CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

COUNCIL AGENDA: 6-8-10
ITEM: 4.2(b)

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Paul Krutko

SUBJECT: See below

DATE: May 17, 2010

Approved

Date 5/24/10

COUNCIL DISTRICT: 3
SNI AREA: St. James Square; University; Josefa/Auzerais; Burbank/DelMonte

SUBJECT: PRELIMINARY APPROVAL OF 2010-2011 BUDGET REPORT, ADOPTION OF RESOLUTION OF INTENTION TO LEVY 2010-2011 ASSESSMENTS IN THE DOWNTOWN BUSINESS IMPROVEMENT DISTRICT, AND SETTING THE DATE AND TIME FOR THE PUBLIC HEARING ON THE LEVY OF ASSESSMENTS

RECOMMENDATION

Preliminary approval of the report as filed by the Downtown Business Improvement District Advisory Board, or as modified by Council; and adoption of a resolution of intention to levy the annual assessment for Fiscal Year 2010-2011, and set June 22, 2010 at 1:30 p.m. as the date and time for the public hearing on the levy of the proposed assessments.

OUTCOME

Approval of this action will result in a resolution of intention to levy the assessments for the upcoming fiscal year of the Downtown Business Improvement District and set the time and date for the public hearing.

BACKGROUND

The Downtown Business Improvement District ("BID") was established by Council in 1988 pursuant to the California Parking and Business Improvement Area Law ("BID Law") to promote the economic revitalization and physical maintenance of the Downtown business district. In 1989, the Council appointed the Downtown Association as the Advisory Board

("Advisory Board") for the BID, to advise the Council on the levy of assessments in the BID and the expenditure of revenues derived from the assessments.

Pursuant to BID Law, the Advisory Board must come before the Council on an annual basis to present a report to the Council that proposes a budget for the upcoming fiscal year for the BID. The Council must then: 1) review the report and preliminarily approve it as proposed or as changed by the Council; 2) adopt a resolution of intention to levy the assessments for the upcoming fiscal year; and 3) set a date and time for the public hearing on the BID-related actions. Absent a majority protest at the public hearing, at the conclusion of the public hearing the Council may adopt a resolution approving the budget for Fiscal Year 2010-2011 as filed or as modified by Council. The adoption of the resolution constitutes the levying of the BID assessments for the Fiscal Year 2010-2011.

ANALYSIS

The Advisory Board has prepared a budget report (the "report") attached as Exhibit 1, for the Council's consideration as the budget for the Downtown BID for Fiscal Year 2010-2011. As required by BID Law, the report has been filed with the City Clerk and contains, among other things, a list of the improvements and activities proposed to be provided in the BID in Fiscal Year 2010-2011 and an estimate of the cost of providing the improvements and activities. The Advisory Board has recommended no change in the BID boundaries or the method and basis for levying assessments. Therefore, the proposed assessments in the BID for Fiscal Year 2010-11, described in the report, are the same as the assessments for Fiscal Year 2009-10.

The Council may approve the report as filed or modify the report and approve it as modified. After the approval of the report, the Council must adopt a resolution of intention to levy the annual assessment for the 2010-2011 fiscal year and fix a time and place for a public hearing to be held on the levy of the proposed assessment.

EVALUATION AND FOLLOW-UP

The Advisory Board will come before the Council next year to present a report to the Council that proposes a budget for the upcoming fiscal year.

PUBLIC OUTREACH/INTEREST

The budget for Fiscal Year 2010-2011 was reviewed and approved at the Advisory Board's meeting on May 14, 2010.

☐ **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)**

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, Finance Department, Planning, Building and Code Enforcement, Budget Office, Downtown Business & Professional Association and the City Clerk's Office.

FISCAL/POLICY ALIGNMENT

This action is consistent with the Economic Development Strategy approved by the Council, specifically Initiative No. 5, "Support Start up and Growth of Local Businesses, in Tech as well as Non-Tech fields" and Initiative No. 13, "Develop Retail to Full Potential, Maximizing Revenue Impact and Neighborhood Livability." A healthy Business Improvement District will encourage growth of the retail community and consequently result in additional sales tax revenue for the City.

