

YERBA BUENA COMMUNITY BENEFIT DISTRICT
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**YERBA BUENA
COMMUNITY BENEFIT DISTRICT**

**DISTRICT
ASSESSMENT ENGINEER'S
REPORT**

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

JUNE 6, 2008

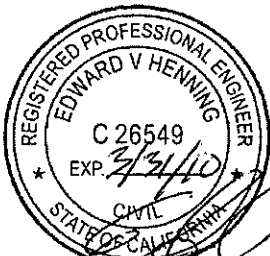
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DISTRICT ASSESSMENT ENGINEER'S REPORT

To Whom It May Concern:

I hereby certify to the best of my professional knowledge and experience that each of the identified benefiting properties located within the proposed Yerba Buena Community Benefit District ("Yerba Buena CBD") being established for seven years will receive a special benefit over and above the benefits conferred on the public at large and that the amount of the proposed assessment is proportional to, and no greater than the benefits conferred on each respective property.

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



[Handwritten Signature]
Edward V. Henning RPE #26549 (Expires 3/31/10) June 6, 2008
Date

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Introduction

This report serves as the "detailed engineer's report" required by Section 4(b) of Article XIII D of the California Constitution (Proposition 218) to support the benefit property assessments proposed to be levied within the Yerba Buena CBD in the City of San Francisco, California being established for a seven year period. The discussion and analysis contained within constitutes the required "nexus" of rationale between assessment amounts levied and special benefits derived by properties¹ within the Yerba Buena CBD.

¹ The terminology "identified parcel" or "property" is used throughout this report in the same manner as "identified parcel" is used in the "Proposition 218 Omnibus Implementation Act." (See Government Code §53750(g) ("Identified parcel" means a parcel of real property that an agency has identified as having a special benefit conferred upon it and upon which a proposed assessment is to be imposed....").) The Proposition 218 Omnibus Implementation Act clarified portions of Proposition 218, which amended the California Constitution to, among other things, add Article XIII D regulating assessments on real property. It provides the Engineer with the obligation to identify individual parcels within the proposed district which will specially benefit from the activities and improvements to be funded by the proposed assessments, and to ensure the assessments on property throughout the district are proportionally spread among the benefiting properties.

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Background

The Yerba Buena CBD is a property-based special assessment district being established in San Francisco pursuant to Section 36600 *et seq.* of the California Streets and Highways Code, known as the Property and Business Improvement District Law of 1994 (the "Act"), as augmented by Article 15 of the San Francisco Business and Tax Regulations Code. To satisfy the constitutional requirements for assessments on property imposed by Proposition 218, the costs of the services, activities² and improvements³ in the district to be funded by assessments ("district programs") are to be distributed amongst all the identified properties based on the proportional benefit each parcel is expected to derive from the district programs. Within the Act, Proposition 218 and the Proposition 218 Omnibus Implementation Act, frequent references are made to the relative "special benefit"⁴ received from the district programs versus the amount of the assessment levied, which incorporate the concepts of "nexus" and "proportionality" that are required to levy assessments on property within a special assessment district. "Nexus" requires that only those properties expected to derive special benefits from the district programs may be assessed. "Proportionality" requires that, for each assessed property, the assessment be only in an amount proportional to that parcel's share of the reasonable costs of providing the relative special benefits expected to be conferred on that parcel.

The method used to determine special benefits derived by each identified property within a CBD begins with the selection of a suitable and tangible basic benefit unit. For property related services, such as those proposed in the Yerba Buena CBD, the benefit unit may be measured in linear feet of primary street frontage or parcel size in square feet or building size in square feet or number of building floors or proximity to major corridors in average linear feet, or any combination of these factors. Quantity takeoffs for each parcel are then measured or otherwise ascertained.

² Unless the context otherwise requires, the term "activities" shall have the same meaning as set forth in Streets and Highways Code Section 36613 ("Activities' means, but is not limited to, all of the following: (a) Promotion of public events which benefit businesses or real property in the district. (b) Furnishing of music in any public place within the district. (c) Promotion of tourism within the district. (d) Marketing and economic development, including retail retention and recruitment. (e) Providing security, sanitation, graffiti removal, street and sidewalk cleaning, and other municipal services supplemental to those normally provided by the municipality. (f) Activities which benefit businesses and real property located in the district.").

