

Attachment 3
Management Plan



**PASADENA PLAYHOUSE DISTRICT ASSOCIATION
RENEWED
PROPERTY & BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT DISTRICT PLAN**

*Formed in 2001 and Being Renewed Under California Streets and Highways Code Section 36600 et seq.
Property Business Improvement District Act of 1994, as amended*

PRESENTED BY:

THE PLAYHOUSE DISTRICT ASSOCIATION

SEPTEMBER 2010

PLAYHOUSE DISTRICT ASSOCIATION PBID - MANAGEMENT DISTRICT PLAN

1.0 DISTRICT SUMMARY

The Playhouse District Association PBID is a property-based Business Improvement District being renewed for a 5 year period by a consortium of business and property owners within the Playhouse District. The District was originally formed in 2001 for a 5 year period. It was renewed and expanded in 2006 for another 5 year term. The purpose of this District is to continue to provide and manage supplemental services and improvements for this important business center, including a “clean and safe” program, a professional marketing and business promotion program, and a program of installing and upgrading physical amenities throughout the greater Playhouse District. The PBID is a unique benefit assessment district that will enable the District property owners, working as a unit, to continue to fund needed property related improvement programs and projects above what can be provided by the City of Pasadena.

Location: The Playhouse District is located in the center of Pasadena and is bounded roughly by Walnut Street, Catalina Avenue, Green Street and Los Robles Avenue.

Zones: There are two benefit zones within the renewed District. Zone A includes those parcels generally along the Lake Avenue/Colorado Boulevard corridors and Zone B that includes all other parcels within the District boundary. By land use and experience, Zone A requires higher levels of service than Zone B in order to maintain a clean, safe, high-quality downtown environment.

Services: Maintenance, public safety, image enhancement, promotions, physical amenities and related management and operation services.

Finance: Benefit assessment of 585 parcels of real property

Budget: PBID assessment revenue for Year 1 is projected to be approximately \$768,990. Additional Year 1 revenues from grants, dues and interest are estimated at approximately \$171,510 for a total projected Year 1 budget of approximately \$940,500.

Cost: There are two benefit zones (See enclosed map). In Zone A, Year 1 property assessment rates per parcel are 6.171 cents per square foot of land, plus 6.171 cents per square foot of building, plus \$8.65 per linear foot of street frontage. In Zone B, the rates are 4.693 cents, 4.693 cents and \$6.48 respectively. For institutional/non-profit owners and residential uses of 5 or more units, the entire assessment shall be reduced by 50%. Residential uses of 1 to 4 units (including residential condominiums) shall be assessed at a rate of \$123.48 per year per unit. An overall building area cap of 2 times the floor area ratio (F.A.R.) shall be used for calculating the building area portion of commercial assessments. Mixed use development assessments shall be pro-rated based on the ratios of each respective use.

Cap: Assessment increases are capped at a maximum of 5 % per year.

Renewal: District renewal is a two-step process. First, petitions signed by District property owners representing at least 50% of the total assessment to be levied must be secured. Second, property owners will be sent a ballot to vote on the District renewal. Returned ballots in support of the District renewal must outweigh those in opposition based on the amount of assessment to be levied.

Duration: The PBID will have a term of five (5) years. After five years, the petition and balloting process must be repeated in order to renew the district and levy assessments.

PBID FAQ

1. *What is a PBID?*
A PBID is a unique funding tool which allows business district property owners to pool their financial resources by assessing themselves to pay for certain districtwide activities and improvements. While new to California in 1995, PBID's have been used throughout the U.S. for four decades and are the most effective and fair method to fund business district programs.
2. *What is the primary benefit of a PBID?*
Competition for trade dollars is increasing and improving all the time. Much more can be accomplished by working together as an organized unit than by working alone. There is the advantage of group purchasing power for funding areawide improvements and programs.
3. *Is a PBID just another government program?*
No. The local government agency's role is to initially approve renewal of the PBID and to annually re-approve the PBID budget and collect or cause to be collected, the funds from the County Tax Collector. The funds will be used to pay for the programs and activities authorized by the approved Management Plan.
4. *Is a PBID assessment a new tax?*
No. Taxes go into government agency general funds to be used throughout their jurisdictions as needed. PBID assessments, however, can only be levied and used within the PBID boundaries to fund programs and activities authorized by the approved Management Plan. The PBID must be re-approved for each stipulated period (5 years) the assessments are to be levied.
5. *Which properties are assessed?*
All properties within the boundaries of the PBID will be assessed unless specifically exempted by law. Assessments will vary based on the projected proportionate special benefit to be conferred on each property.
6. *How much is each property charged?*
An equitable formula has been developed whereby assessments are computed based on a combination of the property size, building size and street frontage of each parcel in proportion to the expected level of benefit to be derived from the programs, improvements and activities being funded. Parcels with residential uses with fewer than 5 units and residential condominiums are assessed at a similar flat rate per unit.
7. *Can the assessment formula or programs be changed in the future?*
The assessment formula, boundaries and broad programs can only be changed by a process involving notices and public hearings and, in some cases, a re-vote of the property owners.

2.0 INTRODUCTION

There is an ever increasing awareness of social issues in business districts such as crime and environmental concerns (littering, natural resource depletion, graffiti), as well as a greater perceived need by the public for supplemental security and maintenance services.

Coupled with this, there is an ever-increasing amount of competition for business districts from malls, off-price centers, big box warehouse retailers and factory outlets as well as a myriad of internet and home shopping networks. There is a much greater need to aggressively market goods and services and create physical environments and services comparable to the competition. Business districts everywhere must work harder and smarter just to capture a portion of their proportionate marketplace share.

In order to survive and coexist in the myriad of competition, business districts cannot rely solely on discretionary government funding or normal tax supported programs and services. There is a need to pool private resources to independently fund, at least in part, vital activities, services and improvements. Business districts throughout California, from Eureka to San Diego, are finding that one of the most viable methods today to accomplish this is through a property-based business improvement district (PBID).

This unique assessment mechanism can fund an exciting array of activities ranging from farmer's markets, art festivals and street fairs to beautification projects such as banners, holiday decorations and landscape planters, to urgently needed services such as supplemental security and maintenance. By pooling private dollars, PBIDs are able to collectively pay for activities, programs and improvements which would not be possible on an individual owner basis. In a time of stretched public resources, PBIDs are one of the most valuable and effective private sector business district finance tools available.

2.1 PBID GENERIC ELIGIBLE USE OF FUNDS

PBID assessments are levied directly on properties within a prescribed area on the basis of relative special benefit from the improvements and activities to be funded and defined in the State law as follows:

• **“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:

- (a) Parking facilities
- (b) Benches, booths, kiosks, display cases, pedestrian shelters and signs
- (c) Trash receptacles and public restrooms (d) Lighting and heating facilities
- (e) Decorations (f) Parks (g) Fountains (h) Planting areas
- (i) Closing, opening, widening, or narrowing of existing streets
- (j) Facilities or equipment, or both, to enhance security of persons and property within the area.
- (k) Ramps, sidewalks, plazas, and ped. malls. (l) Rehabilitation or removal of existing structures

• **“Activities”** means, but is not limited to, all of the following:

- (a) Promotion of public events which benefit businesses or real property in the district.
- (b) Furnishing of music in any public place in the area.
- (c) Promotion of tourism within the district.
- (d) Marketing and economic development, including retail retention and recruitment.

PLAYHOUSE DISTRICT ASSOCIATION PBID - MANAGEMENT DISTRICT PLAN

- (e) Providing security, sanitation, graffiti removal, street and sidewalk cleaning, and other municipal services supplemental to those normally provided by the municipality.
- (f) Activities which benefit businesses and real property located in the district.

