Meeting Date: **8/9/2016**

Report Type: Consent

Report ID: 2016-00639

City of SACRAMENTO

11

City Council Report
915 I Street, 1st Floor
www.CityofSacramento.org

Title: Resolution of Intention to Renew the Handle Business Improvement District No. 2016-04

Location: 1000 I Street, District 4

Recommendation: Pass a Resolution of Intention to Renew the Handle Business Improvement District No. 2016-04 and set a time and place of Public Hearing for September 27, 2016.

Contact: Sheri Smith, Program Specialist, (916) 808-7204; Mark Griffin, Special Districts Manager, (916) 808-8788, Department of Finance

Presenter: None

Department: Finance

Division: Public Improvement Finance

Dept ID: 06001321

Attachments:

1-Description/Analysis

2-Background

3-Schedule of Proceedings

4-Resolution

City Attorney Review

Approved as to Form
Michael W. Voss
7/22/2016 3:00:11 PM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 7/20/2016 2:11:42 PM

Description/Analysis

Issue: The Handle Business Improvement District (BID) was formed in 2011 to provide maintenance, marketing, and special event services to benefit retail and restaurant businesses within the district boundaries. The owners of food and beverage establishments within the boundaries of the BID have petitioned the City to renew the district for a ten-year term. If approved, the renewed BID will deliver services solely to food and beverage establishments available for public occupancy within and around the boundaries of 18th Street, 19th Street, L Street, and Capitol Avenue. The boundary of the proposed BID has changed both to remove parcels that solely have a retail use and to add an equal number of parcels that have, or are likely to have, a food service use in the near future.

The annual assessment rate would be 1.5% of gross sales, which is unchanged from the expiring BID, and excludes the sale of alcohol, retail merchandise, and services. The BID provides a level of safety, maintenance, and economic development services above what the City currently provides. The maintenance, safety improvements, special events, and advertising will be focused solely on increasing business revenues for the restaurants and food services within the district. The assessment and services are further detailed in the Management District Plan (MDP) included as Exhibit C to the attached Resolution.

Approval of the Resolution of Intention to renew the BID will set the time and place for the Public Hearing on the renewal of the district and the proposed assessment and authorize staff to mail notices to all business owners within the BID that are subject to the assessment.

Policy Considerations: The actions in the recommended Resolution are required by the California Streets and Highways Code Part 7 (beginning with Section 36600) of Division 18.

Environmental Considerations: The renewal of a BID does not constitute a project under the California Environmental Quality Act and is therefore exempt from review pursuant to Guidelines Section 15378(b)(4).

Rationale for Recommendation: District services include economic development services above what the City currently provides. This includes focused marketing, outreach and other activities to convey a positive image, expand existing businesses and attract new businesses to the BID.

Financial Considerations: The BID is self-supporting and has no impact to the General Fund. Financing is provided by the levy of assessments upon businesses that benefit from the improvements and services.

The operating budget for the BID, which will fluctuate with market conditions and the gross sales of assessed businesses, will be adjusted annually to reflect Council approved assessments and expenditure plans. An annual report, setting the budget based on the MDP, will be presented to the City Council prior to September 1, 2017, and once a year thereafter, as required by the MDP and pursuant to Streets and Highways Code Section 36650.

Local Business Enterprise (LBE): Not applicable.

BACKGROUND

The Handle Business Improvement District (BID) was approved by Council on July 19, 2011, in accordance with the Property and Business Improvement District Law of 1994 (PBID Law) and Sacramento City Code Section 3.92.050. The BID became effective on October 1, 2011, and the BID business owners have successfully petitioned to renew the BID for a ten-year term.

If renewed, the BID will continue to provide the following services to restaurants and food service establishments:

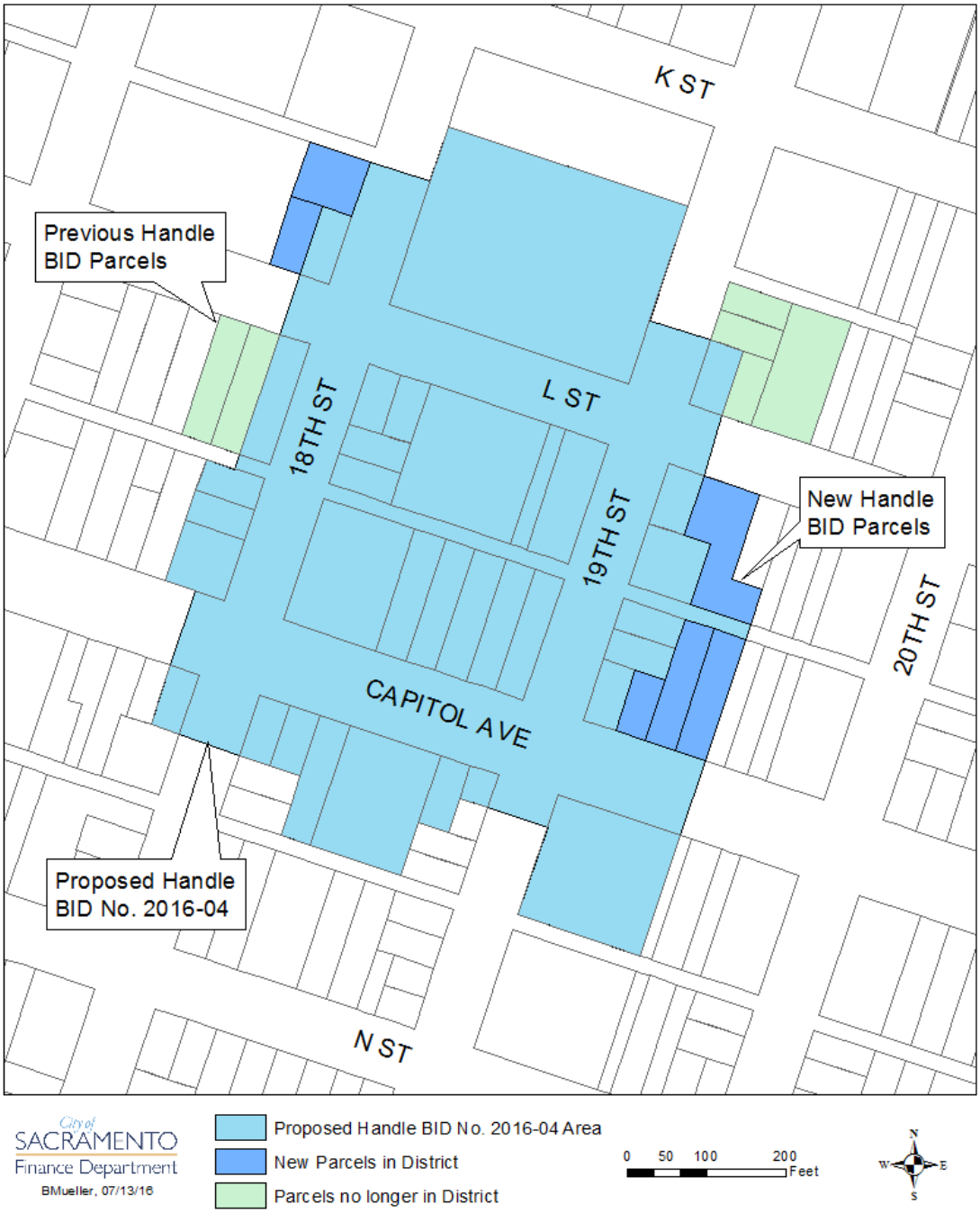
- Streetscape and Safety Projects: targeted services to assessed businesses which will include: 1) maintenance services (lighting and landscaping improvements) and 2) public safety programs. All projects and programs will have the ultimate goal of improving the business environment for assessed businesses to create an increase in business revenue for those businesses. Streetscape and Safety improvements will not be provided to non-assessed businesses or properties within the district.

- Marketing, Advertising, and Special Events: increased marketing and advertising services will be provided to assessed businesses. Collateral materials promoting the assessed businesses will be created, and special events designed to bring increased patronage to assessed businesses will be sponsored.

The district's Board of Directors has prepared the Management District Plan (MDP), which is on file with Public Improvement Financing unit of the Department of Finance, designated by the City Clerk to be the repository of documents associated with special districts. The MDP is a comprehensive document that describes the process of forming the BID, levying the assessment, and providing the services identified by the business owners. The attached resolution will initiate the renewal proceedings of the BID.

