

Meeting Title: SAC Task Force Meeting #2

Date: December 20, 2016 Time: 8:30AM – 11AM Room: League of MN Cities

Members in Attendance: Wendy Wulff, Metropolitan Council Member; Patricia Nauman, Metro Cities; James Dickinson, City of Andover; David Englund, City of Roseville; Ron Hedberg, City of Apple Valley; Brian Hoffman, City of St. Louis Park; Mary Ubl (representing Katrina Kessler), City of Minneapolis; Merrill King, City of Minnetonka; Kyle Klatke, City of Brooklyn Park; Loren Olson, City of Minneapolis; Kevin Schmieg, City of Eden Prairie; Steve Ubl, City of St. Paul; Sue Virnig, City of Golden Valley; Bob LaBrosse, City of Cottage Grove; MN Restaurant Association representative (representing Dan McElroy)

Non-Task Force Members in Attendance: Andrew Johnson, Minneapolis City Council Member; Jan Rosemeyer, City of Roseville; Adeel Ahmed, City of Brooklyn Park

Members Absent: Tom Thomasser, MN Chamber of Commerce; Dan McElroy, MN Restaurant Association

Staff in Attendance: Cara Letofsky, Metropolitan Council Member; Ned Smith, MCES; Kyle Colvin, MCES; Sara Running, MCES; Toni Janzig, MCES

Item	Notes
1. Welcome & Introductions	Metropolitan Council Member and Task Force Chair Wendy Wulff asked participants to introduce themselves.
2. Review and Approve Minutes from Meeting	Meeting 1 minutes approved with no changes.
3. Recap Issue 1 – Outdoor Seating Policy	<p>Minneapolis City Council Member Andrew Johnson shared his perspective on outdoor seating policy. He asked members to close their eyes and think about something they are passionate about. He asked members to think about the impact that the Metropolitan Council has on small businesses and how much of a burden it can be for them. He argued that customers shift from inside to outside, not different customers in both. He also argued that small businesses have people come from within their neighborhood and so they use bathrooms at their own homes rather than the business.</p> <p>Andrew J. also shared the history behind the legislative actions. A dozen businesses and multiple elected officials were there and the bill would have easily passed the house and senate, but the proposed bill missed the deadline, so they recommended giving the Council and the Task Force a chance at changing the outdoor seating</p>

policy on their own. He recommended MCES “blue sky” SAC – start over with the system because MCES needs the revenue, but it needs to be a simpler system.

A member (Kevin S.) asked Andrew J., if SAC was removed, how comfortable would you be saying we need a rate increase of 15-20% in the wastewater bill, which is what would happen if we got rid of SAC? Andrew replied he would be more comfortable with saying that than having SAC. He remarked it would be a benefit to us and the city to remove SAC – it helps with affordable housing, increases sales revenue, and makes our community a better place when we don’t put up these big obstacles to small business owners. Kevin wondered how palatable the rate increase would be to communities. Andrew J. suggested the increase could be phase in.

A member (Brian H.) remarked that the Council and everyone involved has done a lot to make SAC fair and equitable within the constraints of the SAC system; however, often the charges are given to tenants in the building, and all the credits become the property owners’. What if there wasn’t a SAC credit system, it was just paid when expanded? Andrew J. said that the system would be more fair than today.

Ned Smith, MCES, wanted to emphasize that the city decides when to move SAC down the street or not; the Council is fine with that, they do not decide. Patty Nauman, Metro Cities, also remarked that the credits transfer process was an outcome of the 2009 Task Force.

A member sub (Mary U.) remarked when credits are available they can also adopt a phased development, where we pool credits and use them in block areas. It is a challenge when they pay SAC at that location and want to move, that their credits may not transfer by Minneapolis policy.

Ned S. clarified that we do know capacity demand because we do studies by seat. Engineers did not testify that we do not know what outdoor seating costs. Andrew J. argued they said they didn’t know, that the rain flow events are what is maximizing capacity. Ned also

summarized statements that Jason Willett, Assistant General Manager of Finance and Sustainability, shared at the hearing. The Council could not determine a sound statistical correlation between rain events and the reduction of outdoor seating use. Rain does reduce outdoor seating use; however, what is the impact if it only rains an hour, four hours, or any time less than a full business day? Is it conceivable that a one or two hour rain event will have no impact on use?? This was the challenge to derive a statistically based impact of rain on outdoor seating use.

A member (Patty N.) asked, is there a definition for small business, and could we define that? Ned replied when an earlier task force approved it, it was initially 10 SAC, which was later expanded to 25 SAC. Each city decides their own cap for deferrals (up to 25). 10 SAC calculates to 100 seats (indoors). Patty asked if that is the calculation, what small businesses are actually paying? As a result, to rounding to the nearest whole number, outdoor seating charges apply only if more than 19 seats are being put in. One of the proposed changes would be to assign Outdoor seating at 1 SAC per 40 seats.

Patty N. asked, if it is 40 seats for 1 SAC, in the case of outdoor seating is it 1 SAC or 25% of the SAC? Ned answered SAC is always billed in whole numbers.

A member (Jim D.) argued that to quantify the outdoor seating situation is difficult because some of these businesses' customers during the regular work day are transients and so they do use the bathrooms and are not from the neighborhood.

