

IS IT TIME FOR A DOWNTOWN IMPROVEMENT DISTRICT IN WILMINGTON?

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TASK FORCE MEMBERS

Clark Hipp, Chair, Hipp Architecture, business & property co-owner, 228 N. Front and 221 N. Front

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Nancy Bullock, Cotton Exchange, Chandler's Wharf, Front Street Centre, property & business owner

Trip Coyne, Williams Mullen Law Firm, Downtown property owner and resident

Brian Eckel, Cape Fear Commercial Properties, developer of Princess and 3rd Street office building and manager of other properties

Marcia Frelke, Downtown Darlings, business owner and tenant, 112-A Market St.

Tom Harris, Front Street Brewery, business & property owner, 9 N. Front St.

Cathey Luna, Luna | Ad, property & business owner, 116 Princess St.

Tom Morgan, Downtown property owner and resident

Justin Smith, The Husk, business co-owner and tenant, 33 S. Front St.

Colin Tarrant, Smith Moore Leatherwood, tenant at Wells Fargo Building, 300 N. 3rd St.

Glenn Harbeck, City of Wilmington, *Ex Officio*

Chris O'Keefe, New Hanover County, *Ex Officio*

May 14, 2015

Dear Downtown Wilmington Property Owner, Business Owner or Resident:

Downtown is experiencing a tremendous influx of investment and activity. Working together, we are exploring a new tool for the area that other North Carolina cities are already using to accelerate the pace to make 56 urban centers more appealing and prosperous.

Last year, the City of Wilmington asked Wilmington Downtown Incorporated (WDI) to evaluate the creation of a potential Municipal Service District (MSD) to provide extra services that would benefit Downtown residents, businesses and property owners. This letter is to let you know about the progress that has been made and upcoming plans.

At the beginning of the evaluation process, WDI created a task force of property and business owners within the Central Business District zoning area to lead the effort. The group was selected to represent a range of residential and commercial interests within the Downtown area and specifically included people who had opposed previous MSD organizational efforts or knew little about the concept.

The Task Force committed to direct a deliberate and transparent process to determine whether a district would help our residents and businesses if created here. Since last Fall, the group has volunteered hundreds of hours to carefully research and examine the concept. Among their accomplishments:

- Published one newsletter to explain MSDs,
- Conducted a priority services survey of constituents,
- Made site visits to 2 North Carolina cities that created MSDs within the past 2 years,
- Convened an event with presentations from 3 MSD professionals from other cities,
- Hosted two public meetings and heard thoughts and concerns from attendees, and,
- Held almost two dozen meetings with individual residents, property owners and business groups.

Throughout this process, we heard strong support by people wanting to add more security, economic development and maintenance and cleanliness services. Conversely, we also heard concerns about the cost to fund and manage these additional programs.

For this reason, the Task Force recommended that City leaders continue the evaluation process so that more people can learn about these districts and provide additional input about the potential operations and management of an MSD in Wilmington. City Council approved this recommendation at their May 5, 2015 meeting and asked the Task Force to provide an update later in the fiscal year. If enough of us ultimately agree that formation of an MSD is a good idea, the proposal would go to City Council for final review.

To continue the evaluation effort and answer more questions, additional MSD information is enclosed. As the process moves ahead, please consider joining an affinity group (outlined on page 3) to be part of the input process. The Task Force looks forward to talking with you more about this opportunity to accelerate economic growth in Downtown Wilmington.

Regards,



Clark Hipp, MSD Task Force Chair

QUESTIONS AND ANSWERS: The Proposed Special Service District for Wilmington's Downtown

What is a Municipal Service District?

A Municipal Service District, or MSD, is a specially designated area of the city that provides for a property assessment to finance supplemental or extra services and improvements. There currently are 56 urban MSDs in North Carolina, including districts in Charlotte, Raleigh, Greensboro, Goldsboro and others. (North Carolina law regulates the creation of Municipal Service Districts). More than 1,000 of these special service districts are in North America.

How would an MSD assessment be calculated and collected?

The MSD assessment would be established at a given rate per 100 dollars of assessed property value. Property owners, businesses and residents would pay the assessment via the regular tax collection process. The rate would apply to real estate and qualifying equipment in the district.

I already pay taxes for city services. Why should I pay more through an MSD assessment?

Revenues created by the MSD would be used for extra services and improvements over and above those already provided by the City or County. Existing government services cannot be decreased. State law requires that MSD revenues be used only for services provided in the district.

Why can't the City or County fund more?

