

**REPORT TO THE  
CITY COUNCIL**  
*City of Salinas, California*

DATE: May 23, 2015

FROM: Gary Petersen, Director of Public Works

BY: Don Reynolds, Project Manager

SUBJECT: **RESOLUTION OF INTENTION TO FORM THE DOWNTOWN SALINAS COMMUNITY BENEFIT DISTRICT AND THE INITIATION OF A BALLOTING PROCESS TO BE TABULATED AT PUBLIC HEARING TO BE HELD JULY 21, 2015**

**RECOMMENDATION:**

It is recommended that the City Council approve a resolution

1. declaring its intention to form the Downtown Salinas Community Benefit District (“District”);
2. approving the Management District Plan and Engineer’s Report;
3. authorizing the City Manager to sign the petition to assess the City properties within the proposed District, consistent with Government Code 53753 and Section 4 of Article XIID of the California Constitution;
4. directing the City Clerk to mail ballots to proposed district property owners;
5. authorizing the City Manager to vote “yes” on behalf of the City to assess the City’s properties within the proposed District; and
6. setting a time, date and place for a public hearing to tabulate returned ballots, and determine if majority of property owners approve of said formation.

**DISCUSSION:**

In April of 2014, New City America, represented by Marco Li Mandri, was invited by the Downtown business and property owners to share the concept of forming a new assessment district. More than 25 property owners attended, and the concept of assessments based on the attributes of properties downtown (instead of business licenses) was well received. Many of these property owners became members of the Downtown Benefit District Steering Committee. The City budgeted \$80,000 in Fiscal Year 2014/15 to retain New City America to assist the Downtown to move forward in this direction. Work began last summer, and on December 2, 2014, staff reported the status of the effort.

Prior to the December status report, the Steering Committee conducted a survey of property owners. Protecting the value of the millions of public and private dollars invested over the past ten years in the Downtown is clearly a priority. Establishing a new assessment district in the Downtown is a top priority of the Salinas Downtown Vibrancy Plan. The survey replies confirm that a majority of

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property owners wanted a new, bigger and better maintenance and promotional program, with the necessary resources to properly care for the new Downtown. The survey confirms that there is a significant demand for services above and beyond those being provided. The call for “special services” meets the test of a “special district.” Under this condition, the City must continue to maintain its base line of services and not supplant or replace them with this new special assessment. A majority of property owners also agreed to assess themselves to raise the funds for these special services.

The survey results have also been used to determine the boundaries of the proposed District as shown in the District Map provided in the first Attachment. It spans south from the train tracks to San Luis and a portion of John Streets, east from Capital Street to Monterey Street and includes 231 parcels. This is consistent with the maps used in the Salinas Downtown Vibrancy Plan and is roughly twice as large as the current Oldtown Salinas Association business improvement district.

On December 16, 2014, the City Council adopted Ordinance 2556, adding a new Chapter 21D to the City Code. The Ordinance incorporates the provisions of the State’s Property and Business Improvement District Law of 1994 (Streets and Highway Code SS 36600 et seq.- the property based improvement district or PBID Law). Rather than the five-year term prescribed by the State Law, the City’s Ordinance allows for a term of up to 20-years. It also provides for the establishment of a not-for-profit corporation to govern the District that will eventually add additional sources of revenue to the property based improvement assessments. The City’s Ordinance changes the strict definition of a PBID into the more general concept of a “Community Benefit District.” The Ordinance allows for the formation of these benefit districts anywhere in the City where property owners wish to move forward and take control of their built environment and improve their public image.

