

# MEMORANDUM

**TO:** Supervisor Matt Dorsey, District 6 Supervisor

**CC:** San Francisco Board of Supervisors  
Chris Corgas; Program Director, OEWD

**FROM:** Mimi Hiraki; Project Specialist, OEWD

**DATE:** July 20, 2022

**SUBJECT:** The East Cut Community Benefit District; FY 2020-2021 Annual Report

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This is a memo summarizing the performance of the East Cut Community Benefit District (The East Cut CBD) and an analysis of its financial statements for the period between July 1, 2020 and June 30, 2021.

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 2020-2021
2. CPA Financial Audit Report
  - a. FY 2020-2021
3. TJPA Letter to East Cut CBD
4. Draft resolution from the Office of Economic and Workforce Development



## Background

The District includes approximately 4,300 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.
- September 25, 2018: The Board of Supervisors approved the FY 2016–17 annual report and financial statements for The East Cut Community Benefit District (Resolution # 316-18)
- November 19, 2019: The Board of Supervisors approved a resolution changing the name of the Greater Rincon Hill Community Benefit District to The East Cut Community Benefit District and approved the FY 2017-18 annual report and financial statements (Resolution # 492-19)
- January 26, 2021: The Board of Supervisors approved the FY 2018-19 annual report and financial statement for The East Cut Community Benefit District (Resolution # 022-21).
- May 17, 2022: The Board of Supervisors approved the FY 2019-20 annual report and financial statements for The East Cut Community Benefit District (Resolution # 206-22).

### The East Cut CBD Summary and Highlights

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
FY 2020-2021 Assessment Roll Submission	\$4,466,696.68
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 calendar and agendas, and Management Plan.

### Summary of The East Cut CBD Program Areas

The East Cut Community Benefit District (The East Cut CBD) has a unique management plan budget allocation compared to other districts. All other districts illustrate their management plan budget as a



fixed percentage of assessments toward a specific category which does not change over time. Understanding that The East Cut CBD would have ongoing development, which included parks and greenspace coming online, project proponents provided a new management plan budget for each service category for each FY through FY 18-19. Following FY 18-19, the CBD will follow FY 18-19 management plan budget through the rest of its legislative life. The main factors determining this method of management plan budgeting was the eventual opening of Salesforce Park (called City Park in the Management Plan) and various small parks and parklets within the CBD's jurisdiction.

### **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 a private security firm. They are in cars and on foot. The Management Plan calls for approximately 23.36% of District assessment funds to be spent in this service area.

### **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 14.90% of District assessment funds to be spent in this service area.

### **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 53.64% of District assessment funds to be spent on this service area.

### **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 1.92% of District assessment funds to be spent in this service area.



## **Management**

The Management Plan calls for approximately 3.54% of District assessment funds to be spent on management. 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 2.64% of District assessment funds to be spent in this service area.

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

### **FY 2020-2021**

#### **Public Safety**

- Provided public safety services 24/7 throughout the district, with Community guides working between 5:30 AM and 10:00 PM, daily and dedicated neighborhood security patrolling the district 24/7
- Responded to 730 public calls for service.
- Conducted outreach 3,187 times to unsheltered individuals to connect them to city services and ensure they are not in need of urgent medical care.

#### **Cleaning and Maintenance**

- The CBDs street services crew provides daily cleaning and beautification: sidewalk sweeping, power washing, graffiti abatement, topping off City trash cans, weeding tree basins and sidewalk cracks, and spot-cleaning health hazards. Cleaning services are provided every day from 5:30am to 10:00pm.
- Installed five new Big Belly trash receptacles, doubling the total number to 10
- Developed a new MOU between Recology and all the CBDs for refuse collection
- Removed 145,460 pounds of litter.
- Cleaned or removed 2,997 instances of graffiti.
- Topped off 3,449 overflowing trashcans.
- Removed 1,101 needles.