A member (Kyle K.) remarked that he does not buy into the argument that it does not increase the capacity at all. He still has the stance that it should not be given away but the amount of 1 SAC could be changed. Kyle also remarked that some cities add a WAC for every SAC so it doubles the fee. The SAC alone isn't the worst thing, it's everything together, and in some cities, MCES SAC is not the highest government fee.

A member (Kevin S.) remarked we must have a nexus between them. The seating distribution seems unfair when we look at how many charges for an apartment versus for outdoor seating versus others. He also remarked on the outdoor seating, that we are saying 20 seats outside is equal to 5 inside. That is of value. Kevin S. also pointed out that it is hard to imagine that 20 seats outside does not put out more flow than one apartment.

Ned S. recapped the four outdoor seating suggestions the task force came up with at the first meeting.

A member (Loren O.) remarked she doesn't like outdoor seating described as a discount because the way it is calculated now is capacity. It is the appropriate SAC charged for the capacity being put into the system. When it comes to outdoor seating, bring it back to people are moving from indoors to outdoors. Another member (Ron H.) argued how would the city be able to monitor that? We would have to audit businesses. And Ned S. argued putting more people in a room increases capacity. Another member (Sue V.) argued that it's not about individual days, just that one day where a Super Bowl or St. Patrick's Day occurs.

A member (Steve U.) remarked that we hear a lot of the term capacity and we are focusing on SAC, but at what point do we have to start increasing the size of the kitchen? 19 seats? 40 seats? You have to be able to handle that capacity/demand. At what point do you start expanding the services? How do you get to 19 seats and if we were to change it to 40 seats that would mean more capacity needed. We would have to plan for that capacity. We should find a way where the SAC fee does not make or break a business. But in cases where the outside capacity expands enough to need an expanded kitchen, SAC is small compared to expansion costs.

A member (Jim D.) added that there are some patios that have fixtures outdoors ("mom and pop" shops usually don't). Maybe SAC charge should be geared towards additional fixtures instead.

A member (Kevin S.) commented that building code would not require another bathroom, no matter how big a patio was.

A member (Loren O.) added that if the return on investment was there they would add the seats. But people tell us SAC is an obstacle and they won't do it because of that. Also, the last time we changed the policy on outdoor seating we saw tremendous increase in patio seating. A few factors such as the smoking ban may have contributed.

A member (Mary U.) asked about seats versus square footage. The mix of formulas confuses customers because they need to figure out how to bring down their square footage or seating.

A member (Brian H.) liked the seating and square footage formulas SAC uses. The system seems reasonable.

A member (Merrill K.) remarked that opening a new business has MANY unexpected costs, such as worker's comp. If a break is given for small business outdoor seating, should a break also be given for worker's comp?

A member (Kevin S.) said there cannot be much of a barrier if there are 6400 seats per year being put out there (if we collected \$400,000 per year in outdoor SAC in the past 3 years). Editor's note: \$400K is 160 SAC Units. At 40 seats per outdoor SAC, $160 \times 40 = 6,400$

A member (Patty N.) asked if there is a way to tell the size of outdoor patios.

Action item for Ned: Create histogram for distribution of outdoor seats (average outdoor seats per business).

A member (MN Restaurant Representative) asked if there is a way to make it like insurance where everyone pays same amount and then claims are pulled out as needed? Ned S. answered that what we are seeing here is the complexity and fairness. Because of that, we differentiate between bookstores, laundromats, restaurants, etc. One way to fix it may be to equalize it.

	<p>A member (Mary U.) is struggling with a change in the criteria. The formula would still be the same. So, there is no change in the impact. Wendy W. remarked we could change it to keep the status quo and continue to call it a discount.</p> <p>A member (Jim D.) remarked that simplifying and not calling it a discount would help. A member (Loren O.) added that if we take the outdoor SAC calculation of 0.49 or 19 seats and compute it separately than with the other part of the building, then, the first 19 seats would always be free. Ned’s concern is people would return every 3 months with 19 seats at a time to get a free 100 seat patio.</p> <p>A member (Kevin S.) asked if we can talk about the look-back period at a later date.</p> <p>A member (Merrill K.) said we need more small business education and financing. Ned replied that more education is a priority for summer.</p> <p>A member (Patty N.) emphasized at a later meeting we should talk about small businesses and how to define them.</p> <p>Vote (12 total):</p> <ol style="list-style-type: none"> 1. Exempt 100% - 3 2. Prorate - 0 3. Charge full SAC (no discount) – 0 4. Status quo with simpler language – 10* <p>*one vote by email</p> <p>Note: one voter abstained.</p>
<p>4. Issue 2 – Discounts for Manufactured Homes</p>	<p>Ned Smith and Kyle Colvin, MCES, presented the background of manufactured homes.</p> <p>A member (Kyle K.) asked if we have stats on how many manufactured home units there are. Ned answered it is in the community development report. Kyle answered there are 3 parks in the service area that are available for connection soon. However it is dependent on local infrastructure improvements. The parks vary in size.</p>

	<p>A member (Loren O.) asked if we could get more detail on the potential number of how many units could convert. Action item for Kyle or Ned: More detail on potential number of how many could convert.</p> <p>A member (Mary U.) asked if we have proper representation here for manufactured homes. Wendy answered if you have ideas to preserve the housing but also SAC system we are open to ideas, because we don't want to lose affordable housing.</p> <p>Manufactured homes will be carried over to Meeting #3.</p>
5. Next Steps	Continue manufactured homes discussion Review action items