

ITEM NO: 2

ROLL CALL

NEIGHBORHOOD AND PUBLIC SAFETY ISSUES COUNCIL COMMITTEE

MOVED BY: _____ SECONDED BY: _____ DATE: 11-10-93

MOTION: ~~to~~ Forward to the full
City Council for approval.

		AYE	NO	ABSTAIN	ABSENT
KERTH	D2				✓
ORTIZ	D5	✓			
PANNELL	D8				✓
STEINBERG	D6	✓			

NOTES: _____

SEQUENCE ORDER: 2



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DEPARTMENT OF
PUBLIC WORKS

OFFICE OF THE DIRECTOR
ADMINISTRATION

CITY OF SACRAMENTO
CALIFORNIA

October 21, 1993

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Neighborhood and Public Safety Issues Committee
Sacramento, California

Honorable Members in Session:

SUBJECT CONCEPT PAPER -- NEIGHBORHOOD IMPROVEMENT DISTRICTS

LOCATION AND COUNCIL DISTRICT Citywide, all Council districts.

RECOMMENDATION

It is recommended that the Neighborhood and Public Safety Issues Committee forward this report to the City Council with a recommendation to direct staff to conduct community meetings to obtain input regarding the concept of Neighborhood Improvement Districts.

CONTACT PERSON

Karen Shipley, Special Districts Analyst, at 264-5236

FOR COMMITTEE MEETING OF November 10, 1993.

SUMMARY

This report presents a concept proposal to establish "Neighborhood Improvement Districts" within the City to provide funding for special neighborhood activities, services, and/or improvements. The districts would be formed in cooperation with established neighborhood associations, who would administer the funds and prepare an annual budget. Property owners within each district would pay an annual assessment, which would be collected with their regular County property taxes.

BACKGROUND INFORMATION

Special Maintenance Districts

The City currently has 16 special maintenance districts operating throughout the City. These districts provide funding for special public services such as landscaping, sidewalk cleaning, etc, which are above and beyond the base level of City service. Properties benefitting from the service pay an annual assessment for the cost in proportion to the benefit received.

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Business Improvement Districts

The City also has five existing business improvement districts. These districts provide monthly funding to business associations for specific services, special events, and other expenditures.

An annual fee is paid by the business owners within the district at the time their annual business operations tax is due.

Proposed "Neighborhood Improvement District" (NID)

The concept of a NID is new. In cooperation with Councilperson Kerth's office, staff from the departments of Neighborhood Services, Finance and Public Works have developed a framework for Neighborhood Improvement Districts. It is envisioned that the NID would be formed using legal proceedings similar to a special maintenance district. This would allow funds to be collected annually from special benefitted property owners through their regular county tax bill. Administration of the district, however, would be performed similar to a business improvement district. Funds would be transferred to the neighborhood organizations through a formal agreement with the City. The neighborhood organizations would be responsible for administering the funds and preparing an annual budget. In brief, the basic structure of the proposed NID concept is summarized as follows:

- A NID would be formed at the request of a neighborhood organization and would require a petition signed by a minimum of 60% of the proposed district's property owners.
- Formation of the district would require a public hearing and adoption of appropriate resolutions by the City Council.
- An annual report specifying the activities, services, and/or improvements to be funded would be prepared based on a budget submitted by the neighborhood organization.
- Assessments would be calculated for each residential property in the district based on the annual budget.
- Collection of the funds would be administered by the City. Each property would pay an annual assessment with their regular County property tax bill.
- Transfer of funds would be accomplished through a formal agreement between the neighborhood organization and the City of Sacramento. Utilization of the funds would be administered by the neighborhood organization in accordance with terms and conditions of the agreement.
- The district would operate year-by-year with an annual report being approved by Council in June of each year.
- An automatic adjustment to reflect the consumer price index (CPI) could be incorporated at the time of district formation. With this approach, the assessments could be increased each year by the CPI without a public hearing at the time Council approves the annual budget.
- If the assessments were increased beyond the CPI factor, the annual report would require notification of property owners and a public hearing.

- Property owners wishing to protest the district or assessment could do so at any time, however, specifically during formation and during the annual report process when there is a proposed fee increase.
- Abandonment of a NID may be initiated by Council or a petition signed by 50% or more of the property owners by land area. The abandonment process would include a public hearing for the affected property owners. The Council could overrule an abandonment request with a four-fifths vote.

Possible Activities, Services, and Improvements

Each neighborhood organization will determine the need(s) for their own NID and submit an annual budget to Council for consideration. This process provides a means for organizations to submit budget items that specifically benefit their neighborhoods. Some possible uses of NID funds would be as follows. It is anticipated that the list will grow after discussion with neighborhood organizations regarding the NID concept.

- Security
- Neighborhood Cleanup (Tires, Creeks)
- Neighborhood Beautification
- Repair/Rehabilitation of Soundwalls
- Organization Newsletter
- Youth Programming
- Park Amenities
- Graffiti Removal

Survey of Other Cities

A survey was conducted to determine if other cities in California had adopted an enabling ordinance to form a NID. None of the cities surveyed had done so. To our knowledge, Sacramento would be the first City in California to have a Neighborhood Improvement District ordinance.

FINANCIAL CONSIDERATIONS

The cost of implementing the neighborhood improvement district program for the City is unknown at this time. The cost is expected to vary with the range of special neighborhood services/expenditures to be included and the level of complexity of the benefit/cost formulas. The following is a listing of the main cost categories identified at this time.

