BOARD MEMORANDUM

Formation of Parallel 501(c)(3) Foundation

TO:	DRP Board of Directors
FROM:	Ed Mojica, Secretary
DATE:	August 10, 2026
RE:	Formation of Parallel 501(c)(3) Foundation. Action Item.

Recommendation

The Board is asked to approve the formation of a parallel 501(c)(3) public benefit corporation and to authorize engagement of a formation-services provider at a cost not to exceed $9,000.

Background

The DRP is a 501(c)(6) mutual benefit corporation. This is the standard structure for California PBIDs. Assessment revenue funds our clean, safe, marketing, and economic vitality programs.

The (c)(6) structure has two limits. Donations to us are not tax-deductible. Most private foundations and many government grant programs cannot fund a (c)(6) entity.

A parallel 501(c)(3) public charity solves both problems. It opens new funding streams. It complements the assessment revenue, not replaces it. The structure is well-established in California.

California Examples

Downtown Sacramento Foundation

This is our closest comparable. The Downtown Sacramento Partnership runs a PBID like ours. The Downtown Sacramento Foundation is their parallel 501(c)(3). It was formed in 2011.

In 2024 it reported $292K in revenue and $517K in total assets. Its programs include Calling All Dreamers (a retail business incubator), the Old Sacramento Waterfront Iconic Sign, Spirit Wings public art on K Street, and the Chinatown Square Illumination Project.

Public mission: “to foster civic pride and enhance the quality of life by generating additional sources of funds to support the improvement of the social, physical and cultural environment of downtown Sacramento.”

Reference: downtownsac.org/about/downtown-sacramento-foundation

San Jose Downtown Foundation

The San Jose Downtown Association manages their PBID. The San Jose Downtown Foundation is their parallel 501(c)(3). They focus on arts and youth. Their flagship program, Downtown Doors, turns utility boxes and blank doors into public art created by high school students.

In 2024 they reported $40K in revenue and $117K in total assets.

Reference: sjdowntown.com/foundation

Downtown Chico

Chico operates the Downtown Chico Business Association alongside their PBID. In December 2022 their Finance Committee formally recommended adding a 501(c)(3). They paired it with two other steps: a formal operating agreement with the PBID, and a city operating agreement.

The lesson from Chico is strategic. They did not form the foundation in isolation. They tied it to specific operating goals.

Reference: downtownchico.com/about-us.htm

Proposed Public Mission Statement

The following working mission is proposed for the new Foundation. Formal Articles of Incorporation will be developed during formation. Those documents will include the required IRS boilerplate, the dissolution clause, and the prohibited activities clause.

> *The Downtown Roseville Foundation supports the preservation, revitalization, and cultural vitality of historic downtown Roseville as a thriving, welcoming public gathering place for all who live, work, and visit our community.*

The framing is deliberate. It names public beneficiaries, not property owners. It anchors to IRS-recognized charitable and educational purposes. It uses place-based identity. It stands independently of the DRP brand.

Name Availability

The name “Downtown Roseville Foundation” has been verified as available through the California Secretary of State bizfile portal. No active or recently dissolved entity uses the name.

Existing Roseville-area foundations were identified during the review. None conflict legally. All operate in distinct sectors.

- **Sun City Roseville Foundation.** Retirement community focus.
- **Roseville Public Safety Foundation.** Police and fire support.
- **Sutter Roseville Medical Center Foundation.** Hospital foundation.
- **Roseville Urban Forest Foundation.** Tree planting and beautification.

Two other downtown Roseville nonprofits are worth noting.

- **Downtown Roseville Partnership.** The DRP itself (EIN 47-2548730).

- **Downtown Roseville Merchants Cooperative.** A separate 501(c)(6) (EIN 91-1799450). Small operation ($102K revenue in 2024). Any historical relationship or membership overlap is worth confirming with longer-tenured board members.

A $10 name reservation at bizfile is recommended to hold the name for 60 days while formation proceeds. Domain registration for downtownrosevillefoundation.org and .com should follow before public discussion.

Proposed Engagement: Civitas Advisors

Civitas Advisors is our current assessment roll consultant. They submitted an engagement letter on July 16, 2026 proposing formation services. They are a specialty consulting firm with deep knowledge of California PBIDs and existing familiarity with the DRP.

