



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Matt Cano  
John Ristow

**SUBJECT:** SEE BELOW

**DATE:** May 23, 2022

Approved

Date

**5/25/2022**

**COUNCIL DISTRICTS: 3 & 6**

**SUBJECT: RENEWAL OF DOWNTOWN SAN JOSE PROPERTY-BASED BUSINESS  
IMPROVEMENT DISTRICT**

## **RECOMMENDATION**

- a. Conduct a public hearing for the expansion and renewal of a Property-Based Improvement District (PBID) in Downtown San José and authorize the City Clerk to tabulate the ballots.
- b. Adopt a resolution by the City Council, as the property owner of parcels within the proposed PBID, authorizing the execution of a ballot in favor of the expansion and renewal of the Downtown San José PBID and the imposition of an assessment in the amount of \$748,264 with annual increases of up to 5% for all parcels and up to an additional 5% on Commercial and Enterprise Government parcels over the next nine years.
- c. Direct the City Clerk to report the results of the tabulation of ballots.
- d. In the event that the PBID is approved by a majority of weighted assessments of property owners, adopt a resolution by the City Council:
  1. Approving the PBID Management District Plan and Engineer's Report;
  2. Approving and imposing the respective assessments; and
  3. Directing the Director of Public Works to deliver the assessment role to the County of Santa Clara for collection with the property taxes.

## **OUTCOME**

If approved by the property owners, expansion, and renewal of the PBID would result in the continuation and new assessment of properties within the district boundaries to pay for enhanced services and activities through Clean Teams, Social Impact Team, Safety Ambassadors, Beautification and Streetlife programs, business development, communications, and service innovation/special projects for a 10-year period from January 1, 2023 to December 31, 2032.

## **BACKGROUND**

At the April 19, 2022 City Council meeting, property owners representing 66.94% of the weighted assessments of the properties within the boundary of the proposed PBID submitted petitions to support expansion and renewal of the PBID, satisfying the required 50% minimum threshold under California law.

In response to the petitions submitted, the City Council adopted Resolution No. 80470:

- Stating its intent to expand and renew the PBID;
- Preliminarily approving the PBID Management District Plan and Engineer's Report; and
- Setting a public hearing and calling an election for tabulation of the ballots on June 7, 2022.

The mailing of ballots, supplemental information on expansion and renewal of the PBID, and notice of hearing was completed on April 21, 2022, meeting the legal requirement of 45 days before the June 7, 2022 public hearing. Staff has been available for any property owner inquiries and property owners should have been submitting ballots to the City Clerk. The notice of public hearing was published in the *San José Post Record* on April 21, 2022.

## **ANALYSIS**

### **District Services and Budget**

The assessments to be collected by the proposed PBID are anticipated to provide for enhanced services in the Downtown area above and beyond those currently provided by the City of San José (City) and would specially benefit parcels within the district. Table 1 outlines the services and proposed PBID budget for its first year of operation in the third term as shown in the Management District Plan and Engineer's Report:

**Table 1**

<b>EXPENDITURES</b>	<b>TOTAL BUDGET</b>	<b>% OF BUDGET</b>
Environment (Clean, Safe, Beautiful)	\$4,110,000	77.84%
Economic Vitality	\$570,000	10.80%
Management and Advocacy	\$600,000	11.36%
Total Expenditures	\$5,280,000	100.00%
<b>REVENUES</b>	<b>TOTAL BUDGET</b>	<b>% OF BUDGET</b>
Assessment Revenues	\$4,685,540	88.74%
Other Revenues* - General Benefit	\$92,747	1.76%
Other Revenues* - City Base Level Services	\$501,713	9.50%
Total Revenues	\$5,280,000	100.00%

\* General Benefit includes contribution of \$46,500 from City and \$46,247 from other San José Downtown Association (SJDA) sources.

These services are described in more detail in the PBID Management District Plan (Attachment A – PBID Management District Plan) and Engineer’s Report (Attachment B – PBID Engineer’s Report) which are on file in the City Clerk’s Office and are posted on the City’s website for the June 7, 2022 City Council meeting agenda.

### **District Boundaries, Zone of Service, and Assessment Rates**

The map outlining the proposed PBID area (Attachment C – PBID Boundary Map) and new single zone of benefit is included in the Management District Plan and Engineer's Report. The current PBID encompasses the core of the Downtown area and is bounded roughly by:

- Fourth Street, the San José State University campus, and the City Hall complex to the east
- St. James and Devine streets to the north
- Highway 87 and the Arena complex to the west
- Market and First streets to Reed Street to the south

Over the years, the downtown has experienced growth in areas that are adjacent to the current PBID boundary. Also, most of the proposed expansion areas are already a part of the Downtown Business Improvement District (BID), which is a separate downtown assessment district also administered by the SJDA and has been a point of confusion for some businesses that are part of the BID but not the PBID, and in turn only receive certain SJDA services. The proposed expansions will rectify some of this discrepancy. The renewed PBID would continue to include the current area as defined above and is proposed to expand to an area roughly bounded by Fourth and Seventh streets, and the City Hall complex to the east; Bassett Street and the Arena complex to the north; Highway 87 and the Arena complex and Diridon Station to the west; and Almaden Boulevard, First and Second streets to Highway 280 to the south.

The original PBID was allocated into two benefit zones, with the premium zone receiving a higher level of PBID services than the basic zone. Pedestrian activity has expanded beyond the traditional downtown core, plus some parts of downtown most in need of clean and safe services are in areas not currently within the existing premium zone. The renewed PBID proposes a single benefit zone to establish more reliable and consistent service throughout the district. Table 2 provides the assessment rates based on land use.

**Table 2**

<b>LAND USE</b>	<b>LOT + BLDG SQ.FT.</b>
Commercial/Enterprise Government	\$0.1339
Residential*/Nonprofit/Traditional Government	\$0.1083

\* Properties zoned solely for residential use are not subject to the assessment.

The following information represents four examples of special assessments on a range of property types and sizes within the single proposed zone based upon the above rates:

- Residential condominium - \$198.84 per year  
436 square foot lot and 1,400 square foot building
- Small retail building - \$739.66 per year  
2,200 square foot lot and 3,324 square foot building
- Large retail building - \$5,698.78 per year  
12,200 square foot lot and 30,360 square foot building
- High rise office building - \$35,610.70 per year  
56,250 square foot lot and 209,700 square foot building

If the PBID is expanded and renewed, assessments at the rates in Table 2 will be submitted to the Santa Clara County Tax collector in August 2022 for collection through property tax bills in fiscal year 2022-2023 for funding to be available immediately following the expiration of the existing PBID on December 31, 2022. Properties that do not receive tax bills will be invoiced directly by the City under the same billing schedule. The assessment may be adjusted annually to keep pace with the applicable consumer price index and other program costs consistent with the Management District Plan and Engineer's Report. The PBID assessment budget for PBID services may increase by no more than 5% of the prior year's assessment budget on an annual basis. Assessments for Commercial and Enterprise Government parcels may be increased up to an additional 5% with those revenues specifically allocated to a capital reserve account to fund/augment Beautification and Street Life programs, including matching funds or leveraging capital improvement projects. Actual budgets and increases will be determined by the PBID Property Owners' Association Board of Directors (Board) and formally approved by the City Council annually.

### **Public Hearing and Next Steps**

At the June 7, 2022 meeting, the City Council will conduct a public hearing to receive public testimony and consider objections or protests to the proposed assessment. A final call for any ballots to be submitted in person is required prior to the close of the public hearing. In addition, City Council will cast a ballot as property owner in favor of or opposed to the expansion and renewal of the PBID. Staff recommends a vote in favor of expansion and renewal to continue to leverage City resources with private investment to help make Downtown San José a cleaner, safer, and more attractive place for businesses and residents.

At the close of the public hearing, the City Council will conduct a form of an election called an assessment ballot proceeding whereby property owners within the district cast ballots in favor of or opposed to the assessment, with votes weighted by the amount of the proposed assessment on each parcel. The City Clerk tabulates the ballots. The assessment can only be implemented if affected property owner protests do not outweigh the ballots cast in favor of the assessment (simple majority).

If the City Council votes to approve the district, it effectuates the approval by adopting a resolution that declares the ballot tabulation results; approves the PBID Management District Plan and Engineer's Report; and imposes the assessments on those properties within the PBID. The City Manager, or designee, was delegated authority by City Council on April 19, 2022 to negotiate an agreement with the San José Downtown Association for the management of the district, provision of enhanced and baseline services, transfer of funds, and annual reporting for approval by the City Council.

## **CONCLUSION**

At the close of the public hearing, the City Clerk will tabulate property owner ballots. Ballots are weighted by the amount of the proposed assessment on each parcel. The assessment can only be implemented if affected property owner protests do not outweigh the ballots cast in favor of the assessment (simple majority) and City Council taking final legislative action renewing the PBID.

## **EVALUATION AND FOLLOW-UP**

If the PBID is renewed, staff will bring forward an agreement, as described above, in the fall of 2022 prior to the commencement of the renewed PBID in January 2023. The agreement will establish the regular reporting requirements of the PBID to the City Council. In addition, the City will retain two representatives appointed by the City Manager on the Board to represent the City as a property owner in the district. The current Board is made up of 11 members representing various property types within the district. Increasing the Board to 13 members is also under consideration.

## **CLIMATE SMART SAN JOSE**

The recommendation in this memorandum has no effect on Climate Smart San José energy, water, or mobility goals.

## **POLICY ALTERNATIVES**

**Alternative:** *Do not support renewal of the Property-Based Improvement District*

**Pros:** The City may save money in the short term by not participating in the PBID.

**Cons:** San José's Downtown area will not receive the desired level of enhanced services, including cleaning activities, information and safety services, beautification enhancements, and the overall cleanliness conditions in Downtown will revert to unacceptable levels.

**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**

This memorandum will be posted to the City's website for the June 7, 2022, City Council meeting. A Notice of Public Hearing and ballots were mailed to all property owners within the proposed PBID on April 21, 2022, and the Notice of Public Hearing was published on April 21, 2022.

## **COORDINATION**

This memorandum has been coordinated with the Department of Planning, Building and Code Enforcement, the City Attorney's Office, and the City Manager's Office Budget Office.

## **COMMISSION RECOMMENDATION/INPUT**

No commission recommendation or input is associated with this action.

## **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 and is consistent with the City Council-approved Budget Principle in that it utilizes special assessments for enhanced services.

## **COST SUMMARY/IMPLICATIONS**

If approved, the City will contribute \$1,290,582 to the PBID for the first full calendar year beginning January 1, 2023 as described in this memo, consisting of \$742,369 in assessments on City-owned land, \$435,713 for baseline services, \$66,000 for additional services, and \$46,500 for General Benefit. The funding is provided as a transfer from the General Fund to the PBID Fund, except for assessments of \$77,447 from the General-Purpose Parking Fund. New costs associated with this agreement are for the assessments on City-owned land that will be added as part of the expanded boundaries of the PBID (\$53,907), the additional services for the downtown area (\$66,000), and a portion of the General Benefit services that are provided by the PBID (\$46,500). The costs that will be recommended in the 2022-2023 Proposed Operating Budget scheduled for release on May 2, 2023 are based on prorated amounts of the above costs since the PBID's proposed budget is based on the calendar year while the City's fiscal year spans from July 1 to June 30 and will consist of \$650,694 in assessments on City-owned land, \$415,357 for baseline services, \$33,000 for additional services, and \$23,250 for General Benefit.

The PBID assessment budget for services may increase by no more than 5% of the prior year's assessment budget on an annual basis. In addition, assessments for Commercial and Enterprise

HONORABLE MAYOR AND CITY COUNCIL

May 23, 2022

**Subject: Renewal of Downtown San Jose PBID Improvement District**

Page 7

Government parcels may be increased up to an additional 5%. Baseline services and the General Benefit contribution will be adjusted annually by the Consumer Price Index.

### **CEQA**

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment and File No. PP17-004, Government Funding Mechanism or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the Environment.

/s/  
MATT CANO  
Director of Public Works

/s/  
JOHN RISTOW  
Director of Transportation

For questions please contact Thomas Borden, Program Manager, Department of Public Works, at (408) 535-6831.

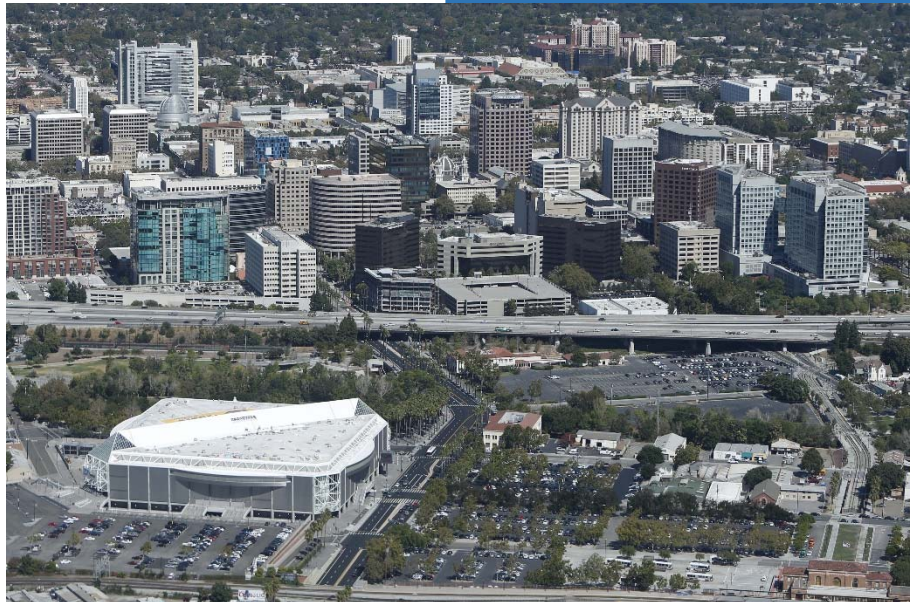
#### Attachments:

- A: PBID Management District Plan
- B: PBID Engineer's Report
- C: PBID Boundary Map

# Downtown San José

## Property-Based Business Improvement District

# Management District Plan



City of San José, California

March 17, 2022

Prepared by:  
Kristin Lowell, Inc. and  
Progressive Urban Management Associates

*Prepared pursuant to the State of California  
Property and Business Assessment District Law of 1994  
and Article XIID of the California Constitution.*



# **DOWNTOWN SAN JOSÉ**

## **Property-Based Business Improvement District Management District Plan**

### **Table of Contents**

<b><u>SECTION</u></b>	<b><u>Page Number</u></b>
1. Executive Summary .....	1
2. Why Renew the PBID? .....	5
3. PBID Boundary .....	7
4. PBID Activity and Improvement Plan.....	10
5. PBID Assessment Budget.....	15
6. Assessment Methodology .....	17
7. PBID Governance .....	22
8. Implementation Timeline .....	23

### **ATTACHMENTS**

- A. Assessment Roll
- B. Engineer's Report
- C. Base Level Services Agreement
- D. Strategic Plan

## **SECTION 1: EXECUTIVE SUMMARY**

The Downtown San José Property-Based Business Improvement District (“PBID”) was first established in 2007, renewed in 2012, and property owners now desire to renew it again for an additional 10-year term. Developed by the renewal steering committee consisting of several property owners in the district, the PBID Management District Plan (“MDP”) responds to today’s market opportunities, district challenges, future developments, and the evolving needs of the downtown community.

