

PETITION TO ESTABLISH THE
SAINT PAUL
SPECIAL SERVICE DISTRICT

Intended To Be Filed with The Saint Paul City Clerk
Pursuant To Minnesota Statutes Chapter 428A

LEGAL OWNER: LOWRY REDEVELOPMENT PARTNERS

<u>APN NUMBER</u>	<u>SITE ADDRESS</u>	<u>ASSESSMENT AMOUNT</u> (proposed service charge)	<u>PERCENTAGE</u>
062822120287	350 ST PETER ST 10 ST PAUL, MN 55102	\$117.45	0.03%
062822120288	350 ST PETER ST 11 ST PAUL, MN 55102	\$130.78	0.03%
<u>TOTALS</u>		\$248.23	0.05%

☒ YES, as owner of the above-listed property(ies), I hereby petition that the Saint Paul City Council hold a public hearing pursuant to Minnesota Statutes Section 428A.02 to adopt an ordinance establishing the Saint Paul Special Service District in Downtown Saint Paul, which the above-listed property(ies) would be subject to.

Property Owner of Record

By my signature below, I, Rich Pakonen, hereby certify and declare under penalty of perjury under the laws of the State of Minnesota that I am legally authorized to accept the levy of liens (service charge assessment amounts) on the property(ies) listed above.

Property Owner's
Signature



Name
(Please Print or Type)

Rich Pakonen

Title
(If Applicable)

LOWRY REDEVELOPMENT PARTNERS, L.P.

Date

A Minnesota limited partnership
By: St. Peter Redevelopment Company, LLC
A Minnesota limited liability company
Its: General Partner

Please Return To:

Saint Paul Downtown Improvement District
428 Minnesota St., 5th Floor
Saint Paul, MN 55101
email: emma.burns@stpdowntownalliance.org

June 23, 2020

Andrew Biggerstaff, Legislative Analyst
andrew.biggerstaff@house.mn
Deborah A. Dyson, Legislative Analyst
deborah.dyson@house.mn

Updated: October 2014

City Special Service Districts

One way for a city to provide an increased level of service or infrastructure to its commercial or industrial areas is to create “special service districts.”¹ Special service districts (SSDs) are established at the request of the persons who will pay for the increased level of service. Since the early 1980s, individual cities have been authorized to set up these districts. Since 1996, cities have had general law authority to create SSDs. This information brief describes the history of the law authorizing special service districts, the requirements of the law, and provides a few examples of the use of SSDs.

What are special service districts?

A special service district is “a defined area within the city where special services are rendered and the costs of the special services are paid from revenues collected from service charges imposed within that area.”² An SSD may be established anywhere in a city but only business property (i.e., commercial, industrial, utility, or land zoned for commercial or industrial use) will be subject to the service charge. SSDs are commonly used in areas with a concentration of retail stores.

¹ Towns and counties may also do this by establishing “subordinate service districts” under Minnesota Statutes, chapters 365A and 375B. While very similar to city special service districts, subordinate service districts are not discussed in this information brief. See the House Research publication, *Subordinate Service Districts*, January 2014.

² Minn. Stat. § 428A.01, subd. 4.

In 1983, Bloomington became the first city authorized to establish an SSD.³ Bloomington's special law became the basis for later special laws and then the general law. In 1988, the elements of the special laws were codified as Minnesota Statutes, chapter 428A. However, a city still needed special legislation to authorize it to use chapter 428A. In all, 26 cities have been authorized to establish SSDs by special legislation, and in some cases, more than once. Not all cities authorized to establish SSDs have done so.

In 1996, the statute was amended to permit any statutory or home rule charter city to establish an SSD by ordinance, without requiring special legislation. This authority originally expired in 2001, but has been extended several times, most recently to 2028. After June 30, 2028, cities will need special legislation to establish SSDs.⁴

What kinds of services may be provided in an SSD?

