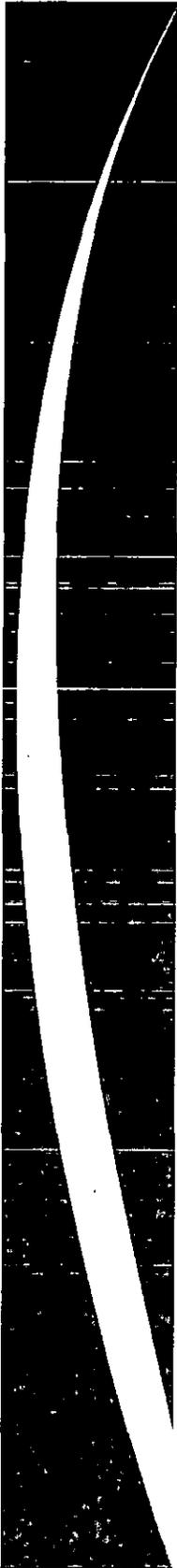


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CITY OF SAN DIEGO

DOWNTOWN PROPERTY & BUSINESS IMPROVEMENT DISTRICT

ENGINEER'S REPORT

JUNE 2008

PURSUANT TO THE PROPERTY & BUSINESS IMPROVEMENT DISTRICT LAW OF 1994 OF THE CALIFORNIA STREETS & HIGHWAYS CODE ARTICLE XIID OF THE CALIFORNIA CONSTITUTION

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PBID SUMMARY

OVERVIEW:

The Downtown Property & Business Improvement District (PBID) was established by property owners in the downtown area to provide a local, ongoing funding source to keep public sidewalks, landscaping and other public areas in downtown San Diego clean, safe and well maintained.

SERVICES FUNDED:

The PBID funds the following services which are overseen by an independent oversight committee comprised of local property owners:

- Sidewalk cleaning, litter removal, graffiti abatement
- Landscaping and tree maintenance
- Public safety and security programs and patrols
- Enhanced lighting
- Public information and management of the PBID

PBID OVERSIGHT:

The PBID assessments are overseen by the City of San Diego and are managed by the Property and Business Improvement District Management Committee, a 15-member committee of the Downtown San Diego Partnership. (The Partnership is a private non-profit business organization with over 325 property owners in the downtown area as members.)

LOCATION:

The District encompasses the majority of downtown San Diego and is generally situated east of Pacific Highway, South of I-5, West of I-5 and North of Commercial and Harbor Drive. It includes the neighborhoods of Cortez, Downtown Core/Columbia, East Village, Gaslamp Quarter, and Marina.

PBID HISTORY:

The PBID was originally formed in February 2000 after a weighted majority of property owners in the PBID approved the proposed assessments in a property owner ballot proceeding. The PBID assessments have been used since this time to fund street cleaning, graffiti abatement, safety patrols and other services throughout the downtown area. These assessments had a maximum 5-year statutory life and expired on June 30, 2005.

DISTRICT RENEWAL:

The District was renewed on June 14, 2005 after 71% of a weighted majority of property owners in the PBID approved the proposed assessments in a property owner ballot proceeding. The renewal of the PBID assessments included a new 10-year term and provisions for annual cost indexing of up to 5% per year.

PROPOSED ASSESSMENTS:

The proposed assessment rates and total assessments for FY2008-09 are summarized below. These increased rates are needed in order to provide sufficient funding for continued and improved maintenance, landscaping, safety patrols, lighting and other services funded in the PBID by the assessments.

APPORTIONMENT METHOD:

Lot/Building Square Footage (SF)
Linear Foot of Street Frontage (LF)

Figure 1 - Assessment Summary

	FY 2008-09		
Total Parcels Assessed	10,141		
Total Estimated Assessment:	\$5,969,272		
Total Number of Units	Parcels	SF	LF
<i>Core/Columbia</i>	1,743	26,616,355	86,730
<i>Cortez</i>	1,379	6,570,756	37,269
<i>East Village</i>	3,372	14,118,365	103,305
<i>Gaslamp Quarter</i>	994	3,122,158	16,034
<i>Marina</i>	2,726	6,842,756	26,800
Unit Assessment Rates:	Asmt Revenue	\$/SF	\$/LF
<i>Core/Columbia</i>	\$1,863,693.58	\$0.0422	\$8.5378
<i>Cortez</i>	\$572,249.76	\$0.0512	\$6.3277
<i>East Village</i>	\$1,707,718.86	\$0.0746	\$6.3355
<i>Gaslamp Quarter</i>	\$1,059,519.15	\$0.2161	\$24.0003
<i>Marina</i>	\$766,090.31	\$0.0666	\$11.5807

ANNUAL COST INDEXING:

The assessment rate may not increase by more than 5% per year. In addition the assessment for any property may change, up or down, if the total building area for the parcel increases or decreases.

BONDS:

No bonds will be issued in connection with this PBID.

INTRODUCTION

On February 22, 2000, the Downtown Property & Business Improvement District (PBID or District) was established to enhanced services to properties in the PBID, including public safety, enhanced maintenance and lighting programs, and other services above and beyond those currently provided by the City of San Diego (City)¹. The Year 2000 PBID had a 5 year term and expired on June 30, 2005. In 2005 the PBID was renewed has a 10 year term and will expire on June 30, 2015. The PBID encompasses areas previously included in the Downtown Maintenance Assessment District that was formed in 1997.

This Engineer's Report ("Report") was prepared to provide a framework and requirements for the renewal of the PBID assessments, to establish the budget for the services that would be funded by the proposed assessments, to summarize the benefits received by property in the PBID from the services and improvements funded by the assessments and to establish the method of assessment apportionment of the assessment to lots and parcels in the PBID.

The improvements and activities funded by the PBID are generally described as follows:

- Maintenance Programs: to increase the scope and frequency of landscaping, sidewalk, litter and graffiti cleanup.
- Public Safety Programs: to support crime prevention, reduce the incidence of nuisance crimes, productively address the challenges associated with downtown's street populations, and generally make downtown streets more hospitable.
- Enhanced Lighting: to provide electricity and maintenance for mid-block lighting throughout downtown.
- Public Information, Program Management & Reserves: Public Information, Program Management and Reserves to ensure professional and accountable deployment of improvements and activities.

The renewed PBID assessments have a maximum term of 10 years (commencing July 1, 2005). In addition, the expenditure of the PBID assessments are managed by the Downtown San Diego Partnership in accordance with an operating agreement to be established between the City of San Diego and the Downtown San Diego Partnership.

The PBID boundary for the renewed 2005 district is the same as the former Downtown Maintenance Assessment District and year 2000 PBID. The boundary includes most of downtown San Diego south and west of Interstate 5. For service provision, budgeting and benefit apportionment purposes, the PBID has been divided into the following five zones:

Core/Columbia, Cortez, East Village, Gaslamp Quarter, and Marina. The PBID boundary and zones are depicted in Figure 5. The Boundary Map for the PBID was filed with the City of San Diego and recorded with the County Recorder.

In April 2005, a Notice and Assessment Ballot was mailed to the property owners of record. A 45-day period was provided for balloting and a public hearing was conducted on June 14, 2005. After tabulating the returned ballots, it was determined that 71% of the ballots returned were in favor of the PBID renewal. Since the assessment ballots submitted in opposition to the proposed assessments did not exceed the assessment ballots submitted in favor of the assessments (with each ballot weighted by the proportional financial obligation of the property for which the ballot was submitted), the City gained the authority to approve the levy of the assessments for the ten year renewal period beginning with fiscal year 2005-06. The current assessments have a maximum 10-year statutory life and expire on June 30, 2015.

PLANS & SPECIFICATIONS

The work and improvements proposed to be undertaken by the District and the cost thereof paid from the levy of the annual assessment provide special benefit to Assessor Parcels within the District as defined in the Method of Assessment herein. Following is a summary of the activities, services and improvements to be funded by the PBID assessments. The activities and improvements specified in the Property and Business Improvement District Law of 1994 from the Streets and Highways Code are incorporated by reference.

The activities, services and improvements (collectively, the "Services") proposed to be funded by the District and the cost thereof paid from the levy of the assessments provide special benefit to parcels within the Assessment District as defined in the Method of Assessment herein. In addition to the definitions provided by the Property and Business Improvement District Law of 1994 from the Streets and Highways Code, (the "Law") the work and improvements are generally described as follows:

Maintenance, installation, improvement, activities and servicing of public areas and public facilities, property owned or property rights, easements and/or rights of entry, of property within the boundaries of the PBID. Services shall include all incidental expenses.

"Improvement" means the acquisition, construction, installation, or maintenance of any tangible property with an estimated useful life of five years or more including, but not limited to, the following: parking facilities; benches, booths, kiosks, display cases, pedestrian shelters and signs; trash receptacles and public restrooms; lighting and heating facilities; decorations; parks; fountains; planting areas; closing, opening, widening, or narrowing of existing streets; facilities or equipment, or both, to enhance security of persons and property within the area; ramps, sidewalks, plazas, and pedestrian malls; rehabilitation or removal of existing structures.

"Activities" means, but is not limited to, all of the following: promotion of public events which benefit businesses or real property in the district; furnishing of music in any public place within the district; promotion of tourism within the district; marketing and economic development, including retail retention and recruitment; providing security, sanitation, graffiti removal, street and sidewalk cleaning, and other municipal services supplemental to those normally provided by the municipality; activities which benefit businesses and real property located in the district.

Any further plans and specifications for these Services will be filed with the City and are incorporated herein by reference.

MAINTENANCE SERVICES

The PBID provides resources for a variety of maintenance service activities as shown in Figure 2.

Figure 2 - Estimated Level of Service by Zone

MAINTENANCE SERVICE	PBID Zones				
	Core/ Columbia	Cortez	Gaslamp Quarter	East Village	Marina
Sidewalk Sweeping	Daily (7 days/wk)				
Litter Removal	Daily (7 days/wk)				
Power Washing	105 sidewalks /Wk	20 Sidewalks /Wk	45 Sidewalks /Wk	75 Sidewalks /Wk	20 Sidewalks /Wk
Graffiti Removal	Daily, as needed				
Landscape Maintenance	Weekly, as needed				
Tree Trimming	Annually (1 time/yr)				
Amenity Maintenance/Repair	As Needed				
Estimated Deployment (# of workers/hours per week)	12.0 / 600 hrs	3.0 / 120 hrs	6.0 / 240 hrs	12.0 / 600 hrs	4.0 / 160 hrs

Maintenance activities are monitored and adjusted by the PBID Advisory Board and individual Zone Committees.

PUBLIC SAFETY PROGRAMS

Three types of public safety programs were proposed for the PBID:

- Safety Ambassadors, Bicycle Patrols: To enhance the City's conventional police services visible Safety Ambassadors on bicycle patrols will be provided. The Safety Ambassadors will be concentrated on downtown streets during daylight and early evening hours with flexibility to support events and other special needs. Safety Ambassadors would wear bright identifiable uniforms, reinforcing the overall image of downtown. Safety Ambassadors would be trained to assist

pedestrians, customers, workers, visitors and other PBID users. In addition, the Safety Ambassadors on bicycle patrols act as the "eyes and ears" of local police.

- **Safety Ambassadors, Foot Patrols:** Similar to the Safety Ambassadors on bicycle patrols, safety ambassadors on foot would be deployed on foot in areas with high pedestrian use, near visitor destinations and in public spaces such as parks. Such Safety Ambassadors would assist downtown pedestrians and also act as the "eyes and ears" of local police.
- **Enhanced Lighting:** The PBID will fund public lighting in the PBID areas. Pursuant to citywide policy, property owners are required to pay for costs associated with mid-block lighting. These costs include electricity, maintenance and repair. The PBID collects assessments for downtown lighting, and then contracts with the City to manage the enhanced lighting services.

PUBLIC INFORMATION, PROGRAM MANAGEMENT & RESERVES

- **Public Information:** Clean and safe public information programs are intended to inform both PBID ratepayers and downtown pedestrians on the services and benefits provided by PBID-financed maintenance, public safety, and lighting. A full time communications manager plus a web page, newsletters, maps and other handouts is budgeted.
- **Program Management:** PBID programs are administered by the Downtown San Diego Partnership. Funds are allocated for PBID oversight, accounting and bookkeeping, office and supplies, insurance and other administrative expenses. City and County administrative costs associated with collection, disbursement, and accounting of PBID funds have also been included in the PBID budget.
- **Program Reserves:** A 7.5% program reserve has been included to account for uncollectables, future development impacts, and other program contingencies. The program reserve may be reduced if assessments and/or service contracts are secured from the state and federal governments.

FISCAL YEAR 2008-09 ESTIMATE OF COST AND BUDGET

The Downtown Property and Business Improvement District (District) was established as a self-managed District in fiscal year 2001 to fund sidewalk and landscape maintenance, public safety programs, enhanced street lighting, public information services and administration. The non-profit Downtown San Diego Partnership (Corporation) manages the District. The District assessments have been effectively used to enhance the cleanliness, safety and aesthetic appeal of the downtown areas. The proposed renewed assessments would provide funding for further enhanced services as described in this Report. Figure 3 summarizes the total costs and fund balances for the District.

Figure 3 - Estimate of Cost for Fiscal Year 2008-09

	FY 06-07	FY 07-08	FY 08-09
Downtown PBID	Budget	Budget	Proposed
BALANCE			\$1,353,428
Revenue			
Assessments	\$ 5,781,029	\$ 5,815,464	\$ 5,969,272
Other Revenues	-	-	-
City Contribution - Gas Tax	29,459	33,218	32,395
TOTAL OPERATING REVENUE	5,810,488	5,848,682	6,001,667
TOTAL REVENUE AND BALANCE	5,810,488	5,848,682	7,355,095
Expense			
Personnel	-	-	-
Contractual	4,489,870	4,327,831	4,953,574
Incidental	751,459	759,300	768,720
Utilities	453,000	420,000	445,000
Contingency Reserve	116,159	120,000	1,102,793
TOTAL EXPENSE	5,810,488	5,627,131	7,270,087
BALANCE	\$ -	\$ 221,551	\$ 85,008

ANNUAL COST INDEXING

In future years, assessments may change, up or down, if square footage information changes and / or PBID budgets. Annual assessments may be adjusted by the Downtown San Diego PBID Advisory Board and its Zone Committees up to 5% per year. Assessment adjustments may differ within each zone reflecting the service needs identified by the PBID Advisory Board and Zone Committees, the cost of services and the fund balances. The following Figure 4 presents the maximum assessment rates by Zone that may be levied during the 10 year term of the proposed assessments.

Figure 4 - Maximum Assessment Rates

Downtown San Diego PBID Maximum Assessment Adjustments during the next 10-year Term										
	Core		Gaslamp		East Village		Cortez		Marina	
	\$/SF	\$/LF	\$/SF	\$/LF	\$/SF	\$/LF	\$/SF	\$/LF	\$/SF	\$/LF
Year 1	0.0422	8.5378	0.2161	24.0003	0.0746	6.3355	0.0512	6.3277	0.0666	11.5807
Year 2	0.0443	8.9647	0.2269	25.2003	0.0783	6.6523	0.0538	6.6441	0.0699	12.1597
Year 3	0.0465	9.4129	0.2382	26.4603	0.0822	6.9849	0.0565	6.9763	0.0734	12.7677
Year 4	0.0488	9.8835	0.2501	27.7833	0.0863	7.3341	0.0593	7.3251	0.0771	13.4061
Year 5	0.0512	10.3777	0.2626	29.1725	0.0906	7.7008	0.0623	7.6914	0.0810	14.0764
Year 6	0.0538	10.8966	0.2757	30.6311	0.0951	8.0858	0.0654	8.0760	0.0851	14.7802
Year 7	0.0565	11.4414	0.2895	32.1627	0.0999	8.4901	0.0687	8.4798	0.0894	15.5192
Year 8	0.0593	12.0135	0.3040	33.7708	0.1049	8.9146	0.0721	8.9038	0.0939	16.2952
Year 9	0.0623	12.6142	0.3192	35.4593	0.1101	9.3603	0.0757	9.3490	0.0986	17.1100
Year 10	0.0654	13.2449	0.3352	37.2323	0.1156	9.8283	0.0795	9.8165	0.1035	17.9655

BUDGET ADJUSTMENT

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

TIME AND MANNER FOR COLLECTING ASSESSMENTS

As provided for by state law, the PBID assessment will appear as a separate line item on the annual property tax bills prepared by the County of San Diego. Property tax bills are delivered in the fall and payment is generally made in two installments. Existing laws for enforcement and appeal of property taxes apply to the PBID assessments.

