

Downtown Reno Business Improvement District

Engineer's Report



**Reno, Nevada
January 2018**

***Prepared by:*
Kristin Lowell Inc.**

*Prepared pursuant to Chapter 271 of the Nevada Revised Statutes
to create a neighborhood improvement project*

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ENGINEER'S STATEMENT

This Report is prepared pursuant to Chapter 271 of the Nevada Revised Statutes ("NRS 271") to form a Neighborhood Improvement Project, commonly known as and referred to in this Report as a Business Improvement District ("BID"). NRS 271 is the legislation that authorizes the City to levy assessments upon real property for the purposes of providing improvements and activities that specially benefit each individual assessed parcel in the BID. The improvements and activities funded through the BID are over and above those already provided by the City within the BID's boundaries.

These activities will specially benefit each individual assessable parcel in the BID. Every individual assessed parcel within the BID receives special benefit from the activities identified under Section B of this Report. Only those individual assessed parcels within the BID receive the special benefit of these proposed activities.

The duration of the proposed BID is ten (10) years, commencing no later than July 1, 2018. An estimated budget for the BID improvements and activities is set forth in Section D. Assessments will be subject to an annual increase of up to 5% per year as determined by the BID's Board of Directors. Assessment increases must stay between 0% and 5% in any given year. Funding for the BID improvements and activities shall be derived from a property-based assessment of each specially benefitted parcel in the BID. A detailed description of the methodology for determining the proportional special benefit each individual assessable parcel receives from the service and the assessment for each parcel is set forth in Section F.

I hereby certify to the best of my professional knowledge that each of the identified assessable parcels located within the BID will receive a special benefit and that the amount of the proposed special assessment is proportional to, and no greater than the special benefits received.

Respectfully submitted,

Deborah Jenkins, P.E.
for Kristin Lowell, Inc.

SECTION A: BENEFITTING PARCELS

Replacing Two SADs with One BID

Currently, downtown property owners pay special assessments through two special assessment districts (SADs) to support extra police and sidewalk cleaning services provided by the City of Reno. The BID will replace the existing assessment districts and introduce a new private-sector led approach to keeping downtown safe and clean.

The proposed BID district will encompass the core of the downtown area that is currently serviced by the two SADs, bounded roughly by Interstate 80/9th Street to the north; Wells Avenue to the east; the Truckee River, California, and Moran Streets to the south; and Keystone Avenue to the west. A map of the proposed BID service area is provided on the following page.

