

# **Downtown Chula Vista Property-Based Business Improvement District (PBID) Engineer's Report**



**Chula Vista, California  
April 2016**

***Prepared by:*  
Kristin Lowell Inc.**

*Prepared pursuant to the State of California  
Property and Business Improvement District Law of 1994  
And Article XIII D of the California Constitution  
to create a property based assessment 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 as amended.

The Downtown Chula Vista Property-Based Business Improvement District (the "PBID") will provide funding for enhanced maintenance, safety, beautification, economic development and marketing activities, above and beyond those provided by the City of Chula Vista. Every individual assessed parcel within the PBID receives special benefit from the activities identified under Section B of this Report. Only those individual assessed parcels within the PBID receive the special benefit of the proposed activities; parcels contiguous to and outside the PBID 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 PBID is ten (10) years, commencing January 1, 2017 and continuing through December 31, 2026.

An estimated budget for the PBID improvements and activities is set forth in Section D. The annual budget may increase no more than 5% per year consistent with the increase in consumer price index (CPI) and increases in program costs. The determination of annual budget adjustments and assessment rates will be subject to the review and approval of the board of directors for the Third Avenue Village Association (TAVA). Funding for the PBID improvements and activities shall be derived from a property-based assessment of each specially benefitted parcel in the PBID. A detailed description of the methodology for determining the proportional special benefit each individual assessable parcel receives from the activities and the assessment for each parcel is set forth in Section F.

I hereby certify to the best of my professional knowledge that each of the identified assessable parcels located within the PBID will receive a special benefit over and above the benefits conferred to those parcels outside of the PBID 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,



*T E Lowell*  
Terrance E. Lowell, P.E.

## SECTION A: LEGISLATIVE AND JUDICIAL REVIEW

### **Property and Business Improvement District Law of 1994**

The Property and Business Improvement District Law of 1994 (the "State Law") is the legislation that authorizes the City to levy assessments upon real property for the purposes of providing improvements and activities that specially benefit each individual assessed parcel in the PBID. The purpose of the PBID is to encourage commerce, investment, and business activities. In order to meet these goals PBIDs typically fund activities and improvements, such as enhanced safety and cleaning. Unlike other assessment districts which fund the construction of public capital improvements or maintenance thereof, PBIDs 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 PBID are over and above those already provided by the City within the PBID's boundaries. Each of the PBID activities or improvements is intended to increase building occupancy and lease rates, to encourage new business development, attract businesses that serve the community, and improve the quality of life.

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..."*<sup>1</sup>

*"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.*<sup>2</sup>

### **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 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*

<sup>1</sup> California Streets and Highways Code, Section 36610.

<sup>2</sup> California Streets and Highways Code, Section 36613.

*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.<sup>3</sup>*

*"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."<sup>4</sup>*

### **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 PBID in particular are noted below.

*"The engineer's report describes the services to be provided by the PBID [i.e. the PBID]; (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 PBID. And they are particular and distinct benefits to be provided only to the properties within the PBID, 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.'"<sup>5</sup>*

*"...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."<sup>6</sup>*

*"...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."<sup>7</sup>*

*"...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."<sup>8</sup>*

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

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<sup>3</sup> Section 4, Article XIIIID of the State Constitution.

<sup>4</sup> Section 2 (i), Article XIIIID of the State Constitution.

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

<sup>6</sup> Beutz v. County of Riverside (2010) 184 Cal. App. 4th 1516, 1532.

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

<sup>8</sup> Golden Hill Neighborhood Association, Inc. v. City of San Diego (2011) 199 Cal.App. 4th 416, 439.

## **SECTION B: IMPROVEMENTS AND ACTIVITIES**

The Downtown Chula Vista PBID Steering Committee collectively determined the priority for improvements and activities to be delivered by the business improvement district. The primary needs as determined by the property owners are both Environmental and Economic Enhancements. The Environmental Enhancements include activities such as maintenance, public safety, homeless outreach and beautification. Economic Enhancements include activities such as business recruitment and retention, Improve permitting processes, market downtown to tenants, brokers and investors. Specifically, the PBID shall provide the following activities.

