



# Blue Ridge Corridor Municipal Service District (MSD) Feasibility Study

**Prepared by:  
Budget and Management Services Department**

City of Raleigh

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## Background

On August 20, 2019, City Council directed the Budget and Management Services Department to complete a study evaluating the feasibility of establishing a municipal service district (MSD) along the Blue Ridge Road Corridor. City Council requested staff include the process to establish an MSD; the eligibility of the area to be converted to an MSD; impact on members of the residential and business communities, and boundary options for an MSD.

## Introduction

A municipal service district is a defined area within a city in which the City Council authorizes a special property tax, in addition to property taxes levied throughout the city, to fund extra services or projects exclusively benefiting the properties in the district. N.C.G.S. Ch. 160A, Art. 23 regulates the establishment of municipal service districts and types of eligible services Council may authorize. A service district is not a separate entity, instead it may be used to raise money from the property owners who most directly benefit from the provision of additional services or projects. A city may define a service district for any of the following functions:

- Beach erosion control and flood and hurricane protection works
- Downtown revitalization projects
- Urban revitalization projects
- Transit-oriented development projects
- Drainage projects
- Sewage collection and disposal systems
- Off-street parking facilities or watershed improvement, drainage, and water resources development projects

The City of Raleigh has established two municipal service districts: Downtown Business District and the Hillsborough Street District. The Downtown Business District is defined as a downtown revitalization district, while Hillsborough Street is defined as an urban revitalization district. The Blue Ridge Road Corridor would be defined as an urban revitalization district because the potential district satisfactorily meets the following conditions:

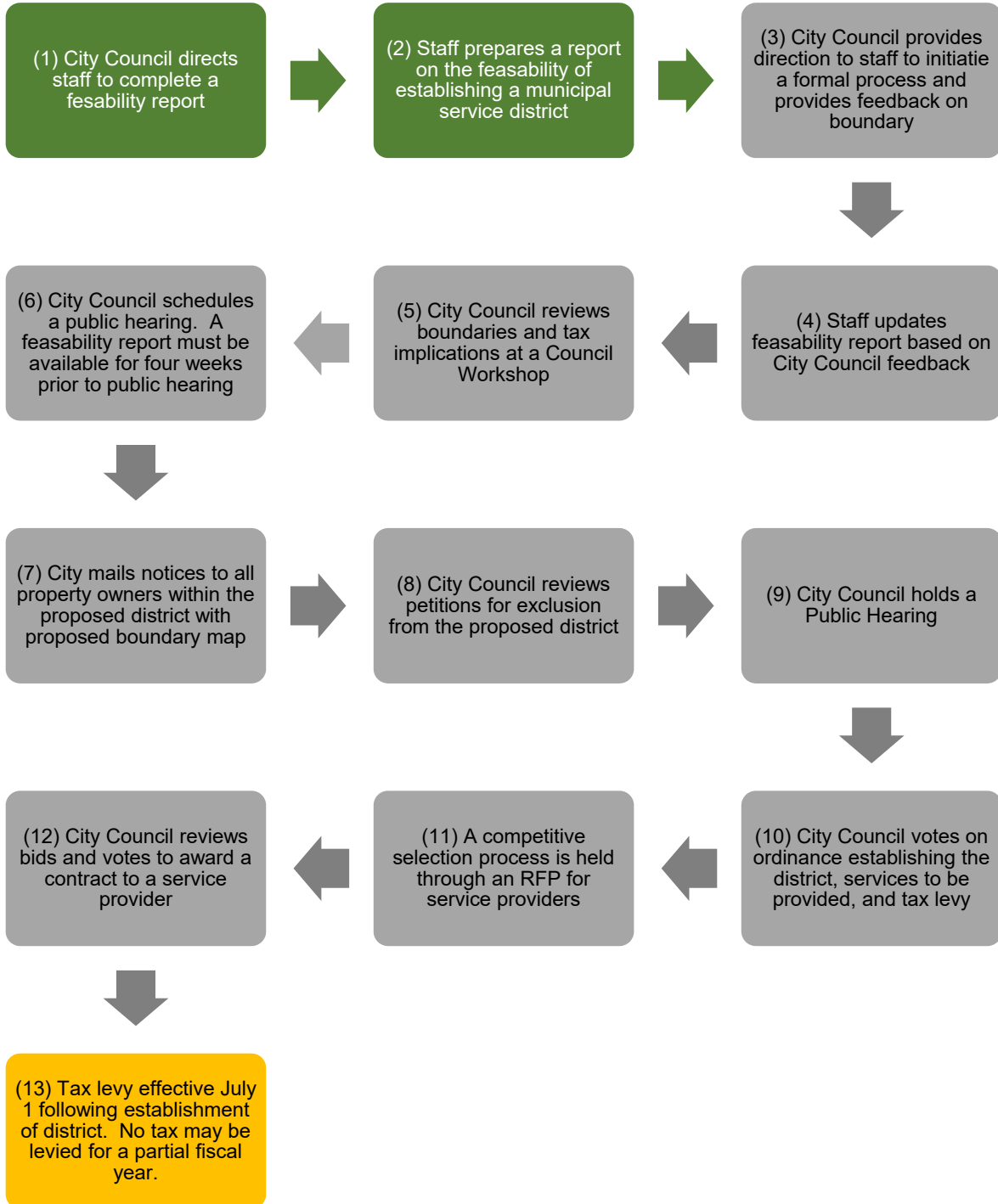
- It consists primarily of existing or redeveloping concentrations of industrial, retail, wholesale, office, or significant employment-generating uses, or any combination of these uses.
- It has as its center and focus a major concentration of public or institutional uses, such as colleges or universities, hospitals and health care facilities, or governmental facilities.

The Downtown Business District and the Hillsborough Street District were established following a public engagement process. City Council approved a service boundary and contracted service provision to a service provider through a competitive selection process. Those services include street and sidewalk cleaning, a safety ambassador program, economic development assistance, project development, business retention and recruitment, marketing, promotions, and hosting festivals.

- Downtown Business District: \$0.0629 per \$100 of assessed valuation
- Hillsborough Street District: \$0.15 per \$100 of assessed valuation



North Carolina General Statutes (N.C.G.S. 160A-537) establish the legal steps required to establish a new municipal service district, including components related to public engagement and the competitive selection process (a competitive selection process is not required if the City provides the services). The following process chart highlights the major steps to establish a new service district. These steps do not include non-mandatory steps such as public engagement workshops. The green boxes highlight current progress.



## Identifying a Need for Additional Services

As part of the process to establish a municipal service district, City Council selects services to provide within a district to a greater extent than services provided citywide. This section provides examples of common services provided with municipal service districts, including the Downtown Business District and Hillsborough Street District.

Service	Options for Additional Service
Promoting Business Investment	<ul style="list-style-type: none"> <li>○ Coordination of public and private actions, including point of contract for development activity</li> <li>○ Developing and issuing publications</li> <li>○ Sponsoring festivals and markets</li> </ul>
City Services or Functions	<ul style="list-style-type: none"> <li>○ Providing city service to a greater extent than those provided for the entire city including landscaping, clean teams, or extra trash pick-ups</li> </ul>
Safe Environment	<ul style="list-style-type: none"> <li>○ Improvements to reduce the incidence of crime including additional police patrols or ambassador programs</li> </ul>
Capital Improvements	<ul style="list-style-type: none"> <li>○ Improvements to water mains, sanitary sewer mains, stormwater mains, street lighting, or street improvements</li> <li>○ Construction of bicycle paths, sidewalks, and parking facilities</li> <li>○ Improvements to relieve traffic congestion and improve pedestrian and vehicular access</li> </ul>

The chart on the following pages include a summary of potential eligible services related to the establishment of an MSD for the Blue Ridge Road Corridor. For each category of potential services, the table identifies:

- The current level of service provided city-wide
- If the additional service is provided in the Downtown or Hillsborough Street MSDs
- Options for additional service(s)
- Estimated cost range to provide the service

Additional services may be identified through public engagement and final cost estimates would be determined through the competitive selection process.