The city ordinance establishing the SSD specifies what services may be provided. In general, the services are those:

- not ordinarily provided throughout the city from general fund revenues of the city, or
- provided at an increased level than for the rest of the city.⁵

Special services authorized in some city ordinances have included street and sidewalk cleaning, snow and ice removal, lighting, signage, parking, parking enforcement, marketing and promotion, landscaping, and security. They may also include capital improvements authorized in the special assessment statute.

How is an SSD established?

An SSD may be established only if a petition by a certain percentage of potentially affected property owners is filed and the city adopts an ordinance to establish it.

Petition. An SSD may be established by petition by the owners of 25 percent or more of the land area that would be subject to the charges *and* either (i) owners of 25 percent or more of the net tax capacity of property that would be subject to the charges, or (ii) owners, individuals, and business organizations that would be subject to 25 percent or more of a proposed charge.⁶

Ordinance. If a petition is filed, the city may prepare an ordinance that describes the specific area and lists the services to be provided. The city must notify all business owners in the area prior to the hearing, with information on the nature of the proposed services, an estimated cost of

³ Laws 1983, ch. 361, §§ 2 to 12.

⁴ Minn. Stat. § 428A.101.

⁵ Minn. Stat. §§ 428A.01, subd. 3; 428A.02, subd.1.

⁶ Minn. Stat. § 428A.08.

improvements, and the amount of the proposed service charges.⁷ The effective date must be at least 45 days after the city adopts the ordinance.⁸ The city must hold a public hearing on the proposed ordinance.⁹ An existing district may be enlarged following the notice and public hearing requirements for establishing a new district.¹⁰

Objections. Potentially affected property owners may testify at the hearing. They may also object in writing, and if the city agrees, the property may be excluded or the ordinance itself may be delayed. If the city does not agree, the property owner has 30 days to appeal to district court, which may affirm, modify, or cancel the city's determination.¹¹ The proposal can be effectively vetoed if owners of 35 percent or more of the land area that would be subject to the charges *or* owners, individuals, or business organizations subject to 35 percent or more of the charges file an objection to establishing the district before its effective date.¹²

Advisory board. The city council may create an advisory board for each special service district in the city to advise the governing body in connection with the construction, maintenance, and operation of improvements, and the furnishing of special services in a district.¹³

How are the services financed?

Businesses in the district pay for the increased level of services through service charges.¹⁴ The charges must be proportionate to the costs of the services and may be collected through the property tax collection system or through other means if so provided by the ordinance. If the service charge is based on net tax capacity, exempt property is exempt from the service charge. Service charges are not included in calculating levies for purposes of any other law related to levies. The fees may be used to pay off general obligation bonds issued by the city for the capital improvements made in the service district under the ordinance. Bonds issued for service district purposes do not require an election.¹⁵

How many cities have established SSDs, and how much money is collected?

Since 1996, each city with an SSD is required to submit the SSD ordinance to the Commissioner of Revenue.¹⁶ However, the commissioner is not required to do anything with the ordinances

⁷ Minn. Stat. § 428A.02.

⁸ Minn. Stat. § 428A.09, subd. 1.

⁹ Minn. Stat. § 428A.03, subd. 1.

¹⁰ Minn. Stat. § 428A.04.

¹¹ Minn. Stat. § 428A.02, subd. 5.

¹² Minn. Stat. § 428A.09.

¹³ Minn. Stat. § 428A.07.

¹⁴ Minn. Stat. §§ 428A.02, subd. 3; 428A.05.

¹⁵ Minn. Stat. § 428A.06.

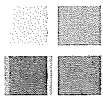
¹⁶ Minn. Stat. § 428A.02, subd. 1, added by Laws 1996, ch. 471, art. 8, § 5.

filed and there is no penalty for not filing. The data is not identified separately in any financial report to the state. With no effective statewide reporting, it is difficult to know how many SSDs have been established or how much money is collected for SSD purposes statewide. In addition, due to the method of imposing the charges and the lack of effective reporting, these dollars are not included in analyses of overall tax burdens.

The following is a list of some cities that have information about their SSDs on their websites.

