



May 2014

Operating Plan for Duluth's Downtown Waterfront District 2015-2019

I. Introduction

The Duluth Downtown Waterfront District (DDWD) is dedicated to providing a clean, safe and friendly central business district. This Special Service District was unveiled in 2005 and recertified for 2010. The DDWD Advisory Committee and the Greater Downtown Council Board of Directors support and recommend another five-year renewal of the district through December 31, 2019.

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 district was recertified in 2009 (for operating 2010-2014) and property owners are being asked to support another 5-year-renewal (2015-2019).

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.

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 drive 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.

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.

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 nearly 34% 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
2010....	601,813,800
2011....	608,467,800
2012....	610,133,800
2013....	610,886,400
2014....	624,557,800

V. Proposed Operating Plan

A. Plan Objectives

This District will continue to 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.

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 2015 proposed budget:

**CLEAN AND SAFE:
\$330,000**

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. In the last five years of the District, Team members have recording the following:

42.86 tons of trash collected
2,698 graffiti tags removed
81,050 gallons for watering flowers
568 hours of snow removal
41,300 hospitality assists

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.
- 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.

- Festive 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 as well as throughout Canal Park and the core downtown
- 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 Segway 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 several patrols of the entire skywalk system during the day; meanwhile, in the evening, they will provide safety patrols in the stretch that remains open and will be responsible for securing doors when the system is to be locked down.

In order to provide the above-mentioned services, the budget includes the purchase of equipment and supplies to support these programs. The District staff would also be actively and extensively involved in monitoring these services by supervising the Clean and Safe Team, providing leadership and support, and conducting inspections and thorough benchmark surveys with the public.

**MARKETING/PROMOTION/SPECIAL EVENTS:
\$165,000**

The total marketing/promotions/special events budget for 2015 is approximately \$165,000. It includes the following:

- **Marketing and branding in preparation of the Superior Street Reconstruction**
The DDWD will put marketing dollars toward a concerted effort to build brand awareness of the Downtown Waterfront as we go into the reconstruction of Superior Street. This is meant to build a positive image and get consumers well versed on visiting the downtown, prior to the construction. Funding should also be allocated to assist in efforts during the reconstruction project to ensure our business district remains healthy and viable. Such marketing may include signage to let customers know that businesses are open during the project.
- **Downtown Growth Research and Occupancy Report**
This report will track vacancy rates in the Downtown Waterfront. It will also include quick facts about the Downtown Waterfront such as total square footage of commercial space, average market rents, retail sales revenue, annual expenditure of downtown workers and Service District Ambassador activity.
- **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. This includes support to the GDC through its current offerings, such as Sidewalk Days, The Classic Car Show and Harley Revue, Farmers' Market, Eat Downtown 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:
\$55,000**

The total Physical Enhancements budget for 2015 is approximately \$55,000. It includes the following:

- 140 hanging flower baskets as well as annuals for 180 streetscape planters throughout Canal Park and Superior Street
- Two portable bathrooms in Canal Park
- Decorative lighting replacement, repair and additions
- Random pilot projects including additional flower plantings and/or trees

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: \$550.000

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 on a total assessment of \$350,000 for the year 2015. The total assessment will increase 3% each year. In addition, the total assessment will increase each year to include additions to net tax capacity resulting from new development or redevelopment of a property involving construction resulting in an increase in assessor's estimated market value for the property of 50% or more. The maximum service charge that will be imposed on any single property will be capped at \$9,200.00 in 2015. The cap will increase to \$9,476.00 in 2016, \$9,760.28 in 2017, \$10,053.09 in 2018, and

\$10,354.68 in 2019. 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".

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, 2015 and will sunset on December 31, 2019 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.

Conclusion:

Special Service Districts have proven to play a key role in the health and revitalization of downtowns across the country. In Duluth, some of our property owners have actually commented that they can't afford not to support the district. The services and programs have become a valuable tool and they have helped set a higher standard in our business district.

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 continue to improve.

Our Downtown Waterfront is growing and changing. By pooling resources, every property owner is helping us further strengthen our central business district.