

File No. 180665

Committee Item No. 5

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight

Date: Sept. 19, 2018

Board of Supervisors Meeting:

Date: \_\_\_\_\_

#### Cmte Board

- |                                     |                          |  |
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| <input type="checkbox"/>            | <input type="checkbox"/> | Motion                                       |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution                                   |
| <input type="checkbox"/>            | <input type="checkbox"/> | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Digest                           |
| <input type="checkbox"/>            | <input type="checkbox"/> | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/> | Youth Commission Report                      |
| <input type="checkbox"/>            | <input type="checkbox"/> | Introduction Form                            |
| <input type="checkbox"/>            | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/> | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Subcontract Budget                           |
| <input type="checkbox"/>            | <input type="checkbox"/> | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/> | Form 126 – Ethics Commission                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Application                                  |
| <input type="checkbox"/>            | <input type="checkbox"/> | Public Correspondence                        |

#### OTHER

- |                                     |                          |   |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>CBD Annual Report - FY2016-2017</u>          |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>CPA Financial Statements - June 30, 2017</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>OEWD Letter - June 13, 2018</u>              |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Referral FYI - June 27, 2018</u>             |
| <input type="checkbox"/>            | <input type="checkbox"/> | _____   |

Prepared by: John Carroll

Date: Sept. 14, 2018

Prepared by: John Carroll

Date: \_\_\_\_\_

1 [Greater Rincon Hill Community Benefit District - Annual Report - FY2016-2017]

2  
3 **Resolution receiving and approving the annual report for the Greater Rincon Hill**  
4 **Community Benefit District (dba The East Cut Community Benefit District) for**  
5 **FY2016-2017, submitted as required by the Property and Business Improvement**  
6 **District Law of 1994 (California Streets and Highways Code, Sections 36600, *et seq.*),**  
7 **Section 36650, and the District's management agreement with the City, Section 3.4.**  
8

9 WHEREAS, On June 9, 2015, pursuant to the Property and Business Improvement  
10 District Law of 1994 (the "Act"), California Streets and Highways Code, Sections 36600 *et*  
11 *seq.*, as augmented by Article 15 of the San Francisco Business and Tax Regulations Code,  
12 the Board of Supervisors adopted Resolution No. 199-15, expressing the City's intention to  
13 establish the Greater Rincon Hill Community Benefit District (the "Greater Rincon Hill CBD");  
14 and

15 WHEREAS, On July 31, 2015, the Board of Supervisors adopted Resolution  
16 No. 299-15 establishing the Greater Rincon Hill CBD for a period of 15 years, commencing  
17 FY2015-2016; and

18 WHEREAS, On December 8, 2015, the Board of Supervisors adopted Resolution  
19 No. 506-15, authorizing the City to enter into an agreement with the Greater Rincon Hill CBD  
20 owners' association (the "Greater Rincon Hill Association") for the administration and  
21 management of the District (the "Management Contract"); and

22 WHEREAS, A copy of the executed Management Contract is on file with the Clerk of  
23 the Board of Supervisors in File No. 151192; and

24 WHEREAS, The Greater Rincon Hill Association refers to the Greater Rincon Hill CBD  
25 as The East Cut CBD, and has submitted for the Board of Supervisors' receipt and approval

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an annual report for FY2016-2017 as required by Section 36650 of the Act and Section 3.4 of the Management Contract; and

WHEREAS, The Annual Report is on file with the Clerk of the Board of Supervisors in File No. 180665, and is incorporated herein by reference as though fully set forth; and

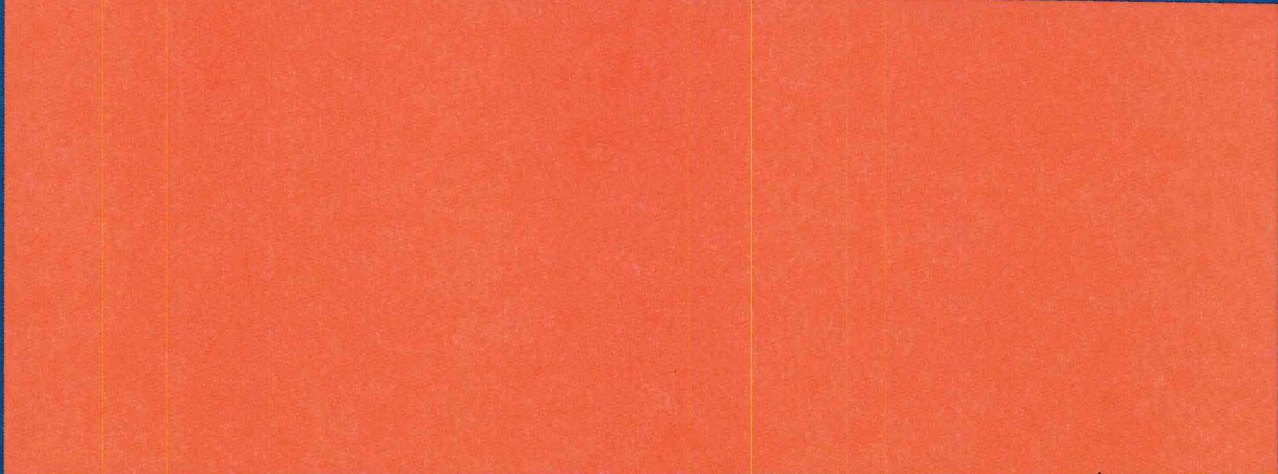
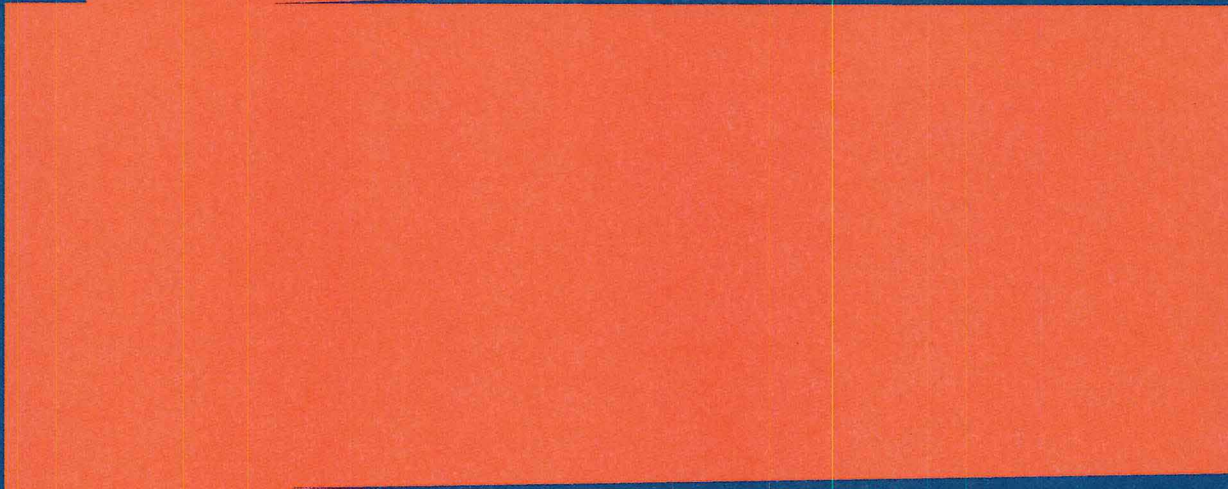
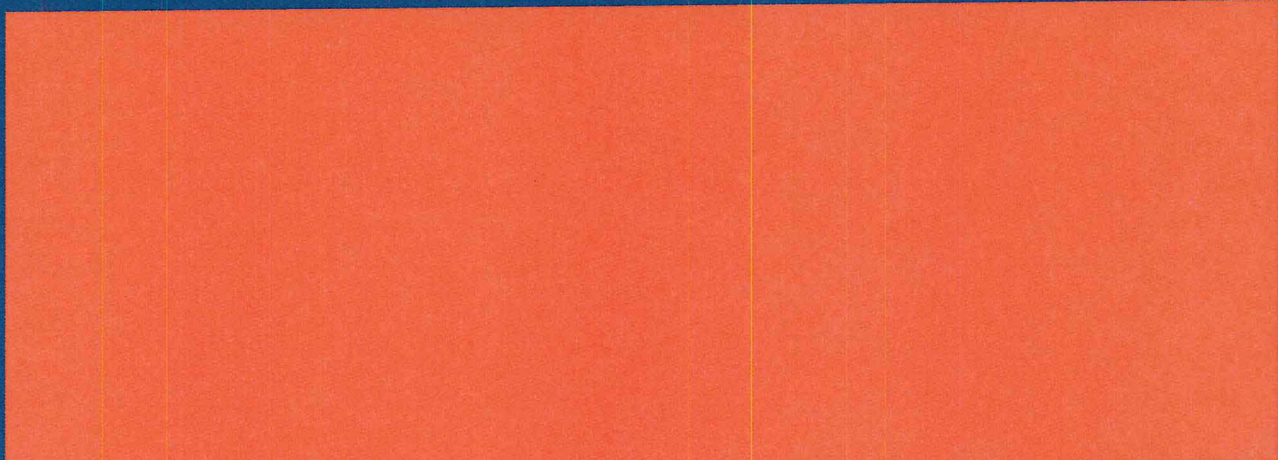
WHEREAS, Supporting documents, including, but not limited to, a transmittal letter and memorandum report from the City's Office of Economic and Workforce Development, dated June 13, 2018, and documentation from the Greater Rincon Hill CBD for the FY2016-2017 Annual Report is on file with the Clerk of the Board of Supervisors in File No. 180665; and

RESOLVED, That the Board of Supervisors hereby receives and approves the annual report for the Greater Rincon Hill Community Benefit District for FY2016-2017.

THE  
EAST  
CUT

Community Benefit District  
Annual Report

Fiscal Year  
2016 – 2017



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FINANCIAL  
DISTRICT

EMBARCADERO

MARKET STREET

STUART STREET

MISSION STREET

SPEAR STREET

HOWARD STREET

MAIN STREET

2ND STREET

BEALE STREET

YERBA BUENA

FRANKLIN STREET

FOLSOM STREET

1ST STREET

SOUTH BEACH

HARRISON STREET

BAY BRIDGE

RINCON HILL

FOLSOM STREET

TRANSBAY

# INTRODUCTION LETTER FROM THE PRESIDENT

06



WITH GRATITUDE  
FOR YOUR SUPPORT,

A handwritten signature in black ink that reads "Lauren Post". The signature is fluid and cursive, with a large, stylized "P" at the end.

LAUREN POST  
*President,  
Board of Directors  
The East Cut CBD*

07

DEAR NEIGHBORS, I am pleased to share with you The East Cut Community Benefit District's first Annual Report. Fiscal year 2016-17 marked the CBD's first full year of operations. With our small but hard-working staff, contractors, and volunteer board of directors we accomplished many goals while launching new initiatives.

What is The East Cut? It is the area in San Francisco east of the Second Street Cut, a 19th-century engineering project that connected downtown to South Beach docks. Our district encompasses Rincon Hill, Folsom Street, and Transbay, the three components signified by our "E" logo.

How best to shape the City's fastest-growing and densest neighborhood? How to ensure we don't live, work, and own property in a sea of high-rises without soul or identity? What will make this part of San Francisco the most exciting and rewarding place to be?

