

MEMORANDUM

TO: Supervisor Matt Dorsey, District 6 Supervisor

CC: San Francisco Board of Supervisors

FROM: Chris Corgas; Deputy Director, Community Economic Development, OEWD
Jackie Hazelwood; Program Director, OEWD

DATE: November 28, 2023

SUBJECT: The East Cut Community Benefit District; FY 2021-2022 Annual Report

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, 2021 and June 30, 2022.

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 2021-2022
2. CPA Financial Audit Report
 - a. FY 2021-2022
3. Draft resolution from the Office of Economic and Workforce Development



Background

The District includes approximately 4,900 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).
- May 17, 2022: The Board of Supervisors approved the FY 2019-20 annual report and financial statements for The East Cut Community Benefit District (Resolution # 206-22).
- November 29, 2022: The Board of Supervisors approved the FY 2020-21 annual report and financial statements for The East Cut Community Benefit District (Resolution # 501-22).

The East Cut CBD Summary and Highlights

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 2021-2022 Assessment Roll Submission	\$4,466,696.68
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 The East Cut CBD Program Areas

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 2021-2022

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 24/7
- Responded to 1,986 public calls for service, and 174 311 service requests as part of pilot project to better coordinate with the City's 311 system and allow The East Cut CBD to close out 311 requests completed by their services team.
- Conducted outreach 2,640 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.
- Removed 118,500 pounds of litter.
- Cleaned or removed 1,904 instances of graffiti.
- Topped off 3,500 overflowing trashcans.
- Removed 823 needles.



Parks and Greenspace

- Launched The Crossing at East Cut, the interim activation of the former Temporary Transbay Terminal Site
- Launched a series of walking tours exploring the neighborhood’s extensive network of POPOS
- Adopted a Term Sheet with the TJPA and OCII for the development of Under Ramp Park (aka, East Cut Sports & Dog Park) Opened the East Cut Community Garden on Essex Street
- Continued to maintain numerous parks within the CBD, including Emerald, Park, Guy Place Mini Park, and Salesforce Park

Salesforce Park

- Funded nearly 80% of the programming and maintenance of Salesforce Park.
- Steadily increased programming to return to pre-Covid levels

Communication and Development

- Launched campaign to raise operating funds for East Cut Sports & Dog Park
- Produce weekly email to The East Cut CBD Board of Directors
- Promote The East Cut CBD’s services and events through district newsletter, social media, website and district-wide street banner campaign.
- Host quarterly property manager meetings with commercial and residential property managers

Management

- Secured grant funding to support the East Cut Community Garden, Bigbelly trash cans, and The East Cut Street Services team
- Staff participate the Embarcadero Navigation Center working group, the SFPD Southern Station Community Police Advisory Board, San Francisco Benefit District Alliance, and the California Downtown Association board of directors

Operations

- The East Cut CBD produced its sixth Annual Report

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%) 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 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: East Cut CBD met this requirement. See table below.

Service Category	Management Plan Budget – Asst. (Percentage)	Management Plan Budget - Total (Percentage)	FY2021-2022 Budget – Asst. (Percentage)	FY2021-2022 Budget - Total (Percentage)	Variance Percentage Points – Asst.	Variance Percentage Points – Total
Public Safety	\$957,461.00 (23.36%)	\$971,056.00 (21.21%)	\$1,172,566.00 (24.59%)	\$1,235,566.00 (24.29%)	+1.23%	+3.08%
Cleaning and Maintenance	\$610,703.00 (14.90%)	\$619,374.00 (13.53%)	\$795,160.00 (16.68%)	\$928,160.00 (18.24%)	+1.78%	+4.72%
Parks and Greenspace	\$639,640.00 (15.60%)	\$686,235.00 (14.99%)	\$514,061.00 (10.78%)	\$604,061.00 (11.87%)	-4.82%	-3.11%
Salesforce Park	\$1,559,353.00 (38.04%)	\$1,969,378.00 (43.02%)	\$1,714,742.00 (35.96%)	\$1,714,742.00 (33.71%)	-2.08%	-9.31%
Communication and Development	\$78,831.00 (1.92%)	\$78,831.00 (1.72%)	\$216,575.00 (4.54%)	\$229,575.00 (4.51%)	+2.62%	+2.79%
Management	\$145,241.00 (3.54%)	\$145,241.00 (3.17%)	\$195,010.00 (4.09%)	\$215,010.00 (4.23%)	+0.55%	+1.05%
Operations	\$108,232.00 (2.64%)	\$108,232.00 (2.36%)	\$160,223.00 (3.36%)	\$160,223.00 (3.15%)	+0.72%	+0.79%
TOTAL	\$4,099,461.00 (100%)	\$4,578,347.00 (100%)	\$4,768,338.00 (100%)	\$5,087,338.00 (100%)		

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%) 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 this requirement. Assessment revenue was \$1,029,841.08 or 96.21% of actuals and non-assessment revenue was \$40,579.00 or 3.79% of actuals for the public safety service category. Assessment revenue was \$656,869.61 or 86.56% of actuals and non-assessment revenue was \$102,014.00 or 13.44% of actuals for the cleaning and maintenance service category. Assessment revenue was \$687,994.13 or 87.92% of actuals and non-assessment revenue was \$94,506.00 or 12.08% of actuals for the Parks and Greenspace service category. Assessment revenue was \$1,558,564.51, but The East Cut CBD spent \$1,402,427.89 or 79.18% actuals and non-assessment revenue was \$368,860.75 or 20.82% of actuals. See table below.