Benefit Zones

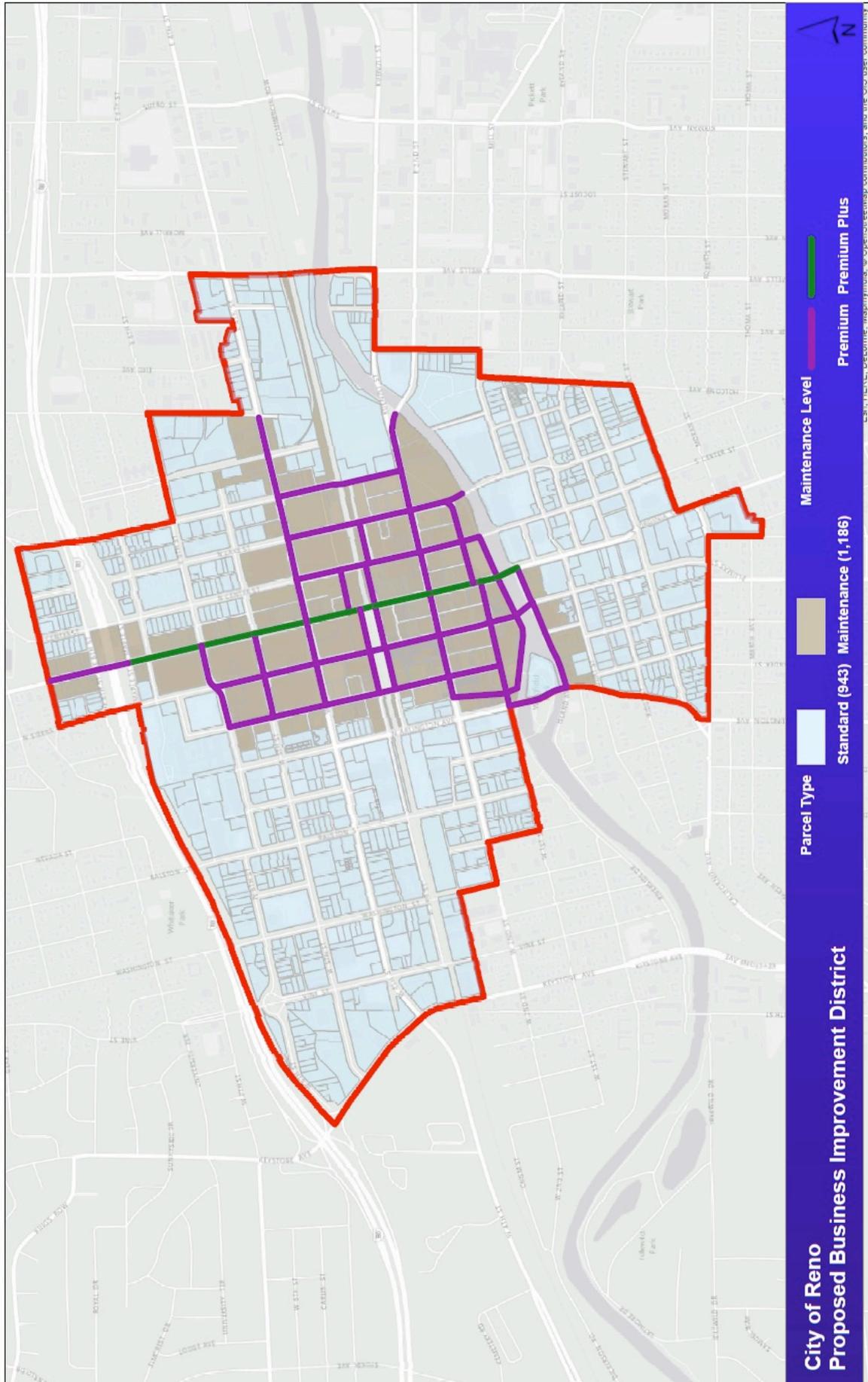
Three benefit zones are proposed with three different levels of service. The benefits are delineated as follows:

Standard Services will include a “clean and safe” program that deploys teams of safety ambassadors and maintenance patrols throughout the downtown. Ambassador services will include quality of life crime deterrence, engagement of the homeless population, on-demand safety escorts, ongoing public engagement, and hospitality services. These services will augment supplemental City of Reno police services, including foot and bike patrols that will be supported by BID funds. District-wide maintenance services will include “on-demand spot cleaning” throughout downtown. In addition, the program will include support for a downtown management organization providing leadership, economic development, communications, marketing services, and advocacy to advance issues and policies that benefit downtown and improve the area’s overall image and appeal for employees, visitors, and residents.

Premium Services will add maintenance patrols concentrated within the core of downtown providing periodic removal of litter, weeds, and graffiti; cleaning of public furniture and fixtures; power washing; and special maintenance needs as they arise.

Premium-Plus Services: The Virginia Street corridor will receive more frequent maintenance services and properties along this corridor will pay a higher “premium-plus” service rate.

A map of the proposed district boundary and benefit zones is provided on the following page and a more detailed map with specific parcel lines will be provided upon request.



SECTION B: IMPROVEMENTS AND ACTIVITIES

The Downtown Reno BID Steering Committee collectively determined the priority for improvements and activities that the BID will deliver. The primary needs as determined by the property owners are Clean and Safe programs as well as Improvements and Marketing activities. Specifically, the Downtown Reno BID shall provide the following activities.

CLEAN and SAFE PROGRAM

To respond to stakeholder priorities and guiding principles for a Downtown Reno BID, several scenarios were developed for providing district-wide Clean and Safe services. Objectives in developing the Clean and Safe scenarios included:

- Deploy a Clean and Safe program that will make a visible, tangible and lasting impact.
- Carefully document existing City services and ensure that BID-funded services are supplemental to, and do not replace, existing City services.
- Ensure that the program is properly capitalized and that additional funding will not be required once the BID is created.
- Provide flexibility in the modeling of the program so that the BID can either create its own in-house program or contract with private firms.

Nationally, BID Clean and Safe programs are typically provided by teams of highly trained maintenance workers and hospitality “ambassadors”. Both ambassadors and maintenance workers wear distinctive and colorful uniforms that maximize the visibility of their presence on the street plus complement overall downtown marketing efforts.

