



THE CITY OF SAN DIEGO

CITY OF SAN DIEGO

**LITTLE ITALY
MAINTENANCE ASSESSMENT DISTRICT
ANNUAL UPDATE ENGINEER'S REPORT**

JUNE 2011

PURSUANT TO THE
LANDSCAPING AND LIGHTING ACT OF 1972, CALIFORNIA STREETS & HIGHWAYS
CODE

KOPPEL & GRUBER
PUBLIC FINANCE

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City of San Diego

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District 2 (Council President Pro Tem)

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District 6

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District 3

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Ben Hueso
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Jan Goldsmith

Chief Operation Officer

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TABLE OF CONTENTS

SECTION I. EXECUTIVE SUMMARY	1
SECTION II. BACKGROUND	3
SECTION III. PLANS AND SPECIFICATION.....	4
A. GENERAL DESCRIPTION OF THE DISTRICT	4
B. DESCRIPTION OF IMPROVEMENTS TO BE MAINTAINED AND SERVICES	5
C. DESCRIPTION OF MAINTENANCE AND SERVICES.....	6
SECTION IV. ESTIMATE OF COSTS	7
A. ESTIMATE OF COSTS TABLE.....	7
SECTION V. METHOD OF APPORTIONMENT.....	8
A. GENERAL.....	8
B. SPECIAL BENEFIT ANALYSIS	8
C. ASSESSMENT METHODOLOGY.....	9
D. ASSESSMENT RANGE FORMULA.....	11
SECTION VI. ASSESSMENT DIAGRAM.....	13
SECTION VII. ASSESSMENT ROLL.....	14

SECTION I. EXECUTIVE SUMMARY

Project: Little Italy Maintenance Assessment District (“District”)

Apportionment Method: Linear Front Footage (“LFF”)
 Lot Square Footage (“LSF”)
 Building Square Footage (“BSF”)

Table 1 – Summary Information Zone 1

	FY 2011	FY 2012 (1)	Maximum Authorized
Total Parcels Assessed:	392	388	
Unit Assessment Rate			
\$/LFF	\$2.253091	\$2.253091	\$2.367557
\$/LSF	\$0.062389	\$0.062389	\$0.065559
\$/BSF (Class A) (2)	\$0.061497	\$0.061497	\$0.064621
\$/BSF (Classes B-F) (2)	\$0.045565	\$0.045565	\$0.047879
Condos	\$240.00	\$240.00	\$252.19
Undeveloped Condos	\$120.00	\$120.00	\$126.10

1. FY 2012 is the City’s Fiscal Year 2012, which begins July 1, 2011 and ends June 30, 2012. Total Parcels Assessed and Unit Assessment Rates may vary from prior year due to parcel changes.
2. Classifications are further described in Section V.C of this Engineer’s Report.

Table 2 – Summary Information Zone 2

	FY 2011	FY 2012 (1)	Maximum Authorized
Total Parcels Assessed:	1,662	1,661	
Unit Assessment Rate			
\$/LFF	\$0.831726	\$0.831726	\$0.873981
\$/LSF	\$0.053278	\$0.053278	\$0.055985
\$/BSF (Class A) (2)	\$0.042944	\$0.042944	\$0.045126
\$/BSF (Classes B-F) (2)	\$0.027009	\$0.027009	\$0.028381
Condos	\$240.00	\$240.00	\$252.19
Undeveloped Condos	\$120.00	\$120.00	\$126.10

1. FY 2012 is the City’s Fiscal Year 2012, which begins July 1, 2011 and ends June 30, 2012. Total Parcels Assessed and Unit Assessment Rates may vary from prior year due to parcel changes.
2. Classifications are further described in Section V.C of this Engineer’s Report.

Table 3 – Summary Information Zone 3

	FY 2011	FY 2012 (1)	Maximum Authorized
Total Parcels Assessed:	67	67	
Unit Assessment Rate			
\$/LFF	\$0.374065	\$0.374065	\$0.393069
\$/LSF	\$0.050712	\$0.050712	\$0.053288
\$/BSF (Class A)	\$0.026646	\$0.026646	\$0.028000
\$/BSF (Classes B-F) (2)	\$0.010714	\$0.010714	\$0.011258
Condos	\$240.00	\$240.00	\$252.19
Undeveloped Condos	\$120.00	\$120.00	\$126.10

1. FY 2012 is the City’s Fiscal Year 2012, which begins July 1, 2011 and ends June 30, 2012. Total Parcels Assessed and Unit Assessment Rates may vary from prior year due to parcel changes.
2. Classifications are further described in Section V.C of this Engineer’s Report.

