

SPECIAL TAXING DISTRICTS



Introduction and How-To Guide on the Formation Process

What *is* a special taxing district?

Special Taxing Districts are established to provide public improvements and services which otherwise may not currently be provided to stakeholders of the district. Although the specific planning and establishment process depends on the type of district being considered, in many cases the formation of a special taxing district requires a formal petition process and public hearings. Sometimes, a special election or ballot initiative may be required for final approval of the district. Special districts may be organized as a political subdivision, such as a community improvement district by citizens directly acting pursuant to state law.

Special Taxing Districts are petitioned for by the property owners within the district boundaries and ratified by the qualified electorate within those boundaries. The improvements are paid for by an added local sales tax and/or through special assessments and real estate property taxes. All improvements and services must be public, usually provided within public rights-of-way or public property, and therefore, no person should be prohibited from receiving the benefits of a special taxing district.

A History of Special Taxing Districts

- The first special taxing district was formed in Toronto in 1970 and the first U.S. district was Downtown New Orleans in 1974. New York City contains hundreds of Business Improvement Districts.
- On a more local level, the CID Act (Sections 67.1401 to 67.1571 of RSMo) was approved by the State of Missouri in 1998 and the first district came to Downtown St. Louis in 1999.
- There are over 190 districts in the State of Missouri and many in the City of St. Louis. Examples include: Downtown St. Louis, South Grand, Cherokee Street, the Central West End and the Grove.
- Special Taxing Districts have grown in popularity over the years. In Missouri, the number of districts has doubled since 2008, and sales tax collections in St. Louis have more than doubled.
- These districts provide unique and varied funding streams along with liberal expenditure categories and neighborhood ownership.

Community Improvement Districts - (CIDs)

What is it?

Under Missouri Law, Sections 67.1401-67.1571, a CID is a legal entity that can take the form of a Political Subdivision or a Nonprofit Corporation

How is it formed?

The local governing municipality forms the district through legislation after the submission of a petition by the property owners within the area.

The petition must include:

- Signatures of property owners whose combined property is $\geq 50\%$ Total Assessed Value of real property within the district
- Signatures of $\geq 50\%$ real property owners per capita within the district
- A 5-year plan and budget detailing district services & improvements
- District formation & governance, such as the Board of Directors
- Maximum rates of property taxes, sales taxes, & special assessments
- Limitations on borrowing or revenue not otherwise noted.

Who governs the CID?

- For a political subdivision: A Board of Directors is established by 'qualified voters' or municipal appointment. The Board can be anywhere from 5-30 members. To qualify as a Board member, one must: own real property or a business or be a registered voter within district boundaries.
- For a nonprofit: Board election must follow process outlined in Revised MO Statutes, Chpt. 355.

What can it do?

CIDs can own & charge fees, rents, etc. on its property, receive grants, gifts & donations, and issue bonds, notes, etc.

- For a Political Subdivision: Levy sales tax $\leq 1\%$ through MoDOR; and special assessment & real property tax through local City Assessors. The sales & real property taxes must be approved through mail-in-ballots by district registered voters.
- For a Nonprofit: Levy special assessments through City Assessors.

Community Benefits

Specific benefits are dependent on specific needs of the district area.

Public Improvements:

- Pedestrian in malls, plazas and parks
- Lawns and Trees
- Sidewalks, Streets and Alleys
- Signage, Utilities and Drainage
- Parking Lots, Garages, etc.

Public Services:

- Special Events
- Security
- Cleaning and Maintenance
- Business
- Marketing and Promotion

Assessments

The District's Assessor calculates each district property owner's special assessment following the method agreed upon during that specific district's formation. Specific requests by property owners to review perceived inequities of assessments, deferment or abeyance of assessments and exemptions should be considered.

Assessment methods include:

- In light/road/water projects,
→ front footage
- In landscape and recreational districts,
→ square footage
- In security districts,
→ A combination of square footage and usage
- In property assessment, methods vary (building or land square footage, type of property or flat rate.



