

Management District Plan/Engineer's Report
for the creation of the
Downtown San Jose
Property-Based Business Improvement District

Final
June 8, 2007

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Prepared for the
The Redevelopment Agency, The City of San Jose, and
The San Jose Downtown Association
by
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**I. DOWNTOWN SAN JOSE
PROPERTY-BASED BUSINESS IMPROVEMENT DISTRICT (PBID) SUMMARY**

The proposed Downtown San Jose Property-Based Business Improvement District (PBID) will be a special benefit assessment district that conveys special benefits to the properties located within the district boundaries. As described in this plan, it is proposed that the PBID will provide enhanced maintenance, public safety and image enhancement 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, 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 stabilize and improve the downtown environment and experience for workers, visitors and residents. Services will include:

- **Clean Teams** that will sweep, scrub and power wash sidewalks, remove litter and graffiti, increase the frequency of trash removal and maintenance of public spaces within downtown.
- **Information & Safety Ambassadors** to provide information on downtown activities and establishments, prevent crime and work productively to reduce street populations.
- **Image Enhancement** and cosmetic improvements to visually improve downtown.

Method of Financing: Levy of assessments upon real property that benefits from improvements and activities.

Budget: Total district assessment budget for its first year of operation is **\$1,595,000:**

Activity	Budget	% of Total
Clean Teams < see note below >	\$ 600,000	37.6
Information & Safety Ambassadors	\$ 600,000	37.6
Image Enhancement	\$ 250,000	15.7
Administration (10% of programs)	\$ 145,000	9.1
Total	\$ 1,595,000	100.0

Assessments for Clean Teams will be matched with approximately \$635,000 in funds with in-kind services from the City of San Jose, resulting in a total Clean Team budget of approximately \$1,235,000. These are the baseline services provided by the City and represent the general benefits received.

Cost: Annual assessments are based upon an allocation of program costs within two benefit zones and a calculation of lot and 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 within properties zoned for mixed-use or commercial use pay an adjusted rate based on benefits received. Estimated annual maximum assessment rates for the first year of the district are as follows:

	Per sq.ft. of Lot per Year	Per sq.ft. of Building per Year
Basic Zone: Commercial, Enterprise Government	\$ 0.0436	\$ 0.0436
Premium Zone; Commercial, Enterprise Government	\$ 0.0753	\$ 0.0753
Basic Zone: Residential, Traditional Gov't, Other Non-Commercial	\$ 0.0317	\$ 0.0317
Premium Zone: Residential, Traditional Gov't, Other Non-Commercial	\$ 0.0635	\$ 0.0635

- Cap:** Annual assessments may increase by as much as 5% per year to keep pace with the consumer price index and other program costs. The determination of annual assessment rates will be subject to the review and approval of the PBID Owner's Association and the 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:** Assessments will appear as a separate line item on the annual Santa Clara County Property Tax bills. Any parcel not on the property tax rolls will be directly billed from the City of San Jose.
- District Governance:** The PBID Owner's Association will be a new 501(c)6 non-profit organization consisting primarily of property owners within the District. The PBID Owner's Association will determine budgets, assessment rates and monitor service delivery. The PBID Owner's Association will contract for services with the San Jose Downtown Association which will eliminate any potential duplication of service and administration, plus will maximize 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 finances marketing and special event programming that is different from services that will be supported by the PBID.
- District Creation:** District creation 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 \$1,595,000 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 2007/2008 tax bill with services beginning on January 1, 2008 and will continue until December 31, 2012. Any subsequent renewal of the District will require a new management plan, petition and mail ballot process.

II. WHY CREATE 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.**

Since the creation of California's Property and Business Improvement District Law in 1994, more than 70 new PBIDs have been established in California downtowns, including Sacramento, Long Beach, Los Angeles and San Diego. Other downtowns in major cities throughout the west also support PBIDs, including Portland, Seattle, Phoenix and Denver.

Why Create a PBID for Downtown San Jose?

