		
	SF	Harrisburg	Tea	Lennox	SF	Harrisburg	Canton
County	2.306	2.306	2.306	2.306	2.306	2.306	2.306
Rural Fire	0.051	0.051	0.051	0.051	0.051	0.051	0.051
Township	1.273	1.273	1.273	1.273	1.03	1.03	1.03
School District	8.968	12.009	12.608	10.539	8.968	12.009	8.784
Total:	12.598	15.639	16.238	14.169	12.355	15.396	12.171

Numbers based on 2016 taxes payable in 2017

Tax Levy Details—Urban Lincoln County

In urban Lincoln County:

- There are 4 total levies that add together to get the total levy on a property:

(Green color represents urban county levy only)

- County
- School District
- Water Protection
- City

Tax Levy Details—Urban Lincoln County

- Levy rates for all properties are the same for County, Water Protection, and City.
- Levy rates change depending on location for School Districts.

After Annexation	Delapre				Springdale		
	SF	Harrisburg	Tea	Lennox	SF	Harrisburg	Canton
County	2.306	2.306	2.306	2.306	2.306	2.306	2.306
Water	0.025	0.025	0.025	0.025	0.025	0.025	0.025
City	4.713	4.713	4.713	4.713	4.713	4.713	4.713
School District	8.968	12.009	12.608	10.539	8.968	12.009	8.784
Total:	16.012	19.053	19.652	17.583	16.012	19.053	15.828

Numbers based on 2016 taxes payable in 2017

Tax Levy Details— Summary

- The AVERAGE tax increase for a property in Sioux Falls with a median house value of \$157,800* in all counties, townships, and school districts after annexation is estimated to be around \$563.15 a year (25.99%).

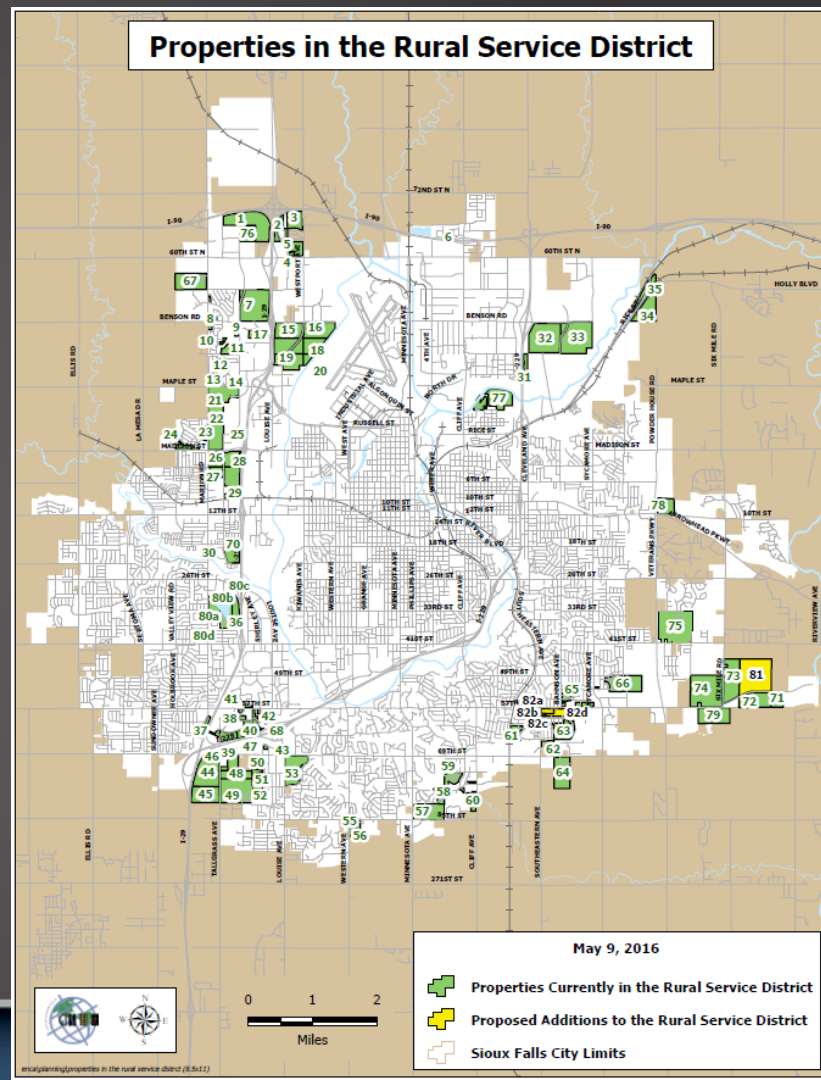
*Note: Median value of a house based on Owner-Occupied from US Census.gov 2011–2015 data.

