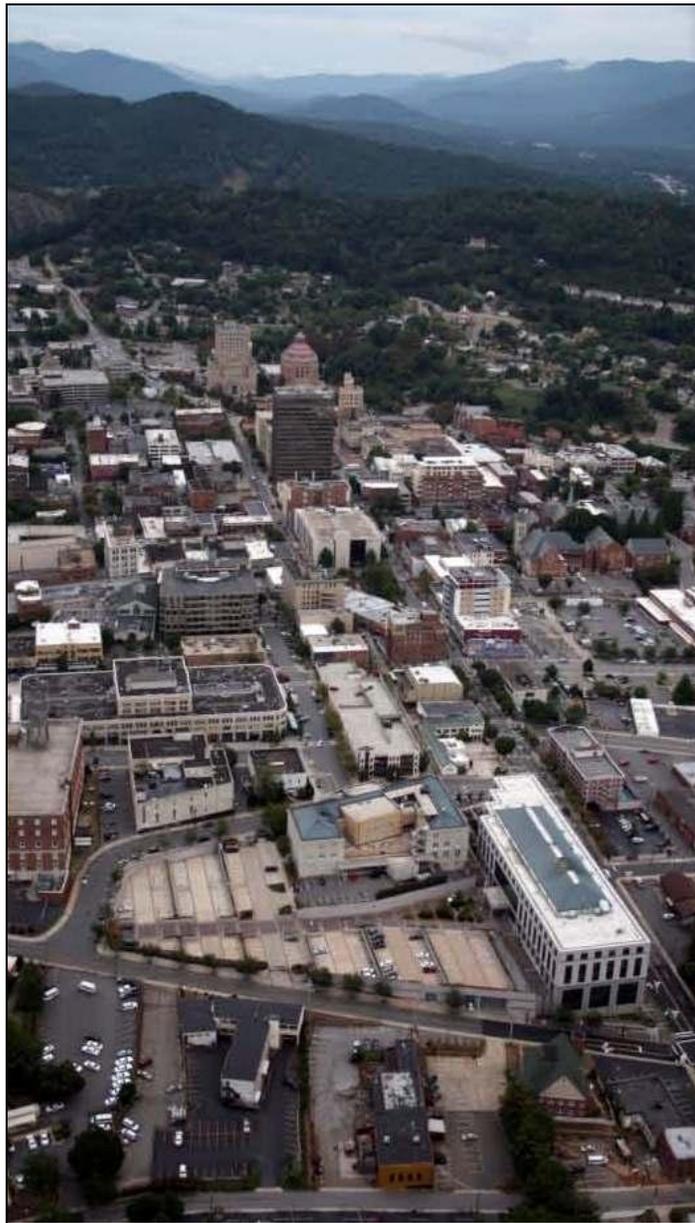


Downtown Asheville Business Improvement District Formation Report



**Prepared for the City of Asheville
Submitted May 10, 2012**

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Introduction

This report outlines the services, budget, and governance for a proposed business improvement district (BID) in downtown Asheville. It is the result of research by the Downtown Management committee and Interim Board, interviews with property owners, and a survey distributed to businesses and property owners in the district.

Downtown is our community's living room and a prime economic engine for the county. Along with being a place where people gather for entertainment, to celebrate local heritage and culture, it is a retail and job center of the region. It took over twenty years of hard work by property owners, business owners, city staff and volunteers to bring about the amazing changes in downtown. Yet, downtown (and downtowns in general) cannot be ignored once they reach a certain level of revitalization. Coordination and management of resources, events and public space downtown continues to be an issue. Careful attention to the downtown environment can create a vibrant, clean and safe place that will bring pride and enjoyment to citizens and visitors alike. A business improvement district will give us a means of maintaining, preserving and improving the heart of our city.

What has been the process for the BID proposal?

The Downtown Master Plan was approved by City Council in June 2009. Near the end of 2009, implementation committees began meeting about different strategies in the plan. The seventh chapter of the master plan is about Downtown Management, and in that chapter the plan recommends a Business (or community) Improvement District for Downtown Asheville.

During 2010 and 2011, a Downtown Management Committee gathered information, conducted a survey and held meetings about a potential business improvement district. This included a forum held at the Civic Center Banquet Hall in June 2011. Five additional meetings were held in fall 2011, and again several meetings were held in March 2012.

