

Japantown Community Benefit District

Management District Plan



City and County of San Francisco, California

April 2017

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

**JAPANTOWN
Community Benefit District
Management District Plan**

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SECTION 1: EXECUTIVE SUMMARY

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

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

Summary Management Plan

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

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

	<p>opportunities.</p> <ul style="list-style-type: none"> - Marketing to promote a positive image of Japantown as a regional destination, and services aimed at attracting a cultural consumer base, quality commercial, retail and office tenants, and private investment. <p><u>Administration/Reserve:</u> A full time professional district coordinator will manage all initiatives, maintain ongoing communications with the JTCBD Advisory Committee and district property owners and provide leadership through research and community education to represent the community with one clear voice. Funds are also budgeted for administrative support for the district and a budget reserve.</p>																														
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Method of Financing	Levy of assessments upon real property that benefit from improvements and activities.																														
Assessments	<p>Annual assessments are based upon an allocation of program costs and a calculation of lot square footage, building square footage plus linear street frontage as well as land use type. Estimated annual maximum assessment rates for the first year of the district follow:</p> <table border="1"> <thead> <tr> <th>Assessment Rates</th> <th>Per Sq.Ft. of Lot + Building</th> <th>Per Linear Foot</th> </tr> </thead> <tbody> <tr> <td>All Parcels, except Non-Profit Parcels</td> <td>\$0.1477</td> <td>\$38.0166</td> </tr> <tr> <td>Non-Profit Parcels</td> <td>\$0.0739</td> <td>\$19.0083</td> </tr> </tbody> </table>	Assessment Rates	Per Sq.Ft. of Lot + Building	Per Linear Foot	All Parcels, except Non-Profit Parcels	\$0.1477	\$38.0166	Non-Profit Parcels	\$0.0739	\$19.0083																					
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City Services	The City of San Francisco has established and documented the base level of pre-existing City services. The JTCBD will not replace any pre-existing general City services.																														

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

SECTION 2: JTCBD BOUNDARY

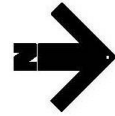
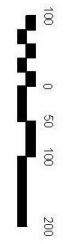
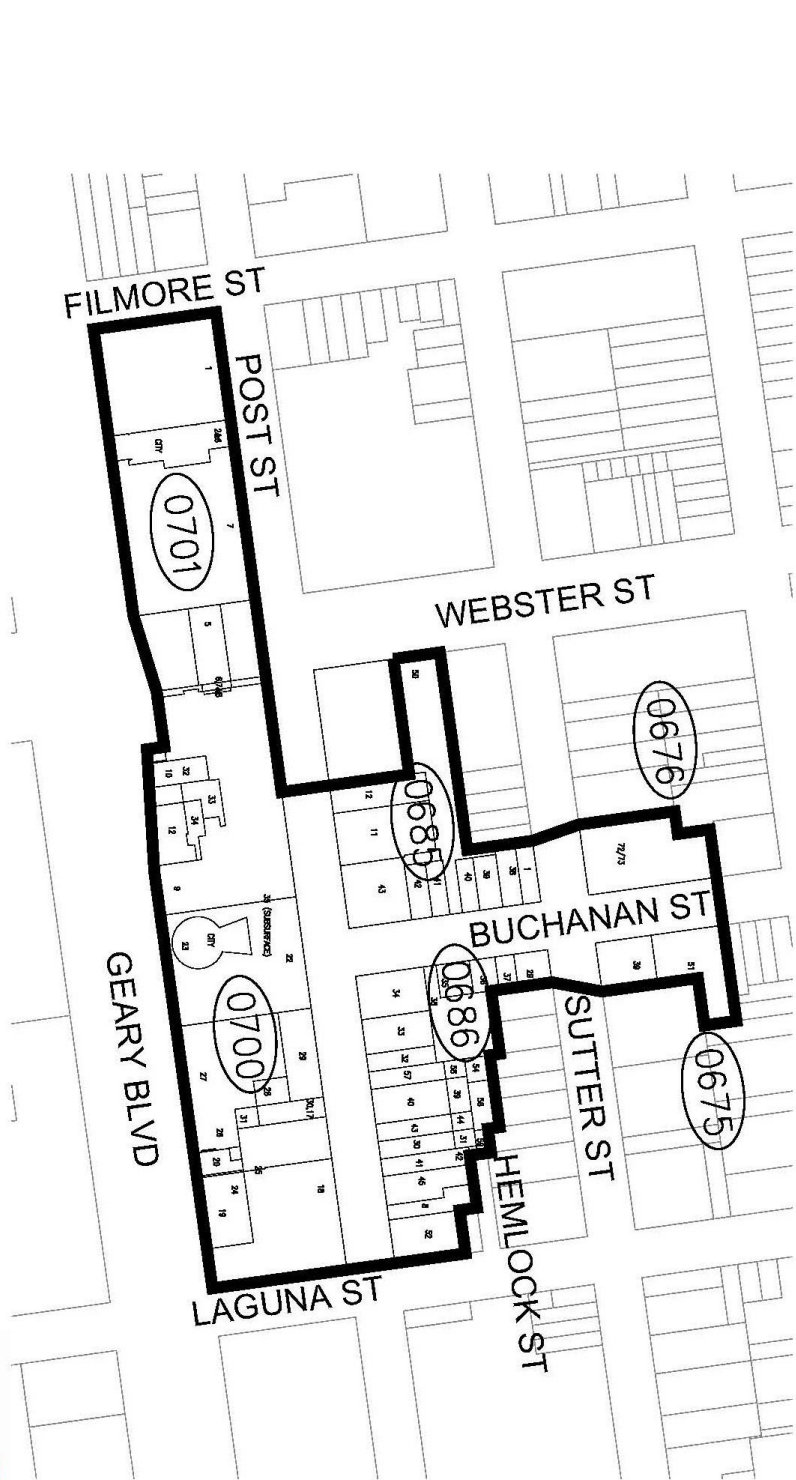
JTCBD Boundary