District History: The District was formed in 2004 in compliance with Proposition 218. A property owner ballot proceeding was conducted and a weighted majority (76%) of property owners, based on assessment amount, approved the assessments and the annual cost indexing provisions.

Annual Cost Indexing: The assessments are authorized to increase by the annual percentage change in the San Diego Area Consumer Price Index (the SDCPI-U) not to exceed 5% of the previous year’s rate beginning in Fiscal Year 2010. However, if SDCPI-U is higher than 5%, the excess can be cumulatively reserved and can be added to the SDCPI-U in years in which the SDCPI-U is less than 5%.

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

SECTION II. BACKGROUND

A. Introduction

The Little Italy Maintenance Assessment District was established by Resolution R-201568 of the City Council, which de-annexed the District from the Downtown Maintenance District on July 27, 2004. The District was formed in compliance with the provisions of Proposition 218. An assessment ballot proceeding was conducted and a weighted majority (76%) of property owners based on assessment amount were in support of the continuation of the assessments and services and improvements the assessments fund.

This report constitutes the Engineer's Report for the City of San Diego ("City") Little Italy Maintenance Assessment District ("District") for Fiscal Year ("FY") 2012. The City Council pursuant to the provisions of the San Diego Maintenance Assessment District Procedural Ordinance of 1986 (the "Ordinance"), Landscaping and Lighting Act of 1972, Being Division 15, Part 2 of the Streets and Highways Code of the State of California, beginning with Section 22500 (the "1972 Act"), Article XIID of the Constitution of the State of California ("Article XIID"), the Proposition 218 Omnibus Implementation Act (Government Code Section 53750 and following) (the "Implementation Act"), and (the Ordinance, 1972 Act, Article XIID and the Implementation Act are referred to collectively as the "Assessment Law") desires to levy and collect annual assessments against lots and parcels within the District in the fiscal year commencing July 1, 2011 and ending June 30, 2012 to pay for the operation, maintenance and servicing of landscaping, lighting, drainage, safety programs, economic development and all appurtenant facilities. The assessment rates set for the 2011/2012 fiscal year as set forth in this Engineer's Report do not exceed the maximum rates established at the time the District was formed, therefore, the City and the District are not required to go through a property owner ballot protest procedure in order to establish the 2011/2012 assessment rates.

Each lot or parcel within the District is assessed proportionately for only the improvements and services that are determined to be of special benefit. For this report, each lot or parcel to be assessed, refers to an individual property assigned its own Assessor's Parcel Number by the San Diego County ("County") Assessor's Office as shown on the last equalized roll of the assessor.

A Public Hearing will be scheduled where public testimony will be heard by the City Council. Following the conclusion of the Public Hearing, the City Council will confirm the Engineer's Report as submitted or amended and may order the collection of assessments for FY 2012.

SECTION III. PLANS AND SPECIFICATION

A. General Description of the District

The territory within the District consists of all lots, parcels and subdivisions of land as shown on the Boundary Diagram titled “Map of Proposed Boundaries of the City of San Diego Little Italy Maintenance Assessment District” contained within this report in Section VI.

The District generally includes the parcels located west of Interstate 5 and Front Street, south of W Laurel Street, east of Pacific Highway and north of Ash Street. The District is divided into three benefit Zones based on the services provided. The Zones are described as follows:

Zone 1 – Generally consisting of parcels 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 parcels fronting the following streets:

- Pacific Highway: Ash to Grape
- Kettner: Date to Laurel
- India: Hawthorn to W 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 also includes all east-west streets in the District.

Zone 3 – Generally consisting of parcels fronting the following streets:

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

Zone 3 also includes the Washington Elementary School property.

