

**MEMO**

To: Matt Haney, District 6 Supervisor

CC: San Francisco Board of Supervisors

From: Chris Corgas, OEWD Senior Program Manager

RE: The East Cut Community Benefit District FY 2019-2020 Annual Report

Date: September 15, 2021

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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, 2019 and June 30, 2020.

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 2019-2020
2. CPA Financial Review Reports
  - a. FY 2019-2020
3. 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).

### **Basic Info about The East Cut CBD**

Year Established	July 2015
Assessment Collection Period	FY 2015-16 to FY 2029-30 (July 1, 2015 to June 30, 2030)
Services Start and End Date	January 1, 2015 – December 31, 2030
Initial Estimated Annual Budget	\$ 2,474,194
FY 2019-2020 Assessment Roll Submission	\$ 4,091,673.32
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 Service Area Goals**

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 2019-2020**

#### **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 from 8:00pm-6:30am.
- Responded to 1,369 public calls for service.
- Conducted outreach 6,605 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.
- Secured a \$50,000 City budget addback from District 6 Supervisor Matt Haney to supplement overnight sidewalk pressure washing.
- Installed five new Big Belly trash receptacles in the neighborhood with an OEWD grant.
- Removed 208,625 pounds of litter.
- Cleaned or removed 3,221 instances of graffiti.
- Topped off 7,821 overflowing trashcans.
- Removed 1,787 needles.

#### **Parks and Greenspace**

- Held family-friendly holiday events for Halloween in Emerald Park and Christmas in Salesforce Park, bringing community use and enjoyment to greenspaces.

- Painted graphics and planted boxwood and flowers in empty concrete planter boxes owned by the TJPA on the Natoma Transit Center Gateway, just east of 2nd Street.
- Partnered with DocuSign and Toaster employees to paint a mural on the Caltrans wall under the I-80 off-ramp on Essex Street with paint donated by Benjamin-Moore.

#### **Salesforce Park**

- Funded 80% of the programming and maintenance of Salesforce Park.

#### **Communication and Development**

- Created and distributed a neighborhood ‘Welcome Packet’ to property managers to inform new residents about the CBD and the services it offers.
- Continued to hold quarterly property manager meetings for over 100 individuals to update on CBD services and answer questions.
- Highlighted new and existing businesses in the CBD’s monthly newsletter.
- Worked with The New Company and David Begler to develop, produce, and hang new light pole banners throughout the neighborhood to reinforce neighborhood identity and inform residents and visitors of neighborhood features.

#### **Management**

- The Board was supplied a weekly update on pertinent information about new developments in the neighborhood and the anticipated impacts.
- Continued membership in the Clean & Safe Coalition, a group led by San Francisco Travel that unites the voices of the San Francisco business community and many San Francisco neighborhood groups to advocate at the highest levels of City government for clean and safe streets in San Francisco.
- Participated on the TJPA CAC and active in the OCII CAC.
- Responded to the Covid-19 pandemic by assisting the City and County of San Francisco with outreach to the neighborhood.

#### **Operations**

- The East Cut CBD produced its fourth Annual Report and mailed a flyer announcing the annual report to all property owners in the District, as well as delivering to ground floor retail and commercial property management staff.

### **The East Cut CBD Annual Budget Analysis**

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

- **BENCHMARK 1:** Whether the variance between the budget amounts for each service category was within 10 percentage points from the budget identified in the Management Plan (*Agreement for the Administration of the “Greater Rincon Hill Community Benefit District”, Section 3.9 – Budget*)
- **BENCHMARK 2:** Whether one and forty hundredths percent (1.40%) of actuals for Public Safety, one and forty hundredths percent (1.40%) for Cleaning and Maintenance, six and seventy-nine hundredths percent (6.79%) of actuals for Parks and Greenspace, came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the*

Administration of the “Greater Rincon Hill Community Benefit District”, Section 3.4 - Annual Reports)

- **BENCHMARK 3:** Whether the variance between the budget amount and actual expenses within a fiscal year was within 10 percent (*Agreement for the Administration of the “Greater Rincon Hill Community Benefit District”, Section 3.9 – Budget*)
- **BENCHMARK 4:** Whether The East Cut CBD is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year (*CA Streets & Highways Code, Section 36650(B)(5)*)

**FY 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:** The East Cut 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
Public Safety	\$971,056 (21.21%)	\$912,701 (20.71%)	\$926,642 (19.29%)	-0.50%	-1.92%
Cleaning and Maintenance	\$619,374 (13.53%)	\$979,638 (22.23%)	\$990,532 (20.62%)	+8.70%	+7.09%
Parks and Greenspace	\$686,235 (14.99%)	\$251,699 (5.71%)	\$581,699 (12.11%)	-9.28%	-2.88%
Salesforce Park	\$1,969,378 (43.02%)	\$1,877,818 (42.61%)	\$1,877,818 (39.09%)	-0.41%	-3.92%
Communication and Development	\$78,831 (1.72%)	\$104,490 (2.37%)	\$125,378 (2.61%)	+0.65%	+0.89%
Management	\$145,241 (3.17%)	\$170,400 (3.87%)	\$184,022 (3.83%)	+0.69%	+0.66%
Operations	\$108,232 (2.36%)	\$110,474 (2.51%)	\$117,653 (2.45%)	+0.14%	+0.09%
<b>TOTAL</b>	<b>\$4,578,347 (100%)</b>	<b>\$4,407,220 (100%)</b>	<b>\$4,803,745 (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%) of actuals 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 met its requirement. Assessment revenue was \$964,467.80 or 96.38% of actuals and non-assessment revenue was \$36,213.82 or 3.62% of actuals for the public safety service category. Assessment revenue was \$623,883.86 or 80.15% of actuals and non-assessment revenue was \$154,487.99 or 19.85% of actuals for the cleaning and maintenance service category. Assessment revenue was \$459,457.14 or 87.95% of actuals and non-assessment revenue was \$62,946.12 or 12.05% of actuals for the Parks and Greenspace service category. Assessment revenue was \$1,456,575.66 or 70.04% of actuals and non-assessment revenue was \$623,147.00 or 29.96% of actuals. See table below.*

