

MANAGEMENT DISTRICT PLAN
for the creation of the
DISCOVER POLK COMMUNITY BENEFIT DISTRICT (DPCBD)

FINAL PLAN - AMENDED
July 2018

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Exhibits

- i. Engineer's Report with list of properties to be benefited
- ii. Map with parcel detail
- iii. Base level of services letter from City of San Francisco

Exhibits are available upon request to the Discover Polk CBD Steering Committee

Prepared for the Discover Polk CBD Steering Committee by
Progressive Urban Management Associates, Inc.
and **Kristin Lowell, Inc.**

SUMMARY MANAGEMENT DISTRICT PLAN for the creation of the DISCOVER POLK COMMUNITY BENEFIT DISTRICT (DPCBD) FINAL PLAN – AMENDED

INTRODUCTION

Community benefit districts collect a self-governed assessment on property to provide enhanced services beyond those provided by local government, including environmental enhancements such as safety, maintenance and beautification services, and economic enhancements to strengthen the business mix of commercial districts. Approximately a dozen CBDs currently exist in San Francisco, including one serving the Lower Polk Street District south of California Street. More than 100 similar districts now exist throughout the State of California since enabling legislation for CBDs was adopted more than 20 years ago.

In mid-2016, the Discover Polk CBD Steering Committee evaluated the feasibility for establishing a CBD centered along Polk Street north of California Street. With support from the City of San Francisco's Office of Economic and Workforce Development, the Discover Polk CBD Steering Committee conducted a survey of area property owners, businesses and residents that found interest in and support for the CBD concept. Key findings included:

- 78% of survey respondents supported the notion of moving forward to form a CBD;
- Top service needs to be financed by a CBD included enhanced maintenance and cleaning services, security and advocacy.
- There is particular concern with homelessness and disruptive street behaviors, and interest in how a CBD could help to address these issues.

To create a management plan and engineer's report for a Discover Polk CBD, the city provided additional funding to the Steering Committee who, through a competitive process, selected the consulting team of Progressive Urban Management Associates (P.U.M.A.) and Kristin Lowell Inc. The P.U.M.A. team visited the area in October and December and met with a variety of district stakeholders. The following draft Management Plan provides the basis by which a Discover Polk CBD could be operated. To form the DPCBD, proponents will need to secure petitions from property owners representing at least 30% of assessments to be paid, and secure support from a weighted majority of those that respond to a subsequent mail ballot.

MANAGEMENT PLAN SUMMARY

Pursuant to California Streets and Highways Code, 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, the Discover Polk Community Benefit District is proposed to be established for a 11-year term. Governed by a Discover Polk CBD Advisory Committee, the District's work program will deliver activities and improvements to improve and convey special benefits to properties located within the Discover Polk CBD area. The District will provide both environmental and economic enhancements.

Each of the activities is designed to meet District goals:

1. Provide a consistently clean, welcoming, and attractive Discover Polk experience,

2. Attract and retain independent and unique businesses,
3. Improve the quality of life for property owners, businesses and residents within the District;
4. Enhance property values, sales, and occupancies.

As described in the Management District Plan, it is proposed that the DPCBD will provide funding for enhanced maintenance, hospitality, beautification and business support programs, above and beyond those provided by the City of San Francisco.

Location	The district boundary shall be focused along the Polk Street corridor from California Street to the south and extending to Broadway to the north. The district shall also include the east side of the Van Ness Avenue corridor from California to Broadway. Academy of Arts University properties located on the west side of Van Ness shall also be included since populations served by this institution are impacted by conditions along both Polk and Van Ness. A map with recommended boundaries is attached.
Improvements & Activities	<p>A Welcoming, Attractive and Economically Vital District: The DPCBD will finance improvements and activities that will improve Discover Polk’s environment for property owners, residents, workers and visitors, including:</p> <p>Environmental Enhancements:</p> <ul style="list-style-type: none"> • Maintenance Teams that sweep, scrub and pressure wash sidewalks, remove litter and graffiti, increase the frequency of trash removal and maintain landscaping throughout the District. • Hospitality Ambassadors that provide visitor information, safety escorts, merchant outreach, city services liaison, event support, homeless services outreach and referrals, and work with local police and business and property owners to prevent crime and address quality of life issues. • Beautification improvements that make Discover Polk more visually attractive, which may include: enhanced landscaping, holiday décor, way-finding signage, trash receptacles, streetscape, planters, bike racks, etc. <p>Economic Enhancements:</p> <ul style="list-style-type: none"> • Promote and support local business through marketing programs and city liaison role and attract new businesses and investment that further the corridor’s appeal as a destination for unique, authentic and eclectic businesses. • Marketing and communications to support DPCBD activities and improvements and promote a positive image for Discover Polk. <p>District Coordinator, Administration and Reserve: A full time professional district coordinator will manage all initiatives, maintain ongoing communications with the Discover Polk CBD Advisory Committee, district property owners, businesses and residents 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>
Method of Financing	Levy of assessments upon real property that benefit from improvements and activities.

