

**MANAGEMENT DISTRICT PLAN**  
for the creation of the  
**Downtown Santa Cruz Property Based Business Improvement District**  
**(DTSC PBID)**

March 2020

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*Exhibits are available upon request to the PBID Advisory Group*

**Prepared for the PBID Advisory Group by  
Progressive Urban Management Associates, Inc.  
and Kristin Lowell, Inc.**

# **SUMMARY MANAGEMENT DISTRICT PLAN for the creation of the Downtown Santa Cruz Property-Based Business Improvement District (DTSC PBID)**

**March, 2020**

## **INTRODUCTION**

**Property-Based Business Improvement Districts (PBIDs)** collect a self-governed assessment on property to provide enhanced services beyond those provided by local government, including safety and maintenance, beautification, marketing, special events, and economic enhancements to strengthen the business mix of commercial districts. More than 100 PBIDs have been formed in downtowns and urban districts throughout the State of California since enabling legislation for PBIDs was adopted more than 20 years ago.

In mid-2019 the City of Santa Cruz contracted with consulting firm Progressive Urban Management Associates (P.U.M.A.) in partnership with the Downtown Association of Santa Cruz (DTA) and the Downtown Management Corporation (DMC) to develop a strategic organizational plan for the management of Downtown. The P.U.M.A. team visited Downtown Santa Cruz in August, September and December of 2019 to meet with a wide variety of stakeholders and develop an understanding of the existing Downtown management structure. Based on this assessment and stakeholder input, it was recommended that the two existing downtown entities, the DTA and the Downtown Management Corporation (DMC) be dissolved and a new PBID be established for Downtown.

To create the final management plan and an engineer's report for a Downtown Santa Cruz PBID (DTSC PBID or District), the City, DTA, and DMC contracted with Kristin Lowell Inc., a certified engineer. The following Management Plan provides the basis by which the PBID could be operated. To form the DTSC PBID, proponents will need to secure petitions from property owners representing at least 50% of assessments to be paid, and secure support from a weighted majority of those that respond to a subsequent mail ballot.

### **I. MANAGEMENT PLAN SUMMARY**

Pursuant to California Streets and Highways Code, the "Property and Business Improvement District Law of 1994", the DTSC PBID is proposed to be established for an initial 5-year term. Governed by a Board of Directors, the DTSC PBID's work program will deliver enhanced services to improve and convey special benefits to properties located within the DTSC PBID boundary, above and beyond those provided by the City of Santa Cruz. The District will provide three categories of enhanced services: "Clean, Safe, and Welcoming", "Economic Vitality", and "Marketing and Image".

The enhanced services are designed to update the management model for Downtown based on national best practices and meet the following DTSC PBID goals:

- Provide a consistently clean, safe and welcoming Downtown experience;
- Attract and retain unique, independent businesses;
- Enhance sales and occupancies; protect property values;

- Undertake research and education on policies impacting Downtown; and
- Improve Downtown’s Image.

<p><b>Location</b></p>	<p>The DTSC PBID boundary shall roughly follow Pacific Ave. to the north, Front St. to the south, River St. to the east, and Center Street to the west. The core of the district includes Front St. (from Water St. to Pacific Ave.), Pacific Ave. (from Water St. to Front St.) and Cedar St. (from Center St. to Laurel St.).</p> <p>A map with recommended boundaries is found on page 9.</p>
<p><b>Improvements and Activities</b></p>	<p>The DTSC PBID will finance services that will enhance the Downtown environment for property owners, businesses, residents, employees, and visitors, including:</p> <p><b>Clean, Safe, and Welcoming (District-Wide with Levels of Service Based on Zone):</b></p> <ul style="list-style-type: none"> <li>• <u>Downtown Navigator Program</u> – to provide enhanced clean and safe support throughout the District. The management, resources, and breadth of activities will be significantly enhanced over the current Ambassador program.</li> <li>• <u>Maintenance Services</u> – to supplement and enhance existing City services by providing service during evenings and weekends, with concentrated maintenance (e.g. spot cleaning) as needed.</li> <li>• <u>Outreach Workers</u> – to provide extra support for those with mental health issues and to help connect people experiencing homelessness with resources. These outreach workers will be additive and focused solely within the DTSC PBID boundary.</li> <li>• The District’s Operations Manager will oversee the above services and help to coordinate among the City, County, DTSC PBID and other service providers.</li> </ul> <p><b>Economic Vitality (District-Wide):</b></p> <ul style="list-style-type: none"> <li>• <u>Local Business Support</u> – to provide technical assistance, permitting, navigating City processes, and proactive tenanting. Intentional support of businesses both on and off of Pacific Ave.</li> <li>• <u>Public Place Activation</u> – to assist in programming and family-friendly activities that enliven public spaces like Downtown parks, plazas and the riverfront.</li> <li>• <u>Research and Education</u> - to advise on and support policies that impact Downtown; this may include topics such as housing, parking management, and alternative mobility solutions.</li> </ul> <p>The DTSC PBID may also engage in special projects and/or long-term planning initiatives, such as advancing a Comprehensive Downtown Vision and Master Plan, in partnership with the City.</p> <ul style="list-style-type: none"> <li>• The District’s Economic Vitality Manager will oversee the above enhanced services.</li> </ul>

