



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 12/17/2019

ITEM NO: 21

DATE: December 12, 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 Revised Draft Service Plan for a PBID in Downtown Los Gatos, Provide Input on the Structure and Parameters of the Draft Plan, Including the Three Fee Structure Options, 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 revised draft Service Plan for a PBID in downtown Los Gatos, provide input on the structure and parameters of the draft plan, including the three fee structure options, 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

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 hosted a series of public open houses and one-to-one meetings with property owners to discuss the draft Service Plan that was presented to the Town Council, as a property stakeholder, on November 4, 2019.

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 collector of the assessment for distribution to the district. This meeting offers the second opportunity for the Town Council to discuss the PBID as a body representing the included Town properties as property owners.

DISCUSSION:

On November 4, 2019 the Town Council discussed the first draft of the Los Gatos PBID provided by the steering committee and its consultant. During this meeting, the Council provided feedback on the proposed district map and assessment amounts. Following the meeting, the committee continued to work with their consultant and potential PBID stakeholders to develop a second draft Service Plan (Attachment 1). The modified draft Service Plan includes a revised draft service area (boundary map) and three fee structure scenarios in which public properties are assessed differently.

In all three fee structure scenarios, the boundary map has been modified to include fewer parcels than previously presented to the Town Council in November. The total number of parcels being assessed in the current draft plan is 125, as opposed to 145 in the previous draft. For the Town as property owners, the most notable difference in the boundary map is the exclusion of properties to the east of Pageant Way, including the Civic Center. The reduction in the number of parcels has lowered the total assessment to a range between \$268,795.55 to \$298,462.10, depending on the public assessment structure. The first draft had a total assessment amount of \$424, 267.20, with the Town’s contribution at \$89,073.80, 20.99% of the total.

DISCUSSION (continued):

For all scenarios presented with the revised draft plan, commercial parcels are assessed at \$0.20 per square foot, and non-profit parcels are assessed at \$0.10 per square foot. The difference in the new assessment totals depends on the assessment rate for the public properties.

Of the three fee structure options presented in the draft Service Plan, the Town's assessment would be as follows:

- Scenario 1:
 - Public parcels, including public parking lots, are assessed at \$0.05 per square foot
 - Town's assignment percentage is 1.2% of the total assessment
 - Town's assessment would be \$3,249.80*

- Scenario 2:
 - Public parcels, including public parking lots, are assessed at \$0.05 per square foot
 - Town's assignment percentage is 5.63% of the total assessment
 - Town's assessment would be \$15,870.25*

- Scenario 3:
 - Public parcels, including public parking lots, are assessed at \$0.10 per square foot
 - Town's assignment percentage is 10.63% of the total assessment
 - Town's assessment would be \$31,557.00*

*Assessment totals noted above reflect the first year's assessment. Over the initial five-year term of the of the district, the assessment rate may be subject to annual increases, not to exceed 3% per year.

Proposed and Baseline Services

The Service Plan identifies three primary categories of services/benefits: Destination Development, Destination Marketing, and Infrastructure.

If the PBID is established, the Town and the PBID would enter into a contract that outlines the Town's current baseline services provided within the district, so that the benefits of the district may be clearly established above and beyond the existing baseline. After further discussion with the PBID consultant, the revised service plan states that these baseline services may remain fluid due to the Council's inability to legally commit funds beyond a

DISCUSSION (continued):

one-year budget cycle. As currently drafted, baseline services are proposed at a high-level so that the Town does not need to be in the position of committing to specific services beyond the current budget cycle.

Aside from the changes noted above, and in the attached draft Service Plan, the remaining parameters including specific benefit, district management, assessment collection, composition of the Board of Directors, etc. will remain the same as they were presented on November 4, 2019, wherein these elements are flexible and will be developed as a part of the Engineer's Report and Management Plan that are included in Phase Two of the PBID formation, should this process continue to move forward.

CONCLUSION:

This agenda item provides the Town Council as property owner an opportunity to discuss the revised draft Service Plan, including the three assessment amount proposals and district map. The Council may provide direction to staff on next steps for working with the PBID 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. Depending upon the fee structure adopted, the assessment amount for the Town would range between \$3,2498.80 and \$31,557.00 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. Draft Los Gatos PBID Service Plan dated December 12, 2019