



DOWNTOWN TEMPE

### **Downtown Tempe Enhanced Services District Assessment Formula**

The Enhanced Services district was formed in 1993 to manage the development of downtown and improve the quality of the environment. This document describes the formulas for the Enhanced Services District assessments. This particular formula was established in 2007 and CPI adjustments are made annually. Rates included reflect the 2016/2017 CPI adjustments.

The formula and parameters were developed as follows:

1. The improvement district was adopted in perpetuity with an annual review regarding its continued operation.
2. The assessment rates for all categories will be modified annually based on the CPI as reported by the United States Bureau of Labor Statistics, West Urban region, 12-month percent change for December.
3. There are no minimum or maximum assessment amounts set. Assessments range from less than \$15 per year to over \$60,000 per year, based on the specific criteria described below.

The assessment rate structure is based upon three criteria:

- 1. Basic Land Rate, Zone 1, 2, & 3**
- 2. Building Size, Floor 1, Floor 2, etc.**
- 3. Building Use Rate by Business Type**

which provide several rate category combinations, allowing each property assessment to be individually calculated based upon its zone, building use and size characteristics and the relationships between these three criteria.

The three-rate formula will be applied to each parcel of assessable, non-exempt property and its building. Existing single family residences and residential structures of four units or less are exempt by state law and will not be assessed. Similarly, property owned by the federal, city, county and state governments is exempt by law from assessment. Finally, although religious institutions are not exempt by law, the Advisory Committee has recommended that each such property be exempted from the assessment so long as the property is used for religious purposes. Assessments will be levied on properties owned by religious institutions that are utilized for commercial purposes.

Because parking structures are a major benefit to all downtown businesses, the formula treats them specially. The formula provides that the parcel size of a parking structure be multiplied by the zone rate, with the addition of the total square feet of the parking structure, excluding the ground level.

The basic rate assumes a level of overall benefits derived from being within the Downtown special improvement district; e.g., enhanced business development, liaison services, marketing and promotion of the district, increased maintenance and landscape improvements, property value increase, advocacy on policy issues, merchant/member relations, land planning, etc.

The basic rate reflects a general upgrading of the area which will affect all assessable property when the district is operational. The basic rate is then divided into three zones:

**A. Zone Rates:** There are three zones (refer to map section 1) recommended with annual zone rates as follows:

- Zone 1 = \$.06126 per square foot
- Zone 2 = \$.04901 per square foot
- Zone 3 = \$.03676 per square foot

The **Zone 1** is \$.06126 per square foot because the area receives a greater degree of benefit from any increase in foot traffic that will be generated by promotional activities.

The **Zone 2** rate is \$.04901 per square foot of property because the area will continue to benefit from the basic services the Downtown Tempe Community Inc. will provide but is not as likely to benefit from increased customer foot traffic.

The **Zone 3** rate is \$.03676 per square foot of property because the area is not yet fully developed or is open space and will receive many of the benefits of the district to include assistance in future development.

**B. Building Area:** The building area is the total number of all floors measured in square feet. Businesses on the first floor are assumed to have the advantage of increased accessibility and exposure to both pedestrian and vehicular traffic. Since each floor above (or below) the ground level has slightly less exposure, each floor is assessed progressively less. This methodology assumes that all businesses located on the third floor or higher will be assessed a flat \$.04901 per square foot for their floor/size assessment ratio. The assessment per floor is as follows:

- |                                 |                           |
|---------------------------------|---------------------------|
| Basement                        | \$0.06126 per Square Foot |
| 1 <sup>st</sup> Floor           | \$0.08466 per Square Foot |
| 2 <sup>nd</sup> Floor           | \$0.06126 per Square Foot |
| 3 <sup>rd</sup> Floor and above | \$0.04901 per Square Foot |

**C. Building Use Rate By Business Type:** One of the most important dimensions of this assessment formula is the building use rate categories. These building use criteria add a considerable amount of specificity and equity to the overall formula since they are tailored to each business' circumstance.

