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Version: The delete everything amendment (H2412DE5)

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Subject: Special Service Districts – requiring benefit test for service charges

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Overview

This bill, as amended by the author's delete everything amendment (H2412DE5), modifies the special service district statute to require that service charges either be based on value ("ad valorem") or special benefit as defined in the special assessment law, which generally limits the amount of an assessment to the measurable effect an improvement has on the property's market value.

Under present law, service charges only need to be "reasonably related" to the special services that are provided. That is typically satisfied by calculating the proportionate cost of providing the service and can vary by the type of property (e.g., retail versus office uses or similar).

The changes are effective July 1, 2017, but do not apply to service charges that are now being imposed and used to pay off bonds that were issued before April 1, 2017.

Section

- 1 Special service district charges.** Limits charges imposed by special service districts to either ad valorem levies or charges that satisfy the benefit test under the special assessment law. The special assessment law limits the amount of a special assessment to the effect that the improvement (e.g., street, sewer, and water improvements and similar) has on the market value of the assessed property. Benefit is typically proven (e.g., if the property owner

Section

challenges the assessment in court) using appraisal evidence of the before and after market value of the property.

Under present law, a special service district's charges also may be imposed if the charge is "reasonably related" to the special services, which is defined as proportionate to the cost of providing the service. This authority would typically be used for day-to-day services (e.g., street sweeping, snow removal, lighting, policing, or similar) that do not permanently affect the market value of the charged property. The bill eliminates that authority.

Background. Special service districts impose their charges only on properties that are classified, in whole or part, as commercial-industrial or public utility properties. The districts can be created only if 25 percent of the business property owners in the district petition to establish a district. The general purpose of districts is to provide a higher level of services than are provided in the rest of the city.

- 2 **Objections to charges.** Modifies the objections that a property owner in special service district can make to formulation of a district to include that the property is exempt from taxation. Present law prohibits imposition of service charges on exempt properties.
- 3 **Appeal of objection.** Modifies a court's authority to provide relief to a property owner to conform to the changes in the limits on service charges made by section 1.
- 4 **Hearing.** Makes conforming changes in the public hearing requirements to be consistent with the changes in the limits on service charges made by section 1.