

# Agenda Report

June 22, 2015

**TO:** Honorable Mayor and City Council

**FROM:** Office of the City Manager, Economic Development Division

**SUBJECT:** Establishment of the Old Pasadena Management District Property-based Business Improvement District

**RECOMMENDATION:**

It is recommended that the City Council:

1. Conduct a Public Hearing on the proposed establishment of the Old Pasadena Management District (OPMD) Property-based Business Improvement District (PBID); and
2. Find that adopting a resolution establishing the Old Pasadena property- based Business Improvement District is exempt from the California Environmental Quality Act (CEQA) per Section 15061(b)(3).

It is further recommended that upon closing of Public Comment portion of the Public Hearing, that the City Council:

3. Order the tabulation of all ballots received and not withdrawn, and request a report on the tabulation results as soon as possible.

Upon receipt of the report on the tabulation of ballots, if the results of said tabulation show that a majority protest does not exist, it is recommended that the City Council:

4. Authorize the City Manager to enter the baseline services contract and the agreement for services in the amount of \$604,463 with OPMD.
5. Appoint the Old Pasadena Management District (acting by and through its Board of Directors) as the owners association for the purpose of making recommendations to the City Council on expenditures derived from the assessment, property classifications, as applicable, and on the method and basis of levying assessments.

6. Adopt a final resolution “Establishing the Old Pasadena Management District, Property-based Business Improvement District”.

### **EXECUTIVE SUMMARY:**

This report provides information on the establishment (renewal) of the Old Pasadena Property-based Business Improvement District (PBID) for which the City assesses property through the County of Los Angeles Auditor Controller’s office on behalf of owners within the District to fund Old Pasadena Management District (OPMD) activities. This report includes information on new PBID legislation that altered the assessment methodology, and adjustments to the baseline services contract between the City and OPMD.

### **BACKGROUND:**

The Old Pasadena PBID, was originally established by City Council on June 26, 2000. The OPMD PBID has performed two five-year terms since. This term, the Old Pasadena Management District seeks to renew for ten (10) years. As OPMD envisions many changes within the area - from the Lincoln Properties development on the former Parsons campus to completion of the next Gold Line Extension – they intend to develop a long term strategy with stakeholders to address the future of the District once established. If successful, the fourth term will commence on January 1, 2016 and run until December 31, 2025.

It should be noted that changes in the enabling legislation have altered the means by which PBIDs assess property relative to the City’s obligation. Information on the new legislation is provided in further detail below.

### **PBID Proposal**

Over the past six months, OPMD has been working with its Board and volunteers through renewal efforts. They have reviewed goals and priorities through public committee meetings and have worked to refine operations and costs. OPMD has continued to be a valued stakeholder in the community and an economic strength for the City. OPMD continues to work with the other downtown Districts (Paseo Colorado, Playhouse and South Lake) on co-sponsored events and marketing efforts.

The current OPMD proposal would have a ten-year life span and assess an estimated \$1,320,055 in the first year. Subsequent yearly assessments could be increased up to five percent, or in accordance with increases in the Los Angeles-Orange-Riverside County Consumer Price Index (CPI). The assessment will be derived from the 21-block area bound generally by Pasadena Avenue, Walnut Street, Arroyo Parkway and Del Mar Blvd and remains unchanged (Attachment 1) from the current boundaries.

The proposed assessment derived budget is to be spent as follows:

<b>Activity</b>	<b>PBID Budget</b>	<b>Percent</b>
<b>Environment</b>		
Clean	\$ 240,250.01	18.20%
Safe	\$ 629,666.24	47.70%
Beautification	\$ 69,962.92	5.30%
<b>Total</b>	<b>\$ 939,879.16</b>	<b>71.20%</b>
<b>Marketing</b>	<b>\$ 179,527.48</b>	<b>13.60%</b>
<b>Administration</b>	<b>\$ 200,648.36</b>	<b>15.20%</b>
<b>TOTAL</b>	<b>\$ 1,320,055.00</b>	<b>100.00%</b>

OPMD is slightly different from other PBIDs in that OPMD provides enhanced services – those services above and beyond what the City provides - as well as the City’s baseline. The enhanced clean, safe, and beautification services include the cleaning services that the City would not otherwise provide – sidewalk cleaning, alley cleaning, and daily trash collection in Clean; the OPMD Guides who patrol the District and liaise with PD and the public when needed in Safe; as well as holiday decor and some district furniture in Beautification. The City’s baseline services performed by OPMD include the City’s limited trash collection and street cleaning. The services that the City retains include street tree trimming, streetlight maintenance, and public safety.

**Special and General Benefits**

Effective January 1, 2015, the State Legislature amended the Property and Business Improvement District Law to further define what are termed “Special Benefit” and “General Benefit” related to the services these districts provide.

All Special Benefits derived from the assessments are for property related activities directly benefiting each individual assessed parcel in the PBID. Such benefits are enhanced cleaning, safety, and other benefits conferred on the parcel. No parcel’s assessment shall be greater than the special benefits received.