³ Unless the context otherwise requires, the term "improvements" shall have the same meaning as set forth in Streets and Highways Code Section 36610 ("Improvement' means the acquisition, construction, installation, or maintenance of any tangible property with an estimated useful life of five years or more including, but not limited to, the following: (a) Parking facilities. (b) Benches, booths, kiosks, display cases, pedestrian shelters and signs. (c) Trash receptacles and public restrooms. (d) Lighting and heating facilities. (e) Decorations. (f) Parks. (g) Fountains. (h) Planting areas. (i) Closing, opening, widening, or narrowing of existing streets. (j) Facilities or equipment, or both, to enhance security of persons and property within the area. (k) Ramps, sidewalks, plazas, and pedestrian malls. (l) Rehabilitation or removal of existing structures.").

⁴ Unless the context otherwise requires, the terms "special benefit" and "benefit" are used in the same manner and shall have the same meaning as "special benefit" is defined and used in Proposition 218. See, Article XIII D, Section 2(i) of the California Constitution ("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.'")

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From these figures, the amount of benefit units to be assigned to each property can be calculated. Special circumstances such as unique geography, land uses, development constraints etc. are carefully reviewed relative to specific programs and improvements to be funded by the CBD in order to determine any levels of diminished benefit which may apply on a parcel-by-parcel or categorical basis.

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

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

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

The method and basis of spreading program costs varies from one CBD to another based on local geographic conditions, types of programs and activities proposed, and size and development complexity of the District. CBDs may require secondary benefit zones to be identified to allow for a tiered assessment formula for variable or “stepped-down” benefits derived.

Supplemental Proposition 218 Procedures and Requirements

Proposition 218, approved by the voters of California in November of 1996, adds a supplemental array of procedures and requirements to be carried out prior to levying a property-based assessment like the Yerba Buena CBD. These requirements are in addition to requirements imposed by State and local assessment enabling laws. These requirements were “chaptered” into law as Article XIID of the California Constitution.

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Since Prop 218 provisions will affect all subsequent calculations to be made in the final assessment formula for the Yerba Buena CBD, Prop 218 requirements will be taken into account. The key provisions of Prop 218 along with a description of how the Yerba Buena CBD complies with each of these provisions are delineated below.

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

Finding 1. From Section 4(a): “Identify all parcels which will have a special benefit conferred upon them and upon which an assessment will be imposed”

All of the individual parcels within the proposed Yerba Buena CBD are “identified” individual parcels that will derive special benefit from the proposed District programs and activities. The benefits are special and unique only to the identified properties within the proposed District because programs and services will only be provided directly for the identified properties. These identified benefiting parcels are identified by assessor parcel number and shown on the Boundary Map and are listed on pages 4.5-4.49, both in the Management District Plan.

The boundaries of the Yerba Buena CBD are described on page 1.1 of the Management District Plan. There are five Benefit Zones within the Yerba Buena CBD which are described on pages 4.1-4.2 of the Management District Plan.

Zone 1 will receive full levels of service and is anticipated to derive greatest benefit from the assessments generated from the district. These parcels will benefit from the beautification funding, have greater frequency of sidewalk sweeping and steam cleaning and from the district identity services funded from the district’s special benefit services.

Zone 2 will receive moderate levels of service and is anticipated to derive average special benefit from the assessments generated from the district. These parcels will also benefit from the beautification funding, have a lesser frequency of sidewalk sweeping and steam cleaning and do not require as many services from the district identity component of the district.

Zone 3 will receive limited levels of service and is anticipated to derive the least special benefit from the assessments generated from the district. These parcels will have a lesser frequency of sidewalk sweeping and steam cleaning and do not require as many services from the district identity component of the district.

Zone 4, primarily government center buildings, will receive intense levels of perimeter service and is anticipated to derive more special benefit from the assessments generated from the district due to the demand for perimeter services.

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Zone 5 will receive moderate levels of service and is anticipated to derive average special benefit from the assessments generated from the district. These parcels will have a lesser frequency of sidewalk sweeping and steam cleaning and do not require as many services from the district identity component of the district.

