

Self-Supported Municipal Improvement Districts (SSMID) Frequently Asked Questions

for Pepperwood Plaza Area Stakeholders | 2021

What is a SSMID?

A “self-supported municipal improvement district” is informally referred to as a SSMID. It is an area of contiguous property within a city whereby property owners voluntarily assess themselves a tax to be collected and invested back into the defined geography for revitalization purposes. The Iowa City Downtown District (ICDD), as well as several other locations in Iowa, including Cedar Rapids, Waterloo, Cedar Falls, Davenport, Des Moines, and Fort Dodge have established successful SSMIDs.

How does a SSMID work?

Through a campaign championed by property owners, business owners and neighborhood stakeholders, a voluntary tax levy is imposed on all commercial, industrial, and multi-residential properties eligible by State statute within the designated SSMID. This revenue is collected and spent within the SSMID to leverage private investment beyond basic municipal services. Examples include: branding and wayfinding, marketing support, retail recruitment and retention, pedestrian connections, special projects, events, or other beautification and that bolsters the SSMID’s economic viability and highlights its unique identity from other commercial areas in the region.

Why do we need a SSMID?

Currently, the Pepperwood Plaza area has several underutilized properties and aging buildings with several large central parking lots. Without a larger vision, this area may redevelop over time piecemeal without having the benefit of larger investments that could be gathered with additional collaboration. It is also adjacent to a densely populated neighborhood where the non-motorized connection points deter visitation to this commercial area. A SSMID could support a more unified neighborhood development pattern, give South District neighborhood access, support new business opportunities, establish a neighborhood civic opportunity, and improve the valuation of the Pepperwood Plaza and the entire South District. The opportunity is too great to pass up.

How will those living in the area benefit from a SSMID?

Those living within a SSMID area will feel the effects of a SSMID through a wider spectrum of business offerings, cleaner and even better maintained public spaces, and more choices for living, working, dining, shopping, and cultural activities. SSMIDs in other areas of Iowa have increased the quality of life for the entire community.

Why aren’t these responsibilities assumed by traditional economic development organizations or the City itself?

A commercial area with a civic heart deserves to have an organization working on these activities as its sole focus. It requires an organization with enough sustainable resources to create a positive, lasting impact. Although other organizations are involved with important economic development efforts for Johnson County, they do not have a focus on this area specifically. Nor do they provide the functions of a business manager for a larger commercial environment.

How much is the SSMID levy rate?

The SSMID levy is set by petitioners. The proposed rate is \$5 per \$1,000 assessed value for the first five years (2021 – 2025).

Who pays the SSMID levy?

Commercial, industrial, and non-residential property owners pay the SSMID levy, including retail, offices and apartment buildings. Property owners often pass down property taxes within a triple net lease and as such, businesses and other entities leasing from these properties pay into the SSMID. The petition exempts properties classified as Residential and Non Profit under Iowa’s tax law and they do NOT pay into the SSMID levy.

What would it mean to my bottom line?

Consolidated property taxes are estimated at a little more than \$40 per \$1,000 of valuation. If a SSMID was implemented at a rate of \$5 per \$1,000, your annual tax bill would increase and be dedicated for investments targeted to improve the business climate. The table below gives an example of property valuations and how the proposed SSMID levy rate for the Pepperwood Plaza area would impact your consolidated property taxes.

Example commercial, industrial, or multi-residential Taxable Property Value	Annual SSMID Levy at \$5 per \$1,000 assessed value
\$50,000	\$250
\$100,000	\$500
\$300,000	\$1,500
\$500,000	\$2,500
\$700,000	\$3,500
\$1,000,000	\$5,000

SSMIDs have a successful track record because the investment paid in per property can provide things to support the increase in the property value over time that a businesses in the area often can’t achieve alone. The following table provides tangible examples of services that can be provided by a SSMID to each local business and the cost of those services if each business was to expense these on their own.

Example Business Needs	Example Cost Per Business
Marketing	\$20,000
Business support staff	\$35,000
Signage or other wayfinding support	\$3,500
Customer data to support business sales	\$15,000

By itself, the individual SSMID levy amount would not go far towards bringing more people and businesses to the South District to serve the existing neighborhood consumer or to bring more foot-traffic to the area. When combined with the revenue SSMID investments can attract, we estimate that the rate payers portion would **leverage close to \$500,000** worth of dedicated investment to bring and support more business to this area that serves and reflects the identity of this area. This is a sound investment.

What is a typical SSMID term?

Tenures vary from SSMID to SSMID. In Cedar Rapids, the Downtown District has a 20 year term. The Iowa City Downtown District’s term is 10 years. Spencer, Iowa has no sunset to the SSMID and it continues in perpetuity.

Similar to the ICDD, we believe that a shorter term is appropriate initially so that property owners can “test” the concept. A 5-year term is proposed, with an opportunity to petition owners again if they would like to continue the SSMID after that. Property owners would need to provide guidance to a term if the SSMID were continued.

Would the creation of a SSMID diminish services currently provided by the City?

The SSMID petition would be worded to state that SSMID monies would be used for enhanced services and that the City will not diminish current services with the intention of transferring the cost of services to the SSMID. This will allow the current and future councils to have clear direction on this matter. In fact, if the SSMID results in improved communication with the City, it’s possible that City services in this area could actually improve.

Who would manage the SSMID funds?

A new non-profit would be established to shepherd this investment. Any new SSMID requires a non-profit board of directors and oversight of the funding by those entities paying the new SSMID levy.

Best practices suggest that those funding the SSMID should help guide it and that they oversee the mission and goals of the enhancements targeted within the new territory. Best practices also suggest that a professional be hired to take feedback from the board and manage the budget. The City would collect the funds and distribute it to the non-profit in quarterly payments. The City Council approves the levy amount and budget annually, provided by the SSMID non-profit.

How does the SSMID tax levy affect other taxpayers and levy authorities?

Only commercial, industrial, or multi-residential property owners within the SSMID pay the SSMID tax levy. The SSMID would not positively or negatively impact other levy authorities.

Would residential properties have a SSMID levy included in their tax bill?

Residential units organized as condominiums are categorized as residential property under state law. Apartments not organized as condominiums are categorized as multi-residential property under state law. SSMID Legislation requires that all multi-residential property within the SSMID be subject to the SSMID levy. The SSMID petition cannot exempt apartments from being subject to the SSMID levy. Therefore, according to the State of Iowa SSMID statutes, apartment buildings classified as multi-residential would pay the SSMID levy while residential condominiums would not.

Who would do the work?

The investments would be managed by a newly created non-profit organization with paid staff, including an Executive Director overseen by a Board of Directors.

Resource Links on SSMIDs for Further Information:

[Self-Supported Municipal Improvement Districts: A Toolkit for Planning, Implementation and Evaluation](#) (University of Iowa Initiative for Sustainable Communities; 2013)

SSMID Examples:

[Spencer Main Street SSMID](#) (Spencer, IA)

[Downtown Davenport Partnership SSMID](#) (Davenport, IA)

[Czech Village / New Bohemia SSMID](#) (Cedar Rapids, IA)

SSMID Legislation:

[CHAPTER 386 - State of Iowa Code](#)