Budget	<p>Total district DPCBD budget for its first year of operations is \$625,000 as follows:</p> <table border="1" data-bbox="418 264 1414 747"> <thead> <tr> <th data-bbox="418 264 873 390">Budget Assumptions</th> <th data-bbox="873 264 1052 390">DPCBD Budget</th> <th data-bbox="1052 264 1230 390">Less: General Benefit</th> <th data-bbox="1230 264 1414 390">Assessment TOTAL</th> </tr> </thead> <tbody> <tr> <td data-bbox="418 390 873 464">Environmental Enhancements</td> <td></td> <td></td> <td></td> </tr> <tr> <td data-bbox="418 464 873 506">Clean & Safe Program</td> <td data-bbox="873 464 1052 506">360,000</td> <td data-bbox="1052 464 1230 506"></td> <td data-bbox="1230 464 1414 506"></td> </tr> <tr> <td data-bbox="418 506 873 548">Beautification & Placemaking</td> <td data-bbox="873 506 1052 548">60,000</td> <td data-bbox="1052 506 1230 548"></td> <td data-bbox="1230 506 1414 548"></td> </tr> <tr> <td data-bbox="418 548 873 590">Total Environment</td> <td data-bbox="873 548 1052 590">420,000</td> <td data-bbox="1052 548 1230 590">21,000</td> <td data-bbox="1230 548 1414 590">399,000</td> </tr> <tr> <td data-bbox="418 590 873 632">Economic Enhancements</td> <td></td> <td></td> <td></td> </tr> <tr> <td data-bbox="418 632 873 674">Marketing, Business Support, Etc.</td> <td data-bbox="873 632 1052 674">75,000</td> <td data-bbox="1052 632 1230 674">0</td> <td data-bbox="1230 632 1414 674">75,000</td> </tr> <tr> <td data-bbox="418 674 873 716">District Coordinator, Administration & Reserve</td> <td data-bbox="873 674 1052 716">127,784</td> <td data-bbox="1052 674 1230 716">0</td> <td data-bbox="1230 674 1414 716">127,784</td> </tr> <tr> <td data-bbox="418 716 873 747">TOTAL</td> <td data-bbox="873 716 1052 747">622,784</td> <td data-bbox="1052 716 1230 747">21,000</td> <td data-bbox="1230 716 1414 747">601,784</td> </tr> </tbody> </table> <p data-bbox="418 785 1414 961">General Benefit Allowance: An allowance is made for general benefits that the district may provide to parcels outside the district boundary and to the public at large. These general benefits cannot be paid for with assessment revenue. A certified engineer has estimated that the general benefit from services accounts for \$21,000 of the estimated budget, resulting in a total assessment budget of \$601,784.</p>	Budget Assumptions	DPCBD Budget	Less: General Benefit	Assessment TOTAL	Environmental Enhancements				Clean & Safe Program	360,000			Beautification & Placemaking	60,000			Total Environment	420,000	21,000	399,000	Economic Enhancements				Marketing, Business Support, Etc.	75,000	0	75,000	District Coordinator, Administration & Reserve	127,784	0	127,784	TOTAL	622,784	21,000	601,784
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Cost	<p>Annual assessments are based upon an allocation of program costs and a calculation of land plus building square footage and linear frontage.</p> <p>Properties with residential, government and tax-exempt uses will pay an adjusted rate. These properties will fully benefit from environmental services, but they will not benefit from economic enhancements and their assessments will be adjusted accordingly.</p> <p>Estimated annual maximum assessment rates for the first year of the district are as follows:</p> <table border="1" data-bbox="418 1388 1414 1577"> <thead> <tr> <th data-bbox="418 1388 959 1461">Estimated Annual Assessment Rates</th> <th data-bbox="959 1388 1187 1461">Lot + Building Sq.Ft.</th> <th data-bbox="1187 1388 1414 1461">Linear Frontage (per foot)</th> </tr> </thead> <tbody> <tr> <td data-bbox="418 1461 959 1503">Commercial</td> <td data-bbox="959 1461 1187 1503">0.221</td> <td data-bbox="1187 1461 1414 1503">\$ 10.40</td> </tr> <tr> <td data-bbox="418 1503 959 1535">Residential</td> <td data-bbox="959 1503 1187 1535">0.162</td> <td data-bbox="1187 1503 1414 1535">\$ 10.40</td> </tr> <tr> <td data-bbox="418 1535 959 1577">Government/Non-Profit</td> <td data-bbox="959 1535 1187 1577">0081</td> <td data-bbox="1187 1535 1414 1577">\$ 5.20</td> </tr> </tbody> </table>	Estimated Annual Assessment Rates	Lot + Building Sq.Ft.	Linear Frontage (per foot)	Commercial	0.221	\$ 10.40	Residential	0.162	\$ 10.40	Government/Non-Profit	0081	\$ 5.20																								
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CPI Increase	<p>Annual assessments may increase annually by the amount of increase in the consumer price index (CPI) up to a maximum of 5% in any given 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 Discover Polk CBD Advisory Committee.</p>																																				
City Services	<p>The City of San Francisco will provide an accounting of baseline services that are currently provided within the District and will continue through the duration of the district.</p>																																				

