

Downtown Merced Property-Based Business Improvement District

DRAFT Management District Plan



City of Merced, California

January 2022

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*Prepared pursuant to the State of California
Property and Business Assessment District Law of 1994
and Article XIII D of the California Constitution.*

**DOWNTOWN MERCED
Property-Based Business Improvement District
Management District Plan**

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ATTACHMENTS

- A. Engineer’s Report **((to come))**

SECTION 1: EXECUTIVE SUMMARY

The Downtown Merced Property-Based Business Improvement District (“PBID”) is being established, pursuant to the California Constitution and the Property and Business Improvement District Law of 1994, as amended. Developed by the formal steering committee, the PBID Management District Plan responds to today’s market opportunities, district challenges, and the City of Merced’s efforts in vitalizing the downtown. The PBID Management District Plan describes how the PBID will improve and convey special benefits to assessed parcels located within the downtown area.

Summary Management District Plan

Pursuant to the Property and Business Improvement District Law of 1994 (California Streets and Highways Code § 36600 et seq.) (the “PBID Law”), the PBID is proposed to be formed for a 5-year term. Upon receipt of petitions signed by property owners representing greater than 50% of the PBID assessable budget, the City will initiate a ballot procedure to officially form the PBID. Governed by an Owners’ Association, the PBID will deliver enhanced services to improve and convey special benefits to properties located within the PBID boundary, above and beyond those provided by the City.

The PBID will provide enhanced improvements and activities, such as, cleaning the downtown, improving safety, beautifying the downtown, as well as economic vitality, marketing and special events. Each of the activities is designed to meet the goals of the District; to improve the appearance and safety of the PBID, to increase building occupancy and lease rates, to encourage new business development and attract ancillary businesses and services.

Location	The PBID is approximately 40 square blocks of the downtown area. It is roughly bounded by 16 th Street to the South, V Street to the west, 18 th and 19 th Streets to the north, and G Street to the east. The PBID is allocated into three benefit zones to reflect the level of service and special benefits each parcel will receive. (See Section 3 for boundary description and map.)
Services & Activities	The PBID will finance services that will enhance the experience within the downtown for property owners, businesses, residents, employees, and visitors, including: Clean, Safe, and Beautiful: <ul style="list-style-type: none">• <u>Community Engagement Team</u> that supports law enforcement, property owners and businesses in overall crime prevention efforts above what the City provides while providing concierge service to customers, residents, and employees.• <u>Maintenance Services</u> that will sweep, scrub and pressure wash sidewalks and public spaces, remove litter, trash and graffiti, and provide/maintain landscaping throughout the District.• <u>Lighting</u> that increases the level of safety, which may include lighting the alleyways, decorative street lighting, and tree lighting.