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

Finding 2. From Section 4(a): “Separate general benefits (if any) from the special benefits conferred on parcel(s). Only special benefits are assessable. “

As stipulated by Proposition 218, assessment District programs and activities may confer a combination of general and special benefits to properties, but the only program benefits that can be assessed are those that provide special benefit to the property owners. For the purposes of this analysis, a “general benefit” is hereby defined as: “A benefit to properties in the area and in the surrounding community or benefit to the public in general resulting from the improvement, activity, or service to be provided by the assessment levied”. “Special benefit” as defined by the California State Constitution means a distinct benefit over and above general benefits conferred on real property located in the District or to the public at large.

The property uses within the boundaries of the Yerba Buena Community Benefit District are a mix of office, retail, entertainment, civic, governmental, residential and parking. Services, programs and improvements provided by the District are primarily designed to provide special benefits to all parcels within the boundaries of the district. Residential land uses will fund enhanced beautification and security special benefit services which will be responsive to their daily needs.

Existing City of San Francisco services will be enhanced, not replaced or duplicated, by the new CBD services. In the case of the Yerba Buena CBD, the very nature of the purpose of this District is to fund supplemental programs, improvements and services within the CBD boundaries above and beyond what is being currently funded either via normal tax supported methods or other funding sources. These services, programs and improvements, are designed to enhance the commercial core uses, increase tenancy and marketing of the commercial entities in the CBD and improve the aesthetic appearance of the CBD as a whole. All benefits derived from the assessments to be levied on parcels within the CBD are for services, programs and improvements directly benefiting the property and business owners within this area and support increased security, cleanliness, commerce, business attraction and retention, increased property rental income and improved District identity. No services will be provided beyond the CBD boundaries. The proposed services, programs and improvements which will provide special benefit to the properties within the CBD boundaries are described on pages 2.1 – 2.2 in the Management District Plan. The proposed levels of service are shown in Table 2-1 on pages 2.3-2.4 in the Management District Plan.

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1. SIDEWALK OPERATIONS , BEAUTIFICATION, AND ORDER:

These services, programs and improvements will beautify and enhance the image of this diverse CBD. This activity is designed to increase commerce and attract and retain new business and patrons within the CBD boundaries. Because these services, programs and improvements will only be provided within the CBD boundaries, they will each constitute "special benefits" to the assessed parcels.

The security patrol and beautification improvements/programs would assist in creating a safe/secure and desirable living environment in the CBD. This activity is designed to enhance the livability within the CBD which will attract and retain residents and provide a stable living experience within the CBD boundaries. These services, programs and improvements will only be provided within the CBD boundaries; therefore these services constitute "special benefits" to the assessed parcels.

2. DISTRICT IDENTITY AND STREETScape IMPROVEMENT:

These services, programs and improvements will beautify and enhance the image of this diverse CBD. This activity is designed to increase commerce and attract and retain new business and patrons within the CBD boundaries. Because these services, programs and improvements will only be provided within the CBD boundaries, they will each constitute "special benefits" to the assessed parcels.

3. ADMINISTRATION AND CORPORATE OPERATIONS:

This component is key to the proper expenditure of CBD assessment funds and the administration of CBD programs and activities which are intended to promote business within the CBD boundaries through increased commerce and the attraction and retention of new business and to enhance residential livability through special services, programs and improvements tailored to special needs of residents. Because this administration program exists only for the purposes of the CBD and will only be provided for matters occurring within the CBD boundaries, this program constitutes a "special benefit" to the assessed parcels.

4. CONTINGENCY/RESERVE:

The Contingency/Reserve budget includes City/County collection fees, and additional projects the Owners' Association (CBD) deems appropriate. The contingency is ancillary and necessary to the unimpeded delivery of the CBD's programs and services. This contingency/reserve fund will only be provided within the CBD boundaries, therefore this program provides a "special benefit" to the assessed parcels.