	<p><b>Marketing and Image (District-Wide):</b></p> <ul style="list-style-type: none"> <li>• <u>Marketing and Communications</u> - to support the DTSC PBID’s activities and enhancements and pro-actively promote a positive image of Downtown. This could include maintaining a website, business directory, and promotions like Downtown Dollars.</li> <li>• <u>Special Events</u> – to encourage people to come and enjoy Downtown. Existing events produced or supported by the DTA may be continued through the DTSC PBID.</li> <li>• The District’s Marketing Manager will oversee the enhanced services above. The DTSC PBID will additionally staff the Downtown visitor kiosk.</li> </ul>																								
<b>Method of Financing</b>	Levy of assessments upon real property that benefit from enhanced services.																								
<b>Budget</b>	<p>Total DTSC PBID assessment budget for its first year of operations is <b>\$1,300,000</b>, as follows:</p> <table border="1" data-bbox="428 785 1414 1245"> <thead> <tr> <th><u>Budget Assumptions</u></th> <th><u>PBID Budget</u></th> <th><u>Less: General Benefit</u></th> <th><u>Assessment TOTAL</u></th> </tr> </thead> <tbody> <tr> <td>Clean, Safe, Welcoming Enhancements</td> <td>\$ 700,000</td> <td>\$17,500</td> <td>\$682,500</td> </tr> <tr> <td>Economic Vitality Enhancements</td> <td>\$ 150,000</td> <td></td> <td></td> </tr> <tr> <td>Marketing and Image Enhancements</td> <td>\$ 200,000</td> <td></td> <td></td> </tr> <tr> <td>Executive Director, Administration &amp; Reserve</td> <td>\$250,000</td> <td></td> <td></td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>\$ 1,300,000</b></td> <td>\$17,500</td> <td>\$1282,500</td> </tr> </tbody> </table> <p><b>General Benefit Allowance:</b> An allowance is made for general benefits that the District may provide to either the parcels outside the district boundary or to the public at large. 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 services accounts for \$17,500 of the estimated budget, resulting in a total assessment budget of \$1,282,500.</p>	<u>Budget Assumptions</u>	<u>PBID Budget</u>	<u>Less: General Benefit</u>	<u>Assessment TOTAL</u>	Clean, Safe, Welcoming Enhancements	\$ 700,000	\$17,500	\$682,500	Economic Vitality Enhancements	\$ 150,000			Marketing and Image Enhancements	\$ 200,000			Executive Director, Administration & Reserve	\$250,000			<b>TOTAL</b>	<b>\$ 1,300,000</b>	\$17,500	\$1282,500
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<p><b>Cost</b></p>	<p>Annual assessments are based upon an allocation of program costs within three <b>benefit zones</b>, distinguished by different levels of clean, safe and welcoming services. Zone 3 receives the most basic level of service, Zone 2 receives an enhanced level of service, and Zone 1, the area with the greatest intensity of use, receives the most service. Benefit zones are indicated on the map on page 9. Economic and marketing enhancements are distributed equally throughout the District.</p> <p>Assessments are calculated by land plus building square footage in Zone 3 and land plus building square footage and linear frontage in Zones 1 and 2.</p> <p>Non-commercial properties (including residential, government and tax-exempt) will pay an adjusted rate. These properties fully benefit from clean, safe, and welcoming services but they do not benefit directly from economic vitality and marketing enhancements, so their assessments are adjusted accordingly.</p> <p>Estimated annual maximum assessment rates for the first year of the District are as follows:</p> <table border="1" data-bbox="428 867 1403 1163"> <thead> <tr> <th>Estimated Annual Assessment Rates</th> <th>Lot + Building Sq. Ft.</th> <th>Linear Frontage (per foot)</th> </tr> </thead> <tbody> <tr> <td>Zone 1 – Commercial</td> <td>\$0.1750</td> <td>\$34.41</td> </tr> <tr> <td>Zone 1 – Non-Commercial</td> <td>\$0.0776</td> <td>\$34.41</td> </tr> <tr> <td>Zone 2 – Commercial</td> <td>\$0.1750</td> <td>\$17.21</td> </tr> <tr> <td>Zone 2 – Non-Commercial</td> <td>\$0.0776</td> <td>\$17.21</td> </tr> <tr> <td>Zone 3 – Commercial</td> <td>\$0.1750</td> <td>N/A</td> </tr> <tr> <td>Zone 3 – Non-Commercial</td> <td>\$0.0776</td> <td>N/A</td> </tr> </tbody> </table>	Estimated Annual Assessment Rates	Lot + Building Sq. Ft.	Linear Frontage (per foot)	Zone 1 – Commercial	\$0.1750	\$34.41	Zone 1 – Non-Commercial	\$0.0776	\$34.41	Zone 2 – Commercial	\$0.1750	\$17.21	Zone 2 – Non-Commercial	\$0.0776	\$17.21	Zone 3 – Commercial	\$0.1750	N/A	Zone 3 – Non-Commercial	\$0.0776	N/A
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<p><b>CPI Increase</b></p>	<p>Annual assessments may increase no more than 5% per year consistent with the increase in consumer price index (CPI) and increases in program costs. Assessment budgets may also increase based on development in the District. The determination of annual adjustments in assessment rates will be subject to the review and approval of the DTSC PBID Board of Directors. The board will develop annual budgets, and an independent audit will be performed each year.</p>																					
<p><b>City Services</b></p>	<p>The City of Santa Cruz established a base level services document in 2019 to account for the services it currently provides within the proposed DTSC PBID boundary, which will continue through the duration of the District. See Exhibit iii.</p>																					
<p><b>Collection</b></p>	<p>PBID assessments appear as a separate line item on the annual Santa Cruz County property tax bills.</p>																					

