

# MEMORANDUM

**TO:** Supervisor Aaron Peskin, District 3 Supervisor

**CC:** San Francisco Board of Supervisors  
Chris Corgas; Deputy Director, Community Economic Development Division, OEWD

**FROM:** Jackie Hazelwood, Community Benefit District Program Director, OEWD

**DATE:** October 24, 2023

**SUBJECT:** Lower Polk Community Benefit District; FY 2021-2022 Annual Report

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This is a memo summarizing the performance of the Lower Polk Community Benefit District (LPCBD) and an analysis of their financial statements (based on their audit) for the period between July 1, 2021 and June 30, 2022.

Each year the CBD is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. Lower Polk CBD did not comply with the submission of all these requirements in a timely manner. The FY 21-22 annual report was submitted 11 months later than anticipated, marking the fourth consecutive year that the CBD has provided a late submission for this report. 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 Lower Polk Community Benefit District's management contract with the City; and their Management Plan as approved by the Board of Supervisors in 2014.

Also attached to this memo are the following documents:

1. LPCBD Annual Report
  - a. FY 2021-2022
2. LPCBD Financial Statements
  - a. FY 2021-2022
3. Draft resolution from the Office of Economic and Workforce Development



## Background

The Lower Polk Community Benefit District includes 307 property-based parcels.

- On July 29, 2014, the Board of Supervisors approved the resolution that established the property-based district called the Lower Polk Community Benefit District for 8 years (Resolution #314-15).
- On July 28, 2015, the Board of Supervisors approved the contract for the administration and management of the Lower Polk Community Benefit District (Resolution #297-15).
- On August 17, 2015, CBD received first assessment payment.
- On October 24, 2017, the Board of Supervisors approved the Annual Report for FY 2015-2016 (Resolution #392-17).
- On November 13, 2018, the Board of Supervisors approved the Annual Report for FY 2016-2017 (Resolution #401-18).
- On November 19, 2019, the Board of Supervisors approved the Annual Report for FY 2017-2018 (Resolution #510-19).
- On January 1, 2022, the Board of Supervisors approved the Annual Report for FY 2018-2019 and FY 2019-2020 (Resolution #24-22).
- On November 29, 2022, the Board of Supervisors approved the Annual Report for FY 2020-2021 (Resolution #515-22).

### Basic Information about the Lower Polk Community Benefit District:

Year Established	July 2014
Assessment Collection Period	FY 2014-15 to FY 2028-29 (July 1, 2014 to June 30, 2029)
Services Start and End Date	January 1, 2014 – December 31, 2029
Initial Estimated Annual Budget	\$799,093.00
FY 2021-22 Assessment Submission:	\$926,992.00
Fiscal Year	July 1 – June 30
Executive Director	Chris Schulman
Name of Nonprofit Owners'	Lower Polk Community Benefit District Association

The current CBD website, [www.lowerpolkcbd.com](http://www.lowerpolkcbd.com), includes all the pertinent information about the organization and their programs, meeting agendas, and their Management Plan.

### Summary of Program Areas

#### **Cleaning, Maintenance, and Safety**

Cleaning, Maintenance, and Safety program area includes regular sidewalk sweeping, alley cleaning, refuse removal, regularly scheduled steam cleaning, pressure washing, graffiti removal, tree maintenance, and weeding. LPCBD Management Plan calls for 57% of the budget to be spent in this service area.

#### **Marketing, Streetscape Improvement, and Beautification**

Street Operations, Beautification and Order service area includes street maintenance and beautification. This service area calls for increased district marketing in order to create neighborhood identity and contribute to the economic vitality of the area. Additionally, this service area will support the district with events meant to draw visitors to the Lower Polk neighborhood throughout the year. The LPCBD Management Plan calls for 11% of the budget to be spent on this service area.



## **Management and Operations**

The LPCBD Management Plan calls for 28% of the budget to be spent on management and operations. LPCBD is staffed by a full-time Executive Director who serves as the focal point person and advocate for Lower Polk CBD. LPCBD board has seven (7) board members that 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 website calendar and at the SF Main Library. All Board of Directors meetings are open to the public, and public comment is welcome.

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

#### **FY 2021-2022**

##### **Cleaning, Maintenance, and Safety Program**

- Continued to sweep and steam clean District sidewalks.
- Continued to clean and weed tree wells.
- Continued to monitor public trash receptacles and continued reporting large items to the City for removal.
- Continued adding and training additional members to the LPCBD Clean Team.
- Continued to implement performance measures and goals for neighborhood cleanliness;
- Continued to analyze service trends over time to better understand the geographic.
- 162,000 lbs of trash removed from public rights of way, a 9.6% increase from the previous year.
- Removed 1,320 needles.
- Removed 1,080 instances of graffiti.
- Participated in multiple neighborhood safety and security groups to discuss and take actions on issues, trends, etc. with a special focus on Lower Polk alleyways.
- Collaborated with the San Francisco Police Department, the Department of Homelessness and Supportive Housing, and Department of Public Health to address issues around quality of life and safety, including as it related to homelessness and the neighborhood street population.
- With support and funding from the City of San Francisco, continued to operate the award-winning Lower Polk Tenant Landlord Clinic, which helps landlords, small merchants, and tenants resolve issues that may lead to tenant or merchant displacement.

