



Date: May 15, 2017

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Andre Pettigrew, Director – Office of Economic and Workforce Development
Subject: FY2017-2018 Contract for City Services and Programs for the Downtown Durham Municipal Service District between the City of Durham and Downtown Durham, Inc.

Executive Summary

This item recommends the approval of a contract between the City of Durham and Downtown Durham, Inc. for City Services and Programs for The Downtown Durham Municipal Service District for FY2017-2018.

Recommendation

The Office of Economic and Workforce Development recommends the City Council to:

- 1) Authorize the City Manager to execute a contract amendment with Downtown Durham, Inc. to provide services within the Downtown Durham Municipal Service District (“MSD”) in the amount of \$803,397.00 for FY2017- 2018, subject to City Council budget authorization.

Background

A Municipal Services District (MSD) 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. An MSD is commonly referred to as a Business Improvement District or “BID”. The implementation of the BID within Downtown Durham began on July 1, 2012.

Since the BID was implemented, the following services have been provided by the BID operator, DDI, Inc. through its contract with a third party company (the original company was the Service Group International, then Block by Block and now the Budd Group): Those services focus on:

- Cleaning-related services
- Safety-related services
- Economic development
- Marketing and communications
- Special Events Administration

The City has watched the need for specialized services and programs continue to grow within the BID, driven by a marked increase in pedestrian intensity and activity due to various economic development efforts. Multiple public and private amenities benefit from the specialized services and programs within the BID, those amenities include, but are not limited to, the Durham Performing Arts Center (DPAC), the Carolina Theater, the Durham Bulls Athletic Park, CCB Plaza, the Downtown Durham Marriott and Convention Center, West Village, American Tobacco Campus, Brightleaf Square, 21c Museum Hotel, The Hotel Durham, Golden Belt, Central Park and the numerous businesses and restaurants throughout the BID.

The BID receives an increase in street-level, appearance-related services, such as frequent sidewalk cleaning, and pressure-washing; street level hospitality services to direct people to key downtown sites and services while acting as safety eyes-and-ears within the BID District; increased directed marketing and promotion of downtown attractions within the BID; concentrated special event services; and concentrated economic development programs that build upon the momentum of existing development and leads to job creation, tax base growth and more downtown activity.

Issues and Analysis

The Business Improvement District has provided Downtown business area merchants with the resources to develop increased awareness, implement marketing campaigns, and to enhance public improvement projects in partnership with the City of Durham. Responding to information it has received from downtown property and businesses owners and researching best practices from other cities, DDI continues to adapt programs into specific recommendations and modifications to the enhanced services and programs for the Business Improvement District.

The OEWD staff agrees with the DDI recommendations and believes supporting these enhanced services in the Business Improvement District would to be a good use of the tax revenues.

Payment Terms

July 1, 2017 begins the second year of the five year contract that was executed last year. The contract shall not exceed (5) years in length, (“Term”) according to the City’s fiscal calendar, beginning on July 1, 2016 and ending June 30, 2021, contingent upon appropriation of funds by City Council. Performance under the contract during the second and subsequent years of the contract is contingent upon appropriation of funds and (if the City Council does so provide) may provide for a cancellation payment to be made to the contractor, if such appropriations are not made. Under the contract amendment, the City payments to DDI for each category of BID services for the fiscal year according to the categories identified in the chart below:

BID SERVICES BUDGET FOR FY2017-2018

GENERAL PROGRAM DESCRIPTION	BUDGET
Cleaning and Safety related services	\$522,000.00
Economic Development, Marketing & Communications	\$234,797.00
Special Events Administration	\$ 10,000.00

Administrative Line Items Share of DDI Budget	\$ 36,600.00
TOTAL BUDGET	\$803,397.00**

** Subtotal amount for BID Services subcategory and Total Budget is subject to adjustment based upon the approved BID tax rate established by the Durham City Council and actual revenue receipts from the BID tax.

DDI must submit a detailed quarterly report of program activities and accomplishments associated with the expenditure of City Funds to the City’s Office of Economic and Workforce Development.

Alternatives

The City Council could vote not to authorize execution of this contract amendment with Downtown Durham, Inc. to perform the scope of services for the Contract for City Services and Programs for the Downtown Durham Municipal Service District – FY2017-2018. Downtown Durham would then not have an organization to provide BID services and the City of Durham would need to find some other means of providing enhanced services within the BID, if the special BID tax is levied against property owners within the BID.

Financial Impact

Funding would come from the following sources:

General Fund	\$250,000.00
<u>BID Property Tax Revenue</u>	<u>\$697,172.00</u>
Total Estimated Revenue funding	\$947,172.00

The contract with DDI will be for \$803,397.00 and the total appropriations in the fund are \$947,172.00. The discrepancy is based upon the fact that there are costs that the City incurs related to the BID that is outside the scope of the DDI BID Contract.

	<u>Proposed FY2017-2018</u>
<u>Revenues</u>	
General Property Taxes	\$697,172
Transfers from General Funds	<u>\$250,000</u>
Total Revenues	\$947,172
<u>Appropriations</u>	
Operating (contract with DDI)	\$803,397
Tax Collection Fee (Durham County charges The City for collecting property taxes	\$ 8,017
Transfer to Solid Waste-(enhanced collection services and three compactors)	\$127,695
Appropriations not Authorized	<u>\$ 8,063</u>
Total Appropriations	\$947,172

UBE Summary

This is a contract modification and was not reviewed by the Department of Equal Opportunity/Equity Assurance for compliance with the Ordinance to Promote Equal Opportunities in City Contracting.

Attachments

- Amendment FY2017-2018 To Contract for City Services And Programs For The Downtown Durham Municipal Service District , containing 3 pages
- Exhibit A - "Scope of BID Services FY2017-2018", containing 4 pages
- Exhibit B - "BID District Services Budget for FY2017-2018", containing 1 page
- Exhibit C - "Map of the Downtown Business Improvement District", containing 1 page