



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Julie Edmonds-Mares

SUBJECT: SEE BELOW

DATE: November 10, 2014

Approved

Date

11/16/14

COUNCIL DISTRICT: 3

**SUBJECT: DOWNTOWN HIGH-RISE AND MID-RISE INCENTIVE PROGRAM AND
PARKS DISTRICT**

RECOMMENDATION

- (a) Per Council Direction from June 17, 2014, direct the City Attorney to draft a resolution to establish a new Downtown High-Rise and Mid-Rise Park Fee Incentive program to allow high-rise developers to pay 50% of their parkland in-lieu fees at certificate of occupancy, and to make a payment equivalent to the remaining 50% of the fee over a five-year period; and allow mid-rise developers to pay 75% of their fee at certificate of occupancy and to make a payment equivalent to the remaining 25% of the fees over a five-year period, with the latter payments to be set aside in a fund for downtown parks operations and maintenance.
- (b) Provide policy direction to staff for the next step to be taken in the development of a potential downtown parks district.

OUTCOME

Establishing a new Downtown park fee incentive program should provide an economic incentive to help spur residential construction in the Downtown area, and it should also provide the City with funding for parks operations and maintenance to increase the quality of park assets. A key difference between this proposed new incentive program and the prior (soon to expire) program, is that in the new incentive program developers would not receive any overall reduction in their park-related payments. Instead, this new program would provide an option to defer park related payments, with some paid at Certificate of Occupancy, and the remaining value-adjusted portion paid over time. Further direction to staff on a potential parks district will assist with the development of this draft program, and lead toward the sustainable management of parks and recreation in the downtown area.

BACKGROUND

Under the Parkland Dedication Ordinance (PDO) and Park Impact Ordinance (PIO), housing developers are required to dedicate land, improve parkland, and/or pay a parkland fee in-lieu of land dedication for neighborhood and community parks. Park 'in-lieu' fees are typically paid in areas like downtown, where small lots and property concerns make land dedication or the construction of park improvements by the developer less feasible. The fee schedule, which establishes the rate of fees paid in-lieu of land dedication, is updated each year based on an annual land value study.

In January 2007, as part of a comprehensive update of the PDO and PIO, the City Council adopted Resolution No. 73587, which temporarily reduced parkland fees for high-rise multi-family residential projects of twelve stories or more located in the Downtown Core. This program reduced park fees to 50% for the first 2,500 residential units in eligible projects.

On June 17, 2014, the City Council directed the City Manager to return to Council with a program that provides a unit extension of the original Parks Specific High-rise Incentive Program, to increase the maximum limit and look at establishing a downtown parks maintenance district for high-rise and mid-rise residential projects. On October 21, 2014, the Council approved a resolution to add 64 units to the original Parks Specific High-rise Incentive Program increasing the total to 2,564 units. Based on the current schedules for the next three high-rise projects anticipated to begin construction downtown, the 2,564 unit limit should be reached by mid 2015.

On September 3, 2014, an informational overview of Council direction was heard before the Parks & Recreation Commission. The commission was not asked to vote on the item. However, several commissioners provided feedback with concerns about the proposal, in particular park equity and impacts to new park development and acquisition.

ANALYSIS

The purpose of this analysis section is to provide information which will assist the Mayor and City Council in providing policy direction for both an interim downtown parks high-rise incentive as well as a potential downtown parks district. In order to assist with this decision making process, the analysis is divided into the following two sections:

1. Potential new downtown parks fee high and mid-rise incentive program;
2. Potential new downtown parks district, including key policy questions.

1. Potential New Downtown Parks Fee High and Mid-Rise Incentive Program

Background

Since 2007, 1,522 Downtown high-rise units have entered construction with a corresponding payment of \$11,800,000 in park in-lieu fees at the reduced rate of 50%. Had these projects paid at the full rate, the City would have received of an additional \$11,800,000 in park fees for capital projects. To date, park fees received from these projects have already helped to purchase and/or develop parks within the three mile nexus of Downtown including Watson Park, Taming Park, and Martin Park (currently under construction). There are a number of current and pending projects within the nexus of Downtown. Completing these projects will require roughly \$40,000,000 to \$50,000,000 in capital funds, and includes important projects such as the master plan build outs of Roosevelt Park (gym), and Watson Park, as well as new construction and rehabilitation at both Guadalupe River Park & Gardens and St James Parks. In addition, the gradual aging of parks and recreation facilities in the Downtown area will require substantial funding for life-cycle infrastructure repairs and replacements.

