

# MEMORANDUM

**TO:** Supervisor Rafael Mandelman, District 8 Supervisor

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

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

**DATE:** July 7, 2022

**SUBJECT:** Castro Community Benefit District; FY 2020-2021 Annual Report

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This is a memo summarizing the accomplishments of the Castro Community Benefit District (Castro CBD), formerly known as the Castro CBD and an analysis of its financial statements (based on their audit) for the period between July 1, 2020, and June 30, 2021.

Each year, the CBD is required to submit a mid-year report, an annual report and a CPA financial review or audit. Castro CBD has complied with the submission of all these requirements. OEWD staff, with assistance from the Controller's Office, 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 Castro CBD's management contract with the City; and their Management Plan approved by the Board of Supervisors in 2006.

Also attached to this memo are the following documents:

1. Annual Reports
  - a. FY 2020-2021
2. CPA Financial Review Reports
  - a. FY 2020-2021
3. Draft resolution from the Office of Economic and Workforce Development



**Background**

The Castro/Upper Market Community Benefit District spans 18 blocks and contains 279 parcels.

- August 2, 2005: the Board of Supervisors approved the establishment of the Castro/Upper Market Community Benefit District (Resolution # 582-05).
- January 10, 2006: the Board approved the contract for the administration and management of the Castro/Upper Market Community Benefit District (Resolution # 14-06).
- April 10, 2018: the Board of Supervisors approved the Castro/Upper Market CBD’s Annual Report for Fiscal Year 2016-2017 (Resolution # 097-18).
- July 9, 2019: the Board of Supervisors approved the Castro/Upper Market CBD’s Annual Report for FY 2017-2018 (Resolution # 307-19).
- May 19, 2020: the Board of Supervisors approved the renewal and expansion of the Castro/Upper Market Community Benefit District (Resolution #215-20).
- September 29, 2020: the Board of Supervisors approved the Castro/Upper Market CBD’s Annual Report for FY 2018-2019 (Resolution #436-20).
- January 25, 2022: the Board of Supervisors approved the Castro/Upper Market CBD’s Annual Report for FY2019-2020 (Resolution #21-22).

**Basic Information about the Castro Community Benefit District:**

Year Established	August 2005
Year Renewed	July 2020
Assessment Collection Period	FY 2005-2006 to FY 2019-2020 (July 1, 2005 to June 30, 2020) FY 2020-2021 to FY 2034-2035 (July 1, 2020 to June 30, 2035)
Services Start and End Date	January 1, 2006 – December 31, 2020 January 1, 2020 – December 31, 2035
Initial Estimated Annual Budget	\$413,500 (Original term)
Initial Estimated Annual Budget	\$866,275 (Renewed term)
FY 20-21 Assessment Submission	\$818,991.62
Fiscal Year	July 1 – June 30
Executive Director	Andrea Aiello
Name of Nonprofit Entity	Castro/Upper Market Community Benefit District Corporation

The current CBD website, [www.castrocbd.org](http://www.castrocbd.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**

**Service Area Categories for July 1, 2020, to December 31, 2020**



Castro/Upper Market Community Benefit District renewed and expanded during this review period. For the first half of the fiscal year (July 1, 2020 to December 31, 2020), the CBD operated under the previous Management Plan’s framework which detailed the following service areas:

### **Public Rights of Way and Sidewalk Operations (PROWSO)**

Public Rights of Way and Sidewalk Operations program area includes cleaning and public realm management services include regular sidewalk and gutter sweeping within the district boundaries, enhanced trash emptying in public rights of way, graffiti removal within 24-48 hours, spot steam cleaning as necessary, and maintenance of public spaces. These services are provided daily by a “Clean Team.” This program area augments its pedestrian safety initiatives with a Patrol Special officer who patrols the neighborhood seven nights a week. PROWSO may also include removal of bulky items, tree and plant maintenance, greening, landscaping and beautification of public spaces, The Castro/Upper Market CBD Management Plan calls for 63% of the budget to be spent on PROWSO.

