

Greater Rincon Hill Community Benefit District Engineer's Report



San Francisco, California

July 2015

Prepared by:

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Prepared pursuant to:

Article XIID of the California State Constitution and the State of California Property and Business Improvement District Law of 1994 and augmented by Article 15 of the San Francisco Business and Tax Regulations Code to authorize a Community Benefit District

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ENGINEER'S STATEMENT

This Report is prepared pursuant to Article XIID of the California State Constitution (Proposition 218) and the State of California Property and Business Improvement District Law of 1994 and augmented by Article 15 of the San Francisco Business and Tax Regulations Code.

The Greater Rincon Hill Community Benefit District ("GRHCBD") will provide activities either currently not provided or are above and beyond what the City of San Francisco provides. Every individual assessed parcel within the GRHCBD receives special benefit from the activities identified under Section B of this Report. Only the assessed parcels within the CBD receive the special benefit of these proposed activities; parcels contiguous to and outside the GRHCBD and the public at large may receive a general benefit, as outlined in Section D. The cost to provide general benefits, if any, will be funded from sources other than special assessments.

The duration of the proposed GRHCBD is fifteen (15) years, commencing July 1, 2015. An estimated budget for the GRHCBD improvements and activities is set forth in Section F. By vote of the GRHCBD Board of Directors, the budget may be increased by the amount of increase in the Bay Area Consumer Price Index (CPI), up to a maximum of 3% per year; and an additional 5% for new development, for a total maximum assessment increase of 8% annually. Funding for the GRHCBD improvements and activities will be derived from a property-based assessment of each specially benefitted parcel in the GRHCBD in proportion to the benefit received. A detailed description of the methodology for determining the proportional special benefit each individual assessable parcel receives from the activities and the assessment for each parcel is set forth in Section G.

I hereby certify to the best of my professional knowledge that each of the identified assessable parcels located within the GRHCBD will receive a special benefit over and above the benefits conferred to those parcels outside of the GRHCBD boundary and to the public at large and that the amount of the proposed special assessment is proportional to, and no greater than the special benefits received.



Respectfully submitted,

Terrance E. Lowell, P.E.

SECTION A: LEGISLATIVE AND JUDICIAL REVIEW

Property and Business Improvement District Law of 1994

The State Law as augmented by Article 15 of the San Francisco Business and Tax Regulations Code is the legislation that authorizes the City to levy assessments upon the real property for the purposes of providing improvements and activities that specially benefit each individual assessed parcel in the GRHCBD. The purpose of the GRHCBD is to encourage commerce, investment, business activities and improve residential serving uses. In order to meet these goals, CBDs typically fund activities and improvements, such as, enhanced safety and cleaning and enhancing the environment. Unlike other assessment districts which fund the construction of public capital improvements or maintenance thereof, CBDs provide activities and improvements "to promote the economic revitalization and physical maintenance of the business districts of its cities in order to create jobs, attract new businesses, and prevent the erosion of the business districts." (Streets and Highways Code Section 36601(b)). The improvements and activities funded through the GRHCBD are over and above those already provided by the City within the GRHCBD's boundaries. Each of the GRHCBD activities or improvements is intended to increase building occupancy and lease rates, to encourage new business development, attract residential serving businesses and services, and improve the quality of life for its residents.

Specifically, the State Law defines "Improvements" and "Activities" as follows:

"Improvement" means the acquisition, construction, installation, or maintenance of any tangible property with an estimated useful life of five years...¹

"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 safety, 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.²*

Under State Law, parcels that are zoned solely residential or agricultural are presumed to receive no benefit from a CBD. There are no parcels within the GRHCBD zoned solely residential or agricultural.

Article XIID of the State Constitution

In 1996, California voters approved Proposition 218, codified in part as Article XIID of the State Constitution. Among other requirements, Article XIID changes the way local agencies enact local taxes and levy assessments on real property. It states, in relevant part, that:

(a) An agency which proposes to levy an assessment shall identify all parcels which will have a special benefit conferred upon them and upon which an assessment will be imposed. The proportionate special benefit derived by each identified parcel shall be

¹ California Streets and Highways Code, Section 36610.

² California Streets and Highways Code, Section 36606.

determined in relationship to the entirety of the capital cost of a public improvement, the maintenance and operation expenses of a public improvement, or the cost of the property related service being provided. No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel. Only special benefits are assessable, and an agency shall separate the general benefits from the special benefits conferred on a parcel. Parcels within a district that are owned or used by any agency, the State of California or the United States shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit.

(b) All assessments shall be supported by a detailed engineer's report prepared by a registered professional engineer certified by the State of California³.

"Special benefit" 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. General enhancement of property value does not constitute "special benefit."⁴

Judicial Guidance

Since the enactment of Article XIII D, the courts have rendered opinions regarding various aspects of Article XIII D. The notable portions of cases that apply to assessment districts in general and this GRHCBD in particular are noted below.

"The engineer's report describes the services to be provided by the GRHCBD; (1) security, (2) streetscape maintenance (e.g., street sweeping, gutter cleaning, graffiti removal), and (3) marketing, promotion, and special events. They are all services over and above those already provided by the City within the boundaries of the GRHCBD. And they are particular and distinct benefits to be provided only to the properties with the GRHCBD, not to the public at large—they "affect the assessed property in a way that is particular and distinct from {their} effect on other parcels and that real property in general and the public at large do not share."⁵

"...separating the general from the special benefits of a public improvement project and estimating the quantity of each in relation to the other is essential if an assessment is to be limited to the special benefits."⁶

"...the agency must determine or approximate the percentage of the total benefit conferred by the service or improvement that will be enjoyed by the general public and deduct that percentage of the total cost of the service or improvement from the special assessment levied against the specially benefitted property owners."⁷

"...even minimal general benefits must be separated from special benefits and quantified so that the percentage of the cost of services and improvements representing general

³ Section 4, Article XIII D of the State Constitution.

⁴ Section 2 (j), Article XIII D of the State Constitution.

⁵ *Dahms v. Downtown Pomona Property and Business Improvement District*, (2009) 174 Cal. App. 4th 708, 722.

⁶ *Beutz v. County of Riverside*, (2010) 184 Cal. App. 4th 1516, 1532.

⁷ *Golden Hill Neighborhood Association, Inc. v. City of San Diego*, (2011) 199 Cal. App. 4th 416, 438.

benefits, however slight, can be deducted from the amount of the cost assessed against specially benefitting properties.”⁸

The contents of this Engineer's Report are prepared in compliance with the above noted authorizing legislation, the State Constitution and the judicial opinions.

⁸ *Golden Hill Neighborhood Association, Inc. v. City of San Diego*, (2011) 199 Cal. App. 4th 416.

SECTION B: IMPROVEMENTS and ACTIVITIES

Through an extensive series of property owner meetings the Greater Rincon Hill GRHCBD steering committee collectively determined the priority for improvements and activities that the GRHCBD should provide. The primary needs as determined by the property owners are:

- ◆ Public Safety and Cleanliness,
- ◆ Parks and Greenspace Maintenance, and
- ◆ Communication and Development.

