

Frequently Asked Questions (FAQs) about Community Benefit Districts (CBDs)

Background: In 2004, the City and County of San Francisco augmented the California Property and Business Improvement District (PBID) Law of 1994 that allowed the formation of such districts with the passage of Article 15 of the San Francisco Business and Tax Regulations Code. This piece of legislation lengthened the initial term that a district could be in place from 5 to 15 years and lowered the weighted petition threshold required to initiate the legislative approval process and the special ballot election from 50% to 30%.

In San Francisco, PBIDs are known as Community Benefit Districts (CBDs). Today, there are 18 San Francisco-based CBD/BID districts that represent the diversity of the City's vibrant neighborhood commercial corridors. Details of the various SF CBDs are available here: <https://oewd.org/community-benefit-districts>

What is a Community Benefit District (CBD) in San Francisco?

Community Benefit Districts (CBDs) strive to improve the overall quality of life in targeted commercial districts and mixed-use neighborhoods through a public-private partnership between the City and local communities. Once an area has voted to establish a CBD, local property owners are levied a special assessment to fund improvements to their neighborhood. The funds are administered by a non-profit organization established by the neighborhood.

How is a CBD Formed?

California legislation as well as local San Francisco code allows for the establishment of a "community benefit district" or CBD. This community benefit district can only be formed by majority vote of all property owners within the district boundaries to pay an additional related assessment. The formation process is driven by a steering committee of property owners and community stakeholders, and has a specific timeline and benchmarks.

I already pay taxes. Why would I want to pay a CBD assessment?

Special assessments are not taxes. Taxes are raised (or lowered) by legislation that also determines how taxes collected are spent. CBD special assessments can only be initiated and approved by a majority of neighborhood property owners and the Board of Supervisors for a specific purpose or list of special services. While taxes are managed by the city, 100% of the CBD funds go back to the community benefit district and are managed by the Board of Directors of the CBD.

If the city already cleans the streets why would I pay for more of it?

The city is required only to maintain the street from curb to curb, not the area from curb to property line. Building owners are held responsible by city ordinance for maintaining the sidewalk area from the curb to the storefront. It is on the sidewalk area and fronts of buildings where many of the services of the CBD are focused. Sidewalk litter deters customers and visitors from frequenting local retailers, restaurants, professional offices and residential buildings alike, depressing property values and deterring from visitor experience. In today's environment of municipal budget cuts, neighborhoods can successfully stabilize property values – even when basic city services are cut – by establishing CBDs.

What “special benefits” can a San Francisco CBD fund?

Responses from CBD Surveys that were provided to property owners and merchants guided the direction for the type of services proposed in the CBD management plan.

The special services to be funded must confer an equitable benefit to real property owners over and above what the city will normally provide through its general fund; sometimes these are also referred to as “supplemental city services.” Such special benefit services may include but are not limited to:

- Sweeping streets and gutters
- Steam cleaning the sidewalks
- Sidewalk litter removal
- Removal of overflowing trash from trash cans
- Graffiti removal
- Landscape maintenance and beautification
- Public seating and gathering spaces
- Holiday decorations or public art installations
- Retail-specific way finding signage
- Removal of large trash items left on sidewalks (mattresses, furniture, etc.)
- Liaison with City agencies to advocate for CBD property owners
- Production of neighborhood fairs, festivals or community events
- Marketing and promotion of neighborhood restaurants and retail businesses

An experienced executive CBD director also brings “special benefits” to the neighborhood by managing the CBD budget, developing working relationships with city hall staff, public safety officers, and local developers to represent the best interests of the neighborhood while addressing key issues that directly affect the CBD’s property values. Some examples of CBD advocacy may include:

- Economic development: business recruitment and retention of local retailers and restaurants to vacant or underutilized spaces, enhancing community quality of life
- Advocating for neighborhood interests in city planning, public safety, zoning, traffic, parking, and future land use arenas.

How do I know how assessments will be spent?

