

Council Agenda Memo

From: James Purdy, Assistant City Manager

Meeting: December 16, 2019

Subject: Second Reading of Ordinance 1395 Establishing Business Improvement District #2

Presenter: James Purdy

Background: The City Council and the Business Improvement District (BID) #2 Board of Directors have been discussing an infrastructure project commonly referenced as the Downtown Streetscape Project for the last couple of years. Eligible streetscape improvement expenses may include: removal and reconstruction of sidewalks, removal and reconstruction of street pavement as needed, removal and reconstruction of curb and gutter, construction of landscaping features, signage, street lighting, landscaping, storm sewer improvements, and necessary staffing for the consultant to execute these efforts. The City does not anticipate losing any public parking spots to this project, and may see a net gain. A goal for the project design will be to avoid any complete street closures during construction, and the consultant will be expected to find creative ways to limit the affect the construction has on business operations. The construction project's limits are both sides of Main Street from the west side of Ratingen Platz to the east side of the intersection with Dakota Street, both sides of Market Street from West Main to Kidder Street, both sides of Court Street from West Main to Kidder Street, the east side of Elm Street from East Main Street to the first east-west alley north of East Main Street, both sides of Center Street from Main Street to the first east-west alley north of Main Street, and the east side of Prospect Street from West Main Street to the first east-west alley north of West Main Street.

The BID #2 Board is made up of four downtown business owners and one downtown resident. A resolution establishing the boundaries of BID #2 was passed on April 16, 2018. The BID #2 Board has had several meetings over the last year to develop a plan and a proposed funding mechanism. After two public meetings and multiple discussions with downtown property owners, the Board believes that the project has the necessary public support to move forward. The BID #2 Board presented a plan that the City Council accepted at the October 7, 2019 City Council meeting. A Resolution of Intent to set a public hearing for this evening was passed on October 21, 2019. A notice of public hearing for the creation of the proposed business improvement district was mailed to each

property owner of taxable property in the district at least 30 days prior to the public hearing for the first reading. The first reading of the ordinance was approved 7-0 at the December 2, 2019 meeting. No additional public comments have been received, and no changes to the proposed ordinance have been made since the first reading.

Discussion: The BID Board proposes the following estimated cost breakdown (based on a 2016 conceptual plan) for the public improvements within the proposed district: \$2,450,000. This cost would be split between the City and the owners of taxable property within the business improvement district at a ratio of 82% paid by the City, and 18% paid by the owners of taxable property. The property owner's portion of the project cost would be paid in the form of a special assessment. The special assessment would be based on actual project costs minus any grants and donations, and implemented in accordance with state statute. The assessment would be 18% of the total cost of the project divided amongst property owners of two different areas (with two different rates) within the BID. The assessment shall be payable in ten equal annual installments. At the July 29th public meeting, downtown property owners in attendance voted on several assessment options, and this formula was the overwhelming choice. The ordinance will become effective 20 days after the date of publication of the second reading. Once the Ordinance is in effect, the BID #2 Board and City staff will begin the process to select and recommend a consultant to the City Council. Construction is estimated to begin in the spring of 2021 after being placed out for bid, with the goal of being completed by the fall of 2021. The City plans to hold public meetings with the general contractor during construction to keep the public informed on the progress.

Financial Consideration: The City would utilize funds from several different lines to support and fund the project. The City will pay 100% of the up-front cost of construction. After the project is completed, the City would begin implementing the special assessments based on total cost of construction. A breakdown of the funding sources is pictured below. The figures have been rounded.

COST AND FUNDING BREAKDOWN

ESTIMATE COST	\$2,450,000 (100%)	
CITY FUNDING FROM LIGHT & POWER FUND*		\$250,000 (10%)
CITY FUNDING FROM STORM SEWER FUND*		\$75,000 (3%)
CITY FUNDING FROM 2 nd PENNY FUND		\$1,678,000 (69%)
TOTAL FUNDING FROM CITY		\$2,003,000 (82%)
FUNDING GENERATED FROM BID#2		\$447,000 (18%)
TOTAL FUNDING FOR PROJECT		\$2,450,000 (100%)

*Funding will be utilized for new street lights and storm sewer work

BREAKDOWN OF MONEY GENERATED FROM BID #2

FUNDING GENERATED FROM BID #2	\$447,000 (100%)	
FUNDING GENERATED BY AREA A		\$402,000 (90%)
FUNDING GENERATED BY AREA B		\$45,000 (10%)

BREAKDOWN IN PAYMENTS FOR PROPERTY OWNERS IN AREAS A AND B (0% Interest)

AREAS	YEARLY	TOTAL (10-YEARS)
AREA A	\$583.00	\$5,830.00
AREA B	\$194.50	\$1,945.00

Conclusion/Recommendations: Administration recommends approval of the second reading of Ordinance 1395 Establishing Business Improvement District #2. Since this is the second reading of an ordinance, a roll call vote is required.