

**NORTH OF MARKET/TENDERLOIN COMMUNITY
BENEFIT DISTRICT
MANAGEMENT DISTRICT PLAN
SAN FRANCISCO, CALIFORNIA**

*Formed Under California Streets and Highway Code Section 36600
Property Business Improvement District Act of 1994, Augmented by Article 15 San Francisco
Business and Tax Regulation Code, City and County of San Francisco*

FINAL PLAN

SUBMITTED TO:

**THE NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT
DISTRICT STEERING COMMITTEE;**

**THE PROPERTY OWNERS OF THE PROPOSED NORTH OF
MARKET/TENDERLOIN CBD**

AND

THE SAN FRANCISCO BOARD OF SUPERVISORS

PRESENTED BY:

MARCO LI MANDRI, NEW CITY AMERICA INC.

JUNE 1, 2005

**NORTH OF MARKET/TENDERLOIN/SAN FRANCISCO
COMMUNITY BENEFIT DISTRICT
MANAGEMENT DISTRICT PLAN
FINAL PLAN – JUNE 1, 2005**

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EXECUTIVE SUMMARY

The Tenderloin District of San Francisco is clearly one of the oldest and most heavily used districts in the entire Bay Area. It is the home to such a variety of land uses and community stakeholders, that it defies comparison to any community on the west coast. The Tenderloin is a community that has worked for years to improve itself. It has this awesome task since the Tenderloin can only change from within.

In so many ways, the Tenderloin is truly the heart of the great City of San Francisco.

After more than 9 months of work, we are happy to present to you this final Management District Plan for the North of Market/Tenderloin Community Benefit District, (CBD). We have entered the petition phase of demonstrating to the City and County of San Francisco that substantial support exists among property owners to trigger the mail balloting procedure for establishment of this district.

Over 60 community leaders and property owners have been involved in the process to investigate and form the North of Market/Tenderloin Community Benefit District since August 2004. The largest property owners, individual condo owners, business owners, the large non-profit housing owners, and reps from the tourism related industry as well as the Coalition on Homelessness, have all participated in the work of the Steering Committee. This has been a completely transparent process taking into account the great limitations as well as the needs of the wide spectrum of property owners and community stakeholders in the Tenderloin district.

At a meeting attended by over 30 community leaders and property owners, held on March 30th at the Original Joe's Restaurant, the North of Market/Tenderloin Community Benefit Steering Committee unanimously adopted the attached Management District Plan for the CBD. The plan had been developed over 1 ½ months of work by the Plan Task Force and was finally presented to the full CBD Steering Committee for its consideration and approval on March 30th.

The ultimate goal of the North of Market/Tenderloin CBD is to bring provide systematic cleaning and beautification services to all of the parcels in the historic Tenderloin district. Tenderloin has perhaps some of the most intensive and varied land uses in the City and the special needs of this community are addressed through this special services budget.

Most importantly, the funds generated by the North of Market/Tenderloin CBD will be controlled by the property owners and community members themselves. Provisions exist for the creation of a new non-profit management corporation whose sole function will be to administer the funds of the district, in order to maximize the special services called for this plan.

Location:	<p><u>Proposed Boundaries:</u></p> <ul style="list-style-type: none"> ▪ <i>O’Farrell</i>, North side/Jones to Taylor, South side/Larkin to Mason ▪ <i>Ellis</i>, Larkin to Mason; ▪ <i>Eddy</i>, Larkin to Mason; ▪ <i>Larkin</i>, O’Farrell to Turk (both sides) ▪ <i>Turk</i>, Larkin to Mason ▪ <i>Golden Gate Ave.</i>, Larkin to Taylor; ▪ <i>McAllister</i>, Larking to Jones ▪ <i>United Nations Plaza</i>, Hyde to Leavenworth; ▪ <i>Grove Street</i>, Hyde to Market; ▪ <i>Market Street</i>, Mason to Hyde (north side only) ▪ <i>Hyde</i>, O’Farrell to McAllister; ▪ <i>Leavenworth</i>, O’Farrell to Market St.; ▪ <i>Jones</i>, O’Farrell to Market St.; ▪ <i>Taylor</i>, O’Farrell to Market St.; ▪ <i>Mason</i>, O’Farrell to Market St. (west side only)
Services:	<ol style="list-style-type: none"> 1. Public Rights of Way and Sidewalk Operations; 2. District Identity (District Identity and Streetscape Improvements, plus Marketing and Promotions) 3. Administration/Corporate Operations 4. Contingency/Reserve
Method of Financing:	Benefit based special assessments levied on properties within the district.
Assessment:	<p>The <i>annual assessment</i> rate for properties is equal to:</p> <p>\$0.12500 per square foot of <i>lot size</i>, plus \$ 8.25 per <i>linear foot of lot frontage</i>, plus \$ 0.03 per square foot of non-exempted <i>building area</i></p>
Annual Budget:	The first year annual budget for the district is \$ 981,487.00 which includes special benefit assessments and general benefit contributions from the City and County of San Francisco
Annual Increase:	Year 2 – 15 assessments may increased by the Bay Area Consumer Price Index (CPI) for all urban consumers, not to exceed 5% annually.
City Services:	The San Francisco Board of Supervisors, by adopting this Plan, will confirm its intention to ensure a baseline level of services equivalent to the level that is being provided elsewhere in similar areas of the City.
Formation:	District formation requires submission of petitions from property owners representing at least 30% of the total assessments. Once the petitions have been submitted, the Board of Supervisors will adopt a Resolution of Intent to establish the district and mail out ballots to all affected property owners. The district is formed if the weighted majority of returned ballots support the district formation.
Duration:	The district will have a 15-year life.