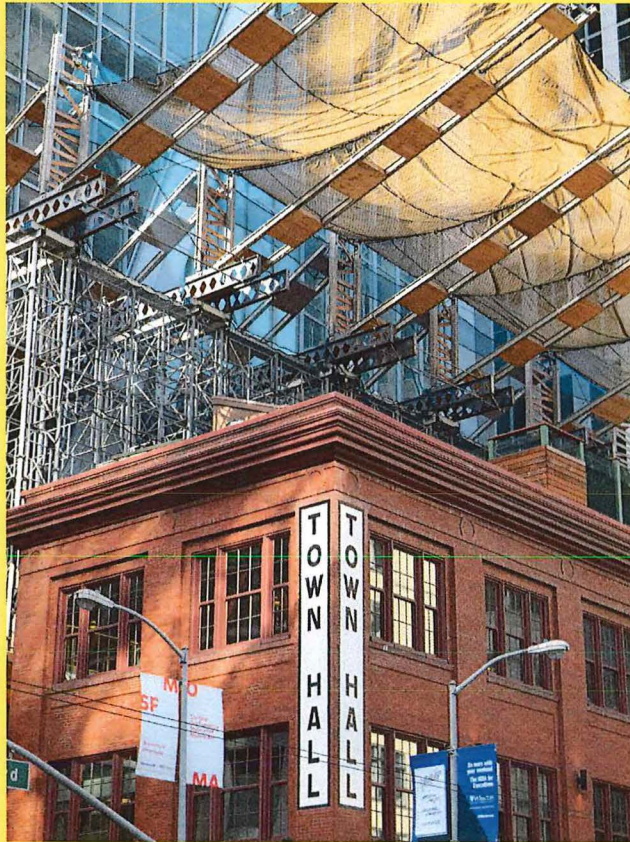
The CBD's role in our neighborhood, defined in the Management Plan approved by property owners, is twofold. First, we supplement basic City services to keep our streets clean and safe. I hope you have seen our East Cut Clean Team removing garbage, graffiti, needles, and waste, topping off trash cans, steam cleaning sidewalks, and weeding curbs. (Feel free to give them a "thanks" when you pass by!) Community Guides provide directions to visitors, assist small businesses, notify proper authorities of unsafe situations, and help homeless individuals get to services and housing. And our CBD Private Security Patrols are on the streets every night, all night.

The district's second mandate is to help ensure the vitality of our neighborhood's economic base. This means building a community where people want to live and spend time, businesses will locate, employers will create jobs, and tourists will explore. The East Cut will always be recognizable on the San Francisco skyline by our Salesforce Tower beacon, and when the new Transit Center opens with its spectacular rooftop park, we will host a stream of first-time visitors.

But we need to get these people to return and appreciate our other treasures – qualities that make The East Cut unique. This year the CBD will continue to maintain and program our small but growing list of neighborhood parks and wealth of privately-owned public spaces with their world-class art. We'll expand our weekend and after-work community events, including block parties, art shows, holiday festivals, and family activities. We'll work with developers and City agencies to bring more neighborhood-serving retail to The East Cut. And we'll keep advocating at City Hall for the resources we need and have earned from our economic growth.

For me, as an East Cut resident and property owner, this past year in startup mode was busy but rewarding. The year ahead promises to be even more active as the CBD works to build a real, identifiable City neighborhood. To help us out, I ask two things: 1) Whenever you see a quality-of-life issue on our streets that needs addressing, please call, text, or email the CBD's 24/7 Dispatch service at 415.543.8223 or [dispatch@theeastcut.org](mailto:dispatch@theeastcut.org). And 2) Please go to our website [theeastcut.org](http://theeastcut.org) and sign up for the CBD's monthly newsletter.

# MISSION



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The East Cut Community Benefit District works to advance the district's quality of life for residents, workers, and visitors by providing a safer and more secure community, enhancing environmental quality and beauty, and reinforcing the viability of the neighborhood's economic base.

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# THE HISTORY OF THE EAST CUT



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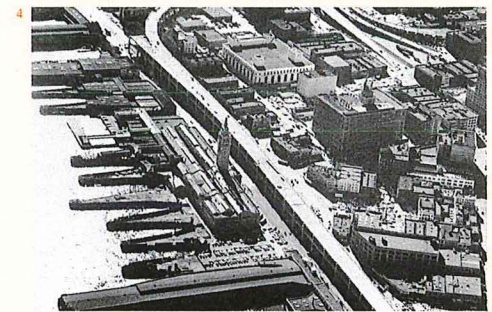
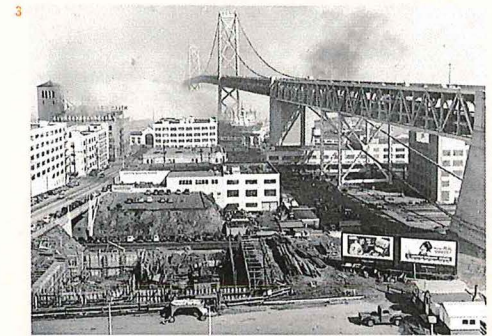
For years prior to its rebirth, the blocks within The East Cut district were lumped in with SOMA, South Park, South Beach, the Financial District, or the Embarcadero. But as our corner of San Francisco has redeveloped and come into its own, residents, businesses, and community organizations are embracing a new identity to distinguish our home from the rest of the City.

This unique part of San Francisco has experienced significant change and growth in the past few decades, including the removal of the Embarcadero Freeway, the densest concentration of new housing and commercial construction in the Bay Area, and the creation of thousands of new jobs. The East Cut name is a local effort to unite the Rincon Hill, Folsom Street, and Transbay areas under a recognizable banner and identity befitting our “new” neighborhood. The East Cut builds a sense of place and pride, while harkening back to when our community first became an important part of San Francisco.

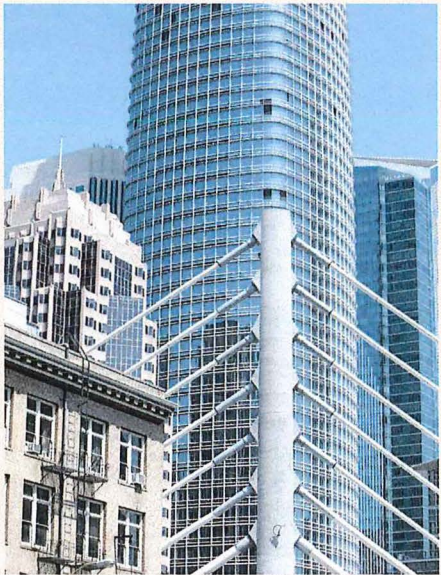
After the Gold Rush, Rincon Hill, one of the seven original hills of the City, was one of San Francisco’s most elegant and fashionable neighborhoods. Then in 1869, city planners decided to flatten the center of Rincon Hill along 2nd Street, creating the 2nd Street Cut. The intent was to facilitate horse-drawn transport between downtown and south bayside docks. The Cut, however, scarred the neighborhood and it lost its cachet. By 1880 the wealthy started to leave the Rincon Hill area for more up-and-coming parts of San Francisco, and the entire sector east of the 2nd Street Cut evolved into a gritty swath of industry and commercial uses.

The 1906 earthquake and fire leveled much of the building stock. When the neighborhood was reconstructed, it was characterized by warehouses and large business operations catering to seafaring and other industries. The community’s character changed again when the Bay Bridge opened in 1936, and even more dramatically with the completion of the Embarcadero Freeway in 1959. Only when the Freeway was taken down after the 1989 Loma Prieta earthquake, and this sector of the City opened up, was the potential of the eastern waterfront recognized. City planners began to envision a new mixed-use neighborhood in this strategic part of San Francisco.

11



- 1 Second Street Cut Excavation, 1869.
- 2 Boys on top of Rincon Hill, 1870.
- 3 Construction of Sailors Union of the Pacific, 1947.
- 4 Embarcadero Freeway and ramps south of Market Street, 1960.



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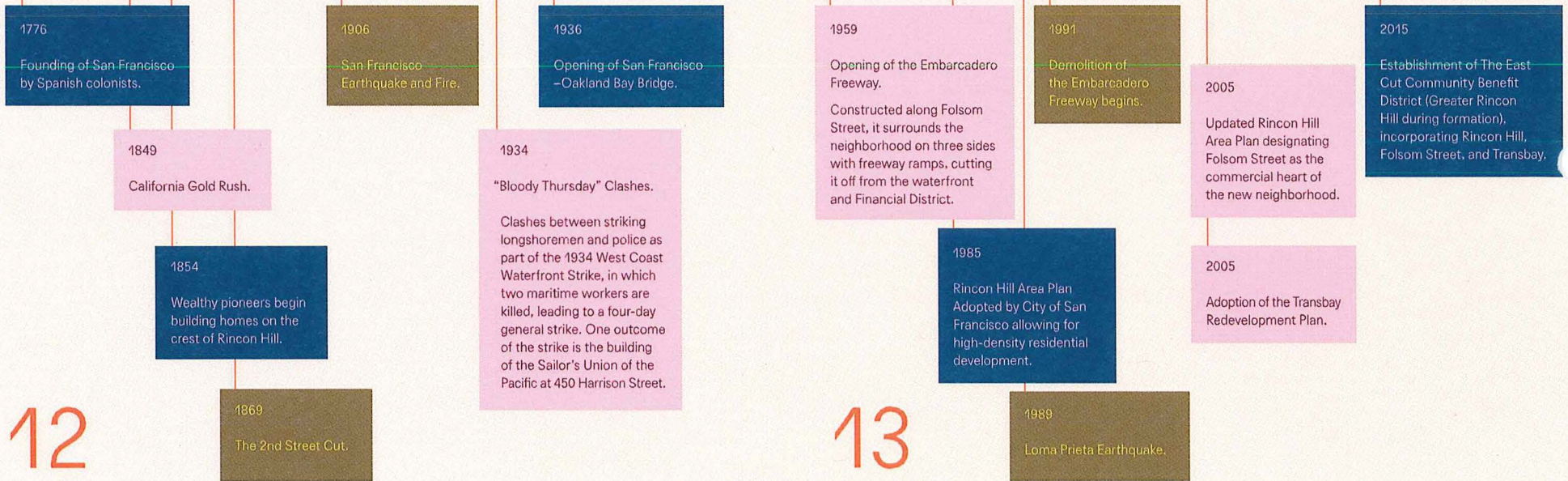
**THE EAST CUT TODAY.** The neighborhood's setback in the 19th Century allowed its leap forward into the 21st. Monumental residential and commercial towers are juxtaposed today with iconic San Francisco landmarks such as Klockars Blacksmith, the Sailor's Union of the Pacific, and the Bay Bridge. When you stroll around The East Cut district, amid the hustle-bustle you discover intimate public spaces and world-class art, along with surprise views of the Bay and the sparkling Bay Lights flowing across the Bridge at night. Where coffee once roasted in the Hills Brothers factory and longshoremen lugged goods from docked ships, we now have modern office buildings hosting some of the most innovative companies in the world. Longtime local residents and businesses are welcoming their new neighbors as The East Cut promises to be one of the most forward-thinking and hospitable districts in San Francisco.



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Much like the City at large, The East Cut is animated by a cosmopolitan spirit that celebrates the reward of urban living – constant motion and evolution, serendipitous encounters, and inspiration. The East Cut has evolved from a colorful and rich history to epitomize the dynamic future of San Francisco.

5 [Salasforce Tower and Transit Center bus bridge.](#)  
6 [Emerald Park.](#)



# HIGHLIGHTS & ACCOMPLISHMENTS



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Fiscal Year 2016-17 marked the first full year of operations for The East Cut Community Benefit District.

The first priority of the district's Board of Directors, staff, and community was to establish responsive, high-quality clean and safe services. We are proud to have achieved our current levels of service, and continually analyze the program to improve systems and make appropriate course corrections. A sample of our year's activities includes:

- Coordination with City agencies to create and maintain a clean and safe public right-of-way along Essex Street and the Spear Street cul-de-sac.
- Collaboration with the Office of Community Investment and Infrastructure (OCII) to clean Essex Street Hillside, removing thousands of pounds of debris and trash. (1)
- Convening property manager meetings with SFPD to encourage responsiveness and attention to neighborhood issues.