Any reduction in future park in-lieu fees collected from downtown development projects would result in less funding for capital priorities within three miles of downtown. The contrasting argument however, could be made that by providing a park fee incentive, more mid and high rise units will be constructed thus resulting in more capital funding. As with any incentive program, it will be important for the City to evaluate the impacts of this program and determine whether or not development would proceed at a similar pace without the incentive.

Prior City Council Direction

At the June 17, 2014, City Council meeting, staff received direction to establish a new Downtown Park Fee Incentive Program, which would be available to developers who agree to enter into a parks maintenance district. Key components of the new program would be as follows:

High-rise residential (for the first 1,000 units for projects of at least 12 stories or 150 feet):

- Enter into a parkland agreement with the City to pay 50% of parkland fee prior to Certificate of Occupancy (COO); which will be allocated to fund park capital improvements; and
- Agree to participate in the Downtown Parks Maintenance District that will provide ongoing operations and maintenance support for major Downtown parks, with a fee structure that will reflect a net present value of future payments that exceeds the remaining 50% of the fee owed by the developer. Referencing a net present value will ensure that future payments are appropriately adjusted for expected inflation.

Mid-rise residential (for the first 1,000 units for projects 6-11 stories or under 150 feet):

- Enter into a parkland agreement with the City to pay 75% of the parkland fee prior to Certificate of Occupancy (COO); which will be allocated to fund park capital improvements; and

- Agree to participate in the Downtown Parks Maintenance District that will provide ongoing operations and maintenance support for major Downtown parks, with a fee structure that will reflect a net present value that exceeds the remaining 25% of the fee owed by the developer.

After the 1,000 unit limit is reached for high and mid-rise projects, they would be subject similar rules as the standard projects, with 100% of the fee typically due at building permit.

This incentive program would redistribute cash flow between capital projects and operating and maintenance. Using present value dollars, the table below provides an example for how the fees would be distributed under the incentive program using the current mixture of mid-rise and high-rise projects, 1,000 units within each category.

No Incentive	
Total Park Fee Obligation for 2,000 units – If no incentive, funding would be available immediately, and only usable for capital projects	\$30.6 million
With Incentive	
Capital Revenues - Park fee to be used for capital improvements paid at COO for 2,000 units with incentive.	\$19.1 million
Operations & Maintenance - Park fee to be used for operations and maintenance paid over time for 2,000 units. Revenue would be value adjusted using a net present value formula and received after project completion with incremental payments over a 5 year period thereafter (note that this would be spread out over a significant time period depending upon schedules for the various residential projects).	\$11.5 million

Proposed Parameters of Incentive Program

The following parameters are proposed to be implemented under the new incentive program:

- Developer could voluntarily enter into a contract as follows:
 - Park fees (50% for high-rise and 75% for mid-rise) would be paid at the time of issuance of the certificate of occupancy (COO) as opposed to the building permit; and
 - Developer would make payment equivalent to remaining (50% for high-rise and 25% for mid-rise) over a period of time using net present value formulas.
- The deferred payments would be usable for operations and maintenance costs;
- Payments over time would be made in five equal increments (with exception for differences due to present value formula) with the first payment due one year after certificate of occupancy;

- Developer shall provide security for the deferred payments; and
- Annual payments would be adjusted for inflation and the net present value of the five annual payments would be equal to the amount being deferred.

It is recommended that the funding collected as part of the annual payments be used to provide enhanced parks maintenance and operations in the Downtown area. The intent would be that this funding would “tide the city over” until a parks district is established which could provide a sustainable funding stream. If a parks district is not established then the funding would still be used for enhanced parks operations and maintenance but would eventually sunset once the 2,000 units are built or if development slows.

Implementation of Incentive Program

The implementation of the Incentive Program would be through the adoption of a resolution amending the Parkland Scheduled of Fees. Working with the City Attorney’s Office, staff proposes to return to Council with the proposed resolution by early 2015.

Pipeline Projects

It is recommended that any qualified project that has not paid fees by the time a resolution is adopted would be eligible to take advantage of this new incentive program.