In addition to researching other communities in North Carolina and the country that have business improvement districts, the Downtown Management committee determined that an Economic Benefits Study would be helpful to understand the potential of a district. The study was funded through a partnership of the City of Asheville, Buncombe County and the Asheville Downtown Association. The study, done in 2011 by Dr. Steve Ha of Western Carolina University, can be found as an attachment to this report.

In January 2012, an Interim Board of Directors was formed to have more property owner input on what a BID would look like. This Interim Board met from January to March 2012 and decided the parameters of the BID: services offered, rate, district boundaries, Board structure and budget.

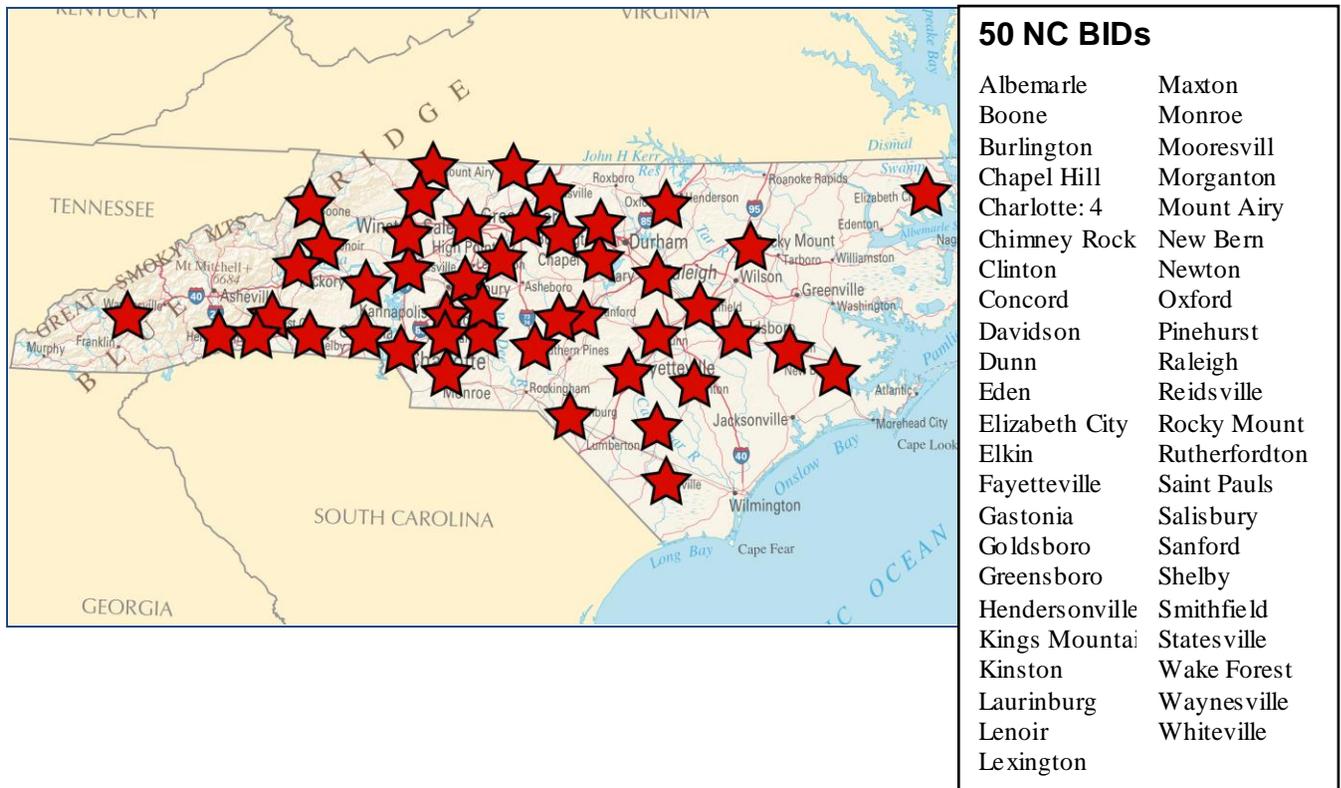
Why a business improvement district?

A business improvement district is a self-imposed way for downtown business and property owners to fund enhanced services or improvement projects within the district, using revenues generated by an assessment on real and personal property valuations in the district. A district will build on the city's long tradition of investing in downtown.