### **District Identity and Street Improvements (DISI)**

The District Identity and Street Improvements service includes marketing, public relations, street enhancements, historical markers and public art, and economic vitality related strategies in the Castro/Upper Market area. This program area may also sponsor events such as Halloween, Castro Street Fair, Pink Saturday, Bear Weekend, and Folsom Street Fair. The Castro/Upper Market CBD Management Plan allocates 12% of their funds to this service area.

### **Administration and Corporate Operations**

The Castro/Upper Market CBD is staffed by a full-time executive director who serves as the focal point person and advocate for the CBD. The executive director also ensures that the CBD complies with the City contract and management plan as well as works towards organizational development issues including long term goals of the CBD. The executive director is in regular communication with community stakeholders such as the SFPD, Public Works and Recology. The Castro/Upper Market CBD Management Plan calls for 16% of the budget to be spent on administration and corporate operations.

In FY 2020-2021 the Castro CBD board had ten (10) directors, represented by residents, property owners, community organizations, and non-property-owning merchants. The full board meets on the second Thursday of each month. The five standing committees and meeting times are detailed below:

- Executive Committee – First Tuesday of the month
- Finance Committee – Quarterly.
- Land Use Committee – As needed, but if needed second Thursday of the month.
- District Identity & Streetscape Committee – First Wednesday of the month.
- Services Committee – as needed, but when needed, fourth Thursday of the month.
- Castro Cares Leadership Team – Fourth Wednesday of the month.
- Castro Leadership Group – Third Tuesday of the month.
- Retail Strategy Committee – Second Thursday of the month.

### **Service Area Categories for January 1, 2021 to June 30, 2021**



The second half of the fiscal year (January 1, 2021-June 30, 2021), the CBD transitioned to an updated framework. The new service areas are similar to the previous service areas as described below:

### **Cleaning Services**

Cleaning Services include sidewalk sweeping, power washing and graffiti removal will be provided along the frontages of the property within the district. Other cleaning services that may be provided are enhanced trash emptying in the public right-of-way and special events cleaning and maintenance service.

### **Landscaping**

Landscaping maintenance will be done as needed and as approved by the Board of Directors within public plazas. As funding allows, new plantings, and sidewalk planters might be considered.

### **Marketing**

Marketing and communication services include, but is not limited to, data collection, Castro CBD stakeholder and neighborhood outreach, website and social media, service presentations, general benefit fundraising, branding, media relations, and destination marketing.

### **Administration and Contingency**

Administration activities include daily oversight and operation of the district, ensuring adherence to the Management District Plan, compliance with audit/reporting requirements, fundraising, building and managing relationships with the neighborhood association/groups, city agencies/departments and elected officials. This category also includes a contingency reserve that may be used to cover unforeseen future expenses and help smooth out cash flows, which are affected by the timing of property owner payments. This category can also support renewal expenses.

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

The following activities are reported by the CBD at the annual level. Based off the descriptions of the service categories areas in each of the management plans, some of the service areas are grouped by similarity. Public Rights of Way and Sidewalk Operations is grouped with Cleaning Services and Landscaping as both service areas largely focused on cleaning services such as sidewalk sweeping, graffiti removal, enhanced trash emptying and landscaping maintenance. District Identity and Street Improvements is grouped with Marketing as both service areas focus services including marketing, public relations and destination marketing. Administration and Corporate Operations is grouped with Administration and Contingency as both service areas largely focused on providing oversight and coordination of District and contractor-provided services, administrative tasks such as annual assessment roll preparation, addressing property owners' questions and concerns and ensuring adherence to the Management District Plan.

