



Memorandum

TO: HONORABLE MAYOR, CITY
COUNCIL AND REDEVELOPMENT
AGENCY BOARD

FROM: Debra Figone
Harry S. Mavrogenes

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

DATE: 7-21-07

COUNCIL DISTRICT: 3

RECOMMENDATION

- 1) Conduct a public hearing for the formation of a Property and Business Improvement District (PBID) in Downtown San Jose and authorize the City Clerk to tabulate the ballots,
- 2) Adoption of a resolution by the City Council casting a ballot in favor of the establishment of a Downtown San Jose PBID and the imposition of an assessment on City-owned property in the amount of \$283,414 with annual increases over the next four years of up to 5% per year;
- 3) Adoption of a resolution by the Agency Board casting a ballot in favor of the establishment of a Downtown PBID and the imposition of an assessment on Agency-owned property in the amount of \$61,441, with annual increases over the next four years of up to 5% per year;
- 4) If the proposed PBID is approved by property owners, adoption of a resolution by the City Council:
 - a. Approving the Downtown San Jose PBID Management Plan/Engineer's Report; and,
 - b. Approving and imposing the respective assessments.
- 5) If the Downtown San Jose PBID is approved, then direct staff to return to Council with recommendations on establishing a fund and adopting Appropriation Ordinance and Funding Sources Resolution amendments in the full amount of the assessments.

OUTCOME

Recommendation 1, above, allows the public to comment and provide input on the establishment of the Downtown San Jose PBID and begins tabulation of the ballots. Recommendations 2 and 3, if approved, would cast the City's and Redevelopment Agency's ballots in support of the establishment of the Downtown San Jose PBID. Recommendation 4, if approved, establishes the Downtown San Jose PBID and imposes the assessments on properties within the boundaries of the PBID. Recommendation 5 directs staff to return to the City Council to establish a new Fund and an appropriation for the Downtown San Jose PBID.

The Downtown San Jose PBID, if approved, would result in the assessment of properties in Downtown to pay for enhanced maintenance and cleaning, safety and information, and image enhancement services. If established, the PBID would generate approximately \$1.6 million per year to provide a cleaner, more attractive, and safer Downtown that would attract businesses, customers and employees. As property owners in the PBID, it would cost the City \$283,414 per year and the Agency \$61,441 per year, plus potential increases of up to 5% per year.

BACKGROUND

At the June 12, 2007, City Council meeting, petitions were submitted by 32.54% of the property owners in the proposed District to the City Clerk requesting formation of a PBID. Also at that meeting, the City Council adopted Resolution No 73824 and the Redevelopment Agency adopted Resolution No. 5755 that approved the City and Agency property owner petitions that supported the formation of a PBID in Downtown San Jose. The City and Agency petitions increased the petition response rate to 54.24%.

On June 12, 2007, the City Council also adopted Resolution No. 73825:

- a) Stating its intention to form a PBID in Downtown;
- b) Preliminarily approving the Downtown San Jose PBID Management Plan/Engineer's Report;
- c) Setting a public meeting to be held on June 19, 2007;
- d) Setting a public hearing to be held on August 7, 2007; and
- e) Calling for an election for tabulation of the ballots on August 7, 2007.

On June 12, 2007, the City Council also adopted Resolution No. 73826 that found the San Jose Downtown Association (SJDA) uniquely situated to manage and provide the baseline and enhanced maintenance, safety, information and image enhancement services specified in the PBID Management Plan/Engineer's Report and authorized the City Manager to initiate negotiations with the SJDA to provide such services.

The mailing of the ballots and supplemental information about the PBID was completed on June 15, 2007, meeting the legal requirement of 45 days before the August 7, 2007 hearing. As a result, property owners in the proposed PBID have contacted staff with inquiries about the assessment procedure and have been submitting ballots to the City Clerk. On June 19, 2007, the City Council conducted a public meeting to receive and record any public comment presented. No public comments were submitted or public testimony offered.

ANALYSIS

The PBID would provide for services beyond those currently provided by the City such as: enhanced cleaning, safety, information and image enhancement services in the Downtown area. These services are described in the Downtown San Jose PBID Management Plan/Engineer's Report, which, along with the proposed district boundary map, is on file in the City Clerk's Office and available for public viewing.