In 2020, the San José Downtown Association (“SJDA”), the management organization for the PBID, approved a Stabilization Plan that helped guide the organization through the impacts of the Covid pandemic and laid the early groundwork for the PBID renewal. While the plan provided near-term recommendations to quickly respond to the pandemic, it also offered a framework for how the PBID should evolve in the longer-term. Chief amongst these longer-term recommendations was that the PBID should be reorganized into two complementary and mutually-supportive activity centers – Environment and Experience, providing clean, safe, and beautiful services as well as economic development, addressing the unhoused population, capital improvements, and public realm activations/street life projects.

To expand upon the recommendations of the Stabilization Plan, the SJDA approved a Strategic Plan (“Plan”), Attachment C, that further outlined the parameters of the PBID renewal. The Plan was completed during the first half of 2021 and included extensive outreach with downtown property and business owners, residents, service partners including city staff and other stakeholder groups. The four key principles that guide the framework for the MDP and the PBID renewal are.

- Clean and safe is fundamental
- Think boldly and be an innovator
- Adaptable, responsive, flexible
- Broaden services beyond clean and safe

Key changes for the PBID include:

- Add more resources to clean and safe services, including a new social impact component.
- Move toward a single premium level of enhanced services through the district.
- Add capability in the areas of beautification, business support, communications, and service innovation.
- Build flexibility into the design of the PBID to allow for changes anticipated from new development and unforeseen economic shifts.

### ***Summary Management District Plan***

Pursuant to the Property and Business Improvement District Law of 1994 (California Streets and Highways Code § 36600 et seq.) (the “PBID Law”), the PBID is proposed to be renewed for a 10-year term. Upon receipt of petitions signed by property owners representing greater than 50% of the PBID budget, the City will initiate a ballot procedure to officially renew the PBID. Governed by an Owners’ Association, the PBID will deliver enhanced services to improve and convey special benefits to properties located within the PBID boundary, above and beyond those provided by the City.

<b>Location</b>	<p>The PBID encompasses the core of the downtown area roughly bounded by 4<sup>th</sup> and 7<sup>th</sup> Streets, the San José State University campus and City Hall complex to the east, East Julian and the arena complex to the north, Highway 87 and the arena complex and Diridon Station to the west, and Almaden Blvd, 1<sup>st</sup> and 2<sup>nd</sup> Streets to Hwy 280 to the south. (See Section 2 for PBID boundary map)</p> <p>During the strategic planning and PBID renewal process expansion of the existing PBID boundary was explored to expand into adjacent downtown areas that have or will have new development and pedestrian traffic. As part of this PBID renewal 5 expansion areas are proposed for inclusion: North San Pedro/North St. James Park; East Santa Clara/St. John; SoFA East; SoFA West; and Downtown West South.</p>
<b>Services &amp; Activities</b>	<p>The PBID will finance services that will enhance the environment and experience within the downtown for property owners, businesses, residents, employees, and visitors, including:</p> <p><b><u>Environment:</u></b></p> <ul style="list-style-type: none"><li>• <b>Clean Team</b> that provides sidewalk pressure washing, responding to “hot spot” service calls, removing trash and debris from sidewalks, curb lines, and gutters, emptying public trash receptacles, and removing graffiti.</li><li>• <b>Social Impact Team</b> to work with the unhoused population and coordinate efforts with other social service providers and City and County services to mitigate the impact of homelessness for all in downtown, including the unhoused.</li><li>• <b>Safety Ambassadors</b> that greet and provide information to downtown pedestrians and ground floor businesses, reporting messes and graffiti tags, reporting misdemeanor crime, promoting downtown events, responding to loitering calls, and providing safety escorts.</li><li>• <b>Beautification and Street Life</b> including street tree planting and trimming, the planting and maintaining planters, hanging baskets, and in-ground landscaping sites.</li></ul> <p><b><u>Economic Vitality:</u></b></p> <ul style="list-style-type: none"><li>• <b>Business Development</b> activities to fill vacant storefronts, data analysis, and other activities that focus on small business support and activation.</li><li>• <b>Communication</b> activities to keep ratepayers informed, clarify how to access services, and explain the benefits of the program.</li><li>• <b>Service Innovation/Special Projects</b> activities to ensure that Downtown is employing and creating best practices in downtown management and has the capacity to be a leader in shaping Downtown’s future experience and environment.</li></ul> <p><b><u>Management &amp; Administration:</u></b></p> <ul style="list-style-type: none"><li>• <b>Management &amp; Administration</b> activities that manage the PBID programs, communicates with stakeholders and advocates on behalf of the district.</li></ul>

Method of Financing	Levy of assessments upon real property that receive a special benefit from enhanced services.																														
Budget	<p>Total PBID budget for its first year of operations in the renewal term is <b>\$5,280,000</b>, as follows:</p> <table><tr><th>EXPENDITURES</th><th>TOTAL BUDGET</th><th>% of Budget</th></tr><tr><td>Environment (Clean, Safe, Beautiful)</td><td>\$4,110,000</td><td>77.84%</td></tr><tr><td>Economic Vitality</td><td>\$570,000</td><td>10.80%</td></tr><tr><td>Management and Advocacy</td><td>\$600,000</td><td>11.36%</td></tr><tr><td><b>Total Expenditures</b></td><td><b>\$5,280,000</b></td><td><b>100.00%</b></td></tr><tr><th>REVENUES</th><th></th><th></th></tr><tr><td>Assessment Revenues</td><td>\$4,685,540</td><td>88.74%</td></tr><tr><td>Other Revenues* - General Benefit</td><td>\$92,747</td><td>1.76%</td></tr><tr><td>Other Revenues* - Base Level Services Agrmt</td><td>\$501,713</td><td>9.50%</td></tr><tr><td><b>Total Revenues</b></td><td><b>\$5,280,000</b></td><td><b>100.00%</b></td></tr></table> <p>(1) Other Revenues: An allowance is made for general benefits that the PBID may provide to either the parcels outside the district boundary or to the public at large. Any PBID services that are found to provide general benefit cannot be paid for with assessment revenue. A certified engineer has estimated that the general benefit from services accounts for \$92,747 of the estimated budget. In addition, the City will contribute \$501,713 through its base level services agreement. Therefore, the net assessment budget is \$4,685,540.</p>	EXPENDITURES	TOTAL BUDGET	% of Budget	Environment (Clean, Safe, Beautiful)	\$4,110,000	77.84%	Economic Vitality	\$570,000	10.80%	Management and Advocacy	\$600,000	11.36%	<b>Total Expenditures</b>	<b>\$5,280,000</b>	<b>100.00%</b>	REVENUES			Assessment Revenues	\$4,685,540	88.74%	Other Revenues* - General Benefit	\$92,747	1.76%	Other Revenues* - Base Level Services Agrmt	\$501,713	9.50%	<b>Total Revenues</b>	<b>\$5,280,000</b>	<b>100.00%</b>
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Assessments	<p>Commercial and enterprise government properties fully benefit from all the PBID activities, and their annual assessments are based upon an allocation of program costs and a calculation of lot square footage plus building square footage.</p> <p>Residential uses, traditional government and other non-commercial properties do not benefit to the same degree as commercial and enterprise government and pay an assessment rate commensurate with the special benefits each individual assessed parcel receives.</p> <p>Estimated annual maximum assessment rates for the first year of the renewed PBID are as follows:</p> <table><tr><th>Land Use</th><th>Lot + Bldg Sq.Ft.</th></tr><tr><td>Commercial/Govt Enterprise</td><td>\$0.1339</td></tr><tr><td>Res/Nonprofit/Govt Traditional</td><td>\$0.1083</td></tr></table>	Land Use	Lot + Bldg Sq.Ft.	Commercial/Govt Enterprise	\$0.1339	Res/Nonprofit/Govt Traditional	\$0.1083																								
Land Use	Lot + Bldg Sq.Ft.																														
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Increases	Assessments will be subject to an annual increase of up to 5% per year to address changes in the cost of providing the PBID services identified above. In addition, assessments for Commercial and Enterprise Government parcels may be increased up to an additional 5% with those revenues being specifically allocated to a capital reserve account to fund/augment the Beautification and Street Life services, including matching funds or leveraging capital improvement projects The																														

	determination of annual adjustments in assessment rates will be subject to review and approval by the PBID Owners' Association and City Council and will be subject to the requirements of the PBID Law. The Owners' Association will develop annual budgets and service programs each year which will be presented to the City Council for approval.
<b>City Services</b>	The City has established and documented the base level of pre-existing City services. The PBID will not replace any pre-existing general City services.
<b>Collection</b>	PBID assessments appear as a separate line item on the annual Santa Clara County property tax bills.
<b>District Governance</b>	The PBID will be managed by a nonprofit organization that will act as the PBID Owners' Association. The Owners' Association will be governed by a Board of Directors comprised of a majority of PBID property owners. The Board will determine PBID annual services and budgets.
<b>District Formation</b>	The PBID Law requires the submission of petitions signed by property owners in the proposed district who will pay more than 50% of the total assessments (i.e., petitions must represent <b>more than 50% of the \$4,685,540</b> to be assessed). Petitions are submitted to the City, who then mails ballots to all assessed property owners. The majority of ballots returned, as weighted by assessments to be paid, must be in favor of the PBID for the City Council to approve renewal.
<b>Duration</b>	<p>The renewed PBID term will run from January 1, 2023 through December 31, 2032. Any subsequent renewal of the PBID will require a new Management District Plan, petition, and ballot process.</p> <p>To build in flexibility and adapt to new developments and economic conditions this PBID renewal will incorporate opportunities to further consider boundary adjustments and shifting resources within PBID service areas midstream, rather than waiting another ten years. A five-year "check in" will require an assessment of Downtown development, market influences, and place management needs. Anticipated changes to Downtown San José over the next decade are simply too great to lock into a restrictive, ten-year plan and budget.</p>

## SECTION 2: WHY RENEW THE PBID?

Throughout the strategic planning process with stakeholder input, the need for renewing and continuing the success of the Downtown San José PBID was clear. The four guiding principles that stakeholders expressed as paramount for the PBID renewal are:

**1. Clean and safe is fundamental:**

The clean and safe operations provided through Groundwerx are fundamental and need to be strengthened and properly resourced for the PBID's next ten-year term (2022-2031). Safety is the clear top priority of downtown ratepayers and stakeholders. Homelessness challenges continues to grow in downtown. Taking care of the fundamentals remains foundational to downtown's success.

**2. Think boldly and be an innovator:**

This is the opportunity, through the PBID renewal process, to think broader and bolder when it comes to the role of the PBID. Since inception, the PBID has been narrow in scope by design. As the Stabilization Plan explained, PBID services are critically important to downtown San José's future. This means thinking more expansively about what the PBID can fund and achieve and becoming an innovator in addressing needs and challenges in downtown.

**3. Adaptable, responsive, flexible:**

The PBID will need to have the ability to shift resources over time. With a wave of development rising in downtown San José, locking itself into a ten-year plan for the length of the renewal term will require flexibility. Over the last two years of the Covid pandemic downtown saw how quickly challenges can arise, and the PBID will need to offer flexibility to respond to economic, environmental, and social conditions as they change.

**4. Broaden services beyond clean and safe:**

- Social impact: The growing unhoused population in downtown is a priority for ratepayers. Through renewal, the PBID has an opportunity to take a more proactive approach in addressing disruptive behaviors in the district and expediting the process of getting people moved off the street and into supportive services.
- Economic development: Establishing storefront vitality and office retention/recruitment is a service that the PBID can, and should, expand its focus on as downtown recovers from the pandemic's impact on small businesses, storefronts, and the office sector.
- Beautification and place activation: While core greening and beautification efforts should be continued, the PBID has an opportunity to evolve/expand its work in activating public spaces as a continuation of the Street Life program.
- Communications and storytelling: The PBID, SJDA, and ratepaying property owners would all benefit from bolstered communications dedicated to the PBID. This is different from SJDA's existing communications that are predominantly focused on marketing and promotions. A PBID communications service would instead focus primarily on communicating what the PBID is, what its services are, and how ratepayers can best utilize it as a tool and resource.

### ***Process to Establish the Management District Plan***

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To form the MDP for the continuation of the PBID, extensive outreach with downtown property and business owners, residents, service partners including city staff and other stakeholder groups was initiated in the Spring of 2020 with the framework of the Stabilization Plan which was further expanded upon with community input on the 2021 Strategic Plan. The key steps to establish the MDP included:

1. **PBID Board Oversight:** To guide the consultant team and test PBID concepts, the Downtown San José Property Owners' Association board of directors has served as the PBID Renewal Committee.
2. **One-On-One and Focus Group Meetings with Property Owners:** Both staff and consultants conducted extensive one-on-one and focus group meetings with property owners located throughout the PBID study area.
3. **City Base Level of Services:** Concurrent with the property and business owner outreach process to develop the PBID MDP, meetings were held with City staff to develop an accounting of current city services and a policy commitment to continue these services through the duration of the PBID. A letter from the City Manager identifying current city services and an intention to continue these services and/or payments in lieu of services is needed. It is the intention of the PBID to provide the services and financial commitment outlined in the MDP; however, to the extent the City reduces its services and/or financial commitment to downtown, the PBID may also reduce its services and financial commitment by the same proportional amount. (See Attachment C)
4. **Plan Review & Final Plan:** The draft PBID MDP and budget were reviewed by the PBID board of directors and individual property owners. All assessed property owners were invited to a public forum in February of 2022 to review the plan. Input from this and other meetings led to the completion of the final plan.

## SECTION 3: PBID BOUNDARY

### *PBID Boundary*

The original PBID boundary encompassed the core of the downtown area roughly bounded by 4<sup>th</sup> Street, the San José State University campus and City Hall complex to the east, St. James and Devine Streets to the north, Highway 87 and the arena complex to the west, and Market and 1<sup>st</sup> Streets south to Reed Street. However, over the course of the last fifteen years, downtown has experienced growth in areas that were adjacent to the old PBID boundary that are now recommended to be included.

