



Downtown Duluth

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Operating Plan for Duluth's Downtown Waterfront District January 2025-December 2027

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 created in 2005 and recertified in 2010, 2015 and 2020. The DDWD Advisory Committee supports and recommends a three-year renewal of the district through December 31, 2027. In Duluth, since the inception of the district, we have seen more than \$2 billion in private investment within the district boundaries. Several additional projects are already underway in 2024, including an \$88 million market rate apartment building, and an \$81 million campus redevelopment and expansion project at St. Luke's. The district has proven to its stakeholders that it plays a role in strengthening our central urban core and providing overall management of the district.

On July 15, 2004, the City of Duluth received petitions from property owners to create the 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), 2014 (for operating 2015-2019) and 2019 (for operating 2020-2024). Property owners are being asked to support another recertification effective January 1, 2025.

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 were expanded in 2020 to encompass parcels west of Bayfront Park, commonly identified as Pier B Resort and Lot D. The entire district is more than 90 square blocks of the downtown and Canal Park. The boundaries include Mesaba Avenue and Lot D 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 organization, Downtown Duluth, 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 Downtown Duluth, under the direction of an Advisory Committee of property owners and the Downtown Duluth Board of Directors. The committee shall advise the

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: Up to 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 Downtown Duluth Board. The President of Downtown Duluth shall be secretary and ex-officio member of the board (12).

Each of the following geographic areas shall 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+)

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:

- Provide coordinated management of the district, and leadership
- Improve the perception of safety
- Connect unsheltered individuals to resources
- Decrease quality of life crime
- Increase property value
- Increase Building Occupancy
- Supplement marketing (including maps) and event support

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. We will also maintain a Street Outreach Specialist on our team to provide resources to unsheltered individuals and to businesses. The district will provide additional support to marketing efforts and events. 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, should remain consistent with the activities presented in this Operating Plan. Below please find the components for the 2025 proposed budget of \$840,000.

**CLEAN AND SAFE, including Street Outreach Specialist
\$588,158 w/overhead**

This program is staff-intensive and that is intentional. The Clean & Safe Team is the most recognizable program of our district and plays a vital role in improving safety perceptions. Consistent uniformed presence is an assurance to stakeholders and visitors that someone is watching over our district. They serve as an extra set of eyes and ears for the Police Department and their hospitality training makes them well-rounded ambassadors for our downtown. Stakeholders place a high value on the need for services that help improve the overall safety or perception of safety in our Downtown, and that includes cleaning services. 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.

This program also includes a Street Outreach Specialist position. This is a newer position to our program, starting in 2022 with ARPA funding. That grant funding will sunset in late 2024. Between the Service District, City of Duluth and grant dollars, it is our intent to continue to provide this vital outreach service.

Our current Outreach Specialist has been on staff for 1.5 years and has made a significant difference in this short time:

- **5,122 homeless outreach interactions**
- **3,251 business connections**
- **32 people into stable housing situations**
- **26 people into treatment**

Clean and Safe Team members submit daily reports on their activities and the statistics speak volumes. In the last five years, the following has been recorded:

	Trash Collected	Graffiti Tags Removed	Hospitality Assists
2015 - 2019	48.5 tons	2,334 tags	34,456 assists
2020 - 2024	173 tons	7,000 tags	65,000 assists

This budget also reflects the salary and benefits of Clean & Safe Ambassadors, an Operations Manager, as well as a portion of the salary of the Downtown Duluth staff to provide oversight, direction, additional administrative support and cover overhead costs. 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 13,000 on-duty hours annually; this includes both full-time and part-time seasonal employees. Staffing levels range from approximately twelve ambassadors during the peak summer season to eight 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. It also includes removal of abandoned or discarded household property, such as: furniture, electronics and bicycles.
- Graffiti Removal
The Clean Team will also remove graffiti expeditiously (weather permitting) from private property at street level and fixtures (such as utility boxes, newspaper racks, light poles and bus shelters) in the public rights of way.
- Supplemental Horticulture
Ambassadors will maintain 66 streetscape planters and 155 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 fertilizer 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 once daily, or more 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, Bicycle 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 are trained to provide directions and information on hotels, restaurants, attractions, events, conventions, parking locations and other information deemed appropriate.