- *Crookston*: 1991, to fund downtown storefront improvements; and 1997, to fund citywide flood control
- *Duluth*: 1993, to fund enhanced services and programs, with the goal of improving the safety, cleanliness, and economic vitality of the downtown waterfront
- *Mankato*: 1998, to provide and maintain free parking facilities for customers of businesses in district
- *Minneapolis*: 18 districts as of 2014 (two are inactive), to provide decorative lighting, banners, security, cleaning, snow and ice removal, and landscaping (varies by district)
- *New Ulm*: 1985, to provide free on-street and off-street parking
- *Rochester*: 2005, to fund marketing, physical enhancements, and promotion of special events within the district
- *Saint Louis Park*: Six districts as of 2014, to provide general upkeep, snow removal, landscaping, lighting, banners, and waste removal

For more information about special districts, visit the local government area of our website, www.house.mn/hrd/.



June 11, 2020

Downtown Saint Paul property owners,

The number one priority when business leaders are considering a location for their offices and workers is if that place “feels safe.” Several factors contribute to how safe a place feels, and it can be different for everyone, but we know a few things for certain. Keeping a place clean from litter and graffiti improves safety outcomes and perceptions, as does attentive maintenance, having active eyes and ears on the street, and general vitality. To accomplish this at a level that meets the needs and standards of the business community, cities across the country are utilizing downtown improvement districts. Downtowns are currently experiencing unprecedented challenges, and **we need to implement a downtown improvement district in Saint Paul now more than ever before.**

Many of us, along with hundreds of others, were involved in the Downtown Vitality Vision process led by the Riverfront Corporation in 2017. One of the top three strategies included in that report was creating a downtown improvement district, also known as a business improvement district or a special service district per Minnesota state law. For the last several months, business owners and commercial property representatives have been meeting to discuss the opportunity to strengthen Saint Paul’s downtown through a downtown improvement district. **After much research and collaboration, we are proposing a Saint Paul Downtown Improvement District that will be established by business for business, with a clear focus on a safe and clean program.** Fees will be established based on building and property size and the City and County will be required to pay for their buildings as well.

Our Saint Paul model will be based on best practices and will include two primary programs that will be enacted in phases. **The first program to be implemented in 2021 will be the creation of a Safety Communications Center or “Fusion Center.”** This phase will focus on coordinating and leveraging existing safety assets including private security, nonprofit service programming, as well as police and other public safety partners. This program will not only establish and condition collaborative communication amongst those groups, but will also coordinate technology assets including cameras, radio channels and other tools.

The second phase will be the creation of a highly visible ambassador program, to be rolled out in 2022. This phase will add eyes and ears to our streets and public spaces in a very public

manner, creating a welcoming presence for visitors and dramatically improving cleanliness. As both programs are implemented, we will be collecting data, tracking outcomes and communicating this information to you, the rate payers.

The first step towards establishing a downtown improvement district is for property owners to petition the City Council in support to begin the process. There will be a public process and discussion that will follow, but this is a key first step. Enclosed you will find your petition and the management plan for these services. **We, the members of the Steering Committee, would encourage you to join us in signing your petition and returning it by June 30.**

If you have any questions, please feel free to call any of the Steering Committee members or Joe Spencer, president of the Downtown Alliance (mobile – 651-503-3040). We also invite you to join us for a video conference call Thursday, June 25 at 11:00 a.m. to learn more about the proposal and the process ahead. Please email Joe Spencer (joe.spencer@stpdowntownalliance.org) for the link to join the call.

Sincerely,

Saint Paul Downtown Improvement District Development Steering Committee

Clint Blaiser <i>Osborn370</i>	Dean Freeman <i>Infor Commons</i>	Matt Majka <i>Minnesota Wild</i>	Pat Skinner <i>Wells Fargo Place</i>	Kris Taylor <i>Ecolab</i>
Julio Fesser <i>Securian Financial</i>	Todd Geller <i>Grace Building Victory Ramp</i>	Greg Sharpe <i>Travelers</i>	Jim Stolpestad <i>Exeter Group</i>	Pat Wolf <i>The 428 Golden Rule</i>

**Saint Paul
Special Service District
Operating Plan**

Summary

**For
A Property Based
Special Service District
In Saint Paul, Minnesota**

June 2020

**Prepared By
Urban Place Consulting Group, Inc.
SPDID Steering Committee**

INTRODUCTION

This Introduction describes the basic provisions of a non-profit tax-exempt organization to be known as the Saint Paul Downtown Improvement District (the “SPDID”). This entity will be formed as a “special service district” pursuant to Minnesota Statutes, Chapter 428A (“State Law”) to serve a substantial part of Saint Paul’s downtown area (the “District”) beginning in 2021.

