

MEMO

To: Supervisor Myrna Melgar; District 7 Supervisor

CC: San Francisco Board of Supervisors

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

RE: Ocean Avenue Community Benefit District; FY 19-20 Annual Report

Date: July 22, 2021

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, 2019, and June 30, 2020.

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 2019-2020
2. CPA Financial Review Reports
 - a. FY 2019-2020
3. Ocean Ave CBD FY 19-20 Budget Document - Supplemental
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 151 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).
- April 19, 2016: the Board of Supervisors approved the annual report for the Ocean Avenue Community Benefit District for FY 2014-2015 (Resolution # 141-16).
- March 21, 2017: the Board of Supervisors approved the annual report for the Ocean Avenue Community Benefit District for FY 2015-2016 (Resolution # 097-17).
- September 25, 2018: the Board of Supervisors approved the annual report for the Ocean Avenue Community Benefit District for FY 2016-2017 (Resolution # 314-18).
- September 17, 2019: the Board of Supervisors approved the annual report for the Ocean Avenue Community Benefit District for FY 2017-2018 (Resolution # 401-19).
- September 29, 2020: the Board of Supervisors approved the annual report for the Ocean Avenue Community Benefit District for FY 2018-2019

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 |
| FY 2019-20 Assessment Submission | \$330,010.32 |
| 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 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 ten (10) 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 twelve 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, the board 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 2019-20

Cleaning, Maintenance, and Safety

- Removed 66,000 lbs of trash and cardboard from the public right of way
- Removed 1,450 instances of human or animal biohazards

- Removed 780 instances of graffiti
- 1,075 instances of steam cleaning throughout the District
- 15 instances of needle disposal
- 220 instances of illegal dumping reporting

Marketing, Streetscape Improvements, and Beautification

- Continued to work with SF Public Works for maintenance of its open space property, newspaper rack problems, sidewalk maintenance
- Continued to work with the Planning Department on rezoning the Ocean Avenue Corridor Study Implementation
- Worked with a core group of neighborhood-based volunteers and Lick-Wilmerding and Lowell High School students to hang and remove holiday decorations on the Ocean Avenue palm trees
- Partnered with San Francisco Arts Commission, OMI Cultural Participation Project, Lick-Wilmerding High School to begin a monthly event series at Unity Plaza, called the Ocean Avenue Arts Bazaar
- Continued Arts Alive Ingleside Banner project for corridor marketing of the retail district

Management & Operations

- Ensured functioning of CBD and compliance with City contract and management plan requirements.
- Applied for grants to bring additional resources to the CBD
- Continued to recruit a variety of board members representing Ocean Avenue property owners, businesses and community members
- Communicated with residential and other community organizations to address issues in the community and raise awareness about Ocean Avenue
- Continued with promotion and marketing program with free events at Unity Plaza and at Ocean Avenue businesses
- Continued to actively participate in the San Francisco CBD/BID consortium
- Ensure compliance with the California Brown Act
- Monitor contracts and services. Assist contractors in problem solving as necessary
- Increased and improved upon communication between CBD Board and property owners
- Published Mid-Year and Annual Reports.
- Supported all working committees of the Board of Directors including: Street Life, Business, Public Safety committees, and Board Development

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 2019-2020

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 did not meet this requirement. See table below.*

| Service Category | Management Plan Budget (Percentage) | FY 2019-2020 Budget (Percentage) | FY 2019-2020 Asst. Budget (Percentage) | Variance % Points | Variance % Points – Asst. |
|---|--|---|---|--------------------------|----------------------------------|
| Cleaning, Maintenance, and Safety | \$125,000.00 (51.65%) | \$180,793.00 (39.55%) | \$180,793.00 (42.13%) | -12.11% | -9.53% |
| Marketing, Streetscape Improvements, and Beautification | \$43,658.00 (18.04%) | \$56,550.00 (12.37%) | \$56,550.00 (13.18%) | -5.67% | -4.86% |
| Management and Operations | \$63,000.00 (26.03%) | \$204,833.00 (44.80%) | \$176,833.00 (41.20%) | 18.77% | +15.17% |
| Contingency and Reserves | \$10,340.00 (4.27%) | \$15,000.00 (3.28%) | \$15,000.00 (3.50%) | -0.99% | -0.78% |
| Total | \$241,998.00 (100%) | \$457,176.00 (100%) | \$429,176.00 (100%) | | |