	<ul style="list-style-type: none"> • <u>Beautification</u> such as installing and operating streetscape furniture, bike racks, information kiosks, holiday décor, and wayfinding signage. <p>Economic Vitality:</p> <ul style="list-style-type: none"> • <u>Marketing and Communication</u> activities to market the downtown and that pro-actively promotes a positive image of the downtown • <u>Special Events</u> that draw visitors to the downtown. <p>Management:</p> <ul style="list-style-type: none"> • <u>Administration</u> activities that manage the PBID programs, communicates with stakeholders and advocates on behalf of the district. <p>The table below itemizes the services and frequency each benefit zone shall receive, e.g., the Downtown Core will receive 2x the level of service than the Base Level.</p> <table border="1" data-bbox="490 871 1416 1157"> <thead> <tr> <th>PBID Activity</th> <th>Base Level x 1.0</th> <th>Enhanced Zone x 1.5</th> <th>Downtown Core x 2.0</th> </tr> </thead> <tbody> <tr> <td>Community Engagement Team</td> <td>X</td> <td>X</td> <td>X</td> </tr> <tr> <td>Clean Team</td> <td>X</td> <td>X</td> <td>X</td> </tr> <tr> <td>Lighting</td> <td></td> <td></td> <td>X</td> </tr> <tr> <td>Beautification</td> <td></td> <td>X</td> <td>X</td> </tr> <tr> <td>Economic Vitality</td> <td>X</td> <td>X</td> <td>X</td> </tr> <tr> <td>Management</td> <td>X</td> <td>X</td> <td>X</td> </tr> </tbody> </table>	PBID Activity	Base Level x 1.0	Enhanced Zone x 1.5	Downtown Core x 2.0	Community Engagement Team	X	X	X	Clean Team	X	X	X	Lighting			X	Beautification		X	X	Economic Vitality	X	X	X	Management	X	X	X
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Method of Financing	Levy of assessments upon real property that receive a special benefit from enhanced services.																												
Budget	<p>Total PBID budget for its first year of operations is \$585,000, as follows:</p> <table border="1" data-bbox="490 1310 1403 1665"> <thead> <tr> <th>EXPENDITURES</th> <th>TOTAL BUDGET</th> <th>% of Budget</th> </tr> </thead> <tbody> <tr> <td>Clean, Safe, Beautiful</td> <td>\$425,000</td> <td>72.65%</td> </tr> <tr> <td>Economic Vitality</td> <td>\$50,000</td> <td>8.55%</td> </tr> <tr> <td>Management</td> <td>\$110,000</td> <td>18.80%</td> </tr> <tr> <td>Total Expenditures</td> <td>\$585,000</td> <td>100.00%</td> </tr> <tr> <th>REVENUES</th> <td></td> <td></td> </tr> <tr> <td>Assessment Revenues</td> <td>\$577,281</td> <td>98.68%</td> </tr> <tr> <td>Other Revenues (1)</td> <td>\$7,719</td> <td>1.32%</td> </tr> <tr> <td>Total Revenues</td> <td>\$585,000</td> <td>100.00%</td> </tr> </tbody> </table> <p>(1) An allowance is made for general benefits that the PBID may provide. Any PBID services that are found to provide general benefit cannot be paid for with assessment revenue. A certified engineer has estimated that the general benefit from the PBID services accounts for \$7,719 of the estimated budget, resulting in a total assessable budget of \$577,281.</p>	EXPENDITURES	TOTAL BUDGET	% of Budget	Clean, Safe, Beautiful	\$425,000	72.65%	Economic Vitality	\$50,000	8.55%	Management	\$110,000	18.80%	Total Expenditures	\$585,000	100.00%	REVENUES			Assessment Revenues	\$577,281	98.68%	Other Revenues (1)	\$7,719	1.32%	Total Revenues	\$585,000	100.00%	
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<p>Assessments</p>	<p>Annual assessments are based upon an allocation of program costs and a calculation of lot square footage plus building square footage plus linear street frontage. For example, the Clean/Safe/Beautiful budget is allocated 50% each to building square footage plus linear street frontage. Economic Vitality budget is allocated 50% each to lot square footage and building square footage. Management budget is allocated 1/3 to each of lot square footage, building square footage and linear street frontage.</p> <p>Estimated annual maximum assessment rates for each benefit zone for the first year of the PBID are as follows:</p> <table border="1" data-bbox="522 596 1382 737"> <thead> <tr> <th>Benefit Zone</th> <th>Lot SF</th> <th>Bldg SF</th> <th>Linear</th> </tr> </thead> <tbody> <tr> <td>Base Level</td> <td>\$0.0113</td> <td>\$0.0997</td> <td>\$3.2074</td> </tr> <tr> <td>Enhanced Zone</td> <td>\$0.0113</td> <td>\$0.1178</td> <td>\$6.3273</td> </tr> <tr> <td>Downtown Core</td> <td>\$0.0113</td> <td>\$0.1178</td> <td>\$7.9310</td> </tr> </tbody> </table>	Benefit Zone	Lot SF	Bldg SF	Linear	Base Level	\$0.0113	\$0.0997	\$3.2074	Enhanced Zone	\$0.0113	\$0.1178	\$6.3273	Downtown Core	\$0.0113	\$0.1178	\$7.9310
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<p>CPI Increase</p>	<p>Assessments will be subject to an annual increase of up to 5% per year to address changes in the cost of providing services. The determination of annual adjustments in assessment rates will be subject to review and approval by the PBID Owners' Association and City Council and will be subject to the requirements of the PBID Law. The Owners' Association will develop annual budgets and service programs each year which will be presented to the City Council for approval.</p>																
<p>City Services</p>	<p>The City has established and documented the base level of pre-existing City services. The PBID will not replace any pre-existing general City services.</p>																
<p>Existing City Districts</p>	<p>Upon City Council approval of the Downtown Merced PBID, the City Council shall simultaneously eliminate both the downtown maintenance district and the part of the business license tax that funds marketing and special events, as both these districts' services will now be provided in the newly formed PBID.</p>																
<p>Collection</p>	<p>PBID assessments appear as a separate line item on the annual Merced County property tax bills.</p>																
<p>District Governance</p>	<p>The PBID will be managed by a nonprofit organization that will act as the PBID Owners' Association. The Owners' Association will be governed by a Board of Directors comprised of a majority of PBID property owners. The Board will determine PBID annual services and budgets.</p>																

District Formation	The PBID Law requires the submission of petitions signed by property owners in the proposed district who will pay more than 50% of the total assessments (i.e., petitions must represent more than 50% of the \$577,281 to be assessed). Petitions are submitted to the City Clerk, who then mails ballots to all assessed property owners. The majority of ballots returned, as weighted by assessments to be paid, must be in favor of the PBID for the City Council to approve the formation.
Duration	The PBID's initial 5-year term will run from January 1, 2023 through December 31, 2027. Any subsequent renewal of the PBID will require a new Management District Plan, petition, and ballot process, any may be renewed up to 10 years.

