

Service Committee Minutes

Honorable Council
City of Newark, Ohio
August 29, 2017

The Service Committee met in Council Chambers on Monday August 28, 2017 following the Finance Committee with these members in attendance:

Jeff Rath
Bill Cost Jr
Mark Fraizer
Carol Floyd
Ryan Bubb

We wish to report:

1. **Resolution No. 17-60** proposing the creation of a Special Improvement District (Downtown Newark Special Improvement District, Inc.) Along with the required petitions, the initial articles of incorporation, and the proposed plan for services for the special improvement district was considered.

Director Rhodes- Mr. Chair thank you for taking time prior to this meeting to speak to me about this we always appreciate that because it gets a lot of questions out of the way. Let me start with a little history on special improvement districts in the downtown area. This will be the second special improvement district in downtown Newark. The first special improvement district encompassed three sides of the square which was the south side, north side and Third Street. That was put into place for 5 years it happened when Carol, Doug and I were on Council at that point it was limited in scope predominantly to pull weeds and pick trash up. I would have to say from my experience of that special improvement district is that we had a cleaner downtown. When the city embarked on the sewer separation project in the downtown area one of the things that the administration began to think of and one of the things private sector individuals began to think of is ongoing maintenance, security, snow removal, litter pick up and maybe ambassadors being in the downtown area so if you come downtown and you aren't familiar with downtown and someone wants to know where HL Art Jewelers is there will be someone walking around in a red vest showing them where it is. Someone may have a question about parking they could answer. The annual operating budget will be around \$110,000.00, it is a five year program and at the end of the 5 years it will have to be re voted on by the petitioners, the petitioners being property owners in the district. This is not a cost of government this is a cost that is being born by the property owners through the assessment of additional taxes. When it came to light there was a real push for a special improvement district

in the downtown area Newark Development Partners reached out and hired a group called Designing Local and Shannon Fergus is here in the audience tonight if there are any real technical questions anybody might have. In your packet it talks about the petitions, a plan for services and it shows the boundary lines of the district.

Motion by Mr. Bubb to send to full Council, second by Mr. Fraizer

Mrs. Floyd- this was presented to the Downtown Newark Association about a month and a half ago. The parking is an issue and with some of the other issues I think this would be a great benefit. Some of those issues will benefit people on the square a little more than someone on 5th Street but overall it still gives a great improvement to the downtown area and again it is not a cost to the city and it improves the way the city looks and functions.

Director Rhodes- Carol thank you and this has been presented, it hasn't been a hidden secret by any means. Parking enforcement will be one component of it that will be paid for out of the funds.

Mr. Rath- with all of the beautification done downtown I see a lot of pots with plants in them and I see concrete planters that aren't yet filled and planted. I can see that being very attractive in the future is that going to be included?

Director Rhodes- the pots will be maintained through the storm water utilities, it is part of the overall program but continued beautification in other areas can be enhanced with these dollars. That is part of the program on a 500 foot view that part of this is to keep downtown as clean and nice and upgrades in areas that we can.

Mr. Rath- are the businesses going to participate in taking care of the landscaping in front of their storefronts?

Director Rhodes- we are getting participation in a couple of different ways, by a buy in of the DNA, by a buy in of the property owners if they are not DNA members to pay an additional tax for this.

Mr. Rath- before we get too far into questions is there anybody here part of the Downtown Newark Association that has anything to say regarding this?

Mr. Fraizer- can we talk about how this works for non-profits? So there is a section for qualifying non-profit property owners, we have a lot of churches and non-profits?

Director Rhodes- the churches will not be billed. Let's use a non-profit like The Works; they would have to opt in where they would not be billed.

Mr. Fraizer- the YES Club, organizations like that would typically be exempt as well?

Director Rhodes- it depends what category they fall in.

Mayor Hall- if you are a non-profit you are not automatically exempt from property taxes number one, the Midland is because they have an educational piece. Because you are exempt from property tax doesn't mean you are exempt from the SID. Churches as Dave said are automatically exempt unless they want to opt in.

Mr. Rath- there is a line here and maybe you can expand on this, under Exhibit A the fourth or

fifth paragraph down the service plan will be assessed by an annual property tax within the district of \$110, 148.96 plus unrestricted contributions from exempt property owners and businesses.

Director Rhodes- some property owners will be donating additional dollars. We sent out a three year letter from the Newark Development Partners and we have three years' worth of contributions coming in from other property owners not necessarily from the District but other areas that are unrestricted funds.

Mr. Rath- what about County owned property?

Director Rhodes- in this particular downtown district they have opted in.

Mr. Rath- they have? So they are going to contribute at the same rate that any other property owner would be?

Director Rhodes- that is correct.

Mr. Rath- are we not assessing these properties based on their property values?

