

**Management District Plan**  
for the creation of the  
**Downtown Santa Monica**  
**Property-Based Assessment District**

**FINAL PLAN**  
**April 2008 (4/22)**

**CONTENTS**

<b>I.</b>	<b>Summary of the Management District Plan</b>	<b>1</b>
<b>II.</b>	<b>Why Create the Downtown Santa Monica PBAD?</b>	<b>4</b>
<b>III.</b>	<b>Improvement and Activity Plan</b>	<b>5</b>
	A. Process to Establish the Plan	
	B. PBAD Boundaries	
	C. Work Program	
	D. Plan Budgets	
	E. 20 Year Operating Budgets & Maximum Assessments	
<b>IV.</b>	<b>Assessments</b>	<b>15</b>
	A. Assessment Methodology	
	B. Calculation of Assessments	
	C. Assessment Adjustments	
	D. Issuance of Bonds	
<b>V.</b>	<b>Governance</b>	<b>19</b>

**Exhibits:**

- Engineer's Report
- List of properties to be benefited
- Map with parcel detail
- Base level of service letter of intention from City of Santa Monica
- Roster of the Downtown PBAD Working Group

*Exhibits are available upon request from the  
Bayside District Corporation*

**Prepared for the Bayside District Corporation**  
by  
**Progressive Urban Management Associates, Inc.**  
**& Kristin Lowell Inc.**

**I. DOWNTOWN SANTA MONICA  
PROPERTY-BASED ASSESSMENT DISTRICT (PBAD) SUMMARY**

The proposed Downtown Santa Monica Property-Based Assessment District (PBAD) will be a special benefit assessment district that conveys special benefits to the properties located within the district boundaries. As described in this plan, it is proposed that the PBAD will provide enhanced maintenance, ambassador, marketing and special projects, above and beyond those provided by the City of Santa Monica. This approach has been used successfully in downtowns throughout California and the nation, helping to improve and preserve sales, occupancies and overall quality of life.

**Location:** The district will encompass the downtown area bounded roughly by Ocean Avenue to the west, Willshire Boulevard to the north, 7<sup>th</sup> Street to the east and the Santa Monica Freeway to the south. *A map of the proposed district boundary is attached.*

**Improvements & Activities:** ***A Clean, Friendly & Attractive Downtown:*** The district will finance services and improvements that will stabilize and improve the downtown environment and experience for workers, visitors and residents. Services will include:

- **Maintenance Teams** that will work in concert with city crews to sweep, scrub and power wash sidewalks, remove litter and graffiti, increase the frequency of trash removal and maintenance of public spaces within downtown.
- **Ambassadors** to provide information on downtown activities and establishments, provide a downtown “neighborhood watch” to improve public safety, enhance the visitor experience and work productively to reduce street populations.
- **Homeless Outreach** and assistance to reduce the incidence of homelessness in downtown.
- **Marketing** enhancements to help downtown compete with new regional competition and develop more promotions and events targeted to Santa Monica residents.
- **Special Projects** to address a variety of downtown issues, including improving parking availability, reducing traffic congestion and urban design to update streetscape and lighting throughout downtown.

**Method of Financing:** Levy of assessments upon real property that benefits from improvements and activities.

**Budget:** Total district assessment budget for its first year of operation is **\$3,593,700:**

<b>Activity</b>	<b>Budget</b>	<b>% of Total</b>
Maintenance < see note below >	\$ 1,289,000	35.9
Ambassadors	\$ 1,228,000	34.2
Marketing	\$ 400,000	11.1
Homeless Outreach	\$ 100,000	2.8
Special Projects	\$ 250,000	7.0
Administration (10% of programs)	\$ 326,700	9.1
<b>Total</b>	<b>\$ 3,593,700</b>	<b>100.0</b>

Assessments for maintenance will be co-managed with more than \$2 million from the City of Santa Monica, resulting in a total maintenance budget of approximately \$3.3 million.

**Cost:** Annual assessments are based upon an allocation of program costs within three benefit zones and a calculation of lot or building square footage within each zone. The greater of building or lot square footage is determined for each parcel. Three benefit zones are proposed to acknowledge different frequencies of services anticipated within each zone and to account for differing benefits from differential rents and values within the downtown business district. The three proposed zones are:

- Promenade
- Bayside, including Santa Monica Place and Ocean Avenue
- Downtown East

A map illustrating the three zones is provided on page 7.

Residential, government and non-profit uses will pay an adjusted rate. These uses will pay for maintenance and ambassador services, and not for marketing and special projects. Estimated annual maximum assessment rates for the first year of the district are as follows:

	<b>Lot or Building sq.ft. per Year</b>	<b>Lot or Building sq.ft. per Month</b>
<b>Promenade</b>	\$ 0.767	\$ 0.0639
<b>Bayside/Ocean</b>	\$ 0.384	\$ 0.0320
<b>Downtown East</b>	\$ 0.192	\$ 0.0160
<b>Bayside/Ocean: Govt/Residential</b>	\$ 0.273	\$ 0.0226
<b>Bayside/Ocean: Non-Profit</b>	\$ 0.137	\$ 0.0114
<b>Downtown East: Govt/Residential</b>	\$ 0.137	\$ 0.0114
<b>Downtown East: Non-Profit</b>	\$ 0.068	\$ 0.0057

**Cap:** Annual assessments may increase by as much as 5% per year to keep pace with rising prices and other program costs. The determination of annual assessment adjustments will be subject to the review and approval of the PBAD Owner's Association, which will be the Bayside District Corporation.

