

SPECIAL ASSESSMENTS

WHAT IS A SPECIAL ASSESSMENT?

A special assessment is a fee for public improvement projects such as streets, sewers and waterlines levied against properties that will benefit from an improvement project. The fee consists of principal and interest and is usually paid over 20 years. The interest rate paid by the property owner coincides with the interest rate and the maturity date for the bonds that 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 the petition is approved or the governing body acts on the advisability of an improvement project, the benefit district is established by the Commission 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 specials. The City first calculates the total actual cost for a particular public improvement (benefit district). Included in the 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 typical method is an equal share per lot. For example, the total project cost is \$100,000, and there are 100 lots. Each lot's share will be \$1,000.

The City Commission 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 number and description and the total amount of the proposed special assessments to be levied against the property.

The next step is for the City Commission 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, "Notice of Assessment and Statement of Cost to be Assessed." This letter lists the project number and description, the total assessment amount, and the payment dates and options available to the property owner.

SPECIAL ASSESSMENT PROCESS

1. **Petition or public hearing**
2. **Creation of benefit district by resolution of the City Commission**
3. **Contract for construction**
4. **Contract completion and assignment of costs**
5. **Public hearing on assignment of costs**
6. **Ordinance authorizing special assessments**
7. **Payment of special assessments**

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HOW ARE SPECIAL ASSESSMENTS PAID BY THE PROPERTY OWNER?

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. They may also pay off a portion of their assessments with a minimum payment amount of 10 percent per type of special assessment. Generally, this full or partial payoff 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." Individuals are also entitled to take a discount for early payoff because bond issuance costs and discount fees can be avoided on the early payoff amounts. To calculate the discount, take the total special assessment amount listed in the "Notice of Assessment" letter and reduce it by the discount percentage also listed in your letter. This is your payoff amount. You may prepay your specials by mail or you may bring your payment to the Accounting Division. The City's address is:

**CITY OF MANHATTAN ACCOUNTING DIVISION
1101 POYNTZ AVE.
MANHATTAN, KS 66502**

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. Under this option, the individual does not need to do anything. The property owner is billed annually through 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 on a long-term basis. In recent years, this rate has been 5 percent to 6 percent for 20-year specials.

CAN A PROPERTY OWNER PAY OFF SPECIAL ASSESSMENTS AFTER THE 30-DAY EARLY PAYOFF PERIOD HAS EXPIRED?

Yes, the City has a prepayment program available. Once a project is bonded for long-term financing, the principal and interest payments are locked in for the bonding term so direct payoff of principal with interest cannot be made against the bond itself. However, under a prepayment program the City has developed, the City can make the payments on the bonds on behalf of the individual property owner.

To take advantage of this program, the property owner contacts the Accounting Division of the City and requests information on the prepayment program. This request should be made in late July before the City certifies the special assessments to the County. The Accounting Division will prepare an information packet that includes a computation of the present value amount for principal and interest on their outstanding special assessments. This computation includes the savings that will be realized for early payoff based on a payoff date of Aug. 1. If the property owner decides to proceed, they contract with the City and agree to pay the present value amount specified. This prepayment will be placed into a Special Assessment Escrow Fund that earns interest and the City will make the yearly bond payments for the property owner from this escrow fund.