

BOARD of SUPERVISORS



City Hall  
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## MEMORANDUM

TO: Kate Sofis, Director, Office of Economic and Workforce Development  
Ben Rosenfield, City Controller

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

DATE: August 4, 2021

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 Haney on July 27, 2021:

**File No. 210883**

**Resolution receiving and approving an annual report for the Japantown Community Benefit District for Fiscal Year (FY) 2019-2020, 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: Office of Chair Preston  
Todd Rydstrom, Office of the Controller  
J'Wel Vaughan, Office of Economic and Workforce Development  
Anne Taupier, Office of Economic and Workforce Development  
Lisa Pagan, Office of Economic and Workforce Development  
Chris Corgas, Office of Economic and Workforce Development

1 [Japantown Community Benefit District - Annual Report - FY2019-2020]

2

3 **Resolution receiving and approving an annual report for the Japantown Community**  
4 **Benefit District for Fiscal Year (FY) 2019-2020, submitted as required by the Property**  
5 **and Business Improvement District Law of 1994 (California Streets and Highways**  
6 **Code, Sections 36600, et seq.), Section 36650, and the District's management**  
7 **agreement with the City, Section 3.4.**

8

9 WHEREAS, On May 23, 2017, 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. 198-17, expressing the City's intention to  
13 establish the Japantown Community Benefit District (the "Japantown CBD"); and

14 WHEREAS, On July 25, 2017, the Board of Supervisors adopted Resolution  
15 No. 302-17 establishing the Japantown CBD ("Resolution to Establish") for a period of 10  
16 years, commencing FY 2017-2018; and

17 WHEREAS, On December 12, 2017, the Board of Supervisors adopted Resolution  
18 No. 461-17, authorizing an agreement with the owners' association for the  
19 administration/management of the Japantown CBD, and a management agreement (the  
20 "Management Contract") with the owners' association, the Japantown Community Benefit  
21 District, Inc., was executed accordingly; and

22 WHEREAS, A copy of the Management Contract is on file with the Clerk of the Board  
23 of Supervisors in File No. 171198; and

24 Whereas, On December 1, 2020, the Board of Supervisors approved the Japantown  
25 CBD's annual reports for Fiscal Year 2018-2019 in Resolution No. 537-20; and

1           WHEREAS, The Japantown CBD has submitted for the Board's receipt and approval  
2 the Japantown annual report for Fiscal Year 2019-2020 as required by Section 36650 of the  
3 Act and Section 3.4 of the Management Contract; and

4           WHEREAS, The Annual Report is on file with the Clerk of the Board of Supervisors in  
5 File No. 210883, and is incorporated herein by reference as though fully set forth; and

6           WHEREAS, Supporting documents, including, but not limited to, a transmittal letter and  
7 memorandum report from the City's Office of Economic and Workforce Development, dated  
8 June 10, 2021, and documentation from the Japantown CBD for the Annual Report is on file  
9 with the Clerk of the Board of Supervisors in File No. 210883; now, therefore, be it

10          RESOLVED, That the Board of Supervisors hereby receives and approves the annual  
11 report for the Japantown Community Benefit District for Fiscal Year 2019-2020.



# JAPANTOWN

## COMMUNITY BENEFIT DISTRICT

FY 19-20 Annual Report





**JapantownSF**

Taste & Experience the Culture of Japan

### The Mission of the JCBD

Through economic business development for property owners and merchants, beautification of public spaces for all to enjoy and a safe livable environment – Japantown will continue to thrive as a culturally rich, authentic, and economically vibrant neighborhood which will continue to serve as the cultural heart of the Japanese and Japanese American communities for generations to come.



日本町  
N I H O N M A C H I  
JAPANTOWN

# Coming Together as A Community

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To Our Stakeholders and Community,

Looking out for one another, sharing information and taking care of our surroundings are all important aspects of what a community is all about. For the Japantown Community Benefit District, FY19-20 not only presented many opportunities for our organization to grow and accomplish specific goals, but with COVID-19 it pushed us to take on a new and important role of guiding our small businesses through this pandemic.

For Japantown, cleanliness and safety still remains a top priority for our stakeholders, small businesses, and those who live and work in the neighborhood. Our Community Ambassadors continue to supplement City services by keeping our district clean seven days a week. They not only sweep the streets but also interact with businesses, help visitors and even make sure the homeless that call Japantown their home are respectful of the community. Our Japantown SafeCity Camera network has become an important program to assist law enforcement in fighting crime and making sure our community is safe. The program also plays a critical role in identifying and documenting quality of life issues, such as illegal dumping and night-time homeless activities, to name a few.

The COVID-19 pandemic shook our entire nation and the world. Small businesses and communities of color faced uncertainty and unforeseen devastation. The Japantown Community Benefit District quickly hit the ground running and began checking in on all essential businesses to ensure that they understood the information coming out from the City. This was especially important since for many Japantown businesses, English is not their main language. With over 166 small businesses located within the district, JCBD staff worked tirelessly to compile and share weekly, if not daily, information through our "Keeping Japantown Businesses Connected" e-newsletters. Through this work, we realized that the need was much greater, thus we launched the Heart of Jtown Resiliency Fund for Small Businesses. This online fundraiser raised a total of \$502,970.00 at the end of June 2020 by which we were able to purchase and distribute PPE supplies; and through a grant program 80 businesses will be awarded with \$5000 grants to help with employee wages and/or rent.

Without a doubt, the last 4 months of FY19-20 challenged the organization and really showed our stakeholders and the greater Japantown community the importance of the Benefit District. It also strengthened our relationships and communications with the Office of Economic Workforce Development and other key City departments.

As we move forward the Japantown Community Benefit District will continue to build on these relationships so that Japantown can once again thrive and be a cultural destination for visitors as well as locals to safely enjoy.

With deep appreciation,  
JCBD Board of Directors and Staff

## Achievements for FY19-20

In the first 8 months of FY19-20, the Japantown Community Benefit District was able to accomplish the following:

- Installed 4 Big Belly Smart Trash receptacles and secured 4 Japantown business/community sponsors
- Worked with community artists to create 47 new street lamp banners to help brand and promote Japantown
- Hired 2 part time staff: Administrative Assistant and Operations Manager
- Launched a newly designed [sfjapantown.org](http://sfjapantown.org) website
- Launched Stamp Rally during the Fall Festival and Pin Rally for the Holidays to help promote Japantown small businesses
- Installed Holiday Lights on the Buchanan Mall and Peace Plaza
- Held quarterly Greater Japantown Marketing & Communication Meetings
- Launched the Heart of Jtown Resiliency Fund for Small Businesses

# Keeping Japantown Clean

The JCBD’s Community Ambassador program employs two full time Community Ambassadors to keep Japantown clean, and provide assistance to our visitors, tourists, merchants and community members. While their responsibilities mostly fall into the categories of cleaning and safety, the Ambassadors do so much more. They help remove graffiti and weeds, report sidewalk and public property deficiencies to 311, and provide a welcoming experience to visitors and locals. Our Ambassadors also serve as our extra eyes and ears, notifying JCBD staff with any concerns or safety issues. During COVID the Ambassadors continue to play an important role in helping us to disseminate information to our small businesses.