2.2 REQUIRED INFORMATION IN A PBID MANAGEMENT DISTRICT PLAN

As stipulated by California State Law (Section 36600 Streets and Highways Code), the following information and data must be included in a PBID Management District Plan:

Section 36622. The management district plan shall contain all of the following:

- (a) A map of the district in sufficient detail to locate each parcel of property within the district.
- (b) The name of the proposed district.
- (c) A description of the boundaries of the district, including the boundaries of any benefit zones, proposed for establishment or extension in a manner sufficient to identify the lands included. Under no circumstances shall the boundaries of a proposed district overlap with the boundaries of another existing district created pursuant to this part. Nothing in this part prohibits the boundaries of a district created pursuant to this part to overlap with other assessment districts established pursuant to other provisions of law including, but not limited to, the Parking and Business Improvement Area Law of 1989.
- (d) The improvements and activities proposed for each year of operation of the district and the maximum cost thereof.
- (e) The total annual amount proposed to be expended for improvements, maintenance and operations in each year of operation of the district.
- (f) The proposed source or sources of financing including the proposed method and basis of levying the assessment in sufficient detail to allow each property owner to calculate the amount of the assessment to be levied against his or her property.
- (g) The time and manner of collecting the assessments.
- (h) The specific number of years, to a maximum of five (ten for renewals), in which assessments will be levied. The management district plan may set forth specific increases in assessments for each year of operation of the district.
- (i) The proposed time for implementation and completion of the management district plan.
- (j) Any proposed rules and regulations to be applicable to the district.
- (k) A list of the properties to be assessed, including the assessor's parcel number, and a statement of the method or methods by which the expenses of a district will be imposed upon benefited real property, in proportion to the benefit received by the property, to defray the cost thereof, including operation and maintenance. The plan may provide that all or any class or category of real property which is exempt by law from real property taxation may nevertheless be included within the boundaries of the district but shall not be subject to the assessment.
- (l) Any other item or matter required to be incorporated therein by the city council.

3.0 PBID DETAILS

3.1 PBID BOUNDARY

The Playhouse District Association PBID encompasses properties bounded roughly by Walnut on the north, Catalina on the east, Green Street on the south, and Los Robles Avenue on the west.

More specifically, the PBID is described as follows:

Beginning at the intersection of the centerlines of El Dorado Street and Los Robles Avenue; thence north along said centerline of Los Robles Avenue to the westerly prolongation of the north property line of the parcel located at the northeast corner of Los Robles Avenue and Walnut Street; thence easterly along the north property line of each parcel located on the north side of Walnut Street between Los Robles Avenue and Hudson Avenue to the centerline of Hudson Avenue; thence north along said centerline of Hudson Avenue to the centerline of Locust Street; thence east along said centerline of Locust Street to the centerline of Mentor Avenue; thence south along said centerline of Mentor Avenue to the centerline of Union Street; thence east along said centerline of Union Street to the centerline of Catalina Avenue; thence south along said centerline of Catalina Avenue to the centerline of Colorado Boulevard; thence west along said centerline of Colorado Boulevard to the centerline of Hudson Avenue; thence south along said centerline of Hudson Avenue to the easterly prolongation of the parcel located at the southeast corner of Hudson Avenue and Green Street; thence westerly along the south property line of each parcel located on the south side of Green Street between Hudson Avenue and Madison Avenue to the centerline of Madison Avenue; thence south along said centerline of Madison Avenue to the centerline of El Dorado Street; thence west along said centerline of El Dorado Street to the point of beginning.

Based on information provided by the Los Angeles County Assessor's Office, the City of Pasadena and field reviews, there are 585 parcels within the renewed PBID. All properties within this PBID will receive varying degrees of primary direct benefit from district programs and improvements. A secondary benefit zone, Zone B, is included in the PBID. A map showing the PBID boundaries and each benefit zone is shown on Appendix A attached hereto.

3.2 PBID ACTIVITIES/WORK PROGRAMS/COSTS/BUDGET

“The PBID offers a diverse program array for the diverse Playhouse District needs!”

“Clean and Safe” activities may include, but are not limited to:

Maintenance services such as:

- areawide litter/debris pickup - daily
- check/empty sidewalk trash bins - daily
- mechanical sidewalk sweeping- monthly
- sidewalk scrubbing/steam cleaning- quarterly
- clean/repair/replace trash bins - as needed
- mechanical street sweeping – weekly

District Ambassadors (Safe) to:

- provide directions; handout business directories, maps, promotional material
- respond to PBID related questions of business and property owners and employees
- assist Playhouse Association with dissemination of newsletters, alerts, promotions
- patrol day/night/weekends for graffiti, crime, code violations, suspicious activities

Promotions and Marketing activities may include, but are not limited to:

- promotional events and activities
- holiday events and decorations
- district advertising and press releases
- website, blog, Twitter and Facebook

Physical Improvement activities may include, but are not limited to:

- expanded physical streetscape amenities such as banners, trash bins and signage

Economic Enhancement activities may include, but are not limited to:

- business development, retention and recruitment
- street car system development

Administration activities may include, but are not limited to:

- personnel and full service office to manage PBID programs, activities and projects
- full service office to assist property and business owners with District-related needs
- solid lobbying force on District issues and needs

HOW PLAYHOUSE DISTRICT STAKEHOLDERS BENEFIT

All property owners:

- Cleaner sidewalks, streets and common areas
- Real and perceived public safety improvements
- Higher property resale values
- Enhanced rental incomes from vacant and underutilized space
- Greater pedestrian activity
- Improved business climate and mix of desired and needed uses
- New businesses and investors
- Better funded and well-managed Playhouse District programs and services
- Stronger and united voice in Playhouse District matters

Retail, restaurant, entertainment, and service businesses:

- Regular marketing/promotional activities to attract and keep customers

Professional, medical and financial businesses:

- Clean & safe programs for welfare of customers and employees

General office uses:

- Enhanced climate and opportunities for entertaining clients and guests

Churches, fraternal groups and schools:

- Enhanced overall environment for members and contributors

Cultural and art uses:

- Greater exposure and opportunities to attract visitors and benefactors

Residents

- Enhanced clean and safe “urban village” living

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PBID Program Costs and Budget

The proposed Year 1 (2012) work program and revenue allocations are shown in Table 1 below. It is noted that the allocations shown may be shifted between these major categories based on changing needs, program costs, demands and contract prices, up to 35% of each category's allocation throughout the five year PBID term.

TABLE 1
YEAR 1 PROPOSED BUDGET SUMMARY (PBID REVENUES ONLY)

ACTIVITY	Allocation	%
1.0 Clean and Safe Programs	\$417,022	54%
2.0 Marketing & Promotions	\$160,385	21%
3.0 Physical Improvements	\$ 43,594	6%
4.0 Economic Improvements	\$ 35,594	20%
5.0 Administration	\$112,395	15%
TOTAL	\$768,990	100%

In order to carry out the PBID programs outlined in the previous section, a first year budget of \$768,990 is needed. The five major program activities range from about 6% to 54% of the total budget each. Since the renewed PBID is planned for a five year term, projected program costs for future years (Years 2-5) are set at the inception of the PBID. (See Table 2 below). While future inflationary and other program cost increases are unknown at this point, a built in maximum increase of 5% per annum is incorporated into the projected program costs and assessment rates for the five year PBID term. Carryovers, if any, may be reapportioned the following year for related programs, services and improvements. Detailed annual budgets will be prepared by the Owner's Association Board and included in an Annual Plan for the City Council's review and approval.

TABLE 2
YEAR 1-5 PROJECED PBID BUDGET SUMMARY
(Assumes 5% max rate increase per year)

ACTIVITY	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
1.0 Clean and Safe Programs	\$417,022	\$437,873	\$459,767	\$482,755	\$506,893
2.0 Marketing & Promotions	\$160,385	\$168,404	\$176,824	\$185,666	\$194,949
3.0 Physical Improvements	\$43,594	\$45,774	\$48,062	\$50,466	\$52,989
4.0 Economic Improvements	\$35,594	\$37,374	\$39,242	\$41,205	\$43,265
5.0 Administration	\$112,395	\$118,015	\$123,915	\$130,111	\$136,617
TOTAL	\$768,990	\$807,440	\$847,811	\$890,202	\$934,712

A detailed proposed Year 1 (2012) PBID budget is shown below in Table 3.

