Top of Broadway Community Benefit District

CITY AND COUNTY OF SAN FRANCISCO
CALIFORNIA

DISTRICT ASSESSMENT ENGINEER'S REPORT

Prepared by
Edward V. Henning,
California Registered Professional Engineer # 26549
Edward Henning & Associates

April 15, 2013

DISTRICT ASSESSMENT ENGINEER'S REPORT

To Whom It May Concern:

I hereby certify to the best of my professional knowledge and experience that each of the identified benefiting properties located within the proposed Top of Broadway Community Management District being established for eight and one-half (8 1/2) years will receive a special benefit over and above the benefits conferred on the public at large and that the amount of the proposed assessment is proportional to, and no greater than the benefits conferred on each respective property.

Prepared by Edward V. Henning, California Registered Professional Engineer # 26549

REGISTERED PROFESSIONAL ENGINEER
EDWARD V HENNING
C 26549
EXP. 3-31-14
CIVIL
STATE OF CALIFORNIA

RPE #26549

Edward V. Henning

4-15-13

(NOT VALID WITHOUT SIGNATURE AND CERTIFICATION SEAL HERE)

Introduction

This report shall serve as the "detailed engineer's report" required by Section 4(b) of Article XIIID of the California Constitution (Proposition 218) to support the special assessments proposed to be levied for an 8 1/2 year period on parcels of real property included within the proposed Top of Broadway Community Benefit District (Top of Broadway CBD) in the City and County of San Francisco, California. The discussion and analysis contained within this report supports the conclusions that both the required "nexus" and proportionality exist between the assessment amounts proposed to be levied and the special benefits that will be derived by the identified properties[1]included within the proposed Top of Broadway CBD.

---

1 The terminology "identified parcel" or "property" is used throughout this report in the same manner as "identified parcel" is used in the "Proposition 218 Omnibus Implementation Act." (See Government Code §53750(g)("'Identified parcel' means a parcel of real property that an agency has identified as having a special benefit conferred upon it and upon which a proposed assessment is to be imposed....").) The Proposition 218 Omnibus Implementation Act clarified portions of Proposition 218, which amended the California Constitution to, among other things, add Article XIIID regulating assessments on real

Background

The Top of Broadway Community Benefit District ("Top of Broadway CBD") is a property-based special assessment district being established in San Francisco pursuant to Section 36600 *et seq.* of the California Streets and Highways Code, known as the Property and Business Improvement District Law of 1994 (the "Act"), as augmented by Article 15 of the San Francisco Business and Tax Regulations Code. To satisfy the constitutional requirements for assessments on property imposed by Proposition 218, the costs of the services, activities[2] and improvements[3] in the district to be funded by assessments are to be distributed amongst all the identified properties based on the proportional benefit each parcel is expected to derive from the services, activities, and improvements. Within the Act, Proposition 218 and the Proposition 218 Omnibus Implementation Act, frequent references are made to the relative "special benefit"[4]

---

property. It provides the Engineer with the obligation to identify individual parcels within the proposed district which will specially benefit from the service, activities, and improvements to be funded by the proposed assessments, and to ensure the assessments on property throughout the district are proportionally spread among the benefiting properties.

2 Unless the context otherwise requires, the term "activities" shall have the same meaning as set forth in Streets and Highways Code Section 36613 ("'Activities' means, but is not limited to, all of the following: (a) Promotion of public events which benefit businesses or real property in the district. (b) Furnishing of music in any public place within the district. (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) Activities which benefit businesses and real property located in the district.").

3 Unless the context otherwise requires, the term "improvements" shall have the same meaning as set forth in Streets and Highways Code Section 36610 ("'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. (j) Facilities or equipment, or both, to enhance security of persons and property within the area. (k) Ramps, sidewalks, plazas, and pedestrian malls. (l) Rehabilitation or removal of existing structures.")

