



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 2023/2024 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 \$200 per year to over \$70,000 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

These three 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, increased property values, advocacy on policy issues, merchant relations, land planning, etc. The basic rate is then divided into three zones:

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

- Zone 1 = \$.079217 per square foot
- Zone 2 = \$.063374 per square foot
- Zone 3 = \$.047530 per square foot

Zone 1 receives the greatest amount of foot traffic and pedestrian density as well as increased promotional activities.

Zone 2 receives basic services and is seeing an annual increase in pedestrian traffic that is just below what is found in Zone 1.

Zone 3 includes more open space and less pedestrian traffic but will continue to see an increase with future density and 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 rate per square foot for their floor/size assessment ratio. The assessment per floor is as follows:

- | | |
|---------------------------------|---------------------------|
| Basement | \$.075921 per Square Foot |
| 1 st Floor | \$.104909 per Square Foot |
| 2 nd Floor | \$.075921 per Square Foot |
| 3 rd Floor and above | \$.060737 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 – Restaurants and Bars – | \$0.158434 per square foot |
| Category 2 – Retail (including commercial banks and theatres) – | \$0.109464 per square foot |
| Category 3 – Office and Service-Related Businesses – | \$0.063374 per square foot |
| Category 4 – Government / Non-Profit / Parking – | \$0.063374 per square foot |
| Category 5 – Industrial / Warehouses – | \$0.031687 per square foot |
| Category 6 – Hotels & Motels – | \$47.530326 per guest room |
| Category 7 – Apartment complexes with over four units – | \$69.135019 per unit |



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Assessment Calculation Examples

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

Table with 4 columns: STEP 1 - LAND, STEP 2 - BUILDING, STEP 3 - USE, and TOTAL ASSESSMENT. Calculations for land, building, and use rates are shown, resulting in a total assessment of \$8,047.84.

Example 2: A building 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 with 25,000 square feet per floor and sits on 105,000 square feet of land.

Table with 3 columns: STEP 1 - LAND, STEP 2 - BUILDING, and STEP 3 - USE. Calculations for land, building (per floor), and use (per floor) rates are shown, resulting in a total assessment of \$22,853.79.

TOTAL ASSESSMENT = \$22,853.79

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.

Table with 3 columns: STEP 1 - LAND, STEP 2 - BUILDING, and STEP 3 - USE. Calculations for land, building, and use rates are shown, resulting in a total assessment of \$44,681.28.

TOTAL ASSESSMENT = \$44,681.28