Last year we also launched The East Cut CBD's maintenance of neighborhood parks and greenspaces, and hosted community events to highlight and celebrate the POPOS (Privately-Owned Public Open Spaces) and art located in our district. The CBD:

- Maintained Emerald Park—the district's first public park and an oasis amidst the building boom, with a children's playground and plantings.
- Hosted the district's first-ever pop-up beer garden at the 100 1st Street POPOS with Fort Point Beer Company.
- Launched a walking tour of public art in public spaces ([publicarttour.com](http://publicarttour.com)). (2)
- Surveyed over 1,000 district street trees to assess their health and maintenance needs.

Additionally in FY16-17, The East Cut CBD unveiled new programs to support and reinforce the community's economic base by promoting local businesses, producing pop-up events, and introducing the public to The East Cut. The CBD:

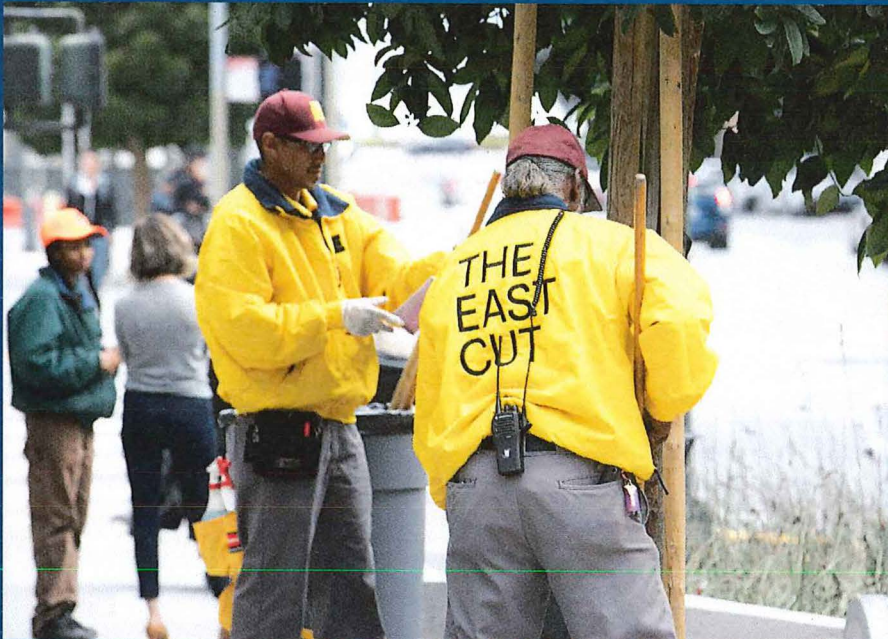
- Co-sponsored a City Hall Day of Advocacy with the San Francisco Chamber of Commerce to promote the neighborhood.
- Welcomed neighbors to a pop-up public art event to launch the CBD's East Cut identity and demonstrate interest in cultural programming in the district. (3)
- Toured retailers and leasing agents through the district to introduce them to the community's energy and momentum.

1 [Before and after Essex Street Hillside cleanup.](#)

2 [Public Art Tour.](#)

3 [The East Cut Identity Poster Show.](#)

# SERVICES & STATS



It's not a coincidence that the sidewalks, public spaces, and even the edges of construction sites were cleaner and safer this past year. Your East Cut team is out sweeping the streets, picking up trash, removing graffiti, and focusing on safety twenty-four hours a day, seven days a week.

**CLEANING AND MAINTENANCE.** Our core mission is to create a clean and safe environment for our community. The East Cut CBD crews provide daily cleaning and beautification, including sidewalk sweeping and power washing, graffiti abatement, topping off City trash cans, weeding tree basins and sidewalk cracks, and spot cleaning health hazards. These critical services go beyond baseline City services to ensure that The East Cut is an inviting and accessible neighborhood in which to live, work, and visit.

**SECURITY.** The #1 priority of our CBD is to ensure a safe environment for the more than 100,000 residents, employees and visitors who move through The East Cut every day. We are the only district in the City to provide 24/7 neighborhood security. Our patrol teams cover the entire CBD to deter crime and communicate with SFPD for effective, coordinated action.

**COMMUNITY GUIDES.** Along with our clean and safe teams, the CBD fields community guides and ambassadors who offer assistance and directions to locals and visitors. Operating as the "eyes and ears" of The East Cut, our guides connect individuals with key services, respond compassionately to calls for homeless outreach, and ensure that the district operates smoothly, fulfilling its mission to provide a safe and desirable neighborhood for all.

**PARKS AND GREENSPACE.** Charged with ensuring the vitality of our area's extensive greenspaces, the CBD maintains parks, rain gardens, sidewalk landscaping, and parklets. In the next few years, The East Cut CBD will add four new neighborhood parks to its operations, and partner with the Transbay Joint Powers Authority to operate and maintain the rooftop park above the new Salesforce Transit Center.

Learn more at: [www.theeastcut.org](http://www.theeastcut.org)

1,188

Public calls for clean and safe service responded to.

1,565

Trash cans topped.

3,391

Calls for homeless outreach assistance.

1,740

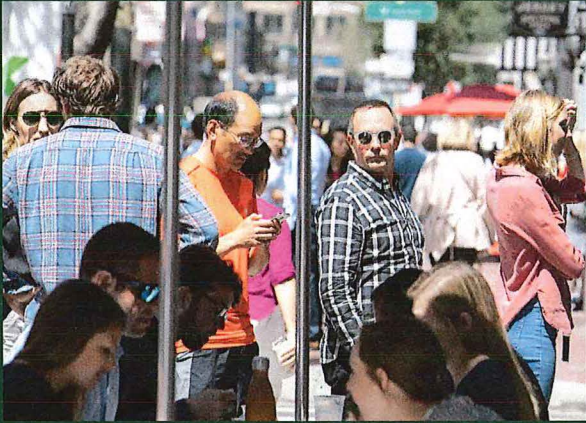
Instances of graffiti removed or cleaned.

134,862

Pounds of garbage removed.

690

Needles removed.



Busy streets at lunch time, 2nd Street.



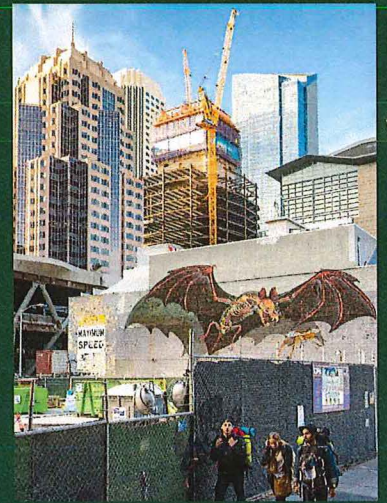
Transit Center from the POPOS at 100 1st Street.



Jonathan Boroffsky, Human Structures, 455 Mission Street.



Klockars Blacksmith, 443 Folsom Street.



Nicholas Murali, 632 Folsom Street.

# PEOPLE OF THE EAST CUT



**WENDY, 1**  
Owner, Socola Chocolatier

"I love the diversity of the people of the neighborhood that I get to see every day both in and passing by my chocolate shop! With so many changes and so many moving parts in our community, it's nice to see people take a minute to stop, relax and enjoy life."

LOCATION  
Socola Chocolatier



**SHARK, 2**  
Music Director, SF Rock Project

"SF Rock Project is important because it is a haven for the youth of San Francisco to express themselves, gain confidence, develop skills in playing music and music theory, discover their abilities in creative art, and most importantly, collaborate with their peers to create dynamic art."

LOCATION  
Sailor's Union of the Pacific



**ROBERT, 3**  
Street Services Team Lead

As a Community Guide, Robert provides directions to visitors, connects with local businesses, and acts as "eyes and ears" for the community.

"I love seeing all the new outside seating at locations like Woodlands Market, Ada's Cafe and Philz Coffee. You can feel a sense of community by walking down the street."

LOCATION  
Folsom and Fremont Street



**SHELLEY, 4**  
Rincon Hill Dog Park Board Member

"I've been embracing all of the changes that The East Cut District is experiencing. In particular, I love the new businesses that provide outdoor seating where we can enjoy a coffee or a bite to eat with our dog, Bacil! The Rincon Hill Dog Park is another fun space where pups and people congregate for Yappy Hours and a good game of frisbee."

LOCATION  
Rincon Hill Dog Park



**SANELA & HER DAUGHTER KAIA, 5**  
Neighborhood Residents

"Over the past few years I've noticed so many more families moving into our area. It's so nice to meet new families and connect at the numerous open spaces around The East Cut."

LOCATION  
Emerald Park

# THE YEAR AHEAD

We are all stewards in the process of building community and creating a sense of place. In shaping The East Cut district and laying the groundwork for its vibrant future, we also have a responsibility to preserve the authentic character of the neighborhoods that make The East Cut a unique and inviting part of San Francisco.

Looking ahead, The East Cut CBD will continue its work to foster a more connected community by organizing our three neighborhoods into one voice, building relationships within and outside the district, and serving as your conduit to City Hall to make sure the promise of The East Cut is realized.

The East Cut CBD is embarking on a neighborhood planning process with City agencies and local partners that is a model for public-private partnerships. The South Downtown Design and Activation project (Soda), co-led by the CBD and San Francisco Planning, is poised to achieve new levels of civic participation that will result in rich community activation. The Soda project will update the existing large area plans for Rincon Hill and Transbay and focus new attention on this ever-changing corner of the city.

In the coming year The East Cut CBD also will lead the way in improving the urban tree canopy, will continue working with City agencies to plan and program public parks, and will kick off community programming in the soon-to-be iconic Salesforce park and gardens atop the Transit Center.

Below the skyscrapers, we will be creating greater street-level experiences by designing a retail strategy that attracts new small businesses to enliven our neighborhood. We also plan to host new culture-centered programs and events to enrich the hours beyond the workday.

The East Cut district is shaping up to be the most transit-rich and densest community in the history of San Francisco. With 2,700 new housing units in the pipeline, our district's residential population will swell from 10 to 15+ thousand neighbors by 2020. A large portion of these new units will have affordable options exceeding the city's goals.

Given our new residents, growing employment centers, and expectations for increased visitors and tourism, the CBD's challenge will be to help maintain a high quality of life for all who call The East Cut home, while ensuring a strong and diverse economic base.

We are several neighborhoods, but one community.  
We are living on San Francisco's modern edge.

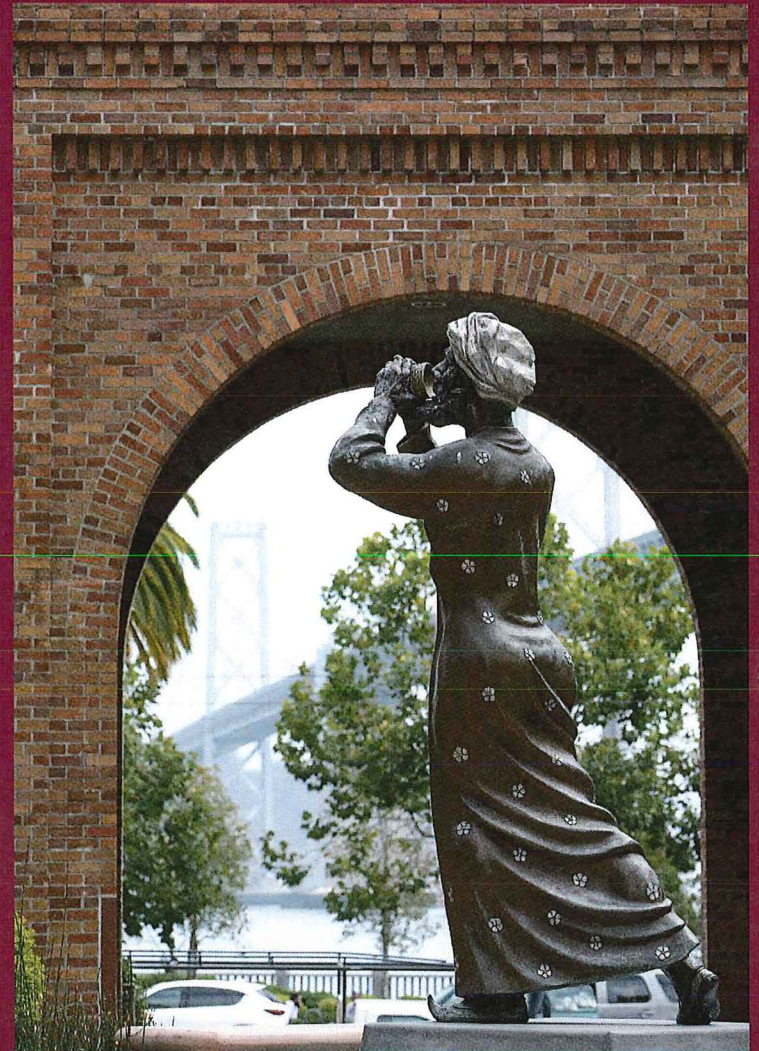
The East Cut street team making sure the neighborhood is safe and clean.



