



To: Marchell Adams-David, Raleigh City Manager

From: Bill King, President & CEO, Downtown Raleigh Alliance

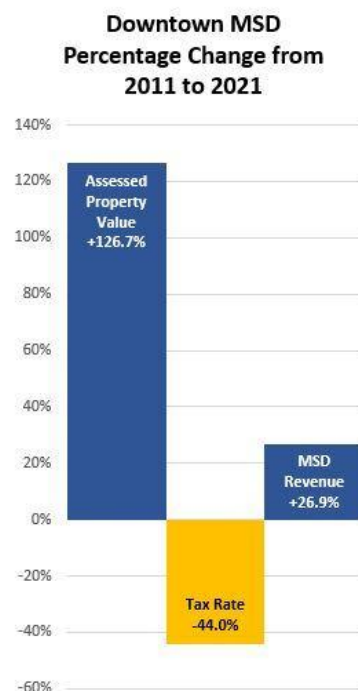
Date: May 2nd, 2022

Subject: Downtown Municipal Service District Rate for FY-23

This is a request by the Board of Directors at the Downtown Raleigh Alliance (DRA) for the City of Raleigh to consider an adjustment to the Municipal Service District (MSD) rate for the Downtown Municipal Service District from its present rate of 0.044 to a rate of 0.786, which was the district’s rate from 2009-2016.

For two decades, Downtown Raleigh Alliance has served as a Municipal Service District provider for downtown Raleigh. The MSD uses a property tax on properties within its boundaries to generate revenue for services. DRA currently provides services in four areas: economic development, safety & security, marketing & events, and conflict resolution using funds generated by this district. The City of Raleigh provides cleaning services to the Municipal Service District with a team that regularly sweeps and power washes downtown streets and sidewalks.

The Downtown MSD rate is currently one of the lowest in the state and considerably lower than it was just a few years ago. The current Downtown MSD rate is 4.4 cents per \$100 assessed, which is below comparable downtowns in the state such as Durham, Greensboro, Chapel Hill, and Winston Salem. (Charlotte has overlapping MSDs in its center city with different rates, making comparison difficult, though Charlotte’s districts generate significantly more revenue than ours). This current rate results in approximately \$1.4 million in annual MSD revenue, of which DRA received \$1.1 million, while the City keeps \$295,000 for clean services. The MSD rate changes during every property re-evaluation cycle, which is now every four years in Wake County. During the past two cycles, the Downtown MSD rate has been decreased to revenue neutral to maintain a similar amount of revenue in the district.

