

South Park II

A Los Angeles Property-Based Business
Improvement District

Management District Plan

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Prepared by



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1 Management District Plan Summary

Name of District: The name of the District is the *South Park II Business Improvement District* (hereinafter the "District"), located in the City of Los Angeles. The District is being established pursuant to Section 36600 et seq. of the California Streets and Highways Code, The "Property and Business Improvement District Law of 1994 as amended," hereinafter referred to as State Law.

Type of District: New, Property-Based BID

Duration: The District shall have a two (2) year term beginning January 1, 2016 and ending December 31, 2017, unless renewed by a new vote of the property owners. If not renewed, or otherwise terminated, any unused funds shall be returned to the property owners in a pro-rata share, in accordance with Streets and Highways Code section 36671.

Implementation Timeline: The District is expected to begin services on or shortly after January 1, 2016. If the District is not renewed, services will sunset on December 31, 2017.

Boundaries: The proposed District is located in the southwest section of Downtown Los Angeles, and is bounded by four existing Business Improvement Districts (BIDs) and the Santa Monica (10) Freeway. The proposed District generally includes all properties between Olympic Boulevard on the north and 17th Street/Santa Monica (10) Freeway on the south along the Olive Street, Hill Street and Broadway corridors. See boundaries and boundary rationale (p. 6) and map (p. 8) for further detail.

Governance: The City shall contract with a non-profit Owners Association to manage the District and implement this plan. The Owners' Association will review and approve the District budget, policies and operational plans. They shall hire and oversee all staff and/or contractors charged with the execution of services to the District. Annual and quarterly reports, newsletters and independent financial statements will be submitted to the City according to a calendar established by the Office of the Los Angeles City Clerk, Neighborhood & Business Improvement District Division.

Service & Improvement Plan: The service and improvement plan for the District, totaling **\$452,690**, has three budget categories, broken out as follows:

<i>Clean & Safe Programs</i>	<i>\$298,775</i>	<i>66%</i>
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Examples include: bicycle, Segway, vehicular or foot patrols, sidewalk sweeping, pressure washing, landscaping, trash removal, graffiti/poster/sticker/gum removal and other related activities

Marketing & District Identity \$40,742 9%
 Examples include: Website, newsletter, promotional efforts, outreach programs

Administration & Management \$113,173 25%*
 Examples include: Personnel costs, city fees, formation costs, legal, accounting, insurance, office space, office supplies and equipment

** Administration & Management as a percentage of the overall budget is significantly higher in this Management District Plan than it is expected to be if the District successfully renews. Because this is a brief, 2-year District, start-up costs, including many one-time costs and fees, can be amortized over only two years. Upon renewal, any additional one-time costs (e.g. formation costs, certain equipment, etc.) may be amortized over the term of the BID (which is often five years or more.)*

Budget: The total 2016 budget for the District is \$452,690. The entire District is a single benefit zone. All services shall be provided to all identified parcels in the District.

Budget Totals Year 1 (2016) and Year 2 (2017) – Special + General Benefit Costs
 (assessment and non-assessment revenues)

Service	YR1 - 2016 Assessment Allocation	YR1 - 2016 Non-Assessment Allocation	YR1 - 2016 Total Allocation	YR1 - 2016 % of Total
Clean & Safe	\$295,190	\$3,585	\$298,775	66%
Administration & Management	\$111,815	\$1,358	\$113,173	25%
Marketing & District Identity	\$40,253	\$489	\$40,742	9%
TOTAL	\$447,258	\$5,432	\$452,690	100%

Service	YR2 - 2017 Assessment Allocation	YR2 - 2017 Non-Assessment Allocation	YR2 - 2017 Total Allocation	YR2 - 2017 % of Total
Clean & Safe	\$309,950	\$3,764	\$313,714	66%
Administration & Management	\$117,406	\$1,426	\$118,832	25%
Marketing & District Identity	\$42,266	\$513	\$42,779	9%
TOTAL	\$469,622	\$5,703	\$475,325	100%

* The above tables assume the maximum possible annual assessment increase of 5%. Actual annual increase may be less. 1.2% of the total budget shall be generated from non-assessment source(s.)

Other Budget Provisions: Capped assessments may be adjusted annually but any increase shall not exceed 5%. Increases are not automatic, and may not occur in any given year. Any annual increase shall require a vote by the District Owners' Association Board of Directors, and shall be stipulated in the District's Annual Planning Report submitted to the City. Assessments may be reduced by the District Owners' Association in any given year. Assessments so reduced may increase in the following year more than the 5% cap up to the maximum rate defined for that year in the table shown on p. 15. Lastly, land use changes or improvements to properties (construction, demolition) during the life of the District could also increase or reduce total assessment revenue. Any changes will be made in accordance with City and State laws.

Any delinquent payments or accrued interest shall be expended proportionately in the budgeted categories.

Any annual budget surplus shall be rolled over into the following year's budget for the District, or may be used to cover the costs of renewal of the district. The budget for that year shall be set by the Owners' Association, in accordance with the Management District Plan. If the District expires with a surplus, funds may be rolled over into a renewed or reformed District if established, but shall only be expended on those parcels that were assessed in the original District; if none is established, the surplus shall be returned, on a pro rata basis, to each property owner in the District, in accordance with State law.

In the calculation of assessments, frontage, lot and building measurements are rounded to the nearest whole number. Assessments are rounded to the nearest cent. The overall budget and budget categories are rounded to the nearest dollar.

Method of Financing: A levy of special assessments shall be made upon real property that receives special benefits from the improvements and activities described within this plan.

Assessment Methodology: All identified commercial, industrial and government-owned parcels shall be assessed \$0.025 per square foot (SF) of building, \$0.04 per SF of lot, and \$10 per linear foot (LF) of frontage. Each residential condominium shall be assessed at \$0.30 per SF of its internal building pad. For more detail on the assessment methodology, see p. 15.

District Formation Requirements: In order to form the District, property owners shall present favorable petitions representing more than 50% of the total assessments outlined in the Assessment Roll (see p. 23.) Once presented and verified, a ballot procedure shall occur pursuant to CA Proposition 218.