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Sparo Ananuros, Hills, Ross, Colleen Dimker, Hills Plaza, Spear Street.



# BUDGET

# &

# BALANCE SHEET

## JULY 2016 – JUNE 2017 ACTUALS

INCOME	ACTUALS	BUDGET	OVER / (UNDER) BUDGET
Assessments	\$ 2,422,765.00	\$ 2,279,245.15	\$ 143,519.85
Fundraising/In-Kind	\$ 60,431.00	\$ 58,331.00	\$ 2,100.00
Interest & Penalty Income	\$ 11,815.00	\$ 4,100.00	\$ 7,715.00
<b>TOTAL INCOME</b>	<b>\$ 2,495,011.00</b>	<b>\$ 2,341,676.15</b>	<b>\$ 153,334.85</b>

EXPENSES	ACTUALS	BUDGET	OVER / (UNDER) BUDGET
Public Safety	\$ 935,424.00	\$ 960,563.54	\$ (25,139.54)
Cleaning & Maintenance	\$ 619,318.00	\$ 560,427.54	\$ 58,890.46
Parks & Greenspace	\$ 156,248.00	\$ 364,078.09	\$ (207,830.09)
Economic Development	\$ 267,172.00	\$ 276,277.67	\$ (9,105.67)
Management & Operations	\$ 259,715.00	\$ 376,764.72	\$ (117,049.72)
<b>TOTAL EXPENSE</b>	<b>\$ 2,237,877.00</b>	<b>\$ 2,538,111.56</b>	<b>\$ (300,234.56)</b>

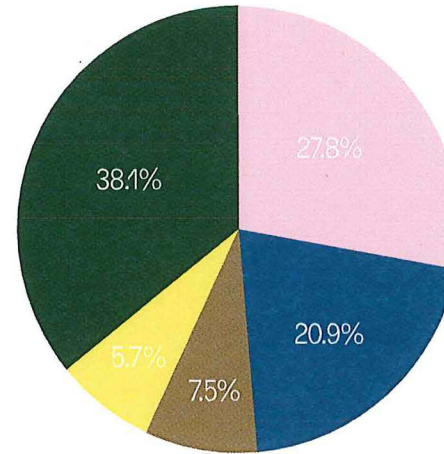
## JULY 2016 – JUNE 2017 BALANCE SHEET

ASSETS	
Cash in Bank	\$ 814,501.00
Accounts Receivable, Net	\$ 48,977.00
Investments	\$ 1,762,717.00
Capital Assets	\$ 45,210.00
<b>TOTAL ASSETS</b>	<b>\$ 2,671,405.00</b>

LIABILITIES	
<b>TOTAL LIABILITIES</b>	<b>\$ 478,319.00</b>
<b>TOTAL NET ASSETS (CARRYOVER)</b>	<b>\$ 2,193,086.00</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 2,671,405.00</b>

24

## JULY 2017 – JUNE 2018 BUDGET



INCOME	
Assessments	\$ 3,290,000.00
Fundraising/In-Kind	\$ 70,650.00
Interest Income	\$ 6,250.00
Carryover Used	\$ 482,084.00
<b>TOTAL INCOME</b>	<b>\$ 3,848,984.00</b>

FIG. 01

Category	Percentage
Public Safety	27.8%
Cleaning & Maintenance	20.9%
Administration	7.5%
Economic Development	5.7%
Parks & Greenspace	38.1%

## PROJECTED CARRYOVER DISBURSEMENT

CARRYOVER	AS OF 6.30.17	BUDGETED FOR FY17-18	BUDGETED FOR FUTURE YEARS
Public Safety	\$ 707,862.00	\$ 194,967.00	\$ 512,895.00
Cleaning & Maintenance	\$ 544,398.00	\$ 77,327.00	\$ 467,071.00
Parks & Greenspace	\$ 548,547.00	\$ 42,404.00	\$ 506,143.00
Economic Development	\$ 177,971.00	\$ 139,108.00	\$ 38,863.00
Management & Operations	\$ 214,308.00	\$ 28,278.00	\$ 186,030.00
<b>TOTAL</b>	<b>\$ 2,193,086.00</b>	<b>\$ 482,084.00</b>	<b>\$ 1,711,002.00</b>

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# ASSESSMENT METHODOLOGY AND CALCULATION

Each property within the CBD's boundaries pays a special assessment proportionate to its share of the cost of the district's services. The assessment is based on a formula that determines the property's special benefit received.

An individual parcel's annual assessment can be calculated in three steps:

1. Determine the parcel's land use and proximity to Salesforce Park to find out the assessment rate.
2. Add parcel lot square footage plus building square footage.
3. Multiply by the appropriate assessment rate.

$$( \text{PARCEL LOT SQUARE FOOTAGE} + \text{BUILDING SQUARE FOOTAGE} ) \times \text{ASSESSMENT RATE} = \text{ANNUAL PARCEL ASSESSMENT}$$

EXAMPLES: For land uses more than 500 feet from Salesforce Park (excluding affordable housing and non-profit uses) with a 10,000 square foot lot and 100,000 square foot building, the calculation is:

$$\text{FY2016/17} \\ (10,000 + 100,000) \times \$0.08476 = \\ \$9,324 \text{ annual parcel assessment.}$$

$$\text{FY2017/18} \\ (10,000 + 100,000) \times \$0.09341 = \\ \$9,835 \text{ annual parcel assessment.}$$

All land uses within 500 feet of Salesforce Park, excluding commercial properties adjacent to the park:

$$\text{FY2016/17} \\ (10,000 + 100,000) \times \$0.08476 = \\ \$9,324 \text{ annual parcel assessment.}$$

$$\text{FY2017/18} \\ (10,000 + 100,000) \times \$0.13575 = \\ \$14,933 \text{ annual parcel assessment.}$$

Commercial buildings adjacent to Salesforce Park:

$$\text{FY2016/17} \\ (10,000 + 100,000) \times \$0.08476 = \\ \$9,324 \text{ annual parcel assessment.}$$

$$\text{FY2017/18} \\ (10,000 + 100,000) \times \$0.19482 = \\ \$21,430 \text{ annual parcel assessment.}$$

Commercial buildings adjacent to Salesforce Park and with a connecting bridge:

$$\text{FY2016/17} \\ (10,000 + 100,000) \times \$0.09312 = \\ \$9,143 \text{ annual parcel assessment.}$$

$$\text{FY2017/18} \\ (10,000 + 100,000) \times \$0.22436 = \\ \$24,680 \text{ annual parcel assessment.}$$

Affordable housing and non-profit uses more than 500 feet from Salesforce Park:

$$\text{FY2016/17} \\ (10,000 + 100,000) \times \$0.06357 = \\ \$6,993 \text{ annual parcel assessment.}$$

$$\text{FY2017/18} \\ (10,000 + 100,000) \times \$0.06571 = \\ \$7,228 \text{ annual parcel assessment.}$$

## THE EAST CUT CBD BOARD OF DIRECTORS 2016–2017

Lauren Post, President, *Resident*  
Oz Erickson, Vice President, *Emerald Fund*  
Katina Johnson, Secretary, *Resident*  
Tony Birdsey, Treasurer, *Tishman Speyer*

Larissa Acosta, *Resident*  
Elizabeth Chrisman, *Marin Day Schools*  
Dan Coming, *Resident*  
John Cornwell, *Resident*  
Carla Emil, *Resident*  
Chris Foley, *Polaris Pacific*  
Helen Han, *Boston Properties*  
Shane Hart, *Office of Community Investment & Infrastructure*  
Chema Hernández Gil, *Resident*  
Mike Koperski, *Golden Gate University*  
Tonia Leonardos, *Delta Dental*  
Wendy Lieu, *Socola Chocolatier*  
Matt Lituchy, *Jay Paul Company*  
Sarah MacIntyre, *Kilroy Realty*  
Nabiel Musleh, *Harlot Lounge*  
Steven Rosenthal, *Town Hall Restaurant*  
Jay Shah, *California Accounting Center*  
Adam Tartakovsky, *Crescent Heights*  
Martha Velez, *Transbay Joint Powers Authority*

## PAST THE EAST CUT CBD BOARD MEMBERS

Scott Boule, *Transbay Joint Powers Authority*  
John Gray, *Resident*  
Bob Hite, *Golden Gate University*

## THE EAST CUT CBD COMMITTEES

Audit, Bylaws, City Park, Economic Development, Executive, Finance & Development, Infrastructure Financing District, Neighborhood Parks & Greenspace, Nominating, Personnel & Operations, Street Services & Safety.

## THE EAST CUT CBD STAFF

Andrew Robinson, *Executive Director*  
Tom Kolbeck, *Director of Operations & Community Engagement*  
Lauren Machi, *Administration & Special Projects Manager*

The East Cut CBD would like to thank the individuals and organizations below for their financial contributions and in-kind support in 2016–2017. Their generosity allowed us to provide services and events that improved and enlivened the district.

Bamboo Technologies, Boston Properties, COLLINS, Crescent Heights and Jasper, Emerald Fund, Immersive Pro, Jay Paul Company, Kilroy Realty, Tishman Speyer.

