

# Self-Reliance

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## NEIGHBORHOOD GOVERNMENT THROUGH SPECIAL DISTRICTS

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Can a neighborhood form its own government? The answer is an unqualified yes. Throughout the country, in every state but one, it's possible to organize small, limited-purpose governments called special districts. These districts are entirely authentic governments, legally responsible to territorially-defined constituencies and possessing public powers. They do all the things we associate with government: accept grants and subsidies from other governments, initiate legal action, contract for services, buy and sell property, invest funds and employ staff. And their small size makes them well suited to neighborhood control. In fact, special districts may be the best route to securing permanent public power at the grassroots level that so far has eluded most community organizing.

Few people know that about two-thirds of all governments in the United States, numbering nearly 24,000 (not including school districts), are special districts. They have more than 300,000 people working for them and spend nearly \$10 billion a year. And contrary to the currently popular notion of keeping government out of productive enterprise, much of what special districts do is produce goods and services that are usually produced in the private economy. This includes running everything from airports, baseball teams and cable TV to hospitals and theaters. There is no reason why neighborhoods couldn't use special districts to control their own productive enterprises.

### **Special District Abuse: Private Profit, Public Risk**

Of course, the use of special districts by neighborhood organizations is currently all but non-existent. Instead, special districts are almost always used for the wrong reasons—at least from a community organizer's point of view. The most frequent abuse of special districts has been by private developers of one stripe or another, usually to get credit subsidies for their profit-

making corporations. In housing, for example, California real estate developers have organized special districts for decades, many no larger than a single subdivision of new housing, to float tax-free general obligations bonds for financing capital costs. Many of these districts were formed with little more than the votes of their developers, some business cronies, relatives and friends—but the debts they incurred were binding on all who later bought into their subdivisions. Land promoters and developers were thus able to get risk capital without drawing on their own credit lines. Over the years, there have been a number of variations on this theme, from water districts that primarily serve agricultural interests at public expense to road districts that similarly make mining possible in formerly inaccessible areas.

But the weaknesses and failures of special districts, as a class of government, are not inherent. Under different circumstances, special districts can be a remarkably progressive tool. Consider how a special district could be used by one umbrella organization in Baltimore, in a district that has several dozen neighborhood and related groups, serving mostly residential areas of about 50,000. There's an old shopping strip on a main six lane road; and in recent years, because of the newer shopping centers, the older retailers have been losing business. The result has been too many business failures, unrented storefronts, fewer convenient neighborhood shopping places, and unchecked deterioration of the buildings as vacancies grow longer and longer. A big part of the problem is that the newer retail centers have great expanses of off-street, no cost-parking, which is conveniently located around the shopping area. In contrast, parking in the older strip development, when it's to be found, requires parallel maneuvering, sometimes in heavy traffic, and meter-watching to avoid being ticketed.

It's apparent that one renewal plan worth considering would include building a combined parking structure and retail shopping center (given that there's not enough adjacent property for ground-level spaces). To explore that option would mean answering questions about how the structure could be financed, who would own, manage, and operate it, and who would reap whatever profits accrued. What organizational model would allow the community to leverage the necessary capital and keep neighborhood control? Special districts have in fact been used for such purposes before, although doubtlessly not by grassroots interests.

The most likely method for creating a neighborhood special district would be the same as how most other special districts are created. In the Baltimore case, the sponsoring neighborhood organization would ask its state legislature to draw up a bill. Their legislative proposal would likely stipulate that the district could construct, own, manage and operate the parking-shopping structure, with financing initially by revenue bonds, repaid through minimal user fees. The proposal would also include limited taxing, eminent domain, and police powers.

The proposed decision-making arrangement would probably not be a corporate board of directors. Instead, decision-making would correspond as nearly as possible to the governing body of the neighborhood organization or one of its member associations. Once the district is formed and operating successfully, the legislature may be asked to authorize a popular assembly, giving decision-making authority directly to all registered voters within the district's boundaries.

### **Other Uses for Special Districts**

Several other kinds of special districts can be quickly adapted by neighborhoods. Since special districts have already built and run hospitals, power-generating utilities, libraries and similar facilities, likely scenarios for their future use by democratically governed neighborhood organizations unquestionably include comparable activities such as neighborhood health care and solar power generation. One of the most exciting prospects for neighborhood special districts in the immediate future is "downlink" communications—receiving satellite broadcasts of commercial-free TV and computer data through relatively low-cost antennas, receivers and amplifiers. It is now economically practical for a neighborhood to own its own receiving and cable or microwave distribution system. Present costs when amortized make such a plan at least as economical as buying service from commercial cable operators. In many cities, organizing a special district to finance and operate a downlink system would enable grassroots capitalization and control.

Given the power and potential of special districts,

how do we know they won't be used for reactionary purposes if we promote them? The problem is that it's too late for that worry. The number of districts already set up and working against the public interest is sizable. We'd do better asking whether it isn't about time for the public powers of special districts to be working for grassroots interests.

Grassroots organizations ought to oppose the formation of special districts by reactionary or profit-making interests, but still support the basic idea of citizen access to public powers—and there's no contradiction in that. It's similar to a community group's use of incorporation. There's an endless list of corporations that ignore the public interest, but no one is suggesting that we abolish the limited liability benefits of incorporation for political action and social service organizations.

But even if grassroots organizations can productively use special district powers, would one result be a shift in responsibility for providing public services, so that an increasingly larger burden will fall on neighborhoods, and particularly on those most in need? The question taps into several "decentralization dilemmas."

