



LRRB Research Need Statement

LRRB-1

Date: March 9, 2021

Need Statement Champion:	Name	Agency	E-mail	Phone
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Submitted by:	LRRB via Priority Process			
Originated from:	LRRB Idea Solicitation Process (Pre-Screen Board Mtgs)			

Select Type:

Research OR Implementation

Need Statement Title:

Understanding How Street Reconstruction Affects Property Value

Need Statement: Describe the problem or the opportunity. Include background and objective.

There have been several studies on the effects that highway infrastructure and local streets have on property values:

- Roads that provide access to communities and businesses for “smart” growth will increase property value.
- Roads that serve as barriers, or redirect traffic away from areas, will cause property values to fall.

But how does resurfacing or rebuilding an existing road effect property value? Minnesota State Statute [Chapter 429 Local Improvements, Special Assessments](#) outlines the authority local governments may use to collect money to pay for local improvements. Some agencies collect special assessments from residents based on either a single project or across the network; see the League of Minnesota Cities [Special Assessment Tool Kit](#). The City Engineers Association of Minnesota also has conducted several surveys in the past regarding valuation and assessments for improvements.

Agencies are sometimes challenged by residents (and/or resident groups) to justify the assessment cost of these improvements. The “benefit” is affected by the size of the lot; this is especially the case when there are large commercial/retail properties (and churches). If assessments are continuously challenged, is there another equitable financing method to support public projects?

One approach that agencies have enlisted to justify their assessments is to hire an independent appraiser to justify the assessment costs.

The focus of this study should be to survey Minnesota local governments to identify:

- What process they use to determine how much to charge for their special assessments?
 - How often does you agency administer appraisals? Every project?
 - What is the assessment calculation basis?
 - Single unit? (residential equivalent)
 - Roadway frontage?
 - Actual project costs? Other?
 - What is the average assessment?



- In dollars?
 - As a percent of the total project cost?
 - As a percent of the appraised property value?
- Have assessments been appealed in your city? How have the courts ruled?
- What process do they use to justify a “challenge” from a property owner?
- What projects do they assess?
 - Full reconstruction? Are utilities included?
 - Overlays?
 - Preventative maintenance?
 - On County State Aid Highways or Trunk Highways for local participation?
- What is the percent breakdown of their annual street improvements budget?
 - State Aid allotment
 - Local property tax
 - Special assessment
 - Other: _____

Depending on the outcome of the above, a second phase of this project could include conducting a “controlled” assessment statewide. For example, a single appraiser could determine the “improved benefit” of 10 similar construction projects at different locations throughout the state.

This type of controlled study could help local agencies with knowing, for a range of property types and uses:

- What is an average value increase from a street reconstruction project?
- How does a new sidewalk or multi-purpose trail affect that increase in value?
- Is there an increase in value?
- What have past assessment challenges shown?
- What have the courts determined?
- What have appraisers determined?

It is recommended that the research team include multiple appraisers.

Suggested Deliverables:

A guide to understanding street improvement project impacts on property values

How does this project build upon previous research (include title or reference to a completed research effort)?

1. New MnDOT project: [Assessing the Effects of Highway Improvements on Adjacent Businesses](#)
2. Related 2019 [LRRB Need Statement](#) was not funded

Provide names to consider for a Technical Advisory Panel:

Marc Culver (City of Roseville); Craig Gray (City of Bemidji); Ryan Peterson (City of Burnsville); Chad Millner (City of Edina); Russ Matthys (City of Eagan); Minnesota Association of Assessing Officers (MAAO) rep; Anne Finn, League of Minnesota Cities representative; Jason Messner and others from North Star Chapter of Appraisal Institute.