## Examples of Common Municipal Service District Services

Service Category	Level of Service Provided City-Wide	Service Provided in Existing MSD	Options for Additional Service(s)	Estimated Cost Range of Service
Promoting Business Investment	Office of Economic Development + Innovation and the Real Estate Office assists with business inquires and offer grant assistance	Yes – Downtown Business District and Hillsborough Street District promote business activity in corridors	<ul style="list-style-type: none"> <li>○ Staff support to facilitate conversations and central coordination around economic development, urban planning, and future transit plans</li> <li>○ Staff support to facilitate conversations with Developers, NCDOT, State of North Carolina, City of Raleigh, and other regional partners.</li> <li>○ Retail recruitment and retention activities</li> <li>○ Actively engage in growing and enhancing the Blue Ridge Corridor area's retail sector through efforts to attract new retail businesses.</li> <li>○ Invest in research, data, and programs to support the attraction of additional retail tenants and diversifying the merchant mix. Including coordination with City's MWBE program.</li> <li>○ Contract support to model potential build outs based on current and future land use</li> <li>○ Hosting festivals or events</li> <li>○ Supporting events through sponsorships</li> <li>○ Administrative overhead for services listed above</li> </ul>	\$150,000 - \$200,000
Clean Environment	<p>Transportation Department mows and maintains rights-of-way on a biannual basis</p> <p>Current street or sidewalk cleaning occur on an as-needed basis or are complaint driven</p> <p>Solid waste completes a weekly collection route</p> <p>Bulky waste collection city-wide</p>	Yes – A clean team is assigned to the Downtown Business District and Hillsborough Street District	<p>Manage contracts to:</p> <ul style="list-style-type: none"> <li>○ Install and maintain new landscaping such as flowers in tree wells and containers</li> <li>○ Weed removal that city crews miss</li> <li>○ Install, maintain and expand the street banner program</li> <li>○ Identify and report street light outages in accordance with appropriate authority and policy.</li> <li>○ Install and maintain additional holiday decorations</li> <li>○ Ensure an orderly environment by straightening newspaper boxes, mail boxes, trash cans and any other movable fixtures</li> <li>○ Touch up paint bike racks, poles, street furniture</li> <li>○ Remove rocks, debris, leaves, pebbles and other pedestrian impediments</li> </ul> <p>Clean Team Crews to:</p> <ul style="list-style-type: none"> <li>○ Hand broom and pan sweep sidewalks and gutters when time allows</li> <li>○ Graffiti identification and removal (w/ property owner permission)</li> <li>○ Deep clean/power wash sidewalks, trash cans</li> </ul> <p>Remove illegal handbills, flyers and stickers</p>	\$100,000 - \$400,000

Service Category	Level of Service Provided City-Wide	Service Provided in Existing MSD	Options for Additional Service(s)	Estimated Cost Range of Service
Safe Environment	General police and fire coverage of the entire City of Raleigh 365 days, 24/7. Specialized services may be provided on an as needed basis for discrete periods of time for special events	Yes – Ambassador program provided in the Downtown Business and Hillsborough Street District	<p>Ambassador program to patrol corridor and provide hospitality assistance</p> <ul style="list-style-type: none"> <li>○ Monitor district and report illegal behaviors to authorities</li> <li>○ Identify and report conditions and incidents that may impact public safety</li> <li>○ Provide directions, information and assistance to visitors, workers and residents</li> <li>○ Provide deliberate Clean and Safe Ambassador presence in MSD during active hours</li> </ul> <p>Install additional safety lighting</p>	\$300,000 - \$500,000
Capital Investment	Projects are programmed through the annual Capital Improvement Program. Blue Ridge Road is under design to widen the existing two-lane section from Duraleigh Road to Crabtree Valley Avenue to three-lanes with curb and gutter, sidewalks, and bicycle facilities (\$11.1M)	No	Identified projects through public engagement effort or from citywide planning documents	Variable based on project

## Boundaries of Potential Service Districts

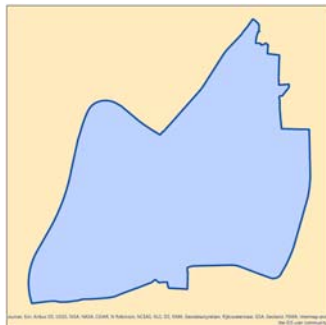
Upon establishing a need to provide an enhanced level of service, a service boundary must be defined. Defining a boundary for a municipal service district is not an exact science. A district can be defined by natural borders, such as roads and interstates, or conceptual borders, such as zoning classifications as defined in citywide plans. Three (3) potential areas are provided for consideration based on established area plans or based on land use within the corridor. As part of deliberations, City Council may direct staff to amend the perimeter of the boundaries to exclude certain land uses; however, the selected boundary must remain contiguous. City Council may also exclude certain parcels, by property owner request, should the parcel not need the services outlined in the proposed district. Parcel and land use information is provided for each potential area, including parcels within the area but not annexed into city limits. Should Council establish an MSD, an additional property tax would be applied on taxable parcels based on values established by the Wake County Department of Tax Administration. Values presented for each boundary are approximate net billable tax values (rounded to nearest thousand) based on January 2020 property tax data. This data was selected to reflect the property re-valuation completed by Wake County. Similar to Downtown and Hillsborough Street MSDs, if City Council establishes an MSD, staff would finalize taxable values with Wake County Department of Tax Administration.

### Area One – Blue Ridge Road Area



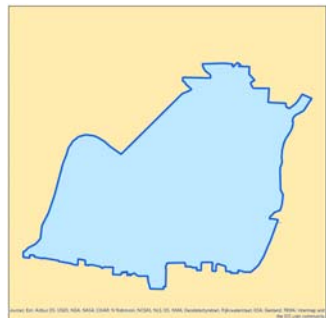
Defines the district based on the 2012 Blue Ridge Road District Study. Boundaries include Edwards Mills Road and Interstate 440. Area includes destinations including Rex Hospital, NC State Fair Grounds, PNC Arena, Carter Finley Stadium and the NC Museum of Art.

### Area Two – Broader Blue Ridge Road Area



Includes the parcels defined in Area One but is expanded over to Corporate Center Way down to Western Boulevard. This area includes more commercial uses than Area One, but also includes more residential parcels.

### Area Three – Greater Blue Ridge Road Area



Includes the parcels in Area One but excludes parcels between Western Blvd and Hillsborough, as defined in Area Two. The Greater Blue Ridge Road Area also expands down Lake Boone at the north end of the boundary and across Edwards Mills on the west side of the boundary.



## Area One - Blue Ridge Road Area

Area One - Blue Ridge Road Area is defined by the City of Raleigh’s Planning Department in the 2012 Blue Ridge Road District Study. The map of the area is presented below. The study examined land use planning, transportation, housing, public and private open space, public health, and economic development.

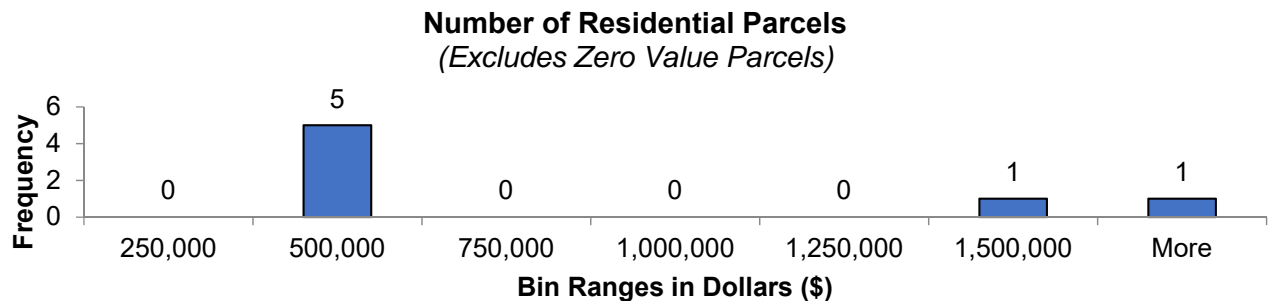
Existing conditions in Area One include a major concentration of public uses including the North Carolina Museum of Art, the PNC Arena, Carter-Finley Stadium, and the North Carolina State Fairgrounds and an additional concentration of healthcare and governmental facilities including the NC State University Centennial Biomedical Campus and Rex UNC Health Care. The State of North Carolina owns significant holdings of property along this corridor.