Based upon these findings, the following improvement and activity categories are recommended for the GRHCBD. The following narrative provides recommendations for the GRHCBD's first year of operation. Final programs and budgets will be subject to the review and approval of the GRHCBD Board of Directors and San Francisco Board of Supervisors.

PUBLIC SAFETY

CBD Community Guides

One of the most important special benefit services provided by the CBD will be crime deterrence. The CBD's Community Guides program will use a three-pronged crime prevention approach that focuses on public safety, outreach to those in need of social services, and hospitality/customer service.

Under the CBD's management plan, approximately 4.2 full-time-equivalent Community Guides will patrol the District. Precise scheduling of the Community Guides will be determined by the CBD Owners' Association (the "District non-profit corporation") Board of Directors and Executive Director. Services are being budgeted for seven days a week, 7 AM to 7 PM. The Community Guides will be on foot or bicycle, depending on the level of pedestrian traffic.

Community Guides are specially trained to constructively engage with individuals in need on the street and connect them to local services. The Guides will patrol streets in the District to address nuisance behaviors and public disruption while providing a sense of safety and well-being to residents, workers, and visitors.

Specifically, CBD Community Guides:

- act as "eyes and ears" for the community, safety agencies, and service providers;
- add a uniformed presence in the neighborhood to prevent undesirable behavior;
- assist pedestrians with directions and information;
- maintain open communications with police and safety agencies;
- help connect individuals in need of assistance to local service providers and refer those in need to social services.

The Community Guides will be connected to a central dispatch office by electronic device. Dispatch will be available Sunday through Thursday, 7:00 AM to 11:00 PM, and from 7:00 AM Friday to 7:00 AM Sunday. Property and business owners, residents, and visitors can rely on Community Guides to handle their questions and concerns.

Private Security Services

In addition to the Community Guides, whose role is deterrence but not enforcement, the CBD budget includes funding for San Francisco Patrol Specials.

The San Francisco Patrol Specials are already in use in a portion of the Rincon Hill. The Patrol Specials are a neighborhood force authorized in the City Charter (San Francisco Administrative Code, Section 10B), with uniformed officers appointed and regulated by the Police Commission after an initial security review by SFPD. Hourly rates for services are principally paid by private clients, including CBDs, with additional payment to the City for general program administration regarding standards of professional performance (but not for day-to-day operations). Thus, the nature of the Patrol Specials is both quasi-private and quasi-public.

The force has been in operation in the City of San Francisco since 1847. By current City Code, the force provides patrols on the streets of San Francisco as well as at fixed locations, and also provides a range of other safety services as requested by private clients such as CBDs.

San Francisco Patrol Special services will be determined by the CBD's needs and retained pursuant to a negotiated contract. The geographically-delineated CBD is the "beat" where Patrol Specials will serve. Patrol Specials will concentrate on order maintenance, rapid response, and early intervention in quality-of-life matters. CBD services have been budgeted seven days a week, 4 PM to 7 AM. Patrol Special services will be connected to the District's central dispatch office by electronic device, and after hours by a special phone number for CBD property owners.

In addition to providing safety services through the Community Guides program and Patrol Specials, the GRH Owners' Association will work closely with the San Francisco Police Department and County Sheriff's Department and advocate for sufficient police coverage in the Greater Rincon Hill CBD to improve general safety. In order to educate the community on crime prevention methods, the GRH Owners' Association will partner with community-based organizations such as San Francisco SAFE, a non-profit that guides residents, business owners, and community members to improve the quality of life in their neighborhoods.

Since City Park will be managed and operated by TJPA, the CBD will not be responsible for maintaining its security. However, TJPA Transit Center and City Park security staff will work closely with the CBD's Community Guides, private security services, and Dispatch personnel as part of the District's overall effort to ensure that neighborhood security issues are properly abated.

CLEANING and MAINTENANCE

By local ordinance (Public Works Code Section 706), property owners, not the City, are responsible for maintenance, repair, and replacement of sidewalks fronting their parcels. The CBD will provide cleaning and maintenance services within the public rights-of-way and sidewalks on behalf of the District's individual parcel owners. However, major repairs and replacement of streetscape amenities, fixtures, furniture, and sidewalk paving materials will continue to be the responsibility of individual parcel owners. For services such as trash removal, the CBD will provide services above and beyond the baseline level of service provided by the City and County of San Francisco and its franchisee.

The CBD will determine the precise scheduling of approximately 6.2 full-time-equivalent workers on the neighborhood's streets – the "Clean Team" – to provide:

- sidewalk sweeping and steam cleaning;
- trash can topping (monitoring of public trash receptacles for overflow and trash removal);
- weeding of tree basins, sidewalk cracks, and landscape planters;
- reporting of bulky items for removal by the Department of Public Works;
- spot cleaning of street furniture, fixtures, and equipment;
- minor repair and maintenance of streetscape amenities, furniture, and fixtures;
- graffiti abatement (on call 7 days a week).

Sidewalk sweeping is budgeted for at least once daily throughout the District. Similarly, the frequency of steam cleaning is budgeted twelve times per year throughout the District.

The CBD's Clean Team will respond to all maintenance requests received by the District's central dispatch office. The dispatch office will log all requests and route them to the appropriate CBD or City department and follow up with the individuals who asked for service. Dispatch will be on-call Sunday through Thursday, 7:00 AM to 11:00 PM, and from 7:00 AM Friday to 7:00 AM Sunday.

Table 1 summarizes the GRHCBD's planned services and approximate number of staff required to provide them:

Greater Rincon Hill CBD Services Plan Summary

Services	Staff*
Safety (Community Guides)	4.2 full-time equivalent
Special Patrol	5.25 full-time equivalent or as needed
Cleaning and Maintenance	6.2 full-time equivalent
Dispatch	3.2 full-time equivalent

Communication Development	and	Included as part of approximately 3 full-time equivalent staff: Executive Director plus support staff.
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PARKS and GREENSPACE

The Greater Rincon Hill CBD will maintain all greenspaces, parks, rain gardens, sidewalk landscaping, parklets, and street trees within the District's boundaries. Parks and greenspace maintenance services will occur at varying frequencies, such as daily, weekly, monthly, or on an as-needed basis.

Greenspace services include, but are not limited, to:

- street tree maintenance, pruning, and replacement;
- tree, shrub, and ground maintenance;
- gardening and weeding;
- irrigation systems management and repair;
- arborist and horticultural consultation;
- pest control;
- plant, tree, and shrub replacement;
- trash off-haul;
- pavement and pathway repairs and care;
- facilities and minor capital improvements, such as fencing, play equipment, and lighting elements;
- emergency repair of fixtures, furniture, and equipment.

The GRHCBD will operate the District's special benefit parks in conjunction with their public owners (OCII, the City, and/or TJPA). In addition to overseeing maintenance services, park operations managed by the District will include security and safety services, enforcing hours of operation, park promotion and neighborhood outreach, planning and management of events, award of contracts and concessions, and financial oversight. For City Park, TJPA will pay for and provide security services as part of the TJPA's overall security program for the Transbay Transit Center.

The GRHCBD budget includes the cost of park utilities (water and electric) for all parks and parklets in the District. While the CBD will manage the public parks within its boundaries, it will not own them, so the District will not incur insurance costs or liability.