This Summary has been prepared by a volunteer steering committee of private parties that own commercial real estate within the District. The committee has been advised and assisted by Urban Place Consulting Group, Inc. with funding from the Knight Foundation and other sources.

Special service districts have proven to dramatically improve public safety and security, enhance the upkeep and maintenance of the public realm, attract new businesses and help retain existing ones, increase property values, and stimulate overall community vitality. Of the sixty-five largest cities in the nation, Saint Paul at the present time is the only city that does not have a special service district. Duluth, Minneapolis, and Rochester all have successful districts and the vitality of those communities is attributable at least in part to those organizations.

Current city services around cleanliness, safety and placemaking are not meeting the needs of downtown Saint Paul. The SPDID would deliver needed programs and services in these areas, operating above and beyond what the city provides. The safety and security aspects of the SPDID program are especially relevant given the historic connection of public safety issues and economic instability.

Funding to underwrite the SPDID programs and services will come from special fees for eligible commercial real estate located within the District that would be payable with annual real estate tax payments. Voluntary contributions would also be sought from private and public parties whose property is not eligible to be assessed (residential property and real estate owned by government and non-profit organizations). Notwithstanding their legal exemption, it should be noted that city and county government have both committed to contribute at least 25 percent of the SPDID annual operating budget during the organization’s initial five-year term.

SPDID’s first priority is improving public safety outcomes and perceptions. The traditional model for downtown districts achieves this by implementing a highly visible staff of public realm ambassadors. In response to the disruptions and the economic repercussions associated with COVID-19 SPDID will plan to phase in ambassador services in 2022. In 2021 the focus will be the creation of a joint public safety communications center (the “Fusion Center”) that would connect private and public audio and visual communications in downtown Saint Paul into a single system that is staffed. A fusion center was the top recommendation of a security study done by the Rozin Group in 2019 under contract with the Greater Saint Paul BOMA and Saint Paul Downtown Alliance and is consistent with best practices across the country. It is anticipated that the Fusion Center would begin functioning sometime in 2020 and would be funded on an interim basis by the Saint Paul Downtown Alliance with private foundation support until the SPDID has been approved and is up and operating. Additional information about the Fusion Center is available upon request.

The Fusion Center can extend beyond the boundaries of the District paid for by voluntary contributions or a fee for service contract.

SPDID Steering Committee

The initial SPDID steering committee includes of the following individuals representing the commercial properties indicated after their names.

Building	Owner / Representative
Securian 400 & 401 Towers	Julio Fesser
Ecolab	Kris Taylor
Travelers	Greg Sharpe
Wells Fargo Place	Pat Skinner
Mille Lacs Corporate Ventures - InterContinental & DoubleTree Hotels	Zach Atherton-Ely
The 428 & Golden Rule	Pat Wolf
Treasure Island Center	Lee Krueger
Infor Commons	Dean Freeman
Victory Ramp & Grace Building	Todd Geller
Hamm Building	Kristel Hanson
Osborn370	Clint Blaiser
Saint Paul Hotel	Brian Schmechel

Proposed District

The boundaries of the proposed District were selected by those property owners who expressed interest in the SPDID concept and a desire to be part of the steering committee/advisory board. While the proposed District is delineated on the following map, it can be expanded at any time before the formal submission of the SPDID organizational petition to the City of Saint Paul should other property owners contiguous to the District wish to be included. Even later, there are ways under State Law to expand the District to include interested property owners.