4

received from the services, activities, and improvements versus the amount of the assessment levied, which incorporate the concepts of "nexus" and "proportionality" that are required to levy assessments on property within a special assessment district. "Nexus" requires that only those properties expected to derive special benefits from the services, activities, and improvements may be assessed. "Proportionality" requires that, for each assessed property, the assessment be only in an amount proportional to that parcel's share of the reasonable costs of the services, activities, and improvements expected to be conferred on that parcel, relative to all district assessments.

The method used to determine special benefits derived by each identified property within a CBD begins with the selection of a suitable and tangible basic benefit unit. For property related services, such as those proposed in the Top of Broadway CBD, the benefit unit may be measured in linear feet of primary street frontage or parcel size in square feet or building size in square feet or number of building floors or proximity to major corridors in average linear feet, or any combination of these factors. Quantity takeoffs for each parcel are then measured or otherwise ascertained. From these figures, the amount of benefit units to be assigned to each property can be calculated. Special circumstances such as unique geography, land uses, development constraints etc. are carefully reviewed relative to CBD services, activities, and improvements to be funded by the CBD in order to determine any levels of diminished benefit which may apply on a parcel-by-parcel or categorical basis.

Based on the factors described above such as geography and nature of CBD services, activities, and improvements proposed, an assessment formula is developed which is derived from a singular or composite basic benefit unit factor or factors. Within the assessment formula, different factors may be assigned different "weights" or percentage of values based on their relationship to services, activities, and improvements to be funded.

---

[*] Unless the context otherwise requires, the terms "special benefit" and "benefit" are used in the same manner and shall have the same meaning as "special benefit" is defined and used in Proposition 218. See, Article XIIID, Section 2(i) of the California Constitution ("'Special benefit' means a particular and distinct benefit over & above general benefits conferred on real property located in the district or to the public at large. General enhancement of property value does not constitute 'special benefit.'")

Next, all services, activities, and improvements costs, including incidental costs, District administration and ancillary costs, are estimated. It is noted, as stipulated in Proposition 218, and now required of all property based assessment Districts, indirect or general benefits may not be incorporated into the assessment formula and levied on the District properties; only direct or "special" benefits and costs may be considered. Indirect or general benefit costs, if any, must be identified and, if quantifiable, calculated and factored out of the assessment cost basis to produce a "net" cost figure. In addition, Proposition 218 no longer automatically exempts government owned property from being assessed and if special benefit is determined to be conferred upon such properties, they must be assessed in proportion to special benefits conferred in a manner similar to privately owned property assessments.

From this, the value of a basic benefit unit or "basic net unit cost" can be computed by dividing the total amount of estimated net CBD costs by the total number of benefit units. The amount of assessment for each identified parcel can be computed at this time by multiplying the Net Unit Cost times the number of Basic Benefit Units per identified parcel. This is known as "spreading the assessment" or the "assessment spread" in that all costs are allocated proportionally or "spread" amongst all identified properties within the CBD.

The method and basis of spreading CBD costs varies from one CBD to another based on local conditions, types of services, activities, and improvements proposed, and size and development complexity of the CBD.

Supplemental Proposition 218 Procedures and Requirements

Proposition 218, approved by the voters of California in November of 1996 ("Prop 218"), adds a supplemental array of procedures and requirements to be carried out prior to levying a property-based assessment like the Top of Broadway CBD. These requirements are in addition to requirements imposed by State and local assessment enabling laws. These requirements were "chaptered" into law as Article XIIID of the California Constitution.

Since Prop 218 provisions will affect all subsequent calculations to be made in the final assessment formula for the Top of Broadway CBD, Prop 218 requirements will

be taken into account. The key provisions of Prop 218 along with a description of how the Top of Broadway CBD complies with each of these provisions are delineated below.