Downtown already receives extra services that businesses along College Road, Military Cutoff and others do not. Our sidewalks are periodically pressure washed. The City underwrites marketing through the Bring It Downtown campaign. We have extra police at night. Special events routinely receive public support. Downtown has free WiFi. While Downtown is special and deserves this support, City government must serve other areas.

What area is included in the proposed district?

The Task Force believes that the Central Business District zoning district is the logical area given the commercial and mixed-use properties within this area. Please see the map in this publication.

Are there MSDs without fees or extra services?

Yes, two cities have created MSDs to qualify the area for special financing and/or redevelopment

powers. As these MSDs do not provide any extra services, no fees are charged.

Would an MSD assessment apply to all property in the district?

North Carolina law exempts publicly-owned property, property owned by not-for-profit entities and property owned by utilities from the MSD assessment. However, any of these exempted entities may make a voluntary MSD payment.

Who will decide whether we establish an MSD?

Final approval is up to the Wilmington City Council. In most cases, the City empowers a stakeholders committee to select and direct the extra programs and services.

What kinds of things could an MSD fund?

Typical services and projects funded with MSD assessments include:

- Security ambassadors
- Extra maintenance and trash removal
- Planning and design
- Marketing and promotions
- Economic development grants and loans
- Transportation

What is the process for establishing an MSD for Downtown Wilmington?

The first step is to reach a consensus on the types of improvements and extra services we would like to have Downtown. Based on a survey in November 2014, downtowners selected top priorities as safety, economic development and maintenance/cleanliness.

The MSD Task Force will next need to develop a business plan which will:

- Establish possible boundaries for the MSD.
- Detail the improvements and extra services proposed for the MSD.
- Specify the rate of assessment needed to fund the enhancements.
- Establish a control structure.

If property owners agree to the plan, Wilmington City Council would be asked to establish the MSD. Council action could take place before June 2016.

DOWNTOWN WILMINGTON SERVICE PRIORITIES SURVEY

The Task Force conducted a survey of Downtown residents, business owners and property owners to learn about extra services that would further improve Downtown. Based on the responses, the following lists the top three priorities along with potential programs that they could fund:

1. Public Safety

- Downtown safety “Ambassador”
- New streetlights
- Bicycle patrols
- Garage/parking lot patrols



Ambassadors keep Raleigh safe day and night

2. Economic Development

- Business recruitment
- Development packaging
- Storefront/building renovation grants
- Business incubator



Burlington has grants to help businesses

3. Maintenance

- Regular sweeping & washing of sidewalks
- Tidy landscape areas
- Graffiti removal
- Streetlight outage reports



Winston-Salem removes graffiti quickly

AFFINITY GROUPS: NEXT STEP IN THE MSD EVALUATION PROCESS

The WDI Board of Directors and MSD Task Force recognize that an MSD could be a critical tool to attract more economic growth and raise the quality of life; however, they have yet to reach a unanimous consensus about services, operations and timing. As some property owners and businesses remain opposed to the idea, the Task Force wants to thoroughly and objectively examine all issues and concerns prior to forwarding a more complete recommendation to City Council about deferring or creating an MSD.

According to input already provided by downtowners, a district must provide services over and above those already delivered by the City and should aim to improve Downtown safety, economic development and maintenance/cleanliness efforts. The Task Force members want to hear from more people within the area in hopes of reaching a consensus on services. This leads to the following additional steps:

- Affinity group meetings for Downtown residents, shop owners, office workers and nightlife business owners about potential MSD programs and services;
- Education sessions with national firms who provide safety and cleanliness service programs;
- Community and individual sessions to review potential services, operations and costs;
- Development of a service plan to include job descriptions, scheduling, expenses and revenues associated with an MSD;
- Development of a citizens oversight committee to provide ongoing management for MSD services, programs and funding.

To start the process, we encourage anyone with an interest to sign up for the affinity/small group meetings. As these will begin in June, please contact WDI at 763.7349 or office@wilmingtondowntown.com if you want to participate in these sessions.

Volunteers will also continue to speak with groups and organizations such as homeowner associations, merchants associations and others about MSDs and their impacts. Contact WDI to schedule a free presentation.

OTHER NC CITIES MSDs and RATES

MSDs are used throughout the entire state in both large cities and small towns. State laws govern how MSDs are created and operated. Durham, Winston-Salem and Burgaw have each created MSDs since 2013. The following is a sampling of cities with MSDs and the rate charged per \$100 of valuation, as of September 2014.