2a Boundary: Description & Rationale

Setting: The proposed District is located in the southwest section of Downtown Los Angeles, an expansive metropolitan area bounded by the 10, 110, 101 Freeways and the Los Angeles River. The proposed District generally includes all properties between Olympic Boulevard on the north and 17th Street/Santa Monica (10) Freeway on the south along the Olive Street, Hill Street and Broadway corridors.

Boundary Rationale: The proposed District is bounded by four existing Business Improvement Districts (BIDs) and the Santa Monica (10) Freeway. State PBID Law (Streets and Highways Code Section 36622) declares that: "The boundaries of a proposed property assessment district shall not overlap with the boundaries of another existing property assessment district created pursuant to this part." To the west, the proposed District is bounded by the South Park BID. To the north, the proposed District is bounded by the Downtown Center BID and the Historic Downtown BID. To the east, the proposed District is bounded by the Fashion District BID. To the south, the proposed District is bounded by the 10 Freeway, which both visually and physically separates the proposed District from the neighborhood located south of the 10 Freeway. All parcels excluded from the proposed District either lie within an existing BID, or lie south of the 10 Freeway.

There is a single benefit zone within the proposed District.

The parcels within the boundaries of the proposed BID which will receive special benefits from BID funded programs and services are currently a mix of general commercial, retail, office, commercial parking, industrial, government and a few residential apartment buildings. It is noted that there are future residential condominium developments proposed within the proposed District. The special benefits provided to each parcel type are discussed in more detail in the Service & Improvement Plan, p. 9 of this Management District Plan and the Quantitative Benefit Analysis section, p. 8 of the Engineer's Report.

State PBID Law (Section 36632 Streets and Highways Code) states: Properties zoned solely for residential use.....are conclusively presumed not to benefit from the improvements and services funded through these assessments, and shall not be subject to any assessments pursuant to this part. It is noted that no parcels within the proposed SP II BID are zoned solely residential, but are a combination of various commercial and future mixed-use zoning that requires a nominal amount of commercial space within any future development.

In the opinion of the Engineer with over 30 years of professional assessment engineering experience and based on the nature of the programs and services to be funded and provided by the SP II BID (over 90% allocated to "clean and safe and related administration"), mixed-use parcel types with residential apartments that are located within the SP II BID will receive

proportionate special benefits from direct and tangible BID services. Any future mixed-use developments within the proposed SP II BID shall receive special benefit services and be assessed according to the assessment methodology contained and discussed later in this Engineer's Report. Each assessed parcel within the SP II BID will proportionately benefit from the BID funded programs and services (i.e. clean and safe; administration and management; and, marketing and district identity). These programs and services improve commerce, employment and livability for patrons, visitors, employees and residents within the SP II BID by reducing crime, litter and debris, all considered detractors to commerce, occupancy rates, livability and investment return if not contained and properly managed.

3 Service & Improvement Plan

Plan Development: In 2013, a group of property owners expressed interest in forming a new business improvement district (BID) in the eastern portion of a Downtown Los Angeles neighborhood known as South Park. The western portion of South Park has an existing BID (South Park BID), however, the eastern portion of South Park has no BID. Property owners from the eastern portion of South Park met twice in late 2013 to explore establishment of a new District, ultimately voting to form a Steering Committee to pursue its feasibility. After additional outreach, the Steering Committee was formed, and was comprised of property owners in the study area. Three Steering Committee meetings were held in 2014, after which the Committee voted to move forward with the formation of the District, and approved a budget and service plan to provide special benefits to each of the identified parcels in the new District.

As determined by the District Steering Committee through surveys, discussion and refinement, the top priority for the District at the time of formation is the “clean and safe” programming. The second priority for the property owners was administration and management. The Steering Committee viewed a highly professional full-time management team as essential to the implementation and oversight of all other priorities. The third priority was district identity and marketing (website, database, newsletters and other marketing and business attraction efforts.) The group agreed on these initial priorities for the District; these priorities are reflected in the budget they developed for the District. It was agreed that the priorities should be revisited annually and comprehensively reassessed upon any renewal of the District.

Definition of Special and General Benefits: As stipulated by Proposition 218, assessment district programs and activities confer a combination of general and special benefits to properties, but the only program benefits that can be assessed are those that provide special benefit to the assessed properties. A “general benefit” is defined as: “A benefit to properties in the area and in the surrounding community or benefit to the public in general resulting from the improvement, activity, or service to be provided by the assessment levied.” A “special benefit” as defined by the California State Constitution means a distinct benefit over and above general benefits conferred on real property located in the District or to the public at large. Special and general benefits are defined and discussed in greater detail beginning on p. 7 of the Engineer’s Report.

Service & Improvement Plan: There is a single benefit zone within the proposed District. All services are special benefits that shall be provided only to those parcels within the District, and that shall be provided consistent with the individual assessment for that parcel. The three categories of special benefits provided to all identified District parcels are as follows:

1) *Clean & Safe Programs*

\$298,775

66%

Clean encompasses all sidewalk, curb and other right-of-way services for each assessed parcel in the District and includes: sweeping, litter removal, enhanced emptying of trash cans, pressure washing/steam cleaning, graffiti/flyer/sticker/gum removal, tree trimming and weeding. *Clean* also includes the cost of equipment necessary to provide these services. *Clean* may also include property owner notification of conditions on private property that are unsafe or unfavorable to creating and preserving a clean and safe environment in the District (e.g. broken window/gate, vandalism, accumulated debris/garbage, etc.) *Clean* may also include notification to the City or other entities as appropriate (e.g. utilities) of any damage to public infrastructure or utilities.

Safe encompasses all patrol/ambassadorial services for each assessed parcel in the District and includes: personnel on foot, bike, or other vehicles (e.g. Segways, trucks, etc.), ambassadors (specially trained personnel able to provide directions, transit information, business information, event information, social service referrals, etc.), emergency assistance, crowd control, crime prevention activities (e.g. Neighborhood Watch), escort services and distribution of special bulletins (e.g. street closures, emergency alerts.) *Safe* also includes the cost of equipment necessary to provide these services.

The goal of both *clean* and *safe* programs is the same: to ensure that all identified assessed parcels are clean, safe, and beautiful, thereby creating a safe and attractive District. Various levels of *clean* and *safe* activities will be required over time to maintain the District.

