2016-2017 SAC Task Force: Meeting 8

August 29, 2017

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Agenda

- Recap – direction given by the task force
- Findings/results
- Determination recommendations
- Credits recap

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Recap: Direction from Task Force

- Remove remodels (from outcome of proposed change) with no change of use and no additions
- Eliminate winners and losers – no category should disproportionally pay for another, or benefit from the change
- Reevaluate certain combined categories (e.g., office with shower)
- Apply all adjustments across entire system (no category specific tweaks)

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Scenarios

1) Correlation between original criteria versus gross square footage criteria

2) Remove remodel no change of use from data set and tweak rounding to get to net zero

3) Apply multiplication factors based on remodel percent ranges

   3a. Apply direct multiplication factor to GSF based on category remodel loss

4) Eliminate outliers and/or use average instead of median

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Results

- Scenario 1 – did not recover remodel/lost remodel revenue
- Scenario 2 – recovered lost remodel revenue, but there were significant winners and losers
- Scenario 3 – recovered lost remodel revenue, but still winners and losers (although than less than option 2), and multiplication factors diverged from code
- Scenario 4 – most promising: total revenue close to neutral, still some winners and losers (but lowest of all options)

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Scenario 4 Recap (Option C)

Statistics	
Total Records Analyzed	3083
% Remodels	27%
Original Number of Categories	39
Proposed Number of Categories	28
Net SAC Units Collected	-291
% Change SAC Collected (Analyzed Categories)	-2.0%
Net SAC Collected – 3 years	-$723,135
Net SAC Collected Annual	-$241,045

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Combined Categories

Proposed Category	Categories Combined
Beauty Salon	Barber/Beauty Salon Nail Salon
Office	Bank Office
Office/Retail/Warehouse	Office/Cafeteria Office/Retail/Warehouse Office/Warehouse/Cafeteria
Restaurant	Bar Coffee Shop Restaurant
School	College Learn Center Elementary School Secondary School

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Example: Restaurant

- Current SAC collected = 4,549 SAC units
- Records analyzed = 854
- Remodels = 192 (22%)
- SAC lost due to remodels = 707 (15%)
- Median GSF/SAC of remaining records (outliers and remodels removed) = 333
- Proposed GSF/SAC = 333 rounds down to nearest 50 = 300
- New SAC collected = 4,374 SAC units
- Net SAC collected = -175 SAC units (-3.8%)

- Current SAC collected per record $= \dfrac{4{,}549 \times \$2{,}485}{854} = \$13{,}237$

- Change in SAC collected per record $= \dfrac{-175 \times \$2{,}485}{854 - 192} = -\$657$

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Top Categories

Business Type	Proposed GSF/SAC	Current SAC Units Collected	Current SAC Collected Per Record	Net SAC Collected Per Record
Clinic	2100	569	$3,701	-$764
Office	2650	1413	$5,126	$27
Office/Retail/ Warehouse	3800	1797	$6,655	$415
Restaurant	300	4549	$13,237	-$657
Retail	3050	324	$3,728	$0
School	1150	1857	$24,160	$1,096

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Determination Recommendations & Discussion

- Adopt gross square feet criteria per scenario 4, option 3
  - Minimal (<1%) revenue loss across all SAC collected
  - Minimal impact by category
  - Consistent application of analysis across categories
- Ancillary use threshold is 10% for office, warehouse, and retail

Credit Recap/Direction Confirmation & Recommendation

- Proof of prior use/footprint
- Change since 1/1/2009 = no credit if no sac record
  - Long Continuous Use goes away?
- 1/1/2009 is the new grandparent cutoff
  - City must prove 2009 use and GSF, regardless of when change occurred (prior to 1/1/2009)
- Financial impact: ~0.5% of annual SAC revenue

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Next Steps

- Finalize report
- Identify public meeting audiences
    - Small business coalitions
    - Metro Cities outreach
    - Four sub-regional meetings (N,S,E,W)
- Schedule and conduct public meetings
- Summarize findings
- Review with Task Force
- Submit to Met Council for approval
- Modify SAC manual for January 1, 2018 implementation

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