

MEMO

To: Supervisor Rafael Mandelman, District 8 Supervisor

CC: San Francisco Board of Supervisors

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

RE: Castro/Upper Market Community Benefit District; FY 2019-2020 Annual Report

Date: September 15, 2021

This is a memo summarizing the performance of the Castro/Upper Market Community Benefit District (Castro/Upper Market CBD) and an analysis of their 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. The Castro/Upper Market 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 Castro/Upper Market's Community Benefit District management contract with the City; and their Management Plan as approved by the Board of Supervisors in 2006.

Also attached to this memo are the following documents:

1. Annual Report
 - a. FY 2019-2020
2. CPA Financial Review Report
 - a. FY 2019-2020
3. Draft resolution from the Office of Economic and Workforce Development

Background

The Castro/Upper Market Community Benefit District spans 18 blocks and contains 279 parcels.

- August 2, 2005: the Board of Supervisors approved the establishment of the Castro/Upper Market Community Benefit District (Resolution # 582-05).
- January 10, 2006: the Board approved the contract for the administration and management of the Castro/Upper Market Community Benefit District (Resolution # 14-06).
- April 10, 2018: the Board of Supervisors approved the Castro/Upper Market CBD’s Annual Report for Fiscal Year 2016-2017 (Resolution # 097-18).
- July 9, 2019: the Board of Supervisors approved the Castro/Upper Market CBD’s Annual Report for FY 2017-2018 (Resolution #: 307-19).

Basic Info about the Castro Upper Market CBD

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	\$413,500
FY 19-20 Assessment Submission	\$534,128.08
Fiscal Year	July 1 – June 30
Executive Director	Andrea Aiello
Name of Nonprofit Entity	Castro/Upper Market Community Benefit District Corporation

The current CBD website, www.castrocbd.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 Service Area Goals

Public Rights of Way and Sidewalk Operations (PROWSO)

Public Rights of Way and Sidewalk Operations program area includes cleaning and public realm management services include regular sidewalk and gutter sweeping within the district boundaries, enhanced trash emptying in public rights of way, graffiti removal within 24-48 hours, spot steam cleaning as necessary, and maintenance of public spaces. These services are provided daily by a “Clean Team. This program area augments its pedestrian safety initiatives with a Patrol Special officer who patrols the neighborhood seven nights a week. PROWSO may also include removal of bulky items, tree and plant maintenance, greening, landscaping and beautification of public spaces, The Castro/Upper Market CBD Management Plan calls for 63% of the budget to be spent on PROWSO.

District Identity and Street Improvements (DISI)

The District Identity and Street Improvements service includes marketing, public relations, street enhancements, historical markers and public art, and economic vitality related strategies in the Castro/Upper Market area. This program area may also sponsor events such as Halloween, Castro Street Fair, Pink Saturday, Bear Weekend, and Folsom Street Fair. The Castro/Upper Market CBD Management Plan allocates 12% of their funds to this service area.

Administration and Corporate Operations

The Castro/Upper Market CBD is staffed by a full-time executive director who serves as the focal point person and advocate for the CBD. The executive director also ensures that the CBD complies with the City contract and management plan as well as works towards organizational development issues including long term goals of the CBD. The executive director is in regular communication with community stakeholders such as the SFPD, Public Works and Recology. The Castro/Upper Market CBD Management Plan calls for 16% of the budget to be spent on administration and corporate operations.

In FY 2019-2020 the Castro/Upper Market CBD board had ten (10) directors, represented by residents, property owners, community organizations, and non-property-owning merchants. The full board meets on the second Thursday of each month. The five standing committees and meeting times are detailed below:

- **Executive Committee** – First Tuesday of the month
- **Finance Committee** – Quarterly.
- **Land Use Committee** – As needed, but if needed second Thursday of the month.
- **District Identity & Streetscape Committee** – First Wednesday of the month.
- **Services Committee** – as needed, but when needed, fourth Thursday of the month.
- **Castro Cares Leadership Team** – Fourth Wednesday of the month.
- **Castro Leadership Group** – Third Tuesday of the month.
- **Retail Strategy Committee** – Second Thursday of the month.