Attached to the proposed Resolution of Intent is the proposed Management District Plan and Engineer’s Report. It recommends a fifteen-year term. It also establishes the metrics to measure the value of each parcel and establishes the data categories. Consistent with State law, each parcel is assessed in three ways based upon: 1) linear frontage, 2) building square footage and 3) lot square footage. A fourth factor is included to address residential condominiums which need special attention because several owners will have partial title tied to one parcel. There are no residential condominiums in the proposed district now. The 231 parcels were then divided into distinct benefit zones: Zone 1 will receive the most benefit and focusses on parcels that border Main Street. Benefit Zone 2 represents all other parcels. The attached District map also describes the district boundaries and Benefit Zones. These data categories make-up the benefit “units” from the 231 parcels that are summarized in Table 1 below, by Benefit Zone:

<b>PROPERTY DATA: (AS OF MARCH 20, 2015)</b>			
<b>BENEFIT ZONE</b>	<b>BUILDING SQUARE FOOTAGE</b>	<b>LOT SIZE (SQUARE FEET)</b>	<b>LINEAR FRONTAGE</b>
1	618,334	658,334	7,429
2	564,781	2,543,254	28,052
<b>TOTAL IN DOWNTOWN CBD</b>	<b>1,183,115</b>	<b>3,201,796</b>	<b>35,481</b>

Each of the Data categories described in Table 1 will generate distinct revenues based upon the proposed assessment rates. In Table 2 below, the various rates are described. The difference between Benefit Zones 1 and 2 are represented in the Linear Frontage category, where Zone 1 is assessed at \$5 per linear foot and Zone 2 are assessed at \$3.49 per linear foot.

**Table 2**

**PROPOSED ANNUAL COSTS – DETERMINED AT THE FEBRUARY 27, 2015 STEERING COMMITTEE MEETING**

	<b>BENEFIT ZONE 1 LINEAR FRONTAGE</b>	<b>BENEFIT ZONE 2 LINEAR FRONTAGE</b>	<b>LOT SQUARE FOOTAGE DISTRICT WIDE</b>	<b>BUILDING SQUARE FOOTAGE DISTRICT WIDE</b>	<b>RESIDENTIAL CONDO UNIT COSTS DISTRICTWIDE</b>	<b>TOTAL FIRST YEAR DOWNTOWN SALINAS CBD BUDGET</b>
Annual costs	\$5.00	\$3.49	\$0.067150	\$0.084523	\$0.020 per square footage of actual unit*	
Total amount generated by property variable	\$37,145	\$97,855	\$ 135,000 for Sidewalk Operations \$ 80,000 for Administration and Contingency		\$0 (there are currently no residential condos in Downtown)	
<b>TOTAL BUDGET</b>	<b>\$135,000</b>		<b>\$215,000</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$450,000**</b>

Sidewalk Operations, (described on pages 13-17 of the Management Plan) address special services that include safety, cleanliness, and the maintenance of an attractive appearance of the District, are comprised of the linear frontage assessment, (\$135,000) *equally matched* by a portion of the lot size assessment (\$135,000). The balance of the lot size assessment is used for administration and contingencies. District Identity and streetscape improvements are funded by the building square footage (\$100,000). No parcels are exempt from the Assessment, but it is presumed by the State law that government buildings do not benefit from district identity. There are 42 City and County parcels within the proposed District and they are not assessed based upon their building square footage. Table 3 below is a summary of these activities.

**Table 3**

<b>PROGRAM OR ACTIVITY FUNDED BY THE DOWNTOWN SALINAS COMMUNITY BENEFIT DISTRICT</b>	<b>APPROXIMATE% OF FIRST YEAR ANNUAL BUDGET</b>	<b>ESTIMATED ANNUAL COSTS</b>
Sidewalk Operations, Beautification and Order	60%	\$ 270,000.00
District Identity and Streetscape Improvement	22%	\$ 100,000.00
Administration/Corporate Operations	14%	\$ 63,000.00
Contingency/City and County Fees/Reserves/Special projects	4%	\$ 17,000.00
<b>TOTAL</b>	<b>100%</b>	<b>\$450,000.00</b>

The Steering committee worked within these assessment rates to arrive at a distinct rate for each category that is directly connected to the services received. The proposed distribution of revenues by service level percentages will remain in place for the life of the District unless amended by another petition and balloting process. There is a cost of living increase provision that provides for up to a 5% increase in rates based upon the annual growth of the local consumer price index. In February, the Steering Committee met twice and agreed to reduce the proposed assessment to \$450,000 per year, which is 30% lower than the original proposal. Having reached this agreement, the formation of the District was ready to begin.