The boundary of the proposed BID has changed both to remove parcels that solely have a retail use and to add an equal number of parcels that have, or are likely to have, a food service use in the near future as shown in the map below.

Handle Business Improvement District No. 2016-04



HANDLE BUSINESS IMPROVEMENT DISTRICT 2016-04

June 1, 2016	Draft MDP to City
June 30, 2016	Final MDP to Handle
August 2, 2016	Signed Petitions to City
August 9, 2016	**Resolution of Intention – City Council**
August 10, 2016	Mail Notices of Public Meeting and Public Hearing
September 13, 2016	City Council – Public Meeting
September 27, 2016	City Council - Public Hearing (Minimum 45 Days After Noticing)
October 1, 2016	Collections Begin for Renewed District

RESOLUTION NO.

Adopted by the Sacramento City Council

RESOLUTION OF INTENTION TO RENEW THE HANDLE BUSINESS IMPROVEMENT DISTRICT NO. 2016-04

BACKGROUND:

A. Owners of businesses within the Handle Business Improvement District (District) have submitted petitions asking that the City Council renew the District. Included with each petition was a summary of the District's Management District Plan (MDP) and a map showing the boundaries of the District (Proposed District Map). The petitions, the Proposed District Map, and the MDP are on file with the Public Improvement Finance Division (PIF Division) of the Department of Finance, designated by the City Clerk to be the repository of documents associated with special districts.

B. The City Council finds that the City has received the petitions signed by the business owners in the proposed District who will pay more than 50 percent of the proposed total assessment. The City Council thus accepts the petitions and intends to establish the District and to levy an assessment on restaurant and food service establishments within the District Boundaries in accordance with the Property and Business Improvement District Law of 1994 (PBID Law) and Sacramento City Code Section 3.92.050.

C. Attached hereto as Exhibit C and incorporated herein by this reference is the Handle Business Improvement District No. 2016-04 MDP, which provides for safe and physical enhancement, and economic development with the intent of increasing the commercial activity for the restaurants and food service establishments within the District.

D. At the direction of the City Council, the Fiscal Manager of the PIF Division for the proceedings for renewal of this District has filed the MDP with the PIF Division, which was prepared in accordance with the provisions of Streets and Highways Code Section 36622.

E. The City Council preliminarily finds that the MDP satisfies all of the requirements of Streets and Highways Code Section 36622. The MDP provides for the following improvements and services within the District, all of which are intended to make the District safer, cleaner, and increase the commercial activity: (1) Streetscape and Safety Projects: targeted public safety programs and lighting and landscaping improvements above the current City standard, (2) Marketing, Advertising, and Special Events: marketing, advertising, and special events designed to increase patronage for food service businesses within the District, and (3) Administrative: standard administration expenses, City collection and costs related to administration of the District, and a prudent fiscal reserve. The MDP proposes to fund these improvements and services through the levy of a

benefit assessment on restaurant and food service establishments within the District.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The City Council finds and determines that the recitals set forth above are true and correct.

Section 2. The City Manager is authorized to make any necessary budgetary adjustments associated with the approved District budget for FY2016/17.

Section 3. The City Council finds that the business owners representing over 50 percent of the total assessment amounts signed the petitions requesting the renewal process be undertaken. The City Council thus accepts the petitions and intends to renew the District and to levy an assessment on restaurant and food service establishments within the District boundaries in accordance with the PBID Law and Sacramento City Code. In the first year of the ten-year term, the proposed assessment budget is approximately $200,000 as shown on Exhibit B to this resolution. Restaurant and food service establishments are proposed to be assessed 1.5% of gross sales, excluding alcohol sales.

Section 4. The City Council preliminarily finds that the MDP satisfies all requirements of Streets and Highway Code Sections 36622 and 36660.

Section 5. The exterior boundaries of the District are shown on the Proposed District Map attached to this resolution as Exhibit A.

Section 6. No bonds will be issued for the District.

Section 7. The time and place for the public hearing on the renewal of the District and the proposed assessment is set for September 27, 2016, at 6:00 p.m. in the City Council Chambers, New City Hall, 915 "I" Street (first floor), Sacramento, California. The City Council may continue the public hearing from time to time.

Section 8. The City Clerk is directed to give notice of the time and place of the public hearing in accordance with Streets and Highways Code Section 36623. The City Clerk is to do this by mailing (or causing to be mailed) written notices in the time, form, and manner provided by Government Code Section 54954.6 to all persons who own a business that is within the District and will be subject to the proposed assessment. The forms of the notice must be approved by the City Attorney. The City Clerk is further directed to file an affidavit with the City Council when all notices have been mailed, setting forth the time and manner of her compliance with the requirements of law for mailing the notices and ballots.

Section 9. At the public hearing, the City Council will consider all objections or protests to the proposed assessment, and any interested person will be permitted to present written or oral testimony. At the conclusion of the public hearing, all ballots submitted and not withdrawn will be tabulated in accordance with Government Code Section 53753.

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Exhibit A - Proposed District Map
Exhibit B - Proposed Assessment Budget and Parcel Assessment
Exhibit C - Management District Plan

EXHIBIT A

Boundary Map
Handle Business Improvement District No. 2016-04
City of Sacramento, County of Sacramento,
State of California

Sheet 1 of 1

CLERK'S MAP FILING STATEMENT:

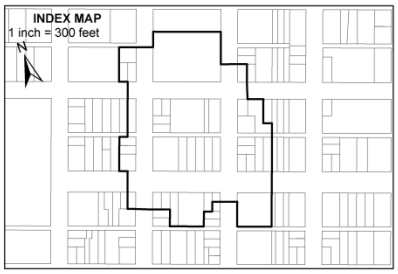
FILED IN THE OFFICE OF THE CLERK OF THE CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, THIS_____DAY OF_____, 2016.

_____
CITY CLERK,
CITY OF SACRAMENTO, CALIFORNIA

CLERK'S CERTIFICATE:

I HEREBY CERTIFY THAT THE MAP SHOWING THE BOUNDARIES OF THE HANDLE BUSINESS IMPROVEMENT DISTRICT NO. 2016-04, CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO AT A MEETING THEREOF, HELD ON THE_____DAY OF_____ 2016, BY ITS RESOLUTION NO. _____.

_____
CITY CLERK,
CITY OF SACRAMENTO, CALIFORNIA



City of SACRAMENTO
Finance Department

...Handle District\boundary map.mxd BMueller 06/14/16

COUNTY RECORDER'S FILING STATEMENT:

FILED THIS_____DAY OF _____, 2016 AT THE HOUR OF _____O'CLOCK __.M., IN BOOK_____OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AT PAGE_____, IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF SACRAMENTO, STATE OF CALIFORNIA.

