

MEMO

To: Matt Haney, District 6 Supervisor

CC: San Francisco Board of Supervisors

From: Chris Corgas, OEWD Senior Program Manager

RE: The East Cut Community Benefit District FY 18-19 Annual Report

Date: October 21, 2020

This is a memo summarizing the performance of the East Cut Community Benefit District (The East Cut CBD) and an analysis of its financial statements for the period between July 1, 2018 and June 30, 2019.

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 2018-2019
2. CPA Financial Review Reports
 - a. FY 2018-2019
3. TJPA General Benefit Letter
4. 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: The Board of Supervisors approved the FY 2016–17 annual report and financial statements for (Resolution # 316-18)
- November 19, 2019: The Board of Supervisors approved a resolution changing the name of the Greater Rincon Hill Community Benefit District to The East Cut Community Benefit District and approved the FY 2017-18 annual report and financial statements (Resolution # 492-19)

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
FY 2018-19 Assessment Roll Submission	\$ 3,813,006.48
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 (called 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 18-19.

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 18-19.

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 18-19.

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 18-19.

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 18-19.

Summary of Accomplishments, Challenges, and Delivery of Service Areas

FY 2018-2019

Public Safety

- Provided public safety services 24/7 throughout the district, with Community guides working between 5:30 AM and 10:00 PM, daily and dedicated neighborhood security patrolling the district from 8:00pm-6:30am.
- Expanded outreach and ambassador hospitality during the overnight hours by meeting with front desk staff at neighborhood buildings.
- Responded to 2,115 public calls for service.
- Conducted outreach 6,552 times to unsheltered individuals to connect them to city services and ensure they are not in need of urgent medical care.

Cleaning and Maintenance

- Removed 236,372 pounds of litter.
- Cleaned or removed 6,571 instances of graffiti.
- Topped off 8,845 overflowing trashcans.
- Removed 2,329 needles.
- Nearly doubled the amount of garbage removed through the expansion of cleaning service hours.
- Continued coordination with the Mayor's Fix-It team to expedite infrastructure repairs in the neighborhood.
- Secured a \$50K City budget addback from District 6 Supervisor Matt Haney to supplement overnight sidewalk pressure washing.
- Continued a partnership with the Downtown Streets Team (DST) to provide daily work experience, and a stipend, to individuals facing homelessness and housing instability; ultimately hired three DST members full-time to The East Cut street services team and saw two get housing.

- Worked with Supervisor Matt Haney and other District 6 CBDs to address quality of life issues through the Supervisor’s 10-point plan, which includes 24-hour pit stops, additional BigBelly trash cans, additional sidewalk pressure washing, and added cigarette butt receptacles.
- Participated in the “Love our City” event with the Mayor’s office and multiple City departments to help beautify the neighborhood. Completed a clean-up of the Rincon Hill Dog Park and repainted a green wall on the blighted east wall on Essex Street.

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.
- Held family-friendly holiday events for Halloween and Easter in Emerald Park, continuing the activation of our greenspaces.
- Published The East Cut Open Space Inventory documenting 40 public spaces in the district.
- Developed The East Cut Street Life Plan to establish public space placemaking and activation strategies for the district. The document will be incorporated into the San Francisco Planning Department’s South Downtown Design + Activation (SoDA) Plan.
- Continued advocacy for Transbay Block 3, which will become a future 1-acre park. Completed a neighborhood survey for the park and received over 600 responses, and presented the project at SoDA meetings during the year.
- Successfully coordinated with SF Public Works to complete tree maintenance and pruning of all 1,200+ district street trees.
- Participated in Livable City’s first SoMa Sunday Streets in its 10-year history. Coordinated and activated Folsom Street between Essex and 2nd Streets.

Salesforce Park

- Funded the programming of Salesforce Park, and worked with the Transbay Joint Powers Authority (TJPA) and Biederman Redevelopment Ventures (BRV) to expand Salesforce Park programming to include Sundays.

Communication and Development

- Highlighted new and existing local businesses in its monthly newsletter.
- Produced monthly pop-up events to provide opportunities for community gathering and to introduce the public to The East Cut CBD’s services.
- Held SoDA meetings with SF Planning and SF Public Works to gather feedback around the plan and ensure City buy-in.

Management

- The Board supplied a weekly update on pertinent information about new developments in the neighborhood and the anticipated impacts
- Joined the Clean & Safe Coalition, a group led by San Francisco Travel that unites the voices of the San Francisco business community and many San Francisco neighborhood groups to advocate at the highest levels of City government for clean and safe streets in San Francisco.
- Participate on the TJPA CAC and active in the OCII CAC.

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 third Annual Report and mailed a flyer announcing the annual report 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 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: *The East Cut CBD met this requirement. See table below:*

Service Category	Management Plan Budget	% of Budget	FY 2018-2019 Budget	% of Budget	Variance Percentage Points
Public Safety	\$971,056	21.21%	\$1,047,576	23.10%	+1.89%
Cleaning and Maintenance	\$619,374	13.53%	\$910,660	20.08%	+6.55%
Parks and Greenspace	\$686,235	14.99%	\$576,133	12.70%	-2.29%
Salesforce Park	\$1,969,378	43.02%	\$1,541,813	34.00%	-9.02%
Communication and Development	\$78,831	1.72%	\$166,191	3.66%	+1.94%

Management	\$145,241	3.17%	\$178,206	3.93%	+0.76%
Operations	\$108,232	2.36%	\$114,591	2.53%	+0.16%
TOTAL	\$4,578,347	100.00%	\$4,535,171	100.00%	

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-one hundredths percent (20.81%) for Salesforce Park from sources other than assessment revenue.