The next three high-rise projects (Silver Towers, Parkview Towers, and Post/San Pedro) are anticipated to enter construction soon and will be eligible for the existing incentive program which will not expire until mid 2015. As a result, there are no anticipated issues for pipeline high-rise projects. Staff also does not anticipate any conflicts with the implementation schedule for midrise projects.

2. Potential New Downtown Parks District, including key policy questions

Introduction to Districts

Attachment A provides a discussion of districts as well as examples of other parks districts in California. Conveyed through a variety of enabling laws, municipalities can designate specific areas or ‘districts’ where residents receive higher levels of service or additional benefit from public facilities and services. In exchange, property owners within the area assume the added cost of new infrastructure or public services. As discussed in the table in Attachment A, the key types of Districts include:

- Benefit Assessment Districts (Maintenance Districts, Property and Business Improvement Districts, Community Benefits Districts); and
- Mello-Roos Special Tax (Community Facilities Districts).

Each type of District has unique rules and implementation requirements. However, one commonality is that they all require approval of the assessment or special tax by the property owners within the proposed district. In general terms, assessment districts require majority approval with each property owner's vote weighted by the amount of the assessment, and community facilities districts for developed areas such as the Downtown require two thirds vote of all qualified voters submitting ballots within the District's boundaries.

Other Districts

As noted in Attachment A, other cities in California are using districts to supplement parks operations and maintenance. In San Francisco, the Dogpatch Portrero Hill neighborhood is in the process of establishing a district which will supplement city funding for parks operations and maintenance in their neighborhood. The proposed district would assess all properties within the district based on a modified Community Benefit District model. In contrast, the City of Berkeley will vote in November to establish a city-wide Mellos Roos Community Facilities District to fund park operations, capital improvements, and programming. While not in California, the City of Seattle has also chosen a holistic approach establishing a separate citywide district which will fund parks operations and maintenance under Washington State law and through a majority vote of the Seattle residents. While the legal framework for Seattle's approach is not directly transferrable to San José, Seattle is a good comparison of how other major American cities are also prioritizing and implementing more sustainable parks operations and maintenance.

Key Policy Questions

In order for staff to proceed with the detailed analysis required for establishment of a downtown parks district, a number of policy questions need to be addressed. In particular, staff is seeking Council direction on the following questions. For each question, staff has also provided a recommendation:

Question
What are the anticipated district boundaries?
Who within the downtown should pay into the district? Commercial? Existing residential? New residential? Developers only?
Should the district be for operations, maintenance or both?
What type of district should the city implement and what sort of governance is desired?

What are the anticipated district boundaries?

Moving forward, it is critical to formalize a process that delineates boundaries for the proposed district. Initial Council direction sought a park maintenance district for major parks in Downtown

San José and since then some Commissioners and Council-members have inquired about the long-term potential for city-wide park maintenance. It is well documented that city-wide funding for park maintenance has declined in recent years with many neighborhood parks suffering the consequences. The potential for future interest in parks district in other areas of the City should be kept in mind while forming the Downtown Parks District.

Staff recommendation:

As shown on Attachment B, the boundary for the existing parks high-rise incentive program encompasses most of the existing BID, with the exception of the BID properties west of Highway 87. For consistency, staff is recommending to start with the existing boundary when developing the District but to ensure that it also includes the Guadalupe River Park and Gardens from 880 to 280. The final boundary however, remains flexible and will likely change pending the final analysis for District formation and associated benefits.

Who within the downtown should pay into the district? Commercial? Existing residential? New residential? Developers only?

As mentioned above, Attachment B provides a map of ‘districts’ currently active in Downtown San José. In addition to boundaries of the original Parks High-rise Incentive Program, Attachment B depicts San José’s existing Property and Business Improvement District (PBID), Business Improvement District (BID) and the City’s Downtown land use goal from the Envision San José 2040 Plan. The table below provides some important background on each existing district and the unique services for which fees are already assessed.

District	No. of Parcels	Services	Avg. Cost
PBID (Basic)	~284	Street and landscape, maintenance, graffiti, refuse	\$0.039 sq. Ft. of Resid/non-profit \$0.057 sq. ft. of Commercial
PBID (Premium)	~1515	Street and landscape, maintenance, graffiti, refuse	\$0.078 sq. Ft. of Resid/non-profit \$0.096 sq. ft. of Commercial
BID	~2236	Promotions, programming and marketing	Varies by business license \$55 - \$6,000 per year (\$318 avg)

It is estimated that there are approximately 1,891 parcels in the current Downtown Park High-rise Incentive boundary and parcels within that area contain roughly 3,250 residential units. Over the next 25 years however, the Envision San José 2040 General Plan also anticipates that an additional 10,360 residential units including those currently under development, will be constructed within the downtown core.

