2016-2017 SAC Task Force: Meeting 7

July 13, 2017
Meeting 7 Overview

• Approve minutes from Meeting 6
• Process recap
• Continue Issue 3 – Conversion simplifying SAC determinations
• Discussion
• Integrate Issue 4 – Simplify credit process
• Discuss next steps and dates
Process Recap
Process Recap

• Task Force formed to review 4 issues:
  – Outdoor seating: complete
  – Manufactured homes: complete
  – Simplifying determinations: today’s topic
  – Simplifying credits: today’s and 7/26 topic

• In February, TF proposed to use Gross Square Feet for determination criteria (vs. Net Square Feet/Area Based)
  – Commissioned TKDA to conduct detailed analysis
  – Determine revenue-neutral criteria change
  – Determine uses not conducive to Gross Square Feet criteria

• Presenting proposals today
  – Present findings
  – Present TKDA/MCES recommendations
  – Discuss next steps
Continue Issue 3: SAC Determinations
Gross Square Feet (GSF) Analysis Approach

• Determinations reported January 2013 – December 2015
  – Identified business types that lend itself to a gross square foot (gsf) SAC assignment (original area based criteria)

• Original SAC assignment and calculated the corresponding GSF/SAC

• Strong statistical correlation in the number of records associated per business type
Gross Square Feet (GSF) Analysis Approach - continued

• Impact of revised criteria
  – Total unit assignments
  – Total unit impact on per SAC fees
  – Adjustment of criteria to recapture loss of SAC revenue

• Need process for Credit recognitions (Issue 4)
GSF by Original SAC Charge – High Correlation

WAREHOUSE

\[ y = 6881x - 3452 \]

\[ R^2 = 0.9941 \]
WAREHOUSE

Recommended GSF/SAC  Record Number

GSF/SAC

Record Number

0 50 100 150 200 250 300 350 400 450

0 2000 4000 6000 8000 10000 12000

6374 gsf
GSF by Original SAC Charge – Low Correlation

**ANIMAL SALON**

\[ y = 2511.7x - 775.83 \]

\[ R^2 = 0.5193 \]
GSF by Original SAC Charge – Low Correlation – cont’d

ANIMAL SALON

Recommended GSF/SAC  Record Number

1397 gsf
## Combine 5 SAC Criteria Categories

TKDA recommends combining 5 categories

<table>
<thead>
<tr>
<th>Combined Category (new)</th>
<th>Category Components (old)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banquet/Cafeteria</td>
<td>Banquet Cafeteria</td>
</tr>
<tr>
<td>Beauty Salon</td>
<td>Barber/Beauty Salon Nail Salon</td>
</tr>
<tr>
<td>Office/Warehouse/Retail</td>
<td>Office/Cafeteria Office/Retail/Warehouse Office/Warehouse/Cafeteria</td>
</tr>
<tr>
<td>School</td>
<td>Daycare Learn Center Elementary School Secondary School Specialty School</td>
</tr>
<tr>
<td>Vehicle Service</td>
<td>Automobile Service Car Dealership Gas Station Service Garage Service Station Vehicle Garage</td>
</tr>
</tbody>
</table>
## Top 5 Business Types (# of determinations)

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Records Analyzed</th>
<th>R²</th>
<th>Median GSF /SAC</th>
<th>Proposed GSF /SAC</th>
<th>Net Change Regional SAC Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restaurants</td>
<td>794</td>
<td>80.8%</td>
<td>318.7</td>
<td>300</td>
<td>$569,004</td>
</tr>
<tr>
<td>Office</td>
<td>722</td>
<td>97.9%</td>
<td>2659.1</td>
<td>2650</td>
<td>$350,183</td>
</tr>
<tr>
<td>Office/Warehouse/Retail</td>
<td>418</td>
<td>94.1%</td>
<td>3963.6</td>
<td>3950</td>
<td>$49,074</td>
</tr>
<tr>
<td>Clinic</td>
<td>403</td>
<td>73.7%</td>
<td>2228.4</td>
<td>2200</td>
<td>-$326,046</td>
</tr>
<tr>
<td>Warehouse</td>
<td>386</td>
<td>99.4%</td>
<td>6374.4</td>
<td>6350</td>
<td>-$38,552</td>
</tr>
</tbody>
</table>
Determination Recommendation

• Adopt the recommendations of the final SAC Study completed by TKDA
  – Implement new GSF criteria methodology to selected business types
  – Combine multiple related business types into a single criterion
  – Define which criteria to use for specific business types (i.e. Office, Warehouse, Retail)
  – Gallon-based criteria to remain

• Hold public meeting to present proposed recommendations to stakeholders

• Present to Council for adoption of recommendations

• Implement the new criteria starting January 2018
Discussion
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 Recommendation Based on GSF Analysis

- SAC Credit based on the *greater of* SAC paid or the new gross square foot criteria
- No Net Credit unless the credit is from actual SAC paid to MCES (just like current rules with Non-Conforming Continuous Demand)
- Proof of a different previous use than what SAC records show:
  - City to provide a copy of the building permit
  - City statement of what the original foot print was (if different than the current tenant)
  - If the change of use occurred in the last 10 years, there is no credit
Important Dates
Tentative Dates

- June – receive 3rd party engineering report on SAC Task Force recommendations for Gross Square Foot Criteria
- July 13 – review findings with SAC Task Force
- July 26 – final SAC Task Force meeting
- August 8 – request open/public comment meetings from EC
- August - September – open issue up for public comment
- October 10 – present findings and recommendation to EC
- November 8 – receive final approval from Metropolitan Council
- January 1, 2018 – new criteria & rules will be released with 2018 SAC manual
Next Meeting:
July 26th @ Metro 94 Business Center
1PM - 3:30PM
Current 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 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
Current Credit Rules – cont’d

• *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
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
Original Proposal to Simplify the Credit Process

- Eliminate Long Continuous Demand
- Allow owners to pay at historic rates
  - Currently available upon request to SAC Technician with dated plans
- Generate aides for historic credit proof
  - Clarify the materials needed to “prove” historical credit demand
- Other?