



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Kim Welsh

**SUBJECT:** SEE BELOW

**DATE:** May 14, 2018

Approved

*D. D. S. L.*

Date

*5/25/18*

**COUNCIL DISTRICT: 3**

**SUBJECT: ADOPTION OF RESOLUTION TO APPROVE THE 2018-2019 BUDGET REPORT, TO LEVY DOWNTOWN BUSINESS IMPROVEMENT DISTRICT ASSESSMENTS FOR THE FISCAL YEAR 2018-2019 AND TO SUSPEND THE COLLECTION OF THE ASSESSMENTS FOR BUSINESSES THAT QUALIFY FOR THE BUSINESS TAX FINANCIAL HARDSHIP EXEMPTIONS UNDER THE CITY'S GENERAL BUSINESS TAX ORDINANCE**

### RECOMMENDATION

Adopt a resolution approving the Downtown Business Improvement District budget report for fiscal year 2018-2019, as filed or modified by Council, to levy the Downtown BID assessments for 2018-2019, and to suspend collection of the Downtown BID assessments for the businesses that qualify for the business tax financial hardship exemptions under the City's general business tax ordinance.

### OUTCOME

Approval of this action will result in the levy of assessments for the upcoming fiscal year of the Downtown Business Improvement District and will exempt businesses from the Downtown BID assessments if they qualify for a financial hardship exemption under the City's general business tax ordinance.

### 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, Council appointed the Downtown Association as the Advisory Board ("Advisory Board") for the BID, to advise Council on the levy of assessments in the BID and the expenditure of revenues derived from the assessments for the benefit of the BID.

Pursuant to BID Law, an annual public hearing is required in order to approve the annual budget report and levy the annual BID assessments. On May 22, 2018, the Council set June 5, 2018 at 1:30 p.m. as the date and time for the public hearing on the proposed 2018-2019 assessments. On May 22, 2018, the Council preliminarily approved the 2018-2019 budget report as filed by the Advisory Board or as modified by the City Council and adopted a resolution of intention to levy the annual assessments for fiscal year 2018-2019 in the BID. The 2018-2019 budget report submitted to the Council on May 22, 2018 is attached to this memo as Exhibit 1.

As part of its annual budget report, the Advisory Board is recommending that the Downtown BID assessments be suspended for those businesses that qualify for a financial hardship exemption under the City's general business tax as set forth in Section 4.76.345 (Financial hardship exemption for low generating small businesses) and Section 4.76.345.5 (Financial hardship exemption for small business owners with limited household incomes) of the Municipal Code.

In order to qualify, the business must be a sole proprietorship which means a business owned and operated by one person or owned and operated jointly by a husband and wife or domestic partners, without other principals or employees, where its gross receipts do not exceed the poverty level established by the Department of Health and Human Services for a single person (multiplied by 2) for the calendar year in which the assessment is due, or a small business owner where the adjusted gross income of the small business owner and the small business owner's spouse or domestic partner, added together, do not exceed the poverty level established by the Department of Health and Human Services for a single person (multiplied by 4). It is anticipated that the impact to City Finance's collection efforts of the Downtown BID will be negligible because of the small segment of downtown businesses likely to apply and be eligible for the financial hardship program.

## **ANALYSIS**

When a hearing is held under BID Law with regard to the levy of assessments of a BID, the City Council shall hear and consider all protests against the continued authorization of the BID, the extent of the area, the assessments, or the furnishing of specified types of improvements or activities. Protests may be made orally or in writing. Written protests must be filed with the City Clerk at or before the time fixed for the public hearing. BID Law requires that the proceedings shall terminate if protests are made in writing against the continued authorization of the BID by businesses or property owners in the proposed district that will pay a majority of the charges to be assessed. If the majority protest is only against the furnishing of a specified type or types of improvement or activity within the area, those improvements or activities shall be eliminated.

The Advisory Board has prepared a budget report (“report”) attached as Exhibit 1, for Council’s consideration as the proposed budget for the Downtown BID for Fiscal Year 2018-2019. 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 2018-2019, an estimate of the cost of providing the improvements and activities, and a recommendation to suspend the collection of the Downtown BID where a business qualifies for a financial hardship exemption under the City’s general business tax ordinance. The Advisory Board has recommended no change to the BID boundaries or to the method and basis for levying assessments (other than to recommend suspending the collection of the Downtown BID assessments in certain instances where financial hardship is sufficiently demonstrated). Therefore, the proposed assessments in the BID for Fiscal Year 2018-2019, unless otherwise noted, are the same as the assessments for Fiscal Year 2017-2018.

During the course or upon the conclusion of the public hearing, the City Council may order changes in any of the matters provided in the Advisory Board’s report. At the conclusion of the public hearing, the City Council may adopt a resolution confirming the report as originally filed or as modified by the Council. The adoption of the resolution constitutes the levy of the assessment for the fiscal year 2018-2019 and suspension of the BID assessments in certain instances as noted above.

### **EVALUATION AND FOLLOW-UP**

The Advisory Board will come before Council next year to present a report that proposes a budget for the 2019-2020 fiscal year.

### **PUBLIC OUTREACH**

In accordance with the BID Law, the City Clerk has published the required legal notice with regard to the levy of assessments for fiscal year 2018-2019. The budget for Fiscal Year 2018-2019 was reviewed and approved at the Advisory Board’s meeting on March 28, 2018.

