

MEMO

To: Supervisor Jane Kim, District 6

CC: San Francisco Board of Supervisors

From: Crezia Tano, OEWD Senior Project Manager

RE: Central Market Community Benefit District

Date: January 9, 2015

This is a memo summarizing the performance of the Central Market Community Benefit District (CMCBD) and an analysis of their financial statements (based on their audit) for the period between January 1, 2011 and December 31, 2013.

Each year the CBD is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. Central Market 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 Central Market's Community Benefit District Management Contract with the City; and their Management Plan as approved by the Board of Supervisors in 2006.

Also attached to this memo are the following documents:

1. Annual Reports
 - a. CY 2011
 - b. CY 2012
 - c. CY 2013
2. CPA Financial Review Reports
 - a. CY 2011
 - b. CY 2012
 - c. CY 2013
3. Draft resolution from the Office of Economic and Workforce Development



Background

Central Market CBD extends from 5th to 9th Streets on Market Street and includes some areas of Stevenson Street, Jessie Street and Mission Street. The district contains 141 parcels including two BART/MUNI stations – Powell Street and Civic Center; the former US Mint building; and Mint Plaza.

- October 31, 2006: the Board of Supervisors approved the resolution that established the property-based district called the Central Market Community Benefit District (Resolution #631-06).
- June 19, 2007: the Board approved the contract for the administration and management of the Central Market Community Benefit District (Resolution # 313-07).
- January 2008: Central Market CBD started providing cleaning and security services.
- September 6, 2011: the Board of Supervisors approved CMCBD’s Annual Reports for CYs 2007, 2008, 2009, and 2010 (Resolution # 414-11).

Basic Info about Central Market CBD

Year Established	October 2006
Year Renewed	January 2014
Assessment Collection Period	(July 1, 2006 to June 30, 2013)
Services Start and End Date	January 1, 2007 – December 31, 2013
Initial Estimated Annual Budget	\$653,586
Fiscal Year	Jan 1 – Dec 31
Executive Director	Tracy Everwine (Previous ED Daniel Hurtado 2006-2013)
Name of Nonprofit Entity	Central Market Community Benefit District Corporation

The current CBD website, <http://www.central-market.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 Service Area Goals

Public Space Beautification and Safety (PSBS)

The Sidewalk Operations, Beautification and Order service area includes street maintenance, beautification, and public safety services. CMCBD contracts with MJM Management Group to staff a “Clean Team” and Community Guides. The “Clean Team” provides services seven days a week, year round including but not limited to: sidewalk and gutter sweeps, quarterly sidewalk cleaning, graffiti abatement, and tree and vegetation maintenance and vegetation. “Community Guides” provide wayfinding and customer service to visitors while also supporting local law enforcement agencies, social service providers, residents, workers, merchants and property owners. In an effort to augment their pedestrian safety initiatives, CMCBD hires SFPD 10B officers. The CMCBD Management Plan calls for 65% of the budget to be spent on PSBS.

District Identity and Streetscape Improvements (DISI)

The District Identity and Streetscape Improvements program area includes marketing and promotion strategies, public space development and planning, and public right of way improvements. The CMCBD Management Plan allocates 5% of their funds to this service area.

Administration and Corporate Operations

CMCBD is staffed by a full-time Executive Director who serves as the focal point person and advocate for Central Market CBD and a Program Coordinator. The administrative staff creates and manages programs that 1) best respond to the top priorities of the districts stakeholders, 2) maximize coordination of the city and county agencies and nonprofit organizations, 3) avoid duplication of services, and 4) leverage resources. The CMCBD Management Plan calls for 20% of the budget to be spent on administration and corporate operations.