<p><b>District Governance</b></p>	<p>Decisions related to the implementation of the Management Plan, including annual work programs, budgets and assessments, will be made by the DTSC PBID Board of Directors. Since the DTSC PBID will be creating substantial new resources that require accountability to contributing property owners, a 15- to 19-member board, in which property owners make up the majority, is recommended. Representation on the board shall include the following considerations:</p> <ul style="list-style-type: none"> <li>• All geographic areas served by the DTSC PBID</li> <li>• A variety of property types, including retail, office, and residential</li> <li>• Both large and small property owners</li> <li>• At least one-third business owners, of various sizes, that are not property owners</li> <li>• The City Manager and/or his/her designee</li> <li>• Ex Officio members could represent City departments such as public works, police, and parking</li> </ul> <p>Three committees representing the three core areas of service – Clean, Safe and Welcoming, Economic Vitality, and Marketing and Image will include a mix of board members and non-board members, with relevant expertise. The Marketing and Image Committee could be made up of representation from the former DTA Board of Directors.</p>
<p><b>District Formation</b></p>	<p>California law for PBID district formation 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 <b>more than 50% of the \$1,282,500</b> to be assessed). Petitions are submitted to the Santa Cruz City Council and the City will mail ballots to all affected property owners. The majority of ballots returned, as weighted by assessments to be paid, must be in favor of the DTSC PBID in order for the City Council to consider approval.</p> <p>To ease the transition, there could be a three-to-six month overlap between the creation of the DTSC PBID and the dissolution of the DTA and DMC.</p>
<p><b>Duration</b></p>	<p>Collection of the first year’s assessments will be included in Santa Cruz County’s 2020-21 tax bill. Services will begin January 1, 2021 and continue through December 31, 2025. Any subsequent renewal of the District will require a new management plan, petition, and mail ballot process.</p>
<p><b>District Expansion and Contract for Services</b></p>	<p>At the time of renewal, expansion of the District can be considered. Prior to renewal, adjacent properties can contract the DTSC PBID for services, if desired.</p> <p>The City and/or Coastal Watershed Council could contract with the DTSC PBID to extend Navigator service to property fronting the San Lorenzo River.</p>

## II. WHY CREATE THE DOWNTOWN SANTA CRUZ PBID?

### What is a PBID?

The International Downtown Association estimates that more than 1,000 property-based business improvement districts (PBIDs) currently operate throughout North America. Since the creation of California's Property and Business Improvement District Law in 1994, more than 100 PBIDs have been established in California downtowns and other commercial districts, including Berkeley, Santa Monica and San Jose. PBIDs are a self-imposed, self-governed financing mechanism used to provide revenue for **improvements and activities, such as safety, maintenance, economic vitality and image enhancements, that are in addition to those provided by local government.** PBIDs provide services that improve the overall viability of commercial districts by providing a well-managed, maintained and marketed environment.

### Why a PBID for Downtown Santa Cruz?

- **Provide a Consistently Clean, Safe and Welcoming Downtown Experience:** The impetus for many PBIDs is to address clean and safe issues within the public realm, that go above and beyond the services provided by the local government. Feedback from a wide variety of Downtown Santa Cruz stakeholders indicated a strong need for supplemental cleaning and safety services, as well as additional resources for populations experiencing homelessness and/or mental health issues. Based on over 3,000 responses to an online survey, enhanced safety and hospitality, outreach, and maintenance were top priorities. The DTSC PBID will aim to improve the quality of life for everyone working, living and visiting Downtown by providing a consistently clean, safe, and welcoming environment.
- **Attract and Retain Unique, Independent Businesses:** Downtown Santa Cruz has an abundance of unique, local businesses that are a point of pride for the community and help to differentiate Downtown. There was concern expressed by Downtown stakeholders that local businesses may be vulnerable do to struggles with clean and safe issues, employee retention, and navigating City process. The DTSC PBID will support local businesses by providing a cleaner and safer environment, marketing Downtown, and providing technical assistance as needed.
- **Enhance Sales and Occupancies; Protect Property Values:** PBIDs help to strengthen the economic foundation of districts. The enhanced services provided by the DTSC PBID will fund improvements and services that help to protect property values, enhance occupancies, and increase sales for businesses.
- **Undertake Research and Education:** The DTSC PBID has the ability to conduct research and provide education on topics and policies that impact Downtown. This could include providing information and guidance on pressing issues such as housing, parking management, and/or mobility alternatives.
- **Improve Downtown's Image:** Stakeholders are concerned that Downtown is losing patronage from the local market due to perceptions of cleanliness and safety. An infusion of resources to pro-actively market Downtown and its many positive attributes could help to re-engage the local market. The DTSC PBID will engage in communications, marketing, promotions, and events to draw people to Downtown.
- **Updated Management Model for Downtown:** The existing Downtown entities, the DTA and DMC, were formed in 1990 and 1994 respectively, when issues Downtown were different than they are

today. The management and resource needs of Downtown have vastly outpaced the growth in resources of the DTA and DMC. A well-resourced DTSC PBID, based on national best practices, can more effectively address the most pressing Downtown issues. The DTSC PBID will be a strong partner for the City and can help to coordinate the clean and safe services that are currently provided by multiple City agencies and non-profit partners. Additionally, the DTSC PBID creates a platform that unites property owners, businesses and City leadership in support of enhancing Downtown.

### **III. THE PROCESS TO DEVELOP THE DTSC PBID MANAGEMENT PLAN**

In mid-2019, the City of Santa Cruz contracted with P.U.M.A. in partnership with the DTA and DMC to develop a strategic plan for the management of Downtown Santa Cruz. The Downtown Santa Cruz Management Plan Working Paper is the result of this strategic planning process, which assessed market influences in Downtown, community improvement priorities, and the organizational structure of the DTA and DMC.

The P.U.M.A. team visited Downtown Santa Cruz in August, September and December of 2019 to meet with a variety of stakeholders and develop an understanding of Downtown. This included engaging with approximately 150 stakeholders in one-on-one, small group, and roundtable discussions plus, receiving 3,178 responses to an online survey. Based on this input, it was recommended that Downtown's management model be updated by dissolving the DTA and DMC and forming a new Downtown Santa Cruz PBID, a well-resourced entity to better manage, market and maintain the Downtown environment.