**Category 1, \$0.12253 per square foot.** This building use type includes all restaurants and bars.

**Category 2, \$0.08466 per square foot.** This building use type includes all retail businesses, including commercial banks and theatres.

**Category 3, \$0.04901 per square foot.** This building use type includes all office and service related businesses.

**Category 4, \$0.04901 per square foot.** This building use type includes government offices, nonprofit organizations, and parking.

**Category 5, \$0.02451 per square foot.** This building use type includes industrial businesses and warehouses.

**Category 6, \$36.7584 per guest room.** This building use type includes all hotels and motels.

**Category 7, \$53.4667 per unit.** This building use type includes all apartment complexes with over four units.

The following are three assessment rate examples:

**Example 1:** A bank in zone 1 with 61,000 square feet of land; one single story building with 15,000 square feet.

**Land Assessment:**

Step 1. Zone 1 land rate of  $\$0.06126 \times 61,000 \text{ sq. ft.} = \$3,736.86$

**Building Assessment:**

Step 2. First floor building rate of  $\$0.08466 \times 15,000 \text{ sq. ft.} = \$1,269.90$

**Building Use Type Assessment:**

Step 3. A bank fits into building use category number 2 and the rate is \$0.08466. Therefore, the building size, of 15,000, is multiplied by 0.08466. The result is \$1,269.90.

**Total assessment for example 1 is \$6,276.66.**

**Example 2:** A business, in zone 2, has retail shops on the first and second floors and offices on the third and fourth floors. The four-story building consists of 100,000 square feet @ 25,000 square feet per floor and sits on 105,000 square feet of land.

Zone 2 Land Rate	=	\$0.04901
First Floor Building Rate	=	\$0.08466
Second Floor Building Rate	=	\$0.06126
Third Floor Building Rate	=	\$0.04901
Fourth Floor Building Rate	=	\$0.04901
Building Use Rate, Category 2	=	\$0.08466
Building Use Rate, Category 3	=	\$0.04901

**Land Assessment:**

Zone 2 Rate X Parcel Size =  $\$0.04901 \times 105,000$

Total Land Assessment: \$5,146.05

**Building Assessment:**

First Floor	=	$\$0.08466 \times 25,000$	=	\$2,116.50
Second Floor	=	$\$0.06126 \times 25,000$	=	\$1,531.50
Third Floor	=	$\$0.04901 \times 25,000$	=	\$1,225.25
Fourth Floor	=	$\$0.04901 \times 25,000$	=	\$1,225.25

Total Building Size Assessment: \$6,098.50

**Building Use Type Assessment:**

First Floor	=	$\$0.08466 \times 25,000$	=	\$2,116.50
Second Floor	=	$\$0.08466 \times 25,000$	=	\$2,116.50
Third Floor	=	$\$0.04901 \times 25,000$	=	\$1,225.25
Fourth Floor	=	$\$0.04901 \times 25,000$	=	\$1,225.25

Total Building Use Type Assessment: \$6,683.50

**Total Assessment, Example 2: \$17,928.05**

**Example 3:** An Apartment Building, in zone 2, has retail shops on the first floor and 285 apartments on 10 floors along with 150,000 sq. ft. of parking. The 14-story building consists of 50,000 square feet of first floor retail space and sits on 75,000 square feet of land.

Zone 2 Land Rate	=	\$0.04901	
First Floor Building Rate	=	\$0.08466	
Building Use Rate, per unit	=	\$53.4667	
Parking, per square feet	=	\$0.04901	

**Land Assessment:**

Zone 2 Rate X Parcel Size =  $\$0.04901 \times 75,000$

Total Land Assessment: \$3,675.75

**Building Assessment:**

First Floor	=	$\$0.08466 \times 50,000$	=	\$4,233.00
Parking	=	$\$0.04901 \times 150,000$	=	\$7,351.50

Total Building Size Assessment: \$11,584.50

**Building Use Type Assessment:**

Per Unit =  $\$53.4667 \times 285$

Total Building Use Type Assessment: \$15,238.01

**Total Assessment, Example 3: \$30,498.26**