



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL AND
REDEVELOPMENT AGENCY BOARD

FROM: Les White
Harry S. Mavrogenes

**SUBJECT: DOWNTOWN SAN JOSE
PROPERTY AND BUSINESS
IMPROVEMENT DISTRICT**

DATE: 05-29-07

COUNCIL DISTRICT: 3

RECOMMENDATION

- 1) Adoption of resolutions by the City Council and the Redevelopment Agency Board approving support for a petition of property owners to form a Property and Business Improvement District (PBID) in Downtown San Jose (Downtown).
- 2) Adoption of a resolution by the City Council:
 - a. Stating its intention to form a PBID in Downtown;
 - b. Preliminarily approving the Downtown PBID Management Plan/Engineer's Report;
 - c. Setting a public meeting to be held on June 19, 2007, at 7:00 p.m. and a public hearing on August 7, 2007, at 1:30 p.m.; and
 - d. Calling an election for tabulation of the ballots for August 7, 2007, at 1:30 p.m.
- 3) Adoption of a resolution by the City Council finding the San Jose Downtown Association (SJDA) uniquely situated to manage and provide the baseline and enhanced maintenance, safety, information and image enhancing services specified in the PBID Management Plan and authorizing the City Manager to initiate negotiations with SJDA to provide such services.

OUTCOME

The PBID, if approved, would result in the assessment of properties in Downtown to pay for enhanced maintenance (including cleaning), safety and information, and image enhancement services. Approval of recommendation #1 provides the City of San Jose (City) and the San Jose Redevelopment Agency (Agency) support of a petition to form a PBID in Downtown. Approval of recommendation #2 will set the process and timelines for the establishment of a PBID in Downtown, preliminarily approve the required Management Plan/Engineer's Report, and set the dates and times of the public meeting and hearing, including the counting of ballots. Approval of recommendation #3 will authorize the City Manager to initiate negotiations with the SJDA to

complete a baseline services agreement that continues the baseline services and funding currently provided by the City in Downtown. If established the PBID would provide a cleaner, more attractive, and safer Downtown that would provide greater attraction to businesses, customers and employees.

EXECUTIVE SUMMARY

This report outlines both the background for development of a PBID and the procedures necessary for the establishment of a PBID. This report further describes the financial implications forming a PBID would have on the City/Agency. If the proposed PBID is approved, the City would be assessed approximately \$296,000 per year on City-owned properties, and the Agency would be assessed approximately \$64,000 per year on Agency-owned properties. It is anticipated that Agency assessment would decline as parcels are transferred or sold by the Agency. The City would continue its annual investment of approximately \$635,000 for the baseline services, currently provided by the City in the Downtown, either through funding or in-kind services. The enhanced services which would expand beyond these baseline services and be funded by the assessments from the PBID are proposed to start in January 2008.

BACKGROUND

On February 14, 2006, the City Council approved the "Downtown Cleaning Actions and Strategies Plan" (Plan) that directed staff to pursue short-term, mid-term and long-term strategies designed to keep Downtown cleaner and safer, and to make it more attractive to businesses, residents and visitors alike. The short-term strategies provided for enhanced cleaning in Downtown using one time funds from the Agency and the City's General Fund. This short-term strategy resulted in a cleaner Downtown.

The mid-term strategies continued the short-term strategies using one-time funding from the Agency for enhanced cleaning services in conjunction with Downtown events and the City's General Fund which included more frequent public litter can servicing (e.g. recycling and trash pickup). In addition to the City's effort to provide a cleaner downtown the SJDA provided cleaning services, using private funding, on private property store fronts and alcoves in Downtown.

Consistent with City Council direction in February 2006, two primary long-term strategies to provide enhanced services Downtown were also explored. The first was the formation of a PBID in Downtown. The second was the formation of an Integrated Commercial Garbage, Recycling and Cleaning Program (Clean and Green). While the Clean and Green program would have provided enhanced cleaning services in Downtown through an exclusive franchise(s) with a recycling and garbage hauling firm in Downtown, there appeared to be limitations on whether such a firm could effectively provide the enhanced safety and information, and image enhancement activities that were identified in the Plan. Ultimately, the formation of a PBID provided the most flexibility in terms of supporting a broader scope of services that Downtown

property owners and businesses were most interested in receiving. In August 2006, the Agency retained the consulting firm of Progressive Urban Management Associates, a firm with extensive experience in developing PBIDs, to assist the SJDA, Redevelopment Agency, and City with the development of a PBID in Downtown.

Formation of a PBID

PBIDs are formed under California Streets and Highway Code sections 36620-36630, and pursuant to Proposition 218. The key requirements for establishment of a PBID are outlined below:

- A petition process is necessary that requires that the petition be signed by property owners in the District who will pay more than 50% of the assessment proposed to be levied.
- The Petition is sent to each property owner and must be accompanied by a summary of the Management Plan/Engineer's Report. The Management Plan/Engineer's Report outlines the enhanced services that will be provided, the geographic boundaries of the PBID, the assessments proposed to be levied against the property and the methodology for development of the assessment levels, which shall take into consideration and be based upon the level of special benefits received by each property owner being assessed. The report must be prepared by a California registered professional engineer, must identify general and special benefits and apportion the cost to the benefited parcels in proportion to the benefit received.
- A resolution by the City Council stating its intent to support the Petition, accepting the Management Plan/Engineer's Report, setting the date and time of the Public meeting and hearing, and calling for an election to be held.
- At any time during the PBID formation process, the City Council may withdraw its intent to form the PBID.
- All properties, including publicly owned parcels that receive any special benefit must be assessed for that benefit. Any portion of the maintenance that provides benefit to the general public (baseline services) cannot be assessed to a property owner in the district, but must be paid by the City through generally available funds.
- The owner of each parcel to be assessed must be given written notice that includes the proposed district assessment total, their proportionate share and the reason of the assessment, the date, time, and location of the public hearing on the proposed assessment, and a ballot.
- Assessments must be approved by a majority of the voting property owners. The votes are weighted by the assessment amounts.
- Proposition 218 requires that the City provide direct funding (or a service equivalent) to continue the baseline services associated with the general public benefit portion of the PBID.

Currently, the properties owned by the City represent approximately 18.50% of the assessment. The properties owned by the Agency represent approximately 4.01% of the assessment. The City/Agency total represents 22.51%.

Status of the Petition Process

All property owners within the proposed boundary of the PBID were mailed a petition and a summary of the Management Plan/Engineers' Report. The SJDA has made numerous presentations to both its membership and Downtown property owners regarding the formation of a PBID. The SJDA attempted to make personal contact with all property owners in the Downtown regarding the formation of a PBID; however, some property owners are absentee owners and were not available for personal contact. In addition, the SJDA has conducted many individual meetings with property owners throughout Downtown.

Thus far, 29.07% of the property owners Downtown have signed a petition requesting formation of a PBID. If the City Council and the Agency Board approve recommendation #1, then the percentage of petitions in favor of formation of a PBID will be 51.58%. On June 12, 2007, a final tally of petitions will be presented to the City Council in a supplemental report.

