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MEMORANDUM

DATE: April 10, 2017
TO: Supervisor Malia Cohen, District 10
CC: San Francisco Board of Supervisors
FROM: Jonathan Goldberg, Green Benefit District Program Manager,
San Francisco Public Works
RE: Annual Report FY 2015/2016 for the Dogpatch & Northwest Potrero Hill
Green Benefit District

I. SUMMARY OF CONTENTS

This memo summarizes the performance of the Dogpatch & Northwest Potrero Hill Green Benefit District (“GBD” or “District”) for its first fiscal year (“FY”), beginning July 1, 2015 through June 30, 2016. Public Works has reviewed the organization’s Independent Accountant’s Financial Review Report and evaluated its performance through four benchmarks, commonly shared the Office of Economic and Workforce Development’s (“OEWD”) Community Benefit District program.

Each year the GBD is required to submit a mid-year report, an annual report, and an Independent Accountant’s Financial Review Report or Audit. For the GBD’s first year in operation, mid-year report requirements are waived.

The purpose of Public Works memo and review of the GBD’s Independent Accountant’s Financial Review Report documents is to monitor and report on the organization’s compliance with 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 15A; the GBD’s Management Contract with the City; and the Management Plan approved by the District’s property owners and the Board of Supervisors in July 2015.

Please find the following documents referenced in this memo attached:

1. Annual Report for FY 2015/2016
2. Independent Accountant’s Financial Review Report
3. Draft Resolution from San Francisco Public Works
4. FY 2015/2016 Assessment Spend Down Plan

II. BACKGROUND & CONTEXT

In the fall of 2012, Dogpatch and Potrero Hill residents, property owners, and neighborhood advocates began exploring the feasibility of creating a locally accountable, public space stewardship entity. Modeled on OEWD’s existing Community Benefit District (“CBD”) program, the Dogpatch and Potrero Hill neighborhoods successfully advocated for the creation and adoption of San Francisco Business and Tax Regulations Code Article 15A: Public Realm Landscaping, Improvement and Maintenance Assessment Districts (“Green Benefit Districts”).

Unique to San Francisco and California, some of the differences between GBDs and CBDs include (but are not limited to):

- Can assess residential property, including parcels zoned solely for residential use;
- Can use assessment funds to purchase property, in whole or in part, where that property will be a public realm area and the District will provide landscaping, improvements, and/or maintenance of the area;
- Requires a majority (over 50%) of the governing body of the District's nonprofit owners association to include district assesses; and
- If so specified in the Management Plan, may authorize the City to administer or implement the services, improvements, and activities specified in the Management Plan by utilizing existing City Departments, including but not limited to San Francisco Public Works and the Recreation and Parks Department, and/or by contracting out to 3rd party vendors.

The Dogpatch & Northwest Potrero Hill GBD includes approximately 1402 parcels amongst 70 whole or partial City blocks. For comparison purposes, the GBD is San Francisco's fourth largest property-based assessment district (per number of assessed parcels), after the Yerba Buena CBD (2,123 parcels), the Greater Union Square BID (588 parcels plus 2,295 timeshare parcels), and the Greater Rincon Hill CBD (3,278 parcels).

Noteworthy dates and milestones are listed below:

- February 14, 2014: the Board of Supervisors adopted Ordinance 14-14, creating Business and Tax Regulations Code Article 15A: Public Realm Landscaping, Improvement and Maintenance Districts ("Green Benefit Districts");
- July 31, 2015: the Board of Supervisors adopted Resolution No. 301-15, establishing the Dogpatch & Northwest Potrero Hill GBD for a period of 10 years, commencing with FY 2015/2016;
- August 28, 2015: the Dogpatch & Northwest Potrero Hill GBD formally incorporated and registered with the Internal Revenue Service; and
- December 16, 2015: the Board of Supervisors adopted Resolution No. 476-15, approving the management agreement and contract with the nonprofit owners association for the administration of the Dogpatch & Northwest Potrero Hill GBD; and
- January 19, 2016: the Dogpatch & Northwest Potrero Hill GBD received its first assessment disbursement from the Controller's Office for FY 2015/2016.

III. SUMMARY OF ORGANIZATIONAL INFORMATION

Year Established:	July 2015
Assessment Collection Period:	FY 2015/2016 to FY 2024/2025 (July 1, 2015 to June 30, 2025)
Services Start Date:	February 2016 for specific project-based services July 2016 for ongoing public realm services
Initial Annual Budget:	\$514,852
Fiscal Year:	July 1 through June 30
Executive Director:	Julie Christensen
Nonprofit Owners Association:	Dogpatch & Northwest Potrero Hill Green Benefit District
Organizational Mission:	

- To clean, enhance, expand and maintain open spaces, parks, plazas, parklets, gardens, and sidewalk greenings within public realm areas in the Dogpatch and Northwest Potrero Hill neighborhoods.
- To support community volunteer efforts in the GBD.
- To promote sound ecological practices and Green Infrastructure with a locally controlled, sustainable, and transparent funding structure.

