



DISCUSSION ITEMS

Agenda Item # 7

AGENDA REPORT SUMMARY

Meeting Date: February 13, 2017

Subject: Downtown Business Improvement District Feasibility

Prepared by: Jennifer Quinn, Economic Development Manager

Approved by: Chris Jordan, City Manager

Attachment:

1. January 22, 2018 Letter to Council Supporting Exploring Feasibility of a Business Improvement District in Downtown Los Altos

Initiated by:

Board of Directors for Los Altos Village Association, Chamber of Commerce, and Los Altos Property Owners Downtown

Previous Council Consideration:

None

Fiscal Impact:

Approximately \$10,000

Environmental Review:

None required

Policy Question(s) for Council Consideration:

- Does the Council wish to consider the feasibility of the formation of a Business Improvement District (BID) in Downtown Los Altos?

Summary:

- The members of the Board of Directors for the Los Altos Village Association, the Chamber of Commerce and the Los Altos Property Owners Downtown have collectively signed a letter urging City Council to support the City funding a feasibility study to help determine whether a BID would serve in the best interest of the business and property owners as well as the public
- Staff has identified a consultant willing and able to perform such a study if the Council approves the use of funds for this purpose

Staff Recommendation:

Move to authorize the City Manager to retain the services of a Business Improvement District consultant with the sole purpose of exploring the feasibility of establishing a Business Improvement District in Downtown Los Altos



Subject: Downtown Business Improvement District Feasibility

Purpose

Consider the Feasibility of Forming a Business Improvement District in Downtown Los Altos.

Background

A Business Improvement District (“BID”) is a program of a city, county, or joint powers authority under which the city, county, or joint powers authority levies an assessment against businesses or property to fund services or improvements that benefit the assessed businesses or property.

This revitalization tool is typically used for commercial neighborhoods such as regional business districts, downtowns, and other commercial areas. Business owners and their landlords utilize BIDs because they provide localized sanitation, security, and other services. These services can help commercial areas that are oriented along public streets to more effectively compete with privately owned and managed commercial developments. Cities find BIDs attractive because a BID can help “liven up” an aging commercial area, ideally leading to increased civic pride, beautification, economic development, and increased tax revenue for the city, county, or joint powers authority. They also carry out economic development services by working to attract, retain and expand businesses.

District Law and Formation

In California, there are two separate laws that authorize the formation of a BID:

- The Parking and Business Improvement Area Law of 1989 (Streets & Highways Code §36500 et seq.)
- Property and Business Improvement District Law of 1994 (Streets & Highways Code §36600 et seq.)

To form a BID, the city, county, or joint powers authority will propose a new district by adopting a resolution of intention. Types of improvements and activities to be financed are specified at this time. Then, public notice must be provided, and a public hearing will be held. If not protested by a majority of businesses, the BID is established, and an advisory board is appointed.

Once formed, the BID is limited to those types of improvements or activities that were specified during formation.

Both laws enable a city, county, or joint powers authority to establish a BID and levy annual assessments on businesses within the district boundaries. BID assessments must be directly proportional to the estimated benefit being received by the businesses upon which they are levied. Normally these will be assessed annually on County property tax bills. A BID may assess property according to zones of benefit, in relation to the benefit being received by businesses within each zone. No assessments under this law can be levied on residential properties or on land zoned for agricultural use.



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Improvements which may be financed include parking facilities, parks, fountains, benches, trash receptacles, street lighting, and decorations. The scope of permissible improvements is very broad, essentially encompassing any tangible improvement with an estimated useful life of at least five years. BIDs commonly fund services as well; such as, security services, sanitation services, and marketing services. Other services that may be financed include promotion of public events, furnishing music in public places and promotion of tourism.

In addition to the above, the 1994 Act also allows financing of streets, rehabilitation or removal of existing structures, and security facilities and equipment. The 1989 Act allows financing of marketing and economic development, and various supplemental municipal services such as security and sanitation. Neither law allows bonds to be issued by the BIDs.

BIDs can be a purposeful public-private partnership. However, they can present a few challenges for cities.

Many of these challenges can be mitigated if city, county, or joint powers authority management, legal staff, and elected officials are aware of potential challenges and start thinking about them early in the process. It is a good idea to have management staff active early on in meeting with proponents and BID consultants and to have management and legal staff carefully review the management district plan before it goes to petition.

Discussion/Analysis

Over the last several years, it has become evident to staff that many of the services that merchants, business and property owners have asked for fall outside of the purview of “typical city services”. The Los Altos Village Association, the Los Altos Property Owners Downtown and the Chamber of Commerce have collectively considered that those services would best be provided by an entity formed and supported by local business and property owners via a Business Improvement District in Downtown Los Altos. Their support of this concept is included with this staff report. These organizations feel that an assessment of the groups they represent would be the way to create a new, impartial funding source that would accomplish many of the goals they all share.