To assist the Owners' Association in budgeting and the deployment of resources, an incident-tracking software/database will be developed to track calls for *clean* and *safe* services. This data will help ensure that negative public safety trends are identified quickly and can be addressed effectively with the right deployment of resources. The database will be developed and expanded as funds are available to implement this goal.

Safe programs will assist in creating a safe and secure environment for each assessed parcel in the SP II BID. This activity is designed to increase vehicular and pedestrian traffic, increase commerce and customer activity, attract and retain new business and patrons, and may increase commercial rents and commercial occupancies for the assessed parcels within the BID boundaries. In the case of assessed publicly owned parcels, BID funded *Safe* programs and services provide safer and enhanced facility entrances and perimeters for their employees, students, visitors, vendors and users of these public facilities. Further, in the case of assessed mixed-use parcels, BID funded *Safe* programs and services are designed to improve the security of entrances and perimeters for tenants, visitors and owners, which, in turn, may increase occupancies and rental income. Each assessed parcel

will specially benefit from the Safe programs and services which will only be provided to, and for the direct benefit of, assessed parcel within the BID boundaries.

2) *Administration & Management* \$113,173 25%

Administration & Management includes activities such as: personnel, operations, professional services (e.g. legal, accounting, insurance), production of the Annual Planning Report and Budget and quarterly reports, facilitation of meetings of the Owners' Association, Brown Act compliance, outreach to District property and business owners, and participation in professional peer/best practice forums such as the LA BID Consortium, the California Downtown Association or the International Downtown Association. It also covers the costs associated with District formation, as well as City and/or County fees associated with their oversight of the District and the Owners' Association's compliance with the terms of its contract with the City, and the implementation of the Management District Plan and the Engineer's Report.

This component is key to the proper expenditure of BID assessment funds and the administration of BID programs and activities that are intended to promote business within the BID boundaries through increased commerce and the attraction and retention of new business. The BID Administration and Management program exists only for the purposes of the BID and directly relates to the implementation of clean, safe, marketing and district identity programs, which specially benefit each individually assessed parcel within the BID boundaries.

3) *Marketing & District Identity* \$40,742 9%

Marketing & District Identity includes activities such as: production of a quarterly (minimum frequency) newsletter that shall be distributed to all property owners in the District, efforts to cultivate and recognize the satisfaction, retention and attraction of businesses, employees and customers/visitors, advertising, response to media inquiries, cultivation of media exposure, and promotion of the District as a great place to live, work or visit through a website and/or social media. To the extent that funds are available, it could also include additional efforts such as a District-wide marketing strategy, holiday lighting, street banners, wayfinding activities, art installation or development of special events (e.g. festival) or other community identity and branding efforts that promote the District, its residents, businesses, services and amenities.

Assessed commercial parcels that receive these services may attract more customers, employees, tenants and investors as a result of positive communications between and among BID parcels that will result in an enhanced marketing image of the District. This in turn, is intended to increase business volumes, sales transactions, commercial occupancies, commercial rental income and investment return. In the case of publicly owned parcels

that are assessed for these programs, BID funded marketing and district identity creates better informed public employees, students, visitors, vendors and users of these public facilities. Further, in the case of mixed-use parcels, BID funded marketing and district identity creates better informed tenants, visitors and owners, which, in turn, enhance livability and may increase residential occupancies and rental income. The marketing and district identity program will only be provided to, and for the direct and special benefit of, each individually assessed parcel within the District.

Unique services for future residential condominiums: Residential condominiums do not exist within the District today, however, it is anticipated that some properties could be developed with residential condominiums during the term of the District. Residential condominiums in the District require a higher level of service than other parcels in the District. Recordation of the tract maps and subsequent reassessment of parcels may or may not occur during the duration of this District, however, should they occur, residential condominiums shall receive enhanced services in addition to those received by commercial, industrial and commercial condominium parcels in the District. These services correspond directly to the special assessments tied to these parcels, and to the assessment methodology outlined for residential condominium parcels beginning on p. 16 of this Management District Plan. These enhanced services provided to residential condominium parcels include:

- 1) More frequent sidewalk, curb and gutter cleaning on the frontages adjacent to the residential condominium individually assessed parcels;
- 2) More frequent pressure washing/steam cleaning on the frontages adjacent to the residential condominium individually assessed parcels;
- 3) Enhanced patrols in the evening hours, weekends or holidays on the frontages adjacent to the residential condominium individually assessed parcels;
- 4) Installation and restocking of pet waste stations on the frontages adjacent to the residential condominium individually assessed parcels;
- 5) Efforts to outreach, design and implement streetscape enhancements on the frontages adjacent to the residential condominium individually assessed parcels, pending the availability of sufficient funding;
- 6) Other services requested by the condominium owners that confer special benefit on the frontages adjacent to the residential condominium individually assessed parcels.

Special Benefits by Parcel Type: The property parcel types within the boundaries of the BID which will receive special benefits from BID funded programs and services are currently a mix of general commercial, retail, office, commercial parking, industrial, government, and a few mixed-use parcels with apartment units. Programs, services and improvements provided by the BID are primarily designed to provide special benefits as described below to identified assessed parcels and the array of parcel types within the boundaries of the District.

It is noted that over 90% of the SP II BID funds area allocated to “clean and safe” programs and related management and operation expenses. The balance of funds are used for “marketing and district identity” which entails communication outlets such a quarterly newsletter distributed to all assessed SP II BID stakeholders and a District website that announces important news, alerts, and issues for the use by and special benefit for assessed District stakeholders.

For general commercial, retail, office, commercial parking, industrial and mixed-use parcel types within the SP II BID, each of these parcel types and assessed parcels specially benefit from BID funded programs and services through potentially increased commerce, commercial rental income and commercial occupancies. BID funded clean and safe programs enhance each assessed parcel by improving the safety and aesthetic appearance of each assessed parcel entrance and perimeter for its business tenants, employees, customers, clients and visitors. The marketing and district identity programs provide important and beneficial information, alerts and news to property and business owners of each assessed parcel within the SP II BID via quarterly newsletters and an active and informative District website.