It is premature at this stage to determine the amount of assessment or yield from special taxes, figures that will largely depend on the type of district formed, the services identified in the district and the number of units within the district. Nevertheless, it is apparent from the projected growth in residential units that even a nominal assessment on residential property could yield substantial funds for park maintenance.

Staff considered a district which would only include new high and mid-rise developments that participated in the parks fee incentive program. However, this idea is not recommended for further discussion as all downtown residents and employees will be using the parks and if only the new projects were paying into the District there would likely be significant equity concerns.

Staff recommendation:

Whether they are having lunch, or enjoying an after-work concert, downtown workers and property owners all benefit from a well-maintained and operated park system. The Downtown parks are an asset that have tremendous value to both residential and private property owners but are in need of additional capital, maintenance and operating dollars to reach their true potential; and because of this, staff is recommending that the formal analysis for the District formation start with the concept of all properties within the District paying into the District. The final determination regarding participation would be determined during the analysis phase for the District formation.

Should the district be for operations, maintenance or both?

In June, the Mayor and City Council provided direction to establish a parks “maintenance” district. However, as seen from the successes in St. James Park over this past summer, it is important to have sustainable funding for both operations and maintenance.

Staff recommendation:

For this reason, staff is recommending that, if possible, the future funding received from the parks district but eligible for both operations and maintenance. This would provide maximum flexibility for future use of funds. Staff will continue to evaluate this option as part of the process to establish the district.

What type of district should the city implement?

Regardless of the type of district chosen, the formation process will need to consider election and initiation procedures, public hearings and support, timelines, benefit analysis, long-term administration and financial impacts, as well as the overall extent of services/facilities desired.

Staff recommendation:

Based upon City Council’s direction on the above, staff will continue to work with the City Attorney’s Office regarding the most suitable legal framework. One possibility could be to enter into a model similar to the one the Dogpatch/Potrero Hill neighborhood is pursuing which is based upon the Property and Business Improvement District (PBID) framework. In most cases, the PBID model included, it is not possible to have overlapping services among districts, so this would require re-opening the existing PBID or potentially creating a similar CBD such as one existing in Willow Glen. In order to make a final recommendation on district type, boundaries

and formation, a consultant will be required in order to prepare the formation documents and Engineer's Report if required.

EVALUATION AND FOLLOW UP

Staff will incorporate the feedback from the Mayor and City Council into a detailed workplan and develop a community outreach process on the potential formation of a Downtown Parks District. Staff will provide a progress report to City Council on this by early 2015. This evaluation will include a discussion regarding how funding priorities and delivery strategies could be implemented within the district.

POLICY ALTERNATIVES

Alternative #1: Do not proceed with the new Downtown High-rise Incentive Program.

Pros: The amount of capital funding available to the City to improve parks in the downtown core area could be higher, assuming that residential project construction is not impacted by the lack of this incentive.

Cons: Maintenance and operations of these parks and as well as the sustainability of new signature park amenities would continue to be a challenge.

Reason for Not Recommending: This alternative is not consistent with the City Council's prior direction to recommend a downtown core high-rise and mid-rise construction incentive program and form a downtown maintenance district.

PUBLIC OUTREACH

This action has no policy changes recommended for finalization at this council meeting. However, if council approves staff's recommendation then there will likely be policy changes recommended at future council meetings on this topic. Following City Council direction, staff will initiate a community process prior to returning with a formal proposal for a district in early 2015. Additionally, this item will be posted to the City Council Agenda website for the December 2, 2014 meeting.

