

LAKE COUNTY HOSPITAL IMPROVEMENT DISTRICT

MANAGEMENT DISTRICT PLAN

2024

*Prepared pursuant to the Property and Business Improvement District Law of 1994, Streets
and Highway Code, § 36600 et seq.*

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Background

The Property and Business Improvement District Law of 1994 ("1994 Law"), included as Appendix A, recognizes that it is in the public interest to promote the economic stability of businesses operating in disadvantaged communities within the state. To further this end, the 1994 Law allows for the creation of business or property districts to assess certain businesses within the district "to fund business related improvements, maintenance, and activities ... upon the businesses or real property that receive benefits from those improvements."ⁱ The 1994 Law is premised on an overarching idea that the benefits that assessed business receive ultimately aid in wider economic growth, jobs creation, and businesses attraction.ⁱⁱ While these outcomes indirectly benefit the public generally, the 1994 Law distinguishes that the assessed businesses must retain a specific and direct benefit above and beyond the general benefit received by the public.ⁱⁱⁱ

To establish a business improvement district ("BID"), business owners in the proposed district submit a written petition expressing their desire to form a district. As part of this petition, the affected business owners must first create a plan for the BID, called the management district plan ("Plan"). Receipt by the locality triggers the initiation of proceedings to establish the BID.

In alignment with the 1994 Law, hospitals in Lake County seek to form a BID to fund business-related improvements, maintenance, and activities that will provide specific benefits to the hospitals assessed in the form of increased reimbursement attributable to providing care to low-income members of the community.

Lake County is a rural county with 17.1% of all residents living in poverty.^{iv} Lake County's poverty rate is significantly higher than both national and California poverty rates (11.5% and 12.1%, respectively).^v The acute care hospitals within Lake County provide essential health care services to the community at large, treating the vast majority of patients and shouldering the financial burden of caring for economically disadvantaged residents. At the same time, Lake County acute care hospitals are experiencing hardships common among other rural California hospitals, such as inadequate reimbursement for services provided to economically disadvantaged residents, increased labor costs, amplified patient acuity, substantial upticks in overall expenses due to inflation, supply chain disruptions, and increased drug expenses.^{vi} In the face of these economic challenges, the improvements, maintenance, and activities funded by the BID will be instrumental in ensuring that the hospitals are able to continue providing high quality health care to Lake County's residents.

This Plan has been created as part of the hospitals' petition to form a BID for the benefit of acute care hospitals within Lake County.

Description of the District

The proposed hospital BID will be formed as a "business-based" BID (in contrast to a "property-based" BID under the 1994 Law), through which the County will levy a broad-based and uniform assessment on all acute care hospitals licensed by the California Department of Public Health within the boundaries of Lake County ("Hospitals"), the proceeds of which will be used to specifically and directly benefit the Hospitals.

Name: The name of the proposed District will be the "Lake County Hospital Improvement District" ("LCHID").

Assessment Basis: The LCHID will levy business-based assessments on the Hospitals.

Duration: The LCHID will have a five- (5-) year term, beginning July 1, 2024 and expiring June 30, 2029, unless renewed consistent with the 1994 Law.vii

Bond Statement: The operation of the LCHID will not require the issuance of any bonds and no bonds will be issued to finance any improvements, maintenance, or activities to be provided by the LCHID.

Boundaries: The LCHID boundary will be coextensive with the boundary of Lake County and is described more fully in the following section.