The CMCBD board has eleven (11) members, represented by residents, property owners, community organizations, non-profit arts organizations, government and educational institutions and businesses. Board member seats are determined using the following guidelines: Property Owners (50%) and Non-Property Owners (50%). Of the non-property owners, two seats (20%) are set aside for merchants with a preference for existing small businesses operating retail, restaurant and service and three seats (30%) are reserved for Community Based Organizations, art-related non-profits, and residents. This structure complies with Article 15 of the San Francisco Business and Tax Regulations Code. The full board meets on the second Tuesday of every month. The committees and meeting times are detailed below:

- **Executive** – every month. The Executive Committee meets to write upcoming board meeting agendas, review and help track the CMCBDs action plan and annual initiatives, and provide guidance to CMCBD staff.
- **Finance** – every month. The Finance Committee meets to review the organizations monthly financials, monitor the budget and prepare the end of year financial report.
- **Services** – bimonthly. The Services Committee meetings are designed as a roundtable discussion to address pedestrian safety, social service needs, quality of life concerns, and cleanliness issues.
- **Identity** – as needed. The Identity Committee develops and implements programs and projects to activate public space as well assists with fundraising efforts.

Summary of Accomplishments, Challenges, and Delivery of Service Areas

CY 2011

Public Space Beautification and Safety (PSBS)

- In partnership with the architecture community (HOK, American Institute of Architects – San Francisco, WSP Flack + Kurtz, and Public Architecture) CMCBD guided and implemented the Vacant Kiosk Reuse pilot program. The first vacant kiosk stationed a bike repair shop managed by Huckleberry Bicycles at Seventh and Market Street. Future opportunities include an artist-in-residence, a public-space performance use, and a book-lending library.
- Established the 10B Officer Pilot Program to augment the public safety services provided by CMCBD community guides.
- Collaborated with SF Department of Public Health, Department of Building Inspection, the City Attorney’s Office and the Department of Alcohol Beverage Control, to lead a series of meetings and discussions addressing the sale of alcohol to both inebriated individuals and minors by some liquor stores in the Central Market area.

- Collaborated with the Central City SRO Collaborative to discuss shared concerns regarding safety of residents in SRO hotels and to advocate for the improved management of SRO hotels in the Sixth Street area.

District Identity and Streetscape Improvements (DISI)

- Sponsored the Central Market Summer Concert Series on Mint Plaza through People in Plazas. The summer concert series was held every Friday, 12 p.m. to 1 p.m., on Mint Plaza from July 1-September 30, 2011.
- Provided additional support and promotions throughout the year, for public space programming in the San Francisco Arts Market on UN Plaza and the weekly farmers' market on Mint Plaza.

Administration and Corporate Operations

- Supported business attraction efforts by producing and distributing a marketing piece that highlighted the districts restaurants, performance venues, retail shops, and arts destinations.
- Extended the grant agreement received from Office of Economic and Workforce Development that funded the coordination of Bimonthly Central Market Street Merchants Meetings.
- Awarded the "2011 Business Improvement District of the Year Award" by the Neighborhood Empowerment Network.

CY 2012

Public Space Beautification and Safety (PSBS)

- Through strategic coordinated efforts with area stakeholders, advocated for the replacement of the Civic Center BART walls on the south side of Market Street between Seventh and Eighth Streets.
- Partnered with area merchants and arts organization to hold networking events for merchants/tenants focused on pedestrian safety, cleanliness and quality of life issues.

District Identity and Street Improvements (DISI)

- Provided marketing, website development, advertising, design, and fundraising support for the third annual 24 Days of Central Market Arts, a festival featuring free live performances and art produced by multiple artistic and community groups from Central Market.
- Began developing an online community calendar and merchant directory (www.Epicenter-SF.org) for the region that includes Central Market, Civic Center, Tenderloin and SOMA neighborhoods.
- Coordinated a 13-week advertising campaign, from September through November, in partnership with the San Francisco Bay Guardian, allowing merchants to leverage their marketing dollars.

Administration and Corporate Operations

- Received a grant through OEWD for the Central Market Economic Strategy Evaluation for conducting resident, merchant, pedestrian, and stakeholder surveys.
- Served as the fiscal agent for the Central Market Design Charrette. The charrette was facilitated by the urban design firm, OMA. The project resulted in strategies for activating public space, creating streetscape activation and integrating public art.
- Established a Steering Committee to assist in creating a common vision for the development and management of the district and providing support and guidance in the renewal/expansion of the CMCBD.