1. North San Pedro/North St. James Park: Transformation of this area is well-underway as it has experienced a great amount of high-intensity residential development in recent years. There are more city blocks under development in this zone than anywhere else Downtown. As these developments complete, pedestrian activity is expected to be high throughout this area.
2. East Santa Clara/St. John: Santa Clara Street is the primary east-west gateway into Downtown that will benefit from consistency of services up to 7<sup>th</sup> Street. There is also some development pushing north from the Santa Clara corridor up to St. John Street. St. John Street is also a common corridor for the unhoused population and could benefit from Groundwerx services.
3. SoFA East: Incorporates the SoFA district more comprehensively into the PBID by adding in the 2<sup>nd</sup> Street corridor. It also adds parcels on the south side of Reed Street where significant development is anticipated, in turn creating a clearer delineation in the boundaries at the interstate overpass.
4. SoFA West: Incorporates an addition along Almaden Boulevard and Almaden Avenue, to maintain continuity of service along this corridor in anticipation of upcoming growth.
5. DoWe South: Incorporates Diridon Station into the PBID, along with one of its main pedestrian east-west connections into Downtown (San Fernando Street). Further, it includes both sides of San Fernando Street to ensure full service along the corridor. This expansion also captures a portion of the first phase of Google's future development. Given the phasing and timeline for Google's campus, further expansion on the west side of the PBID should take place during the next renewal in ten years, or at a five-year midpoint check-in.

Most of the proposed PBID expansion areas are already a part of the Business Improvement District (BID) – a separate downtown assessment district also formed and administered by SJDA. This has been a point of confusion for some businesses that have been a part of the BID but not the PBID, and in turn only receive certain SJDA services (i.e., marketing but not clean and safe). The proposed expansions will rectify some of this discrepancy.

The renewed PBID boundary, which includes the old boundary plus the expansion areas, is roughly bounded by 4<sup>th</sup> and 7<sup>th</sup> Streets, the San José State University campus and City Hall complex to the east, East Julian and the arena complex to the north, Highway 87 and the arena complex and Diridon Station to the west, and Almaden Blvd, 1<sup>st</sup> and 2<sup>nd</sup> Streets to Hwy 280 to the south.

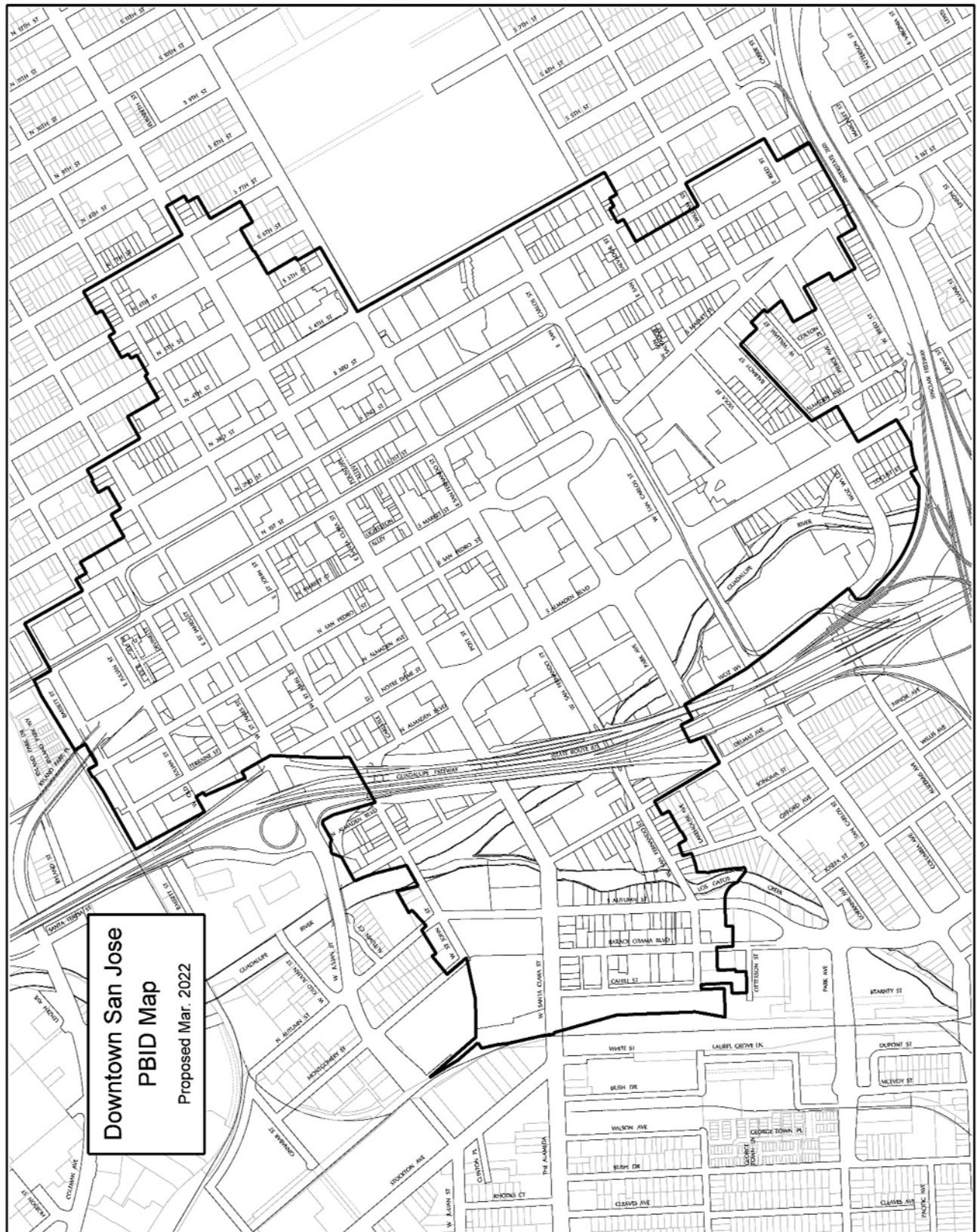


## ***Single Benefit Zone***

The original PBID was allocated into two benefit zones (Premium and Basic) to reflect the level and frequency of deployed PBID services. The Premium Zone, which received the highest level of PBID services, was the core of downtown with the highest concentration of commercial development and pedestrian traffic. It was roughly bounded by St. John to the north, Almaden Blvd to the west, 1<sup>st</sup> and Reed Streets to the south, and 4<sup>th</sup> Street to the east. The Basic Zone, which received a lower level of service than the Premium Zone, was all the remaining parcels in the PBID boundary. The Basic Zone included areas east of 4<sup>th</sup> Street, north of St. John and west of Almaden Blvd.

As the footprint and development of downtown has changed over the course of the last 10 years, so should the PBID deployment of services. It is recommended that the premium service level be expanded beyond the PBID's current configuration of zones. Expanded premium service levels establish more reliable and consistent service throughout the core of Downtown. Pedestrian activity has expanded beyond the traditional core that was the impetus for the existing Premium Zone over a decade ago. Some of the parts of downtown most in need of clean and safe services are in areas not currently within the Premium Zone, such as those surrounding St. James Park and City Hall. Creating a single premium level of service throughout the district will allow the PBID to best address downtown's demands and challenges. The northern and western edges of the PBID are going through dramatic transformation and are experiencing ongoing growth in pedestrian activity and development density. Establishing a single benefit zone also eliminates what has at times been a confusing difference in service level between the existing Premium and Basic zones to ratepayers, simplifying and clarifying the PBID's model and services.

*A map of the proposed district boundary is on the following page.*



## SECTION 4: PBID ACTIVITY AND IMPROVEMENT PLAN

### *Background and Feasibility*

The initial 2007 PBID was created with a narrow focus on clean, safe, and green services. This included the Groundwerx cleaning and ambassador programs, maintaining planters around downtown, tree trimming, and decorative lighting. Business development and the Secondary Employment Unit were added to the PBID during its 2012 renewal. In 2014 the PBID debuted a Street Life Plan and hired a Street Life Manager (through a partnership with the Knight Foundation that provided the PBID a five-year grant).

During the extensive outreach of the Strategic Planning process, it became clear that not only did the PBID need to expand upon its existing services but implement additional services to address the current challenges and needs in downtown, i.e., services relating to the unhoused population, place more emphasis on activating downtown spaces and beautifying them, and add additional business support and communication services.

Based upon these recommendations the renewed PBID will focus on:

- ◆ Environment (Clean, Safe, and Beautiful)
- ◆ Economic Vitality

The following narrative provides recommendations for the first year of the renewed PBID's operation. District activities may be amended in subsequent years within the following general categories. Final activities and budgets will be subject to review and approval by the PBID Owners' Association prior to City Council approval.

### *Environment*

To respond to stakeholder priorities and guiding principles to make the downtown safer, cleaner and more beautiful, the renewed PBID will fund an expansion of the existing Groundwerx cleaning and ambassador program and implement additional services. The following is a multi-dimensional approach to execute aforementioned principles.

#### **Clean Team:**

The Clean Team consistently deals with maintenance issues within the PBID by providing the following cleaning and maintenance activities:

- **Sidewalk Maintenance:** Uniformed, radio-equipped personnel provide sidewalk pan and broom, removing trash and debris from sidewalks, curbs and gutters as well as public spaces of the PBID, and clean all sidewalk hardscape such as trash receptacles, benches, and parking meters.
- **All-Terrain Litter Vacuum (ATLV):** The ATLV sweeps and cleans the gutters and protected bike lanes as well as removing leaves that clog up the storm drains.



- **Trash Collection:** Collector truck personnel picks up trash from sidewalk trash receptacles as needed. They are also dispatched to collect large bulky items illegally dumped in the PBID.
- **Sidewalk Pressure Washing:** Pressure wash all sidewalks and public spaces on an as needed basis with areas of high pedestrian traffic receiving the highest concentration and respond to “hot spot” services calls.
- **Graffiti Removal:** Groundwerx can remove graffiti using solvent and pressure washing. The PBID will maintain a zero-tolerance graffiti policy. All tags will aim to be removed within 48 hours of notification.



The table below is the projected deployment schedule for the Clean Team:

Clean Team:	Coverage
Pressure Washing	6-12 times/year
Mechanical Cleaning	Daily As Needed
Pan & Broom	20 Hours Daily
Graffiti Removal	Daily As Needed
All-Terrain Litter Vacuum (ATLV)	Daily and As Needed
Light Landscape/Weed Removal	As Needed
Maintenance of PBID funded beautification elements	Landscape Watering 5 Days/week
Special Projects	As Needed
Tree trimming	Approx ¼ of street trees/year
Other maintenance services such as pole painting, paver grout replenishment and refinishing street benches	As Needed
<ul style="list-style-type: none"> <li>• Under the proposed service deployment model there are 27.85 FTEs. This number may vary due to changes in service levels.</li> </ul>	





### **Social Impact Team:**

Addressing those that are experiencing homelessness and responding to disruptive behaviors from street populations is one of the top priorities among property and business owners. The Social Impact Team is a newly funded service for the PBID. To assist this program the PBID Owners' Association may fund a multi-faceted approach that enhances the resources already provided by the business community, City, County of Santa Clara, and social service agencies, e.g., Path. The PBID may hire a Social Impact Manager that is a trained social worker with relevant experience to bring strong technical expertise to the team. Subsequently, front line staff, i.e., outreach case managers that would be deployed on the streets, may be hired. The Social Impact Team is estimated to employ approximately 5.0 FTEs with daily coverage.

The PBID Owners' Association will have flexibility to implement elements of the program, seek other funding sources that are available to leverage, apply for grants, integrate best practices or any other service that is needed to respond to ongoing needs. The Social Impact Team will supplement, not replace, other ongoing social services provided by the City, County, or social service agencies.

### **Safety Ambassadors:**

With safety as one of the top priority of ratepayers, the PBID renewal builds more capacity into this program by funding additional ambassadors. The Safety Ambassadors provide services to the individual parcels located within the PBID. The Ambassador services include greeting and providing information to Downtown pedestrians and ground floor businesses, reporting messes and graffiti tags, reporting misdemeanor crime, responding to loitering calls, aiding with safety escorts, coordinating with the Social Impact Team, and promoting Downtown events.



In addition, the PBID funds off-duty San José police officers to provide supplemental security within the district. The PBID's Secondary Employment Unit ("SEU") provides 50 hours of enhanced security per week, connecting with downtown businesses, responding to nuisance calls, and supplementing SJPd's regular on-duty patrols by focusing on quality-of-life concerns within the district. The safety activities will supplement, not replace, other ongoing City police, security, and patrol efforts within the PBID.

The table below is the projected deployment schedule for the Ambassador Team:

<b>Safety Ambassadors:</b>	<b>Coverage Wide</b>
Safety Ambassadors	7 Days/week
	6 Shifts/day
SEU Officers	5 Shifts/week

### **Beautification and Street Life:**

The renewed PBID will continue to fund beautification and street life services but will move more into activating public spaces instead of just beautifying them. The current beautification activities include street tree trimming and planting, and maintenance of planters, hanging baskets, and in-ground landscaping sites. The Street Life program was introduced in 2014 which expanded the scope of PBID beautification projects and programs. Street Life initiatives include the following:

- Installing and maintaining string lights and decorative lighting, such as those at Circle of Palms, Post Street, and the San Pedro Arch
- Commissioning and maintaining murals and art crosswalks
- Building out and maintaining capital improvement projects such as Hart's Dog Park, MOMENT, and SoFA Pocket Park in efforts to activate underutilized spaces



## ***Economic Vitality***

In addition to the Environmental activities, a comprehensive economic vitality program has been included as a key component for PBID renewal. As the downtown comes out of the Covid pandemic and there is a more favorable economic climate, the activities for economic enhancements include:

### **Business Development:**

The PBID business development program provides hands-on support to downtown property and business owners, both current and prospective. New capabilities will be added to this service area, doubling the capacity of PBID staff, adding a data analyst component, and focusing more intently on small business support and storefront activation. Services may include:

- Permitting assistance
- Liaisoning businesses with relevant City and County staff
- Connecting potential tenants with commercial property owners
- Assessing and sharing information on the downtown market

### **Communications:**

The PBID, SJDA, and ratepaying property owners would all benefit from bolstered communications dedicated to the PBID. This is different from SJDA's existing communications that are predominantly focused on marketing and promotions. The PBID communications service will instead focus primarily on communicating what the PBID is, what its services are, and how ratepayers can best utilize it as a tool and resource.

### **Service Innovation/Special Projects:**

One of the other additional services proposed for the renewed PBID is establishing funding that provides dedicated resources to service innovations and special projects. The intention is to ensure that Downtown San José is employing and creating best practices in downtown management and has the capacity to be a leader in shaping Downtown's future experience and environment. This service innovation capability could be used in concert with any of the program areas noted above, including safe and clean services.

## ***Management and Administration***

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Like any business, the PBID will require a professional staff to properly manage programs, communicate with stakeholders and provide leadership. The PBID supports a professional staff that delivers programs and services on behalf of the parcels within the district. These PBID activities will provide direction on policies and issues that affect downtown.

Management services will include compensation for an Executive Director and staff members necessary to manage the PBID programs. The management team is responsible for providing the day-to-day operations. PBID funds may be used to leverage additional monies from sponsorships, contracts, grants and earned income. Additional administrative costs may include accounting and annual financial reviews, annual reporting, insurance, program support costs including supplies, equipment and rent, County assessment collection fee (estimated at 1% of assessments), City management fee (\$20,000/year), and other administration costs associated with the overhead and administrative support of programs.