The proposed District includes a contiguous precinct that encompasses Saint Paul's most prominent artistic, cultural, and entertainment venues (the Children's Museum, the Science Museum of Minnesota, the Ordway Center, Landmark Center, and Xcel Energy Center, along with theatres, restaurants, and other attractions) that have unique public safety and other needs and concerns that distinguish them from other less-traveled areas of greater downtown Saint Paul. Collectively, these venues literally draw millions of people to downtown Saint Paul every year. It is critically important to these attractions and the future of the downtown that these visitors are safe and secure.

The proposed District is also home to corporate headquarters for several large businesses, including Agribank, Bremer Financial, Century Link, District Energy, Ecolab, Infor, Minnesota Wild, Securian Financial, Travelers, and others. Providing a safe environment for their thousands of employees is obviously essential.

Together, these two groupings of venues and other attractions made inclusion in the District both logical and necessary.

OPERATING PLAN SUMMARY

The name of the proposed Property-based Special Service District is the **Saint Paul Special Service District (the "District")**. The District is being established pursuant to Minnesota Statutes CHAPTER 428A. SPECIAL SERVICE DISTRICTS, herein after referred to as State Law. Developed by the Saint Paul Steering Committee, the Saint Paul Special Service District Management Plan is proposed to improve and convey special benefits to assessed parcels located within the Saint Paul Special Service District area. The District will provide activities, including Clean, Safe, and Beautiful, Communication/Public Space Activation, and Administration/Advocacy/Office. Each of the programs is designed to meet the goals of the District; to improve the safety of each individual assessed parcel within the District, to increase building occupancy and lease rates, to encourage new business development; and attract ancillary businesses and services for assessed parcels within the District.

Boundary: See Page 8.

Budget: The budget for full program implementation is \$1,413,689 and is the planned budget for year two, 2022.

The total District budget for the 2021 year of operation, which has been reduced dramatically to address the COVID-19 pandemic financial issues, is approximately **\$610,716**.

TOTAL BUDGET	Year 1 2021	Year 2 2022
Non-exempt property assessments	\$ 455,036.00	\$ 1,053,321.00
City voluntary assessment contribution	\$ 83,460.56	\$ 193,193.00
County voluntary assessment contribution	\$ 72,219.54	\$ 167,175.00
Total	\$ 610,716.10	\$ 1,413,689.00

Improvements, Activities, Services

SAFE & CLEAN	Year 1 2021	Year 2 2022
Percent of Total Budget	54.87%	78.34%
Non-exempt property assessments	\$ 249,690.27	\$ 840,297.00
City + County voluntary assessment contribution	\$ 85,425.73	\$ 282,792.00
Total	\$ 335,116.00	\$ 1,123,089.00

Enhanced Safe Programs

A Saint Paul Special Service District Safe Team of ambassadors to address crime prevention for parcels in the District will consist of some of the following:

- Joint public safety communications center (Fusion Center)
- Bicycle Patrol (*limited year 1*)
- Foot Patrol (*limited year 1*)

Enhanced Clean and Upkeep Programs

A Saint Paul Special Service District Clean Team of ambassadors will consist of some of the following:

- Sidewalk Sweeping (*limited year 1*)
- Sidewalk Pressure Washing (*limited year 1*)
- Graffiti & Handbill Removal (*limited year 1*)
- Trash Removal (*limited year 1*)
- Landscape programs (*limited year 1*)

COMMUNICATION + PUBLIC SPACE ACTIVATION	Year 1 2021	Year 2 2022
Percent of Total Budget	18.83%	10.46%
Non-exempt property assessments	\$ 85,684.90	\$ 112,230.00
City + County voluntary assessment contribution	\$ 29,315.10	\$ 37,770.00
Total	\$ 115,000.00	\$ 150,000.00

Communication/Public Space Activation programs will consist of some of the following:

- Stakeholder Communications
- Website
- Branding and Marketing (*limited year 1*)
- Public Space Activation (*limited year 1*)
- Placemaking Projects (*limited year 1*)

