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April 12, 2018

Honorable Members of the City Council
City Hall, Room 395
200 North Spring Street
Los Angeles, California 90012

Council District 13

REGARDING: HOLLYWOOD ENTERTAINMENT DISTRICT BUSINESS IMPROVEMENT DISTRICT (PROPERTY BASED)

Honorable Members:

The City Clerk has received materials relative to the formation of a proposed property and business improvement district to be called the Hollywood Entertainment District Property Business Improvement District ("District"). The District would be formed pursuant to the provisions of the Property and Business Improvement District Law of 1994 (Section 36600 et seq., Streets and Highways Code, State of California).

This report shall serve as the Preliminary Report of the City Clerk. Attached to this report are: 1) the Management District Plan, which details the improvements and activities to be provided and serves as the framing document for the proposed District; 2) a detailed Engineer's Report prepared by a registered professional engineer certified by the State of California, which supports the assessment contained in the Management District Plan; and 3) a draft Ordinance of Intention, approved as to form and legality by the City Attorney's Office.

BACKGROUND

The District is being established in accordance with the provisions of the Property and Business Improvement District Law of 1994 (Section 36600 et seq., Streets and Highways Code, State of California) ("State Law"), which allows for the establishment of a district in which operations would be supported by revenue collected from property owners in the district.

The proposed District programs include, but are not limited to the following: Clean, Safe, Beautification, Operations, Communication, City Fee, Delinquent Assessments and Alley Overlay and Tourism Overlay.

PRELIMINARY PETITIONS

In order to proceed with the establishment process under the State Law, the proponent group needed to secure written support for the project in the form of petitions signed by property owners who will pay more than 50% of the assessments proposed to be levied. The proponent group for the proposed District has presented to the Office of the City Clerk a set of petitions that support the formation of the proposed District. This Office has verified the validity of the petitions using various City and County of Los Angeles sources. In addition, this Office has verified the accuracy of the assessment calculations.

The petitions received indicate affirmative financial support of the project in an amount equivalent to $4,092,988.45 This represents 56.99% of the proposed District's projected first year assessment revenue of $7,181,941.48. Because the more than 50% threshold of preliminary support has been achieved, the formal business improvement district establishment process, including a public hearing before the City Council may be initiated.

PROPOSED DISTRICT BOUNDARIES

The boundaries of the proposed District are detailed in the Management District Plan. A general description of the boundaries of the proposed District is as follows: The current Hollywood Entertainment District and Sunset & Vine Business Improvement Districts are proposing to combine their boundaries as one Hollywood Entertainment District. The proposed District's boundaries include approximately 100 blocks in the Hollywood area of Los Angeles and span east to west along Hollywood Boulevard between the 101 Freeway and La Brea Avenue and east to west on Sunset Boulevard between the 101 Freeway and Cassil Place and north to south along Vine Street between Yucca Street and Santa Monica Boulevard. All property within the approximate boundaries described above are included in the proposed District.

There are 1,034 parcels owned by 659 stakeholders in the proposed District. The map included in the District's Management District Plan gives sufficient detail to locate each parcel of property within the proposed District.

DISTRICT ESTABLISHMENT AND PROPOSITION 218 COMPLIANCE

Article XIIID of the California Constitution (Proposition 218) requires, among other things, that the City Council: 1) identify all parcels that will have a special benefit conferred upon them and upon which assessments will be imposed; 2) determine the proportionate special benefit derived by each identified parcel in relation to the entirety of the capital cost of the property related service; 3) not impose an assessment on a parcel which exceeds the reasonable cost of the proportional benefit conferred on that parcel; 4) assess only for special benefits and separate the general benefits from the special benefits conferred on a parcel; 5) assess all publicly owned parcels unless City Council finds, by clear and convincing evidence, that those publicly owned parcels receive no special benefit; and 6) find that all assessments are supported by a detailed Engineer's Report prepared by a registered professional engineer certified by the State of California.

