



City of CHARLOTTE

MEMORANDUM

TO: Mayor Lewis and City Council Members

FROM: Gregg Guetschow, City Manager

SUBJECT: Street Improvements Special Assessments

DATE: August 22, 2019

The purpose of this memorandum is to provide additional information about the use of special assessments to finance a portion of street improvements.

Special assessments are a way of assigning a portion of the cost of a public improvement to property owners. They are authorized by the Home Rule Cities Act and the City's charter. Charter provisions are implemented pursuant to provisions of City code.

The key principle behind the use of special assessments for public improvement projects is that property owners in the vicinity of the improvement receive a special benefit that is greater than the general public benefit associated with the improvement. For that reason, special assessments may be used for projects such as street construction, street lighting, storm water drainage, downtown streetscapes and parking lots, among others.

The City of Charlotte has used special assessments most commonly for installing curb, gutter and pavement on gravel streets. In such a case, the property owner and other drivers benefit from the quality of the street surface and the better storm water drainage. The property owner benefits more, of course, because of the frequency of use. The property owner also receives benefits such as a reduction in dust, less wear and tear on his or her vehicles, and a more attractive appearance to the neighborhood. These benefits will be especially apparent to the property owner at the time when he or she wishes to sell the property and sees the increase in property value attributable to the street improvement project.

Some of these same benefits will accrue to property owners along paved streets that have been reconstructed. They can also be expected to see an increase in property values after the project has been completed.

The practice used by the City for gravel street paving projects has been to assume one-third of the cost as a public benefit and to assign the remaining two-thirds of the cost to abutting property owners. In 2004, the City charter was amended to allow for spreading the cost of special assessments over as many as 20 years. Prior to that time, the charter limited special assessments to 10 years.

I have extensive experience with special assessments for street reconstruction projects from the years that I worked in Owosso. Our practice there was to assess 50% of the cost to abutting property owners. In actual practice, corner lot discounts and other factors typically resulted in the property owner share of a project being closer to 40%. Grant funding reduces the total local project cost; a proportionate amount of the savings is passed on to property owners who will pay lower assessments than if they lived along a street that is improved without grant funding.

Another consideration that can affect how much is assessed against abutting properties is whether the street is a local street or a major street. Major streets might be built wider than a typical local street or might have thicker pavement. It is difficult to justify passing on these additional costs to abutting owners since no additional benefits accrue to them from making these additional investments in the project. In such cases, the amount specially assessed might be reduced so that it approximates the cost for a typical local street.

The duration of special assessments is an important consideration. First, allowing 20 years for the payment of a special assessment will mean that a project will already have shown some signs of age before the assessment has been paid in full. Of greater importance, in my view, is the cost associated with financing the property owner share of the project. If special assessment bonds are sold to cover that cost, a more favorable rate will be obtained if the financing is for a shorter duration. Because financing costs are passed on through the special assessment, the property owner will benefit from the lower rate.

It is worth noting that the use of special assessments for street improvements and similar public facility projects will typically result in assessments being levied against tax exempt properties such as churches and schools.

I have not found that a past Council adopted a specific policy detailing how special assessments were to be administered. If Council believes that such a practice is a useful means of stretching dollars available for street construction, I would recommend the preparation of such a policy so that a proper debate can take place among Council members and so that the public can have an opportunity to weigh in on the topic.