PBID Financial Commitments and Services

The attached final draft PBID Management Plan/Engineer's Report prepared by the consultant and the SJDA outlines the enhanced services, the approximate costs of those services, and the anticipated funding sources (e.g. property assessments). The PBID Management Plan/Engineer's Report has a proposed budget of \$1,595,000 from assessments on properties, including approximately \$296,000 in assessment to City and \$64,000 to the Agency. The \$360,000 City/Agency assessment represents 22.51% of the total assessments.

In addition, the City would continue to provide approximately \$635,000 in baseline services or funding that when added to the all assessments total \$2,230,000 for Downtown services. The baseline services are described below:

- Contractual Cleaning Services in Downtown – To provide the baseline cleaning services currently provided by the City through contract, it is proposed that the City will make a payment to the PBID of \$335,000 annually to improve the economy of scale of services.
- Street Sweeping Activity – It is proposed that the City will continue to provide this service with City street sweeping crews which also sweep Arterials, Collectors and Bike paths throughout the City. The service is valued at \$100,000 annually.
- Public Litter Can Servicing - It is proposed that the City continue to provide this service valued at \$200,000 annually in conjunction with the Citywide public litter can service contract that was awarded in 2006.

The service levels described above reflect the 2007-2008 Proposed Budget. If future baseline service funding levels are decreased, the PBID is authorized to decrease assessment levels in a corresponding amount. The City's total commitment would be the approximately \$935,000 annually in assessments and baseline service funding/in kind service, and the Agency's commitment would be \$64,000, bringing the City's total commitment to approximately \$1,000,000. The table below outlines the services and annual funding levels:

Activity	Description	Annual PBID Funding	Annual City Baseline Funding/Services	Annual Total
Clean Teams	Portering, debris removal, cleaning, street sweeping, Public Litter Containers, power washing in a larger area with greater frequency	\$600,000	\$635,000	\$1,235,000
Information and Safety Ambassadors	Provide information on activities, establishments, work with Police to prevent crime and work with other agencies to reduce street populations	\$600,000	\$0	\$600,000
Image Enhancement	Provide signs, cosmetic improvements to visually improve Downtown	\$250,000	\$0	\$250,000
Administration	Provide administration including insurance, oversight and annual audit	\$145,000	\$0	\$145,000
Total		\$1,595,000	\$635,000	\$2,230,000

In addition to the services that are proposed in the table above, the Agency provides enhanced blight abatement activities funded on a year to year basis in the Downtown and in other Neighborhood Business Districts throughout the City that are not considered part of the baseline services referenced above. These services include enhanced blight abatement, graffiti removal, vandalism repair, correction of illegal activities, and other blight abatement services.

PBID Boundaries and Zones of Service

The map outlining the proposed PBID area and zones of benefit is included in the Management Plan/Engineer’s Report. The proposed PBID will encompass the core of the Downtown area bounded roughly by:

- 4th Street, including the City Hall complex, to the East
- St. James and Devine Streets to the North
- Highway 87 and the Arena complex to the West, and
- Reed Street to the South

The PBID Management Plan also establishes two zones of benefit within the Downtown area, premium and basic. The premium zone of benefit encompasses the core of Downtown and is bounded roughly by St. John to the North, Almaden to the West, Reed Street to the South, and 4th Street to the East, and would receive twice the frequency of service of the basic service zone.

The basic service zone includes the remainder of the Downtown area and generally includes the perimeter to the boundary of the PBID on the West and North, including City Hall. The basic service zone will receive approximately one half the premium service zone level of service. In addition, there is a residential benefit zone that does not receive the image enhancement benefit or assessments. The table below provides the assessment rates for each benefit zone.

Benefit Zone	Per Square Foot of Lot per Year	Per Square Foot of Building per Year
Basic Benefit Zone	\$ 0.0436	\$ 0.0436
Premium Benefit Zone	\$ 0.0753	\$ 0.0753
Residential Basic	\$ 0.0317	\$ 0.0317
Residential Premium	\$ 0.0635	\$ 0.0635

The following are four examples of the assessments on properties within the premium benefit zone:

- Residential condominium on South Third Street – **\$171.45** per year
1,400 square foot lot and 1,300 square foot building
- Small retail building (19 S. First St.) – **\$278.61** per year
2,200 Square foot lot and 1,500 square foot building
- Large retail building (82 E. Santa Clara) – **\$3,204.76** per year
12,200 Square foot lot and 30,360 square foot building
- High rise office building (160 W. Santa Clara) – **\$20,033.57** per year
56,250 square foot lot and 209,800 square foot building

After the PBID is formed, the assessments would be submitted to the Santa Clara County Tax Collector for collection through property tax bills. Properties that do not receive tax bills would be invoiced directly by the City under the same billing schedule. The funds would then be disbursed to the PBID to administer the enhanced services. Establishment of a new City of San Jose Fund and appropriation would also be necessary.

ANALYSIS

The PBID funding model would combine City baseline services with property based assessments that would provide the on-going enhanced services desired by Downtown businesses and property owners. In addition to enhanced maintenance, including cleaning services, the PBID would provide funds for enhanced safety and information services, and image enhancement activities. Safety ambassadors have been funded by PBIDs in other large cities such as

Philadelphia and have successfully improved the public perception in urban environments. These ambassadors could assist with guiding visitors to parking, assist at special events, provide general information to the public, provide a security presence and work with homeless people to help them find facilities and services that better meet their needs. PBID assessments could also be used to fund enhanced landscaping, enhanced plant material, and additional signage that would improve the attractiveness of Downtown and help promote Downtown events and businesses.

As required by the California Streets and Highway Code and Proposition 218 general benefit and special benefits related to the PBID need to be defined. The City has traditionally provided street sweeping, sidewalk cleaning and litter module servicing in the Downtown. These baseline services and funding level as previously described are considered the general benefit that the City provides in Downtown. The PBID is designed to provide special benefits unique to an area that is above what the City would normally provide. The Downtown PBID would provide a greater amount of cleaning in the expanded Downtown area; it would provide enhanced security and assistance for visitors, employees, and residents through the Information and Safety ambassadors; and, it would provide image enhancement activities such as upgraded signage or flower pots, and other amenities that enhance the image of Downtown.

Property and Business Improvement District Implementation Schedule

In an effort to realize the benefits of forming a PBID as quickly as possible, staff recommends the proposed PBID implementation schedule set forth below. Though aggressive, the schedule is necessary to meet the goal of providing enhanced services in the Downtown beginning as early as January 2008. To receive funds from the December 2007 property tax payments, assessments must be placed on the Santa Clara County Tax Roll by August 10, 2007. The following is the schedule of past and present milestones necessary to meet the January 2008 start date:

DATE	MILESTONE
February 2007	The PBID draft Management Plan presented to City staff and local property owners for input and feedback.
March-May 2007	<ul style="list-style-type: none"> • SJDA Board approves Management Plan • Petitions presented to property owners for completion • Completed petitions presented to City Clerk
June 12, 2007	Petition supporting formation of PBID is received by the City Clerk's Office. The City Council can then do the following: <ul style="list-style-type: none"> • Adopt a Resolution of Intention to form a PBID • Preliminarily approve the PBID Management Plan/Engineer's Report • Set public meeting to be held on June 19, 2007, and a public hearing on August 7, 2007 • Call an election on August 7, 2007, to tabulate the ballots.