ANALYSIS: *The East Cut CBD met its requirement. Assessment revenue was \$964,467.80 or 96.38% of actuals and non-assessment revenue was \$36,213.82 or 3.62% of actuals for the public safety service category. Assessment revenue was \$623,883.86 or 80.15% of actuals and non-assessment revenue was \$154,487.99 or 19.85% of actuals for the cleaning and maintenance service category. Assessment revenue was \$459,457.14 or 87.95% of actuals and non-assessment revenue was \$62,946.12 or 12.05% of actuals for the Parks and Greenspace service category. Assessment revenue was \$1,456,575.66 or 70.04% of actuals and non-assessment revenue was \$623,147.00 or 29.96% of actuals. See table below.*

Public Safety (1.40% needed)

Revenue Sources	FY 2018-2019 Actuals	% of Actuals
Special Benefit Assessments	\$ 964,467.80	
Total assessment revenue	\$ 964,467.80	96.38%
Contributions	\$15,000.00	1.50%
Donations	\$7,001.01	0.70%
Interest earned	\$12,236.07	1.22%
Other	\$1,976.74	0.20%
Total non-assessment revenue	\$ 36,213.82	3.62%
Total	\$ 1,000,681.62	100%

Cleaning and Maintenance (1.40% needed)

Revenue Sources	FY 2018-2019 Actuals	% of Actuals
Special Benefit Assessments	\$ 623,883.86	
Total assessment revenue	\$ 623,883.86	80.15%
Contributions	\$135,815.80	17.45%
Donations	\$6,310.78	0.81%
Interest earned	\$10,636.38	1.37%

Other	\$1,725.03	0.22%
Total non-assessment revenue	\$154,487.99	19.85%
Total	\$778,371.85	100%

Parks and Greenspace (6.79% needed)

Revenue Sources	FY 2018-2019 Actuals	% of Actuals
Special Benefit Assessments	\$ 459,457.14	
Total assessment revenue	\$ 459,457.14	87.95%
Contributions	\$32,584.00	6.24%
Donations	\$20,608.32	3.94%
Interest earned	\$6,727.19	1.29%
Earned Revenue	\$1,935.58	0.37%
Other	\$1,091.03	0.21%
Total non-assessment revenue	\$62,946.12	12.05%
Total	\$522,403.26	100%

Salesforce Park (12.94% needed)

Revenue Sources	FY 2018-2019 Actuals	% of Actuals
Special Benefit Assessments	\$ 1,456,575.66	
Total assessment revenue	\$ 1,456,575.66	70.04%
Total non-assessment revenue	\$623,147.00	29.96%
Total	\$ 2,079,722.66	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 did not meet this requirement. In FY 2018-19 Sales Transit Center, including the Park, was closed due to the discovery of cracked support beams. The Center was closed for just over 9 months. The East Cut CBD paid for approximately 80% of the park's expenses during the period it was open and nothing for the remaining three-fourths of the year when it was closed. This caused a significant reduction in actual expenses related to the park and caused variances to become out of line. OEWD expects this to be corrected in future fiscal years when the Park is reopened to the public. See table below.*

Service Category	FY 2018-2019 Budget	% of Budget	FY 2018-2019 Actuals	% of Budget	Variance Percentage Points
Public Safety	\$1,047,576.40	23.10%	\$892,707.00	34.14%	+11.04%

Cleaning and Maintenance	\$910,660.00	20.08%	\$889,147.00	34.01%	+13.93%
Parks and Greenspace	\$576,133.00	12.70%	\$360,278.00	13.78%	+1.08%
Salesforce Park	\$1,541,813.00	34.00%	\$74,699.83	2.86%	-31.14%
Communication and Development	\$166,191.40	3.66%	\$130,226.00	4.98%	+1.32%
Management	\$178,206.00	3.93%	\$147,295.00	5.63%	+1.70%
Operations	\$114,591.00	2.53%	\$120,321.80	4.60%	+2.08%
TOTAL	\$4,535,170.80	100.00%	\$2,614,674.63	100.00%	

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.

FY 2018-2019 Carryover Disbursement	\$3,957,771
Designated Projects for FY 2017-18	
Public Safety	\$725,827.20
Cleaning and Maintenance	\$510,425.96
Parks and Greenspace	\$880,337.87
Salesforce Park	\$1,604,777.00
Communication and Development	\$125,657.12
Management	\$23,122.48
Operations	68,623.37
Total Designated amount for FY 2018-19 and future years	\$3,957,771.00

Findings and Recommendations

The East Cut CBD has met 3 out of the 4 benchmarks as defined on page 6 of this memo.

The CBD did not meet benchmark 3 due to circumstances outside of its control. Benchmark 3 was not met as a result of the cracked beams at the Salesforce Transit Center. Those fissures closed the Center for

just over 9 months. The East Cut CBD paid for approximately 80% of the park's expenses during the period it was open and nothing for the remaining three-fourths of the year when the park was closed. This significant reduction in their actual expenses related to the closure and pushed all other CBD program percentages out of line. OEWD believes the CBD will meet this benchmark in the future once the Park is reopened to the public.

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 continued its partnership 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.

The CBD's governing board is in compliance with Article 15 of the Business and Tax Regulations Code and there were no reported Brown Act violations in this reporting period. The CBD's governing board and subcommittees are well run and meet regularly.

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 4th 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.