

# DOWNTOWN SALINAS

COMMUNITY BENEFIT DISTRICT NEWSLETTER

APRIL 2015



*The Architectural Gems of Downtown*

This past summer, a new group of property owners in Downtown Salinas was created to gauge property-owner support for the concept of a new special-benefits district for the Downtown Salinas business community. In support of this effort, the City of Salinas hired New City America, a firm which specializes in special benefit district formation and management, to work with the property owners to investigate the viability of a benefits district in Downtown.

After reviewing the investigation process, twenty-four property owners gathered to form the Downtown Salinas CBD Steering Committee. Their first action was to approve and mail a survey to Downtown property owners. The survey letter stated that once we had received a reasonable number of responses, we would update the property owners on the results of that survey. This newsletter represents

continuation of a series of correspondences and mailings regarding the proposed Downtown Salinas Community Benefit District (CBD).

### **Changes in Downtown Salinas**

The Central City Redevelopment Project that has funded many of the improvements in Downtown and supported the Old Town Salinas Association over the past 50-years, was one of the 408 Redevelopment Agencies eliminated by the State in 2012 (effective February 2013), sending the revenues back to the Counties, school districts and cities, instead of being reinvested in the redevelopment areas. Therefore, the financial tool that the City of Salinas used to fund Downtown improvements including its acquisition of the property at One Main Street and the current location of the Taylor Building, no longer exists.

Tax increment financing through,

redevelopment paid for the pedestrian lighting, new sidewalks, and public improvements in Downtown Salinas.

On March 4, 2015, the City Council adopted the Salinas Downtown Vibrancy Plan. It can be found at the City's web - site: [www.ci.salinas.ca.us/services/downtownvibrancy.cfm](http://www.ci.salinas.ca.us/services/downtownvibrancy.cfm). This document is the City's response to several factors: the loss of redevelopment, the more than \$100,000 million dollars invested the Downtown in the last ten years, Taylor Fresh Foods headquarters opening later this spring in Downtown, the addition of Cal State University Monterey Bay to the Downtown, and many other signs of positive growth. The Plan's vision includes attracting more people to the Downtown and preparing the Downtown for their arrival.

But in a post - redevelopment environment, how do property owners make sure that the Vibrancy Plan will be implemented, that the Downtown's brand will become positive, that vacancies won't increase, that greater demand will be place on the buildings resulting in greater rental rates, that commerce will increase for retailers and that the public rights of way will become more orderly and attractive? That was the basis for the investigation of a new Downtown Salinas CBD.

### **Survey Results**

As mentioned in the first paragraph of this newsletter, a group of property owners in Downtown Salinas came together last summer to study whether there was conceptual support for the establishment of a new property assessment district to fund special benefit services in Downtown. Special benefit services are those that are over and above the services currently being provided by the City general fund. The results of that survey of property owners encouraged the Steering Committee to

come up a plan for presentation to the property owners.

Forty-four property owners representing a total of 114 parcels in the district responded to the mailed survey. Conceptual support or opposition was determined by New City America staff and presented to the CBD Steering Committee. Since all properties would be included in the proposed CBD, the basis for support was by reviewed by parcel linear frontage, lot square footage and buildings square footage. These factors are used because they are what each property has in common. In California, one cannot use assessed valuation to determine support since assessed valuation of a property: 1) is based upon when someone bought the property, not upon its actual market value, and 2) is not relevant to public parcels, which don't have an assessed valuation per se, but which will also be assessed due to the services they would be receiving.

On an overall level, when combined with the City level of support, the following property variables demonstrated conceptual support for the continued investigation of the new CBD:

**Building Square Footage:** 42% of the total property owners, by building square footage supported continued investigation of the Downtown CBD; 4% opposed

**Lot Size:** 63% of the total property owners, by lot size, supported the continued investigation of the Downtown CBD; 3% opposed;

**Linear Frontage:** 60% of the total property owners, by linear frontage, supported the continued investigation of the Downtown CBD, 2% opposed;

These responses demonstrated to the CBD Steering Committee that the clear majority of property owners thought there was merit in the CBD concept.

