

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 2917  
**Version:** As amended by H2917A1

**DATE:** March 17, 2014

**Authors:** Simon

**Subject:** City Special Service Districts (SSDs)

**Analyst:** Deborah A. Dyson

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: [www.house.mn/hrd/hrd.htm](http://www.house.mn/hrd/hrd.htm).

Provides that a parcel that is wholly or partially classified as class three (commercial, industrial, or public utility) is subject to charges in a SSD. Current law provides that 50 percent or more of the property must be classified as class 3 to be subject to charges.

Strikes reference to “land area” as a measure for determining the threshold for a petition or objection to formation of a special service district and repeals the definition of “land area.” The threshold for a petition or objection is based on net tax capacity.

### *City Special Service Districts - Background*

A SSD is a defined area within the city where special services are rendered and the costs of the special services are paid from revenues collected from service charges imposed within that area. Under current law, an SSD may be established anywhere in a city but only business property (i.e., commercial, industrial, utility, or land zoned for commercial or industrial use) will be subject to the service charge. SSDs are commonly used in areas with a concentration of retail stores.

In 1983, Bloomington became the first city authorized to establish an SSD. Bloomington’s special law became the basis for later special laws and then the general law. In 1988, the elements of the special laws were codified as Minnesota Statutes, chapter 428A. However, a city still needed special legislation to authorize it to use chapter 428A. In all, 26 cities have been authorized to establish SSDs by special legislation, and in some cases, more than once. Not all cities authorized to establish SSDs have done so.

In 1996, the statute was amended to permit any statutory or home rule charter city to establish an SSD by ordinance, without requiring special legislation. This authority originally expired in 2001, was extended to 2005, then to 2009, and again to 2013. At this time, after June 30, 2028, cities will have to get special legislation to establish SSDs.

### *What kinds of services may be provided in an SSD?*

## **Section**

The city ordinance establishing the SSD specifies what services may be provided. In general, the services are those not ordinarily provided throughout the city from general fund revenues of the city, or provided at an increased level than for the rest of the city.

Special services authorized in some city ordinances have included street and sidewalk cleaning, snow and ice removal, lighting, signage, parking, parking enforcement, marketing and promotion, landscaping, and security. They may also include capital improvements authorized in the special assessment statute.

### ***How is an SSD established?***

An SSD may be established only if a petition by a certain percentage of potentially affected property owners is filed and the city adopts an ordinance to establish it.

*Petition.* Under current law, an SSD may be established by petition by the owners of 25 percent or more of the land area that would be subject to the charges and either (i) owners of 25 percent or more of the net tax capacity of property that would be subject to the charges, or (ii) owners, individuals, and business organizations that would be subject to 25 percent or more of a proposed charge.

*Ordinance.* If a petition is filed, the city may prepare an ordinance that describes the specific area and lists the services to be provided. The city must notify all business owners in the area prior to the hearing, with information on the nature of the proposed services, an estimated cost of improvements, and the amount of the proposed service charges. The effective date must be at least 45 days after the city adopts the ordinance. The city must hold a public hearing on the proposed ordinance. An existing district may be enlarged following the notice and public hearing requirements for establishing a new district.

*Objections.* Potentially affected property owners may testify at the hearing. They may also object in writing, and if the city agrees, the property may be excluded or the ordinance itself may be delayed. If the city does not agree, the property owner has 30 days to appeal to district court, which may affirm, modify, or cancel the city's determination. The proposal can be effectively vetoed if owners of 35 percent or more of the land area that would be subject to the charges or owners, individuals, or business organizations subject to 35 percent or more of the charges file an objection to establishing the district before its effective date.

*Advisory board.* The city council may create an advisory board for each special service district in the city to advise the governing body in connection with the construction, maintenance, and operation of improvements, and the furnishing of special services in a district.

### ***How are the services financed?***

Businesses in the district pay for the increased level of services through service charges. The charges must be proportionate to the costs of the services and may be collected through the property tax collection system or through other means if so provided by the ordinance. If the service charge is based on net tax capacity, exempt property is exempt from the service charge. Service charges are not included in calculating levies for purposes of any other law related to levies. The fees may be used to pay off general obligation bonds issued by the city for the capital improvements made in the service district under the ordinance. Bonds issued for service district purposes do not require an election.