Hospitality ambassadors are trained for a variety of tasks, ranging from providing information to visitors to offering escort services for employees, to bearing witness against persons who commit nuisance crimes. Ambassadors act as “eyes and ears” for police and can carry radios that interface with police dispatch systems. They do not carry weapons. Urban Clean and Safe programs also work in concert with local social service providers to address homelessness, offering service referrals and, as the program matures, entry-level employment options for persons living on the street.

The firm of Block by Block, a national Clean and Safe service provider that specializes in urban BIDs (including downtown Oakland, Santa Monica and Long Beach), provided cost estimates for a Downtown Reno Clean and Safe program, including service frequencies, manpower, equipment and costs. The range of service frequencies that could be expected from this level of investment are provided below:

Standard Services: Throughout the Entire BID	
Safety & Hospitality Ambassadors	
<i>Hospitality F.T.E.</i>	<i>530 hours per week</i>
Coverage in All Areas	7 days/week; 8 to16 hours
Primary method of coverage	Walking & Segway patrols
Patrol rounds	2 rounds per shift
Business contacts	3 per shift
Outreach with street populations	Daily
Social Outreach/Case Workers	2 F.T.E. (included)
Safety Escorts for Employees, Residents or Visitors	Daily as needed
On-Demand "Spot Cleaning"	Daily as needed
Reporting	Daily
Premium and Premium-Plus Zones Only	
Cleaning Services	
Average Weekly Coverage	7 days/week
Litter removal/pan & broom	Once per day
Detail cleaning of public amenities	Daily as needed
Graffiti removal	Daily as needed
Weed removal	Daily as needed
Pressure washing/spot cleaning	Daily as needed
Pressure washing/scheduled cleaning	Four times per year (premium) Weekly (premium-plus)
Alley Cleaning	On Demand "Spot Cleaning"

Supplemental Reno Police and City Maintenance Services: Similar to one of the existing SADs, the BID will continue to pay for supplemental Reno Police services in the downtown area. Currently, one of the SADs raises \$1.6 million annually to support dedicated deployment of City of Reno police officers within the downtown area. Initially allocated is \$725,000 annually to support these supplemental police services, and recommends that these services be deployed exclusively through foot and bicycle patrols. The City of Reno has committed to fund the remaining funds with a combination of city general fund allocations and other non-city contributions to ensure that existing supplemental patrols are retained for the first three years of the BID.

Similarly, enhanced City of Reno maintenance services are currently funded through a second, smaller SAD that raises about \$300,000 annually. The BID plan anticipates expanding both the maintenance budget and geographic reach of supplemental maintenance services. It will be the discretion of the BID board of directors to either continue to contract with the City for enhanced maintenance services or seek competitive bids moving forward.

ADVOCACY/IMPROVEMENTS/ACTIVITIES

All ratepayers within the proposed Downtown Reno BID would share in supporting a variety of activities aimed to influence policies, civic investments, business attraction, public space activation and other improvements and activities that benefit the entire downtown. A new self-sustaining private/public downtown management organization will be the entity that implements downtown-wide improvements. The new organization will be governed by board of property,

business and civic interests representing downtown's various business types and geographic sub-districts. A list of activities that could be undertaken include:

- Advocate on behalf of property and business owners to advance policy responses that are advantageous to downtown.
- Work with the city, county and other governmental agencies to increase resources available to help treat, house and otherwise assist street populations.
- Help coordinate responses between social service agencies to maximize the effectiveness of existing services to reduce street populations.
- Advance public improvements that can improve downtown for a variety of investment sectors, including efforts to improve mobility for all transportation modes.
- Compile and maintain up-to-date market information on downtown, including a variety of indicators that will be of interest to potential investors and community influencers.
- Recruit and retain new businesses with an emphasis on local independent concepts and new services that can serve downtown's residential population.
- Communicate and market the economic benefits of downtown through a variety of mediums.
- Enhance communications between all downtown stakeholders and keep property and business owners informed of new projects and policies.
- Special projects to demonstrate how various improvements could benefit downtown, including temporary "tactical urbanism" installations and efforts to implement concepts from the Downtown Action Plan.

Like any business, the BID will require a professional staff to properly manage programs, communicate with stakeholders and provide leadership. To this end, the BID Management Plan has budgeted for two professional positions, including an Executive Director and a Communications/Marketing Manager.

