TARF: An Alternative to Special Assessments

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Introduction: Politics of Special Assessments

As costs for public improvements increase.....
➢ Resistance to special assessments grow as individual assessments shock:

SCREAMING HEADLINES:
❖ 'Doomed Dozen' wins relief but continues fight against Grand Chute's special assessments
❖ HOMEOWNERS STUNNED BY $42,600 SPECIAL ASSESSMENT
❖ Grand Chute businessman faces whopping $286,577 bill for work on Elsner Road
❖ Homeowners may be forced to sell because of massive special assessment

... Search for Alternatives: eg. Wheel Tax as implemented by Appleton & others
Neenah's Choice: TARF or Tax Assessment Replacement Fee: Part of Utility Bill.
Why Focus on Alternatives

- Cost of Public Improvements in street repairs and improvements increasing rapidly
  - Neenah Street Reconstruction costs in 2014: $1.3 Million
  - Street Reconstruction costs in 2019: $2 Million, more than a 50% increase
  - As Costs continue to grow, special assessments will increase

- Alternate financing tools are perceived essential in light of excessive costs to taxpayers
  - Growth in Special Assessments costs result in taxpayer resentment
  - Failure of system to spread costs among all benefited also creates tension

- TARF accomplishes wo objectives:
  - Reduces costs to individual property owners
  - Spreads costs to additional beneficiaries

Presentation Outline: a Google Maps Edition

- Traditional maps provided not only a specific view of route & destination
  - Like Google Maps.
- They also provide a broader context that sometimes reveal a better route
  - Google Maps does not provide the broader context, looking instead at details
  - This presentation, because the TARF approach is so new, cannot give that broader context without more experience
- The remainder of my presentation will:
  - Provide brief description of how TARF works;
  - Explore the advantages of TARF
  - Summarizes disadvantages of the different funding mechanisms
First, the fundamentals: How TARF works

- The Common Council, under its power to protect the welfare of the public, established a “Transportation Utility”
- Using ITE recognized traffic generation factors, Neenah’s TARF ordinance apportions pavement repair and rehabilitation based on the a parcel’s impervious surface area
  - Theory: larger developed area translates to increased traffic benefiting the rate payer; use of City streets, kept in good shape, attracts more traffic...
  - Charge based on Impervious Area Unit (residential average impervious area)
- IMPORTANT: ordinance provides appeal and exemption process, provides fairness to property owners with unique circumstances.

How TARF Works, continued.

- Council sets TARF revenue during budget process
  - Initially, goal to replace special assessment for resurfacing &/or reconstruction of pavement
  - Historically, special assessments raised $400,000
- TARF fee for 2019 was set at $23 per Impervious Area Unit (IAU) of the property assessed, with exemptions for vacant property
- First TARF billing occurred in late March, 2019
  - TARF fee billed quarterly: residential charge $5.75 / quarter
  - TARF charge to large properties capped at 87 IAU or roughly $500 a quarter

This past winter was particularly rough on road surfaces and they in turn were rough on auto alignments!
TARF: a Summary & Limitations

- The TARF charge proceeds from the theory that good quality roads benefit all and costs should be borne in proportion to a property’s traffic generation characteristics.
- Neenah TARF only applies to pavement reconstruction; resurfacing and replacement.
  - Other large public infrastructure projects, as well as installation of new streets, cannot access TARF funds.
  - However, the TARF approach may provide a mechanism for addressing infrastructure crises such as lead water laterals

TARF Advantages

- Allows for broader participation in the funding of road repairs.
  - Those that generate traffic are more responsible for cost of improvements, in line with benefits derived.
- Reduces large special assessment bills to residential properties
  - Recognize that good roads benefit entire population
  - Reduce inflammatory headlines!
- While broader payment for road projects would result from greater tax support, TARF not subject to levy limits imposed on the property tax
Potential Statutory Restrictions

- Do Levy limits apply to TARF? Would Implementation of TARF require further restriction of your local levy?
  - sec. 66.0602(2m)(b)2.: If a fee is imposed for services previously funded by Levy, must reduce the tax levy by the amount raised by fee
  - Not apply to TARF-not replacing tax levy with fee income.
  - Instead, funding costs previously covered by Special Assessments.
- Fees Imposed by Wisconsin Municipalities must reasonably relate to the actual cost of the public work funded by the fee: sec. 66.0628
  - Since the TARF (raised by the community at large) replaces special assessments (raised by specific property owners fronting on roads reconstructed) factually inaccurate to assert the cost is unreasonable.
- Transportation aids: sec. 86.30. Again, TARF replacing Special Assessments
  - Should have no impact on TARF, since Local aids for operations, not capital costs.

Funding Mechanisms Disadvantages

- Special Assessments:
  - ✓ Large payments with little advanced notice
  - ✓ Lacks popular support.
  - ✓ Great benefit to traffic generators with little participation in costs
- Wheel tax:
  - ✓ Only addresses vehicle use, not traffic generation: large benefit with little cost
  - ✓ Registration often results in vehicles mistakenly included from adjoining municipalities
- TARF
  - ✓ Requires careful development of ordinance by staff or consultants for record.
  - ✓ Unlike other methods, no specific statutory reference, legal challenge?
Experience in Other Communities

- TARF ordinances (also referred to as Transportation Utility Fees or TUFs) exist in other areas
  - Mostly used in Western States (e.g. Oregon).
  - See Institute of Transportation Studies presentation, attached
- Ordinance examples from other states:
  - City of Phoenix, OR
  - City of Newburg, OR
  - City of Hubbard, OR
- Wisconsin Experience is Limited
  - Attempted in the Wausau area by the Village of Weston
  - Lasted for a short time and was repealed by referendum:
    - Opposition to subsidizing bus system

Conclusion

- Tax Assessment Replacement Fee a promising alternative that more fairly spreads the cost of infrastructure repair and upgrade among all who benefit.
- NOT a panacea:
  - Final solution found only when general population sees that good and well maintained infrastructure benefits everyone
  - However TARF, by spreading cost broadly, may provide a significant contribution to the infrastructure conundrum!

THANK YOU!
TARF: Oshkosh Experience

• Attempt to adopt failed
• Lynn Lorenson returns to examine Oshkosh’s experience.

Program Attachments

• The following documents are attached or linked for the curious:
  ✓ Chapter 17, Article VIII, Neenah Code of Ordinances:  
    https://library.municode.com/wi/neenah/codes/code_of_ordinances?nodeId=S
    PAGEOR_CH17UT_ARTVIIIITRASREFE
  ✓ Statutory excerpts providing authority to create TARF utility
  ✓ Neenah Staff Memo explaining TARF and statutory support for TARF
Program Attachments, continued

- ITS TUF Presentation Outline, 2014
- Ordinance Examples
  - City of Phoenix, AZ
  - City of Newberg, OR
  - City of Hubbard, OR
- City of Milwaukee Transportation Utility Fee: a proposal
  - Lafollette Institute Presentation from 2007
  - Never Adopted