
M E M O R A N D U M

DATE: November 14, 2003
TO: City Council Members
FROM: Russell Weeks
RE: Public Hearing: Notice of Intent to Create Central Business Improvement District No. DA-CBID-03
CC: Cindy Gust-Jenson, Rocky Fluhart, David Nimkin, Alison Weyher, David Dobbins, Alison McFarlane, Gary Mumford, Michael Sears

This memorandum is intended to address issues pertinent to a November 18 City Council public hearing and consideration of a notice of intent to create Central Business Improvement District No. DA-CBID-03.

KEY POINTS

- The proposed resolution is the first step toward creating a source of revenue – through property assessments – for economic promotion activities for what is known as the Central Business Improvement District.
- According to the Administration, the expected three-year assessment for the proposed district would generate about \$2.15 million. The proposed assessment rate for properties in the proposed district is .001425, the same rate as the City Council adopted for the year 2000. The proposed district's boundaries also are the same as for the year 2000. According to Alliance estimates, about 2,500 businesses and property owners are located within the current district's boundaries.
- The proposed resolution is a *de facto* renewal of an economic improvement district that has existed in one form or another since 1991. The City Council renewed the district in 1994, 1997, and 2000.
- The current assessment district is scheduled to expire on December 31, 2003. If the proposed schedule for creating a new district holds, the City Council would consider the final step of the six-step process on or about February 23, 2004, according to the Administration transmittal.
- Under state law, properties cannot be added to the district if they were not included in the notice of intent resolution. However, the City Council can delete properties at its discretion.
- Earlier this year, the Administration issued a request for proposals to manage the district. The district's current manager is The Downtown Alliance. After reviewing two proposals submitted, the Administration recommends that The Downtown Alliance be awarded a contract to continue to manage the district. A City Council subcommittee made up of Chair Carlton Christensen, Vice Chair Jill Love and Redevelopment Agency Board of Directors Vice-Chair Eric Jergensen concurs with the recommendation.

- In July the Downtown Alliance Board of Trustees adopted a motion to merge the Alliance with the Salt Lake Chamber of Commerce. According to the Alliance’s newsletter for October, the Alliance and the Chamber have begun “integrating staff and services from both organizations.” The integration includes moving five of the seven Alliance staff members to the Salt Lake Chamber offices from the Alliance’s office on Main Street.

POTENTIAL OPTIONS

- Adopt the resolution declaring the City Council’s notice of intent to create the district.
- Do not adopt the resolution and let the current district expire on December 31.
- Depending on the number of protests against creating the proposed district, the City Council may delete properties from the proposed district. (Please see copy of *Utah Code* 17A-3-307 in this memorandum under the subtitle *Protest Hearing*.)

POTENTIAL MOTIONS

- I move that the City Council adopt the resolution declaring the City Council’s notice of intent to create Salt Lake City Central Business Improvement District No. DA-CBID-03 to continue to promote business activity in an area of central downtown Salt Lake City.
- I move that the City Council not adopt the resolution.
- I move that the City Council adopt the resolution with the following deletions and changes as authorized by State law ...

BUDGETARY CONSIDERATIONS

There should be no effect on Salt Lake City’s general fund budget. Utah law 17A-3-301 titled the *Utah Municipal Improvement District Act* authorizes “the governing body of any municipality” to levy assessments on property within a district that is benefited by municipal improvements. “Economic promotion activities” are included as improvements under 17A-3-303. Creating the district would earmark assessments levied within the proposed district for a specific purpose. The assessments would be passed through to the organization or group that manages the district.

Issues/Questions for Consideration

- Given that The Downtown Alliance officially merged with the Salt Lake Chamber of Commerce on August 1, it may be too early to gauge how effectively the larger organization will function.
- When the City Council created the current improvement district it required the Alliance to emphasize economic development in its programs. Is economic development still a City Council goal for the Alliance? If so, how will the Alliance be measured and monitored?
- In July before voting to merge with the Salt Lake Chamber, Alliance trustees and staff noted that about 2,500 businesses and property owners fell within the boundaries of the current Central Business Improvement District, but about 10 percent of those businesses and property owners were Salt Lake Chamber members. Trustees also raised concerns about keeping “an intensity of focus” on the downtown within the merged organizations. How have the Chamber and Alliance addressed those concerns, or how do they plan to address them?