#### **Parks and Greenspace**

- Administered a survey in coordination with Supervisor Haney and participated in a town hall for activation of the Temporary Transbay Terminal Site



- Awarded the contract in June for The Crossing at East Cut Activation
- Finalized the operations plan and got approval from the OCII Commission, completed construction documentation, bidding negotiations and selected a landscape contractor for The East cut Community Garden
- Partnered with the Problem Library and Tishman-Speyer to activate the ground retail space in MIRA (120 Folsom) for four months
- Partnered with Natoma Cabana to apply for a Shared Spaces Permit
- Developed East Cut Seats program, purchasing outdoor table and chairs to provide to local businesses to promote public space activation

### **Salesforce Park**

- Coordinated with TJPA and Biederman Redevelopment Ventures to resume programming for Salesforce Park in April
- Funded nearly 80% of the programming and maintenance of Salesforce Park.

### **Communication and Development**

- Issued a neighborhood survey with Supervisor Haney and participated in a town hall for activation of the Transbay Terminal Site
- Promote The East Cut CBD’s services and events through district newsletter, social media, website and district-wide street banner campaign.

### **Management**

- Held two mask distribution events on Folsom Street for residents to prevent spread of COVID-19 transmission
- Participated in District 6 Forum to address small business challenges
- Advocated for City welfare checks for the Main Street and Clementina Street homeless encampments to get 90% of the residents humanely housed
- Responded to the Covid-19 pandemic by assisting the City and County of San Francisco with outreach to the neighborhood.
- Launched East Cut Eats – neighborhood-based food delivery program; held 15 events through the summer of 2020

### **Operations**

- The East Cut CBD produced its fifth Annual Report

### **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%) 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 2020-2021 Budget Analysis**

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

Service Category	Management Plan Budget – Asst. (Percentage)	Management Plan Budget - Total (Percentage)	FY2020-2021 Budget – Asst. (Percentage)	FY2020-2021 Budget - Total (Percentage)	Variance Percentage Points – Asst.	Variance Percentage Points – Total
Public Safety	\$957,461.00 (23.36%)	\$971,056.00 (21.21%)	\$1,075,911.42 (26.53%)	\$1,089,852.91 (25.28%)	+3.17%	+4.07%
Cleaning and Maintenance	\$610,703.00 (14.90%)	\$619,374.00 (13.53%)	\$1,008,550.64 (24.87%)	\$1,022,491.64 (23.72%)	+9.97%	+10.19%
Parks and Greenspace	\$639,640.00 (15.60%)	\$686,235.00 (14.99%)	\$299,231.87 (7.38%)	\$499,231.87 (11.58%)	-8.23%	-3.41%
Salesforce Park	\$1,559,353.00 (38.04%)	\$1,969,378.00 (43.02%)	\$1,211,838.00 (29.88%)	\$1,211,838.00 (28.11%)	-8.16%	-14.91%
Communication and Development	\$78,831.00 (1.92%)	\$78,831.00 (1.72%)	\$140,585.25 (3.47%)	\$155,585.25 (3.61%)	+1.54%	+1.89%
Management	\$145,241.00 (3.54%)	\$145,241.00 (3.17%)	\$177,859.66 (4.39%)	\$190,477.66 (4.42%)	+0.84%	+1.25%
Operations	\$108,232.00 (2.64%)	\$108,232.00 (2.36%)	\$141,944.08 (3.50%)	\$141,944.08 (3.29%)	+0.86%	+0.93%
<b>TOTAL</b>	<b>\$4,099,461.00 (100%)</b>	<b>\$4,578,347.00 (100%)</b>	<b>\$4,055,920.92 (100%)</b>	<b>\$4,311,421.41 (100%)</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%) for Parks and Greenspace, came from sources other than assessment revenue. The Transbay Joint Powers Authority (TJPA) is responsible for raising twenty and eighty-one hundredths percent (20.81%) for Salesforce Park from sources other than assessment revenue.

**ANALYSIS:** The East Cut CBD did meet its requirement. Assessment revenue was \$956,976.86 or 97.73% of actuals and non-assessment revenue was \$22,191.40 or 2.27% of actuals for the public safety service category. Assessment revenue was \$610,394.20 or 92.66% of actuals and non-assessment revenue was \$48,382.60 or 7.3% of actuals for the cleaning and maintenance service category. Assessment revenue was \$639,316.57 or 93.01% of actuals and non-assessment revenue was \$48,078.84 or 6.99% of actuals for the Parks and Greenspace service category. Assessment revenue was \$1,558,564.51, but The East Cut CBD only spent \$738,314.86 or 79.15% actuals and non-assessment revenue was \$194,460.75 or 20.85% of actuals. See table below.