Parks planned for the CBD include Emerald Park, Guy Place Park, Essex Hillside, Under-Ramp Park, Transbay Park, City Park, numerous parklets, rain gardens, and street trees.

City Park Oversight

The annual maintenance and operations cost of City Park will be paid by both the GRHCBD and TJPA. The GRHCBD will pay the portion of the park's expenses proportional to City Park's special benefit to the nearby (within 500 feet) and adjacent properties within the District, and TJPA will pay the portion proportional to the park's general benefit. A joint committee comprised equally of representatives from TJPA and the GRHCBD Board of Directors will establish the park's rules, regulations, and policies, and oversee the park's annual budget. This committee will also work with the public space service provider and advise on the operations and management of City Park. Management of security personnel and security operations will be maintained by TJPA in accordance with TJPA's Transbay Transit Center Security Policies and Procedures.

COMMUNICATION and DEVELOPMENT

To communicate the changes taking place in the GRHCBD and reinforce the positive perception of the District's parcels, a professionally-managed communication and economic development program will be created.

The following are some of the programs and projects that are planned for the GRHCBD:

- Newsletters: Periodic newsletters distributed via email and posted on the CBD's website. The newsletters will feature photos and specific events and news from the area.
- Marketing materials: Brochures and printed materials advertising the GRHCBD; informative flyers with area services.
- Website: Creation and maintenance of a GRHCBD website with lists of area businesses, residential buildings, news, and events.
- Property owner and merchant outreach programs: Networking through targeted emails and meetings.
- Community liaison activities and special events: Coordinated networking for businesses, property owners, and residents.
- Business retention and recruitment: Coordinated tours of the GRHCBD area, correspondence, and information gathering with brokers and potential retailers.
- Media relations: Interviews and outreach in local periodicals.
- Advertising: Articles and/or ads in local periodicals.
- Property manager outreach: Organized meetings and informational events.
- Property database development and updates: Continuing contact with owners and merchants for updating property information and ownership transfers.

MANAGEMENT

The GRHCBD will be professionally managed by at least three full-time staff or by an equivalent staffing level. The staff will be funded by the CBD, and not be employees of the City and County of San Francisco. After formation of the District, but before the seating of the Board of Directors of the GRH Owners' Non-Profit Association, an interim Board of Directors of the GRH owners' non-profit association will develop job descriptions and conduct a hiring process for the CBD Management. The job descriptions herein are for the purposes of budgeting and guiding the interim Board of Directors. The Interim Board of Directors will operate until the Board of Directors for the GRH owners' non-profit association is seated. The job descriptions and percentage allocation can be adjusted at the discretion of the GRH owners' non-profit association Board of Directors (the "Board of Directors"). The Board of Directors may hire other paid staff and sub-contractors as needed, and/or may provide funds to grantees to implement District services.

1. Administration

The CBD **Executive Director** is the chief executive officer of the District non-profit corporation, and oversees the entire internal and external operations of the District. An approximate allocation of the Executive Director's responsibilities and time are budgeted as follows:

Public Safety	10%
Cleaning and Maintenance	10%
Parks and Greenspace	10%
Communication and Development	20%
Administration, City Support, and Programming	50%

The Executive Director will oversee service providers hired to execute the public safety, cleaning, maintenance, and dispatch services of the District. The Director also will manage maintenance and operations of the CBD's parks and greenspaces, and actual permitting of events in the parks, utilizing policies, procedures, and guidelines developed by the Board of Directors.

The Executive Director will reach out and respond to property owners, manage the District's economic development activities, oversee communication and development activities, and supervise the Programming and Marketing Director position.

Finally, the Executive Director's administration of the CBD's activities will include staff supervision, financial management, contract management, grant writing, financial reporting, and support of the Board of Directors. The Executive Director is responsible for City Support services which are described below. These services include acting as a liaison with the public sector, garnering support for the CBD with elected officials and City departments, and participating in community organizations. Programming includes the oversight, coordination, and management of special events within the District.

The **Programming and Marketing Director** ("P&M Director") reports to the Executive Director and is responsible for executing the CBD's special events, communications, and marketing efforts. An approximate allocation of the P&M Director's responsibilities and time are budgeted as follows:

Parks and Greenspace	20%
Communication and Development	50%
Administration, City Support, and Programming	30%

The P&M Director will coordinate and implement the policies, procedures, and guidelines for special events held in the District's parks and other public open spaces.

Approximately half of the P&M Director's time will be spent executing communication and development activities for the CBD. For example, in the first year of its operation, it is likely the District will contract for a communications study. Retail business attraction and retention activities also will be staffed by the P&M Director.

Finally, an important part of the Programming and Marketing position is publicizing and implementing community events conceived and supported by the CBD Board of Directors. Community events will be developed to activate public spaces, increase community safety, communicate the changes taking place in the District, and build neighborhood cohesion. Community events are anticipated to include activities such as fairs, markets, holiday celebrations, and block parties.

The **Administrative and Special Projects Manager** ("A&SP Manager") supports the Board of Directors, its committees, and other staff positions. An approximate allocation of the A&SP Manager responsibilities and time are budgeted as follows:

Public Safety	10%
Cleaning and Maintenance	10%
Parks and Greenspace	10%
Communication and Development	10%
Administration, City Support, and Programming	60%

The percentage breakdowns of responsibilities shown above are for purposes of the CBD's initial budgeting. Portions of staff time may be modified when the Board of Directors is formed and prepares job descriptions.

City Support

The Greater Rincon Hill CBD District Owners' Association will serve as a collective voice at City Hall for property owners in the District. The District non-profit corporation will represent the CBDs needs to various City departments, agencies, and elected officials so that the District consistently receives high-quality and timely City and County services. In addition, the CBD will help mitigate the potential negative impacts of permitted events, street closings, protests, and the like on the neighborhood's residents, businesses, and propertie

OPERATIONS

The District non-profit corporation will incur the customary and usual expenses of running a business and office. Annual operational costs include rent, utilities, insurance, accounting, audit, and legal fees. In addition, \$12,000 per year has been budgeted for an annual Assessment Database to ensure that the CBD properly accounts for and levies assessments on new development as it is built, completed, and occupied.

SECTION C: BENEFITING PARCELS

GRHCBD Boundary

Article XIID Section 4(a) of the State Constitution requires that the authorizing agency "Identify all parcels which will have a special benefit conferred upon them and upon which an assessment will be imposed."

The GRHCBD is generally 57 whole or partial blocks from approximately the east side of Second Street to the west side of the Embarcadero and from the north side of Mission Street to the north side of I-80/Bay Bridge.