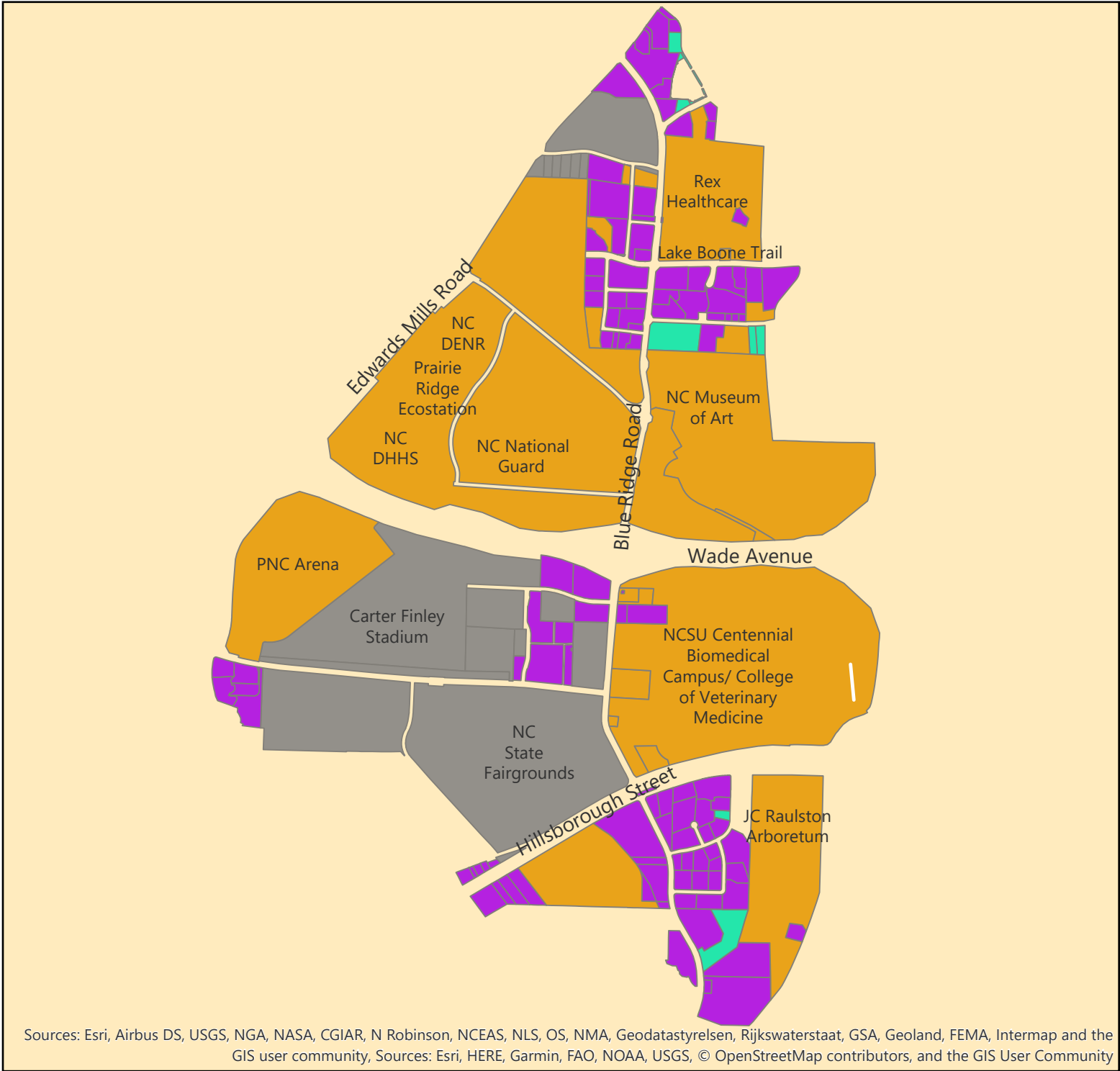
The map presented on the next page shows commercial, residential, and exempt parcels. These classifications are categorizations of official land use types as defined by Wake County’s Department of Tax Administration. One item to note, in this categorization, ‘apartments’ may be defined as a commercial use and shown in the tables and maps as commercial uses. This categorization may understate the impact to renters as increased taxes may impact monthly rents.

Land Use	% by Acreage	# of Parcels	Assessed Value*	Taxable Value*	% of Taxable Value
Commercial	14%	111	\$544,078,000	\$544,065,000	93%
Residential	1%	9	\$4,839,000	\$4,839,000	1%
Exempt	85%	18	\$1,186,708,000	\$36,958,000	6%
<b>Total</b>		<b>138</b>	<b>\$1,735,625,000</b>	<b>\$585,862,000</b>	

\*Approximate value based on data available in January 2020.

Tax Levy Assessed	\$0.01	\$0.02	\$0.03	\$0.05	\$0.10
Revenue Generated	\$58,600	\$117,200	\$175,800	\$293,000	\$586,000
Impact per \$100,000 in Value	\$10	\$20	\$30	\$50	\$100
Avg. Commercial <i>(Mean: \$4.9M; Median: \$2.2M)</i>	\$490	\$980	\$1,470	\$2,451	\$4,901
Avg. Residential <i>(Mean: \$537k; Median: \$381k)</i>	\$54	\$108	\$161	\$269	\$538





## Blue Ridge Area

### Land Code

- Commercial
- Residential
- Exempt
- Parcels Outside City Limits

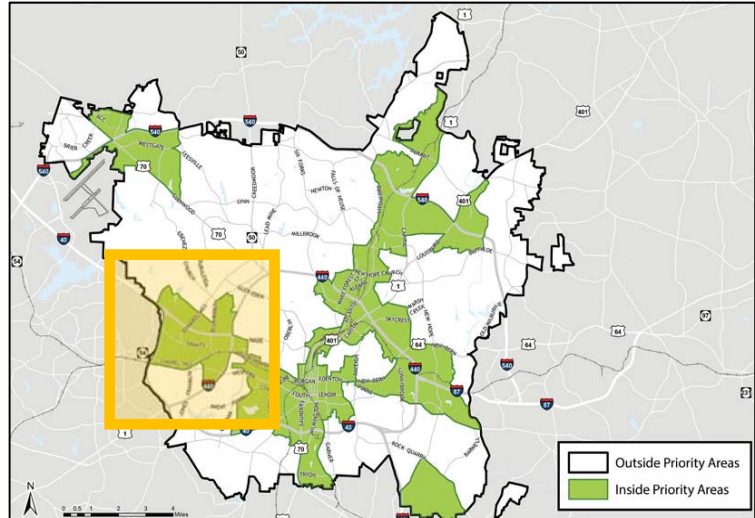


## Area Two – Broader Blue Ridge Road Area

Area Two – Broader Blue Ridge Road Area is an expanded version of Area One. This area is included in the City of Raleigh’s Economic Development Priority Areas. A portion of the area was studied as part of the 2011 Jones Franklin/Western/Hillsborough Small Area Plan and the area is included in the Wake Bus Rapid Transit: Western Boulevard corridor study.

In addition to the concentration of public uses outlined in Area One, Area Two includes significant commercial concentrations along Wade Park Boulevard and Corporate Center Drive. However, this broader area also captures additional residential concentrations and includes parcels not annexed into city limits. The additional property tax would not apply to these parcels.

The map presented on the next page shows commercial, residential, and exempt parcels based on land use classifications as defined by Wake County’s Department of Tax Administration.