There are a number of concerns about empowering small communities. The question is whether there's a conflict between equal treatment and social justice—equality versus equity—in the granting of public powers to neighborhood organizations. The problem can be seen by imagining a city overlaid with such organizations. If resources are equally accessible to and divided among all of the jurisdictions, there may be equal treatment, but without social justice for the special needs of low-income, ethnic, and non-white areas. There's also a concern that decentralization may be a smokescreen by some racially or ethnically exclusive neighborhoods, further blocking the already-stalled drive for integration. And there's a fear that "neighborhoodization" will simply lead to abandonment of the "have-nots" by the "haves."

It may be that, when many grassroots organizations in an urban area have public powers, resources will be divided among neighborhoods more on a formula of equality than equity, on a per capita rather than a need basis. But since local government appropriations are far from equitable at present, except in state- and federally-mandated programs, the loss is likely to be imperceptible. Also, where local reactionary tendencies threaten equity, there are some remedies in state and federal programs, and their enforcement and regulatory activities. These protections are contracting now; but this is neither the first, nor will it be a permanent era of reaction. And although public powers won't bring about any instant changes for victimized neighborhoods, gaining authentic state power—from which they are acutely alienated at present—is hardly a setback.

There have been predictions that with grants of public powers to neighborhood organizations citywide, areas with resources (tax bases) will secede, leaving the rest to fend for themselves. This idea is based on a limited and unrealistic conception of urban government as completely centralized or decentralized, rather than a mix between the two. There's nothing to suggest, nor does common sense have one hope, that as grassroots organizations achieve public powers, there will be an end to all higher levels of government—city, county, state, and Federal. They'll continue, and it isn't possible to secede from their lawmaking authority, particularly their taxing, regulatory, and judicial powers.

Also overlooked is that, within the urban political-economy, the link between luxurious and impoverished neighborhoods is more like exploitation than charitable benevolence, barely camouflaged by local transfers from rich to poor. If they seceded, many or maybe most low-income neighborhoods could benefit, winning for themselves the right to manage their own development, even at great cost, without the permanent handicap of "civilizing exploitation" by powerful outside interests. It's even more true when such areas have public powers and are eligible for direct intergovernmental subsidies. Then they are at least no longer hamstrung by city and county brokering of state and federal programs.

But there's a positive answer to predictions of more isolation from neighborhood empowerment. Unlike the present situation, in which bureaucratic governments deny public space to virtually everyone with a low or moderate income, public powers vested in neighborhood organizations would stimulate, as never before, real opportunities for self-interested cooperation between different racial, ethnic, and socio-economic communities. There are great pressures for formal and informal service and mutual aid agreements in such systems, for purchasing high-cost equipment, sharing technical staff, and much more. In the cities as they are, neighborhoods often meet only in destructive competition or conflict. While both are going to continue, granting public powers to grassroots organizations will lead to compelling incentives for cooperative joint ventures in the future.

### **Who Will Pay for Special Districts?**

The sleeper question on special districts is, will they add to the economic burden of families with low and moderate incomes, increasing their tax load, even if admittedly by their own choice? The answer is, "maybe, but. . ."

First of all, special districts need not rely only on taxes or user fees. One of their biggest advantages is that they have the resource leverage of public organizations. As mentioned before, districts have a better chance to attract investors because they can sell securi-

ties that pay tax-free interest. The districts are eligible for transfers from local, state and federal governments for a variety of programs and services. And the districts can bootstrap resources by using their other public powers. The Bay Area Rapid Transit District in Northern California, for instance, was able to get valuable equity in "property" for its stations, acquiring air space over city streets, thereby gaining at no cost what probably couldn't be purchased privately at any price.

The possibility of adding to the tax burden is also offset by a function of taxing power that's well understood by urban political-economists, but hardly recognized by grassroots organizers. Much of the "apathy of the poor" toward neighborhood organizations results partly because, from the individual point of view, people are acting in their own self-interest. It's incapable in producing what are called "public goods" (and bads). They are the products of government for which people have attractions and aversions, including material things and intangible benefits, from garbage collection to zoning decisions, all with benefits or costs. When citizens act in their immediate self-interest, they don't join neighborhood organizations because, from where they stand as individuals, the neighborhood will enjoy the benefits of the public good whether or not they carry their fare share of the burden of costs. That's why government power to tax—to compel all citizens to carry their share for producing public goods or preventing and remedying public bads—is indispensable.

Moreover, to ignore the sanctioning purpose of taxation is to play into the hands of traditional opponents to neighborhood empowerment—the city and county politicians and bureaucrats. They're always saying that neighborhoods should help themselves, should do for themselves what they're asking the city and county to do. But local officialdom doesn't dream of granting the necessary taxing and other public powers to neighborhoods, the very same powers the politicians and bureaucrats regard as absolutely essential to their efforts at producing public goods.

The deepest motive for vesting taxing power in grassroots organizations is that it's the most promising way for large numbers of moderate- and low-income citizens to gain an authentic power level—a handle that can't be resisted—on higher levels of government. Organized tax resistance for residence-place organizing, like the strike for workplace organizing, is the ultimate power lever. The hitch in using these levers, however, is that risks are great for those involved, whether resisting taxes or striking, and what's needed is organization that not only motivates individuals to act, but also reduces individual vulnerability. The final point here is that, before large numbers of organized citizens will use the tax resistance lever, there must be permanent and

legitimate organization to offset the risks. It's unlikely that there's any better model for this purpose than the special district with taxing authority.

The main point in creating neighborhood controlled special districts is to create directly-democratic public organizations, popular assemblies that give people space to act as citizens by granting them permanent roles through which they can exercise public powers. But these organizations are not in themselves the

answers to our problems, only the means to the answers when owned by communities that are well organized and mobilized for action.

We have in this country a legal framework and historical political practice of organizing special districts, giving us access to a nearly ideal model for neighborhoods to gain public powers. Thousands of districts have already been established, far too many by the wrong people for the wrong reason. Now it's our turn.

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