A. NORTH OF MARKET/TENDERLOIN COMMUNITY BENEFIT DISTRICT BOUNDARIES

The North of Market/Tenderloin CBD will deliver special benefit services to 605 parcels in the North of Market/Tenderloin's boundaries. The addresses of the properties included in the district are as follows:

<i>Street</i>	<i>Address Series</i>
Dale Place	15
Eddy Street	128 - 620
Ellis Street	225 - 899
Felton Street	1 - 98
Golden Gate Avenue	101 - 399
Hamilton St.	1
Hyde Street	101 - 469
Jones Street	1 - 520
Larkin Street	324 - 798
Leavenworth	60 - 434
Market Street	950 - 1182
Mason Street	19 - 151
McAllister Street	44 - 290
O'Farrell	401 - 815
Taylor Street	1 - 405
Turk Street	2 - 500
United Nations Plaza	10

A map showing the district boundaries is shown in the following pages.

A. SERVICE PLAN AND BUDGET

Service Plan

The North of Market/Tenderloin CBD Steering Committee conducted a mail survey of all property owners in the district in November – January. The purpose of the survey was to ascertain the level of support for the creation of this special benefits district and to identify the services that were desired by property owners. Additionally, meetings of the North of Market/Tenderloin CBD Steering Committee were held to review the survey findings and to get additional input from property owners, merchants and residents. The following services were identified as the top priorities for the district:

Special Benefit Services Proposed to be Funded:

PUBLIC RIGHTS OF WAY AND SIDEWALK OPERATIONS: (Examples include but are not limited to)

- Sidewalk and gutter sweeping, (6 - 7 days per week);
- Quarterly sidewalk steam cleaning and disinfecting;
- Spot steam cleaning and disinfecting as necessary;
- *Safe passage* programs for children and seniors;
- Beautification;
- Decorations;
- Enhanced trash emptying in the public rights of way;
- Graffiti removal, within 24 hours;
- Installation and maintenance of banners and/or decorations;
- Special teams/counselors dealing with social service issues;
- Tree and plant maintenance and planting;
- Possible maintenance of publicly funded, community bathrooms and showers;
- Equipment, supplies, tools;
- Vehicle maintenance and insurance;
- Maintenance personnel and supervisor costs;

DISTRICT IDENTITY AND STREETScape IMPROVEMENTS/D.I.S.I. (Examples include, but are not limited to)

- Special events;
- Web site;
- Pedestrian kiosks;
- Marketing and Promotions;
- Enhanced beautification;
- Development and distribution of a Tenderloin walking map;
- UN Plaza and maintenance of park enhancements;
- Public space development and maintenance;

ADMINISTRATION AND CORPORATE OPERATIONS: (Examples include, but are not limited to)

- Staff and administrative costs;

- Insurance;
- Office related expenses;
- Financial reporting, compliance with the City, tax filings;
- Communications;
- Repayment of District formation costs; (\$15,000 first year)
During the first year of operation, up to \$15,000 in formation costs may be repaid to the organizations that funded the formation efforts for actual expenditures for the costs of preparing this plan and the engineer's report consistent with Article 1511 (d) of the BID Procedure Code, City and County of San Francisco.

CONTINGENCY/RESERVE: (Examples include, but are not limited to)

- Delinquencies;
- Reserves;
- Repayment of Formation costs (\$15,000 first year)
During the first year of operation, up to \$15,000 in formation costs may be repaid to the organizations that funded the formation efforts for actual expenditures for the costs of preparing this plan and the engineer's report, consistent with Article 1522(d) of the BID Procedure Code, City and County of San Francisco.

