

# Japantown

## Community Benefit District

# Management District Plan



City and County of San Francisco, California

April 2017

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*Prepared pursuant to the State of California  
Property and Business Improvement District Law of 1994  
as amended and augmented by Article 15 of the San Francisco Business and  
Tax Regulations Code and Article XIID of the California Constitution  
to create a property-based business improvement district*

# **JAPANTOWN**

## **Community Benefit District Management District Plan**

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## SECTION 1: EXECUTIVE SUMMARY

Developed by a coalition of property and business owners, the Japantown Community Benefit District (“JTCBD”) is a proposed assessment district designed to improve and convey special benefits to properties within the central business district of Japantown. The JTCBD is being established pursuant to the state law; the “Property and Business Improvement District Law of 1994”, as amended and augmented by Article 15 of the San Francisco Business and Tax Regulations Code.

To guide the JTCBD for the next ten years, a JTCBD steering committee and the Japantown Task Force (JTF) have developed a JTCBD Management Plan that responds to today’s market opportunities and district challenges. The District will provide new improvements and activities, including both environmental and economic enhancements. Each of the activities is designed to meet the goals of the District; to improve the appearance and safety of the District, to increase building occupancy and lease rates, to encourage new business development and attract ancillary businesses and services. As described in the Management District Plan, it is proposed that the JTCBD will provide funding for enhanced maintenance, safety, beautification and marketing programs, above and beyond those provided by the City of San Francisco.

### ***Summary Management Plan***

Pursuant to California Streets and Highways Code, the “Property and Business Improvement District Law of 1994 as amended”, the JTCBD is being formed for a ten-year term. Upon receipt of petitions signed by property owners representing at least 30% of the District budget, the City of San Francisco will initiate a ballot procedure to officially establish the JTCBD.

|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Location</b>                | The District encompasses approximately 7 whole and partial blocks in the commercial core of Japantown.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Services and Activities</b> | <p>The JTCBD will finance activities and improvements that will improve Japantown’s environment for property owners, residents, workers and visitors, which may include:</p> <p><b><u>Environment:</u></b></p> <ul style="list-style-type: none"><li>- Maintenance Teams that sweep, scrub and pressure wash sidewalks and public spaces, remove litter, trash and graffiti, and provide/maintain landscaping throughout the District.</li><li>- Safety Ambassadors that provide information on activities and attractions, work with local police, business and property owners to prevent crime and reduce homelessness and improve quality of life issues.</li><li>- Beautification improvements that make Japantown more visually attractive, which may include: green spaces, wayfinding signage, trash cans, holiday décor, enhanced streetscape, etc.</li></ul> <p><b><u>Economic:</u></b></p> <ul style="list-style-type: none"><li>- Business Liaison services to connect the business community with available resources and build a stronger economic climate.</li><li>- Economic and business development activities to support the growth and vitality of existing business investments, and enhance the image of Japantown as a destination for consumer and investment</li></ul> |