COST SUMMARY/IMPLICATIONS

Adoption of the proposed BID budget does not impact City revenue. BID assessments are restricted for use exclusively by the BID. It is anticipated that a healthy Business Improvement District will encourage growth of the retail community and consequently result in additional business tax and sales tax revenue for the City.

CEQA

CEQA: Exempt, File No.PP08-048

/S/

PAUL KRUTKO
Chief Development Officer

For questions, please contact Lee Wilcox , at (408) 535-8172

Attachment

April 1, 2010 Exhibit 1

Downtown BID Report for Fiscal Year 2010-11

1. The boundaries of the Downtown BID are as follows: I-280, Highway 87 to West San Fernando Street, south side of West San Fernando Street to CalTrain tracks, CalTrain tracks to West Julian Street, south side of West Julian Street to Montgomery Street, west side of Montgomery Street to the Guadalupe River, east side of the Guadalupe River to the western most set of Union Pacific Railroad tracks, northeast side of the Union Pacific Railroad tracks to West Taylor Street, south side of West Taylor Street to Coleman Avenue, southwest side of Coleman Avenue to Highway 87, Highway 87 to West Julian Street, both sides of West Julian Street to First Street, south side of East Julian Street to Fourth Street, both sides of Fourth Street back to I-280. See Exhibit 3.

2. Improvements and activities for FY 2010-11: See Exhibit 2

3. An estimate of the total cost of providing the improvements and activities for fiscal year 2010-11 is approximately $3,394,000. Estimated BID funds of $630,000 contribute to total program and staffing costs. Additional costs estimated at $2,764,000 are paid through Downtown Association revenue raised by programs and activities, projected Redevelopment Agency contract services, and other sources.

4. The current method and basis for levying the annual assessment are as follows:

CATEGORY		PROPOSED RATE
I.	Retail	$26.40 per FTE/$240 min.
II.	Non-Retail	$15.60 per FTE/$150 min.
III.	Apartments & Hotels	$ 7.20 per room/$240 min.
IV.	Parking Lots	$300
V.	Non-profits	Exempt
VI.	Independent Contractors	$50
VII.	Commercial Landlords	
	Less than 10,000 square feet	$400
	10,001 to 50,000 square feet	$900
	50,001 to 100,000 square feet	$1,400
	More than 100,000 square feet	$2,000

Maximum annual charge in all categories is $6,000.

If any single business falls into more than one category, charges are assessed based upon the category producing the highest revenue for the BID.

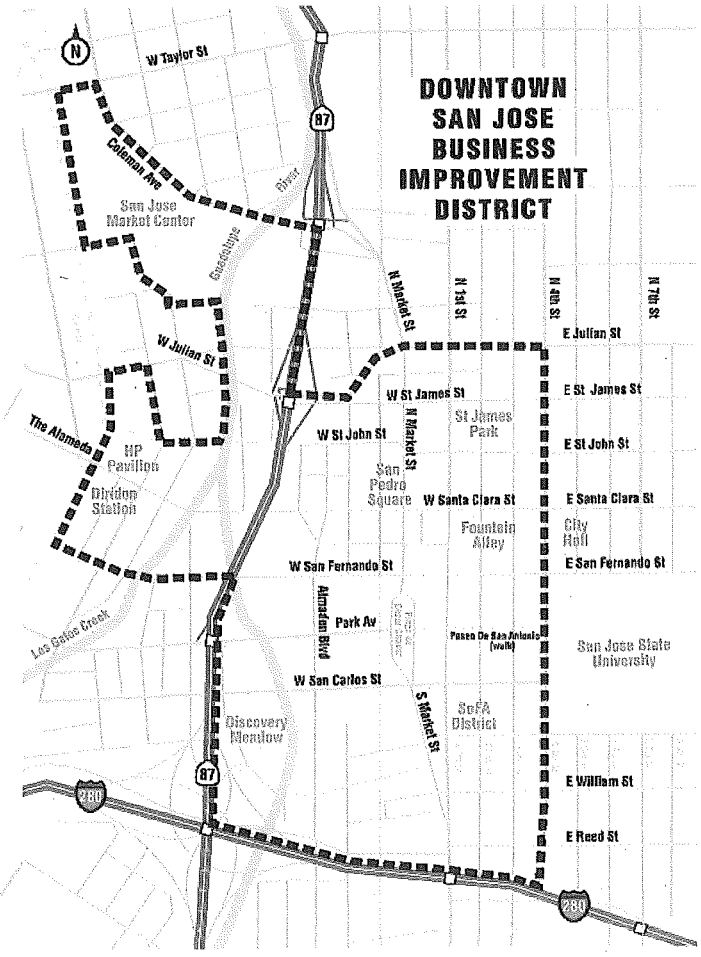
5. It is estimated that there will be no carry over in the BID fund from current fiscal year 2009-10.

