

Meeting Title: SAC Task Force Meeting #5

Date: February 7, 2016 Time: 8:30AM – 11AM Location: League of MN Cities

Members in Attendance: Wendy Wulff, Metropolitan Council Member; Patty Nauman, Metro Cities; Steve Ubl, St. Paul; Jim Dickinson, Andover; Ron Hedberg, Apple Valley; Dave Englund, Roseville; Loren Olson, Minneapolis; Kevin Schmieg, Eden Prairie; Merrill King, Minnetonka; Sue Virnig, Golden Valley; Bob LaBrosse, Cottage Grove; Brian Hoffman, St. Louis Park; Kyle Klatke, Brooklyn Park

Non-Task Force Members in Attendance: Adam Prock, St. Paul, Mary Ubl, Minneapolis (in for Katrina Kessler)

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

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

Item	Notes
1. Review and Approve Minutes from Meeting 4	<ul style="list-style-type: none">• Merrill K – fix second sentence on page 5 – you should take a look at all the potential winners and losers• Cara Letofsky’s comments on page 2 – seem incoherent, send to Cara for confirmation of wording• Ned - Add page numbers Meeting 4 minutes approved with changes.
2. Legislative Update	Ned Smith, MCES, gave a legislative update, at which he shared general information about SAC. A member (Patty N.) added that Representative Hornstein has a bill to elect the Metropolitan Council but in that bill, there is a provision that the outdoor seating issue should be further studied. Patty will meet with the representative to discuss the bill.
3. Follow-up on Issue 3 – SAC Determinations	Ned discussed the plan of analysis for the gross square footage idea. Kyle Colvin, MCES, shared his slides on gross square footage criteria. He stated that staff reviewed the criteria and determined that approximately 22 uses would lend itself to using a gross square footage criteria for assigning SAC.

A member (Merrill K.) asked, what percentage of those 22 uses are currently based on square footage? Kyle C. answered the majority of the 22 uses are currently based on square footage calculations., Chair (Wendy W.) commented that it seems office and warehouse are 2 different uses. She sees office conference room as being one, not office/warehouse being one. Kyle remarked often times they will come in as spec warehouse and we automatically give it a 70/30%. He also stated that a few years ago, the Council reviewed it's records and reconfirmed that on average office/warehouse uses come in at around the 30/70 respective split. However, kyle pointed out that if a new gross square footage criteria is developed for office/warehouse uses, should there be recognition for projects that significantly differ from the 30/70 split, say a 50/50 split?

A member (Brian H.) asked if you are looking at something that is administrative offices but then is mostly warehouse, how do we look at this type of split? They can change so easily; for example, partitions can be moved. So then the question is we are back to having to catch and evaluate every change. We will have to let that go to some degree.

A member (Mary U.) commented that of the 22 uses, the three that I get calls from customers needing explanations about would be office/conference room, restaurant, and education/schools (labs can be confusing). She would like to see these categories further analyzed.

A member (Kevin S.) asked, what percentage is commercial versus residential? Ned S. answered 50/50. Kevin S. replied if we have an equivalency and what you are attempting to do is make an equivalency of what we had before, we come up with a new criterion (ex. 2000 sq. ft. is SAC instead of 2400). So when we have additions, if the amount of the addition is plus the amount of the new and we only have 20% left for remodeling, do you see how that equivalency will work? It could be a revenue generator. The assumption that this is going to pay a higher rate may not be valid. We are taking 20% of the remodels effected by this and with the new criteria we would collect additional on additions.

Kyle C. answered that what is being considered in any new gross square foot criteria will be based on the current criteria. For example: under current criteria we have a square foot criteria that is based on net occupied space. Say for retail this is 3000 square feet per SAC. Under a new gross square footage criteria the new SAC unit

assignment may be 5000 square footage per SAC. However, each when applied to the same proposed use would yield approximately the same unit assignment. You (Kevin S.) assume the square footage criteria decreases, but it would increase... I don't see this as a SAC unit generator for new buildings. I (Kyle C.) believe that as time goes on, what we won't be capturing are those changes in use within a certain building that we now charge for where we won't under the new criteria (the conference room is a good example).

Ned commented we will have to conduct some financial scenarios to understand the impacts.

A member (Jim D.) commented he is disappointed that business representatives are not in the room today. We seem to be getting away from simple, even though on the residential side it is simple. There has to be a way to get the uses down to a level of simplicity. Whether the cost to keep the system honest is through a reporting or auditing program, I don't know.

A member (Kyle K.) commented the reason we don't see them is they hire an architect who submits it, and they pay SAC, and don't understand the process. If there was another Task Force in the future, it's hard to get people to volunteer for things. Jim said the mom and pop shops don't usually hire the architects. Kyle K. added that the article this morning wasn't clear that the business's SAC fees included the additional city fees.

Ned shared with the group the Council's response to the Star Tribune article.

A member (Steve U.) followed up with Jim's previous comment, that St. Paul had the opportunity to make a presentation to the Business Review Council. His next meeting with them will discuss the Task Force discussion today. My concern is this process isn't going to be simple. I believe you are going to ensure we have max occupant load covered. By frontloading I'm concerned we are assessing fees to someone that will never get to that level and fees that will never be utilized. I would like something to present to the client on the other side of the counter that explains things in a very simplistic form.

A member (Loren O.) was thinking there are people missing from the conversation and we should find a way to get those people here. The idea of doing determinations by square footage is starting to seem less simple than we are hoping. And we have not talked about credits

	<p>yet... and if credits are not simpler, then we have a big problem. I also want to question, do the rates seem fair? Are restaurants paying too much or is it appropriate?</p> <p>A member (Brian H.) asked, who in the business community would we invite? Also, by having a building owner build a building, a new addition and add to the system, the building owner pays the SAC then, not the tenant. It shifts to the building owner.</p> <p>A member (Kevin S.) commented that you could argue this is fairer. If you want to help the small businesses, then front end this. In the sense of fairness there is fair equal and fair just. The “just” would probably be relieving the small business owner.</p>
<p>4. Issue 4 – SAC Credit Improvements</p>	<p>Ned shared the types of SAC credits that exist and shared the Long Continuous Demand (LCD) issue.</p> <p>A member (Kyle K.) asked if someone wants to remodel a restaurant and it’s been discovered it’s been there a long time and never paid, and then they end up not remodeling, do they still have to pay? Ned answered we will only pursue a past due if it’s only actually happening (if they don’t do the work then we don’t go after them to collect). We don’t want to be auditors of businesses.</p> <p>A member (Loren O.) commented that “giving it away” isn’t the right wording. Mary U. added that we get a lot of small businesses coming forward and the demand is there. We aren’t trying to do an “I gotcha” on the owners. It is a surprise to all these small businesses. They won’t have to pay for something that a previous person didn’t pay for. To negatively impact small business owners in poor procedures in the city, and poor procedures in the Met Council. Mary U. would not be in favor of removing LCD.</p> <p>A member (Brian H.) asked, how many of these were the same use and just a remodel, or change of use? Because if you wrap this into our other conversation on square footage, you wouldn’t even have a determination. Toni Janzig, MCES, replied that isn’t something we specifically looked at. Cory McCullough, MCES, replied 8 out of 10 times it seems to be a restaurant (restaurant into a restaurant).</p> <p>Mary U. commented the root of the problem is what MCES will accept for plans. Businesses don’t have plans from decades ago. The challenge of square footage, seat count, etc. is we don’t have documentation for it. I’m asking leave it at net zero. Ned replied</p>

where I get stuck is when I get audited. Mary said the problem is if we continue down this path we are getting further away from people who can sign Affidavit-C. Those people are continuing to retire. If you continue this process, you won't have people at a comfort level to sign the affidavit.

Chair (Wendy W.) remarked the whole gross square footage idea may be able to help with the LCD issue.