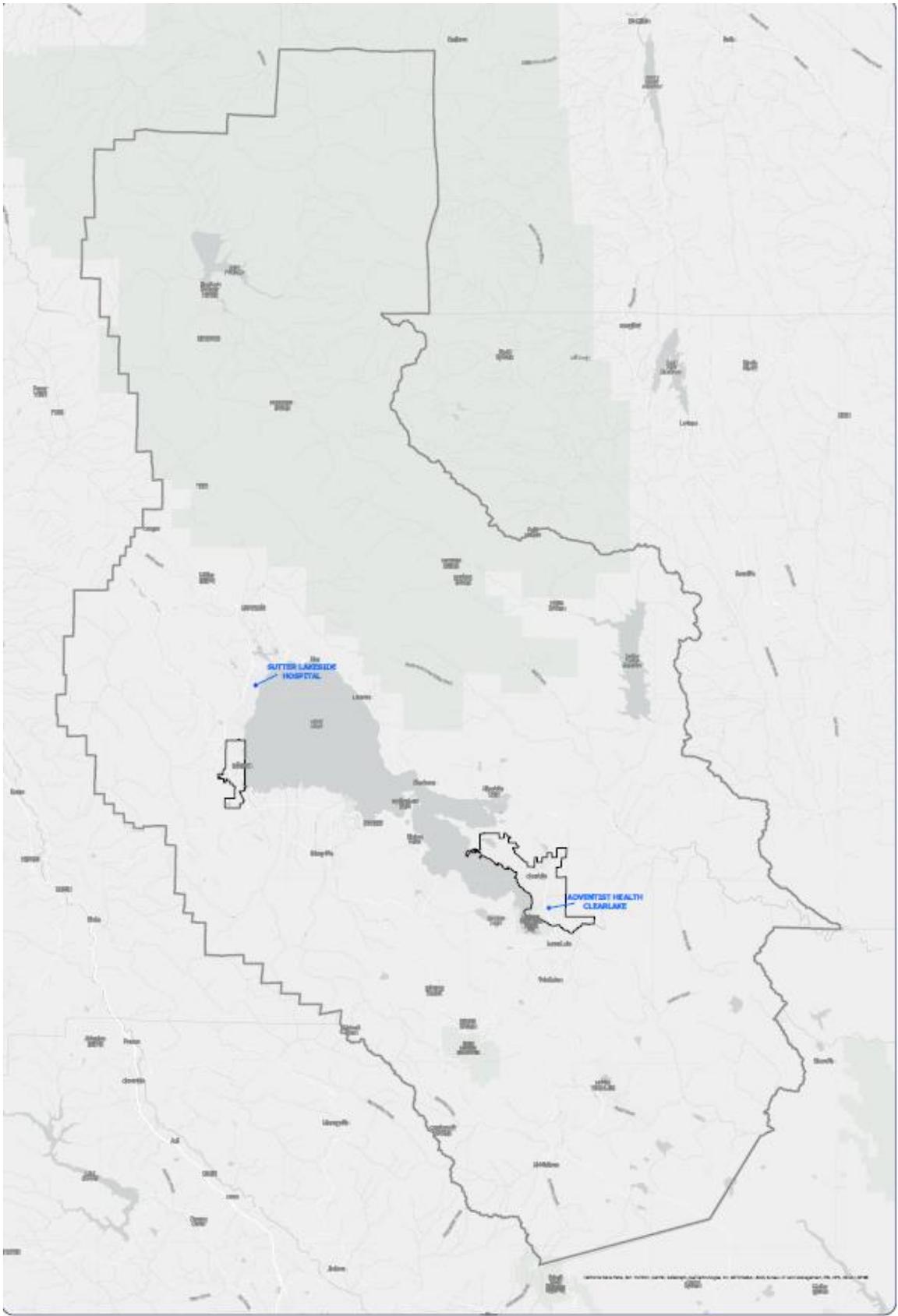
Boundary and Assessed Businesses

This LCHID boundary includes two Hospitals:

- (1) Adventist Health Clear Lake
15630 18th Ave,
Clearlake, CA 95422; and
- (2) Sutter Lakeside Hospital
5176 Hill Rd E,
Lakeport, CA 95453.

The 1994 Law prohibits a county forming a BID within the territorial jurisdiction of an incorporated city without the consent of that incorporated city's city council. The boundary of the LCHID encompasses the incorporated city of Clearlake. Therefore, resolutions from the city of Clearlake granting consent to the formation of the LCHID will be included as appendices to this Plan.viii.

The following map delineates the boundary of the LCHID and identifies the location of the Hospitals.



Purpose of the LCHID

The Hospitals comprise the foundation of the community's healthcare safety net. Though more than half of Lake County's residents rely on Medi-Cal to cover their healthcare needs, Medi-Cal currently reimburses the Hospitals below their costs incurred for providing Medi-Cal services. Absent a mechanism to access this additional Medi-Cal entitlement, the Hospitals will continue to struggle to provide care for this population. The assessments levied for the LCHID will be used to increase the resources available for the Hospitals to continue providing high-quality care to these vulnerable Lake County residents.

Specific Benefit to Assessed Facilities

The 1994 Law, together with applicable provisions of the State Constitution, require that assessments levied for the purpose of conferring a specific benefit upon the businesses in a BID not benefit the general public or implementing locality (beyond reimbursing the locality for its reasonable costs of administering the BID), even if property, businesses, or persons not assessed receive incidental or collateral effects that benefit them.

Consistent with this legal requirement, the improvements, maintenance, and activities supported by this Plan are designed to provide specific, targeted benefits directly to the Hospitals and are intended only to provide benefit directly to those Hospitals. These services are tailored not to serve the general public, businesses in general, or parcels of land, but rather to serve the Hospitals. The activities described herein are narrowly tailored to, and specifically targeted to benefit, the Hospitals by increasing reimbursement and reducing costs associated with the Hospitals' provision of services to low-income and needy individuals. By reducing the Hospitals' unreimbursed costs, the LCHID helps ensure that the Hospitals can continue to offer essential healthcare services in Lake County and that low-income and needy patients have unfettered access to health care. This incidental benefit does not preclude the improvements, maintenance, and activities derived by the Hospitals from being considered a specific benefit under the 1994 Law or State Constitution.

Improvements, Maintenance, and Activities to be Provided by the LCHID

Currently, the Hospitals are paid below cost for any low-income and needy patients they treat. Providing services below cost for some patients puts significant pressure on the Hospitals' ability to ensure access to high quality care for the entire community. Many of the patients the Hospitals treat and receive reimbursement for below the Hospitals' costs are Medi-Cal patients. Medi-Cal is a joint federal-state program where the State's public funds are matched by federal dollars. Federal law permits states' use of local hospital assessments to generate the State or "non-federal" share eligible for federal match payments. The intent of the LCHID is to operationalize such a local hospital assessment using an existing authority under State law (i.e. the 1994 Law authorizing the formation of BIDs).

Once in place, Lake County will collect and transfer the proceeds of the LCHID assessment to the State for use as the State share for new Medi-Cal reimbursement programs that benefit the Hospitals. The intended goal is to reduce the unreimbursed costs incurred by the Hospitals for treating the more than half of Lake County residents that rely on Medi-Cal for access to healthcare services. If any LCHID assessment proceeds cannot be deployed to the

Hospitals' benefit consistent with this intent, the County will refund the Hospitals' assessments consistent with the procedures herein.

Funds remaining at the end of a LCHID fiscal year may be used in any subsequent years in which the LCHID assessments are levied, so long as they are used consistent with the requirements of the adopted resolution of formation and this Plan.

The County shall retain a fee equal to one percent (1%) of the amount of assessment collected to cover their costs of collection and administration.

Total Annual Amount Proposed to Be Expended for the Operation of the LCHID

The total LCHID annual budget for its five (5) year initial term is expected to be six percent (6%) of the Hospitals' net patient revenue, which would currently generate approximately \$15,300,000 in assessment proceeds annually based on recently available net patient revenue figures.

The total five (5) year initial term budget is projected at an annual average of \$16,900,000, or \$84,600,000 over the duration of the initial term. This amount may fluctuate as the net patient revenue of the Hospitals increases or decreases each year, but is not expected to change significantly over the initial term. To calculate the annual average and total initial term budget, and in an effort to plan conservatively, LCHID assumes that no new Hospitals will open during the initial term and that the Hospitals' net patient revenue will grow by 5% each year.

Governance and Collection

The LCHID will be governed directly by the Lake County Board of Supervisors. The LCHID will be implemented beginning July 1, 2024 and will continue for five (5) years through June 30, 2029. The County will be responsible for collecting the assessment from the Hospitals and will take all reasonable efforts to do so. The County will update the assessment using the net patient revenue from the Hospitals' Medicare cost reports.