Public Safety - 1.40% Needed

Revenue Sources	FY 2020-2021 Actuals	% of actuals
Assessment Revenue - FY20-21	\$956,976.86	
<b>Total Assessment (Special Benefit) Revenue</b>	<b>\$956,976.86</b>	<b>97.73%</b>
Grants	\$8,730.40	0.89%
Donations	\$6,893.00	0.70%
Interest Earned	\$6,568.00	0.67%
<b>Total Non-Assessment (General Benefit) Revenue</b>	<b>\$22,191.40</b>	<b>2.27%</b>
<b>Total</b>	<b>\$ 979,168.26</b>	<b>100.00%</b>

Cleaning and Maintenance- 1.40% Needed

Revenue Sources	FY 2020-2021 Actuals	% of actuals
Assessment Revenue - FY20-21	\$610,394.20	
<b>Total Assessment (Special Benefit) Revenue</b>	<b>\$610,394.20</b>	<b>92.66%</b>
Grants	\$34,921.60	5.30%
Donations	\$6,893.00	1.05%
Interest Earned	\$6,568.00	1.00%
<b>Total Non-Assessment (General Benefit) Revenue</b>	<b>\$48,382.60</b>	<b>7.34%</b>
<b>Total</b>	<b>\$658,776.80</b>	<b>100.00%</b>

Parks and Greenspace – 6.79% Needed

Revenue Sources	FY 2020-2021 Actuals	% of actuals
Assessment Revenue – FY20-21	\$639,316.57	
<b>Total Assessment (Special Benefit) Revenue</b>	<b>\$639,316.57</b>	<b>93.01%</b>
Contributions and Sponsorships	\$41,299.26	6.01%
Grants	\$211.58	0.03%
Interest Earned	\$6,568.00	0.96%
<b>Total Non-Assessment (General Benefit) Revenue</b>	<b>\$48,078.84</b>	<b>6.99%</b>
<b>Total</b>	<b>\$687,395.41</b>	<b>100.00%</b>



Salesforce Park – 20.82% Needed

Revenue Sources	FY 2020-2021 Actuals	% of actuals
Assessment Revenue – FY20-21	\$1,558,564.51	
<b>Total Assessment (Special Benefit) Revenue</b>	<b>\$1,558,564.51</b>	<b>88.91%</b>
Other (TJPA Contribution)	\$194,460.75	11.09%
<b>Total Non-Assessment (General Benefit) Revenue</b>	<b>\$194,460.75</b>	<b>11.09%</b>
<b>Total</b>	<b>\$1,753,025.26</b>	<b>100.00%</b>

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

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

Service Category/Budget Line	FY2020-2021 Budget – Asst. (Percentage)	FY2020-2021 Budget - Total (Percentage)	FY20-21 Assessment Actual (Percentage)	FY20-21 Total Actual (Percentage)	Variance Percentage Point - Asst	Variance Percentage Point - Total
<b>Public Safety</b>	\$1,075,911.42 (26.53%)	\$1,089,852.91 (25.28%)	\$1,004,035.60 (27.12%)	\$1,026,227.00 (25.47%)	+0.60%	+0.19%
<b>Cleaning and Maintenance</b>	\$1,008,550.64 (24.87%)	\$1,022,491.64 (23.72%)	\$989,166.40 (26.72%)	\$1,037,549.00 (25.75%)	+1.85%	+2.03%
<b>Parks and Greenspace</b>	\$299,231.87 (7.38%)	\$499,231.87 (11.58%)	\$450,100.68 (12.16%)	\$487,776.00 (12.11%)	+4.78%	+0.53%
<b>Salesforce Park</b>	\$1,211,838.00 (29.88%)	\$1,211,838.00 (28.11%)	\$738,315.00 (19.94%)	\$932,776.00 (23.15%)	-9.93%	-4.96%
<b>Communication and Development</b>	\$140,585.25 (3.47%)	\$155,585.25 (3.61%)	\$183,419.00 (4.95%)	\$201,837.00 (5.01%)	+1.49%	+1.40%
<b>Management</b>	\$177,859.66 (4.39%)	\$190,477.66 (4.42%)	\$196,578.00 (5.31%)	\$196,578.00 (4.88%)	+0.93%	+0.46%
<b>Operations</b>	\$141,944.08 (3.50%)	\$141,944.08 (3.29%)	\$140,276.00 (3.79%)	\$146,488.00 (3.64%)	+0.29%	+0.35%
<b>TOTAL</b>	<b>\$4,055,920.92 (100%)</b>	<b>\$4,311,421.41 (100%)</b>	<b>\$3,701,890.68 (100%)</b>	<b>\$4,029,231.00 (100%)</b>		