To reduce administrative costs, increase leveraging of funds and avoid duplication of enhanced services, this plan anticipates that the day-to-day services financed by the BID will be managed by a new non-profit organization, a Downtown Reno Management Organization. BID funds can be further leveraged by sponsorships from special events, contracts, grants, earned income and membership dues from interested parties who are not assessed as part of the BID (i.e. businesses with downtown interests that are not located there).

Additional administrative costs will include:

- Accounting and annual financial audit
- Insurance
- Program support costs including supplies, equipment and rent
- Other administration costs associated with the overhead and administrative support of programs.

A reserve is also budgeted to provide a contingency for unforeseen program needs and to provide a cushion for assessment delinquencies. Reserve funds can also be utilized to pay for costs associated with BID renewal.

SECTION C: PROPORTIONAL BENEFITS

Methodology

NRS 271.365 stipulates that an assessment must be based on the basis of linear frontage or any other basis in which the assessment is proportional to the estimated benefits. It states that “the engineering shall assess upon each tract such relative portion of the whole sum to be levied as is proportionate to the estimated benefit.”

Determining the proportionate special benefit among the parcels of real property within the proposed assessment district which benefit from the proposed improvements, services, and activities is the result of a four-step process:

1. Defining the proposed activities,
2. Determining which parcels specially benefit from the proposed activities,
3. Determining the amount of special benefit each parcel receives,
4. Determining the proportional special benefit a parcel receives in relation to the amount of special benefit all other parcels in the BID receive.

Each identified parcel within the Downtown Reno BID will be assessed based upon each parcel's unique characteristics in relationship to all other specially benefitted parcels' characteristics. Due to the proportionate special benefits received by each parcel from the BID services, each parcel will be assessed a rate which is commensurate with the amount of special benefits received.

Special Benefit Factors

The methodology to levy assessments upon real property that receives special benefits from the improvements of the Downtown Reno BID is a combination of Assessed Valuation and Linear Street Frontage. The Standard Services are apportioned to Assessed Valuation and the Premium and Premium Plus Services are apportioned to Linear Street Frontage.

Assessed Valuation Defined: Assessed Valuation is defined as the valuation of each tract or parcel as determined by the County Assessor.

Linear Street Frontage Defined: Linear Street Frontage is defined as the front footage of a parcel that fronts a public street. Properties are assessed for all street frontages. Properties with more than one street frontage such as corner lots or whole block parcels are assessed for the sum of all the parcels' street frontage. Linear Street Frontage was obtained from the City's GIS data.

SECTION D: SPECIAL BENEFIT ANALYSIS

All special benefits derived from the assessments outlined in this Report are for property-related improvements that are specifically intended for and directly benefiting each assessed parcel in the BID. The special benefit must affect the individual assessable parcel in a way that is particular and distinct from its effect on other parcels. No parcel's assessment shall be greater than the special benefits received. NRS 271.208 states that "Special benefit means the increase in market value of a tract that is directly attributable to a project for which an assessment is made as determined by the local government that made the assessment."

In addition to increased market value, BIDs in general also provide the following benefits: (1) Crime reduction. A study by the Rand Corporation confirmed a 12-percent reduction in the incidence of robbery and an 8-percent reduction in the total incidence of violent crimes within the 30 districts studied. (2) Job creation. (3) Business attraction. (4) Business retention. (5) Economic growth. (6) New investments."

Each parcel will specially benefit from:

- Increased market values
- Cleaner sidewalks, streets and common areas
- Real and perceived public safety improvements
- Greater pedestrian traffic
- Enhanced rental incomes
- Improved business climate
- New business and investment
- Well managed BID improvements and services

Increased Market Value

To determine the amount of increased market value that the BIDs provide to assessed parcels, we look at two independent studies that reviewed the economic impacts that BIDs have in both New York City and San Francisco.

In 2007, the Furman Center analyzed all New York City BIDs to determine the benefits of Business Improvement Districts and the value implication on both commercial and residential properties in BIDs. Their study found "BIDs have a significant positive impact on commercial property values. On average, the value of commercial property within a BID increases by approximately 15 percentage points more than comparable properties in the same neighborhood but outside the BID."¹ In the same study, they found that "A BID might lead to an increase in residential property values if the additional services provided by a BID are valued by residents."²

In addition to the New York City study, the City of San Francisco conducted their own independent study in 2012 of 5 BIDs within their City. Their analysis looked at how properties fared both during the recession and post recession. During the recession they found that