(Note: All section references below pertain to Article XIII of the California Constitution):

<u>Finding 1.</u> From Section 4(a): "Identify all parcels which will have a special benefit conferred upon them and upon which an assessment will be imposed"

All 39 individual parcels within the proposed Top of Broadway CBD are "identified" individual parcels that will derive special benefit from the proposed District services, activities, and improvements. The benefits are special and unique only to the identified properties within the proposed District because services, activities, and improvements will only be provided directly for the identified properties. All CBD parcels are identified by assessor parcel number and shown on the Boundary Map in the Management District Plan and are listed in Attachment 1 to this Report. The boundaries of the Top of Broadway CBD generally are described as follows:

- ***Columbus Avenue*** from the intersection of Grant and Fresno, running *along the east side only* of Columbus Avenue down to Pacific Avenue.
- ***Kearny Street*** on both sides of the street from Broadway to Pacific Avenue.
- ***Broadway,*** from the northeastern corner of the intersection of Columbus and Broadway running eastward on the north side of the street up to west side of Montgomery Street and then from the southeastern corner of the intersection of Columbus and Broadway on the south side running eastward on the south side up to Montgomery, but also including the property at the southeastern corner of the intersection of Montgomery and Broadway (APN 0164/014).

All parcels within the above-described boundaries shall be assessed to fund special benefit services, activities, and improvements as outlined in this report. CBD assessment funded services, activities, and improvements will only be provided to properties inside the District boundaries – none outside.

<u>Finding 2.</u> From Section 4(a): "Separate general benefits from the special

benefits conferred on parcel(s). Only special benefits are assessable. "

As stipulated by Proposition 218, assessment District services, activities, and improvements confer a combination of general and special benefits to properties, but the only benefits that can be assessed to District parcels are those that provide special benefit to those District properties. For the purposes of this analysis, "Special benefit" as defined by the California State Constitution means a "particular and distinct benefit over and above general benefits conferred on real property located in the District or to the public at large." (Article XIII D, Section 2(i))

The property uses within the boundaries of the Top of Broadway CBD are a mix of office, retail, entertainment and parking. Services, activities, and improvements provided by the District are designed to provide special benefits to all parcels within the boundaries of the district. Existing City/County of San Francisco services will be enhanced or supplemented, not replaced or duplicated, by the new CBD services. In the case of the Top of Broadway CBD, the very nature of the purpose of this District is to fund supplemental services, activities, and improvements within the CBD boundaries above and beyond what is being currently funded either via normal tax supported methods or other funding sources. These services, activities, and improvements, are designed to enhance the commercial core uses, increase tenancy and marketing of the commercial entities in the CBD and improve the aesthetic appearance of the CBD as a whole. All benefits derived from the assessments to be levied on parcels within the CBD are for services, activities, and improvements directly benefiting the property owners within this area and support increased cleanliness, commerce, business attraction and retention, and improve District identity, thereby enhancing overall economic vitality. No assessment funded services, activities, and improvements will be provided beyond the CBD boundaries. The proposed services, activities, and improvements which will provide special benefit to the properties within the CBD boundaries are described below:

1. DISTRICT IDENTITY ACTIVITIES:

DISTRICT IDENTITY PROPOSED SERVICES, ACTIVITIES, AND IMPROVEMENTS INCLUDE, BUT ARE NOT LIMITED TO:	ESTIMATED FIRST YEAR COST*
Public relations firm to promote the businesses and activities in the district (shall include coordinating print and social media, Facebook, Twitter, media relations, press releases, etc.)	$ 20,000.00
Website development and posting including maintenance and upgrades	$ 8,000.00
Special events (2)	$ 8,000.00
Signage, historical markers, banners, decorations	$ 2,500.00
Other programs or activities determined by Board	$ 6,500.00
Total Estimated First Year District Identity Expenses	*$ 45,000.00**

* It is noted that the actual cost estimate of this category is $45,423.51 but has been rounded down to the whole number of $45,000 for budgetary purposes.