Public Safety (1.40% needed)

Revenue Sources	FY 2019-20 Actuals	% of Actuals
Special Benefit Assessments	\$ 965,142.12	
<b>Total assessment revenue</b>	<b>\$ 965,142.12</b>	<b>95.27%</b>
Contributions	\$22,653.50	2.24%
Donations	\$11,128.00	1.10%
Interest earned	\$14,149.70	1.40%
<b>Total non-assessment revenue</b>	<b>\$ 47,931.20</b>	<b>4.73%</b>
<b>Total</b>	<b>\$ 1,013,073.32</b>	<b>100%</b>

Cleaning and Maintenance (1.40% needed)

Revenue Sources	FY 2019-20 Actuals	% of Actuals
Special Benefit Assessments	\$ 615,602.29	
<b>Total assessment revenue</b>	<b>\$ 615,602.29</b>	<b>90.59%</b>
Contributions	\$22,653.50	3.33%%
Grants	\$8,548.00	1.26%
Donations	\$15,128.00	2.23%
Interest earned	\$17,612.27	2.59%
<b>Total non-assessment revenue</b>	<b>\$63,941.77</b>	<b>9.41%</b>
<b>Total</b>	<b>\$778,371.85</b>	<b>100%</b>

Parks and Greenspace (6.79% needed)

Revenue Sources	FY 2019-20 Actuals	% of Actuals
Special Benefit Assessments	\$ 644,771.44	
<b>Total assessment revenue</b>	<b>\$ 644,771.44</b>	<b>91.20%</b>
Contributions	\$15,616.00	2.21%

Donations	\$4,313.00	0.61%%
Interest earned	\$33,324.03	4.71%
Other	\$8,937.00	1.26%
<b>Total non-assessment revenue</b>	<b>\$62,190.03</b>	<b>8.80%</b>
<b>Total</b>	<b>\$706,961.47</b>	<b>100%</b>

Salesforce Park (20.82% needed)

Revenue Sources	FY 2019-20 Actuals	% of Actuals
Special Benefit Assessments	\$ 1,571,862.72	
<b>Total assessment revenue</b>	<b>\$ 1,571,862.72</b>	<b>75.89%</b>
<b>Total non-assessment revenue</b>	<b>\$499,368.55</b>	<b>24.11%</b>
<b>Total</b>	<b>\$ 2,071,231.27</b>	<b>100%</b>

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

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

Service Category	FY 2019-20 Budget – Asst.  (Percentage)	FY 2019-20 Budget – Total.  (Percentage)	FY 2019-20 Actuals – Asst.  (Percentage)	FY 2019-20 Actuals – Total  (Percentage)	Variance % Points – Asst.	Variance % Points – Total
Public Safety	\$912,701 (20.71%)	\$926,642 (19.29%)	\$728,209.80 (20.76%)	\$776,141.00 (18.46%)	+0.05%	-0.83%
Cleaning and Maintenance	\$979,638 (22.23%)	\$990,532 (20.62%)	\$944,827.23 (26.93%)	\$1,008,769.00 (23.99%)	+4.70%	+3.37%
Parks and Greenspace	\$251,699 (5.71%)	\$581,699 (12.11%)	\$128,130.97 (3.65%)	\$190,321.00 (3.65%)	-2.06%	-7.58%
Salesforce Park	\$1,877,818 (42.61%)	\$1,877,818 (39.09%)	\$1,181,453.80 (33.68%)	\$1,680,822.00 (39.97%)	-8.93%	+0.88%
Communication and Development	\$104,490 (2.37%)	\$125,378 (2.61%)	\$178,113.93 (5.08%)	\$192,248.00 (4.57%)	+2.71%	+1.96%
Management	\$170,400 (3.87%)	\$184,022 (3.83%)	\$204,522.26 (5.83%)	\$204,522.00 (4.86%)	+1.96%	+1.03%
Operations	\$110,474 (2.51%)	\$117,653 (2.45%)	\$143,000.00 (4.08%)	\$152,498.00 (3.62%)	+1.57%	+1.18%
<b>TOTAL</b>	<b>\$4,407,220 (100%)</b>	<b>\$4,803,745 (100%)</b>	<b>\$3,508,257.99 (100%)</b>	<b>\$4,205,231.00 (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>FY 2019-2020 Carryover Disbursement</b>	
Special Assessment Services	
Public Safety	\$725,827.20
Cleaning and Maintenance	\$510,425.96
Parks and Greenspace	\$1,139,742.95
Salesforce Park	\$1,995,185.92
Communication and Development	\$125,657.12
Management	\$23,122.48
Operations	68,623.37
<b>Total Designated amount for FY 2020-21 and future years</b>	<b>\$4,588,585.00</b>

### 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 second half of FY 2019-2020 was particularly challenging for The East Cut CBD as well as property owners and businesses in the area. In February 2020 visitor and office 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 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 as to whether or not they were to cease operations. The East Cut CBD suspended operations out of an abundance of caution 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 East Cut CBD returned to their full-service schedule 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 East Cut 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.

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.

At this time, OEWD has no recommendations for The East Cut CBD.

### **Conclusion**

The East Cut CBD was formed through an open, community-based process. The CBD performed well in implementing its service plan. The CBD is in its 5<sup>th</sup> 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 carry out its mission and service plans.