

AB 2890 (Bloom) Property Business Improvement District (PBID) Renewal & Formation

Questions & Answers

What are the benefits of PBIDs in California?

PBID services improve the overall viability of business districts, resulting in higher property values, sales and tax revenues. From spurring economic activity to hosting a concentration of resources, amenities, and social infrastructure, PBIDs play a pivotal role in the long-term health of a region.

PBIDs help improve and energize urban and commercial spaces, which attracts more residents, visitors and provides for new housing and business opportunities. Specifically, PBIDs provide funding for programs and/or infrastructure that help improve the public areas around the parcels, and the services are customized to fit the needs of the district to improve and enhance the area. PBIDs continue to be an especially important tool helping finance improvements and services that positively energize California's downtowns and economic corridors by providing the best experience for property owners, businesses, residents, employees, visitors, and tourists.

What types of infrastructure, improvements, services, beautification, and promotion do PBIDs typically provide for their districts and urban centers?

PBIDs are an important economic development tool for California. A PBID provides improvements and services such as sidewalk cleaning, trash collections, graffiti removal, security, marketing and events to a commercial district. Its purpose is to supplement, not replace, city services. These programs and services help provide a safe, clean and vibrant place for people to live, work and visit.

PBIDs are based on a benefit assessment model where property owners in the district agree to assess themselves to provide supplemental services in the area. These supplemental services are not managed by the city but by a non-profit organization made up of property owners and other stakeholders within the community. The International Downtown Association estimates that there are over 1000 PBIDs in North America.

How has recent litigation in California courts impacted the viability and effectiveness of PBIDs?

Ambiguity in published court cases relative to how an engineer should quantify benefits in PBIDs has inspired plaintiffs to challenge districts. These suits, while not successful so far, have delayed the implementation of programs and have forced cities, counties and PBIDs to spend precious resources defending the claims.

Does this bill undermine Proposition 218 (1996), which restricted local governments' ability to impose certain taxes, property-related assessments, and fees?

No. The Legislature cannot amend Prop 218 and AB 2890 does not undermine its effectiveness. PBIDs will still be required to demonstrate special benefit to property owners, however, the bill will clarify that the supplemental services are the special benefit. PBIDs will still continue to be required to comply with all other requirements of Prop 218 including, but not limited to, the property owner balloting, the notice, and the engineer's report.

What is the Dahms Decision, and why is legislative action necessary to codify the court decision?

While there is ambiguity, one appellate case should set the standard for PBIDs. The leading PBID case is *Dahms vs Downtown Pomona PBID* (2009). The court held that in special districts like PBIDs, where the districts are providing supplemental services over and above those of the city, that the services themselves are the special benefit. AB 2890 codifies the standard that the supplemental services in a PBID are the special benefit.

How does AB 2890 directly help PBIDs?

Voters passed Proposition 218 in 1996, which implemented a number of new requirements on PBIDs, and other assessment districts including a requirement to specify certain benefits that would be realized from the assessment. However, the initiative included only a brief definition of the benefits and had no implementation guidance for how engineers are to identify the benefits. This ambiguity has made it difficult for PBIDs to determine what assessments can be charged and has increased the number of lawsuits against the districts. AB 2890 proposes a narrow addition to Streets and Highways Code § 36600 et seq. that is needed to give direction to engineers on how to accurately calculate the benefits in accordance with the law. Without the clarifications in AB 2890, PBIDs will remain subject to litigation challenges that severely impede – or even eliminate – PBIDs and the benefits they provide.

Who supports this legislation?

California Downtown Association (Sponsor)