2. SIDEWALK OPERATIONS, BEAUTIFICATION AND ORDER (SOBO):

SIDEWALK OPERATIONS, BEAUTIFICATION, AND ORDER PROPOSES SERVICES, ACTIVITIES, AND IMPROVEMENTS INCLUDE, BUT ARE NOT BE LIMITED TO:	ESTIMATED FIRST YEAR COST*
Sidewalk cleaning/personnel, estimated at 20 hours per week for individual employee or contracted service, provided 52 weeks per year	$ 18,000.00
Sidewalk cleaning/materials (brooms, trash bags, cleaners, etc.)	$ 4,000.00
Sidewalk decorations (holidays, decorations, etc.)	$ 8,000.00
Total Sidewalk Operations and Beautification Expenses	*$ 30,000.00**

* It is noted that the actual cost estimate of this category is $30,349.41 but has been rounded down to the whole number of $30,000 for budgetary purposes.

Examples of services, activities, and improvements for Sidewalk Operations, Beautification, and Order (SOBO) will include, but are not limited to:

- Sidewalk and gutter cleaning 20 hours per week, cleaning district at least 4 to 5 times per week (1 person working 20 hours per week at the rate of

$17.30 per hour, which is inclusive of the hourly wage, workers compensation, payroll taxes and unemployment insurance, etc.);

- Taking graffiti and stickers off of street light poles, windows, etc.;
- Enhanced trash emptying in the sidewalk;
- Graffiti removal, within 24 hours;
- Sidewalk supplies and materials, (brooms, shovels, push cart, graffiti remover, shovel, uniforms, trash bags, cleaning supplies)
- Periodic steam cleaning; (up to twice per year);
- Trimming trees up to 10 feet from the sidewalks;
- Cleaning out tree wells.

3. ADMINISTRATION, ORGANIZATION AND CORPORATE OPERATIONS:

ADMINISTRATION, ORGANIZATION, AND CORPORATE OPERATIONS SERVICES, ACTIVITIES, AND IMPROVEMENTS INCLUDE, BUT ARE NOT BE LIMITED TO THE FOLLOWING:	ESTIMATED FIRST YEAR COST*
Part time staff	$ 16,000.00
Insurance, General Liability and Directors and Officers	$ 5,000.00
Office related, CPA, Accounting, Legal, Misc.	$ 4,000.00
Contingency and Reserves	$ 6,567.31
Total Administration, Organization and Corporate Operations	*$ 31,567.31**

* It is noted that the actual cost estimate of this category is $29,728.72 but has been adjusted upward by $1,838.59 to $31,567.31 based on adjustments made to the budget allocations of the two previous categories.

Services, activities, and improvements and costs for Administration, Organization and Corporate Operations to support all of the activities include, but are not limited to:

- Staff and administrative costs (Approximately $ 20.00 per hour, for 15 hours per week has been calculated to oversee the special benefit services, activities, and improvements in this district, specifically to oversee the execution of the services, activities, and improvements within District Identity and SOBO categories. This CBD budget is not large enough to

justify a half or full time administrator. It is also assumed that this person will be a contracted individual or company);

- Insurance;
- Office related expenses;
- Managing contractual relations with City and subcontractors;
- Financial reporting;
- Advocacy.

Each of these services, activities, and improvements work together to create a more pleasing environment within the district that is conducive to strengthening the current and future economic vitality of this area through the attraction and retention of new business and increased commerce. The services, activities, and improvements are designed to specifically benefit properties within the CBD boundaries. The proposed CBD assessments will only be levied on properties within the CBD boundaries and assessment revenues will be spent to deliver services, activities, and improvements that provide a direct and special benefit to assessed parcels.

General Versus Special Benefit Analysis

CBD services, activities, and improvements confer a combination of general and special benefits. Services, activities, and improvements which are attributed to special benefits conferred on the identified parcels can be funded through assessments. Any portion of the costs that are considered attributable to general benefits must be computed and cannot be funded through assessment revenues. [Article XIIID, Section 4, of the California Constitution]

In order to determine a projected level of general benefit applicable to the Top of Broadway CBD it is noted that in 2009, the Union Square Business Improvement District and the proposed West Portal Community Benefit District conducted surveys to determine the likelihood of individuals passing through their boundaries without the intention of engaging in any type of commerce activity in the CBD. Of those surveyed, about 1% indicated that they do not nor do they ever have the intention of engaging in any type of commerce regardless of any future CBD services, activities, and improvements provided. Accordingly, in both districts, 1% was assigned to the

general benefit value of their respective services, activities, and improvements costs.