The approximate boundaries of the GRHCBD are:

- 2nd Street from Jessie Street to Harrison Street, and from Harrison Street to the southwest corner of APN 3764-067 (east side only)
- Harrison Street from 2nd Street to Main Street (east and west side – street and affronting parcels; however specifically excluding the following parcels and affronting public right of way: APN 3764-066, APN 3764-064, APN 3765-018, APN 3767-014 to 3767-310)
- Main Street from Harrison Street to southwest corner of APN 3768-021-089 (east side only)
- From southwest corner of APN 3768-021-089 to southeast corner of APN 3768-016 (north side only)
- The Embarcadero from Bryant Street to Harrison Street (west side only – street and affronting parcels; however, specifically excluding the following parcel and affronting public right of way: APN 3769-001)
- Steuart Street from Harrison Street to Howard Street (west side only)
- Howard Street from Steuart Street to Spear Street (south side only)
- Spear Street from Howard to Mission Street, and from Mission Street to the northeast corner of APN 3712-023 (west side only)
- Mission Street from Spear Street to 1st Street (east and west side – street and affronting parcels; however specifically excluding the following parcel and affronting public right of way: APN 3712-025)
- First Street to the northwest corner of APN 3709-019/020 (east side only) to Stevenson Street (west side only)
- Stevenson Street from 1st Street to Ecker Street (south side only)
- Ecker Street from Stevenson Street to the northeast corner of APN 3708-023 (east side only)
- Northern property line of APN 3708-023 from the northeast corner of the parcel to the northwest corner of the parcel
- Western property line of APN 3708-023 from the northwest corner of the parcel to the southwest corner of the parcel
- From the southwest corner of APN 3708-023 to 2nd Street (south side only)

Attachment B: Assessment Diagram, attached as a separate document.

SECTION D: SPECIAL AND GENERAL BENEFIT

State law, Proposition 218, and judicial opinions require that property assessments be levied according to the estimated special benefit each assessed parcel receives from the activities and improvements for which the assessments are being levied. Article XIID Section 4(a) of the California Constitution in part states "only special benefits are assessable," which requires that general benefit from the activities and improvements, if any, be determined separately from the special benefit provided.

Further clarification from the *Golden Hill* judicial opinion states that "even *minimal* general benefits must be separated from special benefits and quantified so that the percentage of the cost of activities and improvements representing general benefits, however slight, can be deducted from the amount of the cost assessed against specially benefitting properties". A special benefit as defined in Article XIID means a particular and distinct benefit over and above the general benefit conferred on real property in a special district or to the public at large.

Each individual parcel's assessment for the GRHCBD is no greater than the special benefit it will receive from the proposed activities and improvements described in this Report. The special benefit to parcels from the proposed GRHCBD activities and improvements described in this report is equal to or exceeds the total amount of the proposed assessment.

The quantitative analysis of determining both the special and general benefit is provided separately below.

Special Benefit Analysis

All of the GRHCBD's activities and improvements are to enhance and not replace or duplicate City-provided services. Assessments will fund supplemental activities and improvements to each parcel within the GRHCBD boundary above and beyond the activities each parcel receives from the City through payment of its general property taxes. The special benefit from the GRHCBD activities and improvements 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.

Inasmuch as all activities will be provided to each of the individual assessable parcels within the GRHCBD boundary and no activities will be provided to any parcel outside of the GRHCBD boundary, and whereas these activities are above and beyond what the City currently provides with its General Fund, the assessments levied are only for the special benefits conferred.

As stated in the Management District Plan, the GRHCBD's mission statement and purpose is to fund public activities and improvements that will provide a more safe, clean, and environmentally-appealing neighborhood, and increase the area's economic vitality through higher pedestrian traffic and increasing the occupancy in office and residential properties.

Public Safety and Cleanliness

The clean and safe activities are more extensive than the City's baseline level of activities and are intended to provide a safer, cleaner, and more scenic neighborhood for each individual assessed parcel in the GRHCBD. The GRHCBD's Community Guides and Patrol Special Police will prevent, deter, and report illegal activities taking place on streets and sidewalks in front of,

at building entrances on, and in parking areas adjacent to individual assessed parcels. The presence of uniformed safety personnel will discourage such illegal activities as break-ins, petty theft, automobile-related crimes, trespassing, drinking in public, public urination, indecent exposure, illegal panhandling, and illegal dumping.

While on patrol, the Community Guides monitor activity within the public areas of the GRHCBD and report suspicious activities, criminal actions, and/or emergencies to the Patrol Special Police. The Community Guides also may act as escorts for residents or employees who move through the GRHCBD and desire additional security.

Improving public safety and cleanliness makes a neighborhood more attractive for commercial investment. When considering where to locate a business, "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."⁹

When economic investment occurs in an area, pedestrian traffic and commercial activity generally increase. Each individual assessed parcel in the GRHCBD will benefit specifically from the GRHCBD's clean and safe activities – more security patrols, graffiti removal, connecting homeless individuals to available resources, picking up trash left behind by pedestrians, landscape maintenance, power-washing of sidewalks, and neighborhood promotion and branding. The special benefit to assessed parcels of a more vital commercial sector is the likelihood of higher lease rates and tenant occupancy due to the increase in business activity and customers that follow.

Parks and Greenspaces (Including City Park)

The GRHCBD intends to maintain and activate the GRHCBD's parks and greenspaces. The special benefit all assessed parcels receive from the GRHCBD maintaining parks and greenspaces ranges from personal life enhancement and, more importantly, increased commerce and economic investment both within the GRHCBD and specifically to each assessed parcel.

Some of the special benefits that well-maintained parks and greenspaces provide are to improve quality of life are¹⁰:

- Personal Benefits:
 - o Nearby destinations for recreation and exercise
 - o Opportunities for entertainment (fairs, special events) and fun
 - o Opportunities for learning and education (classes, organized activities)
 - o Quiet, scenic places to enhance relaxation
- Social Benefits:
 - o Gathering places to interact with neighbors

⁹ Keeling, Mary and Cleverley, Mark. 2012. *Accelerating economic growth and vitality through smarter public safety management*. IBM Global Business Services Executive Report. pg. 2.

¹⁰ Godby, Geoffrey, Graefe, Alan, and James, Stephen. 1992. *The Benefits of Local Recreation and Park Activities - A Nationwide Study of the Perceptions of the American Public*. The National Recreation and Parks Association.

- o Participation in neighborhood events and group activities
- o Opportunities to make new friends
- o Socializing between children and adults
- o Community pride and a sense of belonging
- Environmental Benefits:
 - o Open spaces with fresh air
 - o Natural areas with trees, gardens, and wildlife
 - o Green outdoor spaces to soften a dense urban setting.

More importantly, parks and greenspaces also provide an economic special benefit to all assessed parcels because pockets of scenic open space help attract investment into the community and to commercial parcels specifically. One study¹¹ found that:

- Parks and open space create a high quality of life that attracts tax-paying businesses and residents to communities.
- Corporate CEOs say that employee quality of life is the third most important factor in locating a new business.
- Small company owners say recreation, parks, and open space are the highest priority in choosing a new location for their business.
- Urban parks, gardens, and recreational open space stimulate commercial growth.
- Open space boosts local economies by attracting tourists and supporting outdoor recreation.
- Across the U.S., access to parks and open space has become a measure of community wealth – a tool for attracting businesses and residents by guaranteeing quality of life and economic health.

Other studies show that corporations and businesses acknowledge that there is a renewed emphasis on the placemaking and environment in which they are located and that it has never been more important to their image and their ability to recruit and retain a talented employee base, as presented in Richard Florida's book, *The Creative Class*. Businesses view parks as an extension of their building that offers numerous amenities to its employees. Since businesses are more in tune with their employee's well-being they are looking for business locations that will offer such amenities for its employees.

