



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 11/05/2019

ITEM NO: 17

DATE: October 23, 2019
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Acting as the Property Owner Representative for the Town's Parcels Included in the Proposed Property Business Improvement District (PBID), Discuss the Draft Service Plan for a PBID in Downtown Los Gatos, Provide Input on the Structure and Parameters of the Draft Plan, and Direct Staff on the Next Steps for Working with the PBID Steering Committee on Behalf of the Town.

RECOMMENDATION:

Acting as the property owner representative for the Town's parcels included in the proposed Property Business Improvement District (PBID), discuss the draft Service Plan for a PBID in downtown Los Gatos, provide input on the structure and parameters of the draft Plan, and direct staff on the next steps for working with the PBID Steering Committee on behalf of the Town.

BACKGROUND:

A Property Business Improvement District (PBID) is a special district in which properties are assessed a tax to fund services or improvements that benefit the assessed properties. These benefits are those activities above and beyond what is traditionally provided by the Town, referred to as baseline services. It is important to note that any benefit received by a parcel must be equal to the assessment paid, except in the case of benefits identified as general benefits. A general benefit is considered a spill over benefit to other properties not directly assessed through the District. Thus, when considering the formation of a PBID, the assessment map and Service Plan are largely driven by the direct special benefit for assessed properties that exceed any baseline services provided. If a PBID is formed, the Town and the PBID would enter into a contract that highlights the Town's baseline services so that the PBID may illustrate benefits above and beyond the baseline services.

PREPARED BY: Monica Renn
Economic Vitality Manager

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Finance Director

SUBJECT: Discuss and provide direction on the draft Service Plan from the proposed PBID.

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BACKGROUND (continued):

The Los Gatos Chamber of Commerce and a group of commercial property and business stakeholders have been working together since early 2019 to form a PBID in and around downtown Los Gatos. This group is functioning as the PBID Steering Committee. At its March 5, 2019 meeting, the Town Council provided the Chamber of Commerce with funding in the amount of \$22,000 as “seed money” to explore a PBID and cover the first phase of the project. This phase is nearing its end and included development of a feasibility study to gauge whether a PBID could be successful in Los Gatos.

This first phase and feasibility study examined several scenarios for a PBID, including varying geographic areas and assessment formulas. The PBID Steering Committee has hosted a series of public open houses and one-to-one meetings with property owners to discuss the draft Service Plan (Attachment 1) and the proposed assessment of a subject property, and to collect feedback from the property owners.

In order for a PBID to be established, at least 51% of property owners must vote in support of the District during the petition drive. This vote is weighted by the percentage of property each owner has in the District. This is not the final vote; however, it is understood that if support is gained through the petition drive, it is most likely the PBID will be successful in the final ballot stage. For the purposes of this report, the phases include:

- Phase One - outreach, feasibility study, and draft Service Plan
- Phase Two - formation of the draft Management District Plan and petition drive

The Town plays two distinct roles in the formation and adoption of a PBID: 1) Property Owner/stakeholder, and 2) Governing body whom adopts the resolution for the PBID to be enacted after a successful vote of the property owners and collects the assessment for distribution to the district.

This report and discussion is specifically focused on the Town as a property owner, thus it is necessary to bring this item forward to the Town Council during a public meeting to provide the opportunity for dialog on the proposal. This is the first opportunity for the Town Council as a collective body to receive and discuss the draft Service Plan including the proposed map and assessment amount.

DISCUSSION:

The attached draft Service Plan provides background information and an outline for the what the Steering Committee is currently proposing for the Los Gatos Property Business Improvement District (LGPBID). Throughout Phase One, the Steering Committee and representatives from the consultant, Civitas, met with individual stakeholders to collect

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DISCUSSION (continued):

feedback on the proposed property map, assessment formula, and special benefits anticipated with the District.

Below is a high-level summary of items to assist the Council with its discussion, input, and direction to staff.

