



City & County of San Francisco
Honorable Edwin M. Lee, Mayor

GSA – Office of the City Administrator
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HOJ Replacement Jail
Fiscal Feasibility Report

Submitted on behalf of the Project Sponsor
San Francisco Sheriff's Department
Sheriff Ross Mirkarimi

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EXECUTIVE SUMMARY

HOJ Replacement Jail

The City plans to replace County Jails (CJ) #3 and #4 which have a combined capacity of 905 beds, as part of the larger program to relocate City agencies from the seismically deficient Hall of Justice (HOJ), by constructing a jail with a capacity of 640 beds near the HOJ. Upon completion of the replacement jail, the City and County of San Francisco plans to close County Jails #3 and #4 in 2019.

The project size, scope, and budget are currently under development and subject to change as the project details are refined. The City will have the prerogative to adjust the size of the proposed replacement jail at the time of authorization of the Certificates of Participation (COP) in 2015. Subject to the funding approval indicated above, construction is scheduled to begin in 2017, with completion and occupancy in late 2019

In the event of a major earthquake, the current HOJ jail building is not expected to be operable, resulting in the displacement of inmates and staff of functions or programs currently housed in the HOJ. The construction of a new replacement jail before the HOJ becomes inoperable will save the city tens of millions of dollars in temporary housing costs for a period of three to four years while a new jail is being constructed.

The total capital project budget is estimated at \$290,000,000 and is expected to be funded by COP upon authorization by the Board of Supervisors which is planned to occur in 2015. The total budget for Furniture Fixture and Equipment is estimated at \$9,500,000 and will be requested through the annual appropriation process in FY 2018-19. The estimated cost for debt service, reserve and other financing costs are estimated at \$339,610,000. The total project cost over 40 years is estimated at \$629,610,000

The replacement facility will be a modern maximum security jail, comparable to CJ#5 in regard to the podular design characteristic. Using the current non-personnel operation and maintenance cost for CJ#5 as a benchmark, the yearly projected cost for non-personnel operations and maintenance is estimated at approximately \$930,000.

As the proposed project will replace CJ#3 and CJ#4, the Department anticipates that the operating budget for staffing will be commensurate with the existing operating budget of CJ#3 and CJ#4 when adjusted for: design changes including transitioning from a linear to a pod-style jail, changes in the classification of the inmate population, cost increases due to CPI, labor, benefit growth and policy decisions regarding the type and quantity of programming that will be made by the Sheriff, Board of Supervisors and the Mayor. Additionally, there may be some inter-departmental shifting of costs, such as elevator and steam room maintenance that are now covered by the General Services Agency, who manages the HOJ complex.

PURPOSE

San Francisco Administrative Code Chapter 29 requires that City departments submit certain public works projects to the Board of Supervisors before the City begins environmental review, for a determination whether the proposed project is “fiscally feasible and responsible.” The requirement applies to City projects with total project costs of over \$25 million, and including over \$1 million in City money.

The Board shall use the following criteria to evaluate a project's fiscal feasibility:

- (1) direct and indirect financial benefits of the project to the City, including to the extent applicable costs savings or new revenues, including tax revenues, generated by the proposed project;
- (2) the cost of construction;
- (3) available funding for the project;
- (4) the long term operating and maintenance costs of the project; and
- (5) debt load to be carried by the City department or agency.

The Board may also consider any other useful criteria or information.

A determination of fiscal feasibility is not a decision that the Project Sponsor or the City should approve the project. The Chapter 29 review process is only intended to determine whether the proposed project merits further evaluation and environmental review.

FISCAL FEASIBILITY REPORT

Project Description

The Replacement Jail currently being proposed by the Sheriff's Department to replace County Jails #3 and #4 would be a maximum security facility with up to 320 cells, comprising of single and double cells with a capacity of up to 640 rated beds; a 30% reduction in capacity from the existing 905 beds at CJ#3 and #4, and a 10% reduction to overall system capacity. City discussion on the correct sizing of the facility is continuing and is not expected to be decided until 2015.

The design of the new facility will be similar to that of CJ#5 in San Bruno with podular housing units for direct supervision for increased safety of inmates and staff, program space for classrooms, computer and vocational training to foster Sheriff's department rehabilitative programs, and medical and mental health units for inmates.

The preferred location for the new replacement jail is one block immediately east of the existing HOJ, and bounded by Bryant, Sixth, Harriet and Ahern streets.

The total capital project budget is estimated at \$290 million, including the purchase of the property mentioned above as the City's preferred site.

Construction of the proposed project would commence in January 2017, with completion in 2019.

Project Background

The existing county jails in the HOJ are located on the 6th and 7th floors. The HOJ is over 50 years old and seismically deficient. Department of Public Works seismic studies conducted in 1992 and 2012 assigned the HOJ a Seismic Hazard Rating 3 (SHR3); SHR4 indicates highest risk, i.e. susceptible to partial or full building failure/collapse.

With an SHR3 categorization, in the event of a major earthquake, this building is not expected to be operational. The impact to the functionality of the City's justice system would be considerable and debilitating. This project is part of a larger strategy to replace the Hall of Justice, and has been a high priority in the City's 10-Year Capital Plan since 2006.

Capacity of Proposed Replacement Jail

In the August 2013 County Jail Needs Assessment and the January 2014 draft Needs Assessment Update; the Controller's office forecasted the need for a replacement jail with a capacity of between 435 and 601 beds if CJ6 is not in use. A consultative process between the Controller's Office, Sheriff's Department and Department of Public Works settled on an initial planning number of 640 beds.

