



FINANCIAL STRATEGIES

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4044 **PRINCIPAL CONSIDERATIONS**

4045 **SOSIP and Downtown’s Revitalization.** En-
4046 hancements to the “public realm” can serve
4047 as a major cornerstone for Downtown revital-
4048 ization, as they have in numerous other com-
4049 munities. The street and open space improve-
4050 ments envisioned will transform Downtown
4051 and can give Berkeley a special edge as it
4052 competes as a destination within a regional
4053 marketplace. Because public improvements
4054 can be expected to enhance the whole expe-
4055 rience of visiting Downtown, they will elevate
4056 Downtown as a preferred destination for shop-
4057 ping, dining, or going to a show.

4058 Public improvements will also make Down-
4059 town a more desirable place to live or locate
4060 a business, and will attract private investment
4061 in building renovations and new construc-
4062 tion. Private development will help bring more
4063 people Downtown. As incremental public and
4064 private investments build on each other, they
4065 should set in motion an “upward spiral” lead-
4066 ing to Downtown’s resurgence and expanding
4067 Berkeley’s tax base.

4068 Street and open space improvements will also
4069 make Downtown more accessible and reduce
4070 the frustration that many people feel when
4071 they come Downtown. They will encourage
4072 walking, bicycling and transit use. In combina-
4073 tion with parking and transportation programs,
4074 street and open space improvements also

***Facing Page: Financing Implementation.** Addressing
Costs. Construction costs and on-going expenses must
be addressed with funding from grants, fees, and other
revenue sources.*

4075 have the potential to reduce parking demand
4076 and make parking more available for those
4077 who choose to drive.

4078 **Financial Overview.** Significant investment
4079 will be needed to realize SOSIP benefits.
4080 While controlling costs was factored into SO-
4081 SIP design concepts, most street and open
4082 space improvements will be expensive – not
4083 just to build but also to maintain.

4084 Financial resources for implementing the SO-
4085 SIP are limited, especially City funds for which
4086 there are numerous demands. To attain SO-
4087 SIP goals, a broad set of financial strategies
4088 will be needed to set priorities, obtain grants,
4089 harness private and institutional development,
4090 and leverage limited public funds.

4091 **Setting Priorities.** The SOSIP presents a
4092 long-term vision for Downtown, with a total es-
4093 timated cost of \$35 million (2010 dollars). As
4094 there are not sources that can fund improve-
4095 ments at this scale, the City will have to make
4096 improvements incrementally over time. It is
4097 therefore necessary to establish priorities for
4098 SOSIP projects.

4099 To best leverage limited resources, the SOSIP
4100 sets funding priorities that approach \$9 million
4101 in capital costs and, if completed as a whole,
4102 about \$300,000 in additional maintenance
4103 costs. SOSIP funding priorities are described
4104 in the Major Projects chapter (Policy 1.2), and
4105 are based on a “Project Cost & Financing Re-
4106 port” by Economic & Planning Systems (Ap-
4107 pendix B). To set context for the Financial Strat-
4108 egies chapter, the approximate capital costs
4109 for priority projects are summarized below:

4110 Tier I (highest priorities):

- 4111 • Center Street Plaza (Phase 1)
4112 \$3.4 million
- 4113 • Shattuck Square & University Avenue
4114 \$1.9 million
- 4115 • Street Tree Planting Program
4116 \$0.5 million

4117 Tier II:

- 4118 • Allston-Kittredge Park Block
4119 \$1.0 million
- 4120 • Hearst/Ohlone Greenway (Phase 1)
4121 \$0.8 million

4122 Tier III:

- 4123 • Milvia Bike Lanes & Traffic Calming
4124 \$0.6 million
- 4125 • Shattuck Avenue Bike Lanes
4126 \$0.5 million

4127 The location of future private development
4128 will also influence where improvements are
4129 made. As a comprehensive vision, the SOSIP
4130 is expected to help the City capitalize on these
4131 types of opportunities when they occur.

4132 **Potential Funding Sources**

4133 Possible new funding sources are described
4134 below. While all sources merit further consid-
4135 eration, some funding mechanisms would be
4136 more difficult to establish than others. Especial-
4137 ly challenging are funding sources that would
4138 require approval by a super-majority of Berke-

4139 ley's voters. There are also numerous compet-
4140 ing demands on the City's limited capacity to
4141 raise money for a variety of capital and service
4142 needs. It is assumed in this report that the ex-
4143 isting very challenging budget climate for local
4144 jurisdictions in California will continue for the
4145 foreseeable future, and that funding for SOSIP
4146 improvements must come from "new" sources.

