



May 5, 2009

Operating Plan for Duluth's Downtown Waterfront District 2010-2014

I. Introduction

On July 15, 2004, the City of Duluth received petitions from property owners to create a Special Service District, known as the Duluth Downtown Waterfront District. These petitions showed support from property owners representing 68% of the net tax capacity within the district boundaries. On September 13, 2004 the Duluth City Council adopted Ordinance No. 04-053-O establishing the district and approving the operating plan and budget. The Duluth Downtown Waterfront District was unveiled in January, 2005. Under the creation of the district, there was a five-year sunset clause which allowed for the district to cease existence after five years unless a petition drive was implemented to recertify the district. The DDWD Advisory Committee and Greater Downtown Council Board of Directors have supported recertification of the district and therefore are proposing another five-year operating plan.

Under Minnesota Statutes chapter 428A.03, cities are authorized to adopt an ordinance creating a Special Service District upon the petition of property owners within the boundaries of the proposed district. No action may be taken to create a Special Service District unless owners of 25 percent or more of the land area of property that would be subject to service charges in the proposed district and owners of 25 percent or more of the net tax capacity of property that would be subject to service charges in the proposed district file a petition requesting a public hearing on the proposed action. See Appendix A.

Because the district was created with a 5-year sunset clause, petitions are necessary to recertify the district. In order to gain the recertification approval from a majority of property owners, the DDWD Advisory Committee has placed a locally higher threshold on the approval process. It has been determined that the committee will not take action on the petition unless owners of more than 50 percent of the net tax capacity of property that would be subject to service charges sign off on the petition.

II. District Boundaries

The District boundaries cover approximately 90 blocks and encompass the City's Downtown, including Canal Park. The District Boundaries include Mesaba Avenue and Bayfront Park to the west; Second Street to the north; 10th Avenue East to the east and Lake Superior and the Duluth-Superior Harbor to the south. This geographic base of the central business district is the existing constituency that the GDC currently serves in a more limited manner; therefore it has been

deemed the appropriate sector in which to provide enhanced services. A 2008 survey of business and property owners did not spur any requests for proposed changes to the boundaries and DDWD Advisory Committee members feel confident the existing geographical make-up is appropriate for this district. Boundaries of the District are shown in Appendix B of this Operating Plan. A narrative listing of the properties included in the District is set forth in Appendix C.

III. Organization and Management of the Duluth Downtown Waterfront District

The district is managed by the Greater Downtown Council under the direction of an Advisory Committee of property owners and the Greater Downtown Council Board of Directors. The committee shall advise the GDC Board in connection with the operation and implementation of services and programs provided by the district. It will also serve as the entity to hear any special requests or complaints by owners or tenants of property within the district.

The Advisory Committee shall be structured as follows:

Committee size: 12 members

Composition: Each member, or the business/property in which the member represents, must be obligated to pay the special service charge authorized by city ordinance, with the exception of two members: 1) a city representative, 2) the Chair of the GDC Board. The President of the GDC shall be secretary and ex-officio member of the board (12).

Each of the following geographic areas must be represented:

- Canal Park
- Superior Street
- First Street
- Second Street

Each of the following tax capacity ranges also shall be represented:

- Small (100-6,999)
- Mid (7,000-21,999)
- Large (22,000+)

IV. Why is a Special Service District Important for Duluth's Downtown Waterfront?

Special Service Districts have proven to be the funding mechanism of choice to improve the safety, cleanliness and economic vitality of Downtowns. More than 1,000 districts now exist in North America, and a significant indicator of their success is the renewal rate of the districts. The taxing authority of the district is typically up for renewal in five or ten years, and nationally, the renewal rate is close to 100%.

Numerous factors played a role in the creation of Duluth's Downtown Waterfront District, most importantly, a desire by many stakeholders to strengthen our central urban core. A 2001 Economic Summit in our community also presented several themes, including the need for

Duluth to have a strong, healthy Downtown and the need to shift the roles and responsibilities in economic development to a lessened role of government and an increased role by the private sector.

The Greater Downtown Council also retained the expertise of the International Downtown Association to gauge the support for creating such a district in Duluth. Once the panel of experts determined there was a true willingness to support this new initiative, they helped provide the framework and budget recommendations for the program that currently operates.

