

DOWNTOWN SANTA CRUZ MANAGEMENT PLAN

SCENARIOS – DRAFT FOR DISCUSSION ONLY

(12.19.19)

In mid-2019 the City of Santa Cruz and the Downtown Association of Santa Cruz contracted with consulting firm Progressive Urban Management Associates (P.U.M.A.) to develop a strategic organizational plan for the management of Downtown Santa Cruz, which considers the feasibility of a Property-Based Business Improvement District.

Property-Based Business Improvement Districts (PBIDs) collect a self-governed assessment on property to provide enhanced services beyond those provided by local government, including safety and maintenance, beautification, marketing, special events, and economic enhancements to strengthen the business mix of commercial districts. More than 100 PBIDs have been formed in downtowns and urban districts throughout the State of California, since enabling legislation for PBIDs was adopted approximately 20 years ago.

EXISTING CONDITIONS: DOWNTOWN SANTA CRUZ

Overview of Districts

The **Downtown Association of Santa Cruz (DTA)** is a non-profit 501 c 6 member-based organization, established in 1990 for the core purpose of promoting Downtown. The DTA operates a merchant-based Business Improvement District (BID) and uses the special assessment generated by businesses operating in the district to fund marketing, promotions and events that help to bring people Downtown and create a positive experience while they are there. The DTA also staffs the Downtown Ambassador Program, a partnership between the DTA, Downtown Management Corporation (DMC) and the City of Santa Cruz Economic Development Department. The DTA has an annual operating budget of approximately \$520,000, which includes a \$200,000 contract with the DMC for management of the Ambassador program. The DTA employs five staff members and is overseen by a 14-member board of directors representing downtown businesses.

The **Downtown Management Corporation (DMC)** is a non-profit 501 c 3 organization formed in 1994, which manages an assessment on real property in the downtown core. Assessment revenue, amounting to approximately \$200,000, is used to promote a clean, safe and friendly atmosphere Downtown and primarily funds the Ambassador Program that is managed by the DTA. The DMC is overseen by a 9-person board of directors consisting of property owners, business owners, City Council representatives, and the Director of Economic Development. The DMC is staffed by the City's Economic Development Department.

Downtown Parking District and Parking Deficiency Fee. Business in Downtown Santa Cruz that are within the Parking District are required to provide a standard number of parking spaces based on their square footage. A parking deficiency fee is charged for each required parking space that is not met on site. The deficiency fee raises approximately \$800,000 a year, which is put towards developing and operating Downtown public parking. The City is shifting to a user-supported parking program, which will raise the cost of monthly parking permits and increase the costs at meters. The parking deficiency fee will be sunset over five years and fully eliminated by January 2023.

Community Outreach

In coordination with the DTA, DMC, City of Santa Cruz Economic Development, and Project Steering Committee, P.U.M.A. met one-on-one and in small groups with approximately 150 stakeholders representing a variety of interests in Downtown, including: property owners, businesses, non-profit and arts organizations, major

employers, residents, and employees. Additionally, an online survey was distributed (in English and Spanish) and collected **3,178 responses**.

Key Themes

1. Downtown is Changing:

- **Downtown is growing**
 - Traditional Downtown boundaries are outdated and don't include new development occurring south of Laurel St. and to the east and west of Pacific Ave.
 - Significant new housing development planned for Downtown
 - Growing tech community
- **Increasing challenges**
 - Housing affordability
 - A growing population who is experiencing homelessness
 - People exhibiting disruptive behaviors related to mental health and/or alcohol and drug use
 - Real and perceived sense of safety; especially for employees at night and during the early morning
 - Parking supply for both employees and Downtown patrons, plus, the need to encourage alternative modes
- **New competition**
 - New investments in neighboring communities, like Aptos and Capitola, are creating regional competition for Downtown
 - Negative perceptions and media coverage of Downtown are discouraging the local market from visiting
 - Support needed to enhance and maintain the unique, local businesses, which help to differentiate Santa Cruz from other communities in the region

2. Downtown currently has an outdated and under-resourced management model:

- **The DTA and DMC were created nearly thirty years ago, in 1990 and 1994 respectively.**
 - The issues and circumstances in Downtown are different today than they were in the 90s
 - The management and resource needs of Downtown have outpaced the growth in resources of the DTA and DMC
 - Underfunded programs are not as effective as they could be.
 - While the DMC in many ways acts as a PBID, it operates under an old statute, with a limited budget and geography

3. There is an opportunity to collaborate and move forward in a new way:

- **Issues in Downtown today require a new approach and additional resources for enhanced services.**
 - Opportunity for property and business owners to come together on Downtown improvements
 - A growing Downtown, with the challenges mentioned above, put a strain on City services
 - The City would benefit from a strong, collaborative partnership with a well-resourced downtown management organization
 - Opportunity to improve coordination among the myriad services provided in Downtown

Priority Services

Based on feedback from roundtable discussions and the online survey, the priorities for enhanced service can be grouped in the following three categories.

