

**Funding Resource to Address Blighted Properties:**

Neighborhood Improvement Districts

# Alternate Financing: Neighborhood Improvement Districts



- Authorized by state law
- Allows municipalities to levy special assessment on defined area to fund improvements (street trees, street lighting, parking improvements, etc.)
- Can be used for blight removal as well!
- 40% of property owners must object in writing following public hearing to veto formation of district





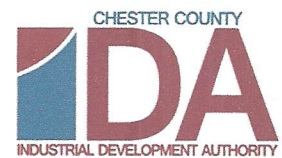
## Neighborhood Improvement Districts

The **Neighborhood Improvement District (NID) Program** is a new, creative financing tool that can be used for projects with significant infrastructure requirements. The Chester County Industrial Development Authority has already implemented two successful NID projects in Chester County, Woodlands at Greystone in West Chester and Steelpointe in Phoenixville.

NIDs are empowered to collect "special assessments to finance a variety of improvements in local neighborhoods." Under Pennsylvania's Neighborhood Improvement District Act (73 PS Sec 831 et seq.), a NID is defined as:

*"A limited geographic area within a municipality, in which a special assessment is levied on all designated property, other than tax-exempt property, for the purpose of promoting the economic and general welfare of the district and the municipality."*

Neighborhood Improvement Districts work by adding ("assessing") an additional fee that is akin to a tax on top of the existing property or sales taxes for property owners and/or businesses within the district. This additional pool of assessment revenue is then used to finance whatever improvement(s) the district was designed to do, typically by paying the debt on bonds that were issued to fund improvements within the NID. The special assessments are collected in the same manner and at roughly the same time as local real estate taxes.



*The Chester County Industrial Development Authority (CCIDA) provides capital financing for non-profit organizations, manufacturing companies and first time farmers through its Industrial Revenue Bond and Mortgage Program. Three types of tax-free vehicles are available through this program.*

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**NEIGHBORHOOD IMPROVEMENT DISTRICT ACT****Act of Dec. 20, 2000, P.L. 949, No. 130****Cl. 53****AN ACT**

Establishing Neighborhood Improvement Districts; conferring powers and duties on municipal corporations and neighborhood improvement districts; providing for annual audits; and making repeals.

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The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

**Section 1. Short title.**

This act shall be known and may be cited as the Neighborhood Improvement District Act.

**Section 2. Legislative findings.**

The General Assembly finds that:

(1) Existing tax rates in many municipalities are at or near their statutory cap.

(2) The General Fund revenue derived from these taxes many times is not sufficient to provide adequate municipal services or additional services needed in specific geographic areas within the municipality, including, but not limited to, downtown commercial districts.

(3) As a result, municipalities should be encouraged to create, where feasible and desired, assessment-based neighborhood improvement districts which would include, but not be limited to, downtown commercial districts. Designated district management associations would initiate and administer programs to promote and enhance more attractive and safer commercial, industrial, residential and mixed-use neighborhoods; economic growth; increased employment opportunities; and improved commercial, industrial, business districts and business climates.

(4) Municipalities should be given the broadest possible discretion in establishing by local ordinance the type of assessment-based programs most consistent with neighborhood needs, goals and objectives as determined and expressed by property owners in the designated district.

**Section 3. Definitions.**

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Authority." A body politic and corporate, created pursuant to the act of May 2, 1945 (P.L.382, No.164), known as the Municipality Authorities Act of 1945.

"Benefited property." Those properties located within a neighborhood improvement district which profit from district improvements based on a rational nexus test. Properties need not profit equally to be considered to have benefited.

"Bonds." The term shall include the notes, bonds and other evidence of indebtedness or obligations which each municipal corporation is authorized to issue under section 4(7).

"Business improvement." In the case of neighborhood improvement district management associations created for the purpose of making improvements or providing administrative services within a neighborhood improvement district, the term shall mean those improvements needed in specific areas or to individual properties, including, but not limited to, sidewalks, retaining walls, street paving, parks, recreational equipment and facilities, open space, street lighting, parking lots, parking garages, trees and shrubbery, pedestrian walks, sewers, water lines, rest areas and the acquisition and rehabilitation or demolition of blighted buildings or structures.

"Business improvement district." A business improvement district (BID) created prior to the effective date of this act, governed by the act of May 2, 1945 (P.L.382, No.164), known as the Municipality Authorities Act of 1945, insofar as it relates to business improvement districts or 53 Pa.C.S. Ch. 54 (relating to business improvement districts). On or after the effective date of this act, the term shall mean a limited geographical area comprised of real property which is used for any for-profit activity involving trade and traffic, or commerce in general.