ADMINISTRATION + ADVOCACY/OFFICE	Year 1 2021	Year 2 2022
Percent of Total Budget	26.30%	11.20%
Non-exempt property assessments	\$ 119,660.83	\$ 120,161.00
City + County voluntary assessment contribution	\$ 40,939.57	\$ 40,439.00
Total	\$ 160,600.00	\$ 160,600.00

Administration staff expenses are allocated according to generally accepted accounting job costing procedures and are allocated to the specific areas in which staff works. The improvements and activities are managed by a professional staff that requires centralized administrative support. Management staff oversees the District's services which are delivered seven days a week. A well-managed District provides necessary Special Service District program oversight and guidance that produces higher quality and more efficient programs.

Methodology

Method of Financing: A levy of special assessments upon real property that receives special benefits from the improvements and activities. (See Section 4, for assessment methodology)

Cost: Annual assessments are based upon an allocation of program costs and a calculation of assessable footage. Two property assessment variables, building square footage (70%) and linear front footage (30%), will be used in the calculation. The **2021 year*** assessments per assessment variable will not exceed amounts listed in the following chart:

Building Square Footage Rate	\$0.0299
Front Footage Rate	\$6.11

**The planned budget for 2022 outlined above will include substantial increases to assessment rates in order to reach full program implementation.*

Annual Budget: An annual special service district operating budget will be determined by the Special Service District Advisory Board of Directors and must be adopted and approved by the City Council each year.

District Formation: District formation requires submission of favorable petitions from property owners representing more than 25% of total assessments to be paid and representing more than 25% of the land area to be assessed. Upon submission of valid petitions, the City will hold a public hearing process mandated and defined by State Law.

Duration: The District will have a 5-year life beginning January 1, 2021 and ending December 31, 2025.

City Service Baseline: The City of Saint Paul has established and documented the base level of pre-existing City services. The Downtown Saint Paul Special Service District will not replace any pre-existing general City services.

Governance: The City of Saint Paul shall contract with a non-profit organization to provide the day-to-day operations of the Special Service District. The non-profit organization will act as the District Advisory Board and governing board for the SSD. The District Advisory Board determines budgets, assessment adjustments, and monitors service delivery. A new non-profit corporation will be established by the Saint Paul Steering Committee and its Board will serve as the District Advisory Board.

The District Advisory Board of Directors will represent a cross section of property owners found throughout the SSD. The goal and spirit of the board's composition is to have a majority of property owners that pay Special Service District assessments but may also include representatives from businesses and residents. A nominating committee develops an annual slate of board nominations, and nominations are voted on at an annual meeting of the Special Service District assessed property owners.

Saint Paul Special Service District Boundaries

The Saint Paul Special Service District consists of approximately 40 whole or partial blocks and approximately 131 non-exempt parcels. In general, the Saint Paul Special Service District is bounded by Cedar Street and Jackson Street on the east, 11th Street and 7th Street on the north, Kellogg Boulevard and Eagle Street/Parkway on the west, and Kellogg Boulevard and Shepard Road on the south.

The Saint Paul Special Service District includes all non-exempt parcels within the boundaries of:

- Cedar Street (west side only) from 11th Street to 7th Street.
- 7th Street (south side only) from Cedar Street to Jackson Street.
- Jackson Street (west side only) from 7th Street to 6th Street.
- 6th Street (north side only) from Jackson Street to Cedar Street.
- Cedar Street (west side only) from 6th Street to Kellogg Boulevard.
- Kellogg Boulevard (north side only from Cedar Street to Wabasha Street.
- Wabasha Street (west side only) from Kellogg Boulevard to Shepard Street.
- Shepard Street (north side only) from Wabasha Street to Eagle Street/Parkway.
- Eagle Street/Parkway (east side only) from Shepard Street to Kellogg Boulevard.
- Kellogg Boulevard (east side only) from Eagle Street/Parkway to 11th Street.
- 11th Street (south side only) from Kellogg Boulevard to Cedar Street.

The Saint Paul Special Service District boundaries are illustrated by the map below.