Collection	DPCBD assessments appear as a separate line item on the annual San Francisco County property tax bills.
District Governance	<p>Decisions related to the implementation of the Management Plan, including annual work programs, budgets and assessments, will be made by the Discover Polk CBD Advisory Committee. A majority of the Advisory Committee will be composed of property owners within the DPCBD, represent all property types (i.e. commercial, non-profit and residential) and all geographic reaches of the district (i.e. north, south, Polk Street, Van Ness Avenue, etc.).</p> <p>It is proposed that the programs of the DPCBD be managed, via a contractual agreement, by the staff of the Lower Polk CBD. There are several advantages that are anticipated by this arrangement:</p> <ul style="list-style-type: none"> • The two CBDs share a boundary at California Street, therefore joint management can ensure a consistent experience and service deployment throughout the Polk Street and Van Ness Avenue corridors. • Joint management affords economies of scale to keep assessments at reasonable rates. Both districts can be managed by one executive director. Efficiencies will result from one cleaning and security contract, one accounting system and shared overhead. • The Discover Polk CBD budget provides for a full time District Coordinator to maintain responsiveness to Discover Polk ratepayers. The budget also allows for business retention and recruitment efforts within the California to Broadway boundary that would respect the unique character of this district. • The two districts, Lower and Discover Polk, may see it advantageous to merge at a future date. The joint management of the districts can help to facilitate this option as the two districts evolve over time.
District Formation	California and San Francisco laws for CBD district formation require 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 at least 30% of the \$773,750 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 DPCBD in order for the Board of Supervisors to consider approval.
Duration	Collection of the first year's assessments will be included in San Francisco County's 2018-2019 tax bill. Services will begin January 1, 2019 and continue through December 31, 2029. A five-year review of the district will evaluate market conditions and the need for any adjustments to the Management Plan. Any subsequent renewal of the district will require a new management plan, petition and mail ballot process.

II. WHY CREATE THE DISCOVER POLK CBD?

What is a CBD?

The International Downtown Association estimates that more than 1,000 property-based community benefit districts (CBD) currently operate throughout the United States and Canada. **A CBD provides enhanced improvements and activities, such as public safety, maintenance and image enhancement, in addition to those provided by local government.** CBDs provide services that improve the overall viability of business districts, resulting in higher property values, sales and tax revenues. Since the creation of California's Property and Business Improvement District Law in 1994, more than 100 new CBDs have been established in California downtowns and other commercial districts, including Berkeley, Oakland and San Jose. In San Francisco, there are currently a dozen existing CBDs – including the Lower Polk CBD which has provided enhanced services for the Polk Street corridor south of California Street since the beginning of 2016.

Why Create the Discover Polk CBD?

- **Provide a Consistently Clean, Welcoming and Attractive Discover Polk Experience:** The impetus for creating CBDs in San Francisco has been to address inconsistent experiences in the public realm – dirty sidewalks, graffiti and occasionally intimidating street behaviors. Recent stakeholder surveys in the Discover Polk CBD study area find improving cleanliness and reducing homelessness and disruptive street behaviors as the district's overwhelming top priority.
- **Attract and Retain Independent and Unique Businesses:** The Discover Polk district, centered along the Polk Street corridor from California to Broadway Streets, contains an eclectic mix of unique businesses. The DPCBD will aim to support small and independent businesses by providing a cleaner and safer environment, and by supporting promotions and marketing that support neighborhood-serving retail and restaurants.
- **Improve the Quality of Life for Property Owners, Businesses and Residents:** The Discover Polk CBD will serve a mixed-use district that includes a variety of commercial, non-profit and residential uses. By working to provide a consistently clean, safe and attractive district, the DPCBD will aim to improve the quality of life for everyone working, living and visiting the area.
- **Enhance Property Values, Sales, and Occupancies:** CBDs are a critical mechanism in strengthening the economic foundation of districts. The Discover Polk CBD aims to fund improvements and services that enhance the overall economic vitality of the district. Success is measured by higher property values, sales and occupancies.
- **Be Accountable to Property Owners, Businesses and Residents:** The CBD is self-governed and all assessments are directed back to the neighborhood for improvements. A Discover Polk CBD Advisory Committee will ensure that decisions affecting assessments are made by a board with a majority of affected property owners, businesses and residents. CBD-financed programs are subject to an annual audit and other private sector performance standards and controls.