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

Specifically, the district boundary is as follows:





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

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



PROPOSED BOUNDARIES OF
JAPANTOWN COMMUNITY BENEFIT DISTRICT,
CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA
SHEET 1 OF 1

LEGEND

	CBD Boundary
	District Parcel
	Block Number
	Lot Number



SECTION 3: JTCBD ACTIVITY AND IMPROVEMENT PLAN

Background and Feasibility

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

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

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

Environmental Enhancements

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

Safety Ambassadors

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



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

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

Clean Team Program:

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



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

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

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

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

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

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

Beautification

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

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



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

Economic Enhancements

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

Business Liaison

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

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

Destination Marketing

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

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

Communication

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

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

Advocacy, Administration and Reserve

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

SECTION 4: JTCBD ASSESSMENT BUDGET

2018 JTCBD Assessment Budget

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

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

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

Budget Adjustments

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

10-Year Maximum Inflation Budget

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

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

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

Future Development

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

SECTION 5: PUBLIC SECTOR PARTICIPATION

Existing City Services

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

Rationale for Public Property Assessments

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

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

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

APN	Owner Name	Site Address	PARCEL ASSMT
0700 022	Recreation & Park Department	Peace Plaza	\$15,839.13
0700 023	Recreation & Park Department	Peace Plaza	\$960.28
0700 035	City & County of SF Real Estate Div.	Garage	\$52,017.36
TOTAL:			\$68,816.77

SECTION 6: ASSESSMENT METHODOLOGY

General

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

Assessment Factors

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

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

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

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

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

Special Benefit Analysis

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

Streets and Highways Code Section 36601(e) states that "Property and business improvement districts formed throughout this state have conferred special benefits upon properties and businesses within their districts and have made those properties and businesses more useful by providing the following benefits: (1) Crime reduction. A study by the Rand Corporation has confirmed a 12-percent reduction in the incidence of robbery and an 8-percent reduction in the total incidence of violent crimes within the 30 districts studied. (2) Job creation. (3) Business attraction. (4) Business retention. (5) Economic growth. (6) New investments."