<b>City Services:</b>	The City of Santa Monica has established and documented the base level of pre-existing City services and has evidenced its intention to continue to deliver and/or pay for these services if a PBAD is formed. The PBAD will not replace any pre-existing general City services.
<b>District Governance:</b>	The PBAD Owner's Association will be the Bayside District Corporation with a new governance structure that ensures representation by a majority of property and business owners within the District. The Owner's Association board will be composed of 13 directors, including six directors selected by downtown property and business owners, six by the Santa Monica City Council, and the City Manager or his/her designee. The PBAD Owner's Association will determine budgets, assessment adjustments and monitor service delivery.
<b>Existing BIDs:</b>	<p>Downtown has two existing business license-based BIDs that will be affected by the new PBAD:</p> <ul style="list-style-type: none"> <li>• The CBD BID, which has a boundary roughly contiguous with the new PBAD, currently imposes a business license tax on retail businesses. It is the intention of this Plan that the CBD BID will be eliminated.</li> <li>• The Bayside BID, which is bound by Willshire Boulevard to the north, the alley between 4<sup>th</sup> and 5<sup>th</sup> Streets to the east, Broadway to the south and the alley between Ocean Avenue and 2<sup>nd</sup> Street to the west will remain. Provided that the PBAD is formed, it is the intention of this Plan that the Bayside BID assessments will be reduced and boundaries of the BID will be expanded to include the Santa Monica Place shopping center. The Bayside BID will continue to be managed by the Bayside District Corporation.</li> </ul>
<b>District Creation:</b>	District creation requires submission of petitions signed by property owners in the proposed district who will pay more than 40% of total assessments (i.e. petitions must represent more than 40% of the \$3,593,700 to be assessed). Petitions are then submitted to City Council and a mail ballot is sent to all affected property owners. The majority of ballots returned, as weighted by assessments to be paid, must be in favor of the PBAD in order for City Council to approve it.
<b>Duration:</b>	The district will have a 20 year life beginning January 1, 2009. To extend assessments beyond Year 10, an affirmative vote will be required from property owners within the PBAD. The majority of ballots returned, as weighted by assessments to be paid, must be in favor of the PBAD in order for it to continue for an additional ten years. Any subsequent renewal of the District (beyond 20 years) will require a new management plan. Every five years, the Owner's Association and downtown property owners will undertake a review of the Management District Plan and PBAD programs. Any new or increased assessments that are not consistent with the provisions of this Management District Plan will require a new mail ballot process.

## II. WHY CREATE THE DOWNTOWN SANTA MONICA PBAD?

### What is a PBAD?

The International Downtown Association estimates that more than 1,000 Property-Based Assessment Districts (PBAD) currently operate throughout the United States and Canada. **A PBAD provides enhanced improvements and activities, such as maintenance and image enhancement, in addition to those provided by local government.** PBADs provide services that improve the overall viability of business districts -- resulting in higher property values, sales and tax revenues. These services also improve the quality of the downtown experience for all visitors and residents.

Since the creation of California's Property and Business Improvement District Law in 1994, more than 80 new PBADs have been established in California downtowns, including Old Pasadena, Long Beach, Los Angeles and San Diego. Other downtowns in major cities throughout the west also support PBADs, including Portland, Seattle, Vancouver, Phoenix and Denver.

### Why Create a PBAD for Downtown Santa Monica?

- **Create a Consistently Clean, Inviting and Attractive Downtown:** Downtown's cleanliness has been inconsistent in recent years. Earlier this decade, budget cuts prompted city services to be dispersed, resulting in an increase in dirt and grime. The PBAD aims to secure existing City resources plus provide additional funds to ensure a consistently clean and inviting downtown at all times.
- **Make Santa Monica's "Living Room" Comfortable and Inclusive:** Downtown is a community asset central to the city's civic identity. The PBAD aims to embody the civic values of Santa Monica, ensuring that downtown continues to be an inviting, comfortable and inclusive community gathering place.
- **Enhanced Property Values, Sales, and Occupancies:** PBADs are a critical ingredient in strengthening the economic foundation of downtowns. PBADs are proven to work by funding improvements and services that enhance the overall vitality of a business district. Success is measured by higher property values, sales and occupancies.
- **Help Downtown Santa Monica Compete:** New retail concepts in the West Los Angeles marketplace are threatening to erode the vitality of downtown Santa Monica. All of these retail centers, from The Grove to Century City, aim to provide a spotless, family-friendly and stimulating experience. The PBAD will provide resources to help downtown retain its unique position in this increasingly competitive market.
- **Broaden Ratepayer Control and Accountability:** The Bayside District Corporation will follow a new balanced board nomination structure to govern the PBAD, ensuring that decisions affecting assessments are made by a board with a majority of effected property and business owners. PBAD-financed programs will be subject to an annual audit and other private sector performance standards and controls.

