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City Manager

TO: The Honorable Mayor and City Council

DATE: June 8, 2018

SUBJECT: Special Service Area 7 Replacement

At the May 29, 2018 Planning Session, the City Council provided further direction on a replacement Special Service Area for SSA 7. The City Council requested further analysis assuming the following SSA elements.

Purpose - Proposed language expanding the purpose: *Enhanced marketing, education and promoting the benefits of and activities in the area; managing special community events including set up and tear down for those events, and special event police and fire services; parking operations and maintenance; costs related to snow hauling to offsite locations; maintenance of improved streetscapes currently under construction or currently planned; holiday and event decorations; future improvements determined by the City to be in furtherance of the specific purposes of this ordinance; aesthetic enhancements including landscape and signage/banners; together with approved costs of engineering, construction, inspection, legal fees, the City's costs for mailing, publication, recording, and other necessary and incidental expenses incurred in establishing the special service area.*

Term - 7-year term.

Boundary - See attached map, Exhibit A, for the proposed replacement SSA boundary which includes existing SSA 7 properties and the additional residential rental properties of 121 North Cross, Courthouse Square Venture, and 1 Wheaton Center.

Tax Rate – Maximum rate of \$.45, which is the current rate of SSA 7. See Table 1 for impact of SSA Boundary and revenue amounts resulting from a \$.45 tax rate.

Table 1
\$.45 Rate Applied to Boundary Segments

SSA Boundary Options	Total EAV (2017 EAV)	Annual Revenue from \$.45 Tax Rate
Current	\$41,186,272	\$185,338
121 North Cross	\$26,666,670	\$120,000
Courthouse Square Venture	\$6,812,320	\$30,655
1 Wheaton Center	\$17,262,550	\$77,681
TOTAL	\$91,927,812	\$413,675

Amount to be Collected (Annual Levy) – Levy minimally \$250,000 (total revenue generated including TIF 2 increment) for DWA support, and other City costs as determined annually by the City Council. In any given levy year, the City Council could levy up to an amount that the maximum rate (\$.45) would allow. For the 2017 tax levy year, the maximum levy amount based upon a \$.45 tax rate equals \$413,675.

Table 2 provides two different SSA levy amounts. Adding \$40MM of EAV to the existing SSA 7 EAV provides revenue flexibility while lowering the tax rate and ultimately the amount paid by those properties currently in SSA 7 assuming the levy is less than the maximum permitted by the \$.45 tax rate. Given the proposed boundary, and a \$250,000 SSA levy, the tax rate will be much less (39% tax rate reduction) for those properties currently in SSA 7.

***Table 2
Tax Rate and Levy Amount***

SSA Boundary	Total EAV (2017 EAV)	Tax Rate - Levy of \$250,000	Tax Rate - Levy of \$350,000
Proposed	\$91,927,812	.2719	.3807

TIF 2 Levy Effect - Because of TIF 2 and TIF 3, and the revenue generated from incremental EAV gained over the frozen EAV, the staff would calculate as part of levy preparation the tax rate based upon EAV of the SSA and the TIF increment appropriate to receive total revenue of \$250,000. This assumes the City Council is still desires of funding the DWA in the same manner as currently provided. The current SSA 7 levy is \$110,000 with \$75,000 of additional revenue being generated from the TIF 2 increment which by agreement is also provided to the DWA.

Conclusion

To complete the ordinance proposing the establishment of the replacement SSA for City Council consideration on June 18, the Council will need to confirm the above elements – purpose, term, boundary, tax rate, and proposed levy for the initial year.

Attachment