- **Create a Consistently Clean, Inviting and Attractive Downtown:** Downtown's cleanliness and safety have been inconsistent in recent years. Earlier this decade, budget cuts prompted city services to be reduced, resulting in a dramatic increase in dirt and grime. Within the past year, City services have rebounded, although not to pre-existing levels. The PBID aims to secure existing City resources plus provide additional funds to ensure a consistently clean and safe downtown at all times.
- **Leverage Planning and Redevelopment Efforts in Downtown:** The near future promises a number of significant changes within Downtown. The PBID will help to ensure that the benefits of new development, planning, and civic energy will be maximized to benefit all businesses and properties within the central business district.
- **Broaden Private Sector Control and Accountability:** A new non-profit organization led by a board of directors consisting primarily of downtown property owners will govern the PBID. Annual PBID work plans and budgets will be developed by the board, ensuring that the PBID will be directly accountable to those who pay an assessment. PBID-financed programs will be subject to private sector performance standards and controls, and public sector procurement requirements when applicable.
- **Enhanced Property Values, Sales, and Occupancies:** PBIDs are acknowledged as a critical ingredient in downtown revitalization. PBIDs are proven to work by funding improvements and services that enhance the overall vitality of a business district. Success is measured by higher property values, sales and occupancies.

III. IMPROVEMENT AND ACTIVITY PLAN

A. Process to Establish the Management District Plan

To form the Management District Plan for the creation 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 Fall of 2006. The consulting firms of Progressive Urban Management Associates and Kristin Lowell Inc. were retained by the City of San Jose Redevelopment Agency to assist the San Jose Downtown Association (SJDA) to guide the process for creating the PBID. Key steps of the process included:

1. **PBID Committee:** To guide the consultant team and test PBID concepts, members of the SJDA board of directors and several key property owners within downtown have served as the PBID Committee. A roster of the PBID Committee is provided in the *Appendix*.
2. **One-On-One and Roundtable Meetings with Property Owners:** The consultants held 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 PBID Committee and individual property owners. All affected property owners were invited to a series of public forums in February of

2007 to review the plan. Input from these meetings led to the completion of the final plan.

B. PBID Boundaries

The proposed PBID district will encompass the core of the downtown area bounded roughly by:

- 4th Street 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.

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. The benefits are delineated as follows:

- **Premium Service Zone** encompasses the core of the downtown 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 downtown PBID and generally includes the perimeter to the district to the west and north.

A map of the proposed district boundary is attached as Exhibit A.

C. Work Program

Clean and Safe Program

To respond to stakeholder priorities and guiding principles for a Downtown San Jose PBID, the PBID Steering Committee reviewed several scenarios for providing district-wide Clean and Safe services. Objectives in developing the Clean and Safe scenarios 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.

Nationally, PBID Clean and Safe programs are typically provided by

teams of highly trained maintenance workers and information and safety “ambassadors”. Both information and safety ambassadors and maintenance workers wear distinctive and colorful uniforms that maximize the visibility of their presence on the street plus complement overall downtown marketing efforts.

Ambassadors are trained for a variety of tasks, ranging from providing information to visitors to offering escort services for employees to holding and bearing witness against persons that commit nuisance crimes. Urban Clean and Safe programs can also work in concert with local social service providers, offering service referrals and, as the program matures, entry-level employment options for persons living on the street.

The Philadelphia-based firm of SGI, a national Clean and Safe service provider that specializes in urban PBIDs, provided estimates for service frequencies, manpower, equipment and costs. Two service scenarios were developed, including “basic and premium” with annual Clean and Safe program costs ranging from \$1.5 to \$2.25 million. Based upon the SGI evaluation, the PBID Management Plan recommends resources for a “mid-range” Clean and Safe program, with total resources estimated at \$1.8 million. The range of service frequencies provided by SGI are provided on the following page:

Budget Model Estimates	\$ 1,500,000 to \$2,250,000
Maintenance Frequencies	
<i>Maintenance F.T.E.</i>	<i>13 to 22</i>
Average Weekly Coverage	5 to 7 days/week
Litter Removal/Vacuuming	Daily All Downtown
Litter Removal/Pan & Broom < See Note 1 >	One to Two Shifts in Premium Areas
Machine Sweeping	Daily All Downtown
Transit Stop Maintenance	Yes
Steam Cleaning: Basic	Two to four times per year
Steam Cleaning: Premium	Four to six times per year
Graffiti Removal	Daily As Needed
Light Landscape/Weeds	As Needed
Swat Patrol or “emergency cleaning < See Note 2 >	As Needed
<i>Estimated Maintenance Cost</i>	<i>\$ 1,000,000 to \$1,500,000</i>
Information & Safety Ambassadors	
<i>Ambassadors F.T.E.</i>	<i>9 to 12</i>
Coverage in All Areas	8 hours
Coverage in Premium Areas	12 to 16 hours
<i>Estimated Safety Cost</i>	<i>\$ 500,000 to \$750,000</i>

Notes

- <1> Pan and broom cleaning, plus other services with increased frequencies, include areas and hours of highest pedestrian activity, designated as the “Premium Service Zone” within the PBID..
- <2> “Swat Patrol” is an on-call maintenance team that responds to special maintenance needs throughout the downtown.

