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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 1183

02/01/2023

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The bill was read for the first time and referred to the Committee on Transportation Finance and Policy

1.1 A bill for an act  
1.2 relating to local government; establishing procedure for creating municipal street  
1.3 improvement districts; proposing coding for new law in Minnesota Statutes, chapter  
1.4 435.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. 435.39 MUNICIPAL STREET IMPROVEMENT DISTRICTS.

1.7 Subdivision 1. Definitions. (a) For the purposes of this section, the following terms have  
1.8 the meanings given.

1.9 (b) "Governing body" means the city council of a municipality.

1.10 (c) "Improvements" means construction, reconstruction, and facility upgrades involving:  
1.11 right-of-way acquisition; paving; curbs and gutters; bridges and culverts and their repair;  
1.12 milling; overlaying; drainage and storm sewers; excavation; base work; subgrade corrections;  
1.13 street lighting; traffic signals; signage; sidewalks; pavement markings; boulevard and  
1.14 easement restoration; impact mitigation; connection and reconnection of utilities; turn lanes;  
1.15 medians; street and alley returns; retaining walls; fences; lane additions; and fixed transit  
1.16 infrastructure, trails, or pathways. "Fixed transit infrastructure" does not include commuter  
1.17 rail rolling stock, light rail vehicles, or transitway buses; capital costs for park-and-ride  
1.18 facilities; feasibility studies, planning, alternative analyses, environmental studies,  
1.19 engineering, or construction of transitways; or operating assistance for transitways.

1.20 (d) "Maintenance" means striping, seal coating, crack sealing, pavement repair, sidewalk  
1.21 maintenance, signal maintenance, street light maintenance, and signage.

2.1 (e) "Municipal street" means a street, alley, or public way in which the municipality is  
2.2 the road authority.

2.3 (f) "Municipality" means a home rule charter or statutory city.

2.4 (g) "Street improvement district" means a geographic area designated by a municipality  
2.5 and located within the municipality within which street improvements and maintenance  
2.6 may be undertaken and financed according to this section.

2.7 (h) "Unimproved parcel" means a parcel of land that is not improved by construction of  
2.8 an authorized structure or contains a structure that has not previously been occupied, and  
2.9 abuts an:

2.10 (1) unimproved municipal street and that is not served by municipal sewer or water  
2.11 utilities; or

2.12 (2) improved municipal street and served by municipal sewer or water utilities.

2.13 Subd. 2. **Authorization.** To pay for street improvements and maintenance, a municipality  
2.14 may, by ordinance, impose a street improvement fee. The fee amount must be just and  
2.15 equitable. The ordinance must not be adopted until after public notice is provided and a  
2.16 public hearing is held pursuant to subdivision 5.

2.17 Subd. 3. **Improvement fee.** Except as provided in subdivision 10, a municipality must  
2.18 apportion street improvement fees to all of the developed parcels located in the district. A  
2.19 street improvement district must not include any property already located in another street  
2.20 improvement district.

2.21 Subd. 4. **Uniformity.** (a) All or part of the costs of municipal street improvements and  
2.22 maintenance must be apportioned to all developed parcels or developed tracts of land located  
2.23 in the established street improvement district on a uniform basis within each classification  
2.24 of real estate. Apportionment must be made on the basis of one of the following:

2.25 (1) estimated market value;

2.26 (2) tax capacity;

2.27 (3) front footage;

2.28 (4) land or building area; or

2.29 (5) some combination of clauses (1) to (4).

2.30 (b) Rates must not be apportioned in such a way that the rate borne by any classification  
2.31 of property is more than twice the rate that would be borne by that classification if rates

3.1 were apportioned uniformly to all classifications of property under the method selected in  
3.2 paragraph (a), clauses (1) to (5).

3.3 Subd. 5. **Adoption of plan; notice and hearing.** (a) Before establishing a municipal  
3.4 street improvement district or authorizing a street improvement fee, a municipality must  
3.5 propose and adopt a street improvement plan that identifies the location of the municipal  
3.6 street improvement district and identifies and estimates the costs of the proposed  
3.7 improvements during the proposed period of collection of municipal street improvement  
3.8 fees, which must be for a period of at least five years and no more than 20 years.

3.9 (b) Notice of a public hearing on the proposed plan must be given by mail to all affected  
3.10 landowners at least 30 days before the hearing and must be posted in a public place for at  
3.11 least 30 days before the hearing. The notice shall include the time and place of the hearing,  
3.12 a map showing the boundaries of the proposed district, and a statement that all persons  
3.13 owning property in the proposed district that would be subject to a service charge will be  
3.14 given the opportunity to be heard at the hearing.

3.15 (c) At the public hearing, the governing body must present the plan and all affected  
3.16 landowners in attendance must have the opportunity to comment before the governing body  
3.17 considers adoption of the plan.

3.18 Subd. 6. **Use of fees.** Revenues from street improvement fees must be placed in a separate  
3.19 account and used only for projects located within the district and identified in the municipal  
3.20 street improvement plan.

3.21 Subd. 7. **Collection; up to 20 years.** (a) An ordinance adopted under this section must  
3.22 provide for billing and payment of the fee on a monthly, quarterly, or other basis as directed  
3.23 by the governing body. The governing body may collect municipal street improvement fees  
3.24 within a street improvement district for no more than 20 years.

3.25 (b) As of October 15 of each year, fees that have remained unpaid for at least 30 days  
3.26 may be certified to the county auditor for collection as a special assessment payable in the  
3.27 following calendar year against the affected property.

3.28 Subd. 8. **Not exclusive means of financing improvements.** The use of the municipal  
3.29 street improvement fee by a municipality does not restrict the municipality from imposing  
3.30 other measures authorized by statute or by home rule charter to pay the costs of local street  
3.31 improvements or maintenance, except that a municipality must not impose special  
3.32 assessments for projects funded with street improvement fees.

4.1 Subd. 9. **Unimproved parcels; fees.** A municipality may not impose a street improvement  
4.2 fee on any unimproved parcel located within an established street improvement district until  
4.3 at least three years after the date of substantial completion of the paving of the previous  
4.4 unimproved municipal street, or the date which a structure is built and first occupied pursuant  
4.5 to a certificate of occupancy, whichever is later.

4.6 Subd. 10. **Institutions of public charity.** A municipality may not impose a street  
4.7 improvement fee on any parcel owned by an institution of public charity as defined in section  
4.8 272.02, subdivision 7.

4.9 Subd. 11. **Appeal to district court.** Within 30 days after adoption of a street improvement  
4.10 fee, any affected landowner may appeal to the district court by serving a notice upon the  
4.11 mayor or clerk of the municipality. The notice shall be filed with the court administrator of  
4.12 the district court within ten days after its service. The appeal shall be placed upon the  
4.13 calendar of the next general term commencing more than five days after the date of serving  
4.14 the notice and shall be tried as other appeals in such cases. The court shall either affirm the  
4.15 street improvement fee or set it aside and order a reassessment as provided in subdivision  
4.16 3. All objections to the street improvement fee shall be deemed waived unless presented on  
4.17 appeal. This section provides the exclusive method of appeal from a street improvement  
4.18 fee issued under this section.

4.19 **EFFECTIVE DATE.** This section is effective July 1, 2023.