June 19, 2007	City Council holds Public Meeting to receive additional input, including an update on final petition support
By June 19, 2007	Assessment based ballots mailed to all proposed property owners
August 7, 2007	<ul style="list-style-type: none"> • City Council holds public hearing • City Clerk tabulates ballots and reports results • If supported by more than 50% of the respondents based upon assessed property value, then the PBID can be formed by City Council action • If PBID is formed, then assessments are placed on the County tax roll
August - December 2007	<ul style="list-style-type: none"> • Formation of PBID Board of Directors • PBID Board of Directors/SJDA prepares for enhanced service delivery in the Downtown area • Continued coordination will occur between City and PBID Board for the relinquishment of baseline cleaning services, including approval of a formal agreement identifying the specific services, results that will be provided by the PBID Board and the associated costs

Term of PBID/Governing Body/Relationship With SJDA

Consistent with the Streets and Highways Code, staff is proposing the PBID for an initial five year term, after which the PBID would sunset and need to be re-established in order to continue. The proposed PBID would also have its own governing board referred to as the PBID Owner’s Association Board of Directors (Board). The Board is proposed to be made up of between seven and eleven board members representing each major district within the PBID including, the Historic District, Convention and Cultural District, SoFA, Arena District, and San Pedro Square. The Board should also include representation from a variety of use types that are paying assessments including commercial, government, residential, and a business owner that is not a property owner. The City and Agency will have approximately 22% membership on the Board. Selection of the Board members will occur by a nomination by category of Board members with a PBID wide voting process. The Board will determine budgets, assessment rates and monitor service delivery. Final development and approval of the Board will occur after the PBID is formally established.

In order to capitalize on an existing organization that provides services in Downtown, staff recommends that the City contract with the SJDA to provide baseline and the enhanced services within the PBID.

The San Jose Municipal Code provides that the City is not required to engage in competitive procurement under the following circumstances:

- A. Emergency Purchases pursuant to Section 4.12.220
- B. Public Agencies Purchases pursuant to Section 4.12.225.

- C. Sole Source Purchases pursuant to Section 4.12.230.
- D. Unique Services Purchases pursuant to Section 4.12.235.

Section 4.12.235 of the Municipal Code provides that:

The Procuring Authority may initiate procurement for unique professional or other services where the Procuring Authority determines that an unusual or unique situation exists that make the application of the requirements for competitive procurement of a services agreement contrary to the public interest. Any special procurement under this section shall be made with such competition as is practicable under the circumstance. A written determination of the basis for the procurement and for the selection of the particular contractor shall be included by the Procuring Authority in the Department files.

Therefore, in order to contract with the SJDA to provide the services without going through a competitive process, the Council must find that: 1) an unusual or unique situation exists; and that 2) a competitive process would be contrary to the public interest in this situation.

The SJDA is in a unique position as manager of the existing Business Improvement District and as a provider of existing private cleaning services, to integrate and coordinate baseline and enhanced services within the Downtown. As the proposed manager of the PBID, BID and baseline cleaning services, retaining the SJDA would prevent duplication of efforts. The SJDA would further be in the best position to oversee and coordinate cleaning efforts associated with special events within the Downtown areas. The SJDA would also utilize economies of scale by combining baseline and PBID resources to provide efficient and effective cleaning services in the Downtown. The SJDA would utilize contractual services or staff as necessary to perform the services outlined in the PBID Management Plan/Engineer's Report. It is recommended that City Council authorize the City Manager to initiate negotiations with the SJDA to provide the baseline and enhanced services, subject to the on-going oversight of the City Council and the PBID Board.

All contracts administered by the SJDA and funded with City or PBID funds would be subject to living or prevailing wage requirements, whichever is appropriate. Similarly, all staff hired by the SJDA, with City or PBID funds would have living and or prevailing wage requirements, whichever is appropriate. PBID and baseline service procurement would also need to comply with applicable City procurement processes. In addition, the SJDA would adopt a conflict of interest code in compliance with the political reform act.

POLICY ALTERNATIVES

Alternative: Do not support establishment of a Property and Business Improvement District.

Pros: The City may save money in the short term by not participating in the PBID.

Cons: San Jose's Downtown area will not receive the desired level of enhanced services, including cleaning activities, information and safety services, and image enhancement, and the overall cleanliness conditions in Downtown will revert to unacceptable levels.

Reason for not recommending: The PBID is an excellent opportunity to leverage City funds with private sector funding to provide for a safer, cleaner Downtown with an improved image.

PUBLIC OUTREACH /INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. (Required: Website Posting)
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. (Required: E-mail and Website Posting)
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)

The SJDA has provided extensive outreach material and held numerous meetings to inform those affected by the process of how it would impact them. In addition, Petitions and summaries of the Management Plan were sent to all property owners. The proposal to form a Property and Business Improvement District has been coordinated with First Act, and is supported by and in alignment with the small wonders element of their overall plan.

COORDINATION

This memo has been coordinated with the Departments of Public Works; Planning, Building and Code Enforcement; Environmental Services, the City Attorney's Office and the Budget Office.

FISCAL/POLICY ALIGNMENT

This action is consistent with the City Council's direction to seek alternative ways to deliver services and reduce costs in the Downtown through appropriate community partnerships and public-private partnerships.

COST SUMMARY/IMPLICATIONS

If the PBID is approved, the City and the Agency would be required to pay annual assessments estimated at \$360,000 collectively. The City portion of the assessment would be approximately

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\$296,000 annually and the Agency portion would be approximately \$64,000. In addition, the City would be required to continue its current baseline funding for the Downtown of \$635,000.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	RC#	Total Appn.	Amt. for Contract	2007-2008 Proposed Operating Budget Page*	Last Budget Action (Date, Ord. No.)
001	0762	Non-Personal/ Equipment	500550	\$1,301,519	\$296,180	VIII-43	
Total					\$296,180		

*The 2007-2008 Proposed Operating Budget is scheduled for City Council approval on 06/19/2007.

CEQA

Not a project.



LES WHITE
City Manager



HARRY S. MAVROGENES
Executive Director

For questions please contact Jim Ortbal, Assistant Director of Transportation, at 535-3845 or Norberto Duenas, Deputy Executive Director of Redevelopment Agency, at 795-1892.

Attachments

Management District Plan/Engineer's Report
for the creation of the
Downtown San Jose
Property-Based Business Improvement District

FINAL
May 29, 2007

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Prepared for the
The Redevelopment Agency, The City of San Jose, and
The San Jose Downtown Association
by
Progressive Urban Management Associates, Inc.
and **Kristin Lowell Inc.**

**I. DOWNTOWN SAN JOSE
PROPERTY-BASED BUSINESS IMPROVEMENT DISTRICT (PBID) SUMMARY**

The proposed Downtown San Jose Property-Based Business Improvement District (PBID) will be a special benefit assessment district that conveys special benefits to the properties located within the district boundaries. As described in this plan, it is proposed that the PBID will provide enhanced maintenance, public safety and image enhancement programs, above and beyond those provided by the City of San Jose.

