



Milpitas BID | PBID

FAQ

Introduction

An improvement district is a geographically defined area where businesses or properties collaborate to enhance and promote the economic vitality of the district. Districts are typically formed through a partnership between local government and business owners or stakeholders in the area.

The formation of a District involves levying a special assessment or fee on businesses or properties located within the defined boundary. These assessments are collected by the local government and pooled together to fund improvements and services that benefit the businesses or properties, and the overall community. Examples of services provided by Districts include street cleaning, landscaping, security, marketing and promotion, event organization, business development, and advocacy on behalf of the District.

Improvement districts are governed by a board of directors made up of representatives from owners paying the assessment. This board oversees the allocation of funds, sets priorities, and ensures that the District's initiatives align with the needs and interests of owners paying the assessment, and the community.

The primary goal of an improvement district is to create a more attractive, welcoming, and economically vibrant district by investing in physical improvements, marketing efforts, and programs that stimulate business activity and enhance the overall experience for visitors, residents, and workers in the area. Improvement districts play a crucial role in driving economic development, fostering a sense of community, and improving the quality of life in the district they serve.

What is a Business Improvement District (BID)?

BIDs are a stable funding source for organizations of business owners working to improve their business district. Owners within the district work together to make significant improvements, attract consumers and develop the area. BIDs can have many functions, all of which are aimed at increasing business activity. The operations of a BID are determined by the businesses funding the BID. BID activities can include print and internet advertising, special event sponsorship, capital improvements, beautification efforts, and many other programs that benefit the businesses within the district.

What is a Property Business Improvement District (PBID)?

Similar to a BID, a PBID is an assessment district which would provide additional services within a defined area. The services would be funded by an assessment on real property, which appears on property tax bills. PBIDs are proven to work by providing services that improve the overall viability of commercial districts, resulting in higher property values and sales volumes. PBIDs provide funding for programs which work efficiently to maintain the area as a safe and inviting environment. The services are chosen by property owners and customized to fit the needs of the district. All services are designed to provide direct benefits to those who pay into the PBID.

What is the difference between a BID and PBID?

A BID is typically formed to improve a specific commercial area. It encompasses businesses within the district and is funded through assessments levied on the businesses located within its boundaries. The



funds collected from these assessments are typically used for various purposes such as marketing, beautification, and promotion of the district. BIDs are governed by a board of directors that includes representatives from the businesses within the district.

On the other hand, a PBID is a specific type of BID where assessments are levied based on the property ownership rather than the businesses within the district. PBIDs assess property owners within the district based on factors such as property value, square footage, or other predetermined criteria. The funds collected from these assessments are used for similar purposes as in a BID, but typically have a larger focus on maintenance and security, and the assessment is placed on the property owners rather than the businesses.

If formed, how long would the District last?

The District may be formed for five years. After five years it will automatically expire, unless it is renewed by owners, in which it can be renewed for up to ten years.

Can I opt-out of the District?

No. Once the District is created, all parcels or businesses (depending on if a PBID or BID is formed) within the boundaries will be assessed and receive services. There are no “free riders,” but the cost of providing services will be relatively low as they are provided on a large scale. However, once per year there is an opportunity for property or business owners to petition the City to disestablish the District if they are not satisfied with the services.

Who will manage the PBID money?

The funds will be collected from property or business owners via property taxes or business license fees. The City will then forward the funds to the Owners’ Association. The Owners’ Association is comprised of the property or business owners in the District and will be responsible for implementing PBID or BID programs. The City cannot keep the funds for its own purposes – the funds must be allocated to the PBID or BID and used on the PBID or BID programs.

What types of parcels are assessed in a PBID?

In a PBID, certain parcels are exempt from assessment, such as those zoned for single-family residential and agriculture. However, parcels owned by the state, or any government entity are subject to assessment. Additionally, tax-exempt, or non-profit and vacant parcels may be assessed, but only if it's determined they will benefit from PBID services. Typically, these types of parcels are assessed at a lower rate than commercial parcels, as they receive a lesser level of benefit.

How is the assessment placed on a parcel of land?

The assessment for each parcel is determined based on its unique characteristics, which can include lot square footage, linear frontage on high-traffic streets, use codes or zoning, and/or building square footage. Simpler methodologies typically result in fewer issues or complications. However, the assessment methodology is reliant on the data available from the County assessor, so including building square footage data is not recommended if it's inadequate. When using parcel zones in the methodology, it's best to limit the number of zones to mitigate issues for property owners who fall under multiple zone definitions.



Must the PBID or BID be formed under the Property and Business Improvement District Law of 1994 (PBID Law)?

Yes, in most cases, the PBID (State) Law is the only legally available mechanism to establish a PBID or BID. This is because unless the City is a Charter city with its own specific laws and regulations for forming business improvement districts, it must follow the guidelines set out in the PBID Law. It's important to note that these guidelines include specific requirements related to the establishment, governance, and operation of the PBID or BID, such as conducting public meetings, providing notice to property owners, developing and adopting a management plan and budget, and holding public hearings.

Why should I support forming a District?

Local and state governments are often unable to provide specialized services to meet an area's unique needs. Government programs are also subject to political and economic circumstances which can cause cuts to services. Establishing an improvement district remedies this inconsistency by providing a secure, stable funding source for crucial services. District spending priorities and limits are established by property or business owners with intimate knowledge of and a vested interest in the particular needs of the district.

Improvement districts have been used by property and business owners throughout California since 1994, and throughout the United States since the 1970s. They are a popular and successful way to provide funds for supplemental services. Many studies have been conducted on the benefits of improvement districts. The goals of the District are to maintain the area as a safe and inviting environment, to bring more tenants and shoppers, ultimately increasing property values and stabilizing occupancy.

Studies have found that:

- More activity attracts more people which increases rents and property values creating more business opportunity which means more activity and people on the street, and so on.
- Customers and residents may feel more comfortable and safer within improvement districts that have less obvious signs blight such as litter, graffiti, and abandoned cars.
- Areas that have successfully implemented an improvement district are attracting a larger number of visitors to that area than the residential population.
- Improvement districts have been important tools in halting a long slide toward economic decline in specific districts and transforming older areas into new opportunities for investment.
- A stronger sense of place that accompanies cleaner streets encourages patronage and has increasingly positive results in improvement district areas such as increased revenue.
- Businesses consider quality-of-life issues to be more important factors in choosing a location than they do tax rates and real-estate prices.
- Improvement districts areas experienced greater, on average, yearly reductions in the number of robbery, violent, and total crimes that non- improvement district areas do (Improvement districts in the City of Los Angeles were associated with 6 to 10-percent reductions in official crime.)

To learn more about PBIDs and BIDs, please visit <https://civitasadvisors.com/>.