For assessed publicly owned parcels and facilities, each of these parcels specially benefit from BID funded programs and services from cleaner and safer facility entrances and perimeters for their employees, students, visitors, vendors and other users of these public locations and facilities. In addition, the BID funded marketing and district identity programs benefit publicly owned parcels, except as noted herein, by announcing public events and activities held at these public facilities and apprise employees of important District news, security issues and alerts and crime statistics.

For the few assessed mixed-use parcel types within the BID (all located on non-residentially zoned parcels), these parcels specially benefit from the clean and safe programs by improving the security and livability of tenants, potentially increasing rental occupancies and increasing rental income. In addition, the marketing and district identity programs benefit these mixed-use parcel types by apprising owners and tenants of important District news, security issues and alerts and crime statistics.

All identified parcels within the District boundaries shall be assessed to fund special benefit programs, services and improvements as outlined in this Management District Plan as well as the Engineer’s Report. Each identified parcel within the District shall pay its proportional share of assessments to fund the special benefits to be conferred on that specific parcel. These benefits are particular and distinct to each and every assessed parcel within the District and are not provided to non-assessed parcels outside of the District. Because these programs, services and improvements will only be provided to each individually assessed parcel within the PBID boundaries, these programs, services and improvements will constitute "special benefits." The City of Los Angeles does not provide these programs and services.

Services, programs and improvements will only be provided to these assessed parcels inside the District boundaries and none will be provided outside of the District boundaries. These programs and services support improved commerce, increased employment, business attraction and retention, increased property rental income, and an increase in service-oriented businesses such as restaurants and retails, which are desired amenities within the District for each identified assessed parcel. They also improve livability for patrons, visitors, employees and residents who frequent the identified assessed parcels within the District by reducing crime, litter and debris, all considered detractors if not contained and properly managed. All services enhance the image and viability of the individually assessed parcels within the District.

Additional Information: Service demands may vary year-to-year. The decisions to prioritize one special benefit within a particular budget category over another will be reviewed and decided by the Owners' Association year-by-year. For example, clean services may be the greater priority in year one; safe services may be the greater priority in year two. The goal of a clean and safe District is constant; the type and frequency of specific services necessary to achieve this goal may vary based on special benefit needs. Similarly, actual service hours and deployment schedules may vary during the year in order to best meet the needs of the District. For example, as a new district, intensive cleaning may be the highest initial priority in the first few quarters of operation. Getting the District to a desirable baseline of cleanliness and maintaining that baseline is viewed by the District Steering Committee as an essential foundation for all other District activities.

The Owners' Association Board of Directors will develop and refine a detailed operation deployment schedule; upon establishment of the District and commencement of services, property owners may request copies of the annual planning report, quarterly reports and a current deployment schedule from the Owners' Association to fully understand the current type and schedule of services and improvements in the District.

Market costs for services and improvements may vary from year-to-year; budget categories may vary by up to 10% per category, by line item. This allows for some limited flexibility to respond to changing market costs for various services or improvements. Regardless of these minor alterations in each budget category, the overall budget for the District shall remain constant in any given year.

Lastly, resources permitting, the District may pursue any grant funding for which it is eligible in order to augment any or all of these budget categories.

General Benefits: The total service and improvement plan budget for 2016 is \$452,690. Property assessments shall fund \$447,258. The Engineer's Report found a 1.2% general benefit to non-assessed parcels (see p. 11 of the Engineer's Report.) The amount of the 2016 budget attributable to general benefit and funded by non-assessment income is \$5,432.

Budget Totals Year 1 (2016) and Year 2 (2017) – Special + General Benefit Costs
(assessment and non-assessment revenues)

Service	YR1 - 2016 Assessment Allocation	YR1 - 2016 Non-Assessment Allocation	YR1 - 2016 Total Allocation	YR1 - 2016 % of Total
Clean & Safe	\$295,190	\$3,585	\$298,775	66%
Administration & Management	\$111,815	\$1,358	\$113,173	25%
Marketing & District Identity	\$40,253	\$489	\$40,742	9%
TOTAL	\$447,258	\$5,432	\$452,690	100%

Service	YR2 - 2017 Assessment Allocation	YR2 - 2017 Non-Assessment Allocation	YR2 - 2017 Total Allocation	YR2 - 2017 % of Total
Clean & Safe	\$309,950	\$3,764	\$313,714	66%
Administration & Management	\$117,406	\$1,426	\$118,832	25%
Marketing & District Identity	\$42,266	\$513	\$42,779	9%
TOTAL	\$469,622	\$5,703	\$475,325	100%

* The above tables assume the maximum possible annual assessment increase of 5%. Actual annual increase may be less. 1.2% of the total budget shall be generated from non-assessment source(s.)

4 Assessment Methodology

There is only one benefit zone in the District. The entire District is subject to the same assessment methodology and shall provide proportional special benefits to all identified parcels, excepting residential condominium parcels, as explained below and in the Service & Improvement Plan. The Engineer’s Report has calculated a general benefit value of 1.2% (\$5,432 in 2016) which shall be derived from non-assessment revenue sources.

See the Service & Improvement Plan, p. 9 of this Management District Plan, and the Quantitative Benefit Analysis section, p. 8 of the Engineer’s Report, for a definition of special vs.

general benefits, an explanation of the method used to calculate general benefits, and an explanation of the special benefits to be conveyed for each of the various land use categories.

District Assessment Revenue by Source (2016 budget)

	District Totals	Unit	Rate	Total Assessment Revenue
Building	3,954,526	SF	\$0.025	\$98,863.16
Lot	2,022,957	SF	\$0.040	\$80,918.29
Frontage	26,748	LF	\$10.000	\$267,476.40
				\$447,257.84

Commercial, Industrial and Government Parcel Assessments: All identified commercial, industrial and government parcels shall be assessed on a combination of building and lot and linear frontage. Each identified commercial, industrial or government parcel shall be assessed at a rate of \$0.025 per square foot of building, and \$0.04 per square foot of lot, and \$10 per linear foot of frontage. The rationale for this assessment is outlined in more detail below.

