

## The Case for Special Neighborhood Districts.

### **MAKE “SPECIAL DISTRICTS” SPECIAL.**

A neighborhood district, as a legal and geographically specific entity has the opportunity to control its own destiny. Financial independence is the dream. While never being truly independent from the host government and never likely to achieve complete power over regulations, taxes and fees applicable to residents, a special district can be an important funding source leading towards self-sufficiency.

Special districts can establish a financial basis that uses funds of its own creation.

Infrastructure, recreation, environmental and safety systems can be designed and built to be mostly controlled by a neighborhood association established under applicable laws.

### **SPECIAL DISTRICTS AND ASSESSMENTS.**

Special districts traditionally used to provide services to neighborhoods include street lighting districts and drainage districts. These services are usually provided with MSBUs or MSTUs. The impact on the resident is a periodic payment of a tax to support the district expenses for neighborhood facilities.

Special assessments are used to install water and sewer lines in neighborhoods with wells and septic systems. Sidewalk improvements are sometimes provided through special assessment when it is not a customary facility provided by the city. Special assessments may require a lump sum payment or the service provider may offer financing over a few years.

Special district and assessment programs apply to single-family, apartment and condominium neighborhoods and neighborhood associations.

### **PUBLIC FINANCE TOOLS.**

The critical first step in the life of every special district is the existence of an organization that represents the residents and complies with the applicable laws. Establish an organization.

The general process to establish a special district is for the neighborhood association to determine they have a specific need not customarily provided by the city and then to request that the neighborhood be allowed by the city to tax itself to provide the needed services or facilities.

The “tax” may actually be a fee, but the point is that the residents self-fund their requested service or facility without burdening the balance of the city residents who will not be receiving the “special” service or facility. The programs in Florida include:

- Neighborhood improvement districts [NIDs] are generally associated with a special tax applicable only to the properties within the specified area. In Florida, a vote of property owners is required to establish a NID tax.
- Municipal services taxing units [MSTUs] and municipal services benefit units [MSBUs] can be established by ordinance of the city without a vote of the property owners.
- Community Redevelopment Agencies [CRA] can be established for specific areas. A CRA may establish a tax increment program to generate funds for district improvements.

### **“GRANTSMANSHIP”.**

Seeking and winning grant awards is a source of funding for neighborhood associations. Many cities establish grant programs for their neighborhoods.

### **DEBT.**

Established revenue streams can be used as the basis for borrowing funds. If the neighborhood association has rent-producing assets, a special district with unencumbered funds or a long and strong history of membership fees, then borrowing money may be possible. Borrowed money, of course, needs to be repaid.

### **CROWDSOURCING.**

Much has been said and written about crowdsourcing. It is a great source of funding in the right circumstances. Opportunities for small investors to participate in neighborhood projects are a source of money and pride.

### **PHILANTHROPY.**

Giving is an under-appreciated activity. Philanthropy funds many programs and facilities that may include a neighborhood park, community building, branch library or other neighborhood-building asset. The nurturing of current and potential philanthropists in the city is an important art of the city's Finance Plan.

### **NON-TRADITIONAL NEIGHBORHOOD SOURCES.**

Over the years, several programs have appeared that entice private investment in communities and specifically downtowns. Neighborhoods generally do not meet the intent and purpose of these programs; however, ambitious and knowledgeable neighborhood leaders may be able to siphon off some of these funds for neighborhood use.

- **Brownfield Designations.**
- **New Markets Tax Credits.**
- **Opportunity Zones.**
- **Community Reinvestment Act Programs from established financial institutions.**

### **SUPPORT FOR DOWNTOWN HOUSING PROJECTS.**

The city's funding and financing sources can be used to support vision-consistent housing developers and builders. Low income housing tax credit [LIHTC] programs, state SHIP funding, federal HUD and other programs known to the city can be used to build new housing, rehabilitate existing housing and provide rent or down payment assistance.

### **CONCLUSIONS.**

1. **Generally funded city services and facilities** are provided from the general fund and other citywide sources for the benefit of resident, neighborhoods and neighborhood associations. Neighborhood leaders are tasked with finding all services and facilities that the neighborhood deserves as a matter of course.
2. **Special districts** are available to neighborhoods to fund desired services and facilities not customarily provided by the city. Taxes and fees to support the special districts come from the property owners within the area defined to receive the special treatment.
3. **Layering many sources of funding** is the creative talent needed by neighborhood leaders to find many sources of revenue to fund neighborhood association activities.
4. **Building property values** is a concern of every resident since this is typically their largest financial asset. Programs that maintain neighborhood property are important; the city is usually helpful.
5. **Community visioning** is a constant activity within the neighborhood to ensure that the neighborhood's vision and strategy remain relevant.