2016-2017 SAC Task Force: Meeting 4

January 26, 2017
Meeting 4 Overview

• Approve minutes from Meeting 3
• Review Issue 1 Summary
• Finish Issue 3 – Conversion Simplifying SAC Determinations
• Begin Issue 4 – Simplify Credit Process
Review Issue 1 Summary: Outdoor Seating

Ned Smith, MCES Director of Finance & Revenue
Continue Issue 3: SAC Determinations
SAC Determinations

Purpose for today:

• Continue discussion of 3 options (water metering; fixtures; occupancy codes)
• Discuss any other suggested criteria from task force members and their teams
• Agree on next steps for analysis
SAC Determinations Received

* 01/2017 is projection for full month based on the total as of 01/24/17
SAC Determinations Discussion

• Do we agree water metering is not a valid option?
• Continued discussion on occupancy codes.
• Continued discussion on fixtures.
• What did your team suggest as ideas for SAC Determination criteria?
Final Discussion and Recommendations
Issue 4: Simplifying the Credit Process
SAC Credit Background

• SAC credit is capacity that has been freed up within the community for a specific site
• When a new use occurs on the site, the previous use is credited to the new use
  • If total capacity demanded is increased additional SAC is charged
• All Credit determinations are subject to review and approval of MCES
SAC Credit Types

- SAC Paid to MCES
- Non-Conforming Grandparent (pre-1973)
- Non-Conforming Long Continuous Demand

Definitions can be found on Page 2 of your 2017 SAC Manual
Current SAC Credit Rules

• *Where SAC was paid*
  • Record of SAC payment to MCES is sufficient evidence for potential credit
  • Total number of potential SAC credits is reduced by any Credits that were used off site by the city
  • In redevelopment, where current determination requires less SAC than prior demand, Net Credits occur
  • Net Credits may be taken city-wide or left site-specific at city’s option at time of permit issuance
Examples: Where SAC Was Paid

1) Property built in 1980 paid 10 SAC
   • In 2015, 15-SAC demand replaces existing
     • 15 - 10 → 5 SAC due

2) Property built in 1980 paid 20 SAC
   • In 2015, 15-SAC demand replaces existing
     • 15 - 20 → No charge; 5 Net Credits
       • community-wide or site-specific
Current Credit Rules

- **If SAC was not paid** – Non-Conforming Grandparent
  - Records provided for Grandparent based on demand in 1972, if not determined since
  - In redevelopment, where current determination requires less SAC than prior demand, Net Credits occur
  - Net Credits from Grandparent stay site-specific for 5 years for on-site business growth
Example: Non-Conforming – Grandparented Demand

- Property built in 1960; documentation provided that it was 15-SAC demand prior to 1973
- In 2017, 10-SAC demand replaces existing
  - $10 - 15 \Rightarrow 0$ SAC due, 5 Net Credits available on-site for 5 years

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- If in above, in 2023 a 2-SAC demand was added
  - $12 - 10 = 2$ SAC due
  - (Grandparented Net Credits expired)
Non-Conforming Long Continuous Demand

- *If SAC was not paid* - Non-Conforming Long Continuous Demand
  - Long Continuous Demand must be in use for 10 or more years and through at minimum 3 years ago
  - Must be for benefit of a different business or property owner
  - Net credits not available for Long Continuous Demand
History of Long Continuous Demand

• 2012 Task Force recommended eliminating the “Look Back Period” review
  • “Look Back Period” was the credit rule between 2010 and 2012
  • Would use the highest use over the last 7 years during a new determination
• Long Continuous Demand (LCD) was introduced as one of the compromises to “no pay, no credit”
Example: Non-Conforming – Long Continuous Demand

• Property built in 1980 did not pay SAC
  • Community provides documentation of a prior demand was 10-SAC of continuous demand through 2015
• In 2017, 15-SAC demand replaces existing
  • 15 - 10 ➔ 5 SAC due

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• If prior continuous demand was 20-SAC
  • 15 - 20 ➔ 0 SAC due; no Net Credits
Experience with LCD to Date

- Appearance of ‘Free SAC’ leads to confusion and concern
- Inequity generated in SAC collection
- Intended to be a rare occurrence

<table>
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<tr>
<th>Report Year</th>
<th>Total Non-Conforming Continuous Demand Units</th>
<th>SAC Rate</th>
<th>Total Value</th>
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<tr>
<td>2013</td>
<td>201.75 (28 projects)</td>
<td>$2,435</td>
<td>$491,261.25</td>
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<tr>
<td>2014</td>
<td>268.62 (33 projects)</td>
<td>$2,485</td>
<td>$667,520.70</td>
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<tr>
<td>2015</td>
<td>267.75 (19 projects)</td>
<td>$2,485</td>
<td>$665,358.75</td>
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<tr>
<td>Total</td>
<td>738.12</td>
<td></td>
<td>$1,824,140.70</td>
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</tbody>
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Average of $608,000 per year (2013-2015) in Long Continuous Demand Credits
Proposal to Simplify the Credit Process

• Eliminate Long Continuous Demand
• Allow owners to pay at historic rates
  • Currently available upon appeal with dated plans
• Generate aides for historic credit proof
  • Clarify the materials needed to “prove” historical credit demand
• Other?
Discussion
Recommendations
Next Meeting:
Tuesday, February 7, 2017