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

The CBD will provide special benefits in the form of:

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

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

Safety

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

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

Maintenance and Beautification

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

Economic Development

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

Special Benefit Conclusion

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

General Benefit Analysis

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

General Benefit to Parcels Inside the Japantown CBD

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

General Benefit to Parcels Outside of the Japantown CBD

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

General Benefit to the Public At Large

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

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

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

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

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

Total General Benefits

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

Assessment Calculation

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

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

Calculation of Assessments

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

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

Sample Parcel Assessment

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

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

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

Property Use Considerations

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

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

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

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

Annual Assessment Adjustments

Budget Adjustment

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

Time and Manner for Collecting Assessments

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

Disestablishment

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

Duration

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

Bond Issuance

No bonds will be issued to finance improvements.

SECTION 7: JTCBD GOVERNANCE

Board of Supervisors

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

JTCBD Governance

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

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

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

SECTION 8: IMPLEMENTATION TIMELINE

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

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

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

Attachment A

**Japantown
Community Benefit District**

Engineer's Report



San Francisco, California
April 2017

Prepared by:
Kristin Lowell Inc.

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

The duration of the proposed JTCBD is ten (10) years, commencing January 1, 2018. An estimated budget for the JTCBD improvements and activities is set forth in Section D. Assessments will be subject to an annual increase of up to 3% per year as determined by the Owners' Association. Assessment increases must stay between 0% and 3% in any given year. Funding for the JTCBD improvements and activities shall be derived from a property-based assessment of each specially benefitted parcel in the JTCBD. A detailed description of the methodology for determining the proportional special benefit each individual assessable parcel receives from the service and the assessment for each parcel is set forth in Section F.

I hereby certify to the best of my professional knowledge that each of the identified assessable parcels located within the JTCBD will receive a special benefit over and above the benefits conferred to those parcels outside of the JTCBD 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 JTCBD. The purpose of the JTCBD 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 JTCBD are over and above those already provided by the City within the JTCBD's boundaries. Each of the JTCBD 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...²

"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.³*

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 determined in relationship to the entirety of the capital cost of a public improvement, the

² California Streets and Highways Code, Section 36610.

³ California Streets and Highways Code, Section 36613.

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 California.⁴

"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."⁵

Judicial Guidance

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

"The engineer's report describes the services to be provided by the JTCBD [i.e. the JTCBD]; (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 JTCBD. And they are particular and distinct benefits to be provided only to the properties within the JTCBD, 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."⁶

"...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."⁷

"...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."⁸

"...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 benefits, however slight, can be deducted from the amount of the cost assessed against specially benefitting properties."⁹

⁴ Section 4, Article XIIIID of the State Constitution.

⁵ Section 2 (i), Article XIIIID of the State Constitution.

⁶ Dahms v. Downtown Pomona Property and Business Improvement District (2009) 174 Cal.App. 4th 708, 722.

⁷ Beutz v. County of Riverside (2010) 184 Cal. App. 4th 1516, 1532.

⁸ Golden Hill Neighborhood Association, Inc. v. City of San Diego (2011) 199 Cal.App. 4th 416, 438.

⁹ Golden Hill Neighborhood Association, Inc. v. City of San Diego (2011) 199 Cal.App. 4th 416, 439.

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

SECTION B: IMPROVEMENTS AND ACTIVITIES

The Japantown CBD Steering Committee collectively determined the priority for improvements and activities that the JTCBD will deliver. The primary needs as determined by the property owners are Environmental Enhancements such as Clean and Safe programs, and Economic Enhancements such as marketing and business support. Specifically, the Japantown CBD shall provide the following activities.

Environmental Enhancements

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

Safety Ambassadors

The Safety Ambassadors will provide security services for the individual assessed parcels located within the District in the form of patrolling personnel, nighttime patrol and ambassadors. The purpose of the Safety Ambassadors is to prevent, deter and report illegal activities taking place on the streets, sidewalks, storefronts, public spaces, and parking lots. The presence of the Safety Ambassadors is intended to deter illegal activities such as public urination, indecent exposure, trespassing, drinking in public, prostitution, illegal panhandling, illegal vending, and illegal dumping. The Ambassadors act as the “eyes and ears” on the street and will supplement, not replace, other ongoing police, security and patrol efforts within the District. The Safety Ambassadors will maintain communication with the San Francisco Police Department area patrols and report illegal activities to them.