City Park Special Benefit Radius

City Park is not like other regional parks that are at street level. Instead, it is elevated an average of 70 feet above the public sidewalks and streets below, which makes it less likely to attract the casual passerby as often as it would if it were visible at street level.¹² Due to its unique location as a large, verdant, and active space in the center of a dense urban environment, it is estimated that the greatest special benefit to City Park is to parcels within a 500-foot radius. These parcels will have the greatest opportunity for office workers and residents to look down on City Park, view its unique features, landscaping, and activities, and be

¹¹ Lerner, Steve and Poole, William, 2009. *The Economic Benefits of Parks and Open Space - How Land Conservation Helps Communities Grow Smart and Protect the Bottom Line*. Trust for Public Land. June 22.

¹² Turner, D.L. *The Vertical Transportation Handbook*. Wiley and Company. 1999.

drawn to visit. Parcels beyond 500 feet and not within the GRHCBD boundary may not specially benefit from City Park, or that benefit is intangible and unquantifiable. Occupants of parcels outside the GRHCBD boundary and beyond 500 feet will likely choose to visit Yerba Buena Gardens due to its close proximity to them, high visibility, and ease of access from the street.

To determine the special benefit to parcels outside of the GRHCBD boundary but within 500 feet of City Park, the assessment engineer apply the same methodology to calculate the special benefit to parcels within the GRHCBD; that is, lot square footage plus building square footage. At the time of the analysis (April 2015) it was determined that 14,408,065 lot + building square feet were within the 500-foot special benefit radius *and* within the GRHCBD boundary, while 2,141,968 lot + building square feet were within the 500 foot radius but outside the GRHCBD boundary. The total square footage within the park's 500-foot special benefit radius equals 16,550,033 lot + building square feet. Therefore, the percentage of the lot plus building square footage for parcels that are specially benefitted but not within the GRHCBD is 12.94% (2,141,968/16,550,033). This 12.94% that is attributed to special benefit for parcels that are outside of the GRHCBD and do not pay an assessment, which must be raised from sources other than special assessments on parcels within the GRHCBD.

General Benefit Analysis

As required by Article XIIID Section 4(a) of the State Constitution, the general benefit of an assessment district must be quantified and separated out so that the cost of the activities that contribute to general benefit are deducted from the cost assessed against each specially benefitted parcel. General benefit is benefit from GRHCBD 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.

General Benefit to the Public At Large

The GRHCBD may provide general benefit to the public at large – people who walk through the neighborhood and visit its homes, businesses, and parks, but who do not live or work regularly in the GRHCBD. They are not specially benefitted by the GRHCBD's activities, and thus they do not pay special assessments.

Summarized below is the analysis of general benefit that the public at large may receive from the GRHCBD activities.

Public Safety and Cleanliness

To quantify the general benefit to the public at large from the GRHCBD's clean and safe program, an estimate was made of how many people would be within the GRHCBD boundary regardless of the GRHCBD's activities.

The general benefit to the public at large from the GRHCBD's clean and safe activities can be extrapolated from surveys done in six established districts in Los Angeles. Each of these districts, similar to Greater Rincon Hill, are a mix of both commercial and residential uses and similar in size. The six CBDs in City of Los Angeles recently conducted pedestrian surveys to determine to what degree respondents engaged in business activity in the district, and whether or not any of the CBD's activities influenced their decision to do so.

Each of the districts contracted with a polling firm to conduct intercept surveys within the district boundary and determine the degree to which respondents engaged in any type of business activity: patronizing a restaurant, shopping, visiting a professional or service provider (bank, tailor, dry cleaner, etc.), attending a performing arts event, going to school/taking a class, attending a festival or special event, and the like. The surveys were conducted at multiple locations within each district and an effort made to poll an unbiased cross-section of visitors.

The intent of each survey was to determine how many respondents planned to engage in commerce and/or chose to work or live within the district, and whether any of the CBD's activities influenced their decision. If the respondents indicated that they either intended to engage in commerce or work or live in the district, and that the GRHCBD influenced this decision, then the district's activities provided a special benefit to the district's assessed parcels.

On average, the six surveys found that 98.6% of the respondents indicated that they were currently engaging or intended to engage in at least one of the business activities asked in the survey, and/or intended to live or work in the district, as opposed to "just passing through" the GRHCBD with no business purpose. The remaining 1.4% of respondents was within the district boundary with no intent of engaging in commerce or going to work or to their residence. Therefore, it is reasonable to conclude that 1.4% of the public at large receives general benefit from the GRHCBD's clean and safe activities.

Neighborhood Parks and Greenspaces

Given their high quality and convenient locations, the GRHCBD's neighborhood parks and greenspaces are expected to attract visitors and users other than those who live or work within the GRHCBD boundary. Due to the fact that these park facilities are not constructed we looked at the Dogpatch neighborhood in San Francisco (located 2 miles southwest of the GRHCBD and similarly being transformed from a warehouse-dominant industrial area to an attractive, economically vibrant mixed-use neighborhood) which conducted a pedestrian intercept survey of the neighborhood's amenities and facilities. The conclusion found 6.79% of those surveyed were people who lived outside the proposed district. Therefore, for purposes of quantifying the GRHCBD's general benefit to the public at large in this category, a factor of 6.79% general benefit from neighborhood parks has been applied.

City Park

City Park's amenities and programming are likely to attract visitors from both within and outside the GRHCBD. Various transit users can be expected to visit the park before or after their rides, including a certain number of commuters who are likely to stop by the park on their way to and from work. (The Transbay Transit Center's bus terminal will be one level below the park and the train terminal five levels below, or two levels below the street).

There is no standard methodology for calculating the number of potential visitors to and users of City Park, since 1) it is not yet constructed and will not open for use until early 2018, and 2) its unique location 70 feet above ground precludes easy comparisons with visitor numbers at other parks. Nonetheless, since City Park will act as a regional draw for residents, office workers, and visitors seeking an expansive verdant open space in downtown San Francisco, it is reasonable to compare the park's potential users to specific sections of Central Park in New York.

In April of 2011, the Central Park Conservancy conducted a year-long user intercept survey to determine the public's varying uses of Central Park. Data was collected from all park entrances on a Saturday, Sunday, and at least one weekday in all four seasons. The data collected included nearly 4,600 entrance counts, more than 3,300 exit interviews, and more than 9,100

observational surveys of visitors exiting the Park. In order to compare San Francisco's 5.5 acre City Park with New York City's 843 acre Central Park, specific user data south of 72nd Street was chosen as a most direct comparison.

The area south of 72nd Street is surrounding by Central Park's most active play fields and densest neighborhoods. Like City Park, which operates above a confluence of bus and transit connections, a variety of north-south and east-west subway and bus lines converge along the borders of this area of Central Park. Comparable to City Park, Central Park visitors do not immediately enter the park after reaching their transit destination, but must make a conscious decision to walk across the street to enter Central Park.