|                                           | <p>opportunities.</p> <ul style="list-style-type: none"><li>- Marketing to promote a positive image of Japantown as a regional destination, and services aimed at attracting a cultural consumer base, quality commercial, retail and office tenants, and private investment.</li></ul> <p><b><u>Administration/Reserve:</u></b></p> <p>A full time professional district coordinator will manage all initiatives, maintain ongoing communications with the JTCBD Advisory Committee and district property owners and provide leadership through research and community education to represent the community with one clear voice. Funds are also budgeted for administrative support for the district and a budget reserve.</p>                                 |                 |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------|------------------|------------------------------|-----------------|--------------------------------|-----------------------|-----------|---------|-------------------------|----------|--------------------|-------------|-----------|-------|---------------------------|------------------|----------------|----------|--|--|---------------------|-----------|--------|----------------|---------|-------|-------------------------------------------|------------------|----------------|--|--|
| <b>Budget</b>                             | <table><tr><th>EXPENDITURES</th><th>BUDGET</th><th>% of Budget</th></tr><tr><td>Environmental Enhancements</td><td>\$125,000</td><td>31.25%</td></tr><tr><td>Economic Enhancements</td><td>\$195,000</td><td>48.75%</td></tr><tr><td>Advocacy/Administration</td><td>\$70,000</td><td>17.50%</td></tr><tr><td>CBD Reserve</td><td>\$10,000</td><td>2.50%</td></tr><tr><td><b>Total Expenditures</b></td><td><b>\$400,000</b></td><td><b>100.00%</b></td></tr><tr><th>REVENUES</th><td></td><td></td></tr><tr><td>Assessment Revenues</td><td>\$393,750</td><td>98.44%</td></tr><tr><td>Other Revenues</td><td>\$6,250</td><td>1.56%</td></tr><tr><td><b>Total Assessment District Revenues</b></td><td><b>\$400,000</b></td><td><b>100.00%</b></td></tr></table> | EXPENDITURES    | BUDGET | % of Budget      | Environmental Enhancements   | \$125,000       | 31.25%                         | Economic Enhancements | \$195,000 | 48.75%  | Advocacy/Administration | \$70,000 | 17.50%             | CBD Reserve | \$10,000  | 2.50% | <b>Total Expenditures</b> | <b>\$400,000</b> | <b>100.00%</b> | REVENUES |  |  | Assessment Revenues | \$393,750 | 98.44% | Other Revenues | \$6,250 | 1.56% | <b>Total Assessment District Revenues</b> | <b>\$400,000</b> | <b>100.00%</b> |  |  |
| EXPENDITURES                              | BUDGET                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | % of Budget     |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
| Environmental Enhancements                | \$125,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 31.25%          |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
| Economic Enhancements                     | \$195,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 48.75%          |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
| Advocacy/Administration                   | \$70,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 17.50%          |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
| CBD Reserve                               | \$10,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 2.50%           |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
| <b>Total Expenditures</b>                 | <b>\$400,000</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>100.00%</b>  |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
| REVENUES                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                 |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
| Assessment Revenues                       | \$393,750                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 98.44%          |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
| Other Revenues                            | \$6,250                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 1.56%           |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
| <b>Total Assessment District Revenues</b> | <b>\$400,000</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>100.00%</b>  |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
| <b>Method of Financing</b>                | Levy of assessments upon real property that benefit from improvements and activities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                 |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
| <b>Assessments</b>                        | <p>Annual assessments are based upon an allocation of program costs and a calculation of lot square footage, building square footage plus linear street frontage as well as land use type. Estimated annual maximum assessment rates for the first year of the district follow:</p> <table><tr><th>Assessment Rates</th><th>Per Sq.Ft. of Lot + Building</th><th>Per Linear Foot</th></tr><tr><td>All Parcels, except Non-Profit</td><td>\$0.1477</td><td>\$38.0166</td></tr><tr><td>Parcels</td><td></td><td></td></tr><tr><td>Non-Profit Parcels</td><td>\$0.0739</td><td>\$19.0083</td></tr></table>                                                                                                                                                          |                 |        | Assessment Rates | Per Sq.Ft. of Lot + Building | Per Linear Foot | All Parcels, except Non-Profit | \$0.1477              | \$38.0166 | Parcels |                         |          | Non-Profit Parcels | \$0.0739    | \$19.0083 |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
| Assessment Rates                          | Per Sq.Ft. of Lot + Building                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Per Linear Foot |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
| All Parcels, except Non-Profit            | \$0.1477                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | \$38.0166       |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
| Parcels                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                 |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
| Non-Profit Parcels                        | \$0.0739                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | \$19.0083       |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
| <b>CPI Increase</b>                       | Annual assessment rates may increase due to changes to the consumer price index (CPI), up to 3% each year. Assessments may also increase based on development in the District. The determination of annual adjustments in assessment rates will be subject to the review and approval of the Owners’ Association of the JTCBD.                                                                                                                                                                                                                                                                                                                                                                                                                                   |                 |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |
| <b>City Services</b>                      | The City of San Francisco has established and documented the base level of pre-existing City services. The JTCBD will not replace any pre-existing general City services.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                 |        |                  |                              |                 |                                |                       |           |         |                         |          |                    |             |           |       |                           |                  |                |          |  |  |                     |           |        |                |         |       |                                           |                  |                |  |  |

|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Collection</b>            | JTCBD assessments appear as a separate line item on the annual San Francisco County property tax bills.                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>District Governance</b>   | The JTCBD may contract with a non-profit organization to provide the day-to-day operations and carry out the services as provided for in this Management District Plan.                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>District Continuation</b> | California law for JTCBD district formation requires the submission of petitions signed by property owners in the proposed district who will pay at least 30% of the total assessments (i.e. petitions must represent more than 30% of the \$400,000 to be assessed). Petitions are submitted to the San Francisco Board of Supervisors, and the City will mail ballots to all affected property owners. The majority of ballots returned, as weighted by assessments to be paid, must be in favor of the JTCBD in order for the Board of Supervisors to consider approval. |
| <b>Duration</b>              | The district will have a 10-year life beginning January 1, 2018.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

