

FAQ – Mill and Overlay Projects, Sales Taxes and Special Assessments Taxes

September 10, 2024

1. Why am I being assessed for a mill and overlay project on my street? I thought the court ruled that street assessments were unconstitutional.

In 2022, the Ramsey County district court ruled that the City could not charge fees to pay for street maintenance services and collect those fees through property assessments. The specific street maintenance services included in this ruling are:

- Citywide street lighting maintenance
- Citywide street and alley sweeping
- Resurfacing streets through mill and overlay projects

As a result, the City funded lighting maintenance and street/alley sweeping from its General Fund, which is mainly supported by property taxes. That action was a major contributor to the 15% tax levy increase in 2023.

The City also determined that mill and overlay projects were similar to street reconstruction projects because the improvements are substantial and long lasting and provide a special benefit to properties in the project areas. So, the City is now charging property owners for part of the cost of mill and overlay projects through special assessments, just as it has for street reconstruction projects for many years.

2. How are street maintenance services and street improvements being paid for now?

Since the court decision, city property owners pay for street maintenance services largely through property taxes. Municipal State Aid and County Aid monies also supplement maintenance funding. Street improvement projects such as reconstruction and mill and overlay are financed with sales taxes, city bond funds, various state and federal sources and special assessments.

3. I thought the new 1.0% sales tax was supposed to pay for street reconstruction and mill and overlay projects. Why are property owners also being assessed for these projects?

The new sales tax is helping pay for reconstruction and mill and overlay work on streets that were identified by the Department of Public Works and approved by the Mayor and City Council. These street improvements provide a general benefit to the public, so the City pays most of the project costs (about 80-85%). The remaining project costs are then assessed to properties. We do this for two key reasons:

- A. The projects provide a financial benefit to properties in the project areas (see #4 below), and it is fair to capture some of that benefit through assessments.

B. The City collects a portion of the project costs through assessments on tax-exempt properties. Colleges, universities, hospitals, non-profits and most government agencies do not pay property taxes, but since they benefit from the improved streets they should pay their fair share of the costs through assessments. These assessments allow the City to stretch its sales tax, bonding and state aid dollars further so more streets across the City can be improved.

4. How do street reconstruction and mill and overlay projects provide a special benefit to properties?

Under state law the City is permitted to assess properties to help pay for street reconstruction, mill and overlay and other projects, but only if the properties in a project receive a special benefit from the improvements. The courts have defined special benefit as an increase in the value of properties that benefit from the improvements. After a project is completed, properties in the project area are worth slightly more than they were before the work began. For city projects, special benefit is expressed as a percentage increase in a property's estimated market value. The City hires an independent appraisal firm to analyze special benefit on all street projects.