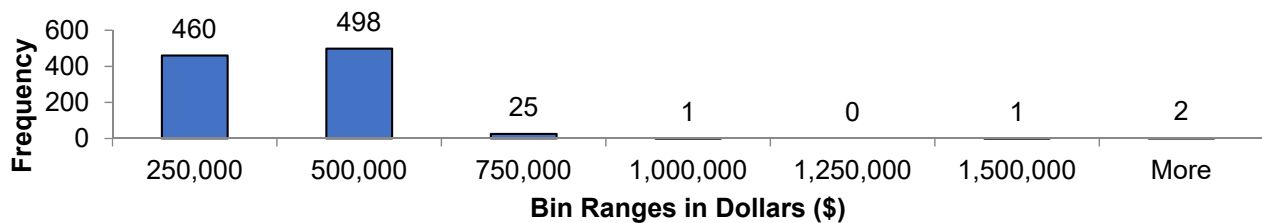


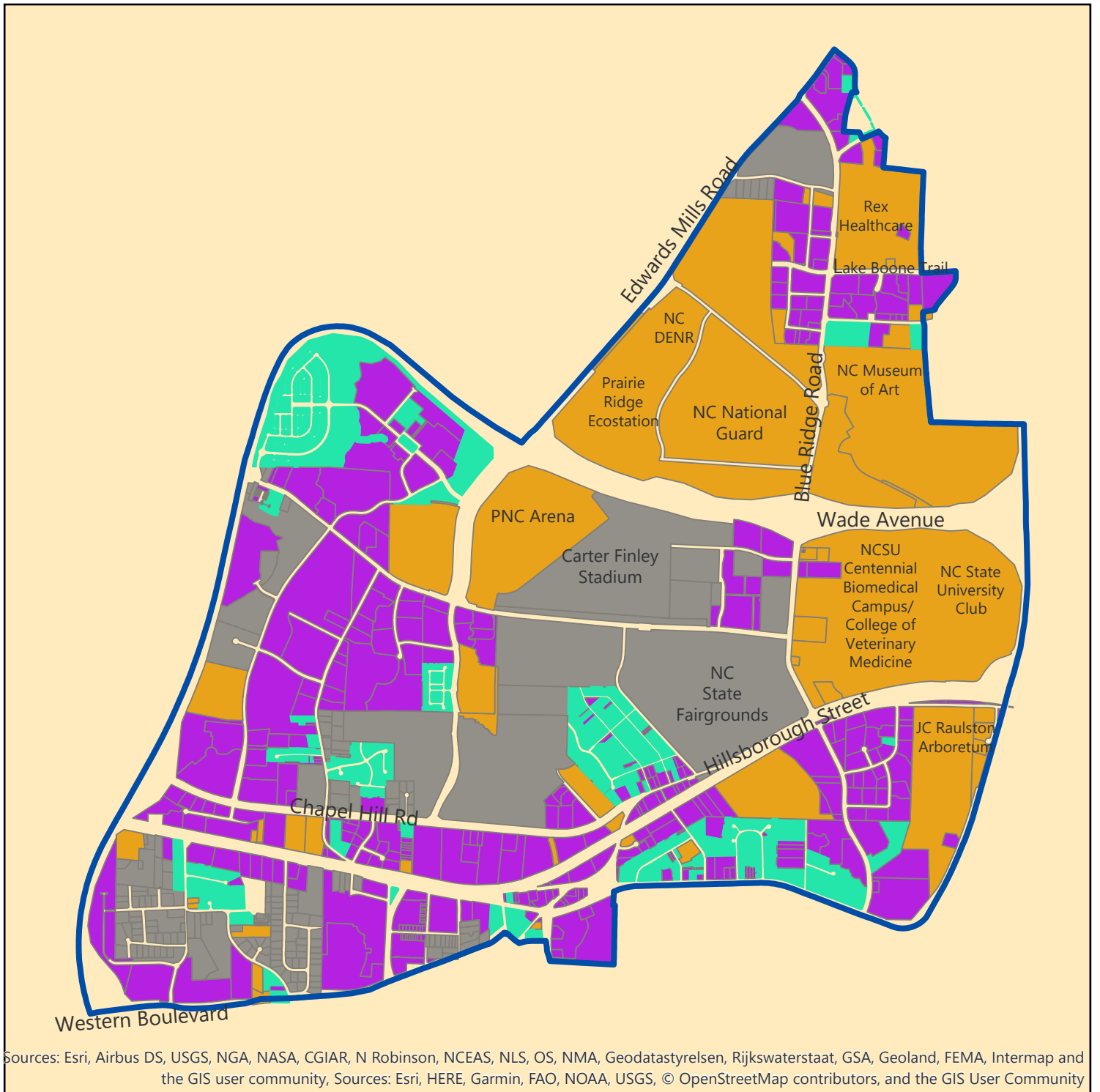
Land Use	% by Acreage	# of Parcels	Assessed Value*	Taxable Value*	% of Taxable Value
Commercial	23%	402	\$1,836,619,000	\$1,836,606,000	85%
Residential	7%	1,034	\$291,893,000	\$291,506,000	13%
Exempt	70%	44	\$1,348,224,000	\$36,958,000	2%
<b>Total</b>		<b>1,480</b>	<b>\$3,476,736,000</b>	<b>\$2,165,070,000</b>	

\*Approximate value based on data available in January 2020.

Tax Levy Assessed	\$0.01	\$0.02	\$0.03	\$0.05	\$0.10
Revenue Generated	\$216,500	\$433,000	\$649,500	\$1,082,500	\$2,165,000
Impact per \$100,000 in Value	\$10	\$20	\$30	\$50	\$100
Avg. Commercial (Mean: \$4.5M; Median: \$999k)	\$457	\$914	\$1,371	\$2,284	\$4,569
Avg. Residential (Mean: \$295k; Median: \$277k)	\$30	\$59	\$89	\$148	\$295

**Number of Residential Parcels  
(Excludes Zero Value Parcels)**





## Broader Blue Ridge Area

### Land Code

- Commercial
- Residential
- Exempt
- Parcels Outside City Limits
- Broader Blue Ridge Corridor Boundary



## Area Three – Greater Blue Ridge Road Area

Area Three – Greater Blue Ridge Road Area is an expanded version of Area One and Area Two. This area includes parcels identified as a priority area for economic development discussed in Area Two and areas previously studied as part of area plans.

Area Three excludes parcels south of Hillsborough Street, which excludes clusters of residential uses. The area is expanded further north than Area One and Area Two, including parcels adjacent to the intersection of Duraleigh and Edwards Mills Rd. This area does include additional residential parcels, especially around Harden Rd and townhomes north of Blue Ridge Road.

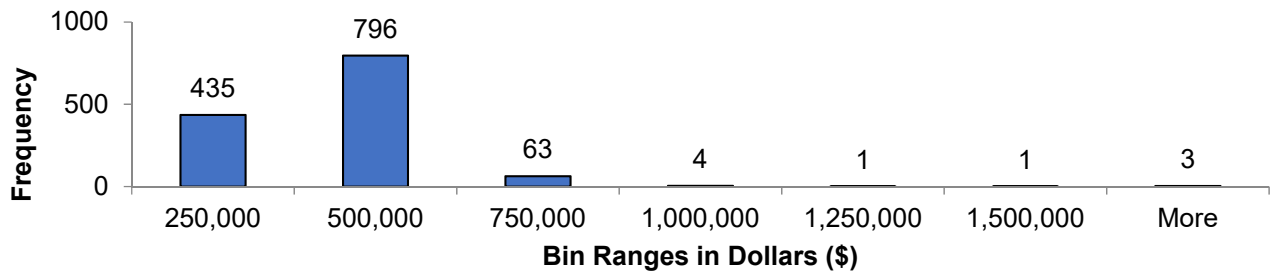
The map presented on the next page shows commercial, residential, and exempt parcels based on land use classifications as defined by Wake County’s Department of Tax Administration.