## SECTION 2: JTCBD BOUNDARY

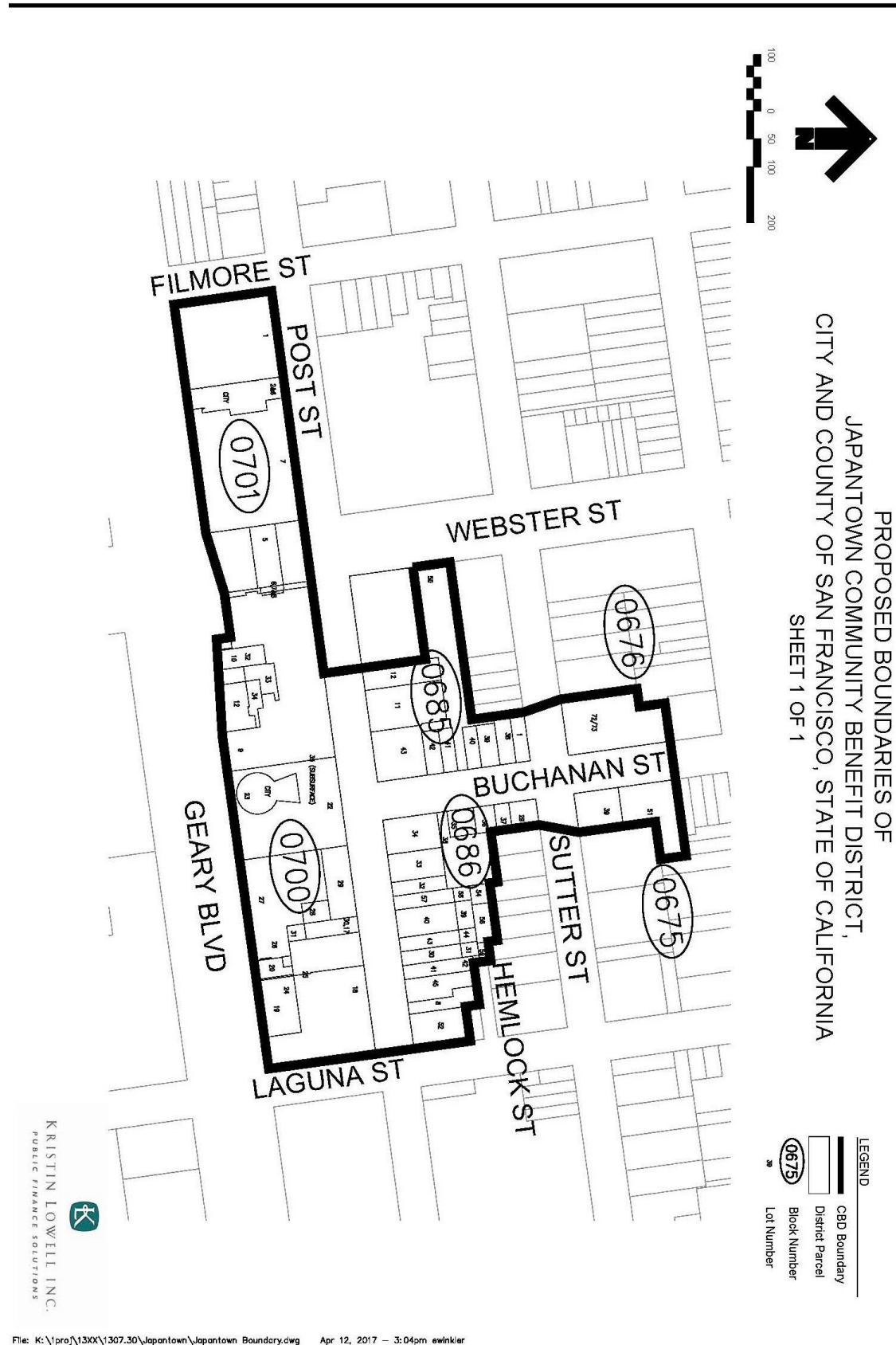
### ***JTCBD Boundary***

The District encompasses approximately 7 whole and partial blocks in the commercial core of Japantown. It encompasses the commercial properties surrounding the Buchanan Mall and Peace Plaza.

Specifically, the district boundary is as follows:

- All parcels in the blocks bounded by Geary Boulevard, Fillmore Street, Post Street and Laguna Street.
- Parcels on the north side of Post Street between Laguna Street and halfway to Webster Street, APN 0685-012. APNs 0685-(052-101) are not included in the CBD boundary as it is a residential condo project and will not receive or benefit from any of the CBD activities.
- Parcels on the east and west side of Buchanan Street between Post Street and halfway to Bush Street. Parcels in the interior block of Buchanan/Sutter/Laguna/Post (APNs 0686-031,039,042,044,054,056,058,059) are included in the boundary as they are a contiguous use and under same ownership as APN 0686-038.
- The parcels north of APNs 0676-(72,73) and 0675-051 on Buchanan Street are residential parcels that will not receive or benefit from any of the CBD activities, so therefore, are not included in the CBD boundary.

The JTCBD boundary is illustrated by the map on the following page.



## SECTION 3: JTCBD ACTIVITY AND IMPROVEMENT PLAN

### ***Background and Feasibility***

In the spring of 2016, the Japantown Task Force and interested parties initiated a survey campaign to determine property owner interest in forming a Community Benefit District that would levy assessments to fund enhanced services such as supplemental maintenance teams, ambassadors, marketing, capital improvements, district identity, etc. The survey was part of a fact-finding process to determine the feasibility of forming such a CBD for Japantown. In order for the CBD formation process to continue, the City required that at least 25% of the property owners submit a survey, of which at least 50% needed to express interest in moving forward with the CBD. There were 68 surveys mailed out with 36 responses, or 53%. Of those 36 responses 84% indicated they were willing to move forward with developing a CBD Management District Plan.

The key findings of the survey were that the majority of the respondents rated maintenance and safety (92% and 83% respectively) as the two top service categories they would be willing to pay for through an assessment. The next two service categories in importance were capital improvements and marketing and economic development.

Based upon these findings, the following service and activity categories are proposed to be funded by the JTCBD. The following narrative provides recommendations for the JTCBD's first year of operation. District activities may be modified in subsequent years within the following general categories. Final activities and budgets will be subject to the review and approval of the JTCBD Owners' Association which is then presented annually to the Board of Supervisors.