Design by COLLINS  
[www.werecollins.com](http://www.werecollins.com)

Photography by Stuart Locklear  
[www.stuartlocklearphotography.com](http://www.stuartlocklearphotography.com)

Get in touch

The East Cut CBD:

T: +1 415 536 5880

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W: [theeastcut.org](http://theeastcut.org)

The East Cut Dispatch:

T: +1 415 543 8223

E: [dispatch@theeastcut.org](mailto:dispatch@theeastcut.org)



**BENCHMARK 1: Whether the variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan**

Greater Rincon Hill				FY 2016-17						
Service Category/Budget Line	Management Plan Budget	General Benefit Dollars	Management Plan Assessment Budget	% of Budget	FY 2016-17 Budget	General Benefit Dollars	FY 2016-17 Assessment Budget	% of Budget	Variance	Source
Public Safety	\$ 971,056.00	\$ 13,595.00	\$ 957,461.00	38.62%	\$ 960,563.54	\$ 14,000.00	\$ 946,563.54	37.85%	-0.78%	
Cleaning and Maintenance	\$ 619,374.00	\$ 8,671.00	\$ 610,703.00	24.63%	\$ 560,427.54	\$ 8,266.00	\$ 552,161.54	22.08%	-2.55%	
Parks and Greenspace	\$ 591,534.00	\$ 40,165.00	\$ 551,369.00	23.53%	\$ 364,078.09	\$ 40,165.00	\$ 323,913.09	14.34%	-9.18%	
Communication and Development	\$ 78,831.00	\$ -	\$ 78,831.00	3.14%	\$ 276,277.67	\$ -	\$ 276,277.67	10.89%	7.75%	
Management	\$ 145,241.00	\$ -	\$ 145,241.00	5.78%	\$ 153,415.38	\$ -	\$ 153,415.38	6.04%	0.27%	
Operations	\$ 108,232.00	\$ -	\$ 108,232.00	4.30%	\$ 223,349.34	\$ -	\$ 223,349.34	8.80%	4.50%	
<b>TOTAL</b>	<b>\$ 2,514,268.00</b>	<b>\$ 62,431.00</b>	<b>\$ 2,451,837.00</b>	<b>100.00%</b>	<b>\$ 2,538,111.56</b>	<b>\$ 62,431.00</b>	<b>\$ 2,475,680.56</b>	<b>100.00%</b>		

**BENCHMARK 2: General Benefit Requirement Public Safety 1.40%**

Revenue Sources	FY 2016-2017 Actuals	% of actuals	Source
Assessment Revenue	\$ 920,049.00		
<b>Total Assessment (Special Benefit) Revenue</b>	<b>\$ 920,049.00</b>	<b>98.36%</b>	
Contributions and Sponsorships	\$ -	0.00%	
Grants	\$ 14,400.00	1.54%	
Donations	\$ -	0.00%	
Interest Earned	\$ -	0.00%	
Earned Revenue	\$ -	0.00%	
Other	\$ 975.00	0.10%	
<b>Total Non-Assessment (General Benefit) Revenue</b>	<b>\$ 15,375.00</b>	<b>1.64%</b>	
<b>Total</b>	<b>\$ 935,424.00</b>	<b>100.00%</b>	

**BENCHMARK 2: General Benefit Requirement Cleaning and Maintenance 1.40%**

Revenue Sources	FY 2016-2017 Actuals	% of actuals	Source
Assessment Revenue	\$ 609,739.00		
<b>Total Assessment (Special Benefit) Revenue</b>	<b>\$ 609,739.00</b>	<b>98.45%</b>	
Contributions and Sponsorships	\$ 5,694.00	0.92%	
Grants	\$ -	0.00%	
Donations	\$ -	0.00%	
Interest Earned	\$ 2,910.00	0.47%	
Earned Revenue	\$ -	0.00%	
Other	\$ 975.00	0.16%	
<b>Total Non-Assessment (General Benefit) Revenue</b>	<b>\$ 9,579.00</b>	<b>1.55%</b>	
<b>Total</b>	<b>\$ 619,318.00</b>	<b>100.00%</b>	

**BENCHMARK 2: General Benefit Requirement Parks and Greenspace 6.79%**

Revenue Sources	FY 2016-2017 Actuals	% of actuals	Source
Assessment Revenue	\$ 119,962.00		
<b>Total Assessment (Special Benefit) Revenue</b>	<b>\$ 119,962.00</b>	<b>78.66%</b>	
Contributions and Sponsorships	\$ 15,531.20	10.18%	
Grants	\$ -	0.00%	
Donations	\$ 6,166.00	4.04%	
Interest Earned	\$ 8,905.00	5.84%	
Earned Revenue	\$ -	0.00%	
Other	\$ 1,950.00	1.28%	
<b>Total Non-Assessment (General Benefit) Revenue</b>	<b>\$ 32,552.20</b>	<b>21.34%</b>	
<b>Total</b>	<b>\$ 152,514.20</b>	<b>100.00%</b>	

**BENCHMARK 3: Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percentage points**

Greater Rincon Hill				FY 2016-17									
Service Category/Budget Line	FY 2016-17 Budget	Amount from Assessment	Amount from General Benefit	% of Budget (Assessment)	% Budget (Total)	Actuals	Amount from Assessment	Amount from General Benefit	% of Actuals (Assessment)	% of Actuals (Total Budget)	Variance (Assessment)	Variance (Total Budget)	Source
Public Safety	\$ 960,563.54	\$ 946,563.54	\$ 14,000.00	38.23%	37.85%	\$ 935,424.00	\$ 920,049.00	\$ 15,375.00	42.48%	41.80%	4.25%	3.95%	
Cleaning and Maintenance	\$ 560,427.54	\$ 552,161.54	\$ 8,266.00	22.30%	22.08%	\$ 619,318.00	\$ 609,739.00	\$ 9,579.00	28.16%	27.67%	5.85%	5.59%	
Parks and Greenspace	\$ 364,078.09	\$ 323,913.09	\$ 40,165.00	13.08%	14.34%	\$ 156,248.00	\$ 123,695.80	\$ 32,552.20	5.71%	6.98%	-7.37%	-7.36%	
Communication and Development	\$ 276,277.67	\$ 276,277.67	\$ -	11.16%	10.89%	\$ 267,172.00	\$ 267,172.00	\$ -	12.34%	11.94%	1.18%	1.05%	
Management	\$ 153,415.38	\$ 153,415.38	\$ -	6.20%	6.04%	\$ 131,213.00	\$ 131,213.00	\$ -	6.06%	5.86%	-0.14%	-0.18%	
Operations	\$ 223,349.34	\$ 223,349.34	\$ -	9.02%	8.80%	\$ 128,502.00	\$ 113,762.20	\$ 14,739.80	5.25%	5.74%	-3.77%	-3.06%	
<b>TOTAL</b>	<b>\$ 2,538,111.56</b>	<b>\$ 2,475,680.56</b>	<b>\$ 62,431.00</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$ 2,237,877.00</b>	<b>\$ 2,165,631.00</b>	<b>\$ 72,246.00</b>	<b>100.00%</b>	<b>100.00%</b>			

BENCHMARK 4: Whether CBD is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

FY 2015-2016 Carryover Disbursement	\$	2,193,086.00	Source	Spenddown Timeline
<b>General Benefit Project</b>				
General Benefit Project 1	\$	-		
General Benefit Project 2	\$	-		
General Benefit Project 3	\$	-		
General Benefit Project 4	\$	-		
	\$	-		
	\$	-		
	\$	-		
<b>General Project Total</b>	\$	-		
<b>Special Assessment Project</b>				
Public Safety	\$	878,359.98		
Cleaning and Maintenance	\$	544,397.60		
Parks and Greenspace	\$	691,870.72		
Communication and Development	\$	-		
Management	\$	78,457.70		
Operations	\$	-		
<b>Special Project Total</b>	\$	2,193,086.00		
<b>Total Designated Amount for FY 2016-17</b>	\$	2,193,086.00		

# THE EAST CUT

## FINANCIAL STATEMENTS

FOR THE YEAR THEN ENDED JUNE 30, 2017 AND THE INITIAL PERIOD FROM  
JANUARY 1, 2016 TO JUNE 30, 2016

# THE EAST CUT COMMUNITY BENEFIT DISTRICT

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**The East Cut Community Benefit District**

We have audited the accompanying financial statements of The East Cut Community Benefit District, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended June 30, 2017 and the initial period January 1, 2016 to June 30, 2016, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The East Cut Community Benefit District as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended June 30, 2017 and for the initial period from January 1, 2016 to June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

*Marcum LLP*

San Francisco, California  
November 9, 2017



# THE EAST CUT COMMUNITY BENEFIT DISTRICT

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 814,501	\$ 1,211,192
Assessments receivable, net	40,306	49,785
Other receivable	8,671	--
Cash held for long term investments	563,576	200,000
Investments	1,199,141	600,000
Capital assets	45,210	3,175
<b>Total Assets</b>	<b>\$ 2,671,405</b>	<b>\$ 2,064,152</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 478,319	\$ 128,200
<b>Total Liabilities</b>	<b>478,319</b>	<b>128,200</b>
<b>Net Assets</b>		
Unrestricted	2,193,086	1,935,952
<b>Total Net Assets</b>	<b>2,193,086</b>	<b>1,935,952</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,671,405</b>	<b>\$ 2,064,152</b>

*The accompanying notes are an integral part of these financial statements.*

**THE EAST CUT COMMUNITY BENEFIT DISTRICT**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

**FOR THE YEARS ENDED JUNE 30, 2017 AND FOR THE INITIAL PERIOD  
FROM JANUARY 1, 2016 TO JUNE 30, 2016**

	<u>2017</u>	<u>2016</u>
<b>Revenue, Gains, and Other Support</b>		
Assessment revenue	\$ 2,422,765	\$ 2,388,047
Contributions	60,431	1,544
Interest and other income	<u>11,815</u>	<u>4,670</u>
<b>Total Revenue, Gains, and Other Support</b>	<u>2,495,011</u>	<u>2,394,261</u>
<b>Expenses</b>		
Program services	1,978,162	123,095
Supporting services:		
Management and administrative	<u>259,715</u>	<u>335,214</u>
<b>Total Expenses</b>	<u>2,237,877</u>	<u>458,309</u>
<b>Change in Net Assets</b>	257,134	1,935,952
<b>Net Assets - Beginning</b>	<u>1,935,952</u>	<u>--</u>
<b>Net Assets - Ending</b>	<u>\$ 2,193,086</u>	<u>\$ 1,935,952</u>

*The accompanying notes are an integral part of these financial statements.*

**THE EAST CUT COMMUNITY BENEFIT DISTRICT**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services					Supporting Services		
	Public Safety	Cleaning & Maintenance	Communication & Activation	Parks and Green Space	Total	Management and Administration	Fundraising	Total
Management personnel expenses	\$ 60,265	\$ 65,049	\$ 64,928	\$ 48,646	\$ 238,888	\$ 131,213	\$ --	\$ 370,101
Contract services	822,122	514,337	--	48,790	1,385,249	--	--	1,385,249
Marketing and branding	--	--	151,497	--	151,497	--	--	151,497
General consulting	--	--	--	900	900	5,481	--	6,381
Legal fees	12,377	13,219	3,909	2,944	32,449	19,954	--	52,403
Accounting and audit	--	--	--	--	--	36,356	--	36,356
Rent and utilities	29,513	18,822	2,399	17,981	68,715	7,706	--	76,421
Office equipment rental	--	--	--	--	--	6,793	--	6,793
Travel and meetings	--	--	--	486	486	--	--	486
Events	3,333	3,333	17,905	33,585	58,156	--	--	58,156
Insurance - liability	--	--	--	--	--	12,378	--	12,378
Office equipment and supplies	7,814	4,558	2,295	2,916	17,583	3,064	--	20,647
Dues and subscriptions	--	--	--	--	--	1,653	--	1,653
Conference, convention, and meeting	--	--	--	--	--	1,747	--	1,747
Start up costs	--	--	--	--	--	14,010	--	14,010
In-kind goods and services	--	--	24,239	--	24,239	12,763	--	37,002
Payroll fees	--	--	--	--	--	5,147	--	5,147
Bank fees	--	--	--	--	--	1,450	--	1,450
<b>Total</b>	<u>\$ 935,424</u>	<u>\$ 619,318</u>	<u>\$ 267,172</u>	<u>\$ 156,248</u>	<u>\$ 1,978,162</u>	<u>\$ 259,715</u>	<u>\$ --</u>	<u>\$ 2,237,877</u>

*The accompanying notes are an integral part of these financial statements.*

**THE EAST CUT COMMUNITY BENEFIT DISTRICT**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**FOR THE INITIAL PERIOD FROM JANUARY 1, 2016 TO JUNE 30, 2016**