Clean Team Program:

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

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

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

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

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

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

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

Beautification

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

- Design and installation of flowering planters and baskets
- Directional/wayfinding signage or themed signage
- Street furniture and amenities, such as benches, kiosks and lighting
- Design and installation of art and decorative elements
- Holiday décor or tree lighting
- Bicycle racks and other hardware
- Urban design and/or planning services to advance beautification efforts
- Other cosmetic enhancements that improve the JTCBD's appearance.

Economic Enhancements

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

Business Liaison

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

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

Destination Marketing

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

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

Communication

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

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

Advocacy, Administration and Reserve

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

SECTION C: BENEFITTING PARCELS

Overall Boundary

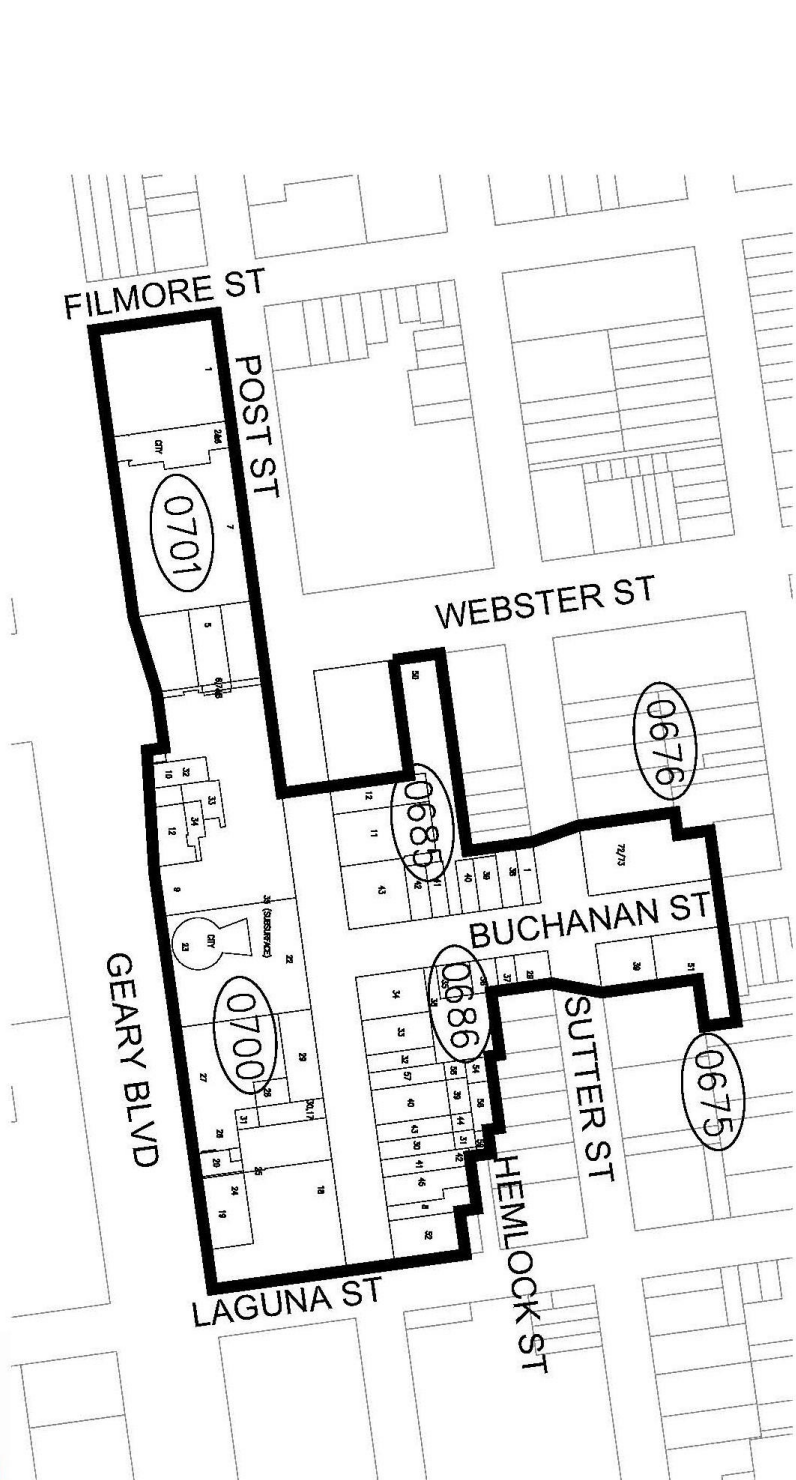
Article XIIID Section 4(a) of the State Constitution requires that the authorizing agency "Identify all parcels which will have a special benefit conferred upon them and upon which an assessment will be imposed."

