

MEMO

To: Supervisor Jane Kim, District 6

CC: San Francisco Board of Supervisors

From: Chris Corgas, Senior Program Manager

RE: Greater Rincon Hill Community Benefit District; dba: The East Cut Community Benefit District

Date: June 13, 2018

This is a memo summarizing the performance of the East Cut Community Benefit District (The East Cut CBD) – the new name of the Greater Rincon Hill Association, the nonprofit organization that manages the assessment funds of the Greater Rincon Hill Community Benefit District (District), which is also now known as The East Cut Community Benefit District. This memo also provides an analysis of The East Cut CBD’s annual report for the period between July 1, 2016, and June 30, 2017.

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 2016-2017
2. CPA Financial Review Reports
 - a. FY 2016-2017
3. Draft resolution from the Office of Economic and Workforce Development

Background

The District includes approximately 3,656 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.

Basic Info about Greater Rincon Hill CBD

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
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 agendas, and Management Plan.

Summary of Service Area Goals

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 San Francisco Patrol Specials, or a suitable replacement. They will be in cars and on foot. The Management Plan calls for approximately 38.62% of District assessment funds to be spent in this service area in FY 16-17.

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 24.63% of District assessment funds to be spent in this service area in FY 16-17.

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 23.53% of District assessment funds to be spent on this service area in FY 16-17.

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 3.14% of District assessment funds to be spent in this service area in FY 16-17.

Management

The Management Plan calls for approximately 5.78% of District assessment funds to be spent on management in FY 16-17. 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 4.33% of District assessment funds to be spent in this service area in FY 16-17.

Summary of Accomplishments, Challenges, and Delivery of Service Areas

FY 2016-2017

Public Safety

- Coordinated with City agencies to create and maintain a safe public right-of-way along Essex Street and the Spear Street cul-de-sac
- Provided 24/7 neighborhood security
- Patrol teams covered entire District to deter crime and communicate with SFPD for effective, coordinated action

Cleaning and Maintenance

- Removed 134,862 pounds of litter
- Cleaned or removed 1,740 instances of graffiti
- Topped off 1,565 overflowing trashcans
- Responded to 1,188 calls for clean and safe services
- Removed 690 needles

Parks and Greenspace

- Maintained Emerald Park – the District’s first public park and an oasis amidst the building boom, with a children’s playground and plantings
- Launched a walking tour of public art in public spaces
- Surveyed over 1,000 District street trees to assess their health and maintenance needs

Communication and Development

- Welcomed neighbors to a pop-up public art event to launch the CBD’s East Cut identity and demonstrate interest in cultural programming in the District
- Toured retailers and leasing agents through the District to introduce them to the community’s energy and momentum

Management

- The Board was supplied a weekly update on pertinent information about new developments in the neighborhood and the anticipated impacts
- The East Cut CBD Board Members were actively involved in leadership positions with the Office of Community Investment and Infrastructure (OCII) Transbay and the Transbay Joint Powers Authority (TJPA) Citizens Advisory Committees
- The East Cut CBD Board of Directors improved administrative efficiency by reducing the number of full board meetings from 12 to 6 per year, with each meeting occurring roughly every other month

Operations

- The East Cut CBD added one new full-time staff member during the first two quarters of this Fiscal Year, bringing the total number of CBD employees to four
- The East Cut CBD completed its second organizational annual audit and received an unmodified opinion from an independent auditor

- The East Cut CBD produced its first Annual Report and mailed it to all property owners in the District, as well as delivering to ground floor retail and commercial property management staff

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%) of actuals 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 2016-2017

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 East Cut CBD met this requirement. The CBD’s initial budget was consistent with that in the Management Plan. See tables below.