_____
COUNTY CLERK RECORDER
OF THE COUNTY OF SACRAMENTO, CALIFORNIA

BY:_____
DEPUTY

DOCUMENT NO._____

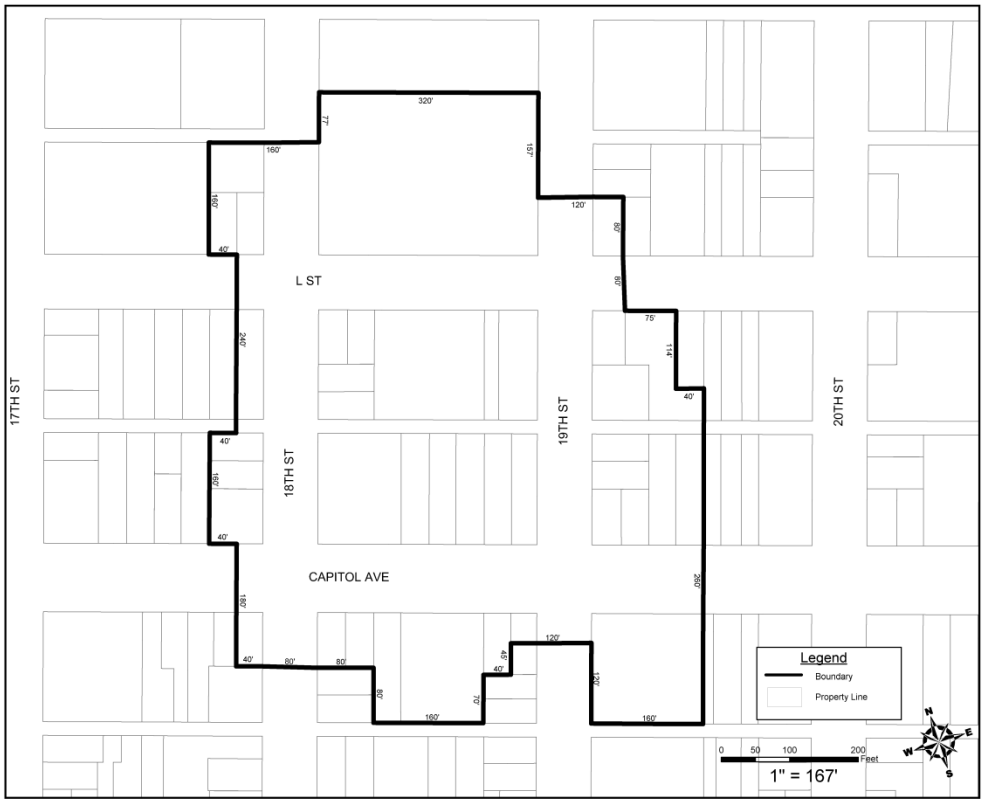


EXHIBIT B
HANDLE BUISNESS IMPROVEMENT DISTRICT (FUND 2241)
FY2016/17 DISTRICT BUDGET & BUSINESS ASSESSMENT

Estimated Beginning Fund Balance	0
Total Assessed to Business Owners	200,000
Total Resources	$200,000
PBID Activities	
Estimated Disbursement	$196,282
Administrative Costs	
Public Improvement Financing	
Administration	2,760
Accounting	
Administration	958
Total Expenditures	$200,000
Estimated Ending Fund Balance	0
Year-Over-Year Change in Fund Balance	0

Parcel Assessment

Food and beverage businesses shall be assessed 1.5% of gross sales, excluding alcohol sales and certain items as described in Section V of the Management District Plan, on file with the Public Improvement Financing Division, designated by the City Clerk as the custodian of such records.

EXHIBIT C

HANDLE BUSINESS IMPROVEMENT DISTRICT

MANAGEMENT DISTRICT PLAN

District No. 2016-04

Formed pursuant to the Property and Business Improvement District Act of 1994
(Streets and Highways Code §36600 et seq.)

Submitted to

Handle District Business Owners

June 20, 2016
by

CIVITAS
PARTNERSHIPS. PROGRESS. PROSPERITY.

HANDLE BUSINESS IMPROVEMENT DISTRICT MANAGEMENT DISTRICT PLAN

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I. Introduction and Overview

Developed by Handle in Midtown Business Owners (HBO), the Handle Business Improvement District (HBID) is a benefit assessment district proposed to help fund the specific benefits of marketing, improvements and sales promotion efforts for Handle District businesses. This approach has been used successfully in other destination areas throughout the country to improve restaurant sales.

Location: The proposed HBID includes all restaurants and other businesses that sell prepared food, within the boundaries of 18th Street, 19th Street, L Street and Capitol Avenue in Sacramento, California. New businesses opening during the term of the district shall not be exempt from assessment.

Services: Marketing, sales promotions, security and streetscape improvements to increase restaurant sales and market assessed businesses in the Handle District.

Budget: The total HBID annual budget for the first year of its ten (10) year operation is anticipated to be approximately $200,000. The budget may vary depending upon the level of gross sales.

Cost: The annual assessment rate is 1.5% of gross sales, excluding alcohol sales and certain other items as described in Section V.

Renewal: BID renewal requires submittal of petitions from businesses representing more than 50% of the total annual assessment followed by a City Council hearing and an opportunity for a written protest. The assessed business owners will receive notice of the public hearing by mail. If there is a majority written protest, the HBID will not be formed.

Duration: The proposed HBID will have a ten (10) year life. The HBID assessment will be implemented beginning October 1, 2016 through September 30, 2026. Once per year beginning on the anniversary of the formation of the district there is a 30 day period in which owners paying more than 50% of the assessment may protest and terminate the district.

II. ACCOMPLISHMENTS

There are several reasons why now is the right time to renew the Handle Business Improvement District (HBID); the most compelling reasons are as follows:

Organization

The organizational structure has been efficiently operating since 2012, with the creation of Handle District Corporation (HDC) to oversee all management issues in the district. The seven member board has met monthly for five years, consistently advancing projects and developing programs. Although the funds generated for district programs through the assessment are modest by most improvement district standards, the board has taken full advantage of other funding sources, leveraging funds when possible to maximize the positive impact in the HBID.

Increased Sales

Food sales have increased in the past five years at a rate not seen in many other areas of Sacramento. Average restaurant revenues have improved by over 25 percent and although increased property values is not a primarily objective of the organization, real estate conditions in the Handle District have rebounded from the recession at a faster pace than other neighborhoods in downtown. Vacancy rates in and around the Handle remain very low.

Improvement Projects

The District has successfully implemented many improvements identified in the Handle District's Streetscape Concept Plan, including: trash cans, bike racks, district signs, lights and pedestrian enhancements. In 2015/16 the district outlined a lighting improvement project that will nearly double the streetlights in the district. It will be completed in the fall of 2016.

Marketing

The organization continues to expand its reach to customers through the media and social networks. From sponsoring and hosting events with community partners (social groups, clubs, vendors, elected officials, etc.), to district branding efforts, the HDC has done a very good job of creating a special neighborhood identity in Midtown.

Community Partnership

The HBID partners with local charities to sponsor community events that have become an important component of the entertainment and social scene in Sacramento. These events have created a unique identity for the HBID as a restaurant district, attracted new customers from outside the area, and have developed repeat customers from the local residents. Midtown residents have also been very supportive of the programs developed to address ongoing challenges, such as the Bait Bike Program (founded in the Handle, now expanded to the Central City) and parking.

Clean and Safe

The HDC has partnered with the Midtown Business Association on a number of efforts in the past five years, including expanded maintenance services. The maintenance and ambassador teams have removed tons of litter and trash in the HBID, and they have helped address many social challenges (pan handling, trespassing, graffiti, etc.).

III. What Is a Business Improvement District?

BIDs utilize the efficiencies of private sector operation in the market-based promotion of business districts. BIDs allow business owners to organize their efforts to increase sales and promotional efforts. Business owners within the district fund a BID, and those funds are used to provide services that the businesses desire and that benefit the businesses within the district.

Business Improvement District services may include, but are not limited to:

- Marketing of the Destination
- Business Promotion Activities
- Sales Lead Generation
- Infrastructure Financing

In California, BIDs are formed pursuant to the Property and Business Improvement District Law of 1994 (PBID Law). This law allows for the creation of a special benefit assessment district to raise funds within a specific geographic area. *The key difference between BIDs and other special benefit assessment districts is that funds raised are returned to the private non-profit corporation governing the district.*

There are many benefits to Business Improvement Districts:

- Funds cannot be diverted for other government programs;
- Business Improvement Districts are customized to fit the needs of each district;
- They allow for a wide range of services, including those listed above;
- Business Improvement Districts are *designed, created and governed by those who will pay* the assessment;
- They provide a stable funding source for business promotion.

The PBID Law is provided in Appendix 1 of this document.

IV. Handle BID BoundarY

The HBID will include all restaurants and food and beverage businesses, existing and in the future, available for public occupancy within and around the boundaries of 18th Street, 19th Street, L Street and Capitol Avenue in Sacramento, California.

The boundary currently includes seventeen businesses that are subject to the assessment, a complete list of which is found in Appendix 2 of this Plan. The boundary of the HBID is shown in the map below.

V. SERVICE PLAN AND BUDGET

A. Assessment

The HBID annual assessment rate is 1.5% of gross sales. The assessment shall be applied to revenues coming from the sales of goods and not the sale of services or alcoholic beverages.

Gross sales shall not include, for purposes of the assessment: revenue generated from catering or banquet facilities, nor revenue generated from retail or re-sale products, such as branded promotional items (coffee mugs, t-shirts, etc.), packaged food prepared off-site, bulk packaged coffee, and similar items.

Businesses shall be invoiced on a monthly basis, and will remit the amount collected from the previous months' sales to the City of Sacramento. The amounts paid and owed shall be reconciled against Business Operations Tax filings or similar sources on an at least annual basis. Businesses may be invoiced if reconciliations indicate assessments were underpaid.

New businesses opening during the term of the district shall not be exempt from assessment. New businesses' assessment rates shall be determined by utilizing the most current quarterly gross sales information to extrapolate the annual assessment amount.

Bonds will not be issued.