With the help of SF Public Works and the Mayor’s Fix-it Team we also reached out to our community nonprofit organizations to get them involved in keeping Japantown clean. Japantown organizations and volunteers worked alongside our Community Ambassadors, sweeping our streets, replanting trees and at the same time giving back to their community.

Community Meetings with Recology and SF Public Works were key to making sure our businesses were up-to-date with any changes in services and also have an opportunity to address concerns.

## Our Community Ambassadors are Making a Difference

311 Requests	396	Power Washing (block faces)	52
Answered Hotline	57	Request for Police/Fire/EMS	26
Auto Glass Clean Up	387	Sharps (Needle) Clean Up	308
Biohazard Clean Up	240	Stickers/Graffiti Removed	553
Business Contact/Check In	255	Trash (ilbs)	13,000
Cigarette Butts	72,305	Trash Bags Collected	520
Hospitality Assistance	2531	Weed Abatement (block faces)	302



**Community Meeting  
FOR JAPANTOWN BUSINESSES**

WITH




**Wednesday, November 6 • 3:00 - 4:00pm**  
Union Bank Community Room • Japan Center East Mall

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**Speakers:**

**Recology:**  
Novella Dzung, Government & Community Relations Manager

**San Francisco Public Works:**  
Traci Lawrence, Public Information Officer

The latest JCBD newsletter included an article about the changes in cardboard collection and how to properly set out your cardboard on your Recology pick up dates.

This Community Meeting for our Japantown businesses is an opportunity for you to meet representatives from Recology & SF Public Works and to learn more about the changes and the fees associated with these new changes.

We do encourage you to attend so that your business is in compliance with these new changes.

Presented by





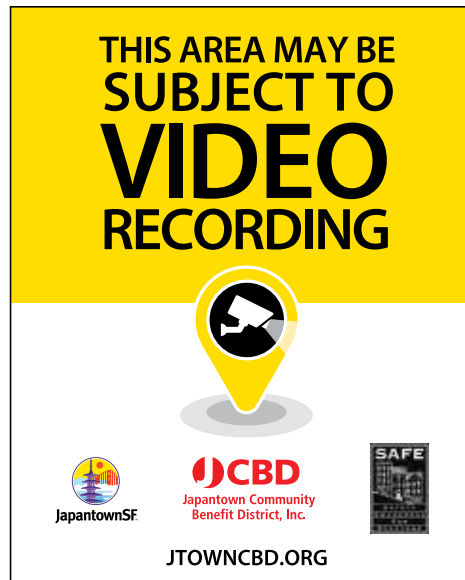
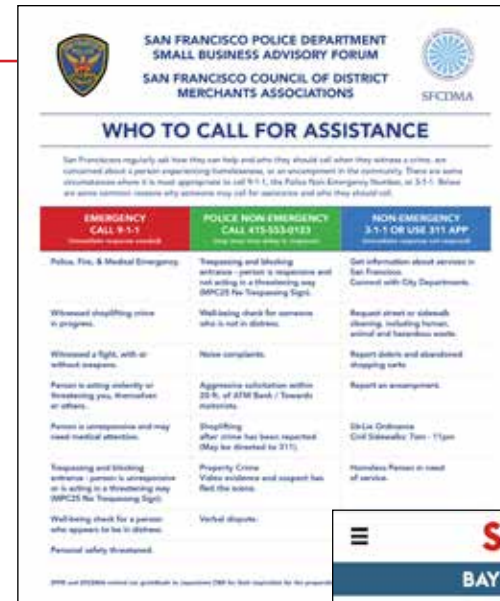

# Keeping Japantown Safe & Secure

Safety remains a high priority to our stakeholders and community. Staying in close communication with SFPD's Northern Station, participating in SFPD's Small Business Advisory Forum as well as being a member of the district's Community Police Advisory Board has provided us more opportunities to address Japantown's concerns.

Being proactive, we created the "Who to Call" informational flyer in FY18-19 for Japantown. We presented it at a SFPD Small Business Advisory Forum meeting and, with some updates, has now become an official SFPD/SF Council of District Merchants informational flyer which has been distributed to merchant corridors throughout the City.

The Japantown SafeCity Camera program completed Phase 4 of the implementation stage. 119 cameras were strategically placed throughout Japantown to provide valuable footage to law enforcement when requested. In June we updated our Usage Policy to be more transparent and comply with the California Public Records Act.

The JCBD also worked with SF Safe to create window stickers to alert visitors that this area may be subject to video recording. Beyond public safety, our SafeCity camera program helps us to collect insightful data on a variety of local community issues that allows us to better respond with our services in a more timely manner.



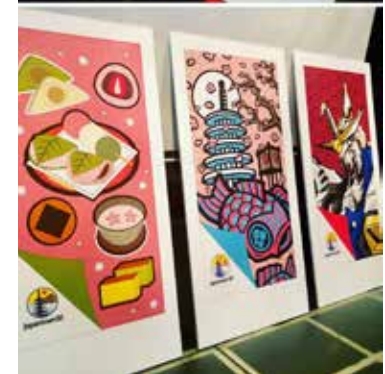


# Japantown Street Beautification

Worked with Japanese and Japanese American community artists to create 47 new street lamp banners to promote Japantown's culture and also strengthen the JapantownSF brand identity for the district, which the JCBD unveiled in FY18-19.

Through an OEWD grant, we were able to install 4 Big Belly units in Japantown. This was also an opportunity to continue branding JapantownSF as well as give businesses and nonprofits the opportunity to advertise.

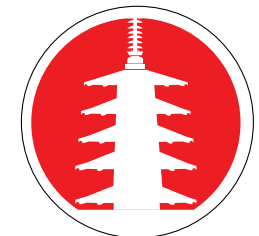
Holiday lighting in the Buchanan Mall and Peace Plaza added ambiance during the holidays while providing additional lighting to keep the public safe.



# Promoting Japantown

The JCBD Marketing & Communication Committee continues to look at ways to help promote Japantown, not only as a destination for out-of-town visitors but for locals to support our small businesses.

- In December the sfjapantown.org (japantownsf.org) website was launched and social media sites implemented (Facebook, Instagram and Twitter).
- Launched Stamp Rally and Pin Rally to help promote events and holiday season.
- Contracted with LGPR, Inc., a local PR firm to help Japantown have a stronger presence in local and national media.
- Held quarterly Greater Japantown Marketing & Communications meetings with key community stakeholders to provide updates about planned marketing initiatives. These quarterly meetings are an opportunity for key stakeholders to provide input, ensure that there is no duplication-of-effort, and to look at ways to partner in our efforts.
- Partnered with the Nihonmachi Street Fair, the National Japanese American Historical Society and New People to bring Jtown After Dark movie night during the 46th Annual Nihonmachi Street Fair.