### III. IMPROVEMENT AND ACTIVITY PLAN

#### A. Process to Establish the Management District Plan

To form the Management District Plan for the creation of the Downtown Santa Monica PBAD, downtown property and business owners, community residents and civic leaders have been involved in an 18 month participatory process that was initiated in the summer of 2006. The consulting firms of Progressive Urban Management Associates and Kristin Lowell Inc. were retained by the City of Santa Monica and the Bayside District Corporation (Bayside) to guide the process for creating the PBAD. Key steps of the process included:

- 1. Downtown Management Framework:** Creation of the Downtown Santa Monica PBAD is a top recommendation of the Downtown Management Framework that was endorsed by the Santa Monica City Council in April of 2007. Work was initiated on the Framework in the summer of 2006. It included an evaluation of existing conditions, best practices from comparable downtowns and input from more than 200 participants, including downtown property and business owners, community residents and civic leaders. In order to preserve downtown's role as both a community asset that is central to Santa Monica's civic identity and a shopping and entertainment destination that is encountering increased competition, several new initiatives were proposed, including:
  - Enhanced maintenance and new ambassador services;
  - Initiatives to reduce homelessness, implement parking improvements and special projects to reduce congestion, update infrastructure and expand marketing.
  - New commitments for resources to improve downtown from both the public and private sector, including a new PBAD.
  - A new balanced governance structure for Bayside.
- 2. PBAD Working Group:** To guide the consultant team and test PBAD concepts, members of the Bayside board of directors, key property owners within downtown and several community residents and civic leaders have served as the PBAD Working Group. A roster of the PBAD Working Group is provided in the *Appendix*.
- 3. One-On-One and Roundtable Meetings with Property Owners:** To review draft management plan concepts, the consultants held a series of one-on-one and roundtable meetings with property owners located throughout the PBAD study area. Building upon the work and findings of the Downtown Management Framework, top improvement priorities and guiding principles that emerged from the meetings with property owners and consultation with the PBAD Working Group included:
  - Providing consistency in the downtown experience, particularly the basics of cleanliness and hospitality, are critical to downtown's overall vitality.
  - Make sure that PBAD services are supplemental to, and do not replace, City services.
  - Build upon the strengths and existing services of both Bayside and the City.

- Make it simple and non-bureaucratic
  - Keep costs reasonable
- 4. City Base Level of Services:** Concurrent with the property and business owner outreach process to develop the PBAD Management District Plan, meetings were held with City staff to develop an accounting of current city services and a policy commitment to continue these services through the duration of the PBAD. A detailed accounting of existing maintenance services was provided by the City's Open Space Management division identifying current city services and an intention to continue these services. This accounting of existing City maintenance services is available upon request from Bayside.
- 5. City Council Update & Community Survey:** A progress report on the evolving PBAD Management Plan was presented to the Santa Monica City Council in January of 2008. At the suggestion of City Council, an online community survey was launched to seek input on the PBAD plan from a broad cross-section of residents, businesses and property owners. 462 persons responded to the survey, nearly 85% of whom are Santa Monica residents or visitors from outside of downtown. Key findings from the community survey included:
- Reducing and solving homeless and transient issues was rated as important to improving downtown by nearly 75% of respondents, followed by improving parking and mobility (55%) and enhancing cleaning and maintenance (47.5%).
  - For uniformed ambassadors, most important services include working with social service agencies and the City to reduce homelessness (55%), serving as witnesses to help charge individuals that commit nuisance crimes (35%) and providing a downtown "neighborhood watch" to improve public safety (33%).
  - When asked if they'd be willing to pay an assessment to support new services, 72% listed "reduce/solve homeless issues", 53% indicated improved parking and mobility and 42% responded enhanced maintenance services.
  - More than 88% of respondents thought that the proposed services would improve downtown.
  - Of those responding as downtown property owners, businesses or residents, nearly 80% responded that the proposed services would directly benefit them.
- 6. Plan Review & Final Plan:** The draft PBAD Management District Plan and budget were reviewed by the PBAD Working Group and individual property owners in the first three months of 2008. All affected property owners were invited to a series of public forums in February of 2008 to review the plan. Input from these meetings led to the completion of the final plan.