This proposed Downtown Salinas Community Benefit District can only be formed by a mail vote of the majority of weighted property owners within the

proposed district boundaries. A summary of the survey results and the resulting CBD plan, starting out with the services it would fund, are as follows:

**Priority Special Benefit Services – According to the Survey:**

The survey asked a variety of specific questions regarding property owner funding of services over and above what the City and County were currently providing. The priority services outlined by the responding property owners prioritized the following:

1. Regular sidewalk and curb sweeping, and enhanced trash receptacle emptying over and above City services;
2. Periodic sidewalk steam cleaning throughout entire district;
3. Beautification of Downtown sidewalks;
4. Graffiti/sticker removal from signs and trash receptacles
5. Advocacy for homeless intervention and minimizing aggressive panhandling in public rights of way;
6. Branding, funding district identity programs which would promote Downtown Salinas to outsiders and visitors;
7. Public space development and management and beautification programs throughout the CBD;
8. Review of new Downtown developments and projects;
9. Creation of a new Downtown web site, new app, social media, brochures;
10. Design and installation of new seasonal banner and displays throughout the district;
11. Promotion and funding of seasonal events, special events;
12. Possible construction and maintenance of the new Downtown sign.

The Steering Committee began reviewing the results of the survey, and possible "benefit zones" within a bounded area. These benefit zones would divide parcels based upon the frequency of special benefit services to be delivered as well as their proximity to

the core area of the district.

**Proposed Benefit Zones:**

There are three proposed "benefit zones" which are determined by anticipated benefit to be received in the proposed Downtown Salinas CBD: (see attached map)

**Benefit Zone 1** properties would include:

Main Street parcels (any parcel that borders or touches Main Street, including the Steinbeck Museum and College within the Museum building);

**Benefit Zone 2** properties would include:

All commercial/retail and private parcels not included in Benefit Zone 1 including apartments, City and County properties (no property owner, regardless of ownership or status would be exempt from the CBD annual assessments);

**Benefit Zone 3** would include:

All new residential condominiums (currently non-existent in Downtown)

**Assessment Methodology to Fund the CBD Special Benefits)**

Due to the existence of Proposition 13, parcels in Downtown pay varying property taxes and have differing assessed valuations based upon when the parcel was purchased. Assessed valuation is not used in this state due to those irregularities in assessed valuation. What is used rather is reviewing what each parcel has in common, that is its parcel linear frontage, lot square footage and its improvements (building square footage), plus its location within a benefit zone. Based upon this criteria, the Steering Committee has adopted the following methodology:

1. Parcel linear frontage assessments would fund approximately 50% of Sidewalk operations related services (curb to property line, see next page for breakdown of services);
2. Parcel Lot Square Footage or lot size assessments would fund:
  - a. approximately 50% of total sidewalk operations annual budget;

- b. administration of the district
- c. contingency
- 3. Building Square footage assessments would fund:
  - a. district branding,
  - b. marketing, events,
  - c. beautification,
  - d. public space development and improvements;
  - e. signage, including maintenance of a new Downtown landmark sign;
  - f. social media, web site, public relations (tax exempt buildings in Benefit Zone 2 would not pay assessments to fund District Identity special benefit services).
- 4. Residential Condo parcel building square footage assessments, once constructed and occupied, would pay for the same menu of services with a different assessment methodology, but allocated in the same proportions as the rest of the budget.

SIDEWALK OPERATIONS, BEAUTIFICATION, ORDER: (Seven days per week in Zone 1, five per week days in Zone 2 60% of the annual budget

Examples of these special benefit services and costs include, but are not limited to:

- Regular sidewalk and gutter sweeping
- Regular sidewalk steam cleaning
- Beautification of the district
- Enhanced trash emptying (over and above city services)
- Timely graffiti removal, within 24 hours as necessary
- Tree and vegetation maintenance (over and above city services)
- Special events maintenance and set up
- Maintenance of existing and new public spaces
- Hanging plants, planting flowers throughout the district
- Private security and/or camera system

Under the state constitution, there must be a relationship between how much a property owner pays and what type of benefit they receive. "Weighted property" owners must receive more benefits due to the size of their linear frontage, lot square footage or buildings square footage. All parcels within the boundaries of the Downtown Salinas CBD will be required to pay into the assessment district (no properties will be exempt). Costs are determined by the type and frequency of services and the location within a benefit zone. The one distinction in this plan is the cost and frequency of sidewalk operations between Benefit Zones 1 and 2.

