

## Main Street Special Districts: Self-Sustaining System.

### MAKE “SPECIAL DISTRICTS” SPECIAL.

A downtown district, as a legal and geographically specific entity has the opportunity to control its own destiny. While never being truly independent from the host government and never likely to achieve the power of Robert Moses, a special district can construct self-sufficient systems.

Special districts can establish a financial basis that uses funds of its own creation. Infrastructure and environmental systems can also be designed and built to be mostly self-reliant. Remembering that everything is connected to everything, total independence is not possible, but self-reliance is a reasonable goal.

#### THE INSTITUTE FOR LOCAL SELF-RELIANCE

This group is mostly about resource management and conservation, not financial sustainability; however, it is good to know such a group exists.

*The Institute’s mission is to provide innovative strategies, working models and timely information to support environmentally sound and equitable community development.*

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### FINANCIAL INDEPENDENCE.

#### The “Sources and Uses of Funds”.

The city’s approach to infill and redevelopment in downtown needs to mirror the financial approach of a development enterprise.

Even though the city has non-financial objectives, city finances still need to work. If there are subsidies or local matches, these contributions are valuable factors to include in a pro forma that looks at the sources and uses of funds in order to reach a “bottom line”.

#### Uses of Funds.

Anticipate capital improvements, with cost data, in the city’s CIP and the downtown district’s pro forma financial statement. Typical expenses in the district plan consist of:

- 1. Land.** Funds may be used to purchase or lease properties that support the Plan. Public land and buildings can also serve as the “local match” for many grant programs.
- 2. Buildings.** Funds may be used to purchase, lease or rehabilitate buildings. Facade grants are often used by community redevelopment agencies.
- 3. Infrastructure.** Funds for capital improvements such as master stormwater systems, parking lots, sidewalks, transit shelters and parks are examples of how the funds may be used. Creation of budgets and accounts specifically designed for the downtown special district can advance the cause of self-sufficiency.
- 4. Start-up Business Subsidies.** When a district has no café or deli, the governing board may decide to tailor a rent or other subsidy for the first year of the start-up’s operation with diminishing support each year.
- 5. Operations and Maintenance.** Funds may be used for O&M purposes to provide start-up services necessary to support capital projects being constructed.

**Sources of Funds.**

The parties that will participate in funding infrastructure in the district include the private development enterprise and may also include governments and institutions already operating downtown facilities. The list below can be used to construct a table of funding agencies available to provide financial support.

Revenue sources available for infrastructure from public funding entities include, at least:

1. General funds from cities and counties:
  - general ad valorem tax revenues,
  - sales tax receipts.
2. Land, buildings or other non-cash equity to use as match or guarantee for grants and loans.
3. Special district assessments and taxes:
  - business improvement districts,
  - municipal services taxing units [MSTUs],
  - tax increment revenues,
  - benefit-based assessments like MSBUs [municipal services benefit units].
4. Real Estate Transaction Fees:
  - Residential,
  - Commercial.
5. User fees:
  - transit fees and utility fees,
  - park and recreation fees.
6. Impact fees for transportation, parks, schools, solid waste and other facilities.
7. Service fees: drainage and parking systems.
8. State and federal improvement grant programs, e.g., FDOT, SHIP, CDBG or FMHA.
9. Private equity, public-private partnerships and
10. Non-Governmental Organization [NGO] grants.

**Sources of Financing, Debt.**

Established revenue streams can be used as the basis for borrowing funds. With:

- General revenue bonds backed by the city’s general fund, property tax or sales tax base.
- Revenue bonds backed by an income stream such as utility service fees.
- Public-private partnership [P3s] financing based on a city revenue stream.
- Short term financial instruments with local banks for modest sums such as bank qualified notes less than \$10M used by the City of Kissimmee.
- Leveraged municipal assets, sometimes useful when city or other public assets are available as collateral.

**“Grantsmanship”.**

Seeking and winning grant awards is a professional activity. Larger cities have professional staffs focused exclusively on seeking and winning grants. Small cities and towns can find partners at the regional level or in the private sector to assist with this activity.