Each of these programs and activities work together to create a more pleasing environment within the district that is conducive to strengthening the current and future economic vitality of this area through the attraction and retention of new business, increased commerce and enhanced livability for residents (future). The programs, improvements and services

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are designed to specifically benefit properties within the CBD boundaries. The proposed CBD assessments will only be levied on properties within the CBD boundaries and assessment revenues will be spent to deliver services that provide a direct and special benefit to assessed parcels and to improve the economic vitality of these properties. Inasmuch as no services will be provided beyond the CBD boundaries to the surrounding communities, CBD programs and activities do confer a combination of general and special benefits to district properties. Only program benefits which are attributed to special benefits conferred on the identified parcels can be funded through assessments. A portion of the program costs are considered attributable to general benefits and assigned a value. Conventional assessment engineering experience has found that general benefits within a given district typically average 5% of the total adjusted costs. (Total adjusted costs include actual proposed assessment district program costs plus any additional supplemental or matching program costs as well as applied credits from sources such as start up grants, cash and in-kind service contributions for district formation, owners' association⁵ Board/Committee member service credits and specialized assessment reductions/adjustments.) There are three common methods for determining general and special benefit ratios within property-based special assessment districts:

- (1) The parcel by parcel allocation method
- (2) The program/activity line item allocation method, and
- (3) The composite district overlay determinant method.

The vast majority of property-based special assessment districts in California have used Method #3, the composite district overlay determinant method, which has been used for the Yerba Buena CBD. Using empirical data from other districts, a specific "overlay" value of 5% is attributable to the general benefit portion of the total adjusted costs. This leaves a value of 95% attributable to special benefit related costs. Since the total program cost is estimated at \$2,509,521 (see Table 1 later in this Report), the maximum special benefit portion which can be funded through property assessments is \$2,384,045. Remaining costs which are attributed to general benefits will need to be funded from other sources. (e.g. public/private matching grants, startup grants, in-kind service contributions for district formation, startup volunteer credits or ongoing board member volunteer credits).

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

The proportionate special benefit cost for each parcel is listed on pages 4.5-4.49 in the Management District Plan. The individual percentages (i.e. proportionate relationship to the total special benefit related program and activity costs) would be computed by dividing the individual parcel assessment by the total special benefit program costs.

⁵ "Owners' association" means a private nonprofit entity that is under contract with a city to administer or implement activities and improvements specified in the management district plan. See, Streets and Highways Code Section 36614.5.

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

Not only are the proposed program costs reasonable due to the benefit of group purchasing and contracting which would be possible through the Yerba Buena CBD, they are also considerably less than other options considered by the Yerba Buena CBD proponent group. The actual assessment rate for each parcel within the CBD directly relate to the level of service to be provided based on the respective lot size of each parcel.

Finding 5. From Section 4(a): “Parcels.....that are owned or used by any (public) agency shall not be exempt from assessment.....”

All publicly owned parcels shall receive benefits, commensurate with the assessments paid into the Yerba Buena CBD. There is no compelling evidence that publicly owned parcels do not benefit equally to privately owned parcels and, thus, will be assessed in the same manner and rates as private parcels in the CBD.

Finding 6. From Section 4(b): “All assessments must be supported by a detailed engineer’s report prepared by a registered professional engineer certified by the State of California”.

This report serves as the “detailed engineer’s report” to support the benefit property assessments proposed to be levied within the Yerba Buena CBD.

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

The individual and total parcel assessments attributable to special property benefits are listed on pages 4.5-4.49 in the Management District Plan. The District and resultant assessment payments will continue for seven years and may be renewed again at that time. The reasons (purposes) for the proposed assessments are outlined in Finding 2 above as well as in the Management District Plan. The calculation basis of the proposed assessment is attributed to the gross building area and street frontage for commercial properties; net building area for residential uses and linear street frontage for parking lots and freestanding non-committed parking. There are five Benefit Zones identified.

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Assessment Formula Methodology

Step 1. Select “Basic Benefit Unit(s)”

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

Based on the specific needs and corresponding nature of the program activities to be funded by the Yerba Buena CBD it is the opinion of this Assessment Engineer that the assessment factors on which to base assessment rates relate directly to the proportionate amount of building area and/or street frontage. Building area is targeted to generate approximately 65% of all revenues with street frontage targeted to generate about 35%. Further, Zone 1 is targeted to generate approximately 60% of the total revenue, Zone 2 approximately 30%, Zone 4 approximately 10% and Zones 3 and 5 about 1% each.