B. Description of Improvements to be Maintained and Services

The District, through the levy of special assessments, provides funding for ongoing maintenance, operation and servicing of landscaping, lighting, and other improvements or appurtenant facilities located within the public rights-of-ways and dedicated easements located within the District. Maintenance services will be provided by City personnel and/or private contractors. The improvements maintained and services provided by the District are generally described as follows:

- Maintaining of the public rights-of-way through sidewalk sweeping, street sweeping, tree planting, watering, and trimming, graffiti clean-up, and extensive landscaping.
- Dealing with homeless and vagrancy issues;
- Public Safety programs and security;
- Parking services in the District;
- Economic development and housing issues; and
- Operation of enhanced street lighting.

Maintenance and servicing of improvements, include but are not limited to landscaping, sprinkler systems, shrubbery, trees, irrigation and drainage systems, street lighting, and other appurtenant items located in right of ways and any incidental costs thereto, and located within the boundaries the District or adjacent to the District.

Plans and specifications for these improvements to be maintained by the District are on file with the City Engineer's office and the City Planning and Community Investment Department and by reference are made part of this Report.

C. Description of Maintenance and Services

Maintenance means the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of improvements, services and appurtenant facilities, including repair, removal or replacement of all or part of any of the improvements, services or appurtenant facilities; providing for the life, growth, health and beauty of the landscaping improvements including cultivation, drainage, irrigation, trimming, mowing, spraying, fertilizing and treating for disease or injury; the removal of trimmings, rubbish, debris and other solid waste; the cleaning and sweeping of the sidewalk and gutter, collection and disposal of fallen branches and trees, tree and bush trimming, 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 water for the irrigation of the improvements or appurtenant facilities and electricity, including any decorative lighting and the furnishing of electric current or energy, gas or other illuminating agent for the lighting improvements. Servicing also allows for the replacement of the facilities in order to maintain them in proper working order and to provide specific benefit to the District; or providing security and homeless patrols and other activities related to maintaining security.

SECTION IV. ESTIMATE OF COSTS

A. Estimate of Costs Table

Below are the estimated costs of maintenance and services for the District including incidental costs and expenses, revenue and reserves.

Table 4 – Estimate of Costs

LITTLE ITALY MAD	FY 2010 BUDGET	FY 2011 BUDGET	FY 2012 PROPOSED
BEGINNING BALANCE			
Balance from Prior Year	\$60,000	\$56,582	\$0
TOTAL BALANCE	\$60,000	\$56,582	0
Revenue			
Assessments	\$748,600	\$781,151	\$764,536
Gas Tax Fund	\$3,824	\$3,824	\$3,824
TOTAL OPERATING REVENUE	\$752,424	\$784,975	\$768,360
TOTAL REVENUE AND BALANCE	\$812,424	\$841,557	\$768,360
Expense			
Personnel	\$0	\$0	\$0
Contractual	\$488,382	\$562,637	\$489,865
Incidentals / Administration ¹	\$174,344	\$144,805	\$150,000
Utilities	\$73,500	\$56,000	\$67,000
Contingency Reserve ²	\$74,860	\$78,115	\$61,495
TOTAL EXPENSE	\$811,086	\$841,557	\$768,360
BALANCE	\$1,338	\$0	\$0

Notes:

1. Includes City Administration Fee of 4% of Assessments.
2. The contingency builds a reserve for the District for funding emergency needs and provides a source of funds to operate from July through December while waiting for County property tax distributions that typically occur in January and May.

SECTION V. METHOD OF APPORTIONMENT

A. General

The Implementation Act permits the establishment of assessment districts by agencies for the purpose of providing certain public improvements, which include the construction, maintenance, and servicing of street lights, traffic signals, landscaping and drainage facilities.

Streets and Highways Code Section 22573 requires that maintenance assessments be levied according to benefit rather than the assessed value.

“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.”

In addition, Article XIID and the Implementation Act require that a parcel’s assessment may not exceed the reasonable cost for the proportional special benefit conferred to that parcel. Article XIID and the Implementation Act further provides that only special benefits are assessable and the City must separate the general benefits from the special benefits. They also require that publicly owned properties which specifically benefit from the improvements be assessed.