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2012 PBID Budget

<u>Description</u>	<u>Allocation</u>	<u>%</u>
<u>Proposed PBID Fund Income</u>		
District Assessment Income	\$768,990.00	
Total PBID Fund Income	<u>\$768,990.00</u>	
 <u>Proposed PBID Expenditures</u>		
<u>Clean & Safe Programs</u>		
General	\$11,190.00	
Maintenance	\$232,792.00	
Ambassador Guides	\$173,040.00	
	<u>\$417,022.00</u>	54%
 <u>Marketing & Promotion</u>		
Advertising	\$15,000.00	
Annual Meeting	\$2,500.00	
Annual Report	\$2,710.00	
ArtTalk	\$4,000.00	
ArtWalk	\$13,500.00	
General	\$21,188.00	
Holiday Event	\$9,000.00	
Make Music Pasadena	\$7,125.00	
Map		
Marketing Staff	\$33,362.00	
Meetings	\$300.00	
Membership Development		
Mixers	\$5,000.00	
New Promotional Events	\$10,000.00	
Newsletters	\$10,000.00	
Other Cultural Events	\$1,000.00	
Postage for Newsletters	\$5,000.00	
Summer Concert Series	\$6,000.00	
Website	\$14,700.00	
	<u>\$160,385.00</u>	21%
 <u>Physical Improvements</u>		
Physical Amenities	\$38,000.00	
General	\$5,594.00	
	<u>\$43,594.00</u>	6%

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Economic Improvements

General	\$5,594.00	
Business Development	\$30,000.00	
Street Car		
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	\$35,594.00	5%
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Administration

Accounting Fees	\$4,500.00	
Attorney Fees	\$1,500.00	
Consultant Services	\$5,000.00	
Dues/Subscriptions Members	\$1,000.00	
Employee Benefits	\$12,500.00	
Equipment Leasing/Rental	\$6,750.00	
Insurance	\$4,875.00	
Meetings	\$2,500.00	
Office Equipment	\$750.00	
Office Supplies	\$500.00	
Other	\$970.00	
Payroll Services	\$2,300.00	
Payroll/Wages	\$31,066.00	
Postage	\$1,125.00	
Printing & Repro	\$1,125.00	
Rent	\$27,634.00	
Repairs & Maintenance	\$3,000.00	
Software	\$500.00	
Telephone & Utilities	\$4,800.00	
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	\$112,395.00	15%
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Total PBID Fund Expenditures \$768,990.00

3.3 PBID ASSESSMENTS

Analysis of Basis and Method of Levying Assessments

The Playhouse District Association PBID is a benefit assessment type district whereby district program costs are to be apportioned amongst benefiting properties based on the special benefit each property is expected to derive from the PBID programs. The method and basis of spreading program costs varies from one PBID to another based on local geographic conditions, types of programs and activities proposed, and size and development complexity of the PBID. Some large PBIDs require secondary benefit zones to be identified to allow for a tiered assessment formula for variable benefits derived. Also, as required by Proposition 218, general benefits may not be incorporated into the assessment formula and levied on the PBID properties; only special benefits and costs may be considered. Furthermore, Proposition 218 no longer exempts government owned property from paying benefit assessments unless it is demonstrated by clear and convincing evidence that the property in fact receives no special benefit. Thus, the 2 municipal public parking lots on Union Street and Green Street (3 parcels) owned by the City of Pasadena will be assessed along with all of the privately owned parcels within the PBID. This also applies to the Social Security Office parcel on Mentor Avenue and the AT&T parcel on Green Street.

Based on the grid shape of the proposed PBID, as well as the nature of the proposed PBID program elements, it is determined that two varying benefit zones exist in which all properties will gain special, albeit, proportional degrees of benefit. Zone A assessments will be applied at 100% of the base unit rates and Zone B will be based on 75% of Zone A rates.

PBID assessment formulas typically relate to either property street frontage or parcel and building size and location which affect the amount of assessment to be paid. The formula may base assessments on a single factor or a combination of factors. Based on the program activities to be funded, which relate directly to the pedestrian oriented sidewalk areas, parcel size and current improvements, it is determined that the assessments be based in part on three property related elements; the amount of adjacent street/sidewalk frontage, the parcel size and the building area. Within the PBID there are roughly 42,000 linear feet of property frontage, 4.8 million square feet of land and 5.7 million square feet of building area. A list of all parcels in the PBID is shown on Appendix B attached hereto. Using the refined cumulative property related data totals from above, the base Year 1 assessment rates (for Zone A) are set at \$8.65 per LF of street frontage, 6.171 cents per square foot of land area and 6.171 cents per square foot of building area (based on gross exterior building dimensions)

Due to recognized diminished benefits, a number of formula adjustment factors for certain land uses, parcel configurations and other circumstances are also incorporated into the proposed PBID formula as follows:

1. Residential uses from 1 to 4 units, including condominiums, are set at a rate of \$123.48 per unit.
2. Residential uses of 5 or more units are set at 50% of respective base assessment rates.
3. Non-profit owned properties are set at 50% of respective base assessment rates.
4. Building areas are capped at a floor area ratio (F.A.R.) of 2.0.
5. Mixed use zoned properties are assessed based on pro-rated land use ratios.

PROPOSED PLAYHOUSE DISTRICT ASSOCIATION PBID

ASSESSMENT FORMULA

[Assessment = Street Frontage Fee + Land Area Fee + Building Area Fee]

- Street Frontage Fee = parcel street frontage x street frontage rate (from chart below)
- Land Area Fee = land area x land area rate (from chart below)
- Building Area Fee = building area x building area rate (from chart below)

YEAR 1 ASSESSMENT RATES

BENEFIT ZONE	STREET FRONTAGE RATE	LAND AREA RATE	BUILDING AREA RATE
ZONE A	\$8.65 Per Linear Foot	\$0.06171 Per Square Foot	\$0.06171 Per Square Foot
ZONE B	\$6.48 Per Linear Foot	\$0.04693 Per Square Foot	\$0.04693 Per Square Foot

Adjustments:

1. Building area fees are based on gross exterior building area , but not to exceed 2 times the land area (F.A.R = 2)
2. Assessments for non-profit property owners and residential (5 + units) are set at 50% of applicable fees
3. Assessments for residential (1-4 units), including condominiums, are set at \$123.48 per unit
4. Mixed use developments are assessed based on pro-rated ratios of land uses

SAMPLE CALCULATIONS:

A. 12,000 sq ft building on 15,000 sq ft lot with 100 LF of street frontage located in Zone A

Frontage	= 100 LF x \$8.65/LF	= \$ 864.64
Land	= 15,000 x 6.171¢/sq ft	= \$ 925.68
Bldg	= 12,000 x 6.171¢/sq ft	= \$ 740.54
TOTAL YEAR 1 ASSESSMENT		= <u>\$2,530.86</u>
PER MONTH		= \$ 211/mo
PER SQ FT OF BLDG PER MO		= 1.8¢/sq ft bldg/mo

B. 12,000 sq ft building on 15,000 sq ft lot with 100 LF of street frontage located in Zone B

Frontage	= 100 LF x \$6.48/LF	= \$ 648.84
Land	= 15,000 x 4.693¢/sq ft	= \$ 703.92
Bldg	= 12,000 x 4.693¢/sq ft	= \$ 563.14
TOTAL YEAR 1 ASSESSMENT		= <u>\$1,915.54</u>
PER MONTH		= \$160/mo
PER SQ FT OF BLDG PER MO		= 1.3¢/sq ft bldg/mo

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3.4 SPECIFIC ANNUAL ADJUSTMENTS

Since the PBID is planned for a five year term, maximum assessments for future years (Years 2-5) must be set at the inception of the PBID. While future inflationary and other program cost increases are unknown at this point, a built in maximum increase of 5% per annum is incorporated into the projected program costs and, in turn, the resultant assessment rates for the five year life of the PBID. These figures are shown in the table below. Assessment rates may not exceed those indicated below.

In addition, any annual budget surplus or deficit will be incorporated into the subsequent year's PBID budget. Within the constraints of the annual adjustment, annual assessments will be set to account for surpluses or deficits carried forward.