Special Benefit Services Budget Category Analysis:

DISTRICT IDENTITY:

20% of the annual budget

Examples of these special benefit services and costs include, but are not limited to:

- Web site development and updating
- App development
- Management and coordination of special events
- Social media
- Holiday and seasonal decorations
- Branding of Downtown Salinas so a positive image is built
- Banner programs
- Public art displays
- Downtown sign and maintenance
- Logo development
- Public space design and improvements
- Public relations
- Signage



Attractive Retail in Downtown

ADMINISTRATION AND CORPORATE OPERATIONS:

15% of the annual budget

Examples of these special benefit services and costs include, but are not limited to:

- Staff and administrative costs
- Directors and Officers Insurance
- Office related expenses, rent
- Accounting
- Legal work

CONTINGENCY/CITY AND COUNTY FEES/RESERVE:

5% of the annual budget

Examples of these special benefit services and costs include, but are not limited to:

- Delinquencies
- City Fees
- County fees
- Reserves

**PROPERTY DATA: (AS OF MARCH 20, 2015)**

BENEFIT ZONE	BUILDING SQUARE FOOTAGE	LOT SIZE (SQUARE FEET)	LINEAR FRONTAGE
1	618,334	658,334	7,429
2	564,781	2,543,254	28,052
<b>TOTAL IN DOWNTOWN CBD</b>	<b>1,183,115</b>	<b>3,201,796</b>	<b>35,481</b>



PROGRAM OR ACTIVITY FUNDED BY THE DOWNTOWN SALINAS COMMUNITY BENEFIT DISTRICT	APPROXIMATE% OF FIRST YEAR ANNUAL BUDGET	ESTIMATED ANNUAL COSTS
Sidewalk Operations, Beautification and Order	60%	\$ 270,000.00
District Identity and Streetscape Improvement	22%	\$ 100,000.00
Administration/Corporate Operations	14%	\$ 63,000.00
Contingency/City and County Fees/Reserves/Special projects	4%	\$ 17,000.00
<b>TOTAL</b>	<b>100%</b>	<b>\$450,000.00</b>

**Some Average costs:**

Average cost of services for similar special assessment districts to fund the sidewalk operations component are a low of \$4.00 per linear foot and a high of \$18.00 per linear foot.

**Proposed Scenario:**

Broken down by benefit zone, Benefit Zone 1 property owners could pay \$5.00 per linear foot for seven day per week service for Sidewalk operations

and Benefit Zone 2 property owners would pay \$ 3.49 per linear foot for five day per week service.

In determining labor costs vs. material, New City America uses an 80/20 allocation with 80% allocated to direct labor and 20% allocated to materials, supplies, equipment and machinery. Using a figure of \$270,000 for sidewalk operations services, (see above breakdown), this would yield around

\$216,000 for labor costs (contracted or in-house) yielding 3.75 full time employees maintaining the district 7 days per week, (possibly 2 per day, 2 in late afternoon-evening)

Under this Scenario and with the assessment methodology that splits Sidewalk operations costs with 50% coming from linear frontage and 50% coming from lot size, this would yield:

At \$5.00 per linear foot/Zone 1 and \$ 3.49 per linear foot in Zone 2 plus ½ funded by Lot size: \$270,000 in annual sidewalk operations assessments

Zone 1 frontage revenue for sidewalk operations would yield annually: \$37,145.00  
 Zone 2 frontage revenue for sidewalk operations would yield annually: \$97,855.00