##### **Marketing, Streetscape Improvements, and Beautification Program**

- Continued to send out email newsletters to over 500 subscribers.
- Used social media to keep constituents informed of special events in Lower Polk and to solicit feedback on service delivery models.
- Used social media to share pandemic related resources with the community.
- The Tenant Landlord Clinic mailed over 34,000 multilingual flyers to people in the District to explain service offerings and targeted folks with limited to no access to the Internet and/or phones.
- Over 1300 visitors visited the Tenant Lord Clinic website during the fiscal year and the Clinic triaged 86 potential eviction matters.
- Maintained nine Bigbelly waste receptacles (nearly double the number of receptacles from the prior year's five)

## **Management and Operations**



- Elected new board members, renewed the terms of current board members and elected new officers and committee chairs
- Continued to stay abreast of new developments in the Lower Polk District and their overall impact on quality of life, and other issues.
- Continued to be involved in leadership positions with many community and City organizations, including Lower Polk Neighbors and Lower Polk TAY Navigation Center CAC

**LPCBD Annual Budget Analysis**

**OEWD’s staff reviewed the following budget related benchmarks for LPCBD:**

- **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 “Lower Polk 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 “Lower Polk 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 “Lower Polk Community Benefit District”, Section 3.9 – Budget*)
- **BENCHMARK 4:** Whether LPCBD 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 2021-2022**

**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:** *LPCBD met this requirement. See tables below. Note: The FY budget includes both general benefit and special assessment dollars. When separating the two the CBD’s variance percentage points did not change.*

Service Category	Management Plan Budget (Percentage)	FY 2021-2022 Budget – Asst (Percentage)	FY 2021-2022 Budget – Total (Percentage)	Variance Percentage Point – Asst.	Variance Percentage Points - Total
Clean & Safe	\$592,791.00 (57.00%)	\$560,187.00 (57.00%)	\$666,154.00 (54.80%)	0.00%	-2.12%
Marketing & Economic Development	\$114,398.00 (11.00%)	\$108,106.00 (11.00%)	\$290,782.00 (23.96%)	0.00%	+12.96%
Administration	\$291,195.00 (28.00%)	\$275,180.00 (28.00%)	\$217,527.00 (17.92%)	0.00%	-10.08%
Contingency/ Reserve/City Fees	\$41,599.00 (4.00%)	\$39,311.00 (4.00%)	\$39,311.00 (3.24%)	0.00%	-0.76%



<b>TOTAL</b>	<b>\$1,039,983.00</b>	<b>\$982,784.00</b>	<b>\$1,213,774.00</b>		
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**BENCHMARK 2:** Whether five and fifty-five hundredths percent (5.55%) of actuals came from sources other than assessment revenue

**ANALYSIS:** *LPCBD met this requirement. Assessment revenue was \$926,992.00 or 49.98% of actuals and non-assessment revenue was \$927,707.00 or 50.02% of actuals. See table below.*

Revenue Sources	FY 2021-2022 actuals	% of actuals
Assessment Revenue	\$926,992.00	
<b>Total Assessment (Special Benefit) Revenue</b>	<b>\$926,992.00</b>	<b>49.98%</b>
Contributions and Sponsorships	\$68,208.00	3.68%
Grants	\$859,469.00	46.34%
Interest Earned	\$30.00	0.00%
<b>Total Non-Assessment (General Benefit) Revenue</b>	<b>\$927,707.00</b>	<b>50.02%</b>
<b>Total</b>	<b>\$1,854,699.00</b>	<b>100.00%</b>

