

**MEMO**

To: Supervisor Dean Preston, District 5

CC: San Francisco Board of Supervisors

From: Chris Corgas; OEWD Senior Program Manager, Community Benefit Districts

RE: Japantown Community Benefit District FY 18-19 Annual Report

Date: June 23, 2020

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This is a memo summarizing the accomplishments of the Japantown Community Benefit District and an analysis of its financial statements (based on their audit) for the period between July 1, 2018 and June 30, 2019.

Each year the CBD is required to submit a mid-year report, an annual report, and a CPA Financial Review or Audit. Japantown CBD has complied with the submission of all these requirements. OEWD staff 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 Japantown CBD management contract with the City; and their Management Plan approved by the Board of Supervisors in 2017.

Also attached to this memo are the following documents:

1. Annual Reports
  - a. FY 2018-2019
2. CPA Financial Statements
  - a. FY 2019-2019
3. Draft resolution from the Office of Economic and Workforce Development



## **Background**

The Japantown Community Benefit District (Japantown CBD) was formed to clean, beautify, and provide economic enhancements within the district. The Japantown CBD is located in one of 3 remaining Japantowns in the United States, in a neighborhood that is identified by its rich cultural heritage and history. The Japantown CBD includes both privately and publicly owned properties. The district is 7 whole and partial blocks and approximately 67 parcels in the commercial core of Japantown.

- July 25, 2017: the Board of Supervisors approved the resolution that established the Japantown Community Benefit District for 10 years (Resolution # 461-17).
- December 12, 2017: the Board approved the contract for the administration and management of the Japantown Community Benefit District (Resolution # 13-06).

## **Basic Info about Japantown Community Benefit District:**

Year Established	2017
Assessment Collection Period	FY 2017-2018 to FY 2026-2027 (July 1, 2017 to June 30, 2027)
Services Start and End Date	January 1, 2018 – December 31, 2027
Initial Estimated Annual Budget	\$393,750
FY 2018-19 Assessment Submission	\$393,750
Fiscal Year	July 1 – June 30
Executive Director	Grace Horikiri
Name of Nonprofit Owners' Entity	Japantown Community Benefit District, Inc.

The current CBD website <https://www.jtowncbd.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**

### **Environmental Enhancements**

The Japantown CBD Management Plan calls for 31.25% of the assessment budget to be spent on Environmental Enhancements are designed to address vacancies by filling them with targeted businesses and to bring more visitors to the District area to engage in commercial and business activities.

### **Economic Enhancements**

The Japantown CBD Management Plan calls for 48.75% of the assessment budget to be spent on Economic Enhancements. Economic Enhancements include a business liaison to work as the primary point of contact between the CBD and the Japantown CBD business community. The liaison builds relationships businesses and connects them, as needed, to appropriate resources such as commerce experts, business associations, training programs, eligible grants, etc. in an effort to create a stronger business environment for all. Economic Enhancements also include destination marketing aimed to position Japantown as a dining, retail, and cultural destination.

### **Advocacy/Administration**

The Japantown CBD Management Plan calls for 17.50% of the assessment budget to be used on Advocacy/Administration. The CBD is staffed by a Executive Director who 1) performs the day-to-day management of the organization, 2) works with various city departments, 3) advocates for city funds and services, 4) ensures that the organization is in compliance with their Management Plan and City contract, and 5) provide leadership through research and community education to represent the community with one clear voice.

#### **CBD Reserve**

The remaining 2.50% of annual budget is to be allocated to Reserves. Reserves are budgeted as a contingency for any payment delinquencies and/or unforeseen budget adjustments

The Japantown CBD board has fourteen (14) members which represent property owners, merchants, community organizations, and other stakeholders. Board member seats are determined using the following guidelines: 60% of seats are set aside for District property owners, 20% of seats are set aside for non-property owning merchants with a preference for existing small businesses operating retail, restaurant and service, and the remaining 20% of seats can be used for Community Based Organizations and stakeholders. This structure complies with Article 15 of the San Francisco Business and Tax Regulations Code. The full board meets monthly.

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

#### **FY 2018-2019**

##### **Environmental Enhancements**

- Community ambassadors provide daily cleaning services from 7:30 AM to 4:00 PM on Japantown CBD's sidewalks and public spaces.
- Removed 479 bags of litter and trash (Approximately 15,217 lbs)
- Picked up approximately 85,971 cigarette butts
- Removed 208 instances of graffiti or stickers
- Picked up 150 needles
- Picked up 261 instances of broken vehicle glass
- Power washed the entire District 12 times
- Provided hospitality assistance 889 times

##### **Economic Enhancements**

- Formed the Greater Japantown Marketing and Communication Group
- Developed and presented a marketing plan to work collaboratively with other organizations to promote Japantown effectively
- Organized SF Travel's Japantown merchant walk
- Sponsored the 3<sup>rd</sup> Annual Osaka Matsuri
- Sponsored the 45<sup>th</sup> Annual Nihonmachi Street Fair
- Coordination with local media to promote the 2020 Tokyo Olympics in Japantown

##### **Advocacy/Administration**

- Active participation in SFPD Northern Station’s Community Police Advisory Board monthly meetings as Japantown representatives
- Co-hosted API Council’s SFPD Round Table held at the Japanese Cultural and Community Center of Northern California
- Received a donation to implement a Japantown SafeCity Camera Program and worked with stakeholders on implementation
- Hosted community meetings with the Department of Building Inspection and Office of Small Business to address the Accessible Business Entrance Program
- Hosted community meetings with Recology and SF Public Works to address trash and illegal dumping
- Established a social media presence on Facebook, Twitter, and Instagram
- Keep property owners, merchants, and stakeholders up to date with newsletters, emails, and personal meetings.