### ***Environmental Enhancements***

To respond to stakeholder priorities and guiding principles to make Japantown more welcoming, clean, safe and beautiful, the JTCBD may fund safety ambassadors and a clean team. JTCBD Environmental Enhancements activities and improvements are intended to improve commerce and the quality of life by making each individual assessed parcel safer, cleaner and more attractive which will encourage investment dollars and generate additional pedestrian traffic. The following is a description of the activities that are anticipated in the District.

#### **Safety Ambassadors**

The Safety Ambassadors will provide security services for the individual assessed parcels located within the District in the form of patrolling personnel, nighttime patrol and ambassadors.



The purpose of the Safety Ambassadors is to prevent, deter and report illegal activities taking place on the streets, sidewalks, storefronts, public spaces, and parking lots. The presence of the Safety Ambassadors is intended to deter such illegal activities as public urination, indecent exposure, trespassing, drinking in public, prostitution, illegal panhandling, illegal vending, and illegal dumping. The Ambassadors that act as the "eyes and ears" on

the street will supplement, not replace, other ongoing police, security and patrol efforts within the District. The Safety Ambassadors will maintain communication with the San Francisco Police Department area patrols and report illegal activities to them.

### **Clean Team Program:**

One of the top priorities for Japantown owners is enhanced maintenance efforts. In order to deal with cleaning issues, a Clean Team program will be provided that has a multi-dimensional approach that may consist of the following elements.



**Sidewalk Maintenance:** Uniformed, radio-equipped personnel sweep litter, debris, and refuse from sidewalks, and gutters, as well as public spaces of the District, and clean all sidewalk hardscape such as trash receptacles, benches, and parking meters.

**Trash Collection:** Collector truck personnel collect trash from sidewalk trash receptacles as needed. They are also dispatched to collect stolen shopping carts and large bulky items illegally dumped in the District.

**Graffiti Removal:** The Clean Team can remove graffiti using solvent and pressure washing. The District will maintain a zero tolerance graffiti policy. All tags will aim to be removed within 48 hours of notification.

**Sidewalk Pressure Washing:** Pressure wash all sidewalks and public spaces on an as needed basis with areas of high pedestrian traffic receiving the highest concentration. However, during drought years pressure washing may not be permitted.

**Landscape Maintenance:** Public landscape areas including; tree wells and planters will be maintained and kept free of litter and weeds.

The proposed CBD work program for the Safety Ambassadors and Clean Team may provide deployment at the following frequencies. The Owner's Association shall determine the frequency levels every year based on District needs.

### **Beautification**

In addition to clean and safe services, the JTCBD budget may include funds for beautification and placemaking improvements that are defined as cosmetic enhancements that improve the appearance and walkability within the JTCBD, in turn encouraging customer traffic and improved quality of life for residents. Examples of beautification improvements might include:

- Design and installation of flowering planters and baskets
- Directional/wayfinding signage or themed signage
- Street furniture and amenities, such as benches, kiosks and lighting
- Design and installation of art and decorative elements
- Holiday décor or tree lighting



- Bicycle racks and other hardware
- Urban design and/or planning services to advance beautification efforts
- Other cosmetic enhancements that improve the JTCBD's appearance.

## **Economic Enhancements**

A comprehensive economic development program is included as a key component of the JTCBD, to proactively work on filling vacancies with targeted businesses, and bring more visitors to the JTCBD to engage in commercial or business activities. A collaborative approach is proposed, whereby the JTCBD and real estate professionals will work with civic leaders to promote the advantages of the JTCBD as a business location. The following activities are anticipated in the District.

### **Business Liaison**

A staff position to act as the primary point of contact between the business community, the JTCBD, City staff and development resources. The liaison's responsibility is to build relationships with the businesses and connect them with the appropriate resources such as commerce experts, business associations, training programs, eligible grants, etc. all in an effort to create a stronger, more dynamic business environment.

The liaison will also have a presence on the street and public areas engaging with pedestrians and visitors offering information about the JTCBD and directing them to points of interest and business locations. They may hand out promotional material, maps or other JTCBD related materials.

### **Destination Marketing**

Programs that aim to position Japantown as a dining, retail and cultural destination. Marketing programs must demonstrate collective benefits to business and property owners. Options may include:

- Advertising, including branding, coordinated campaigns and increased placement and frequency in mass media venues.
- Public relations efforts to promote a positive image and overall experience.
- Creating publications, including a map and directory of businesses and activities in Japantown.
- Special event production and promotions.

### **Communication**

Services to better inform business and property owners, such as:

- Publication of a district newsletter.
  - JTCBD ratepayer surveys to measure overall satisfaction with programs.
  - Media relations activities to project a creative and exciting business image in local, regional and national media.
-

### ***Advocacy, Administration and Reserve***

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The JTCBD will rely on a professional staff to deliver programs and to advocate on behalf of the district. The JTCBD allows property owners to project a unified voice and elevate their influence in policies and issues that affect the central business district. Funds are allocated to office and support services such as bookkeeping, office rent, insurance, office equipment and professional development and training for the staff and the JTCBD's Owners' Association. In addition, these funds may be used to pay for the JTCBD renewal efforts. A \$10,000 operating reserve is also budgeted as a contingency for any payment of delinquencies and/or unforeseen budget adjustments. In the final year of the JTCBD, any remaining reserve funds may be used to pay for the JTCBD renewal efforts.

