This Bill Analysis reflects the contents of the bill as it was presented in committee.

SENATE BILL 284: Infrastructure Assessments/Extend Sunset

2015-2016 General Assembly

Committee:	Senate Finance	**Date:**	April 20, 2015
Introduced by:	Sen. Hartsell	**Prepared by:**	Cindy Avrette Committee Counsel
Analysis of:	PCS to First Edition S284-CSRBx-4		

***SUMMARY:** The proposed Senate Finance committee substitute would extend the sunset provision on the authority granted to counties and cities to use special assessments to address critical infrastructure needs for five years, from July 1, 2015, until July 1, 2020. The original bill would have repealed the sunset.*

CURRENT LAW: Counties and cities have the ability to impose assessments against benefitted property to pay for certain public infrastructure improvements, such as sidewalks. As a general rule, the assessment must be paid in full at the time it is assessed, but in no event may the assessment period exceed 10 years. In 2008, the General Assembly created a new financing tool that allowed counties and cities to impose special assessments to help finance long-term public infrastructure projects. Under this assessment-based financing tool, the assessments are paid in annual installments over a period not to exceed 30 years.

The assessment-based financing may be used for any purpose for which project development financing may be used. Those purposes include water and sewer systems, public transportation facilities, school facilities, gas systems, electric systems, industrial parks, parks and recreation facilities, and streets and sidewalks. Special assessments may be pledged as additional security for project development financing debt instruments as well as revenue bond financing debt instruments. If the assessment is pledged to secure financing, the city or county must covenant to enforce the payment of assessments.[1]

A county or city may only use special assessment-based financing if it receives a petition for the project to be financed through assessments that meets a two-prong test:

- The petition must be signed by a majority of the owners of the property assessed. For purposes of determining a majority, each parcel of property is given one vote. The sole owner of a parcel is given one vote. Multiple owners of a parcel are given a percentage vote equal to one vote multiplied by a fraction, the numerator of which is one and the denominator of which is the total number of owners of the parcel.
- And those owners must represent ownership of at least 66% of the assessed value of the property to be assessed.[2] For purposes of determining whether the assessed value represented by those signing the petition constitute at least 66% of the assessed value of all real property

[1] Unpaid assessments bear interest at a rate fixed in the assessment resolution. A county or city may foreclose assessment liens under procedures provided by law for the foreclosure of property tax liens.

[2] For example, if there are 21 owners involved and 10 hold 67% of the assessed value of the property to be assessed, at least one of the other 11 owners would have to sign the petition for the county or city to be able to impose the special assessments. Likewise, if 21 owners are involved and one owner owns 67% of the assessed value of the property, that one owner would have to be one of the signatures on the petition for the county or city to impose the special assessments.

to be assessed, 100% of the assessed value of property owned by one person is included in the calculation. For property owned by more than one person, that person's proportionate share of the assessed value of that property is included in the calculation.

The county board of commissioners or city must adopt a preliminary assessment resolution that describes the project, the proposed basis for making the assessment, and information concerning the cost of the work and the terms of payment of the assessment. The proposed basis for making the assessment method must assess property according to the benefits conferred upon it by the project for which the assessment is made. In making that determination, it is permissible to measure benefits by how the property is used. If the use of the property changes, the assessment on that property may be adjusted over time so long as the total amount of all the assessments is sufficient to pay the cost of the project after the adjustment is made. The county or city must hold a public hearing on the matter, prepare a preliminary assessment roll, and publish a confirmation of the assessment roll once it is adopted. An owner of property against which an assessment is made may file a notice of appeal to the General Court of Justice if the owner is dissatisfied with the amount of the assessment.

BILL ANALYSIS: The Senate PCS for Senate Bill 284 would extend the sunset on special assessment financing for five years, from July 1, 2015, to July 1, 2020. The General Assembly extended the sunset on this financing tool from July 1, 2013, to July 1, 2015, in S.L. 2013-371.

BACKGROUND: One city has used the special assessment to fund the debt service of a bond issuance, and one city has received approval from the Local Government Commission to do so. The cities have used the financing authority to fund infrastructure associated with development. In these two instances, the debt service for the bonds is paid by the special assessment imposed on the developer or any future property owner in the special assessment district. The special assessment has been the only financing tool used for the projects funded; it has not been used in conjunction with project development financing debt instruments or revenue bond financing debt instruments.

- The Town of Hillsborough issued special assessment revenue bonds in 2013 in the amount of $4.63 million for streets, utilities, sidewalks, and park improvements.
- The Town of Mooresville received approval for special assessment revenue bonds at the April 7, 2015, meeting of the Local Government Commission in the amount of $9.8 million for streets, water and sewer system, electric and phone lines, and park improvements.

In 2014, the General Assembly allowed a county to use special assessment-based financing to repair the dam of a lake.[3] The authority applies only to a privately-owned dam formerly used for textile mill purposes forming a lake between 225 and 325 acres in area and the special assessments could only be levied against property that is contiguous to the lake and benefits from access to the lake. This authority expires July 1, 2019; Senate Bill 284 does not extend that authority. The 2014 legislation addressed a situation in Richmond County. The county has not pursued financing under this authority to date.

EFFECTIVE DATE: This act is effective June 30, 2015.

[3] S.L. 2014-89.