Location: The district will encompass the core of the downtown area bounded roughly by 4th Street, and City Hall complex to the east, St. James and Devine Streets to the north, Highway 87 and the arena complex to the west and Market and First Streets south to Reed Street. *A map of the proposed district boundary is attached.*

Improvements & Activities: ***A Clean, Inviting & Attractive Downtown:*** The district will finance services and improvements that will stabilize and improve the downtown environment and experience for workers, visitors and residents. Services will include:

- **Clean Teams** that will sweep, scrub and power wash sidewalks, remove litter and graffiti, increase the frequency of trash removal and maintenance of public spaces within downtown.
- **Information & Safety Ambassadors** to provide information on downtown activities and establishments, prevent crime and work productively to reduce street populations.
- **Image Enhancement** and cosmetic improvements to visually improve downtown.

Method of Financing: Levy of assessments upon real property that benefits from improvements and activities.

Budget: Total district assessment budget for its first year of operation is **\$1,595,000**:

Activity	Budget	% of Total
Clean Teams < see note below >	\$ 600,000	37.6
Information & Safety Ambassadors	\$ 600,000	37.6
Image Enhancement	\$ 250,000	15.7
Administration (10% of programs)	\$ 145,000	9.1
Total	\$ 1,595,000	100.0

Assessments for Clean Teams will be matched with approximately \$635,000 in funds with in-kind services from the City of San Jose, resulting in a total Clean Team budget of approximately \$1,235,000. These are the baseline services provided by the City and represent the general benefits received.

Cost: Annual assessments are based upon an allocation of program costs within two benefit zones and a calculation of lot and building square footage within each zone. Two benefit zones are proposed with two different levels

of service. The deployment and frequency of clean and safe services in the premium zone will be approximately double the deployment and frequency of clean and safe services in the basic zone.

Residential uses within properties zoned for mixed-use or commercial use pay an adjusted rate based on benefits received. Estimated annual maximum assessment rates for the first year of the district are as follows:

	Per sq.ft. of Lot per Year	Per sq.ft. of Building per Year
Basic Benefit Zone	\$ 0.0436	\$ 0.0436
Premium Benefit Zone	\$ 0.0753	\$ 0.0753
Residential: Basic	\$ 0.0317	\$ 0.0317
Residential: Premium	\$ 0.0635	\$ 0.0635

- Cap:** Annual assessments may increase by as much as 5% per year to keep pace with the consumer price index and other program costs. The determination of annual assessment rates will be subject to the review and approval of the PBID Owner's Association and the City Council.
- City Services:** The City of San Jose has established and documented the base level of pre-existing City services and has evidenced its intention to continue to deliver and/or pay for these services if a PBID is formed. The PBID will not replace any pre-existing general City services.
- Collection:** Assessments will appear as a separate line item on the annual Santa Clara County Property Tax bills. Any parcel not on the property tax rolls will be directly billed from the City of San Jose.
- District Governance:** The PBID Owner's Association will be a new 501(c)6 non-profit organization consisting primarily of property owners within the District. The PBID Owner's Association will determine budgets, assessment rates and monitor service delivery. The PBID Owner's Association will contract for services with the San Jose Downtown Association which will eliminate any potential duplication of service and administration, plus will maximize leverage with other downtown improvement resources.
- Existing BID:** Downtown's existing business-based business improvement district will remain in place and will continue to be managed by the San Jose Downtown Association. The existing BID finances marketing and special event programming that is different from services that will be supported by the PBID.
- District Creation:** District creation requires submission of petitions signed by property owners in the proposed district who will pay more than 50% of total assessments (i.e. petitions must represent more than 50% of the \$1,595,000 to be assessed). Petitions are then submitted to City Council and a mail ballot is sent to all affected property owners. The majority of ballots returned, as weighted by assessments to be paid, must be in favor of the PBID in order for City Council to approve it.
- Duration:** Collection of the first year's assessments will be included on the 2007/2008 tax bill with services beginning on January 1, 2008 and will continue until December 31, 2012. Any subsequent renewal of the District will require a new management plan, petition and mail ballot process.

II. WHY CREATE THE DOWNTOWN SAN JOSE PBID?

What is a PBID?

The International Downtown Association estimates that more than 1,000 property-based business improvement districts (PBID) currently operate throughout the United States and Canada. **A PBID provides enhanced improvements and activities, such as public safety, maintenance and image enhancement, in addition to those provided by local government.**

Since the creation of California's Property and Business Improvement District Law in 1994, more than 70 new PBIDs have been established in California downtowns, including Sacramento, Long Beach, Los Angeles and San Diego. Other downtowns in major cities throughout the west also support PBIDs, including Portland, Seattle, Phoenix and Denver.

Why Create a PBID for Downtown San Jose?

- **Create a Consistently Clean, Inviting and Attractive Downtown:** Downtown's cleanliness and safety have been inconsistent in recent years. Earlier this decade, budget cuts prompted city services to be reduced, resulting in a dramatic increase in dirt and grime. Within the past year, City services have rebounded, although not to pre-existing levels. The PBID aims to secure existing City resources plus provide additional funds to ensure a consistently clean and safe downtown at all times.
- **Leverage Planning and Redevelopment Efforts in Downtown:** The near future promises a number of significant changes within Downtown. The PBID will help to ensure that the benefits of new development, planning, and civic energy will be maximized to benefit all businesses and properties within the central business district.
- **Broaden Private Sector Control and Accountability:** A new non-profit organization led by a board of directors consisting primarily of downtown property owners will govern the PBID. Annual PBID work plans and budgets will be developed by the board, ensuring that the PBID will be directly accountable to those who pay an assessment. PBID-financed programs will be subject to private sector performance standards and controls, and public sector procurement requirements when applicable.
- **Enhanced Property Values, Sales, and Occupancies:** PBIDs are acknowledged as a critical ingredient in downtown revitalization. PBIDs are proven to work by funding improvements and services that enhance the overall vitality of a business district. Success is measured by higher property values, sales and occupancies.

