

**2014**

# **State of the City Report**

**CITY OF HOT SPRINGS, ARKANSAS**



**Presented to the Hot Springs Board of Directors**

**March 3, 2015**

# **2014 STATE OF THE CITY REPORT**

My duty as your city manager is to provide a report on the financial and administrative activities of the previous year. This report is known as the State of the City, and it is my honor to submit it to you, the Board of Directors, and to the citizens of Hot Springs. I am pleased to share that the State of our City is strong.

Hot Springs is positioned for tremendous growth. Momentum is on our side. Cities across America are experiencing an urban revival similar to the activities highlighted below. The challenge before us is to maximize that growth and provide the environment to achieve long-term fiscal sustainability. No single initiative will be the silver bullet to reaching these goals. We will use every tool available to ensure that Hot Springs keeps building, progressing and moving forward. Although we are focused on getting results rather than headlines or accolades, please allow me to note the successes that your city team accomplished in 2014.

## **Downtown Hot Springs: Please Excuse Our Progress**

Many cities across the nation have a significant event that defines it for many years to come, which can serve as either a catalyst for creation or devastation. For the Hot Springs community, the fire that destroyed much of the historic Majestic Hotel on February 27, 2014 didn't just burn a landmark. This galvanizing event sparked a movement to redevelop and preserve our famed downtown. The community has used the Majestic Hotel fire as an opportunity to recommit to the preservation and enhancement of our downtown to benefit the great citizens of Hot Springs as well as all Arkansans. In any city, the downtown area is often seen as the front door of the community, a gathering place, a preview of what the community has to offer. Our downtown has served as the welcome mat to visitors for centuries.

As I stated in last year's State of the City address, our downtown is gaining momentum, and the city's actions have helped jump start its redevelopment. Board adoption of the Thermal Basin Fire District in late 2013 and following the Majestic Hotel fire in early 2014 heightened public awareness and urgency of downtown's existing conditions. It underscored the fact that the outdated fire code presented no incentive for property owners to improve their unsafe buildings and protect them from fire.

The downtown area was indeed a focal point of 2014, with many new initiatives launched to incentivize development. Hot Springs Utilities invested \$800,000 to provide downtown buildings with an additional 12-inch water main for greater fire protection. This project provided more than 3,000 feet of fire main piping, 13 new fire hydrants, and 17 new fire suppression connections. The goal of these enhancements was to provide building owners a cost-effective means to protect their properties with proper fire protection, the results have been impressive.

In an effort to stimulate building development, a fee waiver for single family residential building citywide and single family, duplex, and multifamily dwellings in the Thermal Basin Fire District was adopted in July 2014. The announcement was held atop the Exchange Street Parking Plaza with several hundred citizens and community leaders present. The building permit figures listed below have shown the waiver to be productive with a resulting extension into 2015.

In 2014, Central Avenue in downtown Hot Springs was also named one of the 10 Great Streets in America by the American Planning Association. Central Avenue is anchored on the north by the Alice Bush Memorial Fountain at the intersection of Central, Whittington and Park avenues, and on the south by Confederate Square, providing a magnificent gateway. This designation was celebrated in the heart of downtown overlooking Central Avenue, with guest speaker Rex Nelson providing a stirring speech to the crowd.

American Planning Association Director Whit Blanton described Central Avenue as a street that winds through the valley between the mountain slopes bordering the street, boasting shops, art galleries, restaurants and museums, along with the Spanish Revival, Victorian and Greek Revival buildings of Bathhouse Row. Lace bark elms shade the sidewalks, and park areas along the street offer resting spots for pedestrians. As if citizens and tourists did not have enough of a reason to shop or visit downtown, the entire area has free public parking. More than 200 parking meters were removed throughout downtown, and the entire Exchange Street Parking Deck is also fee-free.