To assist in the creation of the Management Plan for the PBID and an accompanying engineer's report, the City contracted with P.U.M.A. and Kristin Lowell Inc., a certified engineer. The Management Plan provides the basis by which the DTSC PBID could be operated. To form the DTSC PBID, proponents will need to secure petitions from property owners representing at least 50% of assessments to be paid, and secure support from a weighted majority of those that respond to a subsequent mail ballot.

The P.U.M.A. team visited Downtown Santa Cruz in February 2020 to meet with a variety of district stakeholders. Refinements to the Management Plan were made after this site visit.

### **IV. IMPROVEMENT & ACTIVITY PLAN**

#### **A. DTSC PBID Boundaries**

Beginning at the southeast corner of River Street and N. Pacific Avenue go south on River Street to Soquel Avenue. Turn west on Soquel Avenue to the intersection of Front Street and then head south on Front Street to the intersection of Pacific Avenue. Head north on Pacific Avenue to the intersection of Laurel Street. Head west on Laurel Street until the intersection of Center Street. Head north along Center Street to the intersection of Church Street. Turn west on Church Street to the intersection of Chestnut Street. Head north on Chestnut Street for 1 block to the intersection of Locust Street. Turn east on Locust Street back to Center Street and continue north on Center Street until Mission Street. Turn east on Mission Street until the intersection of N. Pacific Avenue and continue north until the point of beginning.



### **Benefit Zones**

To account for the varying level of service requirements within the district boundary, three benefit zones are proposed.

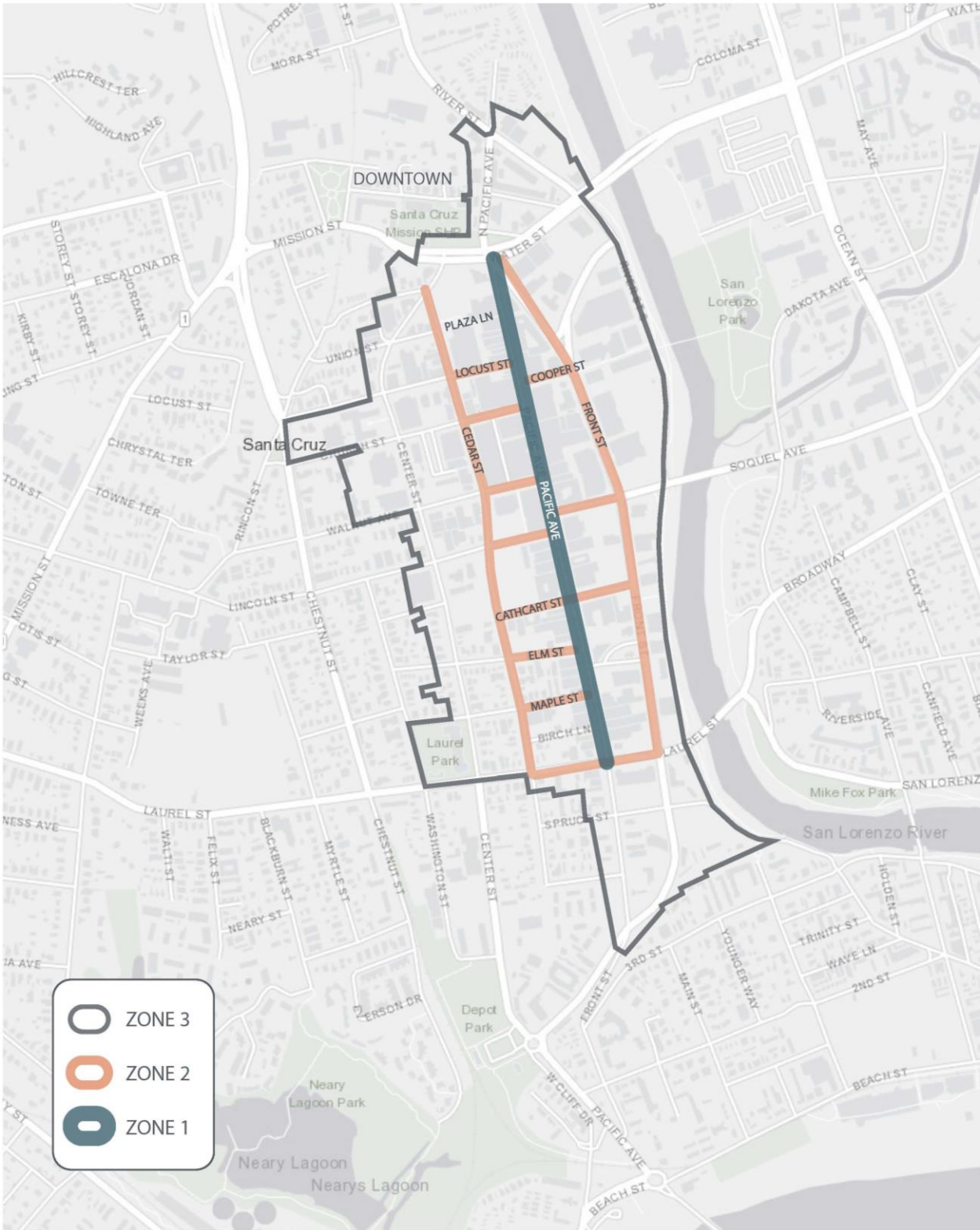
**Zone 1** contains the highest concentration of commercial uses in the District and the highest pedestrian counts. This area experiences the most intense foot traffic in Downtown, and in turn, is where some of the cleanliness and safety issues are concentrated. It is therefore proposed that this area will receive the highest level of Navigator deployment and maintenance services. Zone 1 is made up of all parcels that front on Pacific Avenue between Mission Street and Laurel Street. Zone 1 parcels will receive a linear frontage assessment twice that of the parcels in Zone 2.

