

# Financial Impacts

...Balancing impactful programs and costs to stakeholders.

## Downtown Improvement District (DID) Assessment

A Downtown Improvement District (DID) is a private sector funding mechanism designed to improve the environment of a designated area with new services financed by a self-initiated property assessment

## Costs to Property Owners

- Costs vary depending on property type and location
- Properties in the core will be assessed twice the rate as the periphery of downtown due to a higher frequency of services and benefits expected in the core
- Different rates are proposed to acknowledge that the level of benefit varies by property type
- Properties will be assessed under a formula which considers both street frontage and assessed value

## Financial Impacts on Small Businesses

- Whether small businesses absorb any of the assessment depends on their lease agreement
- There are two types of leases – triple net (NNN) and gross
- Expenses would likely be passed through triple net leases
- Expenses are not passed through gross leases

## Financial Impacts on Downtown Residents

- Rents are determined by market (supply and demand for housing), not by the property owners' overhead
- Owners don't raise rents every time property taxes or utility rates increase
- Improved quality and safety add to retention of tenants/downtown consumers
- This results in less turnover/vacancies and less opportunity to reset rents to a new higher market rate (landlords are more likely to only raise rents during occupancy by modest amounts, versus resetting to market every year)

| ANNUAL ASSESSMENT RATES |  |
|-------------------------|--|
| CORE                    |  |
| Commercial              | \$7.73 per linear foot + \$0.000665 AV |
| Residential             | \$5.81 per linear foot + \$0.000499 AV |
| Exempts/Non-Profit      | \$3.87 per linear foot + \$0.000332 AV |
| NON-CORE                |  |
| Commercial              | \$3.87 per linear foot + \$0.000332 AV |
| Residential             | \$2.90 per linear foot + \$0.000249 AV |
| Exempts/Non-Profit      | \$1.94 per linear foot + \$0.000166 AV |

## Impacts to Small Businesses\*

| Business Type         | Building Square Footage | Business Square Footage | DID Annual Assessment | Current PBI |
|-----------------------|-------------------------|-------------------------|-----------------------|-------------|
| Art Gallery/Workspace | 9180                    | 675                     | \$175.00              | \$200.00    |
| Café                  | 900                     | 900                     | \$377.00              | \$750.00    |
| Specialty Retail      | 20594                   | 1500                    | \$291.00              | \$200.00    |
| Boutique              | 19000                   | 3000                    | \$529.00              | \$500.00    |
| Art Gallery           | 2328                    | 1128                    | \$468.00              | \$250.00    |
| Diner                 | 3300                    | 3300                    | \$811.00              | \$750.00    |
| Bank                  | 10122                   | 10122                   | \$3,358.00            | \$600.00    |

While taxes and assessments don't drive rent increases, it may be useful to understand a properties' proportional share of costs for downtown residential units

| PER SQUARE FOOT COST | 500 SQUARE FOOT UNIT | 750 SQUARE FOOT UNIT | 1,000 SQUARE FOOT UNIT |
|----------------------|----------------------|----------------------|------------------------|
| \$0.133 PER MONTH    | \$6.67 PER MONTH     | \$9.99 PER MONTH     | \$13.33 PER MONTH      |

Data drawn from 5 downtown core properties that include residential units was used to create the average per square foot cost. These buildings range from 1911 to 2018 completion dates.

## Non-Profits

- Non-profit property owners assessed at half of commercial properties
- Thurston County Assessor information largely inaccurate in regards to recognizing non-profit status
- Approximately 10 non-profit property owners in assessment district

\*The above scenarios assume a triple net lease in which expenses can be passed through to tenants. Many businesses downtown have full-service, or gross leases, in which expenses are not passed through.

In some cases referenced above, square footage of the tenants are assumed.