The amount of assessment, if passed on to each customer, shall be separately stated as "Handle District Assessment" from the amount charged and any other applicable taxes, and each customer shall receive a receipt for payment from the business.

B. California Constitutional Compliance

The HBID assessment is not a property-based assessment subject to the requirements of Proposition 218. The courts have determined that "Proposition 218 limited the term 'assessments' to levies on real property."[1] Rather, the HBID assessment is a business-based assessment, and is subject to Proposition 26. Pursuant to Proposition 26 all levies are a tax unless they fit one of seven exceptions. Two of these exceptions apply to the HBID, a "specific benefit" and a "specific government service." Both require that the costs of benefits or services do not exceed the reasonable costs to the City of conferring the benefits or providing the services.

1. Specific Benefit

Proposition 26 requires that assessment funds be expended on, "a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege."[2] The services in this Plan are designed to provide targeted benefits directly to assessed businesses, and are intended only to provide benefits and services directly to those businesses paying the assessment. These services are tailored not to serve the general public, businesses in general, or parcels of land, but rather to serve the specific businesses within the District. The activities

[1] *Jarvis v. the City of San Diego* 72 Cal App. 4th 230
[2] Cal. Const. art XIII C § 1(e)(1)

described in this Plan are specifically targeted to increase food sales for assessed businesses within the boundaries of the District, and are narrowly tailored. HBID funds will be used exclusively to provide the specific benefit of increased food sales directly to the assessees. Assessment funds shall not be used to feature non-assessed businesses in HBID programs, or to directly generate sales for non-assessed businesses. The activities paid for from assessment revenues are business services constituting and providing specific benefits to the assessed businesses.

The assessment imposed by this District is for a specific benefit conferred directly to the payors that is not provided to those not charged. The specific benefit conferred directly to the payors is an increase in food sales. The specific benefit of an increase in food sales for assessed businesses will be provided only to businesses paying the district assessment, with programs provided directly to and promoting only those businesses paying the district assessment. The programs will be designed to increase food sales at each assessed businesses. Because they are necessary to provide the programs that specifically benefit the assessed businesses, the administration, collection, and contingency services also provide the specific benefit of increased food sales to the assessed businesses.

Although the District, in providing specific benefits to payors, may produce incidental benefits to non-paying businesses, the incidental benefit does not preclude the services from being considered a specific benefit. The legislature has found that, "A specific benefit is not excluded from classification as a 'specific benefit' merely because an indirect benefit to a nonpayor occurs incidentally and without cost to the payor as a consequence of providing the specific benefit to the payor."[3]

2. Specific Government Service

The assessment may also be utilized to provide, "a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product."[4] The legislature has recognized that maintenance, landscaping, marketing, events, and promotions services like those to be provided by the HBID are government services within the meaning of Proposition 26[5]. Further, the legislature has determined that "a specific government service is not excluded from classification as a 'specific government service' merely because an indirect benefit to a nonpayor occurs incidentally and without cost to the payor as a consequence of providing the specific government service to the payor."[6]

3. Reasonable Cost

District services will be implemented carefully to ensure they do not exceed the reasonable cost of such services. The full amount assessed will be used to provide the services described herein. Funds will be managed by the HID corporation, and reports submitted on an annual basis to the City. Only assessed businesses will receive security services, be featured in marketing materials, and directly benefit from other district-funded services. Non-assessed businesses will not receive these, nor any other, district-funded services and benefits.

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[3] Government Code § 53758(a)
[4] Cal. Const. art XIII C § 1(e)(2)
[5] Government Code § 53758(b)
[6] Government Code § 53758(b)

The District-funded programs are all targeted directly at and feature only assessed businesses. It is, however, possible that there will be a spill over benefit to non-assessed businesses. If non-assessed businesses receive increased sales, that portion of the promotion or program generating those sales shall be paid with non-District funds. HBID funds shall only be spent to benefit the assessed businesses, and shall not be spent on that portion of any program which directly generates incidental benefits for non-assessed businesses.

C. Time and Manner for Collecting Assessments

It is estimated that the HBID assessment will be implemented beginning October 1, 2016 and will continue for ten (10) years until September 30, 2026. The assessment shall be billed by a 3rd party administrator on a monthly basis.

Any Assessed Business Operator in the District ("Operator") who fails to remit payment of assessments within 14 days of the due date shall pay a penalty of ten percent (10%) of the amount of the assessment in addition to the amount of the assessment.

If an Operator fails to remit any delinquent remittance within sixty (60) days, the 3rd party administrator may file a complaint against such Operator. In addition to penalties imposed, any Operator that fails to remit any assessment shall pay interest at the rate of six percent (6%) per year simple interest or fraction thereof on the amount of the assessment, exclusive of penalties, from the date on which the assessment first became delinquent, until paid.

For example, if a business did not pay a $100 assessment within 14 days, a penalty of $10 would be due in addition to the amount of the assessment ($100 x 10% = $10). If the business did not pay the amount due until one year later, interest at the rate of 6% per year would be applied to the original assessment amount resulting in $6 owed in interest ($100 x 6% = $6). The total amount owed for a $100 assessment which was not paid until a year later would be $116.

If the 3rd party administrator determines that an Operator is delinquent, the Operator can be sent directly to collections without further review and Operator will be responsible for all late fees, interest and collection fees.

If it is determined that the nonpayment of any remittance due pursuant to this Plan is due to fraud, a penalty of twenty-five percent (25%) of the amount of the assessment shall be added thereto in addition to the penalties stated above. Every penalty imposed and such interest as accrues under the provisions of this section shall become a part of the assessment required to be paid.

The assessments collected shall be forwarded to the Handle District Corporation (HDC) which will have the responsibility of managing the BID programs as provided in this MDP.

D. Third Party Administrator

The 3rd party administrator shall be under contract to the HDC. The contract and vendor selection shall be subject to review and approval by the City. Reports on gross sales for purposes of establishing the assessment of the District will be confidential for use by the City and for the sole purpose of establishing and reconciling the assessment. Any templates or forms used by the 3rd Party Administrator for correspondence or for invoices shall be reviewed and approved by the City prior to use.

E. Annual Service Plan

A service plan budget has been developed to deliver services to assessed businesses throughout the District. An annual service plan and budget will be developed and approved by the HDC Board. An estimated budget for the first year is exhibited on the next page.

The budget also includes a portion for contingencies and renewal of the District. Should the HDC Board approve, funds may be appropriated for the renewal effort. If there are funds remaining at the end of the District term and businesses choose to renew, these remaining funds could be transferred to the renewed District. If there are funds remaining at the end of the District and businesses choose not to renew, any remaining funds will be spent consistent with this Plan or returned to assessed businesses in equal proportion to the assessment paid by each business.

F. Adjustments

The HDC board has full authority to manage expenditures consistent with this Plan subject to annual approval of the District's annual report by City Council. Although actual revenues will fluctuate due to market conditions, the proportional allocations of the budget below shall remain the same except to the extent that City and 3rd party administrator actual costs vary. The HDC board shall have the authority to adjust all other budget allocations between the categories below by no more than fifteen percent (15%) per year.

G. Service Plan Budget and Programs

A summary of the annual service plan budget for the HBID is provided below. The total ten year improvement and service plan budget is projected at approximately $200,000 annually, or $2,000,000 through 2026.

Service Plan Budget Summary - Calendar Years 2017 - 2026

Service	Year 1 Percent	Year 1 Amount
Streetscape and Safety Projects	25%	$50,000
Marketing, Advertising and Special Events	50%	$100,000
Administrative and Operations	10%	$20,000
Assessment Collection / City Services	6%	$12,000
Contingency / Renewal	9%	$18,000

TOTALS	100%	$200,000

Streetscape and Safety Projects

Streetscape and Safety programs will be designed to provide targeted services to assessed businesses, and will include: 1.) maintenance services (lighting and landscaping improvements) and 2.) public safety programs. All projects and programs will have the ultimate goal of improving the business environment for assessed businesses to create an increase in business revenue for those businesses. Streetscape and Safety improvements will not be provided to non-assessed businesses or properties within the district.

Marketing, Advertising and Special Events

Increased marketing and advertising services will be provided to assessed businesses. Collateral materials promoting the assessed businesses will be created. Special events designed to bring increased patronage to assessed businesses will be sponsored.

Administrative / Operations

The administrative and operations budget will fund insurance, office, legal and accounting expenses that will be incurred to provide Handle District services.

