



COUNCIL AGENDA: 5/21/19

ITEM: 19-338

FILE: 2.9

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Kim Walesh

SUBJECT: SEE BELOW

DATE: May 6, 2019

Approved

Date

5-8-19

COUNCIL DISTRICT: 3

SUBJECT: PRELIMINARY APPROVAL OF 2019-2020 BUDGET REPORT, ADOPTION OF RESOLUTION OF INTENTION TO LEVY 2019-2020 ASSESSMENTS IN THE DOWNTOWN BUSINESS IMPROVEMENT DISTRICT, SUSPEND COLLECTION OF THE ASSESSMENTS FOR BUSINESSES THAT QUALIFY FOR THE BUSINESS TAX FINANCIAL HARDSHIP EXEMPTION UNDER THE CITY'S GENERAL BUSINESS TAX ORDINANCE, AND SETTING THE DATE AND TIME FOR THE PUBLIC HEARING ON THE LEVY OF ASSESSMENTS

RECOMMENDATION

Preliminarily approve the report as filed by the Downtown Business Improvement District Advisory Board, or as modified by Council, and adopt a resolution of intention to levy the annual assessment for Fiscal Year 2019-2020, to suspend collection of the Downtown Business Improvement District assessments for businesses that qualify for the business tax financial hardship exemption under the City's general business tax ordinance, and set Tuesday, June 4, 2019 at 1:30 p.m. as the date and time for the public hearing on the levy of the proposed assessments.

OUTCOME

Approval of this action will result in a resolution of intention to levy the assessments for the upcoming fiscal year of the Downtown Business Improvement District, exempt businesses from the Downtown Business Improvement District assessments if they qualify for a financial hardship exemption under the City's general business tax ordinance and set the time and date for the public hearing.

BACKGROUND

The Downtown Business Improvement District ("BID") was established by Council in 1988 pursuant to the California Parking and Business Improvement Area Law to promote the economic revitalization and physical maintenance of the Downtown Business District. In 1989, Council appointed the Downtown Association as the Advisory Board ("Advisory Board") for the BID, to advise Council on the levy of assessments in the BID and the expenditure of revenues derived from the assessments for the benefit of the BID.

Pursuant to the California Parking and Business Improvement Area Law, the Advisory Board must come before Council on an annual basis to present a report. The report proposes a budget for the upcoming fiscal year for the BID to advise Council on the levy of assessments in the BID and the expenditure of revenues derived from the assessments for the benefit of the BID. Council must then: 1) review the report and preliminarily approve it as proposed or as changed by Council; 2) adopt a resolution of intention to levy the assessments for the upcoming fiscal year; and 3) set a date and time for the public hearing on the BID-related actions. Absent a majority protest at the public hearing, at the conclusion of the public hearing Council may adopt a resolution approving the budget for Fiscal Year 2019-2020 as filed or as modified by Council. The adoption of the resolution constitutes the levying of the BID assessments for the Fiscal Year 2019-2020.

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

In order to qualify, the business must be a sole proprietorship which means a business owned and operated by one person or owned and operated jointly by a husband and wife or domestic partners, without other principals or employees, where its gross receipts do not exceed the poverty level established by the Department of Health and Human Services for a single person (multiplied by 2) for the calendar year in which the assessment is due, or a small business owner where the adjusted gross income of the small business owner and the small business owner's spouse or domestic partner, added together, do not exceed the poverty level established by the Department of Health and Human Services for a single person (multiplied by 4).

ANALYSIS

The Advisory Board has prepared a budget report ("report") attached as Exhibit 1, for Council's consideration as the proposed budget for the Downtown BID for Fiscal Year 2019-2020. As required by the California Parking and Business Improvement Area Law, the report has been filed with the City Clerk and contains, among other things, a list of the improvements and activities proposed to be provided in the BID in Fiscal Year 2019-2020, and an estimate of the cost of providing the improvements and activities. In addition, the Advisory Board has included

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a clarification of the existing Apartments/Hotels category for residential landlords leasing 1 and 2 units. These landlords of 1 and 2 units will pay \$150 while residential landlords of 3 or more units will continue to pay \$264. Residential landlords of 1-2 units are currently being charged \$264 and the Board proposes reducing the rate to \$150. Residential landlords of 1-2 units billed \$264 for the prior two years will receive a credit for the difference. Otherwise, there are no changes in the method and basis for levying assessments.

Council may approve the report as filed or modify the report and approve it as modified. After approval of the report, Council must adopt a resolution of intention to levy the annual assessment for the 2019-2020 fiscal year, suspend the BID assessments in certain instances as noted above, and fix a time and place for a public hearing to be held on the levy of the proposed assessment.

EVALUATION AND FOLLOW-UP

The Advisory Board will come before Council next year to present a report that proposes a budget for the 2020-2021 fiscal year.

PUBLIC OUTREACH

The budget for Fiscal Year 2019-2020 was reviewed and approved at the Advisory Board's meeting on March 23, 2019.

This memorandum will be posted on the City's website for the May 21, 2019 Council agenda.