The current GBD website <http://www.greenbenefit.org>, includes all the pertinent information about the organization, including (but not limited to) reports on its programs and services, a calendar of meetings, organizational bylaws, and their Management Plan and Engineer's Report.

IV. FY 2015/2016 PROGRAM AREAS SUMMARY

Maintenance:

This service category includes district-wide sidewalk and public realm sweeping, cleaning, and graffiti abatement, as well as site-specific landscape maintenance services. Maintenance services comprise approximately 31% of the GBD's annual budget, apportioned across Zone 1 (Dogpatch) and Zone 2 (Northwest Potrero Hill).

In January 2016, a newly elected 13-member Board of Directors conducted a walking tour to assess the public realm and landscape maintenance needs of the District. This assessment helped inform the Board of Director's decision to trial public realm and landscape maintenance service providers on a short term basis, by soliciting bids on site-specific projects and working with a variety of private contractors.

After evaluating the performance, responsiveness, and professionalism of the services provided by several private contractors over the course of several months, the Board of Directors issued two RFPs for one year of janitorial services and one year of landscape maintenance services. By June 2016, the Board selected janitorial service provider Aim-to-Please and landscape maintenance service provider Frank & Grossman, both District 10-based contractors.

Aim-to-Please employs approximately 1 FTE, five days per week across both zones of the GBD. Aim-to-Please sweeps and cleans Zone 1 (Dogpatch) on Mondays, Tuesdays, Thursdays, and Fridays, and Zone 2 (Northwest Potrero Hill) on Wednesdays.

Frank and Grossman waters and inspects four parks and greenspaces on Mondays (I.M. Scott School sidewalk greening, Progress Park, and Angel Alley in Dogpatch; the Benches Park in Northwest Potrero Hill), and provides landscape maintenance to the GBDs parks and open spaces on Thursdays (I.M. Scott School sidewalk greening, Progress Park, Angel Alley, Minnesota Grove, Woods Yard Mini-park, the Gears, and 25th Street Greening in Dogpatch; the Potrero Gateway Loop and the Benches Park in Northwest Potrero Hill). The GBD coordinates with RPD to deliver specific project-based improvements to Esprit Park.

Capital Improvements:

This service category includes improvements to existing parks and greenspaces, public realm greening and street furniture, as well as the development of new publically-accessible parks and greenspaces. Capital Improvement services comprise approximately 32% of the GBD's annual budget, separately apportioned across Zone 1 (Dogpatch) and Zone 2 (Northwest Potrero Hill).

After receiving its first disbursement of assessment funds in January 2016, the GBD's Board of Directors sought to solicit resident and property-owner recommendations on targeted neighborhood improvement projects. These community-based improvement projects were vetted by an ad hoc Services Working Group, prior to review and approval from the organization's Board of Directors.

The Board funded and managed the following Capital Improvement projects:

- Revamped and graded a pedestrian pathway and bioswale in Esprit Park;

- Installed new plantings and irrigation systems at the Gears, Fallen Bridge Park, I.M. Scott School sidewalk gardens, Woods Yard Mini-park, and Minnesota Grove;
- Worked with Friends of Angel Alley – a new greenspace leveraging private and Community Challenge Grant funding – to adopt the new linear street park and provide ongoing maintenance and capital support;
- Conducted dead tree removal and pruning at Minnesota Grove, Woods Yard Mini-park, and the Benches Park.

Accountability, Transparency, & Citizen Services:

This service category totaled 23% of the total budget, including management of the GBD’s corporate and administrative business, advocacy on behalf of the District’s property owners, and communications and outreach to residents, businesses, and property owners.

In the fall of 2015, former members of the GBD Formation Committee transitioned to the organization’s interim Board of Directors. This group met twice monthly from August through December 2015. As specified in the GBD’s Management Plan, the interim Board managed a six-week property-owner voting process for the organization’s first elected 13-member Board of Directors. Seats were allotted in proportion to the overall contribution of each zone to the GBD’s budget. Thus, Zone 1 (Dogpatch, with a zone budget of \$423,786) was allocated 10 seats, and Zone 2 (Northwest Potrero Hill, with a zone budget of \$91,067) was allocated 3 seats. Board seats are specified in the Management Plan and organizational bylaws to represent District property owners, tenants, as well as parks and greenspace advocates.