# Japantown Continues to be Resilient

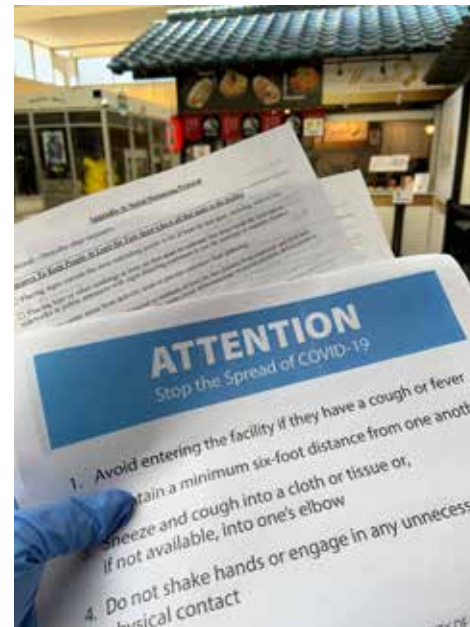
The pandemic propelled the JCBD to take on the crucial role of keeping our Japantown small businesses and greater community informed and updated with the most current information. As soon as the Shelter-in-Place order was announced, staff started to check-in with the essential businesses to make sure they understood the full impact of the order and had necessary PPE supplies to safely reopen. It also meant that our staff stay on top of information coming in from the City.

## Keeping Our Japantown Connected

Our e-newsletters, with a mailing list of over 900, was not only a compilation of information from the State and City, but JCBD staff took the extra step to make sure it was understandable to our readers. Although the City provides information in various languages, Japanese and Korean translated information was rarely available. Staff reached out to translators to get time sensitive information translated. Merchant and neighborhood associations throughout the City recognized our carefully and thoughtfully prepared e-newsletters and continue to share it with their own members.

## Small Business Assistance

We soon recognized that support for our small businesses had to go beyond basic communiqués. Assisting them one-on-one with online COVID grant and permit applications, passing out COVID flyers and posters, and being present during SF Department of Health staff check-ins are just some of the ways we provided hands-on assistance to our small businesses.



**JCBD** Japantown Community Benefit District, Inc.

### Keeping Japantown Businesses Connected

Mayor London Breed announced that as of midnight on March 17, residents of San Francisco, Santa Clara, San Mateo, Marin, Contra Costa and Alameda counties have been legally ordered to remain at home and shelter in place in an effort to slow the spread of the coronavirus (COVID-19).

During this ever-changing environment, supporting our Japantown small businesses and providing them with information and resources is crucial.

The JCBD has created a resource page for our small businesses. We've assembled helpful links and materials produced by the San Francisco Office of Economic Workforce Development. Whenever possible, we will translate materials so that our Japanese and Korean speaking businesses utilizes the programs and services available.

- Neighborhood Economic Development Partner COVID-19 Check-In (Japanese / Korean)
- COVID-19 Small Business Relief Program (Japanese / Korean)
- COVID-19 Employee Assistance Program (Japanese / Korean)

**Updated Listing!**

**List of restaurants (pick up & delivery only) and store fronts that are open.**  
As of 3/20/2020

Bejeung Korean Grill • Kinokuniya • Benihana • Mitsuiku • Udon Mugizo  
Anderson Bakery • Takoyaki Yamachan • Belly Good Cafe & Crepe  
Michilli Mochi Donut • Dango • Sanjo • San Wang Restaurant  
Nari • Waraku • Patina Lounge & Restaurant • Hinodeya Ramen  
Jibada Thai • Ramen Yamachan • Nijiyu Market • Super Mira • J Mart  
Union Bank • Soko Hardware • CA Bank & Trust • UPS Store

Although many merchants are closed please do visit their websites, purchase gift cards/vouchers that can be used at a later date.  
Please continue supporting local merchants!

[www.japantownsf.org](http://www.japantownsf.org)

**SHELTER IN PLACE**  
#stopthespread  
Shelter in place extended to May 3rd

## The Heart of Jtown Resiliency Fund for Small Businesses

- The JCBD launched the Heart of Jtown Resiliency Fund on March 26 and, with the support of numerous individuals, successfully raised \$500,000 to help support our small businesses. A separate committee was formed to oversee the distribution of funds.
- Conducted the Heart of Jtown Town Hall meeting with guest presenters City Assessor Carmen Chu and SF Chamber of Commerce President Rodney Fong to provide our businesses with the City's efforts through the Economic Recovery Task Force.
- \$20,000.00 dedicated to the purchase of PPE supplies (face masks, face shields, and sneeze guards)
- \$400,000 dedicated to help fund 80 small businesses through an online grant application process
- Remaining funds to support additional small business needs during COVID

## Strengthening Relationships

Keeping in close communication with City departments proved crucial to getting timely and accurate information out to our small businesses. To be able to reach heads of departments with any questions and clarifications was equally important. Additionally, increasing our communications with Japantown community leaders allowed us to develop a more unified and concerted effort to assist small businesses, as well as the 16 nonprofits in our community. Through weekly check-ins with the Japantown Merchants Association and the Japantown Task Force we are able to stay on top of the health of our small businesses and community organizations, and work together to address their needs.

**Together we are stronger. Together we will rise.**

Through these efforts, we will rise together from this pandemic, strengthen our community and show by example the resiliency of our Japantown community.



In support of Japantown Small Businesses



Coming Together to Support San Francisco's Japantown



Many have expressed concern about how the COVID-19 pandemic is going to impact the future of San Francisco's Japantown. Please join representatives from Japantown groups who have come together to organize a response to the current crisis and learn more about how you can





# Assessment Factors and Methodology

Each property within the JCBD's boundaries, as shown in the map, pays a special assessment proportional to the benefits received. Japantown property and business owners have emphasized that the assessment formula for the Japantown Community Benefit District be fair, balanced, and have a direct relationship to the district's services.

The Japantown Community Benefit District is funded through an annual assessment from businesses and property owners in the district. Estimated annual maximum assessment rates for all parcels, except Non-profit Parcels is as follows: \$0.1477 per square foot of lot, building + \$38.0166 per linear foot. Non-profit parcels is as follows: \$0.0739 per square foot of lot, building + \$19.0083 per linear foot.

