



FINANCIAL STRATEGIES

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PRINCIPAL CONSIDERATIONS

SOSIP and Downtown’s Revitalization. Enhancements to the “public realm” can serve as a major cornerstone for Downtown revitalization, as they have in numerous other communities. The street and open space improvements envisioned will transform Downtown and can give Berkeley a special edge as it competes as a destination within a regional marketplace. Because public improvements can be expected to enhance the whole experience of visiting Downtown, they will elevate Downtown as a preferred destination for shopping, dining, or going to a show.

Public improvements will also make Downtown a more desirable place to live or locate a business, and will attract private investment in building renovations and new construction. Private development will help bring more people Downtown. As incremental public and private investments build on each other, they should set in motion an “upward spiral” leading to Downtown’s resurgence and expanding Berkeley’s tax base.

Street and open space improvements will also make Downtown more accessible and reduce the frustration that many people feel when they come Downtown. They will encourage walking, bicycling and transit use. In combination with parking & transportation programs, street and open space improvements also

have the potential to reduce parking demand and make parking more available for those who chose to drive.

Financial Overview. Significant investment will need to be made to realize the benefits noted and others. While controlling costs was factored into SOSIP design concepts, most street and open space improvements will be expensive – not just to build but also to maintain.

Financial resources for implementing SOSIP are limited, especially City funds for which there are numerous demands. If the SOSIP goals are to be achieved, a broad set of financial strategies will be needed to set priorities, obtain grants, harness private and institutional development, and leverage limited public funds.

Setting Priorities. The SOSIP presents a long-term vision for Downtown, with a total estimated cost of \$35 million (2010 dollars). As there are no sources that can fund improvements at this scale, the City will have to make improvements incrementally over time. It is therefore necessary to establish priorities for SOSIP projects.

To best leverage limited resources, the SOSIP sets funding priorities that approach \$9 million in capital costs and, if completed as a whole, about \$300,000 in additional maintenance costs. SOSIP funding priorities are described in the Major Projects chapter, and are based on a “Project Cost & Financing Report” by Economic & Planning Systems (Appendix B). To set context for the Financing Strategy

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

chapter, the approximate capital costs for priority projects are summarized below.

Tier I (highest priorities):

- Center Street Plaza (Phase 1)
\$3.4 million
- Shattuck Square & University Avenue
\$1.9 million
- Street Tree Planting Program
\$0.5 million

Tier II:

- Allston-Kittredge Park Block
\$1.0 million
- Hearst/Ohlone Greenway (Phase 1)
\$0.8 million

Tier III:

- Milvia Bike Lanes & Traffic Calming
\$0.6 million
- Shattuck Avenue Bike Lanes
\$0.5 million

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

Potential Funding Sources

Possible new funding sources are described below. While all sources merit further consideration, some funding mechanisms would

be much more difficult to establish than others. Especially challenging are those funding sources that would require approval by a super-majority of all Berkeley voters. There are also numerous competing demands on the City's limited capacity to raise money for a variety of capital and service needs. It is assumed in this report that the existing very challenging budget climate for local jurisdictions in California will continue for the foreseeable future, and that funding for SOSIP improvements must come from "new" sources.

Funding sources that could be fully dedicated to SOSIP improvements include grants and development-related fees. This could include in-kind contributions, or fees on development by institutional and nonprofit landowners, such as UC Berkeley. While it is impossible to predict the rate at which these funds would become available, historic rates of development and prior success with grant applications suggest that these funds might "accumulate" at an average annual rate of one-half to one million dollars per year. These types of funding are nearly always limited to capital improvements (i.e. costs associated with project development and construction), and not for ongoing maintenance and operation.

Potential use of revenue from parking meters and City taxes is described below; however, consistent with the Downtown Area Plan's Goal ED-12.1, Revenues for Downtown, the City must balance the needs of all neighborhoods and commercial areas, while at the same time remaining committed to investing resources in the Downtown.