The 1994 Law and State Constitution permit the County to recover its reasonable costs of operating the LCHID from the assessment proceeds, which the County will effectuate by invoicing each of the Hospitals directly for such costs, pro rata, based on the most recent assessment amounts collected. If any LCHID assessment proceeds cannot be deployed to the Hospitals' benefit, the County will, upon the written request of the Hospitals, refund any balance of assessment proceeds in the LCHID accounts to the Hospitals, pro rata, based on the most recent assessment amounts collected.

Implementation and Completion Timeline

This Plan is complete as presented, and the County may levy the LCHID assessments after effectuating the formalities required by the 1994 Law.

Proposed Rules and Regulations Applicable to LCHID

The County shall create an account specific to the LCHID as a depository for the assessments received. The County may withdraw or use money in the account only for a purpose authorized in this Plan. Funds in the account may not be commingled with other funds of

Lake County, or the city of Clearlake. All LCHID assessment funds collected, and any earnings thereon, are irrevocably dedicated to the purposes described in this Plan. Any amount that is not spent in any fiscal year shall remain dedicated to such purposes.

The Hospitals may not pass through to patients any portion of the assessment expense required pursuant to the LCHID. The Hospitals agree to this prohibition as documented by their submission of signed petitions to the County requesting the establishment of the LCHID under this Plan.

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- i Cal. Sts. & Hy. Code § 36601(c).
 - ii Cal. Sts. & Hy. Code § 36601(e).
 - iii Cal. Sts. & Hy. Code § 36601(h)(2)
 - iv *QuickFacts Lake County California*, U.S.CENSUS BUREAU, available at <https://www.census.gov/quickfacts/lakecountycalifornia>.
https://www.ers.usda.gov/webdocs/DataFiles/53180/25559_CA.pdf?v=0
 - v *National Poverty in America Awareness Month: January 2024*, U.S.CENSUS BUREAU, available at <https://www.census.gov/newsroom/stories/poverty-awareness-month.html#:~:text=Official%20Poverty%20Measure,decreased%20between%202021%20and%202022>; *QuickFacts California*, U.S.CENSUS BUREAU, available at <https://www.census.gov/quickfacts/fact/table/CA/PST045223>; [_2](#).
 - vi See AHA, "The Financial Stability of America's Hospitals and Health Systems Is at Risk as the Costs of Caring Continue to Rise," (Apr. 2023), available at <https://www.aha.org/costsofcaring>; Hopps, et al., "Building Resilience into the Nation's Medical Product Supply Chains," (March 2022), available at <https://nap.nationalacademies.org/read/26420/chapter/1>; AHA, "The Financial Stability of America's Hospitals and Health Systems Is at Risk as the Costs of Caring Continue to Rise," (Apr. 2023), available at <https://www.aha.org/costsofcaring>; Office of the Assistant Secretary for Planning and Evaluation, "Price Increases for Prescription Drugs, 2016-2022," (Sept. 2022), available at <https://aspe.hhs.gov/index.php/reports/prescription-drug-price-increases>; KaufmanHall, "National Hospital Flash Report," available at https://www.kaufmanhall.com/sites/default/files/2023-08/KH-NHFR_2023-08.pdf.
 - vii Cal. Sts. & High. Code § 36622(h).
 - viii Cal. Sts. & High. Code § 36620.5.

Appendix A: Property and Business Improvement District Law of 1994

West's Ann.Cal.Str. & H.Code § 36600
§ 36600. Short title

This part shall be known and may be cited as the "Property and Business Improvement District Law of 1994."

West's Ann.Cal.Str. & H.Code § 36601
§ 36601. Legislative findings and declarations

The Legislature finds and declares all of the following:

- (a) Businesses located and operating within business districts in some of this state's communities are economically disadvantaged, are underutilized, and are unable to attract customers due to inadequate facilities, services, and activities in the business districts.
- (b) It is in the public interest to promote the economic revitalization and physical maintenance of business districts in order to create jobs, attract new businesses, and prevent the erosion of the business districts.
- (c) It is of particular local benefit to allow business districts to fund business related improvements, maintenance, and activities through the levy of assessments upon the businesses or real property that receive benefits from those improvements.
- (d) Assessments levied for the purpose of conferring special benefit upon the real property or a specific benefit upon the businesses in a business district are not taxes for the general benefit of a city, even if property, businesses, or persons not assessed receive incidental or collateral effects that benefit them.
- (e) Property and business improvement districts formed throughout this state have conferred special benefits upon properties and businesses within their districts and have made those properties and businesses more useful by providing the following benefits:
 - (1) Crime reduction. A study by the Rand Corporation has 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.

(f) With the dissolution of redevelopment agencies throughout the state, property and business improvement districts have become even more important tools with which communities can combat blight, promote economic opportunities, and create a clean and safe environment.

(g) Since the enactment of this act, the people of California have adopted Proposition 218, which added Article XIII D to the Constitution in order to place certain requirements and restrictions on the formation of, and activities, expenditures, and assessments by property-based districts. Article XIII D of the Constitution provides that property-based districts may only levy assessments for special benefits.

(h) The act¹ amending this section is intended to provide the Legislature's guidance with regard to this act, its interaction with the provisions of Article XIII D of the Constitution, and the determination of special benefits in property-based districts. •

(1) The lack of legislative guidance has resulted in uncertainty and inconsistent application of this act, which discourages the use of assessments to fund needed improvements, maintenance, and activities in property-based districts, contributing to blight and other underutilization of property.

(2) Activities undertaken for the purpose of conferring special benefits upon property to be assessed inherently produce incidental or collateral effects that benefit property or persons not assessed. Therefore, for special benefits to exist as a separate and distinct category from general benefits, the incidental or collateral effects of those special benefits are inherently part of those special benefits. The mere fact that special benefits produce incidental or collateral effects that benefit property or persons not assessed does not convert any portion of those special benefits or their incidental or collateral effects into general benefits.

(3) It is of the utmost importance that property-based districts created under this act have clarity regarding restrictions on assessments they may levy and the proper determination of special benefits. Legislative clarity with regard to this act will provide districts with clear instructions and courts with legislative intent regarding restrictions on property-based assessments, and the manner in which special benefits should be determined.