SECTION 2: PBID BOUNDARY

PBID Boundary

The PBID is approximately 40 square blocks of the downtown area. It is roughly bounded by 16th Street to the South, V Street to the west, 18th and 19th Streets to the north, and G Street to the east.

Benefit Zones

There are three benefit zones within the PBID to reflect the varying needs and frequency of services within the PBID boundary. The **Base Level** includes every parcel in the district. The **Enhanced Zone** includes every parcel with frontage along 18th Street between I Street and R Street, as well as parcels with frontage along W Main Street between G Street and V Street. The **Downtown Core** includes every parcel with frontage along W Main Street or 18th Street between Martin Luther King and O Street.

Base Level

Every parcel within the PBID will receive the Base Level of services for the Clean and Community Engagement Teams as well as the Economic Vitality and Management. Parcels that are within the Base Level and not included in either the Enhanced Zone or Downtown Core, have significantly less pedestrian traffic and commercial uses. In light of that, these parcels will receive the base level of services from the Clean and Community Engagement teams as well as the Economic Vitality and Management. However, parcels that are strictly in the Base Level zone will not receive any of the Beautification activities, and thus, will not be assessed for those services. The Base Level parcels will pay an assessment rate equal to 100% of the special benefits received.

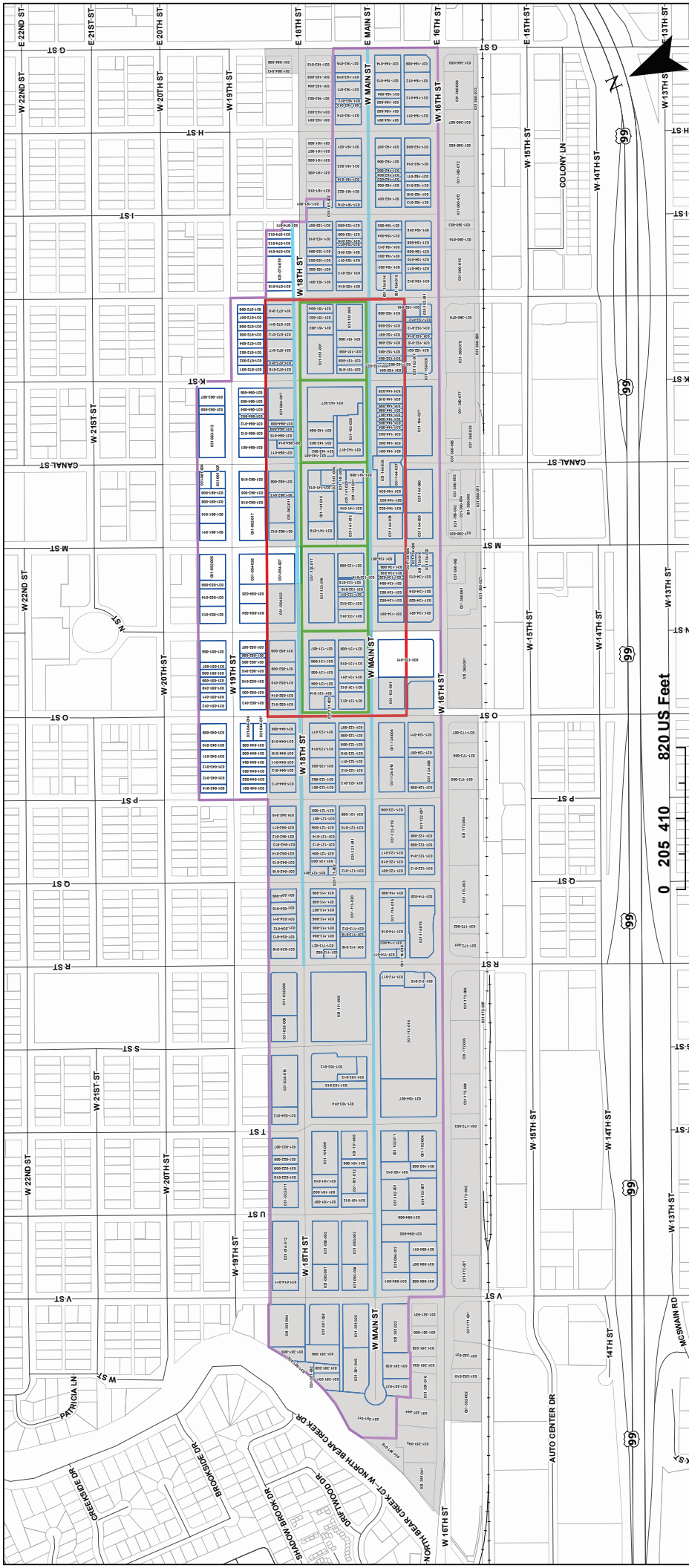
Enhanced Zone

The parcels in the Enhanced Zone have a higher level of commercial use and pedestrian traffic than the parcels strictly in the Base Level. The Enhanced Zone parcels will receive all the PBID services from the Base Level plus the Beautification activities. In addition, it is anticipated that the Clean and Community Engagement Teams within the Enhanced Zone will provide 1.5 times the frequency of service than they provide in the Base Level. The Enhanced Zone parcels will pay an assessment rate equal to 100% of the special benefits received.