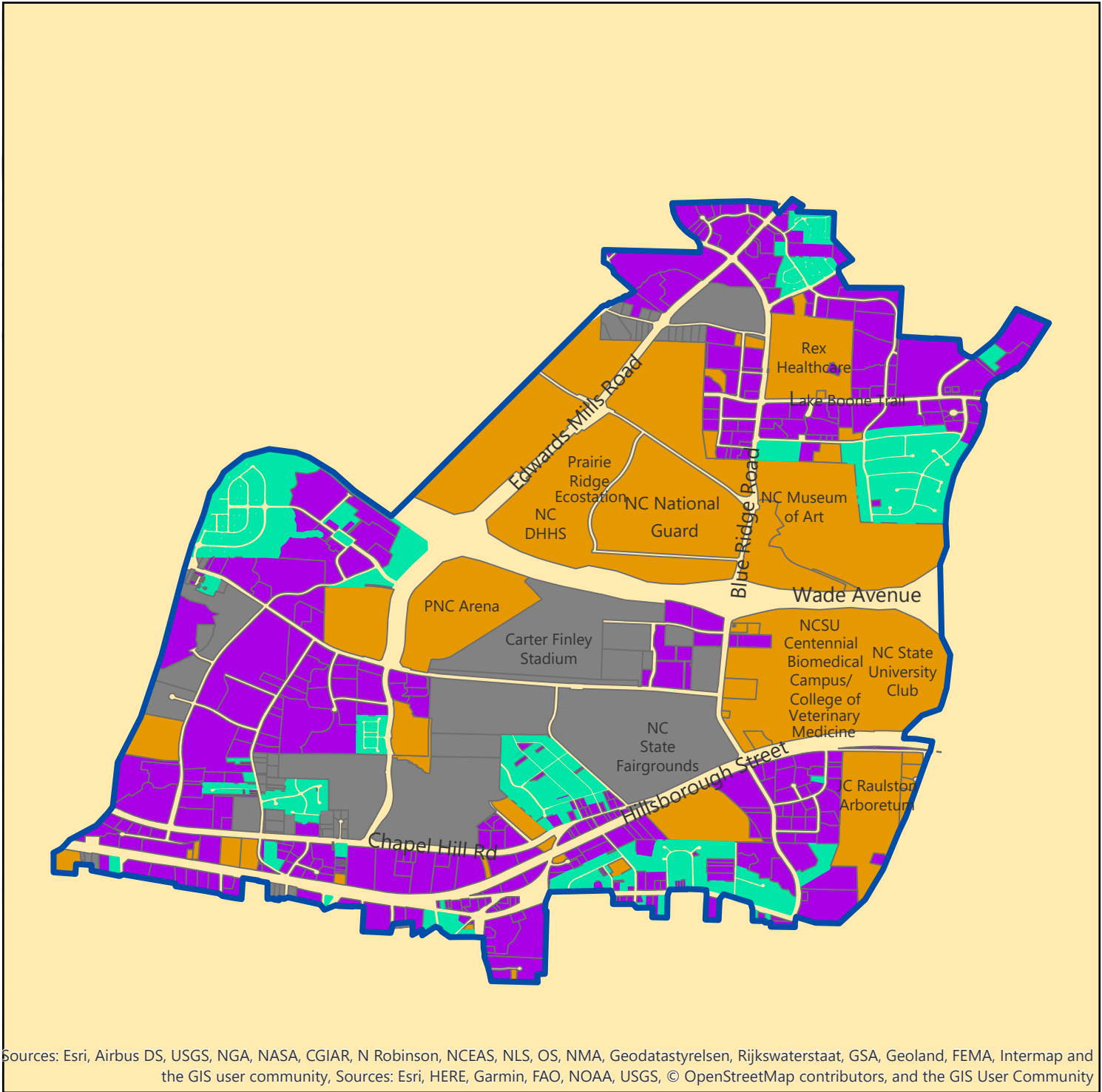
Land Use	% by Acreage	# of Parcels	Assessed Value*	Taxable Value*	% of Taxable Value
Commercial	34%	432	\$2,113,149,000	\$2,112,822,000	82%
Residential	11%	1,359	\$430,514,000	\$430,082,000	17%
Exempt	55%	40	\$1,345,814,000	\$36,958,000	1%
<b>Total</b>		<b>1,831</b>	<b>\$3,889,477,000</b>	<b>\$2,579,862,000</b>	

\*Approximate value based on data available in January 2020.

Tax Levy Assessed	\$0.01	\$0.02	\$0.03	\$0.05	\$0.10
Revenue Generated	\$258,000	\$516,000	\$774,000	\$1,290,000	\$2,580,000
Impact per \$100,000 in Value	\$10	\$20	\$30	\$50	\$100
Avg. Commercial <i>(Mean: \$4.8M; Median: \$1.2M)</i>	\$489	\$978	\$1,467	\$2,445	\$4,891
Avg. Residential <i>(Mean: \$330k; Median: \$330k)</i>	\$33	\$66	\$99	\$165	\$330

**Number of Residential Parcels  
(Excludes Zero Value Parcels)**





## Greater Blue Ridge Area

### Land Code

- Commercial
- Residential
- Exempt
- Parcels Outside City Limits
- Greater Blue Ridge Area



## Public Engagement Process

If City Council establishes there is a need to provide an enhanced level of service, North Carolina General Statutes provide minimum requirements for public engagement prior to the establishment of a municipal service district. Specifically, N.C.G.S. 160A-537(c) and (d) lay out notice and hearing requirements to ensure those impacted by the additional property tax have an opportunity to provide feedback. The City Council would be required to hold a public hearing before defining a new service district. Prior to the public hearing, the finalized feasibility report would need to be available for public inspection. The notice for the public hearing is required to be published at least once before the date of the hearing. The notice must also be mailed at least four weeks before the date of the hearing by U.S. Mail to all property owners located within the proposed district.

These activities represent the **minimum** public engagement required by state law. City Council could direct staff to hold additional public hearings, community engagement, or other forms of events to solicit public feedback. City Council could also form a temporary advisory group comprised of community stakeholders and residents to evaluate options and provide a recommendation back to City Council.

## Competitive Selection Process to Contract Service Provision

If City Council decides to provide an enhanced level of service within a defined boundary, Council may:

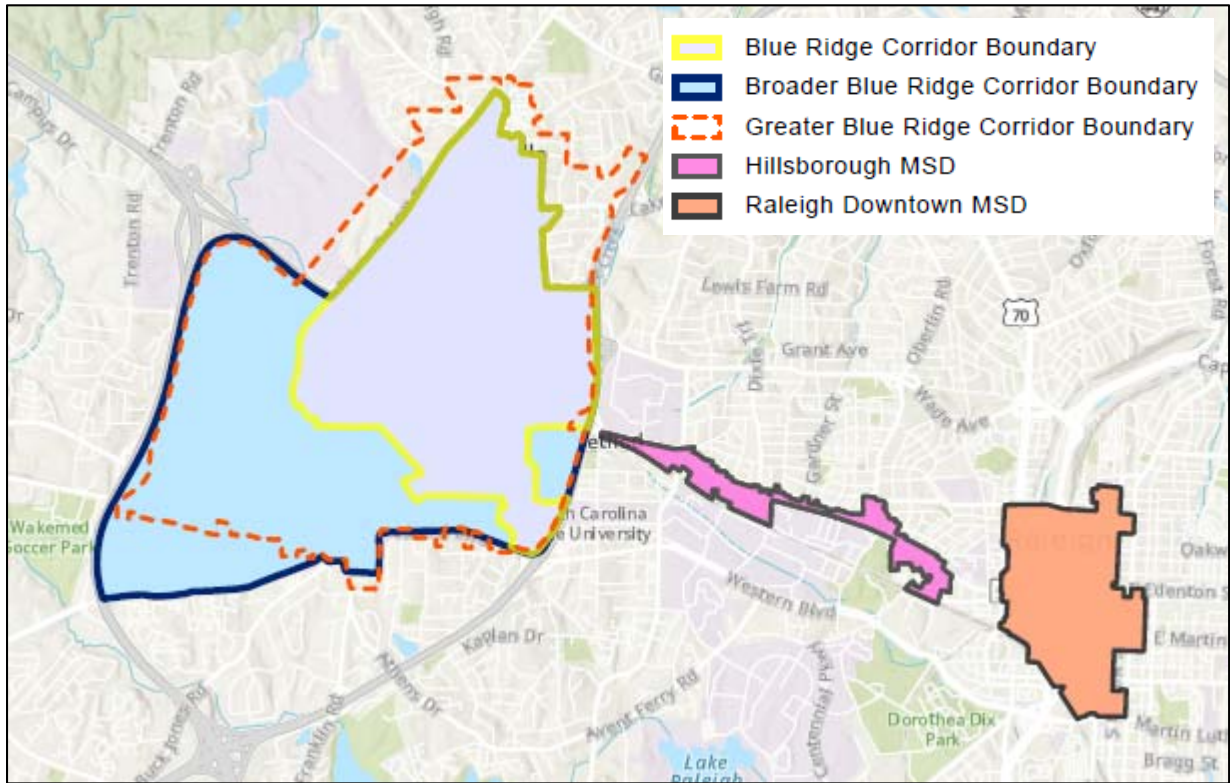
- Direct the City Manager to instruct City departments to provide these services by enhancing service levels through a supplemental request offset by revenues generated from the MSD
- Contract with another governmental agency to provide services
- Contract with a service provider to provide services through a competitive selection process
- Any combination of these methods

A common approach is to contract with a service provider to coordinate and provide identified services. If City Council desires to contract with a service provider, the process must comply with the following:

- Prior to entering into a contract, the City must:
  - Solicit input from the residents and property owners as to the needs of the service district.
  - Use a bid process to determine which service provider is best suited to achieve the needs of the service district. The City must determine criteria for selection of the service provider and must select a service provider in accordance with those criteria. If the City determines that a multiyear contract with a service provider is in the best interest of the city and the service district, the city may enter into a multiyear contract not to exceed five years in length.
  - The contract must specify the scope of services to be provided by the service provider. Any changes to the scope of services shall be approved by the City Council.
  - Hold a public hearing, which must be noticed by publication in a newspaper of general circulation, for at least two successive weeks prior to the public hearing, in the service district.
  - The contract must specify the purposes for which city moneys are to be used for that service district.
  - The contract must require an appropriate accounting for the funds spent at the end of each fiscal year
- The service provider must report annually to the city, by presentation in a City Council meeting and in a written report, regarding the needs of the service district, completed projects, and pending projects. Prior to the annual report, the service provider must seek input of the property owners and residents of the service district regarding needs for the upcoming year.