The activities recorded by the Central Park Conservancy survey included socializing, picnicking, walking, tours, special events, and exercise. Users who engaged in recreational or social activities promoted a safe, welcome, and inviting environment for others to enter and enjoy the Park, benefiting all park visitors. Of the recorded total number of visitors within the area south of 72nd Street, 7.88% of users were commuting through the Park as a means to get to their destination. They were not visiting or enjoying the Park because of its social and recreational activities, facilities, or amenities, and would otherwise utilize that route through Central Park regardless of its existence. Therefore, it is reasonable to assume that 7.88% of the general public using City Park are responsible for 7.88% of City Park's total costs. For purposes of quantifying the City Park's general benefit to the public at large, the assessment engineer applied a 7.88% factor.

Total General Benefits

The total general benefit from the GRHCBD's activities as quantified above is summarized in the table below.

GRHCBD Activity	Total General Benefits
Public Safety & Cleanliness	1.40%
Neighborhood Parks	6.79%
City Park	7.88%

SECTION E: PROPORTIONAL BENEFITS

Methodology

Article XIIID Section 4(a) of the State Constitution requires "The proportionate special benefit derived by each identified parcel shall be determined in relationship to the entirety of the capital cost of the public improvement, the maintenance and operation expenses of a public improvement, or the cost of the property related service being provided".

Determining the proportionate benefit among the parcels of real property within the proposed assessment district is the result of a four-step process:

1. Defining the proposed activities (Section B),
2. Determining which parcels benefit from the proposed activities (Section C),
3. Determining how the proposed activities benefit parcels (Section D),
4. Determining the proportional special benefit a parcel receives in relation to the total amount of special benefit for all other parcels in the District receive (see below).

Each parcel within the GRHCBD will be assessed based upon each parcel's unique characteristics in relationship to all other specially benefitted parcels' characteristics. Due to the proportionate special benefits received by each parcel from the GRHCBD's services, each parcel will be assessed a rate which is commensurate with the amount of special benefits received.

Special Benefit Factors

Each of the GRHCBD activities meets the goals of the GRHCBD: to improve the cleanliness, safety and appearance of each individual assessed parcel and the public areas immediately adjacent to each parcel within the GRHCBD, and in turn, increase building occupancy and lease rates, encourage new business development, and attract residential serving businesses and services. The amount of special benefit a parcel receives is a function of both the parcel size and building size. The proportional special benefit for an individual parcel is determined by calculating the ratio of each parcel's lot square footage and gross building square footage and its proximity to City Park in relation to the total lot and gross building square footage of all parcels in the GRHCBD boundary.

Lot Square Footage plus Gross Building Square Footage: The sum of lot square footage and gross building square footage is the assessment variable for the GRHCBD activities because it accounts for the special benefits received at both the ground level and distributed throughout the buildings. Lot square footage plus building square footage is relevant to the use of a property and reflects both the short term and long term special benefit implications for each parcel.

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

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.

Property Use Considerations

Non-profit uses, or government-owned affordable housing developments regulated by restricted covenants or regulatory agreements with a public agency. When comparing non-profit uses, limited partnership, or government-owned affordable housing development's use activity to commercial property land uses, the level of pedestrian activity generally is more isolated and inconsistent, and thus reflects a lower level of demand for CBD services. To account for this reduction in activity, non-profit uses, limited partnership, or government-owned affordable housing uses are assessed at 75% of the rate assigned to commercial land uses.

Relative Benefit

Relative benefit does not address the special benefit each assessed parcels receives from the GRHCBD activities, see Section D for the special benefit analysis. Relative benefit determines each parcel's proportional benefit of the GRHCBD's activities compared to all other assessed parcels in the GRHCBD. Although the special benefit from parks and greenspaces is applicable to all assessed parcels in the GRHCBD, the amount of relative benefit varies depending on the location of each parcel relative to City Park.

In the GRHCBD, there are two types of parks and greenspace: neighborhood parks, greenspaces, and parklets located relatively equidistant throughout the GRHCBD; and City Park on top of the Transbay Transit Center.

Neighborhood Parks

In the 2014 San Francisco Infrastructure Level of Service Analysis, the San Francisco Planning Department defined one of its target Level of Service (LOS) metrics for recreation and open space as a half-mile, equivalent to a 10-minute walk radius.¹³ As the study explains, "a stock measure of accessibility is a ten-minute walk, which is roughly equivalent to a half-mile distance." This half-mile or 10-minute walk service area radius identifies those parcels that stand to benefit from the proposed GRHCBD services, improvements, and activities for neighborhood parks within the GRHCBD. As such, each assessed parcel receives direct special benefits from the proposed GRHCBD neighborhood parks. Every parcel's special benefit from these services, improvements, and activities is equal to or exceeds the amount of the proposed assessment.

Furthermore, the special benefits of neighborhood parks are spread throughout the district because residents and office workers within the GRHCBD will have access to multiple neighborhood parks. The Dogpatch survey found that location, size, and quality of greenspaces in the GRHCBD is not a factor as it relates to special benefits, as high usage rates demonstrate that residents and office workers within the survey area visit and enjoy multiple greenspaces, not whichever greenspace is physically closest to them.¹⁴ The Dogpatch neighborhood (located 2 miles southwest of the GRHCBD) and the Greater Rincon Hill neighborhood are similar in that both neighborhoods are being transformed from a warehouse-dominant industrial area to an attractive, economically vibrant mixed-use neighborhood. Therefore, given the tendency of residents and office workers to visit and enjoy multiple green

¹³ AECOM. *San Francisco Infrastructure Level of Service Analysis March 2014*. San Francisco Planning Department, Table 7, p. 20.

¹⁴ *Dogpatch & Northwest Potrero Hill GBD Green Spaces Survey*. 2013.

spaces, regardless of proximity to a specific park, greenspace, or parklet, it is reasonable to expect that park, greenspace, and parklet usage will be accessible to all parcels within the GRHCBD.

City Park

Given City Park's scope, amenities, and programming, it is more associated with a regional park than a neighborhood park, and attracts users from a broader area than just from within the GRHCBD.

Studies show the greatest benefits of a large park facility is to parcels within approximately 500 feet of that park, citing health benefits, ecological value, and community cohesion value, among others as evidenced in a study that well-maintained parks and greenspaces improve quality of life¹⁵). As a result of these studies, it is reasonable to presume that parcels within a 500-foot radius of City Park will generate the highest level of use and demand for City Park and, therefore will be assessed for their proportional benefit of the cost. Since the parcels within 500 feet receive the special benefit of City Park we apply a basic unit of measure, the relative benefit factor, to each parcel in order to equate their proportional benefit to all other parcels. All parcels within the 500-foot radius receive a relative benefit factor of 1.0.

However, City Park is not like other large, regional parks that are at street level. Instead it is elevated an average of 70 feet above the public sidewalks and streets below, which makes it less likely to attract the casual passerby as often as it would if it were at street level. Since the park is located in the heart of a commercial high-rise neighborhood, buildings immediately adjacent to and "looking down" on City Park will generate the majority of park users. This is especially true of office buildings on weekdays, when office workers may visit the park for coffee breaks, lunches, corporate meetings, and after-work drinks or dinner. As evidenced in Section D, corporations acknowledge the importance proximity to parks and open space play in being able to attract high level employees and are willing to pay a premium for proximity to a park, e.g. in Bryant Park, lease rates for buildings adjacent to the park increased as much as 225%.¹⁶ To account for the close proximity and high level of park users, aesthetic values, and economic benefits, parcels immediately adjacent to City Park receive a relative benefit factor of 2.0.