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Article 8 of Ordinance 2556 provides for the City Council to initiate the formation of a CBD upon the submission of a written petition, signed by property owners in the proposed district who will pay more than 30% of the of the assessment proposed to be levied, (this is \$130,000 of the value of the petitions). These petitions were mailed to all property owners three weeks ago. If a single owner accounts for more than 20% of the proposed assessment, they shall not be included in determining whether or not the 30% threshold is reached. The City is the largest property owner Downtown and accounts for 22.60% of the proposed assessment. When CSUMB takes ownership of One Main Street and the National Steinbeck Center, the proportion dips to 19.82%.

If approved by the City Council, the Resolution of Intent initiates the Proposition 218 balloting process. Ballots will be mailed to each property owner and votes cast are to be returned to the City Clerk. The ballots will be tabulated at a public hearing to be held on July 21. The tabulation is weighted based on the value of the total assessment. The owners of the largest properties, with bigger buildings and more street frontage, will be subject to paying more into the District, and will therefore have their votes count in proportion to what they will pay. A simple majority is required.

Ordinance 2556 also allows the City to recover its costs to form the District. This ability has been incorporated into the draft Resolution of Intent. These costs are further defined in the Engineer's Report, and are approximately \$80,000. This can be accomplished in a number of ways, but most common is providing a credit to the City over a several year period that recovers the cost without placing too much fiscal pressure on the new District.

The Ordinance and Resolution also allow at the City's discretion, the ability to facilitate the formation of a new district if approved, by advancing its first installment July 1, rather than waiting until December when the property tax bills are due. This will help the new organization approve by-laws, and get legally established as a 501(3) Corporation so it is ready to go when the revenues are received.

The Ordinance allows for the disestablishment of districts. This is to occur in much the same way the formation occurs, initiated by a petition drive of the majority of property owners.

The other business improvements districts in the Salinas City Code including the Oldtown Salinas Association, (Chapter 21B- "OSA"), do not include a disestablishment provision. If the CBD is approved July 21, 2015, and the OSA Board agrees that it is no longer necessary because the two purposes overlap, it must follow the process set forth in Streets and Highway Code 36550.

The annual renewal process and schedule for OSA may need to be modified if it is the intent of both OSA and the City to avoid business and property owners downtown from receiving both an OSA and Community Benefit District assessment this year.

#### **ISSUE:**

Shall the City Council, after receiving a petition from a more than 30% of the property owners downtown to form a new Downtown Salinas Community Benefit District, approve a Resolution of Intent and initiate the formation process by (among other things) mailing ballots to the property owners, and scheduling a public hearing to tabulate said ballots July 21, 2015?

## **FISCAL IMPACT:**

If the CBD is approved, the estimated annual assessment cost to the City is currently \$101,732.53. If One Main Street closes escrow and title transfers to CSUMB, this amount decreases by \$12,510.37 to \$89,222.16.

The Salinas Downtown Vibrancy Plan recognizes that the PBID becomes an incentive for the City to sell its parking lots. It recommends consolidated parking plan that will allow the City to take action selling some of its parking lots downtown for private development. As this occurs, and these lots are developed, the City's cost will decrease, and the new developments will potentially bring in potentially higher assessment revenues to the district.

If approved, the City has the ability to recover the formation costs estimated to be \$80,000.

## **TIME CONSIDERATIONS:**

The balloting process defined by State Proposition 218, establishes mandatory time frames between the date of the petition's submittal and the actual voting, to allow sufficient time for every property owner to return their ballots to the City Clerk. To be effective in FY 2015/16, the process must be completed before the Assessor's July 31 deadline.

## **CITY COUNCIL GOALS:**

Establishing a Community Benefit District Downtown is consistent with four of the five Council goals: 1) economic diversity and prosperity; 2) safe livable community; 3) excellent infrastructure, and; 4) quality of life.

