City of Durham
North Carolina

G.S. 160A-537(b)
REPORT

For the
Downtown Durham
Municipal Service District

Prepared by
Downtown Durham, Inc.

March 2, 2011

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Introduction

A Municipal Service District (MSD), commonly referred to as a Business Improvement District (BID), is a defined geographic area where property owners pay an additional tax in order to fund a variety of services that enhance, not replace, existing municipal services within the district's boundaries. The first BID was established in the French Quarter in New Orleans in the early 1970s. Since then, use of this powerful urban development tool has spread steadily, and according to a recent report by the International Downtown Association there are now more than 1,000 BIDs in North America, including 51 in North Carolina. In each case, the services and activities of the improvement districts have been tailored to meet the specific needs identified by community that funds them.

This report has been prepared for public inspection as part of a proposal submitted to the City of Durham by Downtown Durham, Inc. for establishing a Municipal Service District in Downtown Durham. This report is to be prepared and made available for public inspection according to the following excerpt outlined in "The Municipal Service District Act of 1973." In 1973 the North Carolina General Assembly approved "Article 23. Municipal Service G.S. 160A-535."

Report Requirements

160A-537(b) Report– Before the public hearing required by subsection (c), the City Council shall cause to be prepared a report containing:

1) A map of the proposed district, showing its proposed boundaries;
2) A statement showing the proposed district meets the standards set out in subsection (a): *[(a) Standards– The City Council of any city may by resolution define a service district upon finding that a proposed district is in need of one or more of the services, facilities, or functions listed in G.S. 160A-536 to a demonstrably greater extent than the remainder of the city.]; and*
3) A plan for providing in the district one or more of the services listed in G.S. 160A-536.

Public Hearing

The public hearing on the establishment of the Downtown Durham MSD will be held on Monday, April 18, 2011, at 7:00 p.m. in the City Council Chambers of Durham City Hall, located at 101 City Hall Plaza. During this hearing, members of the public are invited to provide comments regarding the resolution to establish the Downtown Durham Municipal Service District. If the resolution is approved, the Durham City Council will establish the service district rate (proposed to be $.07 cents per $100 valuation) as part of the annual budget ordinance for the City's 2011-2012 fiscal year that begins on July 1, 2011.

Questions

All questions about the Downtown Durham Municipal Service District should be directed to Bill Kalkhof, President of Downtown Durham, Inc. at (919) 682-2800.

History

Communities implement MSDs for a variety of reasons, and indeed one of the strengths of the concept is the ability to tailor services to the special needs of a specific area of the City. Given that the service needs of high-density mixed-use downtowns are often greater than those generally provided throughout a given municipality, MSDs have proven to be an effective tool for enhancing and revitalizing these districts and increasing their long-term economic viability. MSDs generate an equitable and stable revenue stream necessary to provide and direct these enhanced services toward the geographically defined district's specific needs.

MSDs are a powerful economic development tool and a common 'best practice' in downtown revitalization efforts across the nation. A recent publication by the International Downtown Association reported that there over 1,000 cities with MSD, or Business Improvement Districts (BIDs) as they are more commonly known, across the country, including 51 in North Carolina (see appendix for full listing). The renewal rates for these districts is greater than 95%.

In 2008, a Seven Year Review and Updated Work Plan for the Downtown Durham Master Plan was adopted by the City Council and County Commission. One of the key strategies posed in that plan was the importance of implementing a MSD; in order to ensure a sustainable downtown management organization, and to enable a wide variety of enhanced services related to safety, appearance, marketing, economic development, and advocacy/ public policy. The need for a MSD was reiterated in the 2010 Center City Retail Market Analysis.

As proposed, the Downtown Durham MSD qualifies and meets the required statutory criteria for forming a MSD; as the area can be considered a downtown revitalization project by *"furthering the public health, safety, welfare, and convenience by promoting the economic health of the central city or Downtown area. A downtown revitalization project may also include promotion and developmental activities (such as sponsoring special events, promoting private investment, helping coordinate public and private actions in the downtown area, and increasing the quality of life for residents and employees) designated to improve the economic well-being of the downtown area and further and public health, safety, welfare, and convenience."*

Public Outreach & Education

After spending over 2 years refining the MSD plan with the DDI Board of Directors, the Board voted to move forward with a $.07 BID in January 2011. Immediately after that decision, DDI began an extensive public marketing and education campaign to ensure that all affected property owners were informed about the services and associated costs of the proposed MSD.