Five Year Maximum Assessment Rates

(Includes a 5% max annual increase)

	Yr 1 Rate	Yr2 Rate	Yr 3 Rate	Yr 4 rate	Yr 5 Rate
Annual Assessment Rates					
ZONE A					
Street Frontage Rate (\$/LF)	\$8.65	\$9.08	\$9.54	\$10.01	\$10.51
Land Area Rate (\$/sq ft)	\$0.06171	\$0.06480	\$0.06804	\$0.07144	\$0.07501
Building Area Rate (\$/sq ft)	\$0.06171	\$0.06480	\$0.06804	\$0.07144	\$0.07501
Residential (1-4 units) Rate	\$123.48	\$129.65	\$136.14	\$142.94	\$150.09
ZONE B					
Street Frontage Rate (\$/LF)	\$6.48	\$6.80	\$7.14	\$7.50	\$7.88
Land Area Rate (\$/sq ft)	\$0.04693	\$0.04928	\$0.05174	\$0.05433	\$0.05704
Building Area Rate (\$/sq ft)	\$0.04693	\$0.04928	\$0.05174	\$0.05433	\$0.05704
Residential (1-4 units) Rate	\$123.48	\$129.65	\$136.14	\$142.94	\$150.09

3.5 PBID GOVERNANCE

The governance or management of a PBID typically requires an "Owner's Association" to carry out the District services and activities. State PBID Law (36600 Streets & Highways Code) also requires that the Owner's Association carry out specific additional functions. This includes preparation of an Annual Report to the City Council on the PBID activities for the past fiscal year and those proposed for the next fiscal year. The Owner's Association may also recommend to the City Council from time to time, changes to the PBID boundaries, benefit zones, assessment formula or PBID programs and activities, all subject to public notification and, in some cases petition/balloting requirements.

Meetings of the Owner's Association and it's standing Committees shall be subject to the State of California "Brown Act" open meeting law.

It is proposed that the Playhouse District Association (PDA), under contract with the City of Pasadena, continue to be responsible for the ongoing day-to-day management and administration of the Playhouse District Association PBID (PDA-PBID). Incorporated in the mid-1990's, the PDA is a non-profit

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corporation formed by business and professional firms and property owners located within the greater Playhouse District. Upon renewal of the PBID, it is proposed that the City Council and the PDA will execute a contract for the continued performance and delivery of the stipulated PBID programs and services authorized by the Management Plan.

3.6 PBID SPECIAL RULES AND REGULATIONS

Special rules and regulations may be adopted by the Owner's Association from time to time, as deemed appropriate and necessary.

4.0 TIME AND MANNER FOR COLLECTING ASSESSMENTS

As provided by statute, the Playhouse District Association PBID assessments will be collected by the County of Los Angeles in the same manner as annual property taxes are collected and will appear as a separate line item on the property tax statement prepared by and issued by the County. It is intended that the City and the Playhouse District Association will enter into an agreement under which the City will remit the assessment revenues to the Association for implementation of the Management Plan. Existing laws and policies addressing enforcement and/or appeal of property taxes shall also apply to PBID assessments.

5.0 PBID DURATION

Pursuant to State PBID law, the Playhouse District Association PBID will have a five year operating duration extending from January 2012 through the end of December 2016 (Property tax billing from December 2011 through April 2016). Any continuation of the PBID after the renewed five year period will require compliance with all regulations and statutes in place at the time relative to establishment of a property and business improvement district. At present, this would require preparation of a new five year management plan, circulation of a new majority petition, a Prop 218 balloting and a public hearing and noticing process.

6.0 BONDS

There will be no bonds sold in conjunction with the renewed District to generate any of the projected revenues.

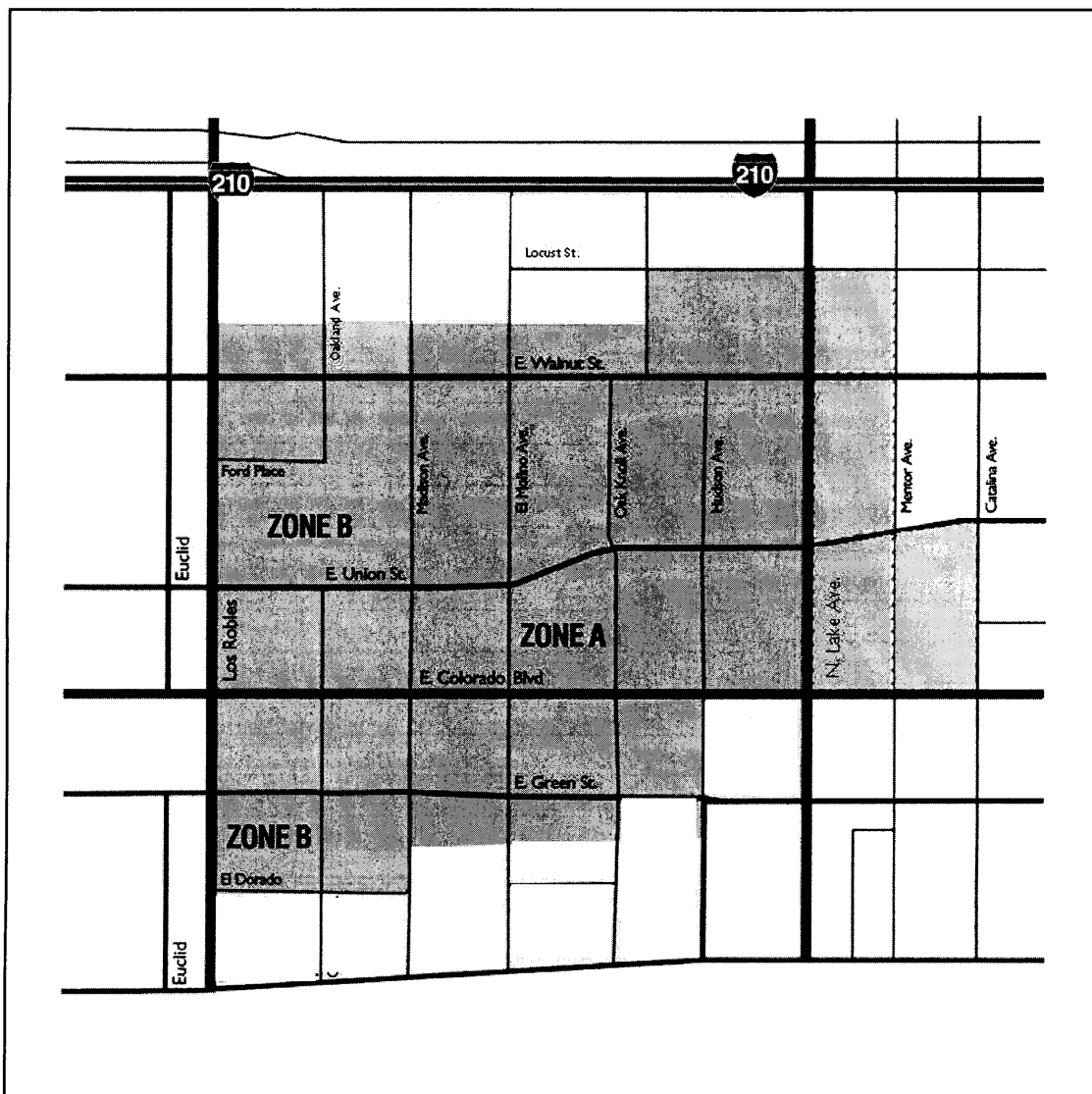
7.0 PBID RENEWAL TIMELINE

The renewed PBID is expected to begin operation by January 2012. In order to meet this goal, the following procedural timeline is proposed:

<u>Date</u>	<u>Action/Task</u>
May-Sep '10	• Develop a PBID Management Plan
Sep-Oct '10	• Strategize support campaign/ meetings etc.
Oct '10	• Initiate petition drive
Oct '10-March '11	• Collect petitions signed by property owners
April '11	• Submit majority support petitions to City along with final Management Plan
May '11	• City Council adopts res. of intention to renew the PBID
May '11	• City sends notice of PBID public hearing and a ballot to property owners within District
July'11	• City Council conducts hearing (ballots due by this date)
July '11	• Providing no majority ballot protest is filed at the hearing, Council approves resolution renewing District
August '11	• Assessment roll submitted to LA County
Aug-Dec '11	• PDA plans District renewal
Dec 10/Apr 10(due)	• Assessments billed and collected by LA County
1st Qtr '12	• Revenues remitted to PDA per contract with City
(5yrs)	• PDA carries out PBID programs and services

APPENDIX A

BOUNDARY MAP



APPENDIX B

YEAR 1 ASSESSMENT ROLL

APN	2012 PBID ASSMT
5723005019	\$324.18
5723005020	\$365.67
5723005021	\$400.06
5723005022	\$798.77
5723005023	\$847.30
5723005041	\$1,875.82
5723006030	\$805.85
5723006040	\$1,502.90
5723006271	\$2,994.10
5723007016	\$1,767.63
5723007017	\$480.19
5723007018	\$123.48
5723007019	\$521.13
5723007020	\$1,210.36
5723009017	\$1,343.24
5723009018	\$123.48
5723009019	\$123.48
5723009022	\$648.35
5723009023	\$123.48
5723009026	\$812.19
5723009027	\$1,085.35
5723009034	\$1,638.31
5723009036	\$2,346.92
5723010041	\$920.50
5723010042	\$1,684.23
5723010043	\$971.78
5723010044	\$707.77
5723010045	\$3,811.09
5723010046	\$660.54
5723010047	\$660.54
5723010063	\$11,262.30
5723011010	\$1,134.10
5723011016	\$4,901.85