West's Ann.Cal.Str. & H.Code § 36602
§ 36602. Purpose of part

The purpose of this part is to supplement previously enacted provisions of law that authorize cities to levy assessments within property and business improvement districts, to ensure that those assessments conform to all constitutional requirements and are determined and assessed in accordance with the guidance set forth in this act. This part does not affect or limit any other provisions of law authorizing or providing for the furnishing of improvements or activities or the raising of revenue for these purposes.

West's Ann.Cal.Str. & H.Code § 36603
§ 36603. Preemption of charter city authority; exemption

Nothing in this part is intended to preempt the authority of a charter city to adopt ordinances providing for a different method of levying assessments for similar or additional purposes

from those set forth in this part. A property and business improvement district created pursuant to this part is expressly exempt from the provisions of the Special Assessment Investigation, Limitation and Majority Protest Act of 1931 (Division 4 (commencing with Section 2800)).

West's Ann.Cal.Str. & H.Code § 36603.5
§ 36603.5. Conflicts of law

Any provision of this part that conflicts with any other provision of law shall prevail over the other provision of law, as to districts created under this part.

West's Ann.Cal.Str. & H.Code § 36604
§ 36604. Construction of part; severability

This part is intended to be construed liberally and, if any provision is held invalid, the remaining provisions shall remain in full force and effect. Assessments levied under this part are not special taxes.

West's Ann.Cal.Str. & H.Code § 36606
§ 36606. Activities

"Activities" means, but is not limited to, all of the following that benefit businesses or real property in the district:

- (a) Promotion of public events.
- (b) Furnishing of music in any public place.
- (c) Promotion of tourism **within** the district.
- (d) Marketing and economic development, including retail retention and recruitment.
- (e) Providing security, sanitation, graffiti removal, street and sidewalk cleaning, and other municipal services supplemental to those normally provided by the municipality.
- (f) Other services provided for the purpose of conferring special benefit upon assessed real property or specific benefits upon assessed businesses located **in** the district.

West's Ann.Cal.Str. & H.Code § 36606.5
§ 36606.5. Assessment

"Assessment" means a levy for the purpose of acquiring, constructing, installing, or maintaining improvements and providing activities that will provide certain benefits to properties or businesses located within a property and business improvement district.

West's Ann.Cal.Str. & H.Code § 36607
§ 36607. Business

"Business" means all types of businesses and includes financial institutions and professions.

West's Ann.Cal.Str. & H.Code § 36608
§ 36608. City

"City" means a city, county, city and county, or an agency or entity created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code, the public member agencies of which includes only cities, counties, or a city and county, or the State of California.

West's Ann.Cal.Str. & H.Code § 36609
§ 36609. City council

"City council" means the city council of a city or the board of supervisors of a county, or the agency, commission, or board created pursuant to a joint powers agreement and which is a city within the meaning of this part.

West's Ann.Cal.Str. & H.Code § 36609.4
§ 36609.4. Clerk

"Clerk" means the clerk of the legislative body.

West's Ann.Cal.Str. & H.Code § 36609.5
§ 36609.5. General benefit

"General benefit" means, for purposes of a property-based district, any benefit that is not a "special benefit" as defined in Section 36615.5.

West's Ann.Cal.Str. & H.Code § 36610
§ 36610. Improvement

"Improvement" means the acquisition, construction, installation, or maintenance of any tangible property with an estimated useful life of five years or more including, but not limited to, the following:

- (a) Parking facilities.
- (b) Benches, booths, kiosks, display cases, pedestrian shelters and signs.
- (c) Trash receptacles and public restrooms.
- (d) Lighting and heating facilities.
- (e) Decorations.

- (f) Parks.
- (g) Fountains.
- (h) Planting areas.
- (i) Closing, opening, widening, or narrowing of existing streets.
- G) Facilities or equipment, or both, to enhance security of persons and property within the district.
- (k) Ramps, sidewalks, plazas, and pedestrian malls.
- (l) Rehabilitation or removal of existing structures.

West's Ann.Cal.Str. & H.Code § 36611
 § 36611. Management district plan; plan

"Management district plan" or "plan" means a proposal as defined in [Section 36622](#).

West's Ann.Cal.Str. & H.Code § 36612
 § 36612. Owners' association

"Owners' association" means a private nonprofit entity that is under contract with a city to administer or implement improvements, maintenance, and activities specified in the management district plan. An owners' association may be an existing nonprofit entity or a newly formed nonprofit entity. An owners' association is a private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose. Notwithstanding this section, an owners' association shall comply with the Ralph M. Brown Act (Chapter 9 (commencing with [Section 54950](#)) of Part 1 of Division 2 of Title 5 of the Government Code), at all times when matters within the subject matter of the district are heard, discussed, or deliberated, and with the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1 of the Government Code), for all records relating to activities of the district.

West's Ann.Cal.Str. & H.Code § 36614
 § 36614. Property

"Property" means real property situated within a district.

West's Ann.Cal.Str. & H.Code § 36614.5
 § 36614.5. Property and business improvement district; district

"Property and business improvement district," or "district," means a property and business improvement district established pursuant to this part.

West's Ann.Cal.Str. & H.Code § 36614.6
§ 36614.6. Property-based assessment

"Property-based assessment" means any assessment made pursuant to this part upon real property.

West's Ann.Cal.Str. & H.Code § 36614.7
§ 36614.7. Property-based district

"Property-based district" means any district in which a city levies a property-based assessment.

West's Ann.Cal.Str. & H.Code § 36615
§ 36615. Property owner; business owner; owner

"Property owner" means any person shown as the owner of land on the last equalized assessment roll or otherwise known to be the owner of land by the city council. "Business owner" means any person recognized by the city as the owner of the business. "Owner" means either a business owner or a property owner. The city council has no obligation to obtain other information as to the ownership of land or businesses, and its determination of ownership shall be final and conclusive for the purposes of this part. Wherever this part requires the signature of the property owner, the signature of the authorized agent of the property owner shall be sufficient. Wherever this part requires the signature of the business owner, the signature of the authorized agent of the business owner shall be sufficient.

West's Ann.Cal.Str. & H.Code § 36615.5
§ 36615.5. Special benefit

(a) "Special benefit" means, for purposes of a property-based district, a particular and distinct benefit over and above general benefits conferred on real property located in a district or to the public at large. Special benefit includes incidental or collateral effects that arise from the improvements, maintenance, or activities of property-based districts even if those incidental or collateral effects benefit property or persons not assessed. Special benefit excludes general enhancement of property value.