### ***Environmental Enhancements***

#### **Public Safety Options Include:**

**Downtown Chula Vista Ambassador Program:** Downtown will consider investing in an Ambassador Guide program to support the police department, property owners, and tenants in overall efforts to prevent crime and reduce street disorder, while offering a customer service orientation to pedestrians. Ambassadors can provide highly visible neighborhood security and are intended to supplement-not supplant individual building security and the Chula Vista Police Department.

**Integration with the Chula Vista Police Department:** Ambassadors can work closely with the Chula Vista Police and integrate the downtown commercial area with that of the Police. Chula Vista Police Department officers can be active in the development and training of an ambassador program.

**Bicycle Patrol:** A Bike Patrol can deter aggressive panhandling and other unsuitable street behavior. Their presence is a deterrent to theft and burglary from motor vehicles; however, the service does not completely prevent these crimes. They also deter and report illegal street vending, illegal dumping and street code violations. They observe and report a myriad of quality-of-life problems including: drinking in public, urinating in public, public drunkenness, trespassing, and shopping cart confiscation.

**Foot Patrol:** A Foot Patrol can concentrate on the highest pedestrian use corridors such as Third Avenue. A Foot Patrol has the same mission and receives the same training as the Bike Patrol. Uniforms and equipment can be identical. Because of their easy accessibility to pedestrians, the Foot Patrol can act as ambassadors helping visitors find their dining, shopping and parking destinations.

#### **Maintenance Options Include:**

**Downtown Chula Vista Clean Team:** The Clean Team consistently deals with maintenance issues within the District. To effectively deal with the maintenance issues facing Downtown Chula Vista, a multi-dimensional approach has been developed consisting of the following elements:

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

**Alley Maintenance:** The Clean Team and Ambassadors can each have responsibility in this area. The Ambassadors address owner and tenant compliance with City code issues on cleanliness of sidewalks, alleys and illegal dumping. The Clean Team crew can sweep alleys, remove graffiti and clear the alleys of debris when a responsible party cannot be found for illegal dumping or other violations. The parking lots are maintained with a separate agreement with the City and not funded through the PBID.

**Graffiti Removal:** The Clean Team can remove graffiti up to 12' by painting, 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:** The Third Avenue service area is to have all sidewalks pressure washed quarterly. The high use areas will be cleaned more frequently or on an as-needed basis. However, during drought years pressure washing may not be permitted.

**Landscape and Irrigation Maintenance:** Public landscape areas, tree wells, and planters will be maintained and kept free of litter and weeds. Maintain trees and plantings including watering, trimming, pruning, fertilizing and treating for disease. Median palm trees are excluded.

The proposed service frequencies for Maintenance services for the Third Avenue corridor versus the remainder of the district are provided below:

Activity	District-Wide Service Area	Third Avenue Service Area
Sidewalk Sweeping	Weekly	Daily
Power Washing Sidewalks	None	Quarterly (4 times per year)
Graffiti removal	As Needed	As Needed
Landscape & Plantings	None	Daily
Irrigation	None	As Needed
Alley Cleaning	Weekly	Weekly

### **Homeless Outreach**

Reducing homelessness and containing disruptive behaviors from street populations is another top priority among downtown property and business owners, citing concerns with nuisance crimes, compounding maintenance issues, and creating an intimidating street atmosphere.

**Specific program and service components:** To reduce homelessness in Downtown Chula Vista, a multi-faceted approach that combines resources from the business community, city and social service agencies is proposed. Elements of this initiative that could be supported by PBID assessments could include:

- **Homeless Outreach Team:** In partnership with a social service agency, a homeless outreach team could include professional social workers that meet daily with homeless individuals, helping to place them in the city's continuum of care, or offering assistance to stabilize their condition on the street.
- **Ambassadors,** described above, are expected to be trained in concert with social service providers to assist in connecting street populations to appropriate services.

### **Beautification**

In addition to clean and safe services, the PBID budget may include funds to maintain existing and future beautification and placemaking improvements that are defined as cosmetic enhancements that improve the appearance and walkability within the PBID, 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 Village 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 PBID's appearance.