GOVERNMENT ASSESSMENTS

This report assumes that the City of San Diego, County of San Diego, and State of California will pay assessments for the special benefits conferred to government-owned properties within the PBID boundaries as provided for in Proposition 218. Furthermore, it assumes that the federal government will pay assessments for the special benefits conferred to federally-owned properties within the PBID boundaries as provided for through executive order and adopted policies.

METHOD OF APPORTIONMENT

This section includes an explanation of the special benefits to be derived from the services and improvements funded by the assessments and the methodology used to apportion the total assessments to properties within the District.

The method used for apportioning the assessments is based upon the proportional special benefits to be derived by the properties in the District over and above general benefits conferred on real property or to the public at large. The apportionment of special benefit is a two step process: the first step is to identify the types of special benefits arising from the services and improvements to be funded by the assessments; and the second step is to allocate the assessments to property based on the estimated relative special benefit for each type of property.

SPECIAL BENEFIT FACTORS

The following benefit categories summarize the types of special benefit to residential, commercial, industrial and other lots and parcels resulting from the services and improvements to be provided with the assessment proceeds. These categories of special benefit are derived from the statutes passed by the California Legislature and other studies which describe the types of special benefit received by property from services and improvements such as those proposed by the City of San Diego Downtown Property & Business Improvement District.

In fact, the determination of special benefits to property in downtown areas from the PBID assessments is well established by the State Legislature:

The Legislature finds and declares all of the following:

(a) Businesses located and operating within the business districts of this state's communities are economically disadvantaged, are underutilized, and are unable to attract customers due to inadequate facilities, services, and activities in the business districts.

(b) It is in the public interest 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.

(c) It is of particular local benefit to allow cities to fund property related improvements, maintenance, and activities through the levy of assessments upon the real property that benefits from those improvements.

(d) Assessments levied for the purpose of providing improvements and promoting activities that benefit real property are not taxes for the general benefit of a city, but are assessments for the improvements and activities which confer special benefits upon the real property for which the improvement and activities are provided².

These types of special benefit are summarized as follows:

- Protection of views, scenery and other resources values and environmental benefits enjoyed by residents, customers and guests and preservation of public assets maintained by the District.
- Increased economic opportunity, creation of jobs and enhanced business and commercial activity.
- Reduced cost of local government in law enforcement, public health care, and fire prevention.
- Enhanced safety and reduced liability risk.
- Enhanced quality of life and desirability of the area.
- Specific enhancement of property values.

These benefit factors, when applied to property in the District, specifically increase the desirability, utility and value of the land within the District. For example, the increased assessments will provide funding to employ contract security personnel and to improve the cleanliness and attractiveness of public areas in the PBID. The enhanced public safety and security afforded by such services, during the early morning and evening hours when maintenance personnel are not present, enhance the overall safety, quality and desirability of the properties. In turn, property values are specifically enhanced by the availability of security services in the area. In addition, the street lighting maintenance affords greater pedestrian safety and security, which specifically enhances the value of the properties in the District.

GENERAL VERSUS SPECIAL BENEFIT

The proceeds from the PBID will be used to fund activities, services, improvements within the PBID that, in absence of the PBID, otherwise would not be provided. Properties in the PBID directly and specifically benefit from the Services, while properties outside the PBID do not receive the benefit of the Services funded by the PBID. Therefore, the assessments provide special benefit to property in the various Districts over and above the general benefits conferred by the general facilities of the City, and the Services funded by the PBID are determined to be exclusively of distinct and special benefit to properties in the PBID. The State Legislature has made a similar finding as shown previously:

"Assessments levied for the purpose of providing improvements and promoting activities that benefit real property or businesses are not taxes for the general benefit of a city, but are assessments for the improvements and activities which confer special benefits upon the real property or businesses for which the improvements and activities are provided³."

The City provides the PBID with services, resources and contributions including, but not limited to street sweeping, landscape/tree maintenance (from the Gas Tax Fund), roadway and stormdrain improvement and maintenance, regular trash removal, graffiti removal, parks maintenance and improvement, street lighting, and security, traffic controls and public signage, street medians, public safety and other public services and improvements. Many of these City Services are considered to be incremental services for which the City could charge additional fees or could choose to provide at a reduced level. These City Services and contributions are considered to be a contribution towards property in the PBID and any potential general benefits from the Services. In addition, properties owned by the City and the City Redevelopment Agency in the PBID area are assessed and contribute over \$450,000 per year in additional funding for the PBID Services. This is another form of City contribution for any general benefits. In summary, the Services funded by the PBID are determined to be of special benefit to properties in the PBID. Any general benefits from the Services are determined to be minimal and are more than offset by the significant other services contributions the City provides to property in the PBID.

ZONES OF BENEFIT

PBID services are provided and budgeted within five areas or zones of benefit. These zones are depicted on the PBID boundary and zones map and are summarized as follows:

- Core/Columbia
- Cortez
- Gaslamp Quarter
- East Village
- Marina

ASSESSMENT APPORTIONMENT

In preparing the previous Assessment Engineer's Report for the Downtown Maintenance Assessment District, the Engineers concluded that the special benefit to each parcel is proportional to the linear street frontage of each parcel plus the area of the parcel and/or the square footage of the improvements constructed upon the parcel.

The special benefits derived from the Services funded by the assessments are conferred on property and are not based on a specific property owner's use and/or enjoyment of the Services. However, it is ultimately people who value the special benefits described in this Report. Further, it is ultimately people who control property values by placing a value on the special benefits from the Services. In other words, the benefits conferred to property are related to the average number of people who could potentially live on, work at, or otherwise could use a property, not how the property is currently used by the present owner. Therefore, the number of people who could or potentially live on, work at or otherwise use a property is an indicator of the relative level of special benefit received by a property. Building size/parcel area and linear frontage are directly correlated with the population density and current or potential usage of property. Therefore, the Services are reasonably related to building size and linear frontage because these factors reflect the relative population density and use of properties.

Since an improved, better maintained and safer downtown benefits the occupants of buildings to a somewhat greater degree than the street frontage being maintained; placing greater weight on buildings as opposed to linear frontage is reasonable. Therefore, 60% of the assessments are allocated based on area and 40% are allocated based on street frontage.

This apportionment of costs recognizes the relationship between the amount of maintenance work required on those parcels with large frontages relative to smaller frontages, and therefore levies a proportionally greater assessment on those parcels with a greater frontage than on parcels with a lesser frontage. Recognizing the impacts which those parcels with extensive improvements (and higher occupancy/use) place on the district, a portion of the assessment has based upon building square footage or parcel area, whichever is greater, since those parcels with extensive improvements receive a greater benefit from the enhanced maintenance services funded by the assessment.

We find that this apportionment approach reasonably allocates the assessments based on the special benefit received by each parcel. Therefore, assessments have been apportioned to each benefiting parcel within each zone utilizing an assessment apportionment methodology consistent with the year 2000 PBID assessments. The renewal year assessments and cost of Services are allocated based on the following schedule:

- Forty percent (40%) of the total amount assessed apportioned to each parcel within a zone based upon linear feet of street frontage; and

- Sixty percent (60 %) of the total amount assessed spread to each parcel within a zone based upon the parcel's area or building square footage, whichever is greater.

This methodology is deemed to be appropriated for the maintenance and lighting services and the public safety services to be funded in the PBID.

An assessment has been levied upon each publicly owned parcel in the same manner as privately owned property. Each publicly owned parcel, except parks or designated open space area, has been assessed on the same basis as other parcels within the District.

Assessments are apportioned within each Zone based on a formula that includes the specific estimated costs for the Zone, the linear footage of each parcel fronting the improvements and a square footage factor for the parcel which is the greater of the lot area or the building area on the lot multiplied times the relevant rates for each Zone.

CERTIFICATES

1. The undersigned respectfully submits the enclosed Engineer's Report Management Plan and does hereby certify that this Engineer's Report, and the Assessment and Assessment Diagram herein, have been prepared by me in accordance with the order of the City Council of the City of San Diego.

Engineer of Work, License No. C052091

2. I, the Clerk of the City Council, City of San Diego, County of San Diego, California, hereby certify that the enclosed Engineer's Report and Management Plan, together with the Assessment and Assessment Diagram thereto attached, was filed and recorded with me on _____, 2008.

Clerk of the City Council

3. I, the Clerk of the City Council, City of San Diego, County of San Diego, California, hereby certify that the Assessment in this Engineer's Report and Management Plan was approved and confirmed by the City Council on _____, 2008, by Resolution No. _____.

Clerk of the City Council

4. I, the Clerk of the City Council of the City of San Diego, County of San Diego, California, hereby certify that a copy of the Assessment Roll and Assessment Diagram was filed in the office of the County Auditor of the County of San Diego, California, on _____, 2008.

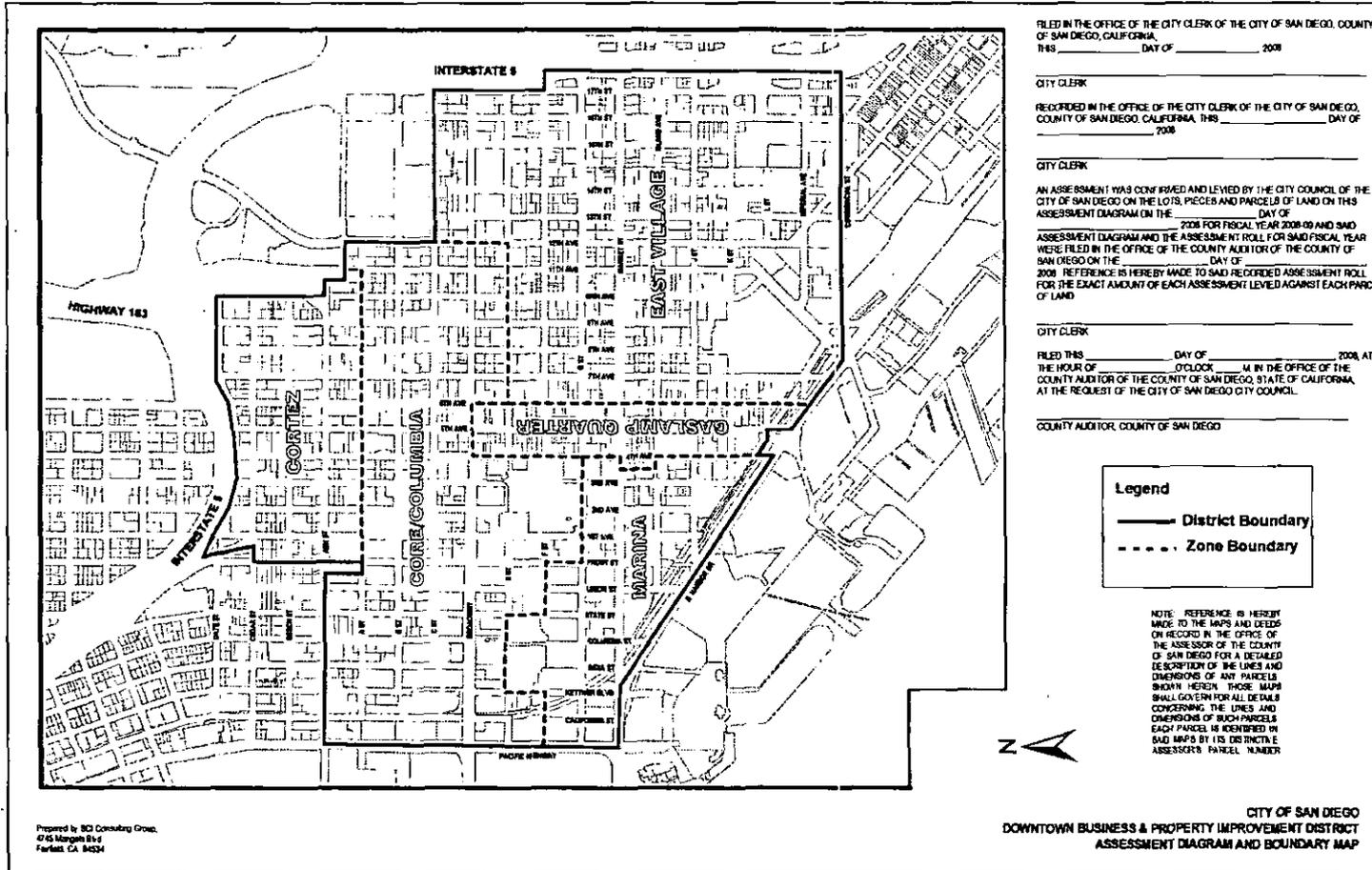
Clerk of the City Council

APPEALS AND INTERPRETATIONS

Any property owner who feels that the assessment levied on the subject property is in error as a result of incorrect information being used to apply the foregoing method of assessment, may file a written appeal with the Engineer of Work for the PBID or MAD assessments (the "Assessment Engineer"). Any such appeal is limited to correction of an assessment during the then current or, if before July 1, the upcoming fiscal year. Upon the filing of any such appeal, the Assessment Engineer or his or her designee will promptly review the appeal and any information provided by the property owner. If the Assessment Engineer or his or her designee finds that the assessment should be modified, the appropriate changes shall be made to the assessment roll. If any such changes are approved after the assessment roll has been filed with the County for collection, the City of San Diego or its designee is authorized to refund to the property owner the amount of any approved reduction. Any property owner, who disagrees with the decision of the Assessment Engineer or her or his designee, may refer their appeal to the Project Manager of the City of San Diego City Planning and Community Investment Department (the "Project Manager") or his or her designee and the decision of the Project Manager shall be final.

ASSESSMENT DIAGRAM

Figure 5 - Assessment Diagram



PROPERTY AND BUSINESS IMPROVEMENT DISTRICT MANAGEMENT COMMITTEE

The Management Committee is proposed as a 15 member committee of the Downtown San Diego Partnership {to manage and administer the PBID}.

Members of the committee shall be appointed by the Chair of the Partnership and shall include the President of the Partnership and 2 members at large. The remaining 12 members shall be allocated commensurate with the overall financial contribution to the PBID from each zone composed of property and business owners. Members should be sought with a mix of business and property segments. At least one member must be a business licensee who is not a property owner. Based upon the current PBID budget, Positions should be allocated as follows:

Figure 6 - District Management Committee

Area	% of Budget	Members
East Village	28%	3 members
Gaslamp Quarter	17%	2 members
Core/Columbia	32%	4 members
Cortez	10%	1 members
Marina	13%	2 members
	<u>100%</u>	

Each committee member will serve for a two year term; except that for the calendar year beginning January 1, 2002, the Partnership Chair shall appoint 7 members for a one year term and 7 members for a two year term. Positions allocated to each zone shall be adjusted every two years, proportionate to the overall financial contributions to the PBID from each zone.

The Chair of the Partnership shall appoint the Chair of the PBID Management Committee. This committee Chair shall be a committee member holding a position allocated to a zone and be a member of the Board of Directors of the Partnership.

The Chair of the Partnership may appoint agency or association representatives as ex officio members of the committee.

**PROPOSED BOARD DELEGATION TO THE PROPERTY AND BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT COMMITTEE**

Powers to be delegated to the Property and Business Improvement District Management Committee:

1. Provide direction to staff regarding operational issues of the Property and Business Improvement District Program, with meetings to be held no less frequently than once each month.
2. Oversee all personnel issues of the Property and Business Improvement District staff excepting there from:
3. The replacement of the Property and Business Improvement District Executive Director to be reserved for decision by the President (subject to approval of the Partnership Chair).
4. Implementation of any employee benefits programs to be reserved for decision by the Partnership Board of Directors.
5. Recommend to the Partnership Board an annual budget and exercise control over all expenditures of the Property and Business Improvement District Program to stay within the approved budget.
6. Assure compliance with the Operating Agreement between the City and Partnership and take all necessary action in that regard.
7. Comply with the Brown Act and other applicable state law requirements for all Property and Business Improvement District deliberations.
8. Report at least quarterly to the Board of Directors on the status of the Property and Business Improvement District operations and regarding all significant decisions.

Powers reserved to the Board of Directors and Chair of the Board:

1. Approval of annual report to the City Council and Program Budget (Board).
2. Any Modification, renewal, or amendment to the Operating Agreement with the City (Board).
3. Any change in the position or duties of the Property and Business Improvement District Executive Director (Board).
4. Appointment of a Partnership Board member as Chair of the Property and Business Improvement District Management Committee and other members of the Committee (Chair of the Board).

5. Determination of the size and make-up of the Property and Business Improvement District Management Committee (Board).
6. Review of any issues the Partnership Chair determines should be brought to the Board of Directors for decision.
7. Approval of any proposed expenditure that will result in any material deviation from the approved annual program budget.