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 \$330,863.00 or 66.93% of actuals and non-assessment revenue was \$163,468.00 or 33.07% of actuals. See table below.*

| Revenue Sources | FY 2019-2020 Actuals | % of Actuals |
|--|-----------------------------|---------------------|
| Special Benefit Assessments | \$330,554.00 | |
| Penalties and Interest (Late Payments) | \$309.00 | |

| | | |
|-------------------------------------|---------------------|----------------|
| Total assessment revenue | \$330,863.00 | 66.93% |
| Grants | \$142,369.00 | 28.80% |
| Donations | \$18,904.00 | 3.82% |
| Miscellaneous | \$2,195.00 | 0.44% |
| Total non-assessment revenue | \$163,468.00 | 33.07% |
| Total | \$494,331.00 | 100.00% |

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 met this requirement. See Table below.*

| Service Category | FY 2019-2020 Budget | FY 2019-2020 Asst. Budget | FY 2019-2020 Actuals – Total | FY 2019-2020 Actuals – Asst | Variance % Points - Total | Variance % Points – Asst. |
|---|--------------------------------|----------------------------------|-------------------------------------|------------------------------------|----------------------------------|----------------------------------|
| | (Percentage) | (Percentage) | (Percentage) | (Percentage) | | |
| Cleaning, Maintenance, and Safety | \$180,793.00 (39.55%) | \$180,793.00 (42.13%) | \$162,138.00 (41.01%) | \$162,138.00 (48.80%) | +1.47% | +6.67% |
| Marketing, Streetscape Improvements, and Beautification | \$56,550.00 (12.37%) | \$56,550.00 (13.18%) | \$51,317.00 (12.98%) | \$20,382.00 (6.13%) | +0.61% | -7.04% |
| Management and Operations | \$204,833.00 (44.80%) | \$176,833.00 (41.20%) | \$181,867.00 (46.00%) | \$149,755.00 (45.07%) | +1.20% | +3.87% |
| Contingency Reserve | \$15,000.00 (3.28%) | \$15,000.00 (3.50%) | \$0.00 (0.00%) | \$0.00 (0.00%) | -3.28% | -3.50% |
| TOTAL | \$457,176.00 (100%) | \$429,176.00 (100%) | \$395,322.00 (100%) | \$332,275.00 100% | | |

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. Per California Streets and Highways code 36650 (b) (5) CBDs are required to indicate the amount of surplus or deficit revenues to be carried over from the previous fiscal year into the next. The Ocean Avenue CBD did not include this information in their annual report delivered to the Office of Economic and Workforce Development, but did provide it in*

supplemental documentation provided to OEWD. In the supplemental information, they did not indicate how this would be broken down by service category for expenditures in future years.

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.

| | |
|--|---------------------|
| FY 2019-2020 Carryover Disbursement | \$176,491.00 |
| Cleaning, Maintenance and Safety | |
| Marketing, Streetscape Improvements and Beautification | |
| Management and Operations | |
| Contingency and Reserves | |
| Total Designated Amount for Future Years | \$176,491.00 |

Findings and Recommendations

The Ocean Avenue CBD met all 2 of the 4 benchmarks as defined on pages 4 and 5 of this memo. For the year in review, the Ocean Avenue CBD has well exceeded its general benefit requirement of one percent (1%) by raising approximately 33% in general benefit dollars and the CBD kept its variances in line for Benchmark 3.

The CBD failed to meet Benchmark 1 and Benchmark 4. Benchmark 1 was missed because the CBD budgeted 5.17% more than the management plan percentage allotment for the Management and Operations category. Per the CBD’s Management Agreement with the City and County of San Francisco, OEWD must decide if this adversely impacted special benefits conferred on identifiable parcels within the district. OEWD reached out to the organization’s board treasurer, Henry Kevane, for an explanation of this. In providing access to the CBD’s FY budget, Mr. Kevane pointed out that payroll and salaries are not assigned by Management District Plan service categories and are included entirely within Management & Operations service category. Staff does perform work under all service categories so it is likely that this variation does not adversely impact the special benefits conferred on parcels. However, the CBD should take steps to address these issues going forward in the future:

- 1) OAA staff should take note of how many hours per week they spend on work in each service category, this will allow the organization to accurately breakdown salaries by service category.
- 2) OAA does not separate non-assessment dollars from assessment dollars easily in documents provided to OEWD which, in smaller districts, often put CBDs out of compliance with either Benchmark 1 or 3. OEWD recommends that the OAA either keeps two separate budgets and financial statements for non-assessment and assessment dollars OR work to identify where non-assessment dollars most closely align with management service categories.
- 3) OEWD has created tools for CBDs to report this information to the City and OAA should make use of these tools in reporting to OEWD and including them in the annual report to property owners.