Deployment of Clean, Information, and Safe Services: Clean and safe services are expected to be deployed in each of two “benefit zones” within the PBID:

- **Premium Service Zone:** The premium service zone includes areas of highest pedestrian activity where demands for clean and safe services are greatest. 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 remaining areas of the PBID encompassed by the basic service zone have less pedestrian activity and demands for clean and safe services are generally lower. Service frequencies within the basic service zone are expected to be half the frequency of services in the premium service zone.

Image Enhancement

In addition to clean and safe services, the PBID budget includes funds for image enhancement activities that are defined as cosmetic improvements that visually improve downtown. Examples of image enhancement activities include:

- Design, installation and maintenance of flowering planters
- Directional, wayfinding and gateway signage
- Street furniture and amenities, such as benches, kiosks and lighting
- Design and installation of art
- Other cosmetic improvements that visually improve downtown.

Administration

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

- Accounting and annual financial audit
- Insurance for the PBID owner’s association board of directors
- Program support costs including supplies, equipment and rent
- County PBID assessment collection fee, estimated at 1% of assessments
- 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, this plan anticipates that the PBID Owner's Association will contract with the San Jose Downtown Association to deliver day-to-day services.

D. Plan Budgets

1. 2008 Operating Budget Summary

The total improvement and activity plan budget for calendar year 2008 is projected at \$1,595,000 with the following components:

Improvements & Activities	Proposed 2008 Budget	%
Clean Teams < see note below >	\$ 600,000	37.6
Information & Safety Ambassadors	\$ 600,000	37.6
Image Enhancement	\$ 250,000	15.7
Administration (10% of programs)	\$ 145,000	9.1
Total	\$ 1,595,000	100.0

Assessments for Clean Teams will be matched with approximately \$635,000 in funds with in-kind services from the City of San Jose, resulting in a total Clean Team budget of approximately \$1,235,000. These are the baseline services provided by the City and represent the general benefits received.

2. Five Year Operating Budget

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

- Total program revenue increases by 5% per year, the maximum allowed under the proposed annual budget adjustment to keep pace with changes in the consumer price index and other program costs. Actual budgets may not increase 5%, as determined by the PBID Owner's Association and the City Council.
- Revenues for specific activities (i.e. Clean & Safe, Image Enhancement) may be reallocated among activities from year to year based upon district needs and budgets developed by the PBID Owner's Association.

**Downtown San Jose PBID:
Five Year Operating Budget & Maximum Assessments**

(Prepared by Progressive Urban Management Associates, FINAL DRAFT 3-09-07)

Assumption:

Assessment rates increase by a maximum of 5% each year.

Actual adjustments may be lower as determined by the PBID Owner's Association.

ESTIMATED FIVE YEAR OPERATING BUDGET

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Clean & Safe Program					
Clean Teams	600,000	630,000	661,500	694,575	729,304
Information & Safety Ambassadors	600,000	630,000	661,500	694,575	729,304
Total Clean & Safe Program	1,200,000	1,260,000	1,323,000	1,389,150	1,458,608
Image Enhancement	250,000	262,500	275,625	289,406	303,877
Administration (10% of programs)	145,000	152,250	159,863	167,856	176,248
TOTAL	1,595,000	1,674,750	1,758,488	1,846,412	1,938,732

MAXIMUM ASSESSMENT RATES

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Basic Zone: Commercial, Enterprise Government	0.0436	0.0458	0.0481	0.0505	0.0530
Premium Zone; Commercial, Enterprise Government	0.0753	0.0791	0.0830	0.0872	0.0915
Basic Zone: Residential, Traditional Gov't, Other Non-Commercial	0.0317	0.0333	0.0349	0.0367	0.0385
Premium Zone: Residential, Traditional Gov't, Other Non-Commercial	0.0635	0.0667	0.0700	0.0735	0.0772

IV. 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 from the type of improvements and activities described within the Downtown San Jose PBID Management District Plan.

