

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: RAFAEL RIVERO, ECONOMIC DEVELOPMENT SPECIALIST
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
SUBJECT: SANTA ROSA RAILROAD SQUARE COMMUNITY BENEFIT
DISTRICT RESOLUTION OF INTENTION

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Planning and Economic Development Department that the Council by resolution: 1) authorize the City Manager to sign the Santa Rosa Railroad Square Community Benefit District petition and forthcoming ballot; 2) receive and file the District petition results; and 3) state the intention to form the Santa Rosa Railroad Square Community Benefit District and to levy and collect assessments within such district, approve the Management District Plan and Engineer's Report, set in motion the balloting by directing the City Clerk to mail ballots to the proposed CBD property owners, and schedule the public hearing for October 29, 2019.

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 introduced at the March 13, 2018, Council meeting by a unanimous vote, and 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 August to Railroad Square area property owners within a pre-determined area roughly encompassing 25 square blocks between Third Street to Eighth Street and Davis Street to the rail tracks, and consisting of 92 parcels owned by 58 property owners, including the City of Santa Rosa.

Per the local enabling ordinance, property owners representing at least 30% of the total assessment amount of the defined proposed CBD area must submit signed petitions in favor of moving forward to a ballot vote in order for Council to approve the Resolution of Intention. This 30% threshold was met by the petition return deadline.

SANTA ROSA RAILROAD SQUARE COMMUNITY BENEFIT DISTRICT RESOLUTION
OF INTENTION
PAGE 2 OF 6

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

BACKGROUND

In 2017, the City of Santa Rosa hired New City America, a company specializing in special benefit district formation and management, to investigate the viability of creating a new assessment district pursuant to the stated interest of Courthouse Square area property owners, merchants and the Santa Rosa Metro Chamber. After many meetings, a CBD was ultimately recommended over a traditional assessment district formed under the Property and Business District Law of 1994 (California Streets and Highways Code §§ 36600 *et seq.*, aka PBID Law). As long as a CBD enabling ordinance is consistent with the State Constitution, particularly the provisions outlined in Article XIII (d) Proposition 218, this newer form of enabling ordinance is permissible in charter cities such as Santa Rosa under their charter authority.

In March 2018, the CBD ordinance was adopted, providing the process by which the Courthouse Square area Santa Rosa Downtown CBD was formed (established July 2018). In August 2018, the Railroad Square Association approached the City with a request to form their own benefit district. The City again engaged New City America to facilitate formation discussion, including assessment rate options and district boundaries. The City, Railroad Square Association, and consultant held many meetings and phone conversations with property owners and area merchants to answer questions about and begin defining a proposed CBD. In August 2019, petition packets including a summary Management District Plan (MDP), petition, and return envelope (Attachment 1) were mailed to each property owner within the proposed Railroad Square area CBD. The petition return deadline was September 6, 2019. Property owners representing the minimum requirement of 30% of the total assessments (including the City's 2% portion) have submitted signed petitions in support of the formation of the CBD (Attachment 2), thus allowing Council to move forward with the Resolution of Intention, balloting, and public hearing.

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

On May 22, 2018, Council approved by unanimous vote Resolution No. RES-2018-077, Resolution of Intent to establish the Santa Rosa Downtown Community Benefit District.

SANTA ROSA RAILROAD SQUARE COMMUNITY BENEFIT DISTRICT RESOLUTION
OF INTENTION
PAGE 3 OF 6

On July 17, 2018, Council approved by unanimous vote Resolution RES-2018-121, Resolution forming the Santa Rosa Downtown Community Benefit District.

ANALYSIS

The Resolution of Intention to form the Railroad Square CBD authorizes the City Manager to sign the petition and forthcoming ballot on behalf of the City of Santa Rosa for the City-owned properties falling within the proposed CBD. In addition, the resolution sets in motion the balloting, schedules the public hearing for October 29, 2019, approves the Management District Plan and Engineer's Report, and directs the City Clerk to mail ballots to the proposed CBD property owners.

If the Railroad Square CBD is established, an annual assessment will be collected from each property owner on their County property tax bills beginning with the bill due on December 2019.

The area proposed to be the Railroad Square CBD is comprised of approximately 18 square blocks consisting of 92 parcels owned by 58 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 3rd 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 8th 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 6th Street;
- *On the east:* parcels on both sides of Davis Street from 3rd Street north to 6th Street and then on the east side of Davis from 6th to 7th Street

The total first year assessment revenue in the proposed CBD is calculated to be \$233,122.00. The legal property owners or authorized representatives composing a minimum of 30% of the total assessments (\$69,937.00) must have signed and returned the petition to form the Santa Rosa Railroad Square CBD in order for a resolution of intention to be introduced to Council.

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

SANTA ROSA RAILROAD SQUARE COMMUNITY BENEFIT DISTRICT RESOLUTION
 OF INTENTION
 PAGE 4 OF 6

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:

Special Benefit Category	Year 1 Budget	% of Budget
Sidewalk Operations/Civil Sidewalks <i>includes safety, cleanliness, beautification, and the maintenance of an attractive appearance of the District</i>	\$160,000	68%
District Identity/Placemaking Improvements <i>Includes branding and advertising, seasonal decorations and events, art, potential valet service and public space design and development</i>	\$30,000	13%
Program Management/Administration <i>Staff and administration, insurance, rent, legal, and accounting</i>	\$42,000	18%
Contingency/Reserve <i>Delinquencies, City and County fees, and reserves</i>	\$1,122	1%
Total First Year Budget	\$233,122.00	100%

The Assessment Engineer’s Report elaborates on the directly 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.

If approved by City Council, the Resolution of Intention initiates the Proposition 218 balloting process. Ballots will be mailed to each property owner and votes cast are returned to the City Clerk. The ballots will be tabulated at a public hearing scheduled for October 29, 2019. The tabulation is weighted based on the value of the total assessment. The owners of the largest properties, with bigger buildings, greater lot size more street frontage, and 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. A simple majority of the returned weighted ballot is required to form the CBD. The City ballots may be considered in the tabulation of the balloting.

The balloting process defined by State Proposition 218 establishes mandatory time frames between the date of the petition’s submittal and the actual voting to allow sufficient time for every property owner to return their ballots to the City Clerk. Hence, during its first year of operation (2020), the City of Santa Rosa will manually bill the

SANTA ROSA RAILROAD SQUARE COMMUNITY BENEFIT DISTRICT RESOLUTION
OF INTENTION
PAGE 5 OF 6

property owners with the Railroad Square CBD, 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. Commencing in fiscal year 2021, 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. It is anticipated that the ballots will be finalized and mailed on or just after the adoption of this Resolution of Intention, with at least 45 days between the mailing and the public hearing on October 29, 2019, when the ballots will be counted.

FISCAL IMPACT

Approval of this resolution does not have a direct fiscal impact on the General Fund. However, if the 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 have been reviewed in compliance with the California Environmental Quality Act (CEQA) and determined to be 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. Any future projects that result from this planning exercise will be subject to CEQA review.

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.

SANTA ROSA RAILROAD SQUARE COMMUNITY BENEFIT DISTRICT RESOLUTION
OF INTENTION
PAGE 6 OF 6

ATTACHMENTS

- Attachment 1 – Petition Packet
(cover letter, summary Management District Plan, sample petition)
- Resolution/Exhibit A (Management Plan/Assessment Engineer's Report)

CONTACT

Rafael Rivero, Economic Development Specialist
Planning and Economic Department
rrivero@srcity.org / (707) 543-3460