¹ Furman Center. July 2007. *The Benefits of Business Improvement Districts: Evidence from New York City*. pg. 5

² *ibid*

commercial parcels were less effected from the recession. "Districts lost 8.9% of their value, while citywide declines reached 19.45%".³ Which indicates that properties within the BIDs fared much better than a like property elsewhere in the City. Post recession commercial properties are regaining their market value and have increased at a much higher rate than citywide commercial properties. Two of their districts "have grown by 50.02% and 23.93% in real value (adjusted for inflation) from 2006-2012, while citywide commercial office property values have grown only 15.79%".⁴

As for residential properties in San Francisco, those within a BID fared much better than citywide residential parcels. "During the 07/09 recession, the City lost 26.69% in non-office commercial property values. All districts...performed significantly better during the same period, be retaining more value, or posting gains in non-office commercial property values...on average, districts saw 2.5% growth in real non-office commercial property values during the recession".⁵

³ San Francisco Office of Economic and Workforce Development. Fall 2012. *Impact Analysis of San Francisco's Property and Business Improvement Districts*. pg. 24.

⁴ ibid

⁵ Ibid, pg. 25.

SECTION E: COST ESTIMATE

2018 Operating Budget

The Downtown Reno BID's first year's assessment budget is outlined in the table below:

EXPENDITURES	TOTAL BUDGET	% of Budget
Standard Services:		
Safety Ambassadors	\$725,000	30.85%
Supplemental Reno Police	\$725,000	30.85%
BID Staff & Marketing	\$400,000	17.02%
<i>Total Standard Services</i>	<i>\$1,850,000</i>	<i>78.72%</i>
Premium Services:		
Supplemental Maintenance	\$400,000	17.02%
Premium Plus Services:		
Enhanced Daily Services: Virginia Street	\$100,000	4.26%
TOTAL ASSESSMENT BUDGET	\$2,350,000	100.00%

Budget Notations

1. The cost of providing programs and services may vary depending on the market cost for those improvements. Expenditures may require adjustment up or down to continue the intended level of programs and services. Assessment rates will be subject to an annual increase of up to 5% per year to address changes in the cost of providing services. The actual amount of increase will be determined by the BID's Board of Directors and will vary between 0% and 5% in any given year. Any change will be submitted to the City within its annual planning report.

SECTION F: APPORTIONMENT METHOD

Assessment Methodology

As previously discussed in Section A, the BID is segregated into three benefit zones based upon each zone's demand for services and improvements and the benefits received. The table below summarizes the assessable valuation and linear street frontage within the district:

	Assessable Valuation or Linear Frontage
District-wide Assessed Valuation	431,144,475
Premium Frontage	34,972
Premium Plus Frontage	5,478

Calculation of Assessments

Based on the special benefit factors, assessable footages for each variable plus the proposed budget, all of which are discussed above, the following table illustrates the first year's maximum annual assessment.

Benefit Zone	Assessment Rates
Standard	\$0.00506/per \$1 of value
Premium	\$0.00506/per \$1 of value + \$10.87/foot of linear frontage
Premium Plus	\$0.00506/per \$1 of value + \$29.75/foot of linear frontage

Sample Parcel Assessment

Standard Zone: To calculate the assessment for a parcel in the Standard Zone with \$1,000,000 assessed valuation the parcel assessment is calculated as follows:

$$\text{Assessed Valuation (1,000,000 x \$0.00506) = } \quad \$5,060.00$$

Premium Zone: To calculate the assessment for a parcel in the Premium Zone with \$1,000,000 assessed valuation and 100 linear frontage, the parcel assessment is calculated as follows:

$$\begin{aligned} \text{Assessed Valuation (1,000,000 x \$0.00506) = } & \quad \$5,060.00 \\ \text{Linear Frontage (100 x \$10.87) = } & \quad \underline{\$1,087.00} \\ \text{Total Parcel Assessment = } & \quad \$6,147.00 \end{aligned}$$

Premium Plus Zone: To calculate the assessment for a parcel in the Premium Plus Zone with \$1,000,000 assessed valuation and 100 linear frontage, the parcel assessment is calculated as follows:

$$\begin{aligned} \text{Assessed Valuation (1,000,000 x \$0.00506) = } & \quad \$5,060.00 \\ \text{Linear Frontage (100 x \$29.75) = } & \quad \underline{\$2,975.00} \\ \text{Total Parcel Assessment = } & \quad \$8,035.00 \end{aligned}$$

The assessment calculation is the same for every parcel in the BID respective of each benefit zone.

