

## Executive Summary

# Municipal Financing

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This Executive Summary provides an overview of:

- [Special Assessments Financing](#)
- [Special Service Area Financing](#)

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## **Special Assessment Financing**

### ***An Overview***

Special assessment financing is used to underwrite infrastructure (“local”) improvements that specifically benefit a particular area. To qualify as a “local” improvement, the project is measured by the following criteria: the nature of the work; the situation of the improvement; surrounding conditions; and whether benefits derived from the project are local in nature.

Once a governing body decides to finance local improvements through the use of the Special Assessment process, the process begins by the board of local improvements, which appoints an engineer to prepare an estimate of cost, along with plans and specifications.

Historically, the special assessment process has been a lengthy process. However, the Special Assessment Supplemental Bond and Procedures Act, enables the governing body – through the improvement board - to conduct the proceedings and perform the acts usually performed by the court in these processes, which substantially reduces the number of hurdles to be cleared.

### ***How Assessments are Allocated and Paid***

Statutes cover assessment allocation for individual property owners and for the governing body (“Public” portion).

The part of the assessment allocated to particular properties that is required to be paid by the property owner (“Private” Portion) is based on the relative benefit received but cannot exceed the increase in the particular property’s value.

Assessments can be payable in up to thirty annual installments (plus interest) or in one lump sum. Most are paid in installments of ten to twenty-five years. Installment payments are remit ed directly to the governing body, although a bank may be hired to administer the receipt of the payment over the life of the bonds. The first installment includes the governing body’s costs for legal fees, engineering, recording documents, and other expenses associated with levying the special assessment. This essentially allows the governing body to achieve the improvement and the financing with lit le to no cash from its general fund.

Assessments carry interest at fixed rates which are typically substantially below rates that a developer can borrow. While the assessment operates as a tax lien on the property, it typically does not interfere with the property owner’s right to sale or mortgage the property. This acts as a substantial benefit to the developer because it