Downtown Core

The parcels in the Downtown Core have the highest concentration of commercial use and pedestrian traffic, and thus will receive the highest level and frequency of the PBID services. The Downtown Core parcels will receive all the services that the parcels in both the Base Level and the Enhanced Zone receive, but it is anticipated that the Clean and Community Engagement Teams within the Downtown Core will provide 2.0 times the frequency of service than they provide in the Base Level. In addition, the Beautification services will be more concentrated than even in the Enhanced Zone. The Downtown Core parcels will pay an assessment rate equal to 100% of the special benefits received.

A map of the proposed district boundary and benefit zones is on the following page.

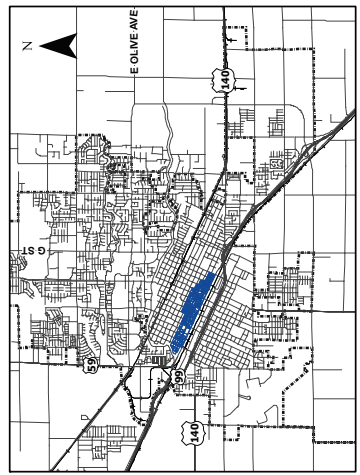


City of Merced - Property Based Improvement District

- LEGEND**
- ▬ ENHANCED ZONE
 - ▬ BEAUTIFICATION AREA
 - ▬ DOWNTOWN CORE
 - ▬ PROPERTY BASED IMPROVEMENT DISTRICT BASE LEVEL
 - ▬ 120 - DOWNTOWN MAINTENANCE DISTRICT
 - PROPERTY BOUNDARIES
 - CITY OF MERCED LIMITS



Date Expired: 1/11/2022



SECTION 3: PBID ACTIVITY AND IMPROVEMENT PLAN

Background and Feasibility

As determined by downtown property and business owners, the top priorities for services and activities within the Downtown Merced PBID boundary include:

- ◆ Clean, Safe and Beautiful
- ◆ Economic Vitality
- ◆ Management

Based upon these findings, these activities will be funded by the PBID. The following narrative provides recommendations for the PBID's first year of operation. PBID activities may be amended in subsequent years within the following general categories. Final activities and budgets will be subject to the review and approval of the PBID Owners' Association prior to City Council approval.

Clean, Safe and Beautiful

To respond to stakeholder priorities and guiding principles to make Downtown Merced more welcoming, clean and beautiful, the PBID will fund a safety program as well increased maintenance and beautification efforts. The PBID Clean, Safe and Beautiful activities are intended to improve commerce and quality of life by making each individually assessed parcel safer, cleaner and more attractive, which will encourage investment dollars and generate additional pedestrian traffic.

The following is a multi-dimensional approach for providing a safer, cleaner, and more aesthetically appealing downtown.

Community Engagement Team:

The Community Engagement Team will provide safety services for the individual parcels located within the PBID in the form of walking, bike or vehicle patrols. The purpose of the Community Engagement Team is to prevent, deter and report illegal activities taking place on the streets, sidewalks, storefronts, parking lots, and public alleys. The presence of the Community Engagement Team is intended to deter such illegal activities as vandalism, graffiti, narcotic use or sales, public urination, trespassing, drinking in public, illegal panhandling, and illegal dumping. The safety activities will supplement, not replace, other ongoing City police, security, and patrol efforts within the PBID.



In addition, the Community Engagement Team may engage people who are engaging in aggressive panhandling, to suggest and coordinate services, and will document each incident and activity to track the frequency of illegal and threatening behaviors to mobilize enforcement efforts of those people resisting services.

The Community Engagement Team will continually circulate through the district to identify the population that is engaged in illegal or threatening behaviors, engage homeless people to build relationships and encourage assistance from social service providers to coordinate service delivery, triage the needs of homeless people to encourage appropriate services from provider

agencies, and will document all interactions so that these individuals can be prioritized based on need.

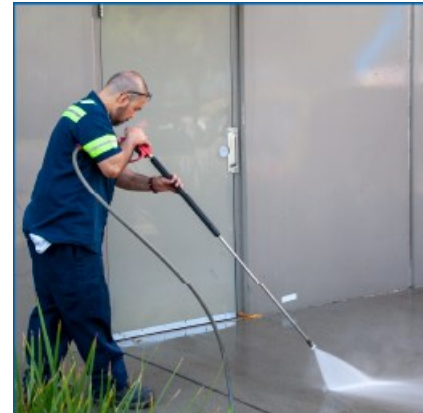
Maintenance Services:

The Clean Team consistently deals with maintenance issues within the PBID by providing the following cleaning and maintenance services:

Sidewalk Maintenance: Uniformed, radio-equipped personnel sweep litter, debris, and refuse from sidewalks, and gutters, as well as public spaces of the PBID, and clean all sidewalk hardscape such as trash receptacles, benches, and parking meters.

