

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: RAFAEL RIVERO, ECONOMIC DEVELOPMENT SPECIALIST  
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT  
SUBJECT: RESOLUTION FORMING THE SANTA ROSA RAILROAD  
SQUARE COMMUNITY BENEFIT DISTRICT AND LEVYING THE  
ASSESSMENT IN CONNECTION THEREWITH

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Planning and Economic Development Department that the Council hold a public hearing to consider oral and written testimony regarding the formation of a community benefit improvement district, and tabulate all assessment ballots returned to the City pursuant to procedures set forth in the Resolution of Intention; and, if the assessment balloting does not result in a majority protest, then waive first reading and approve the resolution forming the Santa Rosa Railroad Square Community Benefit District and levying and collecting the Assessment in connection therewith.

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EXECUTIVE SUMMARY

Ordinance No. 2018-004, enabling the establishment of Community Benefit Districts (CBD) by adding Article V to Chapter 6-56 of the Santa Rosa City Code, was adopted on March 20, 2018. Subsequently, the Santa Rosa Downtown CBD was established on July 17, 2018, and an effort to establish a Railroad Square area CBD was launched. Related to the latter effort, a petition, cover letter, summary management District Plan (MDP) and return envelope was mailed in late August to Railroad Square area property owners within a pre-determined area roughly encompassing 18 square blocks between Third Street to Eighth Street and Davis Street to the rail tracks, and consisting of 92 parcels owned by 57 property owners, including the City of Santa Rosa.

Per the local enabling ordinance, the ballots must be tabulated at a public hearing and will be weighted based on the value of the parcel assessment to the total assessment. To pass, a simple majority of the ballots returned would need to be in favor of formation in order for Council to approve the Resolution of Formation and levying of assessments.

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This resolution supports the City Council goal to foster a strong downtown and overall economic development of the community.

BACKGROUND

On September 10, 2019, District property owners met the requirements of the CBD Ordinance by submitting qualified petitions requesting the initiation of proceedings to establish the District. A Santa Rosa Railroad Square Community Benefit District Management District Plan, certified by a qualified District Assessment Engineer, was prepared and submitted to the Santa Rosa City Clerk. This Plan was made available on the City's website and in hard copy at the City Clerk's Office.

On the same date, Council adopted a Resolution of Intention (Council Resolution RES-2019-141) to establish the District. The Resolution of Intention states that the assessment proposed to be levied and collected for Fiscal Year 2019-2020 is \$231,826.09. The amount to be levied and collected for the subsequent years may be increased by a vote of the property owner Board of Directors by an amount not to exceed five percent (5%) per year.

Due to the special benefit nature of assessments levied within a CBD, program costs are distributed amongst all identified specially benefited properties based on the proportional amount of special program benefits each property is expected to derive from the assessments collected. The purpose of the assessments is to fund physical improvements, attract new customers, and increase business sales through maintenance, special events, marketing and other such activities.

The methodology used for the assessment is calculated based on a given property's linear frontage, lot size square footage, and building square footage. Future residential condominiums constructed within the District will have a separate calculation as identified in the management district plan included in this packet, in that linear frontage and lot size are not relevant to residential condominiums. A more detailed breakdown of the assessment methodology can be found in Section 4 of the Management District Plan.

PRIOR CITY COUNCIL REVIEW

On March 13, 2018, Ordinance No. 2018-004 enabling the establishment of Community Benefit Districts (CBD) by adding Article V to Chapter 6-56 of the Santa Rosa City Code, was introduced by the City Council.

On September 10, 2019, Council approved by unanimous vote Resolution No. RES-2019-141, Resolution of Intent to establish the Santa Rosa Railroad Square Community Benefit District.

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ANALYSIS

Per the City's CBD Ordinance (Chapter 6-56, Article 5), and State Proposition 218, official ballots were mailed to affected property owners in the District. The City Council may establish the District and levy assessments for the Fiscal Year that started on July 1, 2019, if, at the close of the Public Hearing, a majority of the weighted returned ballots vote in favor of the formation. Weight is determined by the dollar amount that each property owner will be paying into the proposed CBD. The owners of the largest properties, with bigger buildings, greater lot size, more street frontage, and with their location within a specific benefit zone, will be subject to paying more into the District, and will therefore have their votes count in proportion to what they will pay.

The City Council may not impose an assessment if there is a weighted majority protest. A majority protest exists if, upon the conclusion of the Public Hearing, the weighted ballots submitted in opposition to the assessment exceed the ballots submitted in favor of the assessment.

The City's ballots representing the City's property ownership within the boundaries of the District may be considered in tabulation of the balloting.

Only ballots with original signatures (no photocopies of signatures) will be accepted. Ballots will not be counted if the ballot is a photocopy without an original signature, is unsigned, or lacks an identifiable "yes" or "no" vote. Ballots must be cast by the property owner, or the person(s) authorized to vote on behalf of the property owner.