## B. PBAD Boundaries

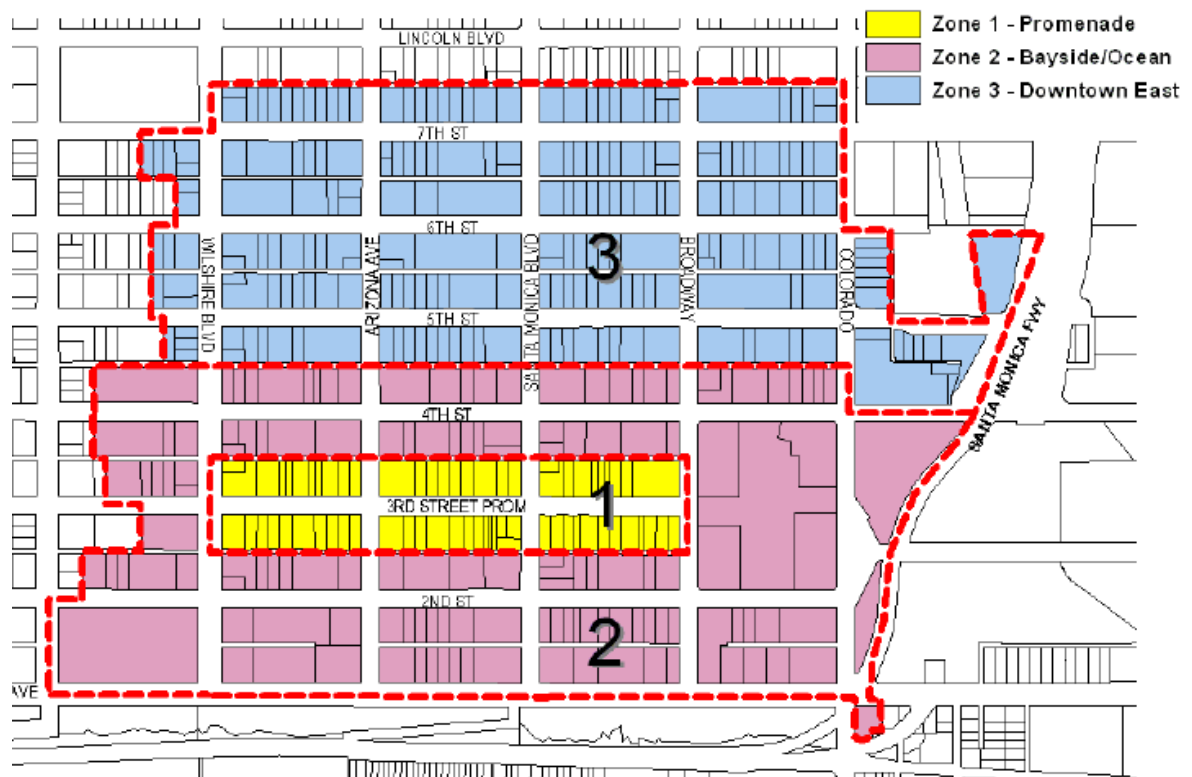
The proposed PBAD district will encompass the core of the downtown area bounded roughly by Willshire Boulevard to the north, 7<sup>th</sup> Street to the east, the Santa Monica Freeway to the south and Ocean Avenue to the west.

**Benefit Zones:** Three zones are proposed with three different levels of service and benefit, including Promenade, Bayside/Ocean and Downtown East. The benefit zones are delineated as follows:

- **Promenade** encompasses the Third Street Promenade pedestrian mall, including three blocks fronting Third Street between Willshire Boulevard and Broadway.
- **Bayside/Ocean** includes most of downtown west of 4<sup>th</sup> Street, including the 2<sup>nd</sup> and 4<sup>th</sup> Street and Ocean Avenue corridors and the Santa Monica Place shopping mall.
- **Downtown East** includes the remainder of the downtown PBAD generally east of 4<sup>th</sup> Street.

A map of the proposed district boundary is provided below and a more detailed map with specific parcel lines will be provided upon request.

### Downtown Santa Monica PBAD Study Area



## C. Work Program

### Maintenance & Ambassador Program

To respond to stakeholder priorities and guiding principles for a Downtown Santa Monica PBAD, the PBAD Working Group reviewed several scenarios for providing district-wide enhanced Maintenance and Ambassador services. Objectives in developing the Maintenance and Ambassador scenarios included:

- Deploy a Maintenance and Ambassador program that will make a visible, tangible and lasting impact.
- Carefully document existing City services and ensure that PBAD-funded services are supplemental to, and do not replace, existing City services.
- Ensure that the program is properly capitalized and that additional funding will not be required once the PBAD is created.
- Provide flexibility in the modeling of the program so that the PBAD can support deployment of services in a variety of ways, including contracting for additional city services, with private firms and/or hiring services in-house .

To develop service models, the Philadelphia-based firm of SGI, a national Maintenance and Ambassador service provider that specializes in urban PBADs, provided estimates for service frequencies, manpower, equipment and costs. SGI worked with the downtown team from the City of Santa Monica Open Space Management division to evaluate deployment options for existing city maintenance services. Several service scenarios were developed and reviewed by the PBAD Working Group.

**Maintenance:** To develop service frequency and cost estimates for an enhanced downtown maintenance program, the City of Santa Monica and SGI completed the following cost modeling:

- The City of Santa Monica evaluated the redeployment of all existing downtown-wide maintenance services to concentrate solely on the Third Street Promenade, city-owned parking garages, and alleys within the core of downtown. To expand Promenade cleaning services into afternoon and evening hours, enhancements to existing services were also determined. More than \$2 million in annual City resources were identified in the redeployment and enhancement model.
- SGI provided cost estimates for labor and equipment to provide enhanced cleaning services in the remainder of the downtown PBAD study area beyond Third Street, the parking structures and alleys. A total of \$1,289,000 in additional resources were estimated to provide a consistent level of cleaning throughout downtown.

Together, existing and enhanced city maintenance resources, plus downtown-wide enhancements estimated by SGI, provide an annual outlay of more than \$3.3 million within the PBAD study. Of this amount, \$1,289,000 (or about 40%) is anticipated from new assessments.

While the City and SGI split downtown into two service areas for cost estimating purposes, it is envisioned that the entire downtown maintenance program will be jointly developed and monitored by the City and Bayside. In this manner resources can be combined and deployment can be adjusted to optimize the use of maintenance resources throughout all of downtown. In practice, the City intends to provide its existing services and the City and Bayside will jointly prepare an operating plan to address how City staff and potential contractors are deployed. To illustrate how the joint deployment of services could work, the following table offers an example of potential service frequencies.

