



CITIZEN'S GUIDE: SPECIAL ASSESSMENT DISTRICTS (SAD)

Updated – January 16, 2024

General Information

What is a Special Assessment?

The City of Mason's Charter allows for the City Council to have the power to determine, by resolution, that the whole or any part of the expense of any public improvement shall be defrayed by special assessment upon the property especially benefited. The legal theory behind special assessments is that the owners' share of the cost assessed against their property will be offset by a reasonably proportionate increase in the value of the property resulting from the improvement.

What types of improvements are financed by Special Assessment?

The most common types of improvements in Mason are road improvements, sanitary sewer, water mains, storm sewers, street lighting, and sidewalks.

How do you allocate the cost of the benefit?

There are several different methods commonly used to allocate or spread the costs for the improvement against those properties within the Special Assessment District (SAD), including, but not limited to, front foot, land area, site/lot, lot depth, value, or a combination of these methods. The City Assessor will define the method to be used which will vary according to the nature of the improvement and the type and characteristics of the properties contained within the SAD.

While front foot may be the simplest method to allocate costs, and is most often used, it may not necessarily be the most appropriate. The primary goal when selecting a method is for the special assessment against each parcel to be related to the benefit received by the parcel.

Once the process is started, can it be stopped?

The City Council views this process as a partnership between the City and the residents. The ordinance does state that property owners can request to stop the process at any time until the City Council adopts Resolution #5 (as explained further herein); however, since the City incurs significant planning and design expenses at the onset of the process, the City Council has the right to approve or deny such request.

According to the City Charter, "no original special assessment roll shall be finally confirmed, except by the affirmative vote of five of the members of the City Council, if, prior to such confirmation, written objections to the proposed improvements have been filed, either by the owners of property which will be required to bear more than fifty per cent of the amount of such special assessment, or by more than fifty per cent of the number of owners of property which is to be assessed.

How many years can the SAD payments be spread over and what is the payment schedule?

While a special assessment can be paid in full at the onset, most property owners choose to make installment payments. The term of special assessment installment payments varies by type of project; however, the term is normally less than the life expectancy of the improvement (not to exceed 15 years for roads and 20 years for all other utilities). Installment payments shall be paid annually and are billed with the summer property tax bill. The City Council shall set the rate of interest on the unpaid balance.

Typically, the interest rate set by the City Council is one (1) percent over the average rate of the bonds if sold to finance the project or is related to other measures such as Prime. The additional one (1) percent is added to provide sufficient cash flow for administration, and if issued, bond principal and interest payments.

If I move or sell my property, am I still responsible for the payment?

Once the roll is confirmed, the City places a lien on the properties and assumes the position of first lien holder. The City does not require that the assessment be paid off during a real estate transfer; however, individuals should consult with a title company as typically payment is required to obtain clear title.

What if I can't afford the Assessment?

Per Section 66-19 of the City's Ordinances, the City Manager may grant a deferment of the annual installment payments due on homestead properties, subject the following:

1. The payment of special assessment installments may be deferred for owners who meet the terms and conditions of this section annually for a period not to exceed ten years or until the property is sold or until one year after the owner's death, however, the death of a spouse shall not terminate deferral of an assessment on homestead property owned by a husband and wife. The gross amount of the annual special assessment installment eligible for deferment under this section shall not be less than \$300.00.
2. To receive deferment, the owner shall annually certify to the City Manager on or before July 1st that his annual household income does not exceed HUD Section 8 income limits.
3. The owner shall execute and deliver to the City Clerk a lien in recordable form in favor of the City indicating the amount of the annual special assessment deferred, plus interest as provided in subsection (4), and identifying the homestead.
4. The payment of special assessment installments deferred under this section which are subsequently made by the owner or owner's estate shall include interest computed at the rate of one-half of one percent (0.005) per month or fraction of a month.
5. The City Treasurer shall not report, as delinquent, any special assessment installment which is deferred under this section for which a lien has been recorded in favor of the city, until such time as the term of the deferment expires as provided in subsection 66-19(1) above.
6. A hardship deferment shall not be granted by the City Manager where the owner of homestead property is eligible for a deferment of special assessment on that homestead pursuant to 1976 PA 225, MCL 211.761 et seq.

Process

The project is typically identified due to a need brought forward by City staff and/or residents. These projects are incorporated into the City's Capital Improvement Plan (CIP). The CIP process evaluates all capital projects based on predefined ranking criteria. The ranked capital projects include budget estimates and a proposed fiscal year for implementation. Once the project is identified for the next fiscal year, the budget includes the estimated costs, and the Special Assessment District process begins.

First City Council Meeting:

- **Resolution No. 1:** City Council makes three tentative determinations: the necessity of the improvement; the conclusion on whether to proceed with the improvement; and the establishment of a proposed district of properties that will be specially benefited by the improvement (the proposed "special assessment district"). Once such determinations are made, the City Council directs staff to have plans and a cost estimate prepared for the improvement.
- **Resolution No. 2:** City Council confirms the tentative necessity of the improvement, sets a public hearing date on the issues to be considered for Resolution # 3, and directs the City Clerk to provide notice of the public hearing as provided in the City Code.

Second City Council Meeting:

- **Public Hearing No. 1: Hearing of Necessity (Specific Public Input Opportunity):**

The first Public Hearing is held to allow the City Council to hear comments and objections on the proposed improvement.

Advance notice of Public Hearing # 1 will be published in a newspaper circulating in the City before the hearing; the first publication shall be at least 10 days before the date of the hearing. Notice will be mailed to all property owners of record to be assessed at least ten (10) days before the date of the hearing by the City Clerk.

