



## **SPECIAL IMPROVEMENT DISTRICTS (SID)**

### *MOST COMMONLY ASKED QUESTIONS & ANSWERS*

#### 1. WHAT IS A SID?

A Special Improvement District (SID) is a public/private partnership in which property and business owners elect to make a collective contribution to the maintenance, development, and promotion of their commercial district.

The idea for the SID is modeled on the shared maintenance program of many suburban shopping centers. Tenants of a mall pay a common area maintenance fee to underwrite services that enhance the appearance of the common areas and provide cooperative advertising for the mall and its stores.

A SID works in much the same way. However, because a SID has multiple property owners (not one as in a mall) they agree to the extra fee (assessment). Thus, stakeholders in a commercial district can align themselves in much the same way to improve their area as does a mall operation.

#### SEVERAL ADVANTAGES FROM THIS ARRANGEMENT ARE:

- A cleaner, safer and more attractive business district
- A steady and reliable funding source for supplemental services & programs
- The ability to respond quickly to changing needs of the business community
- Potential to increase property values and decrease commercial vacancy rates
- A district that is better able to compete with nearby retail and business centers



## 2. WHAT DOES A SID DO?

A Special Improvement District delivers a range of supplemental service in coordination with municipal services and invests in the long term economic development of their district. These supplemental services and improvements may include the following:

Maintenance - street/sidewalk cleaning, graffiti removal

Public Safety/Hospitality – Public safety officers, visitor assistance

Business Development – Commercial vacancy reduction, business mix improvement

Marketing – Special events, public relations, promotional materials, holiday decorations

Capital Improvements – Improved streetlights, custom trash receptacles, directional street signage, custom news boxes, flower boxes

Landscaping – Planting trees/flowers, tree pit maintenance

Community Service – Fundraising, charitable events, homeless and youth services

## 3. HOW ARE SID PROGRAMS AND SERVICES PAID FOR?

Funds to pay for SID programs and services are generated from a special assessment paid by the benefited property owners. (Note: Many leases have a clause that allows property owners to pass the SID assessment on to their tenants.) The assessment is billed and collected by the Municipal government and then disbursed to the SID, which in turn delivers the District services.



A SID assessment is a fee that each property owner pays to support the operations of the SID. The sum of all the individual assessments that property owners pay comprise the total yearly assessment of the SID, and underwrite most, if not all, annual operating expenses. The total yearly assessment is unique to each SID. The amount paid by each property owner is determined by a formula that each SID creates for its district during the formation process. Formulas are based upon property size and or value.

Different properties may pay different assessments depending upon their type of zoning classification. For instance, commercial, business and retail properties are all assessed at 100 % of the assessment rate established. Not-for-profit owned and occupied properties generally do not pay an assessment, but may be charged a fee. City, State and or Federal Properties do not pay an assessment. Each district decides on their own how they will assess their unique different property classifications. A business that operates out of a residential property is usually assessed at a lower percentage of the full assessment, but is assessed nonetheless.

#### 4. SID vs. MERCHANTS' ASSOCIATION

While property owners and tenants could participate in a voluntary merchants association, the SID model presents two distinct advantages:

##### SID's

Provide a steady and reliable source of funding.

Legislation states that all property owners in a SID must pay assessments; there are no free rides.

##### Merchant Associations

Does not offer a continuous source of funding because it depends of voluntary contributions.

Cannot enforce the financial participation of all stakeholders in a given district.



## 5. WILL MUNICIPAL SERVICES BE REDUCED IF THE SID IS PROVIDING SIMILAR SERVICES?

No. The services provided by the SID are supplemental to the services provided to the district by the municipality. For example, if a SID provides sanitation services, it will still receive the same level of service from the municipalities Public Works/Sanitation as it did before the supplemental services were added.

## 6. WHO OVERSEES THE SID?

Each SID is governed by a Board of Trustees that is elected by the members of the district or in accordance with the by-laws. The Board has a fiduciary responsibility to the SID and hires the management that administers the SID on a day-to-day basis. The Board is divided into classes that include commercial property owners, business owners, retail tenants, public officials and sometimes residents. The Board should be representative of the district, but the majority of Trustees must be property owners.

## 7. HOW IS A SID FORMED?

SID's represent a long-term financial commitment; therefore the formation of a new SID requires the support of the property owners, business owners and the tenants in the district. A municipality creates a SID only when there is widespread support among the property owners, business owners and tenants who are fully informed about the proposed program.



There are usually three phases in the formation of a SID:

Phase One – Planning

Phase Two – Outreach

Phase Three – Legislative Authorization

## 8. CONCLUSION:

A SID is the most qualified mechanism to encourage local property and business owners to improve the district, make it possible for members of the general and business community to support the revitalization of the district and promote the commercial viability and attractiveness of the area. It is self determination for the future.

The creation of a Special Improvement District will promote economic growth and implement, foster and encourage commercial development, business expansion and improve the business climate; and otherwise act in the best interest of the property owners in the District and in the City.

Additionally, an SID via the creation of a District Management Corporation (DMC) will provide the administrative, programming and other services to benefit the businesses, employees, residents and consumers in the Special Improvement District: It is the operating arm of the SID. The DMC can also assist the City in promoting economic growth, employment and development.