<b>Maintenance Frequency &amp; Cost Estimate Models</b>	<b>Existing City Services</b>	<b>Proposed Enhanced Services Financed by PBAD</b>
<b><i>Maintenance Personnel (F.T.E.)</i></b>	<i>Existing: 19 F.T.E plus 10 part-time</i>	<i>Average 24 F.T.E.</i>
<b>Daily Coverage</b>	Existing shifts 10 p.m. to 6:30 a.m. 6:00 a.m. to 2:30 p.m.;	7:00 a.m. to 7:00 p.m.
Litter Removal/Vacuuming	Daily	Daily
Litter Removal/Pan & Broom	Daily	Daily
Empty Trash Containers	Daily	Daily
Machine Sweeping	Daily	Daily
Transit Stop Maintenance	N/A	Daily
Steam Cleaning	Daily	Six times per year
Graffiti Removal	Daily	Daily
Light Landscape/Weeds	As Needed	As Needed
Utility Team "emergency cleaing"	As Needed	As Needed
<i>Estimated Maintenance Cost (includes living wage &amp; health insurance)</i>	<i>\$ 2,000,000+</i>	<i>\$ 1,289,000</i>

**Ambassadors:** The deployment of "Downtown Ambassadors" is envisioned as a new downtown service that would be fully financed by new PBAD assessments. Ambassadors, which are deployed in downtowns through Southern California and the West, can be trained for a variety of tasks, ranging from providing information to visitors to offering escort services for employees to bearing witness against persons that commit nuisance crimes. Ambassadors do not carry weapons, but they do act as "eyes and ears" for police and often carry devices to communicate with police. Ambassadors wear distinctive and colorful uniforms that maximize the visibility of their presence on the street plus complement overall downtown marketing efforts. Ambassador programs also work in concert with local social service providers, offering service referrals and, as the program matures, entry-level employment options for persons living on the street.

In Downtown Santa Monica, the following functions are envisioned for ambassadors:

- Work with social service agencies and the City to reduce homelessness;
- Serve as "concierges", providing information to downtown visitors and tourists;

- Serve as witnesses to help charge individuals that commit nuisance crimes;
- Provide a downtown “neighborhood watch” to improve public safety;
- Serve as attendants within public restrooms.



The following deployment frequency and cost estimates for Ambassadors were provided by SGI.

<b>Ambassadors</b>	
<i>Ambassadors F.T.E.</i>	<i>960 hours/week Average 24.0 F.T.E.</i>
Coverage in All Areas	7 days/week 10:00 a.m. to 12:30 a.m.
Restroom Attendants	112 hours/week
Deployment	Walking & Bicycles
Living Wage & Health Insurance?	Yes
<i>Estimated Annual Ambassador Cost</i>	<b><i>\$ 1,228,000</i></b>

### **Marketing**

In addition to Maintenance and Ambassador services, the PBAD budget includes funds for marketing activities to support promotions, special events and other programs that help market downtown as a visitor destination. Additional marketing resources are viewed as essential to keep downtown competitive with new regional shopping and entertainment destinations, and to maximize the opportunities for Santa Monica residents to utilize and enjoy downtown. Examples of marketing activities include:

- Design and production of the downtown map and directory;
- Special events to attract residents and visitors to downtown – the holiday ice rink is an example;
- Promotion and advertising to profile shopping, entertainment and special event opportunities;
- Design and disseminate a destination brand for downtown;
- Undertake market research to better understand resident needs and market opportunities;

- Other marketing activities to promote downtown to both Santa Monica resident and visitor markets.

### **Homeless Outreach and Assistance**

Perhaps no issue in Santa Monica and downtowns throughout the nation is more difficult to solve than the presence of street populations. There is no simple solution and the challenge goes well beyond the boundaries of downtowns and cities.

Resolving the homeless issue is the number one priority among downtown property and business owners, citing concerns with nuisance crimes, compounding maintenance issues and creating an intimidating street atmosphere. Santa Monica residents that responded to consumer surveys in the Fall of 2006 and again to the PBAD community survey in February 2008 cited the homeless population as the number one characteristic that they would like to change about downtown. Some members of the community support a more permissive attitude toward homelessness and emphasize an approach of tolerance.

To reduce homelessness in downtown Santa Monica, a multi-faceted approach that combines resources from the business community, city and social service agencies is proposed. These proposals are consistent with the recommendations of the December 2006 Urban Institute Study on homelessness. Elements of this initiative that could be supported by PBAD assessments include:

- **Downtown Homeless Outreach Team:** In partnership with a social service agency, a downtown homeless outreach team could include professional social workers that meet daily with homeless individuals, helping to place them in the city's continuum of care or offering assistance to stabilize their condition on the street.
- **Downtown Ambassadors,** described in a previous section of the Management Plan, are expected to be trained in concert with social service providers to assist in connecting street populations to appropriate services.
- **Job Placement** in the supplemental downtown cleaning and ambassador programs will be explored.

Approaches and appropriate levels of PBAD investment will be determined annually. Additional funds from the "special projects" category can also be applied to support homeless outreach and assistance.

### **Special Projects**

The PBAD Management Plan offers flexibility to develop strategies and implement a variety of initiatives that impact the overall quality of life and experience in downtown Santa Monica. Priorities from the Downtown Management Framework and subsequent process to develop the PBAD Management Plan include:

- **Transportation Alternatives to Reduce Congestion:** Educational programs, communications and research to encourage downtown employees and visitors to

utilize transit and other alternatives to vehicles can be supported by PBAD assessments.

