

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL

FROM: RAISSA DE LA ROSA, ECONOMIC DEVELOPMENT MANAGER
PLANNING AND ECONOMIC DEVELOPMENT

SUBJECT: RESOLUTION 1) APPROVING THE DOWNTOWN ACTION ORGANIZATION AS THE MANAGEMENT ORGANIZATION FOR THE DOWNTOWN COMMUNITY BENEFIT DISTRICT, 2) AUTHORIZING THE SANTA ROSA DOWNTOWN COMMUNITY BENEFIT DISTRICT MANAGEMENT AND DISBURSEMENT AGREEMENT, 3) APPROPRIATING GENERAL AND PARKING DISTRICT FUNDS TO PAY CITY ASSESSMENT, AND 4) AUTHORIZING THE FINANCE DEPARTMENT TO DISBURSE ASSESSMENT FUNDS

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Planning and Economic Development Department that the Council, by resolution, 1) approve the Downtown Action Organization as the management organization of the Santa Rosa Downtown Community Benefit District, 2) approve the Santa Rosa Downtown Community Benefit District Management and Disbursement Agreement between the City of Santa Rosa and the Downtown Action Organization, 3) increase appropriations in the Economic Development key by \$137,066.74, with the sources of funding being the unassigned reserves of the General Fund and the Parking District Fund and 4) authorize the Finance Department to disburse the Community Benefit District assessment funds beginning with the City's year one assessment portion of \$137,066.74.

EXECUTIVE SUMMARY

The Santa Rosa Downtown Community Benefit District (Downtown CBD) is the first assessment district resulting from CBD enabling Ordinance No. ORD-2018-004, adopted by unanimous vote on March 20, 2018. Downtown property owners in favor of forming a CBD met both the petition and ballot minimum threshold requirements, triggering Council's approval on July 17, 2018, of the Resolution of Formation and levying of assessments (RES-2018-121), thus creating the Santa Rosa Downtown CBD.

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The Downtown Action Organization (DAO), made up of property and business owners from within the district boundaries, is a California non-profit public benefit corporation that was established to be the management organization for the new Downtown CBD. The DAO is bound by the Management District Plan and Engineer's Report that were approved through the Resolution of Formation. These documents provide the legal basis for the District, and describe and set forth the intended special benefits property owners within the District will receive. The Management and Disbursement Agreement enables the coordination of the City's and DAO's activities necessary for the successful operation, administration and implementation of the District Plan and associated improvements, including how funds will be disbursed to the DAO.

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

BACKGROUND

In September 2016, the Coalition to Restore Courthouse Square and the Santa Rosa Metro Chamber submitted a memo to the City Manager's Office stating a strong interest in pursuing a business improvement district to manage, program and maintain Courthouse Square and its environs. In early 2017 the Coalition and Chamber morphed into the Downtown Action Organization. The DAO board is currently comprised of Downtown CBD area property owners and business owners or representatives. The Council approved Management District Plan and Engineer's Report (RES-2018-121) provide the legal basis for the District, and are the implementation guidelines for the DAO along with the DAO's bylaws (Attachment 1).

As the DAO, if approved as the management organization, would be responsible for implementing the District Plan using the funds assessed and collected primarily by the County of Sonoma through property tax bills, and disbursed to the DAO through the City, a management and disbursement agreement between the City and the DAO is required (Attachment 2).

Property within the District owned by the City of Santa Rosa is also assessed. The year one assessment is \$137,066.74, which is 25.68% of the District's total assessed value, and is comprised of \$21,506.74 from the General Fund and \$115,560.00 from the Downtown Parking District.

PRIOR CITY COUNCIL REVIEW

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

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Rosa City Code, was introduced by the City Council.

On March 20, 2018, the City Council adopted Ordinance No. ORD-2018-004 by unanimous vote.

On May 22, 2018, Resolution No. RES-2018-077 stating Council's intention to establish the Santa Rosa Downtown CBD and to levy and collect assessments within the district was passed by unanimous vote.

On July 17, 2018, by unanimous vote City Council passed Resolution No. RES-2018-212 authorizing the formation of the Santa Rosa Downtown CBD and related Management District Plan and Engineer's Report.