### **FY 2020-2021**

#### **Public Rights of Way and Sidewalk Operations (PROWSO) / Cleaning Services / Landscaping**



- Collected 91,435 lbs. of trash
- Collected 25,676 cardboard yards
- Removed 10,970 instance of human/animal feces
- Received 5,766 scrub requests
- Power washed 742 blocks
- Properly disposed of 4,652 discarded needles
- Removed 10,224 instances of graffiti or handbills, a 48% increase from FY1920

### **Public Safety Data:**

The Castro CBD collaborates with the Castro neighborhood merchants in funding a Patrol Special Officer to be on call and patrolling the district 7 nights a week. This collaboration funds a Patrol Special Officer Tuesday – Saturday from 7 a.m. to 3 p.m. The Patrol Special gave 1,559 warnings and had other interactions over the past year. Please see website for monthly and comprehensive breakdowns. Top interactions include the following:

- 581 obstructing sidewalks
- 237 citizen and merchant interactions
- 223 homeless engagement
- 138 loitering near ATM
- 82 trespassing
- 72 aggressive panhandling
- 54 shoplifting

The Castro CBD also has a Public Safety Ambassadors program where unarmed safety patrols walk the district Tuesday-Saturday from 7a.m. to 3pm. To observe, report and to intervene when appropriate. Top interactions include 333 citizen and merchant interactions and 227 engagement with unhoused individuals.

### **District Identity and Street Improvements (DISI) / Marketing**

No events were held in 2020 due to the Shelter in Place as a result of the Covid-19 pandemic.

### **Administration and Corporate Operations**

- Successfully guided the Castro CBD through renewal and expansion process. The CBD was approved by property owners in July 2020.
- Continued to administer Castro Cares, Jane Warner Plaza, and other grants
- Close monitoring of the Block By Block contract and their employees related to SIP.
- Website and social media updates.
- Represent the CBD in the media.
- Respond to communication from property owners, merchants, and residents regarding issues directly or indirectly related to the services provided by the CBD. With the onset of the corona virus, communication was particularly related to the Shelter In Place, business closures and city policies as they changed to respond to COVID.
- Maintain a close working relationship with the SFPD’s Mission Station, SF Public Works, SFMTA, and Recology.
- Ensured compliance with state and City CBD requirements; as well as Management Agreement with the City.



**Castro/Upper Market CBD Annual Budget Analysis**

OEWD’s staff reviewed the following budget related benchmarks for the Castro/Upper Market 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 “Castro Community Benefit District”, Section 3.9 – Budget*).
- **BENCHMARK 2:** Whether five point forty-one percent (5.41%) of actuals came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B) (6); Agreement for the Administration of the “Castro 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 “Castro/Upper Market Community Benefit District”, Section 3.9 – Budget*).
- **BENCHMARK 4:** Whether the Castro 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:** The Castro CBD did not meet this requirement. See tables below.

**July 2020-December 2020**

Service Category/ Budget Line	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 Right of Way	\$246,572.48 (63.04%)	\$260,675.00 (63.04%)	\$289,141.00 (77.01%)	\$343,546.00 (62.70%)	+13.97%	-0.34%
District Identity and Streetscape Improvement	\$47,767.95 (12.21%)	\$50,500.00 (12.21%)	\$62,188.00 (16.56%)	\$159,246.00 (29.07%)	+4.35%	+16.86%
Administrative	\$61,483.50 (15.72%)	\$65,000.00 (15.72%)	\$24,125.00 (6.43%)	\$45,091.00 (8.23%)	-9.29%	-7.49%
Contingency	\$35,305.72 (9.03%)	\$37,325.00 (9.03%)	\$0.00 (0.00%)	\$5,860.00 (1.07%)	-9.03%	-7.96%
<b>TOTAL JULY-DEC. 2020</b>	<b>\$391,129.65 (100%)</b>	<b>\$413,500.00 (100%)</b>	<b>\$375,454.00 (100%)</b>	<b>\$547,883.00 (100%)</b>		

**January 2021-June 2021**



Service Category/ Budget Line	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
<b>Cleaning &amp; Security Services</b>	\$550,915.81 (67.23%)	\$582,425.00 (67.23%)	\$295,000.00 (70.66%)	\$509,962.00 (77.29%)	+3.42%	+10.06%
<b>Landscaping</b>	\$2,364.75 (0.29%)	\$2,500.00 (0.29%)	\$2,500.00 (0.60%)	\$5,000.00 (0.76%)	+0.31%	+0.47%
<b>Marketing</b>	\$8,513.10 (1.04%)	\$9,000.00 (1.04%)	\$4,500.00 (1.08%)	\$29,331.00 (4.45%)	+0.04%	+3.41%
<b>Administration and Contingency</b>	\$257,615.27 (31.44%)	\$272,349.37 (31.44%)	\$115,510.00 (27.67%)	\$146,140.00 (22.15%)	-3.77%	-9.29%
<b>TOTAL JAN.-JUNE 2021</b>	<b>\$819,408.93 (100%)</b>	<b>\$866,274.37 (100%)</b>	<b>\$417,510.00 (100%)</b>	<b>\$659,803.00 (100%)</b>		