"Commercial." Relating to or associated with any for-profit activity involving trade and traffic or commerce in general.

"Construction expenditures." Property and right-of-way acquisition costs where applicable.

"Costs of improvements." The term includes architectural fees, engineering fees, attorney fees, consulting fees, professional fees, preliminary planning expenditures, feasibility study expenditures, financing costs and any other expenditures necessary and incidental to the development, construction or completion of the improvement.

"District advisory council." A committee comprised of property owners from a neighborhood improvement district established under section 7(a) for the purpose of providing guidance and direction to the neighborhood improvement district management association concerning association activities within the district.

"Industrial district." A limited geographical area comprised of real property which is used predominantly for manufacturing, commercial or any other activity related to the distribution of goods and services and intermediate and final products, including, but not limited to, warehousing, shipping, transportation, remanufacturing, stockpiling of raw materials, repair and maintenance of machinery and equipment, storage, administration or business activities and research and development.

"Institution." The term includes, but is not limited to, colleges, universities, schools, hospitals, museums, theaters, churches, synagogues, art centers or similar facilities.

"Institutional district." A limited geographical area comprised predominantly of real property on which educational, health-related or cultural activities occur within buildings and structures, including, but not limited to, colleges, universities, schools, hospitals, museums, theaters, churches, synagogues and art centers.



"Mixed-use district." A limited geographical area comprised of real property used for any or all purposes contained within a business, residential, industrial or institutional district.

"Municipal corporation." The body or board authorized by law to enact ordinances or adopt resolutions for the particular municipality.

"Municipality." With the exception of cities of the first class, any city, borough, incorporated town, township, home rule, optional plan or optional charter municipality located within this Commonwealth.

"Neighborhood." A limited geographic area within a municipality establishing a neighborhood improvement district, the limits of which form the neighborhood improvement district boundary.

"Neighborhood improvement." Improvements needed in specific geographic areas or to individual properties within those areas, including, but not limited to, sidewalks, retaining walls, street paving, parks, recreational equipment and facilities, open space, street lighting, parking lots, trees and shrubbery, sewers, water lines, rest areas and the acquisition and rehabilitation or demolition of deteriorated buildings or structures.

"Neighborhood improvement district." A limited geographic area within a municipality, in which a special assessment is levied on all designated property, other than tax-exempt property, for the purpose of promoting the economic and general welfare of the district and the municipality, hereinafter referred to as NID. Such districts shall be referred to generally as neighborhood improvement district (NID) and specifically as business improvement district (BID), residential improvement district (RID), industrial improvement district (IID), institutional improvement district (INID) or mixed-use improvement district (MID), depending on the type district established. A designated property may not be included in more than one neighborhood improvement district.

"Neighborhood improvement district management association." The governing body which oversees the management of neighborhood improvement districts in a municipality as established under section 5, which hereinafter shall be referred to as the NIDMA. Such body shall be incorporated as a nonprofit corporation in this Commonwealth or an authority as established pursuant to the act of May 2, 1945 (P.L.382, No.164), known as the Municipality Authorities Act of 1945.

"Neighborhood improvement district plan." The strategic plan for neighborhood improvements required by section 5, hereinafter referred to as NIDP, and all projects, programs and supplemental services to be provided within the district to implement the plan by the neighborhood improvement district management association.

"Neighborhood improvement district services." In the case of neighborhood improvement district management associations created for the purpose of making improvements or providing expanded services within any neighborhood business improvement districts established, the term shall include, but not be limited to, those services which improve the ability of the commercial establishments within the district to serve the consumer, such as free or reduced-fee parking for customers, transportation-related expenses, public relations programs, group advertising and district maintenance and security services. For services provided within any residential, industrial, institutional or mixed-use neighborhood improvement district, the term shall include, but not be limited to, those services which improve the ability of property owners to enjoy a safer and more attractive neighborhood through the provision of increased or expanded services, including street lighting, street cleaning, street maintenance, parks,



recreational equipment and facilities, open space and/or security services.

"Nonprofit corporation." A legal entity that is incorporated within this Commonwealth and specifies in its charter or bylaws that no part of the net earnings may benefit any private shareholder or individual holding interest in such entity.

"Private security officer." Any person or firm employed by the neighborhood improvement district management association for the purpose of providing increased security or protective patrol services within the neighborhood improvement district. The term may include off-duty police officers provided that the use of such officers for this purpose is approved by the governing body of the municipality in which the neighborhood improvement district is located or the municipality where the officer is employed if different.

