



MOTHER EARTH NEWS

Forming Special Districts for Local Empowerment

September/October 1981

<http://www.motherearthnews.com/nature-community/special-districts-zmaz81sozraw.aspx>

By the MOTHER EARTH NEWS editors



Special districts are one way neighborhood groups can assert more control over commerce in their area.

ILLUSTRATION: FOTOLIA/OGEREPUS

Can the people of an urban neighborhood form their own government? The answer to that question is absolutely, through a little-known legal mechanism called special districts. Such legislature created structures are real, functioning governments, and their inherently small size makes them well-suited for control by neighborhood/citizen organizations.

Special districts are hardly a recent phenomenon. In fact, there are already close to 24,000 of the miniature legal systems in the U.S. Furthermore, many of these organizations supply goods and services—running everything from airports, cable TV stations, and baseball teams to hospitals, libraries, and theaters—so there is no reason why more grassroots neighborhood groups can't make use of special districts to control their own productive enterprises.

Unfortunately, though, that's not often the case. More commonly, the governing structures are used to help special interest groups of one stripe or another get private credit subsidies. For example, California real estate developers have, for decades, reduced their capital expenses by organizing special housing districts to float tax-free general obligation bonds that finance those costs. Many of the groups (some no larger than a single subdivision of new housing) were formed with little more than the votes of the developers and some of their

business cronies, friends, and relatives ...but the debts incurred by such districts become binding on anyone who later buys into the housing projects. Land promoters and developers are thus able to get much of the risk capital for their enterprises without having to draw on *their own* credit lines.

Over the years, there have been many variations on this private interest government scheme, including water districts that primarily serve agricultural interests at public expense and road districts that—by means of similar funding maneuvers—make mining possible in formerly inaccessible areas. Under different circumstances, though, the governments can be remarkably *progressive* tools.

As a hypothetical example of a locally controlled special district, let's consider a residential section of Baltimore that contains several dozen neighborhoods and one old shopping strip. In recent years, retailers in the area have been losing business to newer outlying shopping centers. The result has been that the available services have deteriorated as many of the local businesses failed and the unrented storefronts were allowed to run down.

One way to speed the renewal of this dying area would be to build a new combined retail shopping center and parking garage. Of course, that proposal raises questions about how the planned structure would be financed, and who would own, operate, and reap any profits from the facility.

A community that formed a special district for managing such a project could both acquire the necessary capital for the shopping center *and* keep neighborhood control of the enterprise. First, the local group would ask its state legislature to draw up a bill to stipulate the needed parking/shopping complex, allow the community to sell revenue bonds to obtain startup capital financing, and establish a repayment structure for the debt through minimal user fees. Also, the proposed law would cover such areas as eminent domain and limited taxing powers.

Several other kinds of special districts might be set up by neighborhoods to provide local health care services, build solar power generating facilities ...or even institute a cable television distribution system! Some people will object to the notion of local empowerment through special districts, though, on the grounds that wealthy neighborhoods might form their own governments and abandon poorer areas. But that shouldn't happen because the setting up of the new structures wouldn't put an end to the existing services provided by city, county, state, and federal governments. (Special districts can't secede from established *higher* lawmaking institutions!)

Nor would the new government's principal effect be to add more taxes to an already overtaxed population. After all, one of the biggest advantages special districts have is that they can attract investors by selling securities that pay tax-free interest. In addition, the organizations are also eligible to receive money from local, state, and federal governments.

The main issue at stake in considering neighborhood-run special districts is one of control. We have, in this country, a legal framework for the organization of special districts. Thousands of the systems have been set up, often by the wrong people for the wrong reasons. Yet the same tool can give ordinary citizens a nearly ideal model for gaining public powers in their own neighborhoods.

For the past several years, the good folks at the Institute for Local Self-Reliance in Washington, D.C. have worked to help urban residents gain greater control over their lives through the use of low-technology, decentralist tools and concepts. We strongly believe that more people (city dwellers and country folk alike)

should be exposed to the Institute's admirable efforts ... which is why we've made this "what's happening where" report by ILSR staffers one of MOTHER EARTH NEWS' regular features.