COORDINATION

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

November 10, 2014

Subject: Downtown High-rise and Mid-rise Incentive Program and Parks District

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COST SUMMARY/IMPLICATIONS

As discussed previously in this memorandum, a new incentive program would provide for a redistribution of cash flow between capital projects and operating and maintenance. The operating and maintenance cash flow would be intended to serve as a bridge to provide enhanced parks operations and maintenance for downtown parks during the time it takes to form a Parks District for ongoing enhanced services. Prior to using any of redistributed operations and maintenance funding, staff would return to the City Council with a detailed plan to explore establishing a Parks District for ongoing enhanced services, defining the difference between enhanced and regular services, and a plan for the use of the funding to be collected. Additionally, if staff receives direction to further pursue the formation of a parks district in the Downtown, a detailed engineer's report would be required. It is anticipated that this report would cost between \$50,000 to \$100,000, depending upon the type, size and complexity of the district to be evaluated. Staff will return with a detailed schedule for the study as well as a recommendation on how to allocate the funding for this study in early 2015.

CEQA

Not a Project, File No. PP10-067(a), Adjustments to fees, rates, and charges.

/s/

JULIE EDMONDS-MARES

Director of Parks, Recreation and
Neighborhood Services Department

For questions please contact Matt Cano, Deputy Director, at (408) 535-3580

Attachments: A) Introduction to Districts
B) Project Boundaries (map)

Attachment A – Introduction to Districts

For over a century, the California Legislature has provided public agencies with tools to localize the cost of public infrastructure and services. As a charter city, San José has enacted its own procedures modeled after these various State laws. Through a variety of enabling laws, municipalities can designate specific areas or ‘districts’ where residents receive higher levels of service or additional benefit from public facilities and services. In exchange, property owners within the area assume the added cost of new infrastructure or public services. These financing districts are not separate legal entities but are controlled by the existing local agency that authorized their formation.

San José for instance, currently has 13 maintenance districts (MD), 15 community facilities districts (CFD), 3 improvement districts, 2 benefits districts, as well as both the Downtown Property and Business Improvement District (PBID) and Downtown Business Improvement District (BID). No two districts are the same however, and they generally cover distinct geographic areas or provide different services. Proposition 218 significantly increased the requirements imposed on local agencies necessary to establish assessment districts. Nonetheless, they still exist.

At a simplistic level, most districts can be distinguished either by organization and governance model or by funding mechanism. Considering the transformative potential of a well executed Downtown Parks Maintenance District, it is important to clarify these differences.

‘Benefits assessment districts’ are specific areas within a community which receive special benefit from the provision of public improvements or services. As a condition of approval of an assessment district, an ‘Engineer’s Report’ must be prepared and approved by the City. The Engineer’s Report outlines and justifies the general and specific benefits provided by public improvements or services proposed to be funded through the assessment district. All properties within the assessment district are then assessed amounts that directly correspond to the specific benefit they receive from public infrastructure or services. Such benefits must be over and above any benefits to the public at large and assessment charges must be equally distributed according to each owner’s share of the benefit. Furthermore, only special benefit can be assessed. The City is responsible for paying for the cost of all general benefit from other funding sources, typically the General Fund. No property, including publicly owned property within the district, which also receives special benefits, can be made exempt from charges. Assessment districts are currently used to fund both ongoing services as well as capital infrastructure needs.

Alternatively, community facilities districts (CFD), also known as Mello-Roos districts, assume a ‘reasonable relationship’ between benefits and taxation, but do not require an engineer’s report quantifying that benefit. Instead, a qualified consultant prepares a ‘rate and method of apportionment (RMA),’ an agreed upon formula which sets forth the term, maximum tax, and conditions around how a district’s special tax will be levied. Utilizing this special tax, CFD’s can finance ongoing maintenance and services and public improvements. Where assessment districts must charge in proportion to any specific benefits received, CFD’s set a maximum anticipated cost for services or improvements provided, after which the district must monitor real costs and charge property owners accordingly.

Various forms of Parks Districts exist throughout the United States and are generally enabled through state laws. According to the California Association of Parks and Recreation Districts

there are approximately 60 city-wide or regional special parks districts in the state. Most of these districts provide complete parks and/or recreation services for entire regions. In the Bay area, examples of such districts include the East Bay Regional Parks District and Hayward Area Recreation District. While there are well publicized major park districts throughout California, local park financing districts, which provide enhanced services for smaller geographic areas, are often less well documented or open for policy review. This section provides examples of districts that have been recently created in California or in similar jurisdictions to San José. These districts provide valuable insight into how a new district would be set up and function and may help the City Council to decide what type of Parks District is right for San José.