GENERAL TIMEFRAME FOR A CID

Step 1: Financial Feasibility

- Identify a CID steering committee & proposed boundary (0.5-1.5mo)
 - *Goal: Determine champions, general goals, and geography & retrieve ownership information/data*
- Conduct initial feasibility & estimates for special assessments and sales taxes (1-2mo)
 - *Goal: Determine revenue based on other local districts/bmp's, and area's general sales activity*
- Convene CID Steering Committee for 2-3 educational/information sessions (0.5-1.5mo)
 - *Goal: Determine capacity for champion-ism / leadership & intended services/improvements*

Step 2: Community Input

- Conduct CID steering committee meeting(s) to develop petition & details (min 4-6mo)
 - *Goal: Determine CID support, develop detailed petition, and refine boundary*
- Provide draft petition for Review by City Assessor & Counselor Offices (1mo)
 - *Goal: Retrieve sign-off from both offices that petition meets core statutory requirements*
- Conduct CID informational sessions/ mailers/ door-to-door in the Community (2-3mo)
 - *Goal: Employ variety of tactics to build awareness, grow interest, and identify CID supporters*

Step 3: Petition Process

- Conduct CID petition signing parties at Community anchors in the district (3+mo)
 - *Goal: Retrieve signed petitions for 50%+ of Per-Cap Ownership & Total Assessed Value in the District.*
- Conduct targeted CID outreach for signatures, support building, and education (part of 3+mo above)
 - *Goal: Retrieve additional signed petitions that have not participated-to-date in any manner or are MIA*
- Proceed through the legislative process with the Board of Aldermen to establish CID (2mo in session)
 - *Goal: Obtain adoption of an enabling ordinance(s) for the establishment of the CID/taxation powers*

Step 4: Sales Tax Enabling Process (if applicable)

- Prepare resolutions for approval by the board of the CID (0.5-1mo)
 - *Goal: Complete a variety of resolutions that support the formation, such as accounts, sales tax, etc.*
- Obtain list of registered voters & send out informational mailer(s) (0.5-1mo)
 - *Goal: Secure list of voters from Board of Elections and inform residents to the extent possible*
- Complete formal ballot process with registered voters residing in the district (0.5mo)
 - *Goal: Secure "yes" votes from more than 50% of registered voters through unbiased entity*

Step 5: Initiation & Maintenance

- Initiate the administration of the district by entity, individual, etc. (as quickly as possible)
 - *Goal: Begin (determined by board) administrative procedure & contract for services & improvements*
- Collect revenues from specified funding sources on an on-going basis (for the life of the district)
 - *Goal: Collect revenues and initiate the provision of services & improvements in the area*
- Continue on-going admin & board oversight for service provision (for the life of the district)
 - *Goal: Provide services, respond to issues, adjust services and complete admin/auditing*

Special Business Districts - (SBDs)

What is it?

Under Missouri Law, Sections 71.790-71.808, a SBD is a Political Subdivision.

How is it formed?

- ≥1 real property owners file a petition to the local municipality. The municipality then gathers information detailing:
 - the improvements needed
 - the cost of such improvements, &
 - the proposed district area
 - the % of the above information that is to be assessed against property & the portion paid through the public.
- After petition details are finished, the municipality institutes a City Ordinance. This Ordinance states when the Board members are appointed, their qualifications & terms.
- Public Hearings (MRS CH 71 Sec. 71.794) then define the area & details further.

Who governs the SBD?

A Board of Commissioners governs an SBD. Specifically for the population of St. Louis City, there should be 7 members, all through Mayoral appointment: 5 owners and 2 renters (or representatives) of real property within the district boundary.

What can it do?

Specifically for the City of St. Louis, the SBD can levy real property taxes through City Assessors & Collector of Revenue. The max. tax is 0.85¢ per \$100 assessed value and the value must be approved by registered voters.