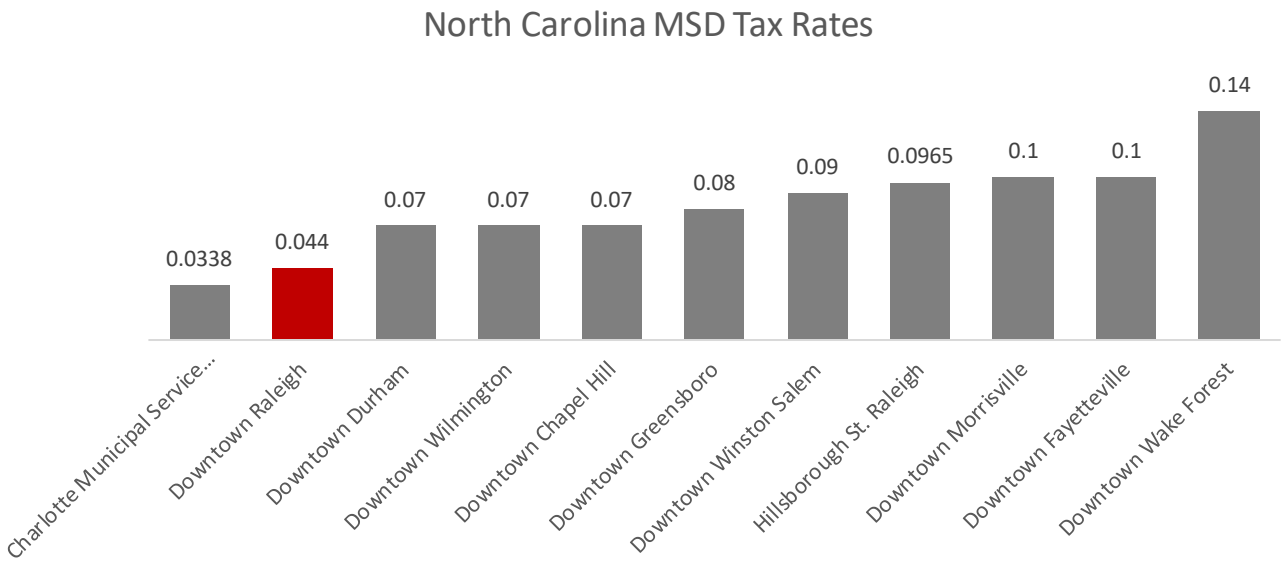


From 2009-2016, the MSD rate was 7.86 cents per \$100 assessed, while from 2016-2020 it was 6.29 cents after it dropped following the 2016 revaluation. In 2020, the rate fell again to 4.4 cents, as the pandemic had just begun and most commercial buildings were empty. The challenge with this rate now is that downtown’s population, employment

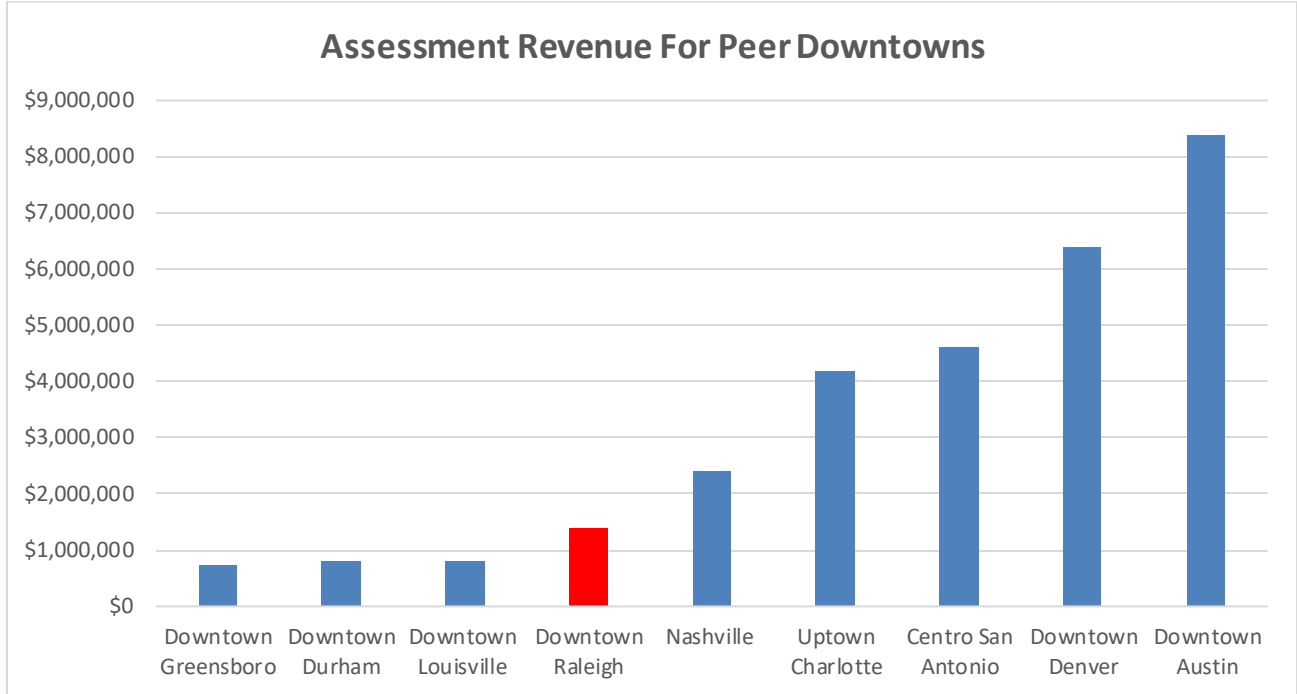


base, businesses, and complexity have all grown, but the resources to provide services have not kept pace, creating a mismatch of resources to needs.