General Benefits are those that benefit stakeholders beyond the boundaries of the District. Examples are those property owners adjacent but outside of the District whose properties are enhanced by proximity, or even the public who may enjoy the benefits while passing through District, but do not contribute to costs in any way.

The legislation requires that the General Benefit be quantified and deducted from the overall assessment charged to each parcel. The law prohibits those costs from being assessed to the property owners within the District. The resulting prevailing practice has been for the municipality to fund the quantified General Benefit. The amount of the General Benefit related to Old Pasadena is \$33,468. This amount has been included in the City’s total allocation as discussed in the Fiscal Impact.

### **COUNCIL POLICY CONSIDERATION:**

Adoption of the Old Pasadena PBID is a means to enable property owners the ability to voluntarily self-levy through property taxes, thereby creating a source of funds to reinvest within the District for a variety of coordinated programs. Such an investment furthers the principles of the General Plan's Seven Guiding Principles to support economic vitality to provide for employment opportunities and enhanced revenues, support a healthy family community by contributing to a safe and clean commercial core, and supporting the notion of Pasadena as a cultural, scientific, corporate, entertainment and educational center for the region. This action also furthers the City Council Strategic Plan Goal to promote the quality of life and local economy.

### **Establishment Process**

PBID establishment is a multi-step process that involves the collection of petitions representing over 50% of the assessed value followed by a balloted election that concludes in a Public Hearing. Council set this public hearing on April 27, 2015 with the OPMD having successfully completed the petition phase.

Upon the completion of a successful election and City Council approval, the assessments will be paid through the property tax collected by the County Assessor, and passed through to the City. The City will remit the assessments to the OPMD for implementation of its Management Plan (Attachment 2).

### **Agreements**

Two contracts memorialize the approval and administration of the PBID – the Agreement for Services and the Baseline Services Agreement.

The Agreement for Services formally recognizes the OPMD as the organization contracted to administer the activities funded through the PBID, and services, while the baseline services agreement establishes the level of services provided within the district on behalf of one another.

While the Agreement for Services remains mostly the same, as the baseline level of services was established over 15 years ago, staff conducted a thorough review to find elements in need of updating. First, the costs associated with the PBID-provided City services were brought up to date. The second component was to reflect the actual level of Pasadena Police Department services provided within the District, which had increased in 2012. If approved, a new Baseline Services Agreement and Agreement for Services will be executed commensurate with the PBID term.

**ENVIRONMENTAL ANALYSIS:**

The action proposed herein is exempt from the California Environmental Quality Act (CEQA), pursuant to State CEQA Guidelines Section 15061(b)(3). The activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

The proposed action is the establishment of the Old Pasadena Property-based Business Improvement District for an additional ten-year term. The PBID will allow an assessment to collect funds that are used in the District to promote economic vitality in the area. No specific projects are being analyzed at this time. Any future project that results from the use of the funds shall be reviewed under its own merits at the time of project submittal for purposes of CEQA.

**FISCAL IMPACT:**

As proposed, the City's contribution, which consists of multiple components, will increase from the original 2000 funding level of \$545,000 per year (which has remained constant since that time) to \$604,463. The components include: the Special Benefit assessed to all property owners (the City owns multiple parcels); the General Benefit, required by the new law, paid for by an entity other than the property owners, and; the costs associated with the District-provided baseline city services.

In addition to the initial increase, the benefit components totaling \$199,164 will be subject to the same annual increase all other parcels receive. The increase is capped at 5%, but generally coincides with CPI. The balance will remain fixed.

**Private Property**

Special Benefit Direct Assessment\* \$1,120,891

**City-owned Property**

Special Benefit Direct Assessment \* \$165,696

General Benefit \* \$33,468

District-provided City Services \$405,299

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\$604,463

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**\$1,725,354**

**TOTAL**

\* Subject to annual increases

Until now, the City's contribution was fixed based on an agreement between the City and District, and based on the first year's assessment costs. The new legislation regarding the Special and General Benefits forced a reevaluation of the basis, and hence the proposed change.

The total amount proposed is reflected in the FY 2016 recommended operating budget. The sources of the funds are the Old Pasadena parking meter fund, and the Old Pasadena garage fund.

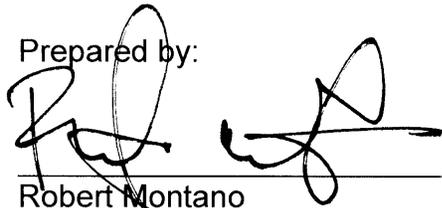
Respectfully submitted,



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STEVE MERMELL  
Assistant City Manager

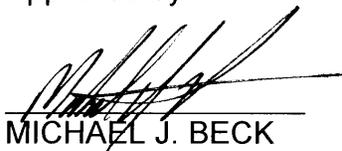
Prepared by:



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MICHAEL J. BECK  
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