The City Clerk has read and approves the Engineer's Report included herewith, as supporting the assessments contained in the Management District Plan and, in addition, includes facts, which would support City Council findings relative to items 1 through 6 above. The City Clerk has read and approves the Management District Plan.

Proposition 218 also includes certain notice, protest and hearing requirements. Those requirements are codified in the Proposition 218 Omnibus Implementation Act ("Act") (California Government Code Section 53750 et seq.). This report recommends that the City Council direct the City Clerk to comply with the Act. Establishment of the proposed District is contingent upon the City's receipt of a weighted majority of financially supportive ballots as submitted by the affected property owners. The City Clerk will tabulate the ballot returns and will report the results to the City Council.

EXEMPTION UNDER PROPOSITION 26

On November 2, 2010, voters in the State of California passed Proposition 26, which broadened the definition of taxes and which require approval by two-thirds of each house of the Legislature or by local voter approval. However, Article XIIIC §1(e)(7) of the California Constitution states that "assessments and property-related fees imposed in accordance with the provisions of Article XIIID are exempt." As previously stated, the proposed District is being established in accordance with Article XIIID of the California Constitution and is therefore exempt from Proposition 26.

PROPOSED IMPROVEMENTS AND PROGRAMS

The District is expected to generate $7,425,656 annually over a 10-year period with a maximum increase of 3% per year to be determined by the Owners' Association. Any adjustment will be included in the Annual Planning Report submitted for Council consideration. The revenue will be utilized to fund the proposed District's improvements and activities that include, but are not limited to: Clean, Safe, Beautification, Operations, Communication, City Fee, Delinquent Assessments and Alley Overlay and Tourism Overlay.

Improvements and activities are services which will be provided to supplement the services already provided by the City of Los Angeles and will not supplant City services. The Owners' Association may contract with third party vendors to perform and complete District improvements and activities and uphold to City and State regulations where applicable. The proposed improvements and activities are completely separate from the day to day operations of the City of Los Angeles and the City is not involved with selection of the Districts' vendors.

ASSESSMENT FORMULA AND DISBURSEMENTS

The District's proposed assessment formula is based upon an allocation of program costs for the entire District and one overlay zone through a calculation of assessable street front footage, parcel square footage and building square footage as described in the Management District Plan.

The City Clerk will arrange to have the proposed District's assessments included as a line item on the property tax bills prepared and distributed by the County of Los Angeles. As necessary, this

Office may directly bill property owners or entities that do not appear on the tax roll. The County will subsequently transfer assessment revenue to the City. Assessment revenue will be held in trust by the City and will be disbursed through installments to the District to support authorized District improvements and activities.

CONTRACTING WITH OWNERS' ASSOCIATION

Upon the establishment of the District, State law requires that the City enter into an agreement with an Owners' Association for the administration of the District. City policy dictates that competitive bidding requirements are to be met when contracting. However, Charter section 371(e)(2) and 371(e)(10) provide exceptions to the competitive bidding requirements, and states, in relevant part, that the competitive bidding process does not apply to contracts "for the performance of professional, scientific, expert, technical, or other special services of a temporary and occasional character" and "where the contracting authority finds that the use of competitive bidding would be undesirable, impractical or impossible or where the common law otherwise excuses compliance with competitive bidding requirements."

The Hollywood Property Owners Alliance has administered the Hollywood Entertainment District Property Business Improvement District since the District was originally established in 1996, overseeing expenditures, managing and implementing the District's improvements and activities. The Hollywood Property Owners Alliance possesses the unique knowledge and expertise relative to the administration of the District and has a vested interest in the success of the District. Therefore, it would be impractical, not advantageous and undesirable to comply with the competitive bidding requirements or to select another entity to administer the District, if the District is renewed.

