



Legislation Text

File #: 20-638, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Pass the ordinance calling for the establishment of Special Service Area No. 33 and schedule a future public hearing for its establishment on August 18, 2020, to pay for the downtown maintenance and marketing services that are presently covered by Special Service Area No. 26.

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Finance Director

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 a statute referred to as the Special Service Area Tax Law. 35 ILCS 200-27-5 *et seq.* A SSA is 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). Currently, SSA No. 26 pays for the maintenance and marketing of the Central Business District. Services are paid for using a funding 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.

DISCUSSION:

Staff recommends the creation of a new SSA for the maintenance and marketing of the downtown as

a replacement to the existing SSA No. 26.

Staff recommends the same maintenance service level provision; a slight increase in marketing expenses; the same 5 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). See Attachment #1, Exhibit C for an area map of the proposed SSA. If approved, the new SSA would start in 2021 and expire in 2025.

Special Service Area No. 26 will provide special municipal services to the designated area 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 \$2.42 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.

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 \$402,211 plus a 2% annual increase to keep regional marketing efforts competitive. The property owners cover 100% of the marketing expense.

Staff has completed a financial analysis that includes expense and revenue projections over the next five years. Staff has worked with the Naperville Township Assessor and has projected a 5% EAV increase for 2021, and 2% increase for 2022, and then no increases for 2023-2025 due to the uncertainty around COVID-19. The proposed SSA No. 26 tax rate averages 1.54% per annum over the proposed 5 year term. See Attachment #2 for detailed financial information.

City staff has been meeting with members of the Downtown Naperville Alliance (DNA) over the last several months to discuss expenditures, revenues, assessed valuations, and marketing of the downtown. The DNA in conjunction with Staff developed a presentation outlining the history, purpose, goals, and financial information that was available during virtual open house for property owners held at the Naperville Chamber of Commerce on May 27. We anticipate receiving a letter from the DNA prior to the City Council meeting and will upload it to the agenda upon its receipt..

Illinois State statute is clear in the procedures that a municipality must follow to establish a SSA. The SSA will come before the City Council at least three times. At this first meeting, we recommend the City Council to take the following action:

- Pass the Ordinance calling for the establishment of a Special Service Area and Providing for a Public Hearing for its Establishment

Staff will then notify 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 18th City Council Meeting. This will also be the start of the required sixty (60) day objection period. If the sixty (60) day period passes and a objection petition signed by at least 51% of the owners of record of the land included within the Special Service Area is *not* filed with the City Clerk, then the City Council will be requested

to take final action on the establishment of the SSA at the October 20 City Council meeting. A timeline of critical events in the SSA renewal is included as Attachment #3. 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.

FISCAL IMPACT:

The City would be responsible for two-thirds of the maintenance costs for the Downtown from 2021-2025.