<u>City</u>	<u>Rates</u>
Albemarle	\$0.10
Boone	\$0.21
Brevard	\$0.225
Burlington	\$0.16
Chapel Hill	\$0.0710
Charlotte: District # 1	\$0.1680
District #2	\$0.0233
District #3	\$0.0358
District #4	\$0.0668
District #5	\$0.0279
Clinton	\$0.18
Concord	\$0.23
Durham	\$0.07
Elizabeth City	\$0.06
Elkin	\$0.10
Fayetteville	\$0.10
Goldsboro	\$0.235
Greensboro: Downtown	\$0.08
Kinston	\$0.25
Laurinburg	\$0.21
Lenoir	\$0.25
Lexington	\$0.20
Monroe	\$0.20
Mooresville	\$0.16
Morganton	\$0.14
Nags Head	\$0.23
New Bern	\$0.12
Pinehurst	\$0.05
Raleigh: Downtown	\$0.0786
Hillsborough Street	\$0.10
Rocky Mount	\$0.20
Salisbury	\$0.175
Sanford	\$0.11
Shelby	\$0.22
Smithfield	\$0.19
Statesville	\$0.10
Whiteville	\$0.12
Wilson	\$0.17
Winston-Salem	\$0.09

ADDITIONAL INFORMATION

A Municipal Service District is similar to a Common Area Maintenance (CAM) charge often found in shopping centers, malls and office parks. Cities that create MSDs typically do so to provide amenities and services that allow them to be competitive in the regional marketplace. By State Law, services financed by an MSD must enhance, not replace, existing City services.

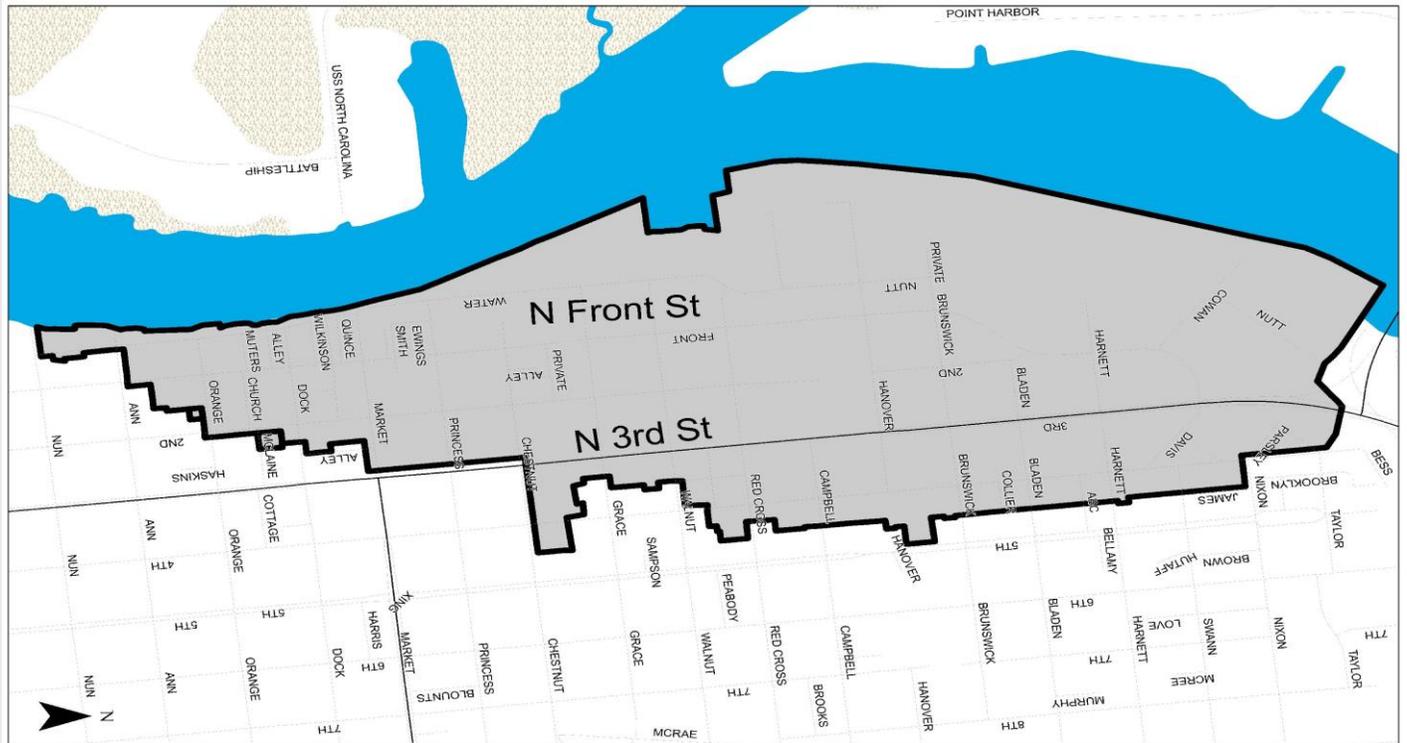
The International Downtown Association reports that there are more than 1,000 of these districts currently operating throughout the United States and Canada. MSDs come in all shapes and sizes, ranging from large downtowns to neighborhood business districts.