Assessment Collection Expenses and City Services

The assessment will be collected from businesses by a third-party administrator. The City expenses will be at cost and include: City staff reimbursement costs which are capped at $5,000 per year (but are based on actual costs, and are subject to annual review of the adequacy of expenditure level), and an estimated $5,000 per year for the 3rd party administrator. All City administrative costs will be accounted for in detail and in accordance with generally accepted methods for costing under Federal regulations (OMB Circulars). Costs associated with renewing the HBID, specifically consultant fees will be paid by the HDC.

Contingency / Renewal

The budget includes a prudent fiscal reserve. Changes in data and other issues may change the revenue and expenses. In order to buffer the organization for unexpected changes in revenue and/or allow the district to fund other overhead costs, the reserve is included as a budget item. If there are contingency funds collected and they remain near the expiration of the District, they may be used for the costs of renewing the District.

Vi. BID Governance

A. Handle Business Improvement District Corporation Governance

The HDC will serve as the Owners' Association for the HBID. The HDC will have seven board members: four (4) restaurant owners, one (1) property owner, and two (2) other business owners. Board members may be the owner of a business or property or the owners' designated representative.

B. Brown Act and California Public Records Act Compliance

The Owner's Association of a BID must act as a legislative body under the Ralph M. Brown Act (Government Code §54950 et seq.). Thus, meetings of the HDC board must be held in compliance with the public notice and other requirements of the Brown Act. The owners' association of a BID is also required to comply with the record keeping requirements of the California Public Records Act.

C. Annual Report

The HDC board shall present an annual report by November 1 of every year beginning calendar year 2017 to the City Council pursuant to Streets and Highways Code §36650 (see Appendix 1).

Appendix 1 – The Property and Business Improvement District Law of 1994

*** This document is current through the 2016 Supplement ***
(All 2015 legislation)

STREETS AND HIGHWAYS CODE
Division 18. Parking
Part 7. Property and Business Improvement District Law of 1994

Cal Sts & Hy Code Div. 18, Pt. 7 (2016)

CHAPTER 1. General Provisions [36600 - 36617]

ARTICLE 1. Declarations [36600 - 36604]

36600. Citation of part
This part shall be known and may be cited as the "Property and Business Improvement District Law of 1994."

36601. Legislative findings and declarations; Legislative guidance
The Legislature finds and declares all of the following:

(a) Businesses located and operating within business districts in some of this state's communities are economically disadvantaged, are underutilized, and are unable to attract customers due to inadequate facilities, services, and activities in the business districts.

(b) It is in the public interest to promote the economic revitalization and physical maintenance of business districts in order to create jobs, attract new businesses, and prevent the erosion of the business districts.

(c) It is of particular local benefit to allow business districts to fund business related improvements, maintenance, and activities through the levy of assessments upon the businesses or real property that receive benefits from those improvements.

(d) Assessments levied for the purpose of conferring special benefit upon the real property or businesses in a business district are not taxes for the general benefit of a city, even if property or persons not assessed receive incidental or collateral effects that benefit them.

(e) Property and business improvement districts formed throughout this state have conferred special benefits upon properties and businesses within their districts and have made those properties and businesses more useful by providing the following benefits:

(1) Crime reduction. A study by the Rand Corporation has confirmed a 12-percent reduction in the incidence of robbery and an 8-percent reduction in the total incidence of violent crimes within the 30 districts studied.

(2) Job creation.

(3) Business attraction.

(4) Business retention.

(5) Economic growth.

(6) New investments.

(f) With the dissolution of redevelopment agencies throughout the state, property and business improvement districts have become even more important tools with which communities can combat blight, promote economic opportunities, and create a clean and safe environment.

(g) Since the enactment of this act, the people of California have adopted Proposition 218, which added Article XIII D to the Constitution in order to place certain requirements and restrictions on the formation of, and activities, expenditures, and assessments by property-based districts. Article XIII D of the Constitution provides that property-based districts may only levy assessments for special benefits.

(h) The act amending this section is intended to provide the Legislature's guidance with regard to this act, its interaction with the provisions of Article XIII D of the Constitution, and the determination of special benefits in property-based districts.

(1) The lack of legislative guidance has resulted in uncertainty and inconsistent application of this act, which discourages the use of assessments to fund needed improvements, maintenance, and activities in property-based districts, contributing to blight and other underutilization of property.
(2) Activities undertaken for the purpose of conferring special benefits upon property to be assessed inherently produce incidental or collateral effects that benefit property or persons not assessed. Therefore, for special benefits to exist as a separate and distinct category from general benefits, the incidental or collateral effects of those special benefits are inherently part of those special benefits. The mere fact that special benefits produce incidental or collateral effects that benefit property or persons not assessed does not convert any portion of those special benefits or their incidental or collateral effects into general benefits.
(3) It is of the utmost importance that property-based districts created under this act have clarity regarding restrictions on assessments they may levy and the proper determination of special benefits. Legislative clarity with regard to this act will provide districts with clear instructions and courts with legislative intent regarding restrictions on property-based assessments, and the manner in which special benefits should be determined.

36602. Purpose of part
The purpose of this part is to supplement previously enacted provisions of law that authorize cities to levy assessments within property and business improvement districts, to ensure that those assessments conform to all constitutional requirements and are determined and assessed in accordance with the guidance set forth in this act. This part does not affect or limit any other provisions of law authorizing or providing for the furnishing of improvements or activities or the raising of revenue for these purposes.

36603. Preemption of authority or charter city to adopt ordinances levying assessments
Nothing in this part is intended to preempt the authority of a charter city to adopt ordinances providing for a different method of levying assessments for similar or additional purposes from those set forth in this part. A property and business improvement district created pursuant to this part is expressly exempt from the provisions of the Special Assessment Investigation, Limitation and Majority Protest Act of 1931 (Division 4 (commencing with Section 2800)).

36603.5. Part prevails over conflicting provisions
Any provision of this part that conflicts with any other provision of law shall prevail over the other provision of law, as to districts created under this part.

36604. Severability
This part is intended to be construed liberally and, if any provision is held invalid, the remaining provisions shall remain in full force and effect. Assessments levied under this part are not special taxes.

ARTICLE 2. Definitions [36606 - 36616]

36606. “Activities”
“Activities” means, but is not limited to, all of the following that benefit businesses or real property in the district:
(a) Promotion of public events.
(b) Furnishing of music in any public place.
(c) Promotion of tourism within the district.
(d) Marketing and economic development, including retail retention and recruitment.
(e) Providing security, sanitation, graffiti removal, street and sidewalk cleaning, and other municipal services supplemental to those normally provided by the municipality.
(f) Other services provided for the purpose of conferring special benefit upon assessed businesses and real property located in the district.

36606.5. “Assessment”
“Assessment” means a levy for the purpose of acquiring, constructing, installing, or maintaining improvements and providing activities that will provide certain benefits to properties or businesses located within a property and business improvement district.

36607. “Business”

"Business" means all types of businesses and includes financial institutions and professions.

36608. "City"
"City" means a city, county, city and county, or an agency or entity created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code, the public member agencies of which includes only cities, counties, or a city and county, or the State of California.

36609. "City council"
"City council" means the city council of a city or the board of supervisors of a county, or the agency, commission, or board created pursuant to a joint powers agreement and which is a city within the meaning of this part.

36609.4. "Clerk"
"Clerk" means the clerk of the legislative body.

36609.5. "General benefit"
"General benefit" means, for purposes of a property-based district, any benefit that is not a "special benefit" as defined in Section 36615.5.

36610. "Improvement"
"Improvement" means the acquisition, construction, installation, or maintenance of any tangible property with an estimated useful life of five years or more including, but not limited to, the following:

(a) Parking facilities.
(b) Benches, booths, kiosks, display cases, pedestrian shelters and signs.
(c) Trash receptacles and public restrooms.
(d) Lighting and heating facilities.
(e) Decorations.
(f) Parks.
(g) Fountains.
(h) Planting areas.
(i) Closing, opening, widening, or narrowing of existing streets.
(j) Facilities or equipment, or both, to enhance security of persons and property within the area.
(k) Ramps, sidewalks, plazas, and pedestrian malls.
(l) Rehabilitation or removal of existing structures.

36611. "Management district plan"; "Plan"
"Management district plan" or "plan" means a proposal as defined in Section 36622.