### **Economic Enhancements**

Business development ranked highest among property and business owners as the single most important program that the PBID should provide. Moving forward with the PBID, economic development and marketing activities will shift from consumer marketing to investor marketing. The PBID's Economic Development Committee will develop annual work programs that may include the following:

**Economic Development** services to aide in efforts to attract a stronger mix of businesses and work with tenants/owners and city staff to expedite the city permitting process. Options may include:

- Design and production of investor marketing packages to assist real estate brokers, developers and property owners in business recruitment efforts.
- Maintenance of a district database with local market and real estate information.
- Market research and market-based planning to target private investment to strengthen the downtown marketplace.



- Trouble-shooting and permitting liaison services to assist property and business owners to invest and operate in the district. Coordinate with the City's Ombudsman on these services.
- Enhanced research and development of the downtown website.
- Coordinate efforts with the City of Chula Vista in developing an outreach program to property owners, real estate brokers and local/regional businesses to develop under-utilized downtown properties.
- Business retention efforts to encourage existing businesses to grow.

**Destination Marketing** programs that aim to position downtown Chula Vista as a dining, retail and entertainment 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.
- Increased distribution and enhanced quality of publications, including the downtown map and directory and future activity guides.
- Improved special event production and promotions.
- Design, installation and maintenance of a new downtown directional signage system.

**Communications** services to better inform business and property owners.

- Continued publication of a downtown district newsletter.
- PBID 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 PBID supports a professional staff that delivers programs and advocates on behalf of the Downtown district. The PBID allows downtown 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 PBID's Owners' Association. A 5.0% operating reserve is also budgeted as a contingency for any payment of delinquencies and/or unforeseen budget adjustments.

## SECTION C: BENEFITTING PARCELS

### **PBID Boundary**

The proposed Downtown Chula Vista PBID will deliver its services to the commercial corridor mainly along Third Avenue. The current boundaries are from E Street to the north, I Street to the south, Church Avenue to the east and Landis Avenue to the west. It also extends west on F Street to Fourth Avenue, encompassing the City of Chula Vista central library and police station.

Within the PBID boundary there are two different benefit zones for the maintenance programs and activities. It was determined that the Third Avenue corridor required more maintenance services than the rest of the properties in the PBID. Described below are the benefit zones.

**District-Wide Maintenance:** is all assessable properties within the PBID boundary. All parcels in the PBID boundary will receive the same base level of maintenance services.

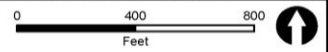
**Third Avenue Enhanced:** is all assessable properties with frontage along Third Avenue between E Street and H Street. These properties will receive a higher frequency level of maintenance services than other parcels within the PBID boundary.

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



Proposed Boundaries for the  
Downtown Chula Vista PBID

- Third Av Enhanced Services
- District-Wide Boundary
- Parcels



Downtown Chula Vista

## Section D: PROPORTIONAL BENEFITS

### **Methodology**

Article XIID 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. Determining the proportional special benefit a parcel receives in relation to the amount of special benefit all other parcels in the PBID receive.

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

### **Special Benefit Factor**

The method used to determine proportional special benefits are measured by each parcel's lot square footage plus linear street frontage. Each parcel's proportional lot size and linear street frontage represents each parcel's proportional special benefit compared to other parcels within each benefit zone. Lot square footage is relevant to the best use of a property and will reflect the long term special benefit implications of the improvement district. Linear street frontage is relevant to the amount of benefit each assessed parcel receives from the PBID that are delivered at the street level. This reflects the fact that services on the street will have the greatest benefit to properties in relationship to their exposure on the streets. That is to say that the more linear frontage a parcel has, the more benefit it will receive from the services.

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.

Linear Street Frontage Defined. Linear street frontage is defined as the number of linear feet of each parcel that directly fronts on a street that will receive the PBID activities.

## **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.”

### ***Special Benefit Analysis***

All special benefits derived from the assessments outlined in this report are for property related activities directly benefiting each individual assessed parcel in the PBID. 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 PBID's goal is to fund activities and improvements that provide a cleaner, safer, and more attractive and economically vibrant environment as outlined in Section B. The goal of improving the economic vitality is achieved by improving the safety, cleanliness, marketing, and appearance of each 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.

