Management District Plan
for the continuation of the
Downtown San Jose
Property-Based Business Improvement District

FINAL
April 2012 (4/18)

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• List of properties to be benefited
• Map with parcel detail
• Base level of service letter of intention from City of San Jose
• Roster of the Downtown San Jose Property Owners’ Association

Exhibits are available upon request from the
Downtown San Jose Property Owners’ Association

Prepared for the
Downtown San Jose Property Owners’ Association
by
Progressive Urban Management Associates, Inc.
and Kristin Lowell Inc.
I. DOWNTOWN SAN JOSE
PROPERTY-BASED BUSINESS IMPROVEMENT DISTRICT (PBID) SUMMARY

The Downtown San Jose Property-Based Business Improvement District (PBID) is a special benefit assessment district formed in 2007 that conveys special benefits to each individual assessed parcel located within the district boundaries. Downtown property owners are now seeking to continue the PBID for an additional ten year term. As described in this plan, it is proposed that the PBID will continue to provide enhanced maintenance, public safety, beautification and economic development programs, above and beyond those provided by the City of San Jose.

Location: The district will encompass the core of the downtown area bounded roughly by 4th Street, the San Jose 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 First Streets south to Reed Street. A map of the proposed district boundary is attached.

Improvements & Activities: A Clean, Inviting & Attractive Downtown: The district will finance services and improvements that will improve the downtown environment and experience for workers, visitors and residents, including:

Environment:
- Clean Teams that sweep, scrub and power wash sidewalks, remove litter and graffiti, increase the frequency of trash removal and maintenance of public spaces within downtown.
- Enhanced Maintenance of beautification improvements installed by the PBID and specialized maintenance needs that may arise, such as light/signal pole painting; curb painting; tree grate and group repair, and periodic tree trimming of district street trees.
- Information & Safety Ambassadors to provide information on downtown activities and establishments, prevent crime and work productively to reduce street populations.

Economy:
- Beautification improvements that make downtown more visually attractive, including enhanced landscaping, murals, street furniture, lighting, decorations and banners.
- Business Retention and Growth services aimed to assist property owners in recruitment and retention of tenants, including efforts to fill storefronts, attract diverse retail and employers to occupy office space.

Method of Financing: Levy of assessments upon real property that specially benefits from the PBID improvements and activities.
Budget: Total district assessment budget for its first year of operation is $2,192,250:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Sub-Total</th>
<th>Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clean Teams</td>
<td>840,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; see note below &gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enhanced Maintenance</td>
<td>185,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information &amp; Safety Ambassadors</td>
<td>475,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tree Trimming</td>
<td>100,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Environment</strong></td>
<td><strong>1,600,000</strong></td>
<td><strong>73.0%</strong></td>
<td></td>
</tr>
<tr>
<td>Economy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beautification &amp; Landscape</td>
<td>250,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Retention &amp; Growth</td>
<td>125,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Economy</strong></td>
<td><strong>375,000</strong></td>
<td><strong>17.1%</strong></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>217,250</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,192.250</strong></td>
<td><strong>100.0%</strong></td>
<td></td>
</tr>
</tbody>
</table>

Assessments for Clean Teams will be matched with approximately $365,000 from the City of San Jose, resulting in a total Clean Team budget of approximately $1,215,000.

Cost: Annual assessments are based upon an allocation of program costs within two benefit zones and a calculation of lot plus building square footage within each zone. Two benefit zones are proposed with two different levels of service. The deployment and frequency of clean and safe services in the premium zone will be approximately double the deployment and frequency of clean and safe services in the basic zone.

Residential uses, traditional government and other non-commercial properties pay an assessment rate commensurate with the special benefits each individual assessed parcel receives. Estimated annual maximum assessment rates for the first year of the district are as follows:

<table>
<thead>
<tr>
<th>Benefit Zone</th>
<th>Per sq.ft. of Lot per Year</th>
<th>Per sq.ft. of Building per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic Benefit Zone: Commercial and Enterprise Government</strong></td>
<td>$0.0574</td>
<td>$0.0574</td>
</tr>
<tr>
<td><strong>Premium Benefit Zone: Commercial and Enterprise Government</strong></td>
<td>$0.0962</td>
<td>$0.0962</td>
</tr>
<tr>
<td><strong>Basic Benefit Zone: Residential, Traditional Government &amp; Other Non-Commercial</strong></td>
<td>$0.0388</td>
<td>$0.0388</td>
</tr>
<tr>
<td><strong>Premium Benefit Zone: Residential, Traditional Government &amp; Other Non-Commercial</strong></td>
<td>$0.0775</td>
<td>$0.0775</td>
</tr>
</tbody>
</table>