Trash Collection: Collector truck personnel collect trash from sidewalk trash receptacles as needed. They are also dispatched to collect stolen shopping carts and large bulky items illegally dumped in the PBID.

Graffiti Removal: The Clean Team can remove graffiti using solvent and pressure washing. The PBID will maintain a zero-tolerance graffiti policy. All tags will aim to be removed within 48 hours of notification.



Sidewalk Pressure Washing: Pressure wash all sidewalks and public spaces on an as needed basis with areas of high pedestrian traffic receiving the highest concentration. However, during drought years pressure washing may not be permitted.

Landscape Maintenance: Public landscape areas including tree wells and planters will be maintained and kept free of litter and weeds.

Note: As part of the PBID formation, the existing downtown maintenance district will be eliminated. Those services will now be funded through the PBID.

Lighting:

Special lighting in the Downtown Core will be added as an additional level of safety as well as beautification. The lighting activities may include lighting the alleyways, decorative street lighting, and tree lighting.



Beautification & Placemaking:

In addition to clean and safe services, the PBID budget includes funds for beautification and placemaking improvements that are defined as cosmetic enhancements that improve the appearance and walkability within the PBID, in turn encouraging customer traffic and improved quality of life for residents. Examples of beautification improvements might include:

- Street furniture and amenities, such as benches, kiosks and lighting
- Design and installation of flowering planters and baskets
- Design and installation of art and decorative elements
- Holiday décor
- Bicycle racks and other hardware
- Urban design and/or planning services to advance beautification efforts
- Other cosmetic enhancements that improve the PBID's appearance



Economic Vitality

In addition to the Clean, Safe and Beautiful activities, a comprehensive economic vitality program has been included as a key component to the PBID. As the Downtown comes out of the COVID-19 pandemic and there is a more favorable economic climate, the activities for economic enhancements may include:

Marketing and Communication:

It is important to not only provide the services needed in the PBID, but to tell the story of improvement in the PBID. Some of the marketing programs being considered are:

- Image and Marketing materials
- Media Advertising
- Website
- Meetings & Workshops
- Newsletter
- Maintain Social Media Outlets
- Restaurant/Retail Listing & Map

Special Events:

Promote and host special events downtown that draw residents and visitors that encourage them to eat at the local restaurants, shop downtown, engage in any type of commercial activity. Events may include culinary events, arts festivals, holiday parades, music events or any other special event that draws people to the downtown area.

Special Projects/Project Collaboration:

Special projects will be initiated to tackle issues that are overlooked or items that can leave a lasting impression on stakeholders in the PBID. Special project opportunities include painting of street fixtures to include utility boxes, benches, light poles, etc., thorough cleaning of tree wells, power washing and repair of waste cans, and thorough scrubbing and cleaning of street fixtures.

The PBID may also use funds to collaborate with the City or any other organization on projects that benefit the downtown area.

Note: As part of the PBID formation, the existing portion of the business license double tax that was assessed against businesses for the purposes of funding marketing and special events will be eliminated. Those services will now be funded through the PBID.

As discussed above, the parcels in the PBID boundary are allocated into three benefit zones based on the types and frequency of PBID service deployment. The table below itemizes the services and frequency each benefit zone shall receive, e.g., the Downtown Core will receive 2x the level of service than that of the Base Level.

PBID Activity	Base Level x 1.0	Enhanced Zone x 1.5	Downtown Core x 2.0
Community Engagement Team	X	X	X
Clean Team	X	X	X
Lighting			X
Beautification		X	X
Economic Vitality	X	X	X
Management	X	X	X

Management

Like any business, the PBID will require a professional staff to properly manage programs, communicate with stakeholders and provide leadership. The PBID supports a professional staff that delivers the PBID services and advocates on behalf of the parcels in downtown Merced. The PBID advocacy services will provide direction on policies and issues that affect the business district.

Management services may include compensation for an Executive Director, an administrative assistant or any other staff member, or subcontractor the Owner's Association deems necessary to manage the PBID services. The management team is responsible for providing the day-to-day operations. PBID funds may be used to leverage additional monies from sponsorships, contracts, grants and earned income. Additional administrative costs may include accounting and annual financial reviews, insurance, program support costs including supplies, equipment and rent, utilities County assessment collection fee, estimated at 1% of assessments, and other administration costs associated with the overhead and administrative support of programs.

SECTION 4: PBID ASSESSMENT BUDGET

2023 PBID Assessment Budget

The following table outlines the PBID maximum assessment budget for 2023.