Discussion

As indicated earlier in this memorandum, the proposal to create Salt Lake City Central Business Improvement District No. DA-CBID-03 is essentially a proposal to renew an improvement district that has existed in one form or another since 1991.

The proposed resolution would be the first of six steps to create the district. If the City Council adopts the proposed resolution, the other five steps would be:

- Approve a contractor to manage the district.
- Hold a protest hearing.
- Authorize creating the improvement district.
- Create a board of equalization
- Create the district and start levying assessments.

PROTEST HEARING

Of the steps above, the protest hearing probably will determine the proposed district's future. State law 17A-3-307 reads in part:

17A-3-307. Protests by property owners -- Hearing -- Alteration of proposal by resolution -- Conditions for adding property to district -- Deletion of protesters' property from district -- Recording requirements -- Waiver of objections.

(1) (a) Any person who is the owner of property to be assessed in the special improvement district described in the notice of intention may, within the time designated in the notice, file, in writing, a protest to the creation of the special improvement district or make any other objections relating to it.

(b) The protest shall describe or otherwise identify the property owned by the person making the protest.

(2) (a) On the date and at the time and place specified in the notice of intention, the governing body shall, in open and public session, consider all protests filed and hear all objections relating to the proposed special improvement district. ...

(c) After the hearing has been concluded and after all persons desiring to be heard have been heard, the governing body shall consider the arguments and the protests made.

(d) The governing body may:

(i) make deletions and changes in the proposed improvements; and

(ii) make deletions and changes in the area to be included in the special improvement district as desirable or necessary to assure adequate benefits to the property in the district.

(e) The governing body may not provide for the making of any improvements that are not stated in the notice of intention nor for adding to the district any property not included within the boundaries of the district unless a new notice of intention is given and a new hearing held.

(3) (a) (i) After this consideration and determination, the governing body shall adopt a resolution either abandoning the district or creating the district either as described in the notice of intention or with deletions and changes made as authorized in this section.

(ii) The governing body shall abandon the district and not create it if the necessary number of protests as provided in Subsection (3)(b) have been filed on or before the time specified in the notice of intention for the filing of protests after eliminating from the filed protests:

(A) protests relating to property or relating to a type of improvement that has been deleted from the district; and

(B) protests that have been withdrawn in writing before the conclusion of the hearing.

(b) For purposes of this section, the necessary number of protests means the aggregate of the following:

... (iii) protests representing 1/2 of the taxable value of the property to be assessed where an assessment is proposed to be made according to taxable value;

(c) If less than the necessary number of protests are filed by the owners of the property to be assessed, the governing body may create the special improvement district and begin making improvements.

It should be noted that the proposed district's revenue would be based on the taxable value of properties within the district.

PROPOSED DISTRICT BORDERS

According to the Administration, the proposed district's borders are:

- North Temple from State Street to 500 West Street.
- 500 West Street from North Temple to 400 South Street.
- 400 South Street from 500 West Street to 200 East Street.
- 200 East Street from 400 South Street to 100 South Street.
- 100 South Street from 200 East Street to State Street.
- State Street from 100 South Street to North Temple.
- 200 South Street from 200 East Street to 300 East Street.

Properties on the south side of 400 South Street, the north side of North Temple, and the west side of 500 West street are not included within the proposed district's boundaries. It should be noted that the borders are the same borders as those adopted in the district for the year 2000. The last time the City Council created the improvement district the district was expanded to include properties along 500 West Street from North Temple to 400 South Street. (A map of the proposed district's boundaries is included in the Administration's briefing transmittal dated July 30.)

PROPOSED ASSESSMENT LEVY

As mentioned earlier in this memorandum, the Administration has proposed an assessment levy of .001425, the same rate as the City Council adopted in 2000. The levy is expected to generate about \$2.15 million. The figure is about \$200,000 more than the \$1.95 million in revenue generated over the life of the present district. The reason for the projected revenue increase is the taxable value of property within the district has increased from about \$1.37 billion in the year 2000 to about \$1.5 billion in the current year.

When the district originally was created in 1991 the assessment rate was .0017842. In 1994 the assessment rate was .0017031. The assessment rate in 1997 was .0016.

DOWNTOWN ALLIANCE MERGER WITH THE SALT LAKE CHAMBER OF COMMERCE

In July the Downtown Alliance Board of Trustees adopted a motion to merge with the Salt Lake Chamber of Commerce after several months of negotiations. The motion included conditions that were to be worked out before the merger. The vote resulted in a revised letter of understanding between the Alliance and the Chamber.