APPENDICES

APPENDIX A – ASSESSMENT ROLL, FY 2008-09

The undersigned, pursuant to the "Property and Business Improvement District Law of 1994" (being Part 7 of Division 18 of the California Streets and Highways Code), applicable provisions of "Proposition 218" (Article XIII D of the California Constitution), and the "Proposition 218 Omnibus Implementation Act" (California Senate Bill 919) (the aforementioned provisions are hereinafter referred to collectively as "Assessment Law"), does hereby submit the following:

1. Pursuant to the provisions of Assessment Law and the Resolution of Intention, we have assessed the costs and expenses of the works of improvement (maintenance) to be performed in the PBID upon the parcels of land in the PBID in accordance with the approved apportionment methodology. For particulars as to the identification of said parcels, reference is made to the Assessment Diagram and Boundary Map on file in the Maintenance Assessment Districts section of the Park and Recreation Department of the City of San Diego. The PBID boundary and zones are depicted in the Assessment Engineer's Report.
2. The Assessment Diagram included in this report shows the PBID, as well as the boundaries and dimensions of the respective parcels and subdivisions of land within the PBID, the same as existed at the time of the passage of the Resolution of Intention, each of which subdivisions of land or parcels or lots respectively have been given a separate number upon the Assessment Diagram and in the Assessment Roll
3. By virtue of the authority contained in said Assessment Law, and by further direction and order of the legislative body, we hereby make the following assessment to cover the costs and expenses of the works of improvement (maintenance) for the PBID based on the costs and expenses as set forth in the Assessment Engineer's Report.

For particulars as to the individual assessments and their descriptions, reference is made to the Assessment Roll on file with the City.

DATED: _____, 2008 SCI Consulting Group

By: _____
John W. Bliss, License No. C052091

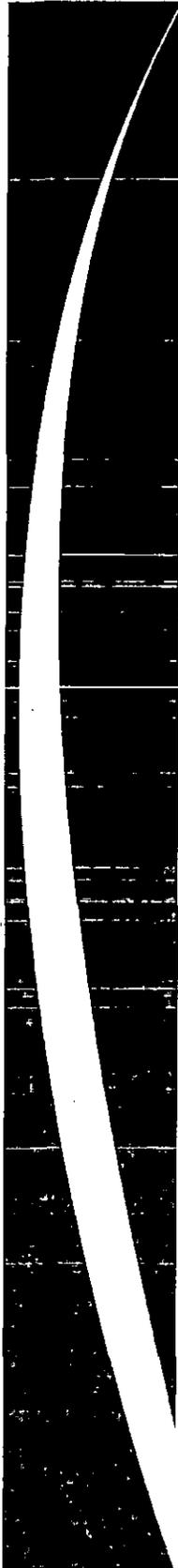
END NOTES

¹ The purpose and formational framework of the year 2000 PBID are set forth in the Management Plan for the Downtown San Diego Property-Based Business Improvement District (dated June 1999) prepared by Progressive Urban Management Associates, Inc. and Hormann & Associates.

² Property and Business Improvement District Law of 1994, Streets and Highways Code Section 36600, et. seq.

³ Property and Business Improvement District Law of 1994, Streets and Highways Code Section 36601(d)

000341



CITY OF SAN DIEGO

GREATER GOLDEN HILL MAINTENANCE ASSESSMENT DISTRICT

ENGINEER'S REPORT

JUNE, 2008

PURSUANT TO THE SAN DIEGO MAINTENANCE ASSESSMENT DISTRICT
ORDINANCE OF THE SAN DIEGO MUNICIPAL CODE
AND
LANDSCAPING AND LIGHTING ACT OF 1972, CALIFORNIA STREETS AND
HIGHWAY CODE

ENGINEER OF WORK:
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SUMMARY

PROJECT: GREATER GOLDEN HILL MAINTENANCE ASSESSMENT DISTRICT OVERVIEW:

Benefit assessments are levies on real property to fund services and public improvements that benefit the properties paying the assessments. Benefit assessments are widely used throughout California to fund a wide variety of important services and projects, including landscaping, parks, sidewalks and public safety services. Property owners in many areas of the City of San Diego have come together to propose specific services and improvements to be funded by a benefit assessment for their area. These benefit assessments, which have ultimately been approved in a ballot proceeding by the affected property owners, are currently serving to improve the desirability and economic vitality of specific neighborhoods and areas throughout the City.

Property owners in the Greater Golden Hill area of the City of San Diego similarly organized to propose a benefit assessment to provide a local, ongoing funding source for services and improvements in the area to include cleaning, debris removal and maintenance of public resources. This Engineer's Report described the Greater Golden Hill Maintenance Assessment District (the District) and the services and improvements that would be funded by the assessments. These services and improvements were also described as the Greater Golden Hill Clean, Green and Safe Program.

SERVICES/IMPROVEMENTS FUNDED:

The District funds and provides the following improvements/maintenance services:

- Public Rights of Way and Sidewalk Operations (PROWSO) including:
 - Trash removal
 - Sidewalk sweeping and weeding
 - Sidewalk power washing
 - Landscaping services
 - Daily removal of debris
 - Daily removal of litter
 - Tree maintenance
 - Large item pickup
 - Removal of public health and sanitation hazards
 - Barricading of sidewalks and safety hazards
 - Inspections and reporting of street lights
 - Graffiti removal
 - Canyon beautification
- Special Projects including:

- Trail beautification
- Sidewalk repairs
- Decorations and banner installation
- Administration/Corporate Operations/Outreach including:
 - District management
 - Overseeing of contracts
 - Relations with City and Council office
 - Relations with property owners
 - Insurance
 - Legal and accounting
 - Office related expenses
- Contingency/Incidentals including:
 - City costs including assessment administration, assessment enrollments, budget monitoring, etc.
 - County costs
 - Delinquencies
 - Reserve funds
 - Miscellaneous

OVERSIGHT:

The assessments are overseen by the City of San Diego and are managed by the Greater Golden Hill Community Development Corporation (GGHCDC) which is a private non-profit business organization established in 1991. As part of the oversight of the District's Clean, Green and Safe Program, an independent Management Committee has been set up to oversee the operation of the District. The Management Committee is a partner of the GGHCDC which will administer the District's finances with monthly review and annual audits by the City of San Diego. The Management Committee is a maximum of 15 members comprised of property owners within the Greater Golden Hill community. A resident-manager or commercial tenant designated by a property owner as his/her representative is eligible for nomination. Nominations are solicited from property owners as well as from the Greater Golden Hill Planning Committee, Friends of 32nd Street Canyon, the South Park Action Council and similar Golden Hill community-oriented organizations.

Positions should be allocated as follows:

FIGURE 1 - DISTRICT MANAGEMENT COMMITTEE

<i>Area</i>	<i>Zone 1</i>	<i>Zone 2</i>	<i>Total</i>
Single Family Homes	1 member	3 members	4 members
Condominiums			1 member
Apartments 2 to 4 units	1 member	2 members	3 members
Apartments 5 units or more	1 member	2 members	3 members
Commercial	1 member	1 member	2 members
All other property types			1 member
GGCDC Board member			1 member

LOCATION:

The District is generally described as the Greater Golden Hill area. The location of the District is depicted on the map and Assessment Diagram within this Report.

Apportionment Method: Linear Frontage Feet (LFF)

Single Family Equivalent Benefit Units (SFE) ¹

Benefit Zone 1 and 2

FIGURE 2 - ASSESSMENT SUMMARY

	<i>Zone 1</i>	<i>Zone 2</i>	<i>Totals</i>	
Total Parcels Assessed	340	3306	3,646	
<u>MEASURED QUANTITIES</u>				
LFF	21,671	223,231	244,902	
SFE	1,593	6,273	7,866	
<u>UNIT ASSESSMENT RATES</u>				
\$/LFF	\$1.15631	\$0.43433		
\$/SFE	\$47.2344	\$46.5088		
<u>ESTIMATED ASSESSMENT REVENUE</u>				
LFF Revenue	\$25,058	\$96,956	\$122,014	24%
SFE Revenue	\$75,227	\$291,771	\$366,998	73%
Total Estimated Assessment Budget	\$100,285	\$388,727	\$489,012	98%

¹ Based on residential units, building area and lot area for trip generation factors.

Annual Cost Indexing: The assessments were approved in 2007, and in future years the assessment maximum authorized assessment rate will increase by the annual change in San Diego Area Consumer Price Index, up to 5% per year. The assessments can be levied at any rate, up to the maximum authorized assessment rate. In addition, the assessment for any property may change, up or down, if the total building area for the parcel increases or decreases.

Bonds: No bonds will be issued in connection with this District.

INTRODUCTION

In Fiscal Year 2006-07, the City of San Diego was petitioned by property owners in the Greater Golden Hills area asking the City to form a new assessment district to fund the maintenance, improvement and servicing of landscaping, sidewalk sweeping, sidewalk power washing, trash removal and graffiti abatement generally within the area bordered by Juniper street on the north, Balboa Park and I-5 on the west, Martin Luther King Freeway (SR 94) on the south and Escondido Freeway (I-15) and 34th street north of Beech street on the east. The area included the City of San Diego Council Districts 3 and 8. Discretionary funds were available for as needed services of hot spots in both Council District 3 and Council District 8. This assessment district was named the "Greater Golden Hill Maintenance Assessment District" (the "District").

After receiving and reviewing this petition, the City conducted an assessment ballot proceeding that allowed property owners in the District to ultimately decide if the assessments should be levied and the services and improvements they would fund should be provided.

The City of San Diego conducted formation proceedings for the Greater Golden Hill Maintenance Assessment District (the "District") in 2007. As a result of a favorable weighted majority Proposition 218 balloting procedure, and an affirmative vote of the City Council of the City of San Diego (the "City"), the District was established with funding to begin in Fiscal Year 2007-08.

The purpose of the District was to provide funding for:

- Debris and litter removal
- Enhanced litter containers
- Sidewalk sweeping
- Sidewalks power washing
- Trash removal
- Landscaping services
- Graffiti removal
- Trail and canyon beautification

The District was structured around this priority of improvements and maintenance services.

This Engineer's Report was prepared to provide a framework and requirements for the assessments, to establish the budget for the services that would be funded by the assessments, to summarize the benefits received by property in the District from the services and improvements funded by the assessments and to establish the method of assessment apportionment of the assessment to lots and parcels in the District. This Report and the assessments were made pursuant to provisions of the San Diego Maintenance Assessment District Procedural Ordinance of 1986 (the "Ordinance"), provisions of the Landscaping and Lighting Act of 1972, Part 2 of Division 15 of the California Streets and Highways Code (the "Act") and Article XIII D of the California Constitution (the "Article").

The assessments are subject to an annual increase in the maximum authorized assessment rate equal to the annual change in the San Diego Area Consumer Price Index, not to exceed 5% per year.

PLANS & SPECIFICATIONS

The Greater Golden Hill Maintenance Assessment District (the "District") was formed to fund improvements to the appearance, identity, continuity, sense of place, economic vitality, desirability, and aesthetic appeal of property in the District. The District area is located east and south of Balboa Park, south of North Park and North of Sherman Heights. The work and improvements to be undertaken by the District and the cost thereof paid from the levy of the annual assessment provide special benefit to Assessor Parcels within the District as defined in the Method of Assessment herein. Consistent with the Maintenance Assessment District Ordinance of the City of San Diego the services and improvements are generally described as follows:

Installation, maintenance and servicing of public improvements and incidental expenses, including but not limited to landscaping, sprinkler systems, shrubs and trees, sidewalks, gutters, water, street lighting, signage and materials, supplies, utilities and equipment, as applicable, for property within the District, and any incidental costs thereto (collectively, the "Services"). Any plans and specifications for these improvements will be filed with the Project Manager of the City of San Diego City Planning and Community Investment (the "Project Manager") and are incorporated herein by reference.

As applied herein, "maintenance" means the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of any improvement, including repair, removal or replacement of all or any part of any improvement; providing for the life, growth, health, and beauty of landscaping, including cultivation, irrigation, trimming, spraying, collection and disposal of fallen branches and trees, tree and bush trimming, fertilizing, or treating for disease or injury; the removal of trimmings, rubbish, debris, and other solid waste, ongoing inspection and repairs and labor, sidewalk and gutter cleaning and sweeping, placement of street furniture, banner installation, security services, including homeless patrolling and reporting of security and safety problems to governmental agencies, and the cleaning, sandblasting, and painting of walls, and other improvements to remove or cover graffiti.

"Servicing" means the furnishing of electric current, or energy, gas or other illuminating agent for any public lighting facilities or for the lighting or operation of any other improvements; or water for the irrigation of any landscaping, the operation of any fountains, or the maintenance of any other improvements.

"Incidental expenses" include all of the following: (a) The costs of preparation of the report, including plans, specifications, estimates, diagram, and assessment; (b) the costs of printing, advertising, and the giving of published, posted, and mailed notices; (c) compensation payable to the County for collection of assessments; (d) compensation of any engineer or attorney employed to render services in proceedings pursuant to this part; (e) any other expenses incidental to the construction, installation, or maintenance and servicing of the Improvements; (f) any expenses incidental to the issuance of bonds or notes pursuant to Section 22662.5 of the Streets and Highways Code; and (g) costs associated with any elections or ballot procedures held for the approval of a new or increased assessment.

FISCAL YEAR 2008-09 ESTIMATE OF COST AND BUDGET

FIGURE 3 - ESTIMATE OF COSTS FOR FISCAL YEAR 2008-09

GREATER GOLDEN HILL MAD	FY 07-08 BUDGET	FY 08-09 PROPOSED
BEGINNING BALANCE	\$0	\$371,930
Revenue		
Assessments	\$488,890	\$489,012
Interest	\$0	
TOTAL OPERATING REVENUE	<u>\$488,890</u>	<u>\$489,012</u>
TOTAL REVENUE AND BALANCE		<u><u>\$860,942</u></u>
Expense		
Personnel	\$0	\$0
Contractual	\$326,500	\$707,364
Utilities	\$5,000	\$2,100
Incidentals / Administration ¹	\$136,340	\$101,360
Contingency Reserve	\$21,050	\$50,000
TOTAL EXPENSE	<u>\$488,890</u>	<u>\$860,824</u>
BALANCE	<u>\$0</u>	<u>\$118</u>

Notes:

1. Includes 4% City Administration Fee

BASIC LANDSCAPING AND TREE MAINTENANCE:**BENEFIT ZONE 1 AND 2:**As Needed:

- Basic landscaping services
- Tree maintenance services

Estimated Monthly Cost:	\$3,750	
Annual Cost		\$45,000

ENHANCED SERVICE AND MAINTENANCE:**BENEFIT ZONE 1 AND 2:**As Needed:

- Sidewalk power washing
- Infrastructure improvements
- Clock maintenance
- Equipment

Estimated Monthly Cost:	\$28,197	
Annual Cost		\$338,364

CANYON AND TRAIL BEAUTIFICATION:**BENEFIT ZONE 1 AND 2:**

- Trail Beautification As Needed
- Canyon Beautification Quarterly

Estimated Monthly Cost:	\$5,000	
Annual Cost		\$60,000

DECORATIONS AND BANNERS:**BENEFIT ZONE 1:**

- Installation and maintenance of decorations and banners

Estimated Monthly Cost:	\$500	
Annual Cost		\$6,000

Total Estimated Annual Improvements and Services Costs = **\$ 707,364**

Total Fiscal Year 2008-09 Expense to Assessments = **\$ 860,824**

METHOD OF APPORTIONMENT

This section of the Engineer's Report includes an explanation of the benefits derived from the maintenance, services and improvements provided by the District and the methodology used to apportion the total assessment to properties within the District.

The District boundary is presented in Figure 5. The method used for apportioning the assessment is based upon the proportional special benefits to be derived by the properties in the District, over and above general benefits conferred on real property or to the public at large. The apportionment of special benefit is a two step process: the first step is to identify the types of special benefit arising from the improvements, and the second step is to allocate the assessments to property based on the estimated relative special benefit for each type of property.

DISCUSSION OF BENEFIT

In summary, the assessments can only be levied based on the special benefit to property. This benefit is received by property over and above any general benefits. Moreover, such benefit is not based on any one property owner's use of the District's improvements or a property owner's specific demographic status. With reference to the requirements for assessments, Section 22573 of the Landscaping and Lighting Act of 1972 states:

"The net amount to be assessed upon lands within an assessment district may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements."

Proposition 218, as codified in Article XIID of the California Constitution, has confirmed that assessments must be based on the special benefit to property:

"No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel."

The following benefit categories summarize the types of special benefit to residential, commercial, industrial and other lots and parcels resulting from the maintenance, services and improvements to be provided with the assessment proceeds. These categories of special benefit are derived from the statutes passed by the California Legislature and other studies which describe the types of special benefit received by property from services and

improvements such as those provided by the City of San Diego Greater Golden Hill Maintenance Assessment District. These types of special benefit are summarized as follows:

- Enhanced visual aesthetics of the commercial business district
- Increased economic opportunity
- Creating a sense of community identity and pride
- Enhanced quality of life and desirability of the area
- Enhanced safety and utility of property
- Enhanced image for properties in the District
- Specific enhancement of property values

These benefit factors, when applied to property in the District, specifically increase the utility and value of the land within the District. In addition, the maintenance services funded by the assessments enhance safety and security of customers, residents and guests, which specifically enhances the value of the properties in the District.