Cap: Annual assessments may increase no more than 5% per year to keep pace with living/prevaling wage and other program costs. The determination of annual assessment rates will be subject to the review and approval of the PBID Owners' Association and the San Jose City Council.
City Services: The City of San Jose has established and documented the base level of pre-existing City services and has evidenced its intention to continue to deliver and/or pay for these services if a PBID is formed. 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. Any individual assessed parcel not on the property tax rolls will be directly billed by the City of San Jose.

District Governance: The PBID governance will continue to be the Downtown San Jose Property Owners’ Association, a 501(c)6 non-profit organization consisting primarily of property owners within the District. The PBID Owners’ Association will determine budgets, assessment rates and monitor service delivery. The PBID Owners’ Association will continue to contract for services with the San Jose Downtown Association (SJDA) which then contracts with the Groundwerx cleaning program which eliminates any potential duplication of service and administration, plus maximizes leverage with other downtown improvement resources.

Existing BID: Downtown’s existing business-based business improvement district will remain in place and will continue to be managed by the San Jose Downtown Association. The existing BID promotions, marketing and special event programming is different from services that will be supported by the PBID.

District Continuation: District continuation requires submission of petitions signed by property owners in the proposed district who will pay more than 50% of total assessments (i.e. petitions must represent more than 50% of the $2,192,250 to be assessed). Petitions are then submitted to City Council and a mail ballot is sent to all affected property owners. The majority of ballots returned, as weighted by assessments to be paid, must be in favor of the PBID in order for City Council to approve it.

Duration: Collection of the first year’s assessments will be included on the 2012/2013 tax bill with services beginning on January 1, 2013 and will continue until December 31, 2022. Any subsequent renewal of the District will require a new management plan, petition and mail ballot process. The PBID may use assessment revenues to fund PBID renewal activities.
II. WHY CONTINUE THE DOWNTOWN SAN JOSE PBID?

What is a PBID?

The International Downtown Association estimates that more than 1,000 property-based business improvement districts (PBID) currently operate throughout the United States and Canada. A PBID provides enhanced improvements and activities, such as public safety, maintenance and image enhancement, in addition to those provided by local government. PBIDs provide services that improve the overall viability of business districts -- resulting in higher property values, sales and tax revenues.

Since the creation of California’s Property and Business Improvement District Law in 1994, nearly 100 new PBIDs have been established in California downtowns, including Sacramento, Oakland, Long Beach, Los Angeles, Santa Monica and San Diego. Other downtowns in major cities throughout the west also support PBIDs, including Portland, Seattle, Phoenix and Denver.

Why Continue the PBID for Downtown San Jose?

1. “Clean and Safe” Has Worked – We Can’t Go Backwards
Downtown stakeholders agree that the supplemental cleaning and safety services funded by the PBID have succeeded to make downtown San Jose safer and more attractive. From a property owner survey completed in the spring of 2011, 94% of respondents are satisfied with the overall condition of downtown. 82% approve of downtown’s cleanliness (compared to 46% in 2007). 74% approve of ambassadors and 77% approve of beautification efforts. There is concern that if the PBID goes away, downtown’s gains in clean and safe will slip.

2. The PBID Is More Important Than Ever in Challenging Economic Times
Most stakeholders value the PBID more than ever as a foundational tool that can help downtown navigate through the current economic turbulence. With a challenging national and regional economy, the PBID is something we can control. The PBID’s work program and performance is under the supervision of the Downtown San Jose Property Owners’ Association, a governing board composed of property owners located within the PBID.

3. A More Visible Economic Development Role
In response to economic realities and keeping with priorities established by downtown property owners, businesses and residents, the PBID will devote more resources to a variety of business development initiatives that are intended to grow and attract businesses, jobs and investment. A special effort will be launched to help fill empty storefronts and office buildings.

