



# BGR Report

A Report and Recommendation from the Bureau of Governmental Research

March 2001

## DDD Tax and Bond Proposal

On April 7, 2001, the voters of New Orleans will consider a proposition to extend the property tax millage for the Downtown Development District ("DDD" or the "District") and to approve the issuance of up to \$10 million in bonds.

Specifically, the proposition would:

- ♦ Authorize the continuation of an existing special property tax on real property within the boundaries of the DDD, not to exceed 22.97 mills, beginning in 2005 and ending in the year 2029.
- ♦ Authorize the City of New Orleans to issue bonds in an amount not to exceed \$10 million for capital improvements and facilities within the DDD, payable solely from the special tax.

Since the existing DDD millage does not expire until 2005, there is no immediate need for an extension. However, the DDD bond proposal is not feasible unless the millage is extended. The bond approval would extend and increase an existing authorization in the amount of \$7.5 million.

The special DDD tax is levied only within the DDD boundaries, but voter approval of the tax and bond proposition in a citywide election is required. The DDD's boundaries are, roughly, the Mississippi River, the Pontchartrain Expressway, Claiborne Avenue, and Iberville Street.

### Background

The DDD is a special taxing district created under state law for the purpose of providing services and improvements within the District in addition to those provided by the City. The District is currently authorized to impose a special ad valorem tax on real property of up to 22.97 mills. It has collected 15.9 mills for years. The DDD anticipates about \$351,000 per year in revenue for each mill collected.

A nine-member board governs the DDD. Board members must own property or have their principal place of business in the DDD, and at least seven must be qualified voters of New Orleans. There is no requirement that any board member reside in the District. The Mayor with City Council approval appoints all members; five members are from nominations submitted by the Central Area Council of the New Orleans Regional Chamber.

For 1999, DDD budgeted \$3.75 million in tax revenues. For 2001, DDD is budgeting \$5.6 million in property tax revenue - an increase of 49% over two years. The increase reflects the quadrennial property reassessment and additions from new development. DDD's annual plan (budget) must be reviewed by the City Planning Commission and approved by the City Council.

Historically, the DDD has funded enhanced City police and sanitation services within the District. A variety of other services, programs, or physical improvements have been provided over the years. These range from support of a CBD shuttle bus



service, historic preservation efforts and a beautification program in the 1980s to various promotional and public safety activities in the 1990s. The DDD has also played an advocacy role in matters affecting the downtown area.

**DDD's 2001 Plan**

The DDD plan for 2001 provides for a budget of about \$6.65 million, with \$5.6 million from special property taxes. Other revenues are derived from a State appropriation for the "Hospitality Rangers" program (\$400,000), reserves ( \$353,482), and interest income (\$271,897). Expenditures proposed under the plan are as follows:

<b>DDD s 2001 Plan</b>	
Sidewalk maintenance and capital improvements	\$ 1,742,600
Administration	1,519,120
Supplementary Police Department services	875,000
Public safety (police substation and Hospitality Rangers program)	575,000
Debt service on bonds	534,647*
Marketing and promotion	469,375
Supplementary Sanitation Department services	406,000
Economic development	269,300
Other programs	260,000
<b>otal</b>	<b>\$ 6,651,042</b>

f the voters approve the April 7, 2001 ballot proposition

**The Proposed Capital Program and Bond Issue**

DDD has never issued bonds. It is proposing the issuance of \$7 million in bonds (for a term of 25 years) as part of a \$27 million program for CBD infrastructure improvements and beautification. The plan, called "The Downtown Revival", includes \$5 million of improvements to Canal Street by the Regional Transit Authority, a \$10 million tax increment financing ("TIF") contribution by the City, and assumes \$5 million of private investment.

The proceeds of the DDD bond issue and the TIF would be used as set forth in the table on page 3.

As noted, the Downtown Revival Plan includes a proposed \$10 million from City TIF bonds to be funded from increases in tax revenues over a proposed 2000 baseline year. At the date of this report, there is no ordinance or other public document outlining the specific details of the City's TIF plan. Two issues with the TIF are: that it will divert revenue from the City's general fund that would otherwise flow into it, and second, there is no evidence that the proposed improvements themselves, as opposed to other improvements on Canal Street, will generate the amount of additional sales tax revenues needed to fund the proposed TIF contribution.

DDD indicated to BGR that it would use \$2 million in bond funds for districtwide improvements, including directional signs, landscaping, and sidewalk improvements. \$5 million is earmarked for Canal Street streetscape improvements, including sidewalks.

The full improvements in the plan as described to the public cannot be made unless the TIF is authorized and implemented. The specific improvements targeted for Canal Street might have to be scaled back if the City's \$10 million does not materialize.

