



Special Service District (SSD) Minnesota Guide

Special Service District (SSD): SSD is a geographically defined area within a city where special services are rendered and the costs of the services are paid from revenues collected from service charges imposed within the district. Minn. Stat. §§ 428A.01 - 428A.101.

SSDs are another tool cities may use to make, and pay for, local improvements in certain areas of a city if business owners request it and where special services are rendered and paid for with revenues collected from service charges. Service district charges are not property tax levies, even though they are based on net tax capacity and are payable and collected in the same manner as property taxes.

Note: The Minneapolis Downtown Improvement District operates as a SSD.

Establishment: Landowners generally initiate proceedings to establish a SSD through a statutorily required petition process.¹ The process requires that 25 percent or more of the owners of the land area of property subject to service charges and either (1) owners of 25 percent or more of the net tax capacity of property subject to the district or (2) owners, individuals, and business organizations subject to 25 percent or more of the proposed service charge file a petition with the city clerk calling for a public hearing to establish the SSD. If the petition process is satisfied, a public hearing on the question of establishment must be held. Minn. Stat. § 428A.08. Following the public hearing, the city council may decide to establish the SSD through an ordinance based on the petition but is not required to do so. Minn. Stat. § 428A.02, subd. 1.

Note: If any of the following object to the city resolution establishing the SSD, the ordinance does not become effective: (1) owners of 35 percent or more of the land area in the area subject to the service charge based on net tax capacity, (2) owners of 35 percent or more of the net tax capacity subject to the service charge based on net tax capacity, or (3) owners, individuals, and business organizations subject to 35 percent or more of the service charges to be imposed in the district. Minn. Stat. § 428A.09, subd 2.

Note: The establishment of a new special service districts after June 30, 2028 requires special legislation.

Services Provided: Special services generally do not include services that are ordinarily provided throughout the city from general-fund revenues, unless an increased level of services is provided in the special-service district. In the case of services normally provided through the general fund, the service charges may be imposed only in the amount needed to pay for the increased level of service. Minn. Stat. §§ 428A.01, subd. 3 and 428A.03, subd. 1.

¹ The SSD statute does not prohibit the city from initiating establishment proceedings. However, if the city initiates said proceedings, no action can be taken unless the petition process enumerated in Minn. Stat. § 428A.08 is satisfied.

Authority to Impose Service Charges and Amount: The city council is authorized to impose service charges. Before the imposition of service charges in a district, for each calendar year, the city must hold a public hearing according to law and notice must be given and mailed to any owner, individual, or business organization subject to a service charge. Minn. Stat. § 428A.03, subd. 1. The city is also authorized to issue obligation bonds to finance improvements. The obligations are payable primarily out of the proceeds of the service charges. Minn. Stat. § 428A.06.

Note: Only land zoned for business purposes (commercial, industrial, land for public utility purposes, or vacant land similarly zoned) is subject to the special charges. Residential property is exempt from service charges. Minn. Stat. § 428A.02, subd. 1

The city council may impose service charges at a rate or amount sufficient to produce the revenues required to provide special services in the district. Minn. Stat. § 428A.03, subd. 1. There is no limit as to the amount of charges imposed. Minn. Stat. § 428A.03, subd. 3.

Note: The Minneapolis Downtown Improvement District assesses services charges to business properties based on the following: (1) services that have a direct relationship to lineal footage (e.g. sidewalk sweeping) are based on the lineal frontage of a property and (2) services that benefit the entire district without relationship to lineal frontage (e.g. district wide greening) are based on the property's Gross Building Area (or land area if vacant) per city assessor records.

Collection of Service Charges: The special-service charges are levied against the net-tax capacity of the benefited property in the district and are collected in the same manner as property taxes. Minn. Stat. § 428A.05.

Advisory Board: The city council may create and appoint an advisory board for each special service district in the city to advise the governing body in connection with the construction, maintenance, and operation of improvements, and the furnishing of special services in a district. The advisory board shall make recommendations to the city on the requests and complaints of owners, occupants, and users of property within the district and members of the public. Before the adoption of any proposal by the city to provide services or impose service charges within the district, the advisory board of the district shall have an opportunity to review and comment upon the proposal. Minn. Stat. § 428A.07.

Note: The advisory board provides recommendations to the city. It does not have authority to determine the services provided or the amount of the service charges imposed annually. The city retains ultimate authority over the SSD.