Project Report

Downtown Development Districts In Bar Harbor Phase I Report

For: Town of Bar Harbor
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I. Introduction

This report is the compilation of public input and data gathering in regards to the possible creation of a Development District in Bar Harbor's downtown. Planning Decisions, Inc., of South Portland, was hired by the town to conduct two workshops in the Fall of 2007 and prepare any background material needed.

The purpose of this process was to educate the public (property and business owners within the downtown, in particular) about what development districts are and how they could be used in Bar Harbor's case. These workshops were also held to gather input from the public to get a general sense if there was interest in this type of planning tool and how residents and property/business owners would want it to be used.

The following report briefly outlines and defines what development districts are, the public input received from Bar Harbor residents and recommendations for how the community can move forward in this process.

Overview of Development Districts

Please note that a full description of development districts can be seen in Appendix A.

A development district, which can be formed under Maine Statute Title 30-A, Chapters 205 & 206, allows property owners to come together and use the municipality's tax collection mechanisms to, in a sense, assess themselves. The property owners are located in a district that has been previously designated by the municipal legislative body.

There are two basic types of districts allowed under Maine law: Special Assessment and Tax Increment Financing (TIF) Districts. A Special Assessment District is one in which property owners within the district pay additional property taxes that go into a special fund. A TIF district is a district in which some or all of the property taxes from new valuation in the district goes into a special fund and is sheltered from the computation of county taxes and state subsidies.

Also, there are two different types of special assessment districts: Municipal Capital Improvement Districts and Downtown Development Districts. A Municipal Capital Improvement District is for a one time project either for road construction or drainage/sewer/water infrastructure development. A Downtown Development District, unlike a municipal capital improvement district, is used

for multiple projects and can be used in perpetuity. These projects can include, but are not limited to, sidewalk improvements, promotion and advertising for public events held within the district, or constructing and providing specialized lighting within the district.

In regards to Bar Harbor's downtown the most appropriate and applicable district, if one was to be created, would be a Downtown Development District. This allows for many projects over a number of years, as compared to a Municipal Capital Improvement District. A TIF District would not be very useful to Bar Harbor for two reasons. The first is there is little room for increased valuation (new construction) within the downtown. The second is because the sheltered valuation would not be beneficial to the Town because it would not change the amount of State Aid for Education Bar Harbor currently receives.

II. Methodology

This process consisted of three different steps, the preparation of a background paper and conducting two evening workshops. Both workshops were open to the public, but particular attention was paid towards trying to get business and property owners from within the downtown area to attend.

Background Paper

Planning Decisions prepared a report in October 2007 for distribution among Town officials and residents. It was posted on the Town's website. The purpose of the paper was twofold: 1) to explain what a development district is and how it operates, and 2) to illustrate existing development districts throughout Northern New England, how they operate and how they are used. In a sense the paper was meant to get people thinking of ideas prior to coming to the two workshops.

Workshop 1 – October 30th, 2007

The first of two workshops was held on October 30th, 2007 at the Bar Harbor Municipal Building in regards to Downtown Development Districts. The purpose of this workshop was twofold: 1) to educate the public about these economic development mechanisms, and 2) to elicit public input about how they could be used in Bar Harbor's downtown.

Workshop 2 – November 14th, 2007

The second workshop was held on November 14th, 2007 again at the Bar Harbor Municipal Building. The purpose of the second workshop was to: 1) to educate people who were not at the first workshop about these economic development mechanisms, and 2) to elicit discussion of the geography, funding and operation of possible districts in Bar Harbor.

III. Possible Activities Funded by a Downtown Development District

As mentioned earlier, one of the main purposes of the two workshops was to elicit ideas about how development districts could be used in Bar Harbor and what they would look like. This section outlines the input given by workshop participants.

There were three areas, geographically speaking, that participants looked at within Bar Harbor's downtown: 1) the properties along Cottage St., 2) the properties along Lower Main St., and 3) the entire downtown.

