

— 2016 —

State of the City Report

CITY OF HOT SPRINGS, ARKANSAS



Presented to the Hot Springs Board of Directors
and the Citizens of Hot Springs

FEBRUARY 28, 2017

2016 State of the City Report

It is my pleasure to present the annual State of the City report to the Board of Directors and the citizens of the City of Hot Springs. This document highlights the financial and administrative activities of the city during the past year.

Having completed my first year of service to the City of Hot Springs, I wanted to share some impressions before going into greater detail about specific programs and accomplishments. First, the state of the city is strong, and is particularly so when compared to the past fifteen years of the city's recent history. The city board, administration, various departments, and employees at every level are working very well as a team and diligently toward the accomplishment of goals and priorities, while remaining committed to excellent customer relations in the dozens of public services the city delivers every day.

While the city has experienced a remarkable year of achievement, we still face some significant challenges ahead, such as constructing a new water plant, building out a new radio system, completing an overall master plan for the Majestic Hotel property, and making important transportation improvements. The good news is, we have a plan for every one of these challenges. The bad news, which I prefer to characterize as "unresolved challenges," is primarily finding sustainable funding at higher levels for street maintenance and improvements, parks, and a viable urban renewal program that could help transform certain areas of the city. Overall, it's been a great year for the City of Hot Springs. Now, for some details.

Downtown renaissance expands to gateway corridors

Downtown redevelopment and investment continued at a rapid pace throughout 2016. This increased momentum extended to the city's Thermal Basin gateway corridors, particularly Malvern, Park and Whittington avenues, as the city's Complete Streets team planned and coordinated projects to connect green spaces, reduce stormwater runoff and provide equal accessibility. Construction in 2016 included bike lanes, flashing pedestrian signals, rain gardens, access ramps, sidewalk repairs, bus shelters, sidewalks, and the current

redevelopment of the Craighead parking lot. Partnerships with neighborhood organizations, schools, and groups such as People Helping Others Excel By Example (P.H.O.E.B.E.) that are rehabilitating the historic John L. Webb House in the Gateway neighborhood, help solve infrastructure problems, improve access and protect cultural resources. Valley Street is another area being transformed through public improvements that have spurred additional private investment. Transportation Alternative Program (TAP) grants awarded in 2016, along with other funding, will help build the next 1,450 feet of Hot Springs Creek Greenway trail, along with a trail spur and the beginning of the Southern Trail portion of the Greenway. Two separate public-private partnerships are driving the phased development of the David Watkins Park on Park Avenue, and Ali's Wonderland, a barrier-free park on Greenwood Street.

A total of \$2.5 million in grant-funded improvement projects were awarded in 2016 and are planned for 2017, including a number of projects in the Whittington Valley area. The average city funding is only 18% of total project cost. This is possible, in part, because Community Development Block Grant funding does not require a local match.

Adoption of the Thermal Basin Fire District in late 2013 continues to be a catalyst for downtown building safety. To date, a total of 28 occupancies have been properly separated and protected within the 24 multi-story downtown structures identified as unsafe. Sprinkler system installation, means of egress improvements, building sales, remodeling, stabilization and demolition have all occurred as a result of enforcement efforts within the district. The Hot Springs Fire Department continues to work with downtown property owners throughout the district to preserve legacy structures when possible, while protecting public health and safety.

In 2016, \$14.8 million in real estate sales generated 25 new downtown businesses, with an overall downtown capital investment exceeding \$18 million. These numbers reflect a sharp increase compared to \$8 million in real estate transactions generating 18 new businesses opening downtown in 2015.

Today, there are virtually no vacant structures downtown, and redevelopment projects continue to be stimulated by the city's building permit fee holiday extension. The former Thompson Building underwent an \$8 million, 16-month renovation, now open as The Waters Hotel. This hotel is leading the way toward more upper-floor downtown redevelopment.

The gateway intersection of Malvern Avenue and Convention Boulevard was transformed after the former Austin Hotel was extensively renovated and renamed The Hotel Hot Springs. Across the street, the new Regions Bank building was dedicated, along with a historic water trough fountain in an expansive plaza that punctuates this downtown gateway. The plaza and fountain exemplify the visionary planning and partnership between Regions Bank and the Hot Springs Parks & Trails Department. To further the transformation of this area, the Embassy Suites Hotel completed a major remodel at the other end of the Hot Springs Convention Center. Increased nighttime lighting, along with the completion of the Wayfinding Trail, linking the Hot Springs Greenway Trail with the National Park Service's Grand Promenade, augment the safety and connectivity of this intersection to the surrounding area.

