

MEMORANDUM

TO: Supervisor Aaron Peskin, District 3 Supervisor

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

FROM: Mimi Hiraki, Project Specialist, OEWD

DATE: October 26, 2022

SUBJECT: Lower Polk Community Benefit District; FY 2020-2021 Annual Report

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, 2020 and June 20, 2021.

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 20-21 annual report was submitted six months later than anticipated. 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 2020-2021
2. LPCBD Financial Statements
 - a. FY 2020-2021
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).

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 2020-21 Assessment Submission:	\$903,012.06
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, includes all the pertinent information about the organization and their programs, meeting agendas, and their Management Plan. The last annual report posted is FY2019-2020.

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 2020-2021

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.
- 156,000 lbs of trash removed from public rights of way, a 17% increase from the previous year.
- Removed 2,160 needles.
- Removed 1,848 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.
- 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 32,900 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 1,300 visitors visited the Tenant Lord Clinic website during the fiscal year and the Clinic triaged 139 potential eviction matters.
- Sponsored Lower Polk Art Walk and turned it into a virtual event
- Provided business activation and farmer's market in Austin Alley
- Maintained five Bigbelly waste receptacles

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 2020-2021

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 2020-2021 Budget – Asst (Percentage)	FY 2020-2021 Budget – Total (Percentage)	Variance Percentage Point – Asst.	Variance Percentage Points - Total
Clean & Safe	\$543,871.00 (57.00%)	\$477,271.00 (52.93%)	\$477,271.00 (50.78%)	-4.07%	-6.22%
Marketing & Economic Development	\$104,958.00 (11.00%)	\$114,308.00 (12.68%)	\$152,446.00 (16.22%)	+1.68%	+5.22%
Administration	\$267,165.00 (28.00%)	\$310,102.00 (34.39%)	\$310,102.00 (33.00%)	+6.39%	+5.00%
Contingency/ Reserve/City Fees	\$38,166.00 (4.00%)	\$0.00 (0.00%)	\$0.00 (0.00%)	-4.00%	-4.00%
TOTAL	\$954,160.00	\$901,681.00	\$939,819.00		



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 \$899,328.00 or 70.47% of actuals and non-assessment revenue was \$376,854.00 or 29.53% of actuals. See table below.*

Revenue Sources	FY 2020-2021 actuals	% of actuals
Assessment Revenue	\$899,328.00	
Total Assessment (Special Benefit) Revenue	\$899,328.00	70.47%
Contributions and Sponsorships	\$15,360.00	1.20%
Grants	\$361,464.00	28.32%
Interest Earned	\$30.00	0.00%
Total Non-Assessment (General Benefit) Revenue	\$376,854.00	29.53%
Total	\$1,276,182.00	100.00%

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 2020-2021 Budget – Asst (Percentage)	FY 2020-2021 Budget – Total (Percentage)	FY 2020-2021 Actuals – Asst (Percentage)	FY 2019-2020 Actuals – Total (Percentage)	Variance Percentage Points – Asst	Variance Percentage Points – Total
Clean & Safe	\$477,271.00 (52.93%)	\$477,271.00 (50.78%)	\$475,703.00 (52.90%)	\$489,520.00 (38.36%)	-0.04%	-12.43%
Marketing & Economic Development	\$114,308.00 (12.68%)	\$152,446.00 (16.22%)	\$134,633.00 (14.97%)	\$485,944.00 (38.08%)	+2.29%	+21.86%
Administration	\$310,102.00 (34.39%)	\$310,102.00 (33.00%)	\$253,090.00 (28.14%)	\$264,816.00 (20.75%)	-6.25%	-12.25%
Contingency/ Reserve/City Fees	\$0.00 (0.00%)	\$0.00 (0.00%)	\$35,902.00 (3.99%)	\$35,902.00 (2.81%)	+3.99%	+2.81%
TOTAL	\$901,681.00	\$939,819.00	\$899,328.00	\$1,276,182.00		



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.*

Carryover Disbursement	FY 2021-2022
Special Assessment Project	
Cleaning, Maintenance, and Safety Program	\$417,807.00
Marketing, Streetscape Improvements, and Beautification	\$80,629.00
Management and Operations	\$205,239.00
Contingency and Reserve	\$29,320.00
Special Project Total	\$732,995.00

Findings and Recommendations

LPCBD has met all benchmarks as defined on page 4 of this memo for FY2020-2021 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 third 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. In the previous two years, the delay was caused by a change in staff as well as a change in the CBD’s financial professional. For this reporting period, the CBD utilized the template tool OEWD shared the previous year to improve their reporting and the delay was moderately shortened. OEWD strongly recommends that the Lower Polk CBD prioritize the submission of annual reports to maintain full compliance with state law and the organization’s management agreement with the City and County of San Francisco.

During this reporting period, the Board members had limited activity meeting only twice during the FY20-21. Active board members are instrumental to good governance as the Board are constituents of the district and collectively manage the LPCBD and oversee the implementation of improvements, services and activities specified in the Management Plan. To OEWD’s knowledge none of the other CBD missed a scheduled board meeting as they moved to an online format during the pandemic. CBD leadership needs to prioritize scheduling fixed board meetings throughout the fiscal year to ensure that stakeholders are kept



abreast of the latest developments and to help ensure the board is complying with its governance role. OEWD has spoken with the Lower Polk CBD executive director and this issue was primarily caused by not knowing who was responsible for setting the board meetings following the resignation of the organization's board chair. Board meetings should have a set date, such as the 3rd Thursday of the month, and have a set time. This information should be enumerated in the organization's bylaws or in its management district plan. In general, most organizations have the executive director work with the board chair to set the agenda for each meeting. If the board chair is struggling at this, then the executive director should create a draft agenda and provide it the board chair for review and comment before finalizing it and sending it with proper notice under the Brown Act. One of the executive director's responsibilities, along with the governing board, is to ensure the organization has regular and open meetings. If OEWD does not see improvement in this area it will follow up with the Office of the City Attorney on possible actions to take, including the suspension of assessment distributions, should this not be cured. The Lower Polk CBD reported they are working with a consultant to improve overall Board engagement, including board meetings. OEWD will continue to monitor this situation.

The executive director and the governing board of the organization need to identify why these administrative shortcomings exist and determine internal mechanisms to quickly address them. If internal mechanisms do not exist to address these issues, then the CBD should reach out to OEWD to discuss further assistance or cures from an outside perspective.

Despite the organization's administrative struggles, it continues to perform well in delivering services to the community. During this review period, the Lower Polk CBD pivoted well 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 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 increased District cleaning and sanitizing, focused on supporting businesses disproportionately impacted by the pandemic through their Tenant Landlord Clinic, adjusted events such as their Lower Polk Art Walk into a virtual one, and worked with various City departments including Department of Homelessness and Supportive Housing, SF Department of Public Health and SF Police Department to conduct outreach to people without housing to address quality of life and safety issues within the district. Additionally, the CBD was a leader in working with OEWD to distribute PPE to other CBDs, to their employees, and to their community.

LPCBD successfully delivers the needed services to its district and constituents as laid out in their management plan but often times this comes at the expense of meeting administration and reporting requirements. The CBD also complied with its requirements for surveillance technology reporting. OEWD recommends LPCBD should focus on time management and strategize how best to optimize its resources to continue implementing its Management Plan while also meeting reporting requirements and improving board engagement.

Conclusion

LPCBD has generally performed well in implementing its service plan, successfully sponsoring and implementing programs in the district but must work on significantly improving administrative capacity, including timely submission of annual reporting materials, updating their website with instrumental documents, increase board member engagement, increase the number of board meetings, and address 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.