Commercial, industrial or government parcel example:

A property owner has a 2,700 SF commercial, industrial or government building on a 5,000 SF lot with 150 linear feet of frontage. The owner’s annual assessment would be calculated as follows:

2,700 x \$0.025/square foot (bldg)	=	\$ 67.50
5,000 x \$0.04/square foot (lot)	=	\$ 200.00
<u>150 x \$10/linear foot (frontage)</u>	=	<u>\$1,500.00</u>
TOTAL ASSESSMENT	=	\$1,767.50

Rationale for Commercial, Industrial and Government Parcel Assessments: For commercial, industrial, government and mixed-use parcel types, the interactive application of building and land areas and street frontage quantities are a proven method of fairly and equitably spreading special benefit costs to these beneficiaries of District-funded services, programs and improvements. Each of these factors directly relates to the degree of special benefit each assessed parcel will receive from BID funded activities.

Residential Condominium Parcel Assessments: Each residential condominium individually assessed parcel in the District shall be assessed at \$0.30 per SF of its internal building pad. Lot and frontage shall not be assessed. The rationale for this assessment is outlined in more detail below.

Residential condominium example: A property owner has a 900 SF residential condominium unit. The owner's annual assessment would be calculated as follows:

$$\begin{array}{rcl} 900 \times \$0.30 / \text{square foot (bldg)} & = & \$270.00 \\ \text{TOTAL ASSESSMENT} & = & \$270.00 \end{array}$$

Rationale for Residential Condominium Assessments: For residential condominiums, the application of internal building pad area is a proven method of fairly and equitably assigning special benefit costs to these unique beneficiaries of District-funded services, programs and improvements. It is not practical to assess based on land area and/or street frontage since many units have no direct frontage and upper floor units have no direct land area. This factor, internal building pad area, directly relates to the degree of special benefit each assessed residential condominium parcel will receive from BID funded activities.

All residential condominium parcels will be individually assessed based upon their verifiable internal building pad square foot size per condo and their assessments will fund special benefit services that are delivered directly adjacent to the individually assessed parcels where they are located. Currently, no residential condominiums exist in the District. Should condominiums be created during the life of the District, the special services to be provided to these parcels are described in more detail earlier in the Service & Improvement Plan, p. 9.

Residential condo parcels are assessed differently than multi-unit, for-rent apartment buildings, due to the frequency of special benefit services required by each parcel. The residential condo parcels will receive the highest frequency of clean and safe services and will be the only parcels to receive enhanced services described in the Service & Improvement Plan (see p. 12.) The multi-unit apartment buildings are commercial properties in which the tenant and landlord have a business relationship. Multi-unit apartment buildings are required to have a business license to operate in the City of Los Angeles and these residential apartment buildings can be bought or sold just as commercial buildings can be bought and sold. In addition, apartment tenants can be evicted by a property owner, something that sets them apart from residential condo unit parcels. Their stake, and therefore their special benefit, are of a different nature and is very similar to a commercial property owner and a tenant.

Furthermore, distinctions between residential tenants and residential condominium owners, and their relationship to the assessment methodology and the special benefits they will receive, are as follows:

- 1) Distinctions between residential owners and tenants are codified in the California Civil Codes, Davis Sterling Act. This piece of legislation creates an entire set of rules and regulations on how residential condo owners have obligations based upon their "separate interests." Tenants have no such rights;

- 2) Multi-unit apartment buildings are commercial properties in which the tenant and landlord have a business relationship. These buildings are required to have a business license to operate in the City of Los Angeles and the buildings can be bought or sold just as commercial buildings can be bought and sold. The tenant's investment in his dwelling place is of a very different nature than a condominium owner. It is very similar to the relationship between a commercial property owner and a tenant;
- 3) Los Angeles recognizes the distinction between the rights of tenants and owners by having tenant eviction laws;
- 4) In practice, residential owners demonstrate greater concern and are more forceful in advocating for resolution to the quality-of-life issues and nuisance activities that the proposed District will address;
- 5) The state constitution requires that property assessment districts "confer special benefits to real property owners." Residential owners are "real property owners" and have the right to vote in a 218 hearing while tenants do not have that right;
- 6) Residential owners have legal rights to have pets, which impact their neighborhood; tenants have no such legal entitlements. These individually assessed residential parcels require special and enhanced services to accommodate their pets;
- 7) Residential owners are required by law to pay into and participate in a legally established Homeowners Association to oversee the maintenance of the building. They are required to monitor the impact of negative uses on that property and oversee the overall maintenance of their property. Residential tenants have no such legal obligation or requirement to oversee and maintain the property.
- 8) Permanent land use changes will affect residential owners to a much greater extent than tenants due to the fact that those land use changes may specifically benefit or harm their individually assessed parcels. Tenants have no such stake in those land use changes.
- 9) District outreach and advocacy in relation to community planning, land use, infrastructure and related issues and activities represent a special benefit that is conferred on all individual parcel owners including residential owners. No such special benefits are conferred upon residential tenants.

Future development: Other than future maximum rates and the assessment methodology delineated in this Management District Plan (MDP), per State Law (Government Code Section 53750,) future assessments may change for any given parcel if such a change is attributable to events other than an increased rate or revised methodology, such as a change in the density, intensity or nature of use of the land. Any change in assessment formula methodology or rates other than as stipulated in this MDP would require a new Proposition 218 ballot procedure in order to approve any such changes.

Currently, there are no residential condominium parcels in the District, although they may occur in the future. Currently, the District is comprised of only commercial, industrial and government parcels. If a commercial, industrial or government parcel is converted to residential condominium use, the assessment methodology will change as stipulated in this Management District Plan (see pp. 16-17.)

Time and manner of collecting assessments: The District assessments shall appear as a separate line item on the property tax bills issued by the Los Angeles County Assessor. If necessary, a manual billing may be prepared by the City of Los Angeles in lieu of the assessment's inclusion on the Assessor's property tax bills. Manual billing is not anticipated for the District.

Errors: If a property owner believes there is an error on a parcel's assessed footages, the District may confirm the data with the LA County Assessor's office. The property owner may opt to work with the Assessor's office to correct the data so that the District assessment may be adjusted to the correct rate.

5 District Rules

A Business Improvement District (BID) may establish unique rules and regulations that apply to the District. The District has not adopted any specific rules.

Bond Issuance: The District shall not issue bonds.