4. The PBID Helps Unify Downtown and Makes Us More Influential
With the PBID, downtown has strengthened its unified voice to guide a variety of policies and issues affecting the central business district. Downtown stakeholders want to continue to benefit from a stronger unified voice in the future.
III. IMPROVEMENT AND ACTIVITY PLAN

A. Process to Establish the Management District Plan

To form the Management District Plan for the continuation of the Downtown San Jose PBID, downtown property and business owners and civic leaders have been involved in a participatory process that was initiated in the Spring of 2011. The consulting firms of Progressive Urban Management Associates and Kristin Lowell Inc. were retained by the City of San Jose and the Downtown San Jose Property Owners' Association (DSJPOA) to develop the Management Plan for continuing the PBID. Key steps included:

1. **DSJPOA Oversight:** To guide the consultant team and test PBID concepts, the Downtown San Jose Property Owners’ Association board of directors has served as the PBID Continuation Oversight Committee. A roster of the DSJPOA board of directors is provided in the Appendix.

2. **One-On-One and Roundtable Meetings with Property Owners:** The DSJPOA staff and consultants conducted a series of one-on-one and roundtable meetings with property owners located throughout the PBID study area. Top improvement priorities and guiding principles that emerged from the meetings with property owners and consultation with the PBID Committee included:
   - Providing consistency in the downtown experience, particularly the basics of clean and safe, are critical to downtown’s overall vitality.
   - Make sure that PBID services are supplemental to, and do not replace, City services.
   - Keep a PBID focused on the basics of clean and safe – We don’t need to duplicate the work of the San Jose Downtown Association and other groups.
   - Make it simple and non-bureaucratic
   - Keep costs reasonable

3. **City Base Level of Services:** Concurrent with the property and business owner outreach process to develop the PBID Management District Plan, 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 was provided by the City Manager identifying current city services and an intention to continue these services and/or payments in lieu of services. It is the intention of the PBID to provide the services and financial commitment outlined in the Management Plan; 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.

4. **Plan Review & Final Plan:** The draft PBID Management District Plan and budget were reviewed by the DSJPOA board of directors and individual property owners. All assessed property owners were invited to a public forum in January of 2012 to review the plan. Input from this and other meetings led to the completion of the final plan.
B. PBID Boundaries

The PBID will continue to encompass the core of the downtown area bounded roughly 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 First Streets to Reed Street in the south.

Additions to the PBID area include the area commonly known as the "Little Italy" district which is from N. Almaden Avenue from St. John to Julian Streets, plus the one block of 5th Street to the south of City Hall.

Benefit Zones: Two benefit zones are proposed with two different levels of service. The deployment and frequency of clean and safe services in the premium zone will be approximately double the deployment and frequency of clean and safe services in the basic zone as described in Section B. The benefit zones are delineated as follows:

- **Premium Service Zone** encompasses the core of the PBID and is bounded roughly by St. John to the north, Almaden to the west, First and Reed Streets to the south and 4th Street to the east.
- **Basic Service Zone** includes the remainder of the PBID and generally includes the perimeter of the district to the west and north.

A map of the proposed district boundary is provided below and a more detailed map with specific parcel lines will be provided upon request.
C. Work Program

ENVIRONMENT

Clean and Safe Program
Downtown's "Groundwerx" clean and safe program was developed following the creation of the PBID in 2007. Objectives in developing the program from the 2007 PBID Management Plan included:

- Deploy a Clean and Safe program that will make a visible, tangible and lasting impact.
- Carefully document existing City services and ensure that PBID-funded services are supplemental to, and do not replace, existing City services.
- Ensure that the program is properly capitalized and that additional funding will not be required once the PBID is created.
- Provide flexibility in the modeling of the program so that the PBID can either create its own in-house program or contract with private firms.

To meet these objectives, uniformed Groundwerx cleaning crews have been deployed throughout the PBID to remove litter and graffiti, clean sidewalks and maintain furniture in public places. Results from the 2011 annual property owner survey showed that 82.3% of the respondents felt there was an improvement in the overall cleanliness since the implementation of Groundwerx cleaning services. Groundwerx ambassadors have also been effective at deterring/monitoring quality of life issues, providing hospitality services to downtown visitors and connecting the PBID's homeless population to available resources. 93.7% of the survey respondents said they were satisfied with the overall condition of the downtown. Achievements of Groundwerx crews within the PBID include (see Attachment C for the complete listing of the Groundwerx crew statistics):

- Removing thousands of gum wads from sidewalks;
- Abating thousands of graffiti tags;
- Picking up tons of trash;
- Sweeping and power-washing miles of sidewalks, paseos and light-rail tracks;
- Trimming hundreds of trees;
- Directing hundreds of visitors to their destinations;
- Touch up painting to light poles, curbs and benches.