Educational partnerships stimulate economy

Institutions like National Park College, Henderson State University, Lakeside High School and the Arkansas School for Mathematics, Sciences and the Arts are forging alliances that focus on degree attainment. One such partnership involves our Sport Recreation Department enabling National Park College to offer intramural sports for the first time, promoting student loyalty and school spirit. Similarly, the city has engaged with ASMSA to exchange values, ideas and future possibilities for the nearby Majestic Hotel property. These alliances help produce a more educated workforce, increase economic opportunity and attract additional investments and improvements to the area.

Majestic Hotel complex becomes greenspace

Where the partially-burned Majestic Hotel complex once stood, an attractive greenspace and mountain backdrop have now emerged. Specialized companies were contracted to remove the "yellow brick" rubble, demolish and remove the remaining structures, and

contour and hydroseed the cleared site during the past year. A comprehensive site assessment will soon be conducted to ensure that all hazardous materials have been eliminated. In partnership with Kansas State University, the city will seek public ideas for site redevelopment through a strategic planning and redevelopment visioning process.

The Majestic property offers a transformative opportunity for the community that, if executed properly, could have a significant positive impact on the region. The board reached an important consensus at its February 17, 2017 retreat on four guiding values that should be employed for future development of the property. These are:

- Enhance economic opportunities
- Improve the local quality of life and enhance the visitor experience
- Celebrate the natural wonder of our thermal waters
- Respect the arts, culture and history of Hot Springs

Notable Accomplishments

2016 saw the promotion of two city staff members to the permanent positions of airport director and police chief, following nationwide recruitment efforts.

Glen Barentine, Airport Director, promptly secured FAA funding for an Airport Master Plan Update that will guide Hot Springs Memorial Field's long-term development plans. After SeaPort Air ended Essential Air Service (EAS) operations in September, the Department of Transportation selected Southern Airways Express, LLC to provide Hot Springs with service to DFW. Southern Airways will provide three flights daily beginning in April.

Police Chief Jason Stachey is also off to a great start in leading change at the Hot Springs Police Department. He implemented crime reduction initiatives including "Operation 8 Ball," a multi-agency effort resulting in the arrests of 53 individuals for drug trafficking. This was the largest single arrest event in the history of Garland County. Creating a Special Investigations Section (including a drug unit and full-time nuisance abatement detective), implementing Procedural Justice training, detecting and correcting crime

reporting deficiencies and ensuring those statistics were in compliance with state law, adding a bomb detection K9 unit, converting to 12-hour patrol shifts, phasing in body-worn cameras and increasing community outreach are a few of HSPD's accomplishments in 2016.

In November, the board approved plans for a comprehensive citywide public safety radio communications system, primarily funded by a two-year levy of 2.6 mills of ad valorem taxes. The newly-approved Request for Proposals was issued to vendors on February 24, 2017.

In July 2016, the board adopted the Downtown Economic Development and Redevelopment Action Plan, which was followed by adoption of the Parking, Pedestrian and Bicycle Enhancements Plan in November. These strategic plans provide recommended actions that will enhance the economic vitality, function, safety and aesthetic appeal of downtown.

Quality of life

Another key long-range document, the Green Infrastructure Landscape Plan, now provides detailed strategies to protect, restore, expand and connect the city's natural assets that contribute to the environmental and economic health of the community.

The City of Hot Springs continues to explore quality-of-life amenities that tap into the burgeoning adventure tourism industry. A feasibility study was conducted for the 1700-acre Northwoods property around the Lakeside Water Treatment Plant, an important natural asset with tremendous potential. The study examines the area's future outdoor adventure recreation potential and recommends ways to ensure its long-term financial viability. Visit Hot Springs is partnering with the International Mountain Biking Association to develop a conceptual plan for a trails master plan that would facilitate mountain biking and local recreation opportunities.

In 2016, the City of Hot Springs continued to make steady progress in creating suitable living environments, promoting affordable housing initiatives, and encouraging job growth through the Community Development Block Grant Program. A total of \$265,000 was expended through projects benefiting more than 4,000 low- to moderate-income persons.

Ensuring an adequate potable water supply for the demands of today as well as those of future generations remained a top priority in 2016, as the city continued efforts for water supply allocations from Lake Ouachita and DeGray Lake. These efforts culminated in notification earlier this month of approval of the draft storage agreement for Lake Ouachita. This achievement paves the way for execution of suballocation agreements with other water providers that should help secure adequate water supply for Hot Springs for most of the next century.

The Board of Directors also adopted an amended water connection policy in October that guarantees service and clarifies the public's expectations by establishing criteria for connecting to the city's water system.