4147 Funding sources that could be fully dedicated
4148 to SOSIP improvements include grants and de-
4149 velopment-related fees. (This could include in-
4150 kind contributions, or fees on development, by
4151 institutional and nonprofit landowners, such as
4152 UC Berkeley). While it is impossible to predict
4153 the rate at which these funds would become
4154 available, historic rates of development and
4155 prior success with grant applications suggest
4156 that these funds might "accumulate" at an aver-
4157 age annual rate of one-half to one million dol-
4158 lars per year. These types of funding are nearly
4159 always limited to capital improvements (i.e.,
4160 project development and construction costs),
4161 and not ongoing maintenance and operation.

4162 Potential modifications in on-street parking
4163 fees (meters) could also provide a source of
4164 additional funds for SOSIP improvements and
4165 maintenance. This might include extending
4166 hours of operation and/or modifying the cost of
4167 parking in very high-demand areas of Down-
4168 town. Since parking revenues are ongoing,
4169 they are well suited to addressing long-term
4170 expenses for operations and maintenance for
4171 the new improvements proposed in the SOSIP.
4172 In the near term, such funds could be used
4173 to construct some proposed SOSIP improve-
4174 ments. The extent to which new parking rev-
4175 enues could be committed requires a policy
4176 discussion that would consider the SOSIP
4177 projects in the context of other funding needs
4178 associated with Downtown parking/transporta-
4179 tion programs and citywide priorities.

4180 Another potential source of funding for SOSIP
4181 improvements is the City's Transient Occupan-
4182 cy Tax (TOT), a tax placed on hotel rooms (and
4183 other rooms rented to "transient" occupants) in
4184 the city. Improvements in the Downtown envi-
4185 ronment would encourage the development of
4186 new hotels, and those hotels could then help
4187 provide funding for additional improvements:
4188 However, by law, taxes such as the TOT must
4189 go to the City's General Fund; so committing
4190 this funding would have to be made in the con-
4191 text of General Fund priorities.

4192 Citywide taxes and assessments could provide
4193 considerable financial resources for SOSIP im-
4194 provements and maintenance, but these would
4195 require extraordinary support from Berkeley's
4196 City Council and registered voters. As a con-
4197 sequence, these funding sources may deserve
4198 consideration but should not be relied on.

4199 **Grants.** Grant funding is obtained through
4200 competitive applications to nonprofits, founda-
4201 tions, and government agencies. SOSIP proj-
4202 ects may compete well since SOSIP projects
4203 address objectives found in many grants, such
4204 as: enhancing pedestrian and bicycle routes to
4205 transit, promoting stormwater quality and wa-
4206 tershed health, encouraging affordable hous-
4207 ing near transit, and revitalizing urban centers.
4208 Funding from other sources – or "matching
4209 funds" – is typically needed to receive grants.
4210 The City has had some success over the years
4211 in applying for such funds, recently receiving
4212 \$2.2 million for BART Plaza improvements.
4213 Grants also helped fund improvements on Ad-
4214 dison and Center Streets in recent years.

4215 **Development Impact, "In-Lieu" Fees, & Ad-**
4216 **jacent Improvements.** Developers can be
4217 assessed impact fees to address increased
4218 demand, for recreational space and other fa-
4219 cilities, that results from development. These

4220 fees can only go toward capital improvements
4221 and must be scaled so as not to exceed the
4222 fair share cost of impacts as established by a
4223 State-required nexus analysis.

4224 Developer fees might also come if develop-
4225 ers opted to pay an "in-lieu" fee instead of
4226 providing "on-site" open space as required by
4227 Berkeley's Zoning Ordinance. The City would
4228 use these in-lieu fees to make open space
4229 improvements in public rights-of-way and on
4230 other public land within Downtown.

4231 In addition, developers can be required to
4232 make improvements, consistent with adopted
4233 plans, to public right-of-ways that abut devel-
4234 opment sites. These improvements include
4235 construction of new sidewalks, installing street
4236 trees, and other improvements that directly
4237 benefit the development project.

4238 UC Berkeley would be treated in a manner
4239 consistent with other institutional and "non-
4240 profit" developers. As such, UC Berkeley might
4241 make improvements to abutting streets – con-
4242 sistent with adopted plans and as required of
4243 private developers – or might participate in
4244 area-wide development impact fees.