Revenues created by the BID would be used for services and improvements **over and above** the level of municipal services we already receive. Existing services would be enhanced, not replaced. In addition, North Carolina law **requires** that BID revenues be used only for services provided in the district. Attachment A shows the proposed boundary of the district. The BID is a practical way to meet increased service demand as the revitalization continues Downtown, without relying solely on general city funds that are already stretched.

There are more than 1,000 BIDs currently operating throughout the United States and Canada. North Carolina has 50 BIDs established throughout the state including Hendersonville, Waynesville, Chimney Rock, and Shelby. Renewal rates (renewing the property assessments) are very high, over 95%, testifying to the effectiveness of improvement districts.

Business Improvement Districts in North Carolina



Scope of Services

Existing city services within the central business district will be detailed in a Baseline Services Agreement. **The business improvement district will provide incremental services over and above the existing city services within the district.** If the BID is approved by City Council, the City of Asheville will agree to maintain this level of service.

The business improvement district is being proposed for a **period of three years**. At the end of the three years, there will be a survey of property and business owners who pay into the district to see if they would like to renew the BID. Asheville City Council would then have to renew the district for a determined amount of time (usually 3-5 years).

Downtown Survey

In order to define the desired services and to maximize input for the plan, the task force mailed an information letter and survey to 860 owners of property within the Central Business District. Postcards about the survey were distributed door to door through much of the core area, and the survey was promoted by the Asheville Downtown Association as well (Attachment C.) The Downtown Management Committee provided additional information in public meetings and one-on-one discussions.

The survey asked respondents to rank eight service areas in order of importance. There were a total of 278 respondents. The service types were ranked as follows: Maintenance, Public Safety, Economic Development, Street Beautification, Marketing and Promotions, Special Events, District Identity, and Communications and Advocacy. Some respondents also identified additional areas for service.

Annual Program of Work: Defining specific services

A program of work will be prepared annually by the board of directors. This document will detail specific services to be provided using BID funds for that year. City Council will review and approve the program of work each year, concurrent with approval of the BID budget.

Current Conditions – Clean & Safe

The cleanliness of the streetscape in the public and private realms is an issue. While the city empties the trash from street trash cans, and does street cleaning throughout the district in the middle of the night, sidewalks accumulate cigarette butts, tree grates gather trash and weeds and sidewalks become stained.

While some property owners appear to be quite diligent about maintaining their properties and the sidewalks in front of their properties, others are not. The intensity of use in downtown inevitably leads to litter, debris and graffiti, and can be quite expensive for private property owners to clean up.

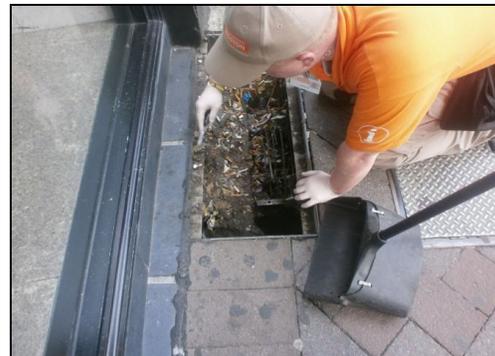
The Asheville Police Department works hard to patrol the streets, and maintains a bicycle team as well. Downtown is generally safe, but visitors and workers don't always feel safe. Downtown workers have also complained about being accosted or feeling unsafe going to or returning from work. These issues can be addressed by having more eyes on the street which can be either employees cleaning or ambassadors patrolling the streets.



Clean & Safe Program

General duties of the Clean Team may include:

- Regular sweeping of all sidewalks.
- Steam cleaning of sidewalks (once or twice per year as needed).
- Power washing of parking deck stairways (once or twice per month).
- Graffiti removal.
- Simple sidewalk repairs.
- Minor tree pruning
- Assisting with plantings in Pritchard Park
- Litter removal in Pritchard Park
- Weed Abatement
- Tree Well Cleaning
- Cleaning Mail Boxes, Street Furniture Electrical Boxes
- Clean Storm Drains
- Snow Removal
- Painting Fire Hydrates, Light Posts etc. as appropriate
- Removal of outdated handbills/flyers



General duties of Downtown Ambassadors may include:

- Regular patrol of district.
- Reporting illegal behaviors to authorities.
- Report and/or remove graffiti.
- Providing information and assistance to visitors.
- Reporting maintenance concerns.
- Communicate with Clean Team on any Cleaning Issues
- Providing emergency first aid
- Crowd control at events.
- Filing complaints as needed.
- Testifying as a witness if justified.
- Provide escort to parking upon request.
- Providing human service information to homeless.
- Provide a late night street presence.
- Personal Safety Escorts
- Business Contacts
- Quality of Life Interactions (Homeless and Panhandling)
- Patrol Parking Lots

Clean & Safe Summary

The core would receive all services everyday - twice a day cleaning and special projects on-going. Outer areas would get all of the same services three times a week as well as immediate service for problems such as graffiti. The Hospitality Team would be concentrated in the core, with regularly scheduled patrols outside the core. These are general estimates that were made in consultation with a company that provides Clean & Safe services in over 20 improvement districts in the country.

