

**MEMO**

To: Matt Haney, District 6 Supervisor

CC: San Francisco Board of Supervisors  
Chris Corgas, OEWD Senior Program Manager

From: Helen Mar, OEWD Project Manager

RE: The East Cut Community Benefit District

Date: 9/17/2019

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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, 2017, and June 30, 2018.

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 2017-2018
2. CPA Financial Review Reports
  - a. FY 2017-2018
3. Draft resolution from the Office of Economic and Workforce Development

### **Background**

The District includes approximately 4,300 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: Board approved the FY 2016–17 annual report and financial statements (Resolution #: 316-18)

### **Basic Info about The East Cut 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 calendar and agendas, and Management Plan.

### **Summary of Service Area Goals**

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 (referred to as 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 21.66% of District assessment funds to be spent in this service area in FY 17-18.

### **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 13.81% of District assessment funds to be spent in this service area in FY 17-18.

### **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 57.12% of District assessment funds to be spent on this service area in FY 17-18.

### **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 1.76% of District assessment funds to be spent in this service area in FY 17-18.

### **Management**

The Management Plan calls for approximately 3.24% of District assessment funds to be spent on management in FY 17-18. 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 2.41% of District assessment funds to be spent in this service area in FY 17-18.

## **Summary of Accomplishments, Challenges, and Delivery of Service Areas**

### **FY 2017-2018**

#### **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
- Community guides operate between 6:30 AM and 11:30 PM, daily
- Patrolled overnight to deter crime and respond to security issues and coordinated with SFPD when needed to resolve unsafe situations
- Worked with the Department of Public works to plan safety lighting and aesthetic improvements to the Beale Street Stairs that connect Beale Street to Harrison Street
- Responded to 983 public safety calls for service

#### **Cleaning and Maintenance**

- Removed 132,175 pounds of litter
- Cleaned or removed 1,979 instances of graffiti
- Topped off 3,254 overflowing trashcans
- Responded to 747 cleaning calls for service
- Removed 1,959 needles
- Launched a partnership with the Downtown Streets Team (DST) to provide daily work experience, and a stipend to individuals facing homelessness and housing instability
- Hired 3 DTS members full-time to The East Cut street services team and saw 2 receive housing
- Joined a national pilot program to provide sidewalk receptacles for cigarette butts and collect and recycle the debris
- Collaborated with the Mayor's Fix-it Team to address over 100 public realm maintenance issues, including striping crosswalks, replacing lights, and repairing curbs

#### **Parks and Greenspace**

- Continued to maintain Emerald Park – the District's first public park and an oasis which contains a children's playground and plantings

- Collaborated with California College of the Arts and San Francisco Planning Department to generate design proposals to improve the Spear Street cul-de-sac
  - Worked with SF Recreation and Parks to begin construction of Guy Place Mini Park
  - Launched a walking tour of public art in public spaces
  - Maintained District street trees along 1<sup>st</sup> and Folsom Streets and continued to coordinate with Department of Public Works on the City's Proposition E-funded tree pruning
- Collaborated with OCII and its Citizens Advisory Committee to complete the design of Under-ramp Park, which, when constructed, will house The East Cut's Services team

#### **Salesforce Park**

- Regularly convened City agencies and the Transbay Joint Powers Authority, with the support of Supervisor Jane Kim's office, to ensure a successful opening of Salesforce Transit Center
- Organized community focus groups for Salesforce Park programmer, Biederman Redevelopment Ventures, to get input on park programming
- Funded Salesforce Park programming

#### **Communication and Development**

- Launched monthly Friday night programming in a variety of vacant retail spaces to demonstrate the demand and need for active ground floors
- Unveiled light pole banners across the District to highlight the history and significance of that corner of San Francisco
- Introduced the CBD to the San Francisco Public Relations Roundtable, San Francisco Hotel Council Board of Directors, SF Travel, and San Francisco Association of Realtors to raise awareness of the city's fastest-growing neighborhood and combine efforts to promote business and recreation in the neighborhood

#### **Management**

- The Board was supplied a weekly update on pertinent information about new developments in the neighborhood and the anticipated impacts
- Regularly convened City agencies and the Transbay Joint Powers Authority to ensure a successful opening of Salesforce Transit Center
- 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 completed its third organizational annual audit and received an unmodified opinion from an independent auditor
- The East Cut CBD produced its second 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 2017-2018**

**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 did not meet this requirement. For FY 17-18, the CBD assessed for only approximately half of the Management Plan Budget allocation for Salesforce Park due to an anticipated delay in completion of the park. This resulted in a variance of -23.78% as the CBD could not budget funding on the park while it was not in operation. See table below:

<b>Service Category</b>	<b>Management Plan Budget</b>	<b>% of Budget</b>	<b>FY 2017-2018 Budget</b>	<b>% of Budget</b>	<b>Variance Percentage Points</b>
Public Safety	\$971,056.00	21.66%	\$1,062,327.00	27.60%	+5.94%
Cleaning and Maintenance	\$619,374.00	13.81%	\$800,332.00	20.79%	+6.98%
Parks and Greenspace (Salesforce Park)	\$1,969,378.00	43.92%	\$775,000.00	20.14%	-23.78%
Parks and Greenspace (Other Parks/Parklets)	\$591,534.00	13.19%	\$677,861.00	17.61%	+4.42%
Communication and Development	\$78,831.00	1.76%	\$220,108.00	5.72%	+3.96%
Management	\$145,241.00	3.24%	\$148,632.00	3.86%	+0.62%

Operations	\$108,232.00	2.41%	\$164,725.00	4.28%	+1.87%
<b>TOTAL</b>	<b>\$4,483,646.00</b>	<b>100.00%</b>	<b>\$3,848,985.00</b>	<b>100.00%</b>	

**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. The Transbay Joint Powers Authority (TJPA) is responsible for raising twenty and eighty-two hundredths percent (20.82%) for Salesforce Park from sources other than assessment revenue.