It is the opinion of this Engineer that both, the Union Square and the West Portal business districts are similar in nature to the Top of Broadway. The Union Square business district is similar to the Top of Broadway area in that they have a similar mix of business types and the destination and pedestrian orientation of these districts. Top of Broadway is similar to the West Portal business district in size and scale. Thus, it is the opinion of this Engineer that the general benefit value for services, activities, and improvements funded by the Top of Broadway CBD should similarly be set at 1% of the total services, activities, and improvements cost of $106,567.31, or $1,065.67. This leaves a value of 99% attributable to special benefit related costs. Since the total services, activities, and improvements cost is estimated at $106,567.31, the maximum special benefit portion, which can be funded through property assessments, is $105,501.64. Remaining costs, which are attributed to general benefits, will need to be funded from other sources. (e.g. public/private matching grants, startup grants, in-kind service contributions for district formation, startup volunteer credits or ongoing board member volunteer credits).

<u>Finding 3.</u> From Section 4(a): "(Determine) the proportionate special benefit derived by each parcel in relationship to the entirety of the.....cost of public improvement(s) or the maintenance and operation expenses.....or the cost of the property related service being provided.

Each parcel within the district will be assessed based on property and development characteristics unique only to that parcel. The calculated assessment rates are applied to the actual measured parameters of each parcel and thereby are proportional to each and every other parcel within the district. Larger parcels and buildings are expected to impact the demand for services, activities, and improvements to a greater extent than smaller ones and thus are assigned a higher proportionate degree of assessment services, activities, and improvements costs. The proportionality is further achieved by setting targeted formula component weights for the respective parcel by parcel land and building attributes.

The proportionate special benefit cost for each parcel has been calculated based on optimum proportionate formula components and are each listed on Attachment 1 to this Report. The individual percentages (i.e. proportionate relationship to the total

special benefit related services, activities, and improvements costs) are computed by dividing the individual parcel assessment by the total special benefit costs.

<u>Finding 4.</u> From Section 4(a): "No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel."

Not only are the proposed services, activities, and improvements costs reasonable due to the benefit of group purchasing and contracting which would be possible through the Top of Broadway CBD, they are also considerably less than other options considered by the Top of Broadway CBD proponent group. The actual assessment rate for each parcel within the CBD directly relates to the level of service to be provided based on the respective amount of gross 1st floor building area, parcel size and street frontage of each parcel.

<u>Finding 5.</u> From Section 4(a): "Parcels.....that are owned or used by any (public) agency shall not be exempt from assessment....."

Any publicly owned parcels within the CBD would also receive benefits commensurate with the assessments paid into the Top of Broadway CBD. There is no compelling evidence that publicly owned parcels do not benefit equally to privately owned parcels and, thus, would be assessed in the same manner and rates as private parcels in the CBD.

<u>Finding 6.</u> From Section 4(b): "All assessments must be supported by a detailed engineer's report prepared by a registered professional engineer certified by the State of California".

This report serves as the "detailed engineer's report" to support the special benefit property assessments proposed to be levied within the Top of Broadway CBD.

<u>Finding 7.</u> From Section 4(c): "The amount of the proposed assessment for each parcel shall be calculated (along with) the total amount thereof chargeable to the entire district, the duration of such payments, the reason for such assessment and the basis upon which the amount of the proposed assessment was

calculated."

The individual and total parcel assessments attributable to special property benefits are listed on Attachment 1 to this Report. Assessments will be collected for an 8 year period, and can be spent within an eight and one-half (8 ½) year service delivery time period; the District will exist for eight and one-half (8 ½) years and may be renewed again at that time. The reasons for the proposed assessments are outlined in Finding 2 above as well as in the Management District Plan. The calculation basis of the proposed assessment is attributed to gross 1st floor building area, parcel size and street frontage. There is one Benefit Zone identified.