If the Santa Rosa Railroad Square CBD is established, an annual assessment will be collected from each property owner through a manual billing process by the City with payments due in December 2019, and thereafter on their County property tax bills beginning with the bill due in December 2020. The total first year assessment revenue in the proposed CBD is calculated to be \$231,826.09.

The area proposed to be the Railroad Square CBD is comprised of approximately 18 square blocks consisting of 92 parcels owned by 57 property owners, including the City of Santa Rosa, within the rough boundaries of:

- *On the south:* on the southern side of the parcels (along the Santa Rosa Creek) which have the Marriott Hotel and Hyatt Hotel as the key tenants on the south side of 3<sup>rd</sup> Street, between Highway 101 on the east and the Railroad tracks on the west;
- *On the north:* up to south side of the intersection of Wilson and 8<sup>th</sup> Street on the east side of the Railroad tracks;
- *On the west:* the edge of the parcels that are on the east side of the Santa Rosa Creek up to 6<sup>th</sup> Street;

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- On the east: parcels on both sides of Davis Street from 3<sup>rd</sup> Street north to 6<sup>th</sup> Street and then on the east side of Davis from 6<sup>th</sup> to 7<sup>th</sup> Street

Per the Assessment Engineer’s Report (attached to the resolution), there is no set term for the CBD, though the plan and report include the provision that the CBD may be dissolved in the same manner as it was formed. It also establishes the metrics to calculate each parcel’s special assessment. Consistent with State law, each parcel is assessed in three ways based upon: 1) linear frontage, 2) building square footage, and 3) lot square footage. A fourth factor is included to address residential condominiums which need special attention as future condominium owners will have partial title tied to one common area parcel as well as their air space. The district map in the Management District Plan indicates with specificity the district boundaries and benefit zones.

There are four general categories of services articulated in the Report, summarized as follows:

<b>Special Benefit Category</b>	<b>Year 1 Budget</b>	<b>% of Budget</b>
<b>Sidewalk Operations/Civil Sidewalks</b> <i>includes safety, cleanliness, beautification, and the maintenance of an attractive appearance of the District</i>	\$157,642	68%
<b>District Identity/Placemaking Improvements</b> <i>Includes branding and advertising, seasonal decorations and events, art, potential valet service and public space design and development</i>	\$30,137	13%
<b>Program Management/Administration</b> <i>Staff and administration, insurance, rent, legal, and accounting</i>	\$41,729	18%
<b>Contingency/Reserve</b> <i>Delinquencies, City and County fees, and reserves</i>	\$2,318	1%
<b>Total First Year Budget</b>	<b>\$231,826</b>	<b>100%</b>

The Assessment Engineer’s Report elaborates on the direct link of the assessments to the services to be rendered, as required by law. The proposed distribution of revenues by service level percentages will remain in place for the life of the District unless amended by another petition and balloting process. There is a cost of living increase provision that provides for up to a 5% annual increase in rates at the discretion of the Management Board.

It is anticipated that the Railroad Square Association (RSA), a 501(c)3 organization, will become the management organization of the Santa Rosa Railroad Square CBD. Per the proposed draft bylaws of the RSA, at least two thirds (2/3) of the board of directors

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will be owners of real property within the boundaries of the District, with the remaining one third (1/3) of the seats open to owners of businesses, residents within the District boundaries, or at large directors.

As noted, during its first year of operation (2020), the City of Santa Rosa will manually bill the property owners within the Railroad Square CBD in November with a bill due in December 2019 to fund the special benefit services for 2020. The manual billing will have the same force of law as the collection through the County property tax collection procedures. Thereafter, the Railroad Square CBD assessments will show up as a separate line item on the annual property tax bills prepared by the County of Sonoma Tax Assessor beginning on the bill due December 2020.

FISCAL IMPACT

If the Santa Rosa Railroad Square CBD is formed, the initial General Fund expenditure would be approximately \$3,384.00 for the assessment of the City owned parcel within the district, with an anticipated offset over time from an increase in district tax revenues.

ENVIRONMENTAL IMPACT

The proposed actions are exempt from the provisions of the California Environmental Quality Act under section 15061(b)3 in that there is no possibility that they may have significant effects on the environment. Furthermore, these activities are not a project under CEQA as defined in CEQA Guidelines section 15378 (b)(4) because they pertain to methods of creating government funding mechanisms or constitute other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

The Community Benefit District concept, enabling ordinance, and proposed Santa Rosa Railroad Square Community Benefit District were presented and discussed in the Downtown Subcommittee of the City Council, but were not presented or reviewed by the full Council. No action was taken at the subcommittee meetings.

NOTIFICATION

Not applicable.

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ATTACHMENTS

- Attachment 1 – Ballot Packet (cover letter, sample ballot)
- Resolution/Exhibit A (Santa Rosa Railroad Square
- Community Benefit District Assessment Engineer’s Report and Management District Plan)

CONTACT

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