Service Category	Management Plan Budget	% of Budget	FY 2016-2017 Budget	% of Budget	Variance Percentage Points
Public Safety	\$971,056.00	38.62%	\$960,563.54	37.85%	-0.78%
Cleaning and Maintenance	\$619,374.00	24.63%	\$560,427.54	22.08%	-2.55%
Parks and Greenspace	\$591,534.00	23.53%	\$364,078.09	14.34%	-9.18%
Communication and Development	\$78,831.00	3.14%	\$276,277.67	10.89%	+7.75%
Management	\$145,241.00	5.78%	\$153,415.38	6.04%	+0.27%

Operations	\$108,232.00	4.30%	\$223,349.34	8.80%	+4.50%
TOTAL	\$2,514,268.00	100.0%	\$2,538,111.56	100.0%	

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%) of actuals for Parks and Greenspace, came from sources other than assessment revenue

ANALYSIS: *The East Cut CBD met this requirement. Assessment revenue was \$920,049.00 or 98.36% of actuals and non-assessment revenue was \$15,375.00 or 1.64% of actuals for the public safety service category. Assessment revenue was \$609,739.00 or 98.45% of actuals and non-assessment revenue was \$9,579.00 or 1.55% of actuals for the cleaning and maintenance service category. Assessment revenue was \$119,962 or 78.66% of actuals and non-assessment revenue was \$32,552.20 or 21.34% of actuals for the Parks and Greenspace service category. See table below.*

Public Safety

Revenue Sources	FY 2016-2017 Actuals	% of Actuals
Special Benefit Assessments	\$ 920,049.00	
Total assessment revenue	\$ 920,049.00	98.36%
Contributions	\$14,400.00	1.54%
Interest earned	\$-	
Other	\$975.00	0.10%
Total non-assessment revenue	\$ 15,375.00	1.64%
Total	\$ 935,424.00	100%

Cleaning and Maintenance

Revenue Sources	FY 2016-2017 Actuals	% of Actuals
Special Benefit Assessments	\$ 609,739.00	
Total assessment revenue	\$ 609,739.00	98.45%
Contributions	\$5,694.00	0.92%
Interest earned	\$2,910.00	0.47%
Other	\$975.00	0.16%
Total non-assessment revenue	\$9,579.00	1.55%
Total	\$619,318.00	100%

Parks and Greenspace

Revenue Sources	FY 2016-2017 Actuals	% of Actuals
Special Benefit Assessments	\$ 119,962.00	78.66%
Total assessment revenue	\$ 119,962.00	78.66%
Contributions	\$15,531.20	10.18%
Donations	\$6,166.00	4.04%
Interest earned	\$8,905.00	5.84%
Other	\$1,950.00	1.28%
Total non-assessment revenue	\$32,552.20	21.34%
Total	\$152,514.20	100%

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

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

Service Category	FY 2016-2017 Budget	% of Budget	FY 2016-2017 Actuals	% of Budget	Variance Percentage Points
Public Safety	\$960,563.54	37.85%	\$935,424.00	41.80%	+3.95%
Cleaning and Maintenance	\$560,427.54	22.08%	\$619,318.00	27.67%	+5.59%
Parks and Greenspace	\$364,078.09	14.34%	\$156,248.00	6.98%	-7.36%
Communication and Development	\$276,277.67	10.89%	\$267,172.00	11.94%	+1.05%
Management	\$153,415.28	6.04%	\$131,213.00	5.86%	-0.18%
Operations	\$223,349.34	8.80%	\$128,502.00	5.74%	-3.06%
TOTAL	\$2,538,11.56	100.0%	\$2,237,877.00	100%	

BENCHMARK 4: Whether GRHCBD 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.

FY 2016-17 Carryover Disbursement	\$2,193,086
Designated Projects for FY 2016-17	
Public Safety	\$878,359.98
Cleaning and Maintenance	\$544,397.60
Parks and Greenspace	\$691,870.72
Management	\$78,457.70
Total Designated amount for FY 2016-17	\$2,193,086.00

Findings and Recommendations

The East Cut CBD has met all of the four benchmarks as defined on page 5 of this memo.

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 the new City 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 East Cut CBD has identified sources of general benefit and utilized them in order to meet these requirements. General benefit can be attributed to grants, contributions, income earned, interest, in-kind donations, and even volunteer hours.

As explained above, The East Cut CBD Board of Directors voted on April 10, 2017, after a community engagement process, to rename the District from the Greater Rincon Hill Community Benefit District to The East Cut Community Benefit District. The goal of this change was to include all the neighborhoods and micro-neighborhoods that compose the District. OEWD confirmed that this vote followed the organization's bylaws and did not violate either state law or the prevailing ordinance. As the change does not constitute a structural change to the Management Plan or assessment formula, this matter does not have to undergo a special assessment election organized by the City.

Conclusion

The East Cut CBD was formed through an open, community-based process. The CBD performed well in implementing its service plan. The CBD 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.