Similar to laws in more than 45 states, North Carolina's Municipal Service District enabling legislation ushered in a new generation of special service areas allowing a greater range of services and independence from government. Key provisions include:

- MSDs can finance a wide variety of extra services, including beautification, public safety, maintenance, planning, economic development, marketing and special events.
- MSDs can provide extra services only to the area affected.
- Extra services funded by an MSD can be provided by a private sector organization or local government.
- Controls and safeguards can include a cap on rates or total assessment and a periodic review to ensure that MSD services are effective.
- Communities have flexibility in creating the boundary of an MSD. The district must provide services to all properties within the defined boundary.
- Most communities have created one large district, while one in NC opted to create overlay districts to address special service needs for different sub-areas.
- City Council must review and approve the MSD budget every year.

WHAT IS THE POTENTIAL DISTRICT BOUNDARY?

The MSD Task Force has examined a variety of options. As the Central Business District (CBD) zoning area consists mostly of commercial and mixed-use buildings and have similar service needs, members believe that this area makes the most sense. The following is a map that shows the CBD area.



HOW CAN I FIND THE POTENTIAL COST?

Determining the financial impact of an MSD on an individual property is relatively simple. Almost anyone can go on-line to find the value of any property in New Hanover County and run the numbers. The steps include:

- Logging on to the New Hanover County Tax Department <http://etax.nhcgov.com/search/commonsearch.aspx?mode=owner>
- Click the “address” tab and enter the street address in the search bar
- After the owner name comes up, click on “values” on the left hand tab to find the total assessed value of the property
- Dividing total assessed value by \$100 to find the tax value
- Multiplying the result by the proposed MSD rate (.06, .08, etc.)
- This will yield the total annual cost for that property.

With over 1,130 properties within the Central Business District zoning area, the Task Force examined all the properties within this district. Based on this research, they found the following:

- Mid-point property value: \$163,600
- Tax value: \$1,636
- @10cents per \$100: \$163.60 year
- Cost per day: 45 cents a day

This shows that one-half of the properties within the Downtown would pay less than 45 cents a day if an MSD was created at a rate of 10 cents per \$100 of valuation (note the rate could be lower). By basing the cost on the value of the property, an MSD creates a fair, equitable and predictable rate. This funding allows the MSD to do projects and services that adds value for commercial or residential owners and renters. Reports from Greensboro, Durham and Winston-Salem noted that MSDs helped attract, not deter, growth and investment.

LESSONS LEARNED FROM OTHER NC CITIES

In January 2015, the MSD Task Force visited Winston-Salem, Durham and Raleigh to learn about their MSDs. Twelve people participated in the trip, including 3 non-task force members. Winston-Salem and Durham were selected as each city has created an MSD within the past 2 years. Perspectives they offered:

- *Safe and Clean:* All offer this service. “Clean and green” and “safety” programs are a big expense but benefit everyone.
 - Having clean and well-kept sidewalks improves the perception of safety for workers, residents, visitors, and customers.
 - They all use outside vendors to staff these services.
- *Support of Owners is Crucial:* Time must be spent to educate property owners one-on-one to explain the services to them.
- *The math can help explain the MSD:* In many cases, costs are lower than owners think.
- *Time and patience* are needed in order to do this right.
- *Baseline City Services:* Examine and identify services that local governments are already providing. This helps to insure the MSD funds will pay for new services over and above those already being provided.
- *Opposition Decreases as New Services Start:* Once the new services started and people saw crews and improvements, support for their districts grew.
- *The City can create a constituent-based commission* to oversee the use of MSD funds.
- *More than “Safe & Clean:”* They also fund marketing programs to help local merchants.
- *Fundraising vs. Doing:* MSDs allow organizations to spend more time doing projects rather than raising money.