Service Plan Operating Budget

The service plan budget has been developed to provide the services identified as the highest priorities to the stakeholders in the North of Market/Tenderloin CBD area. The initial annual operating budget for the North of Market/Tenderloin CBD is estimated at \$981,487.00. A breakdown of this budget is included in the table below. Of the total service plan budget, 95% of the revenues or \$ 932,413.00, will be generated from the special benefit assessments. The remaining 5%, or \$ 49,074.00, will be generated from other sources.

TABLE 1A

<i>Special Benefit to be funded</i>	<i>% of 1st year budget</i>	<i>Annual first year costs</i>
Public Rights of Way and Sidewalk Operations	76%	\$ 749,074.00
District Identity and Streetscape Improvements	5%	\$ 45,000.00
Administrative/Corporate operations	12%	\$ 120,000.00 (May include repayment of up to \$ 15,000 in formation costs during first year for actual expenditures for the cost of preparing this plan and the engineer's report consistent with Article 1511 (d) of the San Francisco BID Procedure Code)
Contingency/Reserve	7%	\$ 67,413.00 (May include repayment of up to \$ 15,000 in formation costs during first year for actual expenditures for the cost of preparing this plan and the engineer's report consistent with Article 1511 (d) of the San Francisco BID Procedure Code)
Total, Special and General Benefits	100%	\$ 981,487.00

Issuance of Bonds or Debt Service:

No bonds, nor related bond indebtedness will be issued.

C. ASSESSMENTS AND ASSESSMENT METHODOLOGY

Calculation of Assessments

There are four property variables that are to be used in determining individual assessments. These factors are 1) linear frontage (sidewalk frontage), 2) land area/lot size, 3) building square footage, and 4) building use. There is a total of 3,009,644 square feet in gross lot size, 39,271 feet in linear frontage and 7,740,734 in building square footage (*which accommodates discounts in building square footage to churches, non-profit organizations, affordable housing and rent controlled residential land uses*).

The assessment will be calculated as follows:

$$\begin{aligned}
 & \textbf{TOTAL PROPERTY ASSESSMENT} = \\
 & \textbf{\$0.125 per square foot of lot size} + \textbf{\$ 8.25 per linear foot of lot frontage} + \\
 & \textbf{\$ 0.03 per square foot of non-exempted building area}
 \end{aligned}$$

Under the proposed assessment methodology, a 5,000 square foot lot, with 50 feet of frontage and 4,000 square feet of *non-exempted building* would yield an annual assessment for the North of Market CBD of

$$\begin{aligned} 5,000 \times .125 &= \$ 625.00 \text{ in lot size} \\ 50 \times \$ 8.25 &= \$ 412.50 \text{ in linear frontage, and} \\ 4,000 \times \$.0300 &= \underline{\$ 120.00} \text{ in building square footage (non-exempted)} \end{aligned}$$

or a total assessment of: \$ 1,157.00 per year

This assessment methodology has been endorsed by the CBD Steering Committee as the most fair and equitable for apportionment of assessments to participating parcels. Linear frontage will be assessed on all sides, (fronting the public rights of way), lot size will be assessed based upon the data from the City and County of San Francisco; and the building square footage will be determined by field survey, data from the City and County of San Francisco, and consideration of exempted building uses.

Different special benefit services will have their costs apportioned to the different property variables. For example, sidewalk sweeping, sidewalk steam cleaning, tree maintenance, graffiti removal and other services performed within the public rights of way will be apportioned to a combination of linear frontage and lot size. District Identity and Streetscape Improvements (DISI), Administration and Contingency will be apportioned to non-exempted building uses.

Building Uses in District

- Each Parcel and its building use has been categorized in the district. Some Special Benefit Services are allocated to specific building uses, other building uses are exempt from payment into that specific service, based upon anticipated benefit. The North of Market/Tenderloin CBD Steering Committee has determined that specific building uses will have their building square footage discounted from the overall assessment if the uses include churches, non-profit organizations, affordable housing and rent- controlled residential land uses. Those parcel's assessments would be limited to their lot size and linear footage, and any building use related to commercial uses only. This does not apply to educational institutions. If the properties are converted to for-profit enterprises in the successor years, their market rate building square footage will be added to the database and they will be subsequently re-assessed on its new building square footage. These discounts in building square footage would only affect the DISI, Administration and Contingency components of the budget, with all parcels, regardless of use, contributing equally to the Public Rights of Way Maintenance component of the Special Services budget.

