

# MEMORANDUM

**TO:** Supervisor Dean Preston, District 5 Supervisor  
**CC:** San Francisco Board of Supervisors  
**FROM:** Mimi Hiraki, Project Specialist, OEWD  
Chris Corgas, Program Director, OEWD  
**DATE:** July 13, 2022  
**SUBJECT:** Japantown Community Benefit District; FY 2020-2021 Annual Report

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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 2020-2021
2. CPA Financial Statements
  - a. FY 2020-2021
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).
- November 16, 2021: the Board of Supervisors approved the FY 19-20 Annual Report for the Japantown Community Benefit District (Resolution #530-21).

### 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	\$393,750.00
FY 2020-21 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 an 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 2020-2021**

#### **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 18,479 lbs of litter and trash, a 42% increase from FY2019-2020
- Cleaned up 661 instances of biohazards, a 175% increase from FY2019-2020
- Removed 1,022 instances of graffiti or stickers, a 85% increase from FY 2019-2020
- Picked up 213 needles
- Picked up 102 instances of broken vehicle glass
- Removed 26,558 cigarette butts



- Met monthly with Recology and the SF Department of Public works to ensure Big bellies are regularly serviced.

### **Economic Enhancements**

- Conducted the Japantown Small Business COVID-19 Impact Survey and follow-up Report
- Provided technical assistance to small businesses on grant applications and Shared Spaces permits
- Translated COVID information and continued to provide PPE supplies, COVID posters/flyers where needed in the district
- Prepared and disseminated regular e-newsletters and social media to provide merchants and other stakeholders accurate information relating to the ongoing Covid-19 pandemic.
- Promoted district's small businesses on social media, increasing Instagram followers 180%; worked with 2 local videographers to produce 12 marketing reelz
- Encouraged locals to support Japantown during Geary BRT construction through Muni bus ads
- Deployed holiday lighting on the Peace Plaza, Buchanan Mall/Osaka Way and Treelis Gate to add ambiance and partnered with Paper Tree to add origami cranes to Buchanan Mall/Oaska Way

### **Advocacy/Administration**

- Surpassed goal of raising over \$510,000 for the Heart of Jtown Resiliency Fund to help support Japantown small businesses with the following activities:
  - \$400,000 was dedicated to support 80 small businesses on employee wages, rent and/or operational costs
  - Provide additional rounds of PPE supplies
  - Commissioned 5 artists to create murals on Super Mira grocery market and 1700 Post Street
  - Coordinate and partially fund Shared Spaces for the Kinokuniya Building
  - Fund logistical costs for the Japan Center Malls "Restaurants at the Plaza"
  - Funded "Picnic in the Plaza"
- Provided 3 free COVID-19 Testing sites in partnership with the Mayor's Office of Neighborhood Services, COVID Command Center and SF Department of Public Health in November to increase access to residents resulting in 910 individuals completing testing. Japantwon CBD continues to work with DPH and the testing vendor to provide free access to testing
- Coordinated with SFPD's Northern Station to organize the Japantown Community Town Hall
- Participate regularly in the SFPD Northern Station Community Police Advisory Board, the Chief's Small Business Advisory Forum
- Helped translate the Safety Tip Card into Japanese with the Asian Pacific American Public Affairs SF Chapter
- Helped form the SF Nihomachi Community Coalition
- Participated as a panelist at the Unity Against Viruses: COVID-19, Inequity, Hate, Racism Summit and in the Golden State Warriors Stop AAPI Hate campaign video



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

<b>Service Category</b>	<b>Management Plan Budget (Percentage)</b>	<b>FY2020-2021 Budget – Asst (Percentage)</b>	<b>FY2020-2021 Budget – Total (Percentage)</b>	<b>Variance Percentage Points - Asst</b>	<b>Variance Percentage Points - Total</b>
Environmental Enhancements	\$118,062.50 (31.25%)	\$156,112.50 (39.72%)	\$285,735.30 (27.67%)	+8.47%	-3.58%
Economic Enhancements	\$184,177.50 (48.75%)	\$153,287.50 (39.00%)	\$663,287.50 (64.23%)	-9.75%	+15.48%
Advocacy/Administration	\$66,115.00 (17.50%)	\$78,600.00 (20.00%)	\$78,600.00 (7.61%)	+2.50%	-9.89%
CBD Reserve	\$9,445.00 (2.50%)	\$5,000.00 (1.27%)	\$5,000.00 (0.48%)	-1.23%	-2.02%
<b>TOTAL</b>	<b>\$377,800.00 (100%)</b>	<b>\$393,000.00 (100%)</b>	<b>\$1,032,622.80 (100%)</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 \$392,410.00 or 40.64% of actuals and non-assessment revenue was \$584,240.00 or 59.82% of actuals. See table below.*

Revenue Sources	FY 2020-21 Actuals	% of actuals
Assessment Revenue	\$392,410.00	40.18%
<b>Total Assessment (Special Benefit) Revenue</b>	<b>\$392,410.00</b>	<b>40.18%</b>
Grants and Contributions	\$573,870.00	58.76%
Donations	\$10,370.00	1.06%
<b>Total Non-Assessment (General Benefit) Revenue</b>	<b>\$584,240.00</b>	<b>59.82%</b>
<b>Total Assessment and Non-Assessment Revenue</b>	<b>\$976,650.00</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:** *Japantown CBD did not meet this requirement. See table below.*