Each parcel will specially benefit from:

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

Specifically each parcel benefits from each of the PBID 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".<sup>9</sup> 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 benefit each assessed parcel within the PBID 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 PBID 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**

Based on the special benefits each assessed parcel receives from the PBID 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 in direct relationship to and no greater than the special benefits received.

The special benefit to parcels from the proposed PBID activities and improvements described in

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<sup>9</sup> "Accelerating economic growth and vitality through smarter public safety management" IBM Global Business Services Executive Report, September 2012, pg. 2

this report is equal to or exceeds the total amount of the proposed assessment. Each individual assessed parcel's assessment is no greater than the special benefit it receives from the PBID activities.

### **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 PBID 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 outside of the PBID, and (2) the public at large, may receive.

#### **General Benefit to Parcels Outside of the PBID**

All the PBID activities and improvements are provided solely to each of the individual assessed parcels in the PBID boundary. Each of the PBID activities is provided to the public right-of-ways (streets, alleys, sidewalks) adjacent to all specially benefitted parcels or tenants in the PBID. None of the surrounding parcels will directly receive any of the PBID activities. Any benefits these parcels may receive are incidental to providing special benefits to the assessed parcels, and thus any cost associated to 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 PBID boundary, there may be general benefits to the public at large, meaning those people that are either in the PBID boundary and not specially benefitted from the activities, or people outside of the PBID boundary that may benefit from the PBID activities. In the case of the PBID, the public at large are those people that are within the PBID boundary that do not pay an assessment and do not specially benefit (employees, tenants, and customers) from the PBID activities.

To help determine this, 6 business districts in nearby Los Angeles (Historic Downtown, Leimert Park, Arts District, Downtown Industrial, Fashion District, and Sherman Oaks) conducted intercept surveys. These surveys determined the percentage of people that are within the district that are not specially benefitted and did not engage in business activity. The six intercept surveys found that on average 1.4% of the respondents were within the district boundary and not specially benefitted.

In the case of the Downtown Chula Vista PBID we use these survey results to then further quantify the relative benefit the specially benefitted public and the general public may receive from the PBID activities. The general public may appreciate the enhanced level of security and maintenance as well as the beautification activities as it passes through the District whether they are engaging in commerce or not. The specially benefitted public receives 100% of the PBID activities and special benefit. The general public's relative benefit is less than the specially benefitted public, and based on the surveys discussed above, that percentage is 1.4%. However, to be conservative, we apply a relative benefit percentage of 5.0% to account for any potential difference between Los Angeles PBIDs and the Downtown Chula Vista PBID.

We then apply the relative benefit percentage for the general public to each of the PBID activities. The table below shows the budget for each of the PBID activities and their respective percentage of the total PBID budget. We then apply a relative benefit factor to each activity accounting for the potential benefit the general public may receive. The relative benefit factor is then multiplied by the PBID activity's budget percentage to determine the overall benefit factor. The following table illustrates this calculation.

<b>PBID Activity</b>	<b>A Budget Amount (1)</b>	<b>B % of Budget (2)</b>	<b>C General Benefit Factor</b>	<b>D General Benefit Percent (B x C)</b>	<b>E General Benefit Allocation (A x D)</b>
Environmental	\$220,606	48.48%	5.00%	2.42%	\$5,348

(1) \$160,000 for Environmental expenses plus 48.48% of Administration plus Reserve expenses

(2) \$220,606 divided by the total \$455,000 PBID budget equals 48.48%

This analysis indicates that \$5,348 may be attributed to general benefit to the public at large, and will be raised from sources other than special assessments.

#### **Total General Benefits**

Using the sum of the two measures of general benefit described above, we find that \$5,348 or 1.18% of the total PBID budget may be general in nature and will be funded from sources other than special assessments.