Assessment Formula Methodology

Step 1. Select "Basic Benefit Unit(s)"

CBD assessment formulas typically are based on street frontage, parcel size, building size and/or location, all of which relate to the amount of special benefit conferred on a particular parcel and the proportionate assessment to be paid. The formula may base assessments on a single factor or a combination of these factors.

Based on the specific needs and corresponding nature of the services, activities, and improvements to be funded by the Top of Broadway CBD, it is the opinion of this Assessment Engineer that the assessment factors on which to base assessment rates relate directly to the proportionate amount of street frontage, 1st floor building area and land area.

For commercial uses, the interactive application of street frontage, 1st floor building area and land area quantities are a proven method of fairly and equitably spreading special benefit costs to these primary beneficiaries of CBD funded services, activities, and improvements. Each of these factors directly relates to the degree of benefit each parcel will receive from CBD funded services, activities, and improvements.

Street frontage is a direct measure of the static utilization of each parcel and its corresponding impact or draw on CBD funded services, activities, and improvements such as SOBO. In the opinion of this Assessment Engineer, the targeted weight of this factor, street frontage, should generate approximately 28% of the total CBD revenues.

The actual assessment revenue projection of this formula element is $30,349.41 of which $29,352.20 will be allocated to SOBO and the balance of $647.80 to administration, organization and corporate operations.

1st floor building area (gross) is a direct measure of the static utilization of each parcel and its corresponding impact or draw on CBD funded services, activities, and improvements such as district identity. In the opinion of this Assessment Engineer, the targeted weight of this factor, gross 1st floor building area, should generate approximately 43% of the total CBD revenues. The actual assessment revenue projection of this formula element is $45,423.51 of which $44,128.91 will be allocated to district identity and the balance of $871.09 to administration, organization and corporate operations.

Land area is a direct measure of the current and future development capacity of each parcel and, again, its corresponding impact or draw on CBD funded services, activities, and improvements such as administration, organization and corporate operations. In the opinion of this Assessment Engineer, the targeted weight of this factor, land area, should generate approximately 28% of the total CBD revenue. The actual assessment revenue projection of this formula element is $29,728.72, which will all be allocated to administration, organization and corporate operations. In addition, $1,518.89 will be allocated to administration, organization and corporate operations from adjustments made to previous budget elements and a portion of non-assessment funding, for a total allocation of $31,567.31.

It is the finding of this Engineer that there are no land uses or ownership types within the CBD that will either not benefit or receive diminished benefit from CBD funded services, activities, and improvements and thus all parcels will be assessed at the same rates and in the same manner.

The "Basic Benefit Units" will be expressed as a combined function of street frontage (Benefit Unit "A"), gross 1st floor building square footage (Benefit Unit "B"), and parcel size (Benefit Unit "C"). Based on the shape of the Top of Broadway CBD, as well as the nature of the District service, activities, and improvements, it is determined that all properties will gain a direct and proportionate degree of special benefit based on the respective amount of street frontage, gross 1st floor building area and land area within a single benefit zone.

Step 2. Quantify Total Basic Benefit Units

Taking into account all identified benefiting properties and their respective assessable benefit units; there are 39 identified parcels within the CBD, 3,211 Benefit Units A, 141,273 Benefit Units B, and 165,591 Benefit Units C.

Step 3. Calculate Benefit Units for Each Property.

The number of Benefit Units for each identified benefiting parcel within the Top of Broadway CBD was computed from data extracted from City and County of San Francisco Assessor records and maps. These data sources delineate current land uses, property areas and dimensions of record for each tax parcel. While it is understood that this data does not represent legal field survey measurements or detailed title search of recorded land subdivision maps or building records, it does provide an acceptable basis for the purpose of calculating property based assessments. All respective property data being used for assessment computations will be provided to each property owner in the CBD for their review. All known or reported discrepancies, errors or misinformation will be corrected.

