

The Special Assessment Process Explained

What is a special assessment?

A special assessment is a fee for public improvement projects such as streets, sewer lines, water lines, storm drainage systems, alleys, and trails, that is levied against properties that will benefit from an improvement project. The fee consists of principal and interest and is usually paid over 10, 15 or 20 years depending on the size of the project. The interest rate paid by the property owner coincides with the interest rate and the maturity date for the bonds which are sold to finance the project.

What is the process that establishes special assessment fees?

Under Kansas statute K.S.A. 12-6a01, property owners or developers may petition the City for cost - sharing assistance on any public improvement covered under the statute such as streets, and sewer and water lines.

The process starts when a petition is submitted to the City governing body by property owners or a developer, or the City conducts a public hearing regarding the advisability of a proposed improvement project. A petition or the public hearing process addresses the issues of estimated cost, method of assessing costs, the apportionment of costs between the city-at-large and the benefit district, and the boundary of the district. If either is approved, the benefit district is established by the Council through a resolution. The City then enters into a contract for construction and borrows money to finance the project construction costs.

Once the project is complete and all project costs are known, a special assessment amount is calculated to find each property owner's share of the total costs. Included in the total cost is construction, change orders, interest on the short-term debt, bond issuance costs, and engineering fees. The total cost is then apportioned to each lot in the benefit district based on the method included in the petition or resolution from the public hearing. The most common apportionment methods are either equal share per lot or a calculation based on square footage or acreage of each property.

The City Council then holds a public hearing to allow any property owner to ask questions or voice any concerns regarding how the special assessments for each property were calculated. All affected property owners will receive a letter with the heading "**Notice of Hearing and Statement of Cost Proposed to be Assessed**" which informs the owner of the date, time and place for the public hearing. It will also list a project name and description and the total amount of the proposed special assessments to be levied against the property. This amount represents the principal only portion of the assessment.

The next step is for the City Council to approve a special assessment ordinance that authorizes the special assessment fee to be levied against the individual property by certification to the County Treasurer. The property owner will receive another letter and this letter is entitled "**Notice of Assessment and Statement of Cost to be Assessed**". This letter lists the project name and description, the total assessment amount and the payment dates and options available to the property owner.

The special assessment process can be summarized in these steps:

1. Petition or Public Hearing - Notice of public hearing sent by letter to all property owners within the benefit district and published in *The Miami County Republic*.
2. Creation of benefit district by resolution of the City Council.
3. Contract for construction.
4. Contract completion and assignment of costs.
5. Public Hearing on assignment of costs - Notice of public hearing sent by letter to all property owners within the benefit district and published in *The Miami County Republic*.
6. Special assessment ordinance authorizing special assessments - Notice of Assessment sent by letter to all property owners within the benefit district.
7. Payment of special assessments.

How are special assessments paid by the property owner once they are authorized?

Option 1 If the special assessment fee is from a newly completed project, the property owner can pay off the special assessment in full without interest after the last step of the special assessment process that authorizes the levy of the special assessment. Generally this pay off period is open for approximately 30 days and each individual owner of record will be notified of the early payoff option in the "Notice of Assessment and Statement of Cost to be Assessed". The property owner may prepay their special assessment by mail; however, it must be received by the date noted in the "Notice of Assessment and Statement of Cost to be Assessed." The City's address is:

**City of Spring Hill
Attn: Rhonda Dunn
PO Box 424
Spring Hill, KS 66083**

Option 2 If the property owner does not choose to pay the fee when the project is complete, they can pay the principal plus interest in installments of up to 20 years depending on the length of the bond issue. Under this option the owner does not need to do anything. The property owner is billed annually by the County Treasurer who adds the amortized fee to the property tax bill each year until paid in full. The interest rate paid is equal to the rate of interest on the tax-exempt bonds which are sold by the City to finance the project.

Can a property owner pay off special assessments after the 30 day early pay off period has expired?

Yes. Under Kansas Statute (K.S.A. 10-115), a property owner may pay the balance of remaining principal plus remaining interest to the City. The City will then make the bond payments for that property owner and the amount will no longer appear on the annual tax statement from the County. If an owner is interested in this payoff method, they should contact the City of Spring Hill's Finance Department for a current payoff amount.

Why are special assessments good for Spring Hill and its citizens?

In many states and cities, subdivision improvements are not financed by special assessments. Instead, a developer or property owner is required to obtain private financing at conventional interest rates. The cost of the improvement and financing is added to the price of the lots and homes sold by the developer. Because the bonds issued by the City of Spring Hill to finance subdivision improvements are exempt from Federal and State income taxes, developers and homeowners are able to secure lower interest rates on the specials they do pay.

Additional advantages are that public financing of infrastructure improvements reduces the cost of housing in our community, helps promote growth in the local tax base and also helps to stimulate the local economy. All these benefits are achieved with no monetary loss to the property owner because a special assessment project may increase the value of the property by an amount equal to the cost of the project.

For additional information on special assessments contact the Finance Department at 913-592-3664 or to inquire online visit www.springhillks.gov.