The Duluth Downtown Waterfront District has worked to stabilize and improve Downtown and Canal Park's environment thereby strengthening its competitiveness in the region. The estimated market value of the district has increased 27% since the program's inception in 2005:

Duluth Downtown Waterfront District Estimated Market Value

2005.....	467,752,600
2006.....	483,114,100
2007.....	498,207,700
2008.....	532,308,400
2009.....	596,060,300

V. Proposed Operating Plan

A. Plan Objectives

This District will serve as a key tool in revitalizing and strengthening the Downtown Waterfront. Objectives include:

- Increase Daily Visits
- Increase Property Value and Sales
- Decrease Crime
- Increase Building Occupancy
- Provide coordinated management of the district
- Provide an “experience” for shopping, dining, visiting, etc.
- Provide leadership for the Downtown Waterfront
 - Development
 - Business recruitment/retention
 - Increase parking and other infrastructure improvements
 - Housing
- Increase Comprehensive Marketing of the Downtown Waterfront

The District proposes to achieve its objectives by supplementing the maintenance and security services provided by the City in order to increase the safety and cleanliness (and the perceived safety and cleanliness) of the Downtown Waterfront. In addition, the district will provide marketing and promotional services to create a positive identity for the Downtown Waterfront. An Improvement District is a designated area within which services are provided above and beyond the current level of local government.

Level of Service Agreement with the City

The City will continue to provide its basic level of maintenance and policing services, and it is understood that the district dollars would go toward enhancing and creating new services, NOT replacing existing services. The City and the District have entered into a cooperation agreement to be on file in the District's office.

B. Proposed Special Services and Budget Recommendation

The Duluth Downtown Waterfront District provides coordinated management of activities and programs within the boundaries; also serving as a liaison to city services. It offers property owners and tenants enhanced safety, hospitality and cleaning patrols, supplemental public space maintenance, coordinated marketing and promotion as well as support to the Park Plus parking program. The District may, as it deems necessary, adjust staffing levels and the scope of activities based upon the season and demand for service. These adjustments, however, must remain consistent with the activities presented in this Operating Plan. Below please find the components for the 2010 proposed budget:

CLEAN AND SAFE:

\$ 312,436

58% of total budget

The Clean & Safe Team remains the most recognizable and visible aspect of the services provided by the District. It is our motto to "hire for personality and train for skill," in order to provide the strongest customer-service oriented uniformed presence on the streets and skywalks. Individuals submit daily reports on their activities and the statistics speak volumes. Since the inception of the District in 2005, Team members have provided:

- 19,427 Pedestrian Assists (giving directions, interacting with public, advising on ordinances, etc)
- 3,973 Property owner/manager contacts
- 492 Requests for police assistance
- 65,002 Pounds of litter and debris collected
- 956 Graffiti tags removed
- 278 Interventions with panhandlers

The total clean and safe budget for 2010 is approximately \$312,436, which represents about 58 % of the total budget.

This budget also reflects the salary and benefits of Clean & Safe Ambassadors, including an Operations Manager. The ambassadors will have an understanding that their job is to maintain a high level of uniformed visibility at all times. Team members will provide approximately 10,400 on-duty hours annually; this includes both full-time and part-time seasonal employees. Staffing levels range from approximately eleven ambassadors during the peak summer season to six ambassadors during the winter months.

Cleaning ambassadors will be deployed five-seven days a week and they will provide:

- Manual and mechanical removal of litter and debris
This includes removal of all types of paper, cigarette packages and butts, leaves, gravel or rocks, gum, cans, cardboard, plastics, bottles, and glass.
- Pressure Washing of Sidewalks
The Clean Team will pressure wash sidewalks on a weekly basis, dependent on weather conditions. This will allow for the removal of dirt, soda stains, gum, etc.
- Graffiti Removal
The Clean Team will also remove graffiti within 48 hours from private property and fixtures (such as utility boxes, newspaper racks, light poles and bus shelters) in the public rights of way.
- Canal Park Tree Lighting
The Clean Team will be responsible for the installation and maintenance of decorative, festive holiday white lights in Canal Park trees surrounding the Northwest Iron parking lot.
- Supplemental Horticulture
Ambassadors will maintain streetscape planters and hanging baskets as well as provide weed removal and control within those planters and within the cracks of sidewalks. This includes daily watering of planters and baskets as well as weekly fertilization application.
- Empty Waste Receptacles
The Clean & Safe Team will conduct daily assessments of 65 Waste Receptacles located within the district boundaries. These cans will be emptied as needed in order to prevent any overflow of trash onto the streets and sidewalks. The City of Duluth will provide bags for the receptacles and a disposal site for garbage.