**BENCHMARK 2:** Whether five point forty-one percent (5.41%) of actuals came from sources other than assessment revenue

**ANALYSIS:** *The Castro CBD met this requirement. Assessment revenue was \$818,394.00 or 70.16% of actuals and non-assessment revenue was \$348,039.00 or 29.84% of actuals. See table below.*

Revenue Sources	FY 2020-2021 Actuals	% of Actuals
Assessment Revenue	\$818,394.00	
<b>Total Assessment (Special Benefit) Revenue</b>	<b>\$818,394.00</b>	<b>70.16%</b>
Grant - Castro Cares	\$215,661.00	18.49%
Grant - Jane Warner Plaza	\$45,664.00	3.91%
Grant - Retail Strategy Grant	\$34,923.00	2.99%
Donations - Castro Cares	\$9,693.00	0.83%
Donations - General	\$2,016.00	0.17%
PPP Loan Forgiveness - Income	\$37,497.00	3.21%
Interest Income	\$27.00	0.00%
Affiliate Memberships	\$2,558.00	0.22%
<b>Total Non-Assessment (General Benefit) Revenue</b>	<b>\$348,039.00</b>	<b>29.84%</b>
<b>TOTAL</b>	<b>\$1,166,433.00</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:** *The Castro CBD met this requirement. See Table below.*

**July 2020-December 2020**

Service Category/ Budget Line	FY2020-2021 Budget – Asst.  (Percentage)	FY2020-2021 Budget – Total  (Percentage)	FY2020-2021 Actuals – Asst.  (Percentage)	FY2020- 2021 Actuals – Total  (Percentage)	Variance Percentage Points – Asst.	Variance Percentage Points – Total
Public Right of Way	\$289,141.00 (77.01%)	\$343,546.00 (62.70%)	\$282,466.00 (84.21%)	\$344,273.00 (76.32%)	+7.20%	+13.62%
District Identity and Streetscape Improvement	\$62,188.00 (16.56%)	\$159,246.00 (29.07%)	\$38,745.00 (11.55%)	\$52,310.00 (11.60%)	-5.01%	-17.47%
Administrative	\$24,125.00 (6.43%)	\$45,091.00 (8.23%)	\$10,404.00 (3.10%)	\$50,712.00 (11.24%)	-3.32%	+3.01%
Contingency	\$0.00 (0.00%)	\$5,860.00 (1.07%)	\$3,825.00 (1.14%)	\$3,825.00 (0.85%)	+1.14%	-0.22%
<b>TOTAL JULY- DEC 2020</b>	<b>\$375,454.00 (100%)</b>	<b>\$547,883.00 (100%)</b>	<b>\$335,440.00 (100%)</b>	<b>\$451,120.00 (100%)</b>		

**January 2021- June 2021**

Service Category/ Budget Line	FY2020-2021 Budget – Asst.  (Percentage)	FY2020- 2021 Budget – Total  (Percentage)	FY2020-2021 Actuals – Asst.  (Percentage)	FY2020-2021 Actuals – Total  (Percentage)	Variance Percentage Points – Asst.	Variance Percentage Points – Total
Cleaning & Security Services	\$295,000.00 (70.66%)	\$509,962.00 (77.29%)	\$292,169.00 (74.12%)	\$492,463.00 (73.54%)	+3.46%	-3.75%
Landscaping	\$2,500.00 (0.60%)	\$5,000.00 (0.76%)	\$1,689.00 (0.43%)	\$1,708.00 (0.26%)	-0.17%	-0.50%
Marketing	\$4,500.00 (1.08%)	\$29,331.00 (4.45%)	\$2,963.00 (0.75%)	\$42,707.00 (6.38%)	-0.33%	+1.93%
Administration and Contingency	\$115,510.00 (27.67%)	\$146,140.00 (22.15%)	\$97,380.00 (24.70%)	\$132,744.00 (19.82%)	-2.96%	-2.33%
<b>TOTAL JAN- JUNE 2021</b>	<b>\$417,510.00 (100%)</b>	<b>\$659,803.00 (100%)</b>	<b>\$394,201.00 (100%)</b>	<b>\$669,622.00 (100%)</b>		