Service Category	FY2020-2021 Budget – Asst (Percentage)	FY2020-2021 Budget – Total (Percentage)	FY2020-2021 Actuals – Asst. (Percentage)	FY 2020-2021 Actuals – Total (Percentage)	Variance % Points – Asst.	Variance % Points – Total.
Environmental Enhancements	\$156,112.50 (39.72%)	\$285,735.30 (27.67%)	\$142,202.88 (47.31%)	\$206,652.88 (23.71%)	+7.59%	-3.96%
Economic Enhancements	\$153,287.50 (39.00%)	\$663,287.50 (64.23%)	\$79,456.62 (26.44%)	\$578,251.86 (66.35%)	-12.57%	+2.11%
Advocacy/Adm.	\$78,600.00 (20.00%)	\$78,600.00 (7.61%)	\$78,913.60 (26.25%)	\$86,652.60 (9.94%)	+6.25%	+2.33%
CBD Reserve	\$5,000.00 (1.27%)	\$5,000.00 (0.48%)	\$0.00 (0.00%)	\$0.00 (0.00%)	-1.27%	-0.48%
<b>TOTAL</b>	<b>\$393,000.00 (100%)</b>	<b>\$1,032,622.80 (100%)</b>	<b>\$300,573.10 (100%)</b>	<b>\$871,557.34 (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.*



<b>FY 2020-2021 Carryforward</b>	<b>Dollar Amount</b>	<b>Spenddown Timeline</b>
<b>Non-Assessment Carryforward</b>		
Marketing/Economic Project	\$20,994.32	6 months
<b>General Assessment Total</b>	<b>\$20,994.32</b>	
<b>Assessment Carryforward</b>		
Environmental Enhancements	\$4,320.52	2 months
Economic Enhancements	\$87,516.79	6 months
<b>Assessment Total</b>	<b>\$91,837.31</b>	
<b>Total Carryforward</b>	<b>\$112,831.63</b>	

### **Findings and Recommendations**

The Japantown CBD has met 3 out of 4 benchmarks as defined on pages 4-6 of this memo. The Japantown CBD missed benchmark 3 which compares the organization’s fiscal year budget with the fiscal year actuals. Per Section 3.9 of the *Agreement for the Administration of the “Japantown Community Benefit District,”* 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 underspent 2.57% on their Economic Enhancements service category than 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).

Japantown CBD’s assessment revenue breakdown in their annual report is also quite confusing to read. For the purposes of this annual review OEWD utilized information from the financial statements for benchmark 2. OEWD provides four reconciliation reports each year to each CBD (January, April, June, and July/August). These reports indicate the amount paid to each CBD in each distribution and what that amount consists of. The CBD is indicating a high number of redemptions and penalties in their revenue sources. OEWD reviewed the FY 20-21 reconciliation reports for the Japantown CBD and this did not match the information provided in their annual report. OEWD believes this is likely due to a misunderstanding of what these terms mean by either the CBD or their financial professional. OEWD will work with the CBD to clearly articulate what these terms mean. This did not impact the CBD’s ability to meet benchmark 2.



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. It is 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.

Japantown CBD missed the same benchmark last reporting year in FY 2019-2020 by underspending 8.55% in the same service category Economic Enhancements than the 10% variance allowance. Since the last reporting period, the CBD adopted OEWD’s FY2019-2020 recommendations to utilize timekeeping documents or software and working with their financial professional to incorporate these findings in future actual data provided to OEWD. OEWD recommends Japantown CBD to review data on their actual spending more frequently throughout the year to ensure they are on track to meet this benchmark. It is OEWD’s belief that as Japantown CBD has already demonstrated large improvement on this benchmark as they reduced the variance within one year and they will be able to meet the benchmark in the future.

During this review period, the CBD has excelled in 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 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.

Japantown CBD excelled in Benchmark 2 in raising non-assessment funds as the CBD raised nearly 12 times as much as the minimum required amount. A large proportion of non-assessment funds were raised for the Heart of Japantown Resiliency Fund with the main purpose to support Japantown’s struggling small businesses during the pandemic. Thus far, JCBD raised over \$510,600 to provide \$5,000 grants to 80 Japantown small businesses for employee wages, rent and/or operational costs; provide additional rounds of PPE supplies; commission five artists to create murals on Super Mira grocery market and 1700 Post Street; help coordinate and partially fund Shared Spaces for the Kinokuniya Building; fund logistical costs for the Japan Center Malls “Restaurants at the Plaza”; and extend funds for another month of Picnic in the Plaza, an activation of Peace Plaza to encourage residents and visitors to patron Japantown businesses. OEWD would like to note that this information was incorrectly displayed in the organization’s annual report due to a design error. OEWD recommends the CBD fully review drafts of their annual report, in detail, before finalizing them.

During this review period, the district was impacted not only by COVID-10 but also rising Asian hate crimes. As valued leaders in the community, the CBD partnered with the Asian Pacific American Public Affairs SF Chapter to translate the Safety Tip Card to Japanese and distribute the Yellow Whistle; participate as a panelist at the Unity Against Viruses: COVID-19, Inequity, Hate, Racism Summit; and in the Golden State Warriors Stop AAPI Hate campaign video.

## **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.

