

APPLE VALLEY VILLAGE

PROPERTY & BUSINESS IMPROVEMENT DISTRICT

*District being renewed in the Town of Apple Valley
pursuant to Section 36600 et seq. of the California Streets and Highways Code
The Property and Business Improvement District Law of 1994*

DISTRICT ASSESSMENT ENGINEER'S REPORT

*Report Prepared by
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California Registered Professional Engineer # 26549
Edward Henning & Associates*

JANUARY 2012

V1.0

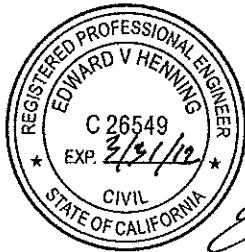
APPLE VALLEY VILLAGE PROPERTY & BUSINESS IMPROVEMENT DISTRICT

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 parcels located within the renewed Apple Valley Village Property & Business Improvement District ("AVV PBID") will receive a special benefit over and above the benefits conferred on the public at large and that the amount of the assessment is proportional to, and no greater than the benefits conferred on each respective parcel.

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



A handwritten signature of Edward V. Henning in black ink, written over a horizontal line.

RPE #26549

January 2, 2012

Edward V. Henning

Date

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Introduction

This report serves 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 levied within the Apple Valley Village PBID in the Town of Apple Valley, California being renewed for a 5 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 Apple Valley Village 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 specially benefit directly either in whole or in part from the District funded programs and improvements and does not imply that all parcels receive assessable benefits.

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Background

The Apple Valley Village PBID is a property-based benefit assessment type district being renewed for a 5 year period 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").

Due to the benefit assessment nature of assessments levied within a PBID, district program costs are to be distributed amongst each and every identified benefiting parcel within the PBID based on the proportional amount of program special benefit each parcel is expected to derive from the assessments levied. Within the Act, frequent references are made to the concept of relative "benefit" received from PBID programs and activities versus amount of assessment paid. 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 relative special benefits expected to be received.

The method used to determine special benefits derived by each identified parcel 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 Apple Valley Village 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 based on their relationship to programs/services to be funded.

Next, all program and activity costs, including incidental costs, District administration and ancillary program costs, are estimated. It is noted, as stipulated in Proposition 218, and now required of all property based assessment Districts, indirect or general benefits may not be incorporated into the assessment formula and levied on the District properties; only direct or "special" benefits and costs may be considered. Indirect or general benefit costs, if any, must be identified and, if quantifiable, calculated and factored out of the assessment cost basis to produce a "net" cost figure. In addition, Proposition 218 no longer automatically exempts government owned property from being assessed and if special benefit is determined to be conferred upon such properties, they must be assessed in proportion to special benefits conferred in a manner similar to privately owned property assessments.

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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 Apple Valley Village PBID. These requirements are in addition to requirements imposed by State and local assessment enabling laws. These requirements were "chapters" into law as Article XIII of the California Constitution.

Since Prop 218 provisions will affect all subsequent calculations to be made in the assessment formula for the Apple Valley Village PBID, Prop 218 requirements will be taken into account. The key provisions of Prop 218 along with a description of how the Apple Valley Village PBID complies with each of these provisions are 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 294 "identified" parcels within the Apple Valley Village PBID that, in the opinion of this Assessment Engineer, will derive special benefits from the District programs and activities and will be assessed.

Benefits are special and unique only to the identified parcels within the District because programs and services are only provided directly for the identified parcels. These identified benefiting parcels are located within the PBID perimeter boundary which is shown on the Boundary Map included in the Management District Plan and are listed as an attachment to the Plan and this Report - identified by assessor parcel number. Any future land developments and/or subdivisions approved within the term of the renewed District will adhere to the assessment rate structure described herein.

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Boundaries

The PBID extends primarily along Highway 18 between just west of Navajo to just east of Central and surrounding certain commercial properties generally between Esaws on the north and Ottawa on the south. There are two benefit zones within the renewed PBID – Zone A and Zone B. Zone A includes all parcels with Highway 18, Yucca Loma, Navajo and Central north of Highway 18 frontages. Zone B includes all other parcels in the District boundaries.

No services or improvements from the existing PBID are provided to the neighborhoods to the east, west or south of the PBID boundaries and, in turn, no special benefits are derived from PBID funded services and programs by parcels lying outside the PBID. General benefits, if any, are unintentional and unquantifiable.

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All identified parcels within the above-described boundaries are assessed to fund special benefit services, programs and improvements as outlined in this report and the Management District Plan. PBID funded activities are only provided to properties inside the District boundaries – none outside.