The Board of Directors has indicated that if the BID is approved, an RFP would be released to solicit the best proposal for clean and safe services for downtown. There are several companies with extensive experience in delivering these services. All employees would be hired locally.

Labor Category	Weekly Hours	No. of People
Maintenance	280	7
Safety Guide	160	4
Supervisor	80	2
Program Manager	40	1
Total	560	14

The budget also contains funds for special events such as a snowstorm where additional labor is needed to clean sidewalks.

Downtown Advocacy & Coordination

- Work closely with downtown property owners and tenants to solve problems and improve conditions on a daily basis.
- Provide liaison with city and county staff as required.
- Coordinate with vitally involved downtown organizations and individuals to further develop the mission of the BID.
- Build and maintain relationships with City Council and County Commission
- Maintain an accurate up-to-date downtown data base.
- Leverage additional funding sources to further improve downtown.

For many years, the City took the lead in managing and coordinating different efforts in downtown. During the late 1980s and 1990s, city staff became strong advocates for downtown and recruited businesses to the area. That role was not sustainable politically or financially, and has been significantly reduced over the years. Today, the city has increased the services it provides to downtown in terms of trash pickup and police protection, but it is not able to take the lead it once did in coordinating services, and helping the private sector advocate for itself. It's also not necessarily appropriate for the city to take that role.

Today there is no one organization or person managing the \$670 million dollar entity that is Downtown Asheville. Many property owners and business owners can easily identify issues that they would like to be championed by a BID. The clear advantage of having a non-governmental entity advocate for downtown is that it will not change with election cycles. The BID would be an advocate to represent and protect the interests of the hundreds of business owners and residents who have invested their life savings into downtown. Moreover, A BID also serves to foster communication between property & business owners and residents for the benefit of all of downtown.

Revenues and Expenditures

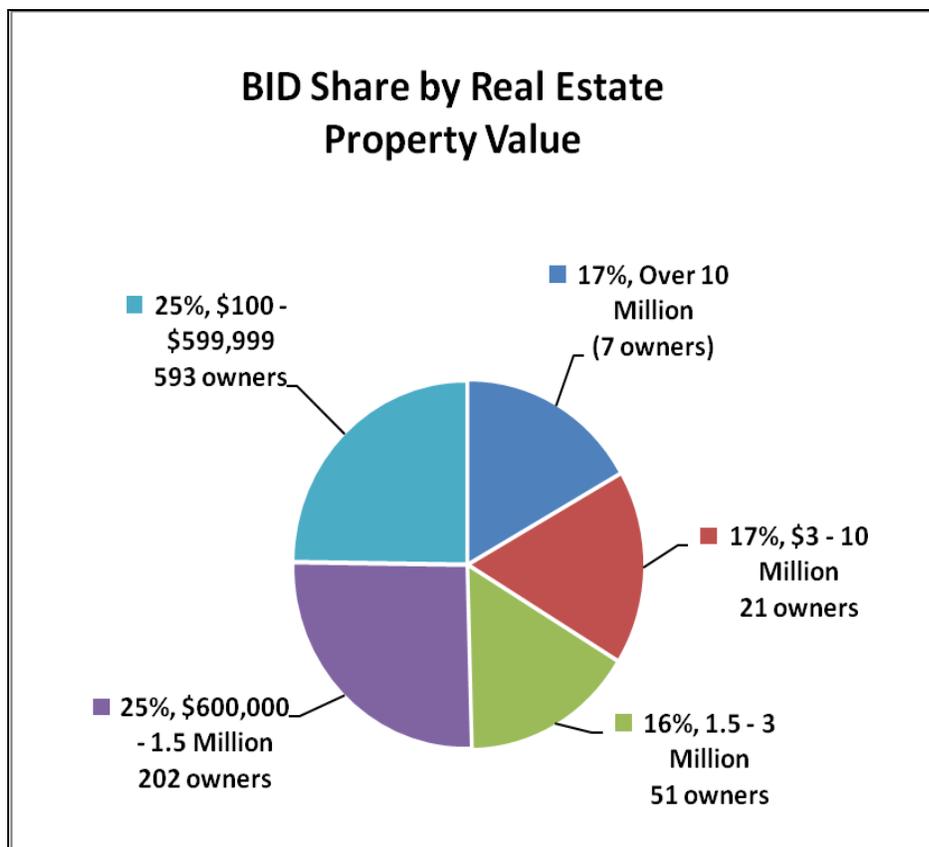
A business improvement district is publicly-funded through a special assessment imposed on property within a specified area—above and beyond normal municipal taxes. The authorization to create a BID is given to the City by Article 23 of the North Carolina General Statute 160A. In North Carolina, these districts are legally defined as Municipal Service Districts.