**Zone 2** has a lower demand for services than those parcels in Zone 1 and therefore will be assessed in direct relationship to the services it receives. Zone 2 contains all parcels between Cedar Street and Front Street between Mission Street and Laurel Street. It also includes parcels between Pacific Avenue south of Laurel Street to Front Street.

**Zone 3** has the lowest demand of services and therefore will not be assessed for its linear frontage. Zone 3 contains all other parcels in the DCPBID boundary not included in either Zone 1 or Zone 2.

A map of the proposed District boundary is provided on the following page and a more detailed map with specific parcel lines will be provided upon request.

# PROPOSED SANTA CRUZ PBID BOUNDARY



## **B. Work Program**

Enhanced services are bundled into three primary categories: "Clean, Safe and Welcoming", "Economic Vitality", and "Marketing and Image". Clean, Safe, and Welcoming services include enhanced safety and maintenance delivered through a Navigator program, in addition to outreach workers dedicated solely to Downtown. Economic Vitality services include local business support, public place activation, and research and education. Marketing and Image services provide communications, marketing, promotions, and special events to encourage patronage of Downtown and enhance Downtown's overall image.

### **CLEAN, SAFE, AND WELCOMING ENHANCEMENTS**

Clean, Safe and Welcoming enhancements account for 54% of the annual DTSC PBID budget.

#### **Downtown Navigator Program**

To respond to stakeholder priorities, the DTSC PBID will fund a professionally managed Navigator program. This will be a more robust program than the existing Ambassador program operated by the DTA. The proposed program will be distinctive and comprehensive to offer hospitality and cleaning services. These services will enhance what is currently provided by various City of Santa Cruz departments, in addition to HOPE Services and the Downtown Streets Team. An objective of the Navigator program is to ensure a consistent level of maintenance and provide Navigator presence throughout the day, evening and during weekends in support of a clean, safe and welcoming Downtown.

The Management Plan provides for the 7 day a week deployment (estimated at 350 to 450 hours, *actual hours and duties will be specified in a vendor's scope of services*) of distinctly uniformed Navigators that will work throughout the District. Frequency and exact type of service will vary based on benefit zone. For example, Zone 1 which includes much of Pacific Ave. will receive a higher level of service based on anticipated need and assessment amount. The services mix and hours of deployment are expected to be adjusted for seasonal and/or weekly variations, and intended to enhance the services currently provided by the City and non-profit agencies.

Anticipated Navigator duties include but are not limited to the list below.

#### **Navigator Services**

- Intentional walking of the District
  - Noting overall conditions
  - Reporting issues of safety to appropriate agencies
  - Reporting issues beyond general maintenance (damaged amenities, etc.)
  - Offering directions and information to tourists/visitors
  - Checking in with merchants
  - Monitoring street activity and serving as "eyes and ears"
  - Reporting graffiti

#### **Outreach Services**

The DTSC PBID will contract 2 outreach workers to focus solely within the DTSC PBID boundary.

#### **Activities**

- Outreach with populations experiencing homelessness and/or mental health issues

- Case management in coordination with existing entities, and above what is currently provided
- Referral to available resources
- Other stop gap measures to address pressing social issues as needed

**Maintenance Services**

- Removal of litter and debris
- Hand sweeping
- Graffiti removal and monitoring
- Removal of flyers, stickers and misc. materials from light poles, utility boxes and other amenities
- Servicing trash receptacles (inc. emptying, wiping tops and outer surfaces)
- Identifying and reporting trash receptacles that are damaged
- Identifying and reporting trip hazards along walkways, alley ways and streets
- Monitoring the condition of planted areas, planters and tree wells, removing trash, feces, and any non-organic material
- Wiping down public furniture and fixtures
- Additional sidewalk sweeping, pressure washing, gum removal
- On-demand spot cleaning and poop scooping services

The table below provides sample frequency of clean, safe, and welcoming services based on Benefit Zone, with Zone 1 receiving the highest frequency of service, followed by Zone 2 and Zone 3. Ultimately it will be up to the PBID Board of Directors and service contractors to determine specific frequencies by zone. A PBID Operations Manager will oversee the Clean, Safe, and Welcoming program and will coordinate the PBID’s enhanced services with those provided by the City and non-profits, such as Hope Services and the Downtown Streets Team, to allow for maximum coverage while not duplicating efforts.

<b>Sample Frequency of Clean, Safe and Welcoming Service by Benefit Zone</b>			
	<b>Zone 1</b>	<b>Zone 2</b>	<b>Zone 3</b>
<b>Navigator Services</b>	Daily circulation on foot - early a.m., until later p.m. and on weekends (approx. 8am – 10pm)	Twice per day	Periodically
<b>Outreach Services</b>	Daily circulating beginning in the early morning hours until later eve., and on weekends of (approx. 7:30am – 10pm)	Four times per week	As needed
<b>Removal of Litter and Debris</b>	Four times per day, or as demand dictates	Daily	Twice per week
<b>Hand Sweeping</b>	Six times per day or as demand dictates	Three times per week	Twice per month
<b>Graffiti Reporting</b>	Three times per day	Once a day	Three times per week

<b>Service Trash Receptacles</b>	Four times per day, or as demand dictates	Daily	Twice per week
<b>Additional Sidewalk Sweeping &amp; Pressure Washing; Gum Removal</b>	Once a week, and as demand dictates	Twice per month, and as demand dictates	N/A
<b>On demand spot cleaning, and Poop Scooping Services</b>	As needed	As needed	As needed

**ECONOMIC VITALITY ENHANCEMENTS**

Economic Vitality enhancements account for 12% of the annual DTSC PBID budget.