ASSESSABLE CITY PROPERTY

There are 35 City-owned parcels within the District which includes 32 General Fund parcels and 3 Department of Water and Power parcels. The total assessment for these City-owned properties within the District is $219,705.18, representing 3.06% of the total assessments levied in the District.

FISCAL IMPACT

The assessments levied on the 32 City-owned parcels within the District to be paid from the General Fund, including Goldwyn Library, various parking lots and small parks, totals $192,286.46 for the first year of the District. Funding for the assessments levied on the City owned property within the District was requested in the 2019-2020 Budget. Assessments levied on the Department of Water and Power parcels within the District will not be paid from the General Fund.

Proposition 218 requires the separation of general benefits from the special benefits. The general benefit portion for the Hollywood Entertainment District Property Business Improvement District is $243,714.52 (3.28% of the total budget) for the first year. However, funds other than assessment revenue must be budgeted annually for the general benefit expense for the remaining years of the BID's 10-year term.

RECOMMENDATIONS

1. FIND that the petitions submitted on behalf of the proponents of the proposed Hollywood Entertainment District Property Business Improvement District are signed by property owners who will pay more than 50% of the assessments proposed to be levied.

2. FIND that all parcels included in the District will receive a special benefit from the improvements and activities that are to be provided.

3. FIND that all parcels will have a special benefit conferred upon them and upon which an assessment would be imposed are those as identified in the Management District Plan.

4. FIND that in accordance with Article XIIID of the California Constitution all assessments are supported by the Engineer's Report, prepared by a registered professional engineer certified by the State of California.

5. FIND that in accordance with Article XIIID of the California Constitution and based on the facts and conclusions contained in the attached Engineer's Report, the assessment levied on each parcel within the proposed District is proportionate to the special benefit derived from the improvements and activities that are to be provided.

6. FIND that in accordance with Article XIIID of the California Constitution and based on the facts and conclusions contained in the attached Engineer's Report, the Engineer has separated the general from special benefits. The Engineer's Report identified general benefits in the amount of 3.28% to be separated from the special benefits conferred on parcels within the proposed District. The yearly general benefits cost must be paid from funds other than the assessments collected for the Hollywood Entertainment District Business Improvement District. The general benefit cost for first year of operation is $243,714.52.

7. FIND that no publicly owned parcel is exempt from assessment.

8. FIND that the assessments for the proposed District are not taxes and that the District qualifies for exemption from Proposition 26 under exemption 7 of Article XIIIC §1(e).

9. FIND that the services to be provided by the Owners' Association are in the nature of professional, expert, technical or other special services, that the services are of a temporary and occasional character, and that the use of competitive bidding would be impractical, not advantageous, undesirable or where the common law otherwise excuses compliance with competitive bidding requirements.

10. FIND that the proposed improvements and activities are completely separate from the day to day operations of the City of Los Angeles.

11. APPROVE the Hollywood Property Owners Alliance to administer the Hollywood Entertainment District Property Business Improvement District if the District is renewed.

12. ADOPT the Preliminary Report of the City Clerk.

13. ADOPT the attached Management District Plan.

14. ADOPT the attached Engineer's Report.

15. ADOPT the attached Ordinance of Intention to establish the Hollywood Entertainment District Property Business Improvement District.

16. AUTHORIZE the City Clerk, upon establishment of the District, to prepare, execute and administer a contract between the City of Los Angeles and the Hollywood Property Owners Alliance, a non-profit corporation, for the administration of the District's programs.

17. DIRECT the City Clerk to comply with the notice, protest, and hearing procedures prescribed in the Proposition 218 Omnibus Implementation Act (California Government Code, Section 53750 et seq.).

18. REQUEST the City Attorney, with the assistance of the City Clerk, to prepare an enabling Ordinance establishing the Hollywood Entertainment District Property Business Improvement District for City Council consideration at the conclusion of the required public hearing.

Sincerely,

Holly L. Wolcott
City Clerk

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Attachments:

Management District Plan
Engineer's Report
Draft Ordinance of Intention