Assessment Overview

- The total proposed PBID assessment to be collected annually is \$424,267.20.
- There are 145 parcels with 117 property owners included within the proposed boundaries.
- Of the total, the Town is the largest property owner, owning 638,056 square feet, equal to 20.99% of the included parcels.
- The current assessment total for the Town is \$89,073.80.
- Town property includes the Civic Center, Pageant and Plaza Parks, downtown parking lots, and other properties, such as the Adult and Youth Recreation Centers and Forbes Mill.

Proposed Services

The Service Plan identifies three primary categories of services/benefits: Destination Development, Destination Marketing, and Infrastructure (see Attachment 1). Each category is proposed to receive 30% of the District funds with the remaining 10% supporting the administration of the District.

For each category, below is an overview of the baseline services currently provided by the Town to provide context for the proposed PBID.

- Destination Development
The proposal includes a variety of examples that reflect potential projects that could be a benefit. These options are dynamic and may change as the downtown continues to evolve. Example of baseline services currently provided by the Town include:
 - Annual contract with the Chamber of Commerce to provide the Town's Visitors' Information Center
 - Regular maintenance of the planter boxes, including weeding, planting, and sprinkler maintenance
 - Regular sidewalk pressure washing
 - Regular parking lot maintenance

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DISCUSSION (continued):

- Regular maintenance of parks, including watering, mowing/pruning, turf renovation, furniture upkeep, and fountain maintenance (Plaza Park)
 - Garbage and recycling contract for regular collections, and additional weekend and peak hour collection by Town staff
 - Regular litter and debris removal throughout downtown
 - Downtown street sweeping
- Destination Marketing

The Town is limited in its financial capacity to provide marketing services for specific areas or shopping districts in Los Gatos. During the time when Redevelopment Agency funds were available, the Town marketed Los Gatos as a destination at the San Jose International Airport and participated in other regional marketing campaigns including printed collateral. The Town's current contract with the Chamber of Commerce for the Town's Visitors' Information Center does include some of the items listed within the Destination Marketing section of the draft Service Plan. Downtown businesses could benefit from increased targeted marketing. The Town Council may wish to weigh in on some of the specific examples and discuss the potential outcomes associated with these activities.
- Infrastructure

The Town is dedicated to maintaining its infrastructure and providing regular maintenance and upkeep of public spaces. Many of the baseline services have been highlighted in the Destination Development section of this report. The Town also has regularly scheduled and special capital projects that provide new and refreshed infrastructure projects.

While there are some high-level examples provided in the draft Service Plan, it should be noted that the LGPBID could use funds to support potential infrastructure projects initiated by the Town Council as well. For example, if there was a streetscape project in Downtown, the LGPBID Board of Directors could vote to dedicate the infrastructure portion of the funds to support these projects or enhance them through additional services/projects.

Initial Assessment Rate

The draft Service Plan provides two rates in which properties may be assessed, \$0.20 or \$0.10 per square foot. Some Town properties are assessed at the non-profit rate of \$0.10 per square foot, while all of the Town's public parking lots are assessed at \$0.20 per square foot, the same rate as privately-owned commercial properties.

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DISCUSSION (continued):

LGPBID Management

The LGPBID would create a new non-profit to oversee the day-to-day operations of the District as described in the draft Service Plan. There would be a Board of Directors made up primarily of property owners paying into the District and their representatives. The draft Plan proposes one seat each for the Chamber of Commerce and Town of Los Gatos. Staff understands that in addition to holding a seat on the Board, the Chamber of Commerce would provide the day-to-day oversight of the District separate from their duties as a Chamber of Commerce.

CONCLUSION:

This agenda item provides the Town Council as property owner an opportunity to discuss the proposed Plan, including the proposed structure and benefits, assessment amount, management, and District map. The Council may then provide direction to staff on next steps for working with the LGPBID Steering Committee on behalf of the Town.

COORDINATION:

This report was prepared in coordination between the Town Manager's and Town Attorney's Offices.

FISCAL IMPACT:

If the PBID is established, the Town would be responsible for remitting the assessment amount that is determined by the Management District Plan. Should the draft Service Plan be adopted as it is currently structured, the assessment amount for the Town would be \$89,073.80 annually for a minimum of five years.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachment:

1. LGPBID Draft Service Plan