Continuation and expansion of the PBID will allow the Groundwerx crews to build upon these achievements and keep the PBID clean and safe. The proposed PBID continuation work program will provide ongoing Groundwerx deployment at the following frequencies:

<table>
<thead>
<tr>
<th>Maintenance: 13 to 18 Full Time Equivalent (FTE)</th>
<th>Premium Zone</th>
<th>Basic Zone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverage</td>
<td>7 days/week</td>
<td>7 days/week</td>
</tr>
<tr>
<td>Pan &amp; Broom litter Removal/Vacuuming/Machine Sweeping/Transit Stop Maintenance</td>
<td>16 hours per day</td>
<td>8 hours per day</td>
</tr>
<tr>
<td>Steam Cleaning</td>
<td>Four to six times per year</td>
<td>Two to four times per year</td>
</tr>
<tr>
<td>Graffiti Removal</td>
<td>Daily As Needed</td>
<td>Daily As Needed</td>
</tr>
<tr>
<td>Light Landscape/Weed Removal</td>
<td>As Needed</td>
<td>As Needed</td>
</tr>
<tr>
<td>Swat Patrol or &quot;emergency cleaning&quot;</td>
<td>As Needed</td>
<td>As Needed</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-----------</td>
<td>-----------</td>
</tr>
<tr>
<td>Maintenance of PBID funded beautification elements</td>
<td>Landscape watering 3 days/wk and as needed</td>
<td>As Needed</td>
</tr>
<tr>
<td>Tree trimming</td>
<td>Approx ¼ of street trees per year</td>
<td>Approx ¼ of street trees per year</td>
</tr>
<tr>
<td>Other maintenance services such as pole painting, paver grout replenishment and refinishing street benches</td>
<td>As Needed</td>
<td>As Needed</td>
</tr>
</tbody>
</table>

- Under the current service deployment model there are 14 members of the clean team. This number may vary as a result of changes in service levels.

<table>
<thead>
<tr>
<th>Info &amp; Safety Ambassadors: 9 to 12 Full Time Equivalent (FTE)</th>
<th>Premium Zone</th>
<th>Basic Zone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverage</td>
<td>7 days/week</td>
<td>7 days/week</td>
</tr>
<tr>
<td></td>
<td>16 hours per day</td>
<td>8 hours per day</td>
</tr>
</tbody>
</table>

- Under the current service deployment model there are 9 ambassadors. This number may vary as a result of changes in service levels, such as the implementation of the enhanced security program, which could reduce the FTE range for ambassadors to 6 to 9 FTEs.

**Options for Enhanced Security:** The PBID renewal process has evidenced continued property owners concern with both the reality and perception of public safety within the PBID. There are a variety of elements contributing to this concern, including ongoing challenges with homeless populations, and nuisance crimes ranging from aggressive panhandling to vandalism.

In order to effectively address these concerns the PBID may also fund, in addition to the information and safety ambassadors, programs and activities that target nuisance crimes. Based on best practices from other PBID districts in California, the additional funded activities may include the following to be determined by the PBID Owner's Association and approved by the City Council:

- A “navigator program” in which ambassadors would be tasked with a case management approach to match chronic homeless individuals with available social services (Sacramento, Santa Monica).
- A community prosecutor that would provide restorative justice remedies, such as, community service hours, removing graffiti, and gum scraping, to individuals convicted of nuisance crimes (Sacramento, San Diego).
- Supplemental security patrols (in addition to ambassadors) working under the exclusive direction of the PBID Owner's Association and responding to activity exclusively within the boundaries of the PBID (Sacramento).
- Adjust ambassador training and deployment from hospitality to more of a private security emphasis (Los Angeles).