III. THE PROCESS TO DEVELOP THE DPCBD MANAGEMENT PLAN

The DPCBD Management Plan is the result of a multi-year effort to seek neighborhood input and identify community improvement priorities.

In mid-2016, the Discover Polk CBD Steering Committee evaluated the feasibility for establishing a CBD centered along Polk Street north of California Street. With support from the City of San Francisco, the Discover Polk CBD Steering Committee conducted a survey of area property owners, businesses and residents that found interest in and support for the CBD concept. Key findings from 115 respondents included:

- 78% of survey respondents supported the notion of moving forward to form a DPCBD;
- Top service needs to be financed by a DPCBD included enhanced maintenance and cleaning services, security and advocacy.
- There is particular concern with homelessness and disruptive street behaviors, and interest in how a DPCBD could help to address these issues.

To create a management plan and engineer's report for a Discover Polk CBD, the city provided additional funding to the Steering Committee who, through a competitive process, selected the consulting team of Progressive Urban Management Associates (P.U.M.A.) and Kristin Lowell Inc. The P.U.M.A. team visited the area in October and December and met with a variety of district stakeholders. Refinements to the Management Plan were made after each site visit.

The Management Plan provides the basis by which a Discover Polk CBD could be operated. To form the DPCBD, proponents will need to secure petitions from property owners representing at least 30% of assessments to be paid, and secure support from a weighted majority of those that respond to a subsequent mail ballot.

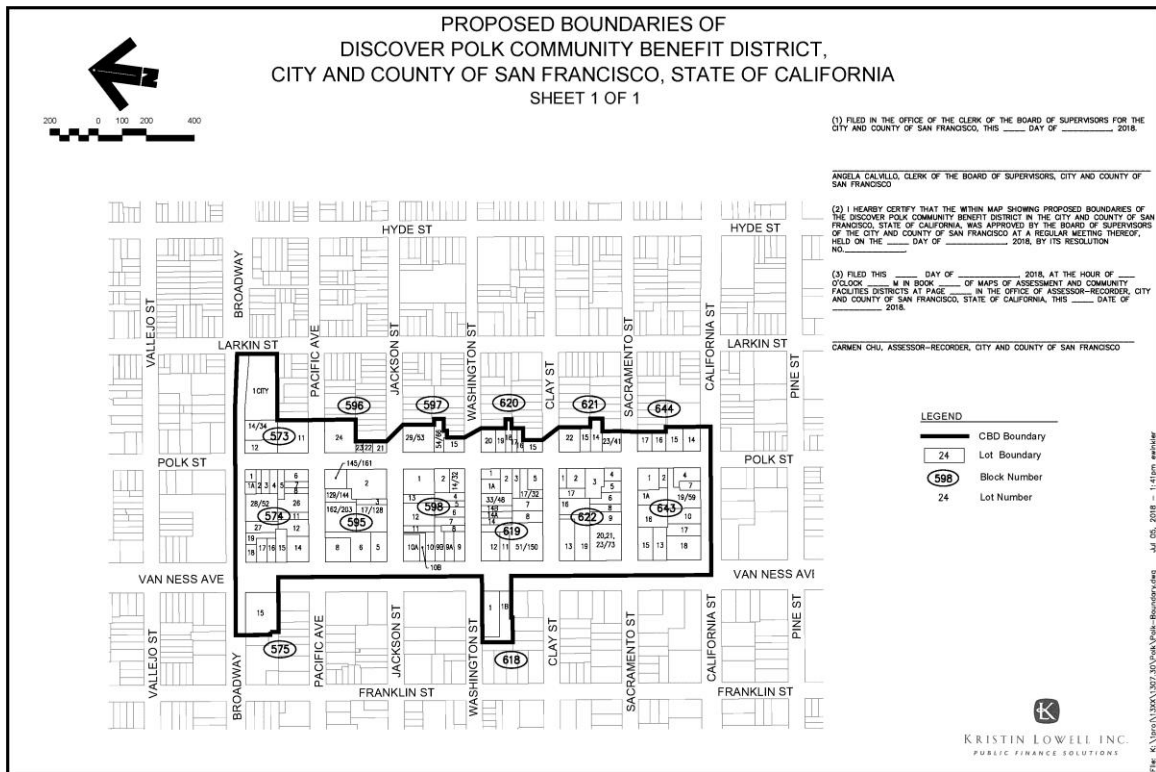
IV. IMPROVEMENT & ACTIVITY PLAN

A. DPCBD Boundaries

The Discover Polk CBD is centered by the Polk Street commercial corridor and is bounded roughly by the following streets:

- To the south, the proposed DPCBD abuts the existing Lower Polk DPCBD at California Street.
- To the east, the proposed DPCBD includes properties adjacent to Polk Street, plus encompasses the city park space along Broadway.
- To the north, the proposed DPCBD ends at Broadway.
- To the west, the proposed DPCBD includes properties encompass full blocks west to Van Ness Avenue.
- The western boundary also includes large properties owned by the Academy of Art University on the west side of Van Ness Avenue, since students and faculty from this institution frequent businesses along the Polk Street corridor.

A map of the proposed district boundary is provided below and a more detailed map with specific parcel lines will be provided upon request.



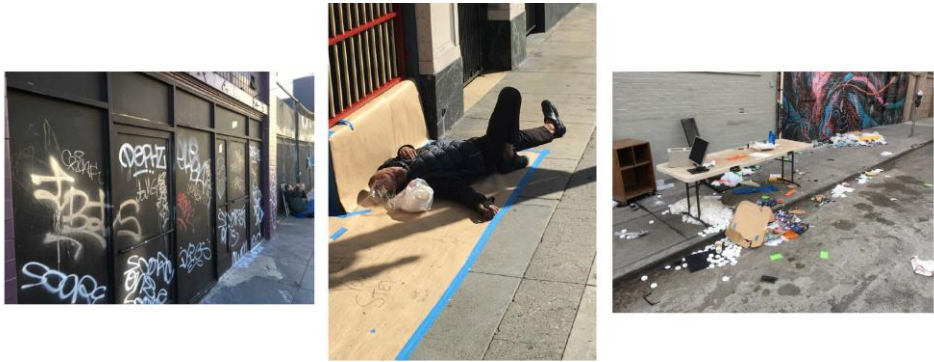

B. Work Program

Services are bundled into two primary activity centers: Environmental and Economic Enhancements. The Environment services include efforts to make the district clean and welcoming. Plus this activity area includes resources for beautification and “placemaking”, defined as capital improvements, landscaping and programming to make the district more attractive and active. Economy enhancements include a variety of initiatives aimed to support local businesses and marketing and communications to promote all DPCBD services and improve the district’s overall image.

ENVIRONMENTAL ENHANCEMENTS

Cleaning & Hospitality Ambassadors:

To respond to stakeholder priorities and guiding principles to make Discover Polk both more welcoming, clean and beautiful, the DPCBD will fund an Ambassador program that is similar to what has been deployed in the Lower Polk CBD. In Lower Polk, the Ambassador program has been a critical element to stabilize streets in less than one year. Before-CBD and after-CBD photos of the Lower Polk district illustrate how effective the Ambassador approach can be.

	<p>Lower Polk Before CBD</p> <ul style="list-style-type: none"> • Graffiti • Encampments • Litter and Trash
	<p>Lower Polk After CBD</p> <ul style="list-style-type: none"> • Ambassadors • Clean streets • Public restroom • Events in the alleys

The Management Plan provides for the weekly deployment of 250 hours for uniformed Cleaning and Hospitality Ambassadors throughout the district. The service mix and hours of deployment can be adjusted for seasonal and/or weekly variations in use. Anticipated duties of Ambassadors are anticipated as follows:

Cleaning Activities

- Litter removal/pan and broom
- Detail cleaning of public amenities
- Graffiti removal
- Weed removal
- Pressure washing of sidewalks
- Spot cleaning as requested

Hospitality Activities

- Regular safety patrols of the district
- Business and visitor contacts
- Outreach with street populations
- Case management approach with chronically homeless individuals



Beautification and Placemaking

In addition to the Cleaning and Hospitality program, DPCBD environmental enhancements include funds to invest in highly visible improvements that will add to the attractiveness of public spaces throughout the district. Beautification and Placemaking improvements may include:

- Landscaping, planters, hanging flower baskets and other green elements.
- Seasonal holiday decorations and banners.
- Cosmetic capital improvements, including street furniture, information kiosks, pedestrian lighting and other amenities.
- Wayfinding and directional signage to help visitors navigate through the district.
- Temporary and permanent public art installations.
- Installation of bicycle racks and other amenities to encourage bicycle use.
- Planning and design processes to improve public spaces throughout the district.
- Other improvements as determined year-to-year by the Discover Polk CBD Advisory Committee.

Environmental enhancements account for 67.2% of the annual DPCBD budget.