Objections can be made in one of two ways:

1. Written letter delivered to the Clerk before or at the time of the Public Hearing #1 described above.
2. Attend the Public Hearing #1 to state objections in person.

If a property owner wishes to challenge the improvement, district, and/or special assessment, an official protest shall only be heard by the City Council at the appropriate public hearing as indicated above.

- **Resolution No. 3:** Following the public hearing, the City Council again determines whether to proceed with the improvement. If so, this resolution approves the preliminary plans and cost estimate, designates the special assessment district, and directs the City Assessor to prepare a proposed special assessment roll, reflecting the total cost of designing, financing, and constructing the improvement and the amount each property in the special assessment district will have to pay.

- **Resolution No. 4:** City Council receives the proposed special assessment roll prepared by the City Assessor, sets a date for a public hearing on the proposed assessment roll, and directs the City Clerk to provide notice of the public hearing as provided in the City Code.

Third City Council Meeting:

- **Public Hearing # 2: Hearing of Apportionment (Specific Public Input Opportunity):**

A second Public Hearing is held to allow the City Council to hear comments and objections on the proposed special assessment roll.

Advance notice of Public Hearing # 2 will be published in a newspaper circulating in the City before the hearing; the first publication shall be at least 10 days before the date of the hearing. Notice will be mailed to all property owners of record to be assessed at least ten (10) days before the date of the hearing by the City Clerk.

Objections can be made in one of two ways:

1. Written letter delivered to the Clerk before or at the time of the Public Hearing #2 described above.
2. Attend the Public Hearing #2 to state objections in person. If a property owner wishes to challenge the improvement, district, and/or special assessment, an official protest shall only be heard by the City Council at the appropriate public hearing as indicated above.

- **Resolution # 5:** Following the public hearing, City Council makes the final determination on proceeding with the improvement and confirms the special assessment roll, either as presented or as modified based upon comments and objections received at the public hearing. The City Council will also determine the number of annual installments and the interest rate to be charged on future installments.

The approved improvement is then pursued, and properties are assessed in accordance with Resolution # 5.

Policy

Since the greatest benefits of local street improvement accrue to the owners of property along those streets, a portion of the costs of these improvements are borne by the benefiting property owners in many municipalities. The City of Mason, like many other municipalities, has very limited resources for local street improvement and does not receive an adequate level of funding through general property taxes or existing voted millage to bear the sole cost of paving the local gravel streets, making street improvements, or constructing new sidewalks. For this reason, the City has adopted the Special Assessment District (SAD) approach to finance said improvements.

City Council Policy Adopted 12.3.1973, Amended 3.4.2019, Amended 1.15.2024

1. **New Street** includes the establishment of a street that previously did not exist that meets current engineering standards consistent with City ordinances. Property owners within the SAD will be assessed for 100% of the establishment of a New Street and required sidewalks, driveway approaches and utilities, including storm sewer, sanitary sewer and/or water main.
2. **Street Improvement** includes any enhancements that did not exist previously such as storm sewer, curb and gutter, and/or pavement. All work shall meet current engineering standards consistent with City ordinances.
 - a. Major Streets: Property owners within the SAD will be assessed for 50% of all street improvements, including storm sewer. The City will pay 100% for sanitary sewer and/or water main replacement. Property owners will be assessed 100% for new sanitary sewer and/or water main.
 - b. Local Streets: Property owners within the SAD will be assessed for 66% of all street improvements, including storm sewer. The City will pay 100% for sanitary sewer and/or water main replacement. Property owners will be assessed 100% for new sanitary sewer and/or water main.
3. **Street Maintenance** includes the ongoing street maintenance program which does not provide any enhancements, but repairs and/or replaces existing infrastructure.
4. **Driveway Approaches** (only as part of a Street Improvement or Street Maintenance project). The owner of each parcel with a driveway within the SAD will be assessed 50% for one standard concrete driveway approach if a concrete approach does not exist or must be replaced, as determined by the City Engineer. The width of a standard driveway approach will be defined pursuant to section 70-36 of the Mason City Code. If the parcel owner requests a wider approach, or more than one approach, and if what is requested is allowed under City ordinance, the requested work will be included in the project and the parcel owner will be assessed 100% of the cost difference from standard.
5. **Sidewalks** (only as part of a Street Improvement project, Street Maintenance project or sidewalk project). Property owners will be assessed for 50% of all standard width sidewalk (minimum 4' wide or matching adjacent) that did not previously exist on both major and local streets. Replacement sidewalk will be funded 100% by the City.
6. **Assessment Calculations**
 - a. Grants committed to the project prior to Resolution No. 5 will reduce the overall cost per foot so that both the property owner and the City receive the benefit of that funding.
 - b. Corner lots: If both frontages are assessed within a 15-year period, the property owner will be assessed for the longest side only and the City will pay 100% for the shortest side. No property owner can be assessed on the same property more than once for like improvements within a 15-year period.
 - c. The term of special assessment installment payments varies by type of project; however, the term is normally less than the life expectancy of the improvement (not to exceed 15 years for roads and driveway approaches and 20 years for all sanitary sewer and water infrastructure).

- d. First installment will be billed without interest charge. All future installment bills will include interest charges on the unpaid balance. Per Sec 11.3(4) of the City Charter, the rate shall not exceed the greater of six per cent per year or the interest rate on any special assessment bonds sold for such improvement plus one percent (1%).
7. **Other:** Where private property items, such as fencing, lamps, irrigation systems, ornamental or monument mailboxes, landscaping, etc., are in the public right-of-way, the City will give notice to the property owner to remove the private property. If not removed by the owner, the City will remove the private property and will not replace, or be responsible for damage to, said private property.

Resources: More Questions? Please Contact our Customer Service Desk at 517.676.9155 or info@mason.mi.us.