**Options for Enhanced Maintenance:** Prior City budget cuts during the term of the existing PBID have necessitated the PBID to expand the scope of its maintenance activities to include tree trimming throughout the PBID. In order to preemptively address this same possibility in the next term of the PBID, other enhanced maintenance activities are envisioned including the repair and replacement of tree wells and sidewalk grout. There may be other enhanced maintenance needs that arise and each will be evaluated and considered by the PBID Owner's Association and City Council.
Deployment of Clean and Safe Services: Clean and safe services are deployed in each of two "benefit zones" within the PBID:

- **Premium Service Zone:** The Premium Zone contains the majority of the PBIDs' parcels, and also contains the highest density of buildings as well as the largest number of commercial and retail businesses and office buildings and is the convergence of public modes of transportation – bus and light rail in the PBID. This accounts for the highest pedestrian activity in the PBID which creates the conditions requiring a greater amount of clean and safe services within the PBID, such as dirty sidewalks, the presence of graffiti, and the need to provide ambassador assistance. The service plan anticipates that service deployment frequencies within the premium service zone will be double the remainder of the PBID – from the number of ambassadors to the frequency of sidewalk cleaning.

- **Basic Service Zone:** The basic service zone within the PBID has less pedestrian activity compared to the Premium Service Zone due to fewer parcels, lower building density, fewer retail and commercial businesses, and the absence of transit converge. Accordingly, the lower level of pedestrian activity results in a reduced need for clean and safe services. Service frequencies within the basic service zone are in direct correlation to reduced pedestrian traffic and service needs and are expected to be about half the frequency of services in the premium service zone, as identified in the frequency table above.

**ECONOMY**

**Beautification**

In addition to clean and safe services, the PBID budget includes funds for beautification improvements that are defined as cosmetic improvements that visually improve the appearance of the PBID and also to improve wayfinding which, in turn, will encourage customer traffic. Examples of image enhancement improvements include:

- Design and installation of flowering planters and baskets
- Directional, wayfinding and gateway signage
- Street furniture and amenities, such as benches, kiosks and lighting
- Design and installation of art and decorative elements
- Other cosmetic improvements that visually improve the PBID's appearance.

**Business Retention and Growth**

In an effort to increase patronage of existing businesses as well as fill vacant storefronts and encourage business development and commerce, this program will provide a primary one-stop point of contact for business prospects looking to locate and/or grow in the PBID. The PBID will provide the funding for the San José Downtown Association to hire one full-time economic development professional with a limited program support budget for market research and packaging of information. Key tasks may initially include:

- Market information on downtown and a variety of key downtown market indicators will be researched, packaged and maintained. This function will be performed either by part-time staff or sub-contracted.
• The economic development professional will serve as a liaison and expeditor to assist business and property owners in permitting and development review processes, working in partnership with the City's Planning Department.
• The economic development professional will work collaboratively with property owners, real estate professionals, City staff, and regional economic development groups to coordinate and leverage business attraction efforts.

ADMINISTRATION

Administrative costs of less than 10% of the total assessment have been included within the PBID budget. Examples of administrative costs include:

• Accounting and annual financial reports
• Staff support for the PBID Owners' Association board of directors
• Program support costs including supplies, equipment and rent
• County and City PBID assessment collection fees, estimated at 1% of assessments
• Management of clean and safe Groundwerx services and beautification program
• Communications such as newsletters, surveys and website
• Other administration costs associated with the overhead and administrative support of programs.

To reduce administrative costs, increase leveraging of funds and avoid duplication of enhanced services, the PBID Owners’ Association will continue to contract with the San José Downtown Association to deliver day-to-day services.
D. Plan Budgets

1. First Year Operating Budget Summary

The following table outlines the PBID estimated operating budget for January 2013 – December 2013.

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th>Assessments</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clean Teams</td>
<td>$840,000</td>
<td>$427,430</td>
<td>$1,267,430</td>
</tr>
<tr>
<td>Information &amp; Safety Ambassadors</td>
<td>$475,000</td>
<td></td>
<td>$475,000</td>
</tr>
<tr>
<td>Tree Trimming &amp; Enhanced Maintenance</td>
<td>$285,000</td>
<td></td>
<td>$285,000</td>
</tr>
<tr>
<td><strong>Total Environment</strong></td>
<td>$1,600,000</td>
<td>$427,430</td>
<td>$2,027,430</td>
</tr>
<tr>
<td><strong>Economy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beautification &amp; Landscape</td>
<td>$250,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Retention &amp; Growth</td>
<td>$125,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Economy</strong></td>
<td>$375,000</td>
<td></td>
<td>$375,000</td>
</tr>
<tr>
<td><strong>Administration &amp; Reserve</strong></td>
<td>$217,250</td>
<td>$1,100</td>
<td>$218,350</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>$2,192,250</td>
<td></td>
<td>$2,620,780</td>
</tr>
</tbody>
</table>

| REVENUES                         |             |        |            |
| Assessments                      | $2,192,250  |        |            |
| Other (1)                        |             | $428,530 |            |
| **TOTAL REVENUES**               |             |        | $2,620,780 |