	Program Services				Supporting Services		
	Public Safety	Cleaning & Maintenance	Parks and Green Space	Total	Management and Administration	Fundraising	Total
Management personnel expenses	\$ --	\$ --	\$ --	\$ --	\$ 76,215	\$ --	\$ 76,215
Contract services	74,165	40,486	8,444	123,095	--	--	123,095
Marketing and branding	--	--	--	--	144	--	144
General consulting	--	--	--	--	25,219	--	25,219
Legal fees	--	--	--	--	2,900	--	2,900
Accounting and audit	--	--	--	--	2,205	--	2,205
Rent and utilities	--	--	--	--	4,500	--	4,500
Office equipment rental	--	--	--	--	84	--	84
Insurance - liability	--	--	--	--	12,037	--	12,037
Office equipment and supplies	--	--	--	--	47	--	47
Dues and subscriptions	--	--	--	--	80	--	80
Conference, convention, and meeting	--	--	--	--	54	--	54
Start up costs	--	--	--	--	209,824	--	209,824
In-kind goods and services	--	--	--	--	1,364	--	1,364
Payroll fees	--	--	--	--	527	--	527
Bank fees	--	--	--	--	14	--	14
<b>Total</b>	<u>\$ 74,165</u>	<u>\$ 40,486</u>	<u>\$ 8,444</u>	<u>\$ 123,095</u>	<u>\$ 335,214</u>	<u>\$ --</u>	<u>\$ 458,309</u>

*The accompanying notes are an integral part of these financial statements.*

# THE EAST CUT COMMUNITY BENEFIT DISTRICT

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017 AND FOR THE INITIAL PERIOD  
FROM JANUARY 1, 2016 TO JUNE 30, 2016

	2017	2016
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 257,134	\$ 1,935,952
Changes in operating assets and liabilities:		
Assessments receivable	9,479	(49,785)
Other receivable	(8,671)	--
Accounts payable and accrued expenses	<u>350,119</u>	<u>128,200</u>
<b>Net Cash Provided by Operating Activities</b>	<u>608,061</u>	<u>2,014,367</u>
<b>Cash Flows From Investing Activities</b>		
Cash held for long-term investments	(363,576)	(200,000)
Purchase of investments	(599,141)	(600,000)
Purchase of capital assets	<u>(42,035)</u>	<u>(3,175)</u>
<b>Net Cash Used by Investing Activities</b>	<u>(1,004,752)</u>	<u>(803,175)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(396,691)	1,211,192
<b>Cash and Cash Equivalents - Beginning</b>	<u>1,211,192</u>	<u>--</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 814,501</u>	<u>\$ 1,211,192</u>

*The accompanying notes are an integral part of these financial statements.*

# THE EAST CUT COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR THEN ENDED JUNE 30, 2017 AND FOR THE INITIAL PERIOD  
FROM JANUARY 1, 2016 TO JUNE 30, 2016

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *PURPOSE AND ORGANIZATION*

The East Cut Community Benefit District (“ECCBD”) is a nonprofit 501(c)(3) community-based organization. ECCBD was formed in 2015 and began operations in 2016. The property owners of the District formed ECCBD to improve the quality of life in the area by making the area cleaner, safer, and more vibrant. ECCBD has a contract with the City and County of San Francisco (the “City”) for a term of 15 years, expiring on June 30, 2030. ECCBD is generally 57 whole or partial blocks from approximately the east side of Second Street to the west side of the Embarcadero and from the north side of Mission Street to the north side of Harrison (the “District”). During the year ended June 30, 2017, ECCBD changed its legal name and was formerly known as The Greater Rincon Hill Association dba Greater Rincon Hill Community Benefit District.

ECCBD exists to implement programs to create a neighborhood that is safer, cleaner, greener and a better place to conduct business and live. These programs and services are funded by district property owners in the Rincon Hill and Transbay neighborhoods.

ECCBD’s mission statement is as follows:

The East Cut Community Benefit District will advance the quality of life for residents, workers, and visitors in the District by fostering a safer and more secure community, enhancing environmental quality and beauty, and reinforcing the viability of the area’s economic base.

Programs and services provided by ECCBD include:

- **Public Safety** – The daytime security Community Guides will monitor street conditions, provide crime deterrence, and evaluate quality of life issues. Community Guides may patrol the District on foot or bicycle, depending on pedestrian traffic from 7:00am to 7:00pm, daily.

The Nighttime security will be provided by private neighborhood security patrol working throughout the District as a deterrence to quality of life crimes, and connects to the San Francisco Police Department for more serious matters. They will be providing crime deterrence and enforcement from 4:00pm to 7:00am, daily.

- **Clean Team** - The Clean Team works to improve the appearance and cleanliness of the district daily from 6:00am to 6:00pm, daily. They steam clean all sidewalks in the district once a month, work daily on sidewalk sweeping and trash can topping. They also remove graffiti on an on-call basis, daily.

# THE EAST CUT COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR THEN ENDED JUNE 30, 2017 AND FOR THE INITIAL PERIOD  
FROM JANUARY 1, 2016 TO JUNE 30, 2016

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *PURPOSE AND ORGANIZATION (CONTINUED)*

- **Dispatch** – All ECCBD clean and safe services are accessed through a neighborhood dispatch system available from 7:00am to 11:00pm on Sunday through Thursday and 24 hours a day Friday and Saturday.
- **Parks and Greenspace** – The Parks and Greenspace program includes irrigation systems management and repair; pest control; tree, shrub, and ground maintenance; gardening/weeding; arborist and horticultural consultation; seasonal fire fuel reduction; trash off-haul; pavement and pathway repairs/care; small capital improvements such as replacement of plant materials, fixtures, furniture, and equipment; emergency repair projects. Maintenance of Emerald Park commenced in 2016; Guy Place Park, Under-Ramp Park and Essex Hillside (beginning 2017); Transbay Park (beginning 2019); parklets, and District street trees and a portion of maintenance and operations for City Park (beginning 2017); and Park utilities (water and electric).
- **Communication and Development** – The Communication and Development program’s mission is to communicate the changes taking place in ECCBD and reinforce the public’s positive perception of the District’s parcels. A professionally-managed communication and development program will be created. This program will include newsletters, marketing materials, website development, property owner and merchant outreach programs, community liaison activities, special events, business retention and recruitment, media relations, advertising, property manager outreach, and property database development and updated.

#### *BASIS OF ACCOUNTING*

ECCBD prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred, regardless of the timing of cash flows.

# THE EAST CUT COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR THEN ENDED JUNE 30, 2017 AND FOR THE INITIAL PERIOD  
FROM JANUARY 1, 2016 TO JUNE 30, 2016

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *CLASSIFICATION OF NET ASSETS*

U.S. GAAP requires that ECCBD report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, the net assets of ECCBD are classified and reported as described below:

*Unrestricted:* Those net assets and activities which represent the portion of expendable funds that are available to support ECCBD's operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

*Temporarily Restricted:* Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

*Permanently Restricted:* Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

For the year ended June 30, 2017 and for the initial period from January 1, 2016 to June 30, 2016, ECCBD did not have any net assets meeting the definition of temporarily or permanently restricted.

#### *FAIR VALUE OF FINANCIAL INSTRUMENTS*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.



# THE EAST CUT COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR THEN ENDED JUNE 30, 2017 AND FOR THE INITIAL PERIOD  
FROM JANUARY 1, 2016 TO JUNE 30, 2016

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *ESTIMATES*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *CASH AND CASH EQUIVALENTS*

ECCBD considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### *ASSESSMENTS RECEIVABLE*

Assessments receivable represents obligations of local property owners due to ECCBD. Unpaid receivables do not accrue interest.

ECCBD uses the allowance method to account for uncollectible assessments. The allowance for uncollectible assessments receivable reflects management's best estimate of the amounts that will not be collected based on an evaluation of the outstanding receivables. As of June 30, 2017, management believes all assessments will be collected, and therefore, an allowance for uncollectible assessments was not needed.

#### *INVESTMENTS*

ECCBD's investments are valued at fair value based upon quoted market prices.

# THE EAST CUT COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR THEN ENDED JUNE 30, 2017 AND FOR THE INITIAL PERIOD  
FROM JANUARY 1, 2016 TO JUNE 30, 2016

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *CAPITAL ASSETS*

ECCBD capitalizes acquisitions of capital assets with a cost or value in excess of \$1,000 and an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value or appraised value at the date of acquisition. Depreciation on furniture and equipment is calculated using the straight-line method based upon estimated useful lives ranging from 3 to 10 years. Website development costs are amortized using the straight-line method over 3 years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities and changes in net assets.

#### *REVENUE RECOGNITION*

##### *Assessment Revenue*

ECCBD receives its support primarily from a special assessment levied by the City on properties located within the District in accordance with City Ordinance. The assessment is recorded by ECCBD when earned. The City remits the assessments to ECCBD as the assessments are collected from the property owners. Interest is not charged on late assessments; however, late penalties are charged in accordance with the City's policy.

##### *Contributions*

ECCBD recognizes all contributions when they are received or unconditionally promised. Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed restrictions are reported as either temporarily restricted or permanently restricted support, depending upon the type of restriction.

The satisfaction of a donor-imposed restriction on a contribution is recognized when the corresponding expenditures are incurred or when the time restriction expires. This occurs by increasing one class of net assets and decreasing another in the statement of activities and changes in net assets. Such transactions are recorded as net assets released from restrictions and are reported separately from other transactions.

For the year ended June 30, 2017 and for the initial period from January 1, 2016 to June 30, 2016, ECCBD received cash contributions of \$10,666 and \$180, respectively.

# THE EAST CUT COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR THEN ENDED JUNE 30, 2017 AND FOR THE INITIAL PERIOD  
FROM JANUARY 1, 2016 TO JUNE 30, 2016

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *REVENUE RECOGNITION (CONTINUED)*

##### *Contributed Goods and Services*

Donated material and equipment are recorded as contributions at their estimated value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, ECCBD reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. ECCBD reclassifies temporarily restricted net assets to unrestricted net assets at that time.

ECCBD records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

For the year ended June 30, 2017 and initial period from January 1, 2016 to June 30, 2016, ECCBD received contributed goods and services in the amount of \$49,765 and \$1,364, respectively.

#### *ADVERTISING*

The costs of advertising are charged to expense as incurred. Advertising expense was \$151,497 and \$144, respectively.

# THE EAST CUT COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR THEN ENDED JUNE 30, 2017 AND FOR THE INITIAL PERIOD  
FROM JANUARY 1, 2016 TO JUNE 30, 2016

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *INCOME TAXES*

ECCBD is a qualified organization exempt from federal and state income taxes under §501(c)(3) of the Internal Revenue Code and §23701f of the California Revenue and Taxation Code, respectively.

Management evaluated ECCBD's tax positions and concluded it maintained its tax exempt status and had taken no uncertain tax positions that would require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

The 2013 through 2016 tax years remain subject to examination by the Internal Revenue Service. In addition, the 2012 through 2016 tax years remain subject to examination by the California Franchise Tax Board. However, management is unaware of any pending examinations nor are there any in progress.

#### *CONCENTRATIONS OF RISK*

##### *Financial Instruments*

Financial instruments which potentially subject ECCBD to concentrations of credit risk consist principally of cash and cash equivalents. ECCBD maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. ECCBD has not experienced any losses in such accounts. Management believes that ECCBD is not exposed to any significant credit risk related to concentrations.

##### *Revenue*

For the year ended June 30, 2017 and the initial period from January 1, 2016 to June 30, 2016 ECCBD received 97.0% and 99.7% of its total income from the City in the form of assessments.

#### *FUNCTIONAL ALLOCATION OF EXPENSES*

The costs of providing various programs and supporting services have been summarized on a functional basis in the accompanying statement of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on an analysis of personnel time by each program or activity.

# THE EAST CUT COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR THEN ENDED JUNE 30, 2017 AND FOR THE INITIAL PERIOD  
FROM JANUARY 1, 2016 TO JUNE 30, 2016

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *FUNDRAISING REQUIREMENTS*

The City's contract requires ECCBD to annually raise 1.40% of its clean and safe services budget and 6.79% of its neighborhood parks and green spaces services budget from sources other than the City's assessments.

For the year ended June 30, 2017, ECCBD has satisfied these requirements. For the initial period from January 1, 2016 to June 30, 2016, the City waived these requirements as ECCBD has been in operation for half the year.