**INFRASTRUCTURE SYSTEMS INTERNALIZATION.**

**Stormwater Systems.**

Water coming into the district can be managed to control both flooding and water quality. The downtown stormwater management system can monitor and control flows entering and exiting the downtown district boundaries.

An objective, mimicking William McDonough, can go beyond accepting no negative impacts to a goal of actually improving the quality of water; existing water quality can be superior to the waters that enter the district. Standards for the use of low-impact design facilities with landscape irrigation systems linked to re-use or cistern systems.

**Potable Water.**

Most small cities and towns with potable water systems have city departments or private utility companies own and manage the system. Over time, through adjustments in metering and piping, the downtown district can become a unique geographic sub-set of the city-wide system. Being a sub-set begets measurement which begets water conservation and management programs. Most conservation programs are minimally effective since potable water in most areas is still readily available at a reasonable price.

**Wastewater.**

The downtown district is probably always going to depend on the city-wide system for the collection and disposal of wastewater. The use of micro-treatment systems is becoming feasible. The re-use of greywater is now pretty standard. The portable use of wastewater is a ways off. High quality potable water is still plentiful and relatively inexpensive.

**Electric Power.**

Like the water system, the entity that owns and manages the power system can carve out a sub-set for the downtown district. This enables measurement and visible consumption with goals for energy conservation, reductions in greenhouse gases and increases in the use of alternative sources of energy.

**Internet Service.**

An Internet Service Master Plan can help identify the availability of service throughout the downtown district. Fees or taxes from within the downtown district can be established to provide ubiquitous high-speed broadband service downtown.

**Solid Waste.**

“Reduce, re-use and recycle” is a concept easily applied to a special district downtown. Building standards can reduce construction debris and the associated greenhouse gases. The downtown special district can have different standards from the general government; and can serve as a laboratory for exploring what policies and programs are effective.

**COMMUNITY IDENTITY.**

A self-sustaining society is not necessarily a good thing, even is possible. However, the downtown district can develop as a stable community of inter-dependent residents and businesses with a robust jobs-to-housing balance. Downtown housing is the critical element necessary to achieve a proper balance. Downtown residents frequent downtown businesses and institutions; bonds are created; society strengthens on a small area, or district level. Programs of the downtown special district can result in a downtown society that has an identity and a sense of self-reliance.

**CONCLUSIONS.**

**Financial Independence.**

1. Prepare the downtown main street for redevelopment by providing the necessary entitlements, financial incentive tools and infrastructure to support vision-consistent development, especially by “pioneers”.
2. Use debt wisely.
3. Aggressively support the first investors, the “pioneers”, with infill and redevelopment projects consistent with the town’s vision.
4. Leverage public capital improvements to match private investments using the City’s Business Model for Special Districts.

5. Develop a sophisticated cost-revenue data base to analyze the financial and community benefits of proposed projects.
6. Consider:
  - Making public finance tools available for private use to reduce the cost of development for vision-consistent main street projects.
  - Providing incentives for vision-consistent proposals as matching-funds to private investment always requiring specific performance and other motivations to sustain long-term investor interest in the public/private venture.
  - Providing the soft development services such as grantsmanship, permit assistance, neighborhood meeting organization and agency coordination in support of desirable projects.
7. Stay involved during the approval, design, stakeholder coordination activities, construction and post-construction periods.
8. Pre-establish an unwinding or exit strategy for every partnership, incentive and subsidy.
9. Establish and maintain a system of accountability for downtown stakeholders.

**Infrastructure System Internalization.**

10. The many infrastructure systems in the downtown district can be administratively and physically carved out of the city-wide systems. Creating discrete systems within the downtown special district enables three things to happen. First, resource utilization can be measured. Second, once measured, policies and programs can be employed to improve conservation and reduce consumption. Third, downtown special district programs can serve as test cases to be evaluated for possible application city-wide.

**Downtown Society.**

11. Achieving a good balance of residents to employees in the downtown district usually requires increasing the number of housing units. More people living downtown has a number of benefits for downtown businesses and institutions, the city and the social life of the residents.