4245 **New On-Street Parking Revenues.** Increas-
4246 ing the price and extending the hours of on-
4247 street parking meters for high-demand por-
4248 tions of Downtown could also provide a source
4249 of additional funds for SOSIP improvements
4250 and maintenance. Since parking revenues are
4251 ongoing, they are well suited to addressing
4252 long-term expenses for operations and main-
4253 tenance for the new improvements proposed
4254 in the SOSIP. In the near term, such funds
4255 could be used to construct some proposed
4256 SOSIP improvements.

4257 In addition to providing a source of revenue,
4258 various studies have shown that increasing the
4259 cost of on-street parking can help ensure the
4260 availability of on-street parking in high-demand
4261 areas as drivers choose to park in garages or
4262 use alternative transportation, thereby leaving
4263 room on the street for short-term users. The
4264 concern that price increases may discour-
4265 age some commercial and cultural patrons
4266 from coming Downtown can be mitigated by
4267 strengthening Downtown as a destination by
4268 spending a significant part of new parking rev-
4269 enues on SOSIP improvements and mainte-
4270 nance. The extent to which new parking rev-
4271 enues could be committed to SOSIP requires a
4272 policy discussion that would consider the SO-
4273 SIP projects in the context of funding needed
4274 for Downtown parking/transportation programs
4275 and citywide priorities.

4276 **Transient Occupancy Tax.** Another potential
4277 source of funding for SOSIP improvements is
4278 the City's Transient Occupancy Tax (TOT), a
4279 tax placed on hotel rooms (and other rooms
4280 rented to "transients") in the City. A new ho-
4281 tel might be built in the Downtown within the
4282 timeframe of this Plan, and could generate sig-
4283 nificant TOT taxes. Since Downtown improve-
4284 ments would enhance the City's ability to at-
4285 tract a new hotel and since a new hotel project
4286 would increase TOT revenues, it may make
4287 sense to commit some portion of new TOT
4288 revenues to SOSIP improvements and mainte-
4289 nance demands. However, since by law taxes
4290 such as the TOT must go to the City's General
4291 Fund, committing this funding would have to be
4292 made in the context of General Fund priorities.

4293 **Citywide Parks Tax.** A "Parks Tax Fund" cov-
4294 ers a portion of the Parks, Recreation & Water-
4295 front Department operations and maintenance,
4296 and is paid for through property-based assess-
4297 ments. The Parks Department has indicated

4298 that – even with revenue increase that will
4299 come with new development – future revenues
4300 will likely be devoted to operations and main-
4301 tenance expenses associated with existing
4302 parks and that there is unlikely to be sufficient
4303 funding to maintain the new facilities recom-
4304 mended in this plan. Additional tax revenues
4305 could be obtained if approved by two-thirds of
4306 Berkeley's voters and could be devoted to con-
4307 struction and maintenance of new facilities (in
4308 Downtown and elsewhere), and improvements
4309 to existing facilities. As with consideration of
4310 any citywide tax measure, the Council will
4311 have to weigh the capital needs of parks and
4312 open space with the other infrastructure and
4313 service needs of the City.

4314 **Community Facilities District.** Under Cali-
4315 fornia's "Mello-Roos" Act, Community Facili-
4316 ties Districts (CFDs) can be formed by local
4317 agencies to impose special taxes on property
4318 owners, but must first be approved by a super-
4319 majority of Berkeley voters if applied citywide,
4320 and by a super-majority of property owners if
4321 applied only to Downtown. To fund improve-
4322 ments, the City could try to establish a new
4323 CFD for Downtown alone, or for the whole city.
4324 The special tax could support Downtown im-
4325 provements and possibly associated mainte-
4326 nance. Although CFD's have been commonly
4327 used in the creation of large new subdivisions
4328 where involving only a single developer / prop-
4329 erty owner, they are used very occasionally in
4330 situations where there are many existing prop-
4331 erty owners, such as in Downtown Berkeley.

4332 **Business Improvement District.** Down-
4333 town's business and cultural community makes
4334 important contributions through the day-to-day
4335 provision of goods, services, and events, but
4336 also by the maintenance activities funded by
4337 the Business Improvement District (BID). BID-
4338 funded activities include litter removal, side-

4339 walk washing, and landscaping. BID efforts
4340 complement and might supplement SOSIP
4341 operations and maintenance activities, but it is
4342 very unlikely that a BID could raise significant
4343 capital for implementing the SOSIP.