## SECTION 5: PBID ASSESSMENT BUDGET

### *2023 PBID Assessment Budget*

The following table outlines the PBID maximum assessment budget for 2023.

EXPENDITURES	TOTAL BUDGET	% of Budget
Environment (Clean, Safe, Beautiful)	\$4,110,000	77.84%
Economic Vitality	\$570,000	10.80%
Management and Advocacy	\$600,000	11.36%
<b>Total Expenditures</b>	<b>\$5,280,000</b>	<b>100.00%</b>
REVENUES		
Assessment Revenues	\$4,685,540	88.74%
Other Revenues* - General Benefit	\$92,747	1.76%
Other Revenues* - Base Level Services Agrmt	\$501,713	9.50%
<b>Total Revenues</b>	<b>\$5,280,000</b>	<b>100.00%</b>

*\* Other non-assessment funding to cover the cost associated with the City's base line services agreement and general benefit.*

### *Budget Adjustments*

The services proposed for year one of the renewal term are the same services that are proposed for subsequent years. Assessments will be subject to an annual increase of up to 5% per year to address changes in the cost of providing the PBID services identified above. In addition, assessments for Commercial and Enterprise Government parcels may be increased up to an additional 5% with those revenues being specifically allocated to a capital reserve account to fund/augment the Beautification and Street Life services, including matching funds or leveraging capital improvement projects. The determination of annual adjustments in assessment rates will be subject to review and approval by the PBID Owners' Association and City Council and will be subject to the requirements of the PBID Law.



### **10-Year Maximum Budget**

The following table illustrates the PBID's maximum annual budget for the 10-year renewal term based on the Year 1 of inventory of development and adjusting it by the maximum 5% increase for all PBID services plus the 5% increase for the capital reserve to fund/augment the Beautification and Street Life services. In subsequent years, the addition of new development will add assessable square footage that will likely increase the PBID budget to account for the additional services needed.

Year	Environment	Economic	Management	Total
Year 1	\$4,110,000	\$570,000	\$600,000	\$5,280,000
Year 2	\$4,521,000	\$598,500	\$630,000	\$5,749,500
Year 3	\$4,973,100	\$628,425	\$661,500	\$6,263,025
Year 4	\$5,470,410	\$659,846	\$694,575	\$6,824,831
Year 5	\$6,017,451	\$692,839	\$729,304	\$7,439,593
Year 6	\$6,619,196	\$727,480	\$765,769	\$8,112,446
Year 7	\$7,281,116	\$763,855	\$804,057	\$8,849,028
Year 8	\$8,009,227	\$802,047	\$844,260	\$9,655,535
Year 9	\$8,810,150	\$842,150	\$886,473	\$10,538,773
Year 10	\$9,691,165	\$884,257	\$930,797	\$11,506,219

Any accrued interest or delinquent payments will be expended in the above categories.

The cost of PBID services and activities may vary in any given year depending on market conditions and the cost of providing those services. Expenditures for each of the line items may be adjusted up or down 10% between them to continue the same level of service. The Owners' Association Board of Directors shall make such determination. In addition, any annual budget surplus, including those created through cost saving measures, unexpected reductions in expenses or unanticipated increases to income, will be rolled into the following year's budget. The budget will be adjusted accordingly consistent with the MDP to adjust for surpluses that are carried forward to ensure that the PBID is spending these funds in a timely manner and is complying with applicable State laws and City policies. Any change in line-item expenditures and/or budget surplus will be approved by the Owners' Association Board of Directors and submitted in the annual report, pursuant to Section 36650 of the State Law.

### **PBID Renewal**

PBID funds, which may consist of rollover funds may be used for renewing the district.

### **Bond Issuance**

No bonds will be issued to finance improvements.

## SECTION 6: ASSESSMENT METHODOLOGY

### *General*

This MDP provides for the levy of assessments for the purpose of providing services and activities that specially benefit real property in the PBID. These assessments are not taxes for the general benefit of the City but are assessments for the services and activities which confer special benefits upon the real property for which the services and activities are provided.

### *Land Use Considerations*

All parcels within the PBID specially benefit from the PBID activities but not to the same degree. The proportional special benefit and assessment methodology provides the following considerations for properties used exclusively for Residential and Non-Profit, and Government purposes:

**Residential and Non-Profit Parcels:** All residential and non-profit parcels receive the same level of service and special benefit from Environment Services (i.e., clean, safe and beautiful) as all other parcels in the PBID by making each of these parcels cleaner and safer. Specifically, these parcels specially benefit from PBID activities, such as removing graffiti from their buildings, patrolling their sidewalks, connecting the homeless to available resources, reducing the number of trips and falls by repairing the grout in the sidewalks in front of their parcel, cleaning up any debris or broken glass on their sidewalks, and power washing their sidewalks. Thus, each of these parcels is assessed for the special benefits received from the Environment services. However, these parcels will not receive special benefit from Economic Vitality services (i.e., business development) because those uses are not engaged in commercial or customer attraction activities and will not specially benefit from the increased economic activities. Therefore, they will not be assessed for the Economic Vitality services.

However, State Law provides that properties zoned solely for residential use are conclusively presumed not to benefit from the improvements and services funded through these assessments and shall not be subject to assessment. As a result, the properties within the PBID zoned solely for residential use will not be assessed for nor receive the Environment services like other residential properties. The PBID Owners' Association does intend to engage the owners of the parcels zoned solely for residential use to determine if they are interested in a fee for service agreement with the Owners' Association to pay for and receive services as contemplated in the PBID MDP.

**Government Parcels:** The PBID includes parcels owned by the City of San José, County of Santa Clara, State of California, and the Federal government. The PBID has two different types of public parcels; those that are traditional government (e.g., courthouse, parks, fire stations, post office, and government offices), and other enterprise government parcels that support economic activities (e.g., convention center, the sports arena, and parking structures). All publicly owned parcels specially benefit from the Environment services as it makes each assessed parcel cleaner and safer. Specifically, these parcels specially benefit from PBID activities, such as, removing graffiti from their buildings, patrolling their sidewalks, connecting the homeless to available resources, reducing the number of trips and falls by repairing the grout in the sidewalks in front of their parcel, or cleaning up any debris or trash and power washing their sidewalks.

However, the traditional government parcels, unlike the enterprise government parcels will not benefit from the Economic Vitality services as they are not intended for commercial use or income

generation and therefore, will not be assessed for those services. The enterprise government parcels are of a commercial nature and will specially benefit in much the same way as commercial parcels from the Economic Vitality services as they benefit from the business development and revenue generation and therefore, will be assessed their proportionate share of these activities.

All government parcels will pay their proportional share of costs based on the special benefits conferred to those individual parcels. Article XIID of the State Constitution specifies payment of assessments by governmental entities. Section 4(a) of Article XIID states in relevant part that “Parcels within a district that are owned or used by any agency... shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit.”

**Change in Property Use:** If at any time a parcel within the district boundary changes its use, based on a change in zoning designation, entitlement process or otherwise, it will be subject to the assessment methodology for the new use of that property. For example, if a residential parcel changes to a commercial use, then that parcel in subsequent years shall be assessed at the commercial rate. As a result, the PBID may experience the addition or subtraction of assessable lot or building square footage for parcels included and assessed within the PBID boundaries. The modification of use for an assessed parcel within the PBID may then change upwards or downwards the amount of total lot and building square footage assessment for that parcel. In future years, determination of the special benefits bestowed upon individual assessed parcels may change in accordance with the assessment methodology formula listed in this Management District Plan and Engineer’s Report, but the assessment formula itself can only be changed in accordance with the provisions of the PBID Law and any other applicable laws.

### ***Assessment Factors***

The methodology to levy assessments upon real property that receives special benefits from the services and activities of the PBID is Lot Square Footage plus Building Square Footage. These factors are an equitable way to identify the proportional special benefit that each of the parcels receive. The sum of the lot and gross building square footage acknowledges the benefits received at the ground level and distributed throughout the buildings. Each of the assessed parcels will benefit from the Environmental services not only at the street level but also throughout the buildings as it will provide a safer and cleaner environment for its employees, residents, and visitors. The Economic Vitality services are also delivered at both the ground level and throughout the buildings as they will improve occupancy, sales, business retention and recruitment to each individual assessed parcel. To determine the benefit relationship between the assessed parcels we assign Benefit Units to every parcel, which is the sum of each parcel’s lot plus gross building square footage. In this way we relate the lot and building square footage of each parcel to all other parcels in the PBID. Together, these factors serve as the basic unit of measure to calculate how much special benefit each parcel receives in relationship to other parcels in the PBID, which is the basis to then proportionately allocate the cost of the special benefits.

**Building square footage** is defined as the total building square footage as determined by the outside measurements of a building. The gross building square footage is taken from the County Assessor’s records.

**Lot square footage** is defined as the total amount of area within the boundaries of the parcel. The boundaries of a parcel are defined on the County Assessor parcel maps.

Each one of these factors represents the benefit units allocated to each specially benefitted parcel. The total number of assessable benefit units in the PBID are as follows:

Land Use	Benefit Units		
	Lot SF	Bldg SF	Total Lot + Bldg SF
Commercial/Govt (Enterprise)	10,618,388	14,489,021	25,107,409
Residential/NonProfit/Govt (Tradl)	4,771,321	7,459,428	12,230,749
<b>TOTAL Benefit Units</b>	<b>15,389,709</b>	<b>21,948,449</b>	<b>37,338,158</b>

### ***Assessment Methodology***

The proportionate special benefit each assessed parcel receives shall be determined in relationship to the entirety of the capital cost of the PBID improvements and activities. Due to the proportionate special benefits received by these individual parcels from the PBID services, these parcels will be assessed at a rate which is proportionate to the amount of special benefits received. Only special benefits are assessable, and these benefits must be separated from any general benefits. As required by the State Constitution Article XIID Section 4(a), the general benefits of an assessment district must be quantified and separated out so that the cost of the activities that are attributed to general benefit are deducted from the cost assessed against each specially benefitted parcel. General benefits are benefits from the PBID activities and improvements that are not special in nature, are not “particular and distinct” and are not over and above the benefits that other parcels receive. The attached Engineer’s Report has calculated that 1.76% of the PBID activities may be general in nature and will be funded from sources other than special assessments, see Section E of the Engineer’s Report for discussion of special and general benefits.

### ***Calculation of Assessments***

The PBID services and activities will be provided uniformly throughout the district. The cost of the special benefits received from these services is apportioned in direct relationship to each parcel’s use, building square footage plus lot square frontage as discussed above. Each parcel is then assigned a proportionate benefit unit for the sum of its building plus lot square footage. The sum of the total assessable benefit units in the PBID is then divided into the assessment budget to determine the assessment rate for each benefit unit.

Specifically, the assessment rates are calculated as follows:

#### **Environment + Management – Other Revenues = \$4,042,463**

Assessed to all parcels in the District.

$$\text{Budget / sum of building + lot SF} \\ (\$4,042,463 / 37,338,158) = \$0.1083 \text{ per building + lot square foot}$$

#### **Economic Vitality + Management = \$643,077**

Assessed to only Commercial and Enterprise Government parcels.

$$\text{Budget / sum of building + lot SF} \\ \$643,077 / 25,107,409 = \$ 0.0256 \text{ per building + lot square foot}$$

The total Commercial and Enterprise Government assessment per building + lot square foot  
= \$0.1339 (\$0.1083 + 0.0256)

### **Assessment Rates**

Based on the special benefit factors, property use type and assessment methodology discussed above, the following table illustrates the PBID's maximum annual assessment rates per property use type for the 10-year life term, adjusting it by the maximum 5% increase for all land uses plus the 5% increase for Commercial and Enterprise Government parcels for the capital reserve to fund/augment the Beautification and Street Life services.

Year	Commercial / Govt-Enterprise	Residential / NP / Govt Traditional
Year 1	\$0.1339	\$0.1083
Year 2	\$0.1473	\$0.1137
Year 3	\$0.1620	\$0.1194
Year 4	\$0.1782	\$0.1253
Year 5	\$0.1960	\$0.1316
Year 6	\$0.2156	\$0.1382
Year 7	\$0.2372	\$0.1451
Year 8	\$0.2609	\$0.1523
Year 9	\$0.2870	\$0.1600
Year 10	\$0.3157	\$0.1680

### **Sample Parcel Assessments**

The initial annual parcel assessment for a Commercial/Government Enterprise parcel with 20,000 building square feet, and 5,000 lot square feet is calculated as follows:

Building square footage + Lot square feet x the assessment rate

$$(20,000 + 5,000) \times \$0.1339 = \$3,347.50$$

The initial annual parcel assessment for a Residential/Non-Profit/Government Traditional parcel with 20,000 building square feet, and 5,000 lot square feet is calculated as follows:

Building square footage + Lot square feet x the assessment rate

$$(20,000 + 5,000) \times \$0.1083 = \$2,707.50$$

### **Annual Assessment Adjustments**

#### **Budget Adjustment**

Assessments will be subject to an annual increase of up to 5% per year to address changes in the cost of providing the PBID services identified above. In addition, assessments for Commercial and Enterprise Government parcels may be increased up to an additional 5% with those revenues being specifically allocated to a capital reserve account to fund/augment the Beautification and

Street Life services, including matching funds or leveraging capital improvement projects. The determination of annual adjustments in assessment rates will be subject to review and approval by the PBID Owners' Association and City Council and will be subject to the requirements of the PBID Law.

## ***PBID Guidelines***

### **Time and Manner for Collecting Assessments**

As provided by State Law, the PBID assessment will appear as a separate line item on annual property tax bills prepared by the County of Santa Clara. The San José City Clerk's office may directly bill any property owners whose special assessment does not appear on the tax rolls for each year of the BID term. The assessments shall be collected at the same time and in the same manner as for the ad valorem property tax paid to the County of Santa Clara. These assessments shall provide for the same lien priority and penalties for delinquent payment as is provided for the ad valorem property tax.

### **Disestablishment**

State law provides for the disestablishment of a PBID pursuant to an annual process. The 30-day period begins each year on the anniversary day that the City Council first established the PBID. Within this annual 30-day period, if the owners of real property who pay more than 40% of the assessments levied submit a written petition for disestablishment, the PBID may be dissolved by the City Council. The City Council must hold a public hearing on the proposed disestablishment before voting on whether to disestablish the PBID.

### **Duration**

The PBID will have a ten-year term commencing January 1, 2023 through December 31, 2032. Any major modifications or new or increased assessments during the term of the PBID that are not consistent with the provisions of this MDP will require a new mail ballot process.