**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

**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>Special Assessment Project</b>	<b>Amount As of 06.30.21</b>	<b>Budgeted for FY21-22</b>	<b>Remaining Carryover</b>
<b>Public Safety</b>	\$741,533.00	\$107,654.00	\$633,879.00
<b>Cleaning and Maintenance</b>	\$565,698.00	\$87,424.00	\$478,274.00
<b>Parks and Greenspace</b>	\$1,579,292.00	\$0.00	\$1,579,292.00
<b>Salesforce Park</b>	\$2,195,145.00	\$53,777.00	\$2,141,368.00
<b>Communication and Development</b>	\$125,697.00	\$108,632.00	\$17,065.00
<b>Management</b>	\$23,123.00	\$13,395.00	\$9,728.00
<b>Operations</b>	\$68,623.00	\$20,093.00	\$48,530.00
<b>Special Project Total</b>	\$5,299,111.00		
<b>Total</b>	\$5,299,111.00	\$390,975.00	\$4,908,136.00

**Findings and Recommendations**

The East Cut CBD has met all benchmarks as defined on pages 5 and 6 of this memo. The East Cut CBD has a strong history of meeting each of these benchmarks since its inception. 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 Salesforce 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 general benefit for Salesforce Park is calculated based on the actual expenses compared to the other categories are based on the assessment revenue raised for each fiscal year as stated by the Management Plan and further described in the Memorandum of Understanding between the East Cut CBD and TJPA.

During this review period, The East Cut CBD has performed well pivoting to the emerging health and economic impacts of the COVID-19 global pandemic that started in March 2020 and continued through this review period. During this review period, the East Cut CBD adjusted to the continuous changes of health orders issued by the San Francisco Health Officer, including the renewed shelter-in-place health order in December 2021.

The East Cut CBD worked throughout the early days of the pandemic to expand their contacts with local businesses and to support local restaurants that lost their daily lunchtime crowd. The East Cut CBD’s Economic Development and Executive committees created the “East Cut Eats” programs which saw staff and volunteers deliver meals to residents from local restaurants free of charge. This program helped generate income to suffering local restaurants and helped promote existing eateries that exist in the neighborhood. East Cut Eats ran for 15 weeks, partnered with 13 restaurants from July to October 2020, generating over \$15,000 in sales. The CBD canvassed the area and distributed information on OEWD’s Paycheck Protection Program and SFMTA’s Shared Spaces program. The CBD launched East Cut Seats program to provide outdoor table and chair sets to local businesses to expand their public realm; the first partner to use the program was Sweetgreen at Second and Natoma street. In March 2021 the CBD administered its first merchant survey to build a better relationship with merchants and understand their needs.



The COVID-19 pandemic significantly impacted the CBD's ability to provide programming for its parks resulting in large carryover amounts, especially for Salesforce Park category at \$2,141,368 and for the Parks and Greenspace category at \$1,579,292. The CBD is already doing outstanding work in conducting surveys with their constituents to better understand how they can use funds to meet the needs of the neighborhood. OEWD recommends the CBD create a plan based off the feedback they are hearing from their constituents.

### **Conclusion**

The CBD performed well in implementing its service plan. The CBD is in its sixth year of operations, and 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.

