

MEMO

To: Supervisor Rafael Mandelman, District 8 Supervisor

CC: San Francisco Board of Supervisors;

From: Chris Corgas; OEWD Program Director, Community Benefit Districts

RE: Noe Valley Community Benefit District; FY 2019-2020 Annual Report

Date: October 1, 2021

This is a memo summarizing the accomplishments of the Noe Valley Community Benefit District and an analysis of its financial statements 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. Noe Valley 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 Noe Valley CBD management contract with the City; and their Management Plan approved by the Board of Supervisors in 2006.

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. Draft resolution from the Office of Economic and Workforce Development



Background

The Noe Valley Community Benefit District (Noe Valley CBD) was formed to clean, beautify, and improve public space within the district. Noe Valley CBD includes both privately and publicly owned properties. The district is 8 square blocks and includes 211 parcels. The main commercial street that services Noe Valley is 24th Street between Church and Douglass Streets.

- August 2, 2005: the Board of Supervisors approved the resolution that established the Noe Valley Community Benefit District for 15 years (Resolution # 583-05).
- January 10, 2006: the Board approved the contract for the administration and management of the Noe Valley Community Benefit District (Resolution # 13-06).
- March 3, 2015: the Board of Supervisors approved the Annual Reports for FYs 2009-2010, 2010-2011, 2011-2012, 2012-2013, and 2013-2014 (Resolution # 062-15).
- March 22, 2016: the Board of Supervisors approved the Annual Report for FY 2014-2015 (Resolution # 111-16).
- March 21, 2017: the Board of Supervisors approved the Annual Report for FY 2015-2016 (Resolution # 093-17).
- May 22, 2018: the Board of Supervisors approved the Annual Report for FY 2016-2017 (Resolution # 154-18).
- September 17, 2019: the Board of Supervisors approved the Annual Report for FY 2017-2018 (Resolution # 399-19).
- December 1, 2020: the Board of Supervisors approved the Annual Report for FY 2018-2019 (Resolution # 549-20).

Basic Info about Noe Valley Community Benefit District:

Year Established	August 2005
Assessment Collection Period	FY 2005-2006 to FY 2019-2020 (July 1, 2005 to June 30, 2020)
Services Start and End Date	January 1, 2006 – December 31, 2020
Initial Estimated Annual Budget	\$230,138
FY 2019-20 Assessment Submission	\$269,328
Fiscal Year	July 1 – June 30
Executive Director	Debra Niemann
Name of Nonprofit Owners' Entity	Noe Valley Association

The current CBD website www.noevalleyassociation.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

Public Rights of Way and Sidewalk Operations

The Noe Valley Management Plan calls for 70% of the budget to be spent on Public Rights of Way and Sidewalk Operations. This program area includes maintenance of trees, planters and flower baskets; and systematic sidewalk cleaning. Noe Valley CBD contracts with Curb Appeal to provide daily sidewalk and

gutter sweeping as well as removal of excess trash, leaves and debris, graffiti removal within 24 hours, ten monthly hot steam cleanings and as needed spot cleaning are services that are covered by this program area. Curb Appeal is also responsible for watering 24 hanging flower baskets, 148 neighborhood trees, and 22 open ground or planter boxes.

District Identity and Streetscape Improvements

Approximately 9% 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 street festivals, and developing plans that outline the long-term goals of the district.

Management & Operations

Noe Valley CBD is staffed by a part-time 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, and 4) ensures that the organization is in compliance with their Management Plan and City contract. The Noe Valley CBD Management Plan calls for approximately 14% of the budget to be spent on management and operations.

The remaining 7% of annual budget is to be allocated to a contingency fund.

The Noe Valley CBD board has eight (8) members, represented by residents, property owners, merchants, and community organizations. Board member seats are determined using the following guidelines: property owners (63%), two seats (25%) are set aside for non-property-owning merchants with a preference for existing small businesses operating retail, restaurant and service, and one seat (12%) is reserved for Community Based Organizations and residents. This structure complies with Article 15 of the San Francisco Business and Tax Regulations Code. The full board meets quarterly. The committees are detailed below:

- **Executive Committee** – The 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; newsletters. The Executive Committee meets on an as needed basis.
- **Streetscape Committee** – The Streetscape Committee is in charge of overseeing the greening and creation of public space and ensuring the success and efficiency of these services. The Streetscape Committee meets as needed.

Summary of Accomplishments, Challenges, and Delivery of Services

FY 2019-2020

Public Right of Way and Sidewalk Operations

- Removed 262 graffiti marks, stickers, and improper signage.
- Removed 258 pieces of bulky and illegal trash (boxes, furniture, yard debris, bags of garbage, etc.).
- 223 calls to 311 for large item pick-ups.
- Watered and weeded 201 tree wells.