To build in flexibility and adapt to new developments and economic conditions this PBID renewal will incorporate opportunities to further consider boundary adjustments and shifting resources within PBID service areas midstream, rather than waiting another ten years. A five-year "check in" will require an assessment of Downtown development, market influences, and place management needs. Anticipated changes to Downtown San José over the next decade are simply too great to lock into a restrictive, ten-year plan and budget.

### **Future Development**

As a result of continued development, the PBID may experience the addition or subtraction of assessable footage for parcels included and assessed within the PBID boundaries. The modification of parcel improvements assessed within the PBID may then change upwards or downwards the amount of total footage assessment for these parcels, pursuant to Government Code 53750(h)(3), will be prorated to the date the parcel receives the temporary and/or permanent certificate of occupancy.

In future years, the assessments for the special benefits bestowed upon the included PBID parcels may change in accordance with the assessment methodology formula identified in the MDP and Engineer's Report provided the assessment rate does not change. The assessment formula can only be changed in accordance with the provisions of the PBID Law and any other applicable laws.

## SECTION 7: PBID GOVERNANCE

### *City Council*

Following the submission of petitions from property owners representing more than 50% of the assessments to be paid, the City Council, upon holding a public hearing on the proposed PBID, may renew the PBID. The PBID is renewed by a City Council resolution, including the levy of an assessment on property, if the assessment is first approved by parcel owners in a balloting process.

### *PBID Governance*

The PBID Law “establishes a governance framework that allows property owners who pay assessments the ability to determine how the assessments are used. This MDP may be subject to changes if California state law or the San José City Code changes.

### **Downtown San José PBID Owners’ Association**

For the Downtown San José PBID, the Downtown San José Property Owners’ Association, an existing 501(c)6 California non-profit corporation, shall continue to serve as the PBID Owners’ Association. The role of the Owner’s Association is consistent with similar PBIDs and downtown management organizations throughout California and the nation. The Owner’s Association determines budgets, assessment rates and monitors service delivery. As part of the Management Plan, the Owner’s Association will contract with the San José Downtown Association to delivery day-to-day PBID services in order to:

- Reduce overall administrative costs of the PBID
- Leverage PBID funds with other resources and capabilities provided by the San José Downtown Association
- Eliminate the potential for duplication of enhanced services and activities
- Ensure that downtown is represented by a unified private sector voice, thereby maximizing downtown’s influence in policies and civic affairs.

Pursuant to the PBID Law, the Owners’ Association Board of Directors is subject to disclosure and notification guidelines set by the Ralph M. Brown Act and California Public Records Act when conducting PBID business.

The PBID Owner’s Association will have an 11-17 member board of directors, which may include; property owners, non-property owners, residents, and a representative from the City of San José.

Board directors serve three-year terms and are elected by members through a mail ballot process with a slate recommended by a nominating committee.



## **SECTION 8: IMPLEMENTATION TIMELINE**

For the PBID to meet the start-up date of January 1, 2023, the renewal process needs to adhere to the following schedule:

<b>Renewal Schedule</b>	<b>Dates</b>
Draft Management District Plan and Engineer's Report - City Review	Fall 2021
Petitions distributed to property owners	January 2022
Education campaign to obtain signed petitions: presentations, neighborhood meetings, 50% weighted vote targeting	January-March 2022
City Council accepts petitions; adopts resolution of intention to consider establishment; sets a public hearing; accepts the Engineer's Report; authorizes the mailing of ballots	April 19, 2022
City Council holds public hearing and tabulates assessment ballots, adopts resolution approving the district renewal and levying of the assessments	June 7, 2022



# Downtown San José Property-Based Business Improvement District

## Engineer's Report



San José, California  
March 17, 2022

*Prepared by:*  
Kristin Lowell Inc.

*Prepared pursuant to the State of California  
Property and Business Improvement District Law of 1994  
and Article XIID of the California Constitution  
to create a property-based business improvement district*

# TABLE OF CONTENTS

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ENGINEER'S STATEMENT.....	1
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## ENGINEER'S REPORT:

SECTION A: Legislative and Judicial Review .....	2
SECTION B: Improvements and Activities .....	4
SECTION C: Benefitting Parcels .....	8
SECTION D: Proportional Benefits .....	11
SECTION E: Special and General Benefits.....	14
SECTION F: Cost Estimate .....	21
SECTION G: Apportionment Method .....	22

## ENGINEER'S STATEMENT

This Report is prepared pursuant to Article XIID of the California State Constitution and the State of California Property and Business Improvement District Law of 1994 (California Streets and Highways Code § 36600 et seq.) (the "PBID Law").

The Downtown San José Property-Based Business Improvement District ("PBID") will provide activities either currently not provided or are above and beyond what the City of San José ("City") provides. These activities will specially benefit each individual assessable parcel in the PBID. Every individual assessed parcel within the PBID receives special benefit from the activities identified under Section B of this Report. Only those individual assessed parcels within the PBID receive the special benefit of these proposed activities; parcels contiguous to and outside the PBID and the public at large may receive a general benefit, as outlined in Section E. The cost to provide general benefits, if any, will be funded from sources other than special assessments.

The duration of the proposed PBID is ten (10) years, commencing January 1, 2023. An estimated budget for the PBID improvements and activities is set forth in Section D. Assessments will be subject to an annual increase of up to 5% per year to address changes in the cost of providing the PBID services. In addition, assessments may be increased up to an additional 5% with those revenues being specifically allocated to a capital reserve account to fund/augment the Beautification and Street Life services, including matching funds or leveraging capital improvement projects. The determination of annual adjustments in assessment rates will be subject to review and approval by the PBID Owners' Association and City Council and will be subject to the requirements of the PBID Law. Funding for the PBID improvements and activities shall be derived from a property-based assessment of each specially benefitted parcel in the PBID. A detailed description of the methodology for determining the proportional special benefit each individual assessable parcel receives from the service and the assessment for each parcel is set forth in Section F.

I hereby certify to the best of my professional knowledge that each of the identified assessable parcels located within the PBID will receive a special benefit over and above the benefits conferred to those parcels outside of the PBID boundary and to the public at large and that the amount of the proposed special assessment is proportional to, and no greater than the special benefits received.



Respectfully submitted,

Terrance E. Lowell, P.E.

## SECTION A: LEGISLATIVE AND JUDICIAL REVIEW

### ***Property and Business Improvement District Law of 1994***

The PBID Law is the legislation that authorizes the City to levy assessments upon real property for the purposes of providing improvements and activities that specially benefit each individual assessed parcel in the PBID. The purpose of the PBID is to encourage commerce, investment, and business activities. In order to meet these goals PBIDs typically fund activities and improvements, such as, enhanced safety and cleaning, and economic enhancements. Unlike other assessment districts which fund the construction of public capital improvements or maintenance thereof, PBIDs provide activities and improvements “to promote the economic revitalization and physical maintenance of the business districts of its cities in order to create jobs, attract new businesses, and prevent the erosion of the business districts.” (Streets and Highways Code Section 36601(b)). The improvements and activities funded through the PBID are over and above those already provided by the City within the PBID’s boundaries. Each of the PBID activities or improvements is intended to increase building occupancy and lease rates, to encourage new business development, attract businesses that serve the community, and improve the quality of life.

Specifically, the PBID Law defines “Improvements” and “Activities” as follows:

*"Improvement" means the acquisition, construction, installation, or maintenance of any tangible property with an estimated useful life of five years..."<sup>1</sup>*

*"Activities" means, but is not limited to, all of the following:*

- (a) Promotion of public events which benefit businesses or real property in the district.*
- (b) Furnishing of music in any public place within the district.*
- (c) Promotion of tourism within the district.*
- (d) Marketing and economic development, including retail retention and recruitment.*
- (e) Providing safety, sanitation, graffiti removal, street and sidewalk cleaning, and other municipal services supplemental to those normally provided by the municipality.*
- (f) Activities which benefit businesses and real property located in the district.<sup>2</sup>*

### ***Article XIID of the State Constitution***

Article XIID of the State Constitution determines the way local agencies enact local taxes and levying of assessments on real property. It states, in relevant part, that:

*(a) An agency which proposes to levy an assessment shall identify all parcels which will have a special benefit conferred upon them and upon which an assessment will be imposed. The proportionate special benefit derived by each identified parcel shall be determined in relationship to the entirety of the capital cost of a public improvement, the maintenance and operation expenses of a public improvement, or the cost of the property related service being provided. No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel. Only special benefits are assessable, and an agency shall separate the general benefits from the special benefits conferred on a parcel. Parcels within a district that are owned or*

<sup>1</sup> California Streets and Highways Code, Section 36610.

<sup>2</sup> California Streets and Highways Code, Section 36613.

used by any agency, the State of California or the United States shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit.

(b) All assessments shall be supported by a detailed engineer's report prepared by a registered professional engineer certified by the State of California.<sup>3</sup>

"Special benefit" means a particular and distinct benefit over and above general benefits conferred on real property located in the district or to the public at large. General enhancement of property value does not constitute "special benefit."<sup>4</sup>

## Judicial Guidance

Since the enactment of Article XIID, the courts have rendered opinions regarding various aspects of Article XIID. The notable portions of cases that apply to assessment districts in general and this PBID in particular are noted below.

*"The engineer's report describes the services to be provided by the PBID [i.e., the PBID]; (1) security and homeless outreach, (2) maintenance (e.g., street sweeping, gutter cleaning, graffiti removal), and (3) marketing and special events. They are all services over and above those already provided by the City within the boundaries of the PBID. And they are particular and distinct benefits to be provided only to the properties within the PBID, not to the public at large—they 'affect the assessed property in a way that is particular and distinct from [their] effect on other parcels and that real property in general and the public at large do not share.'"*<sup>5</sup>

*"...separating the general from the special benefits of a public improvement project and estimating the quantity of each in relation to the other is essential if an assessment is to be limited to the special benefits."*<sup>6</sup>

*"...the agency must determine or approximate the percentage of the total benefit conferred by the service or improvement that will be enjoyed by the general public and deduct that percentage of the total cost of the service or improvement from the special assessment levied against the specially benefitted property owners."*

*"...even minimal general benefits must be separated from special benefits and quantified so that the percentage of the cost of services and improvements representing general benefits, however slight, can be deducted from the amount of the cost assessed against specially benefitting properties."*<sup>8</sup>

The contents of this Engineer's Report are prepared in compliance with the above noted PBID Law, the Article XIID of the State Constitution and the judicial opinions.

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<sup>3</sup> Section 4, Article XIID of the State Constitution.

<sup>4</sup> Section 2 (i), Article XIID of the State Constitution.

<sup>5</sup> *Dahms v. Downtown Pomona Property and Business Improvement District* (2009) 174 Cal.App. 4th 708, 722.

<sup>6</sup> *Beutz v. County of Riverside* (2010) 184 Cal. App. 4th 1516, 1532.

<sup>7</sup> *Golden Hill Neighborhood Association, Inc. v. City of San Diego* (2011) 199 Cal.App. 4th 416, 438.

<sup>8</sup> *Golden Hill Neighborhood Association, Inc. v. City of San Diego* (2011) 199 Cal.App. 4th 416, 439.



## SECTION B: IMPROVEMENTS AND ACTIVITIES

The PBID Renewal Committee collectively determined the priority for improvements and activities that the PBID will deliver. The primary needs as determined by the property owners are safety, cleaning, beautification, and economic vitality. Specifically, the Downtown San José PBID shall provide the following activities.

### **Environment**

To respond to stakeholder priorities and guiding principles to make the downtown safer, cleaner and more beautiful, the renewed PBID will fund an expansion of the existing Groundwerx cleaning and ambassador program and implement additional services. The following is a multi-dimensional approach to execute aforementioned principles.

#### **Clean Team:**

The Clean Team consistently deals with maintenance issues within the PBID by providing the following cleaning and maintenance activities:

- **Sidewalk Maintenance:** Uniformed, radio-equipped personnel provide sidewalk pan and broom, removing trash and debris from sidewalks, curbs and gutters as well as public spaces of the PBID, and clean all sidewalk hardscape such as trash receptacles, benches, and parking meters.
- **All-Terrain Litter Vacuum (ATLV):** The ATLV sweeps and cleans the gutters and protected bike lanes as well as removing leaves that clog up the storm drains.
- **Trash Collection:** Collector truck personnel picks up trash from sidewalk trash receptacles as needed. They are also dispatched to collect large bulky items illegally dumped in the PBID.
- **Sidewalk Pressure Washing:** Pressure wash all sidewalks and public spaces on an as needed basis with areas of high pedestrian traffic receiving the highest concentration and respond to “hot spot” services calls.
- **Graffiti Removal:** Groundwerx can remove graffiti using solvent and pressure washing. The PBID will maintain a zero-tolerance graffiti policy. All tags will aim to be removed within 48 hours of notification.



The table below is the projected deployment schedule for the Clean Team:

Clean Team:	Coverage
Pressure Washing	6-12 times/year
Mechanical Cleaning	Daily As Needed
Pan & Broom	20 Hours Daily
Graffiti Removal	Daily As Needed
All-Terrain Litter Vacuum (ATLV)	Daily and As Needed
Light Landscape/Weed Removal	As Needed
Maintenance of PBID funded beautification elements	Landscape Watering 5 Days/week
Special Projects	As Needed
Tree trimming	Approx ¼ of street trees/year
Other maintenance services such as pole painting, paver grout replenishment and refinishing street benches	As Needed
<ul style="list-style-type: none"><li>Under the proposed service deployment model there are 27.85 FTEs. This number may vary due to changes in service levels.</li></ul>	



### **Social Impact Team:**

Addressing those that are experiencing homelessness and responding to disruptive behaviors from street populations is one of the top priorities among property and business owners. The Social Impact Team is a newly funded service for the PBID. To assist this program the PBID Owners' Association may fund a multi-faceted approach that enhances the resources already provided by the business community, City, County of Santa Clara, and social service agencies, e.g., Path. The PBID may hire a Social Impact Manager that is a trained social worker with relevant experience to bring strong technical expertise to the team. Subsequently, front line staff, i.e., outreach case managers that would be deployed on the streets, may be hired. The Social Impact Team is estimated to employ approximately 5.0 FTEs with daily coverage.

The PBID Owners' Association will have flexibility to implement elements of the program, seek other funding sources that are available to leverage, apply for grants, integrate best practices or any other service that is needed to respond to ongoing needs. The Social Impact Team will

supplement, not replace, other ongoing social services provided by the City, County, or social service agencies.

### **Safety Ambassadors:**

With safety as one of the top priority of ratepayers, the PBID renewal builds more capacity into this program by funding additional ambassadors. The Safety Ambassadors provide services to the individual parcels located within the PBID. The Ambassador services include greeting and providing information to Downtown pedestrians and ground floor businesses, reporting messes and graffiti tags, reporting misdemeanor crime, responding to loitering calls, aiding with safety escorts, coordinating with the Social Impact Team, and promoting Downtown events.