SERVICE FREQUENCIES BY BENEFIT ZONE

Figure 4 details the levels of services by Benefit Zone.

FIGURE 4 - SERVICES BY BENEFIT ZONE

<i>Service</i>	<i>Frequency of Benefit Zone 1</i>	<i>Frequency of Benefit Zone 2</i>
Public Rights of Way and Sidewalk Operations/Beautification		
a. Basic Landscaping Services	As Needed	As Needed
b. Tree Maintenance	As Needed	As Needed
c. Sidewalk Sweeping	Twice a Week	Twice a Month
d. Graffiti Removal	Twice a Week	As Needed
e. Litter Removal	Twice a Week	Twice a Month
f. Sidewalk Power Washing	As Needed	As Needed
g. Large Bulk Item Pickup	As Needed	As Needed
h. Removal of Illegal Dumping	As Needed	As Needed
i. Barricading of Sidewalk and Safety Hazards	As Needed	As Needed
j. Removal of Public Health and Sanitation Hazards	As Needed	As Needed
k. Street Light Inspections and Reports	Twice a week	As Needed
l. Enhanced Trash Receptacles and Regular Emptying	Twice a week	N/A
m. Decorations and Banner Installation	As Needed	N/A
n. Trail Beautification	As Needed	As Needed
o. Canyon Beautification	Quarterly	Quarterly

GENERAL VERSUS SPECIAL BENEFIT

The proceeds from the District will be used to fund the installation, maintenance and servicing of improvements within the District that, in absence of the District, otherwise would not be provided. Properties in the District directly and specifically benefit from the Services, while properties outside the District do not receive the benefit of the Services funded by the District. Therefore, the assessments provide special benefit to property in the various Districts over and above the general benefits conferred by the general facilities of the City, and the Services funded by the District are determined to be exclusively of distinct and special benefit to properties in the District. The State Legislature has made a similar finding as shown previously: "Assessments levied for the purpose of providing improvements and promoting activities that benefit real property or businesses are not taxes for the general benefit of a city, but are assessments for the improvements and activities which confer special benefits upon the real property or businesses for which the improvements and activities are provided."

The City provides the District with services, resources and contributions including, but not limited to street sweeping, roadway and stormdrain improvement and maintenance, regular trash removal, graffiti removal, parks maintenance and improvement, street lighting, and security, traffic controls and public signage, street medians, public safety and other public services and improvements. Many of these City Services are considered to be incremental services for which the City could charge additional fees or could choose to provide at a reduced level. These City Services and contributions are considered to be a contribution towards property in the District and any potential general benefits from the Services.

In summary, the Services funded by the District are determined to be of special benefit to properties in the District. Any general benefits from the Services are determined to be minimal and are more than offset by the significant other contributions the City provides to property in the District.

ZONES OF BENEFIT

Services and improvements funded by the assessments will be provided at different levels and frequencies as outlined in Figure 3. Therefore, two zones of benefit, Zone 1 and Zone 2 are established within the District.

ASSESSMENT APPORTIONMENT

In preparing the previous Assessment Engineer's Report for the District, the Engineers concluded that the special benefit to each parcel is proportional to the linear street frontage

of each parcel plus the area of the parcel and/or the square footage of the improvements constructed upon the parcel and the property type. Each property is assigned a single family equivalent benefit factor (SFE). The SFE for each single Family home is 1, and other properties' SFEs are based upon the relative intensity of use (trip factors) in relation to a single family home. SFE benefit units are assigned as outlined in Figure 5.

FIGURE 5 – SFE FACTORS (SINGLE FAMILY EQUIVALENT BENEFIT UNITS)

<u>SFE Factors (Single Family Equivalent Benefit Units)</u>		
	<u>trips</u>	<u>SFE</u>
SFR	10	1.0
MFR SFEs per unit	7	0.7
Condo	7	0.7
Commercial SFEs per Square Foot		0.0032
Vacant Properties, Churches and Parking Lots		1.0

The special benefits derived from the Services funded by the assessments are conferred on property and are not based on a specific property owner's use and/or enjoyment of the Services. However, it is ultimately people who value the special benefits described in this Report. Further, it is ultimately people who control property values by placing a value on the special benefits from the Services. In other words, the benefits conferred to property are related to the average number of people who could potentially live on, work at, or otherwise could use a property, not how the property is currently used by the present owner. Therefore, the number of people who could or potentially live on, work at or otherwise use a property is an indicator of the relative level of special benefit received by a property. Building size/parcel area, property type and linear frontage are directly correlated with the population density and current or potential usage of property. Therefore, the Services are reasonably related to building size, property type and linear frontage because these factors reflect the relative population density and use of properties.

Since building size/parcel area, property type and linear frontage are good determinants of relative benefit to property, and since the population density in the Greater Golden Hill area (and height of buildings) is average for an urbanized area, a 75/25 split of the assessments based on a property's single family equivalent benefit units (SFE) versus linear frontage is deemed to be reasonable. Therefore, 75% of the assessments are allocated based on SFE and 25% are allocated based on street frontage.

This apportionment of costs recognizes the relationship between the amount of maintenance work required on those parcels with large frontages and/or larger building area as well as the intensity of use as determined by property type relative to smaller frontages, smaller building area, and a lesser intensity of use and therefore levies a proportionally greater assessment on those parcels with a greater frontage or building area

or intensity of use than on parcels with a lesser frontage or area or intensity of use. Recognizing the impacts which those parcels with extensive improvements (and higher occupancy/use) place on the District, undeveloped and vacant parcels area assigned a SFE benefit unit of one.

We find that this apportionment approach reasonably allocates the assessments based on the special benefit received by each parcel. Therefore, assessments have been apportioned to each benefiting parcel within each zone utilizing an assessment apportionment methodology as described above. The assessments and cost of Services are allocated based on the following schedule:

- Twenty-five percent (25%) of the total amount assessed apportioned to each parcel within a zone is based upon linear feet of street frontage; and
- Seventy-five percent (75%) of the total amount assessed spread to each parcel within a zone is based upon the parcel's single family equivalent benefit factor.

This apportionment of costs recognizes the relationship between the amount of maintenance work required on those parcels with large frontages, and therefore levies a proportionally greater assessment on those parcels with a greater frontage than on parcels with a lesser frontage.

Similarly, recognizing the impacts which those parcels with greater intensity of use and extensive improvements place on the district, a portion of the assessment was based upon a SFE benefit unit, since those parcels with a greater intensity of use and extensive improvements receive a greater benefit from the enhanced maintenance services funded by the assessment.

An assessment has been levied upon each publicly owned parcel in the same manner as privately owned property. Each publicly owned parcel, except parks or designated open space area, has been assessed on the same basis as other parcels within the District.

ANNUAL COST INDEXING

The assessments are subject to an annual increase not to exceed 5% per year. The maximum authorized assessment rate is defined as the assessment rate in the first fiscal year the assessments are effective, increased by the lesser of the annual change in the San Diego Area Consumer Price Index, or 5% per year in each subsequent fiscal year.

Such annual cost indexing allows for increases in the assessment rate to account for normal maintenance and operating cost escalation without incurring the costs of additional Proposition 218 ballot proceedings. It should be noted that the assessments in a future year can be levied at any rate below or up to the maximum authorized assessment rate. However, any significant change in the assessment initiated by an increase in service provided or other significant changes to the District that causes the assessments to increase by more than the maximum authorized assessment rate would still require the Proposition 218 proceedings and property owner approval.

ASSESSMENT

WHEREAS, the City of San Diego, County of San Diego, California, pursuant to the provisions of the Ordinance, the Act and the Article directed the undersigned Engineer of Work to prepare and file a report presenting an estimate of costs, a diagram for the assessment district and an assessment of the estimated costs of the improvements upon all assessable parcels within the assessment district, to which Resolution and the description of said improvements therein contained, reference is hereby made for further particulars;

NOW, THEREFORE, the undersigned, by virtue of the power vested in me under said Ordinance, Act and Article, hereby make the following assessment to cover the portion of the estimated cost of said improvements, and the costs and expenses incidental thereto to be paid by the assessment district.

The amount to be paid for said improvements and the expense incidental thereto by the Greater Golden Hill Maintenance Assessment District for the fiscal year 2008-09 is \$860,820.

As required by the Act, Assessment Diagram is hereto attached and made a part hereof showing the exterior boundaries of said Greater Golden Hill Maintenance Assessment District. The distinctive number of each parcel or lot of land in the District is its Assessor Parcel Number appearing on the Assessment Roll.

And I do hereby assess and apportion said net amount of the cost and expenses of said improvements, including the costs and expenses incident thereto, upon the parcels and lots of land within said District, in accordance with the special benefits to be received by each parcel or lot, from the improvements, and more particularly set forth in the Cost Estimate and Method of Assessment hereto attached and by reference made a part hereof.

The assessments are subject to an annual adjustment not to exceed 5% per year. The maximum authorized assessment rate is defined as the initial fiscal year 2007-08 assessment rate increased in future fiscal years by the annual change in San Diego Area Consumer Price Index, up to 5% per year. In the event that the assessments are levied at a rate below the maximum authorized assessment rate, the assessments can be increased in future years up to the maximum authorized assessment rate without any additional assessment ballot proceeding.

Each parcel or lot of land is described in the Assessment Roll by reference to its parcel number as shown on the Assessor's Maps of the County of San Diego for the fiscal year 2008-09. For a more particular description of said property, reference is hereby made to the deeds and maps on file and of record in the office of the County Recorder of said County.

I hereby place opposite the Assessor Parcel Number for each parcel or lot within the Assessment Rolls, the amount of the assessment for the fiscal year 2008-09 for each parcel or lot of land within the said Greater Golden Hill Maintenance Assessment District.

Dated: June 17, 2008

Engineer of Work

By _____
John W. Bliss, License No. C052091

CERTIFICATES

1. The undersigned respectfully submits the enclosed Engineer's Report and does hereby certify that this Engineer's Report, and the Assessment and Assessment Diagram herein, have been prepared by me in accordance with the order of the City Council of the City of San Diego.

 Engineer of Work, License No. C052091

2. I, the Clerk of the City Council, City of San Diego, County of San Diego, California, hereby certify that the enclosed Engineer's Report, together with the Assessment and Assessment Diagram thereto attached, was filed and recorded with me on _____, 2008.

 Clerk of the City Council

3. I, the Clerk of the City Council, City of San Diego, County of San Diego, California, hereby certify that the Assessment in this Engineer's Report was approved and confirmed by the City Council on _____, 2008, by Resolution No. _____.

 Clerk of the City Council

4. I, the Clerk of the City Council of the City of San Diego, County of San Diego, California, hereby certify that a copy of the Assessment and Assessment Diagram was filed in the office of the County Auditor of the County of San Diego, California, on _____, 2008.

 Clerk of the City Council

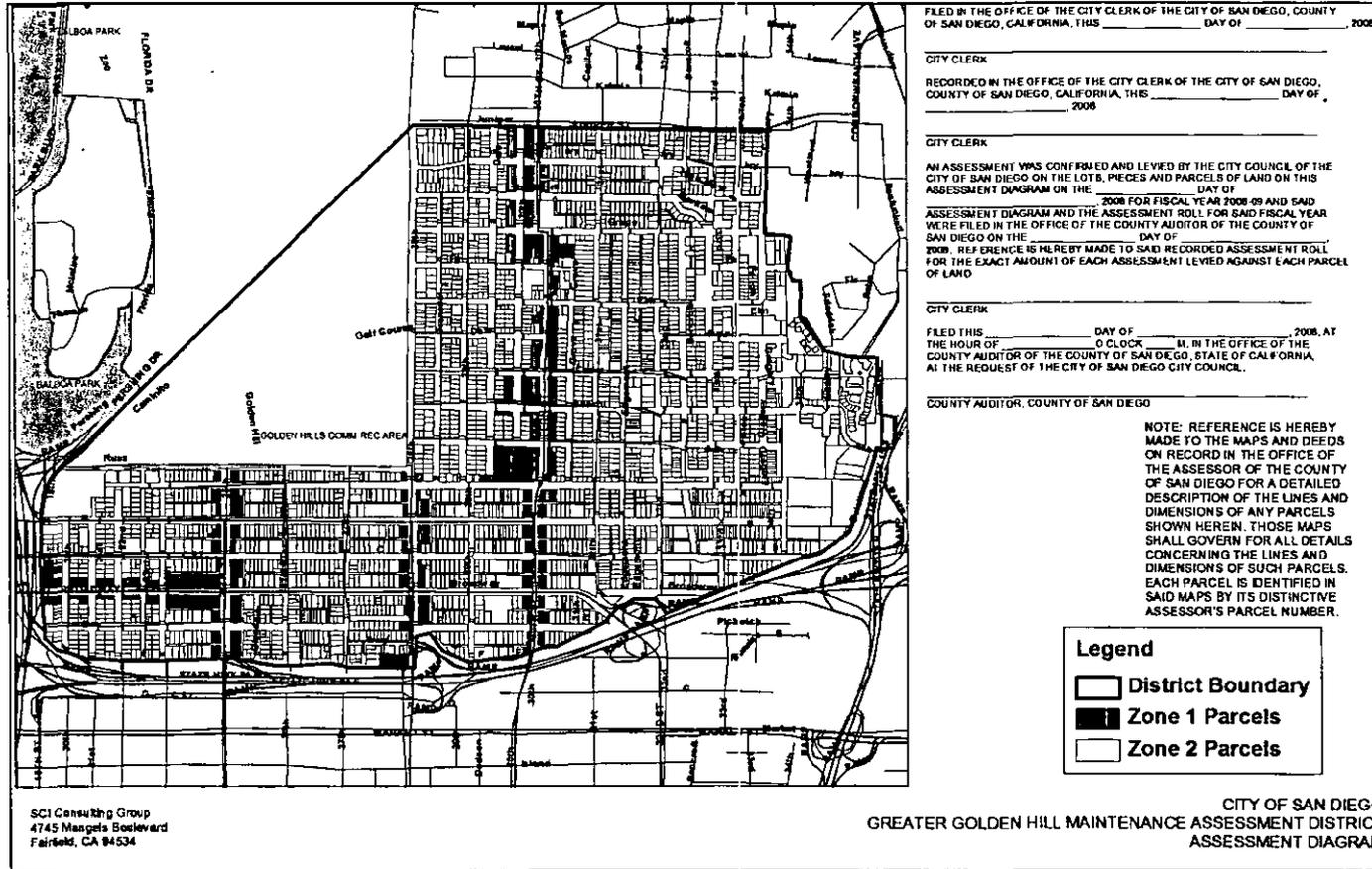
APPEALS AND INTERPRETATIONS

Any property owner who feels that the assessment levied on the subject property is in error as a result of incorrect information being used to apply the foregoing method of assessment, may file a written appeal with the Engineer of Work for the PBID or MAD assessments (the "Assessment Engineer"). Any such appeal is limited to correction of an assessment during the then current or, if before July 1, the upcoming fiscal year. Upon the filing of any such appeal, the Assessment Engineer or his or her designee will promptly review the appeal and any information provided by the property owner. If the Assessment Engineer or his or her designee finds that the assessment should be modified, the appropriate changes shall be made to the assessment roll. If any such changes are approved after the assessment roll has been filed with the County for collection, the City of San Diego or its designee is authorized to refund to the property owner the amount of any approved reduction. Any property owner, who disagrees with the decision of the Assessment Engineer or her or his designee, may refer their appeal to the Project Manager of the City of San Diego City Planning and Community Investment Department (the "Project Manager") or his or her designee and the decision of the Project Manager shall be final.

ASSESSMENT DIAGRAM

The boundaries of the Greater Golden Hill Maintenance Assessment District are displayed on the following Assessment Diagram.

FIGURE 6 - ASSESSMENT DIAGRAM



ASSESSMENT ROLL

ASSESSMENT ROLL, FY 2008-09

The Assessment Roll (a listing of all parcels assessed within the Greater Golden Hill Maintenance Assessment District and the amount of the assessment) is filed with the Project Manager and is, by reference, made part of this report and is available for public inspection during normal office hours.

Each lot or parcel listed on the Assessment Roll is shown and illustrated on the latest County Assessor records and these records are, by reference made part of this report. These records shall govern for all details concerning the description of the lots or parcels.