For commercial uses, the interactive application of building area and street frontage quantities are a proven method of fairly and equitably spreading special benefit costs to these primary beneficiaries (commercial uses) of CBD funded services, programs and improvements. Each of these factors directly relates to the degree of benefit each parcel will receive from CBD funded activities. Building area (gross) is a direct measure of the static utilization of each parcel and its corresponding impact or draw on CBD funded activities such as marketing/promotions, clean and safe, and, administration/contingency/reserves. In the opinion of this Assessment Engineer, the targeted weight of this factor, gross building area, should generate approximately 65% of the total CBD revenues.

It is noted that due to the nature of certain land uses, it is the finding of this Engineer that they will not benefit from certain programs and services that relate to building area, and thus will not be assessed for that assessment formula component. Land uses that will be exempt under this provision include:

- Non-profit/limited partnership or government owned affordable housing developments regulated by restricted covenants or regulatory agreements with a public agency;

- Parking areas not open to the public at large, dedicated to office or residential uses only, including parking spaces, vehicle ramps, and common areas;

- Non-profit operated social service office and service delivery space (not including square footage dedicated to ground floor commercial space or retail sales by a social service organization); and
- Religious places of worship.

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Street frontage is a direct measure, again, of the static utilization of each parcel and its corresponding impact or draw on CBD funded activities such as maintenance, areawide image and physical enhancement, and, administration/contingency/reserves. In the opinion of this Assessment Engineer, the targeted weight of this factor, street frontage, should generate approximately 35% of the total CBD revenues.

It is noted that ground floor commercial condominiums will be treated like independent “mini” commercial buildings and assessed based on their divided building area and the amount of direct street frontage towards the exterior of the building, if any, that they possess. Upper floor commercial condominiums will be assessed based only on their divided building area since they do not directly cover the hypothetical ground/land plane nor do they possess direct street frontage. This is not unlike other commercial buildings where ground floor retail/service spaces are typically triple net leases where assessments can be directly passed on to tenants by property owners via individual leases whereas upper office floors are typically gross leases where assessments are often absorbed by property owners, possibly until such time as leases are renegotiated.

Relative to residential uses in traditionally commercially zoned areas, more and more business districts are, by design and creative zoning, becoming cores of highly active mixed use new developments and/or adaptive re-use of antiquated under-utilized or formerly empty upper building spaces. These uses are no longer just an ancillary hidden stepchild but are instead a major stakeholder component with unique needs and impacts on the contemporary urban setting. While residents may indeed not benefit from traditional business related activities such as marketing/promotions and certain image campaigns targeting customers, they do require unique services on a more extensive 24/7 basis than even their commercial counterparts and have needs for special “residential neighborhood” oriented amenities. Since many of these residential units are either being built as, divided as, or converted to condominiums, the assessment methodology is different than for commercial assessments. In the opinion of this Assessment Engineer, the only factor logically that can be assessed for these residential uses is livable space (net building area per unit or complex) which is a measure of the impact and draw on CBD funded activities.

The “Basic Benefit Units” for commercial uses will be expressed as a combined function of commercial (gross) building square footage (Benefit Unit “A”) and commercial street frontage (Benefit Unit “B”). In addition, residential use assessments will be based on livable (net) building space square footage (Benefit Unit “C”). Based on the shape of the Yerba Buena CBD, as well as the nature of the District program elements, it is determined that all properties will gain a direct and proportionate degree of benefit based either on the respective amount of building size (net or gross) and/or street frontage within five benefit zones.

Step 2. Quantify Total Basic Benefit Units

Taking into account all identified benefiting properties and their respective assessable benefit units, there are within

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the CBD – 18,786,673 Benefit Units A, 56,980 Benefit Units B, and 1,471,518 Benefit Units C.

Step 3. Calculate Benefit Units for Each Property.