Building Use Categories

Building Use Code	Description of Use
A	Retail space, hotels, motels, visitor related
B	Office and Commercial uses, free standing parking structures
C	Industrial/Manufacturing/Distribution
D	Institutional (City, County, School, public utility, parks, etc.)
E	Church, non-profit, tax-exempt, affordable housing, rent-controlled housing
F	Multi-unit housing, condos, apartments (market rate)
G	Non-functional building structures

TOTAL FIRST YEAR NORTH OF MARKET/TENDERLOIN C.B.D. SERVICES BUDGET
LINE ITEMS BASED UPON SUGGESTED PROGRAMS AND ALLOCATIONS

SERVICE OR CATEGORY OF SPECIAL BENEFIT TO BE FUNDED	ESTIMATED FIRST YEAR COST	% OF TOTAL FIRST YEAR BUDGET	APPORTIONED TO SPECIFIC PROPERTY VARIABLE
Public Rights of Way and Sidewalk Operations	\$ 749,074.00	76%	From revenues generated from all lot size and linear frontage in the district
District Identity and Streetscape Improvements	\$ 45,000.00	5%	100% to Building Square Footage (not including building use exemptions)
Administration and Corporate Operations, including Repayment of Formation Costs	\$ 120,000.00	12%	100% to Building Square Footage (not including building use exemptions)
Contingency/Reserve, including Repayment of Formation Costs	\$ 67,413.00	7%	100% to Building Square Footage (not including building use exemptions)
Total, Special and General Benefits	\$ 981,487.00	100%	

Publicly Owned Parcels and Government Assessments:

The North of Market/Tenderloin Community Benefit District Steering Committee assumes that the City and County of San Francisco, the DPW or any of the City and County’s agencies, the State of California and any other publicly owned parcels, will pay assessments for the special benefits conferred upon government owned property within the boundaries of the CBD. Article XIII D(4) of the California Constitution, (Proposition 218), explains the basis for assessing publicly owned parcels:

“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 Assessments unless the agency can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit.”

Exemptions:

Consistent with Article XIID of the State Constitution, (Proposition 218), it has been determined that all parcels within the proposed district will derive special benefits from the district. Therefore, no parcels will be exempted from payment, regardless of use or ownership.

Annual Assessment Increases

Assessments may increase annually for inflation which will not exceed the lesser of 5% or the Bay Area Consumer Price Index (CPI). This assessment increase can only be initiated by the North of Market/Tenderloin non-profit management corporation.

The annual budgets below assume a 5% percentage maximum increase in overall assessments revenues collected per year. This is the maximum allowable increase based upon this plan.

<i>Year of Operation</i>	<i>Total Budget</i>	<i>Year of Operation</i>	<i>Total Budget</i>
2006	\$ 981,487.00	2014	\$ 1,450,102.00
2007	\$ 1,030,561.00	2015	\$ 1,522,607.00
2008	\$ 1,082,089.00	2016	\$ 1,598,738.00
2009	\$ 1,136,193.00	2017	\$ 1,678,675.00
2010	\$ 1,193,003.00	2018	\$ 1,762,608.00
2011	\$ 1,252,653.00	2019	\$ 1,850,739.00
2012	\$ 1,315,286.00	2020	\$ 1,943,276.00
2013	\$ 1,381,050.00		

D. TIME AND MANNER OF COLLECTING ASSESSMENTS

The North of Market/Tenderloin Community Benefit District, will appear as a separate line item on the annual property tax bills prepared by San Francisco County tax collector. Payment of Property Taxes is due on November 1 and February 1, with the bill becoming delinquent at the close of business December 10 and April 10, respectively. The total bill may be paid with the first installment. The San Francisco Tax Collector shall distribute the assessments collected by the City and County of San Francisco to the management corporation.

E. NUMBER OF YEARS ASSESSMENTS WILL BE LEVIED

This North of Market/Tenderloin CBD *will be established for the maximum term of fifteen years.* The maximum term allowable is proposed due to the need for ample time for revitalization, creating well-designed public spaces, developing solid programs for strengthening the image of the area, as well as attracting new businesses to the business community. The district will also need the full 15-year term to develop annual special events, design and construct public spaces and public art, as well as implement tree planting and maintenance programs.

The district would commence operations January 1, 2006 and expire on December 31, 2020, unless disestablished.