5723011017	\$2,677.36
5723011018	\$417.22
5723011019	\$1,781.52
5723011028	\$21,046.41
5723011034	\$979.41
5723011035	\$16,738.07
5723011036	\$798.60
5723012001	\$1,146.10
5723012002	\$604.24
5723012003	\$493.92
5723012004	\$636.68
5723012005	\$1,092.61
5723012006	\$497.10
5723012007	\$684.51
5723012013	\$881.00
5723012014	\$460.09
5723012015	\$477.22
5723012021	\$705.12
5723012022	\$930.57
5723012083	\$2,457.12
5723012027	\$4,288.29
5723012029	\$123.48
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5723012060	\$123.48
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5723012063	\$123.48
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5723012076	\$123.48
5723012077	\$123.48

PLAYHOUSE DISTRICT ASSOCIATION PBID - MANAGEMENT DISTRICT PLAN

5723012078	\$123.48
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5723012081	\$123.48
5723012082	\$123.48
5723013015	\$123.48
5723013016	\$914.76
5723013017	\$1,125.67
5723013018	\$1,110.61
5723013019	\$640.26
5723013020	\$1,249.78
5723013021	\$692.58
5723013069	\$3,324.46
5723013023	\$873.55
5723013024	\$1,067.84
5723013068	\$1,064.66
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5723013061	\$123.48
5723013062	\$123.48
5723013063	\$123.48
5723013064	\$1,624.71
5723013065	\$1,002.46
5723013066	\$1,120.15
5723013907	\$2,760.04
5723014006	\$1,773.78
5723014012	\$757.11
5723014020	\$123.48
5723014021	\$979.60
5723014022	\$1,990.00
5723014023	\$1,823.80
5723014024	\$705.01
5723014027	\$6,575.65
5723014028	\$8,153.17
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5723015025	\$314.83
5723015026	\$787.15
5723015027	\$944.45
5723015028	\$2,698.19
5723015029	\$785.92
5723015030	\$1,180.71
5723015037	\$1,382.96
5723015038	\$496.66
5723015039	\$622.31
5723015040	\$490.02
5723015041	\$554.00
5723015044	\$670.43
5723015045	\$474.84
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5723015059	\$123.48

PLAYHOUSE DISTRICT ASSOCIATION PBID - MANAGEMENT DISTRICT PLAN

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5723015077	\$123.48
5723015078	\$841.21
5723016014	\$370.44
5723016015	\$654.94
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5723016017	\$466.37
5723016019	\$1,016.10
5723016020	\$714.76
5723016021	\$1,753.03
5723016025	\$1,665.48
5723016026	\$1,176.46
5723016029	\$554.18
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5723016036	\$4,895.73
5723016038	\$5,656.84
5723028014	\$4,361.74
5723028015	\$926.06
5723028016	\$1,592.63
5723028017	\$7,533.08
5723028018	\$3,022.98
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5723028020	\$1,268.30

5723028021	\$1,012.34
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5723028023	\$6,674.48
5723028024	\$7,683.87
5723028025	\$7,621.00
5723028026	\$587.59
5723028027	\$1,670.83
5723028030	\$1,605.23
5723029014	\$3,293.99
5723029015	\$4,911.35
5723029018	\$4,543.48
5723029019	\$2,201.64
5723029020	\$1,252.05
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5723029028	\$45,838.90
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5723030026	\$1,058.67
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5723030045	\$566.47
5723030046	\$1,760.78
5723030050	\$7,852.70
5723030052	\$2,480.35
5723030053	\$963.31
5723030054	\$13,507.48
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5734012003	\$1,064.33
5734012006	\$3,141.63
5734012010	\$823.93
5734012011	\$347.32
5734012012	\$2,737.69
5734012013	\$1,133.80
5734012014	\$577.03
5734012029	\$5,531.01
5734012030	\$1,442.14
5734013001	\$1,162.05
5734013002	\$1,322.52
5734013003	\$1,388.62
5734013004	\$6,937.77
5734013005	\$2,178.09
5734013017	\$1,229.78
5734013018	\$1,042.13
5734013022	\$16,307.08

PLAYHOUSE DISTRICT ASSOCIATION PBID - MANAGEMENT DISTRICT PLAN

5734014001	\$3,019.97
5734014806	\$4,807.91
5734024013	\$765.00
5734024016	\$465.42
5734024017	\$761.41
5734024020	\$1,528.83
5734024021	\$2,156.47
5734024022	\$437.56
5734025014	\$2,440.37
5734025024	\$3,964.46
5734025026	\$1,813.20
5734036001	\$6,149.23
5734036002	\$1,722.47
5734036003	\$971.47
5734036006	\$1,344.56
5734036007	\$1,364.99
5734036008	\$1,356.34
5734036009	\$6,743.76
5734036010	\$4,758.84
5734036012	\$4,585.12
5734036013	\$3,199.20
5734036014	\$4,187.43
5734036016	\$5,410.85
5734036017	\$289.17
5734036018	\$5,725.51
5734037001	\$2,579.19
5734037002	\$1,956.78
5734037003	\$1,548.14
5734037004	\$2,186.35
5734037005	\$455.19
5734037006	\$3,513.60
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5734037012	\$317.34
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5734037025	\$1,228.97
5734037026	\$2,891.58
5734037030	\$11,138.29
5734037031	\$2,461.27
5734037033	\$11,815.00
5734037900	\$346.57
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PLAYHOUSE DISTRICT ASSOCIATION PBID - MANAGEMENT DISTRICT PLAN

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5738004006	\$1,901.01
5738004007	\$33.08
5738004008	\$1,136.36
5738004009	\$4,248.10

5738004010	\$2,138.47
5738004011	\$243.54
5738004012	\$583.47
5738004013	\$404.97
5738004038	\$3,635.35
5738007033	\$724.51
5738007035	\$1,950.64
5738007036	\$1,172.91
5738007038	\$1,567.78
5738007039	\$1,049.60
5738007040	\$6,116.30
5738007041	\$3,091.60
5738007043	\$17,787.19
5738008033	\$2,720.27
5738008034	\$3,634.07
5738008035	\$1,246.88
5738008036	\$1,007.11
5738008037	\$973.70
5738008038	\$2,069.10
5738008039	\$468.46
5738008040	\$972.82
5738008041	\$2,138.88
5738008046	\$972.17
5738008047	\$812.53
5738008048	\$595.93
5738008049	\$702.74
5738008050	\$1,582.70
5738008051	\$722.48
5738008052	\$1,118.87
5738008053	\$55.35
5738008056	\$1,040.42
5738008057	\$2,359.23
5738008058	\$1,303.55
5738008059	\$1,126.55
5738008065	\$1,820.98
5738008066	\$8,991.88
5738008067	\$9,662.30

**PLAYHOUSE DISTRICT ASSOCIATION
PROPERTY & BUSINESS IMPROVEMENT
DISTRICT
(PBID)**

**DISTRICT
ASSESSMENT ENGINEER'S
REPORT**

*Prepared by
Edward V. Henning,
California Registered Professional Engineer # 26549
Edward Henning & Associates*

September 2010

DISTRICT ASSESSMENT ENGINEER'S REPORT

To Whom It May Concern:

I hereby certify to the best of my professional knowledge and experience that each of the identified benefiting properties located within the proposed Playhouse District Association Property & Business Improvement District will receive a special benefit over and above the benefits conferred on the public at large and that the amount of the proposed assessment is proportional to, and no greater than the benefits conferred on each respective property.

Prepared by Edward V. Henning, California Registered Professional Engineer # 26549



A handwritten signature in black ink that reads "Edward V. Henning".