Tax Levy Reduction Programs— Rural Service District— State Law 9-21A/City Ordinance 37.035-37.042

- Only include those properties in the judgment of the City Council that are rural in character, are used or usable for agriculture, and are not developed for commercial, industrial, or urban residential purposes.
- Ag tax levy and assessed value not to exceed the average for unannexed ag in adjoining townships.
- Into the urban service district:
 - (a) Is platted in whole or in part;
 - (b) Is the subject of an application for a permit for the construction or improvement to be situated on the parcel or any part thereof; or
 - (c) Otherwise fails to meet the criteria as set forth in § 37.037.

Tax Levy Reduction Programs—Rural Service District District—Current Areas

- Currently there are 82 areas identified in the rural service district within city limits.
- Some of these areas will be removed in the future as construction takes place. (Example: Once permits are issued for the new Avera complex, #53 will no longer be eligible.)



Tax Levy Reduction Programs— Rural Service District—Summary

- Allows tax levy to remain at the average rate as similar rural lands in the township.
- The determination of average levy rate is calculated by the appropriate county.
- City receives property tax on the average rural levy rate instead of urban city levy rate.
- Taxes for the property owner remain the same after annexation.

Infrastructure Improvements Costs

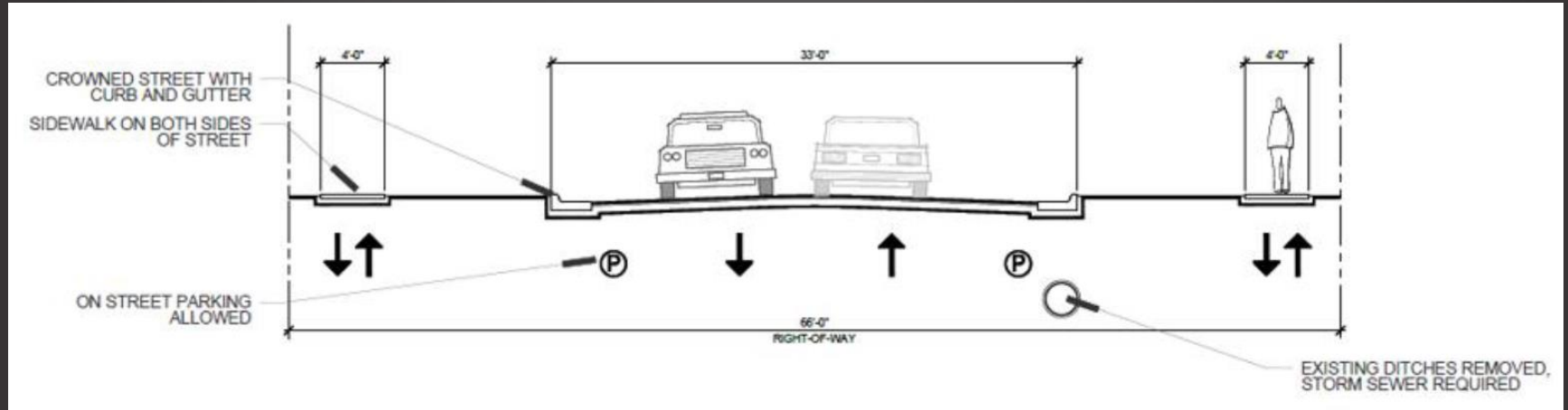
- The costs for road improvements depend on the type of street.
- General estimates (in costs per foot per side) include:
 - Rural Section Road: \$62.50
 - Local Urban Roadway (all): \$226.00
 - Sidewalk (arterial): \$35.00
- This is not a comprehensive list of all costs.