Safety/Hospitality Ambassadors will be deployed approximately seven days a week. They will provide visible patrols and serve as goodwill ambassadors as well as additional eyes and ears for the police department. Ambassadors will:

- Conduct Foot and Bicycle Patrols
This will allow for a greater visibility, better mobility and a greater response time for incidents.
- Serve as Goodwill Ambassadors
These ambassadors will be trained to provide directions and information on hotels, restaurants, attractions, events, conventions, parking locations and other information deemed appropriate.
- Report Criminal behavior
- Provide assistance for publicly intoxicated individuals, panhandlers, homeless and mentally ill individuals
- Safety Escort Service (Nov-March)
This service will be provided primarily November-March. It will enable downtown workers to call for a safety escort to their vehicle during later hours.
- Skywalk Patrols
This service will be provided year-round to promote a safe environment and consistent hours of operation within the skywalk system. Ambassadors will make

- **Public Relations/Advocacy/Leadership**
The Special Service District will serve as the strong, unified voice for property and business owners within the district boundaries. As a program of the GDC, the organization's staff will advocate on behalf of the stakeholders, and work to bring business, community and government leaders together to focus on Downtown issues. In addition, the Special Service District will distribute news releases promoting the district and its businesses, events, activities, etc.
- **Special Events and Activity Programming**
In order to make the Downtown Waterfront streets as vibrant as possible, the Special Service District will support events and activities that will encourage people to enjoy the Downtown Waterfront. The Special Service District can help finance these activities and provide the program staff management to create, plan and implement successful activities that will help bring potential customers to the doorsteps of businesses within the district. These events include the Rock the Block Summer Concert Series and support to the GDC through its current offerings, such as Sidewalk Days, The Classic Car Show and Harley Revue, Street Dance on First Street and Holiday campaigns.
- **Parking Validation Program**
The Special Service District, in conjunction with the GDC, markets and administers a program that allows Special Service District members to provide their customers with parking validation at parking ramps as well as on public transportation. Currently, the Park Plus Program provides validation, but the district will attempt to refine, upgrade and heavily market it. This program will continue to help alleviate the strain on on-street parking and the Special Service District can also focus in on advocating for additional parking inventory.

PHYSICAL ENHANCEMENTS:

\$41,593

8% of total budget

The total Physical Enhancements budget for the first year, 2010, is approximately \$41,593, which represents 8% of the total budget. It includes the following:

- 140 hanging flower baskets as well as annuals for 180 streetscape planters throughout Canal Park and Superior Street
- Random pilot projects including additional flower plantings and/or trees
- The introduction of streetscape benches
- Decorative festive specialty lighting in trees in Canal Park and Downtown
- Decorative holiday displays/lighting to further promote the Bentleyville atmosphere throughout the Waterfront District
- Additional trash receptacles and the introduction of recycling receptacles

The items above represent enhancements that will further strengthen and improve the image of the Downtown Waterfront. They will assist in producing an inviting atmosphere, where customers will feel safe, comfortable and at ease. In producing such an environment, the Special Service District will be attracting customers for our business members and improving the overall commerce within our district boundaries.

Each of the above items also includes staff salaries/benefits and operating costs (rent, supplies, printing, phone, postage, equipment, accounting, insurance)

TOTAL SPECIAL SERVICE DISTRICT BUDGET: \$534,858

VI. Implementing the Special Service District

A. Assessments

Special Service Districts are funded by service charges. The Downtown Waterfront District will be funded using service charges imposed on the basis of net tax capacity. Service charges will be collected in the same manner as ad valorem real estate taxes payable in May and October. Service charges will be collected by St. Louis County and paid to the City for use in providing special services. The assessment for service charges will be based upon a target total assessment of \$342,716 in the year 2010, which is a 1.5% increase over the 2009 level. The total assessment will increase 2% in 2011 and 3% each of the three remaining years. The maximum service charge that will be imposed on any single property will be capped at \$8,000 in 2010. The cap will increase to \$8,160 in 2011, \$8,404.80 in 2012, \$8,656.98 in 2013, and \$8,916.68 in 2014. For purposes of applying these caps, a "single property" is a single principal building or a physically integrated set of principal buildings which commonly functions as one property, together with accessory improvements and parcels serving the principal building or buildings. Accessory improvements and parcels may include, without limitation, skywalk bridges, parking ramps, parking lots, vacant lots, open spaces, and plazas. Examples of single properties which could be subject to a cap include the Tech Village, Lake Superior Place, the Minnesota Power Building, the Sellwood Building and Annex, and the Radisson Hotel. An otherwise qualifying property with multiple owners remains a "single property". An otherwise qualifying property that has been divided into separate ownership parcels through the use of a subdivision plat, condominium or similar regime and in which the parcels are separately taxed, is not a "single property".