III. IMPROVEMENT AND ACTIVITY PLAN

A. Process to Establish the Management District Plan

To form the Management District Plan for the creation of the Downtown San Jose PBID, downtown property and business owners and civic leaders have been involved in a participatory process that was initiated in the Fall of 2006. The consulting firms of Progressive Urban Management Associates and Kristin Lowell Inc. were retained by the City of San Jose Redevelopment Agency to assist the San Jose Downtown Association (SJDA) to guide the process for creating the PBID. Key steps of the process included:

1. **PBID Committee:** To guide the consultant team and test PBID concepts, members of the SJDA board of directors and several key property owners within downtown have served as the PBID Committee. A roster of the PBID Committee is provided in the *Appendix*.
2. **One-On-One and Roundtable Meetings with Property Owners:** The consultants held a series of one-on-one and roundtable meetings with property owners located throughout the PBID study area. Top improvement priorities and guiding principles that emerged from the meetings with property owners and consultation with the PBID Committee included:
 - Providing consistency in the downtown experience, particularly the basics of clean and safe, are critical to downtown's overall vitality.
 - Make sure that PBID services are supplemental to, and do not replace, City services.
 - Keep a PBID focused on the basics of clean and safe -- We don't need to duplicate the work of the San Jose Downtown Association and other groups.
 - Make it simple and non-bureaucratic
 - Keep costs reasonable
3. **City Base Level of Services:** Concurrent with the property and business owner outreach process to develop the PBID Management District Plan, meetings were held with City staff to develop an accounting of current city services and a policy commitment to continue these services through the duration of the PBID. A letter was provided by the City Manager identifying current city services and an intention to continue these services and/or payments in lieu of services. It is the intention of the PBID to provide the services and financial commitment outlined in the Management Plan; however, to the extent the City reduces its services and/or financial commitment to downtown, the PBID may also reduce its services and financial commitment by the same proportional amount.

4. **Plan Review & Final Plan:** The draft PBID Management District Plan and budget were reviewed by the PBID Committee and individual property owners. All affected property owners were invited to a series of public forums in February of 2007 to review the plan. Input from these meetings led to the completion of the final plan.

B. PBID Boundaries

The proposed PBID district will encompass the core of the downtown area bounded roughly by:

- 4th Street and City Hall complex to the east,
- St. James and Devine Streets to the north,
- Highway 87 and the arena complex to the west and
- Market and First Streets to Reed Street in the south.

Benefit Zones: Two benefit zones are proposed with two different levels of service. The deployment and frequency of clean and safe services in the premium zone will be approximately double the deployment and frequency of clean and safe services in the basic zone. The benefits are delineated as follows:

- **Premium Service Zone** encompasses the core of the downtown PBID and is bounded roughly by St. John to the north, Almaden to the west, First and Reed Streets to the south and 4th Street to the east.
- **Basic Service Zone** includes the remainder of the downtown PBID and generally includes the perimeter to the district to the west and north.

A map of the proposed district boundary is attached as Exhibit A.

C. Work Program

Clean and Safe Program

To respond to stakeholder priorities and guiding principles for a Downtown San Jose PBID, the PBID Steering Committee reviewed several scenarios for providing district-wide Clean and Safe services. Objectives in developing the Clean and Safe scenarios included:

- Deploy a Clean and Safe program that will make a visible, tangible and lasting impact.
- Carefully document existing City services and ensure that PBID-funded services are supplemental to, and do not replace, existing City services.
- Ensure that the program is properly capitalized and that additional funding will not be required once the PBID is created.
- Provide flexibility in the modeling of the program so that the PBID can either create its own in-house program or contract with private firms.

Nationally, PBID Clean and Safe programs are typically provided by teams of highly trained maintenance workers and information and safety “ambassadors”. Both information and safety ambassadors and maintenance workers wear distinctive and colorful uniforms that maximize the visibility of their presence on the street plus complement overall downtown marketing efforts.

Ambassadors are trained for a variety of tasks, ranging from providing information to visitors to offering escort services for employees to holding and bearing witness against persons that commit nuisance crimes. Urban Clean and Safe programs can also work in concert with local social service providers, offering service referrals and, as the program matures, entry-level employment options for persons living on the street.

The Philadelphia-based firm of SGI, a national Clean and Safe service provider that specializes in urban PBIDs, provided estimates for service frequencies, manpower, equipment and costs. Two service scenarios were developed, including “basic and premium” with annual Clean and Safe program costs ranging from \$1.5 to \$2.25 million. Based upon the SGI evaluation, the PBID Management Plan recommends resources for a “mid-range” Clean and Safe program, with total resources estimated at \$1.8 million. The range of service frequencies provided by SGI are provided on the following page:

Budget Model Estimates	\$ 1,500,000 to \$2,250,000
Maintenance Frequencies	
<i>Maintenance F.T.E.</i>	<i>13 to 22</i>
Average Weekly Coverage	5 to 7 days/week
Litter Removal/Vacuuming	Daily All Downtown
Litter Removal/Pan & Broom < See Note 1 >	One to Two Shifts in Premium Areas
Machine Sweeping	Daily All Downtown
Transit Stop Maintenance	Yes
Steam Cleaning: Basic	Two to four times per year
Steam Cleaning: Premium	Four to six times per year
Graffiti Removal	Daily As Needed
Light Landscape/Weeds	As Needed
Swat Patrol or "emergency cleaning" < See Note 2 >	As Needed
<i>Estimated Maintenance Cost</i>	<i>\$ 1,000,000 to \$1,500,000</i>
Info & Safety Ambassadors	
<i>Ambassadors F.T.E.</i>	<i>9 to 12</i>
Coverage in All Areas	8 hours
Coverage in Premium Areas	12 to 16 hours
<i>Estimated Safety Cost</i>	<i>\$ 500,000 to \$750,000</i>

Notes

- <1> Pan and broom cleaning, plus other services with increased frequencies, include areas and hours of highest pedestrian activity, designated as the "Premium Service Zone" within the PBID..
- <2> "Swat Patrol" is an on-call maintenance team that responds to special maintenance needs throughout the downtown.

Deployment of Clean and Safe Services: Clean and safe services are expected to be deployed in each of two "benefit zones" within the PBID:

- **Premium Service Zone:** The premium service zone includes areas of highest pedestrian activity where demands for clean and safe services are greatest. The service plan anticipates that service deployment frequencies within the premium service zone will be double the remainder of the PBID – from the number of ambassadors to the frequency of sidewalk cleaning.

- **Basic Service Zone:** The remaining areas of the PBID encompassed by the basic service zone have less pedestrian activity and demands for clean and safe services are generally lower. Service frequencies within the basic service zone are expected to be half the frequency of services in the premium service zone.

Image Enhancement

In addition to clean and safe services, the PBID budget includes funds for image enhancement activities that are defined as cosmetic improvements that visually improve downtown. Examples of image enhancement activities include:

- Design, installation and maintenance of flowering planters
- Directional, wayfinding and gateway signage
- Street furniture and amenities, such as benches, kiosks and lighting
- Design and installation of art
- Other cosmetic improvements that visually improve downtown.

Administration

Administrative costs of 10% have been included within the PBID budget. Examples of administrative costs include:

- Accounting and annual financial audit
- Insurance for the PBID owner's association board of directors
- Program support costs including supplies, equipment and rent
- County PBID assessment collection fee, estimated at 1% of assessments
- Other administration costs associated with the overhead and administrative support of programs.

To reduce administrative costs, increase leveraging of funds and avoid duplication of enhanced services, this plan anticipates that the PBID Owner's Association will contract with the San Jose Downtown Association to deliver day-to-day services.