## SECTION 4: JTCBD ASSESSMENT BUDGET

### 2018 JTCBD Assessment Budget

The following table outlines the JTCBD maximum assessment budget for 2018.

| EXPENDITURES                              | BUDGET           | % of Budget    |
|-------------------------------------------|------------------|----------------|
| Environmental Enhancements                | \$125,000        | 31.25%         |
| Economic Enhancements                     | \$195,000        | 48.75%         |
| Advocacy/Administration                   | \$70,000         | 17.50%         |
| CBD Reserve                               | \$10,000         | 2.50%          |
| <b>Total Expenditures</b>                 | <b>\$400,000</b> | <b>100.00%</b> |
| REVENUES                                  |                  |                |
| Assessment Revenues                       | \$393,750        | 98.44%         |
| Other Revenues (1)                        | \$6,250          | 1.56%          |
| <b>Total Assessment District Revenues</b> | <b>\$400,000</b> | <b>100.00%</b> |

(1) Other non-assessment funding to cover the cost associated with general benefit.

### Budget Adjustments

- Annual assessment rates may increase due to changes to the consumer price index (CPI), up to 3% each year. Assessments may also increase based on development in the District. The determination of annual adjustments in assessment rates will be subject to the review and approval of the Owners' Association of the JTCBD and shall not exceed the levels shown in the 10-Year Maximum Inflation Budget exhibit on page 9.
- Revenues for Environmental Enhancements and Economic Enhancements service categories may be reallocated amongst each other from year to year based upon district needs and budgets developed by the Owners' Association. The reallocation between these two service categories shall not exceed 10% per year based on the initial year's budget estimate.

### 10-Year Maximum Inflation Budget

The following table illustrates the JTCBD's maximum annual budget for the 10-year life term, adjusting it by the maximum 3% inflation factor.

| ACTIVITY            | 2018             | 2019             | 2020             | 2021             | 2022             |
|---------------------|------------------|------------------|------------------|------------------|------------------|
| Environmental       | \$125,000        | \$128,750        | \$132,613        | \$136,591        | \$140,689        |
| Economic            | \$195,000        | \$200,850        | \$206,876        | \$213,082        | \$219,474        |
| Advocacy/Admin      | \$70,000         | \$72,100         | \$74,263         | \$76,491         | \$78,786         |
| Reserve Fund        | \$10,000         | \$10,300         | \$10,609         | \$10,927         | \$11,255         |
| <b>TOTAL BUDGET</b> | <b>\$400,000</b> | <b>\$412,000</b> | <b>\$424,360</b> | <b>\$437,091</b> | <b>\$450,204</b> |

| ACTIVITY            | 2023             | 2024             | 2025             | 2026             | 2027             |
|---------------------|------------------|------------------|------------------|------------------|------------------|
| Environmental       | \$144,909        | \$149,257        | \$153,734        | \$158,346        | \$163,097        |
| Economic            | \$226,058        | \$232,840        | \$239,825        | \$247,020        | \$254,431        |
| Advocacy/Admin      | \$81,149         | \$83,584         | \$86,091         | \$88,674         | \$91,334         |
| Reserve Fund        | \$11,593         | \$11,941         | \$12,299         | \$12,668         | \$13,048         |
| <b>TOTAL BUDGET</b> | <b>\$463,710</b> | <b>\$477,621</b> | <b>\$491,950</b> | <b>\$506,708</b> | <b>\$521,909</b> |

### **Future Development**

The above table is based on the district's current development status and does not account for possible increases to assessments due to changes to the parcel characteristics that are used to allocate special benefits (e.g., building square footage). The amount of each parcel's assessment will depend on the existing assessment rates as well as the specific characteristics of the parcel, as explained in further detail below in Section 6. Each parcel will be assessed on a prorated basis from the date it receives a temporary and/or permanent certificate of occupancy. Thus, changes to a parcel may result in corresponding revisions to the assessments. Over time the total assessments levied in the district likely will increase as parcels are developed.

## SECTION 5: PUBLIC SECTOR PARTICIPATION

### ***Existing City Services***

The Board of Supervisors, by adopting this plan, will confirm its intention to ensure an existing level of services in the district equivalent to the level that is being provided elsewhere in the City. Assessment funds will pay for services that are above and beyond those services provided by the City.

### ***Rationale for Public Property Assessments***

Proposition 218 states that no parcel is exempt from assessments if that parcel receives special benefit from the improvements and activities. This includes government and Public use parcels. The City of San Francisco and any other government owned parcels within the JTCBD boundary will pay their assessment based on the special benefits conferred to those parcels. All publicly owned parcels in the District specially benefit from the JTCBD activities to make the District cleaner, safer, more attractive, and economically vibrant. Specifically, these parcels specially benefit from: removing graffiti from their buildings, patrolling their sidewalks, connecting the homeless to available resources, cleaning up any debris or trash, powerwashing the sidewalks and public spaces, beautifying the public right-of-ways, and increased business development.