Additionally, downtown's MSD rate is now significantly below that of other peer downtowns throughout the state and our district generates less revenue than many other peer downtowns across the country.



The chart below shows revenue from several other downtowns across the country to give a sense of resources in those districts.



Need for Additional Resources:

In recent years, service needs in the Downtown MSD have continued to grow, while resources have not kept pace. Downtown has **added 3,451 residential units** since 2015, which are 95.8% occupied and have brought **approximately 5,000 new residents** to downtown. We have added **over million square feet of office space since 2015**, a net gain **more than 30 storefront businesses** in the past 3 years, and downtown saw a **52% gain in visitors** from 2007-2019 before the pandemic. Even during pandemic, portions of downtown have seen increased service needs such as Glenwood South, which now has **88% more sales** in March 2022 than prior to the pandemic. In this case, such an increase in customers also means increased trash, cleaning, and security needs, as well as coordination among businesses and community members to resolve conflicts.

For the central and eastern portion of downtown, the pandemic created a different need for services. The Fayetteville St. and Moore Square districts saw an increase in vacancies, decrease in foot traffic, and a decrease in sales. To address these issues, DRA used grant funding and unused net assets from early in the pandemic to:

- Hire a full time recruiter to fill vacancies and run a pop-up program.
- Expand our storefront upfit grant to provide more grants to businesses and to include more storefront uses beyond retail in the Fayetteville St. and Moore Square districts.



- Provide grants to businesses for pop-up uses in vacant storefronts, which led to three long term leases.
- Add 3 additional Ambassadors beyond our normal resource level to add patrols in areas of highest need with concerns for safety due to reduced foot traffic.
- Launch new activations including Dine Out Downtown, which closed streets and allowed businesses to expand and sell outdoors with music and lights, as well as Jazz in the Square, Illuminate Art Walk, and Cinema in the Square.
- Launch new marketing promotions including Downtown Loyal, Shop the Season, Downtown Sandwich Week and others to promote storefront businesses.

Moving forward, though, services will be increasingly difficult to maintain and deliver without additional resources. Ambassador hourly wages have not increased since before the pandemic, while wages nationally are rising considerably, creating a challenging environment to retain Ambassadors. Costs for everything from producing events to salaries to equipment continue to rise rapidly as well. And more people are coming back downtown, as evidenced by recent increases in sales and foot traffic over the past few months, meaning the need for services continues to rise. But with the MSD rate at 4.4 cents per \$100 assessed, the resources to provide these services is limited and will not keep up with inflation, much less match the needs of the district.

MSD Rate Recommendation:

On April 14th, the DRA Board of Directors provided a unanimous vote to recommend to the City of Raleigh an increase in the MSD rate. In building this recommendation, DRA staff examined the specific costs for services, such as salaries for Ambassadors, event costs, etc. and historic information on previous rates.

DRA recommends an MSD rate consistent with the 2009-2016 rate of .0786 or in other words 7.86 cents per \$100 assessed.

Our analysis indicates this would generate \$1.16 million in additional funds for the MSD district for a total of \$2.6 million in MSD funds generated. Currently, the Clean team service from the City of Raleigh retains about 20% of MSD funds for that service, which would mean \$527,183 would now be generated for clean services with the remainder of funds available to fund the core MSD services provided by DRA if desired by Raleigh City Council.



Use of funds:

Without additional resources, DRA would have to reduce Ambassador staff, DRA staff, eliminate marketing programs, vastly reduce our public art program, cut several events and activations, all while lacking the resources to be competitive for the talent needed to bring downtown back.

With additional resources, DRA and City of Raleigh could do the following in the Downtown MSD, consistent with the current Downtown MSD contracted services of Economic Development, Safety, Marketing & Events, and Conflict Resolution/Consensus Building.

Safety:

- **Maintain and increase Ambassador patrol to at least 16 Ambassadors** up from 12 Ambassadors in early 2020. Ambassador team has been at 15 Ambassadors since Spring 2020 but cannot be sustained at this level without more resources.
- **Increase wages for all Ambassadors by at least \$3 per hour** to reflect increases in wages nationally and be able to retain Ambassadors for longer durations.
- **Increase resources and training to Social Services Outreach Ambassadors** to help them manage needs of sensitive populations they work with and provide more resources to those seeking shelter, food, training.

