

Small Business FAQ

Cost

Will my property owner pass the assessment cost through in my lease? The first thing to do is check your lease agreement. There are two types of leases, triple net (NNN) and gross. This expense would likely be passed through if you have a triple net lease, but not a gross lease.

I have a triple net lease, how will the DID impact my cost of doing business? The projected DID assessment rates are comparable to the existing PBIAs for small retail businesses in a storefront (see below). Many larger corporate buildings and tenants (i.e. banks, office buildings) will pay substantially more in the DID. If the DID assessment replaces the PBIAs, then the financial impact should be minimal to small business. In some cases, the DID assessment

would be less than the existing PBIAs rate. It is important to note that the PBIAs rates have not changed for more than a decade, and if the PBIAs remains in place, rate increases are being contemplated.

As a result of the DID, would property values, and hence lease rates, rise? It is possible that property values will rise if the effort helps support and clean, safe, and comfortable downtown. However, increased property values don't necessarily translate to higher lease rates. Vacant spaces don't generate revenue for property owners. Typically, property owners are more concerned about having occupied space than impacts of property values. If a higher volume of the community visits downtown, increased sales should conceivably outpace an increase in lease rates.

Relationship to the PBIAs

How is this different than my PBIAs (Parking & Business Improvement Area) assessment?

The PBIAs assessment is placed directly on business owners. The proposed DID assessment is placed on property owners. Also, the budget for the PBIAs is approximately \$100,000 per year. The DID proposed budget is \$560,000 per year.

If the DID is put in place, what will happen to the existing PBIAs?

This has yet to be decided. There are three likely scenarios:
1) PBIAs stays in place and DID is not implemented;
2) DID is implemented and PBIAs is disbanded; or
3) PBIAs stays in place and DID is implemented (creating two assessment districts downtown). While the contemporary model for downtown assessments is property based, there are rare examples of downtowns with both assessments in place.

Impacts to Small Businesses*

Business Type	Building Square Footage	Tenant Square Footage	Building Assessment	DID Business Expense	Existing PBIAs Expense
Art Gallery/Workspace	9,180	675	\$2,159.00	\$154.00	\$200.00
Café	900	900	\$217.00	\$217.00	\$750.00
Specialty Retail	20,594	1,500	\$3,112.00	\$226.00	\$200.00
Specialty Retail	4,800	800	\$1,550.00	\$258.00	\$200.00
Arts Gallery	2,328	1,128	\$774.00	\$374.00	\$250.00
Boutique	19,000	3,000	\$3,015.00	\$476.00	\$500.00
Restaurant	2,235	2,235	\$479.00	\$479.00	\$600.00
Diner	3,300	3,300	\$510.00	\$510.00	\$750.00
Boutique	6,296	3,148	\$1,115.00	\$557.00	\$500.00
Restaurant	7,125	2,325	\$1,982.00	\$646.00	\$400.00
Specialty Retail	26,965	4,000	\$4,566.00	\$676.00	\$750.00
Bank	10,122	10,122	\$3,130.00	\$3,130.00	\$600.00

*These examples are actual downtown businesses. The table assumes triple net lease structures and tenant square footages have not been confirmed.

Gentrification Concerns

Will the DID lead to gentrification of Downtown Olympia? Many factors have led to gentrification in other downtowns. The primary goal of the DID is to help support a welcoming environment in Downtown Olympia that our community will feel comfortable in, and visit in greater numbers. Creating programs that help accomplish this goal is not gentrification.

Outcomes

I'm concerned the goal or natural outcome of the DID would be more corporate enterprise. Is that the kind of business community we want downtown? No, this is not the goal. The goal is to create a cleaner, safer and more welcoming environment for everyone downtown. This should help small businesses most if our local market returns in increasing numbers to downtown to shop, dine, and recreate.

Governance & Accountability

How can I be confident that the needs of our small businesses are being taken into account in the DID? In building the proposed DID budget, both businesses and property owners were surveyed about their needs. Consistent with feedback from downtown stakeholders historically, safety and cleanliness ranked at the top of the list. Accordingly, 75% of the DID budget is programmed for safety and cleanliness programs. The budget also considers funding for small business assistance, special projects, promotions & special events.

If property owners representing 60% of the assessment sign a petition in support of the district, a vote of the Council is required to implement. That puts more power with those who have wealth and holdings in downtown. The larger property owners will have more influence in the petition that creates the district, but once the district is created, the DID board will be one-member one-vote, regardless of holdings. The DID plan provides for a balanced DID board including both property owners and small businesses.

I'm concerned that we're privatizing the assessment. Having a public entity (City) manage the assessment rather than a non-profit (Downtown Alliance) is more democratic.

The assessment needs to be accountable to who pays. The DID would be funded by property owners, thus the need for a new governance structure. Importantly the new DID board would include a mix of both property and business owners, plus city representatives.

Additional Questions?

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