In addition, the PBID funds off-duty San José police officers to provide supplemental security within the district. The PBID's Secondary Employment Unit ("SEU") provides 50 hours of patrols per week, connecting with downtown businesses, responding to nuisance calls, and supplementing SJPD's regular on-duty patrols by focusing on quality-of-life concerns within the district. The safety activities will supplement, not replace, other ongoing City police, security, and patrol efforts within the PBID.

The table below is the projected deployment schedule for the Ambassador Team:

Safety Ambassadors:	Coverage Wide
Safety Ambassadors	7 Days/week
	6 Shifts/day
SEU Officers	5 Shifts/week

### **Beautification and Street Life:**

The renewed PBID will continue to fund beautification and street life services but will move more into activating public spaces instead of just beautifying them. The current beautification activities include street tree trimming and planting, and maintenance of planters, hanging baskets, and in-ground landscaping sites. The Street Life program was introduced in 2014 which expanded the scope of PBID beautification projects and programs. Street Life initiatives include the following:

- Installing and maintaining string lights and decorative lighting, such as those at Circle of Palms, Post Street, and the San Pedro Arch
- Commissioning and maintaining murals and art crosswalks
- Building out and maintaining capital improvement projects such as Hart's Dog Park, MOMENT, and SoFA Pocket Park in efforts to activate underutilized spaces





## ***Economic Vitality***

In addition to the Environmental activities, a comprehensive economic vitality program has been included as a key component for PBID renewal. As the downtown comes out of the Covid pandemic and there is a more favorable economic climate, the activities for economic enhancements include:

### **Business Development:**

The PBID business development program provides hands-on support to downtown property and business owners, both current and prospective. New capabilities will be added to this service area, doubling the capacity of PBID staff, adding a data analyst component, and focusing more intently on small business support and storefront activation. Services may include:

- Permitting assistance
- Liaisoning businesses with relevant City and County staff
- Connecting potential tenants with commercial property owners
- Assessing and sharing information on the downtown market

### **Communications:**

The PBID, SJDA, and ratepaying property owners would all benefit from bolstered communications dedicated to the PBID. This is different from SJDA's existing communications that are predominantly focused on marketing and promotions. The PBID communications service will instead focus primarily on communicating what the PBID is, what its services are, and how ratepayers can best utilize it as a tool and resource.

### **Service Innovation/Special Projects:**

One of the other additional services proposed for the renewed PBID is establishing funding that provides dedicated resources to service innovations and special projects. The intention is to ensure that Downtown San José is employing and creating best practices in downtown management and has the capacity to be a leader in shaping Downtown's future experience and environment. This service innovation capability could be used in concert with any of the program areas noted above, including safe and clean services.

## ***Management and Administration***

Like any business, the PBID will require a professional staff to properly manage programs, communicate with stakeholders and provide leadership. The PBID supports a professional staff that delivers programs and services on behalf of the parcels within the district. These PBID activities will provide direction on policies and issues that affect downtown.

Management services will include compensation for an Executive Director and staff members necessary to manage the PBID programs. The management team is responsible for providing the day-to-day operations. PBID funds may be used to leverage additional monies from sponsorships, contracts, grants and earned income. Additional administrative costs may include accounting and annual financial reviews, annual reporting, insurance, program support costs including supplies, equipment and rent, County assessment collection fee (estimated at 1% of assessments), City management fee (\$20,000/year), and other administration costs associated with the overhead and administrative support of programs.

## SECTION C: BENEFITTING PARCELS

### ***PBID Boundary Description***

The original PBID boundary encompassed the core of the downtown area roughly bounded by 4<sup>th</sup> Street, the San José State University campus and City Hall complex to the east, St. James and Devine Streets to the north, Highway 87 and the arena complex to the west, and Market and 1<sup>st</sup> Streets south to Reed Street. However, over the course of the last fifteen years, downtown has experienced growth in areas that were adjacent to the old PBID boundary that are now recommended to be included.

1. North San Pedro/North St. James Park: Transformation of this area is well-underway as it has experienced a great amount of high-intensity residential development in recent years. There are more city blocks under development in this zone than anywhere else Downtown. As these developments complete, pedestrian activity is expected to be high throughout this area.
2. East Santa Clara/St. John: Santa Clara Street is the primary east-west gateway into Downtown that will benefit from consistency of services up to 7<sup>th</sup> Street. There is also some development pushing north from the Santa Clara corridor up to St. John Street. St. John Street is also a common corridor for the unhoused population and could benefit from Groundwerx services.
3. SoFA East: Incorporates the SoFA district more comprehensively into the PBID by adding in the 2<sup>nd</sup> Street corridor. It also adds parcels on the south side of Reed Street where significant development is anticipated, in turn creating a clearer delineation in the boundaries at the interstate overpass.
4. SoFA West: Incorporates an addition along Almaden Boulevard and Almaden Avenue, to maintain continuity of service along this corridor in anticipation of upcoming growth.
5. DoWe South: Incorporates Diridon Station into the PBID, along with one of its main pedestrian east-west connections into Downtown (San Fernando Street). Further, it includes both sides of San Fernando Street to ensure full service along the corridor. This expansion also captures a portion of the first phase of Google's future development. Given the phasing and timeline for Google's campus, further expansion on the west side of the PBID should take place during the next renewal in ten years, or at a five-year midpoint check-in.

Most of the proposed PBID expansion areas are already a part of the Business Improvement District (BID) – a separate downtown assessment district also formed and administered by SJDA. This has been a point of confusion for some businesses that have been a part of the BID but not the PBID, and in turn only receive certain SJDA services (i.e., marketing but not clean and safe). The proposed expansions will rectify some of this discrepancy.

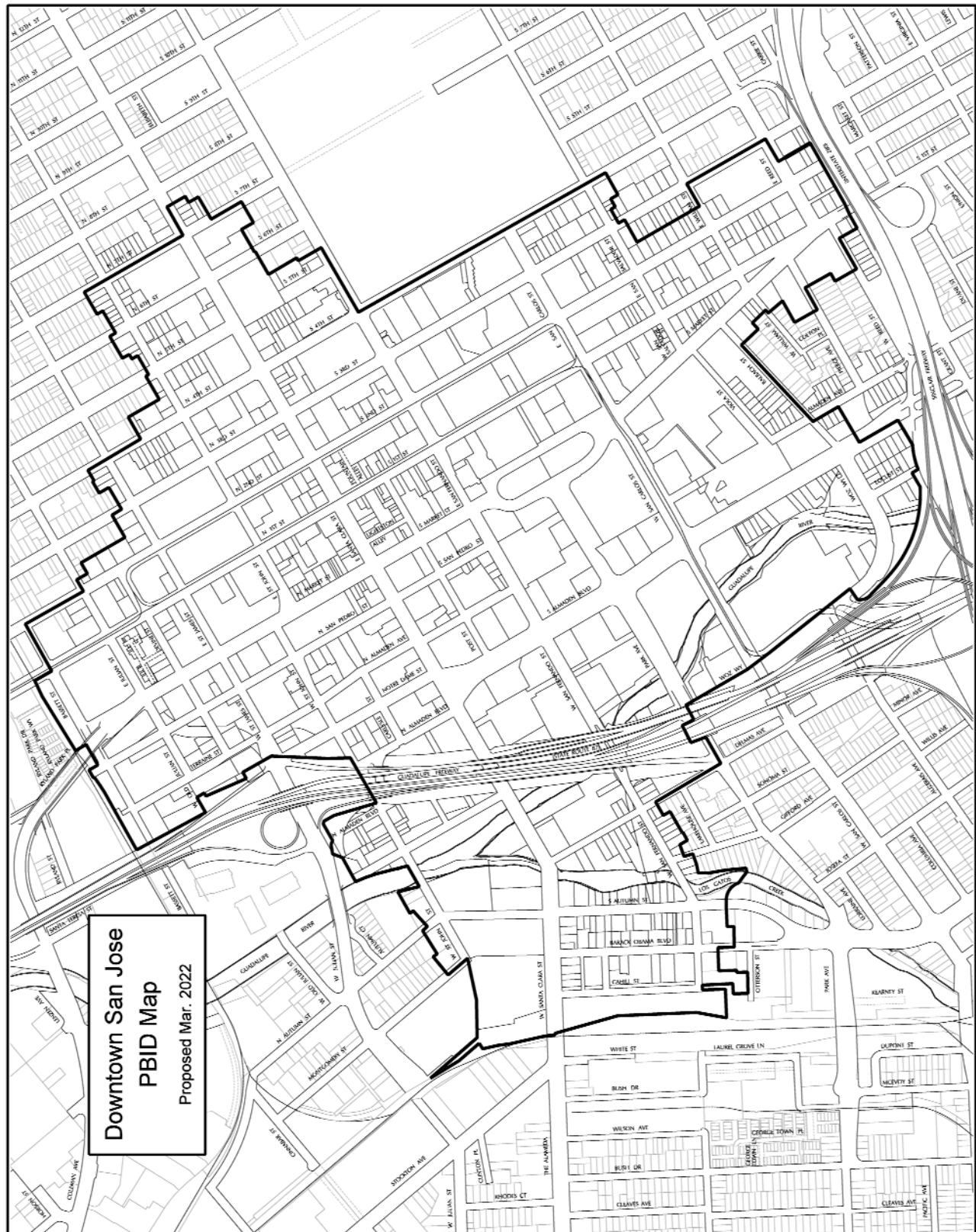
The renewed PBID boundary, which includes the old boundary plus the expansion areas, is roughly bounded by 4<sup>th</sup> and 7<sup>th</sup> Streets, the San José State University campus and City Hall complex to the east, East Julian and the arena complex to the north, Highway 87 and the arena complex and Diridon Station to the west, and Almaden Blvd, 1<sup>st</sup> and 2<sup>nd</sup> Streets to Hwy 280 to the south.

### ***Single Benefit Zone***

The original PBID was allocated into two benefit zones (Premium and Basic) to reflect the level and frequency of deployed PBID services. The Premium Zone, which received the highest level of PBID services, was the core of downtown with the highest concentration of commercial development and pedestrian traffic. It was roughly bounded by St. John to the north, Almaden Blvd to the west, 1<sup>st</sup> and Reed Streets to the south, and 4<sup>th</sup> Street to the east. The Basic Zone, which received a lower level of service than the Premium Zone, was all the remaining parcels in the PBID boundary. The Basic Zone included areas east of 4<sup>th</sup> Street, north of St. John and west of Almaden Blvd.

As the footprint and development of downtown has changed over the course of the last 10 years, so should the PBID deployment of services. It is recommended that the premium service level be expanded beyond the PBID's current configuration of zones. Expanded premium service levels establish more reliable and consistent service throughout the core of Downtown. Pedestrian activity has expanded beyond the traditional core that was the impetus for the existing Premium Zone over a decade ago. Some of the parts of downtown most in need of clean and safe services are in areas not currently within the Premium Zone, such as those surrounding St. James Park and City Hall. Creating a single premium level of service throughout the district will allow the PBID to best address downtown's demands and challenges. The northern and western edges of the PBID are going through dramatic transformation and are experiencing ongoing growth in pedestrian activity and development density. Establishing a single benefit zone also eliminates what has at times been a confusing difference in service level between the existing Premium and Basic zones to ratepayers, simplifying and clarifying the PBID's model and services.

A map of the proposed district boundary is on the following page.



## SECTION D: PROPORTIONAL BENEFITS

### *Methodology*

Article XIIID Section 4(a) of the State Constitution states that “The proportionate special benefit derived by each identified parcel shall be determined in relationship to the entirety of the capital cost of the public improvement, the maintenance and operation expenses of a public improvement, or the cost of the property related service being provided.”

Determining the proportionate special benefit among the parcels of real property within the proposed assessment district which benefit from the proposed improvements, services, and activities is the result of a four-step process:

1. Defining the proposed activities,
2. Determining which parcels specially benefit from the proposed activities,
3. Determining the amount of special benefit each parcel receives,
4. Determining the proportional special benefit a parcel receives in relation to the amount of special benefit all other parcels in the PBID receive.

Each identified parcel within the Downtown San José PBID will be assessed based upon each parcel's unique characteristics in relationship to all other specially benefitted parcels' characteristics. Due to the proportionate special benefits received by each parcel from the PBID services, each parcel will be assessed a rate which is commensurate with the amount of special benefits received.

### *Property Use Considerations*

All parcels within the PBID specially benefit from the PBID activities but not to the same degree. The proportional special benefit and assessment methodology provides the following considerations for properties used exclusively for Residential and Non-Profit, and Government purposes:

**Residential and Non-Profit Parcels:** All residential and non-profit parcels receive the same level of service and special benefit from Environment Services (i.e., clean, safe and beautiful) as all other parcels in the PBID by making each of these parcels cleaner and safer. Specifically, these parcels specially benefit from PBID activities, such as removing graffiti from their buildings, patrolling their sidewalks, connecting the homeless to available resources, reducing the number of trips and falls by repairing the grout in the sidewalks in front of their parcel, cleaning up any debris or broken glass on their sidewalks, and power washing their sidewalks. Thus, each of these parcels is assessed for the special benefits received from the Environment services. However, these parcels will not receive special benefit from Economic Vitality services (i.e., business development) because those uses are not engaged in commercial or customer attraction activities and will not specially benefit from the increased economic activities. Therefore, they will not be assessed for the Economic Vitality services.

However, State Law provides that properties zoned solely for residential use are conclusively presumed not to benefit from the improvements and services funded through these assessments and shall not be subject to assessment. As a result, the properties within the PBID zoned solely for residential use will not be assessed for nor receive the Environment services like other

residential properties. The PBID Owners' Association does intend to engage the owners of the parcels zoned solely for residential use to determine if they are interested in a fee for service agreement with the Owners' Association to pay for and receive services as contemplated in the PBID MDP.

**Government Parcels:** The PBID includes parcels owned by the City of San José, County of Santa Clara, State of California, and the Federal government. The PBID has two different types of public parcels; those that are traditional government (e.g., courthouse, parks, fire stations, post office, and government offices), and other enterprise government parcels that support economic activities (e.g., convention center, the sports arena, and parking structures). All publicly owned parcels specially benefit from the Environment services as it makes each assessed parcel cleaner and safer. Specifically, these parcels specially benefit from PBID activities, such as, removing graffiti from their buildings, patrolling their sidewalks, connecting the homeless to available resources, reducing the number of trips and falls by repairing the grout in the sidewalks in front of their parcel, or cleaning up any debris or trash and power washing their sidewalks.

However, the traditional government parcels, unlike the enterprise government parcels will not benefit from the Economic Vitality services as they are not intended for commercial use or income generation and therefore, will not be assessed for those services. The enterprise government parcels are of a commercial nature and will specially benefit in much the same way as commercial parcels from the Economic Vitality services as they benefit from the business development and revenue generation and therefore, will be assessed their proportionate share of these activities.

All government parcels will pay their proportional share of costs based on the special benefits conferred to those individual parcels. Article XIID of the State Constitution specifies payment of assessments by governmental entities. Section 4(a) of Article XIID states in relevant part that "Parcels within a district that are owned or used by any agency... shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit."

