Japantown CBD (JTCBD) FAQ

OVERVIEW

Q1. What is a Community Benefit District (CBD)?
A1. A CBD is a designated commercial area where property owners contribute a fee to a shared fund that provides a stable revenue source for improvements – beyond baseline municipal services – to elevate and maintain commercial vibrancy.

Please refer to attached Japantown CBD Management Plan Executive Summary for additional information about benefits.

There are 14 CBDs in San Francisco including Tenderloin, Castro, Ocean Avenue, Noe Valley, and Central Market. Have you noticed the transformation in these areas over the past several years? The benefits of local CBDs have been measured and documented in a report by the City’s Office of Economic and Workforce Development, Impact Analysis of San Francisco’s Property & Business Improvement Districts, 2012.


Q2. Why does it matter?
A2. A JTCBD will establish a sustained and substantial funding stream – shared proportionately by property owners – to consistently address maintenance, security, beautification and marketing needs, as well as related improvement initiatives, of the area. Unlike current circumstances, the funds will not be vulnerable to the political dynamics of our elected officials, fluctuating city budgets and economic cycles, nor the whims of changing property owners’ disinvestment and neglect. Most importantly, a JTCBD will establish an important precedent for the self-determination of property owners, merchants, and the Japantown community.

Q3. What’s in it for me?
A3. A lot. Specifically $400,000 ANNUALLY. This is more than JTF, City and private grants, and gifts combined. Of particular note: the JTCBD will assess city properties – including the Peace Plaza and Japan Center Garage – at the same rate as private owners, generating roughly $70,000 annually of untapped public dollars. In addition, revenues from large landowners will be leveraged to benefit the entire district and makes the cost of services equitably shared by all effected properties instead of burdening a handful of merchants or landowners as it has in the past with respect to security services, for example. JTCBD funds will supplement – not supplant – existing public safety, cleaning and maintenance services provided by the City and help them be more responsive to neighborhood needs.
Specific “curb to property line” benefits funded by the CBD may include daily sidewalk and gutter sweeping, steam cleaning, rapid removal of trash or bulky items and graffiti, removal of illegal encampments, and security lighting and cameras, for example. In addition, the CBD will fund Japantown “ambassadors” – tripling the presence of community foot patrolling – by supplementing local police with trained experts and guides to provide added security and maintenance enforcement as well as hospitality services. The CBD can also provide technical assistance to business owners in areas of marketing, web and social media, financial planning, human resource management, and collaboration with other businesses.

The CBD will collectively determine how to best invest its resources. See GOVERNANCE, below.

Q4. Doesn’t the City, JTF, the Business Watch Group and JMA already take care of these improvements? Why would I pay for services already provided?
A4. Again, the JTCBD will not supplant current services. Public Works is responsible for street maintenance only. Sidewalk issues do not fall within that scope. The Department of Recreation and Parks is responsible for maintenance of the Peace Plaza but the department has not met its obligation for regular repairs which have been deferred over time. Also, the Watch Group and JMA do not have the funds necessary to advance significant initiatives that might include the installation of security cameras, foot patrol, comprehensive marketing campaigns, etc. The same goes for JTF funds which are vulnerable to the ability to secure grants and to variables in the economy and City politics.

Q4. This sounds expensive. How much will it cost me?
A4. Assessments are based on three parcel characteristics: 1) parcel size, 2) building square footage, and 3) linear street frontage. The calculation formula is as follows: Lot SF + Building SF ($0.1477) + Linear Street Frontage ($38.0166) = Assessed Annual Rate/Foot based on the total District lot, building and linear street frontage.

EXAMPLE
To calculate the assessment for a parcel with a 5,000 sf lot, a 10,000 sf building, and 100 linear street frontage, add together the lot square footage and the building square footage, then multiple that square footage (15,000) by the assessment rate ($0.1477) + multiply the 100 linear feet by the assessment rate $38.0166 = the total annual parcel assessment $6,017.16.

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\begin{align*}
\text{Lot + Bldg Sq Ft} & \times $0.1477 = \$2,215.50 \\
\text{Linear Street Frontage} & \times $38.0166 = \$3,801.66 \\
\text{Total Parcel Assessment} & = \$6,017.16
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Assessments are calculated in the same manner for every parcel (except for non-profits) in the JTCBD. Non-profit parcels (such as Kimochi and NJAHS) that meet the specified requirements will receive a 50% reduction in the rate.

Please refer to attached Japantown CBD Management Plan Executive Summary for additional information about benefits.
Q5. Once established, will the assessments increase?
A5. Annual assessment rates may increase due to changes to the consumer price index (CPI) up to 3% each year. Assessments may also increase based on development in the District. Any adjustments in assessment rates will be subject to approval by the JTCBD Governing Board.