This memorandum will be posted on the City’s website for the June 5, 2018 City Council agenda.

### **COORDINATION**

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

**COMMISSION RECOMMENDATION/INPUT**

No commission recommendation or input is associated with this action.

**FISCAL/POLICY ALIGNMENT**

This action is consistent with the Economic Development Strategy approved by Council, specifically Initiative No. 1, “Encourage Companies and Sectors that Can Drive the San José/Silicon Valley Economy and Generate Revenue for City Services and Infrastructure” and Initiative No. 10, “Continue to Position Downtown as Silicon Valley’s City Center.” 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 Downtown BID budget does not directly impact City revenue. The Downtown BID assessments are restricted for use exclusively by the Downtown BID. It is anticipated that a healthy Downtown Business Improvement District will encourage growth of the retail community, which indirectly generates business tax and sales tax revenue for the City. It is anticipated that the impact of the financial hardship exemption to Finance's collection efforts of the BID assessments will be negligible because of the small segment of downtown businesses likely to apply and be eligible for the financial hardship program.

**CEQA**

Exempt, File No. PP08-048.

/s/

KIM WALESH  
Deputy City Manager  
Director of Economic Development

For questions, please contact Sal Alvarez, Executive Analyst, at (408) 793-6943.

Attachments:

Downtown BID Report 2018-2019 Exhibit 1

Downtown BID Adopted Budget 2018-19 Exhibit 2

Downtown BID Map 2018-2019 Exhibit 3

March 28, 2018

**Exhibit 1**

**Downtown BID Report for Fiscal Year 2018-19**

1. The boundaries of the Downtown BID are as follows: I-280 at Fourth Street west along Reed Street to west side of Market Street to south side of Balbach Street to east side of Almaden Boulevard to continue on West Reed Street to Highway 87, Highway 87 north 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 east to Montgomery Street, west side of Montgomery Street south to south side of West St. John Street to the Guadalupe River, north along east side of the Guadalupe River to the western most set of Union Pacific Railroad tracks, north side of the Union Pacific Railroad tracks north to West Taylor Street, south side of West Taylor Street east to Coleman Avenue, southwest side of Coleman Avenue east to Highway 87, Highway 87 south to West Julian Street, both sides of West Julian Street east to First Street, south side of East Julian Street east to Fourth Street, both sides of Fourth Street south back to I-280. See Exhibit 3.
2. As of July 1, 2014, businesses that are exempt from paying the City's Business Tax under Chapter 4.76 of the San Jose Municipal Code no longer pay the Downtown Business Improvement District assessment fee. If the business qualifies for the hardship exemption for the City of San Jose Business License Tax, the business will automatically qualify for the BID assessment fee waiver.
3. The Downtown BID will assess current year BID charges only when a business within the Downtown BID already in possession of a Business License and already assessed the Business License Tax is discovered to have not been assessed the BID in previous years.
4. Improvements and activities for FY 2018-19: See Exhibit 2
5. An estimate of the total cost of providing the improvements and activities for fiscal year 2018-19 is approximately \$3,679,000. Estimated BID funds of \$760,000 contribute to total program and staffing costs. Additional costs estimated at \$2,919,000 are paid through Downtown Association revenue raised by programs and activities, projected City of San Jose contract services, and other sources.

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

CATEGORY	PROPOSED RATE
I. Retail	\$29.04 per FTE/\$264 min.
II. Non-Retail	\$19.35 per FTE/\$185 min.
III. Apartments & Hotels	\$7.92 per room/\$264 min.
IV. Parking Lots	see commercial landlord
V. Non-profits	\$100
VI. Independent Contractors/Rolling Vendors	\$55
VI. Commercial Landlords/Parking Lots	
Less than 10,000 square feet	\$440
10,001 to 50,000 square feet	\$990
50,001 to 100,000 square feet	\$1,540
More than 100,000 square feet	\$2,200

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.

7. It is estimated that there will be \$30,000 carryover in the BID fund from current fiscal year 2017-18.
8. Total Downtown Association program and staffing costs are funded by the following sources of revenue, in addition to assessment district revenue of \$760,000: Downtown Association program and activity, expected Office of Economic Development contract services and other revenue sources (estimated): \$2,919,000.

**Downtown  
Business Improvement District  
FY 2018-19 Budget**

**Exhibit 2**

<b>REVENUE</b>	<b>Amount</b>
BID FY 2018-19 (Estimated)	730,000
Carryover from FY 2017-18	30,000
<b>Total Revenue</b>	<b>\$ 760,000</b>
<b>EXPENSE</b>	
Operating / Administration	210,000
Live and Local	9,000
Ice Rink	100,000
Farmers' Market	45,000
Music in the Park	60,000
Dine Downtown	30,000
Marketing and Advertising	76,000
Communications/Publicity	76,000
Parking Promotions	10,000
District Promotions (SoFA, San Pedro Square, Historic)	21,000
Downtown for the Holidays	20,000
Membership & Partnership Services	36,000
Planning, Research & Advocacy	57,000
Partner Programs Public Space Activation	10,000
<b>Total Expenses</b>	<b>760,000</b>

**Notes:**

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

DOWNTOWN SAN JOSE

BUSINESS  
IMPROVEMENT  
DISTRICT (BID)

July 2013