D. Plan Budgets

1. 2008 Operating Budget Summary

The total improvement and activity plan budget for calendar year 2008 is projected at \$1,595,000 with the following components:

Improvements & Activities	Proposed 2008 Budget	%
Clean Teams < see note below >	\$ 600,000	37.6
Information & Safety Ambassadors	\$ 600,000	37.6
Image Enhancement	\$ 250,000	15.7
Administration (10% of programs)	\$ 145,000	9.1
Total	\$ 1,595,000	100.0

Assessments for Clean Teams will be matched with approximately \$635,000 in funds with in-kind services from the City of San Jose, resulting in a total Clean Team budget of approximately \$1,235,000. These are the baseline services provided by the City and represent the general benefits received.

2. Five Year Operating Budget

A projected five year operating budget for the Downtown San Jose PBID is provided in the Five Year Operating Budget and Maximum Assessment exhibit on the following page. The projections are based upon the following assumptions:

- Total program revenue increases by 5% per year, the maximum allowed under the proposed annual budget adjustment to keep pace with changes in the consumer price index and other program costs. Actual budgets may not increase 5%, as determined by the PBID Owner's Association and the City Council.
- Revenues for specific activities (i.e. Clean & Safe, Image Enhancement) may be reallocated among activities from year to year based upon district needs and budgets developed by the PBID Owner's Association.

**Downtown San Jose PBID:
Five Year Operating Budget & Maximum Assessments**

(Prepared by Progressive Urban Management Associates, FINAL DRAFT 3-09-07)

Assumption:

Assessment rates increase by a maximum of 5% each year.

Actual adjustments may be lower as determined by the PBID Owner's Association.

ESTIMATED FIVE YEAR OPERATING BUDGET

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Clean & Safe Program					
Clean Teams	600,000	630,000	661,500	694,575	729,304
Information & Safety Ambassadors	600,000	630,000	661,500	694,575	729,304
Total Clean & Safe Program	1,200,000	1,260,000	1,323,000	1,389,150	1,458,608
Image Enhancement	250,000	262,500	275,625	289,406	303,877
Administration (10% of programs)	145,000	152,250	159,863	167,856	176,248
TOTAL	1,595,000	1,674,750	1,758,488	1,846,412	1,938,732

**MAXIMUM ASSESSMENT
RATES**

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Base Service Area: Lot & Building	0.0436	0.0458	0.0481	0.0505	0.0530
Premium Service Area: Lot & Building	0.0753	0.0791	0.0830	0.0872	0.0915
Residential: Basic Lot & Building	0.0317	0.0333	0.0349	0.0367	0.0385
Residential: Premium Lot & Building	0.0635	0.0667	0.0700	0.0735	0.0772

IV. ASSESSMENTS

A. Assessment Methodology

To develop the PBID assessment methodology, the consulting team includes Kristin Lowell Inc., a certified engineer. Kristin Lowell Inc. evaluated several methods of assessment for conveying special benefits from the type of improvements and activities described within the Downtown San Jose PBID Management District Plan.

Service benefits are distributed to lot and building square footage through a “cost allocation” approach — the costs of specific services are allocated to the assessment variables that benefit most from services.

Lot plus Building Square Footage: The sum of lot and building square footage are the primary assessment variables for clean and safe and image enhancement costs. Benefits from all PBID activities are designed to improve image, occupancy and sales, benefits that are distributed throughout buildings. The inclusion of lot square footage in the calculation acknowledges the greater benefits of these services to the ground level of property.

B. General Benefits

The PBID services are above and beyond what the City currently provides. However, the City has agreed to continue providing approximately \$635,000 in baseline services or funding in addition to the PBID services. By the City continuing to provide these services they are of general benefit to all assessed parcels in the PBID boundary. The services the City will continue to provide are described below:

- Contractual Cleaning Services in Downtown – To provide the baseline cleaning services currently provided by the City through contract, it is proposed that the City will make a payment to the PBID of \$335,000 annually to improve the economy of scale of services.
- Street Sweeping Activity – It is proposed that the City will continue to provide this service with City street sweeping crews which also sweep Arterials, Collectors and Bike paths throughout the City. The service is valued at \$100,000 annually.
- Public Litter Can Servicing - It is proposed that the City continue to provide this service valued at \$200,000 annually in conjunction with the Citywide public litter can service contract that was awarded in 2006.

C. Special Benefits

Clean and Safe

This program, as previously discussed, will provide a higher level of maintenance services including cleaning, security and information services than the City currently provides for all parcels within the PBID boundary. All businesses, non-profit organizations and governmental agencies that own property and buildings, occupy the buildings, and conduct business and governmental functions within the PBID boundary will receive benefit from the enhanced services. The special benefits include a cleaner and safer environment that is further supported with information based services for all tenants, employees, residents, customers and visitors that work, live or visit the downtown area. These services improve the marketability of the area by providing a cleaner, safer downtown environment. The enhanced service level that the security and maintenance teams provide are specific to the downtown area, thus, each assessed parcel, business, non-profit organization and governmental agency located in the PBID boundary will benefit from this higher level of security, information, and maintenance services. The enhanced security, information and maintenance services will not be delivered to any parcel outside of PBID boundary.

Image Enhancement

It is the goal of the Image Enhancement programs to attract, retain and recruit employees, customers, patrons, and worshippers to the downtown area. It is also to improve upon the perception of downtown to make it more enticing for people to frequent the downtown community. In order to do this, this program intends to make the downtown more visually appealing and pedestrian friendly through information services and cosmetic enhancements. By providing these improvements it encourages investment dollars, and retains and attracts new businesses and ancillary services. All parcels and the associated businesses, non-profit organizations, and governmental agencies that reside and occupy the buildings within the PBID boundary benefit from a more attractive and user friendly downtown because the employees, tenants, customers and visitors will benefit from the wayfinding programs and kiosks that enable them to locate downtown businesses, services and establishments. All parcels, businesses, non-profit organizations and governmental agencies also benefit from the street beautification, flowerpots, benches and other capital improvements that enhance the overall downtown experience thereby improving the overall image and marketability. The image enhancement services and capital improvements may not be provided directly on the property however, by providing these services throughout the downtown core it benefits all parcels, businesses, non-profit organizations and governmental agencies by enhancing the downtown appearance and overall experience. This program is designed to benefit only the Downtown San Jose area and is only provided within District boundaries, thus, each assessed parcel, business, non-profit organization and governmental agencies located in the PBID will benefit from the image enhancement and

capital improvement efforts. Therefore, the image enhancement programs provide a special benefit to the parcels in the District area.

Property Use Considerations: The methodology provides the following treatments for property used exclusively for residential and government uses:

- **Treatment of Residential Property:** All commercial and mixed-use parcels with residential uses will be subject to an adjusted assessment rate for the residential square footage of that parcel. The commercial square footage for that parcel will be assessed the assessment rate applied to all non-residential parcels. Residential uses will fully benefit from clean and safe services and will pay a full share of these services; however, residential parcels do not receive the same benefit as other parcels from image enhancement because they do not generate customer traffic, have employees or have the need to encourage investment dollars, thus their assessment does not include that portion of the assessment.
- **Government Assessments:** The Downtown San Jose PBID Management District Plan assumes that the City of San Jose, San Jose Redevelopment Agency, Santa Clara County, State of California and other government entities will pay assessments for the same special benefits received as all other parcels except residential within the boundaries of the PBID. Article XIII D of the California Constitution was added in November of 1996 and provides for these assessments. The benefits received to all governmental properties is the same as identified above in that the services provided are aimed at retaining and recruiting employees by providing a cleaner safer environment and providing patrons of governmental services with informational services and wayfinding signage.

