



COUNCIL AGENDA:
ITEM: 6-4

Memorandum

**TO: Rules and Open Government
Committee**

FROM: Councilmember Pierluigi Oliverio

SUBJECT: SEE BELOW

DATE: February 1, 2008

Approved: _____

Date: 2/1/08

RECOMMENDATION

Direct the City Attorney to draft a City Ordinance based on the state Property and Business Improvement District law, that would allow for more flexibility in forming and operating such districts. These changes should not supersede or take away from other business based districts.

BACKGROUND

The City has the ability to use its charter powers to create new financing districts that differ from state law, as long as the basic Proposition 218 requirements are followed. The City has done this previously when it adopted Chapter 14.27 of the Municipal Code authorizing Community Facilities Districts, based on the State's Mello Roos District law, but with some more flexible provisions that benefit the City and its residents.

I propose that the City take a similar approach based on the State's Property and Business Improvement District Law (PBID). While the PBID law provides a very useful tool, there are changes that can be made by adopting our own ordinance that would increase the City's and the community's flexibility in both the formation and operation of such Districts. To distinguish them from the traditional PBID, I propose to name these districts Community Benefit Assessment Districts.

I recommend that the Council direct the City Attorney's Office to draft an ordinance providing flexibility to do the following:

1. Allow the assessment to be levied on the business owners, the property owners or both, as determine for each district in the Management Plan/Engineers Report.
2. Allow the initiation of the district formation process on the submittal of a petition of 30% of the potential assesses (as opposed to 50% for a PBID)
3. Allow the formation costs to be reimbursed by the assessments, once the district is formed.
4. Allow the district to have an initial term of 15 years

The purpose for a CBD is to allow for property owners to "self fund" special services themselves. Examples of these special services could be ongoing marketing, well managed parking, community based signage, unique special events, maintenance of order in the public rights of way, development of and management of new public spaces and regular sidewalk sweeping and steam cleaning.

CBD's do not require city money. In fact, CBD's assist local city governments because the property owners take it upon themselves to raise money and spend it within their district to enhance the area.

CBD's are like business based districts except for minor differences. For one, the CBD taxes the property owners not the businesses and the CBD refers to properties that have mixed use developments. The CBD also creates an equalized financing mechanism, based upon common features of benefiting parcels, to create a sustainable revenue flow, managed at a local level. Having a good retail mix is not enough to be competitive these days. A district must be managed as a whole.

Successful **CBD's** include; Byzantine Latino Quarter, Pico Blvd/Los Angeles; El Cajon, San Diego; Castro District, San Francisco; Japantown, San Francisco; Koreatown, Oakland; Little Italy, San Diego; Chinatown, Los Angeles among numerous others throughout the United States.

Whether it is in Alum Rock, Willow Glen, West San Carlos, Japantown or other business communities, this new method of funding special services will bring new positive identity to districts and provide a sense of shared community. In order for San Jose property owners to be able to have the option of a CBD, the Municipal Code needs to be updated to allow **CBD's** to move forward in San Jose.