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

As stipulated by Proposition 218, assessment District programs and activities may confer a combination of general and special benefits to properties, but the only program benefits that can be assessed are those that provide special benefit to the identified parcels. For the purposes of this analysis, a “general benefit” is hereby defined as: “A benefit to properties in the area and in the surrounding community or benefit to the public in general resulting from the improvement, activity, or service to be provided by the assessment levied”. “Special benefit” as defined by the California State Constitution means a distinct benefit over and above general benefits conferred on real property located in the District or to the public at large.

Deleted: From this, the definition of “special benefit” would thereby be: “A benefit unique and special to identified properties resulting from the improvement, activity, or service to be provided by the assessment levied”.

The property uses of the identified parcels within the boundaries of the Apple Valley Village PBID which receive special benefits from PBID funded programs and services are currently a mix of retail, office, financial, light industrial, residential and parking. Services, programs and improvements provided by the District are explicitly designed to provide special benefits to identified parcels within the boundaries of the District.

Existing Town of Apple Valley services are enhanced, not replaced or duplicated, by PBID services. In the case of the Apple Valley Village PBID, the very nature of the purpose of this District is to fund supplemental programs, improvements and services within the PBID boundaries above and beyond what is being currently provided to the City in general or the public at large and funded either via normal tax supported methods or other funding sources. PBID funded supplemental services, programs and improvements, are designed to enhance each identified parcel, increase tenancy, image and marketing of each identified parcel in the PBID and improve the aesthetic appearance

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and safety of streetscape areas adjacent to each identified parcel within the PBID. All benefits derived from the PBID assessments levied on parcels within the PBID are for supplemental services, programs and improvements directly benefiting each parcel within this area and support increased commerce, business attraction and retention, increased property rental income and improved identity. No services are provided beyond the PBID boundaries.

Improvements and Activities

The following are the proposed improvements and activities to be funded by the Apple Valley Village PBID:

1. Supplemental Public Security Program:

- additional Sheriff patrolling
- security seminars/alerts for property/business owners, as needed

This supplemental security program directly benefits each parcel within the PBID by creating positive perceptions of the Village area as a safe and visitor-friendly shopping, dining and service area. Supplemental security services present a perception of a safe and successful business center for the direct and special benefit of each parcel within the PBID.

This supplemental security program assists in securing the PBID areas adjacent to each parcel within the PBID and enhances the image of this business center and the public streetscape areas adjacent to each parcel within it. This activity is designed to increase commerce and attract and retain businesses for the benefit of each parcel within the PBID. This supplemental security program will only be provided within the PBID boundaries for the direct benefit of each parcel within the PBID; therefore these services constitute "special benefits" to each assessed parcel.

The cost of providing this supplemental security program is estimated at \$30,000, or 15% of the Year 1 budget.

2. Marketing/Promotions

- advertising of the District's diverse array of goods, dining, and services
- underwritten advertising opportunities for District businesses
- sales and business promotions

This activity is designed to enhance commerce and attract and retain businesses for the direct benefit of each parcel within the PBID boundaries by marketing the array of goods, services and dining within the District. Marketing/promotions directly benefits each parcel within the PBID by creating positive perceptions of the Village District as a friendly shopping, dining and service area. Regular marketing promotes a viable and successful business center for the direct and special benefit of each parcel within the PBID.

These marketing-promotion programs will only be provided for each parcel within the PBID boundaries; therefore these services constitute "special benefits" to each assessed parcel.

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The cost of providing marketing-promotions is estimated at \$50,000, or 25% of the Year 1 budget.

3) Streetscape Beautification/Image Enhancement/Special Projects

- decorative streetlight design/installation
- Hwy 18 drainage/parking improvement design/construction
- miscellaneous street paving
- theme/holiday banner design/purchase/installation/maintenance
- holiday decoration purchase/installation/maintenance

This streetscape beautification/image enhancement/special projects element directly benefits each parcel within the PBID by creating positive image perceptions of the Village area as a visitor-friendly shopping, dining and service area. These improvements present a perception of a successful business center for the direct and special benefit of each parcel within the PBID.

These improvements assists in beautifying the PBID areas adjacent to each parcel within the PBID and enhances the image of this business center and the public streetscape areas adjacent to each parcel within it. This activity is designed to increase commerce and attract and retain businesses for the benefit of each parcel within the PBID. These improvements will only be provided within the PBID boundaries for the direct benefit of each parcel within the PBID; therefore these services constitute "special benefits" to each assessed parcel.