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

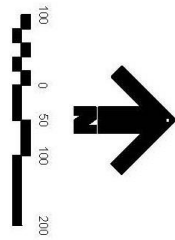
Specifically, the district boundary is as follows:

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





A map of the proposed district boundary is provided on the following page and Attachment A, the Assessment Diagram is attached as a separate document.



PROPOSED BOUNDARIES OF
 JAPANTOWN COMMUNITY BENEFIT DISTRICT,
 CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA
 SHEET 1 OF 1



LEGEND

	CBD Boundary
	District Parcel
	Block Number
	Lot Number

SECTION D: PROPORTIONAL BENEFITS

Methodology

Article XIIID Section 4(a) of the State Constitution states that “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 special benefit among the parcels of real property within the proposed assessment district which benefit from the proposed improvements, services, and activities is the result of a four-step process:

1. Defining the proposed activities,
2. Determining which parcels specially benefit from the proposed activities,
3. Determining the amount of special benefit each parcel receives,
4. Quantifying the amount of general benefit the JTCBD activities may provide,
5. Determining the proportional special benefit a parcel receives in relation to the amount of special benefit all other parcels in the JTCBD receive.

Each identified parcel within the Japantown CBD 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 JTCBD services, each parcel will be assessed a rate which is commensurate with the amount of special benefits received.

Special Benefit Factors

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

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

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

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

Property Use Considerations

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

Nonprofit Properties: Properties that are exempt from property tax, including educational and governmental institutions, and nonprofit organizations (e.g. faith-based, low income housing, cultural, community services, etc.), will not benefit from increased commercial activity resulting from JTCBD services and thereby will receive reduced benefits from JTCBD services. An owner of real property located within the JTCBD boundaries may reduce their assessment 50% if ALL of the following conditions are met:

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

If ALL of these conditions are met, the amount of the JTCBD assessment to be levied will be for one-half (50%) of the JTCBD services.

New assessments for a Change in Land Use: If any parcel within the JTCBD changes land use during the life of the JTCBD, it will be subject to the assessment rate consistent with the assessment methodology for the new land use.

SECTION E: SPECIAL and GENERAL BENEFITS

State Law, Proposition 218, and judicial opinions require that assessments be levied according to the estimated special benefit each assessed parcel receives from the activities and improvements. Article XIID Section 4(a) of the California Constitution in part states that “only special benefits are assessable,” which requires that we separate the general benefits, if any, from the special benefits provided by the proposed activities and improvements.

As of January 1, 2015, the State Legislature amended the State Law to clarify and define both special benefit and general benefit as they relate to the improvements and activities these districts provide. Specifically, the amendment (Section 36615.5 of the Streets and Highways Code) defines special benefit as follows: “Special benefit’ means, for purposes of a property-based district, a particular and distinct benefit over and above general benefits conferred on real property located in a district or to the public at large. Special benefit includes incidental or collateral effects that arise from the improvements, maintenance, or activities of property-based districts even if those incidental or collateral effects benefit property or persons not assessed.”

In addition, the amendment (Section 36609.5 of the Streets and Highways Code) defines general benefit as follows: “General benefit’ means, for purposes of a property-based district, any benefit that is not a ‘special benefit’ as defined in Section 36615.5.”

Furthermore, the amendment (Section 36601(h)(2)) states: “Activities undertaken for the purpose of conferring special benefits upon property to be assessed inherently produce incidental or collateral effects that benefit property or persons not assessed. Therefore, for special benefits to exist as a separate and distinct category from general benefits, the incidental or collateral effects of those special benefits are inherently part of those special benefits. The mere fact that special benefits produce incidental or collateral effects that benefit property or persons not assessed does not convert any portion of those special benefits or their incidental or collateral effects into general benefits.”