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

Step 4. Determine Assessment Formula

Based on the nature of the programs to be funded as well as other rationale outlined in Step 1 above, it has been determined that the Yerba Buena CBD assessments will be based on building area (net or gross) and street frontage within five benefit zones. The specific assessment values in each zone will be based on the primary land uses and service levels to be provided and their corresponding costs within each zone. Zone 1 will receive full services, Zone 2 moderate services, Zone 3 limited services, Zone 4 intense perimeter services and Zone 5 moderate perimeter services. Properties in Zone 1, 2 and 3 will be assessed on building area and street frontage while properties in Zones 4 and 5 will be assessed only on street frontage. Zone 2 rates will be approximately 65% of Zone 1 rates while Zone 3 will be approximately 30% of Zone 1 rates. Zone 4 street frontage rate will be approximately 3 times the Zone 1 street frontage rate while Zone 5 street frontage rate will be the same as the Zone 2 street frontage rate. The net building area rate for residential condominiums will be the same in all zones.

Zone 1 Assessment Formula Unit Costs:

(Benefit Unit "A-1") = \$0.076 /sq ft

(Benefit Unit "B-1") = \$15.30/LF

Zone 2 Assessment Formula Unit Costs:

(Benefit Unit "A-2") = \$0.045/SF

(Benefit Unit "B-2") = \$10.30/LF

Zone 3 Assessment Formula Unit Costs:

(Benefit Unit "A-3") = \$0.022/SF

(Benefit Unit "B-3") = \$5.20/LF

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Zone 4 Assessment Formula Unit Costs:

(Benefit Unit "A-4") = NA

(Benefit Unit "B-4") = \$38.40/LF

Zone 5 Assessment Formula Unit Costs:

(Benefit Unit "A-5") = NA

(Benefit Unit "B-5") = \$10.30/LF

Zone 1-5 Residential Condo Assessment Formula Unit Costs:

(Benefit Unit "C") = \$0.215

The assessment formula for commercial parcels and ground floor commercial condominiums is:

GROSS OR DIVIDED BUILDING AREA (SQ FT) x Benefit Unit A Rate +
STREET FRONTAGE (LIN FT) x Benefit Unit B Rate

The assessment formula for upper floor commercial condominiums is:

DIVIDED BUILDING AREA (SQ FT) x Benefit Unit A Rate

The assessment formula for commercial parcels with residential condominiums is:

NET LIVABLE BUILDING SPACE x Benefit Unit C Rate

Step 5. Estimate Total District Costs

The total District costs for Year 1 of the CBD are projected to be as shown in Table 3.1 on page 3.2 of the Management District Plan.

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

All benefits derived from the assessments outlined in the Management District Plan are for supplemental services, programs and improvements directly benefiting the property owners within this area. All CBD funded activities are provided solely to properties within the Yerba Buena CBD. All services will be delivered only within the boundaries and designed only for the direct special benefit of the assessed properties in the CBD. No services will be provided to

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non-assessed parcels outside the CBD boundaries.

Total program and activity costs are estimated at \$2,509,521. General benefits are factored at 5% of total (see Finding 2 on page 5 of this report) with special benefits set at 95%. Proposition 218 limits the levy of property assessments to costs attributed to special benefits only. The 5% general benefit cost is computed to be \$125,476 with a resultant 95% special benefit limit computed at \$2,384,045. *This is the maximum amount of revenue that can be derived from property assessments from the subject district in the first year.* This maximum may increase on an annual basis in subsequent years (years 2 through 7) to adjust for inflation by 5% as described in the Management District Plan. The total amount of revenue proposed to be derived from district assessments is \$2,384,045 for Year 1, which does not exceed the special benefit limit of \$2,384,045. Therefore, no Proposition 218 adjustments need to be made to the proposed assessment formula. Remaining costs which are attributed to general benefits will need to be funded from other sources. (e.g. public/private matching grants, startup grants, in-kind service contributions for district formation, startup volunteer credits or ongoing board member volunteer credits).

Step 7. Calculate “Basic Unit Cost”

With a Year 1 assessment revenue of \$2,384,045 (special benefit only), the Basic Unit Costs are shown above in Step 4. Since the CBD is being established for a seven year term, maximum assessments for future years (Years 2 through 7) must be set at the inception of the CBD. An annual flat inflationary rate increase of up to 5% may be imposed for Years 2-7. Therefore the maximum annual rates may not increase more than 5% of the previous year’s rates. The maximum annual assessment revenue for Years 1-7 is shown in Table 4-2 on page 4.51 of the Management District Plan.

Step 8. Spread the Assessments

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