The cost of providing streetscape beautification/image enhancement/special project improvements is estimated at \$100,000, or 50% of the Year 1 budget.

4) Administration/Operations

This program element funds the costs for day to day program management, preparation of regular PBID related reports, office expenses, legal fees, City/County assessment district fees, accounting/bookkeeping fees, and Directors & Officers and General Liability insurance.

This component is key to the proper expenditure of PBID assessment funds and the administration of PBID programs and activities which are intended to benefit each parcel within the PBID through increased commerce within the District. Because this program exists only for the direct benefit of each identified parcel within the PBID and will only be provided for matters occurring within the PBID boundaries, this program constitutes a "special benefit" to each identified and assessed parcel.

The cost of providing administration/operations for is estimated at \$20,000, or 10% of the 2013 Budget.

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~~Each of the above-described programs and activities work together to create a more pleasing environment within the District that is conducive to strengthening the current and future economic vitality of this business center through the attraction and retention of new business, increased commerce and enhanced aesthetics. The programs, improvements and services are designed to specifically benefit each identified parcel within the PBID boundaries. The PBID assessments are only levied on identified parcels within the PBID boundaries and assessment revenues are spent to deliver services that provide a direct and special benefit to assessed parcels and to improve the economic vitality of these properties. Inasmuch as no supplemental services are provided beyond the PBID boundaries to the surrounding communities or to the public in general, any general benefit is unintentional. It is hereby determined that general benefits as related to PBID funded activities and services, if any, are not quantifiable, measurable, or tangible.~~

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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 the district as a whole. Larger parcels and ones with larger buildings and 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 weights for the respective parcel by parcel identified land attributes.

The proportionate special benefit costs (benefit assessments) for all identified parcels within the District have been calculated based on the assessment formula as determined by this Assessment Engineer, and are listed as an attachment to the Management District Plan and this Report. The individual proportionate benefit percentage (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 be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel.”

Not only are the proposed program costs reasonable due to the benefit of group purchasing and contracting which is possible through the Apple Valley Village PBID, they are also considerably less than other options considered by the Apple Valley Village PBID proponent group. The actual assessment rate for each parcel within the PBID directly

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relate to the level of special benefit service to be provided to each identified parcel within the District based on the respective and applicable property characteristics as delineated in this Report.

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

In the opinion of this Assessment Engineer, there is no clear and convincing evidence that publicly owned parcels do not benefit equally to privately owned parcels and, thus, Town and County School Board owned parcels within the Village PBID are assessed in the same manner and rate as private owned parcels using the same formula and property characteristics methodology. It is noted that the PBID assessment for the Federal owned US Post Office site is set at \$0 since there is no method to levy and collect a local property assessment on property owned by the US Government. In the 250 plus PBIDs throughout California, no district has successfully collected a PBID assessment from the Federal Government. No PBID funded services and improvements will overtly benefit this subject property. It is further noted that in California, any public property used for public streets, utilities, and thoroughfares are historically, not subject to local property assessments, and thus, are not levied an assessment in the Village PBID.

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 serves as the “detailed engineer’s report” to support the benefit property assessments levied within the Apple Valley Village 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 on Appendix 1 to the Management District Plan and this Report. The District and resultant assessment payments will continue for 5 years and may be renewed again at that time. The reasons (purposes) for the assessments are outlined in Finding 2 above as well as in the Management District Plan. The calculation basis of the proposed assessment is attributed to street frontage, land area and/or building area. There are two benefit zones.

Assessment Formula Methodology

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

PBID assessment formulas typically are based on property characteristics such as street frontage, parcel size, building

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size and site location, all which relate to the amount of special 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.

Based on the specific and diverse needs and corresponding program activities to be funded by the Village PBID, which relate directly to the property street frontage, parcel size, building improvements and location, it is the opinion of this Assessment Engineer that the assessments be based proportionally on four property related elements; the amount of adjacent street frontage, the parcel size, the building area, if any, and the site location. Using the integration of multiple assessment factors like street frontage, parcel size and/or building area is an appropriate application of assessment methodology in a mixed density area like Apple Valley Village where the development patterns, parcel configurations and land uses are diverse and vary from block to block and parcel to parcel.

In an area like Apple Valley Village, the interactive application of site location and street frontage, land area and building area quantities is a proven method of fairly and equitably spreading special benefit costs to benefitting properties for 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.