**Local Business Support**

The Downtown Santa Cruz PBID will aim to strengthen and grow Downtown’s unique, local businesses – helping Downtown to stay competitive. The DTSC PBID will fund efforts aimed at incubating new businesses and supporting existing businesses with technical assistance, permitting. Plus, help property owners with proactive tenanting. There will be intentional support of businesses on and off of Pacific Ave to expand vitality throughout Downtown. Local business support was one of the top priorities from community outreach.

**Public Space Activation**

Public space activation was among the top priorities from community outreach. Public space activation may include:

- Programming to enliven Downtown parks, plazas, and the riverfront
- Family-friendly activities
- Additional bike parking to further encourage bicycle use
- Public art and other creative installations
- Landscaping and general “greening” of Downtown
- Additional public restrooms
- Other improvements as determined year-to-year by the DTSC PBID Board of Directors

**Research and Education**

The DTSC PBID will increase the capacity for research and education on topics and policies impacting Downtown. The DTSC PBID Board of Directors will provide input on where to focus energy but topics could include research on best practices in addressing homelessness, supportive policies for local businesses, or guidance on improving parking management and encouraging alternative modes.

The PBID may also engage in **special projects and planning** initiatives, such as a Comprehensive Downtown Vision and Master Plan, which this process has laid the groundwork for, in partnership with the City.

An Economic Vitality Manager will oversee the Economic Vitality work program, with a specific emphasis on local business support.

## **MARKETING AND IMAGE ENHANCEMENTS**

Marketing and Image enhancements account for 15% of the annual DTSC PBID budget.

### **Marketing and Communications**

Marketing and communications will support all components of the DTSC PBID. Marketing and pro-active communications will create awareness of new clean, safe and welcoming programs, and share positive messages about the activity happening Downtown. Marketing related to the Economic Vitality work program will aim to advance the image of Downtown and support property owners in efforts to attract unique tenants and re-engage the local market to shop, dine and explore Downtown. The DTSC PBID may support marketing efforts previously carried out by the DTA, such as maintaining a website, business directory, and promotions like Downtown Dollars.

### **Special Events**

The DTSC PBID will produce and/or support Downtown events, festival, pop-ups and other ways of bringing people Downtown. The DTSC PBID may continue events previously run through the DTA.

A Marketing Manager will oversee the Marketing and Image work program, which includes carry-over programs from the DTA as well as new initiatives and responsibilities. The DTSC PBID will also staff the visitor kiosk, which supports a welcoming environment for all Downtown patrons.

## **ADMINISTRATION & RESERVE**

To maximize the DTSC PBID's benefits to fee-payers and the community-at-large, the DTSC PBID requires a professional staff to manage programs, communicate with stakeholders and provide leadership. In addition to staff that oversees the work program for each service area (described above), there will be an Executive Director to oversee all DTSC PBID activities. This position will report to the DTSC PBID Board of Directors.

Administrative costs may include:

- Rent
- Insurance
- Supplies and equipment
- Bookkeeping and tax preparation
- Other administration costs associated with the overhead and administrative support of programs

A reserve is also budgeted to provide a contingency for unforeseen program needs and to provide a cushion for assessment delinquencies. Reserve funds may also be utilized to pay for costs associated with DTSC PBID strategic planning and renewal.

19% of the DTSC PBID budget is allocated to support the Executive Director, administrative costs and reserve.

### C. Plan Budgets

The total improvement and activity plan budget for the first year of the DTSC PBID is projected at \$1,300,000 with the following components:

Budget Assumptions	DTSC PBID Budget	Less: General Benefit*	Assessment TOTAL
<b>Clean, Safe, Welcoming Enhancements:</b> Navigator program, outreach workers, maintenance services, and Operations Manager	<b>\$700,000</b>	\$17,500	\$682,500
<b>Economic Vitality Enhancements:</b> Small business support, public space activation, research and education, and Economic Vitality Manager	<b>\$150,000</b>		
<b>Marketing and Image Enhancements:</b> Marketing, communications, promotions, special events, Marketing Manager, and kiosk staff	<b>\$200,000</b>		
<b>Executive Director, Administration and Reserve</b>	<b>250,000</b>		
<b>TOTAL</b>	<b>\$1,300,000</b>	\$17,500	\$1,282,500

\*Non-assessment funding will need to be raised to cover the cost associated with general benefits from services. Non-assessment funding can be garnered from special events, contracts, grants and earned income.

#### Five Year Operating Budget

A projected 5-year operating budget for the DTSC PBID is provided on the following page. Projections for the budget are based upon the following assumptions:

- Total program revenue increases no more than 5% per year, the maximum allowed under the proposed annual budget adjustment to respond to increases in the consumer price index and other program costs. Actual budgets may not increase by more than 5% as determined by the DTSC PBID Board of Directors.
- Revenues for specific activities within the general activity categories (i.e. Clean, Safe, ad Welcoming, Economic Vitality, and Marketing and Image) may be reallocated among specific activities from year to year based upon district needs and budgets developed by the DTSC PBID Board of Directors.
- Revenues for specific service categories may be reallocated among the service categories from year to year based upon district needs and budgets developed by the DTSC PBID Board of Directors. The reallocation shall not exceed 10% per year.

