

California

PROPERTY TAX INFORMATION

Street Improvement Districts can be used to finance the construction and maintenance of county roads and streets, as well as fund the construction of toll bridges and highways.

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What is a Street Improvement District?

Background:

There are several types of street improvement districts that are used by counties to finance the costs of building and maintaining public roads and highways. There is also a financing district that was used to specifically finance the construction of toll roads and toll bridges in the past.

The most commonly used forms of Street Improvement Districts are summarized below.

Permanent Road Divisions Law:

Counties may use the Permanent Road Divisions Law (Streets & Highways Code §1160-1197) to pay the costs of constructing, improving and maintaining county roads.

A district is formed by either resolution of the sponsoring county or by a petition of the majority of area property owners. The county must determine "areas of benefit" called divisions. Then, the county will propose that a special tax be levied on all property within a division to pay for the cost of road work and maintenance. Passage will require approval of 2/3rds of voters residing within the division.

Once approved, a special tax may be levied annually to pay costs of road maintenance. Any increase of the special tax will require another vote.

Boulevard District Law:

Counties may use the Boulevard District Law (Streets & Highways Code §26000 *et seq.*) to pay the costs of constructing and maintaining boulevards. (Boulevards are defined as highways between 30 and 100 feet in width.) Boulevard Districts are normally initiated by a petition of 10 or more area property owners. Once proposed, the proposed district is subject to public notice, hearing and vote requirements. Boulevard Districts may issue bonds upon a 2/3rds vote of district residents. An additional vote is also required to construct a new boulevard.

The sponsoring county is required to contribute toward the required costs of construction and maintenance each year. Then, an annual boulevard district tax may be levied to pay remaining costs of maintenance plus principal and interest of any outstanding bonds. Because this is a general tax based on the assessed value of property, it is considered an "ad valorem" tax. Proposition 218, the Right to Vote on Taxes Act, impacted the ability for counties to continue the use of Boulevard Districts as a source of financing.

Bridge and Highway District Act:

The Bridge and Highway District Act (Streets & Highways Code §27000 *et seq.*) was created to provide initial financing for the construction of a toll highway or bridge.

Bridge and Highway Districts are initiated by ordinance of county government or by petitions of local registered voters. These districts may include property in one or more counties. If approved, Bridge and Highway Districts can levy ad valorem taxes based on assessed value. They also can issue general obligation or revenue bonds secured only by future toll revenue. Any bond issuance requires a 2/3rds majority vote of registered voters.

Proposition 218, the Right to Vote on Taxes Act, impacted the ability for counties to continue the use of Bridge and Highway Districts as a source of financing.