Site location (i.e. benefit zone) is a direct measure of the proportionate benefit received by each parcel relative to the site's proximity to PBID funded improvements and activities. There are two benefit zones within the renewed PBID – Zone A and Zone B. Zone A includes all parcels with Highway 18, Yucca Loma, Navajo and Central north of Highway 18 frontages. Zone B includes all other parcels in the District boundaries. In the opinion of this Assessment Engineer, the targeted weight of this factor, site location, should generate about 60% of the total PBID revenue in Zone A and 40% in Zone B. Many of the PBID funded improvements are slated for Zone A roadways due to the prime visibility to automobile traffic and the fact that most trips to the Village area (Zone A and B) have their ingress and egress via Zone A roadways.

Street frontage is a direct measure of the static utilization of each parcel and its corresponding impact or draw on PBID funded activities such as clean and safe activities and administration/operations. In the opinion of this Assessment Engineer, the targeted weight of this factor, street frontage, should generate about 30% of the total PBID revenue.

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 such as clean and safe and administration/operations. In the opinion of this Assessment Engineer, the targeted weight of this factor, land area, should generate approximately 15% of the total PBID revenue based on program needs, priorities and corresponding costs.

Building Area is a direct measure of the dynamic utilization of each parcel and its corresponding impact or draw on

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PBID funded activities such as marketing/promotions and administration/operations based on development density. In the opinion of this Assessment Engineer, the targeted weight of this factor, building area, should generate approximately 55% of the total PBID revenue.

The "Basic Benefit Units" will be expressed, for commercial parcels, as a combined function of street frontage (Benefit Unit "A"), land area (Benefit Unit "B"), building area (Benefit Unit "C"). Based on the grid shape of the PBID, as well as the nature of the District program elements, it is determined that all parcels will gain a direct and proportionate degree of benefit based on the respective amount of street frontage, land area and building area, within two benefit zones.

Step 2. Quantify Total Basic Benefit Units

Taking into account all identified benefiting properties and their respective assessable benefit units within the PBID, there are 67,551 linear feet of street frontage, of which 17,972 linear feet (Benefit Units "A-1") are "A" street frontage with the remaining 49,579 linear feet (Benefit Units "A-2") along all other streets in the District, 7,538,722 million square feet of Zone A land (Benefit Units "B-1"), 9,359,571 million square feet of Zone B land (Benefit Units "B-2") and 586,300 square feet (Benefit Units "C-1" of Zone A building area and 826,194 square feet (Benefit Units "C-2" of Zone B building area. A list of all parcels in the PBID is shown in Appendix B attached hereto.

Step 3. Calculate Benefit Units for Each Property.

The number of Benefit Units for each identified benefiting parcel within the Apple Valley Village PBID was computed from data extracted from Town of Apple Valley land records as well as San Bernardino County Assessor records and maps. These data sources delineate current building areas and property 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, it does provide an acceptable basis for the purpose of calculating property based assessments. All respective property data used for assessment computations has been provided to each property owner in the PBID for their review and verification. All known or reported discrepancies, errors or misinformation have been corrected.

Step 4. Determine Assessment Formula

Based on the nature of the programs to be funded as well as other rationale outlined in Step 1 above, it has been determined that the Apple Valley Village PBID assessments are to be based on a combination of street frontage, land area and/or building area.

Using the cumulative property related data totals from Step 2 above, the base Year 1 assessment rates are set as follows:

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Assessment Formula Unit Costs (2012-13):

(Benefit Unit "A-1")	= \$1.50/lin ft of "A" street frontage
(Benefit Unit "A-2")	= \$0.66/lin ft of "B" street frontage
(Benefit Unit "B-1")	= \$0.00325/sq ft of land area
(Benefit Unit "B-2")	= \$0.0012/sq ft of land area
(Benefit Unit "C-1")	= \$0.12/sq ft of gross exterior bldg area
(Benefit Unit "C-2")	= \$0.048/sq ft of gross exterior bldg area

2012-13 Assessment Rate Schedule and Application:

The assessment formula is:

"A" Frontage x "A" Frontage Rate + "B" Frontage x "B" Frontage Rate + Land Area x Land Area Rate +
Building Area x Building Area Rate

Any parcel zoned solely residential or agricultural cannot be assessed pursuant to State PBID Law which presumes such parcels do not benefit from PBID funded programs and services. There are currently no such parcels within the Village PBID.

Future Development As future new development occurs within the District, current property characteristics and parcel configurations may also change. This may occur due to various land related modifications such as new subdivisions, lot line adjustments, reversions to acreage and parcel consolidations or new building construction, additions or demolitions. In turn, individual parcel street frontage measurements, parcel sizes and building areas may also change. Any such modifications will result in recalculation of assessments for new and/or modified parcels or building areas based on the assessment rate in affect when such changes occur in accordance with future maximum rates and the assessment methodology delineated in this Report.