Service benefits are distributed to lot and building square footage 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 building square footage are the primary assessment variables for clean and safe and image enhancement costs. Benefits from all PBID activities are designed to improve image, occupancy and sales, benefits that are distributed throughout buildings. The inclusion of lot square footage in the calculation acknowledges the greater benefits of these services to the ground level of property.

B. General Benefits

The PBID services are above and beyond what the City currently provides. However, the City has agreed to continue providing approximately \$635,000 in baseline services or funding in addition to the PBID services. By the City continuing to provide these services they are of general benefit to all assessed parcels in the PBID boundary. The services the City will continue to provide are described below:

- Contractual Cleaning Services in Downtown – To provide the baseline cleaning services currently provided by the City through contract, it is proposed that the City will make a payment to the PBID of \$335,000 annually to improve the economy of scale of services.
- Street Sweeping Activity – It is proposed that the City will continue to provide this service with City street sweeping crews which also sweep Arterials, Collectors and Bike paths throughout the City. The service is valued at \$100,000 annually.
- Public Litter Can Servicing - It is proposed that the City continue to provide this service valued at \$200,000 annually in conjunction with the Citywide public litter can service contract that was awarded in 2006.

C. Special Benefits

Clean and Safe

This program, as previously discussed, will provide a higher level of maintenance services including cleaning, security and information services than the City currently provides for all parcels within the PBID boundary. The special benefits include a cleaner and safer environment that is further supported with information based services

for all tenants, employees, residents, customers and visitors that work, live or visit the downtown area. These services improve the marketability of the area by providing a cleaner, safer downtown environment. The enhanced service level that the security and maintenance teams provide are specific to the downtown area, thus, each assessed parcel, located in the PBID boundary will benefit from this higher level of security, information, and maintenance services. The enhanced security, information and maintenance services will not be delivered to any parcel outside of PBID boundary.

Image Enhancement

It is the goal of the Image Enhancement services to enhance commercial activity and attract customers to the downtown area. It is also to improve upon the perception of downtown to make it more enticing for people to frequent the downtown community. In order to do this, this program intends to make the downtown more visually appealing and pedestrian friendly through information services and cosmetic enhancements. By providing these improvements it encourages investment dollars, and retains and attracts new businesses and ancillary services. All parcels and the associated businesses and enterprise governmental activities that use and occupy the buildings within the PBID boundary benefit from a more attractive and user friendly downtown because their customers and visitors will benefit from the wayfinding programs and kiosks that enable them to locate downtown businesses, services and establishments. All parcels, businesses and enterprise governmental agencies also benefit from the street beautification, flowerpots, benches and other capital improvements that enhance the overall downtown experience thereby improving the overall image and marketability. The image enhancement services and capital improvements may not be provided directly on the property, however by providing these services throughout the downtown core it benefits all parcels that have business, commercial, and enterprise governmental uses by enhancing the downtown appearance and overall experience. This program is designed to benefit only the Downtown San Jose area and is only provided within District boundaries, thus, each assessed parcel, business and enterprise governmental use located in the PBID will benefit from the image enhancement and capital improvement efforts. Therefore, the image enhancement programs provide a special benefit to the parcels in the District area.

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

- **Residential Property:** All commercial and mixed-use parcels with residential uses will be subject to an adjusted assessment rate for the residential square footage of that parcel. The commercial square footage for that type of parcel will be assessed the assessment rate applied to all commercial parcels. Residential uses will receive full benefit from cleaning, information and safety services and will be assessed fully for them; however, residential parcels will not receive the same benefit as commercial parcels from image enhancement because those uses are not engaged in commercial or customer attraction activities, thus their assessment will not include that portion of the assessment.

- **Government Assessments:** Parcels owned by the City of San Jose, San Jose Redevelopment Agency (RDA), Santa Clara County, State of California and other government entities will receive differing levels of benefit. Traditional government properties such as courthouses, parks, fire stations, and government offices do not receive the same benefits as commercial parcels from image enhancement because those uses are not engaged in commercial or customer attraction activities, thus their assessment will not include that portion of the assessment. Government properties that support enterprise activities, such as the Convention Center, the Arena, and parking garages, will receive the same special benefit as other commercial parcels and will be assessed using the same methodology. Article XIII D of the California Constitution was added in November of 1996 and provides for these assessments. The benefits that accrue to traditional governmental properties are described above, and the services provided are aimed at creating a cleaner and safer environment to help recruit and retain employees, and to provide information services to assist patrons of visiting governmental access needed services.
- **Other Non-commercial/:** All parcels that fall under the classification of churches, social service providers, vacant land will receive full benefit from the clean and safe services and will be assessed fully for them. These uses will not, though, receive full benefit from image enhancement because those uses are not engaged in commercial or customer attraction activities, thus their assessment will not include that portion of the assessment.