The changes to our downtown landscape continued throughout 2014 with several historic properties being sold and one of the last remaining bathhouses leased. Two iconic downtown buildings, the Thompson and Dugan-Stuart, were sold in mid-2014 with plans to develop a boutique hotel and mixed residential with retail offered on the ground floor. The Hale Bathhouse will be developed into a boutique hotel and upscale restaurant located within the federally-managed Hot Springs National Park.

The Henderson State University - National Park Community College partnership, announced in April 2014, provided yet another historic building development project. The Landmark Building underwent extensive renovation to meet the needs of the new Downtown HSU/NPCC Education Center. The program offers associates degree classes from National Park Community College and junior/senior level course from Henderson State University, including graduate level courses.

Last and certainly not least, the former Regions Bank building at Malvern Avenue and Broadway, once the site of Arkansas Bank and Trust Company, was demolished to make room for a new Regions Bank that will be constructed on the site. The building served as an anchor for our downtown for more than 50 years, essentially kicking off the downtown revitalization efforts that continue today.

## **Notable Accomplishments**

While the focus on redeveloping and revitalizing our downtown has been impressive, I would be remiss for not discussing several marquee projects and initiatives going on throughout the city. I would like to highlight just a few of the many activities that were accomplished.

Kimery Park turf installation was a major accomplishment that has provided a true asset to the community. Kimery Park's softball fields have long been a popular place for adult and youth softball programs, developing into the second largest municipal softball program in the state. The significant field usage, poor substructure and drainage, combined with record rainfall, rendered the fields a safety hazard resulting in their closure. The installation of artificial turf infields provided the drainage and durability needed and made Kimery Park the only facility in the state with this playing surface. The project was made possible by a \$100,000 investment from the A&P Commission and more than \$160,000 in grant monies from our state legislative delegation, with city funds picking up the remaining \$330,000 total cost. Several community volunteers, along with Leadership Hot Springs, committed sweat equity and monetary donations to the project.

We started 2014 with a totally redesigned website that has delivered on several goals, including increasing citizen engagement and saving the public time and money. Our website was awarded a \$43,000 prize from CivicPlus, a local government website provider, as part of its Extreme Website Makeover Contest. The package included custom website design, complete content development, and the capacity to meet the city's internal and external communication needs. However, the awards for our newly-unveiled website did not stop there. We were recognized at the City-County Communications and Marketing Association (3CMA) annual conference with two awards. Hot Springs won a Savvy Award in the Digital Interactive-Overall Website category, and an Award of Excellence in the Most Creative with Least Dollars Spent category. The new website helps us not only communicate with the public, but potential residents and businesses.

Our Sister City Program has continued to develop over its 20-year history and recently received a commendation from the Japanese Ministry of Foreign Affairs. This award is given to groups with outstanding achievements in international fields to acknowledge their contributions to promotion of friendship between Japan and other countries. The Hot Springs-Hanamaki Sister City Program, in partnership with the Hot Springs National Park Sister City Foundation and Visit Hot Springs, has fostered an outstanding international relationship which continues to grow.

The Hot Springs Creek Tunnel improvement project was completed in 2014 with the provision of \$480,000 in federal grant funding. The Hot Springs Creek Tunnel, an underground stone aquifer, which winds through the heart of downtown and Hot Springs National Park's Bathhouse Row, conveys the creek and stormwater runoff from the north mountains to Lake Hamilton. The funds were used to repair mortar, major undercutting of walls, recoating the arch ceiling with a concrete substance to prevent continued loss of rock through erosion, and removal of pipes and other abandoned objects to improve water flow. These improvements will help alleviate the flooding that has been prevalent in the downtown area for many years. Also, the continued installation of five emergency warning sirens throughout the flood prone downtown will enhance notifications for visitors and citizens alike.