The geographical area that would potentially be in a development district depends a great deal on which projects and uses are going to take place within it. The following are the project ideas that participants came up with.

Parking Improvements

One of the biggest issues to come out of the two workshops was the need for increased parking and less traffic congestion within the downtown area. Doing so would benefit downtown property and business owners by increasing the number of people that can come into the downtown, including Town residents who don't come into the area due to the crowds and lack of parking. Therefore, the funding for any parking improvement should not be paid entirely by downtown property owners because the benefits are felt beyond the downtown.

Ideas from workshop participants included the creation of a new bus loop within the downtown to circulate shoppers and visitors around Eden St., West St. and Mt. Desert St. Another idea was to create satellite parking along one of the existing bus routes. A project which the Town is already undertaking is improving the signage within the downtown.

The overarching theme to come out of the initial meetings was that there is not just one solution to improving the parking and congestion issue within the downtown; it will take a combination of options.

Sidewalks and Streetscape Improvements

Another issue raised during the two workshops was the need for better sidewalks and overall streetscape improvements to match what is currently in place along Main Street. Cottage and Lower Main Streets were identified as two

prime areas for these sorts of improvements, primarily because they are directly tied to Main St. This would create connectivity and naturally draw visitors along to the stores along Cottage and Lower Main.

The benefits received and ultimate funding responsibilities for sidewalks was a matter of prolonged discussion within the workshops. Overall, however, the consensus was that the maintenance and providing a basic level of service is the responsibility of the Town and its CIP. Any improvements (such as brick instead of just pavement), however, should be at least in part funded by the district. Currently, there is a portion of sidewalk along Main Street that is brick which the Town pays to upkeep.

In regards to streetscape improvements participants considered utilities, street lighting and sidewalk lighting. Buried utilities primarily benefit the property and business owners that use them directly. Lighting, either street or sidewalk, primarily benefit the owners immediately adjacent to them. However, they do benefit other properties in the same manner as sidewalks, in creating a sense of continuity within the downtown and drawing visitors down streets into other areas.

Economic Development

Discussion during part of the second workshop focused around the question: How could Bar Harbor hold onto its businesses longer? Currently, there are two problems in play in Bar Harbor's downtown. The first is that many businesses only last one season; many businesses cannot last for long periods of time. The second is that many of the businesses that do last are only open seasonally, not year round. If businesses were open year round then town residents could increasingly use and shop in the downtown.

There were several suggestions from meeting participants to establish a downtown program to address these economic development issues. Business and property owners could be brought together to discuss, work out and address these issues.

IV. Potential Revenues

This section outlines the estimated potential annual tax revenues that could be generated from a downtown development district, using the geographic boundaries outlined in the earlier section and various levels of "add-on" property taxes.

Downtown - The table below displays the possible annual revenue generated by a district made up of the properties within Downtown Business Districts I & II and the Shoreland General Development District (total valuation within these districts is currently $275,869,500).

Table 1 – Possible Annual Tax Revenue: Downtown

	$.10 per $1,000	**$.25 per $1,000**	**$.50 per $1,000**
Property Owners Only	$27,587	$68,967	$137,935
With 50% Municipal Match	$55,174	$137,935	$275,870

Cottage Street - The table below displays the possible annual revenue generated by a district made up of the properties along Cottage St. (total valuation for all properties bordering Cottage St. is currently $45,927,900).

Table 2 – Possible Annual Tax Revenue: Cottage St

	$.10 per $1,000	**$.25 per $1,000**	**$.50 per $1,000**
Property Owners Only	$4,593	$11,482	$22,964
With 50% Municipal Match	$9,186	$22,964	$45,928

Lower Main Street - The table below displays the possible annual revenue generated by a district made up of the properties along Lower Main St. (the current total valuation for all properties bordering Lower Main St. is $28,514,300).

