

SPECIAL ASSESSMENT DISTRICTS (S.A.D.)

What is a Special Assessment District (S.A.D.)?

Special Assessment Districts are used to finance infrastructure such as sewer, water and/or roads. Districts are formed when residents and/or developers request that a municipality provide one or more of these services. The residents and/or developers pledge to pay for the services and the municipality arranges financing, usually by selling bonds. The collateral for financing the bonds is the property in the S.A.D. The annual assessment payment is on the winter tax bill for each property in the S.A.D.

Why would a township enter into SAD agreements to finance services in a private development?

If a proposed development such as a subdivision is legal in a zoning area and meets all of the zoning requirements the township cannot stop it. The courts decided in a lawsuit against Lake Isabella Village that the municipality could not prevent a developer from installing a private Waste Water Treatment Plant (WWTP) and that the Department of Environmental Quality (DEQ) had the authority to permit it, not the municipality. Private WWTP's are effective but do not last long periods without repair or replacement and although they are the responsibility of the development the cost of replacement if unable to be paid by the development falls to the municipality in order that the public health is protected from failed private WWTP's. The choice in most instances was to use SAD's to finance municipal services that would be built and maintained by the municipality in order to better protect public health.

What if my payments are not made?

Special Assessments are treated the same as property taxes and if not paid become delinquent and are turned over to the County for collection. After 2 years, delinquent properties are sold at tax auction and the County receives the funds. The County, through a revolving fund, reimburses the township for delinquent taxes so that governmental entities such as schools, libraries and fire authorities have the funds needed to operate. The County is permitted, by State statute, to charge the township delinquent fees and interest.

What is being done to deal with the delinquent SADs?

At the township, county and state levels, maximum effort has been employed to find a solution to the situation. This is an unprecedented problem and each community's situation is different. Current state statute does not allow for solutions such as restructuring bond debt. All parties involved are currently working to find a solution.

What are the consequences if townships are unable to pay SAD debt?

Worst case scenario is that the state can place the township in receivership, take over the finances of the township and levy a millage to pay the outstanding debt. Hopefully, through state legislation and all parties working together, solutions can be found to mitigate the short term costs of the SAD's until property values rise and development resumes.

See attached flow chart also

Project Timelines

The timeline represents the general amount of time that a project takes for both the Township planning component and the County implementation portion of a project.

Township Planning Phase
Approx. 2-5 Years

County Implementation Phase
Approx. 1-3 Years

GENERAL PROCESS FOR PUBLIC INFRASTRUCTURE PROJECTS

PRIMARY REASONS FOR THE INITIATION OF PUBLIC INFRASTRUCTURE PROJECTS

1. Petition by Property Owners to Protect Property Values Due to Lake Quality Concerns, Failing Septic Systems, etc.
2. Court has Directed Local Unit to Provide Utilities, Often Due to Developer Initiated Litigation Over Mobile Home Developments
3. Decision by Local Unit to Initiate Project Due to Health Issue, Failed Septic Systems, the Need to Provide Utilities to Commercial and Industrially Zoned Properties etc.
4. To Replace Existing Wastewater Facilities Due to Existing Groundwater Contamination Issues and Impending State Enforcement Actions (e.g. Hardend's system was connected to the Livingston Regional Due to groundwater contamination from older wastewater plant and impending State sanctions).

Projects are typically initiated as a result of one or more of the above actions. Local Township Board determines if there is a need to move forward with a feasibility study