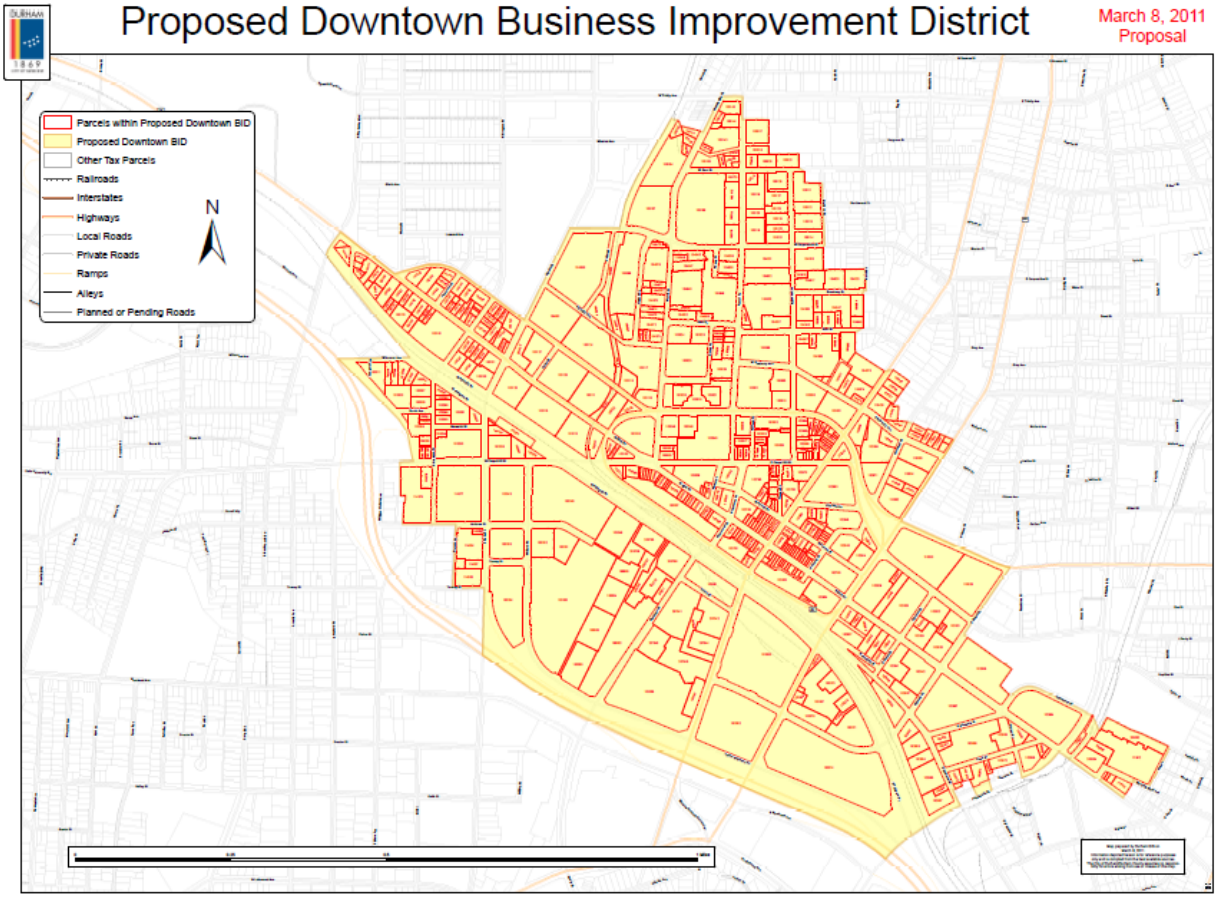
- Presentation to Durham City Council at the City's Annual Budget Retreat
- Presentation to Herald-Sun Editorial Board who endorsed the proposal, wrote a supportive editorial, and printed a front-page feature on the MSD
- Creation of an MSD informational website
- Comprehensive mailing of an MSD informational brochure to all property owners within the proposed MSD boundary
- Hand delivery of MSD informational brochure to all condo associations within the proposed boundary
- Presentation to PAC 5, whose members unanimously voted to support the proposed MSD
- Presentation to Durham Central Park Board of Directors who voted to endorse the proposed MSD
- Presentation to the Greater Durham Chamber of Commerce Executive Committee, Local Government Commission, and Board of Directors (pending)
- Presentation to the Durham Convention and Visitor' Bureau Board of Directors (pending)
- Arranged several educational meetings with residents, businesses, and employees

Through all these efforts and more, DDI went above and beyond the requirements under state statute to educate and involve downtown property owners and other stakeholders in the MSD adoption process.