Summary of Accomplishments, Challenges, and Delivery of Service Areas

FY 2019-2020

Public Rights of Way and Sidewalk Operations (PROWSO)

- Collected 87,420 lbs. of trash
- Properly disposed of 3,849 discarded needles
- Removed 7,080 instance of human/animal feces
- Removed 6,919 instances of graffiti or handbills
- Topped off 181 overflowing City trashcans
- Weeded 57 block faces and 1,276 tree wells

Public Safety Data:

The Castro CBD collaborates with the Castro neighborhood merchants in funding a Patrol Special Officer to be on call and patrolling the district 7 nights a week. This collaboration funds a Patrol Special Officer 4pm – 1am Sunday – Wednesday and 4pm – 3am Thursday – Saturday. The Patrol Special gave 3,732 warnings and had other interactions over the past year. Please see website

Warning/Incident/Interaction	Annual Total
Aggressive Panhandling	386
Assaults	17
Bike/Skateboard on sidewalk	27
Burglary	0
Medical Call	32
Illegal Vendor	16
Loitering near ATM	221

Narcotics	3
Obstructing Sidewalk	728
Open Container	114
Property Damage	4
Public Intoxication	113
Shoplifting	256
Theft	129
Threats Physical/Verbal	23
Trespassing	514
Urinating in public	22
Warrant	1
Other	230
Totals	2,863
Citizen/Merchant Interactions	869

District Identity and Street Improvements (DISI)

Live! In the Castro held 40 live events in Jane Warner Plaza during the summer of 2019. Events ranged from art shows/sales to live concerts from a diversity of performers and genres. Live! in the Castro brought people into the Castro. This was the sixth year of Live! In the Castro and certainly these events were getting noticed and Jane Warner Plaza was a destination for many on summer weekends. Live! In the Castro events drew between 25 – 100 people to various events. No events were held in 2020 due to the Shelter In Place as a result of the Covid-19 pandemic.

The CBD’s Streetscape Committee has been meeting with MTA staff for several years to provide feedback on the Upper Market Pedestrian Safety Improvement Project. The Committee is delighted to report that the project was approved with the streetscape designs worked on with the CBD and other community members. The Committee recommended that the CBD pay for the electricity required for up lighting the palm trees on upper Market. The CBD Board approved this expense, thereby enabling this beautification element on Market St.

Administration and Corporate Operations

- Successfully guided the Castro CBD through renewal and expansion process. The CBD was approved by property owners in July 2020.
- Continued to administer Castro Cares, Jane Warner Plaza, and other grants
- Close monitoring of the Block By Block contract and their employees related to SIP.
- Website and social media updates.
- Represent CBD in the media.
- Respond to communication from property owners, merchants, and residents regarding issues directly or indirectly related to the services provided by the CBD. With the onset of the corona virus, communication was particularly related to the Shelter In Place, business closures and city policies as they changed to respond to COVID.
- Maintain a close working relationship with the SFPD’s Mission Station, SF Public Works, SFMTA, and Recology.
- Ensured compliance with state and City CBD requirements; as well as Management Agreement with the City.

Castro/Upper Market CBD Annual Budget Analysis

OEWD’s staff reviewed the following budget related benchmarks for the Castro/Upper Market 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 “Castro/Upper Market 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 “Castro/Upper Market 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 “Castro/Upper Market Community Benefit District”, Section 3.9 – Budget*).
- **BENCHMARK 4:** Whether the Castro/Upper Market 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 Castro/Upper Market CBD did not meet this requirement. The variance between the budget amounts for each service category was not within 10 percentage points from the budget identified in the Management Plan even when accounting for the assessment budget being separated from non-assessment funds. See table below. Note: This indicates the amount budgeted in relation to Special Assessment dollars.*