For example, instead of new granite sidewalks, repairs to existing sidewalks might be undertaken. The alternative use of bond proceeds has not been adequately described to the public.

**Recent Studies**

DDD has commissioned two recent studies of the downtown area: a study by the Urban Land Institute (ULI) in 1998 and a database report prepared by Economics Research Association (ERA) in August 2000.

The reports note a number of underlying problems that must be addressed before a retail strategy on Canal Street can succeed.

They include a lack of parking, a perception of crime, vacant or run-down storefronts, and building configurations that do not lend themselves to retail uses that require a larger store size. ULI also cited dirty sidewalks.

In order to develop new customers for a wider range of Canal Street retail uses, the ULI report called for strengthening the areas abutting Canal Street, including the medical center and the Iberville Housing Development. It also called for the encouragement of residential uses on Canal Street and elsewhere in the DDD.

ULI suggested a wide range of other initiatives. First among them is the development of a master plan for downtown and a capital improvement plan based on the master plan. This has not been done. Other recommendations include programs to assist facade improvements, revolving loan funds, more parking, and enhanced public safety and sanitation services. With respect to the streetscape, the ULI recommended that "projects be limited to increased lighting, trash cans, public seating areas and other uses that activate the street, as well as various programs that clean up the street and/or make it more 'walkable', such as newsboxes, trees, signage and similar elements." New sidewalks for Canal Street were not mentioned.

DDD's 2001 plan includes operating funds to begin addressing some of these issues through a parking study, a facade improvement program, and residential opportunities evaluation. DDD claims that the existing sidewalks, which were

<b>Proposed Improvements</b>	
<b>Canal Street</b>	
Sidewalks with granite paving	\$ 5,641,000
220 palm trees	2,200,000
four globe light fixtures	1,140,000
Street furniture, recessed sidewalk lights, amenities	1,000,000
improvements to the 100 blocks leading to Iberville	550,000
20 contingency	2,106,000
Architects and engineers fees	1,170,000
Subtotal (Canal Street)	<u>\$ 13,807,000</u>
<b>Districtwide</b>	
Sidewalk enhancement	\$ 750,000 to \$1,750,000
Directional signage wayfinding program	750,000 to 750,000
Street furniture, banners, amenities	250,000 to 500,000
landscaping	250,000 to 500,000
Economic development	up to 1,500,000
Subtotal (districtwide)	<u>\$ 2,000,000 to \$5,000,000</u>
<b>Total</b>	<b>\$ 15,807,000 to \$18,807,000</b>

installed in the mid-80s, are of inferior quality, deteriorating rapidly and incapable of being cleaned.

**The primary arguments in support of the DDD proposition are:**

DDD is an appropriate vehicle for taking the lead on improving the CBD. The DDD can continue as a viable, active entity only if the existing millage, or a significant portion thereof, is renewed before 2005.

The reauthorization of the millage will allow the DDD to continue to provide enhanced police, sanitation and other services for the downtown area.

The appearance of Canal Street is important to the City's image. Some refurbishment, although not necessarily improvements of the proposed scope, is desirable.

**The primary arguments against the DDD proposition are:**

The reauthorization of the millage and the issuance of the bonds are contained in a single proposition. Two distinct purposes should not be

---

contained in the same proposition. Voters should be given the option of reauthorizing millage without authorizing a bond issue.

The improvements to be financed by the bonds are part of a program that cannot be implemented in the form presented to the public without additional financing. The DDD expects to secure the majority of funds from a TIF district that has not yet been authorized. The issuance of the bonds is not made contingent on the additional financing.

The DDD contemplates implementing a scaled-back refurbishing program for Canal Street if the TIF is not authorized. This alternative use of the bond proceeds has not been adequately publicized.

The DDD has not demonstrated that the installation of new sidewalks and palm trees is the most effective way to revitalize Canal Street. Based on the studies discussed above, parking, improved storefronts, an improved retail mix, and housing are among the high priorities for that area. The proposed bond issue consumes limited debt capacity that could be applied to these other needs.

The DDD has not formulated a master plan or comprehensive capital improvement plan for the downtown, as suggested by the Urban Land Institute.

## **BGR Recommendation**

The Bureau of Governmental Research recommends a vote **against** the proposition as presented, but suggests that it be resubmitted to the voters as two separate propositions. BGR would support the separate proposition reauthorizing the DDD's millage. It would oppose the bond issue authorization unless additional public planning clearly establishes that the proposed improvements are likely to be more beneficial than other revitalization alternatives. BGR reserves an opinion on tax increment financing until an analysis of the cause and effect relationship between Canal Street capital improvements and increased sales tax revenue is demonstrated.