At the August 7, 2007, public hearing, the City Council will receive any additional comments or ballots from the public and the Council and Agency Board will each vote as property owners on whether to approve the PBID. At the close of the public hearing, the City Clerk will tabulate the ballots, including the City and Agency ballots. If the assessment ballots submitted in favor of the proposed assessment exceed the submitted ballots in opposition to the assessment, weighting the ballots by the amount of each assessment, the Council may impose the assessment.

If the Council votes to impose the assessment, it does so by the adoption of a resolution that declares the ballot tabulation results; approves the Downtown San Jose PBID Management Plan/Engineer's Report for the district, which includes the base assessment and the annual adjustment; and imposes the assessments on those properties within the PBID as described in the Downtown San Jose PBID Management Plan/Engineer's Report. The assessments will be collected through the Santa Clara County secured property tax bills, with the exception of tax exempt properties which will be invoiced directly.

If the PBID is established, it will also be necessary to establish a Fund and adopt an Appropriation Ordinance and Funding Sources Resolution amendments in the full amount of the assessments. This could occur in October 2007 with the 2006-2007 Annual Report.

EVALUATION AND FOLLOW-UP

Businesses located in the Transit Mall area are surveyed annually about the services provided by the City and the conditions of cleanliness. These customer service ratings are reported through the Transportation and Aviation Services CSA Operating Budget. Downtown cleanliness conditions and customer service satisfaction ratings have declined in recent years as a result of the budget and service reductions. It is anticipated that if the Downtown San Jose PBID is approved it will provide enhanced cleaning, safety, information and image enhancement services in the area, which will result in better conditions and greater customer satisfaction in Downtown.

If the PBID is established, the Department of Transportation will continue to work with the SJDA to develop an agreement for services, performances specifications and the transfer of funds. It is anticipated that the agreement will be brought to the City Council in late 2007. In addition, an annual report with proposed assessments and an appropriation will be brought before the City Council for needed actions at the appropriate time.

POLICY ALTERNATIVES

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

Pros: By not participating in the PBID, the City would have additional discretionary funding that is not committed to the assessments.

Cons: San Jose's Downtown area would not receive enhanced services, including additional cleaning activities, safety services, and image enhancement, and the overall cleanliness conditions in Downtown would remain in the current conditions.

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

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. (Required: Website Posting)
- Criterion 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)
- Criterion 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)

While this action does not meet any of the criteria for added outreach efforts, this memorandum will be posted on the City's website for the August 7, 2007, Council agenda. Further, the SJDA has provided extensive outreach material and held numerous meetings to inform those affected by the proposed PBID of how it would impact them. Petitions and summaries of the Management Plan were sent to all property owners located within the proposed PBID boundaries. The City held public meetings on June 12, 2007 and June 19, 2007. Notices of the August 7, 2007 public hearing were mailed to all property owners within the proposed PBID along with ballots. In addition, the Departments of Transportation and Public Works, Redevelopment Agency and the San Jose Downtown Association have responded to inquiries from property owners regarding the formation of the PBID.

COORDINATION

This memo has been coordinated with the Departments of Public Works, Environmental Services, the City Attorney's Office, the Agency's General Counsel, and the City Manager's 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 Redevelopment Agency would be required to collectively pay annual assessments of approximately \$345,000 and increasing up to 5% per year. This amount is approximately \$15,000 less per year than the amount used for the petition

7-21-07

Downtown San Jose PBID

Page 5

process. This decrease is due to minor clarifications and technical adjustments to the base assessment structure that was reported in the final Downtown Management Plan/Engineer's Report. The final City portion of the assessment is estimated at \$283,414 annually and the Agency portion is estimated at \$61,441. In addition, the City would be required to continue its current annual baseline funding for the Downtown cleaning 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	\$1,531,773	\$283,414	VIII-40	06/19/07 Ord No. 28071
Total					\$283,414		

CEQA

Not a project.



DEBRA FIGONE
City Manager



HARRY S. MAVROGENES
Executive Director

For questions please contact Kevin O'Connor, Deputy Director of Transportation, at 277-3028 or Norberto Duenas, Deputy Executive Director of the Redevelopment Agency, at 795-1892.