CY 2013

Public Space Beautification and Safety (PSBS)

Note: The CMCBD CY 2013 Annual Report developed standardized metrics for measuring program performance.

- Safety & Security Services:
 - Ambulance/Fire/Police Called – 279
 - Mentally Disabled Assisted – 114
 - Referrals to Shelters – 387
 - Social Services Accepted – 238
 - Social Services Refused – 183
- Visitor/Merchant Services:
 - Meet and Greet with merchants/residents; Assist Merchants; Directions.
Total Visitor/Merchant Services: 3,506
- Cleaning/Maintenance Services
 - Responded to more than 769 requests for sidewalk sweeping, steam cleaning and spot cleaning.
 - Removed 3,104 graffiti tags, stickers and flyers.
 - Repainted 216 fixtures.
Total Cleaning/Maintenance Services: 5,894

District Identity and Streetscape Improvements (DISI)

- Major focus on district renewal.
 - Held four (4) community wide meetings and ten (10) presentations to Condominium HOAs and other groups discussing the CMCBD Management Plan.

Administration and Corporate Operations

- Major focus on district renewal.
 - Held eight (8) Steering Committee Meetings and six (6) Joint Steering Committee and CBD Board Meetings discussing the CMCBD Management Plan.

CMCBD Annual Budget Analysis

OEWD's staff reviewed the following budget related benchmarks for CMCBD:

- **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 "Central Market Community Benefit District", Section 3.9 – Budget*).
- **BENCHMARK 2:** Whether five percent (5%) of actuals came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the "Central Market 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 "Central Market Community Benefit District", Section 3.9 – Budget*).

- **BENCHMARK 4:** Whether CMCBD 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)*).

CY 2011

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: *CMCBD met this requirement. See table below.*

Service Category	Management Plan Budget	% of Budget	CY 2011 Budget	% of Budget	Variance Percentage Points
Public Space Beautification & Safety	\$366,257	65.0%	\$408,144	59.2%	-5.8%
District Identity and Streetscape Improvements	\$28,174	5.0%	\$39,960	5.8%	+0.8%
Administrative Expenses	\$112,695	20.0%	\$139,766	20.3%	+0.3%
Contingency Reserve	\$56,347	10.0%	\$102,043	14.8%	+4.8%
TOTAL	\$563,473	100%	\$689,913	100%	

BENCHMARK 2: Whether five percent (5%) of actuals came from sources other than assessment revenue

ANALYSIS: *CMCBD met this requirement. Assessment revenue was \$626,292 or 74.4% of actuals and non-assessment revenue was \$215,982 or 25.6% of actuals. See table below.*

Revenue Sources	CY 2011 Actuals	% of Actuals
Special Benefit Assessments	\$626,292	
Total assessment revenue	\$626,292	74.4%
Grants	\$195,282	
Donations	\$20,700	
Interest Earned	\$0	
Total non-assessment revenue	\$215,982	25.6%
Total	\$842,274	100%

Non-assessment revenue applied to 5% General Benefit requirement

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

ANALYSIS: *CMCBD did not meet this requirement. The 21.7% variance in Public Space Beautification & Safety and 11.9% variance in Administrative Expenses is explained by their total non-assessment revenue exceeding the general benefit of 5% at 25.6% or (\$215,982).*

Service Category	CY 2011 Budget	% of Budget	CY 2011 Actuals	% of Actuals	Variance Percentage Points
Public Space Beautification & Safety	\$408,144	59.2%	\$615,603	80.9%	+21.7%
District Identity and Streetscape Improvements	\$39,960	5.8%	\$81,897	10.8%	+5.0%
Administrative Expenses	\$139,766	20.3%	\$63,688	8.4%	-11.9%
Contingency Reserve	\$102,043	14.8%			
TOTAL					