City of San Francisco – Dog Patch Potrero Hill (<http://phd-gbd.org/>)

The residents of San Francisco's Dogpatch/Potrero Hill neighborhoods are currently in the process of founding a Green Benefit District (GBD) that will provide enhanced maintenance and capital infrastructure services for the parks in their area of the City. The GBD is based on the same legal framework as a Community Benefits Improvement District (CBID), similar to the district set up in Downtown Willow Glen. These San Francisco residents, however, modified their program to allow for the maintenance of green spaces in the proposed district. Some additional key facts about the potential GBD in San Francisco:

- It is anticipated to consist of approximately 1,000 properties with an annual budget of \$400,000 to \$500,000.
- If approved, it should be established by Spring 2015 which would lead to an overall schedule of approximately 2.5 years from start to finish.
- Formation costs can be reimbursed by the District.
- The District has grassroots support of both residents and the local development community.
- Day to day management of District funds and the mechanism to implement services has yet to be determined and will be finalized by an elected board once established.

City of Seattle, Washington (<http://www.seattle.gov/parks/legacy/committee.htm>)

On August 5, 2014 the voters in the City of Seattle approved Proposition 1 which created the Seattle Parks District under Washington State law. Some key parameters that were established include:

- The boundaries of the park district are coextensive with those of the entire City of Seattle;
- The City Council acts in a dual role as the Parks District board;
- There is an inter-local agreement which requires that the City continue its 2014 level of funding at a minimum unless a ¾ vote of council determines that a natural disaster or exigent economic circumstances prevent this;
- In 2014, property tax assessed would translate to \$0.33 per \$1,000 valuation or approximately \$145 for the owner of a house valued at \$440,000;
- The City of Seattle Parks and Recreation Department administers the funding on behalf of the District to provide high quality park and recreational services to residents of Seattle.

Los Angeles County & Sacramento – City and Countywide Park Districts

In both Sacramento and Los Angeles County, most parks are maintained through a jurisdiction wide Landscape and Lighting District. A form of assessment district, these park districts assess modest assessments on properties which benefit from well maintained parks and public spaces.

With an annual budget of approximately \$14,400,000 in 2012-2013, residents in Sacramento's Park District typically pay up to \$76 per year for home and \$150 per year on businesses.

Berkeley, CA – Berkeley Public Parks District (CFD No.3)

This fall the City of Berkeley has advanced a ballot measure providing for the potential formation of a Citywide Community Facilities District (CFD) to provide capital financing and ongoing maintenance of park and recreational facilities throughout the City. A smaller municipality than San José with fewer total properties, Berkeley estimates that an annual special tax of approximately \$92 for the average single family home will provide \$25,000,000 to repay new capital bonds and \$2,000,000 in ongoing annual operation and maintenance funds. While not expressly called out in the language in the formation resolution, it also permits the CFD to fund park programming.

San José's Current Use of Park Districts

City of San José – RAMAC Park, Raleigh Linear Green and Charlotte Commons

In 2011 the City of San José established a Community Facilities District which provides for the maintenance of the approximately 17 acres of parks in south San José. At the time that the former Hitachi campus was beginning development, the City of San José did not have sufficient funds to maintain additional parklands. Responding to this need the 'Hitachi CFD (14)' provides funds for the entire maintenance budget. However, these facilities are unique in that they serve a dual use function and provide stormwater management for the adjacent development. A significant portion of the parkland is encumbered with this stormwater function, which requires additional maintenance and was a factor in allowing for the formation of the CFD.

City of San José – Evergreen Area

In 1997, as part of the development within the Evergreen Specific Plan area, two CFD's (2 & 3) were established to maintain 'pocket parks', common spaces, creeks, and landscaping within the 'Evergreen Planned Development Community.' Collectively these CFD's provide for the maintenance of several miles of paseos/pathways, public plazas, green space, ponds, and trees. Properties within the CFD's originally authorized an annual special tax of up to \$404 for residential and \$616 for non-residential uses to support maintenance and capital replacement within the CFD's.

Table A1 below summarizes at a high level the requirements and differences of these districts. Where San José has enacted its own procedures, the summary reflects San José's procedures and requirements.