Edward V. Henning

RPE #26549

9-15-10

Date

(NOT VALID WITHOUT CERTIFICATION SEAL AND SIGNATURE HERE)

Introduction

This report shall serve as the “detailed engineer’s report” required by Section 4(b) of Article XIID of the California Constitution (Proposition 218) to support the benefit property assessments proposed to be levied within the Playhouse District Association Property & Business Improvement District (PBID) in the City of Pasadena, California being expanded and renewed for a five year period. The discussion and analysis contained within constitutes the required “nexus” of rationale between assessment amounts levied and special benefits derived by properties within the PBID.

NOTE: The terminology “identified benefiting parcel” or “property” is used throughout this report pursuant to SB 919 - “Proposition 218 Omnibus Implementation Act” which clarified portions of Prop 218. It provides the Engineer and District Consultant with the ability to actually identify individual parcels which will benefit directly either in whole or in part from the proposed District funded programs and improvements and does not imply that all parcels receive assessable benefits .

PLAYHOUSE DISTRICT ASSOCIATION PBID 2010-11 RENEWAL - ASSESSMENT ENGINEER'S REPORT

Background

The Playhouse District Association PBID is a property-based benefit assessment type district being renewed pursuant to Section 36600 et seq. of the California Streets and Highways Code, also known as the Property and Business Improvement District Law of 1994 (the "Act"). The District was initially established in 2001 for a five year term and was then renewed and expanded in 2006 for another five year term.

Due to the benefit assessment nature of assessments levied within a property and business improvement district (PBID), district program costs are to be distributed amongst all identified benefiting properties based on the proportional amount of program benefit each property is expected to derive from the assessments collected. Within the Act, frequent references are made to the concept of relative "benefit" received from PBID programs and activities versus amount of assessment paid. Relevant sections of the Act include, 36601 (d), 36606, 36622 (k), 36624 and 36634 (a). Only those properties expected to derive special benefits from PBID funded programs and activities may be assessed and only in an amount proportional to the special benefits expected to be received.

The method used to determine benefits derived by each identified property within a PBID begins with the selection of a suitable and tangible basic benefit unit. For property related services, such as those proposed in the Playhouse District Association PBID, the benefit unit may be measured in linear feet of primary street frontage or parcel size in square feet or building size in square feet or number of building floors or proximity to major corridors in average linear feet, or any combination of these factors. Quantity takeoffs for each parcel are then measured or otherwise ascertained. From these figures, the amount of benefit units to be assigned to each property can be calculated. Special circumstances such as unique geography, land uses, development constraints etc. are carefully reviewed relative to specific programs and improvements to be funded by the PBID in order to determine any levels of diminished benefit which may apply on a parcel by parcel or categorical basis.

Based on the factors described above such as geography and nature of programs and activities proposed, an assessment formula is developed which is derived from a singular or composite basic benefit unit factor or factors. Within the assessment formula, different factors may be assigned different "weights" or percentage of values.

Next, all program and activity costs, including incidental costs, district administration and ancillary programs are estimated. It is noted, as stipulated in Proposition 218, and now required of all property based assessment districts, indirect and general benefits may not be incorporated into the assessment

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formula and levied on the district properties; only direct or "special" benefits and costs may be considered. Indirect or general benefit costs must be calculated and factored out of the assessment cost basis to produce a "net" cost figure. In addition, Proposition 218 no longer exempts government owned property from paying benefit assessments and these properties must be factored into the assessment roll.

From this, the value of a basic benefit unit or "basic net unit cost" can be computed by dividing the total amount of estimated net program costs by the total number of benefit units. The amount of assessment for each parcel can be computed at this time by multiplying the Net Unit Cost times the number of Basic Benefit Units per parcel. This is known as "spreading the assessment" or the "assessment spread" in that all costs are allocated proportionally or "spread" amongst all properties within the PBID.

The method and basis of spreading program costs varies from one PBID to another based on local geographic conditions, types of programs and activities proposed, and size and development complexity of the district. PBIDs may require secondary benefit zones to be identified to allow for a tiered assessment formula for variable or "stepped-down" benefits derived.

Supplemental Proposition 218 Procedures and Requirements

Proposition 218, approved by the voters of California in November of 1996, adds a supplemental array of procedures and requirements to be carried out prior to levying a property-based assessment like the Playhouse District Association PBID. These requirements are in addition to requirements imposed by State assessment enabling laws. These requirements were “chaptered” into law as Article XIII D of the California Constitution.

Since Prop 218 provisions will affect all subsequent calculations to be made in laying out the final property assessment roll for the Playhouse District Association PBID, Prop 218 requirements will be taken into account first. The key provisions of Prop 218 along with a description of how the Playhouse District Association PBID complies with each of these provisions is delineated below.

(Note: All section references below pertain to Article XIII of the California Constitution):

Finding 1. From Section 4(a): “Identify all parcels which will have a special benefit conferred upon them and upon which an assessment will be imposed”

There are 585 “identified” individual parcels within the Playhouse District Association PBID which is bounded roughly by Walnut/Locust on the north, Mentor/Catalina/Hudson on the east, Colorado/Green/El Dorado on the south, and Los Robles Avenue on the west. These identified parcels will derive varied levels of special benefit from the proposed District programs and activities. These parcels are listed in Exhibit B attached to the District Management Plan and are identified by assessor parcel number. Special property benefits and the resultant appropriate assessment formula is based on several interactive property related components; namely - location, size and land use. Based on the grid shape of the proposed PBID, as well as the nature of the proposed PBID program elements, it is determined that two varying benefit zones exist in which all properties will gain special, albeit, proportional degrees of benefit. Zone A assessments will be applied at 100% of the base unit rates and Zone B will be based on 75% of Zone A rates, except for 1-4 unit residential properties which will be \$123.48 per unit in either Zone. In addition, due to recognized diminished benefits, a number of formula adjustment factors for certain land uses, parcel configurations and other circumstances are also incorporated into the proposed PBID formula as follows:

1. Residential uses from 1 to 4 units are set at \$123.48 per unit.
2. Residential uses of 5 or more units are set at 50% of respective base assessment rates.
3. Non-profit owned and occupied properties are set at 50% of respective base assessment rates.

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4. Building areas are capped at a floor area ratio (F.A.R.) of 2.0.
5. Mixed use zoned properties will be assessed based on pro-rated land use ratios.

Location

Two benefit zones have been identified within the District – Zone A and Zone B. Zone A generally encompasses all those properties along the Colorado Boulevard and Lake Avenue corridors while Zone B includes all others.

Size

There are three property related size factors:

- parcel size in square feet
- building size in square feet of gross exterior building area
- property street frontage in linear feet

The formula is generally balanced between these three factors whereby assessment revenues generated from each component are approximately equal. The degree of special benefit derived by each parcel from the array of proposed programs, services and improvements is a direct function of each of the selected property related factors. As the size of each component increases, so does the expected special benefit and, in turn, the amount of assessment.

Land Use

Playhouse District properties will receive special benefit from PBID funded programs, services and improvements. All properties will receive and share certain common tangible benefits - some to a greater extent and some to a lesser extent. Other properties will receive unique special benefits which will vary from one land use classification to another. Examples are as follows:

All properties will benefit from:

- Cleaner sidewalks, streets and common areas
- Real and perceived public safety improvements
- Higher property resale values
- Enhanced rental incomes from vacant and underutilized space
- Greater pedestrian activity
- Improved business climate and mix of desired and needed uses
- New businesses and investors
- Better funded and well-managed District programs and services
- Stronger and united voice in District matters

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Retail, restaurant, entertainment, and service use properties will benefit from:

- Regular marketing/promotional activities to attract and keep customers

Professional, medical and financial use properties will benefit from:

- Clean & safe programs for welfare of customers and employees

General office use properties will benefit from:

- Enhanced climate and opportunities for entertaining clients and guests

Churches, fraternal groups and schools (non-profits) will benefit from:

- Enhanced overall environment for members and contributors

Cultural and art uses (non-profits) will benefit from:

- Greater exposure and opportunities to attract visitors and benefactors

Residential owners will benefit from:

- Enhanced clean and safe "urban village" living environment

It is recognized that certain land use and ownership categories will receive diminished benefits and warrant formula adjustment factors described as follows:

1. Residential

The Playhouse District is a dynamic mixed use urban center reinforced with an abundance of residential uses including, condominiums, townhouses, apartments, and smaller multiplex units. It is noted that while special benefits will be conferred to all district parcels, including residential uses, parcels zoned solely for residential use are, by State law, exempt from PBID assessments. Mixed use zoned parcels with current residential uses, but where uses other than residential are also permitted, are not exempt from PBID assessments. It is determined that residential uses of from 1-4 units will receive diminished special benefits with assessments to be calculated at a rate of \$123.48 per unit per year for Year 1 for both Benefit Zone A and Zone B. Residential uses for 5+ unit complexes shall be set at 50% of the respective applicable zone rates.