000369



CITY OF SAN DIEGO

**HILLCREST COMMERCIAL CORE MAINTENANCE ASSESSMENT
DISTRICT**

ENGINEER'S REPORT

JUNE 2008

PURSUANT TO THE SAN DIEGO MAINTENANCE ASSESSMENT DISTRICT
ORDINANCE OF THE SAN DIEGO MUNICIPAL CODE
AND
LANDSCAPE AND LIGHTING ACT OF 1972 CALIFORNIA STREETS AND HIGHWAY
CODE

ENGINEER OF WORK:
SCIconultingGroup
4745 MANGELS BOULEVARD
FAIRFIELD, CALIFORNIA 94534
PHONE 707.430.4300
FAX 707.430.4319
www.sci-cg.com

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SUMMARY

PROJECT: HILLCREST COMMERCIAL CORE MAINTENANCE ASSESSMENT DISTRICT

Overview: The Hillcrest Commercial Core Maintenance Assessment District (the District) would provide a local, ongoing funding source for services and improvements in the District generally described cleaning, security, debris removal and maintenance of public resources.

SERVICES/IMPROVEMENTS FUNDED:

The District will fund and provide the following improvements/maintenance services:

- Public Rights of Way and Sidewalk Operations (PROWSO) including:
 - Daily trash cans emptying
 - Sidewalk steam cleaning and gum removal
 - Security Services
 - Daily removal of debris
 - Daily removal of litter
 - Tree maintenance

- Special Projects including:
 - Acquisition of Litter Containers

- Administration/Corporate Operations/Outreach including:
 - District management
 - Overseeing of contracts
 - Relations with City and Council office
 - Relations with property owners
 - Relationship with Redevelopment Agency, Community Planning Groups and Hillcrest Business Improvement District (BID)
 - Insurance
 - Legal and accounting
 - Office related expenses

- Contingency/Incidentals including:
 - City costs including assessment administration, assessment enrollments, budget monitoring, etc.
 - County costs
 - Delinquencies
 - Reserve funds
 - Miscellaneous

Oversight: The assessments would be overseen by the City of San Diego and would be managed by the Hillcrest Business Improvement Association Inc. which is a private non-profit business organization established in 1984 with the specific purpose of strengthening the business and living environment of the Hillcrest area of the City of San Diego. The Hillcrest Business Improvement Association represents over 1,200 businesses.

Location: The District is generally described as the Hillcrest Commercial Core. The location of the District is depicted on the map and Assessment Diagram within this Report.

Apportionment Method:

- Lot/Building Square Footage (BSF) - 50% of Budget
- Linear Foot of Street Frontage (LFF) - 50% of Budget
- Zone of Benefit A - Parcels with street trees
- Zone of Benefit B - Parcels without street trees

ASSESSMENTS:

Figure 1 - Assessment Summary

	<u>Zone A</u>	<u>Zone B</u>	<u>Totals</u>	
Total Parcels Assessed	8	69	77	
<u>MEASURED QUANTITIES</u>				
LFF	1,191	5,729	6,920	
BSF ⁽¹⁾	117,597	377,413	495,010	
<u>UNIT ASSESSMENT RATES</u> ⁽²⁾				
\$/LFF	\$7.187448	\$6.356214		
\$/BSF	\$0.097275	\$0.088857		
<u>ESTIMATED ASSESSMENT REVENUE</u> ⁽³⁾				
LFF Revenue	\$8,560	\$36,415	\$44,975	48%
BSF Revenue	\$11,439	\$33,536	\$44,975	48%
Total Estimated Assessment Budget	\$19,999	\$69,951	\$89,950	97%

Annual Cost Indexing: The maximum rates assessments are authorized to increase by 5% per year beginning in fiscal year 2008-09. In addition the assessment for any property may change, up or down, if the total building area for the parcel increases or decreases.

Bonds: No bonds will be issued in connection with this District.

District Formation: The District was formed in 2006 in compliance with Proposition 218 when it was approved by required weighted majority of property owners, approved the Fiscal Year 2006-07 assessments, and the provisions for annual cost indexing including the maximum authorized assessments for subsequent years.

INTRODUCTION

In Fiscal Year 2005-06, the City of San Diego was petitioned by property owners in the Hillcrest area asking the City to form a new assessment district to fund the maintenance, improvement and servicing of landscaping, sidewalk and gutter sweeping, sidewalk washing, regular security patrols, trash removal and graffiti abatement generally along University Avenue from First Avenue to Sixth Avenue and encompassing Washington to Pennsylvania Streets, and Fourth Avenue to Sixth Avenue. In early 2006, the City of San Diego conducted formation proceedings for the proposed Hillcrest Commercial Core Maintenance Assessment District. Following a favorable weighted majority Proposition 218 balloting procedure, and an affirmative vote of the City Council of the City of San Diego (the "City"), the District was established with funding beginning in early Fiscal Year 2006-07. This new assessment district was named the "Hillcrest Commercial Core Maintenance Assessment District" (the "District").

The purpose of the District is to provide funding for:

- Increased security services;
- Debris and litter removal
- Enhanced litter containers
- Leaf sweeping and debris removal
- Steam cleaning of sidewalks
- Increased trash pick-up
- Trimming of street trees

The District has been structured around this priority of improvements, maintenance, and security services.

This Engineer's Report was prepared to provide a framework and requirements for the assessments, to establish the budget for the services that would be funded by the assessments, to summarize the benefits received by property in the District from the services and improvements funded by the assessments and to establish the method of assessment apportionment of the assessment to lots and parcels in the District. This Report and the assessments have been made pursuant to provisions of the San Diego Maintenance Assessment District Procedural Ordinance of 1986 (the "Ordinance"), provisions of the Landscaping and Lighting Act of 1972, Part 2 of Division 15 of the California Streets and Highways Code (the "Act") and Article XIID of the California Constitution (the "Article").

The assessments are subject to an annual increase tied to the annual change in the Consumer Price Index (CPI) for the San Diego Area with the maximum annual adjustment not to exceed 5%. In the event that the annual change in the CPI exceeds 5%, a percentage change in excess of 5% can be cumulatively reserved and can be added to the annual change in the CPI for years in which the CPI change is less than 5%.

PLANS & SPECIFICATIONS

The Hillcrest Commercial Core Maintenance Assessment District (the "District") was formed to fund improvements to the appearance, identity, continuity, sense of place, economic vitality, desirability, and aesthetic appeal of property in the District. The District area is located within the core business district of the Hillcrest area. The work and improvements to be undertaken by the District and the cost thereof paid from the levy of the annual assessment provide special benefit to Assessor Parcels within the District as defined in the Method of Assessment herein. Consistent with the Maintenance Assessment District Ordinance of the City of San Diego the services and improvements are generally described as follows:

Installation, maintenance and servicing of public improvements and incidental expenses, including but not limited to landscaping, sprinkler systems, shrubs and trees, sidewalks, gutters, water, street lighting, signage and materials, supplies, utilities and equipment, as applicable, for property within the District, and any incidental costs thereto. Any plans and specifications for these improvements will be filed with the Project Manager of the City of San Diego City Planning and Community Investment Department (the "Project Manager") and are incorporated herein by reference.

As applied herein, "maintenance" means the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of any improvement, including repair, removal or replacement of all or any part of any improvement; providing for the life, growth, health, and beauty of landscaping, including cultivation, irrigation, trimming, spraying, collection and disposal of fallen branches and trees, tree and bush trimming, fertilizing, or treating for disease or injury; the removal of trimmings, rubbish, debris, and other solid waste, ongoing inspection and repairs and labor, sidewalk and gutter cleaning and sweeping, placement of street furniture, banner installation, security services, including homeless patrolling and reporting of security and safety problems to governmental agencies, and the cleaning, sandblasting, and painting of walls, and other improvements to remove or cover graffiti.

"Servicing" means the furnishing of electric current, or energy, gas or other illuminating agent for any public lighting facilities or for the lighting or operation of any other improvements; or water for the irrigation of any landscaping, the operation of any fountains, or the maintenance of any other improvements.

"Incidental expenses" include all of the following: (a) The costs of preparation of the report, including plans, specifications, estimates, diagram, and assessment; (b) the costs of printing, advertising, and the giving of published, posted, and mailed notices; (c) compensation payable to the County for collection of assessments; (d) compensation of any engineer or attorney employed to render services in proceedings pursuant to this part; (e) any other expenses incidental to the construction, installation, or maintenance and servicing of the Improvements; (f) any expenses incidental to the issuance of bonds or notes pursuant to Section 22662.5 of the Streets and Highways Code; and (g) costs associated with any elections or ballot procedures held for the approval of a new or increased assessment.

FISCAL YEAR 2008-09 ESTIMATE OF COST AND BUDGET

Figure 2 - Estimate of Costs for Fiscal Year 2008-09

Hillcrest Central Commercial MAD	FY 06-07 BUDGET	FY 07-08 BUDGET	FY 08-09 PROPOSED
BALANCE	\$ -	\$ 50,000	\$ 63,647
Revenue			
Assessments	89,950	89,950	89,950
Other Revenues	-	-	-
TOTAL OPERATING REVENUE	<u>89,950</u>	<u>89,950</u>	<u>89,950</u>
TOTAL REVENUE AND BALANCE	89,950	139,950	153,597
Expense			
Personnel	-	-	-
Contractual	65,575	101,197	97,054
Special Projects	3,750	5,962	30,000
Incidentals / Administration ¹	18,165	28,880	17,548
Contingency Reserve	2,460	3,911	8,995
TOTAL EXPENSE	<u>89,950</u>	<u>139,950</u>	<u>153,597</u>
BALANCE	\$ -	\$ -	\$ -

Notes:

1. Includes 4% City Administration Fee

NOTES ON ESTIMATED COSTS**Public Rights of Way and Sidewalk Operations (PROWSO)****Service Levels****JANITORIAL SERVICES****BENEFIT ZONE A AND ZONE B** *Frequency = 5 times per week*

- Pick up debris and litter
- Remove fliers
- Sweep leaves
- Dumpsters

TREE TRIMMING**BENEFIT ZONE A** *Frequency = Once a year*

- Trim 18 Ficus Trees

SECURITY SERVICES**BENEFIT ZONE A AND ZONE B** *Frequency = 5 times per week*

- Two person security patrol

SIDEWALK CLEANING**BENEFIT ZONE A AND ZONE B** *Frequency = 3 times per year*

- Steam cleaning of sidewalks
- Gum removal

Incidentals and Annual Costs

Administration includes the administrative and overhead costs for the Hillcrest Business Improvement Association (this cost will not exceed 10% of the annual assessment); City administration costs (budgeted at 4% of assessments) include, but not limited to, calculating and enrolling assessments with the County Assessor's Office; providing direct management support and advocacy; district budget input and review; analyzing and updating budgets; processing reimbursements; issuing manual billings; providing information technology and communication support; and providing professional support from the City Attorney's Office, City Auditor and Comptroller's Office, and City Purchasing Agent. City administration responsibilities may also include meeting with property owners to explain how assessments are calculated and expended; and responding to numerous other property owner/citizen inquiries each month. Insurance costs for the services to be funded by the assessments are also included in the administration costs.

Contingency/Special Projects

The contingency builds a reserve for the District for funding emergency needs, constructing minor capital improvements, and ensuring sufficient cash at all times during the year. Special Projects is used for special one-time purchases such as 15, 50 gallon, circular, heavy duty cement litter receptacles.

METHOD OF APPORTIONMENT

This section of the Engineer's Report includes an explanation of the benefits derived from the maintenance, services and improvements provided by the District and the methodology used to apportion the total assessment to properties within the District.

The District boundary is presented in Section IX. The method used for apportioning the assessment is based upon the proportional special benefits to be derived by the properties in the District, over and above general benefits conferred on real property or to the public at large. The apportionment of special benefit is a two step process: the first step is to identify the types of special benefit arising from the improvements, and the second step is to allocate the assessments to property based on the estimated relative special benefit for each type of property.

DISCUSSION OF BENEFIT

In summary, the assessments can only be levied based on the special benefit to property. This benefit is received by property over and above any general benefits. Moreover, such benefit is not based on any one property owner's use of the District's setback landscaping or a property owner's specific demographic status. With reference to the requirements for assessments, Section 22573 of the Landscaping and Lighting Act of 1972 states:

"The net amount to be assessed upon lands within an assessment district may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements."

Proposition 218, as codified in Article XIII D of the California Constitution, has confirmed that assessments must be based on the special benefit to property:

"No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel."

The following benefit categories summarize the types of special benefit to residential, commercial, industrial and other lots and parcels resulting from the maintenance, services and improvements to be provided with the assessment proceeds. These categories of special benefit are derived from the statutes passed by the California Legislature and other studies which describe the types of special benefit received by property from services and

improvements such as those by the City of San Diego Hillcrest Commercial Core Maintenance Assessment District. These types of special benefit are summarized as follows:

- Enhanced visual aesthetics of the commercial business district.
- Increased economic opportunity.
- Creating a sense of community identity and pride.
- Enhanced quality of life and desirability of the area.
- Enhanced safety and utility of property
- Enhanced image for properties in the District
- Specific enhancement of property values.

These benefit factors, when applied to property in the District, specifically increase the utility and value of the land within the District, which is a distinct and special benefit to property in the District. In addition, the maintenance services funded by the assessments enhance safety and security of customers, residents and guests, which specifically enhances the value of the properties in the District, which is another distinct and special benefit to property in the District.

SERVICE FREQUENCIES BY BENEFIT ZONE

The Figure 3 details the levels of services by Benefit Zone.

Figure 3 - Services by Benefit Zone

<i>Service</i>	<i>Frequency of Benefit Zone A</i>	<i>Frequency of Benefit Zone B</i>
<u>Public Rights of Way and Sidewalk Operations/Beautification</u>		
a. Janitorial Services	5 days per week	5 days per week
b. Tree Trimming	Annual	N/A
c. Security Services	5 - 7 days per week	5 - 7 days per Week
Sidewalk steam cleaning (*based upon City's new stringent standards)	3 times a year	3 times a year
d. Special Projects: Acquisition of Litter Containers	As determined, costs expended equally between each Benefit	As determined, costs expended equally between each Benefit
Administration / Corporate Operations	Monday – Friday	Monday – Friday

GENERAL VERSUS SPECIAL BENEFIT

The proceeds from the District will be used to fund the installation, maintenance and servicing of improvements within the District that, in absence of the District, otherwise would not be provided. Properties in the District directly and specifically benefit from the Services, while properties outside the District do not receive the benefit of the Services funded by the District. Therefore, the assessments provide special benefit to property in the various Districts over and above the general benefits conferred by the general facilities of the City, and the Services funded by the District are determined to be exclusively of distinct and special benefit to properties in the District. The State Legislature has made a similar finding as shown previously: "Assessments levied for the purpose of providing improvements and promoting activities that benefit real property or businesses are not taxes for the general benefit of a city, but are assessments for the improvements and activities which confer special benefits upon the real property or businesses for which the improvements and activities are provided."

The City provides the District with services, resources and contributions including, but not limited to street sweeping, roadway and stormdrain improvement and maintenance, regular trash removal, graffiti removal, parks maintenance and improvement, street lighting, and security, traffic controls and public signage, street medians, public safety and other public services and improvements. Many of these City Services are considered to be incremental services for which the City could charge additional fees or could choose to provide at a reduced level. These City Services and contributions are considered to be a contribution towards property in the District and any potential general benefits from the Services. In summary, the Services funded by the District are determined to be of special benefit to properties in the District. Any general benefits from the Services are determined to be minimal and are more than offset by the significant other services contributions the City provides to property in the District.

ZONES OF BENEFIT

Services and improvements funded by the assessments will be provided at different levels and frequencies as outlined in Figure 3 on the previous page. Therefore, two zones of benefit, Zone A and Zone B are established within the District.

ASSESSMENT APPORTIONMENT

In preparing the previous Assessment Engineer's Report for the District, the Engineers concluded that the special benefit to each parcel is proportional to the linear street frontage of each parcel plus the area of the parcel and/or the square footage of the improvements constructed upon the parcel.

The special benefits derived from the Services funded by the assessments are conferred on property and are not based on a specific property owner's use and/or enjoyment of the Services. However, it is ultimately people who value the special benefits described in this Report. Further, it is ultimately people who control property values by placing a value on the special benefits from the Services. In other words, the benefits conferred to property are related to the average number of people who could potentially live on, work at, or otherwise could use a property, not how the property is currently used by the present owner. Therefore, the number of people who could or potentially live on, work at or otherwise use a property is an indicator of the relative level of special benefit received by a property. Building size/parcel area and linear frontage are directly correlated with the population density and current or potential usage of property. Therefore, the Services are reasonably related to building size and linear frontage because these factors reflect the relative population density and use of properties.

