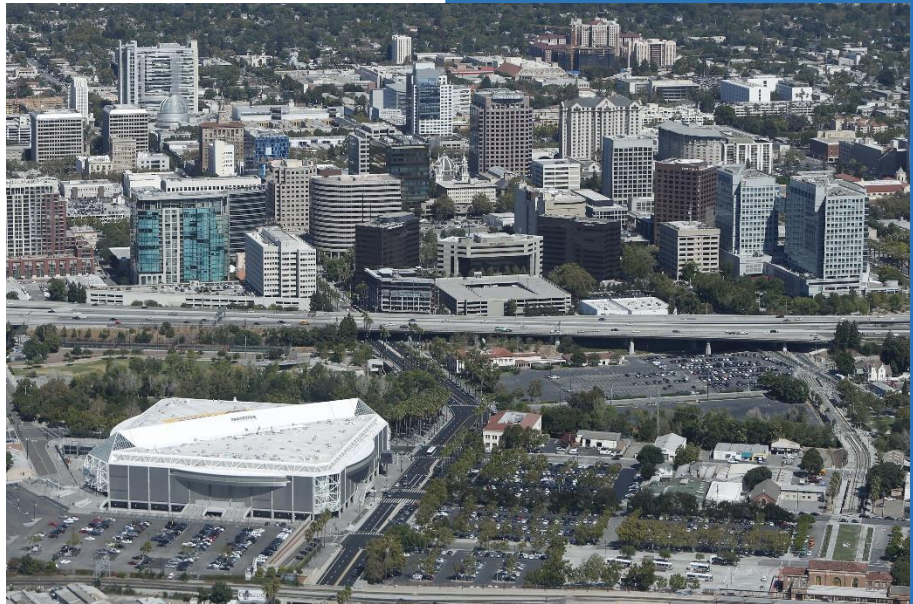


Downtown San José

Property-Based Business Improvement District

Management District Plan



City of San José, California

March 21, 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

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ATTACHMENTS

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

Location	<p>The PBID encompasses the core of the downtown area roughly bounded by 4th and 7th 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, 1st and 2nd 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>
Services & Activities	<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><u>Environment:</u></p> <ul style="list-style-type: none">• Clean Team 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.• Social Impact Team 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.• Safety Ambassadors 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.• Beautification and Street Life including street tree planting and trimming, the planting and maintaining planters, hanging baskets, and in-ground landscaping sites. <p><u>Economic Vitality:</u></p> <ul style="list-style-type: none">• Business Development activities to fill vacant storefronts, data analysis, and other activities that focus on small business support and activation.• Communication activities to keep ratepayers informed, clarify how to access services, and explain the benefits of the program.• Service Innovation/Special Projects 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. <p><u>Management & Administration:</u></p> <ul style="list-style-type: none">• Management & Administration activities that manage the PBID programs, communicates with stakeholders and advocates on behalf of the district.

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 \$5,280,000, 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>Total Expenditures</td><td>\$5,280,000</td><td>100.00%</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>Total Revenues</td><td>\$5,280,000</td><td>100.00%</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%	Total Expenditures	\$5,280,000	100.00%	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%	Total Revenues	\$5,280,000	100.00%
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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																								
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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.
City Services	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.
Collection	PBID assessments appear as a separate line item on the annual Santa Clara County property tax bills.
District Governance	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.
District Formation	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 more than 50% of the \$4,685,540 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.
Duration	<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

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 4th 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 1st 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 7th 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 2nd 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 4th and 7th 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, 1st and 2nd 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, 1st and Reed Streets to the south, and 4th 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 4th 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"> • Under the proposed service deployment model there are 27.85 FTEs. This number may vary due to changes in service levels. 	



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:

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 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%
Total Expenditures	\$5,280,000	100.00%
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%
Total Revenues	\$5,280,000	100.00%

** 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
TOTAL Benefit Units	15,389,709	21,948,449	37,338,158

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 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. 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.

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

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)

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:

Renewal Schedule	Dates
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