Economic Development:

- **Support Economic Development Staff roles created during pandemic** with grant funding: DRA created two roles during the pandemic that have proved very valuable but are not sustainable without more resources. MSD funds can support our Storefront Manager role continue recruitment to fill vacancies and manage DRA's pop-up retail program for Minority and Women-owned businesses. This position was created during the pandemic with very strong and measurable results in recruiting new businesses to downtown. And these funds could support our Research Manager role, which provides data for new businesses to come downtown, as well as informs policies such as Public Realm Study, small business parking program and Social District study.
- **Support new economic development specialist role focused on downtown planning and transportation coordination:** as Bus Rapid Transit lines begin construction, as well as ongoing needs for connecting between downtown community and transportation projects such as bike lanes, parking, accessibility needs, as well as new greenspace projects. DRA staff frequently are asked to give our feedback on planning projects without enough bandwidth to offer as much attention to these projects as we would like. This position would provide that and be able to maintain a focus on downtown-specific planning and transportation projects.
- **Support administration of Storefront Upfit Grant to maintain pandemic-era funding level and target prioritization:** Supporting administration of this grant allows DRA



to maintain a higher level of grant award, which supports more businesses in a meaningful way and also allows DRA to maintain its ability to award non-retail businesses in areas with higher vacancies.

- **Support continued operation of entrepreneurial and small business development programs that were expanded or created during the pandemic** such as: Pop-Up Shops program, which is our retail incubator that provides a pathway to storefront ownership for Minority and Women-owned retail businesses and our Main Street partnership with Raleigh Founded and H.U.B. Kitchens for a food and beverage accelerator on Fayetteville St. for Minority and Women entrepreneurs.
- **New and enhanced data sources to maintain relevancy and competitiveness of data offerings with peer downtown organizations:** includes use of data packages such as Placer.ai, additional pedestrian counters and other data that allows for more targeted marketing and better measurements of economic activity.
- **Continual website and database modernization, feature enhancements, and capability improvements:** these would continue to allow DRA to keep up with consumer habits on how they find businesses online, better present downtown data to attract new development, and provide more visibility to downtown events through tools such as individual itinerary builders on our website.

Marketing & Events:

- **Implement remaining recommendations of Public Realm Study regarding ways to activate public spaces through placemaking and beautification** including:
 - **Add in more robust event/activations with regular activities on weekdays to attract office workers and provide activities for residents** including regular fitness classes, weekly music, mini markets during lunchtime and more after work activities all designed to make downtown a more engaging place to work.
 - **Summer concert series on weeknights** to encourage more activity in parts of downtown that lack activation in late afternoon/early evenings to encourage more daytime use of downtown
 - **Facilitation of more interactive and playful installations** in downtown public spaces similar to last year's soccer court and Illuminate main piece on City Plaza to provide more engaging public spaces and bring more people downtown.
- **Build off existing track record on public art and add additional public art elements throughout downtown** to attract more people such as:
 - **Permanent or semi-permanent installations in Market and Exchange Plazas** to better utilize these public spaces.



- **Continuation of downtown murals program** that produced large-scale AT&T mural and more than a dozen murals across downtown.
- **Add new targeted promotions for storefront businesses:** build off success of promotions such as Sandwich Week and Downtown Loyal to create new promotions for downtown storefronts that target specific clusters of businesses.
- **Add monthly activation around First Friday during warm weather months** to create more energy and momentum for this existing promotion and bring more people downtown into storefront businesses.

Clean Services: While these services are provided by the City of Raleigh, these new MSD funds would allow for possibility of:

- More cleaning services in Glenwood South
- Expansion of more regular cleaning services outside the downtown core
- More regular power washing of sidewalks, especially in areas with high use or frequent trash issues

Conclusion:

The past few years in Downtown Raleigh have seen both extraordinary growth and tremendous challenges. In many ways, we are still bringing ourselves out of the pandemic and getting our downtown economy back on its feet. One of the best ways to get people back downtown is continue to fill our storefronts with businesses and use both our public spaces and storefront level to make downtown feel safe, as well as more engaging and lively. With diminishing resources and increasing prices, though, our ability to deliver services at even our current service level will not be possible without more funds. And as such, downtown will not emerge as quickly from this pandemic as it could. We ask your consideration for this request and are happy to answer any questions.