The Community Development Block Grant (CDBG) program offered by the U.S. Department of Housing and Urban Development continues to provide neighborhood revitalization infrastructure and new affordable housing to our citizens. The CDBG program provided \$400,000 to repairing and installing sidewalks to meet ADA accessibility standards and improve pedestrian safety for school children, disabled residents and the elderly. More than \$100,000 was allocated for land acquisition and municipal infrastructure to support new affordable home building on vacant lots in existing neighborhoods by Garland County Habitat for Humanity. Also, \$65,000 was used to raze condemned homes that pose public safety risks and blight neighborhoods. The former Kloss Motel, located at 811 Park Avenue, was demolished with assistance from our Stormwater Division. Once the debris is removed, the property will be converted into a greenspace to help alleviate floods and eradicate blight in the area.

In 2014, the section of the Higdon Ferry widening project from Printer's Place to Crawford Drive commenced. This final phase will widen the road from three lanes to five lanes, complete with sidewalks and bike lanes. Traffic signal coordination plans have all been updated for the Higdon Ferry corridor, which will provide better travel times and less delays for motorists. Approximately \$800,000 was allocated to street improvements for paving and street cut patching, including the installation of a new bridge on Runyon Street. The bridge replacement is utilizing an 80% State Aid funding program, which will provide added safety for heavy truck traffic and enhance our Greenway Trail development.

Downtown Hot Springs is not the only part of the city experiencing tremendous development activity. Throughout the city, construction of new hotels and restaurants demonstrate a strong resurgence in our local economy. Holiday Inn Express and Courtyard Marriott both completed construction and are open for business at the southern end of Central Avenue. Spa City dining options continue to increase with the addition of Zaxby's and Baskin Robbins/Dunkin Donuts/Little Caesar's, all on Central Avenue, while Longhorn Steakhouse, Slim Chickens, and Panda Express opened on Higdon Ferry Road.

During the past year we have seen major transformations take place throughout the city with large-scale construction projects, infrastructure and traffic improvements, and downtown revitalization. Together, through the leadership of the Board of Directors, an experienced management staff, and a dedicated, hard-working city workforce, I am confident we will continue to advance the State of our City in 2015.

## **Economic Indicators**

I am happy to report that the financial condition of the city is sound, and a balanced budget was approved and maintained in 2014. The overall outlook for the city is positive, with revenue streams trending upwards. Although the city sales tax posted a modest gain of .25%, momentum is steadily rising in this area. The city received \$17,900,000 in sales tax revenue for 2014, including \$11,900,000 for 1% General Fund and \$5,970,000 for .5% Public Safety Fund. Our sales tax figures increased 3% in December 2014 as compared to last December, a promising sign for our community.

According to the Arkansas Realtors Association, new and existing residential units sold remained flat for the Hot Springs area in 2014. However, city-issued building permits, both residential and commercial, showed signs of respectable growth. Residential permits rose approximately 25% over last year's figures, while 16 new commercial permits were issued with a valuation of just under \$17 million.

With tourism as the engine that drives the local economy, three million visitors annually take in the natural beauty, relax in our many area lakes and dine at our award-winning restaurants. The 2014 Advertising and Promotion hospitality tax increased slightly over 2% compared to last year's returns, bringing in approximately \$5,300,000. The recent expansion at Oaklawn Racing and Gaming is now complete, and the rapid growth of thoroughbred racing and games of skill continued in 2014, resulting in a 13% increase for the city's share of this revenue. Oaklawn's expansion was a \$20 million project that created 150 new jobs. This amounts to more than \$60 million invested by Oaklawn over the past five years in our community.

The Hot Springs economy continues to recover from the recession of 2008, and we are optimistic about continued economic vitality for a number of reasons. New business openings reached an all-time high of 339 for 2014. Occupation tax collections exceeded \$700,000, and \$620,000 in alcohol taxes was paid. The figures listed above give indications that this positive momentum will continue into 2015. Additionally, a more in-depth review of our financial outlook is available in the 2014 Comprehensive Annual Financial Report (CAFR) which will be released later this year. Copies of this report can be found at [www.cityhs.net](http://www.cityhs.net).

*David Watkins, City Manager  
City of Hot Springs, Arkansas*

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