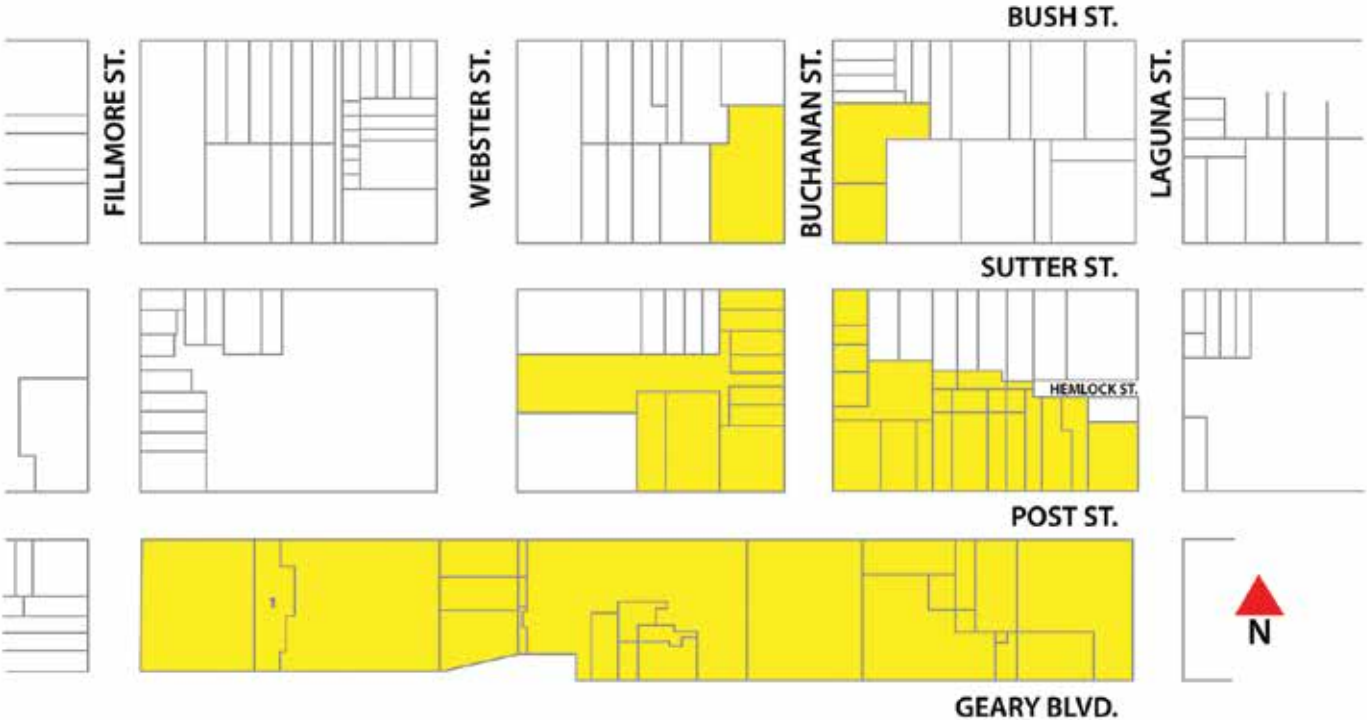
This information is provided to the JCBD from the SF Assessor's office. It is the responsibility of property owners to ensure the information

provided to the CBD is correct. To correct information, property owners must contact the SF Assessor's Office at 415-554-5596 or at <https://sfassessor.org/>.

Annual assessment rates may increase due to changes to the consumer price index (CPI), up to 3% each year. Assessments may also increase based on development in the District. JCBD assessments appear as a separate line item on the annual San Francisco County property tax bills.

**For FY 19-20 the Board voted not to increase assessment rates.**

To view a complete list of 2019-2020 Japantown CBD property assessments, please visit [www.jtowncbd.org](http://www.jtowncbd.org)



# Financials FY 19-20

	Actual	Budget	Over (Under) Budget
<b>INCOME RESOURCES</b>			
Assessments Revunue	\$ 392,979	396,047	-3,068
Redemption Income (penalties)	\$ 34,174	2,732	31,441
Donations			
Heart of Jtown Resiliency Fund	\$ 21,763	7,000	14,763
Holiday Lights	\$ 1,000	20,000	-19,000
SFJapantown.org Website	\$ 12,500	12,500	0
General Benefits			
Branding & Marketing Grant RFP 208	\$ 15,000	15,000	0
Big Belly Grant RFP 209	\$ 9,915	13,000	-3,085
Japantown Task Force Mini Grant	\$ 10,500	6,500	4,000
<b>TOTAL INCOME</b>	<b>\$ 497,830</b>	<b>472,779</b>	<b>25,051</b>
<b>EXPENSES BY PROGRAM</b>			
Economic Enhancement	\$ 165,534	157,671	7,864
Environmental Enhancement	\$ 110,371	170,455	-60,084
Advocacy/Administration	\$ 96,246	98,012	-1,766
Other JCBD Programs	\$ 28,100	46,642	-18,542
<b>TOTAL EXPENSES</b>	<b>\$ 400,251</b>	<b>472,779</b>	<b>(72,529)</b>
<b>NET INCOME</b>	<b>\$ 97,579</b>	<b>-</b>	<b>97,579</b>

## Non-Cash

Depreciation: SafeCity Equipment	\$ 95,160
Net Income after Depreciation	\$ 2,420

The net income will be carried over to fiscal year 20-21.

**PROJECTED CARRYOVER  
DISBURSEMENT**

	<b>As of 6/30/20 Budgeted</b>	<b>Budgeted for FY20-21</b>	<b>Budgeted for Future Years</b>
Economic Enhancement	\$ 154,850.13	50,763.02	104,087.10
Environmentla Enhancement	\$ 164,840.46	-	164,840.46
Advocacy/Administration	\$ 69,932.32	6,822.38	63,109.93
Reserve (2.5%)	\$ 9,990.33	-	9,990.33
<b>TOTAL</b>	<b>\$ 399,613.23</b>	<b>57,585.41</b>	<b>342,027.82</b>

**FY 2019-2020 Board of Directors**

- President  
Emily Glick, General Manager - The Buchanan
- Vice President  
Robert K. Sakai, Property Owner
- Treasurer  
Mary Ishisaki, Property Owner
- Secretary  
Jerry Ono, Director / Japantown Branch Manager - Union Bank
- Directors  
Daniel Byron III, Asset Manager, 3D Investment, Inc.  
Steve Ishii, Executive Director - Kimochi Inc.  
Dennis Kern, Director of Operations - San Francisco Recreation and Parks  
Kimberly Kolbe, Business Owner - MaruQ  
Rob Malone, Off-Street Operations and CIP Manager - SFMTA  
Lawrence Nakamura DDS, Business Owner  
Kathy Nelson, Director - Kabuki Spring and Spa  
Alex Prouty, General Manager - Hotel Kabuki



**Staff**

- Grace Horikiri, Executive Director  
grace@jtowncbd.org
- Melissa Ayumi Bailey, Administrative Assistant/  
Community Aide  
melissa@jtowncbd.org
- Brandon Quan, Operations Manager  
brandon@jtowncbd.org

Email [info@jtowncbd.org](mailto:info@jtowncbd.org) to receive JCBD weekly/monthly e-newsletters. Please visit our website at [jtowncbd.org](http://jtowncbd.org) for program information and other resources.

The Japantown Community Benefit District, Inc. is a 501c(3) nonprofit organization.



**JCBD** Japantown Community  
Benefit District, Inc.

1765 Sutter Street, 2nd Floor, San Francisco, CA 94115

Tel: 415-265-5207 • Fax: 415-796-0863

info@jtowncbd.org • www.jtowncbd.org



# **Japantown Community Benefit District, Inc.**

Financial Statements

June 30, 2020

## INDEX TO FINANCIAL STATEMENTS

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Japantown Community Benefit District, Inc.

### Report on the Financial Statements

We have reviewed the accompanying financial statements of Japantown Community Benefit District, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statement of activities, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the 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.

### Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles general accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

**BAKER TILLY US, LLP**

*Baker Tilly US, LLP*

San Francisco, California  
February 26, 2021

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**JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2020**

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**Current Assets**

Cash	\$ 714,277
Assessments receivable	1,015
Pledges receivable	10,000
Prepaid expenses	<u>9,975</u>
Total current assets	735,267

**Noncurrent Assets**

Property and equipment, net	<u>414,492</u>
Total assets	<u>\$ 1,149,759</u>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable	<u>\$ 1,215</u>
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**Net Assets**

Without donor restrictions	930,764
With donor restrictions	<u>217,780</u>
Total net assets	<u>1,148,544</u>

Total liabilities and net assets	<u>\$ 1,149,759</u>
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**JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>			
Assessments revenue	\$ 392,979	\$ -	\$ 392,979
Grants and contributions	29,915	31,763	61,678
Other - late fees	34,174	-	34,174
Satisfaction of donor restrictions	97,756	(97,756)	-
	<u>554,824</u>	<u>(65,993)</u>	<u>488,831</u>
<b>EXPENSES</b>			
Program services	411,435	-	411,435
Management and general	89,836	-	89,836
	<u>501,271</u>	<u>-</u>	<u>501,271</u>
	53,553	(65,993)	(12,440)
<b>CHANGE IN NET ASSETS</b>			
<b>NET ASSETS - beginning of year</b>	<u>877,211</u>	<u>283,773</u>	<u>1,160,984</u>
<b>NET ASSETS - end of year</b>	<u>\$ 930,764</u>	<u>\$ 217,780</u>	<u>\$ 1,148,544</u>

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**JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2020**

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	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Economic enhancement expenses	\$ 135,959	\$ -	\$ 135,959
Environmental enhancement expenses	120,545	-	120,545
Depreciation expense	101,630	-	101,630
Salaries	44,781	32,259	77,040
Legal and professional services	-	31,550	31,550
Payroll expenses	3,658	3,300	6,958
Taxes and licenses	-	5,783	5,783
Office expenses	-	5,243	5,243
Occupancy	1,477	3,696	5,173
Outside services	985	3,841	4,826
Insurance	-	4,164	4,164
Charitable contributions	2,400	-	2,400
	<u>411,435</u>	<u>89,836</u>	<u>501,271</u>
Total expenses	<u>\$ 411,435</u>	<u>\$ 89,836</u>	<u>\$ 501,271</u>

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**JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2020**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (12,440)
Reconciliation of change in net assets to net cash provided by operating activities:	
Depreciation expense	101,630
Change in operating assets:	
Assessments receivable	1,202
Pledges receivable	(10,000)
Prepaid expenses	(9,975)
Accounts payable	(225)
<b>Net cash provided by operating activities</b>	<u>70,192</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	<u>(96,518)</u>
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**NET DECREASE IN CASH** (26,326)

**CASH - beginning of year** 740,603

**CASH - end of year** \$ 714,277



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**JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**1. ORGANIZATION**

Japantown Community Benefit District, Inc. (the "JCBD") is a not-for-profit organization formed on October 19, 2017 pursuant to a management contract with the City and County of San Francisco (the "City"). Refer to Note 6.

The JCBD, located in San Francisco, California, has specific charitable purpose to advance the common good, general welfare and quality of life of all San Franciscans, and of visitors to San Francisco, by enhancing environmental quality and beauty in the Japantown Community Benefit District (the "District"), by fostering a safer and more secure community in that District, and by reinforcing the cultural heritage and economic vitality of that District, and to carry on other charitable activities associated with these goals as allowed by law.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The financial statements are as of and for the year ended June 30, 2020 and are presented in accordance with generally accepted accounting principles promulgated in the United States of America for Not-For-Profit Organizations ("U.S. GAAP").

***Basis of Presentation***

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the JCBD and changes therein are classified and reported as follows:

***Net Assets Without Donor Restrictions***

Those net assets which are not subject to donor-imposed stipulations. Net assets without donor restrictions also include funds designated by the board of directors for specific projects. The JCBD currently has no board-designated net assets.

***Net Assets With Donor Restrictions***

Those net assets that are subject to donor-imposed stipulations that may or will be met by actions of the JCBD and/or the passage of time, and net assets to be held in perpetuity as directed by donors. The JCBD currently has no net assets to be held in perpetuity.

***Use of 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.

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**JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Cash and Cash Equivalents***

Cash consists of a checking account. JCBD considers short-term and highly liquid investments with original maturities of three months or less from the dates of acquisition as cash equivalents. There were no cash equivalents as of June 30, 2020.

***Assessments Receivable***

Assessments receivable represents obligations of the City due to the JCBD. The allowance for doubtful accounts is determined based on the collectability of receivables. Receivables are written off when it is probable that the receivables will not be collected. Management believes that all outstanding assessments receivable is collectible in full, therefore no allowance for doubtful accounts has been provided. All assessments receivable is due within one year.

***Pledges Receivable***

Unconditional pledges receivable is recorded when the pledge is made; such receivable is subject to an allowance for uncollectible amounts. Pledges which are due beyond one year are recorded at the net present value of the contribution. The changes in present value in future periods are recorded in the statement of activities as contributions in the periods of change. At June 30, 2020, management believes these amounts are fully collectible, and as such, did not record an allowance for doubtful accounts for grants receivable. All pledges receivable are due within one year.

***Property and Equipment***

Property and equipment with a cost or value in excess of \$5,000, are capitalized by the JCBD at cost or, if donated, recorded at fair value at the date of the donation. The cost of additions and major improvements is capitalized, while maintenance and repairs are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in other income. Depreciation is provided on the straight-line method over the estimated useful life of five years.

The JCBD reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Management believes there were no indicators of impairment at June 30, 2020.

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**JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Revenue Recognition***

*Assessments Revenue*

JCBD received assessments which are collected by the City under the terms of the agreement between the City and JCBD (refer to Note 6).

Assessments revenue which includes fines and penalties are accounted for as support and recognized when notification of the assessment is received from the City.

*Grants and contributions*

Unconditional grants and contributions and pledges are recognized at their fair value in the period notified.

Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional grants and contributions are recognized once conditions associated with the contributions have been fulfilled.

***Income Taxes***

The JCBD is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from California franchise taxes under Section 23701d of the Revenue and Taxation Code. In addition, the JCBD qualifies for the charitable contribution deduction under Section 170(b)(1)(A). However, income from activities not related to the JCBD's tax-exempt purpose may be subject to taxation as unrelated business income.

U.S. GAAP provides disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and does not believe that the JCBD has any uncertain tax positions that require adjustment or disclosure in the financial statements. The JCBD's returns are subject to examination by federal and state taxing authorities, generally for three to four years, respectively, after they are filed.

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**JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Functional Expenses***

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses are identified with a specific program or support service and are charged directly to that program or support service. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

***Recently Issued Accounting Standard***

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) – Effective Dates for Certain Entities* (“ASU 2020-05”) to defer the effective dates of the ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”) and ASU 2016-02, *Leases* (“ASU 2016-02”) to provide immediate, near-term relief for certain entities for whom these updates are either currently effective or imminently effective. The deferral of the effective dates of ASU 2016-02 is reflected in the following paragraph.