36612. "Owners' association"
"Owners' association" means a private nonprofit entity that is under contract with a city to administer or implement improvements, maintenance, and activities specified in the management district plan. An owners' association may be an existing nonprofit entity or a newly formed nonprofit entity. An owners' association is a private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose. Notwithstanding this section, an owners' association shall comply with the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code), at all times when matters within the subject matter of the district are heard, discussed, or deliberated, and with the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), for all records relating to activities of the district.

36614. "Property"
"Property" means real property situated within a district.

36614.5. "Property and business improvement district"; "District"
"Property and business improvement district," or "district," means a property and business improvement district established pursuant to this part.

36614.6. "Property-based assessment"
"Property-based assessment" means any assessment made pursuant to this part upon real property.

36614.7. "Property-based district"
"Property-based district" means any district in which a city levies a property-based assessment.

36615. "Property owner"; "Business owner"; "Owner"
"Property owner" means any person shown as the owner of land on the last equalized assessment roll or otherwise known to be the owner of land by the city council. "Business owner" means any person recognized by the city as the owner of the business. "Owner" means either a business owner or a property owner. The city council has no obligation to obtain other information as to the ownership of land or businesses, and its determination of ownership shall be final and conclusive for the purposes of this part. Wherever this part requires the signature of the property owner, the signature of the authorized agent of the property owner shall be sufficient. Wherever this part requires the signature of the business owner, the signature of the authorized agent of the business owner shall be sufficient.

36615.5. "Special benefit"
"Special benefit" means, for purposes of a property-based district, a particular and distinct benefit over and above general benefits conferred on real property located in a district or to the public at large. Special benefit includes incidental or collateral effects that arise from the improvements, maintenance, or activities of property-based districts even if those incidental or collateral effects benefit property or persons not assessed. Special benefit excludes general enhancement of property value.

36616. "Tenant"
"Tenant" means an occupant pursuant to a lease of commercial space or a dwelling unit, other than an owner.

ARTICLE 3. Prior Law [36617- 36617.]

36617. Alternate method of financing certain improvements and activities; Effect on other provision
This part provides an alternative method of financing certain improvements and activities. The provisions of this part shall not affect or limit any other provisions of law authorizing or providing for the furnishing of improvements or activities or the raising of revenue for these purposes. Every improvement area established pursuant to the Parking and Business Improvement Area Law of 1989 (Part 6 (commencing with Section 36500) of this division) is valid and effective and is unaffected by this part.

CHAPTER 2. Establishment [36620 - 36630]

36620. Establishment of property and business improvement district
A property and business improvement district may be established as provided in this chapter.

36620.5. Requirement of consent of city council
A county may not form a district within the territorial jurisdiction of a city without the consent of the city council of that city. A city may not form a district within the unincorporated territory of a county without the consent of the board of supervisors of that county. A city may not form a district within the territorial jurisdiction of another city without the consent of the city council of the other city.

36621. Initiation of proceeding; Petition of property or business owners in proposed district

(a) Upon the submission of a written petition, signed by the property or business owners in the proposed district who will pay more than 50 percent of the assessments proposed to be levied, the city council may initiate proceedings to form a district by the adoption of a resolution expressing its intention to form a district. The amount of assessment attributable to property or a business owned by the same property or business owner that is in excess of 40 percent of the amount of all assessments proposed to be levied, shall not be included in determining whether the petition is signed by property or business owners who will pay more than 50 percent of the total amount of assessments proposed to be levied.

(b) The petition of property or business owners required under subdivision (a) shall include a summary of the management district plan. That summary shall include all of the following:

(1) A map showing the boundaries of the district.

(2) Information specifying where the complete management district plan can be obtained.

(3) Information specifying that the complete management district plan shall be furnished upon request.

(c) The resolution of intention described in subdivision (a) shall contain all of the following:

(1) A brief description of the proposed improvements, maintenance, and activities, the amount of the proposed assessment, a statement as to whether the assessment will be levied on property or businesses within the district, a statement as to whether bonds will be issued, and a description of the exterior boundaries of the proposed district, which may be made by reference to any plan or map that is on file with the clerk. The descriptions and statements do not need to be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements, maintenance, and activities, and the location and extent of the proposed district.

(2) A time and place for a public hearing on the establishment of the property and business improvement district and the levy of assessments, which shall be consistent with the requirements of Section 36623.

36622. Contents of management district plan

The management district plan shall include, but is not limited to, all of the following:

(a) If the assessment will be levied on property, a map of the district in sufficient detail to locate each parcel of property and, if businesses are to be assessed, each business within the district. If the assessment will be levied on businesses, a map that identifies the district boundaries in sufficient detail to allow a business owner to reasonably determine whether a business is located within the district boundaries. If the assessment will be levied on property and businesses, a map of the district in sufficient detail to locate each parcel of property and to allow a business owner to reasonably determine whether a business is located within the district boundaries.

(b) The name of the proposed district.

(c) A description of the boundaries of the district, including the boundaries of benefit zones, proposed for establishment or extension in a manner sufficient to identify the affected property and businesses included, which may be made by reference to any plan or map that is on file with the clerk. The boundaries of a proposed property assessment district shall not overlap with the boundaries of another existing property assessment district created pursuant to this part. This part does not prohibit the boundaries of a district created pursuant to this part to overlap with other assessment districts established pursuant to other provisions of law, including, but not limited to, the Parking and Business Improvement Area Law of 1989 (Part 6 (commencing with Section 36500)). This part does not prohibit the boundaries of a business assessment district created pursuant to this part to overlap with another business assessment district created pursuant to this part. This part does not prohibit the boundaries of a business assessment district created pursuant to this part to overlap with a property assessment district created pursuant to this part.

(d) The improvements, maintenance, and activities proposed for each year of operation of the district and the maximum cost thereof. If the improvements, maintenance, and activities proposed for each year of operation are the same, a description of the first year's proposed improvements, maintenance, and activities and a statement that the same improvements, maintenance, and activities are proposed for subsequent years shall satisfy the requirements of this subdivision.

(e) The total annual amount proposed to be expended for improvements, maintenance, or activities, and debt service in each year of operation of the district. If the assessment is levied on businesses, this amount may be estimated based upon the assessment rate. If the total annual amount proposed to be expended in each year of operation of the district is not significantly different, the amount proposed to be expended in the initial year and a statement that a similar amount applies to subsequent years shall satisfy the requirements of this subdivision.

(f) The proposed source or sources of financing, including the proposed method and basis of levying the assessment in sufficient detail to allow each property or business owner to calculate the amount of the assessment to be levied against his or her property or business. The plan also shall state whether bonds will be issued to finance improvements.

(g) The time and manner of collecting the assessments.

(h) The specific number of years in which assessments will be levied. In a new district, the maximum number of years shall be five. Upon renewal, a district shall have a term not to exceed 10 years. Notwithstanding these limitations, a district created pursuant to this part to finance capital improvements with bonds may levy assessments until the maximum maturity of the bonds. The management district plan may set forth specific increases in assessments for each year of operation of the district.

(i) The proposed time for implementation and completion of the management district plan.

(j) Any proposed rules and regulations to be applicable to the district.

(k) (1) A list of the properties or businesses to be assessed, including the assessor's parcel numbers for properties to be assessed, and a statement of the method or methods by which the expenses of a district will be imposed upon benefited real property or businesses, in proportion to the benefit received by the property or business, to defray the cost thereof.

(2) In a property-based district, the proportionate special benefit derived by each identified parcel shall be determined exclusively in relationship to the entirety of the capital cost of a public improvement, the maintenance and operation expenses of a public improvement, or the cost of the activities. An assessment shall not be imposed on any parcel that exceeds the reasonable cost of the proportional special benefit conferred on that parcel. Only special benefits are assessable, and a property-based district shall separate the general benefits, if any, from the special benefits conferred on a parcel. Parcels within a property-based district that are owned or used by any city, public agency, the State of California, or the United States shall not be exempt from assessment unless the governmental entity can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit. The value of any incidental, secondary, or collateral effects that arise from the improvements, maintenance, or activities of a property-based district and that benefit property or persons not assessed shall not be deducted from the entirety of the cost of any special benefit or affect the proportionate special benefit derived by each identified parcel.

(l) In a property-based district, the total amount of all special benefits to be conferred upon the properties located within the property-based district.

(m) In a property-based district, the total amount of general benefits, if any.

(n) In a property-based district, a detailed engineer's report prepared by a registered professional engineer certified by the State of California supporting all assessments contemplated by the management district plan.

(o) Any other item or matter required to be incorporated therein by the city council.

