

Minutes of Regular Meeting
Board of Directors
San Jose Downtown Property Owners' Association

August 16, 2011

A regular meeting of the Board of Directors of the San Jose Downtown Property Owners' Association (POA), a non-profit California corporation, was held at SJDA office, 28 N. First St., Suite 1000, San Jose, CA 95113.

Board members present: Ortbal, Nardi, Mattson, Ryan, Knox, Utic and Hammers.

Board Members absent: Berg, Keit, Burnell, Souza.

Also present were Executive Director Scott Knies, Deputy Director Blage Zelalich, Operations Manager Eric Hon, Diane Milowicki, City of San Jose Department of Transportation, Rich Mongarro, SGI Program Director for Groundwerx, Brad Segal, Progressive Urban Management Associates, Kristin Lowell Schubert, KLI Finance, Inc. and Jan Schneider, downtown resident and property owner.

Hammers called the meeting to order at 8:35 a.m.

Minutes

- The meeting minutes from June 28 and July 19 were emailed to the board prior to the meeting. Both sets of minutes were unanimously approved.

President's Report

- Hammers did not have a report.

Services and Renewal

- Knies welcomed Schneider to the board meeting. Schneider is a downtown property and business owner, a downtown resident and former president of SJDA.
- Knies introduced Segal to the board. Knies said Segal has extensive experience with improvement districts both in California and throughout the country. Segal has also been a frequent contributor at the International Downtown Association conferences.
- Knies said Segal has reviewed previous board meeting minutes and is up to speed on the various topics that the board has discussed in terms of renewing the district.
- Segal gave a brief summary of his experience with improvement districts. He began his career at the Downtown Denver Partnership where he worked for 12 years. Over the last 18 years he has worked with 50 districts, 30 of which are in California.
- Segal introduced his partner, Kristin Lowell-Schubert, with whom he has worked for the past 12 years. Segal's job is to work with the board and develop the management plan. Lowell writes the engineer's report and verifies the assessment amounts for each property within the district.
- Segal updated the board on national trends that he has come across. He said as government and the public sector face service reduction, groups like the PBID have grown in stature, particularly in California. PBID driven organizations have traditionally been stronger on the east coast because California was more dependent on Redevelopment Agencies. San Diego, Long Beach and Sacramento have been working with PUMA to restructure and realign their services to include economic development, planning and project development.

- Long Beach is developing a Community Development Corporation (CDC). San Diego is emulating Denver and completely restructuring their organization to go beyond just clean and safe services. Overall, this is a good time for new opportunity and changes. Berkeley recently replaced their BID with a PBID.
- Segal and Lowell-Schubert also offered their impression of San Jose since their previous visit in 2007. They said downtown is a lot cleaner and much more attractive because of the PBID beautification efforts. The streets are working, Segal specifically mentioned San Fernando Street, which has a lot of new development.
- Segal said there are still some challenges like empty storefronts and there seems to be more vagrants, which could be related to the economy.
- Segal then led the board on a discussion on boundaries. He referenced page 10 of the board packet that shows the preliminary revenue forecast.
- Segal said the board's criteria for expansion were spot on. Segal identified the areas that were not right for expansion at the moment and then moved on to discussing some of the more complex areas like the potential ballpark location (area 2 on the expansion map).
- The proposed ballpark site currently does not need the service. PUMA believes that adding the area now would detract from the services because there are a lot of parcels, but there is very little assessment revenue. PUMA recommends contracting for services if a stadium is built and developing an agreement with the stadium owner with the understanding that when the ballpark is built, it will be included in the PBID at the next renewal.
- Segal said most of the periphery areas do not make sense to be added into the PBID because they generate little revenue and their location on edge of district makes it more difficult to deliver services.
- For example, Segal said the Little Italy revenue would only generate approximately \$2-3K annually. Segal also said that residential areas like the Market/Almaden are low density with limited revenue and would not be good candidates for annexation into the PBID.
- Hammers asked if the board should consider a third level of service. Segal said this is an option but it is hard to communicate the different service levels. Segal recommends contracting for services in these areas instead because that puts the onus on the property owners to get support and a contract can be discontinued.
- Ortbal recommended strong consideration for the one block south of City Hall and also the Little Italy area because the City has plans for that corridor. Utic said he would like to see PBID enhanced services in Little Italy because so much effort has already happened there.
- Segal said the next step in the renewal process is the development of a draft management plan, along with a revised map and a policy on how to address the potential ballpark area.
- Segal added that he commends the board on having raised fees over the years in order to keep up with services. He said other districts have been forced to reduce services during renewal because they were underfunded.
- Segal diagramed a new budget model with two major line items, environment and economy. Cleaning, ambassadors and tree trimming all fall under environment line, which allows for greater flexibility within each category. Environment accounts for the majority of the total budget. Economy would include economic development and beautification elements.

- Hammers asked how strictly must the management plan budget ratios be followed since there is no current economic development plan? Segal said usually the management plans are stricter initially, but the PBID is allowed to carry over funds as it develops an economic development plan.
- Ortbal asked how much money can be moved between categories under the current management plan? Segal said there are no restrictions per se, but generally changes are kept at about 10% per year.
- Knies said the board would need to decide how much it would like to allocate between the two tiers (environment and economy). Segal said he would include some recommendations in the draft management plan.
- Segal added that the ambassador program is currently underfunded. He said the ambassadors have done well in terms of hospitality, but are not equipped to deal with vagrancy and higher level security issues.
- Members discussed security issues downtown and reviewed options.
- Segal will provide a menu of options to address some of the issues discussed, such as a dedicated homeless outreach program like the Navigators in Sacramento or hiring of off-duty police and possibly even community court/prosecutors that could sentence nuisance crimes to alternative work programs.
- Segal then led a discussion on assessment rates. He said the San Jose rates are currently where they should be. The rates are low compared to some places like Berkeley and Santa Monica, but those districts have different types of real estate.
- Segal said the current assessment methodology works well and does not recommend making any changes.
- Segal said the City's letter from 2007 committing to the baseline funds has been used as a model for other districts he's worked with. Segal suggested a 60 to 90 day timetable for establishing a new baseline agreement with the City.
- Segal said the governance of the PBID has served its purpose well and he does not see any reason to make changes. He said the board may consider possibly restructuring the board composition.
- For instance, Knies said the by-laws call out an RDA seat and suggested amending this section to refer to the "City" in general.
- Next Segal addressed the board's question about the length of the PBID's term. He said a 10-year district with a five-year review is the standard. Regardless of how many years a review after the fifth year is mandatory. Santa Monica has a 20-year district, but a longer term is tougher to pass.
- For the next meeting, Segal said a draft management plan will be distributed in advance and he will attend the meeting to facilitate the discussion.

Operations Report

- The operations report was deferred to the next meeting.
- Meeting adjourned at 10:05 a.m.