BENCHMARK 4: Whether CM 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: *CMCBD 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.*

CY 2011 Carryover Disbursement	\$32,006
Designated Projects for CY 2012	
Administration	
PSBS	\$32,006
DISI	
General Fund Contingency	
Total Designated Amount for CY 2012	\$32,006

CY 2012

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: *CMCBD met this requirement. See table below.*

Service Category	Management Plan Budget	% of Budget	CY 2012 Budget	% of Budget	Variance Percentage Points
Public Space Beautification & Safety	\$366,257	65.0%	\$495,144	71.2%	+6.2%
District Identity and Streetscape Improvements	\$28,174	5.0%	\$30,960	4.4%	-0.6%
Administrative Expenses	\$112,695	20.0%	\$127,310	18.3%	-1.7%
Contingency Reserve	\$56,347	10.0%	\$42,463	6.1%	-3.9%
TOTAL	\$563,473	100%	\$695,877	100%	

BENCHMARK 2: Whether five percent (5%) of actuals came from sources other than assessment revenue

ANALYSIS: *CMCBD met this requirement. Assessment revenue was \$587,134 or 77.0% of actuals and non-assessment revenue was \$175,828 or 23.0% of actuals. See table below.*

Revenue Sources	CY 2012 Actuals	% of Actuals
Special Benefit Assessments	\$587,134	
Total assessment revenue	\$587,134	77.0%
Grants	\$144,428	
Donations	\$31,400	
Interest Earned	\$0	
Total non-assessment revenue	\$175,828	23.0%
Total	\$762,962	100%

Non-assessment revenue applied to 5% General Benefit requirement

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

ANALYSIS: *CMCBD met this requirement. See table below.*

Service Category	CY 2012 Budget	% of Budget	CY 2012 Actuals	% of Actuals	Variance Percentage Points
Public Space Beautification & Safety	\$495,144	71.2%	\$606,044	73.8%	+2.7%
District Identity and Streetscape Improvements	\$30,960	4.4%	\$53,164	6.5%	+2.0%
Administrative Expenses	\$127,310	18.3%	\$161,849	19.7%	+1.4%
Contingency Reserve	\$42,463	6.1%			
TOTAL	\$695,877	100%	\$821,057	100%	

BENCHMARK 4: Whether FWCB 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: *CMCBD 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.*

CY 2012 Carryover Disbursement	\$89,998
Designated Projects for CY 2013	
Administration	
PSBS	\$43,519
DISI	\$46,479
General Fund Contingency	
Total Designated Amount for CY 2013	\$89,998

CY 2013

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: *CMCBD did not meet this requirement. The 11.5% variance in Public Space Beautification & Safety is explained by the increased total budget of CY 2013. While CMCBD budgeted 53.5% towards PSBS, their spending amount in this program area was higher than their spending amount as identified in the management plan.*

Service Category	Management Plan Budget	% of Budget	CY 2013 Budget	% of Budget	Variance Percentage Points
Public Space Beautification & Safety	\$366,257	65.0%	\$425,744	53.5%	-11.5%
District Identity and Streetscape Improvements	\$28,174	5.0%	\$50,214	6.3%	+1.3%
Administrative Expenses	\$112,695	20.0%	\$227,620	28.6%	+8.6%
Contingency Reserve	\$56,347	10.0%	\$92,636	11.6%	1.6%
TOTAL	\$563,473	100%	\$796,214	100%	

BENCHMARK 2: Whether five percent (5%) of actuals came from sources other than assessment revenue

ANALYSIS: *CMCBD met this requirement. Assessment revenue was \$585,309 or 83.1% of actuals and non-assessment revenue was \$118,759 or 16.9% of actuals. See table below.*

Revenue Sources	CY 2013 Actuals	% of Actuals
Special Benefit Assessments	\$585,309	
Total assessment revenue	\$585,309	83.1%
Grants	\$108,164	
Donations	\$10,595	
Interest Earned	\$0	
Total non-assessment revenue	\$118,759	16.9%
Total	\$704,068	100%