6 Implementation Timeline

In accordance with State law, the District will have a two (2) year term beginning January 1, 2016 and ending December 31, 2017. It is expected to begin services on or shortly after January 1, 2016. If the District is not renewed, services will sunset on December 31, 2017.

7 Public Sector Participation

The District will provide the same level of improvements and activities, to the City of Los Angeles or any other identified government-owned parcels within the PBID boundary as are provided to non government-owned parcels. All publicly-owned identified parcels will pay their

proportional share of costs based on the special benefits conferred to those individual parcels. The special benefit to government assessed parcels from these services is an increase in District customers, and an increased likelihood of attracting and retaining employees that follow from having a cleaner and safer area. Publicly-owned parcels will receive special benefit in the form of increased use of the public facilities, increased attraction and retention of employees, which directly relates to fulfilling their public service mission. Article XIII(D) of the California Constitution was added in November of 1996 to provide for these assessments. It specifically states in Section 4(a) that *"Parcels within a district that are owned or used by any agency...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."*

There are 6 publicly owned parcels within the SP II BID of which 3 are identified as assessable and for which special benefit services will be provided. Of the 3 identified assessable parcels, 2 are owned by the City of Los Angeles and 1 by the Los Angeles Unified School District. There are special circumstances affecting the levy of BID assessments on certain publicly owned parcels as follows:

1. There is one LAUSD owned parcel within the SP II BID which covers an entire City block. LAUSD provides their own on-campus and perimeter security services with LAUSD Police personnel. No BID security services will be provided to LAUSD owned parcels. BID assessments for LAUSD owned parcels have been adjusted to reflect the actual BID funded services and corresponding special benefits that will be conferred on LAUSD parcels.
2. There are two US Federal government owned parcel within the SP II BID. These parcels have a combined 174 linear feet of street frontage. The US Attorney General has declared that US Federal government owned parcels are exempt from local property assessments pursuant to the Supremacy Clause of the US Constitution. Proposition 218 does not allow parcels within a District to be assessed more than their respective proportionate amount of special benefit conferred on that parcel. As such, BID funded services cannot be provided for the special benefit of parcels from which assessments cannot be levied or collected. Due to the Federal ruling on assessment exemption for Federal owned parcels, the SP II BID will provide no BID funded services and programs that would specially benefit these particular US Federal government owned parcels. The BID assessment amounts will be set at \$0 for these two Federal government owned parcels.
3. There is one State of California owned parcel within the SP II BID. This parcel covers an entire City block has 1,010 linear feet of street frontage. The State of California operates and provides full on-site and perimeter security and streetscape services for this State owned parcel similar to those services provided by the SP II BID. It is the

opinion of this Engineer that this State owned parcel would receive no special benefits from duplicate clean and safe BID funded services. Further, it is the opinion of this Engineer that no special benefits will be conferred on this State owned parcel from BID funded administration and management, marketing and district identity. The SP II BID will not interact administratively with this parcel or its owner or employees in any manner nor include it in any BID communications such as newsletter distribution or list its presence or any matters or activities pertaining to this parcel on the District's website. As such, the SP II BID will provide no BID funded services and programs that would specially benefit this particular State owned parcel and the BID assessment amount will be set at \$0.

4. There are two parcels and facilities owned by the City of Los Angeles within the proposed BID – one is a City Public Works Office building and the other is a Fire Station. The Public Works office building does have some commercial space in this facility rented to private commercial businesses with public access. It is the opinion of this Engineer that this parcel will specially benefit from all BID funded programs, services and improvements, including marketing and district identity and will be assessed at the same rates and methodology as commercial parcels in the District. It is the opinion of this Engineer, however, that the City owned Fire Station will NOT specially benefit from the BID funded marketing and district identity programs, but will specially benefit from clean and safe programs and related management. As such, the assessment levied on this Fire Station parcel will coincide with this parcel's proportionate share of marketing and district identity costs.

BID clean and safe services will be provided directly to the 3 identified assessable publicly owned parcels to the same extent as privately owned parcels, except as noted above for LAUSD parcel. Publicly owned parcels and facilities are also included in marketing and district identity tools such as the quarterly newsletter and the District website, except as noted herein. In the opinion of this Engineer with over 30 years of professional assessment engineering experience and based on the nature of the services funded and provided by the SP II BID (over 90% allocated to "clean and safe" and related administration and contingency), identified assessable publicly owned parcels and facilities that are located within the SP II BID, will receive proportionate special benefits from direct and tangible BID services similar to privately owned parcels and land uses, except as noted herein, and will be proportionately assessed.

Each identified and assessable publicly owned parcel and facility within the SP II BID will proportionately benefit from the BID funded supplemental clean and safe newsletter, website and administration and management, except as noted herein. For identified assessable publicly owned parcels and facilities, each of these parcels specially benefit from BID funded programs and services from cleaner and safer facility entrances and perimeters for their employees,

students, visitors, vendors and other users of these public locations and facilities. In addition, the BID funded marketing and district identity programs benefit publicly owned parcels, except as noted herein, by announcing public events and activities held at these public facilities and apprise employees of important District news, security issues and alerts and crime statistics. These services improve the safety and cleanliness for visitors, their employees and users of public facilities on publicly owned parcels within the SP II BID by reducing crime, litter and debris, all considered detractors to employment, visitation and use of public facilities if not contained and properly managed.

There is no compelling evidence that these identified assessable publicly owned parcels and facilities would not benefit equally to privately owned parcels and, thus, will be assessed in the same manner as privately owned parcels in the BID except as noted above for the LAUSD parcel and the City Fire Station parcel.

