

## **SECTION 8 – SPECIAL ASSESMENT DISTRICT (SAD) FOR ROAD IMPROVEMENTS**

### **8.1 ROAD FUNDING: BACKGROUND**

WCRC is required by statute to maintain more than 1,600 miles of certified public roads. More than 1,000 miles of those roads are categorized as ‘local roads’. Property taxes primarily fund local townships, the County, and school districts. WCRC receives no revenues from property taxes. The majority of the funds collected and allocated to maintain and improve public roads come from gasoline/diesel taxes and vehicle registration fees. This funding source for public roads is known as the Michigan Transportation Fund (MTF).

Michigan’s gas tax rates have been substantially below the national average for decades and have not kept up with the rate of inflation. Michigan presently ranks last in the nation for road funding per capita. The majority of the funds received from the MTF are used for winter maintenance operations. The remaining funds are used for other routine maintenance activities such as pothole patching, road grading, pavement markings, weed and brush removal, sign replacement, drainage, and other such activities. As a result, the local road funding available to the WCRC is not adequate to meet all of the road infrastructure’s needs for maintenance and improvements.

### **8.2 SAD DEFINITION**

An SAD is a designated geographic area within which the majority of property owners agree to allow a government agency to levy a special property tax in exchange for a specific service such as road improvements. An SAD may apply toward any public road, but most typically is used for local residential roads (paved or gravel).

### **8.3 SAD PROCEDURE**

When an SAD is established through statutory legal procedures the government agency agrees to incur the cost of the service at the outset and the property owners in an established district agree to pay back their allocated shares over a period of years in the form of a special property tax. There are two pertinent SAD statutes: MCL 41.271 et seq. (Public Act 246 of 1931 as amended), which is administered by a Road Commission, and MCL 41.721 et seq. (Public Act 188 of 1954 as amended), which is administered by a Township. Please refer to the specific Township as to its process for administering an SAD under MCL 41.721 et seq. (Public Act 188 of 1954 as amended).

MCL 41.271 et seq. (Public Act 246 of 1931 as amended) allows property owners along public roads under the jurisdiction of WCRC to file a petition seeking improvements to the road through an SAD. Per this statute a Township may also file a petition on behalf of a group of property owners to have a public road(s) or portion of same improved. In general, the cost of the improvements is borne by the property owners in the established SAD area. Bonds or notes are sold to pay for design, construction, and administrative costs. The Township then assesses the property owners in the district through their winter tax bills to repay the bond/notes over a period not to exceed 10 years. There is no penalty for early payoff.

In order for a public road to be considered for an SAD road improvement project under MCL 41.271 et seq. (Public Act 246 of 1931 as amended), it must meet the following minimum requirements:

- It must be a public, county road; private roads are not eligible.
- It must be outside corporate city or village limits (WCRC does not have jurisdiction over residential streets within incorporated cities and villages).
- At least 75 percent of the property owners along the road or section of road must be subdivided into parcels of 300 feet or less in width, or in the alternative there can be no fewer than one building for every 300 feet of road frontage.
- In order for the SAD to be established by law, the owners of properties representing more than 51 percent of the lineal footage along the road or section of road must support the SAD project.

The Board has adopted a procedure to help property owners understand the SAD process prior to submitting a formal petition. This procedure includes WCRC staff meeting with interested property owners to explain the nature of the road improvements, provide a general overview, and describe the process.

Once property owners have submitted a valid petition to WCRC to initiate a road improvement project, WCRC staff will process the SAD petition in accordance with the detailed procedures set forth in MCL 41.271 et seq. (Public Act 246 of 1931 as amended). The following is a summary of the major milestones of the process.

- 8.3.1 **Acknowledgement of the Petition:** The Board acknowledges receipt of the petition by resolution and instructs WCRC staff to review the validity of the petition.
- 8.3.2 **Initial Determination of Necessity:** Upon confirming the petition is valid and deeming the proposed improvements are necessary, the Board shall pass a resolution instructing WCRC staff to perform the preliminary engineering for the project.
- 8.3.3 **First Order of Determination:** Upon determining the project is of benefit to the public welfare and convenience, the Board passes a resolution to hold a Hearing of Objections.
- 8.3.4 **Hearing of Objections:** WCRC staff shall explain to property owners the scope of project, the boundary of the SAD, the preliminary estimated costs, costs per parcel, payment options, etc. Property owners will be provided an opportunity to state their objections during the hearing.
- 8.3.5 **Final Order of Determination:** Occurs within 30 days after the Hearing of Objections, the Board shall pass by resolution a final order of determination.
- 8.3.6 **Advertisement for Construction Bids:** WCRC shall advertise the project for bid. WCRC requires all bidders and subcontractors to be MDOT pre-qualified to perform the work.
- 8.3.7 **Bid Letting:** A public bid letting shall be held at WCRC where sealed bids shall be opened and read aloud. WCRC staff will review the bids and determine the lowest qualified bidder.
- 8.3.8 **Assessment Roll:** The Board shall pass a resolution to hold a public hearing to confirm the assessment roll. Upon the conclusion of the hearing, the Board shall pass a resolution confirming the final assessment roll.
- 8.3.9 **Sale of Bonds or Notes:** WCRC will proceed to sell bonds or notes that will cover the costs of the project; construction costs, contingency fund, engineering, administrative, materials testing, etc.
- 8.3.10 **Commence Construction:** Construction may begin once a contract is entered with the lowest qualified bidder and the funds are received from the sale of bonds or notes.