Special Benefit Analysis

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

Streets and Highways Code Section 36601(e) states that “Property and business improvement districts formed throughout this state have conferred special benefits upon properties and businesses within their districts and have made those properties and businesses more useful by providing the following benefits: (1) Crime reduction. A study by the Rand Corporation has confirmed a 12-percent reduction in the incidence of robbery and an 8-percent reduction in the total incidence of violent crimes within the 30 districts studied. (2) Job creation. (3) Business attraction. (4) Business retention. (5) Economic growth. (6) New investments.”

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

The CBD will provide special benefits in the form of:

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

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

Safety

The enhanced safety activities make the area more attractive for businesses, customers, residents, and ultimately private investment. When business location decisions are made, "lower levels of public safety lead to increased uncertainty in decision making and can be perceived as a signal of a socio-institutional environment unfavorable for investment. Uncertainty affects the investment environment in general. But in particular, it increases the fear of physical damage to investment assets (or to people) or their returns...Almost universally, places with lower crime rates are perceived as more desirable".¹⁰ Once economic investment occurs within the district, pedestrian traffic and commercial activity will increase. The special benefit to assessed parcels from these services is the likelihood of increased lease rates and tenant occupancy due to the increase of commercial activity, and an increase in customers that follow from having a safer environment.

Maintenance and Beautification

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

Economic Development

The economic development activities will specially benefit each assessed parcel by encouraging business development and investment. This generates customer traffic which directly relates to increases in commercial activity including residential serving businesses,

¹⁰ "Accelerating economic growth and vitality through smarter public safety management" IBM Global Business Services Executive Report, September 2012, pg. 2

filling of vacant storefronts and offices, and ultimately increased lease rates for retail and office space.

Special Benefit Conclusion

Based on the special benefits each assessed parcel receives from the JTCBD activities, we concluded that each of the proposed activities provides special benefits to the real property within the district, and that each parcel's assessment is proportionate to the special benefits received.

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

General Benefit Analysis

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

General Benefit to Parcels Inside the Japantown CBD

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

General Benefit to Parcels Outside of the Japantown CBD

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

General Benefit to the Public At Large

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

To calculate the general benefit to the public at large may receive we determine the percentage

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

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

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

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

Total General Benefits

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

SECTION F: COST ESTIMATE

2018 Operating Budget

The Japantown CBD's operating budget takes into consideration:

1. The improvements and activities needed to provide special benefits to each individual parcel within the Japantown CBD 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).

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

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

Budget Adjustments

- Annual assessment rates may increase no more than 3% per year, consistent with the increase in consumer price index (CPI) and/or other increases in program costs. The determination of annual adjustments in assessment rates will be subject to the review and approval of the board of the Owners Association.
- Revenues for Environmental Enhancements and Economic Enhancements service categories may be reallocated amongst each other from year to year based upon district needs and budgets developed by the Owners' Association. The reallocation between these two service categories shall not exceed 10% per year based on the initial year's budget estimate.

10-Year Maximum Inflation Budget

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

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

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

Future Development

The above table is based on the district's current development status and does not account for possible increases to assessments due to changes to the parcel characteristics that are used to allocate special benefits (e.g., building square footage). The amount of each parcel's assessment will depend on the existing assessment rates as well as the specific characteristics of the parcel, as explained in further detail below in Section 5. Each parcel will be assessed on a prorated basis from the date it receives a temporary and/or permanent certificate of occupancy. Thus, changes to a parcel may result in corresponding revisions to the assessments. Over time the total assessments levied in the district likely will increase as parcels are developed.

SECTION G: APPORTIONMENT METHOD

Assessment Methodology

As previously discussed in Section D, the JTCBD is allocated to three parcel characteristics; parcel size, building square footage plus linear street frontage. The table below summarizes the assessable characteristic.

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

Calculation of Assessments

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

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

Sample Parcel Assessment

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

$$\begin{aligned}
 \text{Lot + Bldg Sq Ft (15,000) x } \$0.1477 &= \$2,215.50 \\
 \text{Linear Street Frontage (100) x } \$38.0166 &= \underline{\$3,801.66} \\
 \text{Total Parcel Assessment} &= \$6,017.16
 \end{aligned}$$

The assessment calculation is the same for every parcel (except for non-profit) in the JTCBD. Non-profit parcels that meet the specified requirements will receive a 50% reduction in the rate.