Therefore, government uses are assessed for the special benefits they receive from the JTCBD activities. The assessment methodology to allocate the cost of these improvements is consistent with all other land uses in the district: parcel square footage, building square footage plus linear street frontage. Please see Section 6: Assessment Methodology for further discussion.

The publicly owned parcels within the JTCBD boundary and their respective assessments are indicated below.

| APN           | Owner Name                   | Site Address | PARCEL<br>ASSMT    |
|---------------|------------------------------|--------------|--------------------|
| 0700 022      | Recreation & Park Department | Peace Plaza  | \$15,839.13        |
| 0700 023      | Recreation & Park Department | Peace Plaza  | \$960.28           |
| <b>TOTAL:</b> |                              |              | <b>\$16,799.40</b> |

## SECTION 6: ASSESSMENT METHODOLOGY

### ***General***

This Management District Plan provides for the levy of assessments to fund services and activities that specially benefit real property in the JTCBD. These assessments are not taxes for the general benefit of the City, but are assessments on the parcels in the District that are receiving special benefits.

### ***Assessment Factors***

Japantown property owners and business owners have emphasized that the assessment formula for the Japantown JTCBD be fair, balanced, and have a direct relationship to special benefits received. The State enabling legislation also states, "Assessments levied on real property...shall be levied on the basis of the estimated benefit to the real property within the...district."

The method used to determine proportional special benefits are measured by each parcel's lot square footage, building square footage, plus linear street frontage. These factors are used to determine the proportional special benefit that each parcel receives. Lot square footage is relevant to the highest and best use of a property and will reflect the long term special benefit implications of the improvement district. Building square footage is relevant to the interim use of a property and is utilized to measure short and mid-term impacts. Linear street is relevant to the street level usage of a parcel.

Lot Square Footage Defined. Lot square footage is defined as the total amount of area within the borders of the parcel. The borders of a parcel are defined on the County Assessor parcel maps.

Building Square Footage Defined. Building square footage is defined as the gross building square footage as determined by the outside measurements of a building.

Linear Street Frontage Defined. Linear street frontage is defined as the front footage of a parcel that fronts a public street.

## ***Special Benefit Analysis***

All special benefits derived from the assessments outlined in this report are for property-related activities that are specifically intended for and directly benefiting each individual assessed parcel in the JTCBD. The special benefit must affect the individual assessable parcel in a way that is particular and distinct from its effect on other parcels and that real property in general and the public at large do not share. No parcel's assessment shall be greater than the special benefits received.

Streets and Highways Code Section 36601(e) states that "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."

The Japantown CBD's goal is to fund activities and improvements to provide a cleaner, safer and more attractive and economically vibrant environment as outlined in Section B. The goal of improving the economic vitality is to improve the safety, cleanliness, appearance, and economic development of each individual specially benefitted parcel in an effort to increase commerce, to increase building occupancy and lease rates and to attract more customers, employees, tenants and investors.

The CBD will provide special benefits in the form of:

- Cleaner sidewalks, streets and common areas
- Real and perceived public safety improvements
- Greater pedestrian traffic
- Enhanced rental incomes
- Improved business climate
- New business and investment
- Well managed CBD programs and services

Specifically, the JTCBD provides special benefits from each of the activities as defined below.

### **Safety**

The enhanced safety activities make the area more attractive for businesses, customers, residents, and ultimately private investment. When business location decisions are made, "lower levels of public safety lead to increased uncertainty in decision making and can be perceived as a signal of a socio-institutional environment unfavorable for investment. Uncertainty affects the investment environment in general. But in particular, it increases the fear of physical damage to investment assets (or to people) or their returns...Almost universally, places with lower crime rates are perceived as more desirable".<sup>1</sup> Once economic investment occurs within the district, pedestrian traffic and commercial activity will increase. The special benefit to assessed parcels from these services is the likelihood of increased lease rates and tenant occupancy due to the increase of commercial activity, and an increase in customers that follow from having a safer environment.

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<sup>1</sup> "Accelerating economic growth and vitality through smarter public safety management" IBM Global Business Services Executive Report, September 2012, pg. 2

### **Maintenance and Beautification**

The maintenance and beautification activities specially benefit assessed parcel within the JTCBD by providing a clean and aesthetically appealing environment. This is achieved through sidewalk sweeping and power washing, removing litter and graffiti, and trash removal. In addition, the beautification activities benefit each assessed parcel by providing wayfinding signage, sidewalk benches, holiday décor, planters, etc. These activities create the environment needed to achieve the JTCBD goals.

### **Economic Development**

The economic development activities will specially benefit each assessed parcel by encouraging business development and investment. This generates customer traffic which directly relates to increases in commercial activity including residential serving businesses, filling of vacant storefronts and offices, and ultimately increased lease rates for retail and office space.

### **Special Benefit Conclusion**

The special benefit to parcels from the proposed JTCBD activities and improvements described in this report is proportionate to the total amount of the proposed assessment.

## **General Benefit Analysis**

As required by the State Constitution Article XIID Section 4(a), the general benefits of an assessment district must be quantified and separated out so that the cost of the activities that are attributed to general benefit are deducted from the cost assessed against each specially benefitted parcel. General benefits are benefits from the JTCBD activities and improvements that are not special in nature, are not “particular and distinct”, and are not over and above the benefits that other parcels receive. This analysis will evaluate and determine the level of general benefits that (1) parcels inside of the JTCBD, (2) parcels outside of the JTCBD, and (3) the public at large may receive.