Road improvements

In 2016, 25 city streets were paved at a cost of about \$550,000, covering approximately four miles. In addition, about \$136,000 was allocated to Complete Streets road improvement projects.

The "Pave It Forward" county road tax, approved by voters in 2016, is estimated to yield \$7,330,000 for the city, collected over approximately five years. The following potential projects could be partially funded from the city's portion of the tax:

- Airport Road (Hwy 70 W) MLK intersection and on-off ramp improvements
- Weston Road/Albert Pike traffic signal installation
- Higdon Ferry Road (Hwy 88) MLK intersection and on-off ramp improvements
- Belding Road extension to Malvern Road (Hwy 270 B)
- Increase city overlay funding
- Grant matching funds

Economic Indicators

I am excited to share the economic indicators that show the considerable growth achieved throughout 2016. We have been blessed over the past few years in all of the measurable indicators, from steady increases in sales tax revenues and building permits, to the infrastructure development that provides building blocks for the future and sustains and enhances our quality of life.

Place matters more than ever for achieving sustained economic development, and Hot Springs continues to be the preferred place for citizens and visitors alike. The city's namesake thermal springs, natural beauty and world class recreational offerings make travel and tourism an integral part of the local economy. A 3.47% increase over prior year collections for the advertising and promotion tax supports 7,500 jobs within the travel and tourism industry. Visitor spending generated more than \$57 million in tax revenue for state and local governments, making the area the second highest recipient of tourism dollars in Arkansas, and the highest on a per capita basis.

City sales tax collections demonstrated robust growth of 4.29% compared to the previous year. The majority of city services are dependent upon a 1.5% sales tax which also supports police and fire protection. The local unemployment rate dropped to 4.3% from 5.6% during the previous year. New business licenses totaled 357, representing a 4% increase as well.

Oaklawn Racing and Gaming began its 113th live thoroughbred racing season and continues to be one of the top destinations in the country. Revenue from games of skill showed a 7.8% increase, providing \$1.8 million in revenue to the city. Oaklawn has stimulated job growth and collected taxes, both directly and indirectly, from the racing and gaming industry.

The building and development sector has also shown steady gains on multiple fronts at the Garland County level, according to the Arkansas Realtor Association. New and existing home sales were flat compared to the previous year; however, the average sale price rose almost 2%. Another indication that the new construction market remains on the path to recovery is evidenced by the 45 new residential building permits with a valuation of \$14.5

million, and 322 residential remodel permits with a valuation of \$4.4 million. Commercial building had 17 new permits with a valuation of just under \$7 million, and 236 commercial remodel permits with a valuation of \$14.3 million. Some of the larger commercial projects opening in 2016 within the city included the \$26 million, 67,000-square-foot National Park Medical Center Heart and Vascular Center and the Walmart Neighborhood Market in Indiandale Shopping Center. In 2016, the Planning & Development Department issued 3,736 permits totaling \$49.5 million in citywide construction activity.

Historic downtown Hot Springs continues its popularity as a vibrant place in which to live, work, and play. In 2016, the area saw almost \$17 million in capital investment, including 25 new business startups. As mentioned, the jewel of downtown is the newly opened Waters Hotel, located in the historic Thompson building. The 62-room boutique hotel is situated in the heart of downtown, directly across from Bathhouse Row. It features The Avenue, a new restaurant with an award-winning young chef.

Hot Springs should be extremely proud of these accomplishments in Hot Springs, and I am optimistic about the outlook for 2017 and beyond. We are committed to working with our business community to ensure that Hot Springs continues to grow and thrive while contributing to the overall strength of the regional and state economy.

In closing

2016 was a fast-paced, challenging and highly productive year, punctuated by milestone achievements. In some cases, these achievements were the culmination of years of planning, partnerships, negotiation and innovation. Our loyal city employees, through their daily efforts, make vital contributions to the health, safety and beauty of our city. Their talent and resourcefulness, combined with a dedicated team of department heads and the leadership of our Board of Directors, help keep Hot Springs moving forward. A vital partner in the city's continued growth and success is the enthusiasm and engagement of our citizens. Their creative ideas, thoughtful participation and volunteer spirit are the impetus for constructive change and improvement that benefit our city as a whole. You can

see this on full display in many of our neighborhood associations and numerous outstanding civic clubs, churches and volunteer organizations throughout the community. Our strength lies in our citizens. Working together, we can continue to develop Hot Springs as the most unique, attractive and progressive city in Arkansas.

*David W. Frasher, City Manager
City of Hot Springs, Arkansas*

.

Copies of this report are available on the city manager's page of the city's website, www.cityhs.net, or in print format on request from the city manager's office.