

MEMORANDUM

TO: Supervisor Dean Preston, District 5 Supervisor

CC: San Francisco Board of Supervisors

FROM: Chris Corgas; Deputy Director, Community Economic Development, OEWD
Mimi Tam Hiraki, Project Specialist, OEWD

DATE: 7/10/2023

SUBJECT: Japantown Community Benefit District; FY 2021-2022 Annual Report

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, 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. 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 2021-2022
2. CPA Financial Statements
 - a. FY 2021-2022
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).
- December 13, 2022: the Board of Supervisors approved the FY 20-21 Annual Report for the Japantown Community Benefit District (Resolution #537-22).

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 2021-22 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 2021-2022

Environmental Enhancements

- Community ambassadors provide daily cleaning services from 7:00 AM to 4:00 PM on Japantown CBD's sidewalks and public spaces.
- Removed approximately 18,325 lbs of litter and trash
- Cleaned up 595 instances of biohazards
- Removed 918 instances of graffiti or stickers
- Picked up 436 needles, twice as many as FY20-21
- Picked up 315 instances of broken vehicle glass, three times as many as FY20-21
- Removed 23,759 cigarette butts
- Responded to 126 311 Requests and 17 Police/Fire/EMS requests
- Weed Abated 95 block faces
- Provided hospitality assistance 1,079 times



- Partnered with RefuseRefuseSF, Greenbird and Japanese Teaching Alumni Assoc of No. CA to hold 6 clean-up efforts

Economic Enhancements

- Provided one on one small business technical assistance in completing online grant applications and Shared Spaces permits; additionally, provided information on ADA compliance
- Continued to work with Virus Geeks Inc to bring COVID testing to the community, distributed 5000 at-home test kits, translated COVID information as needed, hand delivered COVID posters/flyers for posting, and continued to provide PPE supplies
- Premiered the Dandelion Project, a 3-month long exhibit that attracted over 15,000 attendees, in partnership with NAKED, Inc of Japan
- Participated in Fleet Week by bringing the Neighborhood Concert Series to the Peace Plaza
- Commissioned 4 Japantown artists to create murals to display inside various storefronts
- Partnered with Merchants Association and community artists to create new street lamp banners
- Created JapantownSF Mini Maps to help promote events
- Installed Holiday Lights throughout Japantown
- Partnered with OEWD and the Japantown Merchants Association to welcome the Shop & Dine 49's Holly Jolly Trolley
- Supported community events such as No. CA Cherry Blossom Festival, Children's Day, Soy and Tofu Festival, Nihomachi Street Fair and Japan Week
- Published regular e-newsletters and promoted the district through social media
- Continued to administer funds from the Heart of Jtown Resiliency Fund to provide financial assistance to small businesses who encountered damages to their property, provide additional rounds of PPE supplies, and support the costs of the Heart of Jtown Murals

Advocacy/Administration

- Participate in Chief Scott's monthly SFPD Small Business Advisory Forum
- Participated in monthly Nihonmachi Community Coalition meetings to address public safety
- Served on SFPD Northern Station Community Police Advisory Board
- Served on SF Safe City-Wide Community Police Advisory Board
- Circulated multilingual Stay Safe from Hate booklet through Keeping Japantown Connected e-newsletter
- Met with Mayor Breed with other community leaders to express concerns of Buchanan Hotel sale and potential economic impacts to the district

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 2021-2022 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 did not meet this requirement. See Table Below.*

Service Category	Management Plan Budget		FY2021-2022 Budget		Variance	
	Assessment (%)	Total (%)	Assessment (%)	Total (%)	Assessment	Total
Environmental Enhancements	\$118,062.50 (31.25%)	\$125,000.00 (31.25%)	\$177,342.00 (45.13%)	\$177,342.00 (42.94%)	+13.88%	+11.69%
Economic Enhancements	\$184,177.50 (48.75%)	\$195,000.00 (48.75%)	\$127,058.00 (32.33%)	\$147,058.00 (35.61%)	-16.42%	-13.14%
Advocacy/ Administration	\$66,115.00 (17.50%)	\$70,000.00 (17.50%)	\$78,600.00 (20.00%)	\$78,600.00 (19.03%)	+2.50%	+1.53%
CBD Reserve	\$9,445.00 (2.50%)	\$10,000.00 (2.50%)	\$10,000.00 (2.54%)	\$10,000.00 (2.42%)	+0.04%	-0.08%
TOTAL	\$377,800.00	\$400,000.00	\$393,000.00	\$413,000.00		

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 \$391,107.90 or 83.52% of actuals and non-assessment revenue was \$77,194.67 or 16.48% of actuals. See table below.*