## Overview

The map below illustrates potential areas in relationship to the prior established municipal service districts.



The following tables provide an overview of the tax generated per penny of ad-valorem tax and the tax rate necessary to generate a specific revenue threshold, should City Council decide to proceed with the process to establish a municipal service district for the Blue Ridge Road Corridor.

Study Area	Assessed Value	Taxable Value	Value of 1 Penny of Tax Levy
Area 1 – Blue Ridge Area	\$1,735,625,000	\$585,862,000	\$58,600
Area 2 – Broader Blue Ridge Area	\$3,476,736,000	\$2,165,070,000	\$216,500
Area 3 – Greater Blue Ridge Area	\$3,889,477,000	\$2,579,862,000	\$258,000

Revenue Generated from Additional Tax Levy:	Potential Tax Rate per \$100 in Property Value		
	Area 1 – Blue Ridge Area	Area 2 – Broader Blue Ridge Area	Area 2 – Greater Blue Ridge Area
<b>\$100,000</b>	\$0.017 (1.7¢)	\$0.005 (0.5¢)	\$0.004 (0.4¢)
<b>\$200,000</b>	\$0.034 (3.4¢)	\$0.009 (0.9¢)	\$0.008 (0.8¢)
<b>\$300,000</b>	\$0.051 (5.1¢)	\$0.014 (1.4¢)	\$0.012 (1.2¢)
<b>\$400,000</b>	\$0.068 (6.8¢)	\$0.018 (1.8¢)	\$0.016 (1.6¢)
<b>\$500,000</b>	\$0.085 (8.5¢)	\$0.023 (2.3¢)	\$0.019 (1.9¢)



**Attachment 1 –**

N.C.G.S. Chapter 160A, Article  
23 Municipal Service Districts

## Article 23.

## Municipal Service Districts.

**§ 160A-535. Title; effective date.**

This Article may be cited as "The Municipal Service District Act of 1973," and is enacted pursuant to Article V, Sec. 2(4) of the Constitution of North Carolina, effective July 1, 1973. (1973, c. 655, s. 1.)

**§ 160A-536. Purposes for which districts may be established.**

(a) Purposes. - The city council of any city may define any number of service districts in order to finance, provide, or maintain for the districts one or more of the following services, facilities, or functions in addition to or to a greater extent than those financed, provided or maintained for the entire city:

- (1) Beach erosion control and flood and hurricane protection works.
- (1a) **(For applicability see note)** Any service, facility, or function which the municipality may by law provide in the city, and including but not limited to placement of utility wiring underground, placement of period street lighting, placement of specially designed street signs and street furniture, landscaping, specialized street and sidewalk paving, and other appropriate improvements to the rights-of-way that generally preserve the character of an historic district; provided that this subdivision only applies to a service district which, at the time of its creation, had the same boundaries as an historic district created under Part 3A of Article 19 of this Chapter.
- (2) Downtown revitalization projects.
- (2a) Urban area revitalization projects.
- (2b) Transit-oriented development projects.
- (3) Drainage projects.
- (3a) Sewage collection and disposal systems of all types, including septic tank systems or other on-site collection or disposal facilities or systems.
- (3b) **(For applicability see note)** Lighting at interstate highway interchange ramps.
- (4) Off-street parking facilities.
- (5) Watershed improvement projects, including but not limited to watershed improvement projects as defined in General Statutes Chapter 139; drainage projects, including but not limited to the drainage projects provided for by General Statutes Chapter 156; and water resources development projects, including but not limited to the federal water resources development projects provided for by General Statutes Chapter 143, Article 21.
- (6) Conversion of private residential streets to public streets as provided in subsection (e) of this section.

(b) **Downtown Revitalization Defined.** - As used in this section "downtown revitalization projects" are improvements, services, functions, promotions, and developmental activities intended to further the public health, safety, welfare, convenience, and economic well-being of the central city or downtown area. Exercise of the authority granted by this Article to undertake downtown revitalization projects financed by a service district do not prejudice a city's authority to undertake urban renewal projects in the same area. Examples of downtown revitalization projects include by way of illustration but not limitation all of the following:

- (1) Improvements to water mains, sanitary sewer mains, storm sewer mains, electric power distribution lines, gas mains, street lighting, streets and sidewalks, including rights-of-way and easements.
- (2) Construction of pedestrian malls, bicycle paths, overhead pedestrian walkways, sidewalk canopies, and parking facilities both on-street and off-street.
- (3) Construction of public buildings, restrooms, docks, visitor centers, and tourism facilities.
- (4) Improvements to relieve traffic congestion in the central city and improve pedestrian and vehicular access to it.
- (5) Improvements to reduce the incidence of crime in the central city.

- (6) Providing city services or functions in addition to or to a greater extent than those provided or maintained for the entire city.
- (7) Sponsoring festivals and markets in the downtown area, promoting business investment in the downtown area, helping to coordinate public and private actions in the downtown area, and developing and issuing publications on the downtown area.

(c) **Urban Area Revitalization Defined.** - As used in this section, the term "urban area revitalization projects" includes the provision within an urban area of any service or facility that may be provided in a downtown area as a downtown revitalization project under subdivision (a)(2) and subsection (b) of this section. As used in this section, the term "urban area" means an area that (i) is located within a city and (ii) meets one or more of the following conditions:

- (1) It is the central business district of the city.
- (2) It consists primarily of existing or redeveloping concentrations of industrial, retail, wholesale, office, or significant employment-generating uses, or any combination of these uses.
- (3) It is located in or along a major transportation corridor and does not include any residential parcels that are not, at their closest point, within 150 feet of the major transportation corridor right-of-way or any nonresidentially zoned parcels that are not, at their closest point, within 1,500 feet of the major transportation corridor right-of-way.
- (4) It has as its center and focus a major concentration of public or institutional uses, such as airports, seaports, colleges or universities, hospitals and health care facilities, or governmental facilities.

(c1) **Transit-Oriented Development Defined.** - As used in this section, the term "transit-oriented development" includes the provision within a public transit area of any service or facility listed in this subsection. A public transit area is an area within a one-fourth mile radius of any passenger stop or station located on a mass transit line. A mass transit line is a rail line along which a public transportation service operates or a busway or guideway dedicated to public transportation service. A busway is not a mass transit line if a majority of its length is also generally open to passenger cars and other private vehicles more than two days a week.

The following services and facilities are included in the definition of "transit-oriented development" if they are provided within a transit area:

- (1) Any service or facility that may be provided in a downtown area as a downtown revitalization project under subdivision (a)(2) and subsection (b) of this section.
- (2) Passenger stops and stations on a mass transit line.
- (3) Parking facilities and structures associated with passenger stops and stations on a mass transit line.
- (4) Any other service or facility, whether public or public-private, that the city may by law provide or participate in within the city, including retail, residential, and commercial facilities.

(d) **Contracts.** - A city may provide services, facilities, functions, or promotional and developmental activities in a service district with its own forces, through a contract with another governmental agency, through a contract with a private agency, or by any combination thereof. Any contracts entered into pursuant to this subsection shall comply with all of the following criteria:

- (1) The contract shall specify the purposes for which city moneys are to be used for that service district.
- (2) The contract shall require an appropriate accounting for those moneys at the end of each fiscal year or other appropriate period. For contracts entered into on or after June 1, 2016, the appropriate accounting shall include the name, location, purpose, and amount paid to any person or persons with whom the private agency contracted to perform or complete any purpose for which the city moneys were used for that service district.

(d1) **Additional Requirements for Certain Contracts.** - In addition to the requirements of subsection (d) of this section, if the city enters into a contract with a private agency for a service district under subdivision (a)(1a), (2), or (2a) of this section, the city shall comply with all of the following:

- (1) The city shall solicit input from the residents and property owners as to the needs of the service district prior to entering into the contract.