- **Urban Design Improvements:** Planning, design and engineering to update existing streetscape, improve lighting and/or create other public space amenities can be supported by PBAD assessments. The financing of new amenities may require the issuance of bonds, which can be supported by assessments. Any future increase in assessments beyond the parameters set in this Management Plan would require a mail ballot vote by affected property owners.
- **Parking Management & Development:** The PBAD can finance efforts to increase and/or improve parking that is available for public use within the downtown. The Downtown Management Framework supported continued implementation of existing City parking improvement, replacement and expansion strategies, which may need to be supplemented by the future issuance of bonds or fees support by PBAD assessments. Any future increase in assessments beyond the parameters set in this Management Plan would require a mail ballot vote by affected property owners.

### **Administration**

Administrative costs of 10% have been included within the PBAD budget. Examples of administrative costs include:

- Accounting and annual financial audit
- Insurance for the PBAD owner's association board of directors
- Program support costs including supplies, equipment and rent
- County PBAD assessment collection fee, estimated at 1% of assessments
- Other administration costs associated with the overhead and administrative support of programs.

To reduce administrative costs, increase leveraging of funds and avoid duplication of enhanced services, this plan anticipates that the PBAD Owner's Association will be the existing Bayside District Corporation.

## D. Plan Budgets

### 1. 2009 Operating Budget Summary

The total improvement and activity plan budget for 2009 is projected at \$3,593,700 with the following components:

<b>Improvements &amp; Activities</b>	<b>Proposed 2009 Budget</b>	<b>%</b>
Maintenance < see note below >	\$ 1,289,000	35.9
Ambassadors	\$ 1,228,000	34.2
Marketing	\$ 400,000	11.1
Homeless Outreach	\$ 100,000	2.8
Special Projects	\$ 250,000	7.0
Administration (10% of programs)	\$ 326,700	9.1
<b>Total</b>	<b>\$ 3,593,700</b>	<b>100.0</b>

*Assessments for Maintenance will be leveraged with more than \$2 million in existing and enhanced service from the City of Santa Monica, resulting in a total Maintenance budget of approximately \$3.3 million.*

### 2. 20 Year Operating Budget

A projected 20 year operating budget for the Downtown Santa Monica PBAD is provided in the 20 Year Operating Budget and Maximum Assessment exhibit on the following page. The projections are based upon the following assumptions:

- Total program revenue increases by 5% per year, the maximum allowed under the proposed annual budget adjustment to keep pace with changes in the consumer price index and other program costs. Actual budgets may not increase 5%, as determined by the PBAD Owner's Association.
- The intention of the Management Plan is to retain the general budget distribution of maintenance and ambassador services with administration (77%) and marketing, homeless outreach and special projects with administration (23%) as provided in the preceding budget. Actual annual budgets will be determined by the PBAD Owner's Association.
- Maximum assessment rates are illustrated, along with the total amount of potential revenue that can be raised from assessments. Revenues for specific activities may be reallocated among activities from year to year based upon district needs and budgets developed by the PBAD Owner's Association.

**Downtown Santa Monica  
Property-Based Assessment District**

**20 Year Operating  
Budget**

Assumptions:

Table illustrates program revenue increases by 5% annually, maximum allowed.

Maximum rates and total potential revenue illustrated.

Actual annual adjustments and budgets will be determined by the PBAD Owner's Association

	Rate: <u>Promenade</u>	Rate: Bayside/ <u>Ocean</u>	Rate: Downtown <u>East</u>	Rate: Bayside <u>Adjusted</u>	Rate: Downtown <u>Adjusted</u>	Rate: Bayside <u>Non-Profit</u>	Rate: Downtown <u>Non-Profit</u>	Total <u>Revenue</u>
Year 1	0.767	0.384	0.192	0.273	0.137	0.137	0.068	3,593,700
Year 2	0.805	0.403	0.202	0.287	0.144	0.144	0.071	3,773,385
Year 3	0.846	0.423	0.212	0.301	0.151	0.151	0.075	3,962,054
Year 4	0.888	0.445	0.222	0.316	0.159	0.159	0.079	4,160,157
Year 5	0.932	0.467	0.233	0.332	0.167	0.167	0.083	4,368,165
Year 6	0.979	0.490	0.245	0.348	0.175	0.175	0.087	4,586,573
Year 7	1.028	0.515	0.257	0.366	0.184	0.184	0.091	4,815,902
Year 8	1.079	0.540	0.270	0.384	0.193	0.193	0.096	5,056,697
Year 9	1.133	0.567	0.284	0.403	0.202	0.202	0.100	5,309,532
Year 10	1.190	0.596	0.298	0.424	0.213	0.213	0.105	5,575,008
Year 11	1.249	0.625	0.313	0.445	0.223	0.223	0.111	5,853,759
Year 12	1.312	0.657	0.328	0.467	0.234	0.234	0.116	6,146,447
Year 13	1.377	0.690	0.345	0.490	0.246	0.246	0.122	6,453,769
Year 14	1.446	0.724	0.362	0.515	0.258	0.258	0.128	6,776,457
Year 15	1.519	0.760	0.380	0.541	0.271	0.271	0.135	7,115,280
Year 16	1.595	0.798	0.399	0.568	0.285	0.285	0.141	7,471,044
Year 17	1.674	0.838	0.419	0.596	0.299	0.299	0.148	7,844,596
Year 18	1.758	0.880	0.440	0.626	0.314	0.314	0.156	8,236,826
Year 19	1.846	0.924	0.462	0.657	0.330	0.330	0.164	8,648,668
Year 20	1.938	0.970	0.485	0.690	0.346	0.346	0.172	9,081,101

## IV. ASSESSMENTS

### A. Assessment Methodology

To develop the PBAD assessment methodology, the consulting team includes Kristin Lowell Inc., a certified engineer. Kristin Lowell Inc. evaluated several methods of assessment for conveying special benefits from the type of improvements and activities described within the Downtown Santa Monica PBAD Management District Plan.