(b) "Special benefit" also includes, for purposes of a property-based district, a particular and distinct benefit provided directly to each assessed parcel within the district. Merely because parcels throughout an assessment district share the same special benefits does not make the benefits general.

West's Ann.Cal.Str. & H.Code § 36616
§ 36616. Tenant

"Tenant" means an occupant pursuant to a lease of commercial space or a dwelling unit, other than an owner.

West's Ann.Cal.Str. & H.Code § 36617
§ 36617. Alternative financing method; effect of part

This part provides an alternative method of financing certain improvements and activities. The provisions of this part shall not affect or limit any other provisions of law authorizing or providing for the furnishing of improvements or activities or the raising of revenue for these purposes. Every improvement area established pursuant to the Parking and Business Improvement Area Law of 1989 (Part 6 (commencing with Section 36500) of this division) is valid and effective and is unaffected by this part.

West's Ann.Cal.Str. & H.Code § 36620
§ 36620. Property and business improvement district

A property and business improvement district may be established as provided in this chapter.

West's Ann.Cal.Str. & H.Code § 36620.5
§ 36620.5. Formation within territory of another city or county

A county may not form a district within the territorial jurisdiction of a city without the consent of the city council of that city. A city may not form a district within the unincorporated territory of a county without the consent of the board of supervisors of that county. A city may not form a district within the territorial jurisdiction of another city without the consent of the city council of the other city.

West's Ann.Cal.Str. & H.Code § 36621
§ 36621. Initiation of proceeding to form district; petition by property or business owners;
resolution of intention

(a) Upon the submission of a written petition, signed by the property or business owners in the proposed district who will pay more than 50 percent of the assessments proposed to be levied, the city council may initiate proceedings to form a district by the adoption of a resolution expressing its intention to form a district. The amount of assessment attributable to property or a business owned by the same property or business owner that is in excess of 40 percent of the amount of all assessments proposed to be levied, shall not be included in determining whether the petition is signed by property or business owners who will pay more than 50 percent of the total amount of assessments proposed to be levied.

(b) The petition of property or business owners required under subdivision (a) shall include a summary of the management district plan. That summary shall include all of the following:

(1) A map showing the boundaries of the district.

(2) Information specifying where the complete management district plan can be obtained.

(3) Information specifying that the complete management district plan shall be furnished upon request.

(c) The resolution of intention described in subdivision (a) shall contain all of the following:

(1) A brief description of the proposed improvements, maintenance, and activities, the amount of the proposed assessment, a statement as to whether the assessment will be levied on property or businesses within the district, a statement as to whether bonds will be issued, and a description of the exterior boundaries of the proposed district, which may be made by reference to any plan or map that is on file with the clerk. The descriptions and statements do not need to be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements, maintenance, and activities, and the location and extent of the proposed district.

(2) A time and place for a public hearing on the establishment of the property and business improvement district and the levy of assessments, which shall be consistent with the requirements of [Section 36623](#).

West's Ann.Cal.Str. & H.Code § 36622
§ 36622. Management district plan; contents

The management district plan shall include, but is not limited to, all of the following:

(a) If the assessment will be levied on property, a map of the district in sufficient detail to locate each parcel of property and, if businesses are to be assessed, each business within the district. If the assessment will be levied on businesses, a map that identifies the district boundaries in sufficient detail to allow a business owner to reasonably determine whether a business is located within the district boundaries. If the assessment will be levied on property and businesses, a map of the district in sufficient detail to locate each parcel of property and to allow a business owner to reasonably determine whether a business is located within the district boundaries.

(b) The name of the proposed district.

(c) A description of the boundaries of the district, including the boundaries of benefit zones, proposed for establishment or extension in a manner sufficient to identify the affected property and businesses included, which may be made by reference to any plan or map that is on file with the clerk. The boundaries of a proposed property assessment district shall not overlap with the boundaries of another existing property assessment district created pursuant to this part. This part does not prohibit the boundaries of a district created pursuant to this part to overlap with other assessment districts established pursuant to other provisions of law, including, but not limited to, the Parking and Business Improvement Area Law of 1989 (Part 6 (commencing with [Section 36500](#))). This part does not prohibit the boundaries of a business assessment district created pursuant to this part to overlap with another business assessment district created pursuant to this part. This part does not prohibit the boundaries of a business assessment district created pursuant to this part to overlap with a property assessment district created pursuant to this part.

(d) The improvements, maintenance, and activities proposed for each year of operation of the district and the estimated cost thereof. If the improvements, maintenance, and activities proposed for each year of operation are the same, a description of the first year's proposed improvements, maintenance, and activities and a statement that the same improvements, maintenance, and activities are proposed for subsequent years shall satisfy the requirements of this subdivision.

(e) The total annual amount proposed to be expended for improvements, maintenance, or activities, and debt service in each year of operation of the district. If the assessment is levied on businesses, this amount may be estimated based upon the assessment rate. If the total annual amount proposed to be expended in each year of operation of the district is not significantly different, the amount proposed to be expended in the initial year and a statement that a similar amount applies to subsequent years shall satisfy the requirements of this subdivision.

(f) The proposed source or sources of financing, including the proposed method and basis of levying the assessment in sufficient detail to allow each property or business owner to calculate the amount of the assessment to be levied against their property or business. The plan also shall state whether bonds will be issued to finance improvements.

(g) The time and manner of collecting the assessments.

(h) The specific number of years in which assessments will be levied. In a new district, the maximum number of years shall be five. Upon renewal, a district shall have a term not to exceed 10 years. Notwithstanding these limitations, a district created pursuant to this part to finance capital improvements with bonds may levy assessments until the maximum maturity of the bonds. The management district plan may set forth specific increases in assessments for each year of operation of the district.

(i) The proposed time for implementation and completion of the management district plan.

(j) Any proposed rules and regulations to be applicable to the district.

(k)(1) A list of the properties or businesses to be assessed, including the assessor's parcel numbers for properties to be assessed, and a statement of the method or methods by which the expenses of a district will be imposed upon benefited real property or businesses, in proportion to the benefit received by the property or business, to defray the cost thereof.