## SECTION F: COST ESTIMATE

### 2017 Operating Budget

The PBID's operating budget takes into consideration:

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

<b>EXPENDITURES</b>	<b>BUDGET</b>	<b>% of Budget</b>
Environmental Enhancements	\$160,000	35.16%
Economic Enhancements	\$170,000	37.37%
Administration	\$100,000	21.98%
PBID Reserve	\$25,000	5.49%
<b>Total Expenditures</b>	<b>\$455,000</b>	<b>100.00%</b>
<b>REVENUES</b>		
Assessment Revenues	\$449,652	98.82%
General Benefit Revenues	\$5,348	1.18%
<b>Total Assessment District Revenues</b>	<b>\$455,000</b>	<b>100.00%</b>

### Ten Year Operating Budget

The projected 10-year operating budget for the Downtown Chula Vista PBID is based upon the following assumptions:

- Annual assessments may increase no more than 5% 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 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 Owners' Association. Revenues may not be moved between the Environmental and Economic Enhancement categories.

## SECTION G: APPORTIONMENT METHOD

### Calculation of Assessments

As previously discussed, the PBID activities are segregated into two benefit zones; those parcels that front Third Avenue and those that do not. Each benefit zone's land use characteristics and assessment factors are as follows:

Assessment Factors	District-Wide	Third Avenue
Lot Square Feet	3,369,642	
Linear Street Frontage	19,325	6,737

Based on the parcel characteristics and the budget for each, the following are the calculated rates for each assessment factor and each benefit zone for fiscal year 2016/2017.

Assessment Factor	Assmt Rate
Lot Square Foot - Economic	\$0.07124
Lot Square Foot – District wide Maint	\$0.01797
Linear Foot – District wide Maint	\$2.32300
Linear Foot – Third Avenue	\$13.97987

### Property Use Considerations

The methodology provides the following treatments for property used exclusively for residential, non-profit and government uses:

- **Treatment of Residential Property:** Proposition 218 states that no parcel is exempt from assessments if that parcel receives benefit from the improvements and activities, this includes residential use parcels. This is based on the premise that in this case residential parcels receive benefit from both the environmental and economic development activities. The economic development programs will aim to bring added services and amenities to the downtown that will benefit residential parcels. The environmental services will provide a cleaner and safer environment for all parcels in the PBID.
- **Vacant Unimproved Land:** For vacant unimproved land within the District, assessments will be calculated at 50% of the assessment for improved lots. This adjustment accounts for the lack of income production and utility provided by vacant unimproved lots. When unimproved lots are improved with parking and/or a structure and as evidenced by the issuance of a building permit, then the full assessment will be placed on the improved property as of the following tax year.
- **Churches:** For the purposes of the PBID, buildings with churches and accessory properties (i.e. parking) for churches will pay only a lot frontage assessment for Environmental Enhancement activities. Economic Enhancement activities will not benefit churches and these properties will not be assessed for lot square footage.
- **Assessment Policy on Non-Governmental Tax-Exempt Properties:** In addition to churches, properties that are exempt from property tax may not receive benefit from the Economic Enhancement activities specified in this Management District Plan and may not

be fully assessed for these services. An owner of real property located within the boundaries that meets these criteria may reduce the amount of the lot square footage assessment to be levied if all of the following conditions are met:

1. The property owner is a non-profit 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 is eligible for exemption, in whole or in part, from real property taxation.
3. The property owner makes the request in writing to the Third Avenue Village Association prior to the submission of the PBID assessment rolls to the County Assessor (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.

If these conditions are met, the amount of the PBID assessment to be levied on lot square footage shall be reduced in the same proportion to the real property tax exemption granted to the property by the County of San Diego.

### ***Budget Adjustment***

Any annual budget surplus or deficit will be rolled into the following year's PBID budget. The budget will be set accordingly, within the constraints of the management plan, to adjust for surpluses or deficits that are carried forward.

### ***Future Development***

Based on new development in the PBID, the amount of assessable square footage in the PBID may change over time. These changes could modify the total square footage assessed for affected parcels. Therefore, in future years, the assessments levied against PBID parcels may change in accordance with the assessment methodology formula and rates in the Management District Plan and Engineer's Report. Changes to the assessment formula would require the approval of an amendment to the Management Plan.

## **SECTION H: ASSESSMENT ROLL**

The total special assessment amount for FY 2016-17 is \$449,652 apportioned to each individual assessed parcel, as shown below.

**((Final Assessment Roll to come later))**