

Explosion of CBDs – 7 in works citywide



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a charge added to each property tax bill that is mailed annually by the assessor, who turns over the funds to the CBD.

When faced with squeezed city budgets and antitax forces, "You have to find ways to have a city," Chappell says, and a CBD is proving to be just the ticket. Taxes are created by politicians and may not be earmarked, he says. But property owners create CBDs to pay for specific services in their designated district.

They know what they need to help their businesses grow. And the pooling of resources brings more bang for the buck.

It takes a year, sometimes two, to create a CBD. They are enabled by state legislation as property-based business improvement districts, but San Francisco established its own formation process in 2004 and called them CBDs. A few insist on calling themselves business improvement districts because with fewer benefits their goals are more narrowly focused, generally merchants desiring just sanitation and security, like the Union Square '99 BID.

CBD lifespans vary from five to 15 years, then they need to renew — or not. The Central Market's seven-year life ends May 31. It is trying to reinvent itself as a neighborhood effort, not just a Market Street cleanup. After creating the necessary steering committee in April, the effort is now in the ballot stage, with property owners due to vote twice to expand.

In the existing CBD, there are no residential properties. The envisioned expansion quadruples the territory, increases the number of parcels more than six times and triples the current budget.

Property owners outside of the Central Market district, said Executive Director Daniel Hurtado, asked to join to reap benefits that include the CBD's often-praised security afforded by roving community guides. The new area would extend from Fifth to past 11th

Street to Lafayette Street and south to Howard, reaching Folsom Street on a half block between Fifth and Sixth. It would include residential property.

The CBD needs to know who's for and against. The largely positive response to the 22-question survey mailed in August and September to 1,452 property owners in the existing (219) and expansion (1,233) areas was encouraging, Chappell told the steering committee in October. The 15% re-

sponse beat the typical 4% return rate, he added.

A wall map at Central Market's September meeting plotted positive and negative responses to the planned expansion, and showed tallies from committee members trying to contact the top 25 property owners in the existing CBD and expansion areas. It was inconclusive but showed a cluster of yes votes at the SoMa Grand on Mission near Seventh where committee

member Jane Weil owns a condo and personally promoted the survey. But a block away, at the Grant Building at 1095 Market St., she had no luck. "They didn't return my calls," Weil said. "They've been silent." Other committee efforts later to reach the Grant Building owner, Australian software multimillionaire Peter Johnson, also failed.

Another property owner proved hard to reach.

amenities can be maintained privately. The district would run contiguous to the Yerba Buena CBD on Second Street and, to the east, a large stretch of the Embarcadero, roughly 30 blocks in all. Its formation is on a timeline similar to the Central Market expansion, planned to be operational in the spring.

Rincon-Transbay won't go far enough south to include the Warriors' proposed new arena at Piers 30-32. But, already in the planning stage, is a CBD that would spread along the waterfront north from the Bay Bridge to Pier 31, including both sides of the Embarcadero. It would bump up against the Fisherman's Wharf CBD.

Some CBDs have failed. West Portal couldn't get one off the ground in September 2011 in a narrow loss of 51% to 49% yes.

Even Union Square was a no-go at first. "The next year we tried again and made it smaller and the formula easier to understand, and it passed," said Chappell, a BID board member at the time.

The 5-year-old Fillmore CBD failed to renew itself in December when The Fillmore Center and Safeway led a 64% no vote, ending months of infighting and dashing a \$350,000 budget fed by 300 property owners. More recently, the Excelsior Action Group studied CBD feasibility but hasn't move forward with the legal part, according to Pagan.

"Every CBD is different, and it's not a given that they'll go on," says Cathy Maupin, executive director of the 4-year-old Yerba Buena CBD, neighboring the Central Market CBD on Fifth Street. Her CBD's blocks surround Yer-

ba Buena Center. Unlike the eight-member board of directors in the city's poorest neighborhood, the Tenderloin, the YBC board has 26 members and will add two more by January.

The CBD's extensive committee system — every director has to be on one — enables the full board to meet just five times annually to decide important matters. As successful as the CBD seems to be, Maupin keeps testing "the temperature" of neighborhood people, the latest a 15-minute survey. Depending on responses, "we may do some tweaking," she says. But renewal talk hasn't come up. The Yerba Buena CBD is good through December 2015.

Across Market, the Tenderloin's CBD has one of the longest tenured; it doesn't expire until 2020.

"We didn't want property owners who say no," says Executive Director Dina Hilliard, "and we didn't include them. The Clift didn't want to be in ours and we left them out. But then they got into the Union Square expansion." Now, the Clift pays additionally into the hotels' CBD, Hilliard says.

If Central Market expands, the CBD would have residential properties for the first time, plus different levels of service based on land use. For example, a condo on Tehama Street wouldn't get the same sidewalk cleaning and frequency of community guide patrols as a commercial building on Market Street. And assessments using the typical formula of linear front footage, lot size and building square footage will be lowered for nonprofits, government buildings and condos. As for some



Howard Street sidewalk trash could be cleared under an expanded Central Market CBD.

PHOTO BY JONATHAN NEWMAN

"Who is ARES Realty?" Chappell asked at the meeting. "It owns nine properties."

No one knew.

But a month later the committee had found that ARES was firmly against the expanded district. Its properties are from 10th to 11th streets between Minna and Natoma.