**Change in Property Use:** If at any time a parcel within the district boundary changes its use, based on a change in zoning designation, entitlement process or otherwise, it will be subject to the assessment methodology for the new use of that property. For example, if a residential parcel changes to a commercial use, then that parcel in subsequent years shall be assessed at the commercial rate. As a result, the PBID may experience the addition or subtraction of assessable lot or building square footage for parcels included and assessed within the PBID boundaries. The modification of use for an assessed parcel within the PBID may then change upwards or downwards the amount of total lot and building square footage assessment for that parcel. In future years, determination of the special benefits bestowed upon individual assessed parcels may change in accordance with the assessment methodology formula listed in this Management District Plan and Engineer's Report, but the assessment formula itself can only be changed in accordance with the provisions of the PBID Law and any other applicable laws.

### **Special Benefit Factor**

The methodology to levy assessments upon real property that receives special benefits from the services and activities of the PBID is Lot Square Footage plus Building Square Footage. These factors are an equitable way to identify the proportional special benefit that each of the parcels receive. The sum of the lot and gross building square footage acknowledges the benefits received at the ground level and distributed throughout the buildings. Each of the assessed parcels will benefit from the Environmental services not only at the street level but also throughout the buildings as it will provide a safer and cleaner environment for its employees, residents, and visitors. The Economic Vitality services are also delivered at both the ground level and throughout the buildings as they will improve occupancy, sales, business retention and recruitment to each individual assessed parcel. To determine the benefit relationship between the assessed parcels we assign Benefit Units to every parcel, which is the sum of each parcel's lot plus gross building square footage. In this way we relate the lot and building square footage of each parcel to all other parcels in the PBID. Together, these factors serve as the basic unit of measure to calculate how much special benefit each parcel receives in relationship to other parcels in the PBID, which is the basis to then proportionately allocate the cost of the special benefits.

**Building square footage** is defined as the total building square footage as determined by the outside measurements of a building. The gross building square footage is taken from the County Assessor's records.

**Lot square footage** is defined as the total amount of area within the boundaries of the parcel. The boundaries of a parcel are defined on the County Assessor parcel maps.

Each one of these factors represents the benefit units allocated to each specially benefitted parcel. The total number of assessable benefit units in the PBID are as follows:

Land Use	Benefit Units		
	Lot SF	Bldg SF	Total Lot + Bldg SF
Commercial/Govt (Enterprise)	10,618,388	14,489,021	25,107,409
Residential/NonProfit/Govt (Tradl)	4,771,321	7,459,428	12,230,749
<b>TOTAL Benefit Units</b>	<b>15,389,709</b>	<b>21,948,449</b>	<b>37,338,158</b>



## SECTION E: SPECIAL and GENERAL BENEFITS

PBID Law, Article XIID of the State Constitution, and judicial opinions require that assessments be levied according to the estimated special benefit each assessed parcel receives from the activities and improvements. Article XIID Section 4(a) of the California Constitution in part states that “only special benefits are assessable,” which requires that we separate the general benefits, if any, from the special benefits provided by the proposed activities and improvements.

As of January 1, 2015, the State Legislature amended the PBID Law to clarify and define both special benefit and general benefit as they relate to the improvements and activities these districts provide. Specifically, the amendment (Section 36615.5 of the Streets and Highways Code) defines special benefit as follows: “‘Special benefit’ means, for purposes of a property-based district, a particular and distinct benefit over and above general benefits conferred on real property located in a district or to the public at large. Special benefit includes incidental or collateral effects that arise from the improvements, maintenance, or activities of property-based districts even if those incidental or collateral effects benefit property or persons not assessed.”

In addition, the amendment (Section 36609.5 of the Streets and Highways Code) defines general benefit as follows: “‘General benefit’ means, for purposes of a property-based district, any benefit that is not a ‘special benefit’ as defined in Section 36615.5.”

Furthermore, the amendment (Section 36601(h)(2)) states: “Activities undertaken for the purpose of conferring special benefits upon property to be assessed inherently produce incidental or collateral effects that benefit property or persons not assessed. Therefore, for special benefits to exist as a separate and distinct category from general benefits, the incidental or collateral effects of those special benefits are inherently part of those special benefits. The mere fact that special benefits produce incidental or collateral effects that benefit property or persons not assessed does not convert any portion of those special benefits or their incidental or collateral effects into general benefits.”

### ***Special Benefit Analysis***

All special benefits derived from the assessments outlined in this Report are for property-related activities that are specifically intended for and directly benefiting each individually assessed parcel in the PBID. The special benefit must affect the individual assessable parcel in a way that is particular and distinct from its effect on other parcels and that real property in general and the public at large do not share. No parcel’s assessment shall be greater than the special benefits received.

Streets and Highways Code Section 36601(e) states that “Property and business improvement districts formed throughout this state have conferred special benefits upon properties and businesses within their districts and have made those properties and businesses more useful by providing the following benefits: (1) Crime reduction. A study by the Rand Corporation has confirmed a 12-percent reduction in the incidence of robbery and an 8-percent reduction in the total incidence of violent crimes within the 30 districts studied. (2) Job creation. (3) Business attraction. (4) Business retention. (5) Economic growth. (6) New investments.”



The PBID's goal is to fund activities and improvements to provide a cleaner, safer, and more attractive and economically vibrant environment as outlined in Section B. The goal of improving the economic vitality is to improve the economic development of each individual specially benefitted parcel in an effort to increase commerce, to increase building occupancy and lease rates and to attract more customers, employees, tenants, investors and residents.

To determine the benefit the PBID services confer to the assessed parcels, in 2012, the San José Downtown Association contracted with PMZ<sup>3</sup> Research to conduct intercept surveys of pedestrians within the PBID boundary. The survey was to determine to what degree respondents engage in any type of commercial activity (going to a restaurant or movie, shopping, visiting a professional or service-oriented business, attending an arts performance or an event at the convention center) within the geographical boundary of the PBID. The survey included 408 participants, with a margin of error of 4.8%, and was conducted from March 9, 2012 through March 20, 2012 at eleven separate locations within the PBID with all efforts made to include an unbiased cross section of participants.

Of the 408 respondents, 100% indicated that they will and intend to engage in at least one of the activities asked in the survey (going to a restaurant or movie, shopping, visiting a professional or service-oriented business, attending an arts performance or an event at the convention center) within the PBID boundary as opposed to "just passing through" the PBID with no business purpose. The survey also found that of the 408 respondents 100% indicated that at least one of the PBID enhanced services contributed to their decision to come downtown and engage in commerce.

*Note: The PBID was not able to conduct a new intercept survey due to the COVID-19 pandemic which had shelter in place orders and very low pedestrian traffic within the district. However, based on the results of the previous survey and the fact that the PBID continued to provide the same level of service, it is reasonable to conclude that the results of the original survey are still valid and that each of the proposed PBID services and activities provides special benefits to the real property within the PBID.*

Specifically, the special benefit each assessed parcels receives from each of the PBID activities may include, and is defined in detail below are;

- Cleaner sidewalks, streets and common areas
- Real and perceived public safety improvements
- Connecting those experiencing homelessness to available resources
- Greater pedestrian traffic
- Enhanced rental incomes
- Improved business climate
- New business and investment
- Well managed PBID programs and services

### **Environment**

The cleaning and beautification activities specially benefit each assessed parcel within the PBID by providing a clean and aesthetically appealing environment. This is achieved through sidewalk sweeping, power washing, removing litter and graffiti, trash removal, and streetscape furniture. These activities create the environment needed to achieve the PBID's other goals. Sidewalks that

are dirty and unclean, particularly from vagrant activities, deter pedestrians and commercial activity.

These activities are expected to provide special benefits to the assessed parcels in a variety of ways. For example:

- Maintaining and cleaning sidewalks in front of each parcel creates a cohesive environment and allows pedestrians to move freely throughout the PBID. Sidewalks that are dirty and unkempt deter pedestrians and commercial activity. "Walkable communities offer many financial benefits, such as a reduction in healthcare costs. Homes with sidewalks tend to sell for more money and in less time than similar homes without sidewalks. Businesses also benefit as residents are more likely to shop locally when there is increased connectivity between residential and business/commercial districts. The well-maintained sidewalks, accessibility, and inviting atmosphere of downtown helps to attract tourists."<sup>9</sup>
- Removing graffiti from buildings to keep the aesthetic appeal uniform throughout the PBID.
- The beautification activities specially benefit each assessed parcel by providing maintained landscaped corridors and streetscape furniture in public places. These activities create the environment needed to achieve the PBID's other goals.

The enhanced safety activities make the downtown area safer which attracts more businesses, customers, and residents, and ultimately private investment. When business location decisions are made, "lower levels of public safety lead to increased uncertainty in decision making and can be perceived as a signal of a socio-institutional environment unfavorable for investment." Uncertainty affects the investment environment in general, but in particular it increases the fear of physical damage to investment assets (or to people) or their returns...Almost universally, places with lower crime rates are perceived as more desirable."<sup>10</sup>

### **Economic Vitality**

The Economic Vitality activities consist of services directly benefitting the assessed commercial parcels. For example, the PBID will promote local businesses, help property owners attract high-paying tenants through advertising and neighborhood branding efforts, and highlight the special benefits that the assessed parcels are receiving through a website and stakeholder communications and special projects. These activities will specially benefit each assessed commercial and enterprise government parcels by encouraging business development and investment and increased commercial activity (e.g., filling vacant spaces, increased lease rates for commercial spaces). Decisions on where to shop, eat or conduct business are largely based on a perception of the place. If these economic vitality activities were not performed, it would be a deterrent to pedestrian traffic, business and commerce for the assessed commercial parcels.

### **Service Innovation/Special Projects**

The activities or services funded through the Special Projects will allow the PBID to be responsive to an ever-changing downtown environment. They may fall under the purview of any of the services discussed above or they may include any other project that benefits the downtown and

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<sup>9</sup> "Benefits of Sidewalks", Iowa Healthiest State Initiative, November 1, 2017

<sup>10</sup> "Accelerating economic growth and vitality through smarter public safety management" IBM Global Business Services Executive Report, September 2012, pg. 2

specially benefitted parcels. Every year the Owners' Association Board of Directors will allocate these funds to special projects with the intent that over the course of the PBID term the special projects will be deployed or implemented throughout the district. In addition, any funded capital improvement project in the public right-of-way will need to be approved by the City, which will also ensure that the projects are spread throughout the district.

### **Management**

The PBID requires a professional staff to properly manage programs, communicate with stakeholders, advocate with City departments, and provide leadership. Each parcel will specially benefit from the PBID executive staff that will ensure that the PBID activities are provided and deployed to assessed parcels and will provide leadership to represent the community with one clear voice.

### **Special Benefit Conclusion**

Based on the special benefits each assessed parcel receives from the PBID activities, each of the proposed activities provides special benefits to applicable real property within the district and that each parcel's assessment is in direct relationship to and no greater than the special benefits received. All parcels within the PBID will specially benefit from the Environmental activities, and all commercial and enterprise government parcels specially benefit from the Economic Vitality activities.

The special benefit to parcels from the proposed PBID activities and improvements described in this report are equal to the total amount of the proposed assessment. Each individual assessed parcel's assessment is in proportion to the special benefit it receives from the PBID activities.

## ***General Benefit Analysis***

As required by the State Constitution, Article XIIID Section 4(a), the general benefits of an assessment district must be quantified and separated out so that the cost of the activities that are attributed to general benefit are deducted from the cost assessed against each specially benefitted parcel. General benefits are benefits from the PBID activities and improvements that are not special in nature, are not "particular and distinct" and are not over and above the benefits that other parcels receive. This analysis will evaluate and determine the level of general benefits that (1) parcels inside of the PBID, (2) parcels outside of the PBID, and (3) the public at large may receive.

### **General Benefit to Parcels Inside the PBID**

The PBID funds activities and services that are designed and created to provide special benefits to each individually assessed parcel within the PBID as described above. The Clean, Safe and Beautiful activities are provided to the sidewalks and public rights-of-way in front of each assessed parcel while the Economic Vitality activities are targeted to promote the commercial and enterprise government parcels within the district. "The special benefits conferred on these parcels are distinct and special in nature. Any general benefits the parcels may receive are incidental to providing special benefits to the assessed parcels, and thus any cost associated to the incidental benefits are not reduced from the cost of providing special benefits to the assessed parcels".<sup>11</sup>

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<sup>11</sup> Streets and Highways Code Section 36622 (k)(2)

### **General Benefit to Parcels Outside of the PBID**

All the PBID activities and improvements are provided solely for each of the individual assessed parcels in the PBID boundary. None of the surrounding parcels will directly receive any of the PBID activities. However, it is conceivable to conclude that some parcels outside of the PBID boundary may receive some general benefit from the Environmental activities (Clean, Safe and Beautiful) as well as the Economic Vitality activities. In the case of the PBID, the parcels considered outside of the PBID's boundary that may receive a general benefit are those parcels that are immediately adjacent to, or immediately across the street from the PBID boundary.

To calculate the general benefit parcels immediately adjacent to the PBID may receive, the percentage of each PBID activity's budget attributed to these parcels must be determined. The table below shows the budget for the Environmental and Economic Vitality activities that may have spillover benefit and its respective percentage of the total PBID budget. We then need to apply a benefit factor, which is a basic unit of measure that compares the benefit that parcels within the District receive compared to parcels outside of the District, to each of the activities accounting for the potential benefit parcels outside of the district may receive. Since the parcels in the District boundary directly receive all the PBID activities and the special benefit, they are assigned a relative benefit factor of 1.0 for each PBID activity. The parcels outside of the district boundary do not directly receive any PBID activities and are assigned a benefit factor less than 1.0 acknowledging their reduced benefit from PBID activities.

In the case of the Downtown San José PBID, the Economic Vitality activities may have a greater spillover benefit than the Environmental activities. The business development and communication activities under Economic Vitality may have a higher benefit to parcels immediately adjacent to the PBID boundary in that these activities may draw pedestrians downtown that might venture beyond the PBID boundary and patronize businesses on the periphery. All the specially benefitted parcels within the district boundary directly receive the Economic Vitality activities and are assigned a benefit factor of 1.0, whereas parcels immediately adjacent to the PBID boundary that do not directly receive these services must be assigned a benefit factor less than 1.0. Therefore, based upon our professional opinion, a benefit factor of 0.50 is assigned to the parcels that are outside the district acknowledging the spillover benefit bringing additional pedestrians downtown may have on parcels outside the district.

In addition to the Economic Vitality activities, the Environmental activities may also have a spillover benefit to parcels outside the district boundary. The parcels that are immediately adjacent to the PBID boundary may visually receive the benefits of the PBID services, e.g., cleaner sidewalks, safety teams, buildings without graffiti, and landscaped corridors. All the specially benefitted parcels within the district boundary directly receive the Environmental activities and are assigned a benefit factor of 1.0, whereas parcels immediately adjacent to the PBID boundary that do not directly receive these services receive a benefit factor of 0.25 acknowledging that there may be a visual benefit but not a direct or tangible benefit to their parcel.

