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Special Development Districts (Chapter 40T)

A new approach to fund public infrastructure improvements

A new method for financing local public infrastructure improvements through assessments on private property in a development zone is being considered in the Legislature. Chapter 40T (H.159) represents an alternative to full municipal funding of infrastructure improvements and state payment of local infrastructure through revenue generated by the creation of new jobs (I-Cubed). 40T can be used for large and small projects and would not add any further debt burden to the Commonwealth or municipality. This approach is an outgrowth of state and municipal governments not sufficiently utilizing the traditional method of issuing general obligation bonds for local public infrastructure. 40T is a property-based funding plan paid by developers and other taxpayers in addition to property taxes.

With this bill, developers would gain access to lower cost tax-exempt financing which could be used for public improvements internal to the project that traditionally have not been financed by the City. The City should still provide the normal public improvements.

A petition signed by the owners of at least 80% of the district's acreage and 80% of the tax parcels, not including any public property, is required to initiate the process. A detailed improvement plan that describes the infrastructure needs and method of financing must also be presented. MassDevelopment must certify that the project described is either an economic development project or local improvement project (primarily residential in nature). If the latter, a Local Improvement

District is created and governed by a Prudential Committee, initially consisting of five property owners in the district. Subsequent appointments would be made by the Mayor and City Council. The City Council is required to hold a public hearing after which the Mayor and Council must issue comments on the petition and then act on the request as submitted. In practice, the Boston Redevelopment Authority would be involved with the final improvement plan before it would be submitted to the City Council.

Commercial infrastructure projects would be financed by MassDevelopment issuing bonds with the debt service paid through assessments on all taxable real estate in the district. Bonds for residential infrastructure projects could be issued by the Local Improvement District or MassDevelopment. If the City of Boston did not want to take responsibility for the ownership of the infrastructure improvement, it would be owned by the Local Improvement District and would be tax-exempt.

If a Local Improvement District were used, it would be given authority to act as a public body. The bill provides that each district is a "body politic and corporate and political subdivision of the commonwealth." This could be an issue of concern, particularly if multiple districts large and small are created in Boston. The possibility of a small commercial district with the developer owning 80% and 20% of the taxpayers required to pay an assessment they don't support is also an issue.