2. Non-Profits

Much of the Playhouse District's strength, character and uniqueness is derived from it's array of non-profit uses such as churches, art museums, fraternal halls and government facilities. It is determined that such land use ownership categories will derive a diminished level of special benefit from PBID related programs and services. In these cases, for non-profit owned and occupied properties, the assessment is set at 50% of the respective applicable rates.

3. Mid-High Rise Offices

The Playhouse District is also home to many existing and proposed mid to high-rise office buildings which, while benefiting greatly from the array of PBID programs and services, will tend to receive a diminished rate of benefit utility beyond a certain density of development. As a result, building area assessment fees are capped at a floor area ratio (FAR) of 2.0 (i.e. gross building area to land area) for these properties.

4. Mixed Use Developments

A new development trend in the Playhouse District is the arrival of mixed use complexes with lower floor commercial uses and upper floor residential uses. Some are set up as rentals and others are set up as condominiums. Due to the infinite number of combinations and configurations of these unique new complexes, each one requires individual detailed review to determine the appropriate method of setting and spreading assessments for each development. Generally speaking, land area and street frontage will be assessed at commercial rates with building areas assessed at their respective applicable land-use rates. Special circumstances shall be evaluated in each case such as ownership type – rental versus condo - as well as ratio of overall commercial space to overall residential space.

Finding 2. From Section 4(a): “Separate the general benefits from the special benefits conferred on parcel(s). Only special benefits are assessable. “

Prop 218 finds that assessment district programs and activities confer a combination of general and special benefits to district properties, but the only program benefits which can be funded through assessments are those attributed to special property related benefits. Thus, a portion of the program costs must be considered attributable to general benefits and assigned a value. Conventional assessment engineering experience has found that general benefits within a given district may range from 2-8% of the total costs. There are three common methods for determining general and special benefit ratios within assessment districts:

- (1) The parcel by parcel allocation method
- (2) The program/activity line item allocation method, and
- (3) The composite district overlay determinant method.

The vast majority of PBIDs in California have used Method #3, the composite district overlay determinant method which will be used for the Playhouse District Association PBID. Using empirical data from other PBIDs, a focused range for general benefits from 4-6% is used. Based on a composite of district criteria such as the shape of the Playhouse District Association PBID,

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the existence of two benefit zones, a three-element assessment formula, the proximity of district properties to the applicable programs, and the nature of the proposed programs and activities, a specific "overlay" value of 5% is assigned to the general benefit portion of the total estimated program costs. This leaves a value of 95% assigned to special benefit related costs. Since the total adjusted program cost is estimated at \$963,000 (see Table 1 later in this Report), the maximum special benefit portion which can be recouped through PBID property assessments, is \$914,850. Remaining costs which are attributed to general benefits, will need to be derived or credited from other sources. (e.g. public/private grants/credits, dues etc).

Finding 3. From Section 4(a): "(Determine) the proportionate special benefit derived by each parcel in relationship to the entirety of the.....cost of public improvement(s) or the maintenance and operation expenses.....or the cost of the property related service being provided.

Each identified parcel within the District will be assessed based on property characteristics unique only to that parcel. The calculated assessment rates are applied to the actual measured parameters of each parcel and thereby are proportional to each and every other identified parcel within it's respective benefit area and the District as a whole. Larger parcels, larger building areas and larger street frontages are expected to impact the demand for services and programs to a greater extent than smaller ones and thus are assigned a higher proportionate degree of assessment program and service costs. The proportionality is further achieved by setting targeted formula component relationships for the respective parcel by parcel identified frontage, land and building attributes.

The proportionate special benefit cost for each parcel has been calculated based on optimum proportionate formula components and is listed as an attachment to the Management District Plan. The individual percentages (i.e. proportionate relationship to the total special benefit related program and activity costs) is computed by dividing the individual parcel assessment by the total special benefit program costs.

Finding 4. From Section 4(a): "No assessment..... shall exceed the reasonable cost of the proportional special benefit conferred on parcel(s)."

Not only are the proposed program costs reasonable due to the benefit of group purchasing and contracting which would be possible through the PBID, they are also considerably less than other options considered by the Playhouse District Association PBID Renewal Committee. Further, lobbying efforts put forth by the Playhouse Association in the past, present and future will have leveraged several million dollars in investment commitment from outside public

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agencies in physical streetscape, infrastructure improvements, design amenities, marketing and business recruitment in and around the District.

Finding 5. From Section 4(a): “Parcels.....that are owned or used by any (public) agency shall not be exempt from assessment.”

Any and all publicly owned or occupied properties will be assessed along with all of the identified benefiting privately owned parcels within the PBID. Due to expected diminished levels of benefits to be derived from PBID programs and services, publicly owned and occupied properties/buildings shall be assessed at the non-profit 50% rates.

Finding 6. From Section 4(b): “All assessments must be supported by a detailed engineer’s report prepared by a registered professional engineer certified by the State of California”.

This report shall serve as the “detailed engineer’s report” to support the benefit property assessments proposed to be levied within the Playhouse District Association PBID.

Finding 7. From Section 4(c): “The amount of the proposed assessment for each parcel shall be calculated (along with) the total amount thereof chargeable to the entire district, the duration of such payments, the reason for such assessment and the basis upon which the amount of the proposed assessment was calculated.”

The individual and total parcel assessments attributable to special property benefits are shown in Exhibit 2 attached to the District Management Plan. The district and resultant assessment payments will continue for five years and may be renewed again at that time. The reason (purposes) for the proposed assessments are outlined within the body of the District Management Plan. The calculation basis of the proposed assessment is attributed to the amount of property street frontage, parcel square footage and building square footage of improvements on each parcel.

Special Benefit and Assessment Analysis

Step 1. Select “Basic Benefit Unit(s)”

PBID assessment formulas typically are based on either property street frontage or parcel and building size or location, all which can affect the amount of benefit conferred on a particular parcel and the proportionate assessment to be paid. The formula may base assessments on a single factor or a combination of factors.

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Based on the nature of the program activities to be funded by the Playhouse District Association PBID, which relate to the proportionate amount of real estate (i.e. land) as well as the amount of developed improvements on each parcel and the amount of sidewalk/street frontage to be serviced, it has been determined that the assessments will be based proportionately on a combination of street frontage, parcel size and building area.

The interactive application of street frontage, land area and net building area quantities are a proven method of fairly and equitably spreading special benefit costs to the beneficiaries of PBID funded services, programs and improvements. Each of these factors directly relates to the degree of benefit each parcel will receive from PBID funded activities.

Street Frontage is a direct measure of the static utilization of each parcel and its corresponding impact or draw on PBID funded activities.

Land Area is a direct measure of the current and future development capacity of each parcel and its corresponding impact or draw on PBID funded activities.

Net Building Area is a direct measure of the dynamic utilization of each parcel and its corresponding impact or draw on PBID funded activities based on development density.

The "Basic Benefit Unit" will be expressed as a function of linear feet of property frontage (Basic Benefit "A" Units), land square footage (Basic Benefit "B" Units) and building square footage (Basic Benefit "C" Units). Based on the grid shape of the Playhouse District Association PBID, as well as the nature of the District program elements, it is determined that two benefit zones exists in which identified properties will gain a direct, albeit, proportionate degree of benefit based on the respective amount of frontage, parcel size and building size.

Ground floor commercial condominiums are treated like independent "mini" commercial buildings and assessed based on their divided building area, the footprint of the land area they cover (same as their divided building area) and the amount of direct street frontage towards the exterior of the building, if any, that they possess. Upper floor commercial condominiums will be assessed based only on their divided building area since they do not directly cover the hypothetical ground/land plane nor do they possess direct street frontage. This is not unlike other commercial buildings where ground floor retail/service spaces are typically triple net leases where assessments can be directly passed on to tenants by property owners via individual leases whereas upper office floors are typically gross leases where assessments are often absorbed by property owners, possibly until such time as leases are renegotiated.