36623. Procedure to levy assessment

(a) If a city council proposes to levy a new or increased property assessment, the notice and protest and hearing procedure shall comply with Section 53753 of the Government Code.

(b) If a city council proposes to levy a new or increased business assessment, the notice and protest and hearing procedure shall comply with Section 54954.6 of the Government Code, except that notice shall be mailed to the owners of the businesses proposed to be assessed. A protest may be made orally or in writing by any interested person. Every written protest shall be filed with the clerk at or before the time fixed for the public hearing. The city council may waive any irregularity in the form or content of any written protest. A written protest may be withdrawn in writing at any time before the conclusion of the public hearing. Each written protest shall contain a description of the business in which the person subscribing the protest is interested sufficient to identify the business and, if a person subscribing is not shown on the official records of the city as the owner of the business, the protest shall contain or be accompanied by written evidence that the person subscribing is the owner of the business or the authorized representative. A written protest that does not comply with this section shall not be counted in determining a majority protest. If written protests are received from the owners or authorized representatives of businesses in the proposed district that will pay 50 percent or more of the assessments proposed to be levied and protests are not withdrawn so as to reduce the protests to less than 50 percent, no further proceedings to levy the proposed assessment against such businesses, as contained in the resolution of intention, shall be taken for a period of one year from the date of the finding of a majority protest by the city council.

(c) If a city council proposes to conduct a single proceeding to levy both a new or increased property assessment and a new or increased business assessment, the notice and protest and hearing procedure for the property assessment shall comply with subdivision (a), and the notice and protest and hearing procedure for the business assessment shall comply with subdivision (b). If a majority protest is received from either the property or business owners, that respective portion of the assessment shall not be levied. The remaining portion of the assessment may be levied unless the improvement or other special benefit was proposed to be funded by assessing both property and business owners.

36624. Changes to proposed assessments

At the conclusion of the public hearing to establish the district, the city council may adopt, revise, change, reduce, or modify the proposed assessment or the type or types of improvements, maintenance, and activities to be funded with the revenues from the assessments. Proposed assessments may only be revised by reducing any or all of them. At the

public hearing, the city council may only make changes in, to, or from the boundaries of the proposed property and business improvement district that will exclude territory that will not benefit from the proposed improvements, maintenance, and activities. Any modifications, revisions, reductions, or changes to the proposed assessment district shall be reflected in the notice and map recorded pursuant to Section 36627.

36625. Resolution of formation

(a) If the city council, following the public hearing, decides to establish a proposed property and business improvement district, the city council shall adopt a resolution of formation that shall include, but is not limited to, all of the following:

(1) A brief description of the proposed improvements, maintenance, and activities, the amount of the proposed assessment, a statement as to whether the assessment will be levied on property, businesses, or both within the district, a statement on whether bonds will be issued, and a description of the exterior boundaries of the proposed district, which may be made by reference to any plan or map that is on file with the clerk. The descriptions and statements need not be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements, maintenance, and activities and the location and extent of the proposed district.

(2) The number, date of adoption, and title of the resolution of intention.

(3) The time and place where the public hearing was held concerning the establishment of the district.

(4) A determination regarding any protests received. The city shall not establish the district or levy assessments if a majority protest was received.

(5) A statement that the properties, businesses, or properties and businesses in the district established by the resolution shall be subject to any amendments to this part.

(6) A statement that the improvements, maintenance, and activities to be conferred on businesses and properties in the district will be funded by the levy of the assessments. The revenue from the levy of assessments within a district shall not be used to provide improvements, maintenance, or activities outside the district or for any purpose other than the purposes specified in the resolution of intention, as modified by the city council at the hearing concerning establishment of the district.

(7) A finding that the property or businesses within the area of the property and business improvement district will be benefited by the improvements, maintenance, and activities funded by the proposed assessments, and, for a property-based district, that property within the district will receive a special benefit.

(8) In a property-based district, the total amount of all special benefits to be conferred on the properties within the property-based district.

(b) The adoption of the resolution of formation and, if required, recordation of the notice and map pursuant to Section 36627 shall constitute the levy of an assessment in each of the fiscal years referred to in the management district plan.

36626. Resolution establishing district

If the city council, following the public hearing, desires to establish the proposed property and business improvement district, and the city council has not made changes pursuant to Section 36624, or has made changes that do not substantially change the proposed assessment, the city council shall adopt a resolution establishing the district. The resolution shall contain all of the information specified in Section 36625.

36627. Notice and assessment diagram

Following adoption of the resolution establishing district assessments on properties pursuant to Section 36625 or Section 36626, the clerk shall record a notice and an assessment diagram pursuant to Section 3114. No other provision of Division 4.5 (commencing with Section 3100) applies to an assessment district created pursuant to this part.

36628. Establishment of separate benefit zones within district; Categories of businesses

The city council may establish one or more separate benefit zones within the district based upon the degree of benefit derived from the improvements or activities to be provided within the benefit zone and may impose a different assessment within each benefit zone. If the assessment is to be levied on businesses, the city council may also define categories of businesses based upon the degree of benefit that each will derive from the improvements or activities to be provided within the district and may impose a different assessment or rate of assessment on each category of business, or on each category of business within each zone.

36628.5. Assessments on businesses or property owners
The city council may levy assessments on businesses or on property owners, or a combination of the two, pursuant to this part. The city council shall structure the assessments in whatever manner it determines corresponds with the distribution of benefits from the proposed improvements, maintenance, and activities, provided that any property-based assessment conforms with the requirements set forth in paragraph (2) of subdivision (k) of Section 36622.

36629. Provisions and procedures applicable to benefit zones and business categories
All provisions of this part applicable to the establishment, modification, or disestablishment of a property and business improvement district apply to the establishment, modification, or disestablishment of benefit zones or categories of business. The city council shall, to establish, modify, or disestablish a benefit zone or category of business, follow the procedure to establish, modify, or disestablish a property and business improvement district.

36630. Expiration of district; Creation of new district
If a property and business improvement district expires due to the time limit set pursuant to subdivision (h) of Section 36622, a new management district plan may be created and the district may be renewed pursuant to this part.

CHAPTER 3. Assessments [36631 - 36637]

36631. Time and manner of collection of assessment; Delinquent payments
The collection of the assessments levied pursuant to this part shall be made at the time and in the manner set forth by the city council in the resolution levying the assessment. Assessments levied on real property may be collected at the same time and in the same manner as for the ad valorem property tax, and may provide for the same lien priority and penalties for delinquent payment. All delinquent payments for assessments levied pursuant to this part may be charged interest and penalties.

36632. Assessments to be based on estimated benefit; Classification of real property and businesses; Exclusion of residential and agricultural property

(a) The assessments levied on real property pursuant to this part shall be levied on the basis of the estimated benefit to the real property within the property and business improvement district. The city council may classify properties for purposes of determining the benefit to property of the improvements and activities provided pursuant to this part.

(b) Assessments levied on businesses pursuant to this part shall be levied on the basis of the estimated benefit to the businesses within the property and business improvement district. The city council may classify businesses for purposes of determining the benefit to the businesses of the improvements and activities provided pursuant to this part.

(c) Properties zoned solely for residential use, or that are zoned for agricultural use, are conclusively presumed not to benefit from the improvements and service funded through these assessments, and shall not be subject to any assessment pursuant to this part.

36633. Time for contesting validity of assessment
The validity of an assessment levied under this part shall not be contested in any action or proceeding unless the action or proceeding is commenced within 30 days after the resolution levying the assessment is adopted pursuant to Section 36626. Any appeal from a final judgment in an action or proceeding shall be perfected within 30 days after the entry of judgment.

36634. Service contracts authorized to establish levels of city services
The city council may execute baseline service contracts that would establish levels of city services that would continue after a property and business improvement district has been formed.

36635. Request to modify management district plan
The owners' association may, at any time, request that the city council modify the management district plan. Any modification of the management district plan shall be made pursuant to this chapter.

36636. Modification of plan by resolution after public hearing; Adopting of resolution of intention

(a) Upon the written request of the owners' association, the city council may modify the management district plan after conducting one public hearing on the proposed modifications. The city council may

modify the improvements and activities to be funded with the revenue derived from the levy of the assessments by adopting a resolution determining to make the modifications after holding a public hearing on the proposed modifications. If the modification includes the levy of a new or increased assessment, the city council shall comply with Section 36623. Notice of all other public hearings pursuant to this section shall comply with both of the following:

(1) The resolution of intention shall be published in a newspaper of general circulation in the city once at least seven days before the public hearing.

