

MEMO

To: Supervisor Norman Yee, District 7

CC: San Francisco Board of Supervisors

From: Chris Corgas, OEWD Project Manager

RE: Ocean Avenue Community Benefit District

Date: March 8, 2016

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This is a memo summarizing the accomplishments of the Ocean Avenue Community Benefit District (“Ocean Avenue CBD” or “CBD”) and an analysis of its financial statements (based on their audit) for the period between July 1, 2014, and June 30, 2015.

Each year, the CBD is required to submit a mid-year report, an annual report and a CPA financial review or audit. Ocean Avenue 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 Ocean Avenue CBD management contract with the City; and their Management Plan approved by the Board of Supervisors in 2010.

Also attached to this memo are the following documents:

1. Annual Reports
  - a. FY 2014-2015
2. CPA Financial Review Reports
  - a. FY 2014-2015
3. Memo regarding carryforward
4. Draft resolution from the Office of Economic and Workforce Development



## Background

The Ocean Avenue CBD includes both privately- and publicly-owned properties. The district covers 12 blocks and includes approximately 211 parcels.

- December 14, 2010: the Board of Supervisors approved the resolution that established the Ocean Avenue Community Benefit District for 15 years (Resolution # 587-10).
- May 24, 2011: the Board of Supervisors approved the contract for the administration and management of the Ocean Avenue Community Benefit District (Resolution #221-11).

### Basic Information about the Ocean Avenue Community Benefit District:

Year Established	December 2010
Assessment Collection Period	FY 2010-2011 to FY 2024-2025 (July 1, 2010 to June 30, 2025)
Services Start and End Date	July 1, 2011 – December 31, 2025
Initial Estimated Annual Budget	\$239,578
Fiscal Year	July 1 – June 30
Executive Director	Daniel Weaver
Name of Nonprofit Owners' Entity	Ocean Avenue Association ("OAA")

The current CBD website [www.oceanavenueassociation.org](http://www.oceanavenueassociation.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

#### **Cleaning, Maintenance, and Safety**

The Ocean Avenue Management Plan calls for approximately 52% of the budget to be spent on Cleaning, Safety, and Maintenance. OAA contracts with CleanScapes to provide cleaning and maintenance. Two workers are employed who clean and maintain the public realm six days a week. These services include sweeping and steam cleaning sidewalks and Muni boarding islands; removing graffiti within 24 hours; topping off city trash cans; spot pressure washing; reporting and monitoring of illegal dumping of small and large items in the public right-of-way; wiping down furniture; removing weeds from tree wells; removing posted notices on city poles and other street furniture; and painting city poles.

#### **Marketing, Streetscape Improvements, and Beautification**

Approximately 18% of the annual budget is allocated for public space development and streetscape improvements. This program area includes but is not limited to promoting the district through a website that includes information about their purpose and accomplishments, sponsoring special events such as holiday events and monthly concerts, and developing marketing activities that support efforts to recruit and retain businesses.

## **Management & Operations**

The Ocean Avenue CBD is staffed by a full-time Executive Director who (1) performs the day-to-day management of the organization, (2) serves at the focal point person for the district, (3) advocates for city funds and services and (4) ensures that the organization is in compliance with their Management Plan and City contract. The CBD Management Plan calls for approximately 26% of the budget to be spent on management and operations.

The Ocean Avenue CBD board has eleven (11) members represented by residents, property owners, community organizations, non-profit arts organizations, government and educational institutions and businesses. The Board shall include no less than five and no more than eleven members, and be composed of at least 50% of property owners, or property owners' designated representatives, who are paying the CBD assessment. In addition to the property owners, at least 20 percent of the Board shall be representatives of non-property-owning businesses within the CBD boundaries. The Board also includes representatives from neighborhood organizations. Currently, board composition is 50% property owners, 30% non-property owning businesses, and 20% residents. This structure complies with Article 15 of the San Francisco Business and Tax Regulations Code. The full board meets monthly. The committees are detailed below:

- **Executive Committee** – oversees central operations of the organization and ensures the functioning of key areas: staff and contracts; corporate finances; insurance; grants; development of budget; board agendas and meetings; correspondence; outreach; bylaws and policies; public relations; and newsletters.
- **Street Life Committee** – composed of corridor business representatives.
- **Business Committee** – composed of corridor business representatives.
- **Public Safety Committee** – works with San Francisco Safe to address safety issues impacting businesses within the district and continued the formation work for an Ocean Avenue Business Watch.