- (2) Prior to entering into, or the renewal of, any contract under this section, the city shall use a bid process to determine which private agency is best suited to achieve the needs of the service district. The city shall determine criteria for selection of the private agency and shall select a private agency in accordance with those criteria. If the city determines that a multiyear contract with a private agency is in the best interest of the city and the service district, the city may enter into a multiyear contract not to exceed five years in length.
- (3) The city shall hold a public hearing prior to entering into the contract, which shall be noticed by publication in a newspaper of general circulation, for at least two successive weeks prior to the public hearing, in the service district.
- (4) The city shall require the private agency to report annually to the city, by presentation in a city council meeting and in written report, regarding the needs of the service district, completed projects, and pending projects. Prior to the annual report, the private agency shall seek input of the property owners and residents of the service district regarding needs for the upcoming year.
- (5) The contract shall specify the scope of services to be provided by the private agency. Any changes to the scope of services shall be approved by the city council.

(e) **Converting Private Residential Streets to Public Streets.** - A city may establish a municipal service district for the purpose of converting private residential streets to public streets if the conditions of this subsection are met. The property tax levied in a municipal service district created for this purpose may be used only to pay the costs related to the transfer of ownership of the streets, evaluation of the condition of the private streets, and the design and construction costs related to improving the private streets to meet public street standards as approved by the governing board. Notwithstanding G.S. 160A-542, the property tax rate in a district created for this purpose may not be in excess of thirty percent (30%) of the ad valorem tax rate in effect in the city in the fiscal year prior to the establishment of the district. After the private streets have been upgraded to meet public street standards and all costs have been recovered from the tax in the district, no further tax may be levied in the district, and the city council must abolish the municipal service district as provided by G.S. 160A-541.

Notwithstanding G.S. 160A-299, if a city abandons the streets and associated rights-of-way acquired pursuant to this subsection, the street-related common elements must be returned to the owners' association from which the city acquired them in a manner that makes the owners' association's holdings in common elements as they were prior to the establishment of the municipal service district.

For a city to create a municipal service district for the purpose of converting private residential streets to public streets, all of the following conditions must be met:

- (1) The private residential road must be nongated.
- (2) The city must receive a petition signed by at least sixty percent (60%) of the lot owners of the owners' association requesting the city to establish a municipal service district for the purpose of paying the costs related to converting private residential streets to public streets. The executive board of an owners' association for which the city has received a petition under this subsection may transfer street-related common elements to the city, notwithstanding the provisions of either the North Carolina Planned Community Act in Chapter 47F of the General Statutes or the North Carolina Condominium Act in Chapter 47C of the General Statutes, or related articles of declaration, deed covenants, or any other similar document recorded with the Register of Deeds.
- (3) The city must agree to accept the converted streets for perpetual public maintenance.
- (4) The city must meet one of the following requirements:
  - a. Located primarily in a county that has a population of 750,000 or more according to the most recent decennial federal census, and also located in an adjacent county with a population of 250,000 or more according to the most recent decennial federal census.
  - b. Located primarily in a county with a population of 250,000 or more according to the most recent decennial federal census, and also located in an adjacent county with a population of 750,000 or more according to the most recent decennial federal census. (1973, c. 655, s. 1; 1977, c. 775, ss. 1, 2; 1979, c. 595, s. 2; 1985, c. 580; 1987,

c. 621, s. 1; 1999-224, s. 1; 1999-388, s. 1; 2004-151, s. 1; 2004-203, s. 5(m); 2009-385, s. 1; 2011-72, ss. 1, 2; 2011-322, s. 1; 2012-79, s. 1.11; 2015-241, s. 15.16B(a); 2016-8, s. 1; 2017-102, s. 31.1.)

**§ 160A-537. Definition of service districts.**

(a) Standards. - The city council of any city may by ordinance define a service district upon finding that a proposed district is in need of one or more of the services, facilities, or functions listed in G.S. 160A-536 to a demonstrably greater extent than the remainder of the city.

(a1) Petition to Define District. - The city council may also by ordinance define a service district if a petition submitted by a majority of the owners of real property in a defined area of the city establishes that the area is in need of one or more of the services, facilities, or functions listed in G.S. 160A-536 to a demonstrably greater extent than the remainder of the city. The petition shall contain the names, addresses, and signatures of the real property owners within the proposed district, describe the proposed district boundaries, and state in detail the services, facilities, or functions listed in G.S. 160A-536 which would serve as the basis for establishing the proposed district. The city council may establish a policy to hear all petitions submitted under this subsection at regular intervals, but no less than once per year.

(b) Report. - Before the public hearing required by subsection (c), the city council shall cause to be prepared a report containing:

- (1) A map of the proposed district, showing its proposed boundaries;
- (2) A statement showing that the proposed district meets the standards set out in subsection (a); and
- (3) A plan for providing in the district one or more of the services listed in G.S. 160A-536.

The report shall be available for public inspection in the office of the city clerk for at least four weeks before the date of the public hearing.

(c) Hearing and Notice. - The city council shall hold a public hearing before adopting any ordinance defining a new service district under this section. Notice of the hearing shall state the date, hour, and place of the hearing and its subject, and shall include a map of the proposed district and a statement that the report required by subsection (b) is available for public inspection in the office of the city clerk. The notice shall be published at least once not less than one week before the date of the hearing. In addition, it shall be mailed at least four weeks before the date of the hearing by any class of U.S. mail which is fully prepaid to the owners as shown by the county tax records as of the preceding January 1 (and at the address shown thereon) of all property located within the proposed district. The person designated by the council to mail the notice shall certify to the council that the mailing has been completed and his certificate is conclusive in the absence of fraud.

(c1) Exclusion From District. - An owner of a tract or parcel of land located within the proposed district may, at the public hearing or no later than five days after the date of the public hearing required by subsection (c) of this section, submit a written request to the city council for the exclusion of the tract or parcel from the proposed district. The owner shall specify the tract or parcel, state with particularity the reasons why the tract or parcel is not in need of the services, facilities, or functions of the proposed district to a demonstrably greater extent than the remainder of the city, and provide any other additional information the owner deems relevant. If the city council finds that the tract or parcel is not in need of the services, facilities, or functions of the proposed district to a demonstrably greater extent than the remainder of the city, the city council may exclude the tract or parcel from the proposed district.

(d) Effective Date. - Except as otherwise provided in this subsection, the ordinance defining a service district shall take effect at the beginning of a fiscal year commencing after its passage, as determined by the city council. If the governing body in the ordinance states that general obligation bonds or special obligation bonds are anticipated to be authorized for the project, it may make the

ordinance effective immediately upon its adoption or as otherwise provided in the ordinance. However, no ad valorem tax may be levied for a partial fiscal year.

(e) Repealed by Session Laws 2016-8, s. 2, effective June 1, 2016.

(f) Passage of Ordinance. - No ordinance defining a service district as provided for in this section shall be finally adopted until it has been passed at two meetings of the city council by majority vote of the voting members present, and no service district shall be defined except by ordinance. (1973, c. 655, s. 1; 1981, c. 53, s. 1; c. 733, s. 1; 2006-162, s. 25; 2012-156, s. 4; 2016-8, s. 2.)

### **§ 160A-538. Extension of service districts.**

(a) Standards. - The city council may by ordinance annex territory to any service district upon finding that:

- (1) The area to be annexed is contiguous to the district, with at least one eighth of the area's aggregate external boundary coincident with the existing boundary of the district;
- (2) That the area to be annexed requires the services of the district.

(b) Annexation by Petition. - The city council may also by ordinance extend by annexation the boundaries of any service district when one hundred percent (100%) of the real property owners of the area to be annexed have petitioned the council for annexation to the service district.

(c) Report. - Before the public hearing required by subsection (d), the council shall cause to be prepared a report containing:

- (1) A map of the service district and the adjacent territory, showing the present and proposed boundaries of the district;
- (2) A statement showing that the area to be annexed meets the standards and requirements of subsections (a) or (b); and
- (3) A plan for extending services to the area to be annexed.

The report shall be available for public inspection in the office of the city clerk for at least two weeks before the date of the public hearing.

(d) Hearing and Notice. - The council shall hold a public hearing before adopting any ordinance extending the boundaries of a service district. Notice of the hearing shall state the date, hour and place of the hearing and its subject, and shall include a statement that the report required by subsection (c) is available for inspection in the office of the city clerk. The notice shall be published at least once not less than one week before the date of the hearing. In addition, the notice shall be mailed at least four weeks before the date of the hearing to the owners as shown by the county tax records as of the preceding January 1 of all property located within the area to be annexed. The notice may be mailed by any class of U.S. mail which is fully prepaid. The person designated by the council to mail the notice shall certify to the council that the mailing has been completed, and his certificate shall be conclusive in the absence of fraud.