In February 2016, the FASB issued ASU 2016-02. This standard modifies the principles that lessees and lessors apply to report information in their financial statements about the amount, timing, and uncertainty of cash flows arising from leases. The standard requires lessees to recognize most leases on their statements of financial position. ASU 2016-02 will be effective for the JCBD’s financial statements for the year ending June 30, 2023, and early adoption is permitted. The JCBD is currently evaluating the timing of its adoption and the impact on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Contributed Nonfinancial Assets (Topic 958)* (“ASU 2020-07”). ASU 2020-07 increases the transparency of contributed nonfinancial assets through enhancements to presentation and disclosures in programs and other activities of a not-for-profit organization. The new standard will be effective for the JCBD for the year ending June 30, 2022. The JCBD is currently evaluation the timing of its adoption and its impact on its financial statements.

**3. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT**

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* (“ASU 2018-08”). These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by all entities, including business entities. The amendments should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional or unconditional. The adoption of ASU 2018-08, effective July 1, 2019 on a modified prospective method, did not have a material effect on the JCBD’s financial position or results of operations.

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**JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

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**4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The JCBD's primary source of revenue is the assessment revenue due from the City. The JCBD's goal is generally to maintain financial assets to meet 90 days of operating expenditures.

The JCBD considers all expenditures related to its ongoing program services and supporting services to be general expenditures.

The JCBD's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Financial assets at year-end:	
Cash	\$ 714,277
Assessments receivable	1,015
Pledges receivable	<u>10,000</u>
Total financial assets at year-end	725,292
Less: amounts not available to be used within one year:	
Net assets with donor restrictions	217,780
Less: net assets with restrictions to be met in less than a year	<u>(10,000)</u>
	<u>207,780</u>
Financial assets available for general expenditures over the next 12 months	<u><u>\$ 517,512</u></u>

**5. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2020:

Equipment	\$ 562,745
Less: accumulated depreciation	<u>(148,253)</u>
	<u><u>\$ 414,492</u></u>

For the year ended June 30, 2020, depreciation expense amounted to \$101,630.

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**JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

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**6. ASSESSMENTS REVENUE**

In April of 2017, the City developed the Japantown Community Benefit District Plan (the "Plan") to improve the appearance and safety of the District which encompasses approximately seven whole and partial blocks in the commercial core of Japantown. The Plan is also to increase building occupancy and lease rates, and to encourage new business development and attract ancillary businesses and services.

On January 18, 2018, an agreement was entered into between the City and the JCBD, to implement, administer and provide the property-related services, improvements and activities, in accordance with the Plan for a term expiring on June 30, 2027.

The JCBD receives its support primarily from the multi-year special assessment levied by the City on Identified Parcels (as defined in Section 53750(g) of the Government Code) located within the District. The assessments may only be used to fund property-related services, improvements and activities, as defined, within the District in accordance with the Plan.

**7. NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2020, net assets with donor restrictions consists of the following:

<b>Subject to expenditure for specified purpose:</b>	
Surveillance camera implementation	\$ 187,256
Heart of Jtown Resiliency Fund	<u>20,524</u>
	207,780
<b>Subject to time restrictions:</b>	
Pledge receivable	<u>10,000</u>
	<u><u>\$ 217,780</u></u>

Net assets with donor restrictions released for satisfaction of donor-restricted program expenses for the year ended June 30, 2020 are as follows:

Surveillance camera implementation	\$ 96,517
Heart of Jtown Resiliency Fund	<u>1,239</u>
	<u><u>\$ 97,756</u></u>

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**JAPANTOWN COMMUNITY BENEFIT DISTRICT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**8. CONCENTRATIONS OF RISK**

***Vendor***

The JCBD incurred expenses of \$137,713 for outsourced cleaning and hospitality services paid to one unrelated organization, representing 28% of the total expenses for the year ended June 30, 2020.

***Assessments revenue***

The JCBD's ability to generate resources is dependent upon the assessments from the City.

***Contributions***

40% of total contributions recognized for the year ended June 30, 2020 was from one grantor.

***Other risk***

Financial instruments, which potentially subject the JCBD to concentrations of credit risk, consist principally of cash in bank accounts greater than \$250,000 with each financial institution. The JCBD periodically reviews its cash policy and believes that any potential loss is not material to the financial statements.

**9. RISKS AND UNCERTAINTIES**

In March 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic. In addition, the California State Governor ordered the closure of the physical location of every business, except those identified in the "critical infrastructure sectors", for a limited period of time. With the onset of COVID-19 and the prohibition on public gatherings in San Francisco beginning March 2020, the JCBD has developed contingency plans for operations and funding. The disruption and economic impact of the outbreak is uncertain. The JCBD will continue to monitor the situation closely, but given the uncertainty about the situation, management cannot estimate the impact to the financial statements.

**10. SUBSEQUENT EVENTS**

On July 13, 2020, the JCBD received a \$480,000 unconditional grant from a private fund for the Heart of Jtown Resiliency Fund.

Management has reviewed events and transactions through February 26, 2021, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

**MEMO**

To: Supervisor Dean Preston, District 5 Supervisor

CC: San Francisco Board of Supervisors

From: Chris Corgas; OEWD Senior Program Manager

RE: Japantown Community Benefit District; FY 19-20 Annual Report

Date: June 10, 2021

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This is a memo summarizing the accomplishments of the Japantown Community Benefit District and an analysis of its financial statements (based on their audit) for the period between July 1, 2019 and June 30, 2020.

Each year the CBD is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. Japantown CBD has complied with the submission of all these requirements. OEWD staff reviewed these financial documents to monitor and report on whether they have complied with the rules per 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 Japantown CBD management contract with the City; and their Management Plan approved by the Board of Supervisors in 2017.

Also attached to this memo are the following documents:

1. Annual Reports
  - a. FY 2019-2020
2. CPA Financial Statements
  - a. FY 2019-2020
3. Draft resolution from the Office of Economic and Workforce Development





## **Background**

The Japantown Community Benefit District (Japantown CBD) was formed to clean, beautify, and provide economic enhancements within the district. The Japantown CBD is located in one of 3 remaining Japantowns in the United States, in a neighborhood that is identified by its rich cultural heritage and history. The Japantown CBD includes both privately and publicly owned properties. The district is 7 whole and partial blocks and approximately 67 parcels in the commercial core of Japantown.

- July 25, 2017: the Board of Supervisors approved the resolution that established the Japantown Community Benefit District for 10 years (Resolution # 461-17).
- December 12, 2017: the Board of Supervisors approved the contract for the administration and management of the Japantown Community Benefit District (Resolution # 13-06).
- December 21, 2020: the Board of Supervisors approved the FY 18-19 Annual Report for the Japantown Community Benefit District (Resolution #537-20)

## **Basic Info about Japantown Community Benefit District:**

Year Established	2017
Assessment Collection Period	FY 2017-2018 to FY 2026-2027 (July 1, 2017 to June 30, 2027)
Services Start and End Date	January 1, 2018 – December 31, 2027
Initial Estimated Annual Budget	\$393,750
FY 2019-20 Assessment Submission	\$393,750.30
Fiscal Year	July 1 – June 30
Executive Director	Grace Horikiri
Name of Nonprofit Owners' Entity	Japantown Community Benefit District, Inc.

The current CBD website <https://www.jtowncbd.org> includes all the pertinent information about the organization and their programs, a calendar of events, their Management Plan, Mid-Year Report, Annual Report, and meeting schedules.