Since building size/parcel area and linear frontage are both good determinates of relative benefit to property, and since the population density in the Hillcrest area (and height of buildings) is average for an urbanized area, a 50/50 split of the assessments based on building area versus linear frontage is deemed to be reasonable. Therefore, 50% of the assessments are allocated based on area and 50% are allocated based on street frontage.

This apportionment of costs recognizes the relationship between the amount of maintenance work required on those parcels with large frontages and/or larger building area relative to smaller frontages and smaller building area, and therefore levies a proportionally greater assessment on those parcels with a greater frontage or building area than on parcels with a lesser frontage or area. Recognizing the impacts which those parcels with extensive improvements (and higher occupancy/use) place on the District, undeveloped and vacant parcels area assigned an area factor of one-third of the parcel area.

We find that this apportionment approach reasonably allocates the assessments based on the special benefit received by each parcel. Therefore, assessments have been apportioned to each benefiting parcel within each zone utilizing an assessment apportionment methodology as described above. The assessments and cost of Services are allocated based on the following schedule:

- Fifty percent (50%) of the total amount assessed apportioned to each parcel within a zone based upon linear feet of street frontage; and

- Fifty percent (50%) of the total amount assessed spread to each parcel within a zone based upon the parcel's building square footage if improved, or 1/3rd of the parcel area if undeveloped.

This apportionment of costs recognizes the relationship between the amount of maintenance work required on those parcels with large frontages, and therefore levies a proportionally greater assessment on those parcels with a greater frontage than on parcels with a lesser frontage.

Similarly, recognizing the impacts which those parcels with extensive improvements place on the district, a portion of the assessment has based upon building square footage or 1/3rd of parcel area for undeveloped parcels, since those parcels with extensive improvements receive a greater benefit from the enhanced maintenance services funded by the assessment.

An assessment has been levied upon each publicly owned parcel in the same manner as privately owned property. Each publicly owned parcel, except parks or designated open space area, has been assessed on the same basis as other parcels within the District.

ANNUAL COST INDEXING

The assessments are subject to an annual increase tied to the annual change in the Consumer Price Index (CPI) for the San Diego Area with the maximum annual adjustment not to exceed 5%. In the event that the annual change in the CPI exceeds 5%, a percentage change in excess of 5% can be cumulatively reserved and can be added to the annual change in the CPI for years in which the CPI change is less than 5%. Annual cost indexing allows for minor increases for normal maintenance and operating cost escalation without incurring the costs of additional Proposition 218 ballot proceedings. Any significant change in the assessment initiated by an increase in service provided or other significant changes to the District would still require the Proposition 218 proceedings and property owner approval. The maximum assessment rates are summarized in the following table.

Figure 4 – Maximum Assessment Rates

Maximum Assessment Rates					
	CPI Change	Zone A		Zone B	
		\$/LFF	\$/BSF	\$/LFF	\$/BSF
FY 06-07		7.18744800	0.09727500	6.35621400	0.08885700
FY 07-08	3.40%	7.43182123	0.10058235	6.57232528	0.09187814
FY 08-09	5.00%	7.54682040	0.10213875	6.67402470	0.09329985

ASSESSMENT

WHEREAS, the City of San Diego, County of San Diego, California, pursuant to the provisions of the Ordinance, the Act and the Article directed the undersigned Engineer of Work to prepare and file a report presenting an estimate of costs, a diagram for the assessment district and an assessment of the estimated costs of the improvements upon all assessable parcels within the assessment district, to which Resolution and the description of said improvements therein contained, reference is hereby made for further particulars;

NOW, THEREFORE the undersigned, by virtue of the power vested in me under said Ordinance, Act and Article, hereby make the following assessment to cover the portion of the estimated cost of said improvements, and the costs and expenses incidental thereto to be paid by the assessment district.

The amount to be paid for said improvements and the expense incidental thereto by the Hillcrest Commercial Core Maintenance Assessment District for the fiscal year 2008-09 is \$153,597.

As required by the Act, Assessment Diagram is hereto attached and made a part hereof showing the exterior boundaries of said Hillcrest Commercial Core Maintenance Assessment District. The distinctive number of each parcel or lot of land in the District is its Assessor Parcel Number appearing on the Assessment Roll.

And I do hereby assess and apportion said net amount of the cost and expenses of said improvements, including the costs and expenses incident thereto, upon the parcels and lots of land within said District, in accordance with the special benefits to be received by each parcel or lot, from the improvements, and more particularly set forth in the Cost Estimate and Method of Assessment hereto attached and by reference made a part hereof.

The assessments are subject to an annual adjustment tied to the annual change in the SDCPI-U for the proceeding year, not to exceed 5% per year. The maximum authorized assessment rate is defined as the initial fiscal year 2006-07 assessment rate increased by the annual change in the SDCPI-U. The annual SDCPI-U change for 2007 was 2.28%. Therefore, the maximum authorized assessment for Hillcrest Commercial Core Maintenance Assessment District for fiscal year 2008-09 that can be levied without an

assessment ballot proceeding are shown in Figure 4. The proposed assessment rates for fiscal year 2008-08 are below the maximum authorized rates for fiscal year 2008-09.

Each parcel or lot of land is described in the Assessment Roll by reference to its parcel number as shown on the Assessor's Maps of the County of San Diego for the fiscal year 2008-09. For a more particular description of said property, reference is hereby made to the deeds and maps on file and of record in the office of the County Recorder of said County.

I hereby place opposite the Assessor Parcel Number for each parcel or lot within the Assessment Rolls, the amount of the assessment for the fiscal year 2008-09 for each parcel or lot of land within the said Hillcrest Commercial Core Maintenance Assessment District.

Dated: _____

Engineer of Work

By _____
John W. Bliss, License No. C052091

CERTIFICATES

1. The undersigned respectfully submits the enclosed Engineer's Report and does hereby certify that this Engineer's Report, and the Assessment and Assessment Diagram herein, have been prepared by me in accordance with the order of the City Council of the City of San Diego.

Engineer of Work, License No. C052091

2. I, the Clerk of the City Council, City of San Diego, County of San Diego, California, hereby certify that the enclosed Engineer's Report, together with the Assessment and Assessment Diagram thereto attached, was filed and recorded with me on _____, 2008.

Clerk of the City Council

3. I, the Clerk of the City Council, City of San Diego, County of San Diego, California, hereby certify that the Assessment in this Engineer's Report was approved and confirmed by the City Council on _____, 2008, by Resolution No. _____.

Clerk of the City Council

4. I, the Clerk of the City Council of the City of San Diego, County of San Diego, California, hereby certify that a copy of the Assessment and Assessment Diagram was filed in the office of the County Auditor of the County of San Diego, California, on _____, 2008.

Clerk of the City Council

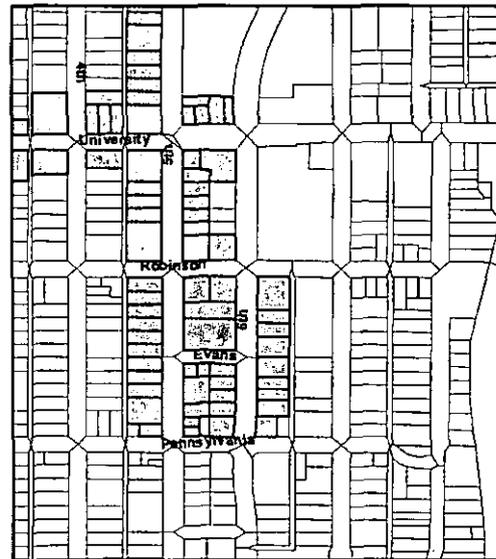
APPEALS AND INTERPRETATIONS

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ASSESSMENT DIAGRAM

The boundaries of the Hillcrest Commercial Core Maintenance Assessment District are displayed on the following Assessment Diagram.

Figure 5 - Assessment Diagram



Legend

- Benefit Zone A
- Benefit Zone B



District Location

SCI Consulting Group Inc.
4745 Mangels Boulevard
Fairfield, CA 94534

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, CALIFORNIA, THIS _____ DAY OF _____, 2008

CITY CLERK _____

RECORDED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, CALIFORNIA, THIS _____ DAY OF _____, 2008

CITY CLERK _____

AN ASSESSMENT WAS CONFIRMED AND LEVIED BY THE CITY COUNCIL OF THE CITY OF SAN DIEGO ON THE LOTS, PIECES AND PARCELS OF LAND ON THIS ASSESSMENT DIAGRAM ON THE _____ DAY OF _____, 2008 FOR FISCAL YEAR 2008-09 AND SAID ASSESSMENT DIAGRAM AND THE ASSESSMENT ROLL FOR SAID FISCAL YEAR WERE FILED IN THE OFFICE OF THE COUNTY AUDITOR OF THE COUNTY OF SAN DIEGO ON THE _____ DAY OF _____, 2008. REFERENCE IS HEREBY MADE TO SAID RECORDED ASSESSMENT ROLL FOR THE EXACT AMOUNT OF EACH ASSESSMENT LEVIED AGAINST EACH PARCEL OF LAND.

CITY CLERK _____

FILED THIS _____ DAY OF _____, 2008, AT THE HOUR OF _____ O'CLOCK _____ M. IN THE OFFICE OF THE COUNTY AUDITOR OF THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AT THE REQUEST OF THE CITY OF SAN DIEGO CITY COUNCIL

COUNTY AUDITOR, COUNTY OF SAN DIEGO _____

NOTE: REFERENCE IS HEREBY MADE TO THE MAPS AND DEEDS ON RECORD IN THE OFFICE OF THE ASSESSOR OF THE COUNTY OF SAN DIEGO FOR A DETAILED DESCRIPTION OF THE LINES AND DIMENSIONS OF ANY PARCELS SHOWN HEREIN. THOSE MAPS SHALL GOVERN FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF SUCH PARCELS. EACH PARCEL IS IDENTIFIED IN SAID MAPS BY ITS DISTINCTIVE ASSESSOR'S PARCEL NUMBER.

CITY OF SAN DIEGO
HILLCREST COMMERCIAL CORE MAINTENANCE ASSESSMENT DISTRICT
ASSESSMENT DIAGRAM

APPENDICES

APPENDIX A – ASSESSMENT ROLL, FY 2008-09

The Assessment Roll (a listing of all parcels assessed within the Hillcrest Commercial Core Maintenance Assessment District and the amount of the assessment) will be filed with the Project Manager and is, by reference, made part of this report and is available for public inspection during normal office hours.

Each lot or parcel listed on the Assessment Roll is shown and illustrated on the latest County Assessor records and these records are, by reference made part of this report. These records shall govern for all details concerning the description of the lots or parcels.

000395



CITY OF SAN DIEGO

LITTLE ITALY MAINTENANCE ASSESSMENT DISTRICT

ENGINEER'S REPORT

JUNE 2008

PURSUANT TO THE SAN DIEGO MAINTENANCE ASSESSMENT DISTRICT
ORDINANCE OF THE SAN DIEGO MUNICIPAL CODE
AND
LANDSCAPE AND LIGHTING ACT OF 1972 CALIFORNIA STREETS AND HIGHWAY
CODE

ENGINEER OF WORK:

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INTRODUCTION

The Little Italy Maintenance Assessment District (the "District") was formed by Resolution R-201568 of the City Council of the City of San Diego (City), which de-annexed the District from the Downtown Maintenance District was on July 27, 2004 following a ballot proceeding which was supported by a 76% weighted vote of property owners. The purpose of the District was to provide funding for the maintenance and improvement of the public facilities adjacent to the properties in the District. The following areas of concern by the community were specifically targeted:

- Maintenance of the public right-of-way through sidewalk sweeping, street sweeping, tree planting, watering, and trimming, graffiti cleanup and extensive landscaping.
- Dealing with homeless and vagrancy issues.
- Parking related issues.
- Public safety, providing security.
- Economic development and housing issues.

This Engineer's Report ("Report") was prepared to establish the budget for the services that would be funded by the proposed 2008-09 assessments and to determine the benefits received from the maintenance and improvements by property within the District and the method of assessment apportionment to lots and parcels. This Report and the proposed assessments have been made pursuant to provisions of the San Diego Maintenance Assessment District Procedural Ordinance of 1986 (the "Ordinance"), provisions of the Landscaping and Lighting Act of 1972, Part 2 of Division 15 of the California Streets and Highways Code (the "Act") and Article XIID of the California Constitution (the "Article").

The District is authorized by the annual cost indexing provisions included in the assessment methodology originally adopted, which permits a maximum 5% increase over the previous year's rates beginning in fiscal year 2009-2010.

CERTIFICATES

1. The undersigned respectfully submits the enclosed Engineer's Report and does hereby certify that this Engineer's Report, and the Assessment and Assessment Diagram herein, have been prepared by me in accordance with the order of the City Council of the City of San Diego.

Engineer of Work, License No. C052091

2. I, the Clerk of the City Council, City of San Diego, County of San Diego, California, hereby certify that the enclosed Engineer's Report, together with the Assessment and Assessment Diagram thereto attached, was filed and recorded with me on _____, 2008.

Clerk of the City Council

3. I, the Clerk of the City Council, City of San Diego, County of San Diego, California, hereby certify that the Assessment in this Engineer's Report was approved and confirmed by the City Council on _____, 2008, by Resolution No. _____.

Clerk of the City Council

4. I, the Clerk of the City Council of the City of San Diego, County of San Diego, California, hereby certify that a copy of the Assessment and Assessment Diagram was filed in the office of the County Auditor of the County of San Diego, California, on _____, 2008.

Clerk of the City Council

5. I, the County Auditor of the County of San Diego, California, hereby certify that a copy of the Assessment Roll and Assessment Diagram for fiscal year 2008-09 was filed with me on _____, 2008.

County Auditor, County of San Diego

PLANS & SPECIFICATIONS

The work and improvements proposed to be undertaken by the City of San Diego Little Italy Maintenance Assessment District (the "District") and the cost thereof paid from the levy of the annual assessment provide special benefit to Assessor Parcels within the District as defined in the Method of Assessment herein. Consistent with the Maintenance Assessment District Ordinance of the City of San Diego, the services and improvements are generally described as follows:

Maintenance and servicing of public improvements, including but not limited to landscaping, sprinkler systems, shrubs and trees, water, street lighting, and labor, materials, supplies, utilities and equipment, as applicable, for property within the District that is found in the public rights-of-way within the proposed District area, and any incidental costs thereto. Any plans and specifications for these improvements will be filed with the Project Manager of the City of San Diego City Planning and Community Investment Department (the "Project Manager") and are incorporated herein by reference.

As applied herein, "maintenance" means the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of any improvement, including repair, removal or replacement of all or any part of any improvement; providing for the life, growth, health, and beauty of landscaping, including cultivation, irrigation, trimming, spraying, fertilizing, or treating for disease or injury; the removal of trimmings, rubbish, debris, and other solid waste, sidewalk and gutter sweeping, placement of street furniture, banner installation, security services, including homeless patrolling and reporting of security and safety problems to governmental agencies, and the cleaning, sandblasting, and painting of walls, and other improvements to remove or cover graffiti.

"Servicing" means the furnishing of electric current, or energy, gas or other illuminating agent for any public lighting facilities or for the lighting or operation of any other improvements; or water for the irrigation of any landscaping, the operation of any fountains, or the maintenance of any other improvements.

FISCAL YEAR 2008-09 ESTIMATE OF COST AND BUDGET

Figure 1 - Little Italy Maintenance Assessment District Budget

LITTLE ITALY MAD	FY 06-07 BUDGET	FY 07-08 BUDGET	FY 08-09 PROPOSED
BEGINNING BALANCE			
Balance from Prior Year	\$ -	\$ -	\$ -
Prior Year Reserves	-	-	-
TOTAL BALANCE	-	-	-
Revenue			
Assessments	667,546	735,489	746,266
Gas Tax Fund	3,444	3,883	3,787
Interest	-	-	-
TOTAL OPERATING REVENUE	<u>670,990</u>	<u>739,372</u>	<u>750,053</u>
TOTAL REVENUE AND BALANCE	670,990	739,372	750,053
Expense			
Personnel	-	-	-
Contractual	482,809	483,179	406,364
Utilities	77,030	70,000	61,000
Incidentals / Administration ¹	43,820	139,419	207,000
Contingency Reserve	66,725	40,774	74,509
TOTAL EXPENSE	<u>670,990</u>	<u>739,372</u>	<u>748,873</u>
BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,180</u>

Notes:

1. Includes 4% City Administration Fee

METHOD OF APPORTIONMENT

METHOD OF APPORTIONMENT.

This section of the Engineer's Report includes an explanation of the benefits to be derived from the installation, maintenance and servicing of public improvements adjacent to properties in the District, maintenance of street lighting, providing security services, and the methodology used to apportion the total assessment to properties within the Little Italy Maintenance Assessment District.