Non-assessment revenue applied to 5% General Benefit requirement

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

ANALYSIS: *CMCBD did not meet this requirement. The 14.7% variance in Public Space Beautification & Safety is explained by the low projected CY 2013 PSBS budget of \$425,744.*

Service Category	CY 2013 Budget	% of Budget	CY 2013 Actuals	% of Actuals	Variance Percentage Points
Public Space Beautification & Safety	\$425,744	53.5%	\$538,410	68.2%	+14.7%
District Identity and Street Improvements	\$50,214	6.3%	\$74,257	9.4%	+3.1%
Administrative Expenses	\$227,620	21.8%	\$176,995	22.4%	+0.6%
Contingency Reserve	\$92,636	11.6%			
TOTAL	\$796,214	100%	\$789,662	100%	

*Contingency Reserve is redeployed throughout the year to meet the needs of the CBD

BENCHMARK 4: Whether CMCBD 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: *CMCBD met this requirement. CMCBD carried forward a deficit budget.*

CY 2013 Carryover Disbursement	- \$3,068
Designated Projects for CY 2014	
Administration	
PSBS	
DISI	
General Fund Contingency	
Total Designated Amount for CY 2014	- \$3,068

Findings and Recommendations

Within the review periods of CY 2011, CY 2012, and CY 2013, the Central Market CBD generally met the expectations and requirements as set by the California Street and Highways Code Section 36650-36651; the Agreement for the Administration of the "Central Market Community Benefit District; and the Agreement for the Administration of the "Central Market Community Benefit District."

Per their management plan CMCBD is expected to allocate 65.0% of its budget to Public Space Beautification & Safety. In CY 2013, CMCBD proposed to allocate 53.5% of its budget to this program area. This percentage (11.5%) exceeds the variance of 10 percentage points.

In CY 2011, there was a variance of 21.7% between the Public Space Beautification & Safety budget amount (60.6%) and actual expense (80.9%); in CY 2011, there was a variance of 11.9% between the Administrative Expenses budget amount (20.3%) and actual expense (8.4%); in CY 2013, there was a variance of 14.7% between the Public Space Beautification & Safety budget amount (53.5%) and actual expense (68.2%). These numbers exceed variances of 10 percentage points.

While these percentage points exceed the allowable variance, further research shows that the variance in program area allocations is explained by their non-assessment revenue. For all of the years in review, Central Market CBD has exceeded its general benefit requirement of five percent (5%). As a result of these high non-assessment revenues, the percentages do not provide an accurate assessment of fund allocation. A better analysis of fund allocation, in this case, is to review the dollar amount spent towards each program area. Upon review, the dollar amount dedicated to each program year is appropriate. Moving forward Central Market CBD should work more diligently to identify assessment funds allocations and non-assessment expenditures

Central Market CBD was deficient in providing the following required information in its Annual Report: 1) CY 2011 and CY 2012 did not indicate carryover amounts and designated program areas and 2) CY 2013 did not state assessment methodology. In addition, in the CY 2013 Annual Report, CMCBD added a new line item its budget "Renewal/Expansion Fees," this budget amount has been collapsed into "Administrative Expenses". For this particular situation, CMCBD has prepared a memo outlining all of the amendments noted above (*Please refer to the attached letter*). In future CY Annual Reports we recommend that CMCBD fulfill the requirements of the state code (*CA Streets & Highways Code, Section 36650*).

Conclusion

Central Market CBD has performed well in implementing their service plan. Central Market CBD has continued to successfully market and produce events and projects such as Epicenter.org, Vacant Kiosk Reuse pilot program, and the San Francisco Arts Market on UN Plaza. Central Market CBD has increased their opportunities in partnering with community stakeholders and numerous municipal agencies for the implementation of the Central Market Economic Strategy Evaluation. Central Market CBD has an active board of directors and committee members; and OEWD believes the Central Market CBD will continue to successfully carryout their mission and service plans.