ECONOMIC ENHANCEMENTS

Business support initiatives have been included as a key component of the Discover Polk CBD, including:

- **Business Support:** The DPCBD will aim to strengthen the district's existing offerings and citywide position for local unique dining and shopping. The DPCBD will fund efforts aimed at attracting new tenants and investment and promote continued mixed use development.
- **Marketing and Communications:** Marketing and communications efforts will support all components of the DPCBD Management Plan. Marketing related to environment services will create awareness of cleaning, hospitality and beautification changes being made to improve the district. Marketing related to the economy portion of the work program will aim to advance the image and branding of Discover Polk, support property owners in efforts to attract unique tenants and explore ways to connect district residents to local stores and restaurants, such as "buy local" campaigns or the development of a district directory, website and supporting social media.

Economic enhancements account for 12.0% of the annual DPCBD budget.

DISTRICT COORDINATOR, ADMINISTRATION & RESERVE

To maximize District benefits to property owners, the DPCBD requires a professional staff to properly manage programs, communicate with stakeholders and provide leadership. To reduce administrative costs, increase leveraging of funds and avoid duplication of enhanced services, this plan anticipates that the day-to-day services financed by the DPCBD will be managed jointly with the Lower Polk CBD (see "Governance"). DPCBD funds can be further leveraged by sponsorships from special events, contracts, grants and earned income.

A full time professional district coordinator will manage all initiatives, maintain ongoing communications with the Discover Polk CBD Advisory Committee and district ratepayers and provide leadership through research and community education to represent the community with one clear voice.

Administrative costs may include:

- Accounting and annual financial review and/or audit
- Insurance
- Program support costs including supplies, equipment and rent
- Other administration costs associated with the overhead and administrative support of programs.

A reserve is also budgeted to provide a contingency for unforeseen program needs and to provide a cushion for assessment delinquencies. Reserve funds may also be utilized to pay for costs associated with DPCBD strategic planning and renewal.

20.8% of the DPCBD budget is allocated to support the district coordinator, administration and reserve.

C. Plan Budgets

The total improvement and activity plan budget for the first year of the district is projected at \$622,784 with the following components:

<u>Budget Assumptions</u>	<u>DPCBD Budget</u>	<u>Less: General Benefit</u>	<u>Assessment TOTAL</u>
Environmental Enhancements			
Clean & Safe Program	360,000		
Beautification & Placemaking	60,000		
Total Environment	420,000	21,000	399,000
Economic Enhancements			
Marketing, Business Support, Etc.	75,000	0	75,000
District Coordinator, Administration & Reserve	127,784	0	127,784
TOTAL	622,784	21,000	601,784

Non-assessment funding will need to be raised to cover the cost associated with general benefits from services.

Eleven Year Operating Budget

A projected 11-year operating budget for the Discover Polk CBD is provided on the following page. Projections for the budget are based upon the following assumptions:

- Total program revenue increases no more than 5% per year, the maximum allowed under the proposed annual budget adjustment to respond to increases in the consumer price index and other program costs. Actual budgets may not increase by more than 5% as determined by the Discover Polk CBD Advisory Committee.
- Revenues for specific activities within the general activity categories (i.e. Environmental Enhancements and Economic Enhancements) may be reallocated among specific activities from year to year based upon district needs and budgets developed by the Discover Polk CBD Advisory Committee. Revenues may not be moved between the Environmental and Economic Enhancement categories.
- Revenues for specific service categories may be reallocated among the service categories from year to year based upon district needs and budgets developed by the Owners' Association. The reallocation shall not exceed 10% per year.

Discover Polk CBD 11-Year Projection of Assessments & Budget

	Assessm't <u>Budget</u>	Commercial Rates		Residential Rates		Non-Profit/Gvt Rates	
		<u>Bldg+Lot</u>	<u>Frontage</u>	<u>Bldg+Lot</u>	<u>Frontage</u>	<u>Bldg+Lot</u>	<u>Frontage</u>
Year 1	601,784	0.221	10.40	0.162	10.40	0.081	5.20
Year 2	631,873	0.232	10.92	0.170	10.92	0.085	5.46
Year 3	663,467	0.244	11.46	0.179	11.46	0.089	5.73
Year 4	696,640	0.256	12.04	0.188	12.04	0.094	6.02
Year 5	731,472	0.269	12.64	0.197	12.64	0.098	6.32
Year 6	768,045	0.282	13.27	0.207	13.27	0.103	6.64
Year 7	806,448	0.296	13.93	0.217	13.93	0.109	6.97
Year 8	846,771	0.311	14.63	0.228	14.63	0.114	7.32
Year 9	889,109	0.327	15.36	0.239	15.36	0.120	7.68
Year 10	933,564	0.343	16.13	0.251	16.13	0.126	8.07
Year 11	980,243	0.360	16.94	0.264	16.94	0.132	8.47

Assumption: Maximum 5% adjustment each year

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. Newly developed parcels will be assessed in their first year on a prorated basis from the date they receive a temporary and/or permanent certificates 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.