The elected Board met almost twice per month, convening several ad hoc working groups to conduct organizational business and vet decisions prior to discussion at full Board meetings. Working groups included an Executive Officer Working Group, a Services Working Group, a Communications Working Group, and a 22nd Street Green Connections Working Group. Both the Executive Officer Working Group and the Services Working Group met the week prior to each full Board meeting: the Executive Officer Working Group met to review and set meeting agendas, whereas the Services Working Group drafted, solicited, and reviewed RFPs, contractor qualifications, and service contracts. The Communications Working Group met irregularly to manage the organization’s website, email newsletter, and social media accounts. The 22nd Street Green Connections Working Group met on several occasions to provide project specific feedback and input to Public Works and Planning Department staff.

The organization hired its first Executive Director, Julie Christensen, in early June 2016. The Executive Director recruitment process solicited over 60 qualified applicants; each vetted and interviewed by the professional staffing firm Schaffer & Combs. After several rounds of in-person interviews by the GBD’s executive officers, Julie Christensen was hired as Executive Director.

Operations & Contingency:

This service category includes day-to-day administrative office expenses, organizational insurance, financial accounting, and a contingency reserve. Operations & Contingency services comprise approximately 14% of the GBD’s annual budget, equitably apportioned across Zone 1 (Dogpatch) and Zone 2 (Northwest Potrero Hill).

V. BENCHMARK ANALYSIS

Public Works reviewed the following budget-related benchmarks for the Dogpatch & Northwest Potrero Hill GBD. The following benchmarks are shared with OEWD’s CBD program:

- **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 “Dogpatch & Northwest Potrero Hill Green Benefit District,” Section 3.9 – Budget).
- **BENCHMARK 2:** Whether 6.79% of the budget for Maintenance and Capital Improvement service categories came from sources other than assessment revenue (Agreement for the Administration of the “Dogpatch & Northwest Potrero Hill Green Benefit District,” Section 3.4 – Annual Reports).
- **BENCHMARK 3 (WAIVED FOR FISCAL YEAR 1):** Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percentage points (Agreement for the Administration of the “Dogpatch & Northwest Potrero Hill Green Benefit District,” Section 3.9 – Budget).
- **BENCHMARK 4:** Whether the GBD 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)).

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 “Dogpatch & Northwest Potrero Hill Green Benefit District,” Section 3.9 – Budget).

ANALYSIS: GBD MET REQUIREMENT. See table below.

SERVICE CATEGORY	MANAGEMENT PLAN FY 1 BUDGET	PERCENTAGE OF BUDGET	FY 2015/2016 ACTUALS	PERCENT OF ACTUALS	VARIANCE PERCENTAGE POINTS
Maintenance	\$ 159,156	30.91%	\$ 159,156	30.91%	0%
Capital Improvements	\$ 164,750	32.00%	\$ 164,750	32.00%	0%
Accountability, Transparency, & Citizen Services	\$ 118,000	22.92%	\$ 118,000	22.92%	0%
Operations & Contingency	\$ 72,946	14.17%	\$ 72,946	14.17%	0%
TOTALS	\$ 514,852	100%	\$ 514,852	100%	--

BENCHMARK 2: Whether 6.79% of the budget for Maintenance and Capital Improvement service categories came from sources other than assessment revenue (Agreement for the Administration of the “Dogpatch & Northwest Potrero Hill Green Benefit District,” Section 3.4 – Annual Reports).

ANALYSIS: GBD MET REQUIREMENT. See table below.

FY 2015/2016	BUDGET	ACTUALS	PERCENT OF ACTUALS
Special Benefit Assessment	\$ 492,859	\$ 457,345	89.41%
General Benefit (Requirement)	\$ 21,993		10.59%
Donations		\$ 22,500	
In-kind Services & Donations		\$ 21,560	
Interest Income		\$ 105	
TOTAL BUDGET (Special + General Benefit)	\$ 514,823	\$ 511,510	100.00%

BENCHMARK 3 (WAIVED FOR FISCAL YEAR 1): Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percentage points (Agreement for the Administration of the “Dogpatch & Northwest Potrero Hill Green Benefit District,” Section 3.9 – Budget).

ANALYSIS: BENCHMARK WAIVED FISCAL YEAR 1*. See table below.