ANALYSIS

With the establishment of the Santa Rosa Downtown CBD, an annual assessment will be collected from each property owner on their County property tax bills beginning with the bill due in December 2018. The total first year assessment revenue for the Downtown CBD is calculated to be \$533,645.00, of which the City's portion, based on the types and location of property owned by the City within the District, is \$137,066.74. The City, as well as the other non-taxable parcels owned by the Sonoma County Water Agency (\$873.42 assessment amount), Sonoma County Library (\$931.16 assessment amount), and the two utilities-owned parcels (\$1,949.20 assessment amount) have the ability to pay prior to the December deadline, thus providing the opportunity for initial startup funding for the District/DAO.

Per the Management District Plan and the DAO bylaws, the DAO will be making changes to their self-appointed board of directors now that the Downtown CBD has been officially formed. Their bylaws set the number of board of director members at 15, with at least two thirds of the directors consisting of owners of real property within the boundaries of the District, and the remaining one third consisting of owners of businesses or residents within the District boundaries. A seat on the Board of Directors will be tied to the property owned, not a specific individual elected. After an initial period during which the board will be divided into three equal groups and designated by the board to serve one, two, or three year terms, the standard term of office thereafter will be three years. It is anticipated that the City will have a seat on the board. Noticing of board meetings will follow Brown Act requirements.

Regarding the Management and Disbursement Agreement, the duties the DAO is expected to perform are described in the Management Plan (attached as Exhibit A to Attachment 2), as are the method, details and means of performing the disbursement duties of District revenues. The DAO's disbursement duties may begin as soon as some or all of the first year assessments have been transferred by the City to the DAO, and

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would end if and when the district has been voted out through a mail ballot procedure of the CBD property owners (the standard assessment district disestablishment procedure), or upon early termination as set forth in the agreement where either party may terminate the agreement at any time upon a sixty day written notice, or by termination by default.

The City's responsibilities under this agreement are, in short, to coordinate the collection of the annual assessment with the County of Sonoma, the billing of those public or tax-exempt entities, of which there are four excluding the City's own assessment, that are not billed through the County property tax billing procedure, and to disburse those funds to the DAO. The City also has the right to conduct reviews and/or audits of any assessment related data, and verify assessment data as compiled by any consultant, sub-consultant or other party hired by the DAO.

Among other things, the agreement requires the DAO to indemnify the City and obtain, pay for and maintain City required insurance to assume all responsibility for damages to property and injuries to persons which may arise out of or be caused by the DAO's performance of the agreement, by its subcontractors, or by anyone the DAO directly or indirectly employees.

FISCAL IMPACT

Funds for this assessment were not included in the FY 2018-19 budget, as the dollar amounts were not known at the time of budget adoption. The initial General Fund expenditure is \$21,506.74 with an anticipated offset over time from an increase in district tax revenues. The assessment to the Downtown Parking District would be \$115,560.00, or \$36.00 per space per year. Approval of this item will increase appropriations in the Economic Development key, 080501-5321, in the amount of \$137,066.74, with the source of funds being the unassigned reserves of the the General Fund (\$21,506.74) and the Parking District Fund (\$115,560).

ENVIRONMENTAL IMPACT

The proposed actions are exempt from the provisions of the California Environmental Quality Act (CEQA) 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.

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BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

The Community Benefit District concept, enabling ordinance, and petition and ballot processes for the Santa Rosa Downtown Community Benefit District were presented and discussed in the Downtown Subcommittee of the City Council, as well as at City Council. The Downtown Action Organization has always been a part of and/or referenced as the assumed management organization for the District. No action was taken at the subcommittee meetings.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – Bylaws of the Downtown Action Organization Incorporated
- Attachment 2 – Management and Disbursement Agreement By and Between the City of Santa Rosa and the Downtown Action Organization with
 - Exhibit A – Downtown Santa Rosa CBD Management Plan
 - Exhibit B – CBD Ordinance
- Resolution
- Exhibit A (Bylaws of the Downtown Action Organization Incorporated)
- Exhibit B (Management and Disbursement Agreement)

CONTACT

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