D. Calculation of Assessments

The preceding methodology is applied to a database that has been constructed by Kristin Lowell Inc. and the City of San Jose Redevelopment Agency. 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 Redevelopment Agency.
- 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 San Jose Redevelopment Agency on or before July 1, 2007, which is one month prior to the submission of assessment information to the Santa Clara County Auditor.

A list of all properties to be included and assessed in the PBID is on file with the City Clerk.

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 image enhancement activities and therefore will not be assessed that portion of the assessment. The following table identifies the assessment rates by service category for each benefit zone.

Benefit Zone	Per Sq. Ft. of Lot per Year	Per Sq. Ft. of Building per Year
Basic Benefit Zone		
Clean & Safe Services	\$ 0.0317	\$ 0.0317
Image Enhancement	\$ 0.0119	\$ 0.0119
Premium Benefit Zone		
Clean & Safe Services	\$ 0.0635	\$ 0.0635
Image Enhancement	\$ 0.0119	\$ 0.0119

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:

Total Estimated Assessments	Per sq.ft. of Lot per Year	Per sq.ft. of Building per Year
Basic Zone: Commercial, Enterprise Government	\$ 0.0436	\$ 0.0436
Premium Zone; Commercial, Enterprise Government	\$ 0.0753	\$ 0.0753
Basic Zone: Residential, Traditional Gov't, Other Non-Commercial	\$ 0.0317	\$ 0.0317
Premium Zone: Residential, Traditional Gov't, Other Non-Commercial	\$ 0.0635	\$ 0.0635

E. Assessment Adjustments

Annual Adjustment: Annual assessment rates may be adjusted for annual changes in the Bay Area Consumer Price Index (CPI) for all urban consumers and/or other changes in programs costs, not to exceed 5%. Actual annual adjustments may range from 0% to 5%. Assessment rates will not exceed the levels illustrated by the Five 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 will appear as a separate line item on the annual Santa Clara County property tax rolls, and either paid in one lump sum or in two

equal installments. Laws for enforcement and collection of property taxes also apply to the PBID assessment. 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.

F. Issuance of Bonds

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 Owner's 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.

V. GOVERNANCE

For the Downtown San Jose PBID, a new 501(c)6 California non-profit corporation shall be formed to serve as the PBID Owner's Association.

The role of the proposed Owner's Association is consistent with similar PBIDs and downtown management organizations throughout California and the nation. The Owner's Association will determine budgets, assessment rates and monitor service delivery. As part of the Management Plan, the Owner's Association will contract with the San Jose Downtown Association to delivery day-to-day PBID services in order to:

- Reduce overall administrative costs of the PBID
- Leverage PBID funds with other resources and capabilities provided by the San 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 Owner's Association will be subject to disclosure and notification guidelines set by the Ralph M. Brown Act and California Public Records Act.

PBID Owner's Association Board of Directors: The Owner's Association will establish a board of directors consisting of a majority of property owners to develop recommendations for budgets, assessment rates and policies for the use of PBID funds that are consistent with this Management Plan. The Owner's Association board of directors is envisioned to meet quarterly and will have seven to eleven members appointed by ballot of all property owners from a slate developed by the Nominating Committee of the Owner's Association. The Owner's Association board of directors must include representation from all geographic areas and major use types found in downtown. Suggested representation includes:

Representation from each major district, including the Historic District, Convention & Cultural District, SoFA, Arena District and San Pedro Square. The Owner's Association board of directors should also include representation from a variety of use types that are paying assessments, including government, a downtown resident and at least one business owner that is not a property owner.

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 proposed PBID. The two districts are anticipated to finance the following distinct sets of improvements and activities:

Business-Based Business Improvement District (existing)	Property-Based Business Improvement District (new)
Advocacy	Clean and Safe
Marketing	Cosmetic Improvements
Special Events	
Transportation Services	

Services funded by both the business-based BID and PBID will be managed by the SJDA. This will provide for administrative efficiencies reducing overall program management and overhead costs. Central management by the SJDA also preserves a unified voice for downtown interests, elevating downtown’s influence in public policy and resource allocation decisions.

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.