Costs of Infrastructure Improvements— Urban Street Breakdown

- Full breakdown of 2016 Urban Street estimate (per foot per side):
 - Street Construction: \$ 90.00 (\$18.00 is Curb & Gutter)
 - Water Main: \$ 50.00
 - Sanitary Sewer: \$ 35.00
 - Storm Sewer: \$ 35.00
 - Lighting: \$ 6.00
 - Sump Pump Collection: \$ 10.00
 - **Total: \$226.00**

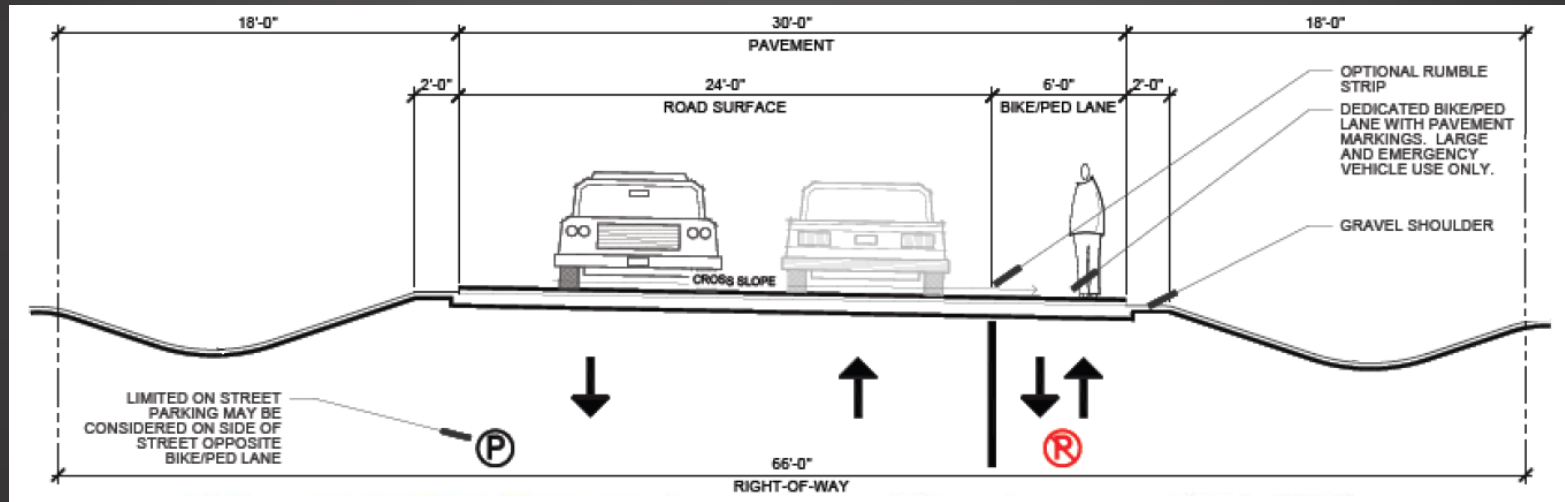
Construction costs typically increase 3–5% annually

Costs of Infrastructure Improvements— Typical Urban Street Design



Rough cost estimate \$226 (per foot per side)

Costs of Infrastructure Improvements— Rural Section Design



Rough cost estimate \$62.50 (per foot per side)

Additional Annual Fee— Summary

- Street maintenance.
- Storm sewer collection system construction and maintenance.
- Collected annually:
 - \$1.00 per foot of street frontage for street maintenance.
 - \$0.000715 per effective square foot of lot area for storm water.

Additional Annual Fee— Street Maintenance

- The **\$1.00** per foot of street frontage each year helps to cover the costs of snow removal, street sweeping, and other maintenance items; but it does not cover all the costs the City incurs in any given year.
- Properties with more than one street frontage only pay for one street frontage, typically the smallest frontage.

Additional Annual Fee— Storm Water

- Each property is assessed annually based on the imperviousness (how much water can get into the ground) of the use of the land.
- Multipliers have been identified for the typical property and a charge rate has been determined by City ordinance.
- The calculation is: **Square Feet of Property x Multiplier x Rate.**
 - So a 43,560 square foot single family home lot x 5.75 = 250,470 effective area x \$0.000715 = **\$179.09 per year.**