To the Honorable Council
City of Norfolk, Virginia

From: Gregory Patrick, Director
Budget and Strategic Planning

Subject: Special Service Districts Policy

Ward/Superward: Citywide

Reviewed: Catheryn R. Whitesell, Deputy City Manager

Approved: Douglas L. Smith, City Manager

Item Number: R-5

I. **Recommendation:** Adopt Resolution

II. **Applicant:** City of Norfolk

III. **Description:**
This agenda item includes a resolution to adopt the Special Service Districts (SSD) Policy to establish procedures by which residents of Norfolk can cooperatively establish special service districts for projects that would primarily benefit private property owners.

IV. **Analysis**
The Special Service Districts Policy establishes a path for residents to request projects that would primarily benefit only a limited geographical area and for which they would be willing to pay additional real estate tax.

- Residents initiate the projects and work with the departments of Neighborhood Development and Public Works to determine preliminary feasibility and a project boundary.
- At least 30 percent of parcel owners must sign a preliminary petition to initiate a detailed Draft SSD Plan development by Public Works and the Office of Budget and Strategic Planning.
- The owners of at least 75 percent of parcels and of at least 50 percent of the total property value must formally pledge support of the Draft SSD Plan for a proposed SSD to come before City Council for approval and implementation.
- The policy also contains guidelines for required components of each Draft SSD Plan and for staff review and reauthorization at least every five years.
V. **Financial Impact**
Implemented SSDs will be designed so that the additional tax levies support the full cost. However, the city is likely to absorb planning costs for proposed SSDs that do not move forward to implementation.

VI. **Environmental**
Environmental impacts will be evaluated as each SSD is planned.

VII. **Community Outreach/Notification**
Public notification for this agenda item was conducted through the City of Norfolk’s agenda notification process. Timely communication from city staff regarding any proposed SSDs and public hearings will be conducted in accordance with the policy.

VIII. **Board/Commission Action**
N/A

IX. **Coordination/Outreach**
This letter has been coordinated with the Office of Budget and Strategic Planning and the City Attorney’s Office.

Supporting documentation from the Office of Budget and Strategic Planning:
- Resolution
A RESOLUTION OF THE COUNCIL OF THE CITY OF NORFOLK, VIRGINIA TO ESTABLISH A SPECIAL SERVICE DISTRICTS POLICY.

WHEREAS, Section 25.2-2400 of the Code of Virginia, 1950, as amended, authorized localities to create service districts to provide additional, more complete, or more timely services of government than are desired in the locality as a whole;

WHEREAS, service districts are useful when residents desire governmental services that benefit a particular group of residents and such residents are willing to pay additional taxes to cover the expenses and charges of such additional services;

WHEREAS, Section 25.2-2400 et seq. of the Code of Virginia, 1950, as amended, prescribe the process by which a service district may be created and authorizes the locality to levy and collect an annual tax upon the property in the established service district to pay, either in whole or in part, the expenses and charges for providing the additional, more complete or more timely governmental services provided as part of the service district;

WHEREAS, the City desires to make its citizens aware of such districts and the procedures by which a service district may be established in the City; now, therefore
BE IT RESOLVED by the Council of the City of Norfolk:

Section 1:- 1: That the Special Service Districts Policy attached hereto as Exhibit A establishes the procedures by which residents of the City of Norfolk can cooperatively establish service districts to allow for additional, more complete, or more timely governmental services within the geographic boundaries of the proposed service district.

Section 2:- 2. That the Special Service Districts Policy shall be evaluated each year by the City Manager or his designee and shall be updated and revised, as needed, to make the process for establishing such service districts clear to the residents of the City.

Section 3:- That this resolution shall be in effect from and after the date of its adoption.

Adopted by Council June 11, 2019
Effective June 11, 2019

TRUE COPY
TESTE:

RICHARD ALLAN BULL, CITY CLERK

BY:
ADISA MUSE, CHIEF DEPUTY CITY CLERK
City of Norfolk

Special Service Districts Policy

Purpose:

This policy establishes procedures whereby residents and the City of Norfolk can cooperatively establish special service districts (SSDs). SSDs are used to deliver additional services or a higher level of services than are desirable for the city as a whole. In exchange for these enhanced services deemed to benefit only a particular geographic region of Norfolk, the property owners in the SSD will pay an additional real property tax to fund or partially fund approved SSD projects. In Norfolk, SSDs may be used for flooding mitigation, dredging projects, water quality improvements, and coastal protection projects that primarily benefit private property owners. State code specifies that special services cannot be used for schools, police, or general governmental services not expressly authorized by state law.

Definitions:

“City” refers to the City of Norfolk.

“Neighborhood project leader” refers to the individual or group who makes the preliminary proposal for a special service district. The responsibility for this leadership may transfer as the project develops, but the city should always have a primary contact who is a stakeholder in the affected area with whom project concerns can be coordinated.

“Neighborhood Service Area liaison” refers to staff contacts in the Department of Neighborhood Development’s Division of Neighborhood Engagement. Norfolk neighborhoods fall into one of seven Neighborhood Service Areas, and these staff members are generally tasked with connecting community groups with appropriate contacts in the city to facilitate communication and problem solving.