The Little Italy Maintenance Assessment District consists of all Assessor Parcels generally bordered by the Pacific Highway to the west, Ash Street to the south, Front Street and the I-5 corridor to the east, and Laurel Street to the north. The method used for apportioning the assessment is based upon the proportional special benefits to be derived by the properties in the Little Italy Maintenance Assessment District, over and above general benefits conferred on real property or to the public at large. The apportionment of special benefit is a two step process: the first step is to identify the types of special benefit arising from the improvements, and the second step is to allocate the assessments to property based on the estimated relative special benefit for each type of property.

DISCUSSION OF BENEFIT

In summary, the assessments can only be levied based on the special benefit to property. This benefit is received by property over and above any general benefits. Moreover, such benefit is not based on any one property owner's use of the District's setback landscaping or a property owner's specific demographic status. With reference to the requirements for assessments, Section 22573 of the Landscaping and Lighting Act of 1972 states:

"The net amount to be assessed upon lands within an assessment district may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements."

Proposition 218, as codified in Article XIID of the California Constitution, has confirmed that assessments must be based on the special benefit to property:

"No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel."

The following benefit categories summarize the types of special benefit to residential, commercial, industrial and other lots and parcels resulting from the services and improvements to be provided with the assessment proceeds. These categories of special benefit are derived from the statutes passed by the California Legislature and other studies which describe the types of special benefit received by property from services and improvements such as those proposed by the City of San Diego Little Italy Maintenance Assessment District. These types of special benefit are summarized as follows:

- Protection of views, scenery and other resources values and environmental benefits enjoyed by residents, customers and guests and preservation of public assets maintained by the District.
- Increased economic opportunity.
- Reduced cost of local government in law enforcement, public health care, and fire prevention.
- Enhanced safety and reduced liability risk.
- Enhanced quality of life and desirability of the area.
- Specific enhancement of property values.

These benefit factors, when applied to property in the District, specifically increase the value of the land within the District. For example, the increased assessments will provide funding to employ contract security personnel. The enhanced public safety and security afforded by such services, during the early morning and evening hours when maintenance personnel are not present, enhance the overall quality and desirability of the properties. In turn, property values are specifically enhanced by the availability of security services in the area. In addition, the street lighting maintenance affords greater pedestrian safety and security, which specifically enhances the value of the properties in the District.

GENERAL VERSUS SPECIAL BENEFIT

The City's General Fund provides annual contributions to the District for landscape/tree maintenance, monthly street sweeping, energy and maintenance for street lighting, and security (through the police department) at a standard level which is considered to be of "general benefit" to the District. The City of San Diego is responsible for the maintenance of public resources, generally speaking, from curb to curb. The purpose of the special assessments is to fund services for maintenance, beautification, and order from curb to property line. Any excess costs not covered by the City's contribution, such as maintenance, operation, capital improvement, and administrative expenses, are fulfilled by the special assessment revenue generated by the District and represent services and improvements over and above what otherwise would be provided. These additional

services and improvements are a "special benefit" to property in the District over and above the general benefits conferred by the general facilities or services of the City.

METHOD OF ASSESSMENT

The second step in apportioning assessments is to determine the relative special benefit for each property. This process involves determining the relative benefit received by each property as calculated by its lot size, building square footage and street frontage, which is generally recognized as providing the basis for a fair and appropriate distribution of assessments. This apportionment of benefit to all property is necessary because if assessments were levied strictly on a per parcel basis without considering parcel size and street frontages, the assessments would not be equitable.

ZONES OF BENEFIT

The Little Italy Maintenance Assessment District consists of commercial, industrial and residential properties. Certain areas require higher level of services within the District than others; therefore, Zones of Benefit have been established as follows.

- Zone 1: Generally consisting of properties fronting the following streets:

India:	Ash to Hawthorn
Kettner:	Ash to Date
Cedar:	California to India
Beech:	California to India
Ash:	California to India

- Zone 2: Generally consisting of properties fronting the following streets:

Pacific Highway:	Ash to Grape
Kettner:	Date to Laurel
India:	Hawthorn to Laurel
State:	Ash to Fir
Union:	All
Front:	Ash to Date
Ash:	Columbia to Front
Beech:	Columbia to Front
Cedar:	Columbia to Front
Date:	Columbia to Front

Zone 2 additionally includes all east-west streets in the District.

- Zone 3: Generally consisting of properties fronting the following streets:

State:	Fir to I-5
Columbia:	Hawthorn to Juniper
Pacific Highway:	Grape to Laurel

Zone 3 additionally includes the Washington Elementary School property.

The Zones of Benefit allow for an equitable distribution of assessments based on the types and frequency of maintenance services required, and the ratio of maintenance crew staffing levels between zones.

ASSESSMENT APPORTIONMENT

The proposed assessments for the Little Italy Maintenance Assessment District would provide direct and special benefit to properties in this District. The property contained within the District consists of business and industrial properties, single family residences and residential condominiums. As such, the Engineer has determined that the appropriate method of apportionment of the benefits derived by all parcels is on the basis of lot size, linear front footage, and/or building square footage. Building square footage is factored into the assessment for the following property types:

- A: Retail space, hotels, motels, visitor related
- B: Office and commercial uses
- C: Industrial/Manufacturing/Distribution
- D: Institutional (School, public park, church, tax-exempt)
- E: Apartments (20 units or more)
- F: Apartments (9-19 units)

Building square footage is not factored into the assessment formula for the following property types:

- G: Apartments (2-8 units)
- H: Single family housing units
- I: Parking garages

Condominiums exist within an "overlay zone" and are charged \$240 per unit if fully constructed. If the complex is under construction, each unit is assessed \$240, less a 50% discount while under construction. Retail spaces located within a condominium project under construction are assessed based on the retail space's lot size, street frontage, and

building square footage. (Condominiums are considered to be under construction until parcelized.)

Single family residences are assessed based on the formula accounting for lot size and street frontage, and are capped at \$240 per residence.

The assessments are listed on the Assessment Roll in Appendix A.

ASSESSMENT

WHEREAS, the City of San Diego, County of San Diego, California, pursuant to the provisions of the Ordinance, the Act and the Article directed the undersigned Engineer of Work to prepare and file a report presenting an estimate of costs, a diagram for the assessment district and an assessment of the estimated costs of the improvements upon all assessable parcels within the assessment district, to which Resolution and the description of said proposed improvements therein contained, reference is hereby made for further particulars;

NOW, THEREFORE, the undersigned, by virtue of the power vested in me under said Ordinance, Act and Article, hereby make the following assessment to cover the portion of the estimated cost of said improvements, and the costs and expenses incidental thereto to be paid by the assessment district.

As required by the Act, an Assessment Diagram is hereto attached and made a part hereof showing the exterior boundaries of said Little Italy Maintenance Assessment District. The distinctive number of each parcel or lot of land in the said Little Italy Maintenance Assessment District is its Assessor Parcel Number appearing on the Assessment Roll.

And I do hereby assess and apportion said net amount of the cost and expenses of said improvements, including the costs and expenses incident thereto, upon the parcels and lots of land within said Little Italy Maintenance Assessment District, in accordance with the special benefits to be received by each parcel or lot, from the improvements, and more particularly set forth in the Cost Estimate and Method of Assessment hereto attached and by reference made a part hereof.

The assessments are made upon the parcels or lots of land within the Little Italy Maintenance Assessment District in proportion to the special benefits to be received by the parcels or lots of land, from said improvements.

The assessments are subject to an annual adjustment tied to the Consumer Price Index for the San Diego Area as of December of each succeeding year, with the maximum annual adjustment not to exceed 5%. In the event that the annual change in the CPI exceeds 5%, any percentage change in excess of 5% can be cumulatively reserved and can be added to the annual change in the CPI for years in which the CPI change is less

than 5%. This CPI factor shall not be implemented for five years after adoption of the ordinance creating the District, or not until Fiscal Year 2009-10.

Each parcel or lot of land is described in the Assessment Roll by reference to its parcel number as shown on the Assessor's Maps of the County of San Diego for the fiscal year 2008-09. For a more particular description of said property, reference is hereby made to the deeds and maps on file and of record in the office of the County Recorder of said County.

I hereby place opposite the Assessor Parcel Number for each parcel or lot within the Assessment Rolls, the amount of the assessment for the fiscal year 2008-09 for each parcel or lot of land within the said Little Italy Maintenance Assessment District.

Dated: _____

Engineer of Work

By _____
John W. Bliss, License No. C052091

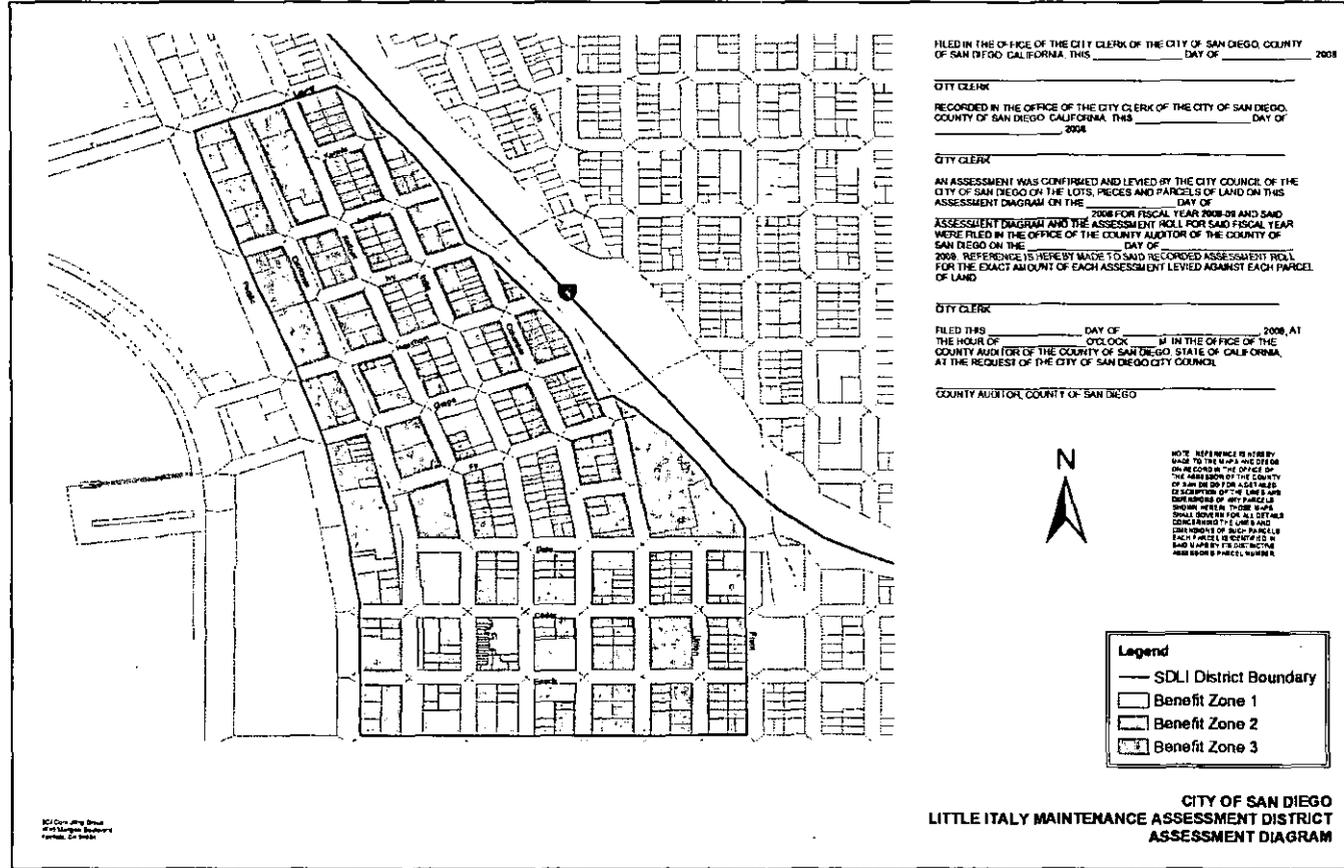
APPEALS AND INTERPRETATIONS

Any property owner who feels that the assessment levied on the subject property is in error as a result of incorrect information being used to apply the foregoing method of assessment, may file a written appeal with the Engineer of Work for the PBID or MAD assessments (the "Assessment Engineer"). Any such appeal is limited to correction of an assessment during the then current or, if before July 1, the upcoming fiscal year. Upon the filing of any such appeal, the Assessment Engineer or his or her designee will promptly review the appeal and any information provided by the property owner. If the Assessment Engineer or his or her designee finds that the assessment should be modified, the appropriate changes shall be made to the assessment roll. If any such changes are approved after the assessment roll has been filed with the County for collection, the City of San Diego or its designee is authorized to refund to the property owner the amount of any approved reduction. Any property owner, who disagrees with the decision of the Assessment Engineer or her or his designee, may refer their appeal to the Project Manager of the City of San Diego City Planning and Community Investment Department (the "Project Manager") or his or her designee and the decision of the Project Manager shall be final.

ASSESSMENT DIAGRAM

The boundaries of the Little Italy Maintenance Assessment District are displayed on the following Assessment Diagram.

Figure 2 - Assessment Diagram



APPENDICES

APPENDIX A – ASSESSMENT ROLL, FY 2008-09

The Assessment Roll (a listing of all parcels assessed within the Little Italy Maintenance Assessment District and the amount of the assessment) will be filed with the Project Manager and is, by reference, made part of this report and is available for public inspection during normal office hours.

Each lot or parcel listed on the Assessment Roll is shown and illustrated on the latest County Assessor records and these records are, by reference made part of this report. These records shall govern for all details concerning the description of the lots or parcels.

000413



CITY OF SAN DIEGO

NEWPORT AVENUE MAINTENANCE ASSESSMENT DISTRICT

ENGINEER'S REPORT

JUNE 2008

PURSUANT TO THE SAN DIEGO MAINTENANCE ASSESSMENT DISTRICT
ORDINANCE OF THE SAN DIEGO MUNICIPAL CODE
AND
LANDSCAPE AND LIGHTING ACT OF 1972 CALIFORNIA STREETS AND HIGHWAY
CODE

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SUMMARY**PROJECT: NEWPORT AVENUE LANDSCAPE MAINTENANCE DISTRICT**

APPORTIONMENT METHOD: LINEAR FRONTAGE FOOT (LFF)

Figure 1 - Assessment Summary

	FY 2006-07	FY 2007-08	FY 2008-09	Maximum Authorized
Total Parcels Assessed	73	73	73	73
Total Estimated Assessment:	\$53,986	\$55,812	\$57,101	--
Total Number of LFF:	3,580.00	3,580.00	3,580.00	--
Assessment per LFF:	\$15.08	\$15.59	\$15.95	\$15.95

Proposition 218 Compliance: The District was re-engineered in Fiscal Year 1997-98 for compliance with Proposition 218. In a ballot proceeding conducted that year, a weighted majority property owners (58.52% of the weighted vote) approved the assessments and the provisions for annual cost indexing including the maximum authorized assessments for subsequent years.

Annual Cost Indexing: The assessments are authorized to increase by the annual change in the San Diego Area Consumer Price Index (the "SDCPI-U"), with such increases to the maximum authorized rate commencing in fiscal year 1998-99. The current maximum authorized rate that can be levied without an assessment ballot proceeding is \$15.95 per linear front foot.

Bonds: No bonds will be issued in connection with this District.

INTRODUCTION

The Newport Avenue Maintenance Assessment District (the "District") was formed by Resolution R-273973 of the City Council of the City of San Diego (City) on July 11, 1989. The District was re-engineered in 1997-98 for compliance with Proposition 218 in which 58.52% of the weighted vote of property owners participating in the election supported the assessment. The City Council then approved the continuation of the assessments.

The purpose of the District is to provide funding for:

- maintaining areas adjacent to the street rights-of-way, which are landscaped with ground cover, trees and shrubs;
- maintaining sidewalks, planter landscaping, and street gutters;
- one extra day per week of trash pick-up; and
- three extra days per month of gutter sweeping.

This Engineer's Report ("Report") was prepared to establish the budget for the services that would be funded by the proposed 2006-07 assessments and to summarize the benefits received from the maintenance and improvements by property within the District and the method of assessment apportionment to lots and parcels. This Report and the proposed assessments have been made pursuant to provisions of the San Diego Maintenance Assessment District Procedural Ordinance of 1986 (the "Ordinance"), provisions of the Landscaping and Lighting Act of 1972, Part 2 of Division 15 of the California Streets and Highways Code (the "Act") and Article XIID of the California Constitution (the "Article").