Enabling Ordinance

In order to form a neighborhood improvement district(s), the City would have to develop a special enabling ordinance creating the ground rules, framework, and legal authority to form such a district. The ordinance would require formal adoption by City Council prior to formation of any neighborhood improvement district.

Special Benefit Formula(s)

To qualify as a special assessment, and thus avoid a 2/3 vote requirement, a special benefit formula(s) would need to be developed for each of the services and improvements to be provided by a neighborhood improvement district. In general, each property would pay an assessment in direct proportion to the benefit received by the service(s) or improvement(s).

Depending on the nature of services or improvements, demonstration of specific benefit may be problematic. In some cases, it may not be possible to determine a special benefit. If that is the case, the particular service or improvement could not be included within the scope of the district's allowable services and improvements.

District Formation

A preliminary time frame and schedule of events is attached (see Exhibit A).

Agreement

Requirements for recognizing proper organizations representing neighborhoods would be outlined in the ordinance. An agreement between the City and each of the neighborhood associations will be required prior to, or at the time of, district formation. The agreement will specify the roles and relationship of each party with respect to transferring and administering the funds collected through the annual assessment process. It is envisioned that a "boiler plate" agreement would be drafted as part of the enabling ordinance process.

Annual Administration

The City will administer annual collection of assessments. This will include preparation of the necessary Council reports and resolutions each spring to levy the assessment, transfer of the assessment roll to the County Assessor's Office, collecting the funds, and disbursement of funds to the associations. A special account for each district would be established for deposit of funds received.

Limiting Factors

An important factor for the Neighborhood Improvement District is the cost of annual administration. For a district to operate efficiently, the cost of administration should be a small percentage of the overall budget. For the existing districts within the City, annual administration costs range from 1.3% to 15% of the total annual budget. With the NID concept, it will be important to assure that each district has an adequate number of lots and a total annual budget sufficient to justify the administrative expense.

Maximum Budget

It is recommended that the scope of services and/or improvements for each NID be limited during the first two years of operation. For example, the annual budget could be set at a range not to exceed \$15,000. This approach would enable both the City and neighborhood organizations to evaluate the services, organization structure, neighborhood participation, and the NID program in general.

POLICY CONSIDERATIONS

The Neighborhood Improvement District concept presented in this report is in general conformance with existing City practice and policies for special assessment districts. It is anticipated, however, that a number of policy issues may arise during the community meeting phase and as a draft enabling ordinance is developed. These issues will be identified and presented with appropriate policy recommendations for Council consideration. A preliminary list of possible concerns are indicated below:

- Equity between Neighborhoods
- Maximum Limitation of Budget and Assessments
- Alternative Volunteer Program
- Minimum Standards for Neighborhood Organization Structure

Appropriate Next Steps

Subject to Council concurrence of this proposal, the next step would be to obtain community input. Staff would recommend that a series of community meetings be held in selected neighborhood areas where the proposed neighborhood improvement district concept may be of interest. Staff will report the results of these meetings to Council in approximately 90 days and will present recommendations for further Council consideration.

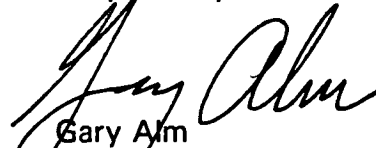
Preliminary Planning Costs

The initial cost (in staff time) to develop the preliminary NID concept, conduct the aforementioned community meetings and prepare a report back to Council is estimated at \$4,000. Funding will be provided by the current operating budget of the departments involved. The cost to fully implement the NID ordinance will be determined at a future date.

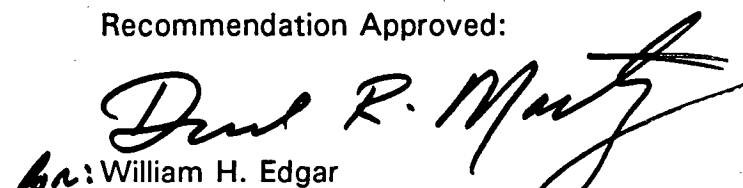
MBE/WBE

Not applicable as no goods or services are being purchased.

Respectfully submitted,


Gary Alm
Supervising Engineer

Recommendation Approved:


for: William H. Edgar
City Manager

Approved:



John E. Medina
Director of Public Works

EXHIBIT A

PROPOSED NEIGHBORHOOD IMPROVEMENT DISTRICTS (NID)

SCHEDULE

August 4, 1993	NID Concept Discussed
August 31, 1993	Draft Neighborhood and Public Safety Issues Committee Report Distributed for Review
Sept./Oct. 1993	Review Internally (Staff Committee)
November 10, 1993	Neighborhood and Public Safety Issues Committee Review and Recommendations
November 30, 1993	Council Review and Policy Direction
Dec. 1993/Jan. 1994	Conduct Meetings with Neighborhood Organizations
February 1994	Council Presentation
	-- Staff Report Back with Recommendations
February 1994	City Staff Begins Drafting Enabling Ordinance
February 1994	Develop Petition for Neighborhood Organizations Requesting Establishment of NID
March 1994	Introduce Ordinance (City Council)
April 1994	Council Adoption of NID Ordinance
May 1994	NID Ordinance Becomes Effective
May 1994	Distribute NID Petitions to Interested Neighborhood Organizations

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NID's completed prior to July 1 would be included in the November County tax bill of that year.