



Legislation Text

File #: 20-1207, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Pass the ordinance establishing Special Service Area No. 33 for downtown maintenance and marketing services to replace expiring Special Service Area No. 26

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Finance Department

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

In 1970, the Illinois Constitution Convention granted municipalities and counties the authority:

“to levy or impose additional taxes upon areas within their boundaries in the manner provided by law for the provision of special services to those areas and for the payment of debt incurred in order to provide those special services.”

The establishment of a Special Service Area (SSA) is controlled by the Special Service Area Tax Law (35 ILCS 200-27-5 *et seq.*) and defined as “a contiguous area within a municipality in which special governmental services are provided in addition to those services provided generally throughout the municipality, the cost of the special services to be paid from revenues collected from taxes levied or imposed upon property within that area.”

Naperville has utilized SSAs since 1976 to pay for a variety of functions including the provision of free parking in the downtown (SSA No. 1), the payment of debt service (SSA No. 21 - Van Buren Parking Garage), and the maintenance and marketing of the downtown (SSA No. 17, 20, 22, 24, and 26). At this time, SSA No. 26 pays for the maintenance and marketing of the Central Business District and will expire in 2020.

Services are paid for by using a formula developed in 2000, whereby the maintenance services are 2/3 funded by the City through the General Fund and 1/3 funded by the property owners through the special assessment. In addition to the 1/3 maintenance cost, the City levies a marketing component for the Downtown Naperville Alliance (DNA) funded 100% by the property owners. SSA No. 26 was created in 2015 and will expire in 2020.

Staff recommends the creation of the new SSA No. 33 for the maintenance and marketing of the downtown as a replacement to the existing SSA No. 26.

DISCUSSION:

The Illinois statute clearly outlines the procedures to establish an SSA. First, an ordinance calling for the establishment of the SSA must be passed, second a public hearing needs to be scheduled, and third an ordinance establishing the SSA must be brought before City Council. A timeline of critical events in the SSA renewal is attached and outlined below.

Timeline of events

At its June 2, 2020 meeting, the City Council passed the ordinance calling for the establishment of SSA No. 33 and provided for a public hearing to be held on August 18, 2020. Staff notified property owners through direct mail and notice in the newspaper of the public hearing for the establishment of the SSA to be conducted at the August 18, 2020 City Council Meeting. This public hearing initiated the required sixty-day objection period. If the sixty-day period passes, and an objection petition signed by at least 51% of the owners of record within the SSA is *not* filed with the City Clerk, then the City Council will be requested to take final action.

No objection petition has been filed and staff is requesting final action on the establishment of the SSA be taken at the October 20 City Council meeting.

The new special service area must be in place before November 2020 in order to allow for enough time to levy the required 2020 taxes payable in 2021.

Collaboration with DNA

In addition to the maintenance efforts, the DNA markets the downtown through print, radio, direct mail, internet, and social media to expand the downtown customer base. The DNA also provides administration of the gift card program, training, and merchant meetings along with other services that promote business expansion and retention. The DNA has increased their annual marketing request to \$402,450 plus a 2% annual increase to keep regional marketing efforts competitive. The property owners cover 100% of the marketing expense.

City staff met with members of the DNA over the last year to discuss expenditures, revenues, assessed valuations, and marketing of the downtown. The DNA, in partnership with staff, developed a presentation outlining the history, purpose, goals, and financial information for a virtual open house for property owners on May 27. The letter of support from the DNA requesting the creation of a replacement SSA is attached.

SSA No. 33

Special Service Area No. 33 will provide special municipal services that include parking lot operations and maintenance, maintenance of the public parking garages, custodial services, sidewalk and parking lot snow removal, maintenance of landscaping, streetscape, and street lighting, holiday lighting on parkway trees and buildings, sidewalk maintenance including brick paver repair, special directional signage, and capital improvements. The City has proposed an average annual maintenance expense of \$2.29 million over the 5 years of the SSA of which property owners cover 1/3 the expense and the City covers 2/3 the expense.

Staff has completed a financial analysis that includes expense and revenue projections over the next

five years. The Naperville Township Assessor and has projected a 5% EAV increase in 2021, a 2% increase in 2022, and flat EAV in 2023-2025 due to the uncertainty related to COVID-19. The proposed SSA No. 26 tax rate averages 1.53% per annum over the proposed five-year term. Detailed financial information is attached.

Recommendation

Staff recommends the same maintenance service level provision, a slight increase in marketing expenses, the same five-year term as SSA No. 26, the same cost sharing formula for maintenance and marketing, and the same maximum tax rate of 2.5% per annum of Equalized Assessed Valuation (EAV). The boundaries of the new SSA would grow to include the one property added (209 W. Jefferson) in the last five years. An area map of the proposed SSA is attached.

If approved, the new SSA would start in 2021 and expire in 2025.

FISCAL IMPACT:

The City will be responsible for two-thirds of the maintenance costs for the Downtown from 2021-2025. The marketing expenses are fully funded by the downtown property owners with no City contribution. The table below shows the annual contribution over the last five years for reference.

Year	Levy Amount	City Contribution
2016	\$865,000	\$923,817
2017	\$933,590	\$951,279
2018	\$1,013,351	\$1,078,275
2019	\$987,537	\$1,108,709
2020	\$1,046,216	\$1,196,727