Director Rhodes- no, it is on frontage. Frontage is one way that we have talked about it that is why Shannon is here.

Shannon Fergus, Designing Local- we are not assessing on frontage. You can assess properties any way you choose to in a Special Improvement District. On this Special Improvement District we did decide to assess based on property values. In order to create a Special Improvement District you need 60% of the front footage or 75% of a square footage. Frontage is used for the petitions that you have on hand to get to that 60%. Frontage is also used internally within the SID when people are voting for Trustees and things like that each foot of frontage is equal to one vote. We are assessing about 7.5% of the 2016 tax values and that is going to hold firm for each year instead of doing a certain percentage of taxes we took 2016 so each parcel will be taxed that value every year.

Mr. Rath- regardless whether their property value goes up or down?

Shannon Fergus- regardless yes, the only time that would change is if a parcel is split and sold off or as you can see in your documents non-profits have a threshold of up to \$3600.00 that they are required to pay and that is split between all of their holdings. If their holdings gets reduced and that parcel gets sold to a for profit entity then we will have to re determine the assessment for that parcel that is now for profit.

Mr. Rath- what initiated this conversation was whether the County properties were participating. Is the County Courthouse being assessed 7.5% of the value of the County Courthouse and that is what they are paying?

Shannon Fergus- that is the idea, they have not signed a petition but they have verbal said that they would each year; the County is not able to sign a petition for multiple years so instead every year.

Director Rhodes- it is similar to how we do our budget here, it is year by year.

Shannon Fergus- the idea is we have the numbers for the 7.5% taxes that the County would pay

based on the market value which we use to calculate that assessment and that is what we will use to charge them each year. When you were reading that line about unrestricted funds that is what it means. It means anybody can give money to the SID beyond the property owners.

Mr. Rath- I have an email from a property owner that is raising a concern and are also a resident of the 3rd Ward so I obviously have to bring this up and it is a good point. You are assessing 7.5% of the value of their property today over 5 years' time, value in 2016.

Shannon Fergus- it's not 7.5% of the property value it is 7.5% of their taxes so basically what that means is it is a millage. The taxable value of your property is 35% of your market value. Then we take your taxes and take 7.5% of that. It is kind of like a TIF it is adding 7.5% to your tax bill each year.

Mr. Rath- based on the value of the property.

Shannon Fergus- based on the market value of the property

Mr. Rath- the issue that Tim Argyle has presented to me makes sense I think it is a valid question. When we started the sewer separation project downtown we decided that we were going to go above and beyond and beautify things the Argyles were one of the first to buy into this, they jumped on it right now. They took their building and invested a significant amount of money in the building they own. They put in loft apartments and did a very nice job on those as well as put in an additional business which increased their income but also significantly raised their value. The concern they are bringing to me is that you have property A the Argyle property who jump in early and invested a significant amount of money, raised the value of their property who is paying a raised value assessment then you have property B who hasn't done anything because they weren't sure how it was going to turn out and now that things are done and they see growth now they can invest in their property, maybe they won't maybe they will just let their property deteriorate and they have a much lower value but they are still going to benefit from this and be paying a much lower rate.

Director Rhodes- Jeff let me answer that in kind of a short way because what you are saying makes perfectly good sense. If I was that property owner I would take advantage of the 15 year abatement that exists in the downtown area on improvements. What they would need to do is go see Mr. Mauter if they haven't already and they can file for an abatement, a 15 year abatement on the improvements. That is done through Marks Department and it keeps their property value down to what they paid for it.

Mr. Rath- can it be retroactive?

Director Rhodes- I'd have to yield to Mark on that.

Mr. Rath- if he applies for the abatement now it would probably become effective for 2018 yet we are talking about 2016 property values.

Director Rhodes- this abatement has been around for a long time, it's not new, it's not anything that people who make investments haven't been told.

Mr. Marmie- if you are only doing a face lift its probably not going to increase your value

significantly unless it is a structural change that requires permits then the County isn't going to change anything as far as what you're value is.

Mr. Rath- I think that you would agree the Argyle property that I am talking about as well as 31 West we are definitely talking about structural improvements.

Mr. Marmie- exactly but it probably didn't happen in 2016, it will catch up and be on 2017 taxes.

Director Rhodes- and that is why we did 2016.

Mr. Marmie- in addition the thing is most of those property owners are the ones that are going to benefit the most because they are the ones who did invest and they are the ones that want the parking and additional things so they are definitely going to benefit the most.

Mrs. Floyd- there are going to be some property owners downtown that aren't going to buy in. I know there was one person at the Downtown Newark Association meeting who stated his business is a block or two away from the square, he has plenty of parking and he isn't going to benefit from the parking enforcement and that the square would. Marcia Downs on the other hand said she had plenty of parking at her place but she was going to buy in because it was going to help improve downtown and people who go to The Works then go to restaurants.