## DTSC PBID 5- Year Projection of Maximum Assessments & Budget

		Year 1	Year 2	Year 3	Year 4	Year 5
<b>TOTAL Assessment Budget</b>		\$ 1,282,500	\$ 1,346,625	\$ 1,413,956	\$ 1,484,654	\$ 1,558,887
<b>Zone 1: Commercial</b>	Lot+Bldg	\$0.1750	\$0.1838	\$0.1929	\$0.2026	\$0.2127
	Frontage	\$34.41	\$36.13	\$37.94	\$39.83	\$41.83
<b>Zone 1: Non-Commercial</b>	Lot+Bldg	\$0.0776	\$0.0815	\$0.0856	\$0.0898	\$0.0943
	Frontage	\$34.41	\$36.13	\$37.94	\$39.83	\$41.83
<b>Zone 2: Commercial</b>	Lot+Bldg	\$0.1750	\$0.1838	\$0.1929	\$0.2026	\$0.2127
	Frontage	\$17.21	\$18.07	\$18.97	\$19.92	\$20.92
<b>Zone 2: Non-Commercial</b>	Lot+Bldg	\$0.0776	\$0.0815	\$0.0856	\$0.0898	\$0.0943
	Frontage	\$17.21	\$18.07	\$18.97	\$19.92	\$20.92
<b>Zone 3: Commercial</b>	Lot+Bldg	\$0.1750	\$0.1838	\$0.1929	\$0.2026	\$0.2127
	Frontage	-	-	-	-	-
<b>Zone 3: Non-Commercial</b>	Lot+Bldg	\$0.0776	\$0.0815	\$0.0856	\$0.0898	\$0.0943
	Frontage	-	-	-	-	-

*Assumption: Maximum 5% adjustment each year*

### Future Development

The above table is based on the District's current development status and does not account for possible increases to assessment budgets due to changes to the parcel characteristics that are used to allocate special benefits (e.g. building square footage). The amount of each parcel's assessment will depend on the existing assessment rates as well as the specific characteristics of the parcel, as explained in further detail below in Section 5. Newly developed parcels will be assessed in their first year on a prorated basis from the date they receive a temporary and/or permanent certificate of occupancy. Thus, changes to a parcel may result in corresponding revisions to the assessments. Over time the total assessments levied in the district likely will increase as parcels are developed.

## V. ASSESSMENTS

### A. Assessment Methodology

To develop the DTSC PBID assessment methodology, the consulting team included Kristin Lowell Inc., a certified engineer. ***Additional information and justification for the assessment methods and adjustments are provided in the Engineer's Report, prepared by Kristin Lowell Inc. and provided as Exhibit i to the Management Plan.***

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

- **Lot Square Footage:** Lot square footage is utilized to assess the benefit of services to the ground level of properties.



- **Building Square Footage:** Building square footage is utilized to assess the benefit from services to buildings, including tenants, residents and employees.
- **Linear Frontage:** Linear frontage is utilized to assess added benefit from clean and safe services to the ground floor exterior of buildings.

Service benefits are greater to ground floor uses since services will make sidewalks and the public realm cleaner, safer and more attractive. Acknowledging these greater benefits, the sum of lot plus building plus linear frontage will effectively place more emphasis on the ground level of buildings.

**Property Use Considerations:** The methodology provides the following treatments for property used exclusively for residential, nonprofit and government and parking structures:

- **Treatment of Residential Property:** Residential uses will fully benefit from clean, safe and welcoming enhancements and will pay a full share of these services; however, economic and marketing enhancements will not benefit residential uses and the residential rate is adjusted accordingly. The residential portion of commercial and mixed-use parcels with residential uses will be subject to the adjusted residential assessment rate.
- **Nonprofit & Governmental Properties:** Properties that are exempt from property tax, including educational and governmental institutions, and nonprofit organizations (e.g. faith-based, low income housing, cultural, community services, etc.), will fully benefit from clean, safe and welcoming enhancements and will pay a full share of these services but will not benefit from economic and marketing enhancements and the rate is adjusted accordingly
- **Treatment of Parking Structures:** Parking structures receive different levels of benefit from DTSC PBID improvements and services based upon their use and ownership. Parking structures will be subject to one of the following methodologies:
  - a. Integrated parking structures (i.e. those that are integrated within and/or dedicated to other buildings that have primary uses other than parking, and are also under the same ownership as the other buildings) do not receive special benefits in proportion to their building square footage. Thus, the building square footage allocated to a parcel that contains a building and an integrated parking structure will take into account the lot square footage and linear street frontage of the entire parcel, and the building square footage of the building, but will not take into account the building square footage of the parking structure.
  - b. All other parking structures (i.e. stand-alone parking structures that are not ancillary to a building) will be assessed by land and frontage only, not building square footage.

**Hardship Considerations:** Non-profit property owners may request a partial waiver or reduction in the assessment if they can document 1) their non-profit status and 2) demonstrate that the assessment creates a financial hardship that prevents them from delivering their mission. The hardship determination would be made on a case-by-case basis by the PBID Board of Directors.

## B. Calculation of Assessments

The preceding methodology is applied to a database that has been constructed by the City of Santa Cruz, DTA, P.U.M.A. and Kristin Lowell Inc. Property data is first obtained from the County Assessor's Office through the City of Santa Cruz. A list of properties included in the DTSC PBID is provided in **Exhibit i**.

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

<b>Benefit Zone – Property Type</b>	<b>Lot + Building Sq. Ft.</b>	<b>Linear Frontage (per foot)</b>
Zone 1 – Commercial	\$0.1750	\$34.41
Zone 1 – Non-Commercial	\$0.0776	\$34.41
Zone 2 – Commercial	\$0.1750	\$17.21
Zone 2 – Non-Commercial	\$0.0776	\$17.21
Zone 3 – Commercial	\$0.1750	N/A
Zone 3 – Non-Commercial	\$0.0776	N/A

Examples for calculating annual assessments, based on actual buildings in the DTSC PBID, are provided below for each benefit zone and property type:

**Zone 1 Commercial Property:**

Property characteristics: 11,000 sq. ft. of building, 8,000 sq. ft. of land, 60 feet of frontage  
 $(11,000 \times 0.1750) + (8,000 \times 0.1750) + (60 \times \$34.41) = \$ 5,389$  per year.