HILLSBOROUGH STREET

COMMUNITY SERVICE CORPORATION

We celebrate Hillsborough Street - a diverse coalition of Hillsborough Street community partners advocating for a vibrant and unique district.

TO: Marchell Adams David, Raleigh City Manager

FROM: Jeff Murison, HSCSC President and CEO

DATE: May 2, 2022

SUBJECT: HSCSC assessment rate for FY 2022-23

The Hillsborough Street Community Service Corporation requests the City of Raleigh revert to the pre-pandemic assessment rate of 15 cents (per \$100 of value) for the Hillsborough Street MSD for next fiscal year (2022-23). This request was unanimously endorsed by the Board's Executive Committee, which includes representatives of our property owners, merchants, residents and NC State. We are requesting the change in assessment rate be included in the City budget for fiscal year 2022-23.

Prior to 2020, the assessment rate had been \$0.15 for many years, but understandably was adjusted to \$0.965 cents at the start of the pandemic, as well as in coordination with the County Tax Reassessment. According to Wake County, the anticipated Hillsborough Street MSD revenue at the existing 9.65 rate in 2022-23 would be \$662,000, which is nearly \$46,000 less than the total revenue anticipated for 2021-22, \$707,000 (see attached chart). The difference, according to the county tax office, is a result of two properties being approved for Brownfield tax credits. (This resulted in a \$28,000 refund from us this year.)

In a typical year, the Hillsborough Street MSD sees an average \$45,000 increase in revenue annually, which covers routine increases in contracts, healthcare, rent, salary, etc., as well as addressing adjustments to program costs. Consequently, the forecasted reduced income will create a significant budget challenge for the organization.

At this time, three levels of increased costs are projected for next fiscal year: necessary, needs and wishes.

Necessary increases are the typical increases we experience each year:

- rent
- non-labor costs of the Ambassador program
- healthcare
- staff salary
- general overhead

There is also an important additional cost that should be addressed this year. Due to significant increase in inflation and wages, aggressive adjustments need to be made to the hourly rate for our Ambassadors. The four-member Clean & Safe team includes one program director (who has been with us for eight years) and three full time team members; all three of the team members have been with us for five years, including a seven-year commitment from the most senior team member. This is an extraordinary accomplishment and has contributed to the success of the program. Currently, their hourly wage starts at just over \$14 dollars per hour for the newest member of the team, rising to just over \$16 per hour for the most senior team member. Research indicates that starting wages for similar entry-level for positions is between \$16-\$20 an hour. As such, it is appropriate to significantly adjust our current wage rates to reflect the existing market, maintain the high level of service the program has established, reflect their experience and commitment to our program and to stay in alignment with our values.

Needs

In terms of additional needs, it is time to add an additional ambassador. The current Clean & Safe team has consisted of four team members for the last five years. During that time, thousands of additional residential units have been added to the corridor, increasing the volume of work. Additionally, there has been a noticeable increase in homelessness, panhandling and graffiti over the last six months (in fact, our program director recently indicated that we have spent a typical year's worth of graffiti removal in just three months). Surveys by the University have identified an increase in concern among students for safety on Hillsborough Street. As such, it is time to add an additional ambassador with a focus on Social Services and Security.

Wish

Lastly, there are a number of additional activities that would be enhanced with the increased revenue from the return to the \$0.15 assessment rate:

- Elevated management and seasonally planting of the roundabout landscaping
- A pandemic-deferred comprehensive website refresh
- Replacement of existing welcome banners
- Enhancement of women- and minority-owned business promotion
- Public arts programming
- Economic development and parking initiatives
- Promotional programs during the summer, holidays and spring break when the data shows foot traffic and sales are the lowest.

In conclusion, without the increased revenue, significant cuts in programs will be necessary, dramatically impacting the quality of the services we provide, especially in the Ambassador program, which represents nearly 25% of our expenditures and is our primary service. With the increased revenue, we will be able to continue to meet the needs of the corridor and support the community as we continue adapting to the post-pandemic economic environment.

Thank you for your consideration of this request and as always, Jeff Murison, is available to answer any questions you may have.