By doing this OEWD believes that the CBD will not mistakenly be out of compliance with either Benchmarks 1 or 3 in the future. OEWD will provide a revised template for all CBDs for the FY 20-21 reporting period which should prevent this issue in the future.

The Ocean Avenue CBD also did not meet Benchmark 4 because it did not include this information in the annual report to property owners. Over the years many CBDs have failed to provide this information because it is provided in their financial statements provided to OEWD. Unfortunately, state law specifies it must be included in the annual report. OEWD created a reporting template in 2015 for CBDs to address this issue, but the Ocean Avenue CBD did not use it in FY 19-20. OEWD has revised the template for FY 20-21 reporting and, in a summary memo, is requiring all CBDs to include all chart fields from that template in the annual report to property owners. If the Ocean Avenue CBD does this for future annual reports they will comply with the law. This information was provided in supplemental documentation as well as in the financial statements, but the specificity of the law requires it to be in the organization's annual report.

In February 2019, the Ocean Avenue Association, thanks to the leadership and partnership of District 7 Supervisor and Board of Supervisors President Norman Yee, hosted the first annual Ocean Avenue Lunar New Year Celebration. The event saw lion dancing along the Ocean Avenue corridor until a rain storm forced an early cancellation of the dance. The rest of the event was primarily held in the Ingleside Presbyterian Church and was a resounding success. OEWD encourages the CBD to continue building on this effort as a way to bring people out to the Ocean Avenue business corridor. The event was held again February 2020.

The Ocean Avenue CBD could do a better job of marketing itself as an organization to the Ocean Avenue community and to the public at large. For instance, all other CBDs in the City and County of San Francisco have clearly identifiable uniforms and logos on their cleaning and safety staff letting folks know that they are part of the CBD or BID. On the other hand, Ocean Avenue's contractor does not have uniquely branded uniforms or logos and wears their company's uniform. Their company is a subsidiary of Recology which could cause people to think that these employees are funded by general fund dollars rather than the CBD. OEWD recommends that the CBD works with their contractor to develop a uniform, vest, hat, or some other easily identifiable piece of outer wear to tie their valued work to the services of the Ocean Avenue CBD. Additionally, the CBD should interact with property owners frequently and directly through mailings and phone calls to ensure they know of the services and work provided by the Ocean Ave CBD.

The Ocean Avenue corridor is a diverse community made up of a large number of immigrant owned, women owned, and BIPOC owned businesses. The Ocean Avenue CBD should do a better job of highlighting its services and accomplishments to these stakeholders. Although the CBD has increased outreach to businesses, especially monolingual ones, OEWD believes it can do a better job of doing so. Some suggestions would be to ensure the organization's website has an option to translate the page into Cantonese and Spanish, ensure that outreach materials are translated into Cantonese and Spanish, and work with organizations with culturally competent staff when doing merchant walks to best ensure that language or other issues are not a barrier to communication. Additionally, the CBD needs to do a better job of outreach to the entire merchant community. OEWD recommends that CBD staff perform a merchant walk weekly and listen to the concerns of businesses and either refer them to CBD services that can be of assistance or to the City resources that can address specific concerns.

As the CBD prepares for an early renewal and expansion campaign OEWD recommends that the CBD fully explore expansion areas down, including up to Ocean Avenue's intersection with Junipero Serra Boulevard. The Ocean Avenue corridor is incredibly diverse, including a large number of Cantonese speaking businesses. Although the CBD should be commended for increased efforts to provide outreach to monolingual communities, it should continue to build on this especially in respect to a renewal and expansion campaign.