The benefit factors for the parcels outside the district boundary for both the Economic Vitality and the Environmental activities is then multiplied by the PBID activity's budget percentage to determine the total benefit factor. The following table illustrates this calculation.

<b>PBID Activities Budget:</b>	<b>Budget</b>	<b>Percent of Total</b>	<b>x</b>	<b>Benefit Factor</b>	<b>=</b>	<b>Total Benefit Factor</b>
Budget for Environment:	\$4,110,000	77.84%		0.25		0.19460
Budget for Economic Vitality:	\$570,000	10.80%		0.50		0.05398
TOTAL PBID Assessment Budget:	\$5,280,000					0.24858

In the case of the PBID, with the district boundary being tightly drawn to only included specially benefited parcels, there are 20 non-residential parcels that are immediately adjacent to the PBID that may receive a general benefit. These parcels are assigned the total benefit factor of 0.24858 (0.19460 + 0.05398) to account for the fact that they may receive some benefit from both the Environmental as well as the Economic Vitality activities that may encourage commerce not only within the PBID boundary but immediately adjacent to it.

In comparison, there are 2,201 parcels within the PBID boundary, all of which receive a benefit factor of 1.0 acknowledging that they receive 100% special benefit from the PBID activities. To calculate the general benefit percentage, the respective benefit factors must be applied to the number of parcels both within the PBID boundary and those that are outside of the PBID boundary. The table below shows the calculation for the general benefit percentage. Note, the benefit factor and benefit units are rounded off to the fifth decimal place and the general benefit to parcels outside the district boundary may vary slightly when calculated by hand.

	<b>No. of Parcels</b>	<b>Benefit Factor</b>	<b>Total Benefit Units</b>
No. of parcels in District:	2201	1.00000	2201.00000
No. of non-residential zoned (or assessable) parcels adjacent to district boundary	20	0.24858	4.97159
Total number of parcels	2221		2205.97159

**General Benefit to parcels outside of district boundary**

**0.22537%**

(4.97159 / 2201.00000)

This analysis indicates that \$10,547 or 0.22537% of the budget allocated to Environment and Economic Vitality may be attributed to general benefit to parcels outside of the PBID boundary and must be raised from sources other than special assessments.

### **General Benefit to the Public At Large**

In addition to general benefit analysis to the parcels outside of the PBID boundary, there may be general benefits to the public at large, i.e., those people that are either in the PBID boundary and not specially benefitted from the activities, or people outside of the PBID boundary that may benefit from the PBID activities. In the case of the PBID, the public at large are those people that are within the PBID boundary that do not pay an assessment and do not specially benefit from the PBID activities.

To calculate the general benefit the public at large may receive, a determination is made for the percentage of each PBID activity budget that may benefit the general public. In this case, the Economic Vitality activities are tailored to benefit and promote each assessed commercial and enterprise government parcel in the district and is not intended to benefit the general public. If

there are any public benefits, they are incidental and collateral to providing special benefits to the assessed commercial and enterprise government parcels.

By contrast, the Environment activities do generally benefit the general public to some degree, as the general public may appreciate the enhanced level of maintenance, security and beautification as it passes through the district. To quantify this, we first determine a “relative benefit” factor for the Environment activities. The relative benefit factor is a unit of measure that compares the special benefit that the assessed parcels receive compared to the general benefit that the general public receives. To determine the relative benefit factor, we reference an intercept study that PMZ<sup>3</sup> Research conducted within the district boundary in 2011.

The survey, in part, posed 4 questions to the respondents to measure how important the PBID activities were in their decision to be in the PBID. Of the 408 respondents, none of them indicated “Not at all Important” to all 4 questions relating to the PBID activities. What this indicates is that at least one of the PBID activities was important to every respondent to be in the PBID, and hence engaged in activities benefitting the parcels within the PBID. However, with the survey’s 4.8% margin of error it is conceivable there may be a nominal general benefit attributed to the public at large. For the purposes of this analysis, we will apply a 2.0% relative benefit factor in the benefit received by the public at large. The 2.0% is reflective of the additional services that the PBID proposes to implement that were not included in the prior survey, e.g., the Social Impact Team, Beautification and Street Life, as well as the Service Innovation and Special Projects. *Note: The PBID was not able to conduct a new intercept survey due to the COVID-19 pandemic which had shelter in place orders and very low pedestrian traffic within the district.* Therefore, based on the results of the previous survey, and other intercept surveys conducted in other California communities: Sacramento Mack Road (2019); San Francisco Union Square (2019); and Los Angeles (Historic Downtown (2019), Arts District (2019), Downtown Industrial (2015), and Fashion District (2014) with survey results that ranged from 1% - 4% it is reasonable to conclude that the 2.0% general benefit properly accounts for the general public that is in the district and not specially benefitted. The 2.0% benefit factor is then multiplied by the Environment’s budget to determine the overall general benefit allocation. The following table illustrates this calculation.

	A	B	C
ACTIVITY	Budget Amount	Relative Benefit Factor	General Benefit Allocation (A x B)
Environment	\$4,110,000	2.00%	\$82,200

This analysis indicates that \$82,200 of the Environment activities may be attributed to general benefit to the public at large and must be raised from sources other than the special assessments.

#### **General Benefit Conclusion**

Using the sum of the three measures of general benefit described above we find that \$92,747 or 1.76% of the total budget may be general in nature and will be funded from sources other than special assessments.

The total general benefit from the PBID activities as quantified above is summarized in the table below.

General Benefit	General Benefit, \$
Parcels Inside the District	\$0.00
Parcels Outside the District	\$10,547
Public At Large	\$82,200
<b>TOTAL</b>	<b>\$92,747 *</b>

*\* Note: The City of San José has agreed to pay a portion of the general benefit through its Base Level Services agreement.*

## SECTION F: COST ESTIMATE

### 2023 PBID Assessment Budget

The PBID's operating budget takes into consideration:

1. The improvements and activities needed to provide special benefits to each individual parcel within the PBID boundary (Section B),
2. The parcels that specially benefit from said improvements and activities (Section C), and
3. The costs associated with the special and general benefits conferred (Section E).

EXPENDITURES	TOTAL BUDGET	% of Budget
Environment (Clean, Safe, Beautiful)	\$4,110,000	77.84%
Economic Vitality	\$570,000	10.80%
Management and Advocacy	\$600,000	11.36%
<b>Total Expenditures</b>	<b>\$5,280,000</b>	<b>100.00%</b>
REVENUES		
Assessment Revenues	\$4,685,540	88.74%
Other Revenues* - General Benefit	\$92,747	1.76%
Other Revenues* - Base Level Services Agrmt	\$501,713	9.50%
<b>Total Revenues</b>	<b>\$5,280,000</b>	<b>100.00%</b>

*\* Other non-assessment funding to cover the cost associated with the City's base line services agreement and general benefit.*

### Budget Notations

The services proposed for year one of the renewal term are the same services that are proposed for subsequent years. Assessments will be subject to an annual increase of up to 5% per year to address changes in the cost of providing the PBID services identified above. In addition, assessments for Commercial and Enterprise Government parcels may be increased up to an additional 5% with those revenues being specifically allocated to a capital reserve account to fund/augment the Beautification and Street Life services, including matching funds or leveraging capital improvement projects. The determination of annual adjustments in assessment rates will be subject to review and approval by the PBID Owners' Association and City Council and will be subject to the requirements of the PBID Law.

### Bond Issuance

No bonds will be issued to finance improvements.



## SECTION G: APPORTIONMENT METHOD

The PBID services and activities will be provided uniformly throughout the district. The cost of the special benefits received from these services is apportioned in direct relationship to each parcel's use, building square footage and lot square frontage as discussed above. Each parcel is assigned a proportionate benefit unit for each lot square foot plus building square foot. The sum of the total assessable benefit units in the PBID is then divided into the assessment budget to determine the assessment rate for each benefit unit. The total number of assessable benefit units in the PBID are as follows:

As previously discussed in Section D, the PBID is segregated into two property use classifications and assessable benefit units. The table below summarizes the assessable benefit units for each property use classification:

Land Use	Benefit Units		
	Lot SF	Bldg SF	Total Lot + Bldg SF
Commercial/Govt (Enterprise)	10,618,388	14,489,021	25,107,409
Residential/NonProfit/Govt (Tradl)	4,771,321	7,459,428	12,230,749
<b>TOTAL Benefit Units</b>	<b>15,389,709</b>	<b>21,948,449</b>	<b>37,338,158</b>

### Calculation of Assessments

Based on the assessment factors, benefit units for each variable plus the proposed budget for each benefit zone, all of which are discussed above, the following table illustrates the maximum annual assessment per assessable benefit unit for per each benefit zone. Note, assessment rates are rounded off to the fourth decimal place and a parcel's assessment may vary slightly when calculated using the assessment rates below.

Land Use	Assmt Rate per Benefit Unit
Commercial/Govt (Enterprise)	\$0.13390
Residential/NonProfit/Govt (Tradl)	\$0.1083

Specifically, the assessment rates are calculated as follows:

#### **Environment + Management – Other Revenues = \$4,042,463**

Assessed to all parcels in the District.

$$\begin{aligned} & \text{Budget / sum of building + lot SF} \\ & (\$4,042,463 / 37,338,158) = \$0.1083 \text{ per building + lot square foot} \end{aligned}$$

#### **Economic Vitality + Management = \$643,077**

Assessed to only Commercial and Enterprise Government parcels.

$$\begin{aligned} & \text{Budget / sum of building + lot SF} \\ & \$643,077 / 25,107,409 = \$0.0256 \text{ per building + lot square foot} \end{aligned}$$

The total Commercial and Enterprise Government assessment per building + lot square foot  
= \$0.1339 (\$0.1083 + 0.0256)

### **Sample Parcel Assessments**

The initial annual parcel assessment for a Commercial/Government Enterprise parcel with 20,000 building square feet, and 5,000 lot square feet is calculated as follows:

Building square footage + Lot square feet x the assessment rate

$$(20,000 + 5,000) \times \$0.1339 = \$3,347.50$$

The initial annual parcel assessment for a Residential/Non-Profit/Government Traditional parcel with 20,000 building square feet, and 5,000 lot square feet is calculated as follows:

Building square footage + Lot square feet x the assessment rate

$$(20,000 + 5,000) \times \$0.1083 = \$2,707.50$$

### **Maximum Annual Assessment Adjustments**

Assessments will be subject to an annual increase of up to 5% per year to address changes in the cost of providing the PBID services identified above. In addition, assessments for Commercial and Enterprise Government parcels may be increased up to an additional 5% with those revenues being specifically allocated to a capital reserve account to fund/augment the Beautification and Street Life services, including matching funds or leveraging capital improvement projects. The determination of annual adjustments in assessment rates will be subject to review and approval by the PBID Owners' Association and City Council and will be subject to the requirements of the PBID Law.

The cost of providing programs and services may vary depending on the market cost for those programs and services. Expenditures may require adjustment up or down to continue the intended level of programs and services. The Owner's Association shall have the right to reallocate up to 10% by line item of budget allocation within the budgeted categories. Any change will be approved by the Owners' Association Board of Directors and submitted to the City of San José within its annual planning report. Pursuant to Section 36650 of the California Streets and Highways Code. The overall budget shall remain consistent with this Management District Plan. Each assessed parcel pays for 100% of the special benefit received based on the level of benefit received.

### ***Future Development***

As a result of continued development, the PBID may experience the addition or subtraction of assessable footage for parcels included and assessed within the PBID boundaries. The modification of parcel improvements assessed within the PBID may then change upwards or downwards the amount of total footage assessment for these parcels, pursuant to Government Code 53750(h)(3), will be prorated to the date the parcel receives the temporary and/or permanent certificate of occupancy.

In future years, the assessments for the special benefits bestowed upon the included PBID parcels may change in accordance with the assessment methodology formula identified in the MDP and Engineer's Report provided the assessment rate does not change. The assessment formula can only be changed in accordance with the provisions of the PBID Law and any other applicable laws.

# Attachment C



## CERTIFICATIONS

(1) DIRECTOR OF PUBLIC WORKS  
 FILED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ 2022 IN THE OFFICE OF THE DIRECTOR OF  
 PUBLIC WORKS OF THE CITY OF SAN JOSE  
 \_\_\_\_\_  
 MATT GAND  
 DIRECTOR OF PUBLIC WORKS

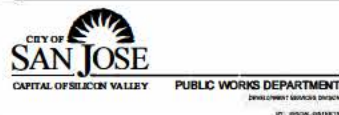
(2) CITY CLERK  
 FILED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ 2022 IN THE OFFICE OF THE CITY CLERK OF  
 THE CITY OF SAN JOSE  
 \_\_\_\_\_  
 TONI J. TABER OMC  
 CITY CLERK

(3) CITY COUNCIL  
 BY RESOLUTION NUMBER \_\_\_\_\_ ON THE \_\_\_\_\_ DAY OF \_\_\_\_\_  
 2022 AN ASSESSMENT WAS LEVIED BY THE CITY COUNCIL ON THE LOTS, PIECES, AND PARCELS OF  
 LAND SHOWN ON THIS DIAGRAM. THE APPROVED DIAGRAM AND ASSESSMENT ROLL FILED IN THE  
 OFFICE OF THE DIRECTOR OF PUBLIC WORKS CONTAINS THE EXACT AMOUNT OF EACH ASSESSMENT  
 LEVIED AGAINST EACH PARCEL OF LAND SHOWN ON THIS DIAGRAM.  
 \_\_\_\_\_  
 TONI J. TABER OMC  
 CITY CLERK

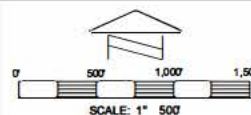
(4) COUNTY RECORDER  
 FILED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ 2022 AT THE HOUR OF \_\_\_\_\_ O'CLOCK \_\_\_\_\_ M IN  
 BOOK \_\_\_\_\_ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS  
 PAGE(S) \_\_\_\_\_ IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF SANTA CLARA.  
 RECORDER'S SERIES NO. \_\_\_\_\_ FEE PAID \_\_\_\_\_  
 \_\_\_\_\_  
 REGINA ALCONCORNIA COUNTY RECORDER  
 COUNTY OF SANTA CLARA



LOCATION MAP



LEGEND	
	DISTRICT BOUNDARY
	STREET RIGHT OF WAY
	RAILROAD TRACKS
	PRIVATE STREET
	PROPERTY LINE



CITY OF SAN JOSE, COUNTY OF SANTA CLARA  
 STATE OF CALIFORNIA  
**DOWNTOWN SAN JOSE**  
**PROPERTY-BASED BUSINESS IMPROVEMENT DISTRICT**  
 FISCAL YEAR 2022-2023  
 SHEET 1 OF 1