Scope of Civitas services:

- **Parameter determination.** Two or three conference calls to define board composition, membership, and election procedures.
- **Draft Bylaws and Articles of Incorporation** compliant with applicable law.
- **Filing with the California Secretary of State** (Articles and initial Statement of Information).
- **Federal Tax ID request.**
- **IRS Form 1023 and California FTB exemption filings.** Ongoing response to correspondence during the six to eighteen month review period.
- **Corporate policies.** Conflict of interest, whistleblower, and others as needed.

Financial Summary

Component	Amount
Professional fees	$7,500
Ordinary expenses (4% of fees)	$300
Government filing fees	$650
Contingency	$550
Not-to-Exceed Total	**$9,000**

Billing runs $3,500 per month during active formation work, which is expected to take about two months. If additional time is needed, billing drops to $2,000 per month. Invoices are payable within 30 days. Either party may terminate on ten days' notice.

Fee Analysis

Market research on comparable California 501(c)(3) formation services shows the following ranges:

Provider Type	Typical Range
Online formation services	$99 to $2,200
Nonprofit attorney, standard formation	$1,500 to $3,000
Nonprofit attorney, full-service package	$2,500 and up
Nonprofit attorney, complex or affiliated	$3,000 to $5,000
Civitas Advisors (professional fees only)	**$7,500**

Civitas at $7,500 is above the typical market range. Three factors partially justify the premium.

1. Existing relationship and PBID expertise. Civitas already knows the DRP's structure, City relationships, and California PBID law. A general nonprofit attorney would need briefing time.
2. Long-tail IRS and FTB correspondence is included at no additional charge. Most attorney flat-fee packages cover the initial filing only. They bill hourly for follow-up during the six to eighteen month exemption review.
3. Corporate policies are bundled. Conflict of interest and whistleblower policies would cost $500 to $1,500 separately with some attorneys.

Items to Confirm with Civitas Before Signing

- **Attorney oversight.** Drafting Articles and Bylaws is the practice of law in California. Confirm which California-licensed attorney reviews and signs the legal documents.
- **Form 1023-EZ eligibility.** The streamlined form (fee $275, faster processing) may apply if projected first-year receipts are under $50,000 and assets under $250,000. The engagement letter defaults to full Form 1023.
- **Trip fees.** The engagement letter references $750 trip fees. Civitas is Sacramento-based. Clarify whether any trips are anticipated in this scope.

Recommended Motion

Two motion structures are available.

Option A. Approve as Proposed (Recommended)

MOTION

Approve the formation of a parallel 501(c)(3) public benefit corporation, and authorize engagement of Civitas Advisors to provide formation services at a cost not to exceed $9,000. This total is inclusive of professional fees, ordinary expenses, and government filing fees.

Moved by: ____________________ **Seconded by:** ____________________

Abstain: ____________________ **Vote:** ____________________

Option B. Approve Conditional on Competitive Bid

MOTION

Approve the formation of a parallel 501(c)(3) public benefit corporation, and authorize engagement of a qualified formation-services provider at a cost not to exceed $9,000, subject to obtaining at least one competing bid from a Sacramento-area nonprofit attorney. The President and Treasurer are authorized to select the provider based on the comparative review.

Moved by: ___________________ **Seconded by:** ___________________
Abstain: ___________________ **Vote:** ___________________

Staff recommends Option A. The Civitas fee sits above the market benchmark, but the premium is justified. The DRP has a working relationship with Civitas through the annual assessment roll engagement. Their PBID expertise is directly relevant. Their scope includes long-tail IRS and FTB correspondence at no additional charge. Trust in the consultant, combined with an accelerated timeline, outweighs the modest cost differential.

Option B remains available if the Board prefers to validate the market rate before committing. It adds two to four weeks.

Next Steps Following Approval

4. Confirm corporate name availability with the California Secretary of State.
5. Execute the engagement letter with the selected provider.
6. Hold parameter-setting calls to define board composition, membership, and election procedures.
7. Review and approve draft Articles of Incorporation and Bylaws.
8. File with the Secretary of State, IRS, FTB, and Attorney General's Registry of Charitable Trusts.
9. Coordinate with the City of Roseville Economic Development office in parallel.

Attachment: Civitas Advisors engagement letter dated July 16, 2026.