It is noted that any change in assessment formula methodology or rates other than as stipulated in this Report would require a new Proposition 218 ballot procedure in order to approve any such changes.

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SAMPLE CALCULATIONS:

Zone A - 18,000 sq ft parcel with a 10,119 sq ft building and 80 ft of Hwy 18 street frontage

$$\begin{aligned}
 &= 18,000 \text{ sq ft land} \times \$0.00325/\text{sq ft} + 10,119 \text{ sq ft bldg} \times \$0.12/\text{sq ft} + 80 \text{ LF frontage} \times \$1.50/\text{LF} \\
 &= \$58.50 + \$1,214.28 + \$120.00 &&= \$1,390.78 \text{ per year (old asmt} = \$2,400.28 \text{ per year, a 42\% drop)} \\
 & &&= \$ 115.90 \text{ per month} \\
 & &&= \$ 3.86 \text{ per day} \\
 & &&= 1.1 \text{ cent per sq ft bldg per month}
 \end{aligned}$$

Same example as above but in Zone B

$$\begin{aligned}
 &= 18,000 \text{ sq ft land} \times \$0.0013/\text{sq ft} + 10,119 \text{ sq ft bldg} \times \$0.048/\text{sq ft} + 80 \text{ LF frontage} \times \$0.66/\text{LF} \\
 &= \$23.40 + \$485.71 + \$48.00 &&= \$557.11 \text{ per year (old asmt} = \$1,093.59 \text{ per year, a 49\% drop)} \\
 & &&= \$ 46.42 \text{ per month} \\
 & &&= \$ 1.55 \text{ per day} \\
 & &&= \text{less than } 1/2 \text{ cent per sq ft bldg per month}
 \end{aligned}$$

Step 5. Estimate Total District Costs

The total District projected costs for Year 1-5 are shown below in Table 1.

TABLE 1

Total Estimated Year 1-5 District Costs (assume max 5% increase over prior year)

DESCRIPTION	Year 1	Year 2	Year 3	Year 4	Year 5	Total
1. Security	\$30,000	\$31,500	\$33,075	\$34,729	\$36,465	\$165,769
2. Marketing	\$50,000	\$52,500	\$55,125	\$57,881	\$60,775	\$276,282
3. Streetscape Beautification	\$75,000	\$78,750	\$82,688	\$86,822	\$91,163	\$414,422
4. Special Projects	\$25,000	\$26,250	\$27,563	\$28,941	\$30,388	\$138,141
5. Management/Operations/Contingency	\$20,000	\$21,000	\$22,050	\$23,153	\$24,310	\$110,513
Total	\$200,000	\$210,000	\$220,500	\$231,525	\$243,101	\$1,105,126

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

All benefits derived from the assessments outlined in the Management District Plan and this Report are for supplemental services, programs and improvements directly benefiting the identified properties within the PBID. All PBID funded activities are provided solely to properties within the Apple Valley Village PBID. All services are delivered only within the boundaries and designed only for the direct special benefit of the identified assessed properties in the PBID. No services are provided to non-assessed parcels outside the PBID boundaries. Any potential spill over effect is unquantifiable as previously discussed in this report. Thus, all general benefits (if any) within or outside of the PBID, are inadvertent, intangible and immeasurable. Total Year 1 District revenues are shown below in Table 2.

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TABLE 2
Total Year 1 District Revenues

Funding Source	Revenue	% of Total
PBID Assessments	\$200,000	100.00%
TOTAL DISTRICT REVENUE	\$200,000.00	100.00%

Step 7. Calculate "Basic Unit Cost"

With a Year 1 projected assessment revenue of \$200,000, the Basic Unit Costs are shown above in Step 4. Since the PBID is being renewed for a 5 year term, maximum assessments rates for future years must be set at the renewal point of the PBID. ~~An annual flat inflationary assessment rate increase of up to 5% may be imposed each year for Years 2-5,~~ on approval by the PBID Property Owner's Association. The maximum assessment rates for Years 1-5 are shown below in Table 3.