Publicly Owned Parcels within District Boundaries

APN	Parcel Address	Property Owner	Use	Parcel Assessment	% Ownership
5133003902	1404 S HILL ST	STATE OF CALIFORNIA	STATE OFFICES	\$0.00	0.00%
5134022902	1646 S OLIVE ST	LA UNIFIED SCHOOL DISTRICT	ADULT SCHOOL	\$7,728.13	1.73%
5139019900	1150 S HILL ST	LA CITY	PUBLIC WORKS BUILDING	\$19,175.32	4.29%
5134025900	1343 S OLIVE ST	LA CITY	FIRE STATION #10	\$2,188.26	0.49%
5139011900	1043 S HILL ST	US GOVERNMENT	FEDERAL OFFICES	\$0.00	0.00%
5139011901	1031 S HILL ST	US GOVERNMENT	FEDERAL OFFICES	\$0.00	0.00%
TOTAL				\$29,091.71	6.50%

8 Parcel Roll

2016 Parcel Assessment Roll

APN	Site Address Number	Site Address Direction	Site Address Street Name	2016 Assessment	% Ownership
5133001001	1301	S	BROADWAY	\$2,079.22	0.465%
5133001002	NONE	NONE	NONE	\$800.81	0.179%
5133001003	152	W	PICO BLVD	\$2,313.89	0.517%
5133001004	1308	S	HILL ST	\$2,940.54	0.657%
5133001009	1331	S	BROADWAY	\$1,466.40	0.328%
5133001014	NONE	NONE	NONE	\$1,489.29	0.333%
5133001015	1318, 1322	S	HILL ST	\$4,593.35	1.027%
5133002001	1340	S	HILL ST	\$3,143.70	0.703%
5133002004	1365	S	BROADWAY	\$3,768.16	0.843%
5133002005	149	W	14TH ST	\$729.00	0.163%
5133002006	1350	S	HILL ST	\$742.56	0.166%
5133002007	1354	S	HILL ST	\$2,836.24	0.634%
5133002010	1349	S	BROADWAY	\$3,049.90	0.682%
5133003902	1404	S	HILL ST	\$0.00	0.000%
5133004001	1525	S	BROADWAY	\$15,463.98	3.458%
5133005006	144		VENICE BLVD	\$661.16	0.148%
5133005007	151	W	17TH ST	\$939.16	0.210%
5133005008	152	W	VENICE BLVD	\$939.68	0.210%
5133005009	1618	S	HILL ST	\$2,834.96	0.634%
5133005010	1600	S	HILL ST	\$2,708.41	0.606%
5133005016	1615	S	BROADWAY	\$2,607.60	0.583%
5133005017	1615	S	BROADWAY	\$2,360.90	0.528%
5133005018	1615	S	BROADWAY	\$928.10	0.208%
5133006005	1616	S	BROADWAY	\$4,320.91	0.966%
5133006006	1600	S	BROADWAY	\$4,274.60	0.956%
5133007006	115		VENICE BLVD	\$907.80	0.203%
5133007007	1516	S	BROADWAY	\$3,093.20	0.692%
5133007008	1500	S	BROADWAY	\$4,125.42	0.922%
5133008005	116	W	14TH ST	\$754.80	0.169%
5133008006	120	W	14TH ST	\$754.80	0.169%
5133008007	1400	S	BROADWAY	\$1,825.33	0.408%
5133008008	1421	S	MAIN ST	\$900.98	0.201%
5133008010	1426	S	BROADWAY	\$1,854.60	0.415%
5133008011	121	W	15TH ST	\$894.16	0.200%
5133009001	1350	S	BROADWAY	\$1,685.81	0.377%
5133009002	110	W	14TH PL	\$1,312.00	0.293%
5133009008	1360	S	BROADWAY	\$3,492.07	0.781%
5133010008	1326	S	BROADWAY	\$1,064.67	0.238%

5133010014	1330	S	BROADWAY	\$1,999.60	0.447%
5133010017	124	W	PICO BLVD	\$3,560.65	0.796%
5134022902	NONE	NONE	NONE	\$7,728.13	1.728%
5134024001	208	W	14TH ST	\$2,471.60	0.553%
5134024002	1411	S	HILL ST	\$849.60	0.190%
5134024003	1415	S	HILL ST	\$852.30	0.191%
5134024004	1421	S	HILL ST	\$2,072.60	0.463%
5134024005	215	W	15TH ST	\$890.00	0.199%
5134024006	214	W	14TH ST	\$890.00	0.199%
5134024008	218	W	14TH ST	\$890.00	0.199%
5134024010	1404	S	OLIVE ST	\$1,526.00	0.341%
5134024013	1410	S	OLIVE ST	\$2,327.60	0.520%
5134025001	200	W	PICO BLVD	\$2,663.76	0.596%
5134025002	212	W	PICO BLVD	\$974.70	0.218%
5134025003	222	W	PICO BLVD	\$1,932.45	0.432%
5134025004	1312	S	OLIVE ST	\$890.00	0.199%
5134025005	1311	S	HILL ST	\$812.00	0.182%
5134025008	1321	S	HILL ST	\$887.00	0.198%
5134025009	1326	S	OLIVE ST	\$841.65	0.188%
5134025010	1327	S	HILL ST	\$709.64	0.159%
5134025011	1330	S	OLIVE ST	\$1,320.93	0.295%
5134025012	1333	S	HILL ST	\$805.75	0.180%
5134025013	1336	S	OLIVE ST	\$815.00	0.182%
5134025014	1335	S	HILL ST	\$635.54	0.142%
5134025015	1340	S	OLIVE ST	\$890.00	0.199%
5134025016	1343	S	HILL ST	\$1,122.59	0.251%
5134025017	1346	S	OLIVE ST	\$740.00	0.165%
5134025018	1347	S	HILL ST	\$766.00	0.171%
5134025019	1352	S	OLIVE ST	\$696.00	0.156%
5134025020	1355	S	HILL ST	\$1,131.60	0.253%
5134025021	1354	S	OLIVE ST	\$1,567.86	0.351%
5134025022	215	W	14TH ST	\$787.26	0.176%
5134025023	1359	S	HILL ST	\$712.00	0.159%
5134025024	211	W	14TH ST	\$1,456.60	0.326%
5134025025	1318	S	OLIVE ST	\$2,552.00	0.571%
5134025026	318	W	PICO BLVD	\$2,679.20	0.599%
5134025027	312	W	PICO BLVD	\$1,399.20	0.313%
5134025028	1301	S	OLIVE ST	\$1,923.33	0.430%
5134025029	1320		MARGO ST	\$1,340.00	0.300%
5134025030	1325	S	OLIVE ST	\$674.44	0.151%
5134025031	1327	S	OLIVE ST	\$1,672.31	0.374%
5134025032	1330		MARGO ST	\$1,480.00	0.331%
5134025033	1342		MARGO ST	\$740.00	0.165%
5134025034	1346		MARGO ST	\$740.00	0.165%
5134025035	1347	S	OLIVE ST	\$700.00	0.157%
5134025036	1350		MARGO ST	\$885.00	0.198%
5134025037	1351	S	OLIVE ST	\$940.00	0.210%