4344 The BID is administered by the Downtown
4345 Berkeley Association (DBA), which began ex-
4346 ploring a possible property-based BID (PBID)
4347 in 2009. The PBID would expand the BID's
4348 boundary and increase annual revenues. A
4349 PBID must be approved by a majority of af-
4350 fected property owners. PBID priorities vary
4351 but typically include enhanced security, clean-
4352 ing and maintenance, and shared marketing.
4353 While PBID revenues are sometimes used to
4354 make modest improvements, they are princi-
4355 pally a vehicle for meeting ongoing mainte-
4356 nance and management needs.

4357 **POLICIES AND ACTIONS**

4358 **Policy 11.1, SOSIP Funding.** Establish fund-
4359 ing sources for SOSIP capital improvements.
4360 as well as ongoing SOSIP maintenance & op-
4361 erational needs.

4362 a. Aggressively pursue external grant funding
4363 from foundations and regional, state, and
4364 federal governments. Recognize that get-
4365 ting such grants may require providing lo-
4366 cal "matching funds," and include the need
4367 for matching funds as part of an overall
4368 SOSIP financing strategy.

4369 b. Adopt a new Development Impact Fee for
4370 recreation and open space, and dedicate
4371 it to SOSIP improvements. Base this fee
4372 on a rational nexus that aligns fees with
4373 impacts from new development, as re-
4374 quired by California law.

4375 c. Establish an option for developers to pay
4376 a fee in lieu of meeting some portion of
4377 on-site open space requirements. Pro-
4378 ceeds from in-lieu fees should be spent
4379 on SOSIP improvements. Consider how
4380 development can assume a fair-share
4381 burden for ongoing maintenance costs,
4382 since required open space – if provided
4383 entirely on-site – would have been main-
4384 tained by the developer.

4385 d. Require developers to make improve-
4386 ments to abutting streets as a condition for
4387 approval. Required improvements should
4388 conform to SOSIP provisions and design
4389 concepts, unless superseded by design
4390 development associated with Major Proj-
4391 ects or by other development standards.
4392 The City should set high standards for
4393 these improvements.

4394 e. Pursue institutional and nonprofit cost
4395 sharing. Contributions from institutional
4396 and nonprofit uses, such as UC Berkeley,
4397 or the Berkeley Unified School District,
4398 Berkeley Community College, or local the-
4399 aters and performance venues, should be
4400 pursued in a manner consistent with re-
4401 quirements on all projects developed by
4402 "nonprofit" institutions.

4403 f. Consider dedication of a significant portion
4404 of new on-street parking meter revenues in
4405 Downtown to long-term maintenance and
4406 near-term capital improvements to imple-
4407 ment the SOSIP. Because parking rev-
4408 enues are ongoing, recognize the impor-
4409 tance of new parking revenues in address-
4410 ing maintenance costs. In the near-term,
4411 before SOSIP improvements come on line
4412 and require maintenance, consider using
4413 parking revenues for capital improvements
4414 or as matching funds for grants.

4415 g. Consider a developer fee for transportation impacts. If this is established, dedicate
4416 a portion of revenues to SOSIP improvements
4417 that would calm traffic, strengthen
4418 Berkeley's bicycle network, and enhance
4419 pedestrian routes to transit.
4420

4421 h. If an increase in Berkeley's Parks Tax is
4422 considered by voters, include some SOSIP
4423 improvements in any list of projects that
4424 may be implemented with tax revenues.

4425 i. Continue to evaluate the feasibility of other
4426 funding mechanisms. State legislation occa-
4427 sionally modifies funding mechanism require-
4428 ments to make them easier to apply. The City
4429 should be opportunistic in considering fund-
4430 ing mechanisms for SOSIP implementation.

4431 **Policy 11.2, Near-Term Priorities.** Concen-
4432 trate efforts and funding in pursuit of the near-
4433 term priorities described above.

4434 a. Pursue financial strategies that target SO-
4435 SIP's near-term priorities, while adjusting
4436 the timing of SOSIP projects to take full
4437 advantage of funding opportunities from
4438 future grants and development.

4439 **Policy 11.3. Coordination.** Coordinate SO-
4440 SIP funding and activities with related other ini-
4441 tiatives to best leverage limited resources.

4442 a. Support the Downtown Berkeley Associa-
4443 tion as it administers Business Improve-
4444 ment District (BID) funds to address needs
4445 such as removing litter, washing sidewalks,
4446 maintaining landscaping, etc.

4447 b. Consider BID and SOSIP initiatives in con-
4448 cert to find ways to maximize benefits.