- 10 sidewalk steam cleanings monthly from February thru November.

District Identity and Streetscape Improvements

- Provided directions to 27 visitors
- Created and maintained 8 Noe Valley Association identity banners.
- 27 planters/sidewalk gardens replanted, watered, and maintained.
- 27 hanging flower baskets watered and renewed.
- 1 public park and 2 parklets maintained year-round with flowers and plants.
- Maintained 72 chairs and 12 tables in both public parklets along 24th Street

Management & Operations

- Fiscal agent for a grant through OEWD to activate and maintain the Noe Valley Town Square
- Oversaw the Noe Valley CBD renewal campaign which was completed in FY 2019-2020

NVCBD Annual Budget Analysis

OEWD's staff reviewed the following budget related benchmarks for Noe Valley 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 "Noe Valley Community Benefit District," Section 3.9 – Budget*)
- **BENCHMARK 2:** Whether five percent (5%) of actuals came from sources other than assessment revenue (*CA Streets & Highways Code, Section 36650(B)(6); Agreement for the Administration of the "Noe Valley 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 "Noe Valley Community Benefit District," Section 3.9 – Budget*).
- **BENCHMARK 4:** Whether Noe Valley 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: *Noe Valley CBD did not meet this requirement. Noe Valley instituted OEWD recommendations from the FY 2018-2019 annual report related to variance percentage points become and has become much more in alignment to what is permitted. The CBD continues to not meet this due to unforeseen changes since the CBD's initial formation in 2005, specifically requirements surrounding financial statements. This change causes the CBD to budget more in Administrative/Corporate Operations than initially anticipated. OEWD expects this systemic issue to be addressed and rectified via the Noe Valley CBD renewal in FY 2019-20. Additionally, costs related to the renewal of the Noe Valley CBD were accounted for from the organization's contingency/reserve category which cause further fluctuations. See Table Below.*

Service Category	Management Plan Budget (Percentage)	FY 2019-20 Budget – Assessment (Percentage)	FY 2019-20 Budget – Total (Percentage)	Variance Percentage Points – Asst.	Variance Percentage Points - Total
Public Rights of Way and Sidewalk Operations	\$160,000 (69.53%)	\$188,577.00 (56.67%)	\$191,000.00 (57.44%)	-12.85%	-12.08%
District Identity and Streetscape Improvements	\$22,000 (9.56%)	\$21,526.00 (6.47%)	\$23,500.00 (7.07%)	-3.09%	-2.49%
Administrative/ Corporate Operations	\$32,000 (13.91%)	\$50,332.00 (15.13%)	\$48,000.00 (14.44%)	+1.22%	+0.53%
Contingency Reserve	\$16,128 (7.01%)	\$72,315.00 (21.73%)	\$72,315.00 (21.05%)	+14.72%	+14.04%
TOTAL	\$230,128 (100%)	\$332,750.00 (100%)	\$332,500.00 (100%)		

BENCHMARK 2: Whether five percent (5%) of Noe Valley CBD’s actuals came from sources other than assessment revenue

ANALYSIS: *Noe Valley CBD met this requirement. Assessment revenue was \$390,989.00 or 68.12% of actuals and non-assessment revenue was \$124,655.00 or 31.88% of actuals. See table below.*

Revenue Sources	FY 2019-2020 Actuals	% of Actuals
Special Benefit Assessments	\$266,364.00	
Total assessment revenue	\$266,364.00	68.12%
Grants	\$121,700.00	31.13%
Donations	\$2,188.00	0.56%
Interest Earned	\$767.00	0.20%
Total non-assessment revenue	\$124,655.00	31.88%
TOTAL	\$390,989.00	100.00%

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

ANALYSIS: *Noe Valley CBD met this requirement. See table below.*

Service Category	FY 2019-20 Budget – Assessment (Percentage)	FY 2019-20 Budget – Total (Percentage)	FY 2019-20 Actuals – Asst. (Percentage)	FY 2019-20 Actuals – Total. (Percentage)	Variance Percentage Points - Assessment	Variance Percentage Points - Total
Public Rights of Way and Sidewalk Operations	\$188,577.00 (56.67%)	\$191,000.00 (57.44%)	\$167,577.00 (52.89%)	\$167,577.00 (50.36%)	-3.78%	-7.08%
District Identity and Streetscape Improvements	\$21,526.00 (6.47%)	\$23,500.00 (7.07%)	\$18,526.00 (5.85%)	\$18,526.00 (5.57%)	-0.62%	-1.50%
Administrative/ Corporate Operations	\$50,332.00 (15.13%)	\$48,000.00 (14.44%)	\$58,400.00 (18.43%)	\$74,332.00 (22.34%)	+3.31%	+7.90%
Contingency Reserve	\$72,315.00 (21.73%)	\$72,315.00 (21.05%)	\$72,315.00 (22.83%)	\$72,315.00 (21.73%)	+1.09%	+0.68%
TOTAL	\$332,750.00 (100%)	\$332,500.00 (100%)	\$316,818.00 (100%)	100%		