Table 3 – Possible Annual Tax Revenue: Lower Main St

	$.10 per $1,000	**$.25 per $1,000**	**$.50 per $1,000**
Property Owners Only	$2,851	$7,129	$14,257
With 50% Municipal Match	$5,703	$14,257	$28,514

V. Considerations in Creating a Development District

As Bar Harbor moves forward with this process there are certain questions and issues that need to be addressed. The following are some issues that Planning Decisions' feels are important to consider.

Proposed Activities and Cost

The first thing that the Town and the public need to decide is if in fact a development district is needed or wanted, what it should be used to fund. What are the most pressing issues or projects that need to be undertaken that are beyond the responsibility of the municipality and can be taken care of by a development district? Once these issues have been identified, solid ideas and their associated costs need to be developed.

Geographic Area

The exact geographic area cannot be completely delineated until it has been decided which projects should be funded by these specially created districts and who benefits from the projects. For example, a new bus loop would impact the entire downtown while improvements to sidewalks along Cottage St would primarily impact those businesses on Cottage. So once it is agreed upon what the districts will be used to fund it needs to be decided who receives the benefits and thusly who should be involved in funding it.

Property/Business Owner Buy-In

Another issue for consideration as the creation of a development district moves along is how much support from property owners and business owners is needed for the project to be approved. This is important because it is the property owners themselves who will be taxed. There is no language within the State statute as far as the percentage of citizens or property owners who need to approve the creation of a district. However, if the district is going to be a success then there needs to be a large amount of buy-in from the public.

Town Financial Participation

Once a project has been decided upon, and the geographic area delineated, it has to be decided if Bar Harbor will contribute to the funding of the district. Will the cost be split between the Town and district? And if so, on what basis?

One of the fundamental questions to answer in regards to creating a development district is who receives the benefits. If town residents outside of the downtown are positively affected, should Bar Harbor help out in terms of funding?

VI. Next Steps

Planning Decisions feels there are some logical next steps the Town needs to take to ensure this process continues to garner momentum and does not fizzle out.

Continue the process from Phase I

The next step will be to continue the process that was started in the Fall of 2007 in the Spring of 2008, when many of the property and business owners return to the area. Planning Decisions envisions the next step in this process, Phase II, will be addressing and answering the questions and considerations posed in the earlier section above.

Foster support from property owners & business community

In many cases the most successful development districts are created by business/property owners, not necessarily the community. If there is a perception that the Town is pushing this development tool on the business community, there will invariably be resistance and a questioning of motives. The role of the Town moving forward in this process is to foster interest and ideas from property owners and the business community within the downtown.

Appendix A

Development Districts in Maine
Summary Report for Bar Harbor
Completed in September 2007

This report outlines the three applicable development district options available to Bar Harbor as established by Maine Statute, as well as examples of other development districts in Northern New England.

A development district, which can be formed under Maine Statute Title 30-A, Chapters 205 & 206, allows property owners to come together and use the municipality's tax collection mechanisms to, in a sense, assess themselves. The property owners are located in a district that has been previously designated by the municipal legislative body.

The funds collected by the municipality are put back into the district. The funds can be used to improve existing services above the level the municipality is currently providing or to make capital improvements. These activities can include, but are not limited to, sidewalk improvements, promotion and advertising for public events held within the district, or constructing and providing specialized lighting within the district.

The district must be designated by the municipality. Prior to designating the district the legislative body must consider whether the district will contribute to the economic growth or well being of the municipality. A public hearing must be held before the designation of a development district. In addition, the Commissioner of the State Office of Economic and Community Development will review the proposal for compliance with statutory requirements.

As is shown later in this report, the creation of a development district usually also entails the creation of an authority or organization to oversee the operation of the district. While not stipulated by Maine Statute, a municipality can create a non-profit organization to oversee the activities and use of the collected assessments within the district. A volunteer board of directors oversees the long-term direction of the organization. In larger communities, with larger districts, a full time staff is often hired to oversee the day-to-day operations of the district (planning events, coordinating construction projects, etc.). However, in smaller communities these tasks are usually handed to the municipality's planning or economic development department.