5134025038	1354		MARGO ST	\$862.50	0.193%
5134025040	1361	S	OLIVE ST	\$1,767.48	0.395%
5134025041	315	W	14TH ST	\$1,640.40	0.367%
5134025051	1317	S	OLIVE ST	\$1,674.01	0.374%
5134025053	1361	S	OLIVE ST	\$402.30	0.090%
5134025900	1343	S	OLIVE ST	\$2,188.26	0.489%
5139009016	1001	S	OLIVE ST	\$6,304.46	1.410%
5139009015	414	W	OLYMPIC BLVD	\$8,541.90	1.910%
5139010001	1057	S	OLIVE ST	\$2,525.04	0.565%
5139010002	1041	S	OLIVE ST	\$971.47	0.217%
5139010008	1033	S	OLIVE ST	\$952.22	0.213%
5139010010	1045	S	OLIVE ST	\$992.10	0.222%
5139010011	1053	S	OLIVE ST	\$985.97	0.220%
5139011001	209	W	11TH ST	\$1,780.40	0.398%
5139011002	1053	S	HILL ST	\$665.38	0.149%
5139011009	1060	S	OLIVE ST	\$2,267.95	0.507%
5139011010	1052	S	OLIVE ST	\$869.41	0.194%
5139011011	1046	S	OLIVE ST	\$3,163.11	0.707%
5139011014	1037	S	HILL ST	\$2,530.60	0.566%
5139011016	217	W	11TH ST	\$1,637.70	0.366%
5139011900	1043	S	HILL ST	\$0.00	0.000%
5139011901	1031	S	HILL ST	\$0.00	0.000%
5139012001	1001	S	HILL ST	\$3,375.03	0.755%
5139012002	1017	S	HILL ST	\$798.00	0.178%
5139012003	1017	S	HILL ST	\$845.88	0.189%
5139012004	1021	S	HILL ST	\$718.20	0.161%
5139012005	NONE	NONE	NONE	\$798.00	0.178%
5139012010	1012	S	OLIVE ST	\$995.30	0.223%
5139012013	1000	S	OLIVE ST	\$2,527.25	0.565%
5139012014	1006	S	OLIVE ST	\$993.10	0.222%
5139012015	1020	S	OLIVE ST	\$7,700.08	1.722%
5139013003	220	W	OLYMPIC BLVD	\$800.00	0.179%
5139013004	224	W	OLYMPIC BLVD	\$800.00	0.179%
5139013005	1018	S	HILL ST	\$788.00	0.176%
5139013006	1022	S	HILL ST	\$789.20	0.176%
5139013008	1036	S	HILL ST	\$2,094.53	0.468%
5139013015	1010	S	HILL ST	\$2,217.20	0.496%
5139013017	1024	S	HILL ST	\$788.00	0.176%
5139013018	1030	S	HILL ST	\$788.00	0.176%
5139013019	1050	S	HILL ST	\$2,333.13	0.522%
5139013021	1060	S	HILL ST	\$2,278.55	0.509%
5139017001	1100	S	BROADWAY	\$4,818.63	1.077%
5139017002	1108	S	BROADWAY	\$721.36	0.161%
5139017008	1138	S	BROADWAY	\$849.14	0.190%
5139017009	1140	S	BROADWAY	\$730.48	0.163%
5139017010	1144	S	BROADWAY	\$608.30	0.136%
5139017011	1148	S	BROADWAY	\$372.57	0.083%

5139017012	NONE	NONE	NONE	\$734.12	0.164%
5139017013	1158	S	BROADWAY	\$735.95	0.165%
5139017014	1168	S	BROADWAY	\$2,263.65	0.506%
5139017025	1120	S	BROADWAY	\$1,626.36	0.364%
5139017026	1126	S	BROADWAY	\$726.81	0.163%
5139019011	1124	S	OLIVE ST	\$1,125.44	0.252%
5139019015	218	W	11TH ST	\$473.60	0.106%
5139019022	1101	S	HILL ST	\$6,476.87	1.448%
5139019029	1121	S	HILL ST	\$802.19	0.179%
5139019034	1108	S	HILL ST	\$6,580.43	1.471%
5139019035	1111	S	BROADWAY	\$9,083.48	2.031%
5139019036	1127	S	HILL ST	\$1,760.84	0.394%
5139019038	1149	S	HILL ST	\$37,926.39	8.480%
5139019040	1100	S	OLIVE ST	\$4,813.20	1.076%
5139019900	1150	S	HILL ST	\$19,175.32	4.287%
5139020006	1119	S	OLIVE ST	\$1,337.10	0.299%
5139020007	1117	S	OLIVE ST	\$740.51	0.166%
5139020021	1143	S	OLIVE ST	\$8,289.11	1.853%
5139020022	1155	S	OLIVE ST	\$3,430.65	0.767%
5139020025	1105	S	OLIVE ST	\$3,592.28	0.803%
5139023009	1205	S	OLIVE ST	\$928.75	0.208%
5139023010	1201	S	OLIVE ST	\$2,485.44	0.556%
5139023038	309	W	PICO BLVD	\$7,278.00	1.627%
5139024017	1211	S	HILL ST	\$7,991.80	1.787%
5139024007	1200	S	OLIVE ST	\$5,367.90	1.200%
5139024008	1220	S	OLIVE ST	\$1,269.50	0.284%
5139024013	1201	S	HILL ST	\$3,482.77	0.779%
5139024016	1226	S	OLIVE ST	\$4,736.40	1.059%
5139025002	1240	S	HILL ST	\$2,393.98	0.535%
5139025028	137	W	12TH ST	\$44,663.32	9.986%
5139026004	1220	S	BROADWAY	\$1,159.84	0.259%
5139026007	117	W	PICO BLVD	\$914.50	0.204%
5139026008	1250	S	BROADWAY	\$2,247.45	0.502%
5139026011	1201	S	MAIN ST	\$9,793.34	2.190%