(2) In a property-based district, the proportionate special benefit derived by each identified parcel shall be determined exclusively in relationship to the entirety of the capital cost of a public improvement, the maintenance and operation expenses of a public improvement, or the cost of the activities. An assessment shall not be imposed on any parcel that exceeds the reasonable cost of the proportional special benefit conferred on that parcel. Only special benefits are assessable, and a property-based district shall separate the general benefits, if any, from the special benefits conferred on a parcel. Parcels within a property-based district that are owned or used by any city, public agency, the State of California, or the United States shall not be exempt from assessment unless the governmental entity can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit. The value of any incidental, secondary, or collateral effects that arise from the improvements, maintenance, or activities of a property-based district and that benefit property or persons not assessed shall not be deducted from the entirety of the cost of any special benefit or affect the proportionate special benefit derived by each identified parcel.

(3) In a property-based district, properties throughout the district may share the same special benefits. In a district with boundaries that define which parcels are to receive improvements, maintenance, or activities over and above those services provided by the city, the improvements, maintenance, or activities themselves may constitute a special benefit. The

city may impose assessments that are less than the proportional special benefit conferred, but shall not impose assessments that exceed the reasonable costs of the proportional special benefit conferred. Because one or more parcels pay less than the special benefit conferred does not necessarily mean that other parcels are assessed more than the reasonable cost of their special benefit.

(l) In a property-based district, a detailed engineer's report prepared by a registered professional engineer certified by the State of California supporting all assessments contemplated by the management district plan.

(m) Any other item or matter required to be incorporated therein by the city council.

West's Ann.Cal.Str. & H.Code § 36623

§ 36623. Proposals to levy new or increased assessments; notice, protest, and hearing;
single proceeding to levy both new or increased property assessment and business
assessment

(a) If a city council proposes to levy a new or increased property assessment, the notice and protest and hearing procedure shall comply with [Section 53753 of the Government Code](#).

(b) If a city council proposes to levy a new or increased business assessment, the notice and protest and hearing procedure shall comply with [Section 54954.6 of the Government Code](#), except that notice shall be mailed to the owners of the businesses proposed to be assessed. A protest may be made orally or in writing by any interested person. Every written protest shall be filed with the clerk at or before the time fixed for the public hearing. The city council may waive any irregularity in the form or content of any written protest. A written protest may be withdrawn in writing at any time before the conclusion of the public hearing. Each written protest shall contain a description of the business in which the person subscribing the protest is interested sufficient to identify the business and, if a person subscribing is not shown on the official records of the city as the owner of the business, the protest shall contain or be accompanied by written evidence that the person subscribing is the owner of the business or the authorized representative. A written protest that does not comply with this section shall not be counted in determining a majority protest. If written protests are received from the owners or authorized representatives of businesses in the proposed district that will pay 50 percent or more of the assessments proposed to be levied and protests are not withdrawn so as to reduce the protests to less than 50 percent, no further proceedings to levy the proposed assessment against such businesses, as contained in the resolution of intention, shall be taken for a period of one year from the date of the finding of a majority protest by the city council.

(c) If a city council proposes to conduct a single proceeding to levy both a new or increased property assessment and a new or increased business assessment, the notice and protest and hearing procedure for the property assessment shall comply with subdivision (a), and the notice and protest and hearing procedure for the business assessment shall comply with subdivision (b). If a majority protest is received from either the property or business owners, that respective portion of the assessment shall not be levied. The remaining portion of the assessment may be levied unless the improvement or other special benefit was proposed to be funded by assessing both property and business owners.

West's Ann.Cal.Str. & H.Code § 36624

§ 36624. Adoption or modification of proposed assessment or types of improvements, maintenance, and activities

At the conclusion of the public hearing to establish the district, the city council may adopt, revise, change, reduce, or modify the proposed assessment or the type or types of improvements, maintenance, and activities to be funded with the revenues from the assessments. Proposed assessments may only be revised by reducing any or all of them. At the public hearing, the city council may only make changes in, to, or from the boundaries of the proposed property and business improvement district that will exclude territory that will not benefit from the proposed improvements, maintenance, and activities. Any modifications, revisions, reductions, or changes to the proposed assessment district shall be reflected in the notice and map recorded pursuant to [Section 36627](#).

West's Ann.Cal.Str. & H.Code § 36625

§ 36625. Adoption of resolution of formation; contents; resolution adoption as levy of assessment

(a) If the city council, following the public hearing, decides to establish a proposed property and business improvement district, the city council shall adopt a resolution of formation that shall include, but is not limited to, all of the following:

(1) A brief description of the proposed improvements, maintenance, and activities, the amount of the proposed assessment, a statement as to whether the assessment will be levied on property, businesses, or both within the district, a statement on whether bonds will be issued, and a description of the exterior boundaries of the proposed district, which may be made by reference to any plan or map that is on file with the clerk. The descriptions and statements need not be detailed and shall be sufficient if they enable an owner to generally identify the nature and extent of the improvements, maintenance, and activities and the location and extent of the proposed district.

(2) The number, date of adoption, and title of the resolution of intention.

(3) The time and place where the public hearing was held concerning the establishment of the district.

(4) A determination regarding any protests received. The city shall not establish the district or levy assessments if a majority protest was received.

(5) A statement that the properties, businesses, or properties and businesses in the district established by the resolution shall be subject to any amendments to this part.

(6) A statement that the improvements, maintenance, and activities to be conferred on businesses and properties in the district will be funded by the levy of the assessments. The revenue from the levy of assessments within a district shall not be used to provide improvements, maintenance, or activities outside the district or for any purpose other than the purposes specified in the resolution of intention, as modified by the city council at the hearing concerning establishment of the district. Notwithstanding the foregoing, improvements and activities that must be provided outside the district boundaries to create

a special or specific benefit to the assessed parcels or businesses may be provided, but shall be limited to marketing or signage pointing to the district.

(7) A finding that the property or businesses within the area of the property and business improvement district will be benefited by the improvements, maintenance, and activities funded by the proposed assessments, and, for a property-based district, that property within the district will receive a special benefit.

(8) In a property-based district, the total amount of all special benefits to be conferred on the properties within the property-based district.