**Zone 1 Non-Commercial Property:**

Property characteristics: 0 sq. ft. of building, 13,000 sq. ft. of land, 50 feet of frontage  
 $(0 \times 0.0776) + (13,000 \times 0.0776) + (50 \times \$34.41) = \$ 2,729$  per year.

**Zone 2 Commercial Property:**

Property characteristics: 2,500 sq. ft. of building, 6,500 sq. ft. land, 85 feet of linear frontage  
 $(2,500 \times 0.1750) + (6,500 \times 0.1750) + (85 \times 17.21) = \$ 3,037$  per year.

**Zone 2 Non-Commercial Property:**

Property characteristics: 1,000 sq. ft. of building, 1,200 sq. ft. land, 50 feet of linear frontage  
 $(1,000 \times 0.0776) + (1,200 \times 0.0776) + (50 \times 17.21) = \$ 1,030$  per year.

**Zone 3 Commercial Property:**

Property characteristics: 5,700 sq. ft. of building, 8,000 sq. ft. land, 80 feet of linear frontage  
 $(5,700 \times 0.1750) + (8,000 \times 0.1750) + (80 \times 0) = \$ 2,397$  per year.

**Zone 3 Non-Commercial Property:**

Property characteristics: 3,000 sq. ft. of building, 12,000 sq. ft. land, 100 feet of linear frontage

$(3,000 \times 0.0776) + (12,000 \times 0.0776) + (100 \times 0) = \$ 1,163$  per year.

A commercial storefront with 2,500 sq. ft. of building, 2,500 sq. ft. of land, and 25 linear feet of frontage would have the following assessment based on zone:

Zone 1: \$1,726/year or \$4.73/day

Zone 2: \$1,301/year or \$3.57/day

Zone 3: \$876/year or \$2.40/day

### C. Assessment Adjustments

**Annual Adjustment:** Annual assessments may increase no more than 5% per year consistent with the increase in consumer price index (CPI) and increases in program costs. Actual annual adjustments may range from 0% to 5%. Assessment rates will not exceed the levels shown in the five-year projections on page 15.

**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 deemed necessary by the DTSC PBID Board of Directors based on the allocations described in the Management Plan.

**General Benefit Adjustment:** The DTSC PBID Engineer's Report has found that the DTSC PBID may provide general benefit (i.e. benefits to the general public or surrounding properties) that is intangible and unquantifiable. To account for any general benefit an adjustment has been established. Accordingly, \$17,500 must be funded by non-assessment revenue in the first year of the DTSC PBID, and a proportional amount in subsequent years. A detailed analysis is provided in Engineer's Report, attached as **Exhibit i**.

**Time and Manner for Collecting Assessments:** As provided by state law, the DTSC PBID assessment appears as a separate line item on annual property tax bills prepared by Santa Cruz County. Property tax bills are distributed in the fall and payment is expected by lump sum or installment. Existing laws for enforcement and appeal of property taxes apply to DTSC PBID assessments.

**Disestablishment:** State law provides for the disestablishment of the DTSC PBID pursuant to an annual review process. Each year that the DTSC 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 Santa Cruz 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 DTSC PBID may be disestablished. The City Council will hold a public hearing on disestablishing the DTSC PBID prior to actually doing so.

The City Council, by a majority vote, may disestablish the DTSC PBID at any time if it finds there has been misappropriation of funds, malfeasance, or violation of law in connection with the management of the District.

All outstanding obligations, finances, leases, or other similar obligations of the City, payable from or secured by assessments levied within DTSC PBID must be paid prior to disestablishment of the DTSC PBID.

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

## VI. GOVERNANCE

### Board of Directors

Decisions related to the implementation of the Management Plan, including annual work programs, budgets and assessments, will be made by the DTSC PBID Board of Directors. A Board of 15 to 19 members is recommended. A majority (no less than 50%) of the Board will be composed of property owners within the DTSC PBID. Property owners should represent:

- All geographic areas served by the DTSC PBID
- A variety of property types including retail, office, residential
- Both large and small property owners

At least one third of the members are business owners, of various sizes, that do not own property. Additionally, the DTSC PBID Board of Directors will include the City Manager or his/her designee.

Ex Officio members could represent City departments such as public works, police, economic development and parking.

### Committees

The DTSC PBID will utilize a committee structure that represents each primary activity category. There will be three committees in total: Clean, Safe and Welcoming, Economic Vitality, and Marketing and Image. Each committee will include a mix of board members and non-board members, with relevant expertise.

It is envisioned that the Marketing and Image Committee is largely made up of representation from the former DTA Board of Directors.

### Organization

With the DTA and DMC being dissolved, a new non-profit organization will need to be formed. The DTSC PBID will contract staff through a new non-profit 501 c6 organization, the **Santa Cruz Downtown Partnership**. This provides a fresh start and new brand for the downtown management organization.

At a future date, the formation of a non-profit 501 c3 affiliate could be considered. 501 c3s are commonly used within downtown management organizations to diversity funding beyond assessments, through grants, sponsorships and other contributions. Such revenues are then used to fund improvements like planning studies, public art, public space enhancements, and other special projects.

## VII. IMPLEMENTATION TIMELINE

The DTSC PBID will have a five-year life from January 1, 2021 to December 31, 2025.

In order for the DTSC PBID to meet the start-up date of January 1, 2021, the formation needs to adhere to the following schedule:

<b>Formation Schedule</b>	<b>Dates: 2020</b>
Petitions distributed to property owners	March
Information campaign to obtain signed petitions: presentations, meetings, City Council work-session (50% weighted vote target)	March - April
City Council adopts resolution of intention	Early May
Assessment ballots mailed to property owners	Mid May
City Council holds public hearing, tabulates ballots, and considers approving an ordinance to form the district	Late June