(1) Comprised of the City’s baseline services funding and other non-assessment funding to cover the cost associated with general benefit and residential units zoned solely for residential use.

2. Ten Year Operating Budget

A projected ten year operating budget for the Downtown San Jose PBID is provided in the Ten Year Operating Budget and Maximum Assessment exhibit on the following page. The projections are based upon the following assumptions:

- To keep pace with the Consumer Price Index-All Urban Consumers, San Francisco-Oakland-San Jose and other program costs consistent with this Report, the PBID assessment budget may increase by no more than 5% of the prior year’s assessment budget per year. Actual budgets and increases will be determined by the SJDA Board of Directors, which is the PBID Owners’ Association and formally approved by the City Council.

- Revenues for specific activities within the general activity categories (i.e. Environment and Economy) may be reallocated among specific activities from year to year based upon district needs and budgets developed by the PBID Owners' Association.
Downtown San Jose PBID:
Ten Year Operating Budget & Maximum Assessments
(Prepared by Progressive Urban Management Associates, Apr18-12)

Assumptions:
Assessment rates increase by a maximum of 5% each year.
Actual adjustments may be lower as determined by the PBID Owner's Association.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Enhancements</td>
<td>1,600,000</td>
<td>1,680,000</td>
<td>1,764,000</td>
<td>1,852,200</td>
<td>1,944,810</td>
<td>2,042,051</td>
<td>2,144,153</td>
<td>2,251,361</td>
<td>2,363,929</td>
<td>2,482,125</td>
</tr>
<tr>
<td>Economic Enhancements</td>
<td>375,000</td>
<td>393,750</td>
<td>413,438</td>
<td>434,109</td>
<td>455,815</td>
<td>478,606</td>
<td>502,536</td>
<td>527,663</td>
<td>554,046</td>
<td>581,748</td>
</tr>
<tr>
<td>Management &amp; Administration</td>
<td>217,250</td>
<td>228,113</td>
<td>239,518</td>
<td>251,494</td>
<td>264,069</td>
<td>277,272</td>
<td>291,136</td>
<td>305,693</td>
<td>320,977</td>
<td>337,026</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>2,192,250</td>
<td>2,301,863</td>
<td>2,416,956</td>
<td>2,537,803</td>
<td>2,664,694</td>
<td>2,797,928</td>
<td>2,937,825</td>
<td>3,084,716</td>
<td>3,238,952</td>
<td>3,400,899</td>
</tr>
</tbody>
</table>

**MAXIMUM ANNUAL ASSESSMENT RATES:** Per Square Foot of Lot + Building

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic: Commercial</td>
<td>0.0574</td>
<td>0.0603</td>
<td>0.0633</td>
<td>0.0664</td>
<td>0.0698</td>
<td>0.0733</td>
<td>0.0769</td>
<td>0.0808</td>
<td>0.0848</td>
<td>0.0890</td>
</tr>
<tr>
<td>Basic: Non-Commercial</td>
<td>0.0388</td>
<td>0.0407</td>
<td>0.0428</td>
<td>0.0449</td>
<td>0.0472</td>
<td>0.0495</td>
<td>0.0520</td>
<td>0.0546</td>
<td>0.0573</td>
<td>0.0602</td>
</tr>
<tr>
<td>Premium: Commercial</td>
<td>0.0962</td>
<td>0.1010</td>
<td>0.1061</td>
<td>0.1114</td>
<td>0.1169</td>
<td>0.1228</td>
<td>0.1289</td>
<td>0.1354</td>
<td>0.1421</td>
<td>0.1492</td>
</tr>
<tr>
<td>Premium: Non-Commercial</td>
<td>0.0775</td>
<td>0.0814</td>
<td>0.0854</td>
<td>0.0897</td>
<td>0.0942</td>
<td>0.0989</td>
<td>0.1039</td>
<td>0.1091</td>
<td>0.1145</td>
<td>0.1202</td>
</tr>
</tbody>
</table>
V. ASSESSMENTS

A. Assessment Methodology

To develop the PBID assessment methodology, the consulting team includes Kristin Lowell Inc., a certified engineer. Kristin Lowell Inc. evaluated several methods of assessment for conveying special benefits to each individual assessed parcel from the improvements and activities described within the Downtown San Jose PBID Management District Plan.