D. Calculation of Assessments

The preceding methodology is applied to a database that has been constructed by Kristin Lowell Inc. and the City of San Jose Redevelopment Agency. The process for compiling the property database includes the following steps:

- Property data was first obtained from the Santa Clara County Assessor's Office through the City of San Jose Redevelopment Agency.
- County assessor property data was cross-checked with reliable private sector sources.
- As an attachment to the Management District Plan, an assessment notice will be sent to all property owners within the proposed PBID. The assessment notice will contain lot acreage information. Property owners may request final verification of data from the San Jose Redevelopment Agency on or before July 1, 2007, which is one month prior to the submission of assessment information to the Santa Clara County Auditor.

A list of all properties to be included and assessed in the PBID is on file with the City Clerk.

Benefit Zone Adjustments: The assessments are also adjusted to reflect anticipated service frequencies in the basic and premium benefit zones. The premium benefit zone will receive double the frequency of clean and safe services, therefore assessment rates for clean and safe services are increased by a factor of two in the premium benefit zone. All properties within the PBID will have uniform benefit from image enhancement activities. The resulting assessment calculation by service and benefit zone follows:

Benefit Zone	Per sq.ft. of Lot per Year	Per Sq.Ft. of Building per Year
Basic Benefit Zone		
Clean & Safe Services	\$ 0.0317	\$ 0.0317
Image Enhancement	\$ 0.0119	\$ 0.0119
Premium Benefit Zone		
Clean & Safe Services	\$ 0.0635	\$ 0.0635
Image Enhancement	\$ 0.0119	\$ 0.0119

Total Estimated Assessments: Based upon the methodology, property data and the proposed PBID budget, approximate lot and building assessments are calculated. Assessments will not exceed the following amounts during the first year of the PBID:

Total Estimated Assessments	Per sq.ft. of Lot per Year	Per sq.ft. of Building per Year
Basic Benefit Zone	\$ 0.0436	\$ 0.0436
Premium Benefit Zone	\$ 0.0753	\$ 0.0753
Residential: Basic	\$ 0.0317	\$ 0.0317
Residential: Premium	\$ 0.0635	\$ 0.0635

E. Assessment Adjustments

Annual Adjustment: Annual assessment rates may be adjusted for annual changes in the Bay Area Consumer Price Index (CPI) for all urban consumers and/or other changes in programs costs, not to exceed 5%. Actual annual adjustments may range from 0% to 5%. Assessment rates will not exceed the levels illustrated by the Five Year Operating Budget and Maximum Assessment exhibit.

Budget Process: A balanced budget approach is utilized to develop each annual budget within the constraints of the assessment rates. Any annual budget

surplus or deficit is tracked by program. Prior year surpluses may be used as necessary based on the allocations described in the Management District Plan.

Time and Manner for Collecting Assessments: As provided by state law, the Downtown San Jose PBID assessment will appear as a separate line item on the annual Santa Clara County property tax rolls, and either paid in one lump sum or in two equal installments. Laws for enforcement and collection of property taxes also apply to the PBID assessment. Any parcel not on the property tax rolls will be directly billed from the City of San Jose.

Disestablishment: State law provides for the disestablishment of a PBID pursuant to an annual review process. Each year that the PBID is in existence, there will be a 30-day period during which the property owners will have the opportunity to request disestablishment of the District. This 30-day period begins each year on the anniversary day that the district was first established by City Council. Within that 30-day period, if a written petition is submitted by the owners of real property who pay more than 50 percent (50%) of the assessments levied, the PBID may be disestablished. The City Council will hold a public hearing on disestablishing the PBID prior to actually doing so.

F. Issuance of Bonds

Issuance of Bonds: No bonds or other bonded debt is to be issued to finance activities and improvements envisioned in the Management District Plan. If the PBID Owner's Association decides to issue bonds or other bonded debt in the future that increases the term and/or assessment rates set in this Plan, revisions to the Management Plan will require new petition and mail ballot procedures.

V. GOVERNANCE

For the Downtown San Jose PBID, a new 501(c)6 California non-profit corporation shall be formed to serve as the PBID Owner's Association.

The role of the proposed Owner's Association is consistent with similar PBIDs and downtown management organizations throughout California and the nation. The Owner's Association will determine budgets, assessment rates and monitor service delivery. As part of the Management Plan, the Owner's Association will contract with the San Jose Downtown Association to delivery day-to-day PBID services in order to:

- Reduce overall administrative costs of the PBID
- Leverage PBID funds with other resources and capabilities provided by the San Jose Downtown Association
- Eliminate the potential for duplication of enhanced services and activities
- Ensure that downtown is represented by a unified private sector voice, thereby maximizing downtown's influence in policies and civic affairs.

Pursuant to the State of California PBID legislation the PBID Owner's Association will be subject to disclosure and notification guidelines set by the Ralph M. Brown Act and California Public Records Act.

PBID Owner's Association Board of Directors: The Owner's Association will establish a board of directors consisting of a majority of property owners to develop recommendations for budgets, assessment rates and policies for the use of PBID funds that are consistent with this Management Plan. The Owner's Association board of directors is envisioned to meet quarterly and will have seven to eleven members appointed by ballot of all property owners from a slate developed by the Nominating Committee of the Owner's Association. The Owner's Association board of directors must include representation from all geographic areas and major use types found in downtown. Suggested representation includes:

Representation from each major district, including the Historic District, Convention & Cultural District, SoFA, Arena District and San Pedro Square. The Owner's Association board of directors should also include representation from a variety of use types that are paying assessments, including government, a downtown resident and at least one business owner that is not a property owner.

Relationship to the Existing Business-Based BID: Currently, downtown marketing, special events and other promotional programs are produced by the San Jose Downtown Association (SJDA) and financed in part by a special assessment on business license taxes – a business-based BID. The business-based BID will be continued in downtown San Jose, providing funding for enhancement services that are different from the proposed PBID. The two

districts are anticipated to finance the following distinct sets of improvements and activities:

Business-Based Business Improvement District (existing)	Property-Based Business Improvement District (new)
Advocacy	Clean and Safe
Marketing	Cosmetic Improvements
Special Events	
Transportation Services	

Services funded by both the business-based BID and PBID will be managed by the SJDA. This will provide for administrative efficiencies reducing overall program management and overhead costs. Central management by the SJDA also preserves a unified voice for downtown interests, elevating downtown's influence in public policy and resource allocation decisions.

The concurrent use of both business and property-based BIDs has been used in other California downtowns for many years, notably in downtown Long Beach, San Diego and Chula Vista.