### **General Benefit to Parcels Inside the Japantown CBD**

The Japantown CBD provides funds for activities and improvements that are designed and created to provide special benefits to each parcel within the District. All of the parcels will specially benefit from the cleaner and safer public rights-of-way and increased economic activity, thus 100% of the benefits conferred on these parcels are distinct and special in nature and 0% of the JTCBD activities provide a general benefit to parcels in the District boundary.

### **General Benefit to Parcels Outside of the Japantown CBD**

All the JTCBD activities and improvements are provided solely to each of the individual assessed parcels in the JTCBD boundary. Each of the PBID activities is performed in the public right-of-ways (streets, sidewalks) adjacent to all specially benefitted parcels or tenants in the JTCBD. None of the surrounding parcels outside the District will directly receive any of the JTCBD activities. Any benefits these parcels may receive are incidental to providing special benefits to the assessed parcels, and thus any cost associated with the incidental benefits are not reduced from the cost of providing special benefit.

### **General Benefit to the Public At Large**

In addition to general benefit analysis to the parcels outside of the Japantown CBD boundary, there may be general benefits to the public at large, i.e., those people that are either in the JTCBD boundary and not specially benefitted from the activities, or people outside of the JTCBD boundary that may benefit from the JTCBD activities. In the case of the Japantown CBD, the public at large are those people that are within the JTCBD boundary that do not pay an assessment and do not specially benefit from the JTCBD activities.

To calculate the general benefit to the public at large may receive we determine the percentage of each JTCBD activity budget that may benefit the general public. In this case, the Business Liaison and Marketing activities are tailored to benefit and promote specific parcels in the District and are not intended to benefit the general public. If there are any public benefits, they are incidental and collateral to providing special benefits to the assessed parcels.

By contrast, the Environmental activities do generally benefit the general public to some degree, as the general public may appreciate the enhanced level of maintenance and security as it passes through the Japantown CBD. To quantify this, we first determine a Relative Benefit factor for the Environmental activities. The relative benefit factor is a unit of measure that compares the special benefit that the assessed parcels receive compared to the general benefit that the general public receives. To determine the relative benefit factor, we used previous studies that conducted intercept surveys in San Francisco (Union Square and West Portal) and Los Angeles (Historic Downtown, Leimert Park, Arts District, Downtown Industrial, Fashion District, and Sherman Oaks). These surveys determined the percentage of people within a district who were generally benefitted and did not engage in business activity. The surveys found that on average 1.4% of the respondents within the district boundary were not receiving any special benefits. To be conservative, we assigned a relative benefit factor of 0.05 (5%) to account for any potential difference between these study areas and the Japantown CBD. Based on our professional experience and the results of previous studies, it is reasonable to conclude that this relative benefit factor properly accounts for the general public in the District that is not specially benefitted. The relative benefit factor is then multiplied by the District activity's budget to determine the overall general benefit for the Environmental activities. The following table illustrates this calculation.

|               | A             | B                       | C                                  |
|---------------|---------------|-------------------------|------------------------------------|
| ACTIVITY      | Budget Amount | Relative Benefit Factor | General Benefit Allocation (A x B) |
| Environmental | \$125,000     | 5.00%                   | \$6,250                            |

This analysis indicates that \$6,250 of the Environmental activities may be attributed to general benefit to the public at large, and must be raised from sources other than special assessments.

### **Total General Benefits**

Using the sum of the three measures of general benefit described above, we find in year one that \$6,250 (5.0% of the Environmental budget, which is equal to 1.56% of the total JTCBD budget) may be general in nature and will be funded from sources other than special assessments.

## Assessment Calculation

As previously discussed in Section D, assessments are based on three parcel characteristics: parcel size, building square footage plus linear street frontage. Based on these characteristics, the profile of the District as a whole is as follows:

| Characteristic          | Total District   |
|-------------------------|------------------|
| Lot Sq Ft               | 419,123          |
| Building Sq Ft.         | 916,613          |
| <i>Total Lot + Bldg</i> | <i>1,335,736</i> |
| Linear Street Frontage  | 5,194            |

## Calculation of Assessments

Based on the activities provided 50% or \$196,875 of the assessment budget is allocated to the sum of the lot and building square footage and 50% or \$196,875 of the assessment budget is allocated to the linear street frontage. To calculate the annual assessment rate per foot, divide the allocated budget by the respective assessment characteristic. The table below summarizes this calculation.

| Characteristic                                        | Rate per Foot |
|-------------------------------------------------------|---------------|
| Lot Sq.Ft. + Building Sq.Ft (\$196,875 / 1,335,736) = | \$0.1477      |
| Linear Street Frontage (\$196,875 / 5,194) =          | \$38.0166     |

## Sample Parcel Assessment

To calculate the assessment for a parcel with a 5,000 square foot lot, a 10,000 square foot building, and 100 linear street frontage, add together the lot square footage and the building square footage, then multiple that square footage (15,000) by the assessment rate (\$0.1477) + multiply the 100 linear feet by the assessment rate \$38.0166 = the total annual parcel assessment (\$6,017.16).