Downtown Durham MSD Boundaries and Map

The map below shows the proposed boundaries of the Downtown Durham MSD. The area is generally bounded by West Trinity Ave to the north, NC 147 to the south, Buchanan on the west, and the Golden Belt complex on East Main Street on the east.

The MSD is just over 3/4 of a square mile, or approximately 488 acres. The district includes Brightleaf Square, Peabody Place, West Village, American Tobacco, DPAC, the Carolina Theatre, the Durham Arts Council, Durham Transportation Center, City Center, Central Park District, and Golden Belt. It also includes key public properties such as City Hall, County Courthouses, new Health and Human Services complex, and the Main Durham County Library.



Downtown Durham MSD: Program Service Provisions

MSD Management & Governance

Under North Carolina MSD statutes, the City may provide services in a service district with its own staff, through a contract with another governmental agency, through a contract with a private agency, or by any combination thereof. Statutes further stipulate that, "*When a city defines a service district, it shall provide, maintain or let contracts for the services for which the property owners of the district are being taxed within a reasonable time, not to exceed on year, after the effective date of the definition of the district."* Contracting with a private agency or non-profit organization to provide and manage MSD services is a common practice in North Carolina and in other states.

The Downtown Durham MSD will be managed and administered by Downtown Durham, Inc. Established in 1993 as a 501(c)(6), Downtown Durham, Inc. brings leaders together from Downtown Durham and the broader Durham community to lend their collective vision and hard work to the ongoing revitalization of Downtown. Governed by a Board of Directors that represents the various interests of Downtown area stakeholders, DDI has worked effectively with both our public and private sector partners to catalyze investment within the area.

Contracting with DDI to administer MSD services will provide a smooth management transition and ensure that the numerous programs currently undertaken by DDI will continue unabated.

Budgetary and programmatic decisions will receive oversight from a Board of Directors. The Board of Directors will be comprised of key downtown stakeholders from the following categories: large property owners, small to medium property owners, business owners, street-level retail, residents, and community leaders. The Board of Directors will also include the City Manager, County Manager, a City Councilperson, and a County Commissioner.

Additionally, two Advisory Councils will be formed to meet quarterly. The first would advise DDI on matters related to the Clean & Safe program (see pg 9). It would be comprised of representatives from key geographic areas within the MSD boundary. The chair of the Clean & Safe Advisory Council would also sit on the main DDI Board of Directors.

The second council would advise DDI on matters related to 'big picture' programs, issues, and initiatives. It would be comprised of ex-officios and other community leaders. The chair of the Downtown Advisory Council would sit on the main DDI Board.

Additional Accountability & Oversight

If the MSD is adopted, DDI would continue diligent quarterly financial and programmatic public reporting to both City and County Governments and undertake annual financial audits. Additionally, DDI would institute an annual stakeholder survey and create a web contact form for comments, concerns, and suggestions.

DDI is also proposing a public re-evaluation after the first 3-years that the MSD is operational. Thereby, the Durham City Council and the Downtown community can evaluate the continued desirability of the MSD, the MSD rate, and any boundary changes.

New & Enhanced Services

Over the past several years, Downtown Durham has emerged as a symbol of success and pride for the City and County of Durham. However, with a growing Downtown, comes a corresponding need for more services.

If a MSD is implemented in Downtown Durham, DDI will continue to pursue and enhance its core mission, which is to serve as a catalyst for downtown revitalization and economic development. However, the Downtown Durham MSD will also include a variety of new and enhanced services designed to take Downtown's revitalization to the next level. This will require DDI to significantly expand its current scope of services, particularly in regards to appearance and maintenance.

Marketing

DDI will continue current marketing efforts and expand them with three main goals. The first, is to bring visitors to support entertainment, retail, food and arts venues. The second is to attract investment. The third is to continue branding Downtown Durham locally and regionally.

Economic Development

DDI will continue and expand economic development efforts related to increasing the tax base, growing employment opportunities, attracting new businesses, activating the street level environment, and adding residential options. DDI will also continue to provide regulatory assistance for developers and small businesses, collect downtown data, conduct detailed market analyses when needed, and maintain positive relationships with commercial and residential realtors.

