

Metropolitan Council

Meeting date: January 11, 2017

Subject: 2106 SAC Task Force Update

District(s), Member(s): All

Policy/Legal Reference: N/A

Staff Prepared/Presented: Ned Smith (651-602-1162)

Division/Department: MCES Finance

Background

The SAC Task Force was appointed by the council on November 30, 2016. The task force has met twice, December 1 and December 20, 2016. The focus of the meetings has been to discuss a fair and equitable approach to SAC Charges for Outdoor Seating.

Membership

The task force was selected to insure diversity of representation across all stakeholders in the region. The task force includes city officials from the inner core, near suburbs, and outer ring areas of the region, and business representation representing various users. In addition, the members were chosen for functional diversity, including public works directors, building inspections/officials, finance directors, administrators/managers, a restaurant association, and a medium business owner. The diversity was specifically chosen to represent all aspects of SAC, although the business representation on the task force allows for the restaurant sector to have a higher level of proportional representation due to the outdoor seating issue under consideration. (Restaurant SAC pays one percent of SAC overall, but is represented at seven percent on the task force). A third business representative was sought from the manufacturing sector, but repeated requests to a manufacturing association went unanswered after an initial expression of interest. The task force members selected have considerable knowledge of SAC and what it pays for, the critical nature of capital programs, and its impacts across the entire business community. Most task force members, in their official capacity, are very active in ongoing SAC dialogues, as most interact with SAC payers (large and small) nearly every day.

Meetings Summary

After much discussion, including a presentation from Council Member Andrew Johnson (Minneapolis Ward 12), the task force has held two preliminary votes where the majority (~10 to 2) support keeping the 75% discount in place, although the criteria will be changed to 40 seats per SAC Unit (vs. 10 per SAC unit inside).

The reasoning for exempting the SAC charge for outdoor seating included:

- Customers just shift from indoors to outdoors
- There is no data to show additional flows from outdoor seating
- Customers are from the neighborhood
- The outdoor seating is used only a few months a year

- SAC is a material burden on small businesses and often prevents restaurant expansion

The reasoning for keeping the charge included:

- Captures the capacity demanded on the “1 day” when it is full inside and out. Members could think of many examples of restaurants that were frequently full indoors and out
- Studies show additional seats adds capacity demand. Actual studies of specific restaurant flows would need to be comprehensive and labor intensive to be statistically valid
- Captures the capacity demand from customers outside the neighborhood (e.g., destination restaurants, nearby workers, etc.)
- Grants relief for partial-year and/or rain impact
- Capacity is still demanded; still paid for
- Cost of service model is preserved (no one paying for other uses)
- Higher seats per SAC still encourages growth
- Maintaining the charge is aligned with past task force studies on this issue
- While SAC is a start-up cost for a business, it is one of many that business owners face (lease improvements, permits, property taxes, worker’s compensation, etc.). Those other expenses are not exempted for outdoor seating
- It seems reasonable that 40 outdoor seats (1 SAC unit) would generate the same capacity of 1 apartment (also 1 SAC unit)

Next Steps

The Task Force is currently reviewing an issue summary with their respective staffs, elected officials, and other interested parties. The task force will edit and approve the final summary at its January 26 meeting. MCES will forward the summary to interested State Legislators.

The Task Force will meet into February to continue discussions on the other three topics:

- SAC for manufactured homes
- SAC determination process improvements
- SAC credit process improvements

A final summary will be presented to the Council at the conclusion of the task force.