Total linear frontage revenues to fund ½ of sidewalk operations: \$135,000.00

**PROPOSED ANNUAL COSTS – DETERMINED AT THE FEBRUARY 27, 2015 STEERING COMMITTEE MEETING**

	BENEFIT ZONE 1 LINEAR FRONTAGE	BENEFIT ZONE 2 LINEAR FRONTAGE	LOT SQUARE FOOTAGE DISTRICT WIDE	BUILDING SQUARE FOOTAGE DISTRICT WIDE	RESIDENTIAL CONDO UNIT COSTS DISTRICTWIDE	TOTAL FIRST YEAR DOWNTOWN SALINAS CBD BUDGET
Annual costs	\$5.00	\$3.49	\$0.067150	\$0.084523	\$0.020 per square footage of actual unit*	
Total amount generated by property variable	\$37,145	\$97,855	\$ 135,000 for Sidewalk Operations \$ 80,000 for Administration and Contingency		\$0 (there are currently no residential condos in Downtown)	
<b>TOTAL BUDGET</b>	<b>\$135,000</b>		<b>\$215,000</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$450,000**</b>

\* Residential condo units will be assessed for only their actual building square footage from their parcel listing. They will not be assessed for linear frontage or lot size costs since those factors are irrelevant to the determination of benefit in this case since most residential condos are sold based upon their second or higher floor costs. Any current single family residential units, used for residential (non-commercial uses) will be assessed for their linear frontage only at the Benefit Zone 2 rate, until such time that they are converted to commercial use or built upon.

\*\* It is anticipated that up to \$ 50,000 in CBD formation costs will have to be paid back to the City in years 1-5.

## GENERAL QUESTIONS ABOUT THE PROPOSED DOWNTOWN SALINAS COMMUNITY BENEFIT DISTRICT



*Public Space - Needs Activation*

**District Name:** The Downtown Salinas Community Benefit District of 2015

**Management Entity:** The question of who would run the new CBD would be articulated in the Management District Plan. The City of Salinas will not be running the day to day operations of the CBD. There will be a new public benefit non-profit corporation established to oversee the proposed CBD special benefit services. This non-profit corporation will run by affected and assessed business and property owners in Downtown Salinas CBD area.

**Enabling Legislation:** The newly adopted Salinas Community Benefit District ordinance of 2015.

**Purpose of new district:** The purpose of the Downtown Salinas CBD is to create a sustainable and systematic method for funding special-benefit services desired by business and property owners in the proposed area. To increase commerce, improve the image of Downtown, put greater demand on Downtown properties and increase rental rates.

**What "special benefits" can a Downtown Salinas CBD fund?** The special services to be funded are spelled

out in the enabling ordinance or legislation. They can only legally include those services over and above what a City will normally provide through the general fund. Such special benefit services may include:

- Cleaning of the public rights-of-way, sidewalks and gutters (general vs. special benefit). These special-benefit services are usually carried out only from the curb to the property line.
- Possibly providing enhanced security services over and above those from the SPD;
- Regular steam-cleaning of the sidewalks of the district;
- Graffiti removal within 24 hours;
- Special beautification programs for Downtown Salinas sidewalks;
- Administration and advocacy on behalf of the area stakeholders;
- Public-space development and management;
- Business-attraction services and strategies to build a retail critical mass in the community;
- Funding regular special events which build the image of Downtown Salinas;
- Parking management and increasing supply.

**Can the City reduce its general benefit services in Downtown Salinas once the special benefits district has been formed?** By law, (Article XIII (d) of the state constitution), property assessments can only fund special, not general benefits. General benefits are those allocated to all parcels in the City and funded out of public or general fund revenues. Cities throughout the state normally adopt "baseline services agreements", that require the City not to withdraw services once the special benefits district has been formed.

Experience has shown that once the assessment district-management corporation has been formed, the private property owners in the district can normally leverage a greater amount of general benefit City services than before the establishment of the district. This is due to the fact that those property owners are now organized and can request things such as additional trees, trash cans, lighting, sidewalk repairs, and the CBD assessment revenues can maintain these additional capital improvements.

**How would the Downtown Salinas CBD assessments be collected?** As provided by local ordinance, the CBD assessments



*Public Space - Needs Activation*





will appear as a separate line item on the annual property tax bills prepared by Monterey County. Property tax bills are distributed in the fall and payment is expected by lump sum or in two installments. The County will distribute the assessments collected from the Downtown Salinas CBD to the City of Salinas, which will in turn then forward them to the designated Management Corporation, pursuant to the authorization of the plan. Existing laws for enforcement and appeal of property taxes apply to the CBD assessments.

