

CITY OF SAN LEANDRO

MEMORANDUM

Date: April 12, 2012
To: Community Development Committee
From: Chris, Zapata City Manager
Via: Luke Sims, Community Development Director
Cynthia Battenberg, Business Development Manager
By: Tim Ricard, Business Development Specialist
Subject: ISSUANCE OF A REQUEST FOR PROPOSALS FOR ASSISTANCE IN THE
ESTABLISHMENT OF A DOWNTOWN PROPERTY-BASED BUSINESS
IMPROVEMENT DISTRICT

RECOMMENDATION

City staff is recommending the Committee direct staff to issue of an RFP for a consultant to assist in the establishment of a Property-Based Business Improvement District (PBID) in Downtown San Leandro. A PBID would provide a reliable and on-going funding source for the enhanced security, maintenance and marketing of Downtown San Leandro and replace funding previous provided by the San Leandro Redevelopment Agency.

BACKGROUND AND ANALYSIS

A Business Improvement District (BID) is a defined area within which businesses pay an additional tax or fee in order to fund improvements and programs within the district's boundaries. BID parameters follow:

- A BID is initiated by local merchants. It is not a program or funding mechanism of the City, although the City plays a role in its creation.
- It cannot be formed if a majority of the businesses oppose it.
- It must be re-approved by the members themselves on an annual basis.
- The funds collected can only be used for projects within the district.
- It can be dis-established at the will of the members.

The City of San Leandro and the San Leandro Downtown Association went through the process of creating a BID in in 1999-2000. In October 1999, the City Council adopted Ordinance No. 99-030 establishing the San Leandro Business Improvement District to levy a benefit assessment on all businesses, trades, professions, and vendors within the District, the proceeds to be used for the benefit of the businesses in the Downtown area. The ordinance required that a non-profit board of directors be chartered to represent the business community in the implementation of District programs and services.

The Downtown Association became chartered as a non-profit 501 (c) (6) corporation, modifying and enhancing their bylaws to reflect the requirements of the District ordinance. The proposed Downtown BID would have raised approximately \$50,000 annually from approximately 420 downtown businesses at a rate of \$50 to \$500 a year per business. These funds were budgeted to be used for the development and implementation of a commercial marketing program, local market

advertising including a "Shop Downtown First Campaign" as well as streetscape beautification and seasonal decorations. A BID Formation Committee worked on the creation and outreach materials as well as gathering community support.

In July, 2000 the City Council unanimously authorized the City Manager to execute an agreement with the Downtown Association for the administration of the Downtown San Leandro Business Improvement District. The City of San Leandro conducted the required public hearing process and did not receive the 50% protest votes by the downtown businesses required to stop the formation of the BID. However, collection of the BID assessment was never approved by the City Council.

With the elimination of Redevelopment funding and the value of enhanced marketing, maintenance and security having been proven over the past five years, City staff has been in discussion with the Downtown Association and select property owners who would like to explore the creation of a Property-Based Business Improvement District (PBID). The Downtown Association Executive Board and property owners have requested the City's assistance in the creation of a PBID.

A PBID functions very much like a BID and is a special benefit assessment district created to raise funds within a specific geographic area. However, rather than assessing the businesses through the business license renewal or special fee, the funds are raised through a property tax assessment. Assessments are collected by the County along with the semiannual property tax bills and funds are transferred first to the City and then to the non-profit corporation or "owners association" which will manage the funds. The non-profit corporation is normally comprised of the property owners paying into the district. The PBID format eliminates the need for the City to collect the assessment through business licenses and is recommended over a BID because:

- PBIDs engage property owners – stakeholders that tend to have a long term investment and community improvement goals;
- PBIDs are administered more efficiently with a smaller and more stable base of ratepayers;
- PBID assessments are collected through property tax bills and carry the same enforcement mechanisms;
- All classes of property within a PBID must participate, including commercial, government, residential, non-profits and mixed-use;
- PBIDs can offer different levels of services by geographic benefit zones and can raise more revenue than traditional BIDs;
- The PBID petition and mail ballot processes require majority support from property owners – this provision compels greater involvement and creates a strong mandate for new services.

The process of establishing a PBID requires the formation of a Steering Committee of local property and business owners who would work with the City selected consultant to create a PBID Management District Plan (Management Plan). The Management Plan outlines the special benefit services to be funded, the term of the district, the boundaries, and the assessment methodology and identifies a formula for determining the costs to each property owner, as well as the management structure of the district. Once the Management Plan has been approved by consensus of the Steering Committee, a petition is circulated to property owners. If this petition demonstrates a 50% weighted support¹ of the property owners for the Management Plan the Steering Committee can request that the City Council adopt a "Resolution of Intent" and begin the public hearing process.

¹ Weighted Support is usually based upon one or more of the following criteria: lot size; building square footage; linear frontage on a main commercial corridor; and/or the use of the property and the specific zoning restrictions in place

Ballots then would be sent by the City to every affected property owner, who will have between 45-60 days in which to return the mail ballots. If the weighted returned ballots in support exceed those returned in opposition, the City Council can then adopt an ordinance that levies the assessments on the benefiting parcels. The City then informs the County to levy the assessments on the parcels, as per the Management Plan, for the upcoming cycle of property tax bills. The assessments will be transferred from the County to the City and to the non-profit organization (set up in Management Plan) to deliver the special benefit services to the PBID. PBID's in Charter Cities such as San Leandro can be formed and operate for up to 15 years. However, renewal through a weighted vote is required after the first five years and ten years thereafter.

The adoption of a PBID is a complicated process and the consultant must have strong legal, organizational, and political experience. Based on conversations with two qualified firms, the project is recommended to be completed in a two phase work plan. The first phase would include the consultant preparing a feasibility analysis and conducting outreach to gauge support among downtown property owners and the likelihood that the PBID would pass the weighted supportive vote. The second phase would include developing a work plan and budget, preparing legal documents including Proposition 218 ballots, developing and implementing an outreach and educational plan, conducting the campaign and formally adopting the PBID.

The estimated cost of these services is \$40,000 for phase one and \$40,000 for phase two. The FY 2012-13 draft budget includes \$40,000 for PBID consultant services and will likely need to be increased to allow the process to be accelerated and completed within the fiscal year. The budget adjustment would be included as part of the Council adoption of the Contractual Services Agreement.

The issuance of a Request for Proposals in the next few weeks would enable the sufficient time to enable Council adoption of a Consultant Services Agreement for assistance in establishment of a PBID in early July. Once a consultant is retained, the process to establish a PBID could take 12 – 24 months.

A tentative schedule follows:

April 20, 2012	Release Request for Proposals
May 11, 2012	Proposals due
June 14, 2012	Consultant Recommendation to Community Development Committee
July 16, 2012	Consultant Services Agreement to City Council
December 2012	Preliminary Assessment re: Viability of PBID due
June, 2013	Public Hearing and Council action regarding establishment of PBID
FY 2013-14	PBID Assessment collected on property tax role

Staff recommends the Committee direct staff to issue a Request for Proposals to select a consultant to assist in the formation of a Downtown Property-Based Business Improvement District.