Advocacy & Public Policy

DDI will continue advocacy and public policy efforts on issues that effect Downtown.

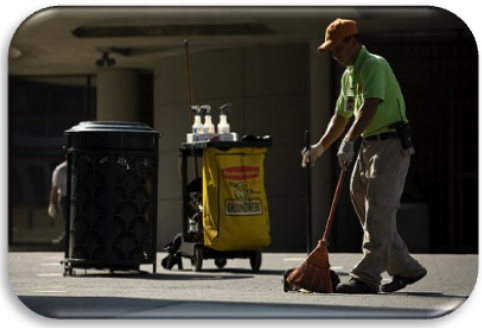
Special Events

DDI will program weekly special events on CCB plaza throughout the summer. DDI will also pursue adding more signature events to Downtown and co-sponsoring existing events.

Clean, Green, & Safe Services

The MSD proposed scope of services includes hiring an full time Ambassador team to be on the streets six days a week performing the following clean, green, and safe services. The ambassadors will be hired locally and receive local living wage and a comprehensive benefits package.

- Remove litter and debris from sidewalks, storefronts, curb and gutter (parks, alleys, plazas & bus stops)
- Mechanical Litter Vacuum
- Scrape handbills, flyers, and stickers from vertical surfaces
- Emptying Public Streetscape trashcans (inside the loop and in Central Park)
- Remove graffiti from public infrastructure using environmentally safe chemical applications, powerwashing or painting
- Help respond to Durham One-Call issues
- Spraying and mechanical removal of larger concentrations of weeds
- General landscaping/ Bed replacement in public right of way-- (Special Project)
- Pressure wash sidewalks annually, and as needed
- Pressure wash or steam clean public benches, trashcans, and other street furniture and fixtures
- Damp wipe vertical surfaces to remove dust and grime
  (includes: street fixtures and furniture, newspaper boxes, trashcans, benches, utility, and electrical boxes)
- Use spinner nozzle to remove isolated gum spots on sidewalks
- Snow & Ice Removal from handicap cutouts on sidewalks (Special Project)
- Track unusual activities, issues, or conditions & report to the City if outside MSD scope of services (graffiti, damaged sidewalks, safety concerns, appearance issues, etc.)
- Straighten street fixtures and furniture (includes: newspaper boxes, benches, trashcans, etc.)
- Ambassadors will be equipped with downtown maps and will receive Hospitality Training-including downtown specific knowledge about restaurants, hotels, shows, parking, etc.)
- Ambassadors will act at as “eyes and ears” of police



Process for Implementing the MSD Plan

"The Municipal Service District Act of 1973" authorizes City Councils in the State of North Carolina to create MSDs for downtown revitalization projects when services are needed to a greater extent than those provided for the entire city, as part of its annual budget process. If the Durham City Council supports the establishment of the Downtown Durham MSD at $.07, it will remain in effect for three years, at which time the Downtown community and the City Council will evaluate the value of the MSD and decide whether there is public support to continue it.

In the 2011-2012 budgets, the assessment for those properties in the MSD will be shown on the Durham County tax notice provided in August 2011. When the County collects the tax, revenues will be directed to the City of Durham, who in turn will forward the collected revenues to Downtown Durham Inc. for delivery of the services described on pages 8-9. The DDI Board of Directors will determine whether the most fiscally responsible way to provide these services will be by contracting them out or providing them with in-house employees. If the services are outsourced, vendors will be responsible for providing training, benefits, and liability insurance.

Downtown Durham MSD and Funding

North Carolina General Statutes for an MSD provide that the City Council, upon determining that an area warrants a service district, may tax the property within the district at a rate determined to generate enough revenue to support the additional services to be provided by the district.

The proposed levy is for a tax rate of $.07 cents per $100 of assessed valuation for property (both real and personal) within the district boundaries. A $.07 rate is expected to generate approximately $375,000 (+/-) in the first year of tax collection based upon real and personal property estimates gathered from public records. A 98% collection rate and a 1% collection administrative fee for the County are assumed.

DDI will also continue an annual fundraising campaign and enter into contracts with City of Durham and Durham County for economic development, marketing, and enhanced clean & safe services. The expected DDI income for FY 11-12, including MSD funds is shown in the char below.