Rate

The Interim Board discussed different scenarios for an improvement district, and came to the rate of 7 cents per \$100 assessed property value being necessary to generate enough revenue for a robust clean, green & safe program, as well as an advocacy & coordination program. If approved by City Council, the levy would be effective July 1, 2012 with all proceeds due and payable with regular property tax to the County, usually the first week of January.

Who will pay?

There are approximately 2000 business and property owners in downtown Asheville. Not all businesses will be affected; if they are tenants, the levy may come to them via a pass-through provision in their lease. All real property owners will be subject to the proposed tax. This is in accordance with the state statute and it is not possible to exempt certain types of property (e.g. residential property, cars, business equipment) from the assessment. See the state statute in Attachment B for further information.



*Based on Buncombe County Tax Records, March 5, 2012

Revenue Generated

A seven cent rate generates approximately \$467,038 from real estate property, and an estimated \$32,900 from business property. Vehicles will also be subject to the assessment but the exact value of those vehicles is confidential, and an estimate is not available.

	Total Value	7 cents per \$100 of assessed value
Entire CBD	\$667,196,987	\$333,598
Business Property*	\$47,000,000	\$23,500
Total	\$714,196,987	\$499,938

*Estimate of business property value in CBD

Additional sources of revenue

The seven cent assessment is projected to bring in a total of \$500,000 per year. The Interim Board has requested additional funding from the Buncombe County Commission and the Asheville City Council to reach the \$800,000 budget. The Interim Board views contributions from local government as a public private partnership that is necessary in taking downtown to the next level. Both the city and the County are substantial property owners as well, and both would receive services benefitting their property and employees.

Future Revenue Sources

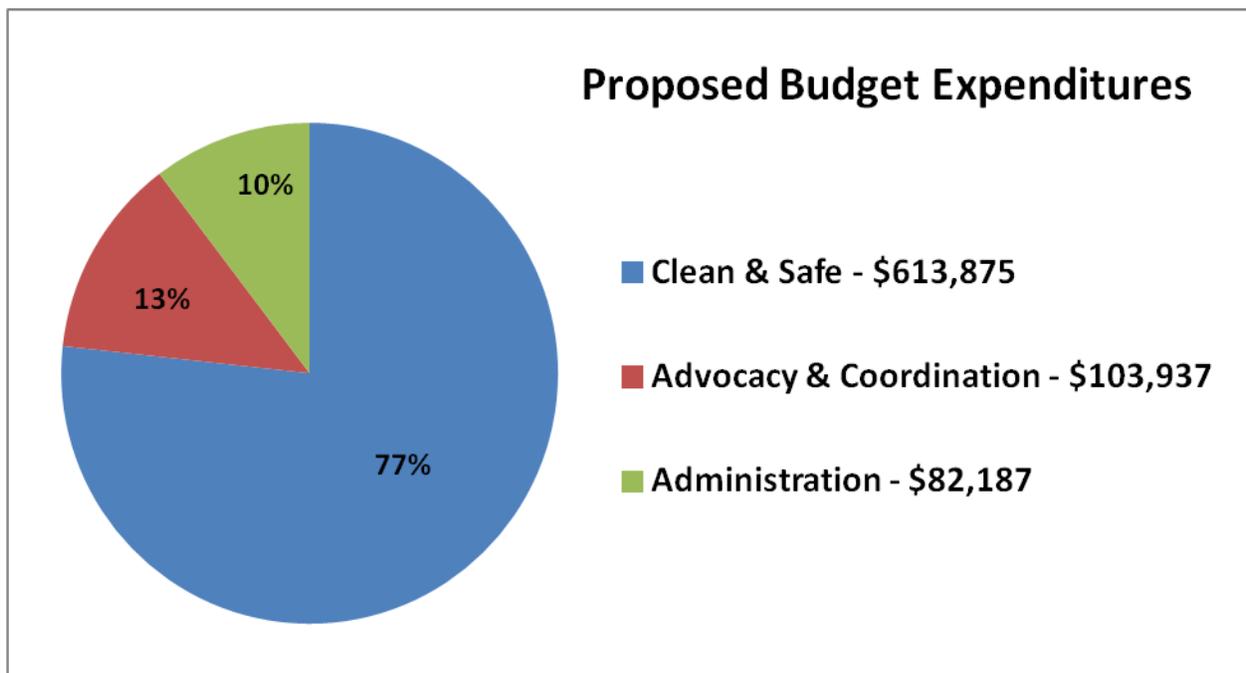
Buncombe County distributes a portion of the sales tax collected to special tax districts within the county (usually fire districts, school districts). If passed the business improvement district would receive a share of these funds on an annual basis. The distribution would not, however, occur until the second year of existence. Current estimates based on the 2011 sales tax collection estimate that the downtown business improvement district would receive approximately \$130,000 per year. The distribution is based on the ad valorem value of the real estate property in the district boundary, in this case, the Central Business District (CBD). It is projected that the distribution would be offset by increased retail sales tax revenues that the BID will generate.