## **Summary of Accomplishments, Challenges, and Delivery of Services**

### **FY 2014-2015**

#### **Cleaning, Maintenance, and Safety**

- Worked with City to abate nuisance and illegal businesses, including businesses on the 1600 and 1900 blocks of Ocean Avenue
- Worked with SF Shines to improve storefront appearance of small businesses on Ocean Avenue. Beep's Burgers and Lucky Ocean café received funding for façade and signage improvements
- Worked with RapidRenu to repair and abate glass graffiti at a number of Ocean Avenue businesses, using grant funding from OEWD's Invest In Neighborhood initiative

#### **Marketing, Streetscape Improvements, and Beautification**

- Continued work with SF Public Works and the Planning department on streetscape improvements
- In the retail district from Manor/Victoria to Phelan/Geneva, a plan was prepared to provide additional landscaping on and near Ocean Avenue

- Maintained the Ocean Avenue mobile parklet currently positioned outside the Ingleside Library

**Management & Operations**

- Applied for the Office of Economic and Workforce Development (OEWD) Community Development Block Grant. Awarded \$30,000 for business technical assistance, attraction and retention.
- Raised a total of \$309,280 outside dollars, in-kind services and volunteer services. Included but not limited to:
  - \$145,000 from OEWD for SF Shines, Ocean Ave Design, and Community Development Block Grant.
  - \$25,000 from beautification from D7 participatory budgeting.
  - \$30,000 from Public Works labor grant.
  - In-kind donations from Lick-Wilmerding High School for meeting space
  - Three hours of volunteer service provided by 60 volunteers for public space cleanup
  - Six hours of volunteer service provided by 15 volunteers for holiday decorations.

**Ocean Avenue CBD Annual Budget Analysis**

**OEWD’s staff reviewed the following budget related benchmarks for the Ocean Avenue 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 “Ocean Avenue Community Benefit District”, Section 3.9 – Budget*)
- **BENCHMARK 2:** Whether one percent (1%) of actuals came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the “Ocean Avenue Community Benefit District”, Section A - 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 “Ocean Avenue Community Benefit District”, Section 3.9 – Budget*).
- **BENCHMARK 4:** Whether the Ocean Avenue 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 2014-2015**

**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:** The Ocean Avenue CBD met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2014-2015 Budget	% of Budget	Variance Percentage Points
Cleaning, Maintenance, and Safety	\$125,000	51.7%	\$168,336	58.0%	+6.4%

Marketing, Streetscape Improvements, and Beautification	\$43,658	18.0%	\$60,402	20.8%	+2.8%
Management and Operations	\$63,000	26.0%	\$63,392	21.2%	-4.9%
Contingency and Reserves	\$10,340	4.3%	\$0	0.0%	-4.3%
<b>TOTAL</b>	<b>\$241,998</b>	<b>100%</b>	<b>\$290,130</b>	<b>100%</b>	

**BENCHMARK 2:** Whether one percent (1%) of actuals came from sources other than assessment revenue

**ANALYSIS:** *The Ocean Avenue CBD met this requirement. Assessment revenue was \$266,998 or 87.6% of actuals and non-assessment revenue was \$37,913 or 12.4% of actuals. See table below.*

Revenue Sources	FY 2014-2015 Actuals	% of Actuals
Special Benefit Assessments	\$266,998.00	
<b>Total assessment revenue</b>	<b>\$266,998.00</b>	<b>87.6%</b>
Contributions	\$37,272.00	
Other	\$641	
<b>Total non-assessment revenue</b>	<b>\$37,913.00</b>	<b>12.4%</b>
Total	\$304,911	100%