**ANALYSIS:** *The East Cut CBD met its requirement. Upon the reopening of Salesforce Transit Center and Salesforce Park, the Transbay Joint Powers Authority (TJPA) will document its non-assessment obligation and provide to The East Cut CBD which will, in turn, provide proof of this documentation to OEWD. Assessment revenue was \$981,030.52 or 97.86% of actuals and non-assessment revenue was \$21,478.41 or 2.14% of actuals for the public safety service category. Assessment revenue was \$625,637.09 or 96.86% of actuals and non-assessment revenue was \$20,272.73 or 3.14% of actuals for the cleaning and maintenance service category. Assessment revenue was \$597,910.07 or 91.85% of actuals and non-assessment revenue was \$53,024.26 or 8.15% of actuals for the Parks and Greenspace service category. See table below.*

Public Safety (1.40% needed)

Revenue Sources	FY 2017-2018 Actuals	% of Actuals
Special Benefit Assessments	\$ 981,030.52	
<b>Total assessment revenue</b>	<b>\$ 981,030.52</b>	<b>97.86%</b>
Contributions	\$5,193.15	0.52%
Grants	\$5,477.79	0.55%
Donations	\$5,447.00	0.54%
Interest earned	\$3,992.54	0.40%
Other	\$1,367.93	0.14%
<b>Total non-assessment revenue</b>	<b>\$ 21,478.41</b>	<b>2.14%</b>
<b>Total</b>	<b>\$ 1,002,508.93</b>	<b>100.00%</b>

Cleaning and Maintenance (1.40% needed)

Revenue Sources	FY 2017-2018 Actuals	% of Actuals
Special Benefit Assessments	\$ 625,637.09	
<b>Total assessment revenue</b>	<b>\$ 625,637.09</b>	<b>96.86%</b>
Contributions	\$10,693.16	1.66%

Donations	\$6,161.00	0.95%
Interest earned	\$2,546.19	0.39%
Earned Revenue	\$872.38	0.14%
<b>Total non-assessment revenue</b>	<b>\$20,272.73</b>	<b>3.14%</b>
<b>Total</b>	<b>\$645,909.82</b>	<b>100.00%</b>

Parks and Greenspace – Other Parks/Parklets (6.79% needed)

Revenue Sources	FY 2017-2018 Actuals	% of Actuals
Special Benefit Assessments	\$ 597,910.07	91.85%
<b>Total assessment revenue</b>	<b>\$ 597,910.07</b>	<b>91.85%</b>
Contributions	\$5,193.15	0.80%
Grants	\$12,960.16	1.99%
Donations	\$27,547.00	4.23%
Interest earned	\$5,454.96	0.84%
Other	\$1,868.99	0.29%
<b>Total non-assessment revenue</b>	<b>\$53,024.26</b>	<b>8.15%</b>
<b>Total</b>	<b>\$650,934.33</b>	<b>100.00%</b>

**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 2017-2018 Budget	% of Budget	FY 2017-2018 Actuals	% of Budget	Variance Percentage Points
Public Safety	\$1,062,327.00	27.60%	\$1,002,508.00	29.43%	+1.83%
Cleaning and Maintenance	\$800,332.00	20.79%	\$645,909.82	18.96%	-1.83%
Parks and Greenspace (Salesforce Park, Other Parks/Parklets)	\$1,452,861.00	37.75%	\$1,393,393.37	40.91%	+3.16%
Communication and Development	\$220,108.00	5.72%	\$95,009.91	2.79%	-2.93%
Management	\$148,632.00	3.86%	\$148,809.16	4.37%	+0.51%
Operations	\$164,725.00	4.28%	\$120,321.80	3.53%	-0.75%
<b>TOTAL</b>	<b>\$3,848,985.00</b>	<b>100.00%</b>	<b>\$3,405,953.00</b>	<b>100.00%</b>	



**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.*

<b>FY 2017-18 Carryover Disbursement</b>	<b>\$2,231,518.00</b>
Designated Projects for FY 2017-18	
Public Safety	\$725,827.20
Cleaning and Maintenance	\$410,425.96
Parks and Greenspace	\$880,150.72
Communication and Development	\$125,657.12
Management	\$20,833.63
Operations	68,623.37
<b>Total Designated amount for FY 2018-19 and future years</b>	<b>\$2,231,518.00</b>

### Findings and Recommendations

The East Cut CBD has met benchmarks 2, 3, and 4. All four benchmarks are defined on page 6 of this memo.

The CBD did not meet benchmark 1, specifically for the Parks and Greenspace (Salesforce Park) service category as the CBD assessed for approximately half of the Management Plan Budget amount for FY17-18. This was due to a delay in the completion of Salesforce Park, which, when fully constructed and operational, would have had a service budget allocation of approximately \$2,560,911.00.

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.

In this fiscal year, Guy Place Mini-Park broke ground and the CBD assisted with the design on the Under-ramp and Transbay Parks. The CBD also partnered with the City to trim and maintain 1,000+ trees.

The East Cut CBD implemented a new initiative to partner with Downtown Streets Team (DST). DST is a Bay Area-wide non-profit that offers homeless individuals, or those facing homelessness, employment skills and assistance finding housing.

### **Conclusion**

The East Cut CBD was formed through an open, community-based process. The CBD performed well in implementing its service plan. The CBD is in its 3<sup>rd</sup> 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.