Budget of Expenditures

In the first year of operation (under the current proposal), the funds from the business improvement district will be spent in the following manner:

Category	Amount	Percent of Total
Clean, Green & Safe*	\$613,875	76.7%
Advocacy & Coordination	\$103,938	13%
Administration	\$82,187	10.3%
Total	\$800,000	100%

* If the estimate or bid comes in lower than the budgeted amount, funds could be used towards streetscape furniture or other long term items



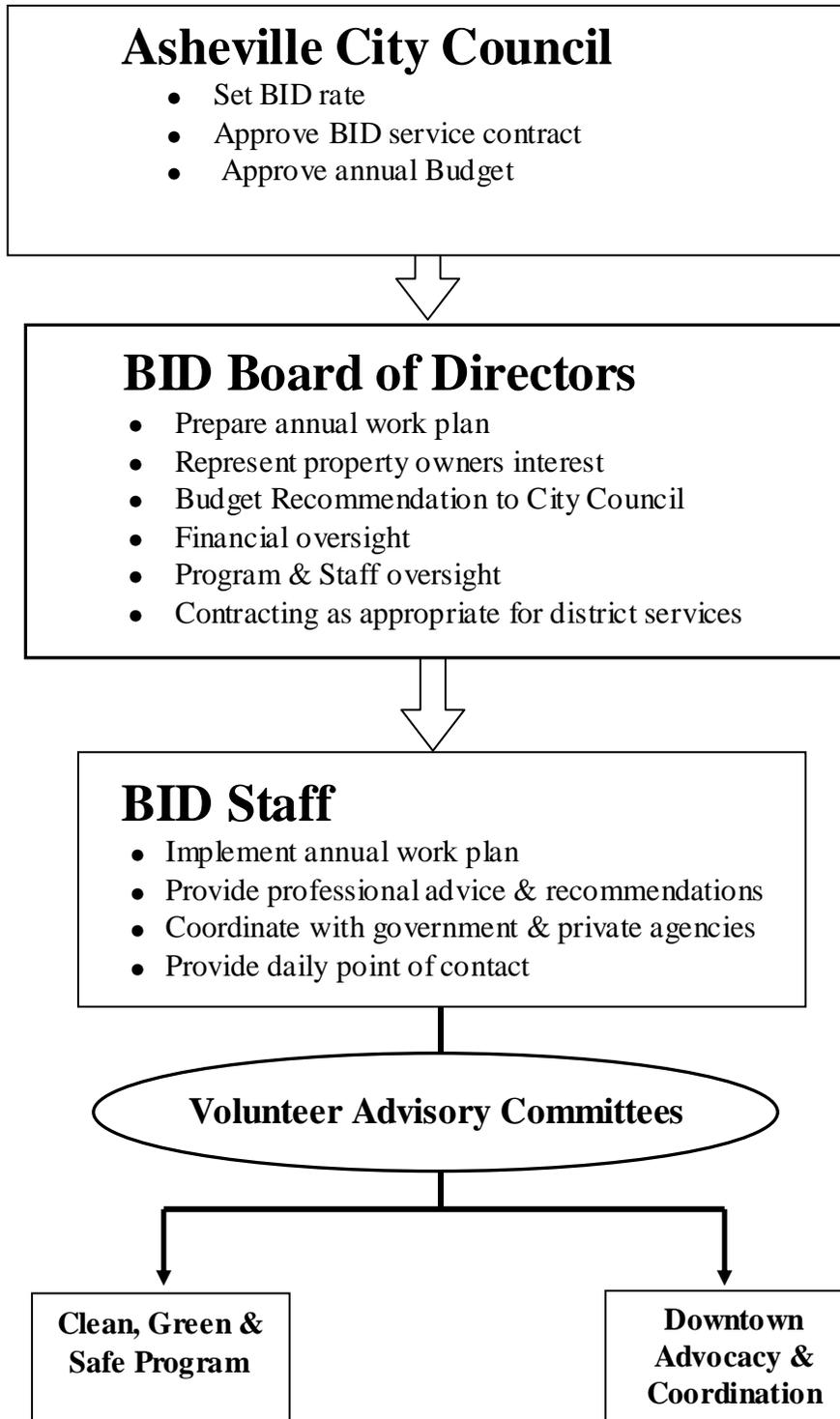
Administration

The implementation and oversight of the BID operation and services will be the responsibility of the Board of Directors of the organization, a 501(c)6 non-profit, through a contract for services with the City of Asheville.

The BID will employ paid, full-time professional staff to operate and manage the programs within the BID work plan, not to replace existing city services. Programs will be implemented by staff with 1) the oversight of the Board of Directors, 2) the assistance of committees consisting of local business people, and 3) the support and knowledge of city staff and council.

Board Seats Proposed Governance Structure : Downtown Asheville BID			
1	•	Major Property Owner	Property owner or owner's representative (individual, company or corporation) whose combined tax assessed value is over \$3 million.
2	•	Major Property Owner	
3	•	Major Property Owner	
4	•	Large Property Owner	Property owner or owner's representative (individual, company or corporation) whose combined tax assessed value is over 1.5 million, but less than \$3 million.
5	•	Large Property Owner	
6	•	Small Property Owner	Property owner or owner's representative (individual, company or corporation) whose combined tax assessed value less than \$1.5 million
7	•	Small Property Owner	
8	•	Resident	Shall be a person who (owns) a dwelling within the service district which is his or her primary place of residence
9	•	Resident	
10	◦	Retail/Restaurant	Shall be owner or manager of a retail or restaurant located in the district