***Additional information and justification for the proposed assessment methods and adjustments are provided in the Engineer's Report, prepared by Kristin Lowell Inc. and provided as an attachment to the Management Plan.***

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

**Lot or Building Square Footage:** The greater of lot or building square footage for each parcel of real property are the primary assessment variables for all properties within the PBAD. Benefits from all PBAD activities are designed to improve cleanliness, public safety, image, occupancy and sales, benefits that are distributed for all real property within the district. For undeveloped parcels and parking lots, lot square footage acknowledges the benefits of these services to the ground level of property.

**Property Use Considerations:** The methodology provides the following treatments for property used exclusively for residential, non-profit and government uses:

- **Treatment of Residential Property:** All parcels with residential uses will be subject to an adjusted assessment rate. Residential uses will fully benefit from Maintenance and Ambassador services and will pay a full share of these services; however, marketing, homeless outreach and special projects will not benefit residential uses and the residential rate does not include an assessment for these services.
- **Treatment of Parking Structures:** Parking structures are used primarily to park cars and not to house tenants or businesses. Parking structures can gain different levels of benefit from PBAD improvements and services based upon their use and ownership. Public parking that is owned and operated by government is part of the infrastructure that supports downtown commerce and receives less special benefit from the PBAD improvements and activities and will therefore be assessed at a rate commensurate with the benefits received. Parking structures will be subject to one of the following methodologies:
  - a. Parking square footage that is integrated within a building, has the same ownership and on the same single parcel as the building, and the building has uses in addition to parking where parking is just an ancillary use, do not receive benefit from the PBAD services and therefore will not be assessed.

- b. Stand-alone public parking structures owned and operated by government receive half the benefit of a similarly sized building due to their role as part of the infrastructure that supports downtown commerce and will be assessed at one-half of the gross building square footage of the parking structure.
  - c. Other stand-alone parking structures that are not ancillary to a building or publicly-owned, will receive the full benefit from PBAD improvements and activities and will be assessed at standard assessment rates for commercial properties.
- **Assessment Policy on Non-Governmental Tax-Exempt Properties:** Properties that are exempt from property tax, including churches, non-profit service organizations and income-assisted housing owned by non-profit entities, will not benefit from increased commercial activity resulting from PBAD services and thereby will receive reduced benefits from PBAD services. An owner of real property located within the PBAD boundaries may reduce their assessment if all of the following conditions are met:
    1. The property owner is a non-profit corporation that has obtained federal tax exemption under Internal Revenue Code section 501c3 or California franchise tax-exemption under the Revenue and Taxation Code Section 23701d.
    2. The class or category of real property has been granted an exemption, in whole or in part, from real property taxation.
    3. The property owner makes the request in writing to the Bayside District Corporation prior to the submission of the PBAD assessment rolls to the Los Angeles County Assessor (on or before July 1 of each year), accompanied by documentation of the tax-exempt status of the property owner and the class or category of real property.

If these conditions are met, the amount of the PBAD assessment to be levied will be for one-half of Maintenance and Ambassador services.

- **Government Assessments:** The Downtown Santa Monica PBAD Management District Plan assumes that the City of Santa Monica, Santa Monica Redevelopment Agency, Los Angeles County, State of California and other government entities will pay assessments for the special benefits conferred to government property within the boundaries of the PBAD. Article XIII D of the California Constitution was added in November of 1996 and provides for these assessments. Government properties will fully benefit from Maintenance and Ambassador services and will pay a full share of these services; however, marketing, homeless outreach and special projects will not benefit government uses and the government rate does not include an assessment for these services.

## B. Calculation of Assessments

The preceding methodology is applied to a database that has been constructed by Kristin Lowell Inc. and the City of Santa Monica. The process for compiling the property database includes the following steps:

- Property data was first obtained from the Los Angeles County Assessor's Office through the City of Santa Monica.
- County assessor property data was cross-checked with reliable private sector sources.
- As an attachment to the Management District Plan, an assessment notice will be sent to all property owners within the proposed PBAD. The assessment notice will contain lot and building square footage information. Property owners may request final verification of data from the City of Santa Monica on or before July 1, 2008, which is one month prior to the submission of assessment information to the Los Angeles County Auditor.

A list of properties to be included in the PBAD is provided within the *Appendix*.

**Benefit Zone Adjustments:** The assessments are also adjusted to reflect anticipated differences in service frequencies and different benefits resulting from the underlying real estate economics of downtown. Three distinct benefit zones include:

- **Promenade:** The three block core of the Third Street Promenade will have the highest frequency of service from the PBAD and enjoys the highest rental rates and property values on a per square foot basis in downtown Santa Monica. In recognition of higher levels of service and benefits for properties of highest rents and value, PBAD assessments for the Promenade zone will be increased by a factor of four (4x).
- **Bayside/Ocean:** The corridors of 4<sup>th</sup> and 2<sup>nd</sup> Street, Ocean Avenue and Santa Monica Place will have the next highest frequency of service with underlying real estate rents and values that are less than the Promenade. In recognition of service levels and values in this area, PBAD assessments for the Bayside/Ocean zone will be increased by a factor of two (2x).
- **Downtown East:** The remainder of the PBAD east of 4<sup>th</sup> Street is anticipated to have the lowest frequency of services and has the lower rental rates and values than the other zones. PBAD assessments in the Downtown East zone will not be adjusted.