EXPENDITURES	TOTAL BUDGET	% of Budget
Clean, Safe, Beautiful	\$425,000	72.65%
Economic Vitality	\$50,000	8.55%
Management	\$110,000	18.80%
Total Expenditures	\$585,000	100.00%
REVENUES		
Assessment Revenues	\$577,281	98.68%
Other Revenues (1)	\$7,719	1.32%
Total Revenues	\$585,000	100.00%

(1) Other non-assessment funding to cover the cost associated with general benefit.

Budget Adjustments

The services proposed for year one of the term are the same services that are proposed for subsequent years. Assessments will be subject to an annual increase of up to 5% per year to address changes in the cost of providing services. The determination of annual adjustments in assessment rates will be subject to review and approval by the PBID Owners' Association and City Council and will be subject to the requirements of the PBID Law.

5-Year Maximum Budget

The following table illustrates the PBID's maximum annual budget for the 5-year term based on Year 1 of inventory of development, adjusting it by the maximum 5% increase.

	Clean/Safe	Economic	Management	Total
Year 1	\$425,000	\$50,000	\$110,000	\$585,000
Year 2	\$446,250	\$52,500	\$115,500	\$614,250
Year 3	\$468,563	\$55,125	\$121,275	\$644,963
Year 4	\$491,991	\$57,881	\$127,339	\$677,211
Year 5	\$516,590	\$60,775	\$133,706	\$711,071

The cost of PBID improvements and activities may vary in any given year depending on market conditions and the cost of providing those services. Expenditures for each of the line items may be adjusted up or down 10% between them to continue the same level of service. The Owners' Association Board of Directors shall make such determination. In addition, any annual budget surplus, including those created through cost saving measures, unexpected reductions in expenses or unanticipated increases to income, will be rolled into the following year's budget. The carryover funds will be applied to the same budget line item as the line item that was the source of the carryover funds. The budget will be adjusted accordingly consistent with the Management District Plan to adjust for surpluses that are carried forward to ensure that the PBID is spending these funds in a timely manner and is complying with applicable State laws. Any change in line-

item expenditures and/or budget surplus will be approved by the Owners' Association Board of Directors and submitted in the annual report, pursuant to Section 36650 of the State Law.

PBID Renewal

PBID funds, which may consist of rollover funds may be used for renewing the district.

Bond Issuance

No bonds will be issued to finance improvements.

SECTION 5: ASSESSMENT METHODOLOGY

General

This Management District Plan provides for the levy of assessments for the purpose of providing services and activities that specially benefit real property in the PBID. These assessments are not taxes for the general benefit of the City but are assessments for the services and activities which confer special benefits upon the real property for which the services and activities are provided.

Assessment Factors

Each parcel's proportional special benefit from the PBID activities is determined by analyzing three parcel characteristics: Building Square Footage, Lot Square Footage, and Linear Street Frontage. These parcel characteristics are an equitable way to identify the proportional special benefit that each of the assessed parcels receive. Building square footage is relevant to the current use of a property and is also closely correlated to the potential pedestrian traffic from each parcel and the demand for PBID activities. The lot square footage reflects the long-term value implications of the improvement district. A parcel's linear street frontage is relevant to the street level usage of a parcel and the demand for PBID activities. Together, these parcel characteristics serve as the basic unit of measure to calculate how much special benefit each parcel receives in relationship to the district as a whole, which is then is the basis to proportionately allocate the cost of the special benefits.

Building square footage is defined as the total building square footage as determined by the outside measurements of a building. The gross building square footage is taken from the County Assessor's records. Building square footage is used as the characteristic to assess $\frac{1}{2}$ the cost of Clean, Safe and Beautiful activities, $\frac{1}{2}$ the cost of Economic Vitality activities, and $\frac{1}{3}$ the cost of the Management activities.

Lot square footage is defined as the total amount of area within the boundaries of the parcel. The boundaries of a parcel are defined on the County Assessor parcel maps. Lot square footage is used as the characteristic to assess $\frac{1}{2}$ the cost of Economic Vitality activities, and $\frac{1}{3}$ the cost of the Management activities.

Linear street frontage is defined as the number of linear feet of each parcel that directly fronts a street that will receive the PBID activities. Corner lots or whole block parcels will be assessed for each side of the parcels' street frontage. Linear street frontage is used as the characteristic to assess $\frac{1}{2}$ the cost of Clean, Safe and Beautiful activities, and $\frac{1}{3}$ the cost of the Management activities. Linear street frontage is then weighted based on each side the parcel's frontage is in each of the three benefit zones. That is, a parcel with frontage in the Base Level benefit zone receives a weighted factor of 1.0 for that frontage. A parcel with frontage in the Enhanced Zone benefit zone receives a weighted factor of 1.5 for that frontage. A parcel with frontage in the Downtown Core benefit zone receives as weighted factor of 2.0 for that frontage.