Attachment A, Table A1 – Summary of District Formation Guidelines

	Benefit Assessment			Special Tax	
	Maintenance District (MD) Chapter 14.15 SJMC	Property & Business Improvement District (PBID) State law	Community Benefit & Improvement District (CBID) Chapter 14.31 SJMC	Business Improvement District (BID) State law	Community Facilities District (CFD) Chapter 14.27 SJMC
Petition Required	City Council can adopt a resolution of intention	50% of property owners based on assessments to be paid	30% of property owners based on assessments to be paid	None (Council)	10% registered voters Or 10% property owners or Request by 2 Council members
Vote Required	50% of ballots submitted	50% of ballots submitted	50% of ballots submitted	50% of ballots submitted	2/3 of ballots submitted
Voter Pool	Property Owners	Property Owners	Council w/o Majority Protest Of businesses to be assessed	Registered Voters	Property Owners *
Weighted Votes	Yes (Based on \$ assessment)	Yes (Based on \$ assessment)	Yes (Based on \$ assessment)	No	Yes Based on property owned within CFD
Rate Structure	Special Benefit	Special Benefit	Special Benefit	Special Benefit	Reasonable
Billing	County Property Tax Bill**	County Property Tax Bill**	Business Tax** Note: Not an assessment on real property	Business Tax**	County Property Tax Bill

* If less than 12 registered voters in district. ** City invoicing for public agencies.

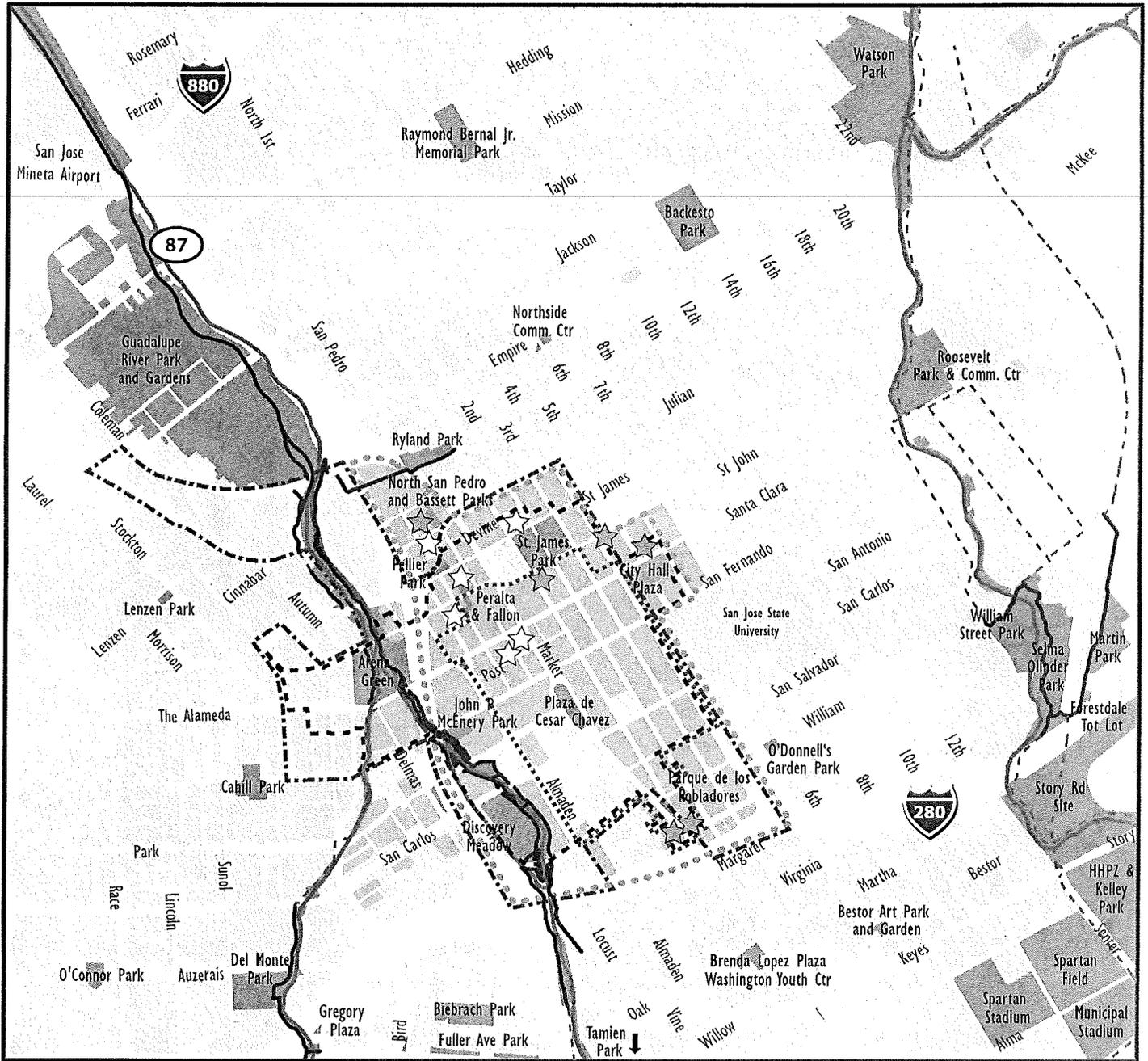
	Benefit Assessment			Special Tax	
	Maintenance District (MD)	Property & Business	Community Benefit &	Business Improvement District	Community Facilities District (CFD)