Lot + Bldg Sq Ft (15,000) x \$0.1477 = \$2,215.50  
Linear Street Frontage (100) x \$38.0166 = \$3,801.66  
Total Parcel Assessment = \$6,017.16

Assessments are calculated in the same manner for every parcel (except for non-profits) in the JTCBD. Non-profit parcels that meet the specified requirements will receive a 50% reduction in the rate.

## Property Use Considerations

The methodology provides the following treatments for property used exclusively for nonprofit:

**Nonprofit Properties:** Properties that are exempt from property tax, including educational and governmental institutions, and nonprofit organizations (e.g. faith-based, low income housing, cultural, community services, etc.), will not benefit from increased commercial activity resulting from JTCBD services and thereby will receive reduced benefits from JTCBD services. An

owner of real property located within the JTCBD boundaries may reduce their assessment 50% if ALL of the following conditions are met:

1. The property owner is a nonprofit corporation that has obtained federal tax exemption under Internal Revenue Code section 501c3 or California franchise tax-exemption under the Revenue and Taxation Code Section 23701d.
2. The class or category of real property has been granted an exemption, in whole or in part, from real property taxation.
3. The nonprofit or governmental property owner occupies a majority of building square footage within the subject property.
4. The property owner makes the request in writing to the City of San Francisco prior to the submission of the JTCBD assessment rolls to the County Assessor (to accommodate periodic changes in ownership or use, on or before July 1 of each year), accompanied by documentation of the tax-exempt status of the property owner and the class or category of real property.
5. The City of San Francisco may verify the documentation of tax-exempt status and classification of the property for assessment purposes prior to submitting the assessments to the County Assessor.

## **Annual Assessment Adjustments**

### **Budget Adjustment**

Assessment rates may be adjusted for annual changes in the Bay Area Consumer Price Index (CPI) for all urban consumers and/or other changes in programs costs, not to exceed 3%. Actual annual adjustments may range from 0% to 3%. Assessment rates will not exceed the levels shown in the Ten Year Operating Budget and Maximum Assessment exhibit on page 9. The determination of annual adjustments in assessment rates will be subject to the review and approval of the Owners' Association.

### **Time and Manner for Collecting Assessments**

As provided by state law, the Japantown JTCBD assessment will appear as a separate line item on the annual San Francisco County property tax bills, or by a special manual bill prepared by the District and either paid in one lump sum or in two equal installments. Laws for enforcement and collection of property taxes also apply to the JTCBD assessment.

### **Disestablishment**

State law provides for the disestablishment of a JTCBD pursuant to an annual process. The 30-day period begins each year on the anniversary day that the Board of Supervisors first establishes the District. Within this annual 30-day period, if the owners of real property who pay more than 50 percent of the assessments levied submit a written petition for disestablishment, the JTCBD may be dissolved by the Board of Supervisors. The Board of Supervisors must hold a public hearing on the proposed disestablishment before voting on whether or not to disestablish the district.

**Duration**

The JTCBD will have a ten-year term commencing January 1, 2018 through December 31, 2027. Any major modifications or new or increased assessments during the term of the district that are not consistent with the provisions of original Management District Plan will require a new mail ballot process.

**Bond Issuance**

No bonds will be issued to finance improvements.

## **SECTION 7: JTCBD GOVERNANCE**

### ***Board of Supervisors***

Following the submission of petitions and ballot and public hearing, the Board of Supervisors may elect to form the JTCBD and authorize the levy of assessments.

### ***JTCBD Governance***

The City may contract with a non-profit organization to provide the day-to-day operations of the JTCBD. The non-profit organization will act as the Owners' Association and governing board for the JTCBD. The role of the Owner's Association is consistent with similar CBDs and management organizations throughout California and the nation. The Owner's Association determines budgets, assessment adjustments and monitors service delivery.

The JTCBD Owners' Association Board of Directors will represent a cross section of property owners found throughout the district. The goal and spirit of the board's composition is to have a majority of property owners, but also include representatives from businesses, and governments that pay JTCBD assessments. The City's requirement is to have at least 60% of the members be property owners that pay the JTCBD assessment and 20% of the membership be business owners within the District boundary.

Board members are selected through a nominating process that invites all stakeholders to participate. A nominating committee develops an annual slate of board nominations, and nominations are voted on at an annual meeting of JTCBD property owners

## SECTION 8: IMPLEMENTATION TIMELINE

The Japantown JTCBD will have a ten-year life from January 1, 2018 to December 31, 2027.

In order for the JTCBD to meet the start-up date of January 1, 2018, the formation needs to adhere to the following schedule:

| Formation Schedule                                                                                               | Dates       |
|------------------------------------------------------------------------------------------------------------------|-------------|
| Petitions distributed to property owners                                                                         | April       |
| Marketing campaign to obtain signed petitions: presentations, neighborhood meetings, 30% weighted vote targeting | April - May |
| Board of Supervisors adopts Resolution                                                                           | Early June  |
| Assessment ballots mailed to property owners                                                                     | Early June  |
| Board of Supervisors holds public hearing and tabulates ballots                                                  | Late July   |