Downtown Durham, Inc. Projected Income FY 11-12	
	2011-2012
MSD Revenue*	$375,000
City/ County Contracts	$450,000
Fundraising	$45,000
Project Related Income	-----
Annual Meeting	$20,000
Total	***$890,000***
**Estimated*	

In the state of North Carolina, MSD statues require that all money generated from the service district tax must be spent exclusively on the services within the district. Revenue from a $.07 assessment, when combined with additional income expected to be generated from other sources, is sufficient to deliver key services as outlined in the Service and Programs Plan. As the tax base grows though future economic development, additional revenue would be available for further enhanced services within the district.

The NC MSD Statutes dictate that a resolution approved by the City Council to establish a service district shall take effect at the beginning of a fiscal year commencing after the district is created. As proposed, the resolution would establish the Downtown Durham MSD and tax rate would take effect on July 1, 2011.

DDI developed the chart below to illustrate the financial impact an MSD would have on downtown residents, businesses, and property owners at a rate of $.07.

For example, a person who owned a building valued at $1,000,000 would pay $700 annually; less than $2.00 a day. In regard to personal property, a person who owns a car registered within the district valued at $20,000 would pay $14 annually; or just 4 cents a day.

The formula to determine a property owner's annual MSD payment is:

(Real Property + Personal Property) x .0007 = Annual MSD Payment

BID at $.07 Annual Cost to Property Owners		
	Annual Cost	**Daily Cost**
Assessed Ad Valorem Property Tax*		
$100,000	$70	$0.19
$250,000	$175	$0.48
$500,000	$350	$0.96
$1,000,000	$700	$1.92
$5,000,000	$3,500	$9.59
$10,000,000	$7,000	$19.18

** Includes Property Tax & Personal Property*

Acknowledgements

This report would not have been accomplished without the strong leadership and support of the Downtown Durham, Inc. Board of Directors, a volunteer group representing a community-wide effort for the revitalization and economic development of Downtown Durham.

Also, a special thanks is due to the four MSD co-chairs: Alice Sharpe, Richard Morgan, Michael Goodmon, and Scott Harmon for all of their hard work and support during this process.

Finally, thank you to our public sector partners: Tom Bonfield and Wanda Page with the City Manager's Office, Patrick Baker and Fred Lamar of the City Attorney's Office, Kim Simpson with the County Tax Department, Kevin Dick and Joy Mickle-Walker with the City of Durham's Department of Economic and Workforce Development, and Rob Cushman with City of Durham GIS.

Appendix

North Carolina City's With BIDs	Rate
Charlotte:	-
-District #1	$ 0.0170
-District #2	$ 0.0413
-District #3	$ 0.0560
-District #4	$ 0.0668
-District #5	$ 0.03
Raleigh	$ 0.0789
Greensboro	$ 0.09
-Historic District Charles B. Aycock	$ 0.05
-Historic District College Hill	$ 0.05
Albemarle	$ 0.10
Boone	$ 0.21
Brevard	$ 0.225
Burlington	$ 0.16
Chapel Hill	$ 0.071
Chimney Rock	$ 0.20
Clinton	$ 0.20
Concord	$ 0.18
Davidson	$ 0.14
Elizabeth City	$ 0.06
Elkin	$ 0.10
Fayetteville	$ 0.10
Gastonia	$ 0.20
Goldsboro	$ 0.25
Hendersonville	$ 0.30
-7th Ave District	$ 0.10
Kings Mountain	$ 0.2362
Kinston	$ 0.27
Laurinburg	$ 0.21
Lenoir	$ 0.25
Lexington	$ 0.20
Maxton	$ 0.10
Monroe	$ 0.20
Mooresville	$ 0.16
Morganton	$ 0.14
Mount Airy	$ 0.20
New Bern	$ 0.12
Newton	$ 0.15
Oxford	$ 0.20
Pinehurst	$ 0.05
Reidsville	$ 0.25
Rocky Mount	$ 0.20
Rutherfordton	$ 0.13
Saint Pauls	$ 0.10
Salisbury	$ 0.16
Sanford	$ 0.13
Shelby	$ 0.22
Smithfield	$ 0.19
Statesville	$ 0.10
Wake Forest	$ 0.14
Waynesville	$ 0.23
Whiteville	$ 0.12
Wilmington	?
Wilson	$ 0.17

Note: Data compiled from NC Department of Revenue's Prelim Report on Property Tax Rates and Latest Year of Revaluation for NC counties and Municipalities: FY 2009-2010, August 2009. All tax rates per $100.