Each one of these characteristics represents the benefit units allocated to each specially benefitted parcel. The total number of assessable benefit units in the PBID are as follows:

Benefit Zone	Benefit Units		
	Lot SF	Bldg SF	Linear Frontage
Base Level	3,331,253	1,084,031	31,260
Enhanced Zone	876,813	383,180	12,594
Downtown Core	1,268,420	994,202	24,832
TOTAL Benefit Units	5,476,486	2,461,413	68,686

Assessment Methodology

The proportionate special benefit each assessed parcel receives shall be determined in relationship to the entirety of the capital cost of the PBID improvements and activities. Due to the proportionate special benefits received by these individual parcels from the PBID services, these parcels will be assessed at a rate which is proportionate to the amount of special benefits received. Only special benefits are assessable, and these benefits must be separated from any general benefits. As required by the State Constitution Article XIIID Section 4(a), the general benefits of an assessment district must be quantified and separated out so that the cost of the activities that are attributed to general benefit are deducted from the cost assessed against each specially benefitted parcel. General benefits are benefits from the PBID activities and improvements that are not special in nature, are not “particular and distinct” and are not over and above the benefits that other parcels receive. The attached Engineer’s Report has calculated that 1.32% of the PBID activities may be general in nature and will be funded from sources other than special assessments, see Section E of the Engineer’s Report for discussion of special and general benefits.

Calculation of Assessments

The PBID services and activities will be deployed throughout the district at various levels depending on the benefit zone. The cost of the special benefits received from these services is apportioned in direct relationship to each parcel’s benefit units, i.e., building square footage, lot square frontage, and linear street frontage as discussed above. The sum of the total assessable benefit units in the PBID is then divided into the assessment budget to determine the assessment rate for each benefit unit.

Specifically, the PBID budget is allocated as follows:

Clean, Safe and Beautiful – General Benefit = \$417,281 and is assessed 50% each to building square feet and linear street frontage.

Economic Vitality = \$50,000 and is assessed 50% each to building square feet and lot square feet.

Management = \$110,000 and is assessed 1/3 each to building square feet, lot square feet and linear street frontage.

Assessment Rates

Based on the assessment factors, benefit zones and assessment calculation discussed above, the following table illustrates the PBID's maximum annual assessment rates each benefit unit and benefit zone for the 5-year life term, adjusting it by the maximum 5% increase for PBID activities.

Benefit Zone	Year 1	Year 2	Year 3	Year 4	Year 5
Base Level					
Lot SF	\$0.0113	\$0.0118	\$0.0124	\$0.0130	\$0.0137
Bldg SF	\$0.0997	\$0.1046	\$0.1099	\$0.1154	\$0.1211
Linear	\$3.2074	\$3.3678	\$3.5362	\$3.7130	\$3.8987
Enhanced Zone					
Lot SF	\$0.0113	\$0.0118	\$0.0124	\$0.0130	\$0.0137
Bldg SF	\$0.1178	\$0.1237	\$0.1299	\$0.1364	\$0.1432
Linear	\$6.3273	\$6.6436	\$6.9758	\$7.3246	\$7.6908
Downtown Core					
Lot SF	\$0.0113	\$0.0118	\$0.0124	\$0.0130	\$0.0137
Bldg SF	\$0.1178	\$0.1237	\$0.1299	\$0.1364	\$0.1432
Linear	\$7.9310	\$8.3276	\$8.7439	\$9.1811	\$9.6402

Sample Parcel Assessments

The initial annual parcel assessment for a parcel with 5,000 building square feet, 5,000 lot square feet, and 50 linear feet in the Base Level Zone is calculated as follows:

Bldg square footage x the assessment rate (5,000 x \$0.0997) =	\$498.50
Lot square footage x the assessment rate (5,000 x \$0.0113) =	\$ 56.50
Linear street frontage x the assessment rate (50 x \$3.2074) =	<u>\$160.37</u>
Initial annual parcel assessment	\$715.37

The initial annual parcel assessment for a parcel with 5,000 building square feet, 5,000 lot square feet, and 50 linear feet in the Enhanced Zone is calculated as follows:

Bldg square footage x the assessment rate (5,000 x \$0.1178) =	\$589.00
Lot square footage x the assessment rate (5,000 x \$0.0113) =	\$ 56.50
Linear street frontage x the assessment rate (50 x \$6.3273) =	<u>\$316.37</u>
Initial annual parcel assessment	\$961.87

The initial annual parcel assessment for a parcel with 5,000 building square feet, 5,000 lot square feet, and 50 linear feet in the Downtown Core is calculated as follows:

Bldg square footage x the assessment rate (5,000 x \$0.1178) =	\$589.00
Lot square footage x the assessment rate (5,000 x \$0.0113) =	\$ 56.50
Linear street frontage x the assessment rate (50 x \$7.9310) =	<u>\$396.55</u>
Initial annual parcel assessment	\$1,042.05

Annual Assessment Adjustments

Budget Adjustment

Assessments will be subject to an annual increase of up to 5% per year to address changes in the cost of providing the PBID services identified above. In addition, assessments may be

increased up to an additional 5% with those revenues being specifically allocated to a capital reserve account to fund/augment the Beautification and Street Life services, including matching funds or leveraging capital improvement projects. The determination of annual adjustments in assessment rates will be subject to review and approval by the PBID Owners' Association and City Council and will be subject to the requirements of the PBID Law.