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

**ANALYSIS:** *The Ocean Avenue CBD did not meet this requirement. The Ocean Avenue CBD exceeded their allowable variance percentage points for Marketing, Streetscape Improvements, and Beautification. This variance is explained due to project delays which prohibited money from being spent in FY 14-15. Please see table below.*

Service Category	FY 2014-2015 Budget	% of Budget	FY 2014-2015 Actuals	% of Actuals	Variance Percentage Points
Cleaning, Maintenance, and Safety	\$168,336.00	58.0%	\$157,017	66.1%	+8.1%
Marketing, Streetscape Improvements, and Beautification	\$60,402.00	20.8%	\$20,233	8.5%	-12.3

Management and Operations	\$61,392.00	21.2%	\$60,225	25.4%	+4.2
Contingency Reserve	\$0.00	0.0%	\$0.00	0.0%	0%
<b>TOTAL</b>	<b>\$290,130.00</b>	<b>100%</b>	<b>\$237,475.00</b>	<b>100%</b>	

**BENCHMARK 4:** Whether the Ocean Avenue 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:** *The Ocean Avenue CBD did not meet this requirement. The Ocean Avenue CBD did indicate carryforward funds but did not allocate these funds in their Annual Report. OEWD requested that the Ocean Avenue Association provide a letter stating the carryover disbursement along with the designated projects. See attached memorandum dated February 12, 2016. 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 2014-15 Carryover Disbursement</b>	<b>\$186,416.00</b>
Designated Projects for 2015-2016	
Cleaning, Maintenance and Safety	\$96,936.52
Marketing, Streetscape Improvements and Beautification	\$33,554.88
Management and Operations	\$48,416.16
Contingency and Reserves	\$7,456.64
<b>Total Designated Amount for 2015-16</b>	<b>\$186,416.00</b>

#### **Findings and Recommendations**

The Ocean Avenue CBD has generally met the benchmarks as defined on page 4 of this memo, with the exception of Benchmark 3, for which numbers were skewed due to project delays, and Benchmark 4, for which the CBD did not specify in their annual report how surplus carryover funds would be allocated the following year.

For all of the years in review, the Ocean Avenue CBD has well exceeded its general benefit requirement of one percent (1%). The CBD has acquired a significant amount of funding in the form of grant dollars, in-kind services and volunteer services.

It is noted that in Benchmark 3, the Marketing, Streetscape Improvements, and Beautification category that the variance exceeded what is allowable because of the following items:

- Website work: funds were requested as backup in case of problems; additionally web hosting costs are variable and can change if additional features are requested
- Photography: OAA received grant funding for Second Sundays that included promotion and advertising; therefore the assessment budget allocation for photography was not used
- General beautification: Line items were supposed to support a Public Works project on the corridor. The project did not occur in FY 14-15 and is scheduled to be completed in FY 15-16
- Music – Second Sundays: OAA received grants to cover the cost of entertainment for Second Sundays events, and the Capitol Ave. outdoor space, the Ingleside Library garden space, Unity Plaza, and an interior OAA pop-up space were not available to the program in FY 14-15
- Parklet: needed repairs, but was covered by other funding sources
- Unity Plaza: The plaza was not completed in FY 14-15 so these funds were not expended
- Advertising: OAA received grants to include event promotion; this budget item was not fully expended in FY 14-15.

OEWD expects that as these projects reach completion carryover will be spent down and thus bring the CBD into compliance with Benchmark 3.

### Conclusion

The Ocean Avenue CBD has performed well in implementing its service plan. The CBD has continued to successfully sponsor and help implement events and programs in Ocean Avenue, including the community-wide banner initiative, the Sunday Streets events, large graffiti abatement efforts, and efforts to beautify the Ocean Avenue corridor. The CBD has done a great job in partnering with community stakeholders and numerous municipal agencies for small business technical assistance, business attraction, and façade improvement along the commercial corridor. The Ocean Avenue Association is a well-run organization with active board and committee members that will continue to successfully carry out its mission in managing the Community Benefit District.