## **Summary of Program Areas**

### **Environmental Enhancements**

The Japantown CBD Management Plan calls for 31.25% of the assessment budget to be spent on Environmental Enhancements are designed to address vacancies by filling them with targeted businesses and to bring more visitors to the District area to engage in commercial and business activities.

### **Economic Enhancements**

The Japantown CBD Management Plan calls for 48.75% of the assessment budget to be spent on Economic Enhancements. Economic Enhancements include a business liaison to work as the primary point of contact between the CBD and the Japantown CBD business community. The liaison builds relationships businesses and connects them, as needed, to appropriate resources such as commerce experts, business associations, training programs, eligible grants, etc. in an effort to create a stronger business environment for all. Economic Enhancements also include destination marketing aimed to position Japantown as a dining, retail, and cultural destination.

### **Advocacy/Administration**

The Japantown CBD Management Plan calls for 17.50% of the assessment budget to be used on Advocacy/Administration. The CBD is staffed by a Executive Director who 1) performs the day-to-day management of the organization, 2) works with various city departments, 3) advocates for city funds and services, 4) ensures that the organization is in compliance with their Management Plan and City contract, and 5) provide leadership through research and community education to represent the community with one clear voice.

### **CBD Reserve**

The remaining 2.50% of annual budget is to be allocated to Reserves. Reserves are budgeted as a contingency for any payment delinquencies and/or unforeseen budget adjustments

The Japantown CBD board has fourteen (14) members which represent property owners, merchants, community organizations, and other stakeholders. Board member seats are determined using the following guidelines: 60% of seats are set aside for District property owners, 20% of seats are set aside for non-property owning merchants with a preference for existing small businesses operating retail, restaurant and service, and the remaining 20% of seats can be used for Community Based Organizations and stakeholders. This structure complies with Article 15 of the San Francisco Business and Tax Regulations Code. The full board meets monthly.

### **Summary of Accomplishments, Challenges, and Delivery of Services**

#### **FY 2019-2020**

##### **Environmental Enhancements**

- Community ambassadors provide daily cleaning services from 7:30 AM to 4:00 PM on Japantown CBD's sidewalks and public spaces.
- Removed approximately 13,000 lbs of litter and trash
- Cleaned up 240 instances of biohazards
- Removed 553 instances of graffiti or stickers
- Picked up 308 needles
- Picked up 387 instances of broken vehicle glass
- Power washed 52 block faces
- Removed 72,305 cigarette butts

##### **Economic Enhancements**

- Installed 4 Big Belly units in Japantown, through an OEWD grant.
- Deployed holiday lighting in the Buchanan Mall and Peace Plaza to add ambiance.
- Held quarterly Greater Japantown Marketing & Communications meetings with key community stakeholders to provide updates about planned marketing initiatives. These quarterly meetings are an opportunity for key stakeholders to provide input, ensure that there is no duplication-of-effort, and to look at ways to partner efforts.

- Partnered with the Nihonmachi Street Fair, the National Japanese American Historical Society and New People to bring Jtown After Dark movie night during the 46<sup>th</sup> Annual Nihonmachi Street Fair.

### **Advocacy/Administration**

- Translated State and City Covid-19 information into Japanese and Korean.
- Prepared and disseminated regular, high quality e-newsletters providing merchants and other stakeholders accurate information relating to the ongoing Covid-19 pandemic.
- Provided technical assistance to Japantown small businesses with Covid grant and permit applications.
- Passing out Covid-19 information from the City to small businesses.
- Launched the Heart of Jtown Resiliency fun on March 26<sup>th</sup> and successfully raised over \$500,000 to help support Japantown small businesses.
  - \$20,000 was used to purchase PPE for small businesses
  - \$400,000 was dedicated to help fund 80 small businesses through an online grant application process
  - Remaining fun supported additional small business needs during Covid.

### **Japantown CBD Annual Budget Analysis**

#### **OEWD's staff reviewed the following budget related benchmarks Japantown 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 "Japantown Community Benefit District," Section 3.9 – Budget*)
- **BENCHMARK 2:** Whether five and fifty-five hundredths percent (5.55%) of actuals came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the "Japantown 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 "Japantown Community Benefit District," Section 3.9 – Budget*).
- **BENCHMARK 4:** Whether Japantown CBD is indicating the amount of any surplus or deficit revenues to be carried forward into the next fiscal year and designating the projects to be funded by any surplus revenues (*CA Streets & Highways Code, Section 36650(B)(5)*).

### **FY 2019-2020**

**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:** Japantown CBD met this requirement. See Table Below.

Service Category	Management Plan Budget  (Percentage)	FY 2019-20 Budget – Asst.  (Percentage)	FY 2019-20 Budget – Total.  (Percentage)	Variance % Points – Asst.	Variance % Points – Total.
Environmental Enhancements	\$125,000.00 (31.25%)	\$114,200.00 (28.64%)	\$160,500.00 (33.95%)	-2.61%	+2.70%
Economic Enhancements	\$195,000.00 (48.75%)	\$215,390.00 (54.01%)	\$233,890.00 (49.47%)	+5.26%	+0.72%
Advocacy/Administration	\$70,000.00 (17.50%)	\$69,190.00 (17.35%)	\$78,390.00 (16.58%)	-0.15%	-0.92%
CBD Reserve	\$10,000.00 (2.50%)	\$0.00 (0.00%)	\$0.00 (0.00%)	-2.50%	-2.50%
<b>TOTAL</b>	<b>\$400,000 (100%)</b>	<b>\$398,780.00 (100%)</b>	<b>\$472,780.00 (100%)</b>	<b>0.0%</b>	

**BENCHMARK 2:** Whether five percent (5.55%) of Japantown CBD’s actuals came from sources other than assessment revenue

**ANALYSIS:** *Japantown CBD met this requirement. Assessment revenue was \$427,153.00 or 76.99% of actuals and non-assessment revenue was \$121,671.00 or 23.01% of actuals. See table below.*

Revenue Sources	FY 2019-2020 Actuals	% of Actuals
Special Benefit Assessments	\$392,979.00	
Late Assessment Payments	\$34,174.00	
<b>Total assessment revenue</b>	<b>\$427,153.00</b>	<b>76.99%</b>
Grants & Contributions	\$29,915.00	5.39%
Satisfaction of Donor Restrictions	\$97,756.00	17.62%
<b>Total non-assessment revenue</b>	<b>\$121,671.00</b>	<b>23.01%</b>
TOTAL	\$554,824.00	100%