**BENCHMARK 4:** Whether the Castro 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:** The Castro 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.*

<b>FY2020-2021 Carryover</b>	<b>Amount</b>
Assessments	\$404,059.00
Grant - Castro Cares	\$107,500.00
Grant - Castro Cares Public Safety Ambassador	\$97,500.00
Grant - Castro Cares Shared Spaces	\$16,623.00
Grant - Jane Warner Plaza	\$50,000.00
Donations, Sponsorships & Other	\$22,992.00
<b>Total Designated Amount for FY 2020-2021</b>	<b>\$698,674.00</b>

**Findings and Recommendations**

FY2020-2021 was a year of transition for Castro CBD as the CBD successfully completed renewal on May 19, 2020 and began operating under a new management plan mid-year. Thus, for the first half of this reporting period, July 2020-December 2020, the CBD's benchmarks are evaluated under the previous management plan and engineer's report adopted by the Board of Supervisors on June 7, 2005 (File #050924) while the second half of this reporting period, January 2021-June 2021, is evaluated under the current management plan and engineer's report adopted by the Board of Supervisors on May 19, 2020 (File #200379).

For FY 2020-2021, the Castro CBD met 3 out of the 4 benchmarks as defined on page 6 of this memo. The Castro CBD missed benchmark 1 which compares the organization's management plan budget with the fiscal year budget by the Castro CBD's governing board at the beginning of the fiscal year. 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, spent 3.97% more on their Public Right of Way and Sidewalk Operations service area than the 10% variance allowance. Per the Management Plan adopted by the Board of Supervisors on June 7, 2005, the Public Right of Way and Sidewalk Operations service category is apportioned to all by linear frontage and lot size. Additionally, the CBD raised a high amount of non-assessment dollars from a variety of sources (46.78% of the total budget per benchmark 2). Due to the combination of these factors, it is OEWD's opinion that this deviance did not adversely impact special benefits conferred on parcels within the District.



OEWD notes that this is the second year the CBD missed this benchmark in the same service category. Similar to last year, the CBD missing this benchmark was entirely avoidable by lowering the budgeted assessment dollar amount of the Public Right of Way and Sidewalk Operations service category by 3.57%. The CBD's service agreement with the City and County of San Francisco allows an additional 10% deviance from what was budgeted for the FY. In benchmark 3 the Castro CBD indicates that the variance of FY actuals from FY budget for assessment dollars is +7.20%. By being conscious of the budget variances in benchmark 1 the CBD would have been able to meet this benchmark and still spend the same amount of dollars in assessment dollar actuals in the fiscal year. It is also important to note that for the second half of the reporting period, when the CBD operated under the new Management Plan and new budget, it did meet the benchmark. OEWD is confident that the district will be able to meet this benchmark in future years.

During this review period, the CBD continuously 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 CBD's cleaning ambassadors increased response to hot spot/scrub requests by 60% compared to last year and also increased steam cleaning services.

### **Conclusion**

The Castro/Upper Market CBD did not meet 1 of its 4 benchmarks, but OEWD determined it did not adversely impact special benefits conferred to assessed property owners. The Castro CBD continues to partner with the City and County of San Francisco to implement numerous grants, including the Castro Cares Grant and Jane Warner Plaza Grant. The Castro CBD has an active board of directors and committee members; and OEWD believes the Castro CBD will continue to successfully carryout their mission and service plans.