ENGINEER'S OPINION

This Engineer's Opinion is prepared, as directed by the City Council, in relation to the Downtown San Jose Property-Based Business Improvement District pursuant to Section 3600 et. seq. of the California Streets and Highways Code (the "Property and Business Improvement District Law of 1994") and pursuant to Article XIID Section 4(b) of the California Constitution (Proposition 218).

The Downtown San Jose Property-Based Business Improvement District (the "PBID") is designed to improve and benefit properties in the Downtown San Jose business area by providing enhanced public safety and maintenance programs, image enhancement and district management. It is my opinion that only properties, including all non-profits and publicly owned, within the PBID boundary will receive the special benefit of the proposed improvements and activities. A detailed description of the improvements and activities to be provided is set forth in the attached Management District Plan.

The duration of the proposed PBID is five (5) years and an estimated budget for the first fiscal year for the PBID improvements and activities is set forth in the Management District Plan. The budget reflects a potential for an annual increase in the assessment, which may not exceed 5% per year as set forth in the Management District Plan. Funding for the PBID improvements and activities shall be derived from a property based special benefit assessment levied on each parcel in the PBID in relation to the estimated benefit each parcel receives from the proposed improvements and activities. A detailed description of the methodology for determining the special benefit assessment for each parcel is set forth in the Management District Plan.

Respectfully submitted,



Terrance E. Lowell, P.E.



January 22, 2007

Scott Knies, Executive Director
San Jose Downtown Association
28 North First Street, Suite 1000
San Jose CA 95113

Subject: Downtown Cleaning Services

Dear Mr.  Knies:

This letter is to confirm to the Downtown Association my firm commitment to develop, support, and implement long-term strategies to provide a cleaner and more attractive Downtown.

As you are fully aware, Downtown San Jose is a distinctive and special area of the City where higher levels of maintenance and cleaning services are provided compared to any other area of the City. Unfortunately, ongoing citywide funding shortfalls have impacted baseline service levels in the Downtown. This, coupled with the addition of new businesses and residential developments, more cultural and entertainment events, and enhanced streetscape, lighting and signage standards in Downtown, will require an innovative and collaborative effort from all of us in order to sustain clean and attractive conditions for years to come.

Recognizing these challenges, City staff has worked with the San Jose Downtown Association and other stakeholders in developing and implementing the Downtown Cleaning Actions and Strategies Plan that contains a series of short-, mid- and long-term operational and funding strategies. These strategies were approved by the City Council on February 14, 2006. I am pleased to learn that, to date, all parties have met their short-term and mid-term commitments in delivering this plan. For example, the City contributed an additional \$240,000 of one-time funding in FY 2005-2006 and another \$250,000 of one-time funds was allocated in FY 2006-2007 to perform more cleaning services in Downtown. The SJDA is spending \$50,000 this year to clean alcoves and other areas on private property where people loiter. As you can see when walking around Downtown, all of these actions are paying off.

Looking ahead to Fiscal Year 2007-2008, it will be the City Administration's intention to support funding that continues to deliver the mid-term strategies. If approved by City Council, this funding will take us through June 2008, when our current service agreement with the primary Downtown cleaning service provider will expire. It is important to know that City staff is continuing to assess the level of service against our long-term goals. If necessary, they will start preparing a new set of Downtown cleaning standards and specifications in the summer of 2007, for Fiscal Year 2008-2009, based on the current levels of approved on-going funding available for Downtown cleaning. I am hopeful that as we complete our assessments later this

year, one or more of our long-term strategies will be implemented, or well on its way toward implementation, to avoid the return of the baseline only service levels.

One of the more promising long-term strategies is the formation of a Downtown Property-based Business Improvement District (PBID). Should the formation of the Downtown PBID become more certain, it is my intent at the appropriate time to recommend to the City Council that the City continue to deliver or pay for a baseline level of Downtown cleaning services. Prior to determining the baseline level of services, I will need clearer understanding of the overall financial and operational impact of a PBID to the City, including an estimate of the City's assessment and the various services and their levels to be provided by the PBID. This will enable me to propose a baseline level of services that is fair, effective, and properly balanced among the many other competing citywide service priorities.

As a point of reference, the table below describes the current base level of services funded in the City's budget. It is important to note that the base level of service does not include the one-time funding augmentations approved as part of the Downtown Cleaning Strategies and Actions Plan by the City Council on February 14, 2006. The base level of service equates to approximately \$635,000 in annual funding.

Service	Service Level
Portering (General sidewalk area trash, litter, debris pickup, cleaning using basic cleaning tools, materials, and equipment)	Consists of 650 hours per month of labor equivalent to the following activity: <ul style="list-style-type: none"> • Monday through Friday cleaning in the Transit Mall • Monday through Friday cleaning at the Repertory Plaza • 3 days per week cleaning in the SoFA and San Pedro Square
Sidewalk Power Washing	Consists of 40 hours per month of power washing equivalent to the following activity: <ul style="list-style-type: none"> • 16 hours per month in the Transit Mall • 8 hours per month at the Repertory Plaza • 16 hours per month in SoFA and San Pedro Square
Public Litter Can (PLC) Pickup and Maintenance	Consists of PLC pickup throughout the entire Downtown equivalent to the following activity: <ul style="list-style-type: none"> • Daily in the Transit Mall • Daily at the Repertory Plaza • From 1 to 6 days per week for 199 Downtown PLCs outside the Transit Mall and Repertory Plaza (approximately 760 pickups per week) • PLC maintenance (cleaning, painting, replacement) done as needed for blight control
Street Sweeping	Twice per week throughout the entire Downtown

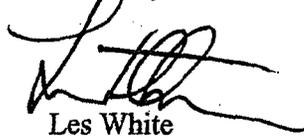
Scott Knies
Downtown Cleaning Services
January 22, 2007
Page 3

Other city service levels not directly related to the Downtown cleaning programs, such as streetlight maintenance, tree trimming, sign maintenance, and roadway markings and striping maintenance would be provided at citywide standards typically established by the City Council each fiscal year. In the event that an overall reduction in funding for the City occurs, the City Council will retain the ability to reduce baseline service levels commensurate with citywide reductions.

Again, my commitment in working with you to develop and implement long-term strategies for a clean and attractive Downtown is very strong. I believe that you share this commitment with me and I look forward to your response confirming this. Please provide the Department of Transportation an update on the status of the PBID process and the Association's intentions related to its development and implementation including, if available, the schedule of key tasks and milestones associated with developing and implementing the PBID, the specific results you would expect to achieve through the various PBID services and programs, and an estimate of the public and private assessments.

It continues to be my pleasure to support all the efforts that you, my staff, and others have made to improve the cleanliness and attractiveness of Downtown San Jose. I am optimistic that we can continue working together to create a long-term, positive impact on Downtown San Jose. Should you have any questions regarding this matter, please contact me at 535-8100 or Jim Helmer at 535-3830.

Sincerely,



Les White

c: M. Bradley Segal, President, Progressive Urban Management Associates
Harry Mavrogenes, Executive Director, San Jose Redevelopment Agency
Jim Helmer, Director, Department of Transportation
John Stufflebean, Director, Environmental Services Department