



Special Service Area Program

A Special Service Area (SSA) is a fund-raising tool used by a municipality or a county to finance additional services, improvements, or facilities desired in a certain portion of its jurisdiction. What makes an SSA unique is that it only taxes those who will benefit from the improvements.

For example, if people in the main business district of a community go to city hall and ask that parking space be upgraded. In that case, the city could issue bonds payable from property taxes levied in only that business district. Each person within the SSA would have their real estate tax bill increased to an agreed-upon amount.

A brief history of SSAs in Illinois

There was a time when SSAs were not only prohibited, they were unconstitutional. The 1870 Illinois Constitution prohibited counties and municipalities from levying a tax to a limited geographic area for public improvements or services. That ended 100 years later, in 1970. The Illinois Constitutional Convention altered the Constitution to grant municipalities and counties the following power:

...to levy or impose additional taxes upon areas within their boundaries in the manner provided by law for the provision of special services to those areas and for the payment of debt incurred in order to provide those special services.
IL Const. Art. VII. §6(l)

After the inclusion of this provision in the Constitution, the Illinois Supreme Court held that to establish SSAs; the General Assembly would need to adopt enabling legislation. Accordingly, in 1973, the General Assembly passed the Special Service Area Tax Act, 35 ILCS 235/.01, et seq., outlining the procedures by which SSAs can be established, bonds issued, and taxes levied.

In 1978, the Illinois Supreme Court upheld the constitutionality of SSA financing when it determined whether or not taxes on a particular property might exceed the benefit to the property does not invalidate the SSA tax.

In 1994, the initial 1973 Special Service Tax Act was repealed and replaced by the Special Service Area Tax Law. The Illinois Department of Commerce and Community Affairs created guidelines for establishing an SSA. There are now nine steps used in developing an SSA. Additionally, a municipality may now have an unlimited number of SSAs, which may overlap entirely or partially. While there are no minimum or maximum physical size requirements, an SSA cannot consist of the entire jurisdiction of a governmental entity.

SSA creation in nine steps

First, adopt an ordinance proposing the establishment of the SSA. This includes a concise statement as such:

- The purpose of the SSA



- A legal description of the boundaries
- An annual maximum tax rate
- The maximum number of years the tax will be levied

Second, adopt a resolution at a public hearing. The resolution will determine if—and when—a public hearing will take place to create the SSA. Before or within 60 days after adopting an ordinance proposing the SSA, the governing board should adopt a resolution establishing the time and place of a public hearing.

Third, provide notice of the public hearing. The notice must be published in a newspaper with a general circulation within the municipality at least 15 days before the public hearing. In addition, the notice must be mailed within ten days of the hearing to all the property owners in the proposed SSA and to persons who paid the property taxes for the preceding year.

The notice must contain:

- The time and place of the hearing
- Boundaries of the area by legal description and street location
- The maximum tax rate for the area
- The maximum number of years the tax will be in effect
- A statement that all interested persons will be given an opportunity to be heard and object to the tax at the hearing.

Fourth, conduct a hearing. The governing board is required to conduct a hearing where anyone with an objection may be heard on any issue relating to the proposal. In addition, the board has the authority to delete territory from the proposed SSA.

Fifth, observe a 60-day waiting period. This will allow a petition to block implementation. The board must wait 60 days following the hearing before further action. The purpose of the waiting period is to allow anyone with an objection to circulate a petition. If 51 percent of the electors and 51 percent of the owners who reside in the SSA sign a petition and submit it to the clerk, the proposed SSA may not be formed. The failure of either group to have 51 percent or greater signing the petition will defeat the objection and validate the ordinance. Also, a successful petition objecting to the SSA will block establishing an SSA for two years.

Sixth, adopt the final ordinance. After the 60-day waiting period, the governing body may adopt the final ordinance. After this point, it is questionable whether new properties can be legally added to the SSA because the owners and electors would not have received notice or the opportunity to object and petition.

Seventh, implement an SSA. The governing body then commences with the project or service and uses the approved tax levy as indicated in the final ordinance. The tax revenue generated



from the SSA tax must be put into a fund budgeted and expended by the governing body only for the specific purpose of the SSA.

Eighth, file documents with county clerk and recorder within 60 days. The county clerk must file a certified copy of the ordinance establishing the SSA. The office of the recorder in each county in which any part of the area is located must also have a certified copy. In addition, if the tax is based on an assessed valuation, the municipality must provide an accurate map of the territory to the county clerk. Additionally, suppose the tax is based on a method other than an assessed valuation. In that case, the municipality must provide a special tax roll and a certified copy of the ordinance to the county clerk.

The purpose of the special tax roll is to explain:

- The method of spreading the tax
- The list the lots, blocks, tracts, and parcels of land in the SSA
- The amount assessed against each property.

Lastly, alter the SSA. Once an SSA has been created, the preceding procedures may be utilized to:

- Enlarge the area
- Change the tax or debt limitations
- Alter the type of tax authorized for debt retirement
- Extend the life of the SSA if it was limited to a fixed number of years.

Six advantages of SSA vs. special assessment financing

SSA financing and special assessment financing— a surtax levied on property owners to pay for specific local infrastructure projects—may be options for financing a particular project. SSA financing has some basic advantages over special assessment financing.

- The legal procedures involved in SSA financing are more efficient than those involving special assessment financing. Each special assessment levied against a property must go through the time-consuming process of confirmation by the circuit court.
- The ad valorem bonds issued for SSAs are marketable at a lower interest cost than special assessment bonds. This makes SSAs a more budget-friendly option.
- Legal fees involved in SSA financing are significantly lower than if special assessment financing is utilized for the same project.
- Although not conclusive, it is widely believed that taxes paid in SSA financing may be deductible for Federal income tax purposes.
- Distribution of the cost of an SSA project is quick and inexpensive.



- There is flexibility in the type of tax that can be utilized. For example, a municipality could use a sales tax or any other type of tax to finance the SSA.

Summary

SSA financing is an effective way for counties and municipalities to provide and fund additional services and projects for a portion of a jurisdiction. Title insurance providers need to be aware that SSA financing exists, how it can be found in the public record and the importance of showing the SSA lien as an exception to title.

Sources:

[City of Chicago - Special Service Area \(SSA\) Program](#)

[Attorneys' Title Guaranty Fund, Inc. - Special Service Area Financing: The Basics](#)

[Chicago Data Portal - Boundaries - Special Service Areas](#)

[Lincoln Park Chamber Of Commerce - Learn More About Our Special Service Areas](#)

[Chicago Parents And Friends, Inc. - Special Service Area 5 \(Ssa 5\) – Commercial Avenue](#)

[SBFriedman - A Resource Guide to Special Service Areas](#)

[City of Chicago - Guide to starting a Special Service Area](#)