Revenue Sources	FY 2021-2022 Actuals	% of actuals
Assessment Revenue	\$391,107.90	
Total Assessment (Special Benefit) Revenue	\$391,107.90	83.52%
Grants and Contributions	\$49,900.00	
Donations	\$27,294.67	
Total Non-Assessment (General Benefit) Revenue	\$77,194.67	16.48%
Total Assessment and Non-Assessment Revenue	\$468,302.57	100.00%

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

ANALYSIS: *Japantown CBD met this requirement. See table below.*

Service Category	FY2021-2022 Budget		FY2021-2022 Actual		Variance	
	Assessment (%)	Assessment (%)	Assessment (%)	Total (%)	Assessment	Total
Environmental Enhancements	\$177,342.00 (45.13%)	\$177,342.00 (45.13%)	\$177,342.00 (46.30%)	\$213,638.29 (34.10%)	+1.18%	-8.84%
Economic Enhancements	\$127,058.00 (32.33%)	\$127,058.00 (32.33%)	\$127,058.00 (33.17%)	\$321,329.73 (51.30%)	+0.84%	+15.69%
Advocacy/ Administration	\$78,600.00 (20.00%)	\$78,600.00 (20.00%)	\$78,600.00 (20.52%)	\$91,461.63 (14.60%)	+0.52%	-4.43%
CBD Reserve	\$10,000.00 (2.54%)	\$10,000.00 (2.54%)	\$0.00 (0.00%)	\$0.00 (0.00%)	-2.54%	-2.42%
TOTAL	\$393,000.00	\$393,000.00	\$383,000.00	\$626,429.65		

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.*



FY21-22 Carryforward	Dollar Amount	Spenddown Timeline
Special Assessment Project		
Environmental Enhancements	\$150,278.81	2 years
Economic Enhancements	\$187,774.18	2 years
Advocacy/Administration	\$85,499.69	1 year
CBD Reserve	\$40,000.00	
Special Assessment Total	\$463,552.68	
General Benefit Project		
Heart of Jtown Resiliency Fund	\$40,221.96	2 years
SafeCity	\$78,852.92	1 year
Non Assessment Revenues	\$104,500.53	2 years
General Benefit Total	\$223,575.41	
Grand Total Carryforward	\$687,128.09	

Findings and Recommendations

The Japantown CBD has met 3 out of 4 benchmarks as defined on pages 4-5 of this memo. The CBD continues to perform well in obtaining non-assessment dollars which allow it to perform above its initial anticipated capacity. The Japantown CBD overbudgeted their assessment amount for Environmental Enhancements at the expense of Economic Enhancements by over 13 variance percentage points. OEWD does not believe this overbudgeting materially impacted the special benefit allocation of the CBD as those services are delivered to all parcels. OEWD still recommends Japantown CBD brings their special assessment budgeting back in line with their management plan. Should this be a persistent problem, the CBD should request OEWD assist them with the management plan amendment process.

Throughout FY 21-22, the Japantown CBD was focused on providing its core service offerings and helping both small businesses and community-at-large recover following the Covid-19 pandemic. The Japantown CBD partnered with both local and international artists, performers, and organizations to engage visitors through arts and culture as part of Japantown’s economic recovery. A few examples of this include:

- Participated in the Fleet Week Neighborhood Concert Series and welcomed the Navy Southwest FUNK Band to the Peace Plaza.
- Partnered with NAKED, Inc. of Japan to bring the Dandelion Project, an interactive art exhibit, from December, 3, 2022 to January 21, 2022. Over 15,000 came to experience Ryotaro Muramatsu’s exhibit that instantly sent participants’ names to other Dandelion exhibits in Osaka, Tokyo, Kyoto, Singapore, and South Korea.
- Created visitor friendly JapantownSF Mini Maps that also helped promote events.



- Worked with 4 Japantown community artists to create new street lamp banners that identifies the district.

The Japantown CBD continued to be an important resource for both small businesses and the community by providing key small business assistance, administering the Heart of Jtown Resiliency Fund, addressing neighborhood Covid-19 needs, and by being a trusted source of information within the community.

The Japantown CBD participates in the Connected 311 Program, also known as Integrated 311. In FY 21-22 they were able to respond to a total of 54 unique tickets or 35.53% of all generated within the reporting period. These numbers are skewed by the CBD's late adaption of the program in FY 21-22 and a month of no data being provided (March 2022). There is not enough data to draw any meaningful conclusions. OEWD will continue to evaluate this throughout FY 22-23 and report back during that annual report cycle.

The Japantown CBD does have surveillance technology and is in compliance with OEWD's memo regarding CBDs and surveillance technology. OEWD received no reports that the organization violated either the Brown Act or the California Public Records Act within the reporting period. Similarly, OEWD did not receive any reports or complaints from members of the public regarding the CBD's service plan implementation.

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.