Exhibit 2
Downtown
Business Improvement District
FY 2010-11 Budget

REVENUE	**Amount (in $)**
BID FY 2010-11 (Estimated)	630,000
Total Revenue	$ 630,000
EXPENSE	
Operating / Administration	240,000
Music in the Park	75,000
Ice Rink	100,000
Farmers' Market	30,000
Communications/Publicity	30,000
Marketing and Advertising	45,000
Parking Promotion	10,000
District Promotions	15,000
Public Space Programming	15,000
Holiday Promotions/lighting	20,000
Membership Services	15,000
Advocacy, Research & Planning	25,000
Other Programs	10,000
Total Expenses	$ 630,000

Notes:
1. Program budget are estimates. Additional or unused BID revenue will be applied to similar programs or carry forward into the next year.

Exhibit #3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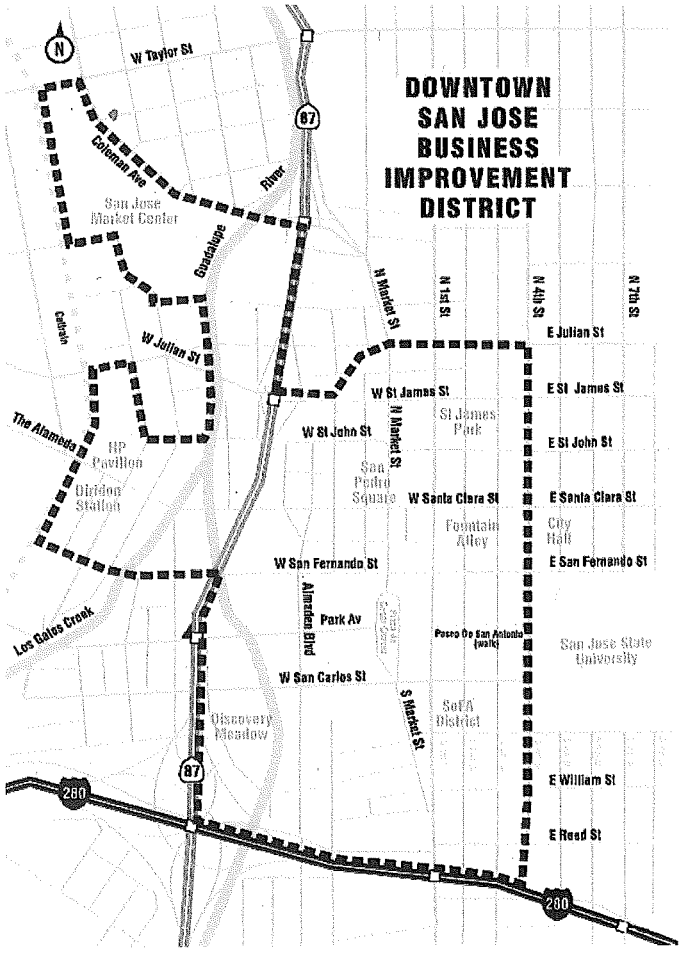
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