Q6. How are the CBD assessments collected?
A6. The assessments will appear as a separate line item on the annual property tax bills prepared by the County of San Francisco. Property tax bills are distributed in the Fall and payment is expected either by lump sum or in two installments. The County will then distribute the assessments to the City of San Francisco, who will in turn forward them to the designated Management Corporation.

Q7. I am barely making ends meet. How can I take on this new financial burden?
A7. The JTCBD may very well be the catalyst to changing said situation through the impacts of targeted improvements. In addition, property owners may have provisions in leases that allow them to pass CBD assessments through to their tenants at minimal cost. For example, a typical small business 1,000 SF tenant could be assessed approximately $429 per year or $35/month.

THE PROCESS

Q8. Where are we in the CBD Process?
A8. There are three major phases to the CBD. Japantown is currently in the second, Formation phase.

1) Feasibility – This initial phase involved establishment of the JTCBD Steering Committee and subsequent solicitation of petition votes from affected property owners. A total of 30.8% of district assessment value in support of moving forward with a vote was received, moving the JTCBD into the next phase.

2) Formation – The JTCBD is currently in this phase. The City and County of San Francisco has sent official ballots to affected property owners. JTCBD ballots are due July 25. If the majority of ballots returned are in favor of the JTCBD, then it will advance to the Board of Supervisors for approval. Upon approval, the JTCBD then advances to the next phase.

3) Post Formation – Once approved by the Board of Supervisors JTF recommends the formation of a 501c3 to be guided by the JTCBD Steering Committee, in consultation with an attorney. A governing board and bylaws will also be established, guided by the Steering Committee. Please see GOVERNANCE below.

Q9. What are the next steps?
A9. The next steps are for property owners to return their ballots to the Department of Elections. The Department must receive ballots before 3:00 PM on July 25\textsuperscript{th}. At that time the election will be closed, public testimony heard, and the ballots counted.

Q10. What is the minimum amount of votes needed to pass?
A10. It is a weighted percentage. 50 + 1 % of cast weighted assessments are needed to pass.
Q11. How will JTF be involved in the JTCBD if it is passed and approved? Will it have a role in the JTCBD? Or will the JTCBD exist in isolation and JTF will move on to advancing its mission?
   A11. If passed and approved, the JTF will continue to support the JTCBD Steering Committee in its efforts during the Formation phase (see below). Once established – and if the JTCBD Governing Board so decided -- it may contract with a non-profit organization to provide day-to-day operations and carry out the services and improvements as provided for in the JTCBD Management Plan and any JTCBD initiatives.

GOVERNANCE

Q12. This sounds complicated. Who’s going to get everything done? Is this more work for me?
   A12. JTF is recommending a separate 501c3 with board members comprising property owners (50% minimum) and business/tenants (20% minimum). In addition, the JTCBD may contract with a non-profit organization to provide the day-to-day operations and carry out the services as provided in the Management District Plan.

Q13. Please explain how the 501-C3 will be created and who will be involved in its creation.
   A13. JTF will engage a lawyer specializing in 501c3 formation. The Steering Committee will direct the formation. An application is submitted to the IRS complete with bylaws and articles of incorporation.

Q14. What part can a property owner play and how do I get involved?
   A14. All property owners within district boundaries are considered part of the CBD. They have the ability to run for governing board seats. Property owners seeking to get involved should consider running for a governing board seat or volunteering on a committee, if established.

Q15. Who within the 501-C3 will determine how the money collected will be spent.
   A15. The governing board of the organization has the final determination and fiduciary responsibility to ensure money spent is spent prudently. The Management Plan provides how the money should be spent as a percent of the total. Each CBD must undergo a financial review annually. OEWD also reviews the financial review and annual report to ensure monies are spent in compliance with state code and the management agreement with the City. The governing board may consider hiring a finance consultant to manage finances.

Please refer to attached Japantown CBD Management Plan Executive Summary for additional information.

Q16. If a property owner feels the way the money is being spent is inappropriate what can he do to correct the situation.
   A16. A perceived misappropriation can be resolved prior to the approval of an annual budget. Any variance to the budget would be monitored and approved by the board of directors. This should be addressed in the By Laws.
Q17. The district will run for ten years before renewal is required. Can the district be terminated earlier? If yes what is the procedure?
A17. Yes, a district can be terminated earlier. The procedure is found in the California Streets and Highways Code. The short version is that a petition representing more than 50% of weighted assessments seeking the disestablishment of the district must be submitted to OEWD. There is a 30 day period for this to occur annually. It is typically the month of CBD formation – so far Japantown that 30 day period would be every August.

Q18. If I chose to get involved and someone decided to legally challenge something the CBD has done what is my legal liability?
A18. The 501c3 is legally liable as an organization, but individual property owners within the district are not.