Mr. Weaver has been the executive director of the Ocean Avenue CBD since shortly after its formation in 2010. OEWD believes the CBD could benefit from an in-depth CBD review to evaluate the overall effectiveness of the organization to ensure it is operating at its highest possible capacity and conduct robust stakeholder outreach to determine the direction of the organization should it be renewed. OEWD believes the organization should develop a strategic plan that will look at short term, mid-term, and long term needs of the district and focus on: 1) ensuring the management structure of the district is effective and what management structure would be the most effective including relating to board/staff relationships, 2) gauging the overall effectiveness of core CBD programs and provide recommendations on how they could be improved, 3) improving the CBD's overall effectiveness and respect in the broader Ocean Avenue community, 4) identify strategies to ensure the long-term financial stability of the organization, especially related to non-assessment resource sources. This strategic plan would be incredibly helpful to the organization as it works with its property owners, business owners, and other stakeholders on a renewal and expansion to ensure the next iteration of the district is well placed to succeed over its next duration. OEWD will provide support and guidance to the CBD through this process. The strategic plan is anticipated to be completed in early 2021.

The CBD's governing board need to significantly be strengthened in order for the district to reach its full potential on the Ocean Avenue corridor. In late 2019, OEWD attended Ocean Avenue CBD board meetings and found them to be out of character compared to meetings hosted by other CBDs in San Francisco. Specifically, the executive director did not guide the board chair/president through the meeting which allowed individual board members to go off the agenda, change the subject, and not adhere to standard board behavior. It is likely that the CBD board isolated the Brown Act on numerous occasions throughout the year. OEWD explained to the executive director the CBD's responsibility under the Brown Act and that full compliance, including appropriate agendas, were expected.

In general, OEWD believes there is an unhealthy relationship between the governing board and the executive director, Mr. Weaver. Specifically, as Mr. Weaver has been the organization's only executive director and many of the board members have not changed in years, some going back to the organization's foundation, that there appears to be a system in place meant to maintain the status quo rather than to improve. At the end of the day the governing board is responsible for the performance of the organization and its executive director and it should be asking robust questions of the director to ensure the organization is running with maximum efficiency and efficacy. In conversations with the executive director, individual board members, and former employees of the organization OEWD does not believe this is occurring.

OEWD recommends the following recommendations to increase the strength of the governing board to ensure the organization is strong:

- 1) In recruiting new board members, the organization and nominating committee should make efforts to have applicants represent the vibrant diversity of the Ocean Avenue corridor.
- 2) Board seats should not be held in perpetuity and reinstatement a forgone conclusion, instead members who have expiring terms should reapply to the board and go through the formal nomination and election process.
- 3) The Board should create ladders to elevate new board members to leadership positions.
- 4) The governing board and the executive director need to complete the strategic plan process and follow all recommendations issued.
- 5) The governing board should have an annual retreat where they identify annual objectives and growth opportunities for the organizations.
- 6) The organization should hire outside legal counsel familiar with CBD/BID laws to advise them rather than rely on board members and the City for legal advice.
- 7) The governing board should set a maximum term limit for board members at which point they take at least a 2 year break away from the board, but may reapply to join after that period expires.
- 8) The board needs to clearly spell out expectations for board members.
- 9) The board needs to create an onboarding process for new board members.
- 10) Each board member needs to participate fully at board meetings and not allow individuals to control the meetings.
- 11) The board needs to establish a performance evaluation and metrics for the executive director.
- 12) The board needs to ensure rules are in place pertaining to the awarding of subcontracts and proper fiduciary management.
- 13) The board needs to provide overall direction to the executive director and ensure that the director is meeting all tasks and responsibilities appropriately.

These recommendations are in line with the best practices of other CBD/BIDs in San Francisco and, OEWD believes, ensure that the Ocean Avenue CBD is best suited to succeed and serve the Ocean Avenue corridor. Working on these recommendations will not stop the organization from work associated with a renewal and expansion campaign; in fact, it is complementary. OEWD must see significant progress on the implementation of these recommendations prior to the petition process beginning for a renewal and expansion campaign.

Conclusion

The Ocean Avenue CBD continues to perform its core cleaning services, but must do a better job of reaching out to the small business community especially immigrant and monolingual owned ones. The CBD continues to partner with community stakeholders and numerous municipal agencies for small business technical assistance, business attraction, and façade improvement along the commercial corridor. The CBD should increase efforts to market itself, its services, and strengthen its governing board in line with the aforementioned recommendations. OEWD looks forward to the results of the strategic plan in FY 20-21 and expects the CBD to fully comply with the recommendations in it.