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

**ANALYSIS:** *Japantown CBD did not meet this requirement. See table below.*

Service Category	FY 2019-20 Budget – Asst.  (Percentage)	FY 2019-20 Budget – Total.  (Percentage)	FY 19-20 Actuals – Asst.  (Percentage)	FY 19-20 Actuals – Total  (Percentage)	Variance % Points – Asst.	Variance % Points – Total.
<b>Environmental Enhancements</b>	\$114,200.00 (28.64%)	\$160,500.00 (33.95%)	\$101,128.00 (27.59%)	\$222,174.00 (44.32%)	-1.04%	+10.37%
<b>Economic Enhancements</b>	\$215,390.00 (54.01%)	\$233,890.00 (49.47%)	\$129,959.00 (35.46%)	\$139,959.00 (27.12%)	-18.55%	-22.35%
<b>Advocacy/Admin.</b>	\$69,190.00 (17.35%)	\$78,390.00 (16.58%)	\$135,398.00 (36.95%)	\$143,137.00 (28.55%)	+19.59%	+11.97%
<b>CBD Reserve</b>	\$0.00 (0.00%)	\$0.00 (0.00%)	\$0.00 (0.00%)	\$0.00 (0.00%)	0.00%	0.00%
<b>TOTAL</b>	<b>\$398,780.00 (100%)</b>	<b>\$472,780.00 (100%)</b>	<b>\$366,845.00 (100%)</b>	<b>\$501,270.00 (100%)</b>		

**BENCHMARK 4:** Whether Japantown CBD is indicating the amount of any surplus or deficit revenues to be carried forward into the next fiscal year and designating the projects to be funded by any surplus revenues

**ANALYSIS:** *Japantown 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 their annual budget. See table below.*

FY 2019-2020 Carryover Disbursement	Budgeted for FY 20-21	Budgeted for Future Years
Designated Projects for FY 2020-2021		
Environmental Enhancements	\$24,726.00	\$140,114.00
Economic Enhancements	\$21,729.00	\$123,131.00
Advocacy/Administration	\$11,988.00	\$67,934.00
	\$1,499.00	\$8,492.00
<b>Total Designated amount for Future Years</b>	<b>\$59,942.00</b>	<b>\$339,671.00</b>

**Findings and Recommendations**

The Japantown CBD has met 3 out of 4 benchmarks as defined on page 4 of this memo. This is Japantown CBD’s second annual reporting process and the first time they did not meet all 4 benchmarks reviewed by OEWD. The Japantown CBD missed benchmark 3 which compares the organization’s fiscal year budget with the fiscal year actuals. Per Section 3.9 of each CBD is allotted a ten (10) percent

deviation from their management plan budget. If they do not meet this, OEWD must determine if this deviation adversely impacts the special benefits conferred on parcels within the CBD.

In this particular situation, based on assessment dollars, the CBD spent 9.59% more on their Advocacy/Administration service category than the 10% variance allowance. Additionally, the CBD spent 8.55% less on their Economic Enhancements service category the 10% variance allowance. In order to determine if these actions adversely impacted special benefits conferred on parcels within the CBD OEWD reviewed the CBD's management plan and engineer's report approved by the Board of Supervisors on July 25, 2017 (File # 170784).

Section E of the District's Engineers report, entitled "Special and General Benefits" articulates the assessment engineer's analysis of special and general benefits of the service categories in the CBD's Management District Plan. Per the Engineer's Report, Environmental Enhancements was the only category with activities that generally can benefit the public at large, meaning the remaining activities have specific benefit to parcels within the CBD and any general public benefit is incidental and collateral to providing to the special benefits to the assessed parcels. In this particular situation, the Japantown CBD was in compliance with categories related to the special benefit vs. general benefit. Additionally, upon review of the documents provided by the Japantown CBD it appears that the organization has mislabeled significant areas of actual expenditures. For instance, all salaries were labeled as part of the Advocacy/Administration service category despite the work that was being performed should have fallen under another service category. If staff was performing work specifically related to the Economic Enhancements or Environmental Enhancements service categories than their salaries should have been placed under those service category actuals. It in OEWD's opinion that this deviance did not adversely impact special benefits conferred on parcels within the District due to the combination of these factors.

OEWD has two recommendations for the Japantown CBD to ensure they meet this benchmark in the future. First, the CBD should utilize timekeeping documents or software to accurately keep track of how staff is spending their work hours. Doing so will allow the CBD to accurately breakdown what percentage of a staff member's salaries should fall under the correct service category. Secondly, the CBD and their financial professional should work to incorporate these findings in future actuals data provided to OEWD. It is OEWD's belief that these two changes would ensure the CBD meets benchmark 3 in the future.

The second half of FY 2019-2020 was particularly challenging for the Japantown CBD as well as property owners and businesses in the area. In February 2020 visitor traffic to the area began to decline due to the emergence of the Covid-19 global pandemic. On March 16, 2020 Mayor London N. Breed announced that that the Health Officer for the City County of San Francisco issued a Public Health Order requiring residents to remain at home, with the exception of essential needs. Additionally, all businesses other than Essential Businesses and Essential Government Functions, were required to cease all operations. All public and private gatherings of any number of people occurring outside a single family or living unit were also prohibited.

This order was particularly confusing to the Community Benefit District/Business Improvement District community in San Francisco as, by definition, they provide supplemental service and no direction was provided on whether or not they were to cease operations. Each CBD decided on whether to continue

services as usual, scale back services, change service patterns, or suspend service operations. Japantown CBD, out of an abundance of caution, decided to suspend its operations and services in the early days of the pandemic.

OEWD and the Office of the City Attorney worked to determine if CBD/BIDs must continue their supplemental service despite what decisions each district made in reaction to the pandemic. On March 23, 2020 OEWD issued a memo to all CBD/BIDs stating that, based on the advice of Deputy City Attorney Manu Pradhan, Articles 13 C and D of the California Constitution supersede both gubernatorial and mayoral executive orders. These Constitutional provisions deal with how special benefits are conveyed and each CBD/BID's specific assessment formula. The ramifications of this meant that all CBD/BIDs had to return to full service immediately. OEWD also provided a list of resources to the CBD/BIDs to provide to their employees or contractors. The Japantown CBD returned to their full-service schedule immediately once this determination was made.

During the pandemic OEWD worked with the Covid Command Center to ensure that CBD/BID essential workers were not forgotten during the Covid response and was able to acquire personal protective equipment and hygiene supplies to keep workers and the community safe. CBD/BIDs played an important role in facilitating communication between the City and their stakeholders throughout the pandemic. The Japantown CBD worked with the Covid Command Center, through OEWD, to disseminate Covid-19 related information to its stakeholders and provided safety kits to the unhoused community and commuters within the District. Additionally, the Japantown CBD organized Covid-19 testing for the community and regularly did so throughout the pandemic.

In order to support Japantown's struggling small businesses during the pandemic, the CBD founded the Heart of Japantown resiliency fund for small businesses. The fund was launched on March 26, 2020 with a goal of raising \$500,000 to help support small businesses. A separate committee was formed to oversee the distribution of these funds. The fund reached its goal in FY 20-21. OEWD will provide more information on this fund in the FY 20-21 annual report for the Japantown CBD.

## **Conclusion**

Japantown CBD has performed well in implementing the service plan. The CBD continues to do a good job of integrating itself into the Japantown community and has forged critical partnerships with established neighborhood organizations and nonprofits. The Japantown CBD's leadership in the community during the pandemic was instrumental to assisting City and County of San Francisco outreach and testing efforts. The CBD is a well-run organization with active board and committee members and OEWD believes it is well positioned to continue successfully carry out its mission as a community benefit district.

# Introduction Form

By a Member of the Board of Supervisors or Mayor

Time stamp  
or meeting date

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):

Subject:

The text is listed:

Signature of Sponsoring Supervisor: