Meeting: SAC Task Force Meeting 7

Date: July 13, 2017 Time: 10AM – 12:30PM Location: Minnetonka Community Center

Members in Attendance: Wendy Wulff, Metropolitan Council Member; Kyle Klatke, City of Brooklyn Park; Kevin Schmieg, City of Eden Prairie; Katrina Kessler, City of Minneapolis; Ron Hedberg, City of Apple Valley; James Dickinson, City of Andover; Patty Nauman, Metro Cities; Merrill King, City of Minnetonka; Loren Olson, City of Minneapolis; Steve Ubl, City of St. Paul

Non-Task Force Members in Attendance: John Berrigan, TKDA Consultants; Leigh Severson, TKDA Consultants

Members Absent: Dan McElroy, MN Restaurant Association; Tom Thomasser, MN Chamber of Commerce; Sue Virnig, Golden Valley, Brian Hoffman, City of St. Louis Park; Bob LaBrosse, City of Cottage Grove; Dave Englund, City of Roseville

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

Item	Notes
1. Review and Approve Minutes from Meeting 6	Meeting 6 minutes approved. Sara will send out final copy and post on the SAC website.
2. Process Recap	Ned provided a recap of the issues presented at previous Task Force meetings and what MCES has been working on regarding issue 3 and 4.
3. Continue Issue 3 – Conversion simplifying SAC determinations	Kyle Colvin, MCES, presented the findings from TKDA regarding the gross square footage study. Applied the same adjustment to everyone based on the 6% of loss from remodels. Cara Letofsky, Metropolitan Council Member, asked, remodeling with same use would not require a determination, correct? Kyle C. said yes. A member (Katrina K.) asked, 6% of current SAC determinations are remodels. So, 94% someone is coming in asking for more space or change of use, is that correct? Kyle C. said yes, or new construction. A member (Katrina K.) asked, at what point did you take the outliers out? Was it when you did the best fit, or at another point? Leigh Severson (TKDA Consultant) said it wasn't so much outliers as looking at does it fit into this category or not? Once those were removed, there were not too many outliers overall. A member (Katrina K.) asked, I would imagine that restaurants, office and warehouse, are they consistently the top 3 over time? Do you

	have an idea within those categories how many currently request SAC determinations are remodels (percentage wise)? Kyle C. answered out of the data set, out of the categories where we have identified what are susceptible to remodels with no change of use, there were a total of 2700 records, with 20-25 individual business uses. The frequency of remodels varied but almost 19% were restaurants. For office and office/warehouse it was about 12-12.5%. Katrina replied I'm just trying to figure out who is a loser and a winner out of these results. Ned emphasized we are working to minimize any "winners" or "losers". That is, make it revenue neutral across categories and the system. Patty Nauman, Metro Cities, asked as we talk about all of the net changes per use based on gross square footage, can you remind me, is the net effect in totality zero? Would this change produce more revenue, same, or less? Jessie Nye, MCES, answered we would be down 1.6%. A member (Kyle K.) asked, so would you divide the net SAC fee in the analysis by 3, so 1/3 per year? I don't think that is a bad number. Staff said yes – the numbers are 3 years combine, so you need to divide by 3 to get the annual impact. Katrina added, it's all about what the actual cost is which is hard to see without the remodel no change of use being evaluated too. Staff agreed to update the analysis to remove remodel-no change of use. Patty N. commented, one of the reasons to do this is to simplify determinations. Are there other lenses that this should be run through, such as looking at it equitably? Wendy W. added that our system was determined to be the fairest in the country. Ned S. added that we are looking at a 1% deficit but that is false precision because there is so much volatility in the SAC market. Merrill K. added that it goes back to Kyle K.'s point about getting perspective on dollars. Ned added to look at that would be to look at individual uses and if some categories are taking more of the burden than others. What we are trying to say is, if anyone's SAC goes up, it should be the ones who are most likely to collect SAC on a remodel. In the past, we talked about frontloading but that is not an accurate term. We are using criteria that is revenue neutral over the long term; it's not frontloading, it's some businesses are more likely to remodel. To me, I think we are looking at what it is doing to certain businesses. I don't see that there are winner and losers, I see it as being neutral.

	Wendy W. commented it went the way we wanted it to go. But for showers, we still have office with shower and warehouse with shower as separate. I would like to find a way to combine those categories so we don't penalize people who have employees that bike to work. Staff agreed to work with TKDA to resolve. A member (Kevin S.) commented the one thing that doesn't sit well politically with me is when we have a public forum and the restaurant people are there, and they say how does that affect us? I think we would be better served if we find a way to clinics to absorb the $300,000+ rather than restaurants. Restaurants are the target, not to pay extra or short. It would be better to say in a public forum. I would do whatever is neutral (by category) or less. The restaurant is the one that has everyone's here in St. Paul and Minneapolis. (Merrill K) Recognize the squeaky wheel? Restaurants are the loudest voice. Jeanne Landkamer, MC Communications asked, how many remodels are for when a new owner comes in? Jessie N. answered we could take the numbers and subtract them out. Katrina K. - there should be an increase to cover restaurants. (Jessie N.) We did it fair across the board. A member (Jim D.) commented that this is a simpler process from an economic perspective. Don't need an architect to do the floor plan. A member (Kyle K.) added he agrees, the selling point is some restaurants will pay a little more and some a little less. A member (Steve U.) added explaining it easily goes a long way. Ned added that Kevin is right in saying that if we have to tell people in a forum that restaurants lose money then it will be a non-starter. (Merrill K.) How you present the number is important. Over the life cycle of a restaurants you will save money because you don't have to do architectural drawings. A member (Katrina K.) commented I think it's important for us to look at credits with this. Others agreed. Taking out remodels, evaluate office with showers and warehouse with showers. Is it still an issue we have separate criteria? Member (Kevin S.) said yes, for example if we did UHG which is 800,000 sq. ft. to change criteria because they put a shower in is unreasonable. In

	no other criteria do we put a fixture count. Everyone should pay a little more to cover showers. Fitness with showers and fitness no showers is a single criteria with new way. Why should someone pay that much more for a shower that is used infrequently? Kyle C. answered we evaluated office uses regardless of a shower, but when combined the correlation dropped off. Which was what you eluded to. Historically speaking showers had a large impact on the total SAC determination. Wendy W. added it wasn't equitable in reflecting capacity demand. A member (Merrill K.) added it is an example of where the foundation failed us. A member (Kyle K.) said he agrees with Kevin S. completely, and if we knew the basis of how the showers criteria got in there. That tells me it is not valid criteria. Historically criteria was based on traditional use. Kyle C. answered it came from looking at new business plans where there were showers being added. But I agree that the assignment for SAC units of showers has changed over the years. We have used fixture unit counts and SAC units for showers. **Action Item: Over the next 2 weeks, the group should tweak all showers in business and look through the report and determine if there are other "gotchas".** A member (Kyle K.) commented a huge selling point for the public would be if we can go through this model, the City would be willing to do some determinations. A member (Loren O.) asked when will we engage the public on this? Wendy W. noted that information was at the end of the powerpoint. A member (Kevin S.) asked, are we including light manufacturing in office/retail/warehouse? Additionally, do we need a criteria for restaurants with bars? And, what are minor accessory uses, building code is less than 10% (ex. all office and then one little clinic)? Kyle C. answered we are considering putting in thresholds (ex. if a building is only 20% one type). Staff also explained there would be no differentiation between restaurant and restaurant with bar.
4. Integrate issue 4 – simplify credit process	Ned discussed SAC credit background and how we can simplify the credit process. A member (Kyle K.) asked, so they don't pay additional in either case, no matter what? Wendy W. said if you are keeping the same

	footprint then you don't pay more. Ned S. added we will give them whatever is most beneficial to them. A member (Katrina K.) asked, if we have no SAC history in some cases there is SAC history but you didn't know the square footage so TKDA had to look for it? Jessie N. said no, sometimes we didn't need to calculate the gross square feet (like a school). So it is possible you will have a SAC history but no square footage, and in those cases what does the City do? Jessie N. answered that instead of plans, seat count, etc. we would want a copy of the building permit and a statement saying what the footprint is. A member (Kevin S.) commented, I think there is an opportunity for us to do more SAC determinations in house. One help would be a form the City would fill out and sign. Also, if there would be a way for the City to either email to request what the SAC credits are, or if there is a way to post credits online for the City to have access to them. A member (Kevin S.) commented that records are better than they have ever been. (Steve U.) If a change happened within the past 5 to 10 years and we didn't notice that, shame on us. Wendy W. commented maybe we can just move the long continuous use up to 2009 since our records have been better since then. A member (Jim D.) asked, what about getting into redevelopment and demolitions on sites and the creation of new addresses? Ex. I have an address with 10 SAC, I demo the building and create 2 buildable lots. I put office on one and retail on another. Jessie answered right now we do first come, first serve for credits. The creation of a new address doesn't create a problem unless MCES isn't told. If something is missed, just tell us at a later date. He commented that it would be better for the City to decide where the credit goes. A member (Kevin S.) added that we already do that (ex. we have developers that sell SAC to others as incentive to come in). If the city doesn't say then it's default site specific. A member (Kevin S.) asked is it going to deal with the building or the altered space? For example, I have 100,000 sq. ft. with 5,000 sq. ft. remodeled. Am I looking at the 5,000 sq. ft. of that remodeled and assigning 2,600 sq. ft. to it and say the credits all work? Or do I step

	back and look at the entire building? Wendy W. answered we are trying to simplify and deal with the part that is changing. Kevin S. said it should be formulated and define what is a footprint. Wendy W. suggested we use 2009 as look back going forward, not the 10 years for long continuous use. That would only be if we have no records. Grandparent becomes 2009-forward. The owner does not matter. Member (Kevin S.) added but if the City does any determinations all records would need to be sent to MCES so they continue to have good records. A member (Kevin S.) added that if cities will be doing some SAC determinations, we should have annual training courses to “certify” people to do SAC determinations. A member (Loren O.) asked to walk someone through the 2009 proposal. Ned gave the example – someone opened restaurant in 2008 and didn’t tell anyone. Now in 2017, a patio is added so we would look to see if we had history of SAC paid for this restaurant and there is no history. With the 2009 proposal is you just need to prove it was a restaurant in 2009. Doesn’t matter who the owner was. You would get credit for the restaurant in 2008. All you would have to pay for is the patio. Katrina K. requested that we write all of this down so they can think about it. A member (Kevin S.) gave an example: there is a retail strip with massage/spa. It was done before 10 years ago, they would get the credits at the 1250 versus the 3000, but if it was less than 10 years, they would have to pay 2 SAC, and they would only get credit for one so they would owe one additional.
5. Next steps	- Refine recommendations for gross square footage and credits for Council approval (which will go out to the public after) - Assemble public meeting package