BID Status : TOP 85 US Cities by Population

City/ State	B.I.D.(s) Y/N	Plans If No?	Population (2005)
New York, NY	YES	-----	8,143,197
Los Angeles, CA	YES	-----	3,844,829
Chicago, IL	YES	-----	2,842,518
Houston, TX	YES	-----	2,016,582
Phoenix, AZ	YES	-----	1,461,575
Philadelphia, PA	YES	-----	1,463,281
San Antonio, TX	YES	-----	1,256,509
Dallas, TX	YES	-----	1,213,825
San Diego, CA	YES	-----	1,255,540
San Jose, CA	YES	-----	912,332
Detroit, MI	YES	-----	886,671
San Francisco, CA	YES	-----	739,426
Jacksonville, FL	YES	-----	782,623
Indianapolis, IN	YES	-----	784,118
Austin, TX	YES	-----	690,252
Columbus, OH	YES	-----	730,657
Fort Worth, TX	YES	-----	624,067
Charlotte, NC	YES	-----	610,949
Memphis, TN	YES	-----	672,277
Boston, MA	YES	-----	559,034
Baltimore, MD	YES	-----	635,815
El Paso, TX	NO	Tax Increment Reinvestment Zone	598,590
Seattle, WA	YES	-----	573,911
Denver, CO	YES	-----	557,917
Nashville, TN	YES	-----	549,110
Washington DC	YES	-----	550,521
Milwaukee, WI	YES	-----	578,887
Las Vegas, NV	YES	-----	545,147
Portland, OR	YES	-----	533,427
Oklahoma, OK	YES	-----	531,324
Louisville, KY	YES	-----	556,429
Atlanta, GA	YES	-----	470,688
Tucson, AZ	YES	-----	515,526
Albuquerque, NM	YES	-----	494,236
Fresno, CA	YES	-----	461,116
Kansas City, KA	YES	-----	444,965
Mesa, Az	YES	-----	442,780
Sacramento, CA	YES	-----	456,441
Omaha, NB	YES	-----	414,521
Long Beach, CA	YES	-----	474,014
Miami, FL	YES	-----	386,417
Virginia Beach, VA	NO	-----	438,415
Raleigh, NC	YES	-----	341,530
Cleveland, OH	YES	-----	452,208
Oakland, CA	YES	-----	395,274
Colorado Springs, CO	YES	-----	369,815
Tulsa, OK	YES	-----	382,457
Minneapolis, MN	YES	-----	372,811
Arlington, TX	NO	Long Term Goal Is To Obtain BID	362,805
Wichita, KN	YES	-----	354,865
Honolulu, HI	YES	-----	377,379
St. Louis, MO	YES	-----	344,362
Tampa, FL	YES	-----	325,989
Santa Ana, CA	YES	-----	340,368
Anaheim, CA	NO	-----	331,804
Bakersfield, CA	YES	-----	295,536
Cincinnati, OH	YES	-----	308,728
Aurora, CO	YES	-----	297,235
Toledo, OH	YES	-----	301,285
Pittsburgh, PA	YES	-----	316,718
Riverside, CA	YES	-----	290,086
Lexington-Fayette, KY	NO	BID in Planning Process	268,080
Stockton, CA	YES	-----	286,926
Anchorage, AK	YES	-----	275,043
Corpus Christi, TX	YES	-----	283,474
St. Paul, MN	NO	No plans to Implement BID	275,150
Plano, TX	NO	Long Term Goal (5-7 Years?)	250,096
Newark, NJ	YES	-----	280,666
Buffalo, NY	YES	-----	279,745
Henderson, NV	YES	-----	232,146
Greensboro, NC	YES	-----	231,962
Lincoln, NB	YES	-----	239,213
Chandler, AZ	YES	-----	234,939
Fort Wayne, IN	YES	-----	223,341
Glendale, AZ	YES	-----	239,435
Jersey City, NJ	YES	-----	239,614
St. Petersburg, FL	NO	No plans to Implement BID	249,079
Orlando	NO	Have Development Authority + CRA	235,860
Scottsdale, CA	YES	-----	226,013
Madison, WI	YES	-----	221,551
Gilbert, AZ			
Norfolk, VA	YES	-----	231,954
Durham, NC	NO		223,284
Winston-Salem, NC	NO	-----	227,811