Director Rhodes- one thing everybody has got to remember this is not a governmental action. This is the action of and by the petitioners, the property owners in the district.

Mr. Fraizer- say we put this in place when someone buys a property are they assessed on the 2016 value?

Shannon Fergus- as long as they don't buy a parcel that has been split off of another parcel because a parcel split it is hard to go back and divide that. It stays with the parcel and not the owner unless it is a non-profit and they sell it then we will readjust that assessment for a private property owner. Only three non-profit properties owned enough to hit that \$3600.00 threshold.

Mr. Fraizer- I like using the 2016 values it keeps it consistent for all the people who are going to be impacted. The squiggly line on the west is that residential property?

Shannon Fergus- the squiggly line on the west what happened is the boundary lines are behind the parcels on the main streets so yes there were residential properties and I am going to let Dave explain how downtown Newark decided exactly how far they wanted to go on each street.

Director Rhodes- we took a big long look at this. Look at Wilson Street there's not a sewer separation or an enhancement in sidewalks proposed for that area so why should we capture that?

Mr. Fraizer- you were trying to keep it focused on the sewer separation project.

Director Rhodes- yes, there are parcels in here that will not be affected by the sewer separation project but when we looked at the boundary lines and believe me when I say this we didn't just grab a chalkboard, we really looked at it and discussed and we met and discussed.

We looked at other Special Improvements Districts in other areas. We met with people in Lancaster that have one. This has been in discussion for two years, two and a half plus years. We have been public about it by presentation at the Downtown Newark Association. We have kept the leaders on Council informed as it has moved along then we got smart and hired a professional to come in and give us guidance. When I say we I means Newark Development Partners not the City of Newark.

Mayor Hall- when we talk about the squiggly line I will be honest with you and say the other three lines are pretty straight lines. State Route 16 is kind of a natural divider between commercial and residential.

Mr. Fraizer- can we talk about next steps, we pass this through to full Council what are the next steps that have to take place in order for this to be in effect?

Director Rhodes- there is a series and I am going to defer to Shannon on that.

Shannon Fergus- next steps are going through the next full Council meetings, once Council has approved the service plan and the assessments we will write a letter to the Auditor telling them what to assess each parcel we will also certify mail a letter to every property owner notifying them of the assessment at the same time we are required to host a special meeting to elect a Board of Trustees for a newly created non-profit. That will happen in November because for SID's every November you are required to have your annual meeting so that deadline falls right in time with that. At that time the Board of Trustees will be elected then the Board of Trustees can meet in January to talk about the initial budgets and in April and May they will receive their first round of funding from the County Auditor.

Director Mauter- from an economic development perspective this is really a self-help for all of the owners downtown. Unfortunately the city isn't able to do everything that we would like, we would still like to get Police and Fire up to a certain limit and so on and so forth. We are asking property owners do you want this? Do you want to step up and so this self-help program? That is what we have asked and we have gotten over 60% to do that. The other thing is going back to the property owner's downtown; we have a number of tools in the economic development tool belt. We have the CRA, Community Reinvestment Area that Mr. Rhodes mentioned. It is anywhere from 12 to 15 years of 100% tax abatement on all the improvement costs they make on their property. We also have the Downtown Revitalization Fund which uses our Community Development Block Grant Funds that can be used to make exterior improvements. We also have State and Federal Historic Preservation Tax Credits which is within the Newark Historical District area, those property owners can apply for those as well because they are approved since they are in the Historical District. We do have a number of things in the tool belt and we do work with property owners on all three of those.

Mr. Rath- Shannon, there is a lot here to absorb so my favorite question when I don't really know what to ask, what should we be asking that we're not?

Shannon Fergus- you guys actually had some good questions, I think the next step question was

a good one, understanding what we are going to be doing with that.

Director Rhodes- when you guys go home tonight you'll go gosh I wish I had asked, reach out to me and ask. If I don't know I will either get you the answer or I will get you Shannon's cell number. You have a couple more weeks before this will be voted on, take time and digest this. Take time to make the right decision, and again this is not a cost to the taxpayers of the city.

Mr. Rath- for those who aren't for this is there a common theme as to why?

Director Rhodes- probably just not wanting to pay any additional tax. We really haven't had anyone jump out of the woodwork and say no, no, no.

Mr. Rath- I would expect not or I would have expected to see them here tonight.

Mr. Marmie- when you asked what are we not asking, how can we get out of the way and make sure this positive happens? This group is trying to do something to better their area let's not let government get in the way of they want to do something positive.

Mr. Rath- that is a great Segway into calling for a vote.

Motion passed by a vote of 5-0.

Jeff Rath, Chair