BENCHMARK 4: Whether Noe Valley 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: *Noe Valley 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.*

FY 2019-2020 Carryover Disbursement	
Designated Projects for FY 2019-20	
Restricted Funds (6 months of programmatic operating expenses)	\$ 145,00.00
Service categories as defined by NVA management plan, July 2020 -Dec 2035	\$136,500.00
Total Designated amount for Future Years	\$281,500.00

Findings and Recommendations

Within the review period of FY 2019-2020, the Noe Valley CBD did not meet Benchmark 1 of the expectations and requirements as set by the California Street and Highways Code Section 36650-36651; and the Agreement for the Administration of the Noe Valley Community Benefit District. In order to correct this the CBD needs to decrease the percentage budgeted for Contingency/Reserve category by 4.72% and increase the amount spent on Public Rights of Way and Sidewalk Operations by at least 2.85%. This deviancy was caused by one-time expenditures budgeted for the Noe Valley CBD's renewal process. The CBD planned to spend money from the Contingency/Reserve and showcased that plan in the budget. This expenditure did not adversely impact CBD cleaning services and special benefit as dollars spent on those areas was consistent to years when this expenditure did not take place and this planned expense was to ensure the renewal of the district and continue special services for parcels within the renewed district. Noe Valley CBD has historically not met this benchmark. As mentioned within the report, the CBD's failure to meet this benchmark stems from structural weakness in the original CBD management plan and changes in City requirements that were not accounted for in the document. OEWD has worked with the CBD on its renewal campaign and documents and believes this will be rectified with a new management plan, which will begin to be implemented in FY 2020-21.

The second half of FY 2019-2020 was particularly challenging for the Noe Valley CBD as well as property owners and businesses in the area. In February 2020 visitor traffic to the area began to decline due to the emergence of the Covid-19 global pandemic. On March 16, 2020 Mayor London N. Breed announced that the Health Officer for the City County of San Francisco issued a Public Health Order requiring residents to remain at home, with the exception of essential needs. Additionally, all businesses other than Essential Businesses and Essential Government Functions, were required to cease all operations. All public and private gatherings of any number of people occurring outside a single family or living unit were also prohibited.

This order was particularly confusing to the Community Benefit District/Business Improvement District community in San Francisco as, by definition, they provide supplemental service and no direction was provided on whether or not they were to cease operations.

OEWD and the Office of the City Attorney worked to determine if CBD/BIDs must continue their supplemental service despite what decisions each district made in reaction to the pandemic. On March 23, 2020 OEWD issued a memo to all CBD/BIDs stating that, based on the advice of Deputy City Attorney Manu Pradhan, Articles 13 C and D of the California Constitution supersede both gubernatorial and mayoral executive orders. These Constitutional provisions deal with how special benefits are conveyed and each CBD/BID's specific assessment formula. The ramifications of this meant that all CBD/BIDs had to return to full service immediately. OEWD also provided a list of resources to the CBD/BIDs to provide to their employees or contractors.

Each CBD decided on whether to continue services as usual, scale back services, change service patterns, or suspend service operations. Noe Valley CBD continued its operations and services in the early days of the pandemic and did not stop despite the order, in line with the future determination made by OEWD and the City Attorney's Office. However, popular community programming that is funded by an OEWD grant through the CBD at Noe Valley Town Square was postponed, cancelled, or altered due to the Covid-19 pandemic.

During the pandemic OEWD worked with the Covid Command Center to ensure that CBD/BID essential workers were not forgotten during the Covid response and was able to acquire personal protective equipment and hygiene supplies to keep workers and the community safe. CBD/BIDs played an important role in facilitating communication between the City and their stakeholders throughout the pandemic. The Noe Valley CBD worked with the Covid Command Center, through OEWD, to disseminate Covid-19 related information to its stakeholders and provided safety kits to the unhoused community and commuters within the District.

OEWD has worked with and provided technical assistance to the Noe Valley CBD through its renewal campaign. The CBD successfully completed its renewal in the early second quarter of FY 19-20 and will be operational for an additional 15 year period..

Conclusion

Noe Valley CBD has performed well in implementing the service plan. The CBD has continued to successfully sponsor and help promote events in Noe Valley, including activation of the Noe Valley Town Square, driving hundreds of visitors to the district. Noe Valley CBD has done an outstanding job in partnering with the community stakeholders and numerous municipal agencies for the activation and improvement of 24th at Noe and at Church streets. Noe Valley CBD is a well-run organization with active board and committee members and will continue to successfully carry out its mission as a community benefit district.