**Japantown CBD Annual Budget Analysis**

**OEWD’s staff reviewed the following budget related benchmarks Japantown 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 “Japantown Community Benefit District,” Section 3.9 – Budget*)
- **BENCHMARK 2:** Whether five and fifty-five hundredths percent (5.55%) of actuals came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the “Japantown 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 “Japantown Community Benefit District,” Section 3.9 – Budget*).
- **BENCHMARK 4:** Whether Japantown 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 2018-2019**

**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:** Japantown CBD met this requirement. See Table Below.

Service Category	Management Plan Budget	% of Management Plan	FY 2018-2019 Budget	% of Budget	Variance Percentage Points
Environmental Enhancements	\$125,000.00	31.25%	\$142,833.23	35.10%	+3.85%

Economic Enhancements	\$195,000.00	48.75%	\$185,804.78	45.66%	-3.09%
Advocacy/Administration	\$70,000.00	17.50%	\$78,297.00	19.24%	+1.74%
CBD Reserve	\$10,000.00	2.50%	\$0.00	0.00%	-2.50%
<b>TOTAL</b>	<b>\$400,000</b>	<b>100%</b>	<b>\$406,935</b>	<b>100%</b>	<b>0.0%</b>

**BENCHMARK 2:** Whether five percent (5.55%) of Japantown CBD’s actuals came from sources other than assessment revenue

**ANALYSIS:** *Japantown CBD met this requirement. Assessment revenue was \$381,138.00 or 32.94% of actuals and non-assessment revenue was \$775,797.00 or 67.06% of actuals. See table below.*

Revenue Sources	FY 2018-2019 Actuals	% of Actuals
Special Benefit Assessments	\$381,138.00	
<b>Total assessment revenue</b>	<b>\$381,138.00</b>	<b>32.94%</b>
Contributions and Sponsorships	\$773,500.00	66.86%
Grants	\$0.00	0.00%
Other	\$2,297.00	0.20%
<b>Total non-assessment revenue</b>	<b>\$775,797.00</b>	<b>67.06%</b>
<b>TOTAL</b>	<b>\$1,156,935.00</b>	<b>100%</b>

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

**ANALYSIS:** *Japantown CBD met this requirement. See table below.*

Service Category	FY 2018-2019 Budget	% of Budget	FY 2018-2019 Actuals	% of Actuals	Variance Percentage Points
Environmental Enhancements	\$142,833.23	35.10%	\$102,744.32	41.12%	+6.02%
Economic Enhancements	\$185,804.78	45.66%	\$89,900.57	35.98%	-9.68%
Advocacy/Administration	\$78,297.00	19.24%	\$57,247.20	22.91%	+3.67%
CBD Reserve	\$0.00	0.00%	\$0.00	0.00%	0.00%
<b>TOTAL</b>	<b>\$406,935</b>	<b>100%</b>	<b>\$249,892.09</b>	<b>100%</b>	

**BENCHMARK 4:** Whether Japantown 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:** *Japantown 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 their annual budget. See table below.*

<b>FY 2018-2019 Carryover Disbursement</b>	<b>\$157,042.91</b>
Designated Projects for FY 2019-2020	
Environmental Enhancements	\$55,121.69
Economic Enhancements	\$71,705.12
Advocacy/Administration	\$30,216.10
<b>Total Designated amount for Future Years</b>	<b>\$157,042.91</b>

**Findings and Recommendations**

The Japantown CBD was formed in 2017 thanks to the determined efforts of the Japantown CBD steering committee. Following passage of the CBD a pivotal community leader and one of the CBD steering committee leaders, Robert “Bob” Hamaguchi, passed away. The remainder of the steering committee were able to overcome this challenge and enter into a management agreement with the City and County of San Francisco in late 2017. Greg Marutani, Robert Sakai, Mary Ishisaki, David Ishida, Beau Simon, Alice Kawahatsu, Jerry Ono, and Steve Nakajima were instrumental in ensuring the CBD started off on strong footing.

Pursuant to California Streets and Highways Code 36650(a) FY 2018-19 is the first annual report required to be provided by the Japantown CBD. The Japantown CBD met all benchmarks set by California Streets and Highways Code Section 36650-36651 and the Agreement for the Administration of the Japantown Community Benefit District. In particular, Japantown CBD did an extraordinary job in respect to Benchmark 2 as 67% of its total revenue was derived from non-assessment sources.

The Japantown CBD has worked well with established and well-known community groups in Japantown including the Japantown Task Force, Japantown Merchants Association, and other community service groups and nonprofits. These partnerships have been instrumental in helping the CBD become a go-to resource for merchants, property owners, and community members who frequent Japantown.

With a small governing board, the Japantown CBD can be potentially be impacted by board members stepping down or leaving for other reasons. OEWD recommends the CBD leverage its ties to the community and ensure community stakeholders, property owners, and merchants are well connected to the CBD. One way this can occur is through sub-committees that report to the governing board. This can

bring more people into CBD leadership and allow the CBD the ability to leverage and strengthen potential future board members.

### **Conclusion**

Japantown CBD has performed well in implementing the service plan. The CBD has done a commendable job of integrating itself into the broader Japantown community. The Japantown CBD has done an outstanding job in partnering with the community stakeholders and numerous municipal agencies for the activation and improvement of the greater community and by supporting longstanding Japantown traditions and events. The CBD is a well-run organization with active board and committee members and OEWD believes it is well positioned to continue successfully carry out its mission as a community benefit district.