It is important to note that Development Districts are different and separate from the services offered by the Main Street Maine Program. This state program allows town officials to work with representatives from The Maine Downtown Center to develop goals and projects. Development Districts are different in that towns are able to work independently and these districts provide funding to complete desired improvements.

Three Development District Options for Bar Harbor

Outlined below are the three different types of development districts allowed by Maine Statute, which could be applicable to meeting Bar Harbor's development goals.

Municipal Capital Improvement District

A municipal capital improvement district is a defined geographic area within a municipality, enabled under Maine Statute Title 30-A, Chapter 205-A. It is used to pay for a one time capital improvement project.

A special assessment is levied against all property owners (regardless of property type) within the district. The special assessment represents the portion of the cost of a capital improvement undertaken by the municipality within the district that is the obligation of property owners.

State law limits capital improvements to:

1. road construction;
2. drainage system development; or,
3. the installation of sewer or drinking water infrastructure.

The cost of the capital improvements within the district is initially taken on by the municipality. The first tax year after the completion of the project the municipality levies a special assessment on the property owners representing their annual share of the cost of that improvement.

Downtown Development District

A development district, according to Maine Statute Title 30-A Chapter 206, is "…a specified area within the corporate limits of a municipality that…is to be developed under a development program". The development district, and the

specified projects that take place within it, are funded by special assessments placed on property owners within the district. Unlike a municipal capital improvement district, a downtown development district is used for multiple projects and can be used in perpetuity.

Upon the municipality's adoption of the development district it must also adopt a development program, as required by subsection 5224 within Chapter 206. A development program is a document which outlines the goals and objectives of the municipality to create new employment opportunities, retain existing employment, improve the tax base, improve or construct new municipal facilities or improve transportation infrastructure (both vehicular and pedestrian).

The total area of development district cannot exceed 2% of the total area within the given municipality. The total of all development districts cannot exceed 5% of the municipality's total area.

A municipality may create the following three assessments within a development district; 1) a development assessment, 2) a maintenance assessment, and 3) an implementation assessment. These three assessments must be outlined and stipulated within the development program and reviewed at a public hearing.

The three types of assessments are:

1. Development Assessment – This assessment is assessed to <u>any</u> property owners who have benefited from improvements that have been constructed within the district. This is the only type of assessment where all of the property owners within a development district do not necessarily have to pay. For example, if a road improvement project is undertaken within a district it is possible to have only the property owners who boarder the project pay.
2. Maintenance Assessment – This assessment is assessed to <u>all</u> property owners within the established district. This assessment is equally and uniformly assessed on all properties receiving benefits from the maintenance and operation of public facilities (which is above the level of service previously being provided by the municipality).
3. Implementation Assessment – This assessment is made upon <u>all</u> property owners within the development district. This assessment can be used to fund activities that are necessary to implement the projects outlined in the development program.

It is important to note that within Maine Statute Title 30-A Chapter 206 Tax Increment Financing (TIF) Districts are included as Downtown Development Districts. However, it is felt that TIF Districts operate in such a different manner from Downtown Development Districts, and serve such a different purpose, they warrant their own section.

Downtown Tax Increment Financing Districts

A Downtown Tax Increment Finance (TIF) District allows a municipality to use all, or a portion, of the property taxes from increased valuation within a pre-designated district, enabled under Maine Statute Title 30-A Chapter 206. A TIF District allows a municipality to shelter the new property value from the computation of its State subsidies and County taxes, meaning the municipality can retain all or a portion of tax revenues that would otherwise go to the State or County.

Downtown TIF District created revenue can be used in two ways; 1) to pay off bonds, or 2) to pay the tax increment directly to the investing business to help pay project costs.