A member (Kevin S.) commented that the Met Council is about fair and equal, always. But if we step back and look at it differently, fair and just, Met Council policy is 7 years record retention. Collecting bad debts is 6 years. In reality and fairness, that is already going through 2 audits. If we went back to that term and used 2 audits, what would happen is all the SAC determinations would be done de-facto by MCES. MCES has done about 95% of determinations since 2008, so MCES would be auditing MCES. To the average business owner and resident that it is not fair and just. It is unfair for a current owner to pay a previous owners debt. Is it worth all the bad press to get rid of LCD?

A member (Merrill K.) agrees with Kevin. I think of it when we accept credit cards with our utility billing. There was a time people never used credit cards. We made the decision to at some point because it is a business decision for ease of use, that everyone is going to pay to cover the added expense to use that credit card option.

A member (Loren O.) commented, regarding Ned's comment of "flogging", if you don't want to be flogged, what you don't do is take someone's local community restaurant and there is a new owner, hit them with a surprise charge. It is a result of confusion, things we are trying to address. We all have the same goal of being understandable, fair, clear, so that no one has to be flogged.

A member (Kyle K.) commented on reclaimed carwashes. We feel the paperwork they have to fill out is ridiculous and we won't sign it, because we will not do inspections for the Met Council. That process could be simplified if we go down the square footage route. Perhaps using as an industrial permit would be a good solution.

A member (Kevin S.) asked, for clarification, if we did a determination on this space and added this conference room, and then we opted to do this conference room and found 6 SAC was previously due, would we have to pay? Ned answered yes, we would collect it, or if the

work wasn't done we wouldn't collect. Brian added there is no trigger mechanism of the permit to collect (if they decide not to do the work).

Mary U. asked, what triggers for a constructed space versus an entire space? Ned answered we always do the entire space for that tenant. So if a restaurant was just adding outdoor seating, we would still do a determination on the entire space and look up what they have already paid on the area not in the scope of work.

A member (Kevin S.) said as an alternative way just look at the work being done. I think it is fair and it would be in fairness to the building code.

A member (Steve U.) said you would have to see an entire floor plan. Also, if you want to simplify, use new construction and additions, and you are done. MCES would have to determine what numbers you would fix to that. Steve is open to change of use if you go to new additions only. Chair (Wendy W.) said for credits you don't look at the existing building, you look at what is being added on and then you're done. Mary U. added that new construction or an addition is dealt with by the developers. That simplifies the big picture but what does it do to the fees?

Ned S. commented the numbers we are looking for are what would be the cost how much remodeling do we do today (20% of units) but what does that mean? What are the financial scenarios and what dollars are in what buckets, and what are the tradeoffs from moving the buckets around? 50% new, 30% addition, 20% remodel, and half of that is residential. We need to figure that out before the next meeting.

Action item for Ned and Jessie: Figure out what percentages are new, additions, and remodels.

A member (Brian H.) said it seems going forward there are a couple of tracks. One thing I heard is you charge SAC for new buildings and square footage. Forget about change of use. The next level of category could be industrial users. Then you can break that down to another level, change of use, and there are a few things that trigger a review. But once you get into that, what is the credit? So you have to define how far you go looking at the credits. It seems like you can have scenarios go from simplest, to add change of use, to how to credits fit in.

	<p>A member (Kyle K.) asked if everything we are doing here will go back to the Met Council. If there is going to be some change would it be reasonable to assume it could be within a calendar year? Chair (Wendy W.) said it depends how big of an impact it is to budgeting. Ned S. said he would like to see something new by 2018. Mary U. said that if it is too drastic of an impact to budget we wouldn't want to trigger something that delays a project due to a SAC determination. We want to continue with progress of construction. If it is too drastic for developers, we don't want to say to them wait 6 months and the SAC rate will decrease.</p> <p>Cara Letofsky, Met Council Member, said the ultimate goal is simplicity, not a discount.</p>
<p>5. Next steps</p>	<p>Come back with estimates for how much these ideas would cost Float the ideas with your City</p>

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