Based on an assessment target of \$342,716 and a single property cap of \$8,000, it is projected that the 2010 service charge assessment will result in the collection of \$291,218. Due to the existing negative state of the economy, the DDWD's 2010 assessment was calculated with a 1.5 % increase over 2009. However, if a property was recently re-evaluated in 2009, the individual assessment may reflect a higher amount.

B. Voluntary Contributions

Tax exempt properties are not subject to involuntary assessments for service charges. The Greater Downtown Council will actively solicit contributions from exempt organizations that receive the benefits of special services provided within the District. The City of Duluth has passed a resolution of intent to contribute \$200,000 annually (subject to yearly review).

C. Service Contract Between the City of Duluth and GDC

The Special Service District is a funding mechanism and does not create a separate legal entity. Because of this, the special services must be carried out through and the service charges must be provided to an entity. The GDC will act as this entity. The City will act as a conduit - all service charges will flow through to the GDC in exchange for the GDC's agreement to provide the special services. The City of Duluth and the GDC will enter into a service contract pursuant to which the GDC will provide the special service and the City will make all special service charges available to the GDC for this purpose. The service contract between the City and GDC will, at a minimum:

- Incorporate this Operating Plan to identify the special services to be provided by GDC and the division of the budget to provide these special services;
- Provide that all service charges collected will be passed through to GDC in full without reduction by the City for administrative or other expenses;
- Require GDC to provide the special services;
- Provide that GDC will prepare and submit an annual budget to the City consistent with this Operating Plan;
- Require the City to adopt/approve the annual budget submitted by GDC if it is consistent with the Operating Plan;
- Include a term that ends when the District ends; and
- Provide that the City will not reduce services to the District (except where there is a proportionate reduction in services throughout the City) and establish a base line for services now being provided. (This issue may be addressed in a separate agreement.)

D. District Sunset

The District will renew on January 1, 2010 and will sunset on December 31, 2014 but may be renewed or extended in the same or a different form if petitions meeting the requirements of Minn. Stat. Chapter 428A or its successor are submitted.

VII. Proposed Timeline

June-July 2009:	Seek support on petitions
August 2009:	Petitions turned in to City
September 2009:	Petition approved by City Council
November 2009:	District Becomes Legally Recertified
May 2009:	New Assessment payments made

Conclusion:

Across the country, Special Service Districts or Business Improvement Districts have proven to play a key role in the revitalization of downtowns. The overall health of a community is often reflected by the strength and stability of its central urban core, thereby reinforcing the importance of a vibrant downtown.

It is commonly accepted that shopping centers and like developments assess businesses to fund a well managed environment; all pay so all may benefit. The diversity of ownership in a downtown does not provide such uniformity of participation without a vehicle such as a special service district. An equitable allocation of the cost for special services across all benefiting properties within the district is a direct, effective and fair approach. Also of importance is the opportunity to leverage a partnership with the City, through private sector leadership, to strengthen and expand the Greater Downtown Council's unique role in securing a vital, attractive and healthy Downtown Waterfront.

The concept of such a district was new to Duluth in 2005 and in some respect, property owners were taking a leap of faith to pledge their dollars toward this program of work. Now the district has a track record, the programs have demonstrated their effectiveness and the perceptions of the area are improving. A 2008 survey of downtown business and property owners found that more than 80% of the respondents felt that the cleanliness, overall appearance and overall image of the Duluth Downtown Waterfront were better than they were prior to the creation of the district in 2005.

This operating plan keeps the district on course for renewed optimism, especially during a time of economic down-turn in our national economy. It is imperative that we remain focused on core services—providing a clean, safe and friendly environment, so that property and business owners may focus on the services they best provide. All of the resources and assets exist to make Downtown Duluth the premiere destination to work, live and play...and the Downtown Waterfront District will provide that leadership to get us there.