#### *NEW ACCOUNTING STANDARDS*

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, concerning the recognition and measurement of revenue. In addition, significant additional disclosures are required about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, and will replace virtually all existing revenue guidance, including most industry-specific guidance. The FASB also issued ASU 2015-14, which deferred the effective date of ASU 2014-09. The guidance is applicable for annual reporting periods beginning after December 15, 2018. Management has not evaluated the impact of this new guidance.

On February 25, 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Entities that hold equipment and real estate leases, in particular those with operating leases, will be most affected by the new guidance. The amendments in ASU 2016-02 are expected to impact the statement of financial position by adding lease-related assets and liabilities. This may affect compliance with contractual agreements and loan covenants. The main difference between the existing guidance on accounting for leases and the new standard is that operating leases will now be recorded in the statement of financial position as assets and liabilities. Current U.S. GAAP requires only capital (finance) leases to be recognized in the statement of financial position and amounts related to operating leases largely are reflected in the statement of activities and changes in net assets as rent expense and in disclosures to the financial statements.

# THE EAST CUT COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR THEN ENDED JUNE 30, 2017 AND FOR THE INITIAL PERIOD  
FROM JANUARY 1, 2016 TO JUNE 30, 2016

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *NEW ACCOUNTING STANDARDS (CONTINUED)*

For operating leases, a lessee is required to do the following:

- Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position
- Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis
- Classify all cash payments within operating activities in the statement of cash flows

In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. An entity that elects to apply the practical expedients will, in effect, continue to account for leases that start before the effective date in accordance with previous U.S. GAAP unless the lease is modified, except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous U.S. GAAP. Management is evaluating the impact of this new guidance.

The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2019. Early application is permitted for all entities.

On August 18, 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, representing the completion of the first phase of a two-phase project to amend not-for-profit (NFP) financial reporting requirements as set out in FASB ASC 958, *Not-for-Profit Entities*.

This standard eliminates:

- The distinction between resources with permanent restrictions and those with temporary restrictions from the face of NFP financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions).
- Removes the current requirement to present or disclose the indirect method (reconciliation) when using the direct method of reporting cash flows.

# THE EAST CUT COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR THEN ENDED JUNE 30, 2017 AND FOR THE INITIAL PERIOD  
FROM JANUARY 1, 2016 TO JUNE 30, 2016

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *NEW ACCOUNTING STANDARDS (CONTINUED)*

- Requires NFPs to report investment return net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses.
- Requires NFPs to use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset.

NFPs will reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption. This amendment eliminates the current option that, in the absence of explicit donor stipulations, had allowed a NFP to delay reporting of an expiration of a donor imposed restriction for the acquisition or construction of a long-lived asset by electing to report the expiration over time (as the asset is used or consumed) rather than when placed in service.

ASU 2016-14 also requires enhanced disclosures about:

- Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor restrictions as of the end of the period.
- Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
- Qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position.
- Quantitative information and additional qualitative information in the notes, as necessary, that communicates the availability of a NFP's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date.
- Amounts of expenses by both their natural classification and their functional classification and the methods used to allocate costs among program and support functions.
- Underwater endowment funds.

# THE EAST CUT COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR THEN ENDED JUNE 30, 2017 AND FOR THE INITIAL PERIOD  
FROM JANUARY 1, 2016 TO JUNE 30, 2016

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *NEW ACCOUNTING STANDARDS (CONTINUED)*

NFP entities are required to adopt this standard for annual reporting periods beginning after December 15, 2018. Management is evaluating the impact of this new guidance.

### NOTE 2 - FAIR VALUE MEASUREMENTS

ECCBD's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

#### *Level 1*

Inputs are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

#### *Level 2*

Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

#### *Level 3*

Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect ECCBD's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.



**THE EAST CUT COMMUNITY BENEFIT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR THEN ENDED JUNE 30, 2017 AND FOR THE INITIAL PERIOD  
FROM JANUARY 1, 2016 TO JUNE 30, 2016**

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**NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)**

The following is a description of the valuation methodology used for assets measured at fair value.

*Certificates of deposit:* The fair value is based on market price. These securities are classified within Level 1 of the fair value hierarchy.

The following table provides information about ECCBD's financial assets measured at fair value on a recurring basis as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$ 1,199,141</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,199,141</u>

The following table provides information about ECCBD's financial assets measured at fair value on a recurring basis as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$ 600,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 600,000</u>

ECCBD's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstance that caused the transfer. ECCBD had no transfers into or out of levels of the fair value hierarchy during the year ended June 30, 2017 and the initial period from January 1, 2016 to June 30, 2016.

# THE EAST CUT COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR THEN ENDED JUNE 30, 2017 AND FOR THE INITIAL PERIOD  
FROM JANUARY 1, 2016 TO JUNE 30, 2016

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### NOTE 3 - CAPITAL ASSETS

Capital assets, at June 30, 2017 and 2016, consist of the following:

	<u>2017</u>	<u>2016</u>
Computers	\$ 6,004	\$ 3,175
Furniture and equipment	3,588	--
Construction-in-progress	<u>35,618</u>	<u>--</u>
<b>Total</b>	<u>\$ 45,210</u>	<u>\$ 3,175</u>

### NOTE 4 - UNRESTRICTED NET ASSETS

Unrestricted net assets at June 30, 2017 and 2016, consist of the following:

	<u>2017</u>	<u>2016</u>
Unrestricted	\$ 1,996,651	\$ 1,935,952
Unrestricted - Board Designated - Strategic Investment	<u>196,435</u>	<u>--</u>
<b>Total</b>	<u>\$ 2,193,086</u>	<u>\$ 1,935,952</u>

### NOTE 5 - RETIREMENT PLAN

ECCBD established a noncontributory defined contribution retirement plan (the "Plan") for employees during the year then ended June 30, 2017. The Plan will allow eligible employees to make voluntary contributions by salary reduction to the Plan, up to the limit allowed by law.

# THE EAST CUT COMMUNITY BENEFIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR THEN ENDED JUNE 30, 2017 AND FOR THE INITIAL PERIOD  
FROM JANUARY 1, 2016 TO JUNE 30, 2016

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### NOTE 6 - COMMITMENTS

ECCBD has a three year office lease agreement expiring on June 30, 2019. The lessor is represented by a Board member. ECCBD also has a five year office equipment lease expiring on June 30, 2021.

The following is a schedule of minimum lease commitments:

For the Years Ending				
June 30,	Office Lease	Copier Lease	Total	
2018	\$ 52,736	\$ 1,572	\$ 54,308	
2019	54,323	1,572	55,895	
2020	--	1,572	1,572	
2021	--	1,572	1,572	
<b>Total</b>	<u>\$ 107,059</u>	<u>\$ 6,288</u>	<u>\$ 113,347</u>	

### NOTE 7 - SUBSEQUENT EVENTS

ECCBD has evaluated all subsequent events through November 9, 2017 the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

**MEMO**

To: Supervisor Jane Kim, District 6

CC: San Francisco Board of Supervisors

From: Chris Corgas, Senior Program Manager

RE: Greater Rincon Hill Community Benefit District; dba: The East Cut Community Benefit District

Date: June 13, 2018

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This is a memo summarizing the performance of the East Cut Community Benefit District (The East Cut CBD) – the new name of the Greater Rincon Hill Association, the nonprofit organization that manages the assessment funds of the Greater Rincon Hill Community Benefit District (District), which is also now known as The East Cut Community Benefit District. This memo also provides an analysis of The East Cut CBD’s annual report for the period between July 1, 2016, and June 30, 2017.

The East Cut CBD is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. The East Cut CBD has submitted all necessary documents. OEWD staff reviewed The East Cut CBD’s annual report to monitor and report on whether the CBD complied with applicable rules under the Property and Business Improvement District Law of 1994, California Streets and Highways Code Sections 36600 et seq.; San Francisco’s Business and Tax Regulations Code Article 15; the Greater Rincon Hill Community Benefit District management contract with the City; and the Greater Rincon Hill Community Benefit District Management Plan (Management Plan) as approved by the Board of Supervisors in 2015.

Also attached to this memo are the following documents:

1. Annual Report
  - a. FY 2016-2017
2. CPA Financial Review Reports
  - a. FY 2016-2017
3. Draft resolution from the Office of Economic and Workforce Development



## Background

The District includes approximately 3,656 property-based parcels.

- July 31, 2015: the Board of Supervisors approved the resolution that established the property-based district called the Greater Rincon Hill Community Benefit District for 15 years (Resolution # 299-15).
- December 8th, 2015: the Board approved the contract with non-profit corporation Greater Rincon Hill Association for the administration and management of the Greater Rincon Hill Community Benefit District (Resolution # 506-15).
- April 10, 2017: Greater Rincon Hill Association voted to rename both the nonprofit corporation and the District as The East Cut Community Benefit District.
- June 5, 2017: The Secretary of State accepted and filed the name change of the nonprofit corporation to The East Cut Community Benefit District.

## Basic Info about Greater Rincon Hill CBD

Year Established	July 2015
Assessment Collection Period	FY 2015-16 to FY 2029-30 (July 1, 2015 to June 30, 2030)
Services Start and End Date	January 1, 2015 – December 31, 2030
Initial Estimated Annual Budget	\$ 2,474,194
Fiscal Year	July 1 – June 30
Executive Director	Andrew Robinson
Name of Nonprofit Owners' Entity:	The East Cut Community Benefit District

The current CBD website, <https://theeastcut.org>, includes all the pertinent information about the organization and its programs, meeting agendas, and Management Plan.

## Summary of Service Area Goals

### **Public Safety**

Community Guides monitor street conditions, provide crime deterrence, and evaluate quality of life issues within the District. Community guides may patrol the District on foot or bicycle, depending on pedestrian traffic.

During night hours, crime deterrence is provided by San Francisco Patrol Specials, or a suitable replacement. They will be in cars and on foot. The Management Plan calls for approximately 38.62% of District assessment funds to be spent in this service area in FY 16-17.

### **Cleaning and Maintenance**

Cleaning and Maintenance program area includes regular sidewalk sweeping, steam cleaning, trash can topping, graffiti abatement, weeding of tree basin, spot cleaning of street furniture, and maintenance of streetscape amenities. A dispatch service is available to CBD residents and property owners to address

specific cleaning and safety issues. The Management Plan calls for approximately 24.63% of District assessment funds to be spent in this service area in FY 16-17.

### **Parks and Greenspace**

Maintenance services include: irrigation systems management and repair; pest control; tree, shrub, and ground maintenance; gardening/weeding; arborist and horticultural consultation; seasonal fire fuel reduction; trash off-haul; pavement and pathway repairs/care; small capital improvements such as replacement of plant materials, fixtures, furniture, and equipment; emergency repair projects.

Park operations include: management of maintenance and safety services; special events planning and oversight; community outreach. The Management Plan calls for approximately 23.53% of District assessment funds to be spent on this service area in FY 16-17.

### **Communication and Development**

To communicate the changes taking place in the District and reinforce the public's positive perception of the District's parcels, a professionally managed communication and development program will be created. This program may include:

- Newsletters
- Marketing materials
- Website development
- Property owner and merchant outreach programs
- Community liaison activities and special events
- Business retention and recruitment
- Media relations
- Advertising
- Property manager outreach
- Property database development and updating

The Management Plan calls for approximately 3.14% of District assessment funds to be spent in this service area in FY 16-17.

### **Management**

The Management Plan calls for approximately 5.78% of District assessment funds to be spent on management in FY 16-17. The East Cut CBD is staffed by a full-time Executive Director who serves as the focal point person and advocate for the CBD. The East Cut CBD Board of Directors has twenty three (23) board members who represent the diverse property owners and businesses in the District. Notice of meetings of the CBD's Board of Directors and CBD Advisory Committees are posted to the CBD's website and at the SF Main Library. All Board of Directors meetings are open to the public, and public comment is welcome.