In addition, at least three of the parcels that are immediately adjacent to City Park are expected to have buildings with pedestrian bridges that directly connect the building to the park. These bridges will allow the buildings' employees ready access to the park without having to go down to the street level, cross the street and then up in the funicular or an elevator. If businesses are willing to pay higher lease rates for being adjacent to a park, then a parcel with a building that has a pedestrian bridge may be willing to pay an even higher rate as they will be able to use the pedestrian bridge as a marketing tool to attract the highest level employee base. To account for the immediate access, highest level of park users and the increased economic benefits, parcels immediately adjacent to City Park where the building has a pedestrian bridge receive a relative benefit factor of 2.5.

¹⁵ Godby, Geoffrey, Graefe, Alan, and James, Stephen. 1992. *The Benefits of Local Recreation and Park Activities - A Nationwide Study of the Perceptions of the American Public*. The National Recreation and Parks Association.

¹⁶ Ernst and Young, LLP. 2003. *Analysis of Secondary Economic Impacts New York City Parks Capital Expenditure*. New Yorkers for Parks.

SECTION F: COST ESTIMATE

CBD Operating Budget

The Greater Rincon Hill GRHCBD operating budget takes into consideration:

1. The improvements and activities needed to provide special benefits to each individual parcel within the GRHCBD boundary (Section B),
2. The parcels that specially benefit from said improvements and activities (Section C), and
3. The costs associated with the special and general benefits conferred (Section E).

For purposes of this Engineer's Report, two operating budgets are presented below.

The first budget is for the first fiscal year of operation, FY 2015/16 which estimates the cost of the GRHCBD activities that will be provided, as shown below.

Activity	FY 2015/16		
	Total Budget	LESS: General Benefit	Amount to Assessment
Public Safety	\$971,524	(\$13,601)	\$957,922
Cleaning and Maintenance	\$619,672	(\$8,675)	\$610,997
City Park	\$0	\$0	\$0
Park and Greenspace	\$340,150	(\$23,096)	\$317,054
Communication and Development	\$78,869	\$0	\$78,869
Management	\$145,311	\$0	\$145,311
Operations *	\$318,667	\$0	\$318,667
Total	\$2,474,194	(\$45,373)	\$2,428,821
* Includes \$215,000 of CBD start up cost reimbursement			

The second budget is for FY 2018/19 as that year's GRHCBD activities is proposed to be the maximum provided, as shown below.

Activity	FY 2018/19		
	Total Budget	LESS: General Benefit	Amount to Assessment
Public Safety	\$971,056	(\$13,595)	\$957,461
Cleaning and Maintenance	\$619,374	(\$8,671)	\$610,703
City Park*	\$1,969,378	(\$410,024)	\$1,559,353
Park and Greenspace	\$686,235	(\$46,595)	\$639,640
Communication and Development	\$78,831	\$0	\$78,831
Management	\$145,241	\$0	\$145,241
Operations	\$108,232	\$0	\$108,232
Total	\$4,578,347	(\$478,886)	\$4,099,460

* City Park general benefit of \$410,024 includes the 12.94% allocated to special benefit for parcels outside the GRHCBD boundary.

Budget Notations

1. The budget may be increased by the amount of increase in the Bay Area Consumer Price Index (CPI), up to a maximum of 3% per year, as approved by the GRHCBD Board of Directors.

SECTION G: APPORTIONMENT METHOD

As previously discussed in Section E, the GRHCBD activities and improvements are segregated into areas by proximity to City Park; those parcels that are within 500 feet of City Park, commercial parcels that are immediately adjacent to City Park, commercial parcels that are immediately adjacent to City Park with a bridge that connects the building to the park, and all other parcels in the GRHCBD that are not within the 500 foot radius. In addition as discussed in Section E, parcels that have buildings that are dedicated to non-profit affordable housing receive a reduction of 25% in the building square footage that is dedicated to affordable housing. The table below summarizes for both fiscal years 2015/16 and 2018/19 the assessable footages for the lot square footage and building square footage by land use type and proximity to City Park:

Land Use	Lot Sq.Ft.	FY 2015/16 Bldg Sq.Ft.	FY 2018/19 Bldg Sq.Ft.
<u>WITHIN 500' OF CITY PARK</u>			
Commercial	1,034,890	8,740,741	10,846,751
Commercial - Adjacent to Park	250,026	3,150,128	3,150,128
Commercial - Adjacent to Park with Bridges	98,520	0	1,824,000
Terminal	205,764	0	217,000
All Other Land Uses	258,798	669,198	2,179,746
Subtotal 500':	1,847,998	12,560,067	18,217,625
<u>REMAINDER OF GRHCBD</u>			
All Land Uses except Affordable Housing	2,204,465	10,865,300	13,657,432
Affordable Housing	97,204	184,243	547,843
Subtotal Remainder:	2,301,668	11,049,543	14,205,275
TOTAL GRHCBD:	4,149,665	23,609,610	32,422,900

Calculation of Assessments

For Fiscal Year 2015/16, the GRHCBD total budget is divided by the total lot plus building square footage to equal an assessment rate per foot. All GRHCBD activities, except for City Park for this Fiscal Year, are allocated to all parcels equally on a per square foot basis

throughout the GRHCBD, as discussed in Section E. The calculation to determine the assessment rate per square foot for these activities is equal to the sum of the budget for these activities divided by the total number of lot plus building square feet in the GRHCBD. Therefore, the assessment rate per lot plus building square foot for FY 2015/16 equals \$0.08942 ($\$2,482,117 / (4,149,665 + 23,609,610)$).

** Note: Both the budget and database used to calculate assessments were the best known as of the time the petitions were generated and mailed. Once property owners received their petition it was brought to our attention that certain parcel's property characteristics were not the most current. A revised petition was mailed to the property owner and the database was updated accordingly. Correcting the data resulted in a reduction of \$53,296 from the assessment budget. The following methodology and assessment calculations described below are consistent with the information used to generate the initial petitions and even though the assessment budget is lower, the proposed assessment rates are still valid.*

For Fiscal Year 2018/19, the total GRHCBD budget, except for City Park, is divided by the total lot plus building square footage to equal an assessment rate per foot. The calculation to determine the assessment rate per foot for these activities is equal to the sum of the GRHCBD budget minus the City Park budget divided by the total number of lot plus building square feet in the GRHCBD. Therefore, the assessment rate per lot plus building square foot for FY 2018/19 equals \$0.07101 ($(\$4,191,434 - \$1,594,338) / (4,149,665 + 32,422,900)$).