**Once established, must every parcel in the district pay?** Unless specifically mentioned in the plan, every single parcel owner deriving special benefit must pay into the district. This includes local, county, state and federal properties. In addition, parcels owned by tax-exempt designated organizations may be exempt from paying property taxes but will not necessarily be exempted from the assessment district. The only way to be exempted is to demonstrate by "clear and convincing evidence" that no benefit will

be received from the special benefit services funded by the district.

**How could a district be disestablished if it is not functioning as envisioned?** The new ordinance provides for the disestablishment of the CBD pursuant to an annual review process. Each year that the district is in existence, there will be a 30-day period during which the property owners will have the opportunity to request disestablishment of the district. Within that 30 day period, if the owners of real property who pay 30% or more of the assessments levied submit a written petition to the City Manager, the City Council may initiate a disestablishment mail balloting procedure. The City Council will hold a public hearing on disestablishing the CBD prior to actually doing so.

**Once established, can the City increase the assessments?** By law, the only increases in the annual assessments must be pre-determined and placed in the CBD plan for the district. The City cannot arbitrarily increase the assessments

because these are not funds created by or controlled by the City. The assessments may be increased only through a pre-designated CPI factor, or changes in land use such as parking lots being converted to commercial buildings or condos. The property owners themselves, through their designated management corporation, determine if and when the CPI factor will be triggered on an annual basis.

**Summary and Conclusion:** Despite many hardships and struggles over the past five years, Salinas' Downtown is finally in a growth mode. Those who are invested in and love the Downtown, members of the Community Benefit Steering Committee, are poised and ready to take the next bold step. We hope that you find the Newsletter informative, and as always, invite your feedback.

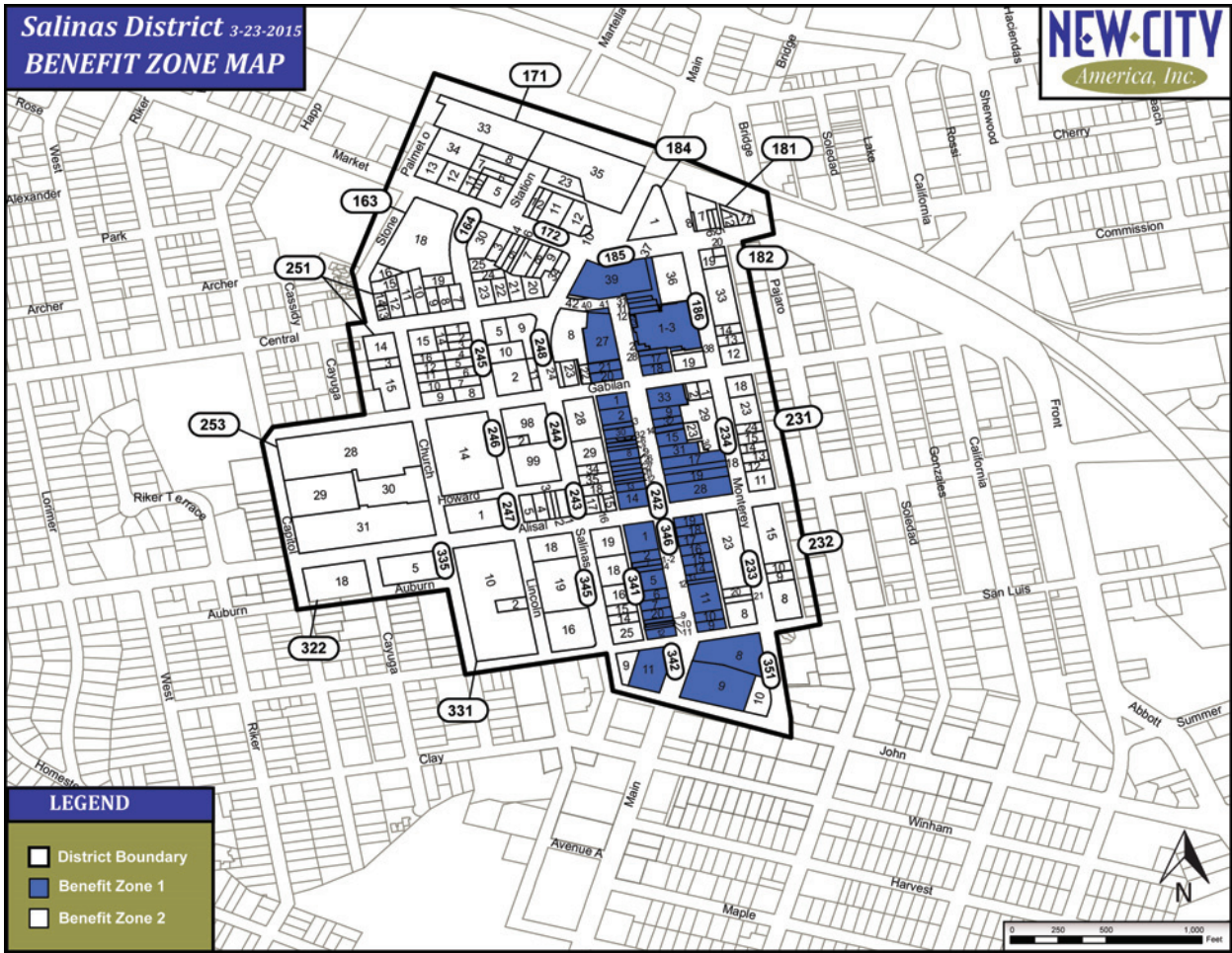
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**TIMELINE ON FORMATION OF THE DOWNTOWN SALINAS CBD:**