### **Operations**

The East Cut CBD will incur the customary and usual expenses of running a business and office. Annual operational costs include rent, utilities, insurance, accounting, audit, and legal fees. In addition, \$12,000 per year has been budgeted for an annual Assessment Database to ensure that The East Cut CBD properly accounts for and levies assessments on new development as it is built, completed, and occupied. The Management Plan calls for approximately 4.33% of District assessment funds to be spent in this service area in FY 16-17.

## Summary of Accomplishments, Challenges, and Delivery of Service Areas

### **FY 2016-2017**

#### **Public Safety**

- Coordinated with City agencies to create and maintain a safe public right-of-way along Essex Street and the Spear Street cul-de-sac
- Provided 24/7 neighborhood security
- Patrol teams covered entire District to deter crime and communicate with SFPD for effective, coordinated action

#### **Cleaning and Maintenance**

- Removed 134,862 pounds of litter
- Cleaned or removed 1,740 instances of graffiti
- Topped off 1,565 overflowing trashcans
- Responded to 1,188 calls for clean and safe services
- Removed 690 needles

#### **Parks and Greenspace**

- Maintained Emerald Park – the District’s first public park and an oasis amidst the building boom, with a children’s playground and plantings
- Launched a walking tour of public art in public spaces
- Surveyed over 1,000 District street trees to assess their health and maintenance needs

#### **Communication and Development**

- Welcomed neighbors to a pop-up public art event to launch the CBD’s East Cut identity and demonstrate interest in cultural programming in the District
- Toured retailers and leasing agents through the District to introduce them to the community’s energy and momentum

#### **Management**

- The Board was supplied a weekly update on pertinent information about new developments in the neighborhood and the anticipated impacts
- The East Cut CBD Board Members were actively involved in leadership positions with the Office of Community Investment and Infrastructure (OCII) Transbay and the Transbay Joint Powers Authority (TJPA) Citizens Advisory Committees
- The East Cut CBD Board of Directors improved administrative efficiency by reducing the number of full board meetings from 12 to 6 per year, with each meeting occurring roughly every other month

#### **Operations**

- The East Cut CBD added one new full-time staff member during the first two quarters of this Fiscal Year, bringing the total number of CBD employees to four
- The East Cut CBD completed its second organizational annual audit and received an unmodified opinion from an independent auditor

- The East Cut CBD produced its first Annual Report and mailed it to all property owners in the District, as well as delivering to ground floor retail and commercial property management staff

**The East Cut CBD Annual Budget Analysis**

**OEWD’s staff reviewed the following budget related benchmarks for The East Cut CBD:**

- **BENCHMARK 1:** Whether the variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan (*Agreement for the Administration of the “Greater Rincon Hill Community Benefit District”, Section 3.9 – Budget*)
- **BENCHMARK 2:** Whether one and forty hundredths percent (1.40%) of actuals for Public Safety, one and forty hundredths percent (1.40%) for Cleaning and Maintenance, six and seventy nine hundredths percent (6.79%) of actuals for Parks and Greenspace, came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the “Greater Rincon Hill Community Benefit District”, Section 3.4 - Annual Reports*)
- **BENCHMARK 3:** Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percent (*Agreement for the Administration of the “Greater Rincon Hill Community Benefit District”, Section 3.9 – Budget*)
- **BENCHMARK 4:** Whether The East Cut CBD is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year (*CA Streets & Highways Code, Section 36650(B)(5)*)

**FY 2016-2017**

**BENCHMARK 1:** Whether the variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan

**ANALYSIS:** *The East Cut CBD met this requirement. The CBD’s initial budget was consistent with that in the Management Plan. See tables below.*

<b>Service Category</b>	<b>Management Plan Budget</b>	<b>% of Budget</b>	<b>FY 2016-2017 Budget</b>	<b>% of Budget</b>	<b>Variance Percentage Points</b>
Public Safety	\$971,056.00	38.62%	\$960,563.54	37.85%	-0.78%
Cleaning and Maintenance	\$619,374.00	24.63%	\$560,427.54	22.08%	-2.55%
Parks and Greenspace	\$591,534.00	23.53%	\$364,078.09	14.34%	-9.18%
Communication and Development	\$78,831.00	3.14%	\$276,277.67	10.89%	+7.75%
Management	\$145,241.00	5.78%	\$153,415.38	6.04%	+0.27%



Operations	\$108,232.00	4.30%	\$223,349.34	8.80%	+4.50%
<b>TOTAL</b>	<b>\$2,514,268.00</b>	<b>100.0%</b>	<b>\$2,538,111.56</b>	<b>100.0%</b>	

**BENCHMARK 2:** Whether one and forty hundredths percent (1.40%) of actuals for Public Safety, one and forty hundredths percent (1.40%) for Cleaning and Maintenance, six and seventy-nine hundredths percent (6.79%) of actuals for Parks and Greenspace, came from sources other than assessment revenue

**ANALYSIS:** *The East Cut CBD met this requirement.* Assessment revenue was \$920,049.00 or 98.36% of actuals and non-assessment revenue was \$15,375.00 or 1.64% of actuals for the public safety service category. Assessment revenue was \$609,739.00 or 98.45% of actuals and non-assessment revenue was \$9,579.00 or 1.55% of actuals for the cleaning and maintenance service category. Assessment revenue was \$119,962 or 78.66% of actuals and non-assessment revenue was \$32,552.20 or 21.34% of actuals for the Parks and Greenspace service category. See table below.

Public Safety

Revenue Sources	FY 2016-2017 Actuals	% of Actuals
Special Benefit Assessments	\$ 920,049.00	
<b>Total assessment revenue</b>	<b>\$ 920,049.00</b>	<b>98.36%</b>
Contributions	\$14,400.00	1.54%
Interest earned	\$-	
Other	\$975.00	0.10%
<b>Total non-assessment revenue</b>	<b>\$ 15,375.00</b>	<b>1.64%</b>
<b>Total</b>	<b>\$ 935,424.00</b>	<b>100%</b>

Cleaning and Maintenance

Revenue Sources	FY 2016-2017 Actuals	% of Actuals
Special Benefit Assessments	\$ 609,739.00	
<b>Total assessment revenue</b>	<b>\$ 609,739.00</b>	<b>98.45%</b>
Contributions	\$5,694.00	0.92%
Interest earned	\$2,910.00	0.47%
Other	\$975.00	0.16%
<b>Total non-assessment revenue</b>	<b>\$9,579.00</b>	<b>1.55%</b>
<b>Total</b>	<b>\$619,318.00</b>	<b>100%</b>

Parks and Greenspace

Revenue Sources	FY 2016-2017 Actuals	% of Actuals
Special Benefit Assessments	\$ 119,962.00	78.66%
<b>Total assessment revenue</b>	<b>\$ 119,962.00</b>	<b>78.66%</b>
Contributions	\$15,531.20	10.18%
Donations	\$6,166.00	4.04%
Interest earned	\$8,905.00	5.84%
Other	\$1,950.00	1.28%
<b>Total non-assessment revenue</b>	<b>\$32,552.20</b>	<b>21.34%</b>
<b>Total</b>	<b>\$152,514.20</b>	<b>100%</b>

**BENCHMARK 3:** Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percentage points

**ANALYSIS:** *The East Cut CBD met this requirement. See table below.*

Service Category	FY 2016- 2017 Budget	% of Budget	FY 2016-2017 Actuals	% of Budget	Variance Percentage Points
Public Safety	\$960,563.54	37.85%	\$935,424.00	41.80%	+3.95%
Cleaning and Maintenance	\$560,427.54	22.08%	\$619,318.00	27.67%	+5.59%
Parks and Greenspace	\$364,078.09	14.34%	\$156,248.00	6.98%	-7.36%
Communication and Development	\$276,277.67	10.89%	\$267,172.00	11.94%	+1.05%
Management	\$153,415.28	6.04%	\$131,213.00	5.86%	-0.18%
Operations	\$223,349.34	8.80%	\$128,502.00	5.74%	-3.06%
<b>TOTAL</b>	<b>\$2,538,11.56</b>	<b>100.0%</b>	<b>\$2,237,877.00</b>	<b>100%</b>	

**BENCHMARK 4:** Whether GRHCBD is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

**ANALYSIS:** *The East Cut CBD met this requirement. Please note: There is a period between when the City collects assessment payment and when the City disburses the funds to the CBD. As a result, a CBD typically has a fund balance at the end of the fiscal year that is equal to about 6 months of its annual budget. See table below.*

<b>FY 2016-17 Carryover Disbursement</b>	<b>\$2,193,086</b>
Designated Projects for FY 2016-17	
Public Safety	\$878,359.98
Cleaning and Maintenance	\$544,397.60
Parks and Greenspace	\$691,870.72
Management	\$78,457.70
<b>Total Designated amount for FY 2016-17</b>	<b>\$2,193,086.00</b>

### Findings and Recommendations

The East Cut CBD has met all of the four benchmarks as defined on page 5 of this memo.

This particular CBD's management plan allocates general benefit in relation to special assessment dollars being used on a given service area. As a result, each service category has a different general benefit. This is because the CBD will maintain and service various parks within the District, including the new City Park. As parks and public realm have a large impact on general benefit, this was determined to be the most equitable way to accurately portray general benefit.

The East Cut CBD has identified sources of general benefit and utilized them in order to meet these requirements. General benefit can be attributed to grants, contributions, income earned, interest, in-kind donations, and even volunteer hours.

As explained above, The East Cut CBD Board of Directors voted on April 10, 2017, after a community engagement process, to rename the District from the Greater Rincon Hill Community Benefit District to The East Cut Community Benefit District. The goal of this change was to include all the neighborhoods and micro-neighborhoods that compose the District. OEWD confirmed that this vote followed the organization's bylaws and did not violate either state law or the prevailing ordinance. As the change does not constitute a structural change to the Management Plan or assessment formula, this matter does not have to undergo a special assessment election organized by the City.

### Conclusion

The East Cut CBD was formed through an open, community-based process. The CBD performed well in implementing its service plan. The CBD has increased its opportunities in partnering with community stakeholders and numerous municipal agencies for various projects within the District. The CBD is an extremely well run organization with an active Board of Directors and committee members. OEWD believes The East Cut CBD will continue to successfully carryout its mission and service plans.

BOARD of SUPERVISORS



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1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
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Fax No. 554-5163  
TDD/TTY No. 554-5227

## MEMORANDUM

TO: Ben Rosenfield, City Controller, Office of the Controller  
Ken Rich, Acting Co-Director, Office of Economic and Workforce  
Development  
Joaquin Torres, Acting Co-Director, Office of Economic and Workforce  
Development

FROM: John Carroll, Assistant Clerk, Government Audit and Oversight  
Committee, Board of Supervisors

DATE: June 27, 2018

SUBJECT: LEGISLATION INTRODUCED

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The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Supervisor Kim on June 19, 2018:

**File No. 180665**

**Resolution receiving and approving the annual report for the Greater Rincon Hill Community Benefit District (dba The East Cut Community Benefit District) for FY2016-2017, submitted as required by the Property and Business Improvement District Law of 1994 (California Streets and Highways Code, Sections 36600, et seq.), Section 36650, and the District's management agreement with the City, Section 3.4.**

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Todd Rydstrom, Office of the Controller  
J'Wel Vaughan, Office of Economic and Workforce Development  
Lisa Pagan, Office of Economic and Workforce Development

Print Form

# Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO

2018 JUL 19 PM 1:02

Time stamp  
or meeting date

BY JB

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor [ ] inquiries"
- 5. City Attorney Request.
- 6. Call File No. [ ] from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No. [ ]
- 9. Reactivate File No. [ ]
- 10. Topic submitted for Mayoral Appearance before the BOS on [ ]

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

**Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.**

Sponsor(s):

Kim


Subject:

Greater Rincon Hill Community Benefit District – Annual Report for FY 2016-2017

The text is listed:

Attached

Signature of Sponsoring Supervisor:



For Clerk's Use Only