B. Special Benefit Analysis

Each of the proposed improvements and the associated costs and assessments within the District has been reviewed, identified and allocated based on special benefit pursuant to the provisions of the Assessment Law.

Proper maintenance and operation of landscaping, street trees and streetlights provides special benefit to adjacent properties by providing community character, security, safety and vitality. In addition, the Improvements will enhance the ability of property owners to attract and maintain customers as well as increase the viability of commercial development.

Special Benefit

Parcels within the District receive a special benefit resulting from the maintenance and services and improvement provided with the assessments. Specifically the special benefits are summarized as follows:

- Improved cleanliness and maintenance of sidewalks used to access property in the District.
- Enhanced cleanliness and desirability of the area, including removal of litter and debris from sidewalks and other public facilities for the direct advantage of property in the District.

- Protection and improvement of views, scenery and other permanent public facility resources value for property in the District and preservation of public assets maintained by the District.
- Enhanced safety of property in the District and reduced liability risk.
- Improved illumination of property in the District.
- Improved access to property in the District due to cleaner and safer sidewalks and improved lighting.
- Improved nighttime visibility for the local access of emergency vehicles.
- Improved safety and traffic circulation to and from parcels.
- Increased deterrence of crime and aid to police and emergency vehicles.

General Benefit

The proceeds from the assessment will be used to fund enhanced improvements, services and activities within the District that, in absence of the assessment, otherwise would not be provided at an enhanced level or frequency of service. The District will continue to receive the same level of general services provided to the public at large under City-funded and administered programs, as determined annually, for maintenance of public facilities and improvements (e.g., street trees, sidewalks, street lights, etc.), including street sweeping and graffiti removal on public property.

The City provides the District 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, park maintenance and improvement, basic street lighting, traffic controls and public signage, street median, public safety (through the Police Department) and other public services and improvements. These City services are considered to be basic in nature, and subject to the City's budget and can be provided at a reduced level. The services provided by the District are enhanced over and above this basic service level. The general benefit from the services are determined to be minimal and are more than offset by the contributions the City provide to property in the District.

C. Assessment Methodology

To establish the special benefit to the individual lots and parcels within the District a formula that spreads the costs of the maintenance based on the special benefit must be established. The Improvements have been reviewed and a formula has been established to apportion the maintenance costs based on benefit.

Due to the nature of the services and improvements, three Zones have been established. The assessments are weighted by Zone based on the benefit each Zone receives. In addition to the Zones, three factors, as further described below, are used to calculate each parcel's assessment.

Linear Front Footage Factor

The Linear Front Footage (LFF) is a measure of a parcel's proportionate share of the LFF of the total LFF length of the public right-of-way for which the District is providing enhanced and increased maintenance, beautification, and other property related services provided by the District.

Lot Square Footage Factor

The Lot Square Footage (LSF) is a measure of a parcel's proportionate area of ownership or stakeholder interest relative to the total area of the District, which is receiving enhanced and increased maintenance, beautification, and other property related services provided by the District.

Building Square Footage Factor

The Building Square Footage (BSF) is a measure of a parcel's proportionate contribution to the intensity of use of the public right-of-way. The land use classification for each parcel within the District has been identified and distinguished as follows:

Table 5 – Classification of Parcels

Class	Description
A	Retail space, hotels, motels, visitor related
B	Office and commercial uses
C	Industrial/Manufacturing/ Distribution
D	Institutional (schools, 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 fully constructed unit (plus the index as described below beginning in FY 2009/2010). Complexes that are under construction are assessed at 50% of the Condominium rate while under construction. Retail spaces located within a condominium project are assessed based on the retail space's lot size, street frontage, and building square footage. (Condominiums are considered to be under construction until the County Assessor assigns an Assessor's Parcel Number for the condominium.)

Single family residences are assessed based on the formula accounting for lot size and street frontage, and are capped at \$240 per residence (times the index as described below beginning in FY 2009/2010).

SAMPLE CALCULATIONS

As described above, assessments have been calculated for each parcel based on the LFF of the property along the improvement/service corridor, the LSF and the BSF for land use classifications A through F.

LFF = Linear Front Footage
LSF = Lot Square Footage
BSF = Building Square Footage

Shown below are calculations for various sample parcels.