Disestablishment:

Each year that the North of Market/Tenderloin CBD is in existence, there will be a 30-day period during which the property owners will have the opportunity to request disestablishment of the district. This 30-day period begins each year on the anniversary date that the district was first established by the Board of Supervisors. Within that 30-day period, if a written petition is submitted by the owners of real property who pay 50% or more of the assessments levied, the CBD may be disestablishment by the Board of Supervisors. The Board of Supervisors, with a supermajority of eight members, may initiate disestablishment procedures at any time and need not make findings of bad actions by the designated management corporation.

If there is debt outstanding, the district cannot be disestablished until all of the debt has been repaid. All financial obligations in the form of bonds (there are no bonds associated with this district), or loans for capital improvements, must be paid off before the district can be disestablished.

F. TIMELINE FOR IMPLEMENTATION AND COMPLETION OF MANAGEMENT DISTRICT PLAN

The timeline for formation and completion of the North of Market/Tenderloin CBD and management plan is as follows:

<i>Task</i>	<i>Time task is anticipated to be, or was completed</i>
Present North of Market/Tenderloin CBD Steering Committee, meet to look at 1st draft Management District Plan	March
Approve Management District Plan by Steering Committee	March 30th
Mail out Management District Plan and petition endorsing plan to affected North of Market/Tenderloin property owners	Mid April
Submit minimum 30% weighted petitions endorsing plan and their related assessments to the Mayor's office of Economic and Workforce Development	Early May
Ballots distributed by mail to property owners upon Resolution of the Board of Supervisors	Early June
Ballots due, public hearing, ballots counted, district formed	Late July
Management Corporation created by North of Market/Tenderloin CBD Steering Committee, papers filed with Secretary of State and IRS and other government agencies	August – November
First assessments paid	December
First installment of assessments transferred from City to North of Market/Tenderloin CBD Management Corporation to begin district operations	January 2006

G. PROPOSED RULES AND REGULATIONS TO APPLIED TO THE DISTRICT

Management of the District:

The non-profit management corporation make-up for this CBD must make accommodations for the participation of all stakeholders paying into the district, as well as taking into account that at least 20% of the Board seats must be set aside for non-property owners, (Article 15, Section 1511 (f) of the San Francisco Business Tax and Regulations Code). Once the district has been established, the North of Market/Tenderloin CBD Steering Committee will continue its work to write the bylaws and register the new non-profit corporation. *The Steering Committee will be open to all community stakeholders interested in developing the rules and regulations of the new management corporation, whose sole function would be to manage the district and allocate the assessment district funds consistent with the plan.*

The management corporation will be a non-profit corporation with provision for election or appointment of board members based upon the various land uses, location and weight within the district. The board will serve as a volunteer Board of Directors, however may have paid staff to implement the programs as outlined in the plan. The North of Market/Tenderloin CBD is cognizant of the need to have this management corporation as transparent as possible and responsive to the various sectors of this community.

The management corporation shall aim to meet the following operational objectives for the North of Market/Tenderloin CBD:

- *Create and manage programs that best respond to the top priorities of North of Market/Tenderloin CBD stakeholders;*
- *Maximize coordination of the City/County government to avoid duplication of services and to leverage resources;*
- *Deliver services through a cost-effective, non-bureaucratic and easy to access organizational structure;*
- *Provide accountability and responsiveness to those who pay.*

The management corporation may establish rules and regulations that uniquely apply to the district. A few initial rules and regulations will be employed by the North of Market/Tenderloin CBD management corporation in the administration of the district.

Competitive Bidding:

Following the formation of the district, the management corporation board shall consider developing a policy for competitive bidding as it pertains to contracted services for the North of Market/Tenderloin CBD. The policy will aim to maximize service quality, efficiency and cost effectiveness.

Conflict of Interest:

Any board member of the North of Market/Tenderloin CBD management corporation shall recuse themselves from any vote in which a potential financial conflict of interest is apparent. Such potential conflicts include, but are not limited to, prioritizing capital improvement projects which result in special benefit to specific property owners, prioritization of services to benefit a particular owner or group of owners, hiring or selecting the relatives of board members.

Open Door Policy:

Meetings of the management corporation board shall be open to the public. Annual budgets and financial reports shall be submitted to the board members and to the Board of Supervisors for approval.

H. LIST OF ASSESSED PROPERTIES

See appendix A

I. CONTINUATION OF CITY SERVICES

Throughout the process of establishing the new North of Market/Tenderloin CBD, business and property owners have voiced concerns that the City and County of San Francisco maintain existing services at verifiable “baseline” service levels. The San Francisco Board of Supervisors, by adopting this Plan, will confirm its intention to ensure a baseline level of services equivalent to the level that is being provided elsewhere in similar areas of the City