“Real property tax” refers to the revenue derived from the tax assessed on residential, commercial, or industrial real property.

“Real property tax rate” refers to the annual amount charged per $100 value in assessed value in real property. In FY 2020, the base real property tax rate for real estate is $1.25 per $100 in assessed value; in the Downtown Improvement District, the real property tax rate for real estate is $1.41 per $100 in assessed value.

“Special services” refer to additional government services or a higher service level that will be available within a special services district.

“Special services district (SSD)” refers to a contiguous set of properties within the city where, by ordinance, additional or more complete city services are provided and an additional real property tax is collected for some period of time.
Procedure:

Throughout this process, the Neighborhood Service Area liaison will be available to assist stakeholders as necessary, including but not limited to assistance in preparing documents, coordination of communication with city departments, and answering questions. The city retains the right to determine proposed SSD appropriateness and feasibility in accordance with state law.

**Preliminary proposal:** When a resident or group of residents desiring an SSD-appropriate project or service contacts city staff, they should be referred to the Neighborhood Service Area liaison. The Neighborhood Service Area liaison will explain the process and gather a preliminary description of the desired project for Public Works. Public Works will assess feasibility and develop a boundary nexus. Public Works may choose to provide a preliminary estimate of project costs. If the desired SSD use is new, the City Attorney’s Office will verify that the project can legally use this funding mechanism.

**Preliminary petitioning:** If the proposed project is feasible, it proceeds to the preliminary petitioning phase. The City Assessor’s Office will develop a parcel-level boundary map and a list of the property owners for the neighborhood project leader. To demonstrate sufficient interest in the project for the city to invest resources in developing a work plan for an SSD, the neighborhood project leader should present property owners with the preliminary proposal and obtain signatures of support from the owners of at least 30% of the parcels that would be subject to the additional real estate tax in return for the services proposed. The neighborhood project leader should bring the signed petition to the Department of Neighborhood Development.

**Draft SSD Plan development:** Upon successful completion of preliminary petitioning, Public Works will begin project engineering and costing. The Office of Budget and Strategic Planning will structure the revenue collection. These departments will collaborate with the neighborhood project leader to develop a Draft SSD Plan suitable for presentation to residents.

**Draft SSD Plan voting:** Public Works will send letters announcing the Draft Plan completion to residents within the project boundary with invitations to a public information session. Public Works will conduct the public information session. Following that session, the Department of Neighborhood Development will send certified mail to the Real Estate Assessor’s address of record for each property owner with an official petition card, a letter explaining the Draft SSD Plan with instructions for accessing the full document, and instructions for voting including relevant deadlines. To proceed to the ordinance stage, the owners of at least 75% of the parcels that would be subject to the additional real estate tax and the owners of at least 50% of the total property value (assessed value) in the proposed SSD must pledge support for the Draft Plan. The Department of Neighborhood Development will tally votes and report the results.

**Ordinance:** If the required approval levels are achieved, the City Attorney’s Office will prepare an ordinance. City Council will hold a public hearing in accordance with state law. City Council will vote whether to approve the ordinance.

**Implementation:** When City Council passes the ordinance, the Draft SSD Plan becomes the Approved SSD Plan. Implementation will proceed according to this Approved SSD Plan.
Modification and Reauthorization. As specified below, the SSD Plan should include provisions for major contingencies. However, if necessary, the Approved SSD Plan can be modified by following steps for Draft Plan approval and Adoption. City staff should at minimum review the Adopted Plan every five (5) years to determine whether revenue is still on track to cover expenses and to adjust the plan as necessary. If major changes not covered by the contingency plan are enacted, continued property owner support will be reaffirmed before the ordinance is re-enacted.

Draft SSD Plan Guidelines:

Draft Special Service District (SSD) Plans are to include at minimum the following elements:

1. A name and the boundaries of the proposed district, along with specifications for any areas or property classes in the district that are to be excluded.
2. A thorough description of proposed services for the special services district.
3. An explanation of the purpose of the district, the expected benefits from provision of special services, and an explanation why the benefits and cost of the special services should be contained to this geographic district.
4. A budget for the special services, including the preferred mechanism for collecting additional revenues and the anticipated level of change to real property tax needed to collect appropriate revenues to cover anticipated expenditures. This budget should also explain any other anticipated sources of revenue, such as grants or donations. If city staff time will be required to oversee or administrate the special services, the plan should include estimates for these costs.
5. A detailed implementation plan, preferably developed in collaboration with city department(s) that would be responsible for providing services or facilities.
6. A timeline. A timeline will reflect when additional revenues will be collected and anticipated dates for project start and project end, and any cycles of upkeep that might be required for the project.
7. A contingency plan. The draft plan should identify any major areas of project risk (such as failure to obtain appropriate federal permits or financial overruns) and specify how these will be handled. The contingency plan should also cover acceptable uses or refund processes for any excess revenues collected. The five-year review to assess whether revenue is still on track to cover expenses will be included in the contingency plan. Major modifications to the plan not covered by contingencies specified in the adopted plan will require a re-authorization process.

Any procurement services necessary for an SSD will be handled through the city’s procurement process. All SSDs will be subject to the same open data, open meeting policies that are in place at the city. The city will retain all existing powers, rights, and responsibilities for public rights-of-way.