(e) Effective Date. - The ordinance extending the boundaries of the district shall take effect at the beginning of a fiscal year commencing after its passage, as determined by the council.

(e1) Passage of Ordinance. - No ordinance annexing territory to a service district as provided for in this section shall be finally adopted until it has been passed at two meetings of the city council by majority vote of the voting members present, and no territory shall be annexed to a service district except by ordinance.

(f) Historic District Boundaries Extension. - A service district which at the time of its creation had the same boundaries as an historic district created under Part 3A of Article 19 of this Chapter may only have its boundaries extended to include territory which has been added to the historic district. (1973, c. 655, s. 1; 1981, c. 53, s. 2; 1987, c. 621, s. 2; 2016-8, s. 3.)

### **§ 160A-538.1. Reduction of service districts.**

(a) **Reduction by City Council.** - Upon finding that there is no longer a need to include within a particular service district any certain tract or parcel of land, the city council may by ordinance redefine a service district by removing therefrom any tract or parcel of land which it has determined need no longer be included in said district. The city council shall hold a public hearing before adopting an ordinance removing any tract or parcel of land from a district. Notice of the hearing shall state the date, hour and place of the hearing, and its subject, and shall be published at least once not less than one week before the date of the hearing.

(a1) **Request for Reduction by Owner.** - A property owner may submit a written request to the city council to remove the owner's tract or parcel of land from a service district. The owner shall specify the tract or parcel, state with particularity the reasons why the tract or parcel is not in need of the services, facilities, or functions of the proposed district to a demonstrably greater extent than the remainder of the city, and provide any other additional information the owner deems relevant. Upon receipt of the request, the city council shall hold a public hearing as required by subsection (a) of this section. If the city council finds that the tract or parcel is not in need of the services, facilities, or functions of the district to a demonstrably greater extent than the remainder of the city, the city council may, by ordinance, redefine the service district by removing therefrom the tract or parcel.

(b) **Effective Date.** - The removal of any tract or parcel of land from any service district shall take effect at the end of a fiscal year following passage of the ordinance, as determined by the city council.

(b1) **Passage of Ordinance.** - No ordinance reducing a service district as provided for in this section shall be finally adopted until it has been passed at two meetings of the city council by majority vote of the voting members present, and no service district shall be reduced except by ordinance.

(c) **Historic District Boundaries Reduction.** - A service district which at the time of its creation had the same boundaries as an historic district created under Part 3A of Article 19 of this Chapter may only have its boundaries reduced to exclude territory which has been removed from the historic district. (1977, c. 775, s. 3; 1987, c. 621, s. 3; 2016-8, s. 4.)

### **§ 160A-539. Consolidation of service districts.**

(a) The city council may by ordinance consolidate two or more service districts upon finding that:

- (1) The districts are contiguous or are in a continuous boundary; and
- (2) The services provided in each of the districts are substantially the same; or
- (3) If the services provided are lower for one of the districts, there is a need to increase those services for that district to the level of that enjoyed by the other districts.

(b) **Report.** - Before the public hearing required by subsection (c), the city council shall cause to be prepared a report containing:

- (1) A map of the districts to be consolidated;
- (2) A statement showing the proposed consolidation meets the standards of subsection (a); and
- (3) If necessary, a plan for increasing the services for one or more of the districts so that they are substantially the same throughout the consolidated district.

The report shall be available in the office of the city clerk for at least two weeks before the public hearing.

(c) **Hearing and Notice.** - The city council shall hold a public hearing before adopting any ordinance consolidating service districts. Notice of the hearing shall state the date, hour, and place of the hearing and its subject, and shall include a statement that the report required by subsection (b) is available for inspection in the office of the city clerk. The notice shall be published at least once not less than one week before the date of the hearing. In addition, the notice shall be mailed at least four weeks before the hearing to the owners as shown by the county tax records as of the preceding January 1 of all property located within the consolidated district. The notice may be mailed by any class of U.S. mail

which is fully prepaid. The person designated by the council to mail the notice shall certify to the council that the mailing has been completed, and his certificate shall be conclusive in the absence of fraud.

(d) **Effective Date.** - The consolidation of service districts shall take effect at the beginning of a fiscal year commencing after passage of the ordinance of consolidation, as determined by the council.

(e) **Passage of Ordinance.** - No ordinance consolidating two or more service districts as provided for in subsection (a) of this section shall be finally adopted until it has been passed at two meetings of the city council by majority vote of the voting members present, and no service districts shall be consolidated except by ordinance. (1973, c. 655, s. 1; 1981, c. 53, s. 2; 2016-8, s. 5.)

#### **§ 160A-540. Required provision or maintenance of services.**

(a) **New District.** - When a city defines a new service district, it shall provide, maintain, or let contracts for the services for which the residents of the district are being taxed within a reasonable time, not to exceed one year, after the effective date of the definition of the district.

(b) **Extended District.** - When a city annexes territory for a service district, it shall provide, maintain, or let contracts for the services provided or maintained throughout the district to the residents of the area annexed to the district within a reasonable time, not to exceed one year, after the effective date of the annexation.

(c) **Consolidated District.** - When a city consolidates two or more service districts, one of which has had provided or maintained a lower level of services, it shall increase the services within that district (or let contracts therefor) to a level comparable to those provided or maintained elsewhere in the consolidated district within a reasonable time, not to exceed one year, after the effective date of the consolidation. (1973, c. 655, s. 1.)

#### **§ 160A-541. Abolition of service districts.**

Upon finding that there is no longer a need for a particular service district, the city council may by ordinance abolish that district. The council shall hold a public hearing before adopting an ordinance abolishing a district. Notice of the hearing shall state the date, hour and place of the hearing, and its subject, and shall be published at least once not less than one week before the date of the hearing. The abolition of any service district shall take effect at the end of a fiscal year following passage of the ordinance, as determined by the council. (1973, c. 655, s. 1; 2016-8, s. 6.)

#### **§ 160A-542. Taxes authorized; rate limitation.**

(a) A city may levy property taxes within defined service districts in addition to those levied throughout the city, in order to finance, provide or maintain for the district services provided therein in addition to or to a greater extent than those financed, provided or maintained for the entire city. In addition, a city may allocate to a service district any other revenues whose use is not otherwise restricted by law.

(b) Property subject to taxation in a newly established district or in an area annexed to an existing district is that subject to taxation by the city as of the preceding January 1.

(c) Property taxes may not be levied within any district established pursuant to this Article in excess of a rate on each one hundred dollar (\$100.00) value of property subject to taxation which, when added to the rate levied city wide for purposes subject to the rate limitation, would exceed the rate limitation established in G.S. 160A-209(d), unless that portion of the rate in excess of this limitation is submitted to and approved by a majority of the qualified voters residing within the district. Any referendum held pursuant to this subsection shall be held and conducted as provided in G.S. 160A-209.

(d) In setting the tax rate, the city council shall consider the current needs, as well as the long-range plans and goals for the service district. The city council shall set the tax rate so that there is no accumulation of excess funds beyond that necessary to meet current needs, fund long-range plans and goals, and maintain a reasonable fund balance. Moneys collected shall be used only for meeting the needs of the service district, as those needs are determined by the city council.



(e) This Article does not impair the authority of a city to levy special assessments pursuant to Article 10 of this Chapter for works authorized by G.S. 160A-491, and may be used in addition to that authority. (1973, c. 655, s. 1; 2015-241, s. 15.16B(b).)

**§ 160A-543. Bonds authorized.**

A city may incur debt under general law to finance services, facilities or functions provided within a service district. If a proposed general obligation bond issue is required by law to be submitted to and approved by the voters of the city, and if the proceeds of the proposed bond issue are to be used in connection with a service that is or, if the bond issue is approved, will be provided only for one or more service districts or at a higher level in service districts than city wide, the proposed bond issue must be approved concurrently by a majority of those voting throughout the entire city and by a majority of the total of those voting in all of the affected or to be affected service districts. (1973, c. 655, s. 1; 2004-151, s. 4.)

**§ 160A-544. Exclusion of personal property of public service corporations.**

There shall be excluded from any service district and the provisions of this Article shall not apply to the personal property of any public service corporation as defined in G.S. 160A-243(c); provided that this section shall not apply to any service district in existence on January 1, 1977. (1977, c. 775, s. 4.)

**§§ 160A-545 through 160A-549. Reserved for future codification purposes.**