Grants. Grant funding is obtained through competitive applications to non-profits, foundations and government agencies. SOSIP projects may compete well since SOSIP projects

address objectives found in many grants, such as: enhancing pedestrian & bicycle routes to transit; promoting stormwater quality and watershed health; encouraging affordable housing near transit; and revitalizing urban centers. Funding from other sources – or “matching funds” -- is typically needed to receive grants. As noted above, the City has had some success over the years in applying for such funds, recently receiving \$2.2 million for BART Plaza improvements. The City also helped fund improvements on Addison and Center Streets in recent years.

Development Impact, “In-Lieu” Fees, & Adjacent Improvements. Developers can be assessed impact fees to address increased demand for open space and other facilities, which result from development. These fees can only go toward capital improvements and must be scaled so as not to exceed the fair share cost of impacts as established by a State-required nexus analysis.

Developer fees might also come, if developers opted to pay an “in lieu” fee instead of providing “on-site” open space as required by Berkeley’s Zoning Ordinance. The City would use these in lieu fees to make open space improvements in public rights-of-way and other public land within Downtown.

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

UC Berkeley would be treated in a manner consistent with other institutional and “nonprofit” developers. As such, UC Berkeley might

make improvements to abutting streets – consistent with adopted plans and as required of private developers -- or might participate in area-wide development impact fees.

New On-Street Parking Revenues. Increasing the price and extending the hours of on-street parking meters for high demand portions of Downtown could also provide a source of additional funds for SOSIP improvements and maintenance. Since parking revenues are ongoing, they could be well suited to addressing long-term expenses for operations and maintenance for the new improvements proposed in the SOSIP. In the near term, such funds could be used to construct some proposed SOSIP improvements.

In addition to providing a source of revenue, various studies have shown that increasing the cost of on-street parking can help ensure the availability of on-street parking in high-demand areas as drivers choose to park in garages or use alternative transportation, thereby leaving room on the street for short-term users. The concern that price increases may discourage some commercial and cultural patrons from coming Downtown can be mitigated by strengthening Downtown as a destination by spending a significant part of new parking revenues to SOSIP improvements and maintenance. As indicated in DAP Goal ED-12.1, the extent to which new parking revenues could be committed to SOSIP requires a policy discussion that would consider the SOSIP projects in the context of funding needed for Downtown parking/transportation programs and other citywide priorities, and will be considered as part of the annual budget adoption.

Transient Occupancy Tax. Another potential source of funding for SOSIP improvements is the City’s Transient Occupancy Tax (TOT),

a tax placed on hotel rooms (and other rooms rented to “transients”) in the City. A new hotel might be built in the Downtown within the timeframe of this Plan, and could generate significant TOT taxes. Since Downtown improvements would enhance the City’s ability to attract a new hotel and since a new hotel project would increase TOT revenues, it may make sense to commit some portion of new TOT revenues to SOSIP maintenance demands. However, since by law taxes such as the TOT must go to the City’s General Fund, unless a Special Tax were approved by two-thirds of Berkeley voters. Therefore, use of TOT funds can only be made in the context of other General Fund priorities.

Citywide Parks Tax. A “Parks Tax Fund” covers a portion of the Parks, Recreation & Waterfront Department operations and the maintenance, and is paid for through property-based assessments. The existing Parks Tax will not be adequate to maintain the new facilities recommended in this plan, even with increased revenues that will come from new development. Additional tax revenues could be obtained if approved by two-thirds of Berkeley’s voters and could be devoted to construction and maintenance of new facilities (in Downtown and/or elsewhere), and improvements to existing facilities. As with consideration of any citywide tax measure, the Council will have to weigh the capital needs of parks and open space with the other infrastructure and service needs of the City.

Community Facilities District. Under California’s “Mello-Roos” Act, Community Facilities Districts (CFDs) can be formed by local agencies to impose special taxes on property owners, but must first be approved by a super-majority of all Berkeley voters if applied citywide, and by a super majority of property owners if

applied only to Downtown. To fund improvements, the City could try to establish a new Community Facilities District (CFD) for Downtown alone, or for the whole city. citywide CFD the special tax could support Downtown improvements and possibly associated maintenance. Although CFD’s have been commonly used in the creation of large new subdivisions where involving only a single developer / property owner, they are used very occasionally in situations where there are many existing property owners, such as in Downtown Berkeley.