Clean, Safe, and Welcoming

- Supplemental maintenance to provide a consistently clean experience Downtown
- Enhanced sense of safety Downtown, especially during evening and early morning hours

- Additional resources for populations that are experiencing homelessness, in addition to support for those with mental health issues

Economic Vitality

- Local business support to help retain and grow unique retailers in Downtown
- Public space activation to enliven spaces like parks, plazas, and the riverfront
- Improve mobility through parking management and support for alternative modes
- Education, research and advocacy on policies and initiatives that are important for Downtown, such as housing

Marketing and Image

- Pro-active marketing and PR to change negative perceptions of Downtown

A new PBID designed for the current realities of Downtown Santa Cruz could help broaden the concept of Downtown, create alignment between property and business owners, strengthen partnership with the City, and allocate new resources for enhanced services desired by the community.

MANAGEMENT PLAN SUMMARY

The following summary provides the framework of a Management Plan for a PBID in Downtown Santa Cruz. Two scenarios were initially presented. Scenario A suggested dissolving both the DMC and DTA and replacing these two entities with a new PBID. Scenario B suggested dissolving the DMC, retaining the DTA, and layering on a new PBID. Based on feedback from a site visit in December 2019, there was a clear preference for Scenario A.

Scenario A: Dissolve the DMC and DTA; Create New PBID

Location	<p>The proposed PBID boundary follows Chestnut St. and Pacific Ave. to the north, Front St. to the south, River St. to the east, and Center Street to the west. The core of the district includes Front St. (from Water St. to Pacific Ave.), Pacific Ave. (from Water St. to Front St.) and Cedar St. (from Center St. to Laurel St.).</p> <p>A map of the proposed PBID boundary is attached.</p>
Enhanced Services	<p>The PBID will finance enhancements and activities that will improve the Downtown Santa Cruz environment for property owners, businesses, residents, employees, and visitors, including:</p> <p>Clean, Safe, and Welcoming (District-Wide with Levels of Service Based on Zone):</p> <ul style="list-style-type: none"> • <u>Downtown Ambassador Program</u> – the current program will be expanded to include several more ambassadors covering a larger part of Downtown. With the additional resources through the PBID, the program could be run by a professional service contractor such as Streetsplus or Block by Block. • <u>Maintenance Services</u> – will be enhanced to provide service during evenings and weekends, with concentrated maintenance (e.g. spot cleaning, pressure washing, etc.) as needed • <u>Outreach Workers</u> – additional outreach workers hired to focus solely within the Downtown PBID to provide extra support for those with mental health issues and to help connect people experiencing homelessness with resources • The PBID operations manager can help coordinate services provided by the City, County and PBID. <p>Economic Vitality (District-Wide):</p> <ul style="list-style-type: none"> • <u>Local Business Support</u> – technical assistance, permitting, navigating City processes, and proactive tenanting. Intentional support of businesses <i>on and off of</i>