The resulting annual assessment calculation by service, benefit zone and use type follows:

<b>SERVICE</b>	<b>Commercial</b> (lot or building sq.ft. per year)	<b>Residential &amp; Government</b> (lot or building sq.ft. per year)	<b>Non-Profit</b> (lot or building sq.ft. per year)
<b>Maintenance &amp; Ambassadors</b>	0.137	0.137	0.068
<b>Marketing &amp; Special Projects</b>	0.055	0.000	0.000
<b>TOTAL</b>	0.192	0.137	0.068

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

<b>BENEFIT ZONE</b>	<b>Commercial</b> (lot or building sq.ft. per year)	<b>Residential &amp; Government</b> (lot or building sq.ft. per year)	<b>Non-Profit</b> (lot or building sq.ft. per year)
<b>Promenade (x4)</b>	<b>0.767</b>	<b>0.544</b>	<b>0.273</b>
<b>Bayside/Ocean (x2)</b>	<b>0.384</b>	<b>0.273</b>	<b>0.137</b>
<b>Downtown East (x1)</b>	<b>0.192</b>	<b>0.137</b>	<b>0.068</b>

### **C. Assessment Adjustments**

**Annual Adjustment:** Annual assessment rates may be adjusted for annual changes in the Los Angeles Area Consumer Price Index (CPI) for all urban consumers and/or other changes in programs costs, not to exceed 5%. Actual annual adjustments may range from 0% to 5%. Assessment rates will not exceed the levels illustrated by the 20 Year Operating Budget and Maximum Assessment exhibit.

**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 kept in reserve and used as necessary based on the allocations described in the Management District Plan.

**Time and Manner for Collecting Assessments:** As provided by state law, the Downtown Santa Monica PBAD assessment appears as a separate line item on annual property tax bills prepared by Los Angeles 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 PBAD assessments.

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

## **D. Issuance of Bonds**

No bonds or other bonded debt is to be issued to finance initial activities and improvements envisioned in the Management District Plan. If the PBAD Owner's Association 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 property owner consent through a mail ballot procedure.

## **VI. GOVERNANCE**

For the Downtown Santa Monica PBAD, the Bayside District Corporation (Bayside) is an existing 501(c)6 California non-profit corporation that shall serve as the PBAD Owner's Association.

The role of the Owner's Association is consistent with similar PBADs and downtown management organizations throughout California and the nation. The Owner's Association will determine budgets, assessment adjustments and monitor service delivery. As part of the Management Plan, the Owner's Association will oversee the delivery of day-to-day PBAD services in order to:

- Reduce overall administrative costs of the PBAD;
- Leverage PBAD funds with other resources and capabilities provided by Bayside;
- Eliminate the potential for duplication of enhanced services and activities;
- Ensure that downtown is represented by a unified voice, thereby maximizing downtown's influence in policies and civic affairs.

Pursuant to the State of California PBAD legislation the PBAD Owner's Association will be subject to disclosure and notification guidelines set by the Ralph M. Brown Act and California Public Records Act.

**PBAD Owner's Association Board of Directors:** The Owner's Association will establish a 13 member board of directors through the following appointments:

- Six members shall be selected by owners of real property within the PBAD.
- Six members shall be selected by the Santa Monica City Council.
- One member of the board shall be the City Manger or his/her designee.

The board of directors must include representation from all benefit zones within the PBAD. The goal and spirit of the board's composition is to have a mixture of downtown businesses, downtown property owners, downtown and Santa Monica residents.

The full board of directors will make informal recommendations to both the property owners and the City Council on appointments as they arise.

**Relationship to Existing Business-Based BIDs:** Currently, downtown has two business-based BIDs that raise assessments through business licenses taxes. These include:

- **CBD Business Assessment:** This assessment for retail businesses was formed in 1966 and currently includes 850 retail businesses within the PBAD boundary area. The assessment raises about \$210,000 per year. It is the intention of this Plan that this district be DISSOLVED and replaced by the PBAD.
- **Bayside Business Assessment:** The “operations and maintenance assessment district” was formed in 1986 to provide enhanced services for the Third Street Promenade and its environs. This district applies a doubling of the business license tax (up to a maximum of \$24,000) to 600 businesses located within a six-block area. This district will REMAIN in place and assessments, which are currently used by Bayside for marketing, special projects and administration, will continue to be managed by Bayside. Provided that the PBAD is formed, it is the intention of this Plan that the Bayside BID assessments will be reduced and boundaries of the BID will be expanded to include the Santa Monica Place shopping center.

Services funded by both the business-based Bayside BID and PBAD will be managed by Bayside. This will provide for administrative efficiencies reducing overall program management and overhead costs. Central management by the Bayside also preserves a unified voice for downtown interests, elevating downtown’s influence in public policy and resource allocation decisions.

The concurrent use of both business and property-based BIDs has been used in other California downtowns for many years, notably in downtown Long Beach, San Diego and Chula Vista, and most recently in San Jose.