

## **How Pomona can leverage PBIDS to replace Measure PG funds and reduce sales taxes**

In 2018, Pomona voters passed Measure PG. This measure increased the city's sales tax rate by .75 percent. The reason voters were asked to pass this measure was because pension obligations the city faced after the Great Recession would have meant cuts in city services. This tax increment has resulted in an additional \$16 million per year in General Fund revenue. However, the tax is set to expire in 2029 and the city does not currently have a viable alternative for replacing this revenue stream. At a meeting on December 19, 2022, a consultant presented the city council with a 10-year budget forecast that projected a deficit once the tax increment expires. Currently, the city's plan appears to be to place another measure on the ballot to extend, or make permanent, the sales tax increase. The city should focus on economic development, instead of relying on extending the tax, and using Property and Business Improvement Districts (PBIDS) as a building block for expanding the tax base and increasing General Fund revenue.

### **What are PBIDS**

PBIDS are self-taxing business improvement districts established by property owners to enhance and supplement public services within a defined geographical area. These services can include enhanced security (e.g. uniformed foot-patrols that coordinate with law enforcement), sanitation, marketing and advertising campaigns to attract and retain businesses and customers, and other branding, slogans, or advertising that highlights and differentiates the PBID from the surrounding area (e.g. Gaslamp Quarter in San Diego). Local examples of PBIDS are Old Town Pasadena with the yellow shirts (security) and DPOA in Pomona.

### **How PBIDS increase General Fund revenue**

PBIDS encourage economic activity by providing cleaner, better lighted, and more inviting places for people to shop. PBIDS become a magnet for residents and shoppers from neighboring cities. The goal of PBIDS is not just to beautify the city and create attractive shopping areas, but to create a destination location for people from surrounding communities. This should be the goal of PBIDS: to create a long-term sustainable source of revenue that does not require reliance on tax increments. Sales and Use taxes represent 28 percent of General Fund revenue. This is the second largest source of revenue for the city's General Fund.

Properties located in PBIDS have seen an increase in property values, and property tax revenue for the city, of approximately 15 percent. Some properties located in PBIDS in Los Angeles have seen an 86 percent increase in value over a 10-year period. This increase results in a corresponding increase in General Fund revenue. Currently, property taxes represent the single largest source of General Fund revenue for the city. Property taxes represent 32 percent of General Fund revenue. PBIDS have an ancillary positive effect on neighboring properties; those properties not located within the geographical

area of the PBID. Neighboring properties have traditionally seen an increase in property values, adding to an increase in tax revenue for cities.

There is no question that PBIDS can help the city tackle its revenue problems without having to resort to increasing taxes and may be a viable alternative to extending, or making permanent, the sales tax increase that is set to end in 2029. At a minimum, the city should explore all alternatives before deciding to retain the Measure PG tax.

### **How PBIDS can help deter and reduce crime**

PBIDS fund security and police patrols within the geographical area of the district. PBIDS fund additional police by providing funding for sworn officers dedicated to the district, that can be used throughout the city during emergencies or when needed. PBIDS can also hire security to complement police patrols and can be coordinated with police to produce better public safety, at a fraction of the cost of using sworn officers. More importantly, it frees up police to address more serious crime in other parts of the city. Security in a PBID acts as a deterrent to criminal activity just by its presence, but it also deters crime by forcing those engaged in criminal activity to move their activities to other areas. In areas especially overrun with human trafficking and sex workers, this can help reduce or eliminate these activities entirely. Security also deters homeless encampments from forming in PBIDS and generally discourages behavior that is harmful to economic activity.

### **How PBIDS help beautify the city**

PBIDS generate their funding through tax increments passed by property owners. These funds are then used to maintain the geographical area of the PBID, add distinctive signage, and to make the area consumer friendly. This beautification can include maintaining roads, cleaning sidewalks, adding vegetation and trees, and installing benches and trash cans. These additions create a unique experience for visitors to the area and is largely revenue neutral for the city.

### **How do we convince property owners to form PBIDS**

There are two basic elements for forming PBIDS. The first is seed money. This is already available from the city. The second is a champion. The city does not currently have a person who is a champion for PBIDS. PBIDS require a strategic approach to community development and meeting with property owners to get buy-in. This takes time and commitment. The city currently has a Deputy City Manager assigned to economic development, but whose priorities have not been economic development. Until the city makes economic development and PBIDS a priority, the city will not make any progress on this front. This is an opportunity that a member of council can, and should, take on as a project and lead.