Public Property Assessments

Proposition 218 states that no parcel is exempt from assessments if that parcel receives special benefit from the improvements and activities. This includes government and Public use parcels.

The City of San Francisco and any other government owned parcels within the JTCBD boundary will pay their assessment based on the special benefits conferred to those parcels. All publicly owned parcels in the District specially benefit from the JTCBD activities to make the District cleaner, safer, more attractive, and economically vibrant. Specifically, these parcels specially benefit from: removing graffiti from their buildings, patrolling their sidewalks, connecting the homeless to available resources, cleaning up any debris or trash, powerwashing the sidewalks and public spaces, beautifying the public right-of-ways, and increased business development.

APN	Owner Name	Site Address	PARCEL ASSMT
0700 022	Recreation & Park Department	Peace Plaza	\$15,839.13
0700 023	Recreation & Park Department	Peace Plaza	\$960.28
0700 035	City & County of SF Real Estate Div.	Garage	\$52,017.36
TOTAL:			\$68,816.77

Maximum Annual Assessment Adjustments

The cost of providing programs and services may vary depending on the market cost for those programs and services. Expenditures may require adjustment up or down to continue the intended level of programs and services. Assessments maybe subject to annual increases not to exceed the assessment rates in the table below for any given year. Any change will be approved by the owner's association board of directors and submitted to the City within its annual planning report, pursuant to Section 36650 of the California Streets and Highways Code.

Budget Adjustment

Any annual budget surplus will be rolled into the following year's District budget. The budget will be set accordingly, within the constraints of the management plan to adjust for surpluses that are carried forward. District funds may be used to fund the cost of renewing the District. Funds from an expired District shall be rolled over into the new District if one is established, or returned to the property owners if one is not established, in accordance with the Streets and Highways Code section 36671.

If an error is discovered on a parcel's assessed footages, the District may investigate and correct the assessed footages after confirming the correction with the San Francisco County Assessor's office. The correction will be made in accordance with the assessment methodology and may result in an increase or decrease to the parcel's assessment.

Bond Issuance

The District will not issue bonds.

SECTION H: ASSESSMENT ROLL

The total assessment amount for FY 2017/2018 is \$393,750 apportioned to each individual assessed parcel, as follows.

APN	Owner Name	Site Address	Parcel Assmt
0676 072	3D Investments/ Miyako Inn	1800 Sutter Street	\$11,993.77
0676 073	3D Investments/ Miyako Inn	1805 Sutter Street	\$11,993.77
0686 029	Abe Sharon E	1756 Buchanan Street	\$3,944.87
0686 032	Ashizawa Masao	1672-1674 Post Street	\$2,027.99
0686 034	Ashizawa Masao	1672-1698 Post Street	\$9,642.17
0686 057	Ashizawa Masao	1662-1664 Post Street	\$1,900.94
0685 040	Brownell James A & Sarah J	1731 Buchanan Street	\$2,148.54
0700 035	City & County of SF Real Estate Div.	Parking Garage	\$52,017.36
0675 051	Fontaine & Truman Corp.	1826-1832 Buchanan Street	\$7,459.96
0686 043	Hogg Leroy & Ollivette	1644-1648 Post Street	\$1,940.98
0685 041	Ishisaki Tsutomu B	1721 -1723 Buchanan Street	\$1,777.73
0700 031	Japan Center East /Miyako Mall Inc.	22 Peace Plaza	\$325.75
0700 024	Japan Center East, Ltd Partnership	22 Peace Plaza	\$29.99
0700 025	Japan Center East, Ltd Partnership	22 Peace Plaza	\$40.48
0700 026	Japan Center East, Ltd Partnership	22 Peace Plaza	\$450.68
0700 027	Japan Center East, Ltd Partnership	22 Peace Plaza	\$13,919.36
0700 017	Japan Center Hotel Assoc. LP	1625 Post Street	\$4,230.82
0700 018	Japan Center Hotel Assoc. LP	1625 Post Street	\$22,578.29
0700 019	Japan Center Hotel Assoc. LP	1625 Post Street	\$6,049.93
0700 020	Japan Center Hotel Assoc. LP	1625 Post Street	\$3,182.09
0700 007	Japan Center West, Ltd Partnership	11 Peace Plaza	\$625.90
0700 008	Japan Center West, Ltd Partnership	11 Peace Plaza	\$625.90
0700 009	Japan Center West, Ltd Partnership	11 Peace Plaza	\$36,487.57
0700 010	Japan Center West, Ltd Partnership	11 Peace Plaza	\$2,313.38
0700 012	Japan Center West, Ltd Partnership	11 Peace Plaza	\$5,519.81
0686 033	K. Sakai Company	1680-1686 Post Street	\$4,223.96
0686 040	K. Sakai Company	1650-1656 Post Street	\$4,556.51
0701 001	Kabuki LLC / Sundance Cinemas	1881 Post Street	\$31,711.22
0701 002	Kabuki LLC / Sundance Cinemas	1881 Post Street	\$5,466.21
0700 034	Kim Dae W	1610 Geary Blvd	\$1,724.95
0686 030	Kim Henry & Kum Cha	1640 Post Street	\$2,060.49
0685 042	KIMOCHI INC	1715 Buchanan Street	\$1,029.70
0700 006	Kinokuniya Book Store of America	1580 Webster Street	\$625.90
0701 005	Kinokuniya Book Store of America	1580 Webster Street	\$3,169.08
0701 007	Kinokuniya Book Store of America	1825 Post Street	\$39,487.02
0700 032	Lee Kyo D & Ae Hee	1660 Geary Blvd	\$917.43
0700 033	Lee Kyo D & Ae Hee	1630 Geary Blvd	\$1,113.33
0701 006	Mar	1825 Post Street	\$3,102.46
0685 039	Marumoto Shigeko	1737 Buchanan Street	\$2,517.68
0685 038	Mihara Nobuo J & Shizuko	1741-1743 Buchanan Street	\$2,186.11
0675 039	Nakamoto Jitsuzo & Fusaye	1788-1790 Sutter Street	\$8,102.44

