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## Community and Economic Development in North Carolina and Beyond Blog: University Contributions to Municipal Service Districts in NC

By CED Program Interns & Students

Article: <https://ced.sog.unc.edu/university-contributions-to-municipal-service-districts-in-north-carolina/>

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One tool that local governments utilize in order to promote

revitalization and growth in communities across North Carolina involve the use of Municipal Service District (MSD) taxation revenue. MSDs are designated areas, usually within a municipality's central business district or other area of interest, which may levy an additional property tax to provide additional services to the district. Professor Kara Millonzi of the School of Government discusses MSDs in detail and describes recent changes to the governing law in an earlier blog post . Examples of services provided by MSD revenue within a downtown revitalization district include street cleaning, landscaping, public events management, safety, economic development, marketing, and other initiatives to promote MSD areas.

In the state of North Carolina, there are 66 MSDs within 53 municipalities. Average taxation rates for these MSDs are 17.75 cents per \$100 of property value assessment. Most municipal service districts within North Carolina focus on downtown revitalization efforts, but other MSDs within the state focus on urban services improvements, watershed management, and beach erosion protection for coastal communities.

However, state owned properties and non-profit organizations are exempt from property taxation, which include MSD contributions. These properties include state universities such as the University of North Carolina at Chapel Hill and North Carolina State University, as well as not-for-profit universities such as Duke University. Although universities do not pay MSD property taxes because their property is tax-exempt, various efforts have been made by universities and municipal agencies to promote university contributions to MSD service provisions.

As an anchor in Raleigh's Hillsborough Street Business Improvement District, NC State University has been heavily involved with the formation of the BID since its inception in 2008. Representatives from the university were involved with the Hillsborough Street BID Formation Study Steering Committee, which led the planning efforts for the project. While NC State and other universities located in the BID such as Meredith College and St. Mary's School do not contribute to the BID as institutional entities, NC State had indicated support for the business and proposed financial contributions to the BID outside of taxation. NC State contributed a \$100,000 grant, or roughly 11% of the Hillsborough Street BID income, towards street cleaning, safety, and management for downtown events such as Packapalooza. The annual day-long block party and music festival is free to the public and celebrates the culmination of NS State's Welcome Week. In 2017, Packapalooza brought over 85,000 visitors and 300 vendors to Hillsborough Street and its adjacent businesses.

Like NC State University and Raleigh's Hillsborough Street, UNC has been a major fixture within the Town of Chapel Hill's downtown area, which consists primarily of Franklin and Rosemary Street. The university has partnered with the Town of Chapel Hill and Chapel Hill Downtown Partnership in making contributions to benefit Chapel Hill's central business district. In the past fiscal year, the university made contributions totaling \$90,500, most of which went towards economic development efforts. Such efforts include the establishment and administration of business startup spaces such as Launch Chapel Hill



. The startup incubator provides downtown collaboration spaces, mentorship programs with the UNC Kenan-Flagler Business School, and technical support within downtown Chapel Hill. Launch Chapel Hill has supported 75 startup companies since its inception in 2013, which has resulted in \$20.6 million in revenue and 202 additional jobs in Orange County.

Although universities and other institutional organizations are exempt from property tax contributions towards funding MSDs, efforts made by both UNC and NC State have demonstrated that these entities can still make lasting contributions towards fostering senses of communities and leading the way towards revitalizing downtowns. These efforts are also indicative to the notion that creative solutions between universities, downtown organizations, and municipalities can be attained in order to maximize the effectiveness of MSDs in communities.

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