The Central Market CBD hosted open houses Oct. 16 and 25 at the posh International Art Museum at 1025 Market St., hoping to inform, or sway, any property owners who showed up. But only one did.

Of the handful of people who stopped by on the 16th, not one owned property in the area. The 6-8 p.m. window, set before the second presidential debate was announced, presented an obvious conflict. The Oct. 25 open house vied with the Giants' second home game in the World Series. The CBD staff must have felt snake-bit.

But one property owner did show, Mary Zatman, who owns a small house on Summer Street between Seventh and Eighth, a few feet south of the Howard Street expansion border. A friend had emailed her about the open house and she was curious. She wanted to know how the CBD would affect the area. She told Chappell she felt safe in her "edgy" neighborhood but sees too much trash and graffiti on Howard. She left with the idea the CBD could improve conditions and, if her house was included, her assessment would be small.

Sometime this month the committee will halt the outreach and a consultant, Tim Seufert, will use the survey results to map the district, calculate commercial and residential assessments and, with Chappell, create a management plan, to be approved by the steering committee. That "petition" package then is mailed to property owners to vote on.

If owners representing 30% of the total that the CBD would assess — plus \$1 — vote for it, then District 6 Supervisor Jane Kim prepares a resolution authorizing an election to be held to create the district. Next, a vote of 50%, plus \$1 of total CBD assessments — from only the owners voting — creates the district, which then needs just Board of Supervisors approval to become official.

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Biggest CBD established to drive tourism

BY TOM CARTER

THE MOST UNUSUAL CBD — biggest budget, grandest management plan and no boundaries — is the Tourism Improvement District established in 2008 with \$27 million in assessments from 249 tourist hotels to drum up business more vigorously than the then-Convention and Visitors Bureau could.

This widely scattered colony of hotels — the only citywide district — awarded a large chunk of its assessments to Moscone Convention Center renovation, completed in May. The rest went to San Francisco Travel, the reincarnation of the Visitors Bureau — in a nod to the city's need for broader branding — to attract more conventions, trade shows and special events, which generated \$1.8 billion in spending last year, a portion of the total \$8.5 billion tourism generated citywide.

Hotels east of Van Ness Avenue are assessed 1.5% of gross room receipts; those west of Van Ness pay 1%. The CBD assessment, like any tax or fee, is tax-deductible as a business expense. Thus, joining the TID is a smart investment, and some say could become the model for resuscitation of other industries, including culinary, real estate, technology and entertainment, among others. But there can be drawbacks for some. The Hotel Metropolis at the corner of Mason and Turk streets is in both the TID and the North of Market/Tenderloin CBD. It pays a basic assessment to the latter and a room revenue assessment to the former yearly.

"Sometimes our guests look at their bill and complain about the amount of fees, taxes and assessments added on. They resist paying for improvements to the city they're only visiting," said Nick Dalisay, area manager of sales for Haiyi Hotels, owner of Metropolis.

Now, the TID is creating the Moscone Expansion District to increase the Convention Center's size



PHOTO BY JONATHAN NEWMAN

Luis Morales is manager of Hotel Metropolis, in the TID and Tenderloin CBD.

by 1.5 million gross square feet in stages over 25 years. The city, as a partner, will chuck in \$8.2 million each year and the hotels \$21 million through an assessment plan similar to the TID's. The map of the new MED will be the same as the existing TID — "the boundaries of the entire city," according to Jon Ballesteros, vice president on public policy for San Francisco Travel. MED has garnered the necessary 30% approval in the petition phase and is finalizing a management plan for submission to the Board of Supervisors this month with a request that the election phase begin.

"One-third of the money from TID assessments went to badly needed renovations at Moscone Center," Ballesteros said. "There was deferred maintenance, everything from bathrooms to new technology wiring, crying to be done." That was completed. Other assessment monies went to marketing the improved center as a convention site and fashioning San Francisco as a destination brand.

"Tourism is responsible for 71,400 jobs in the city," he noted. MED is to be managed by the S.F. Tourism Improvement District Management Corp., which runs the TID. The directing board of TID will also lead MED. The Moscone district is expected to start in July. ■

apartment buildings, landlords pass the assessment through to their tenants. Seufert and Chappell estimate assessments for small condos at \$40 a year, \$180 for large ones. The average commercial building will be about \$3,000, large ones \$15,000 or more; the average nonprofit about \$1,100. Overall, assessments will be about 10% lower than for the current Central Market CBD, they said, and a \$1.6 million budget is expected. (The lowest a condo pays in the Tenderloin is \$31.98 at 631 O'Farrell St. The highest assessment is the Hilton's \$65,000.)

During Central Market's petition drive's final phase in November, the lines to be drawn likely will include 12 federal properties in the expanded CBD, which don't have to pay assessments, Chappell said. But, according to committee member Weil, a federal representative who attended a meeting said the feds have discretionary funds for such assessments. Seufert cautioned that the CBD must create budget flexibility to guard against payments that don't happen.

A knottier problem arose when someone suggested that in 2013, when Market Street is repaved and traffic rerouted, why should owners there continue to pay at the top level of assessment.

The answer is there is no opt-out. A CBD can change service levels, but "not the budget" without a district vote. "Nobody wants that, but it could be a reality," Seufert said. ■