The SBD can also levy business license taxes ≤50% of City business license taxes. Generally, a SBD can improve the district through multiple services including:

- Close/open/widen/narrow streets & alleys.
- Form pedestrian malls, plazas, sidewalks, walls, barriers, paintings, murals, alleys, etc.
- Improve landscape, such as trees, bushes, shrubbery, flowers, etc.
- Own & operate buses, mini-buses, etc.
- Lease areas utilized for sidewalk café tables/seating.
- Supply special policing, cleaning facilities & personnel
- Provide maintenance of city property, such as a street

****A major consideration is the cost of such maintenance & improvements versus the revenue generated by the taxes & assessments****



Community Benefits

- Property owners are paying for their own benefits; other district residents such as renters generally are not paying for these improvements
- Transparency & Accountability – districts often require an annual budget
- Efficient financing – local stakeholders can adapt financing based on hyper local conditions
- Possess a specific geographical area – stakeholders are directly connected to the benefits for which they pay
- Taxes & Assessments are levied annually, not with home pricing & mortgages, unlike impact fees
- Variability in the use of money earned, e.g. extra security patrols, street cleaning, marketing

Limitation on the Tax Levy

Each year, the SBD is required to recalculate taxation rates so that the total district levy remains constant. This total levy is capped by the Hancock Amendment, meaning the property owners would need to vote for an overall increase.

Transportation Development Districts (TDDs)

What is it?

A TDD is a political subdivision, based around a transportation project such as transit, parking, or street improvements.

How is it formed?

Similar to a CID, all owners of real property submit a petition to the Circuit Court. The local governing municipality & transportation authority are notified and permitted to approve or disprove the TDD. An open hearing takes place, followed by the Circuit Court ruling on the TDD formation.

Who governs a TDD?

A Board governs the TDD; the local transportation authority is permitted to have 1+ advisors (not decision-makers) on the Board.

What can it do?

A TDD can issue bonds and, with local transportation authority approval, may condemn property. It may levy and collect $\leq 1\%$ sales tax on retail sales. This tax must remain in place until all district debts are discharged. With 4/7 registered voter approval, a TDD can levy special assessments & real estate taxes.



Limitation on the Tax Levy

Sales tax may not apply towards motor vehicles, trailers, outboard motors, electricity/electric current, water, gasoline & telephone services.



Neighborhood Improvement Districts (NIDs)



What is it?

A NID is a geographic area, not a political entity.

While similar, NIDs are not to be confused with CIDs. NIDs are usually formed by developers as they create a subdivision. These are not preferred for mixed-use communities or commercial districts.

What can it do?

The local property owners/registered voters agree to real property taxes for the use of public improvements, such as streets, lighting & parks.

Local authorities may issue temporary notes, these eventually are transformed into governmental general obligation bonds.

Limitation on the Tax Levy

A NID may not collect sales tax.

This how-to guide has been produced with the help of the following references:

- Muzzaffar, I., personal communication, Sept. 29, 2015, [PDF document].
 - Text used in “What is a special taxing district?”; Also used in “Assessments”; & “Benefits of Special Taxing Districts”
- Park Central Development & South Grand Community Improvement District. (n.d.). Formation and Operation of SBD’s and CID’s: Community Builder’s Network Presentation. [PDF document].
 - Used in “A History of Special Taxing Districts”
- Robinson, Bryan Taylor [St. Louis Development Corporation]. (Jan. 1, 2016). Community Improvement Districts (CID). [PDF document].
 - Used in “CIDs”, “TDDs”, & “NIDs”
- Robinson, Bryan Taylor. [St. Louis Development Corporation]. (Jan. 1, 2016). Special Business District (SBD). [PDF document].
 - Used in “SBDs”, “TDDs”, & “NIDs”
- Robinson, Bryan Taylor [St. Louis Development Corporation] (n.d.). Community Improvement Districts. [PDF document]
 - Text used in “General Timeframe for a CID”
- Van Matre, C.A. (2012, Sept. 17). Presentation to the City Council of the City of Columbia, Missouri, Concerning Special Taxing Districts (NID’s, CID’s, and TDD’s) [PDF document]. Retrieved from: <http://www.como.gov/Council/Commissions/downloadfile.php?id=6573>
 - Used in “TDDs” and “NIDs”
- Photos – used with permission of Park Central Development & South Grand Community Improvement District.

Interested in learning more?

For more information or assistance, please contact:

Gary Newcomer
Community Builders Network of Metro St. Louis
[\(314\) 974-7149](tel:(314)974-7149)
Gary@communitybuildersstl.org

Are you located in the City of St. Louis? Please contact:

Bryan Taylor Robinson
St. Louis Development Corporation
[\(314\) 657-3783](tel:(314)657-3783)
robinsonb@stlouis-mo.gov



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