<b>TASK</b>	<b>ESTIMATED DEADLINE</b>	<b>COMMENTS</b>
Completion of rough draft plan for costs, services	After 3 meetings of review, approved by CBD Steering Committee on Feb. 24th	That plan was basis for this newsletter
Property verification forms submitted	Property owners were mailed out property verification forms in early February to verify their parcel data, they were due March 13th	That data was used for this plan
Management District Plan (MDP) submitted to City and Assessment Engineer	The MDP lays out the special benefit services to be funded, the boundaries, benefit zones, term, management system, etc to the property owners and the City. This plan, in final form, will be submitted to the City by the end of March	Already submitted to the City
Management District Plan is approved by the City Attorney and Assessment Engineer and petition drive is launched	The CBD Steering Committee will coordinate a petition drive in which 30% of the property owners by weight, or in this case, signatures representing at least \$135,000 in assessments must endorse their individual costs. Petitions will list the legal owner, the weight of the property owner for that parcel and the exact cost per parcel. We estimate that this process will commence in mid-April and be completed by the end of May	The Steering Committee will be the key advocate for this petition drive. They will strategically distribute petitions among member property owners to obtain the threshold
Resolution of Intent	In early June, the City Council receives a staff report and adopts a Resolution of Intent to form the CBD. The City Council instructs the City Clerk to mail ballots to all affected property owners within the CBD boundaries. The ballots will be due by the public hearing date and will allow each property owner to vote yes or no on the mail ballot	The public hearing process takes a minimum of 45 days. Ballots are to remain unopened until the public hearing
Public Hearing	A public hearing will be held the last Council meeting in July. Testimony will be given by property owners and the City will go into an adjacent room to open and calculate the ballots. The CBD may be formed if the weighted majority of returned, signed ballots support the formation of the district	This will probably occur sometime in late July
Resolution of Formation	Once the weighted return ballots are calculated and demonstrate support for the formation of the CBD, the City Council may then adopt a Resolution of Formation to create the CBD. They will vote to levy the assessments on the benefitting parcels and will inform the County to place the new CBD line item on the Fiscal Year 2015-16 property tax bills	
Management Corporation set up	Between September and December, a new non-profit district management corporation will be created from the CBD Steering Committee members. They will elect interim officers, create articles of incorporation, incorporate with the state, adopt bylaws and enter into a contract with the City to administer the new CBD on behalf of the property owners. This new district management corporation would be open to business or property owner wishing to participate in the CBD funded improvement to Downtown	
First assessments transferred	The first assessment would be transferred from the City to the new CBD District Management Corporation after the first payroll taxes have been paid around December 20th	The new district would hire a manager and get operations funded and implemented in early 2016



Salinas District 3-23-2015  
BENEFIT ZONE MAP



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