Service Category	Management Plan Budget (Percentage)	FY 19-20 Budget (Percentage)	FY 19-20 Asst. Budget (Percentage)	Variance % Points - Total	Variance % Points – Asst.
Public Rights of Way and Sidewalk Operations plus Public Safety Services	\$260,675.00 (63.04%)	\$762,224.00 (62.85%)	\$453,240.00 (76.61%)	-0.19%	+13.57%
District Identity and Streetscape Improvements	\$50,500.00 (12.21%)	\$404,800.00 (33.38%)	\$92,690.00 (15.67%)	+21.17%	+3.45%
Administrative/Corporate Operations	\$65,000.00 (15.72%)	\$39,695.00 (3.27%)	\$39,695.00 (6.71%)	-12.45%	-9.01%
Contingency/Reserve	\$37,325.00 (9.03%)	\$6,000.00 (0.49%)	\$6,000.00 (1.01%)	-8.53%	-8.01%
TOTAL	\$413,500.00 (100%)	\$1,212,719.00 (100%)	\$591,625.00 (100%)		

BENCHMARK 2: Whether five percent (5%) of actuals came from sources other than assessment revenue.

ANALYSIS: *The Castro/Upper Market CBD met this requirement. Assessment revenue was \$501,197.00 or 53.30% of actuals and non-assessment revenue was \$439,110.00 or 46.70% of actuals. See table below.*

Revenue Sources	FY 2019-2020 Actuals	% of Actuals
Special Benefit Assessments	\$535,216.00	
Total assessment revenue	\$535,216.00	53.22%
Grants	\$433,711.00	43.13%
Donations	\$5,255.00	0.52%%
Contributions and Sponsorships	\$16,852.00	1.68%
Affiliate Membership	\$14,432.00	1.44%
Interest Earned	\$114.00	0.01%
Total non-assessment revenue	\$470,364.00	46.78%
Total	\$1,005,580.00	100%

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

ANALYSIS: *The Castro/Upper Market CBD met this requirement. When accounting for the difference between assessment dollar actuals and non-assessment dollars, the Castro/Upper Market CBD meets this benchmark. The CBD receives a substantial amount of operating dollars via non-assessment sources which throw off the “actuals” calculations. See table below. Note: This indicates the amount of Special Assessment dollars utilized in this category.*

Service Category	FY 19-20 Budget (Percentage)	FY 19-20 Asst. Budget (Percentage)	FY 19-20 Actuals - Total (Percentage)	FY 19-20 Actuals – Asst. (Percentage)	Variance % Points – Actuals Total	Variance % Points – Actuals Asst.
Public Rights of Way and Sidewalk Operations plus Public Safety Services	\$762,224.00 (62.85%)	\$453,240.00 (76.61%)	\$618,261.00 (67.07%)	\$357,535.00 (67.86%)	+4.22%	-8.75%
District Identity and Streetscape Improvements	\$404,800.00 (33.38%)	\$92,690.00 (15.67%)	\$201,276.00 (21.84%)	\$67,160.00 (12.75%)	-11.54%	-2.92%
Administrative/Corporate Operations	\$39,695.00 (3.27%)	\$39,695.00 (6.71%)	\$64,356.00 (6.98%)	\$64,356.00 (12.21%)	+3.71%	+5.50%
Contingency/Reserve	\$6,000.00 (0.49%)	\$6,000.00 (1.01%)	\$37,854.00 (4.11%)	\$37,854.00 (7.18%)	+3.61%	+6.17%

TOTAL	\$1,212,719.00 (100%)	\$591,625.00 (100%)	\$921,747.00 (100%)	\$526,905.00 (100%)		
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BENCHMARK 4: Whether the Castro/Upper Market 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 Castro/Upper Market 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 2018-2019 Carryover Disbursement	
Special Assessment Project	
Public Rights of Way Sidewalk Operations	\$ 249,126.36
District Identity and Streetscape Improvements	\$ 62,188.00
Administrative and Corporate Operations	\$ 24,125.00
Total Special Assessment Allocation to be spent in FY 19-20	\$ 335,439.36

Findings and Recommendations

For FY 2019-2020, the Castro/Upper Market CBD met 3 out of the 4 benchmarks as defined on page 5 of this memo. The Castro/Upper Market CBD missed benchmark 1 which compares the organization’s management plan budget with the fiscal year budget by the Castro/Upper Market CBD’s governing board at the beginning of the fiscal year. Per Section 3.9 of each CBD is allotted a ten (10) percent deviation from their management plan budget. If they do not meet this, OEWD must determine if this deviation adversely impacts the special benefits conferred on parcels within the CBD.