- **Commercial Property with 50-foot frontage, 2,400 square feet of building on .10 acres**
LFF = 50.00 LFF
LSF= 4,356 LSF
BSF= 2,400 BSF
- **Residential Property with 32-foot frontage, 1,400 square foot house on .08 acres**
LFF = 32.00 LFF
LSF= 3,485 LSF
BSF= 1,400 BSF (Not assessed based on method of apportionment)

The total assessment for each parcel in the District is based on the calculated LFF, LSF and BSF for the parcel and the applicable unit assessment rate, as shown in the following equation:

$$\text{Total Assessment} = \text{Total LFF} \times \text{LFF Assessment Rate} + \text{Total LSF} \times \text{LSF Assessment Rate} + \text{Total BSF (Class A - F)} \times \text{BSF Assessment Rate (Single Family \& Condo subject to Maximum Rate)}$$

D. Assessment Range Formula

The purpose of establishing an Assessment Range Formula is to provide for reasonable increases and inflationary adjustment to annual assessments without requiring the District to go through the requirements of Proposition 218 in order to get a small increase. This Assessment Range Formula was approved by the property owners at the time the District was formed. If the budget and assessments calculated requires an increase greater than the adjusted Maximum Assessment, then the assessment is considered an increased assessment and would be subject to Proposition 218 balloting.

The maximum authorized assessment established in the Fiscal Year 2012 proceedings are authorized to be indexed (increased or decreased) annually by the factor published in the SDCPI-U not to exceed 5%. In the event that the annual change in SDCPI-U exceeds 5%, a

percentage change in excess of 5% can be cumulatively reserved and can be added to the annual change in the SDCPI-U for years in which the SDCPI-U is less than 5%. The annual change in second half SDCPI-U values, as compiled by the U.S. Bureau of Labor Statistics (see www.bls.gov), for the prior year period was from 243.655 to 246.686 (a 1.24% increase). In accordance with the approved cost-indexing provisions, the maximum authorized assessment rates contained within this Assessment Engineer's Report have been increased by 1.24%. The indexing provisions were allowed to be implemented for the first time in FY 2009/2010.

The Maximum Assessment is adjusted annually and is calculated independent of the District's annual budget and proposed annual assessment. Any proposed annual assessment is not considered an increased assessment, even if the proposed assessment is greater than the assessment applied in the prior fiscal year.

SECTION VI. ASSESSMENT DIAGRAM

The parcels within the Little Italy Maintenance Assessment District consist of all lots, parcels depicted within the boundaries of the District. The District diagram reflecting the exterior boundaries of the District and benefit Zones is on file with the City Clerk.

SECTION VII. ASSESSMENT ROLL

The assessment roll is a listing of the Fiscal Year 2012 Assessment apportioned to each lot or parcel, as shown on the San Diego County last equalized roll of the assessor and reflective of the Assessor's Parcel Map(s) associated with the equalized roll. A listing of parcels proposed to be assessed within this District is shown on the following table.

CITY OF SAN DIEGO

Little Italy Maintenance Assessment District

**Engineer's Report
Fiscal Year 2012**

This report has been prepared and submitted by:

C. Stephen Bucknam Jr. C 20903

Koppel & Gruber Public Finance

I, _____, as City Clerk of the City of San Diego, County of San Diego, California, do hereby certify that the Assessment as shown on the Assessment Roll, together with the Assessment Diagram, both of which are incorporated into this report, were filed in my office on the ____ day of _____, 2011.

Elizabeth Maland, City Clerk
City of San Diego
State of California

I, _____, as City Clerk of the City of San Diego, County of San Diego, California, do hereby certify that the foregoing Assessment as shown together with the Assessment Diagram incorporated into this report, was approved and confirmed by the City Council of said City on the ____ day of _____, 2011.

Elizabeth Maland, City Clerk
City of San Diego
State of California

I, _____, as City Engineer of the City of San Diego, County of San Diego, California, do hereby certify that the foregoing Assessment as shown together with the Assessment Diagram incorporated into this report, was recorded in my office on the ____ day of _____, 2011.

Afshin Oskoui, City Engineer
City of San Diego
State of California