City Park Assessments

The GRHCBD intends to maintain and activate all of the District's parks, greenspaces, and parklets, including City Park. Since the GRHCBD will manage and operate the District's parks and greenspaces as a unified, cohesive network, the GRHCBD's parks and greenspaces should be considered a holistic park system. The GRHCBD's diverse parks and greenspaces addresses the needs of an ideal urban park system, which includes a variety of smaller, proximate neighborhood parks as well as a large, destination park, to deliver a wide range of social and ecological benefits and services across an urbanized area.¹⁷

As such, City Park's unique character as a regional park in the GRHCBD is that a parcel's relative benefit is in relation to each parcel's proximity to the park. In order to calculate the assessment rate per square foot for City Park, the amount of the lot and building square footage for the commercial parcels immediately adjacent to the Park and those commercial parcels that have a building with or plans to build a bridge connecting the building to the park must be determined. For commercial parcels immediately adjacent to the Park without a connecting bridge their lot plus building square footage is multiplied by a factor of 2.0 to reflect the relative benefit these parcels receive. For the commercial parcels immediately adjacent to the Park that

¹⁷ Ibes, Dorothy C. 2014. *Sustainable Urban Park Systems*. Cities and the Environment (CATE), Vol. 7, Iss. 2, Article 8, page 2.

also have connecting bridges their lot plus building square footage is multiplied by a factor of 2.5 to reflect their relative benefit.

In addition, even though the greatest benefit from City Park is to properties located within 500 feet of the park, the remainder of the GRHCBD will also benefit from City Park as part of a holistic park system, and will be assessed 10% of this budget item.

The calculation for City Park equals the FY 2018/19 budget allocated to the parcels within 500' and the parcels that are outside of 500' but within the GRHCBD boundary.

For parcels that are within 500' of City Park but not adjacent to the park, their assessment for City Park equals \$0.05903 per foot ($\$1,392,573 / 26,772,321$ weighted lot + building square feet).

For commercial parcels that are immediately adjacent to the Park, their assessment for City Park equals per foot \$0.11806 ($\0.05903×2 relative benefit factor).

For commercial parcels that are immediately adjacent to the Park that also have a bridge connecting the building to the Park, their assessment for City Park equals per foot \$0.14757 ($\0.05202×2.5 relative benefit factor).

For the remaining parcels in the GRHCBD that are not within the 500' radius, their assessment for City Park equals \$0.012198 per foot ($\$201,362 / 16,506,943$ lot + building square feet for the remainder of the GRHCBD).

For the portion of parcels that are dedicated to affordable housing, their assessment for City Park equals \$0.00915 ($\$0.01225 \times 75\%$).

Annual Assessment Rates

To summarize the above calculated assessment rates per lot square foot and building square foot for two fiscal years, the following table shows the maximum annual assessment rate per square foot.

ASSESSMENT RATES	FISCAL YEAR	
	2015/16	2018/19
<u>Within 500' Radius City Park:</u>		
Commercial - Adjacent to Park	\$0.08942	\$0.17507
Commercial - Adjacent to Park with Bridge	\$0.08942	\$0.20108
All Other Land Uses	\$0.08942	\$0.12304
<u>Remainder of GRH CBD:</u>		
All Land Uses except Affordable Housing	\$0.08942	\$0.08321
Affordable Housing	\$0.06706	\$0.06241

To calculate an individual parcel's assessment, first determine the parcels proximity to City Park and then multiply that parcel's lot square footage plus the building square footage by the appropriate assessment rate identified above.

For example, to calculate the FY 2018/19 assessment for a commercial parcel adjacent to City Park with a 10,000 square foot lot and 100,000 square foot building = lot square footage + building square footage x assessment rate for commercial parcels adjacent to City Park = the total annual parcel assessment.

$$(10,000 + 100,000 \times \$0.17507) = \$19,258 \text{ annual parcel assessment}$$

The assessment formula is the same for every parcel in the GRH CBD.

Government Assessments

The Greater Rincon Hill GRHCBD will provide all of the improvements and activities to the City of San Francisco or any other government-owned parcels within the GRHCBD boundary. All publicly-owned parcels will pay their proportionate share of costs based on the special benefits conferred to those individual parcels. The special benefit to government assessed parcels from these services is an increase in GRHCBD customers, and an increased likelihood of attracting and retaining employees that follow from having a cleaner and safer area. Publicly owned parcels will receive special benefit in the form of increased use of the public facilities, increased attraction and retention of employees, which directly relates to fulfilling their public service mission. Article XIII D of the California Constitution was added in November of 1996 to provide for these assessments. It specifically states in Section 4(a) that *"Parcels within a district that are owned or used by any agency...shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit."*

Maximum Annual Assessment Adjustments

Beginning January 1, 2016, all GRHCBD assessment rates are subject to a potential annual increase if approved by a vote of the District non-profit corporation's Board of Directors. If approved, the maximum annual assessment rate increase for GRHCBD expenditures and/or contingencies will be limited by the annual change in the Consumer Price Index for all urban consumers in San Francisco-Oakland-San Jose or 3%, whichever is less; except as discussed below for future development.

Budget Adjustment

Any annual budget surplus or deficit will be rolled into the following year's GRHCBD services budget. At the end of the CBD's 15-year term on June 30, 2030, if the GRHCBD is not renewed, any remaining assessment funds collected will continue to pay for the GRHCBD's special services within the former GRHCBD boundaries until the funds are depleted.

Future Development

As a result of continued development, the GRHCBD may experience the addition or subtraction of assessable footage for parcels included and assessed within the GRHCBD boundaries. The modification of parcel improvements assessed within the GRHCBD may then change upwards or downwards the amount of total square footage assessed for affected parcels. In future years, the assessments for the special benefits bestowed upon the included GRHCBD parcels may change in accordance with the assessment methodology formula listed in the Management District Plan and this Engineer's Report provided the assessment rate does not change. If the assessment formula changes, then a vote pursuant to the requirements of Proposition 218 would be required to approve the changes.

Beginning in FY 2019/20, the table below projects the GRHCBD maximum annual assessment revenue with a 3% CPI increase without the addition of new assessable square footage, and the total maximum assessment revenue with the continued construction of new assessable square footage within the GRHCBD at 8% per year, in addition to a 3% increase for CPI budget adjustments. These figures represent the potential maximum assessment revenue the GRHCBD can collect through FY 2029/2030.

Year of District	Fiscal Year	Total Maximum Annual Assessment Revenue with 3% CPI Increase	Total Maximum Annual Assessment Revenue with 8% Potential Development
1	2015/16	\$2,428,821	\$2,428,821
2	2016/17	\$2,451,837	\$2,451,837
3	2017/18	\$4,011,190	\$4,011,190
4	2018/19	\$4,099,460	\$4,099,460
5	2019/20*	\$4,222,444	\$4,427,417
6	2020/21	\$4,349,117	\$4,781,610
7	2021/22	\$4,479,591	\$5,164,139
8	2022/23	\$4,613,978	\$5,577,270
9	2023/24	\$4,752,398	\$6,023,452
10	2024/25	\$4,894,970	\$6,505,328
11	2025/26	\$5,041,819	\$7,025,754
12	2026/27	\$5,193,073	\$7,587,814
13	2027/28	\$5,348,865	\$8,194,840
14	2028/29	\$5,509,331	\$8,850,427
15	2029/30	\$5,674,611	\$9,558,461
<u>Total Maximum Assessment Revenue</u>		\$67,071,506	\$86,687,819

SECTION H: ASSESMENT ROLL

The Total assessment amount for FY 2015/2016 is apportioned to each individual assessed parcel. Petitioning and voting is based solely on FY 2015/16. The complete Assessment Roll follows.