APN	Owner Name	Site Address	Parcel Assmt
0685 050	Nihonmachi Parking Corporation	Webster Street	\$3,477.81
0686 031	Nihonmachi Parking Corporation	616 Hemlock Street	\$110.80
0686 038	Nihonmachi Parking Corporation	1716-1718 Buchanan Street	\$2,399.50
0686 039	Nihonmachi Parking Corporation	616 Hemlock Street	\$221.60
0686 042	Nihonmachi Parking Corporation	616 Hemlock Street	\$23.05
0686 044	Nihonmachi Parking Corporation	616 Hemlock Street	\$110.80
0686 054	Nihonmachi Parking Corporation	1761 Sutter Street	\$185.26
0686 056	Nihonmachi Parking Corporation	1775 Sutter Street	\$370.67
0686 058	Nihonmachi Parking Corporation	1664 Post Street	\$110.80
0686 059	Nihonmachi Parking Corporation	616 Hemlock Street	\$63.38
0686 037	Oda Akanako	1748-1750 Buchanan Street	\$1,549.87
0686 041	Ogawa Family Trust	1632-1636 Post Street	\$2,076.89
0686 036	Okamoto Allen M & P N	1740 Buchanan Street	\$2,170.55
0685 001	Okamura Sue S	1745-1747 Buchanan Street	\$5,228.57
0700 022	Recreation & Park Department	Peace Plaza	\$15,839.13
0700 023	Recreation & Park Department	Peace Plaza	\$960.28
0685 012	Shogakukan / Viz Media	1746 Post Street	\$4,252.38
0685 043	Sim & Yoon Corporation	1700 Post Street	\$10,920.46
0686 008	SUSUMU S & TSUYAKO S SEIKI 198	1620 Post Street	\$1,402.47
0686 052	Susumu Sim Seiki & Tsuya Seiki	1603-1613 Laguna Street	\$6,671.96
0685 011	TORAYA APARTMENTS	1726-1734 Post Street	\$6,604.89
0700 028	Union Bank	22 Peace Plaza	\$510.57
0700 029	Union Bank	22 Peace Plaza	\$6,716.90
0700 030	Union Bank	*no Site Address*	\$704.84
0686 045	Wong Osumi Nakamura Group	1622-1630 Post Street	\$3,078.85
0686 035	Yamaguchi Taeko	1728 Buchanan Street	\$2,765.18
TOTALS:			\$393,750.00