(b) The adoption of the resolution of formation and, if required, recordation of the notice and map pursuant to [Section 36627](#) shall constitute the levy of an assessment in each of the fiscal years referred to in the management district plan.

West's Ann.Cal.Str. & H.Code § 36627

§ 36627. Record of notice and assessment diagram; provisions applicable to assessment districts

Following adoption of the resolution establishing district assessments on properties pursuant to [Section 36625](#), the clerk shall record a notice and an assessment diagram pursuant to [Section 3114](#). No other provision of Division 4.5 (commencing with [Section 3100](#)) applies to an assessment district created pursuant to this part.

West's Ann.Cal.Str. & H.Code § 36628

§ 36628. Establishment of separate benefit zones; imposition of different assessments; categories of businesses

The city council may establish one or more separate benefit zones within the district based upon the degree of benefit derived from the improvements or activities to be provided within the benefit zone and may impose a different assessment within each benefit zone. If the assessment is to be levied on businesses, the city council may also define categories of businesses based upon the degree of benefit that each will derive from the improvements or activities to be provided within the district and may impose a different assessment or rate of assessment on each category of business, or on each category of business within each zone.

West's Ann.Cal.Str. & H.Code § 36628.5

§ 36628.5. Structure of assessments on businesses or property owners

The city council may levy assessments on businesses or on property owners, or a combination of the two, pursuant to this part. The city council shall structure the assessments in whatever manner it determines corresponds with the distribution of benefits from the proposed improvements, maintenance, and activities, provided that any property-based assessment conforms with the requirements set forth in [paragraph \(2\)](#) of subdivision (k) of [Section 36622](#).

West's Ann.Cal.Str. & H.Code § 36629
§ 36629. Provisions applicable to benefit zones or categories of business

All provisions of this part applicable to the establishment, modification, or disestablishment of a property and business improvement district apply to the establishment, modification, or disestablishment of benefit zones or categories of business. The city council shall, to establish, modify, or disestablish a benefit zone or category of business, follow the procedure to establish, modify, or disestablish a property and business improvement district.

West's Ann.Cal.Str. & H.Code § 36630
§ 36630. Expiration of district due to time limit; creation of new management district
plan and district renewed

If a property and business improvement district expires due to the time limit set pursuant to subdivision (h) of Section 36622, a new management district plan may be created and the district may be renewed pursuant to this part.

West's Ann.Cal.Str. & H.Code § 36631
§ 36631. Collection of assessments

The collection of the assessments levied pursuant to this part shall be made at the time and in the manner set forth by the city council in the resolution levying the assessment. Assessments levied on real property may be collected at the same time and in the same manner as for the ad valorem property tax, and may provide for the same lien priority and penalties for delinquent payment. All delinquent payments for assessments levied pursuant to this part may be charged interest and penalties.

West's Ann.Cal.Str. & H.Code § 36632
§ 36632. Basis of assessments

(a) The assessments levied on real property pursuant to this part shall be levied on the basis of the estimated benefit to the real property within the property and business improvement district. The city council may classify properties for purposes of determining the benefit to property of the improvements and activities provided pursuant to this part.

(b) Assessments levied on businesses pursuant to this part shall be levied on the basis of the estimated benefit to the businesses within the property and business improvement district. The city council may classify businesses for purposes of determining the benefit to the businesses of the improvements and activities provided pursuant to this part.

(c) Properties zoned solely for residential use, or that are zoned for agricultural use, are conclusively presumed not to benefit from the improvements and service funded through these assessments, and shall not be subject to any assessment pursuant to this part.

West's Ann.Cal.Str. & H.Code § 36633
§ 36633. Validity of assessments

The validity of an assessment levied under this part shall not be contested in an action or proceeding unless the action or proceeding is commenced within 30 days after the resolution levying the assessment is adopted pursuant to [Section 36625](#). An appeal from a final judgment in an action or proceeding shall be perfected within 30 days after the entry of judgment.

West's Ann.Cal.Str. & H.Code § 36634
§ 36634. Baseline service contracts

The city council may execute baseline service contracts that would establish levels of city services that would continue after a property and business improvement district has been formed.

West's Ann.Cal.Str. & H.Code § 36635
§ 36635. Requests for modification of management district plan

The owners' association may, at any time, request that the city council modify the management district plan. Any modification of the management district plan shall be made pursuant to this chapter.

West's Ann.Cal.Str. & H.Code § 36636
§ 36636. Modification of management district plans; notice and hearings

(a) Upon the written request of the owners' association, the city council may modify the management district plan after conducting one public hearing on the proposed modifications. The city council may modify the improvements and activities to be funded with the revenue derived from the levy of the assessments by adopting a resolution determining to make the modifications after holding a public hearing on the proposed modifications. If the modification includes the levy of a new or increased assessment, the city council shall comply with [Section 36623](#). Notice of all other public hearings pursuant to this section shall comply with both of the following:

(1) The resolution of intention shall be published in a newspaper of general circulation in the city once at least seven days before the public hearing.

(2) A complete copy of the resolution of intention shall be mailed by first class mail, at least 10 days before the public hearing, to each business owner or property owner affected by the proposed modification.

(b) The city council shall adopt a resolution of intention which states the proposed modification prior to the public hearing required by this section. The public hearing shall be held not more than 90 days after the adoption of the resolution of intention.

West's Ann.Cal.Str. & H.Code § 36637
§ 36637. Subsequent modifications of management district plans

Any subsequent modification of the resolution shall be reflected in subsequent notices and maps recorded pursuant to Division 4.5 (commencing with Section 3100), in a manner consistent with the provisions of Section 36627.

West's Ann.Cal.Str. & H.Code § 36640
§ 36640. Determination and declaration of bonds to finance estimated cost of proposed improvements; resolutions; reduction or termination of assessments

(a) The city council may, by resolution, determine and declare that bonds shall be issued to finance the estimated cost of some or all of the proposed improvements described in the resolution of formation adopted pursuant to Section 36625, if the resolution of formation adopted pursuant to that section provides for the issuance of bonds, under the Improvement Bond Act of 1915 (Division 10 (commencing with Section 8500)) or in conjunction with Marks-Roos Local Bond Pooling Act of 1985 (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code). Either act, as the case may be, shall govern the proceedings relating to the issuance of bonds, although proceedings under the Bond Act of 1915 may be modified by the city council as necessary to accommodate assessments levied upon business pursuant to this part.