Creating a multi-year “management plan” is part of the CBD formation process. This action/project plan is the overarching guide for how the assessments collected should be spent. In fact, before any property owner is asked to vote for the CBD’s formation (or renewal), a management plan is presented for review by all property owners. This plan often segments the total expected expenditures into service areas, e.g. sidewalk steam cleaning, safety patrols, business recruitment, outdoor special events, landscaping, or marketing events to bring people to the neighborhood. Stakeholders in the CBD including the steering committee members and those who are assessed elect the CBD board of directors who will have full control over the funds and how they are spent within the legal guidelines and management plan for the district.

An annual report is mailed to all property owners within the district; it outlines accomplishments during the prior fiscal year as well as current financials. Additionally, CBDs are required to produce an annual account review by a certified accounting firm. The account review and annual report are posted on the CBD website along with and other pertinent documents.

If I own a business, but not a property within a CBD, do I pay the assessment?

That depends. If your lease with your landlord allows them to pass through taxes, insurance and other costs, the landlord may pass the assessment onto the tenant. It is up to the property owner to either adsorb the assessment or ask all tenants in the building to share in the cost.

If I own a home but not a commercial building or business, do I also pay the assessment?

Yes. Per State law, very property owner within the district boundaries must pay their individual assessment. Assessment calculations are based on a variety of factors, vary from district to district to take into account unique scenarios. Each parcel is evaluated on its building characteristics such as frontage, building square footage, lot size and use using an assessment formula. The formula can be found in the engineer’s report and management plan.

Who can create a CBD?

Local property owners drive CBD formation; they both pay the assessments and directly benefit from all the CBD services outlined in the management plan. The City’s Board of Supervisors engages at varies points during the CBD formation process to approve of the work done by the property owner leadership. The city attorney signs off on several legal and technical aspects that include assessment formulas and the budget, all of which can be found in the CBD management plan and engineer’s report.

Who gets to vote for this CBD?

Property owners within the defined CBD boundaries can vote on its formation or renewal.

When can I give input, feedback, comment or participate in the process?

Property owners’ participation is key and is welcome anytime during the formation process. A steering committee of property owners, local stakeholders and the CBD’s current executive director (for renewals) manages the process month-by-month. The CBD steering committee will reach out to meet, poll, and interview local property owners and community stakeholders to allow them opportunities to ask questions, make comments and contribute to the process. It is important to sign and return your petition to support the CBD’s formation.

When can I vote?

When petitions representing over 30% of the assessments-to-be-paid are collected, this triggers the city's ballot phase. Vote-by-mail ballots are mailed to all affected property owners. The ballot package will also include the management plan and engineer's report that will detail the services, budget, assessment formula and the boundaries of the CBD. The election phase will last at least 45 days from the date of the mailing, during which affected property owners can read the plan, ask questions, fill in and return the ballot to the Department of Elections. A public hearing is held before the Board of Supervisors at the end of the 45-day period. At the conclusion of the public hearing, the Department of Elections will tabulate the ballots and report the results to the Board of Supervisors. If a majority of the ballots returned, weighted by the amount of assessment to be paid, voted yes, the Board of Supervisors will vote on the Resolution to Establish the CBD.

How long does a CBD last?

A CBD can propose to form or renew for up to a 15-year duration.

Once established, can the City increase the assessments?

No. By law, the only increases in the annual assessment methodology must be pre-determined and written in the CBD management plan before owners vote for the district. The assessments from year 2 and onward may increase based on that year's increase in the San Francisco, Oakland and San Jose area's CPI, or not to exceed the percentage listed in the management plan (in this case 5%), whichever is less. Assessments may also increase based on development in the District, for example, a parking lot may be developed into commercial buildings or housing.

Will the city stop cleaning or provide public safety services to our neighborhood because we now have our own funds?

No. Per state law, the assessments collected must be allocated to fund only special services within the district. They do not and cannot replace the municipal services delivered by the city. CBD assessments can only fund "special benefits" as outlined in the voter-approved budget and management plan.

Who collects the CBD assessments?

CBD assessments appear on annual property tax bills as a separate line item. All assessments are paid to or collected by the Tax Collector's Office, then the Controller's Office transfers 100% of what is collected to the CBD in charge of the assessments.