PBID Guidelines

Time and Manner for Collecting Assessments

As provided by State Law, the PBID assessment will appear as a separate line item on annual property tax bills prepared by the County of Santa Clara. The San Jose City Clerk's office may directly bill any property owners whose special assessment does not appear on the tax rolls for each year of the BID term. The assessments shall be collected at the same time and in the same manner as for the ad valorem property tax paid to the County of Santa Clara. These assessments shall provide for the same lien priority and penalties for delinquent payment as is provided for the ad valorem property tax.

Disestablishment

State law provides for the disestablishment of a PBID pursuant to an annual process. The 30-day period begins each year on the anniversary day that the City Council first established the PBID. Within this annual 30-day period, if the owners of real property who pay more than 40% of the assessments levied submit a written petition for disestablishment, the PBID may be dissolved by the City Council. The City Council must hold a public hearing on the proposed disestablishment before voting on whether to disestablish the PBID.

Duration

The PBID will have a ten-year term commencing January 1, 2023 through December 31, 2032. Any major modifications or new or increased assessments during the term of the PBID that are not consistent with the provisions of this MDP will require a new mail ballot process.

To build in flexibility and adapt to new developments and economic conditions this PBID renewal will incorporate opportunities to further consider boundary adjustments and shifting resources within PBID service areas midstream, rather than waiting another ten years. A five-year "check in" will require an assessment of Downtown development, market influences, and place management needs. Anticipated changes to Downtown San Jose over the next decade are simply too great to lock into a restrictive, ten-year plan and budget.

Future Development

As a result of continued development, the PBID may experience the addition or subtraction of assessable footage for parcels included and assessed within the PBID boundaries. The modification of parcel improvements assessed within the PBID may then change upwards or downwards the amount of total footage assessment for these parcels, pursuant to Government Code 53750(h)(3), will be prorated to the date the parcel receives the temporary and/or permanent certificate of occupancy.

In future years, the assessments for the special benefits bestowed upon the included PBID parcels may change in accordance with the assessment methodology formula identified in the MDP and Engineer's Report provided the assessment rate does not change. The assessment formula can only be changed in accordance with the provisions of the PBID Law and any other applicable laws.

SECTION 6: PBID GOVERNANCE

City Council

Following the submission of petitions from property owners representing more than 50% of the assessments to be paid, the City Council, upon holding a public hearing on the proposed PBID, may form the PBID. The PBID is formed by a City Council resolution, including the levy of an assessment on property, if the assessment is first approved by parcel owners in a balloting process.

PBID Governance

The PBID Law “establishes a governance framework that allows property owners who pay assessments the ability to determine how the assessments are used. This Management District Plan may be subject to changes if California state law or the Sacramento City Code changes.

Downtown Merced PBID

The PBID will contract with a nonprofit organization that will act as the Owners’ Association and governing board for the PBID. The role of the Owners’ Association is consistent with similar PBIDs and management organizations throughout California and the nation. The Owners’ Association determines budgets, proposes any assessment adjustments and monitors service delivery. As part of the Management District Plan, the nonprofit organization oversees the delivery of day-to-day PBID activities.

Pursuant to the PBID Law, the Owners’ Association Board of Directors is subject to disclosure and notification guidelines set by the Ralph M. Brown Act and California Public Records Act when conducting PBID business.

The PBID Owners’ Association Board of Directors will represent a cross section of property owners found throughout the district. The goal and spirit of the board’s composition is to have a majority of property owners, but also include representatives from businesses, government, and residents that pay PBID assessments.

SECTION 7: IMPLEMENTATION TIMELINE

For the PBID to meet the start-up date of January 1, 2023, the formation process needs to adhere to the following schedule:

Formation Schedule	Dates
Draft Management District Plan and Engineer's Report - City Review	Fall 2021
Petitions distributed to property owners	Winter 2021/2022
Education campaign to obtain signed petitions: presentations, neighborhood meetings, 50% weighted vote targeting	Winter 2021/2022
City Council accepts petitions; adopts resolution of intention to consider establishment; sets a public hearing; accepts the Engineer's Report; authorizes the mailing of ballots	April 2022
City Council holds public hearing and tabulates assessment ballots, adopts resolution approving the district formation and levying of the assessments	June 2022

SECTION 8: ASSESSMENT ROLL

The total assessment amount for FY 2022/23 is \$577,281 apportioned to each individual assessed parcel, as follows.

((insert assessment roll))