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TABLE 3
Year 1-5 Maximum and Projected District Assessment Rates

(assumes maximum 5% increase over prior year rates)

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Zone A	YR 1	YR 2	YR 3	YR 4	YR 5
"A" Street Frontage Rate (\$/LF)	\$1.50000	\$1.57500	\$1.65375	\$1.73644	\$1.82326
"B" Street Frontage Rate (\$/LF)	\$0.66000	\$0.69300	\$0.72765	\$0.76403	\$0.80223
Land Area Rate (\$/SF)	\$0.00325	\$0.00341	\$0.00358	\$0.00376	\$0.00395
Bldg Area Rate (\$/SF)	\$0.12000	\$0.12600	\$0.13230	\$0.13892	\$0.14586
Zone B	YR 1	YR 2	YR 3	YR 4	YR 5
Street Frontage Rate (\$/LF)	\$0.66000	\$0.69300	\$0.72765	\$0.76403	\$0.80223
Land Area Rate (\$/SF)	\$0.00130	\$0.00137	\$0.00143	\$0.00150	\$0.00158
Bldg Area Rate (\$/SF)	\$0.04800	\$0.05040	\$0.05292	\$0.05557	\$0.05834

Step 8. Spread the Assessments

The resultant assessment spread calculation results for each parcel within the PBID are shown in the Management District Plan and were determined by applying the District assessment formula to each identified benefiting parcel.

APPENDIX 1

2012-13 PROPERTY TAX ASSESSMENT ROLL

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APN	YR 1 ASSMT
0439-022-68-0000	\$13,417.00
3087-301-41-0000	\$1,395.34
3087-301-42-0000	\$84.63
3087-301-43-0000	\$601.36
3087-301-44-0000	\$387.83
3087-301-45-0000	\$10,840.02
3087-301-46-0000	\$558.88
3087-301-52-0000	\$1,604.69
3087-341-01-0000	\$491.52
3087-341-02-0000	\$377.50
3087-341-03-0000	\$1,392.78
3087-341-04-0000	\$825.32
3087-341-05-0000	\$389.59
3087-341-06-0000	\$8.13
3087-341-07-0000	\$16.25
3087-341-08-0000	\$1,017.77
3087-341-09-0000	\$159.61
3087-341-10-0000	\$933.29
3087-341-11-0000	\$996.44
3087-341-12-0000	\$478.46
3087-341-13-0000	\$302.59
3087-341-19-0000	\$508.83
3087-341-20-0000	\$895.13
3087-341-25-0000	\$1,001.64
3087-341-30-0000	\$1,727.43
3087-341-31-0000	\$1,451.45
3087-341-39-0000	\$526.76
3087-341-40-0000	\$208.47
3087-341-43-0000	\$1,743.03
3087-342-01-0000	\$603.98
3087-342-02-0000	\$550.25
3087-342-03-0000	\$526.66
3087-342-06-0000	\$668.96
3087-342-07-0000	\$916.30
3087-342-08-0000	\$1,099.57
3087-342-21-0000	\$685.20
3087-342-25-0000	\$1,160.59
3087-342-32-0000	\$276.17
3087-342-33-0000	\$466.85
3087-342-34-0000	\$9,823.69
3087-342-38-0000	\$4,059.95
3087-342-39-0000	\$729.43
3087-342-43-0000	\$1,759.86
3087-342-46-0000	\$646.50

APN	YR 1 ASSMT
3087-381-01-0000	\$0.00
3087-381-06-0000	\$495.38
3087-381-07-0000	\$136.50
3087-381-08-0000	\$78.25
3087-381-09-0000	\$78.25
3087-381-10-0000	\$224.16
3087-381-11-0000	\$767.37
3087-381-12-0000	\$385.28
3087-381-19-0000	\$587.90
3087-381-21-0000	\$564.96
3087-381-22-0000	\$274.10
3087-382-01-0000	\$1,178.66
3087-382-02-0000	\$1,972.77
3087-382-03-0000	\$553.89
3087-382-04-0000	\$700.01
3087-382-05-0000	\$995.12
3087-382-13-0000	\$161.25
3087-382-14-0000	\$573.19
3087-382-15-0000	\$1,287.14
3087-382-16-0000	\$158.81
3087-382-17-0000	\$161.25
3087-382-18-0000	\$158.92
3112-561-13-0000	\$912.34
3112-561-25-0000	\$383.72
3112-561-26-0000	\$2,421.77
3112-563-11-0000	\$3,066.31
3112-563-12-0000	\$185.63
3112-563-13-0000	\$185.63
3112-563-14-0000	\$584.75
3112-563-15-0000	\$569.63
3112-563-16-0000	\$633.19
3112-563-17-0000	\$423.59
3112-563-18-0000	\$185.63
3112-563-19-0000	\$521.63
3112-563-20-0000	\$185.63
3112-563-21-0000	\$853.07
3112-563-22-0000	\$821.63
3112-563-23-0000	\$605.63
3112-563-24-0000	\$321.98
3112-651-23-0000	\$3,300.30
3112-651-24-0000	\$3,884.17
3112-653-01-0000	\$623.00
3112-653-02-0000	\$509.63
3112-653-03-0000	\$713.63