The municipality's legislative body is responsible for designating the physical area of the district. An application for that area to be designated a TIF district is submitted to the Maine Department of Economic and Community Development for review of statutory compliance.

In order to designate a certain area as a Downtown TIF District the local municipality must create a downtown redevelopment plan, define the geographic boundaries of the district, and create a development program and financial plan. The downtown redevelopment plan is in basic terms a comprehensive plan for a designated downtown area.

Tax Increment Financing Revenue Uses include:

- Capital Costs;
- Financing Costs;
- Certain Infrastructure projects (water, sewer and storm water handling and treatment plants, road construction or improvement, utility installation and environmental protection devices and facilities);
- Rent subsidies or the sale of assets at a price below acquisition cost;

- Professional Services/Administrative Expenses/Organizational Costs (environmental and other impact studies);
- Relocation costs;
- Employee training (limited to 20% of total project costs) or Child Care costs; and,
- Development of new employment opportunities and marketing and promoting public events.

It is possible to create a development district that is funded by a combination of these mechanisms. For example a downtown development district could be a TIF district and include assessments for specific purposes.

Northern New England Examples

Bangor, ME - Bangor Center Corporation (BCC)

BCC's stated mission is that it "…develops and implements activities that encourage retention and growth of retail, service, and professional businesses; residential life; cultural organizations and government offices within the historic and cultural center of Bangor".

Established in 1987, a special assessment levied on property owners within the development district generates the funding for BCC. For FY2007 property owners within the development district paid $0.53 per $1,000 worth of property value.

Early in the Corporation's history the City's General Fund provided some support to the Corporation. However, since 1990 the Corporation has not received any money from the City's General Fund. This means all of the funds expended throughout the year is generated from the special assessment levied on property owners.

BCC has a volunteer Board of Directors. The corporation contracts out to the City of Bangor's Department of Community and Economic Development to help take care of BCC's day-to-day operations including administration.

The BCC uses its budget in some of the following ways:

1. Events – The BCC organized and marketed many of the events that occurred in 2007 in Downtown Bangor including; 1) the Cool Sounds

concert series, 2) the Artisans' Market, 3) the Downtown Dog Day and Cool Cat Saturday, 4) illuminated downtown squares for the holidays, and 5) sponsored the River City's outdoor movie series;

2. The creation and maintenance of a downtown website at : http://www.downtownbangor.com/ ;
3. General marketing for Bangor and its Downtown;
4. Serves as a liaison between different organizations and between downtown businesses; and,
5. Partnered with Bangor Public Works and Keep Bangor Beautiful in 2007 to provide flowers and plants for the City's parks.

Portland, ME – Portland's Downtown District Assessment (PDD)

PDD is a not for profit 501c(4) organization that is made up of a volunteer Board of Directors and is staffed by three full-time employees (an Executive Director, a Special Events and Public Relations Manager, and an Administrative Assistant). The organization is funded through a special assessment placed on properties within the designated district boundaries and was formed in 1992.

The stated mission of PDD is to "act as a leader and facilitator in the support and promotion of the economic vitality of downtown Portland". In support of this mission the organization maintains a website at http://portlandmaine.com/. Within this webpage PDD lists current and upcoming events within the district, a listing of district businesses and their hours of operation, places to eat and lodging, and other links.

In addition to maintaining a website to promote the downtown, PDD also "monitors and enhances the area's appearance, access, safety, and the general hospitality" with various projects throughout the year.

Burlington, VT - Downtown Improvement District

Burlington's Downtown Improvement District was created in 1999 and later expanded in 2004. One of the organization's purposes is to define the portion of the downtown area where much of the City's future development and public investment is desired and will be concentrated. It was created as a special assessment district to levy a property-tax surcharge to pay for two free hours of parking in designated municipal parking lots and garages within the District.

The district is funded by a special tax levied on all non-residential properties located within the District. In FY2005 this was a 12 cent tax per $100 of property value. In FY2006 it was reduced to an 8 cent tax.