(2) A complete copy of the resolution of intention shall be mailed by first class mail, at least 10 days before the public hearing, to each business owner or property owner affected by the proposed modification.

(b) The city council shall adopt a resolution of intention which states the proposed modification prior to the public hearing required by this section. The public hearing shall be held not more than 90 days after the adoption of the resolution of intention.

36637. Reflection of modification in notices recorded and maps

Any subsequent modification of the resolution shall be reflected in subsequent notices and maps recorded pursuant to Division 4.5 (commencing with Section 3100), in a manner consistent with the provisions of Section 36627.

CHAPTER 3.5. Financing [36640- 36640.]

36640. Bonds authorized; Procedure; Restriction on reduction or termination of assessments

(a)The city council may, by resolution, determine and declare that bonds shall be issued to finance the estimated cost of some or all of the proposed improvements described in the resolution of formation adopted pursuant to Section 36625, if the resolution of formation adopted pursuant to that section provides for the issuance of bonds, under the Improvement Bond Act of 1915 (Division 10 (commencing with Section 8500)) or in conjunction with Marks-Roos Local Bond Pooling Act of 1985 (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code). Either act, as the case may be, shall govern the proceedings relating to the issuance of bonds, although proceedings under the Bond Act of 1915 may be modified by the city council as necessary to accommodate assessments levied upon business pursuant to this part.

(b) The resolution adopted pursuant to subdivision (a) shall generally describe the proposed improvements specified in the resolution of formation adopted pursuant to Section 36625, set forth the estimated cost of those improvements, specify the number of annual installments and the fiscal years during which they are to be collected. The amount of debt service to retire the bonds shall not exceed the amount of revenue estimated to be raised from assessments over 30 years.

(c) Notwithstanding any other provision of this part, assessments levied to pay the principal and interest on any bond issued pursuant to this section shall not be reduced or terminated if doing so would interfere with the timely retirement of the debt.

CHAPTER 4. Governance [36650 - 36651]

36650. Report by owners' association; Approval or modification by city council

(a) The owners' association shall cause to be prepared a report for each fiscal year, except the first year, for which assessments are to be levied and collected to pay the costs of the improvements, maintenance, and activities described in the report. The owners' association's first report shall be due after the first year of operation of the district. The report may propose changes, including, but not limited to, the boundaries of the property and business improvement district or any benefit zones within the district, the basis and method of levying the assessments, and any changes in the classification of property, including any categories of business, if a classification is used.

(b) The report shall be filed with the clerk and shall refer to the property and business improvement district by name, specify the fiscal year to which the report applies, and, with respect to that fiscal year, shall contain all of the following information:

(1) Any proposed changes in the boundaries of the property and business improvement district or in any benefit zones or classification of property or businesses within the district.

(2) The improvements, maintenance, and activities to be provided for that fiscal year.

(3) An estimate of the cost of providing the improvements, maintenance, and activities for that fiscal year.

(4) The method and basis of levying the assessment in sufficient detail to allow each real property or business owner, as appropriate, to estimate the amount of the assessment to be levied against his or her property or business for that fiscal year.
(5) The estimated amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
(6) The estimated amount of any contributions to be made from sources other than assessments levied pursuant to this part.

(c) The city council may approve the report as filed by the owners' association or may modify any particular contained in the report and approve it as modified. Any modification shall be made pursuant to Sections 36635 and 36636.

The city council shall not approve a change in the basis and method of levying assessments that would impair an authorized or executed contract to be paid from the revenues derived from the levy of assessments, including any commitment to pay principal and interest on any bonds issued on behalf of the district.

36651. Designation of owners' association to provide improvements, maintenance, and activities

The management district plan may, but is not required to, state that an owners' association will provide the improvements, maintenance, and activities described in the management district plan. If the management district plan designates an owners' association, the city shall contract with the designated nonprofit corporation to provide services.

CHAPTER 5. Renewal [36660- 36660.]

36660. Renewal of district; Transfer or refund of remaining revenues; District term limit

(a) Any district previously established whose term has expired, or will expire, may be renewed by following the procedures for establishment as provided in this chapter.

(b) Upon renewal, any remaining revenues derived from the levy of assessments, or any revenues derived from the sale of assets acquired with the revenues, shall be transferred to the renewed district. If the renewed district includes additional parcels or businesses not included in the prior district, the remaining revenues shall be spent to benefit only the parcels or businesses in the prior district. If the renewed district does not include parcels or businesses included in the prior district, the remaining revenues attributable to these parcels shall be refunded to the owners of these parcels or businesses.

(c) Upon renewal, a district shall have a term not to exceed 10 years, or, if the district is authorized to issue bonds, until the maximum maturity of those bonds. There is no requirement that the boundaries, assessments, improvements, or activities of a renewed district be the same as the original or prior district.

CHAPTER 6. Disestablishment [36670 - 36671]

36670. Circumstances permitting disestablishment of district; Procedure

(a) Any district established or extended pursuant to the provisions of this part, where there is no indebtedness, outstanding and unpaid, incurred to accomplish any of the purposes of the district, may be disestablished by resolution by the city council in either of the following circumstances:

(1) If the city council finds there has been misappropriation of funds, malfeasance, or a violation of law in connection with the management of the district, it shall notice a hearing on disestablishment.

(2) During the operation of the district, there shall be a 30-day period each year in which assessees may request disestablishment of the district. The first such period shall begin one year after the date of establishment of the district and shall continue for 30 days. The next such 30-day period shall begin two years after the date of the establishment of the district. Each successive year of operation of the district shall have such a 30-day period. Upon the written petition of the owners or authorized representatives of real property or the owners or authorized representatives of businesses in the area who pay 50 percent or more of the assessments levied, the city council shall pass a resolution of intention to disestablish the district. The city council shall notice a hearing on disestablishment.

(b) The city council shall adopt a resolution of intention to disestablish the district prior to the public hearing required by this section. The resolution shall state the reason for the disestablishment, shall state the time and place of the public hearing, and shall contain a proposal to dispose of any assets acquired with the revenues of the assessments levied within the property and business improvement district. The notice of

the hearing on disestablishment required by this section shall be given by mail to the property owner of each parcel or to the owner of each business subject to assessment in the district, as appropriate. The city shall conduct the public hearing not less than 30 days after mailing the notice to the property or business owners. The public hearing shall be held not more than 60 days after the adoption of the resolution of intention.

36671. Refund of remaining revenues upon disestablishment or expiration without renewal of district; Calculation of refund; Use of outstanding revenue collected after disestablishment of district

(a) Upon the disestablishment or expiration without renewal of a district, any remaining revenues, after all outstanding debts are paid, derived from the levy of assessments, or derived from the sale of assets acquired with the revenues, or from bond reserve or construction funds, shall be refunded to the owners of the property or businesses then located and operating within the district in which assessments were levied by applying the same method and basis that was used to calculate the assessments levied in the fiscal year in which the district is disestablished or expires. All outstanding assessment revenue collected after disestablishment shall be spent on improvements and activities specified in the management district plan.
(b) If the disestablishment occurs before an assessment is levied for the fiscal year, the method and basis that was used to calculate the assessments levied in the immediate prior fiscal year shall be used to calculate the amount of any refund.

Appendix 2 – businesses to be assessed within THE HBID

Business Name	Location Address
58 DEGRESS AND HOLDING CO.	1217 18TH ST
AIOLI BODEGA ESPANOLA	1800 L ST
BRODERICK	1820 L ST
BUCKHORN GRILL	1801 L ST 10
CHIPOTLE MEXICAN GRILL	1831 CAPITOL AVE
CREPEVILLE	1730 L ST
DEVINE GELATERIA	1221 19TH ST
EATUSCANY CAFFE	1801 L ST 80
GINGER ELIZABETH CHOCOLATES	1801 L ST 60
MULVANEY'S B & L	1215 19TH ST 100
OLD SOUL COMPANY	1716 L ST (ALLEY)
PAESANO'S	1806 CAPITOL AVE
THE PRESS	1809 CAPITOL AVE
THE RIND	1801 L ST 40
WRAP N ROLL SUSHI BURRITO	1801 L ST 70
YOGURTAGOGO	1801 L ST 90
ZOCALO	1801 CAPITOL AVE

Assessed business information as of April 2016. Businesses may change over time. As a result in the change in businesses over time, the amount of assessments collected and associated HBID budget may vary.