COORDINATION

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

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

FISCAL/POLICY ALIGNMENT

This action is consistent with the Economic Development Strategy approved by Council, specifically Initiative No. 1, "Encourage Companies and Sectors that Can Drive the San Jose/Silicon Valley Economy and Generate Revenue for City Services and Infrastructure" and Initiative No. 10, "Continue to Position Downtown as Silicon Valley's City Center." A healthy

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Business Improvement District will encourage growth of the retail community and consequently result in additional sales tax revenue for the City.

COST SUMMARY/IMPLICATIONS

Adoption of the proposed Downtown BID budget does not directly impact City revenue. The Downtown BID assessments are restricted for use exclusively by the Downtown BID. It is anticipated that a healthy Downtown Business Improvement District will encourage growth of the retail community, which indirectly generates business tax and sales tax revenue for the City.

CEQA

Exempt, File No. PP08-048, CEQA Guidelines Section 15061(b), Review for Exemption.

/s/

KIM WALESH

Deputy City Manager

Director of Economic Development

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

Attachments

Exhibit 1 – Downtown BID Report for FY 2019-2020

Exhibit 2 – Downtown BID Budget for FY 2019-2020

Exhibit 3 – Downtown BID Map for FY 2019-2020

March 23, 2019

Exhibit 1

Downtown BID Report for Fiscal Year 2019-20

1. The boundaries of the Downtown BID are as follows: I-280 at Fourth Street west along Reed Street to west side of Market Street to south side of Balbach Street to east side of Almaden Boulevard to continue on West Reed Street to Highway 87, Highway 87 north to West San Fernando Street, south side of West San Fernando Street to CalTrain tracks, CalTrain tracks to West Julian Street, south side of West Julian Street east to Montgomery Street, west side of Montgomery Street south to south side of West St. John Street to the Guadalupe River, north along east side of the Guadalupe River to the western most set of Union Pacific Railroad tracks, north side of the Union Pacific Railroad tracks north to West Taylor Street, south side of West Taylor Street east to Coleman Avenue, southwest side of Coleman Avenue east to Highway 87, Highway 87 south to West Julian Street, both sides of West Julian Street east to First Street, south side of East Julian Street east to Fourth Street, both sides of Fourth Street south back to I-280. See Exhibit 3.
2. As of July 1, 2014, businesses that are exempt from paying the City's Business Tax under Chapter 4.76 of the San Jose Municipal Code no longer pay the Downtown Business Improvement District assessment fee. If the business qualifies for the hardship exemption for the City of San Jose Business License Tax, the business will automatically qualify for the BID assessment fee waiver.
3. The Downtown BID will assess current year BID charges only when a business within the Downtown BID already in possession of a Business License and already assessed the Business License Tax is discovered to have not been assessed the BID in previous years.
4. Improvements and activities for FY 2019-20: See Exhibit 2
5. An estimate of the total cost of providing the improvements and activities for fiscal year 2019-20 is approximately \$3,900,000. Estimated BID funds of \$770,000 contribute to total program and staffing costs. Additional costs estimated at \$3,130,000 are paid through Downtown Association revenue raised by programs and activities, projected City of San Jose contract services, and other sources.
6. The current method and basis for levying the annual assessment are as follows:

CATEGORY

PROPOSED RATE

I. Retail	\$29.04 per FTE/\$264 min.
II. Non-Retail	\$19.35 per FTE/\$185 min.
III. Apartments & Hotels	\$7.92 per room/\$264 min.
(residential landlords of 1-2 units	\$7.92 per room/\$150 min)
(residential landlords of 3 or more units	\$7.92 per room/\$264 min)
IV. Parking Lots	see commercial landlord
V. Non-profits	\$100
VI. Independent Contractors/Rolling Vendors	\$55
VII. Commercial Landlords/Parking Lots	
Less than 10,000 square feet	\$440
10,001 to 50,000 square feet	\$990
50,001 to 100,000 square feet	\$1,540
More than 100,000 square feet	\$2,200

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

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

Any residential landlords of 1-2 units billed in prior year at \$264 minimum "Apartment and Hotel" rate will receive credit for the difference (\$114) with the new rate of \$150 applied to their BID account billing for FY 2019-20.

7. It is estimated that there will be \$40,000 carryover in the BID fund from current fiscal year 2018-19.
8. Total Downtown Association program and staffing costs are funded by the following sources of revenue, in addition to assessment district revenue of \$770,000: Downtown Association program and activity, expected Office of Economic Development contract services and other revenue sources (estimated): \$3,130,000.

**Downtown
Business Improvement District
FY 2019-20 Budget**

Exhibit 2

REVENUE	Amount
BID FY 2019-20 (Estimated)	730,000
Carryover from FY 2018-19	40,000
Total Revenue	\$ 770,000
EXPENSE	
Operating / Administration	210,000
Live and Local	9,000
Ice Rink	100,000
Farmers' Market	45,000
Music in the Park	60,000
Dine Downtown	30,000
Marketing and Advertising	76,000
Communications/Publicity	76,000
Parking Promotions	10,000
District Promotions (SoFA, San Pedro Square, Historic)	21,000
Downtown for the Holidays	20,000
Membership & Partnership Services	36,000
Planning, Research & Advocacy	57,000
Partner Programs Public Space Activation	10,000
New Event (TBD)	10,000
Total Expenses	770,000

Notes:

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

Exhibit 3

DOWNTOWN SAN JOSE

BUSINESS
IMPROVEMENT
DISTRICT (BID)

July 2013