APN	YR 1 ASSMT
3112-653-04-0000	\$366.83
3112-653-05-0000	\$473.15
3112-653-06-0000	\$421.07
3112-653-07-0000	\$500.99
3112-653-08-0000	\$425.63
3112-653-09-0000	\$701.39
3112-653-10-0000	\$605.63
3112-653-11-0000	\$185.63
3112-653-12-0000	\$1,987.65
3112-731-07-0000	\$2,723.47
3112-731-08-0000	\$895.93
3112-731-12-0000	\$370.84
3112-731-13-0000	\$370.84
3112-731-22-0000	\$1,324.13
3112-731-23-0000	\$5,010.87
3112-731-24-0000	\$1,344.10
3112-731-25-0000	\$780.73
3087-341-16-0000	\$2.86
3087-341-17-0000	\$26.00
3087-341-21-0000	\$571.43
3087-341-22-0000	\$600.55
3087-341-23-0000	\$202.19
3087-341-24-0000	\$287.61
3087-341-32-0000	\$529.76
3087-341-41-0000	\$571.73
3087-342-09-0000	\$452.67
3087-342-10-0000	\$716.36
3087-342-11-0000	\$3,278.64
3087-342-12-0000	\$136.42
3087-342-13-0000	\$7.80
3087-342-14-0000	\$42.90
3087-342-15-0000	\$18.85
3087-342-16-0000	\$2.60
3087-342-17-0000	\$42.90
3087-342-18-0000	\$54.51
3087-342-19-0000	\$57.12
3087-342-20-0000	\$16.32
3087-342-22-0000	\$406.47
3087-342-23-0000	\$4.94
3087-342-24-0000	\$413.44
3087-342-26-0000	\$398.83
3087-342-27-0000	\$875.04
3087-342-28-0000	\$605.42
3087-342-29-0000	\$704.70

APPLE VALLEY VILLAGE PROPERTY & BUSINESS IMPROVEMENT DISTRICT

3087-342-30-0000	\$347.10
3087-342-31-0000	\$277.78
3087-342-35-0000	\$345.95
3087-342-36-0000	\$363.71
3087-342-37-0000	\$929.12
3087-342-40-0000	\$855.58
3087-342-41-0000	\$275.64
3087-342-42-0000	\$1,019.46
3087-342-44-0000	\$506.41
3087-342-45-0000	\$634.59
3087-351-01-0000	\$365.60
3087-351-02-0000	\$118.01
3087-351-03-0000	\$241.98
3087-351-04-0000	\$241.98
3087-351-05-0000	\$488.48
3087-351-07-0000	\$484.52
3087-351-11-0000	\$483.38
3087-351-13-0000	\$141.00
3087-351-15-0000	\$171.19
3087-351-16-0000	\$171.19
3087-351-30-0000	\$483.03
3087-351-31-0000	\$783.00
3087-351-32-0000	\$105.00
3087-351-33-0000	\$585.00
3087-351-34-0000	\$595.50
3087-351-35-0000	\$115.50
3087-351-36-0000	\$115.50
3087-351-37-0000	\$144.11
3087-351-38-0000	\$105.00
3087-351-39-0000	\$105.00
3087-351-40-0000	\$114.07
3087-351-41-0000	\$114.07
3087-351-42-0000	\$402.07
3087-351-43-0000	\$690.07
3087-351-44-0000	\$690.07
3087-351-45-0000	\$741.33
3087-351-46-0000	\$581.30
3087-351-47-0000	\$388.15
3087-351-48-0000	\$101.84
3087-351-49-0000	\$101.84
3087-351-50-0000	\$291.99
3087-381-02-0000	\$740.06
3087-381-03-0000	\$419.73
3087-381-04-0000	\$1,712.97
3087-381-05-0000	\$1,716.40