Property Use Considerations

Parcel Cap

For properties that are in excess of \$50,000,000 in assessed value, the standard assessment applies only to the first \$50,000,000 of assessed value. This cap acknowledges the diminished benefit from BID services to large high value properties and also acknowledges the assessed value differential between newer and older real estate improvements.

Residential Parcels

Residential parcels will benefit fully from BID safe and clean services and will be assessed accordingly. However, there is diminished benefit to residential properties from proposed marketing and economic development services that will primarily benefit commercial properties. A distinction is made between rental apartments and condominiums/single family homes:

- Rental apartments are considering income-producing property and will pay 100% the amount of commercial assessments;
- Condominiums and single family homes will not benefit from marketing and economic development services, and will therefore pay a decreased proportional assessment rate excluding marketing and economic development services-related costs.

Non-Profit Parcels

Properties that are classified as nonprofit organizations (e.g. faith-based, low income housing, cultural, community services, etc.), will not benefit from increased commercial activity resulting from BID services and thereby will receive reduced benefits from BID services.

An owner of real property located within the BID boundaries may reduce their assessment if ALL of the following conditions are met:

1. The property owner is a nonprofit corporation that has obtained federal tax exemption under Internal Revenue Code section 501c3.
2. The class or category of real property has been granted an exemption, in whole or in part, from real property taxation.
3. The nonprofit property owner occupies a majority of building square footage within the subject property.
4. The property owner makes the request in writing to the Downtown Reno BID prior to the submission of the BID assessment rolls to the Washoe County Assessor (to accommodate periodic changes in ownership or use, on or before April 1 of each year), accompanied by documentation of the tax-exempt status of the property owner and the class or category of real property.
5. The City of Reno may verify the documentation of tax-exempt status and classification of the property for assessment purposes prior to submitting the assessments to the County Assessor.

If ALL of these conditions are met, the amount of the BID assessment to be levied will be for one-half (50%) of the standard, premium or premium-plus rate, depending on the location of the property.

Government Parcels

Pursuant to NRS 271 governmental parcels are not required to pay assessments or are exempt from assessments. City owned parcels as well as County owned parcels are not required to pay assessments, but by Resolution have opted to participate in the BID and assess their parcels respectively for the special benefits received. These parcels do not benefit from increased commercial activity and therefore will be assessed at 50% of the assessment. As for school district parcels, they are expressly exempt from the assessment and thus will not receive an assessment. The table below shows the governmental parcels that are assessed within the BID.

Hardship Determination

The Nevada statute requires that the City establish a procedure to allow a person whose property is included within the boundaries of an improvement or assessment district to apply for a hardship determination pursuant to NRS 271.357. A hardship procedure ordinance will be developed for the BID similar to the existing SAD hardship ordinance which currently provides detailed policies and procedures for determining a hardship. To qualify for a hardship determination, an application will need to be filed with the City of Reno. For properties that qualify for a hardship, assessments will be postponed until subject properties are sold or transferred, an application for hardship determination is disapproved or other conditions as determined by the City of Reno.

Budget Adjustment

Any annual budget surplus will be rolled into the following year's District budget. The budget will be set accordingly, within the constraints of the management plan to adjust for surpluses that are carried forward. District funds may be used to fund the cost of renewing the District. Funds from an expired District shall be rolled over into the new District if one is established, or returned to the property owners if one is not established.

If an error is discovered on a parcel's linear street frontage or assessed valuation, the District may investigate and correct these after confirming the correction with the County Assessor Data and City Clerk's office. The correction will be made in accordance with the assessment methodology and may result in an increase or decrease to the parcel's assessment.

SECTION G: ASSESSMENT ROLL

The total assessment amount for FY 2018/2019 is \$2,300,000, apportioned to each individual assessed parcel, as follows.

State of Nevada }
 }ss.
County of Washoe }

To the City Council of Reno, Nevada:

I hereby certify and report that the foregoing is the assessment roll and assessments made by me for the purpose of paying that part of the cost which you decided should be paid and borne by special assessments for the Neighborhood Improvement Project, otherwise known as the Downtown Reno Business Improvement District; that in making such assessments, I have, as near as may be, and according to my best judgment, conformed in all things to the provisions of Chapter 271 of NRS.

.....
Engineer

Dated at....., Nevada, (month) (day) year)