	<p>Pacific Ave.</p> <ul style="list-style-type: none"> <u>Public Place Activation and Special Projects</u> – assist in programming to enliven spaces and create family-friendly, community gathering places. Special projects could include art, greening, and long-term planning and visioning for Downtown <u>Parking and Mobility</u> - advise on real and perceived parking issues; partner with the City and others on improving the way people move about and access Downtown <u>Education, Research and Advocacy</u> - to advance policies that are important for Downtown (e.g. temporary and permanent housing solutions) <p>Marketing and Image (District-Wide): <i>In this scenario, the DTA is dissolved, meaning marketing and events become the responsibility of the PBID</i></p> <ul style="list-style-type: none"> <u>Marketing and PR</u> - to support PBID activities and improvements and pro-actively promote a positive image of Downtown. This includes maintaining the website, business directory, and promotions like Downtown Dollars <u>Special Events</u> – Produce and/or support Downtown events and festivals, pop-ups, other opportunities to bring people Downtown 																					
Method of Financing	Levy of assessments upon real property that benefit from enhanced services.																					
Budget	<p>Total PBID assessment budget for its first year of operations in \$1,300,000, as follows:</p> <table border="1"> <thead> <tr> <th>Budget Assumptions</th> <th>PBID Budget</th> <th>Less: General Benefit</th> <th>Assessment TOTAL</th> </tr> </thead> <tbody> <tr> <td>Clean, Safe, Welcoming</td><td>\$ 800,000</td><td></td><td></td></tr> <tr> <td>Economic Vitality</td><td>\$ 220,000</td><td></td><td></td></tr> <tr> <td>Marketing and Image</td><td>\$ 280,000</td><td></td><td></td></tr> <tr> <td>TOTAL</td><td>\$ 1,300,000</td><td>TBD</td><td>TBD</td></tr> </tbody> </table> <p>General Benefit Allowance: An allowance is made for general benefits that the district may provide to either the parcels outside the district boundary or to the public at large. Any PBID services that are found to provide general benefit cannot be paid for with assessment revenue. A certified engineer will be required to estimate the general benefit – TBD.</p>	Budget Assumptions	PBID Budget	Less: General Benefit	Assessment TOTAL	Clean, Safe, Welcoming	\$ 800,000			Economic Vitality	\$ 220,000			Marketing and Image	\$ 280,000			TOTAL	\$ 1,300,000	TBD	TBD	
Budget Assumptions	PBID Budget	Less: General Benefit	Assessment TOTAL																			
Clean, Safe, Welcoming	\$ 800,000																					
Economic Vitality	\$ 220,000																					
Marketing and Image	\$ 280,000																					
TOTAL	\$ 1,300,000	TBD	TBD																			
Cost	<p>Annual assessments are based upon an allocation of program costs and a calculation of land square footage, building square footage, and linear frontage.</p> <p>Estimated annual maximum assessment rates for properties during the first year of the district are as follows:</p> <table border="1"> <thead> <tr> <th>Estimated Annual Assessment Rates</th> <th>Lot + Building Sq. Ft.</th> <th>Linear Frontage (per foot)</th> </tr> </thead> <tbody> <tr> <td>Zone 3 – Commercial</td><td>\$0.2123</td><td>N/A</td></tr> <tr> <td>Zone 3 – Non-Commercial</td><td>\$0.0689</td><td>N/A</td></tr> <tr> <td>Zone 2 – Commercial</td><td>\$0.2123</td><td>\$12.91</td></tr> <tr> <td>Zone 2 – Non-Commercial</td><td>\$0.0689</td><td>\$12.91</td></tr> <tr> <td>Zone 1 – Commercial</td><td>\$0.2123</td><td>\$25.83</td></tr> <tr> <td>Zone 1 – Non-Commercial</td><td>\$0.0689</td><td>\$25.83</td></tr> </tbody> </table> <p>Zone Description:</p> <p>Zone 3 includes all parcels in the district. Zone 2 includes:</p> <ul style="list-style-type: none"> Parcels that front Front St. (from Water St. to Pacific Ave.) 	Estimated Annual Assessment Rates	Lot + Building Sq. Ft.	Linear Frontage (per foot)	Zone 3 – Commercial	\$0.2123	N/A	Zone 3 – Non-Commercial	\$0.0689	N/A	Zone 2 – Commercial	\$0.2123	\$12.91	Zone 2 – Non-Commercial	\$0.0689	\$12.91	Zone 1 – Commercial	\$0.2123	\$25.83	Zone 1 – Non-Commercial	\$0.0689	\$25.83
Estimated Annual Assessment Rates	Lot + Building Sq. Ft.	Linear Frontage (per foot)																				
Zone 3 – Commercial	\$0.2123	N/A																				
Zone 3 – Non-Commercial	\$0.0689	N/A																				
Zone 2 – Commercial	\$0.2123	\$12.91																				
Zone 2 – Non-Commercial	\$0.0689	\$12.91																				
Zone 1 – Commercial	\$0.2123	\$25.83																				
Zone 1 – Non-Commercial	\$0.0689	\$25.83																				