"Project." The acquisition, development, construction, improvement, rehabilitation, operation and/or maintenance of any building, facility, equipment or structure, by purchase, lease or contract, by a neighborhood improvement district management association to facilitate neighborhood and business improvements as authorized by this act.

"Rational nexus." The legal principle which requires that there is a rational, definable benefit which accrues to any property owner assessed a fee for said benefit in a neighborhood improvement district created under this act. All property owners within a designated neighborhood improvement district paying a special assessment fee must benefit directly or indirectly from facilities or services provided by a neighborhood improvement district management association within the neighborhood improvement district, provided, however, that property owners need not benefit equally.

"Residential district." A limited geographical area comprised of real property consisting predominantly of buildings and structures for housing individuals and families, including, but not limited to, single-family detached homes, single-family semidetached homes, townhouses, condominiums, apartments, manufactured homes, modular homes or any combination of same.

"Service area." The area within the boundaries of the neighborhood improvement district established by a municipality under this act in which the neighborhood improvement district management association provides programs, services and improvements. The term may also include an area outside of the neighborhood improvement district where services are being provided by the neighborhood improvement district management association under contract.

"Special assessment fee." The fee assessed on property owners within a neighborhood improvement district levied by the municipality establishing a neighborhood improvement district under section 4(10) for the purposes of providing programs, improvements and services under section 7.

"Sunset provision." The term means a provision in the neighborhood improvement district plan under section 5(c), establishing a neighborhood improvement district, which provides for the automatic termination of the neighborhood improvement district on a date specified in the neighborhood improvement district plan and in the municipal ordinance establishing the neighborhood improvement district. The neighborhood improvement district may be continued beyond that date, provided the municipal enabling ordinance creating the original neighborhood improvement district is reenacted, following a review of the neighborhood improvement district and the neighborhood improvement district management association programs and services provided within the neighborhood improvement district, by the municipality.



#### Section 4. Powers of municipal corporation.

Every municipal corporation shall have the power:

(1) To establish within the municipality an area or areas designated as an NID.

(2) To establish an authority to administer the NID or to designate an existing community development corporation or other existing nonprofit corporation to administer same or to create a community development corporation or other nonprofit corporation to administer same under sections 6 and 7.

(3) To appropriate and expend, in accordance with the specific provisions of the municipal enabling ordinance, municipal funds as may be required to:

(i) Acquire by purchase or lease real or personal property deemed necessary to effectuate the purposes of the NID.

(ii) Prepare or have prepared preliminary planning or feasibility studies to determine needed improvements in an NID, including, but not limited to, capital improvements, traditional streetscape and building renovations, retaining walls, street paving, street lighting, parking lots, parking garages, trees and shrubbery, pedestrian walks, sewers, water lines, rest areas, acquisition, rehabilitation or demolition of blighted buildings and structures, graffiti removal, security, marketing, promotions, advertising, business retention and recruitment activities, master leasing and property management, joint advertising, research and planning as well as the provision of additional services to supplement, not replace, existing municipal services provided within the NID.

(4) To advance funds to an NIDMA as may be required to carry out the purposes of this act.

(5) To collect special property assessments on behalf of the NIDMA levied on designated property owners within the NID and to employ any legal methods to insure collection of the assessments.

(6) To acquire by gift, purchase or eminent domain, land, real property or rights-of-way which may be needed for the purposes of making physical improvements within the NID.

(7) To issue bonds, notes or guarantees, in accordance with the provisions of general laws in the amounts and for the periods necessary, to finance needed improvements within any NID.

(8) To review all proposed expenditures of funds within NIDs by NIDMAs and suggest changes to same where a nonprofit corporation is the NIDMA.

(9) To include a sunset provision of no less than five years in the municipal enabling ordinance creating the NID and in the contract with the NIDMA.

(10) To levy an assessment fee on property owners located within an NID needed to finance additional supplemental programs, services and improvements to be provided or made by the NIDMA.

#### Section 5. Creation of neighborhood improvement district.

(a) Establishment.--

(1) The governing body of the municipality or any municipal businesses or residents or combination thereof may initiate action to establish an NID or NIDs within the municipality under this act.

(2) In the case of businesses or residents or both desiring to establish an NID where the municipality has not taken action to do so, the governing body of the municipality may be petitioned to establish an NID under the procedures provided for by this act.