

## Proposed San Francisco Assessment District May Affect Buildings You Own or Manage in the Historic “North of Market” Financial District

By: [Manuel Fishman](#) and [Lotus Fung](#)

This Client Alert discusses a proposed assessment district which may affect buildings you own or manage in the San Francisco “financial district”. A Steering Committee working with the Chamber of Commerce has submitted plans to the San Francisco Board of Supervisors to create a Downtown Community Benefit District (“DCBD”), which will cover the area generally referred to as the historic Financial District, together with the Jackson Square area, and a part of downtown south of Market Street (for specific boundary details, see map attached at the end of this Alert). Three other Community Benefit Districts (“CBD”) already neighbor the proposed area, including the Greater Rincon Hill CBD, the Union Square CBD, and the Yerba Buena CBD.

The DCBD is a property based assessment district which will have the authority to levy a special assessment on the properties within its boundary to fund targeted benefits, such as daily cleaning services, increasing traffic control officers, and responding to homelessness (click here to see [Downtown Community Benefit District Management District Plan](#) for greater detail). All properties in the district are subject to this assessment including, but not limited to, commercial and residential buildings, buildings owned by non-profits, tax exempt buildings, city owned property, residential condos/time shares, and undeveloped properties.

The DCBD is scheduled to begin on January 1, 2019, if it is approved by property owners who together hold a majority of “weighted support” (defined below) of assessable property in the district’s boundary. If adopted, the DCBD will be effective for 15 years (subject to certain rights to terminate the district).

You will have two chances to vote on this plan before it is adopted: (1) in the petition phase, and (2) in the ballot phase. In the petition phase, greater than **30% weighted support** of the property owners is needed for it to progress. “Weighted support” means that each property owner’s vote is based on the square footage of its building(s) in comparison with the total square footage of all assessable buildings in the district. For example, if there are two buildings in a district, Building A (100 square feet) and Building B (50 square feet), then Building A’s vote would be 66.67%. Finally, in the ballot phase, which will only occur if the plan has sufficient support in the petition stage, greater than **50% weighted support** is needed to establish the DCBD. There are approximately 39,147,800 square feet of buildings in the proposed district, located on approximately 670 parcels.

If petitions are returned from property owners in excess of the 30% weighted support level, the Steering Committee will submit an application for the formation of the DCBD to the San Francisco Office of Economic and Workforce Development. The City review process will lead up to the issuance of a resolution of intention to form a DCBD by the San Francisco Board of Supervisors, who will authorize the sending of formal ballots to all property owners in the proposed district. At the end of balloting period, a public hearing will be scheduled by the Board of Supervisors. The Board of Supervisors will count the ballots and will require ballots returned from property owners in excess of the 50% weighted support level to establish the DCBD. However, the Board of Supervisors still retains final authority to approve the establishment of the DCBD.

As is currently envisioned, if adopted, each property owner will pay a yearly assessment based on the property owner’s building’s square footage. As an example, if you own/manage a commercial or other assessable building, the assessment will be **\$0.10 per building square foot/year** for the gross building area. “Gross building area” is calculated by the San Francisco Assessor’s Office and includes both interior and exterior space associated with the building. If you own/manage an empty or undeveloped parcel, the assessment will be **\$0.08 per square foot/year** for the lot size, rather than gross building area.

A petition was mailed on April 24, 2018 to the address where your building’s property taxes are sent. If you did not receive the petition and want to respond, please email [mail@newcityamerica.com](mailto:mail@newcityamerica.com) to request an email copy. While there is no definitive deadline for returning the petition, you should return the petition **as soon as possible** to insure your vote is counted.

Establishing the DCBD is not free from controversy. Some property owners believe that they should not have to pay an additional assessment since they already pay property taxes. Other property owners support it since they believe that the DCBD will be able to finance patrols (generally referred to as “ambassadors”), improvements and general clean-up activities that will improve the “quality of life” in the district and thus increase the value of properties and the tenant and consumer experience of those that work in and visit properties in the district. Your property management team should discuss this proposal to determine how you want to proceed.

More information about the proposed DCBD can be found in the Downtown Community Benefit District Management District Plan prepared by the Steering Committee. Please click on this [link](#) to view a copy of the Plan.

Please call me or Lotus Fung of our office if you want to discuss the impact this may have on your property and to check whether your leases cover this as a pass through.



[Manuel Fishman](#) is a Shareholder of the Firm's Real Estate Practice Group. He can be reached at 415.227.3504 or [mfishman@buchalter.com](mailto:mfishman@buchalter.com)



[Lotus Fung](#) is an attorney of the Firm's Real Estate Practice Group. She can be reached at 415.227.3570 or [lfung@buchalter.com](mailto:lfung@buchalter.com)