Business Improvement District. Downtown’s business community makes important contributions through day-to-day provision of goods, services and events, and promotes revitalization through a property-based business improvement district (PBID). Administration of the PBID is contracted by the City to the Downtown Berkeley Association (DBA), which in 2009, began exploring how to transform the previous merchant-based BID into a PBID. The PBID proposal incorporated a bigger geographic area and generated a larger annual budget that was intended to have a transformational impact on the district’s character.

In 2011, the PBID was approved by a majority of participating property owners and adopted by the City Council. PBID priorities include enhanced security, cleaning & maintenance of public spaces, shared marketing and economic development. PBID efforts complement and might supplement SOSIP operations and maintenance activities, but it is very unlikely that a BID could raise significant capital for implementing the SOSIP.

POLICIES AND ACTIONS

Policy 11.1, SOSIP Funding. Establish funding sources for SOSIP capital improvements, as well as ongoing SOSIP maintenance & operational needs.

- a. Aggressively pursue external grant funding from foundations and regional, state, federal governments, and foundations sources. Recognize that other funds may be needed to provide local “matching funds,” and include the need for matching funds as part of an overall SOSIP financing strategy.
- b. Adopt a new Development Impact Fee to implement the SOSIP. Base this fee on a rational nexus that aligns fees with the impacts of new development, as required by California law.
- c. Establish an option for developers to pay a fee in-lieu of meeting some portion of on-site open space requirements. Proceeds from in-lieu fees should be spent on SOSIP improvements. Consider how development can assume a fair-share burden for on-going maintenance costs, since required open space – if provided entirely on-site – would have been maintained by the developer.
- d. Require developers to make improvements to abutting streets as a condition for approval. Required improvements should conform to SOSIP provisions and design concepts, unless superseded by design development associated with Major Projects or by other development standards. The City should set high standards for these improvements.
- e. Pursue Institutional and Non-Profit Cost Sharing. Contributions from institutional and non-profit uses, such as UC Berkeley, the Berkeley Public Library, or the Berkeley Unified School District, Berkeley Community College, or local theaters and performance venues, should be pursued in a manner consistent with requirements on all projects developed by “nonprofit” institutions.
- f. Consistent with DAP Goal ED-12.1 and as part of the annual City budget adoption, consider the extent to which new on-street parking meter revenues in Downtown could be dedicated to long-term maintenance and near-term capital improvements to implement the SOSIP. Because parking revenues are on-going, recognize the importance of new parking revenues in addressing maintenance costs. In the near-term, before SOSIP improvements come on line and require maintenance, consider using parking revenues for capital improvements or as matching funds for grants.
- g. Consider a developer fee for transportation impacts. If established, dedicate a portion of revenues to SOSIP improvements that would calm traffic, strengthen Berkeley’s bicycle network, and enhance pedestrian routes to transit.
- h. If an increase in Berkeley’s Parks Tax is considered by the voters, include some SOSIP improvements in any list of projects that may be implemented with these new revenues.
- i. Continue to evaluate the feasibility of other funding mechanisms. State legislation occasionally modifies requirements on funding

mechanisms that make them easier to apply, and an unpromising environment for any particular mechanism can change. The City should be opportunistic in considering funding mechanisms for SOSIP implementation.

Policy 11.2, Near-Term Priorities. Concentrate efforts and funding in pursuit of the near-term priorities described in the chapter on Major Projects (Policy 1.3).

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

Policy 11.3. Coordination. Coordinate SOSIP funding and activities with other related initiatives to best leverage limited resources.

- a. Support the Downtown Berkeley Association as it administers the Property-based Business Improvement District (PBID) funds to address needs such as removing litter, washing sidewalks, maintaining landscaping, etc.
- b. Consider BID and SOSIP initiatives in concert to find ways to maximize benefits.