V. ASSESSMENTS

A. Assessment Methodology

To develop the DPCBD assessment methodology, the consulting team includes Kristin Lowell Inc., a certified engineer. ***Additional information and justification for the assessment methods and adjustments are provided in the Engineer's Report, prepared by Kristin Lowell Inc. and provided as Exhibit A to the Management Plan.***

Service benefits are distributed to lot and building square footage and linear frontage through a “cost allocation” approach — the costs of specific services are allocated to the assessment variables that benefit most from services.

- **Lot Square Footage:** Lot square footage is utilized to assess the benefit of services to the ground level of properties.
- **Building Square Footage:** Building square footage is utilized to assess the benefit from services to buildings, including tenants, residents and employees.
- **Linear Frontage:** Linear frontage is utilized to assess added benefit from clean and safe services to the ground floor exterior of buildings.

Service benefits are greater to ground floor uses since services will make sidewalks and the public realm cleaner, safer and more attractive. Acknowledging these greater benefits, the sum of lot plus building plus linear frontage will effectively place more emphasis on the ground level of buildings.

Property Use Considerations: The methodology provides the following treatments for property used exclusively for residential, nonprofit and government and parking structures:

- **Treatment of Residential Property:** Residential uses will fully benefit from environmental enhancement services and will pay a full share of these services; however, economic enhancement services will not benefit residential uses and the residential rate is adjusted accordingly. The residential portion of commercial and mixed-use parcels with residential uses will be subject to the adjusted residential assessment rate.
- **Nonprofit & Governmental 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 DPCBD services and thereby will receive reduced benefits from DPCBD services. An owner of real property located within the DPCBD boundaries may reduce their assessment 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 DPCBD 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.

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

- **Treatment of Parking Structures:** Parking structures receive different levels of benefit from DPCBD improvements and services based upon their use and ownership. Parking structures will be subject to one of the following methodologies:
 - a. Integrated parking structures (i.e., those that are integrated within and/or dedicated to other buildings that have primary uses other than parking, and are also under the same ownership as the other buildings) do not receive special benefits in proportion to their building square footage. Thus, the building square footage allocated to a parcel that contains a building and an integrated parking structure will take into account the lot square footage and linear street frontage of the entire parcel, and the building square footage of the building, but will not take into account the building square footage of the parking structure.
 - b. All other parking structures (i.e., stand-alone parking structures that are not ancillary to a building) will receive be assessed under all three special benefit factors, since they receive special benefits from all DPCBD improvements and activities.

B. Calculation of Assessments

The preceding methodology is applied to a database that has been constructed by the Discover Polk CBD Steering Committee, the City of San Francisco and Kristin Lowell Inc. Property data is first obtained from the County Assessor's Office through the City of San Francisco. A list of properties included in the DPCBD is provided within the *Appendix*.

The resulting assessment calculation by service follows:

Assessment by Service	Per Sq.Ft. of Lot + Building per Year	Per Foot of Linear Frontage
Environmental Enhancements	\$ 0.113	10.40
Economic Enhancements	\$ 0.059	n/a
District Coordinator, Admin & Reserve	\$ 0.049	n/a

Total Estimated Assessments: Based upon the methodology, property data and the proposed DPCBD budget, approximate lot and building assessments are calculated. Assessments will not exceed the following amounts during the first year of the DPCBD:

Benefit Zone/Property Type	Per sq.ft. of Lot + Building per Year	Per Foot of Linear Frontage
Commercial	\$ 0.221	\$ 10.40
Residential	\$ 0.162	\$ 10.40
Nonprofit/Government	\$ 0.081	\$ 5.20

Hypothetical examples for calculating annual assessments are provided below for each property type:

Commercial Property:

Property characteristics: 10,000 sq.ft. of building, 5,000 sq.ft. of land, 150 feet of frontage
 $(10,000 \times 0.221) + (5,000 \times 0.221) + (150 \times \$10.40) = \$ 4,875.00$ per year

Residential Property:

Property characteristics: 1,200 sq.ft. of building, 400 sq.ft. of pro-rated land, 20 feet of pro-rated linear frontage
 $(1,200 \times 0.162) + (400 \times 0.162) + (20 \times 10.40) = \$ 467.20$ per year

Non-Profit:

Property characteristics: 5,000 sq.ft. of building, 2,500 sq.ft. of land, 100 feet of frontage
 $(5,000 \times 0.081) + (2,500 \times 0.081) + (100 \times \$ 5.20) = \$ 1,127.50$ per year

C. Assessment Adjustments

Annual 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 5%. Actual annual adjustments may range from 0% to 5%. Assessment rates will not exceed the levels shown in the Eleven Year Operating Budget and Maximum Assessment exhibit on page 12.