Key points in the letter of understanding include:

- Both organizations retain separate legal status as 501(c)(6) non-profit entities. The Alliance will function as a separate organization beneath the Chamber umbrella.
- The current chairs of the Chamber and the Alliance remain as co-chairs through June 30, 2004. After that, there will be a single Board Chair for both organizations.

- Chamber President and CEO R. Lane Beattie serves as president and CEO of the Alliance and administers Chamber *and* Alliance programs.
- Former Alliance Executive Director Robert Farrington serves as executive vice president of the Chamber and is responsible for Alliance programs.
- Chamber Executive Vice President and COO Craig Peterson retains his post and is responsible for Chamber programs and all central services.
- The Alliance Board of Trustees was reduced from about 30 members to six. According to the letter of understanding, “The Alliance Board of Directors will consist of six (6) individuals. Five (5) are to be tenants or property owners or business owners within the Central Business Improvement District (and) shall be elected by the (Chamber) Board of Governors and also serve on the Chamber Executive Committee and the Chamber Board of Governors. The sixth (6th) shall be the President/CEO of the Chamber. The meetings of the Board shall be held concurrently with the Executive Committee and the Board of Governors.”
- According to the letter of understanding, the current Alliance Board members are: Prescott Muir, David Jensen, Gary Porter, John Gates, Tom Guinney, and R. Lane Beattie.

BACKGROUND

The Downtown Alliance is one of about 400 similar organizations in the United States. The Alliance was formed in 1988 by property owners and businesses and through the work of the late John Schumann of Schumann Capital Management. At the time, Mr. Schumann was chair of the Salt Lake City Planning Commission and was concerned about the variety of groups that claimed to represent the downtown when they appeared before the Planning Commission.

Mr. Schumann and others, including attorney John Gates, sought to establish a broad-based organization to address downtown issues and “to strengthen our Downtown area by promoting growth, fostering development, encouraging activities, and improving the general environment of the downtown area through open communication between property owners, business owners, tenants, residents, and governmental agencies involved in the downtown district.”

The 1988 Regional/Urban Design Assistance Team study noted that an “unfortunate combination of factors” in years previous to 1988 had “discouraged” the construction of new office and mixed use buildings in the city’s core. One of the factors the study listed was, “The lack of an organized constituency that promotes continuous and serious renewal in the downtown in a determined and unrelenting way.”

When The Downtown Alliance was created it was patterned after national models and sought to consolidate the efforts of several organizations that represented downtown business interests. The organizations included the Central Business Improvement District, the Downtown Retail Merchants Association, the Capital City Committee, and to some extent the Salt Lake Area Chamber of Commerce. The Chamber of Commerce and the Downtown Retail Merchants Association did not relinquish their perceived roles to the Alliance. However, the chair of the Retail Merchants Association, and the president and CEO of the Chamber of Commerce were made voting trustees of the Alliance, as was the Mayor of Salt Lake City. The Capital City Committee, which was formed to build consensus to develop the Gallivan Center Block, disbanded in favor of the Alliance. The same thing happened with the Central Business Improvement District whose eight board members were appointed by the Mayor. The latter organization was a non-profit that performed several functions that were undertaken by the Alliance. Unlike the Alliance, the CBID was funded voluntarily by downtown businesses and raised about \$125,000 a year. When the CBID disbanded businesses discontinued donations.

Because the existing district is a special service district created by City Council action, the dynamic of the Alliance's relationship with the City may have changed from the original relationship before the Legislature passed amendments to the law governing municipal improvement districts in 1990. To receive the annual assessment, the Alliance must sign a contract with the City. In turn, the City has a responsibility to see that assessment funds are well-managed. One could argue that because of the contract, the Alliance is in some respects a creature of the City instead of a truly independent organization. However, in the past the Alliance has taken positions on key issues and has been a sounding board for opinions of downtown property owners and businesses. Council Members may recall that the Alliance worked to reach a compromise solution among proponents of a light-rail line on Main Street and proponents of a light-rail loop that avoided Main Street.

In addition, the Alliance has worked to promote the downtown as a regional shopping and entertainment area. It also developed and manages events such as First Night, the Farmer's Market. It also was a partner in the year 2000 with the City in commissioning the Thomas Consultant's study of ways to improve retail business in the downtown.