## **CONCLUSIONS:**

The Community Benefit District takes the best attributes from other types of business and property assessment programs and combines them into one that can be tailored to the specific needs of Salinas. The survey results and petitions received from property owners as described in this report indicate that there is solid support from property owners willing to pay for these enhanced improvements to their property, their surroundings and to improve the Downtown's image. This is one of the initial steps recommended to implement the Salinas Downtown Vibrancy Plan. It is time to initiate the formation of the Downtown Salinas Community Benefit District and make Salinas vibrant.

### **Distribution**

City Council  
City Attorney  
Department Directors  
CBD Steering Committee

### **Attachments**

District Map City Manager  
Resolution of Intent  
Management District Plan and Engineer's Report



**RESOLUTION NO. \_\_\_\_\_ (N.C.S.)**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SALINAS DECLARING ITS INTENTION TO ESTABLISH THE DOWNTOWN SALINAS COMMUNITY BENEFIT DISTRICT (CBD) AND TO LEVY AND COLLECT ASSESSMENTS WITHIN SAID DISTRICT PURSUANT TO CITY OF SALINAS FORMED UNDER CHAPTER 21D OF THE CITY CODE AND REFERRED TO AS “THE ORDINANCE” PERTAINING TO THE FORMATION OF A COMMUNITY BENEFIT DISTRICT, AND CALLING AN ASSESSMENT BALLOT PROCEEDING AND ESTABLISHING A TIME AND PLACE FOR A PUBLIC HEARING (DECLARES THE INTENTION TO ESTABLISH A COMMUNITY BENEFIT DISTRICT FOR 15 YEARS AND SETS A PUBLIC HEARING FOR JULY 21<sup>ST</sup>, 2015)**

**WHEREAS**, on December 16, 2014, the City Council adopted Ordinance 2556, the City of Salinas’s Community Benefit District Ordinance, authorizes the City to establish a Community Benefit District (“CBD”) for up to 20 years to enhance the security, safety, appearance, and economic viability within such districts; and

**WHEREAS**, the Ordinance authorizes the City to levy and collect assessments on real property within such districts for the purpose of providing improvements and promoting activities that specially benefit real property within such districts; and

**WHEREAS**, the Ordinance authorizes the City to use the procedures set forth in the Property and Business Improvement District Law of 1994 (Streets & Highways Code sections 36600 *et seq.*) (the “PBID Law”) as modified by the Ordinance for purposes of forming an assessment district; and

**WHEREAS**, Articles XIIC and XIID of the California Constitution and Section 53753 of the California Government Code (Proposition 218 Omnibus Implementation Act) also impose certain procedural and substantive requirements relating to the notice, protests and hearing requirements pertaining to new or increased assessments; and

**WHEREAS**, Article 8, of the Salinas City Code, initiates the proceedings to form a new Community Benefit District with the submittal of written petitions that have been received from property owners within the area of the proposed CBD in Salinas requesting the City Council to initiate proceedings pursuant to Ordinance 2556, and establish a Downtown Salinas Community Benefit District for a fifteen year period; and

**WHEREAS**, such petitions were signed by property owners in the proposed CBD who will pay more than thirty percent (30%) of the assessments proposed to be levied; and

**WHEREAS**, a Management District Plan entitled the “Downtown Salinas Community Benefit District 2015 Management District Plan” (the “Management Plan” attached hereto as Exhibit 1) for the proposed Downtown Salinas CBD has been prepared and contains all of the information required by the Ordinance, including, but not limited to, a description of the boundaries of the proposed CBD, the special benefit improvements and activities. The proposed boundaries of the Downtown Salinas CBD are also shown in the Management Plan that is attached.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SALINAS AS FOLLOWS:**

**Section 1.** The above recitals are true and correct.

**Section 2.** Pursuant to Article 4 of Chapter 21D of the of the Salinas City Code (Ordinance 2556) which incorporates provisions of Section 36621 of the PBID Law, the City Council declares its intention to establish the Downtown Salinas Community Benefit District (the “District”) for a period of fifteen (15) years, and to levy and collect assessments against lots and parcels of real property within the District commencing in fiscal year 2015-2016 and ending December 1, 2030.