SERVICE CATEGORY	MANAGEMENT PLAN FY 1 BUDGET	PERCENTAGE OF BUDGET	FY 2015/2016 ACTUALS*	PERCENT OF ACTUALS	VARIANCE PERCENTAGE POINTS
Maintenance	\$ 159,156	30.91%	\$ 51,846	25.07%	(5.84%)
Capital Improvements	\$ 164,750	32.00%	\$ 66,746	32.27%	.27%
Accountability, Transparency, & Citizen Services	\$ 118,000	22.92%	\$ 42,641	20.62%	(2.30%)
Operations & Contingency	\$ 72,946	14.17%	\$ 45,590	22.04%	7.87%
TOTALS	\$ 514,852	100%	\$ 206,823	100%	--

***NOTE:** The Dogpatch & Northwest Potrero Hill GBD – similar to San Francisco’s CBDs – operates on a fiscal year from July 1 to June 30. Assessment revenues collected by the City in December are not disbursed to the GBD until January, roughly 6 months after the start of fiscal year.

Since the GBD only had 6 months to spend assessment revenues, this performance benchmark is waived for the District’s first fiscal year of operations.

BENCHMARK 4: Whether D&NWPBGD 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)).

ANALYSIS: GBD MEET THIS REQUIREMENT. Additional carry forward budget details provided as an attachment to this memo.

FY 2015/2016 CARRY FORWARD	CARRY-FORWARD BUDGET	PERCENTAGE OF BUDGET CATEGORY
UNSPENT FY 2015/2016 FUNDS	\$ 294,687	
Maintenance	\$ 93,729	58.89%
Capital Improvements	\$ 91,740	55.52%
Accountability, Transparency, & Citizen Services	\$ 66,926	56.72%
Operations & Contingency	\$ 42,562	58.35%
TOTALS	(\$2,040)	--

VI. PERFORMANCE EVALUATION & CONCLUSION

Accomplishments

The vast majority of the GBD's Board members are exceptionally well organized and engaged with the organization. Directors faced a demanding meeting schedule and set an aggressive timeline to ramp-up the GBD's operations. Less than 4 months after formally filing its Articles of Incorporation, the GBD was a registered City vendor, operating with an elected Board of Directors, and had signed its management agreement with the City and County of San Francisco.

After the GBD's first assessment disbursement in January 2015, Board members expediently engaged service providers and contractors, soliciting bids to better understand the organization's operational needs. In an effort to demonstrate the GBD's value to assessed property owners, Board members secured short-term service contracts and initiated service delivery by February 2015. This rapid mobilization of the organization's resources by an all volunteer Board of Directors was managed in an expedient, accountable, and professional manner.

Challenges

The GBD is divided into two, geographically distinct zones that share an equivalent level of service. Each zone's finances are managed separately. Due to the forecast development slated to occur in Zone 1 (Dogpatch), the total budget for the GBD is expected to grow rapidly over the next few years. As a result, set-up and administration of the GBD's accounting and financial systems has proven to be a complicated endeavor. Since hiring its Executive Director, the GBD has made definitive strides in this area and has reached out to other assessment districts for their counsel and guidance.

A similar trait shared amongst both zones includes the incorporation of Caltrans property and their rights of way. Much of the eastern border for Zone 1 is I-280, and US-101 bifurcates Zone 2. Over the past few decades, communities in both zones have sought to improve Caltrans property, creating publically-accessible parks and open space to serve local neighborhood needs. These community assets were part of the driving forces that led to the creation of the District. As the GBD assumes its role as one of the leading representatives for property owners and advocates for parks and open spaces in both neighborhoods, Caltrans has not prioritized nor consulted the GBD on a myriad of land use leases within the District. In addition, Caltrans has not paid the special assessments levied on their properties. In order to be compliant with the GBD's Engineer's Report, the GBD is required to seek additional donations and in-kind services to mitigate lost assessment revenue.

In FY 2016/2017, Public Works will seek the City Attorney's counsel to reduce or eliminate some of the special assessments levied on Caltrans properties.

Conclusion

As the first neighborhood-based special assessment district of its kind in San Francisco and the country, the GBD has done well to demonstrate its value to neighborhood residents, businesses, property owners, and community advocates. Its Board of Directors has taken their role within the organization seriously and professionally, fulfilling the GBD's mission and stated purpose in both Dogpatch and Northwest Potrero Hill. The initial roll-out of public realm and greenspace service contracts was well-timed with the onboarding of the GBD's Executive Director.

Public Works is pleased with the work accomplished to date as a result of the creation and launch of the GBD. Now professionally staffed, the organization is well-positioned to successfully advocate on the behalf of the property owners, residents, and businesses across both Dogpatch and Northwest Potrero Hill neighborhoods in FY 2016/2017.