Public Safety - 1.40% Needed

Revenue Sources	FY 2021-2022 Actuals	% of actuals
Assessment Revenue - FY20-21	\$1,029,841.08	
Total Assessment (Special Benefit) Revenue	\$1,029,841.08	96.21%
Contributions and Sponsorships	\$2,650.00	0.25%
Grants	\$20,182.00	1.89%
Donations	\$16,185.00	1.51%
Other	\$1,026.00	0.10%
Interest Earned	\$536.00	0.05%
Total Non-Assessment (General Benefit) Revenue	\$40,579.00	3.79%
Total	\$1,070,420.08	100.00%

Cleaning and Maintenance- 1.40% Needed

Revenue Sources	FY 2021-2022 Actuals	% of actuals
Assessment Revenue - FY20-21	\$656,869.61	
Total Assessment (Special Benefit) Revenue	\$656,869.61	86.56%
Contributions and Sponsorships	\$2,650.00	0.35%
Grants	\$80,731.00	10.64%
Donations	\$16,185.00	2.13%
Other	\$1,608.00	0.21%
Interest Earned	\$840.00	0.11%
Total Non-Assessment (General Benefit) Revenue	\$102,014.00	13.44%
Total	\$758,883.61	100.00%



Parks and Greenspace – 6.79% Needed

Revenue Sources	FY 2021-2022 Actuals	% of actuals
Assessment Revenue – FY20-21	\$687,994.13	
Total Assessment (Special Benefit) Revenue	\$687,994.13	87.92%
Contributions and Sponsorships	\$33,464.00	4.28%
Grants	\$25,000.00	3.19%
Other	\$3,692.00	0.47%
Interest Earned	\$1,928.00	0.25%
Total Non-Assessment (General Benefit) Revenue	\$94,506.00	12.08%
Total	\$782,500.00	100.00%

Salesforce Park – 20.82% Needed

Revenue Sources	FY 2021-2022 Actuals	% of actuals
Assessment Revenue – FY20-21	\$1,402,427.89	
Total Assessment (Special Benefit) Revenue	\$1,402,427.89	79.18%
Other (TJPA Contribution)	\$360,860.75	20.82%
Total Non-Assessment (General Benefit) Revenue	\$360,860.75	20.82%
Total	\$1,771,288.64	100.00%

BENCHMARK 3: Whether the variance between the budget amount and actual expenses (for assessment funds) within a fiscal year was within 10 percentage points

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

Service Category/Budget Line	FY2021-2022 Budget – Asst. (Percentage)	FY2021-2022 Budget - Total (Percentage)	FY21-22 Assessment - Actual (Percentage)	FY21-22 Total - Actual (Percentage)	Variance Percentage Point - Asst	Variance Percentage Point - Total
Public Safety	\$1,172,566.00 (24.59%)	\$1,235,566.00 (24.29%)	\$1,104,275.00 (25.91%)	\$1,144,854.00 (23.30%)	+1.31%	-0.99%
Cleaning and Maintenance	\$795,160.00 (16.68%)	\$928,160.00 (18.24%)	\$815,945.00 (19.14%)	\$917,959.00 (18.68%)	+2.47%	+0.43%
Parks and Greenspace	\$514,061.00 (10.78%)	\$604,061.00 (11.87%)	\$403,719.00 (9.47%)	\$498,225.00 (10.14%)	-1.31%	-1.74%
Salesforce Park	\$1,714,742.00 (35.96%)	\$1,714,742.00 (33.71%)	\$1,404,255.00 (32.94%)	\$1,773,116.00 (36.08%)	-3.02%	+2.37%
Communication and Development	\$216,575.00 (4.54%)	\$229,575.00 (4.51%)	\$170,513.00 (4.00%)	\$194,564.00 (3.96%)	-0.54%	-0.55%
Management	\$195,010.00 (4.09%)	\$215,010.00 (4.23%)	\$207,406.00 (4.87%)	\$219,810.00 (4.47%)	+0.78%	+0.25%
Operations	\$160,223.00	\$160,223.00	\$156,579.00	\$165,822.00	+0.31%	+0.22%



	(3.36%)	(3.15%)	(3.67%)	(3.37%)		
TOTAL	\$4,768,338.00 (100%)	\$5,087,338.00 (100%)	\$4,262,692.00 (100%)	\$4,914,350.00 (100%)		

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.

Special Assessment Project	Amount As of 06.30.21	Budgeted for FY22-23	Remaining Carryover
Public Safety	\$ 780,503.00	\$ 112,311.00	\$ 668,192.00
Cleaning and Maintenance	\$ 590,555.00	\$ 197,359.00	\$ 393,196.00
Parks and Greenspace	\$ 1,605,317.00	\$ -	\$ 1,605,317.00
Salesforce Park	\$ 2,258,606.00	\$ 28,958.00	\$ 2,229,648.00
Communication and Development Management	\$ 128,900.00	\$ 101,554.00	\$ 27,346.00
Operations	\$ 28,587.00	\$ 19,977.00	\$ 8,610.00
Special Project Total	\$ 73,468.00	\$ 17,716.00	\$ 55,752.00
Total	\$ 5,465,936.00	\$ 477,875.00	\$ 4,988,061.00

Findings and Recommendations

The East Cut CBD has met all benchmarks as defined on page 5 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 general benefit for Salesforce Park is calculated based on the actual expenses compared to the other categories are based on the assessment revenue raised for each fiscal year as stated by the Management Plan and further described in the Memorandum of Understanding between the East Cut CBD and TJPA.

The East Cut CBD does not employ surveillance technology. OEWD received no complaints regarding this CBD during this reporting period. OEWD does not have any recommendations for The East Cut CBD.



Conclusion

The CBD performed well in implementing its service plan. The CBD is in its seventh 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 carryout its mission and service plans.