However, it is the role of the City to determine the feasibility of such a tax assessment district, which would be done by engaging a consultant to conduct a feasibility study. This study would explore various district options and develop the rationale for a benefit assessment based on the projected benefits to the property for the improvement district. The study would answer the key questions everyone wants to know, including:

- What options are there for calculating the assessment and how much might it be (e.g., from \$X to \$Y per square foot of property)?
- What will property owners and business owners get in return - what can (and can't) funds be spent on?
- What options are there for determining the size of the district?



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- What options are there for how the district is governed so key stakeholders, including property owners and merchants, are appropriately represented in deciding who administers the funds and makes decisions on how the money is spent?
- What options are there for what happens with the Los Altos Village Association, and other organizations, which host events in the downtown area?

The conclusion of the study will be a comprehensive report answering the above questions and more, at which point the organizations can then decide whether to pursue the next step of forming a BID.

Options

- 1) Move to retain the services of the BID consultant with the sole purpose of exploring the feasibility of establishing a BID in Downtown Los Altos.

Advantages: A comprehensive report would provide further detail on how a BID would benefit the merchants, business and property owners in obtaining the services desired in Downtown

Disadvantages: The study could reveal that a BID would not accomplish the desired goal or would otherwise not support the formation of a BID, resulting in wasted funds used to obtain the report

- 2) Deny obtaining the services of the BID consultant

Advantages: No funds will be used in pursuit of this study

Disadvantages: There would be no information obtained about the feasibility of a BID in Downtown Los Altos

Recommendation

Staff supports Option 1.

January 22, 2018

Dear Mayor Mordo, Vice Mayor Lee Eng, City Councilmembers, and City Manager Chris Jordan:

For years, the members of our organizations have been considering the issues facing our downtown and have tried to devise ways to solve them. Each of our respective organizations is devoted to the success of the district and to working collaboratively with City staff to accomplish great things each year. However, we recognize the limitations of our individual organizations and our ability to accomplish what we'd like to see.

Collectively, we all understand that the next logical step to addressing known issues and harnessing the outcome of the visioning process is to organize and form a business improvement district (BID). With property owners coming together and assessing themselves, a new funding source would be established that would accomplish several goals ranging in size and complexity, including basics such as cleaning sidewalks and maintaining plantings and tree lights. Depending on the size of the assessment, the funds might also be leveraged to finance larger scale projects, including development opportunities.

With the Downtown Visioning process concluding within a few months, we think now is the right time to move forward with exploring the feasibility of creating a BID in the downtown area. From what we've seen from the community input and the various scenarios, we are particularly excited and energized by the community's interest in creating more vibrancy both now and well into the future. We have seen what assessment districts have done in other communities, but what we don't currently know is what can be done here.

We are asking the City to take the first step in exploring the mechanics of creating this district by engaging a consultant to conduct a feasibility study. This study would explore various district options and develop the rationale for a benefit assessment based on the projected benefits to the property for the improvement district. The study would answer the key questions everyone wants to know, including:

- What options are there for calculating the assessment and how much might it be (e.g., from \$X to \$Y per square foot of property)?
- What will property owners and business owners get in return – what can (and can't) funds be spent on?
- What options are there for determining the size of the district?
- What options are there for how the district is governed so key stakeholders, including property owners and merchants, are appropriately represented in deciding who administers the funds and makes decisions on how the money is spent?
- What options are there for what happens with the Los Altos Village Association, and other organizations, which host events in the downtown area?

The Economic Development Manager has interviewed a few consultants who would be able to perform this task for approximately \$10,000 over a few months. The conclusion of the study would be a report that would establish whether moving forward with an assessment district would be feasible and, if so, the next steps. Without the feasibility study, property owners and business organizations have no way to know if they would support or oppose the assessment. It is reasonable to the City to engage a consultant to arrive at the answers for these entities to consider.

We fully support the efforts of the City in pursuing the study on our behalf and will remain engaged in the process once the feasibility is determined.

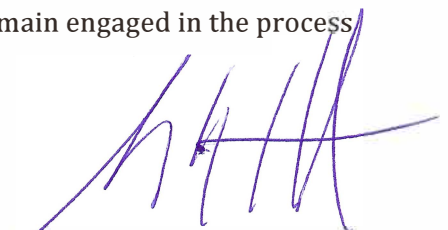
Sincerely,



Los Altos Chamber of Commerce



Los Altos Property Owners Downtown



Los Altos Village Association

ATTACHMENT 1