	<ul style="list-style-type: none"> • Parcels that front Pacific Ave. (from Laurel St. to Front St.) • Parcels that front Cedar St. (from Center St. to Laurel St.) • Parcels that front east-west side streets (excluding alleys) between Cedar St. and Front St., with Water St. to the north and Laurel St. to the south. Plus, parcels that front Spruce St. between Pacific Ave and Front St. <p>Zone 1 includes:</p> <ul style="list-style-type: none"> • Parcels that front Pacific Ave. (from Water St. to Laurel St.) <p>A map of the proposed PBID boundary, indicating Zones 1, 2 and 3, is attached.</p> <p>Assessment considerations:</p> <ul style="list-style-type: none"> • <u>Clean, Safe, and Welcoming Costs</u>: Lot plus building square footage is the assessment variable for half of the clean, safe and welcoming costs that are delivered throughout the entire district. Linear frontage accounts for the other half of these costs, as many of these benefits are dedicated to making Downtown sidewalks cleaner and safer within the core of downtown, in Zones 1 and 2. Benefits from clean, safe, and welcoming enhancements, such as Ambassadors, are felt throughout the district, regardless of property type. • <u>Economic Vitality and Marketing Costs</u>: Lot plus building square footage is the primary variable for the cost associated with economic vitality and marketing enhancements. Benefits from these enhancements are designed to primarily improve the success of businesses and commercial real estate within the PBID. Therefore, non-commercial uses pay a lower square footage assessment overall, as they do not pay for the economic vitality and marketing enhancements. • <u>Non-Commercial Properties</u> (residential, government and tax-exempt) will pay an adjusted rate. These properties fully benefit from clean, safe, and welcoming services but they do not benefit directly from economic vitality and marketing enhancements, so their assessments are adjusted accordingly. • <u>Zone 2</u>: This area (as described above) experiences a higher level of foot traffic and commercial activity than Zone 3. It is therefore in need of additional clean, safe, and welcoming services, beyond what is provided in Zone 3. Zone 2 pays a frontage fee in acknowledgement of a higher frequency of clean and safe services. • <u>Zone 1</u>: This area in the core downtown along Pacific Avenue experiences the most intense foot traffic and commercial activity in Downtown. In turn, it is where some of the cleanliness and safety issues are most concentrated. It is proposed that area receive the greatest frequency of clean, safe, and welcoming services, twice that of Zone 2. This is reflected in higher linear footage assessment rates.
Cap	Annual assessments may increase no more than 5% per year consistent with the increase in consumer price index (CPI) and increases in program costs. The determination of annual adjustments in assessment rates will be subject to the review and approval of the Downtown PBID Board of Directors. The board will develop annual budgets, and an independent audit will be performed each year.
City Services	The City of Santa Cruz has established a base level services document, from fall 2019, to account for the services it currently provides within the proposed PBID boundary, which will continue through the duration of the district.
Collection	PBID assessments appear as a separate line item on the annual County of Santa Cruz property tax bills.
District Governance	Decisions related to the implementation of the management plan, including annual work programs, budgets and assessments, will be made by the Downtown PBID Board of Directors. Since the PBID will be creating substantial new resources that require accountability to contributing property owners, the following revised governance structure is proposed: <ul style="list-style-type: none"> • A reconfigured board of directors in which property owners make up the majority. A 15-to 19-member board is recommended, including representation from the following: <ul style="list-style-type: none"> ◦ All geographic areas served by the PBID

	<ul style="list-style-type: none"> ○ A variety of property types, including retail, office, and residential ○ Both large and small property owners ○ At least one-third are business owners, of various sizes, that are not property owners ○ The City Manager and/or his/her designee ● Ex Officio members could represent city departments such as public works, police, and parking ● Three committees representing the three core areas of service – a Clean, Safe and Welcoming Committee, an Economic Vitality Committee, and a Marketing and Image Committee – each including a mix of board members and non-board members, with relevant expertise ● The Marketing and Image Committee could be made up of representation from the former DTA Board of Directors
Staffing	The PBID will be supported by four staff, which include an Executive Director, Operations Manager, Economic Development Manager and Marketing Manager. The PBID will also staff the Downtown kiosk.
District Formation	<p>California law for PBID district formation requires the submission of petitions signed by property owners in the proposed district who will pay more than 50% of the total assessments (i.e. petitions must represent more than 50% of the \$1,300,000 to be assessed). Petitions are submitted to the Santa Cruz City Council and the City will mail ballots to all affected property owners. The majority of ballots returned, as weighted by assessments to be paid, must be in favor of the PBID in order for the City Council to consider approval.</p> <p>To ease the transition, there could be a three-to-six month overlap between the creation of a PBID and the dissolution of the DTA and DMC.</p>
Duration	Collection of the first year's assessments will be included in Santa Cruz County's 2020-21 tax bill. Services will begin January 1, 2021 and continue through December 31, 2025. Any subsequent renewal of the district will require a new management plan, petition, and mail ballot process.
District Expansion and Contract for Services	<p>At the time of renewal, expansion of the district can be considered. Prior to renewal, adjacent properties can contract the PBID for services, if desired.</p> <p>The City and/or Coastal Watershed Council could contract with the PBID to extend the Ambassador service to property fronting the San Lorenzo River.</p>