- Report Criminal behavior and assist police as requested/required to provide for the on-going safety and security of all citizens living, working and visiting the district.
- Provide Additional Homeless Outreach
Ambassadors are often among the first to encounter individuals facing homelessness when they conduct early rounds of the district. They attempt to connect individuals with a variety of outreach services. In addition, Ambassadors provide police assistance in identifying individuals suffering mental health and chemical dependency issues and in need of services.
- Provide Safety Escort Service (Nov-March)
This service, although available upon request at any time, will be provided primarily November-March. It will enable downtown workers to call for a safety escort to their vehicle during diminished light hours.
- Provide 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.

MARKETING/PROMOTION/SPECIAL EVENTS:

\$167,615 w/overhead

The total marketing/promotions/special events budget for 2025 is approximately \$167,615, with overhead. It includes the following:

- **Downtown Growth Research and Occupancy Report**
This report is to annually 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 and highlights of economic development projects.
- **Maps**
We will produce and distribute annually approximately 70,000 maps of the district, which includes the skywalk system, Lakewalk and Canal Park.

- **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 Downtown Duluth, 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, Downtown Duluth will distribute electronic newsletters and releases promoting the district and its businesses, events, activities, etc.
- **Revamped Parking Validation Program**
The Special Service District, in conjunction with Downtown Duluth, 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. This program has experienced a decline, primarily due to many ramps converting to an automated system. The intent of the program is to help alleviate the strain on on-street parking.
- **Special Event Support**
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 support 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 Downtown Duluth through its current offerings, such as Movies in the Park, Sidewalk Days, The Classic Car Show and Holiday campaigns.

PHYSICAL ENHANCEMENTS:

\$84,227 w/overhead

The total Physical Enhancements budget for 2025 is approximately \$84,227, with overhead. It includes the following:

- 155 hanging flower baskets throughout Canal Park, Superior Street & First St.
- 66 Streetscape planters throughout Canal Park and Superior Street
- Two portable bathrooms in Canal Park
- Random pilot projects including additional flower plantings and/or trees
- Festive Tree Lights for limited trees in Canal Park

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: \$840,000

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 \$475,000 for 2025. The total assessment will increase 4% 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 \$12,527.88 in 2025. The cap will increase to \$13,029 in 2026 and \$13,550.16 in 2027. 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. Downtown Duluth will actively solicit contributions from exempt organizations that receive the benefits of special services provided within the District. The City of Duluth has provided verbal support of the renewal of the district, and has financially supported the district for the past 19 years as part of a private/public partnership.

C. Service Contract Between the City of Duluth and Downtown Duluth

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. Downtown Duluth will act as this entity. The City will act as a conduit - all service charges will flow through to the organization in exchange for Downtown Duluth's agreement to provide the special services. The City of Duluth and Downtown Duluth will enter into a service contract pursuant to which the organization will provide the special service and the City will make all special service charges available to the organization for this purpose. The service contract between the City and the Downtown Duluth organization will, at a minimum:

- Incorporate this Operating Plan to identify the special services to be provided by DD and the division of the budget to provide these special services;
- Provide that all service charges collected will be passed through to DD in full without reduction by the City for administrative or other expenses;
- Require DD to provide the special services;
- Provide that DD 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 DD 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, 2025 and will sunset on December 31, 2027 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:

During this last five-year cycle, we experienced the entire reconstruction of Superior Street in our downtown, as well as the Covid-19 Pandemic. Both of these “events” changed our downtown and our businesses. While the loss of street level businesses was very limited, we are experiencing the downsizing of commercial office space due to the offering of hybrid or remote work, as well as more limited pedestrian traffic.

Despite some of these significant challenges and changes, our Downtown Waterfront District is again seeing increased investment and a new demand is emerging for residential development.

The Duluth Downtown Waterfront District has been a valuable tool in setting a higher standard within our central business district. It is one of many factors that have played a role in attracting increased investment here. Some of our property owners continue to say that they can't afford NOT to support this district as it allows them to pool their resources for the benefit of all.

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. It is also important to note the City of Duluth's continued commitment to this private/public partnership. This is an example of the private sector taking a leadership role with the public sector financially contributing to the program.

By pooling resources, every contributor is helping to further strengthen our central business district. And, there is a significant return on their investment. For example, a small property, with a net tax capacity of 4,500, would pay an assessment of \$313, but receive services totaling \$840,000. The largest per property assessment in 2025 would be \$12,527.88, which would still provide a significant return on their investment. Since implementation in 2005, we have demonstrated our effectiveness and our ability to be good stewards of the funds collected. We rely upon our Advisory Committee to serve as representative property owners for direction and welcome additional input at any time. Together, we can make a difference!