Step 4. Determine Assessment Formula

Based on the nature of the services, activities, and improvements to be funded as well as other rationale outlined in Step 1 above, it has been determined that the Top of Broadway CBD assessments will be based on the amount of street frontage, gross 1st floor building area and land area of each parcel within a single benefit zone.

Assessment Formula Unit Costs:

Street Frontage Rate (Benefit Unit "A") = $30,349.41/3,211 LF = $9.4517/LF

1st Floor Bldg Area Rate = (Benefit Unit "B") = $45,423.51/141,273 sq ft = $0.32153/sq ft

Land Area Rate = (Benefit Unit "C") = $29,728.72/165,591 sq ft = $0.17953/SF

Assessment Formula = Street Frontage x Street Frontage Rate, plus
1st floor Bldg Area x Bldg Area Rate, plus
Land Area x Land Area Rate

Step 5. Estimate Total District Costs

The total projected District revenues/expenditures for Year 1 of the CBD are as follow:

Anticipated Revenue
$ 105,501.64 = CBD assessments
$ 1,065.67 = minimum "other" funding sources/credits to offset 1% general benefit requirement
$ 106,567.31 = total projected District revenues/expenditures for Year 1

The Year 1 projected expenses budget allocation is as follows:

Services, Activities, and Improvements	Year 1
Street Operations and Beautification	$30,000.00
District Identity	$45,000.00
Admin	$25,000.00
Contingency and Reserves	$ 6,567.31
TOTAL	**$106,567.31**

Step 6. Separate General Benefits from Special Benefits and Related Costs (Prop 218)

All benefits derived from the assessments outlined in the Management District Plan are for supplemental services, activities, and improvements directly benefiting the properties within this CBD. All assessment funded services, activities, and improvements are provided solely to properties within the Top of Broadway CBD. All assessment funded services, activities, and improvements will be delivered only within the boundaries and designed only for the direct special benefit of the assessed properties in the CBD. No assessment funded services, activities, and improvements will be provided to non-assessed parcels outside the CBD boundaries.

Total Year 1 services, activities, and improvements costs are estimated at $106,567.31. General benefits are factored at 1% of total (see Finding 2 in this report) with special benefits set at 99%. Proposition 218 limits the levy of property assessments to costs attributed to special benefits only. The 1% general benefit cost is

computed to be $1,065.67 with a resultant 99% special benefit limit computed at $105,501.64. *This is the maximum amount of revenue that can be derived from property assessments from the subject district in the first year.* This maximum may increase on an annual basis in subsequent years (years 2 through 8) to adjust for inflation by 3% as described in the Management District Plan. The total amount of revenue proposed to be derived from district assessments is $105,501.64 for Year 1, which does not exceed the special benefit limit of $105,501.64. Therefore, no Proposition 218 adjustments need to be made to the proposed assessment formula. Remaining costs, which are attributed to general benefits, will need to be funded from other sources (e.g. public/private matching grants, startup grants, in-kind service contributions for district formation, or startup formation costs).

Step 7. Calculate "Basic Unit Cost"

With a Year 1 assessment revenue of $105,501.64 (special benefit only), the Basic Unit Costs are shown above in Step 4. Since the CBD is being established for an eight and one-half year term, maximum assessments for future years (Years 2 through 8) must be set at the inception of the CBD. An annual flat inflationary rate increase of up to 3% may be imposed for Years 2-8, based upon the San Francisco-Oakland-San Jose Area Consumer Price Index (CPI) for all urban consumers. Therefore the maximum annual rates may not increase more than 3% of the previous year's rates. The maximum annual assessment revenue for Years 1-8 is shown below:

YEAR	Fiscal Year	Max Annual Assessment
1	FY 2013-14	$105,501.64
2	FY 2014-15	$108,666.69
3	FY 2015-16	$111,926.69
4	FY 2016-17	$115,284.49
5	FY 2017-18	$118,743.03
6	FY 2018-19	$122,305.32
7	FY 2019-20	$125,974.48
8	FY 2020-21	$129,753.71