Constructing a replacement jail with a capacity of 640 beds would result in a system-wide capacity of 2,250 beds as compared to the current 2,515 beds.

As noted above, the proposed Replacement Jail is currently planned as a maximum security facility with 320 cells, with a capacity of up to 640 rated beds; a 30% reduction in capacity from the existing 905 beds at CJ#3 and #4, and a 10% reduction to overall system capacity.

The size of the facility and bed configuration for the replacement jail will be revised based on the updates to the Needs Assessment and Space Program, which will feed into the City's updated Ten-Year Capital Plan, which will be presented to the Mayor, the Board of Supervisors and the Capital Planning Committee in winter and spring of 2015.

Environmental review of the proposed replacement jail is scheduled to commence in the first quarter of 2014 and be completed by the end of 2015. Subject to completion of the Needs Assessment, Space Program, environmental review and adoption of the updated project in the City's Ten-Year Capital Plan, then the Board of Supervisors' will be asked to approve of the property acquisition and issuance of COPs in late 2015 to enable the project to proceed. The City can revisit the size of the replacement jail both through the Ten-Year Capital planning process in the fall of 2014 through adoption of the Plan in spring of 2015 without triggering a protracted additional duration of environmental review.

Direct and indirect financial benefits of the project to the City

The HOJ is over 50 years old and seismically deficient. In the event of a major earthquake, the building is not expected to be operable, resulting in the displacement of inmates and staff of functions or programs currently housed in the HOJ. The construction of a new replacement jail before the HOJ becomes inoperable will save the city tens of millions of dollars in temporary housing cost for a period of three to four years while a new jail is being constructed.

Cost and Financing of Proposed Replacement Jail

The estimated initial capital cost of the proposed replacement jail is \$290,000,000. Table below shows the estimated project costs by category of cost.

Table 1: Estimated Project Costs for Proposed Replacement Jail.

Construction	199,500,000
Project Control	54,900,000
Site Control	30,700,000
Program Contingency	4,300,000
City Services Audits	600,000
SUB TOTAL *	290,000,000
Furniture Fixture & Equipment **	9,500,000
TOTAL PROJECT COST	\$299,500,000

*SUB TOTAL \$290,000,000 to be financed through issuance of Certificate of Participation.

**Furniture Fixture & Equipment will be requested through the annual appropriation process in FY 2018-19.

Available funding for Proposed Replacement Jail

Under the City's 2014-2023 Capital Plan, construction of the proposed replacement jail would be financed by the issuance of Certificates of Participation starting in FY 2016-2017. According to the Director of Public Finance of Controller's Office, the Certificates of Participation would be paid back over a period of 23 years ending in FY 2036-37, costing a total of \$629,610,000 to the City's General Fund over that period of time, or an average annual payment of \$27,374,000. The Director of Public Finance advises that the issuance and repayment of Certificates of Participation to cover \$290,000,000 in estimated project costs would result in annual debt service that is not expected to cause general fund debt service to exceed the City's 3.25% limit on the percentage of general fund discretionary revenue used to fund annual debt service costs.¹

Table 2²: Summary of Financing Cost

Estimated Project Cost	Interest Reserve, and Other Financing Costs	Total Project and Financing Cost	Total Debt Service
\$290,000,000	\$339,610,000	\$629,610,000	\$629,610,000
Annual Average			27,374,000

¹ Budget Legislative Analyst Report issued 1/13/14

² Budget Legislative Analyst Report issued 1/13/14

Long Term Operating and Maintenance costs of the project

The replacement facility will be a modern maximum security jail with a design similar to existing CJ#5. Using the current operation and maintenance cost for CJ#5 as a benchmark, the yearly projected cost for the long term utilities operation and maintenance for the new facility is estimated at approximately \$930,000.00.³

Table 3 below outlines the projected non-personnel costs by categories

Table 3⁴ Estimated Non-Personnel Operations & Maintenance costs for Replacement Jail

Facilities Maintenance Contract Service	190,000
Facilities Maintenance Non-Personnel Services	65,000
Facilities Maintenance & Materials	110,000
Utilities	565,000
<i>I. Natural Gas</i>	<i>100,000</i>
<i>II. Electricity</i>	<i>105,000</i>
<i>III. Water/Discharge</i>	<i>200,000</i>
<i>Garbage</i>	<i>160,000</i>
TOTAL	930,000

As the proposed project will replace the existing CJ#3 and CJ#4, the Department anticipates that the operating budget for staffing will be commensurate with the existing operating budget of CJ#3 and CJ#4 when adjusted for:

- a. design changes including transitioning from a linear to a pod-style jail,
- b. changes in the classification of the inmate population,
- c. cost increases due to CPI, labor agreements, and
- d. Inter-departmental cost shifting, and
- e. policy decisions regarding the type and quantity of programming that will be made by the Sheriff, Board of Supervisors, and the Mayor.

The operating budget of the replacement facility will continue to be subject to the annual appropriation process (as are all existing facilities). As there is no significant overlap between the projected closure date of CJ# 3 and CJ#4 and the opening of the replacement facility, no significant new staffing costs net outside of the above statements are assumed.⁵

³ Excerpt- Memo from Sheriff's Bureau of Building Services dated 4/17/2013 in support of Cavagnero/Farbstein Jail Study

⁴ Excerpt- Memo from Sheriff's Bureau of Building Services dated 4/17/2013 in support of Cavagnero/Farbstein Jail Study

⁵ Sheriff's Department – Office of the CFO