(b) The resolution adopted pursuant to subdivision (a) shall generally describe the proposed improvements specified in the resolution of formation adopted pursuant to Section 36625, set forth the estimated cost of those improvements, specify the number of annual installments and the fiscal years during which they are to be collected. The amount of debt service to retire the bonds shall not exceed the amount of revenue estimated to be raised from assessments over 30 years.

(c) Notwithstanding any other provision of this part, assessments levied to pay the principal and interest on any bond issued pursuant to this section shall not be reduced or terminated if doing so would interfere with the timely retirement of the debt.

West's Ann.Cal.Str. & H.Code § 36650
§ 36650. Report by owners' association

(a) The owners' association shall cause to be prepared a report for each fiscal year, except the first year, for which assessments are to be levied and collected to pay the costs of the improvements, maintenance, and activities described in the report. The owners' association's first report shall be due after the first year of operation of the district. The report may propose changes, including, but not limited to, the boundaries of the property and business improvement district or any benefit zones within the district, the basis and method of levying the assessments, and any changes in the classification of property, including any categories of business, if a classification is used.

(b) The report shall be filed with the clerk and shall refer to the property and business improvement district by name, specify the fiscal year to which the report applies, and, with respect to that fiscal year, shall contain all of the following information:

- (1) Any proposed changes in the boundaries of the property and business improvement district or in any benefit zones or classification of property or businesses within the district.
- (2) The improvements, maintenance, and activities to be provided for that fiscal year.
- (3) An estimate of the cost of providing the improvements, maintenance, and activities for that fiscal year.
- (4) The method and basis of levying the assessment in sufficient detail to allow each real property or business owner, as appropriate, to estimate the amount of the assessment to be levied against his or her property or business for that fiscal year.
- (5) The estimated amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
- (6) The estimated amount of any contributions to be made from sources other than assessments levied pursuant to this part.
- (c) The city council may approve the report as filed by the owners' association or may modify any particular contained in the report and approve it as modified. Any modification shall be made pursuant to Sections 36635 and 36636.

The city council shall not approve a change in the basis and method of levying assessments that would impair an authorized or executed contract to be paid from the revenues derived from the levy of assessments, including any commitment to pay principal and interest on any bonds issued on behalf of the district.

West's Ann.Cal.Str. & H.Code § 36651
 § 36651. Improvements, maintenance, and activities described in plan

The management district plan may, but is not required to, state that an owners' association will provide the improvements, maintenance, and activities described in the management district plan. If the management district plan designates an owners' association, the city shall contract with the designated nonprofit corporation to provide services.

West's Ann.Cal.Str. & H.Code § 36660
 § 36660. Procedures for renewal; transfer or refund of revenues; term upon renewal

- (a) Any district previously established whose term has expired, or will expire, may be renewed by following the procedures for establishment as provided in this chapter.
- (b) Upon renewal, any remaining revenues derived from the levy of assessments, or any revenues derived from the sale of assets acquired with the revenues, shall be transferred to the renewed district. If the renewed district includes additional parcels or businesses not included in the prior district, the remaining revenues shall be spent to benefit only the parcels or businesses in the prior district. If the renewed district does not include parcels or businesses included in the prior district, the remaining revenues attributable to these parcels shall be refunded to the owners of these parcels or businesses.

(c) Upon renewal, a district shall have a term not to exceed 10 years, or, if the district is authorized to issue bonds, until the maximum maturity of those bonds. There is no requirement that the boundaries, assessments, improvements, or activities of a renewed district be the same as the original or prior district.

West's Ann.Cal.Str. & H.Code § 36670
§ 36670. Procedures for disestablishment

(a) Any district established or extended pursuant to the provisions of this part, where there is no indebtedness, outstanding and unpaid, incurred to accomplish any of the purposes of the district, may be disestablished by resolution by the city council in either of the following circumstances:

(1) If the city council finds there has been misappropriation of funds, malfeasance, or a violation of law in connection with the management of the district, it shall notice a hearing on disestablishment.

(2) During the operation of the district, there shall be a 30-day period each year in which assesses may request disestablishment of the district. The first such period shall begin one year after the date of establishment of the district and shall continue for 30 days. The next such 30-day period shall begin two years after the date of the establishment of the district. Each successive year of operation of the district shall have such a 30-day period. Upon the written petition of the owners or authorized representatives of real property or the owners or authorized representatives of businesses in the district who pay 50 percent or more of the assessments levied, the city council shall pass a resolution of intention to disestablish the district. The city council shall notice a hearing on disestablishment.

(b) The city council shall adopt a resolution of intention to disestablish the district prior to the public hearing required by this section. The resolution shall state the reason for the disestablishment, shall state the time and place of the public hearing, and shall contain a proposal to dispose of any assets acquired with the revenues of the assessments levied within the property and business improvement district. The notice of the hearing on disestablishment required by this section shall be given by mail to the property owner of each parcel or to the owner of each business subject to assessment in the district, as appropriate. The city shall conduct the public hearing not less than 30 days after mailing the notice to the property or business owners. The public hearing shall be held not more than 60 days after the adoption of the resolution of intention.

West's Ann.Cal.Str. & H.Code § 36671
§ 36671. Disestablishment or expiration without renewal; disposition of remaining revenues

(a) Upon the disestablishment or expiration without renewal of a district, any remaining revenues, after all outstanding debts are paid, derived from the levy of assessments, or derived from the sale of assets acquired with the revenues, or from bond reserve or construction funds, shall be refunded to the owners of the property or businesses then located and operating within the district in which assessments were levied by applying the same

method and basis that was used to calculate the assessments levied **in** the fiscal year in which the district is disestablished or expires. All outstanding assessment revenue collected after disestablishment shall be spent on improvements and activities specified in the management district plan.

(b) If the disestablishment occurs before an assessment is levied for the fiscal year, the method and basis that was used to calculate the assessments levied **in** the immediate prior fiscal year shall be used to calculate the amount of any refund.

Exhibit A: Lake County Hospital Improvement District Boundaries