3087-381-15-0000	\$747.28
3087-381-16-0000	\$263.89
3087-381-17-0000	\$408.15
3087-381-18-0000	\$427.65
3087-381-20-0000	\$35.09
3087-381-23-0000	\$364.47
3087-381-25-0000	\$239.72
3087-382-10-0000	\$815.73
3087-382-11-0000	\$142.65
3087-382-12-0000	\$772.03
3087-382-19-0000	\$455.96
3087-382-20-0000	\$101.72
3087-382-21-0000	\$101.72
3087-382-22-0000	\$101.72
3087-382-23-0000	\$101.72
3087-382-24-0000	\$101.72
3087-382-25-0000	\$101.72
3087-382-26-0000	\$101.72
3087-382-27-0000	\$101.72
3087-382-28-0000	\$925.52
3087-382-29-0000	\$302.74
3087-382-30-0000	\$101.85
3087-382-31-0000	\$575.61
3087-382-32-0000	\$575.61
3087-382-33-0000	\$553.39
3087-382-34-0000	\$101.85
3087-382-35-0000	\$101.85
3087-382-36-0000	\$101.85
3087-382-37-0000	\$161.85
3087-382-38-0000	\$105.00
3087-391-01-0000	\$2,164.52
3087-391-02-0000	\$42.90
3087-391-03-0000	\$776.35
3087-391-04-0000	\$1,229.72
3087-391-05-0000	\$1,056.15
3087-391-06-0000	\$276.25
3087-391-09-0000	\$376.50
3087-391-10-0000	\$753.00
3087-391-11-0000	\$777.00
3087-391-12-0000	\$303.00
3087-391-13-0000	\$349.80
3087-391-14-0000	\$105.00
3087-391-15-0000	\$105.00
3087-391-16-0000	\$585.00
3087-391-17-0000	\$303.00

3087-391-18-0000	\$364.82
3087-391-19-0000	\$364.89
3087-391-20-0000	\$529.47
3087-391-21-0000	\$739.74
3087-391-22-0000	\$986.72
3087-391-23-0000	\$115.36
3087-391-24-0000	\$115.50
3087-391-25-0000	\$115.50
3087-391-26-0000	\$115.50
3087-391-27-0000	\$115.50
3087-391-28-0000	\$115.50
3087-391-29-0000	\$230.88
3087-391-30-0000	\$2,595.34
3087-392-05-0000	\$498.89
3087-392-06-0000	\$1,074.00
3087-392-07-0000	\$115.50
3087-392-08-0000	\$303.00
3087-392-09-0000	\$105.00
3087-392-12-0000	\$284.83
3087-392-13-0000	\$102.01
3087-392-14-0000	\$523.88
3087-392-15-0000	\$115.50
3087-392-16-0000	\$115.50
3087-392-19-0000	\$674.70
3087-392-20-0000	\$102.01
3087-392-21-0000	\$102.01
3087-392-22-0000	\$284.83
3087-392-23-0000	\$115.50
3087-392-24-0000	\$115.50
3087-392-25-0000	\$115.50
3087-392-26-0000	\$115.50
3087-392-27-0000	\$576.68
3087-392-28-0000	\$899.10
3087-392-29-0000	\$634.20
3087-392-30-0000	\$115.50
3087-392-31-0000	\$115.50
3087-392-32-0000	\$115.50
3087-392-33-0000	\$115.50
3087-392-34-0000	\$115.50
3087-392-35-0000	\$348.82
3087-392-36-0000	\$112.54
3087-392-37-0000	\$112.54
3087-392-38-0000	\$1,230.90
3087-392-39-0000	\$1,210.19
3112-651-25-0000	\$313.06

APPLE VALLEY VILLAGE PROPERTY & BUSINESS IMPROVEMENT DISTRICT

3112-651-26-0000	\$493.50
3112-651-27-0000	\$143.75
3112-651-28-0000	\$540.01
3112-721-01-0000	\$1,289.31
3112-721-02-0000	\$335.55
3112-721-03-0000	\$105.00
3112-721-04-0000	\$105.00
3112-721-05-0000	\$344.87
3112-721-06-0000	\$105.00
3112-721-07-0000	\$736.33

3112-721-08-0000	\$825.00
3112-721-09-0000	\$105.00
3112-721-10-0000	\$436.50
3112-721-11-0000	\$105.00
3112-721-12-0000	\$105.00
3112-721-13-0000	\$736.33
3112-731-01-0000	\$595.36
3112-731-02-0000	\$115.36
3112-731-03-0000	\$115.36
3112-731-04-0000	\$585.00

3112-731-05-0000	\$585.00
3112-731-06-0000	\$136.50
3112-731-15-0000	\$402.76
3112-731-16-0000	\$122.14
3112-731-17-0000	\$163.43
3112-731-18-0000	\$2,056.62
3112-731-19-0000	\$594.15
3112-731-21-0000	\$983.32