The maximum annual assessment rates for Years 1-8 are shown below:

YEAR	Fiscal Year	Max Street Frontage Rate	Max Bldg Area Rate	Max Land Area Rate
1	FY 2013-14	$9.45170000	$0.32153000	$0.17953106
2	FY 2014-15	$9.73525100	$0.33117590	$0.18491699
3	FY 2015-16	$10.02730853	$0.34111118	$0.19046450
4	FY 2016-17	$10.32812779	$0.35134451	$0.19617844
5	FY 2017-18	$10.63797162	$0.36188485	$0.20206379
6	FY 2018-19	$10.95711077	$0.37274139	$0.20812570
7	FY 2019-20	$11.28582409	$0.38392363	$0.21436947
8	FY 2020-21	$11.62439881	$0.39544134	$0.22080056

Step 8. Spread the Assessments

The resultant assessment spread calculation results for each parcel within the CBD are shown in Attachment 1 attached hereto and were determined by applying the District assessment formula to each identified benefitting property.

ATTACHMENT 1

Top of Broadway CBD Year 1 Assessments

APN	Site Address	Site Address	Annual Assessment	Percent
0144 007	400	Broadway St	$4,664.08	4.42%
0144 009	426-430	Broadway St	$1,958.94	1.86%
0144 010	432-434	Broadway St	$1,758.22	1.67%
0144 011	438-440	Broadway St	$3,603.99	3.42%
0144 012	450-452	Broadway St	$908.85	0.86%
0144 013	458-460	Broadway St	$908.85	0.86%
0144 014	462-464	Broadway St	$885.80	0.84%
0144 015	470	Broadway St	$1,401.92	1.33%
0144 033	412	Broadway St	$5,182.12	4.91%
0144 082	490-498	Broadway St	$4,435.30	4.20%
0145 008	500-508	Broadway St	$3,671.85	3.48%
0145 009	530	Broadway St	$1,524.41	1.44%
0145 010	534-540	Broadway St	$5,804.47	5.50%
0145 011	546-554	Broadway St	$2,743.45	2.60%
0145 012	556-558	Broadway St	$1,566.95	1.49%
0145 013	300-318	Columbus Ave	$7,136.43	6.76%
0145 014	1224	Grant Ave	$718.30	0.68%
0145 015	1226-1230	Grant Ave	$1,630.72	1.55%
0162 001	501-513	Broadway St	$2,599.31	2.46%
0162 002	1031-1051	Kearny St	$5,981.69	5.67%
0162 003	222	Columbus Ave	$4,946.49	4.69%
0162 021	228-234	Columbus Ave	$869.15	0.82%
0162 022	270	Columbus Ave	$1,568.44	1.49%
0162 023	535	Broadway St	$2,732.98	2.59%
0162 024	527-529	Broadway St	$1,277.27	1.21%
0162 025	515-525	Broadway St	$2,606.83	2.47%
0163 001	401-407	Broadway St	$3,274.62	3.10%
0163 002	425	Broadway St	$3,648.81	3.46%
0163 012	592	Pacific Ave	$1,113.49	1.06%
0163 013	1020-1028	Kearny St	$3,550.46	3.37%
0163 019	1030	Kearny St	$1,114.88	1.06%
0163 020	1032-1034	Kearny St	$985.31	0.93%
0163 021	1042	Kearny St	$991.60	0.94%
0163 022	483-493	Broadway St	$2,671.80	2.53%
0163 023	475-479	Broadway St	$1,007.06	0.95%
0163 026	447-461	Broadway St	$4,744.88	4.50%
0163 028	435-443	Broadway St	$3,673.48	3.48%
0163 029	463-473	Broadway St	$2,013.62	1.91%
0164 014	381-389	Broadway St	$3,624.82	3.44%
TOTAL			$105,501.64	100.00%