Budget Process: A balanced budget approach is utilized to develop each annual budget within the constraints of the assessment rates. Any annual budget surplus or deficit is tracked by program. Prior year surpluses may be used as deemed necessary by the Discover Polk DPCBD Advisory Committee based on the allocations described in the Management District Plan.

General Benefit Adjustment: The Discover Polk DPCBD’s Engineer’s Report has found that the DPCBD may provide general benefit (i.e. benefits to the general public or surrounding properties) that is intangible and unquantifiable. To account for any general benefit an adjustment has been established. Accordingly, \$21,000 must be funded by non-assessment revenue in the first year of the DPCBD, and a proportional amount in subsequent years. A detailed analysis is provided in Engineer’s Report, attached as Exhibit A.

Time and Manner for Collecting Assessments: As provided by state law, the Discover Polk CBD assessment appears as a separate line item on annual property tax bills prepared by San Francisco

County. Property tax bills are distributed in the fall and payment is expected by lump sum or installment. Existing laws for enforcement and appeal of property taxes apply to DPCBD assessments.

Disestablishment: State law provides for the disestablishment of the DPCBD pursuant to an annual review process. Each year that the DPCBD 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 day 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 more than 50 percent (50%) of the assessments levied, the DPCBD may be disestablished. The Board of Supervisors will hold a public hearing on disestablishing the DPCBD prior to actually doing so.

The Board of Supervisors, by a majority vote (6 or more members) may disestablish the DPCBD at any time if it finds there has been misappropriation of funds, malfeasance, or violation of law in connection with the management of the District.

The Board of Supervisors by a supermajority vote (eight or more) may disestablish the DPCBD for any reason.

All outstanding obligations, finances, leases, or other similar obligations of the City, payable from or secured by assessments levied within DPCBD must be paid prior to disestablishment of the DPCBD.

Issuance of Bonds: No bonds or other bonded debt is to be issued to finance activities and improvements envisioned in the Management District Plan. If the Discover Polk DPCBD Advisory Committee decides to issue bonds or other bonded debt in the future that increases the term and/or assessment rates set in this Plan, revisions to the Management Plan will require new petition and mail ballot procedures.

VI. GOVERNANCE

Decisions related to the implementation of the Management Plan, including annual work programs, budgets and assessments, will be made by the Discover Polk CBD Advisory Committee.

An Advisory Committee of 11 to 15 members is recommended. A majority (no less than 50%) of the Advisory Committee will be composed of property owners within the DPCBD, represent all property types (i.e. commercial, non-profit and residential) and all geographic reaches of the district (i.e. north, south, Polk Street, Van Ness Avenue, etc.). At least 20% of the members will be merchants that do not own property (i.e. three in a board of 11 to 15).

It is proposed that the programs of the DPCBD be managed, via a contractual agreement, by the staff of the Lower Polk CBD. There are several advantages that are anticipated by this arrangement:

- The two CBDs share a boundary at California Street, therefore joint management can ensure a consistent experience and service deployment throughout the Polk Street and Van Ness Avenue corridors.
- Joint management affords economies of scale to keep assessments at reasonable rates. Both districts can be managed by one executive director. Efficiencies will result from one cleaning and security contract, one accounting system and shared overhead.
- The Discover Polk CBD budget provides for a full time District Coordinator to maintain responsiveness to Discover Polk ratepayers. The budget also allows for business retention and recruitment efforts within the California to Broadway boundary that would respect the unique character of this district.
- The two CBDs, Lower and Discover Polk, may see it advantageous to merge at a future date. The joint management of the districts can help to facilitate this option as the two districts evolve over time.

Examples of similar jointly managed CBDs are currently working in Downtown Oakland and Hollywood Boulevard in Los Angeles. Case studies for these governance structures have been created by the P.U.M.A. team.

VII. IMPLEMENTATION TIMELINE

The DPCBD will have a eleven-year life from January 1, 2019 to December 31, 2029.

In order for the DPCBD to meet the start-up date of January 1, 2019, the formation needs to adhere to the following schedule:

Formation Schedule	Dates: 2018
Petitions distributed to property owners	March
Marketing campaign to obtain signed petitions: presentations, neighborhood meetings, 30% weighted vote targeting	March - April
Board of Supervisors adopts Ordinance	Early May
Assessment ballots mailed to property owners	Mid May
Board of Supervisors holds public hearing and tabulates ballots	July