Additional information and justification for the proposed assessment methods and adjustments are provided in the Engineer’s Report, prepared by Kristin Lowell Inc. and provided as an Exhibit to the Management Plan.

Service benefits are distributed to lot plus building square frontage through a “cost allocation” approach — the costs of specific services are allocated to the assessment variables that benefit most from services.

Lot plus Building Square Footage: The sum of lot and gross building square footage is the assessment variable for the PBID activities as it acknowledges the benefits received at the ground level and distributed throughout the buildings. Each of the individual assessed parcels will benefit from the Environment services not only at the street level but also throughout the building as it will provide a safer environment for its employees, residents and visitors. The Economy 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.

Property Use Considerations: The assessment methodology provides the following treatments for property used exclusively for residential, government and other noncommercial uses:

Residential Property: All residential parcels receive the same level of service and special benefit from Environment Services (i.e. clean and safe) 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 powerwashing 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 Economy Services (i.e. business retention and recruitment) 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 Economy 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 Management Plan/Engineers Report.

**Government Assessments:** The PBID includes parcels owned by the City of San Jose, 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 Arena, and parking structures. All publicly owned parcels specially benefit from the Environment services as it makes each individual 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 powerwashing their sidewalks.

However, the traditional government parcels, unlike the enterprise government parcels will not benefit from the Economy 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 Economy services as they benefit from the business development and revenue generation and therefore, will be assessed their proportionate share of these activities.

**Other Non-commercial:** All parcels that fall under the classification of churches, social service providers, vacant land will receive full benefit from the Environment Services (i.e. clean and safe services) and will be assessed fully for them. 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 powerwashing 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 Economy Services (i.e. business retention and recruitment) 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 Economy Services.

**B. Calculation of Assessments**

The preceding methodology is applied to a database that has been constructed by Kristin Lowell Inc. and the Downtown San Jose Property Owners’ Association. The process for compiling the property database includes the following steps:

- Property data was first obtained from the Santa Clara County Assessor’s Office through the City of San Jose.
- County assessor property data was cross-checked with reliable private sector sources.
- As an attachment to the Management District Plan, an assessment notice will be sent to all property owners within the proposed PBID. The assessment notice will contain lot acreage information. Property owners may request final verification of
data from the City of San Jose on or before July 1, 2012, which is one month prior to the submission of assessment information to the Santa Clara County Assessor.

A list of properties to be included in the PBID is provided within the Appendix.

**Benefit Zone Adjustments:** The assessments are also adjusted to reflect anticipated service frequencies in the basic and premium benefit zones. The premium benefit zone will receive double the frequency of clean and safe services, therefore assessment rates for clean and safe services are increased by a factor of two in the premium benefit zone. Residential, Traditional Government and Other Non-Commercial land uses do not receive benefit from the Economy activities and therefore will not be assessed that portion of the assessment. The resulting assessment calculation by service and benefit zone follows:

<table>
<thead>
<tr>
<th>Benefit Zone</th>
<th>Per sq.ft. of Lot per Year</th>
<th>Per Sq.Ft. of Building per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Benefit Zone</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td>$ 0.0388</td>
<td>$ 0.0388</td>
</tr>
<tr>
<td>Economy</td>
<td>$ 0.0187</td>
<td>$ 0.0187</td>
</tr>
<tr>
<td>Premium Benefit Zone</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td>$ 0.0775</td>
<td>$ 0.0775</td>
</tr>
<tr>
<td>Economy</td>
<td>$ 0.0187</td>
<td>$ 0.0187</td>
</tr>
</tbody>
</table>

**Total Estimated Assessments:** Based upon the methodology, property data and the proposed PBID budget, approximate lot and building assessments are calculated. Assessments will not exceed the following amounts during the first year of the PBID:

<table>
<thead>
<tr>
<th>Total Estimated Assessments</th>
<th>Per sq.ft. of Lot per Year</th>
<th>Per sq.ft. of Building per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Benefit Zone: Commercial and Enterprise Government</td>
<td>$ 0.0574</td>
<td>$ 0.0574</td>
</tr>
<tr>
<td>Premium Benefit Zone: Commercial and Enterprise Government</td>
<td>$ 0.0962</td>
<td>$ 0.0962</td>
</tr>
<tr>
<td>Basic Benefit Zone: Residential, Traditional Government &amp; Other Non-Commercial</td>
<td>$ 0.0388</td>
<td>$ 0.0388</td>
</tr>
<tr>
<td>Premium Benefit Zone: Residential, Traditional Government &amp; Other Non-Commercial</td>
<td>$ 0.0775</td>
<td>$ 0.0775</td>
</tr>
</tbody>
</table>

**C. Assessment Adjustments**

**Annual Adjustment:** To keep pace with the Consumer Price Index-All Urban Consumers, San Francisco-Oakland-San Jose and other program costs consistent with this Report, the PBID assessment budget may increase by no more than 5% of the prior year's assessment budget per year. Actual budgets and increases will be determined by the SJDA Board of Directors, which is the PBID Owners' Association and formally approved by the City Council. Assessment rates will not exceed the levels illustrated by the Ten Year Operating Budget and Maximum Assessment exhibit.

**Budget Process:** A balanced budget approach is utilized to develop each annual budget within the constraints of the assessment rates. Any annual budget surplus or deficit is
tracked by program. Prior year surpluses may be used as necessary based on the allocations described in the Management District Plan.

**Time and Manner for Collecting Assessments:** As provided by state law, the Downtown San Jose PBID assessment appears as a separate line item on annual property tax bills prepared by Santa Clara County, and either paid in one lump sum or in two equal installments. Existing laws for enforcement and collection of property taxes apply to PBID assessments. Any parcel not on the property tax rolls will be directly billed from the City of San Jose.

**Disestablishment:** State law provides for the disestablishment of a PBID pursuant to an annual review process. Each year that the PBID is in existence, there will be a 30-day period during which the property owners will have the opportunity to request disestablishment of the District. This 30-day period begins each year on the anniversary day that the district was first established by City Council. Within that 30-day period, if a written petition is submitted by the owners of real property who pay more than 50 percent (50%) of the assessments levied, the PBID may be disestablished. The City Council will hold a public hearing on disestablishing the PBID prior to actually doing so.

**Issuance of Bonds:** No bonds or other bonded debt is to be issued to finance activities and improvements envisioned in the Management District Plan. If the PBID Owners' Association decides to issue bonds or other bonded debt in the future that increases the term and/or assessment rates set in this Plan, revisions to the Management Plan will require new petition and mail ballot procedures.
VI. GOVERNANCE

For the Downtown San Jose PBID, the Downtown San Jose 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 Jose Downtown Association to deliver 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 Jose 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 State of California PBID legislation the PBID Owners’ Association is subject to disclosure and notification guidelines set by the Ralph M. Brown Act and California Public Records Act.

The San Jose Property Owner’s Association has an authorized number of eleven board directors. Directors include:

- Seven representing PBID property owners
- One representing non-property owners
- One representing residents
- One representing the City of San Jose and one representing the City of San Jose Redevelopment Agency

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

Relationship to the Existing Business-Based BID: Currently, downtown marketing, special events and other promotional programs are produced by the San Jose Downtown Association (SJDA) and financed in part by a special assessment on business license taxes – a business-based BID. The business-based BID will be continued in downtown San Jose, providing funding for enhancement services that are different from the PBID. The two districts finance the following distinct sets of activities:

<table>
<thead>
<tr>
<th>Business-Based BID</th>
<th>Property-Based BID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advocacy</td>
<td>Clean and Safe</td>
</tr>
<tr>
<td>Marketing</td>
<td>Beautification</td>
</tr>
<tr>
<td>Special Events</td>
<td>Economic Development</td>
</tr>
<tr>
<td>Transportation Services</td>
<td></td>
</tr>
</tbody>
</table>

The concurrent use of both business and property-based BIDs has been used in other California downtowns for many years, notably in downtown Long Beach, San Diego and Chula Vista.