In this particular situation, based on assessment dollars, spent 3.57% more on their Public Right of Way and Sidewalk Operations service area than the 10% variance allowance. Per the District’s Management District Plan (MDP), approved by the San Francisco Board of Supervisors on August 2, 2005, this service area provides:

- Regular sidewalk and gutter sweeping
- Sidewalk steam cleaning
- Spot cleaning
- Daily security services
- Maintenance of public spaces
- Holiday decorations
- Enhanced trash emptying in the public right of way
- Removal of bulky items
- Graffiti removal within 24 hours
- Installation and maintenance of banners
- Tree and plan maintenance and planting

- Equipment, supplies, tools
- Vehicle maintenance and insurance
- Maintenance personnel and supervisor costs

Per information available the additional budget to this service area came at the expense of the CBD's Administration and Corporate Operations and Contingency/Reserve service categories. Typically, these categories have little impact on determining the specific benefit to identified parcel owners as they typically deal with the internal operations of the District. Additionally, the CBD raised a high amount of non-assessment dollars from a variety of sources (46.78% of the total budget per benchmark 2). Due to the combination of these factors, it is OEWD's opinion that this deviance did not adversely impact special benefits conferred on parcels within the District.

OEWD would note that the CBD missing this benchmark was entirely avoidable by lowering the budgeted assessment dollar amount of the Public Right of Way and Sidewalk Operations service category by 3.57%. The CBD's service agreement with the City and County of San Francisco allows an additional 10% deviance from what was budgeted for the FY. In benchmark 3 the Castro/Upper Market CBD indicates that the variance of FY actuals from FY budget for assessment dollars is -8.75%. By being conscious of the budget variances in benchmark 1 the CBD would have been able to meet this benchmark and still spend the same amount of dollars in assessment dollar actuals in the fiscal year. OEWD recommends that the Castro/Upper Market CBD executive director clearly articulate the language surrounding deviations from the management plan budget and fiscal year budget as articulated in Section 3.9 of the CBD's management agreement with the City and County of San Francisco. The CBD executive director and governing board, which has fiscal responsibility over the CBD, should ensure this benchmark is met in the future.

The Castro/Upper Market CBD was up for renewal and expansion in FY 2019-2020 if the District failed to renew, it would sunset at the end of the calendar year. After a multi-year process, led by the Castro/Upper Market CBD staff and renewal committee, the CBD's property owners voted with 75% of weighted assessments cast to renew and expand the District for an additional 15-year term, which will end on December 31, 2035. On July 14, 2020 the Board of Supervisors unanimously voted to approve the formation (renewal and expansion) of the Castro Community Benefit District. Please note that starting in FY 2020-2021 the CBD will be referred to as the Castro CBD and no longer the Castro/Upper Market CBD per language in the District's MDP approved by the Board of Supervisors on July 14, 2020.

The second half of FY 2019-2020 was particularly challenging for the Castro/Upper Market 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. Each CBD decided on whether to continue services as usual, scale back services, change service patterns, or suspend service operations. The

Castro/Upper Market CBD decided to suspend some operations and services and enter into a modified service plan for the District. 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. The Castro/Upper Market CBD returned to their full-service schedule once this determination was made.

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 Castro/Upper Market 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.

Conclusion

The Castro/Upper Market CBD did not meet 1 of its 4 benchmarks OEWD checks on annual basis, but OEWD determined it did not adversely impact special benefits conferred to assessed property owners. The CBD continued to perform well at meeting benchmark 2. The Castro/Upper Market CBD continues to partner with the City and County of San Francisco to implement numerous grants, including the Castro Cares program. During the pandemic, the Castro/Upper Market CBD increased opportunities to partner with community stakeholders and numerous municipal agencies to disseminate Covid-19 information. The Castro/Upper Market CBD has an active board of directors and committee members; and OEWD believes the Castro/Upper Market CBD will continue to successfully carry out their mission and service plans. This will be the final annual report for the Castro/Upper Market Community Benefit District formed under the 2005 MDP, all future annual reports will relate to the District as renewed and expanded on July 14, 2020.