11	◦	Retail/Restaurant	
12	◦	Office	Shall be the owner or owner's representative of professional office or business located and have employees in the district.
13	◦	At-Large	
<ul style="list-style-type: none"> • Indicates that member pays assessment into the district ◦ Indicates that member could potentially pay into the district, but not necessarily. 			
Non-Voting Seats on the Board			
14		City Manager or Designee	
15		County Manager or Designee	
16	◦	Asheville Downtown Association Appointee	
17	◦	Representative of the Downtown Commission	

Administration – Roles and Responsibilities



Accountability & Reporting

Annual report and meeting with stakeholders

The Business Improvement District will produce and distribute an annual report outlining the previous year's accomplishments and services provided within the district. The annual report will be presented at an Annual Meeting.

Annual budget approval by City Council

City Council must approve the annual budget and set the tax rate for the BID. The council will receive regular updates and progress reports as requested from the managing organization.

Audits for City of Asheville

Financial records of the BID will be independently audited, with copies provided to the city manager's office and city finance staff. The records will also be subject to separate audit at any time.

Quarterly report to the Downtown Commission or as directed by City Council.

A quarterly report will be submitted to the Downtown Commission or another body as determined appropriate. These reports can also be submitted to the Planning & Economic Development committee of City Council if desired. This report will include information on the organization's activities. Benchmarks will be set by the Board of Directors in conjunction with the service provider.

**Attachment B. North Carolina General Statutes, Chapter 160,
Article 23**

(§160A-535 to §160A-544) .– Municipal Service Districts

Attachment C. Downtown Survey

Attachment D. Economic Benefits Study