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Relative to residential uses in traditionally commercially zoned areas, more and more business districts are, by design and creative zoning, becoming cores of highly active mixed use new developments and/or adaptive re-use of antiquated under-utilized or formerly empty upper building spaces. These uses are no longer just secondary occupancies, but are instead a major stakeholder component with unique needs and impacts on the contemporary urban setting. While residents may indeed not benefit from traditional business related activities such as marketing/promotions and certain image campaigns targeting customers, they do require unique services on a more extensive 24/7 basis than even their commercial counterparts and have needs for special “residential neighborhood” oriented amenities. Since many of these residential units are either being built as, divided as, or converted to condominiums, the assessment methodology is different than for commercial assessments. The only factor logically that can be assessed for these residential condominium uses is livable space (net building area per unit) which is a measure of the impact and draw on PBID funded activities such as the sidewalk operations, as well as special evening security services and peripheral enhanced beautification programs, all in response to the specific needs of these residential stakeholders. Since most of the building pad areas are within a fairly limited range of less than 2000 square feet, each unit will be assessed an equal amount since it is virtually impossible to precisely determine the actual benefit conferred on each unit.

Step 2. Quantify Total Basic Benefit Units

Taking into account all identified benefiting properties and then applying formula adjustments for the stipulated special circumstances, there are 585 parcels, 42,083 linear feet of property frontage, 4.86 million square feet of parcel land area and 5.73 million square feet of building space within the District. Since the selected non-residential Basic Benefit Unit is based on a combination of frontage, parcel area and building area, there are, in turn, 42,083 Basic Benefit “A” Units, 4.86 million Basic Benefit “B” Units and 5.73 million Basic Benefit “C” Units.

Step 3. Calculate Benefit Units for Each Property.

The number of Benefit Units for each identified benefiting parcel within the Playhouse District Association PBID was computed from data extracted from County of Los Angeles Assessor records and maps. This data source delineates property areas and dimensions of record for each tax parcel. While it is understood that this data does not represent legal field survey measurements or detailed title search of recorded land subdivision maps or building records, it does provide an acceptable basis for the purpose of calculating property based assessments. All respective property data being used for assessment computations will have been provided to each property owner in the PBID for their review. All known or reported discrepancies, errors or misinformation will have been corrected.

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Step 4. Determine Assessment Formula

For a District with a single Basic Benefit Unit with one Benefit Zone, the assessment formula would be the same for each identified benefiting property as follows:

$$\text{Number of Basic Benefit Units} \times \text{Basic Unit Cost} = \text{PBID Assessment Fee}$$

The Playhouse District Association PBID assessment fee is to be based on three Basic Benefit Unit factors - parcel frontage (Benefit "A" Unit), parcel size (Benefit "B" Unit), and building size (Benefit "C" Unit) within two benefit zones (Zone A and B). It has been determined that the assessment fee should be based partially on frontage, parcel size, and building size as follows:

$$\begin{aligned} \text{Zone A Assessment Fee} = & \quad [(\text{No. of Benefit "A-A"} \text{ Units} \times \text{Basic "A-A"} \text{ Unit Cost})] + \\ & \quad [(\text{No. of Benefit "A-B"} \text{ Units} \times \text{Basic "A-B"} \text{ Unit Cost})] + \\ & \quad [(\text{No. of Benefit "A-C"} \text{ Units} \times \text{Basic "A-C"} \text{ Unit Cost})] \end{aligned}$$

$$\begin{aligned} \text{Zone B Assessment Fee} = & \quad [(\text{No. of Benefit "B-A"} \text{ Units} \times \text{Basic "B-A"} \text{ Unit Cost})] + \\ & \quad [(\text{No. of Benefit "B-B"} \text{ Units} \times \text{Basic "B-B"} \text{ Unit Cost})] + \\ & \quad [(\text{No. of Benefit "B-C"} \text{ Units} \times \text{Basic "B-C"} \text{ Unit Cost})] \end{aligned}$$

Step 5. Estimate Total Adjusted Program and Activity Costs

Total estimated adjusted proposed program and activity costs are shown below in Table 1. These costs include expenses for general as well as special benefits and related programs/activities. Projected costs are adjusted by adding any computed or expected non-assessable expenses (credits) to estimated actual costs.

TABLE 1
Estimated Total Adjusted Program & Activity Costs (Special Benefits)

ACTIVITY	Allocation	%
1.0 Clean and Safe Programs	\$417,022	54%
2.0 Marketing & Promotions	\$160,385	21%
3.0 Physical Improvements	\$ 43,594	6%
4.0 Economic Improvements	\$ 35,594	20%
5.0 Administration	\$112,395	15%
TOTAL	\$768,990	100%

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Step 6. Separate General Benefits from Special Benefits and Related Costs (Prop 218)

Total revenues (and costs) are estimated at \$963,000 (see Table 2 below). General benefits are factored at 5% of total (see Finding 2 on page 5 of this report) with special benefits set at 95%. Prop 218 limits the levy of property assessments to costs attributed to special benefits only. The 5% general benefit cost is computed to be \$48,150 with a resultant 95% special benefit limit computed at \$914,850. *This is the maximum amount of revenue that can be derived from property assessments from the subject PBID.* The total amount of revenue proposed to be derived from PBID assessments for Year 1 is \$768,990 which is less than the special benefit limit of \$914,850. Therefore, no Prop 218 adjustments need to be made to the proposed assessment formula. All program costs associated with general benefits will be derived from sources or credits other than PBID assessments as shown in Table 2 below.

TABLE 2
Total Adjusted Year 1 Revenue (For Special + General Benefit Programs/Activities)

ACTIVITY	Revenue/Credits	%
PBID Assessments	\$768,990	80%
Other Income (Grant, Dues, Interest)	\$171,510	18%
Ongoing and renewal volunteer credits (estimated at 20% of admin)	\$22,500	2%
TOTAL	\$963,000	100%

Step 7. Set "Basic Unit Cost"

With a Year 1 PBID budget of \$768,990, the Basic Unit Costs ("A", "B" and "C") for Zone A and B are set as follows:

Zone A

- Basic Unit "A-A" Cost = \$8.65/unit
- Basic Unit "A-B" Cost = \$0.06171/unit
- Basic Unit "A-C" Cost = \$0.06171/unit

Zone B

- Basic Unit "B-A" Cost = \$6.48/unit
- Basic Unit "B-B" Cost = \$0.04693/unit
- Basic Unit "B-C" Cost = \$0.04693/unit

While future inflationary and other program cost increases are unknown at this point, a built in maximum increase of 5% per annum may be imposed upon discretionary approval by the Owner's

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Association Board and is incorporated into the projected program costs for the five year life of the PBID. Carryovers, if any, can be reapportioned the following year for related programs, services and improvements.

Since the PBID is being renewed for a five year term, maximum assessments for future years (Years 2 through 5) must be set at the inception of the PBID. Assessment rates may not exceed the amounts shown below in Table 3.

TABLE 3

Years 1-5 Maximum Annual Assessment Rates

(Includes a 5% cap on annual increases)

	Yr 1 Rate	Yr2 Rate	Yr 3 Rate	Yr 4 rate	Yr 5 Rate
Annual Assessment Rates					
ZONE A					
Street Frontage Rate (\$/LF)	\$8.65	\$9.08	\$9.54	\$10.01	\$10.51
Land Area Rate (\$/sq ft)	\$0.06171	\$0.06480	\$0.06804	\$0.07144	\$0.07501
Building Area Rate (\$/sq ft)	\$0.06171	\$0.06480	\$0.06804	\$0.07144	\$0.07501
Residential (1-4 units) Rate	\$123.48	\$129.65	\$136.14	\$142.94	\$150.09
ZONE B					
Street Frontage Rate (\$/LF)	\$6.48	\$6.80	\$7.14	\$7.50	\$7.88
Land Area Rate (\$/sq ft)	\$0.04693	\$0.04928	\$0.05174	\$0.05433	\$0.05704
Building Area Rate (\$/sq ft)	\$0.04693	\$0.04928	\$0.05174	\$0.05433	\$0.05704
Residential (1-4 units) Rate	\$123.48	\$129.65	\$136.14	\$142.94	\$150.09

Step 8. Spread the Assessments

The resultant assessment spread calculations for each parcel within the PBID are shown in Exhibit B attached to the District Management Plan and were determined by applying the District assessment formula to each identified benefiting property. This list of all identified benefiting parcels in the PBID delineates each parcel and the Year 1 assessments.