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

**ANALYSIS:** *LPCBD met this requirement. See table below.*

Service Category	FY 2021-2022 Budget – Asst (Percentage)	FY 2021-2022 Budget – Total (Percentage)	FY 2021-2022 Actuals – Asst (Percentage)	FY 2021-2022 Actuals – Total (Percentage)	Variance Percentage Points – Asst	Variance Percentage Points – Total
Clean & Safe	\$560,187.00 (57.00%)	\$666,154.00 (54.88%)	\$490,518.00 (52.92%)	\$881,231.00 (47.51%)	-4.08%	-7.37%
Marketing & Economic Development	\$108,106.00 (11.00%)	\$290,782.00 (23.96%)	\$138,825.00 (14.98%)	\$673,789.00 (36.33%)	+3.98%	+12.37%
Administration	\$275,180.00 (28.00%)	\$217,527.00 (17.92%)	\$260,628.00 (28.12%)	\$262,658.00 (14.16%)	0.12%	-3.76%
Contingency/ Reserve/City Fees	\$39,311.00 (4.00%)	\$39,311.00 (3.24%)	\$37,021.00 (3.99%)	\$37,021.00 (2.00%)	-0.01%	-1.24%
<b>TOTAL</b>	<b>\$982,784.00</b>	<b>\$1,213,774.00</b>	<b>\$926,992.00</b>	<b>\$1,874,699.00</b>		



**BENCHMARK 4:** Whether LPCBD 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:** LPCBD 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.

<b>Carryover Disbursement</b>	<b>FY 2022-2023</b>
<b>Special Assessment Project</b>	
Cleaning, Maintenance, and Safety Program	\$582,658.00
Marketing, Streetscape Improvements, and Beautification	\$112,443.00
Management and Operations	\$286,218.00
Contingency and Reserve	\$40,888.00
<b>Special Project Total</b>	<b>\$1,022,207.00</b>

**Findings and Recommendations**

LPCBD met all four benchmarks as defined on page 4 of this memo for FY2021-2022 as set by the California Street and Highways Code Section 36650-36651; and the Agreement for the Administration of the Lower Polk Community Benefit District.

The Lower Polk CBD continues to struggle to submit the annual reports and necessary financial documents for annual reporting in a timely manner for the fourth consecutive year. Annual reporting is required under both state law and the CBD’s management agreement with the City and County of San Francisco. The annual reports are important tools to educate policymakers, OEWD, and CBD stakeholders on the actions, financial health, and achievements of the organization over the reporting period; additionally, it is required by state law. Delays in prior years were caused by CBD staff and financial professional changes, whereas this period’s late submission was due to a delayed completion of financial statements and subsequent audit. This delay had a cascading effect on all end-of-year processes thus resulting in their late submission of the annual report. The CBD is in close contact with their subcontractors and accountant to ensure these delays won’t happen again. OEWD echoes its own strong recommendation from prior years that the CBD prioritize annual reporting deadlines to maintain full compliance with state law and the organization’s management agreement with the City and County of San Francisco. Given that late submission of this report has become an unfortunate routine for this CBD, OEWD is in regular communication with them most immediately surrounding the submission of their FY 22-23 Annual Report and financials to halt this cycle.



During this reporting period, the Lower Polk CBD Board held three board meetings, slightly improving from just two the prior year, but still faced issues with the ability of board members to regularly attend scheduled meetings. The Lower Polk CBD has made efforts to improve its board engagement from prior years as they prioritize scheduling fixed board meetings throughout the fiscal year (on the third Thursday of every other month at 5pm). Starting in April 2022, CBD reported that they were working with a consultant and, at the time of this memo submission, continues to work with them to improve overall Board engagement. Further, the CBD plans to amend their bylaws to increase board attendance requirements. OEWD will continue to monitor the CBD's board engagement encouraging a sense of urgency for progress and notes that while the CBD maintained seven board members in this reporting period, they are continuing to build out their board in an effort to consistently meet quorum and currently have nine members.

Though the organization continues to grapple with administrative challenges, it also continues to perform well in delivering services to the community that align with their management plan and the evolving needs of their community. During this review period, the Lower Polk CBD continued their COVID-19 response work of the prior years, expanding their Ambassador Clean Team thus also increasing district cleaning and sanitizing of public fixtures, training staff on personal protective equipment (PPE) use, and providing business support services to merchants and renters affected by the pandemic. Notably, responding to most pressing needs in the district, the CBD transitioned their placemaking and arts program from an events and arts focus to a business support activation focus to support businesses facing COVID-19 losses and impacts. The CBD also complied with its requirements for surveillance technology reporting.

OEWD recommends that the CBD continue to focus on its administrative challenges through more regular communication with stakeholders to understand when and why delays may be coming. Should the CBD be made aware of any potential delays to reporting throughout the year, OEWD expects that the CBD will communicate these accordingly so next steps can be taken promptly to address impacts.

### **Conclusion**

LPCBD has performed well in carrying out its service plan, successfully implementing programs in the district and maintaining strong community partnerships, but must reverse its continued negative trajectory as it relates to its administrative capacity. There needs to be a concerted effort from management to build this through on-time submission of annual reporting materials, expedient progress of increased board member engagement, and generally addressing the root causes of these administrative challenges. Despite these challenges, the CBD continues to demonstrate the ability to carry out its core mission functions as a community benefit district.