		Improvement District (PBID)	Improvement District (CBID)	(BID)	
Administration of Operations	City	Private Nonprofit Entity City	Private Nonprofit Entity City	Private Nonprofit Entity City	City
Term ***	Subject to formation documents Term can be perpetual, subject to overturn by property owners	5 year initial, 10 year renewal thereafter Subject to disestablishment by assessees	15 year Subject to disestablishment by assessees	Subject to formation documents Term can be perpetual, subject to overturn by assessed businesses	Subject to formation documents Term can be perpetual, subject to overturn provided no outstanding debt
Construct/ Acquire	No	Yes	Yes	Yes	Yes
Use	Maintenance and operation of public facilities	Finance acquisition or construction of tangible property with 5+ years useful life	Finance acquisition or construction of tangible property with 5+ years useful life	Finance acquisition or construction of Improvements, Parks, Schools, Library, Child care, Public utilities, Seismic upgrades, Repair damage from soil deterioration	
		Maintenance of tangible property with 5+ years useful life; Promote activities; Security; Street and sidewalk cleaning	Maintenance of tangible property with 5+ years useful life; Promote activities	Maintenance and lighting of parks, streets and open space; Police, Fire, Ambulance, Recreation, Library, School, Museum, Flood and storm services; Hazardous cleanup	

*** Increase in Assessment/Tax above inflationary adjuster or additional services require vote.

	Benefit Assessment			Special Tax	
	Maintenance District (MD)	Property & Business Improvement District (PBID)	Community Benefit & Improvement District (CBID)	Business Improvement District (BID)	Community Facilities District (CFD)
Annual Reporting	Budget Report establishing next year assessment	Budget Report establishing next year assessment Financial Report on prior year expenditures	Budget Report establishing next year assessment	State CADR for bonds	
Considerations	Full service by City	Form non-profit association; Insurance requirements; Procurement requirements; Budget and Fiscal Reporting CPA costs Management of contracts and performance: Permits; For PBIDs, properties zoned solely residential cannot be assessed.	Form non-profit association; Insurance requirements; Budget and Fiscal Reporting; Management of contracts and performance: CPA costs; Permits; Procurement requirements	Full service by City	
Fees	County Fee: 1% of assessment; City Fee: greater of \$5,000 or 4% of assessment	County Fee: 1% of assessment; City Fee: greater of \$5,000 or 4% of assessment; Permits	Permits	County Fee: 1% of assessment; City Fee: greater of \$5,000 or 4% of assessment	
Disestablishment/ Term expiration	Funds remain under City control for benefit of district until fully expended	Must not have any outstanding bonds; Remaining revenue from assessment and sale of assets returned to assessees	Remaining revenue from assessment and sale of assets returned to assessees	Must not have any outstanding bonds; Local agency liable for outstanding debt	

San José - Downtown Districts



Existing Districts

- Business Improvement District
- Downtown Incentive
- PBID Basic
- PBID Premium
- Parks

Envision 2040 Landuse

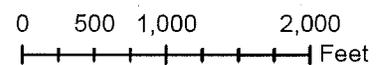
- Commercial Downtown
- Downtown

Trails

- Open
- Proposed

Active Development Projects

- Mid-rise (6 -11 stories)
- High-rise (12+ stories)



Boundaries are for illustrative purposes only and have been modified slightly for clarity. Map produced by David McCormic, San Jose PRIS Oct. 2014