The assessments and the annual increase in the maximum authorized assessment rate equal to the annual change in the SDCPI-U were authorized by an assessment ballot proceeding conducted in the year 1998, so no additional assessment ballot proceeding is required as long as the assessment rates do not exceed the maximum authorized rates, as adjusted annually by the SDCPI-U.

PLANS & SPECIFICATIONS

The project to be funded by the proposed assessments is the maintenance of approximately 60,509 square feet of landscaped right-of-way, 57,888 square feet of sidewalk, 2,621 square feet of landscaping, 4,588 linear feet of gutters, and various street right-of-way areas. The location of the improvements being maintained by the District are depicted in Figure 4. Maintenance activities include, but are not limited to, irrigation, collection and disposal of fallen branches and trees, tree and bush trimming, fertilizing, weeding, sidewalk and gutter cleaning, extra trash pick up, and ongoing inspection and repairs. The engineering drawings for the improvements maintained by the District are on file at Map Records in the City Engineer's office and are incorporated herein. The specifications for the maintenance to be performed is contained in a City contract with the Ocean Beach Main Street Association which is incorporated herein by reference. These documents are on file with the City Clerk and the City Planning and Community Investment Department and are available for public inspection during normal business hours.

The work and improvements proposed to be undertaken by the District and the cost thereof paid from the levy of the annual assessment provide special benefit to Assessor Parcels within the District as defined in the Method of Assessment herein. Consistent with the Maintenance Assessment District Ordinance of the City of San Diego the services and improvements are generally described as follows:

Maintenance and servicing of public improvements, including but not limited to landscaping, sprinkler systems, shrubs and trees, water, street lighting, and labor, materials, supplies, utilities and equipment, as applicable, for property within the District that is found in the public rights-of-way within the proposed District area, and any incidental costs thereto. Any plans and specifications for these improvements will be filed with the Project Manager of the City of San Diego City Planning and Community Investment Department (the "Project Manager") and are incorporated herein by reference.

As applied herein, "maintenance" means the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of any improvement, including repair, removal or replacement of all or any part of any improvement; providing for the life, growth, health, and beauty of landscaping, including cultivation, irrigation, trimming, spraying, fertilizing, or treating for disease or injury; the removal of trimmings, rubbish, debris, and other solid waste, sidewalk and gutter sweeping, placement of street furniture, banner installation, security services, including homeless patrolling and reporting of

security and safety problems to governmental agencies, and the cleaning, sandblasting, and painting of walls, and other improvements to remove or cover graffiti.

"Servicing" means the furnishing of electric current, or energy, gas or other illuminating agent for any public lighting facilities or for the lighting or operation of any other improvements; or water for the irrigation of any landscaping, the operation of any fountains, or the maintenance of any other improvements.

FISCAL YEAR 2008-09 ESTIMATE OF COST AND BUDGET

Figure 2 - Estimate of Cost for Fiscal Year 2008-09

Newport Avenue Maintenance Assessment District			
	FY 06-07	FY 07-08	FY 08-09
	Budget	Budget	Proposed
Positions	\$ -	\$ -	\$ -
Personnel Expense	\$ -	\$ -	\$ -
Non-Personnel Expense	\$53,094	\$55,812	\$97,716
TOTAL	\$53,094	\$55,812	\$97,716

The Newport Avenue Maintenance Assessment District (District) was established in July 1989 to provide maintenance of landscape planters in the public rights-of-way and front footage along Newport Avenue in the Ocean Beach Community Planning Area. The maintenance area totals 3,580 linear feet. In Fiscal Year 2000, the property owners voted to be managed by the non-profit Ocean Beach Main Street Association (Association).

Figure 3 - Detailed Estimate of Cost for Fiscal Year 2008-09

	FY 06-07	FY 07-08	FY 08-09
	BUDGET	BUDGET	PROPOSED
NEWPORT AVENUE			
BEGINNING BALANCE	\$0	\$0	\$40,615
Revenue			
Assessments	\$53,986	\$55,812	\$57,101
Interest	\$1,000		
TOTAL OPERATING REVENUE	\$54,986	\$55,812	\$57,101
TOTAL REVENUE AND BALANCE	\$54,986	\$55,812	\$97,716
Expense			
Personnel	\$0	\$0	\$0
Contractual	\$42,570	\$46,000	\$67,077
Utilities	\$5,148	\$1,500	\$3,300
Incidentals / Administration ¹	\$3,600	\$5,000	\$12,472
Contingency Reserve	\$3,668	\$3,312	\$14,867
TOTAL EXPENSE	\$54,986	\$55,812	\$97,716
BALANCE	\$0	\$0	\$0

Notes:

1. Includes 4% City Administration Fee

METHOD OF APPORTIONMENT

This section of the Engineer's Report includes an explanation of the benefits derived from the maintenance, services and improvements provided by the District and the methodology used to apportion the total assessment to properties within the District.

The District boundary is presented in Figure 4. The method used for apportioning the assessment is based upon the proportional special benefits to be derived by the properties in the District, over and above general benefits conferred on real property or to the public at large. The apportionment of special benefit is a two step process: the first step is to identify the types of special benefit arising from the improvements, and the second step is to allocate the assessments to property based on the estimated relative special benefit for each type of property.

DISCUSSION OF BENEFIT

In summary, the assessments can only be levied based on the special benefit to property. This benefit is received by property over and above any general benefits. Moreover, such benefit is not based on any one property owner's use of the District's setback landscaping or a property owner's specific demographic status. With reference to the requirements for assessments, Section 22573 of the Landscaping and Lighting Act of 1972 states:

"The net amount to be assessed upon lands within an assessment district may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements."

Proposition 218, as codified in Article XIID of the California Constitution, has confirmed that assessments must be based on the special benefit to property:

"No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel."

The following benefit categories summarize the types of special benefit to residential, commercial, industrial and other lots and parcels resulting from the maintenance, services and improvements to be provided with the assessment proceeds. These categories of special benefit are derived from the statutes passed by the California Legislature and other

studies which describe the types of special benefit received by property from services and improvements such as those proposed by the City of San Diego Newport Avenue Maintenance Assessment District. These types of special benefit are summarized as follows:

- Enhanced visual aesthetics of the commercial business district.
- Increased economic opportunity.
- Creating a sense of community identity and pride.
- Enhanced quality of life and desirability of the area.
- Specific enhancement of property values.

These benefit factors, when applied to property in the District, specifically increase the value of the land within the District. In addition, the street lighting maintenance affords greater pedestrian safety and security, which specifically enhances the value of the properties in the District.

GENERAL VERSUS SPECIAL BENEFIT

Consistent with City policy for the public at large, the City will provide the District with annual contributions from the Gas Tax Fund for median maintenance (29.0¢ per square foot of landscaped median and 11.81¢ per square foot of hardscaped median) and from the Environmental Growth Fund for open space maintenance (\$26.63 per acre). These allocations are considered to be a "general benefit" administered by the District. All other maintenance, operation, and administrative costs which exceed the City's contribution to the public at large are "special benefits" funded by the District. The standard level of service provided by the City is trash pickup twice per week and gutter sweeping once per month. This level of service is provided from the general fund as general benefit. The District, funded as "special benefits," provides two additional trash pickups per week and gutter sweeping three additional times per month.

ZONES OF BENEFIT

District services are provided uniformly throughout the District boundary areas. Consequently, since all parcels have good access and proximity to the benefits proximity is not considered to be a factor in determining benefit to property.

ASSESSMENT APPORTIONMENT

The following discussion of Assessment Apportionment is consistent with previous engineer's reports adopted by the City Council for the District.

It is estimated that the benefit received by each parcel is directly proportional to the linear footage of each parcel fronting the improvements. The total linear footage for all the parcels for the District fronting on Newport Avenue has been divided into the estimated cost for the District to determine the assessment per linear front foot for the parcel located within the District.

ANNUAL COST INDEXING

Indexing assessments annually to the San Diego Consumer Price Index for Urban Consumers (SDCPI-U), as approved by the District property owners in Fiscal Year 1998, allows for minor increases for normal maintenance and operating cost escalation without incurring the costs of the Proposition 218 ballot proceedings. Any significant change in the assessment initiated by an increase in service provided or other significant changes to the District would still require the Proposition 218 proceedings and property owner approval. The maximum authorized assessment established in the Fiscal Year 1998 proceedings are authorized to be indexed (increased or decreased) annually by the factor published in the SDCPI-U. Fiscal Year 1998-99 was the first year authorized for such indexing. The maximum authorized assessment for Newport for fiscal year 2008-09 is \$15.95 per linear foot. This maximum authorized rate was calculated by applying the CPI adjustment for each fiscal year commencing with fiscal year 1998-99 to the initially approved rate of \$11.00 per linear foot. This maximum authorized rate was approved in the 1997-98 assessment ballot proceeding and can be levied without another ballot proceeding. The annual SDCPI-U change for 2007 was 2.28%. Therefore, the proposed annual assessment rate for FY 2008-09 of \$15.95 per linear foot is equal to the maximum authorized rates.

ASSESSMENT

WHEREAS, the City of San Diego, County of San Diego, California, pursuant to the provisions of the Ordinance, the Act and the Article directed the undersigned Engineer of Work to prepare and file a report presenting an estimate of costs, a diagram for the assessment district and an assessment of the estimated costs of the improvements upon all assessable parcels within the assessment district, to which Resolution and the description of said proposed improvements therein contained, reference is hereby made for further particulars;

NOW, THEREFORE, the undersigned, by virtue of the power vested in me under said Ordinance, Act and Article, hereby make the following assessment to cover the portion of the estimated cost of said improvements, and the costs and expenses incidental thereto to be paid by the assessment district.

The amount to be paid for said improvements and the expense incidental thereto by the Newport Avenue Maintenance Assessment District for the fiscal year 2008-09 is \$97,716.

As required by the Act, Assessment Diagram is hereto attached and made a part hereof showing the exterior boundaries of said Newport Avenue Maintenance Assessment District. The distinctive number of each parcel or lot of land in the District is its Assessor Parcel Number appearing on the Assessment Roll.

And I do hereby assess and apportion said net amount of the cost and expenses of said improvements, including the costs and expenses incident thereto, upon the parcels and lots of land within said District, in accordance with the special benefits to be received by each parcel or lot, from the improvements, and more particularly set forth in the Cost Estimate and Method of Assessment hereto attached and by reference made a part hereof.

The assessments are subject to an annual adjustment tied to the annual change in the SDCPI-U for the proceeding year. The maximum authorized assessment rate is defined as the initial fiscal year 1997-98 assessment rate increased by the annual change in the SDCPI-U. In the event that the assessments are levied at a rate below the maximum authorized assessment rate, the assessments can be increased in future years up to the maximum authorized assessment rate without any additional assessment ballot proceeding.

Each parcel or lot of land is described in the Assessment Roll by reference to its parcel number as shown on the Assessor's Maps of the County of San Diego for the fiscal year 2008-09. For a more particular description of said property, reference is hereby made to the deeds and maps on file and of record in the office of the County Recorder of said County.

I hereby place opposite the Assessor Parcel Number for each parcel or lot within the Assessment Rolls, the amount of the assessment for the fiscal year 2008-09 for each parcel or lot of land within the said Newport Avenue Maintenance Assessment District.

Dated: _____

Engineer of Work

By _____
John W. Bliss, License No. C052091

CERTIFICATES

1. The undersigned respectfully submits the enclosed Engineer's Report and does hereby certify that this Engineer's Report, and the Assessment and Assessment Diagram herein, have been prepared by me in accordance with the order of the City Council of the City of San Diego.

 Engineer of Work, License No. C052091

2. I, the Clerk of the City Council, City of San Diego, County of San Diego, California, hereby certify that the enclosed Engineer's Report, together with the Assessment and Assessment Diagram thereto attached, was filed and recorded with me on _____, 2008.

 Clerk of the City Council

3. I, the Clerk of the City Council, City of San Diego, County of San Diego, California, hereby certify that the Assessment in this Engineer's Report was approved and confirmed by the City Council on _____, 2008, by Resolution No. _____.

 Clerk of the City Council

4. I, the Clerk of the City Council of the City of San Diego, County of San Diego, California, hereby certify that a copy of the Assessment and Assessment Diagram was filed in the office of the County Auditor of the County of San Diego, California, on _____, 2008.

 Clerk of the City Council

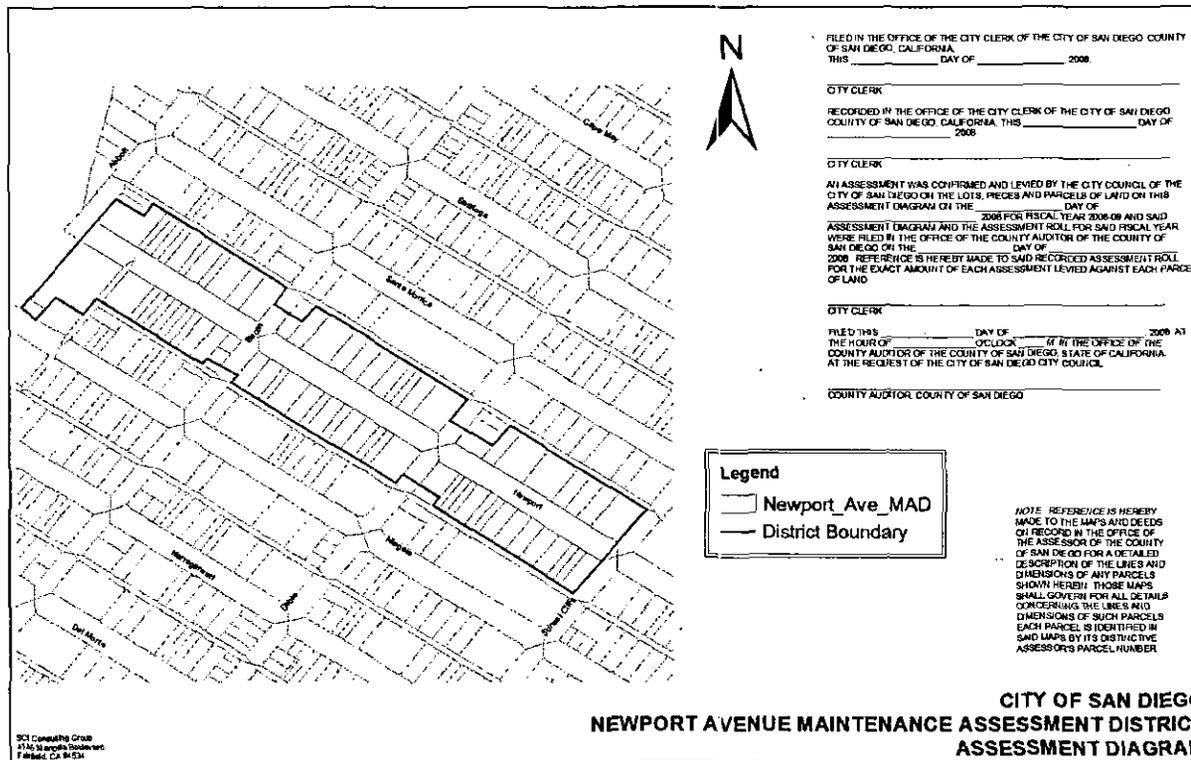
APPEALS AND INTERPRETATIONS

Any property owner who feels that the assessment levied on the subject property is in error as a result of incorrect information being used to apply the foregoing method of assessment, may file a written appeal with the Engineer of Work for the PBID or MAD assessments (the "Assessment Engineer"). Any such appeal is limited to correction of an assessment during the then current or, if before July 1, the upcoming fiscal year. Upon the filing of any such appeal, the Assessment Engineer or his or her designee will promptly review the appeal and any information provided by the property owner. If the Assessment Engineer or his or her designee finds that the assessment should be modified, the appropriate changes shall be made to the assessment roll. If any such changes are approved after the assessment roll has been filed with the County for collection, the City of San Diego or its designee is authorized to refund to the property owner the amount of any approved reduction. Any property owner, who disagrees with the decision of the Assessment Engineer or her or his designee, may refer their appeal to the Project Manager of the City of San Diego City Planning and Community Investment Department (the "Project Manager") or his or her designee and the decision of the Project Manager shall be final.

ASSESSMENT DIAGRAM

The boundaries of the Newport Avenue Maintenance Assessment District are displayed on the following Assessment Diagram.

Figure 4 - Assessment Diagram



APPENDICES

APPENDIX A – ASSESSMENT ROLL, FY 2008-09

The Assessment Roll (a listing of all parcels assessed within the Newport Avenue Maintenance Assessment District and the amount of the assessment) will be filed with the Project Manager and is, by reference, made part of this report and is available for public inspection during normal office hours.

Each lot or parcel listed on the Assessment Roll is shown and illustrated on the latest County Assessor records and these records are, by reference made part of this report. These records shall govern for all details concerning the description of the lots or parcels.