**Section 3.** The City Council hereby approves the Downtown Salinas Community Benefits District 2015 Management Plan, dated April 21, 2015, and Engineer’s Report, for the proposed Downtown Salinas CBD, which Management Plan and Engineer’s report are on file in the office of the City Clerk, and attached hereto as Exhibit 1.

**Section 4.** The boundaries of the CBD as described in the Management Plan generally encompass all of downtown Salinas from Monterey Street west to Capital Street, and from the Train Station south to John and San Luis Streets.

**Section 5.** The City Clerk shall make the Management Plan and other documents related thereto available to the public for review during normal business hours.

**Section 6.** The proposed activities of the CBD as set forth in the Management Plan include sidewalk operations, marketing, district identity, beautification, security, maintenance, administration/corporate operations and an appropriate contingency/reserve. All proposed services and improvements will provide a special benefit to businesses and real property located within the District.

**Section 7.** The total assessment proposed to be levied and collected within the proposed Downtown Salinas CBD for fiscal year 2015-2016 is \$450,000. Section 7 of the Management Plan sets forth the proposed Downtown Salinas CBD annual assessment amount by Assessor’s Parcel Number. The amount to be levied and collected for subsequent years may be increased by an amount not to exceed five percent (5%) per year in accordance with increases in the Monterey County Consumer Price Index for all urban consumers from February to February.

**Section 8.** The City Council hereby delegates its authority, as property owner within said District, to the City Manager to act on behalf of the City and sign petitions and to vote in favor of forming a CBD.

**Section 9.** NOTICE IS HEREBY GIVEN that the City Council shall conduct a public hearing to establish the Downtown Salinas CBD, and the levy and collection of assessments for fiscal year 2015-2016 on July 21, 2015, at 4:00 p.m. or as soon thereafter as the matter may be heard, in the City Council Chambers located at 200 Lincoln Avenue, City Council Rotunda, Salinas, CA.

At the public hearing, the City Council will consider all objections or protests, if any, to the proposed establishment of the Downtown Salinas CBD, and all objections to the proposed assessment.

An assessment ballot proceeding is hereby called on behalf of the City Council on the matter of confirming assessments for any property within the District subject to a new assessment pursuant to Article XIID of the California Constitution. The assessment ballot proceeding on the matter of authorizing the levy of the assessments, pursuant to Government Code Section 53753 and Section 4 of Article XIID of the California Constitution, consists of a ballot and mailed notice, distributed to affected property owners. Each property owner’s ballot is weighted by the amount of his or her

proposed assessment. Each property owner may return the ballot by mail or in person to the City Clerk, Salinas City Hall, at 200 Lincoln Avenue, Salinas, CA 93901, at or before the conclusion of public testimony at the public hearing. A written protest may be withdrawn in writing at any time before the public hearing.

At the conclusion of the public hearing, the City Clerk and/or an impartial designee shall tabulate the ballots to determine if a majority protest exists. The ballots shall be weighted according to the proportional financial obligation of each affected parcel. A majority protest exists if, upon the conclusion of the public hearing, weighted ballots submitted in opposition to the assessment exceed the weighted ballots submitted in favor of the assessment. Provided a majority protest does not exist, the City Council may then establish the Downtown Salinas CBD by adopting a resolution to that effect.

**Section 10.** The City Clerk is hereby authorized and directed to give notice of the public hearing as provided in Section 53753 of the Government Code and Article XIID, Section 4 of the California Constitution.

**Section 11.** If approved and as provided in Article 9 of Chapter 21D, consistent with the Engineer's Report, the City may recover its costs associated with the formation of the Downtown Salinas CBD.

**Section 12.** If approved and as provided in Article 10 of Chapter 21D in the Salinas City Code, the City at its sole discretion may advance General Funds to the newly formed CBD prior to the City's receipt of Assessment revenue, to be repaid in less than five-years by funds from the Assessment in an amount not to exceed one-year's projection of assessment revenue.

**PASSED AND ADOPTED** this 26th day of May 2015 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

\_\_\_\_\_  
Joe Gunter, Mayor

ATTEST:

\_\_\_\_\_  
Patricia M. Barajas, City Clerk