CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

May 30, 2014

TO: Budget and Finance Sub-Committee

FROM: Budget and Legislative Analyst

SUBJECT: June 4, 2014 Budget and Finance Sub-Committee Meeting

TABLE OF CONTENTS

TABLE OF CONTENTS (Continued)

Item 4 **File 14-0474**	**Department:** Municipal Transportation Agency (MTA)

EXECUTIVE SUMMARY

Legislative Objectives

The proposed resolution approves a sole-source contract between the San Francisco Municipal Transportation Agency (SFMTA) and Thales Transport & Security, Inc. (Thales) for design review, software, and implementation and testing services for the Advanced Train Control System (ATCS) for the Central Subway Project. The contract is for a total amount not to exceed $21,363,292 and a term not to exceed 1,700 days or approximately 4 years and 8 months from approximately June 2014 through January 2019.

Key Points

- The second phase of the SFMTA's Third Street Light Rail Project is the Central Subway Project, which extends the T Third Line 1.5 miles, from the 4th Street Caltrain station to Chinatown.
- The ATCS is a train control system to monitor and control train movement, including train spacing, train location, train stop lengths, etc. The software and equipment for the Muni Metro ATCS are proprietary to Thales. To ensure that the Central Subway ATCS system is interoperable with the system-wide Muni Metro ATCS, the Director of Transportation authorized a sole source contract with Thales, in accordance with Charter Section 8A.102 (b) 2, which gives SFMTA exclusive authority over purchasing by the Agency.
- While Thales will provide the professional services to support the installation of the ATCS, the physical installation of the ATCS is assigned to the Central Subway construction contractor, Tutor Perini Corporation (Tutor), responsible for the construction of the Central Subway stations, trackways, control systems, etc. Thales will become a subcontractor to Tutor to support the physical installation of the ATCS.

Fiscal Impact

- The proposed contract not-to-exceed amount is $21,363,292 for design review, software, and implementation and testing services for the ATCS for the Central Subway Project. The SFMTA has a separate equipment contract with Thales for procurement of proprietary equipment for a not-to-exceed amount of $3,425,424, which is not subject to Board of Supervisors approval. The combined amount of the two contracts is $24,788,716, which is less than the engineering
- Estimate of $28,344,570 prepared by HNTB Corporation, the engineering firm contracted by SFMTA for the Central Subway Project.
- Funds of $1,578,300,000 for the Central Subway Project, including $24,788,716 for the ATCS, come from federal, state and local sources. SFMTA has received $785,401,000 of the $1,578,300,000 as of May 2014, or approximately 50 percent.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

In accordance with Charter Section 9.118, any agreement (a) for more than $10,000,000, (b) that extends for longer than ten years, or (c) with an amendment of more than $500,000, is subject to Board of Supervisors approval.

Charter Section 8A.102 (b) (1) gives the San Francisco Municipal Transportation Agency (SFMTA) exclusive authority pertaining to SFMTA contracts, leases, and purchases.

Background

The first phase of the SFMTA's Third Street Light Rail Transit Project was the construction of a 5.1 mile light-rail line along the 3rd Street corridor. The first phase was completed and began revenue service in April 2007. The Central Subway Project is the second phase of the SFMTA's Third Street Light Rail Transit Project. The Central Subway Project will extend the T Third Line 1.5 miles, from the 4th Street Caltrain station to Chinatown. The Central Subway Project commenced in 2003 with conceptual and preliminary engineering, and is scheduled to be completed and begin revenue service in 2019.

The SFMTA's total budget for the Third Street Light Rail Transit Project, consisting of Phases 1 and 2, as shown in Table 1 below, is $2,226,760,000, of which $1,578,300,000 is for the Central Subway Project.

Table 1: SFMTA Third Street Light Rail Transit Project Budget Funding Sources

Funding Source	Phase 1 (Third Street Corridor)	Percentage of Phase 1 Funds	Phase 2 (Central Subway)	Percentage of Phase 2 Funds	Total	Percentage of Total Project Funds
Federal	$ 123,380,000	19.0%	$ 983,225,000	62.3%	$ 1,106,605,000	49.7%
State	$ 160,700,000	24.8%	$ 471,100,000	29.8%	$ 631,800,000	28.4%
Local	$ 364,380,000	56.2%	$ 123,975,000	7.9%	$ 488,355,000	21.9%
Total	**$ 648,460,000**	**100.0%**	**$ 1,578,300,000**	**100.0%**	**$ 2,226,760,000**	**100.0%**

Source: SFMTA Central Subway Project site, www.centralsubwaysf.com

Operation of all Muni Metro trains requires an Advanced Train Control System (ATCS). According to Mr. Albert Hoe, Deputy Program Manager for the SFMTA's Central Subway Project,

> "Advanced Train Control System (ATCS) is a train control system to monitor and control train movement within the Muni Metro and Central Subway. This system will maintain train spacing based on criteria and SFMTA Standard Operating Procedures (SOP) to ensure safety movement between trains. ATCS will also determine location where trains will stop in the stations and how long the trains will dwell for passengers. ATCS will also coordinate with other systems for train schedule, arrival, announcement and others. By

definition, ATCS can control all functions of the train operation within the Muni Metro and Central Subway and coordinate the movement with Central Control."

The San Francisco Muni Metro ATCS is proprietary to the firm of Thales Transport & Security, Inc. (Thales). According to a memorandum dated September 8, 2009 from the SFMTA to the Board of Supervisors Budget Analyst, the contract for the SFMTA ATCS system, excluding the Central Subway project, was competitively bid in 1992. The City contracted with Alcatel Transport Automation, which was then acquired by Thales, to procure the ATCS, and "the technical content [of the ATCS] remains the proprietary, trade secret property of the supplier."

The Central Subway project requires an ATCS system that is interoperable with the system-wide ATCS currently in service for the entire Muni Metro System. Therefore, the SFMTA Director of Transportation issued a Memorandum dated February 16, 2012 authorizing the award of a sole source contract for the procurement of the ATCS for the Central Subway Project to Thales to ensure that the ATCS System for the Central Subway is interoperable with the existing SFMTA ATCS. As reported by the SFMTA, implementing a train control system in the Central Subway that is not interoperable with the existing SFMTA ATCS in the Muni Metro would require either: (1) segregating a fleet of vehicles to be used only in the Central Subway, or (2) installation of two different systems on all vehicles. Both options would be extremely costly, and they would likely impair overall transit service. Sole source procurement was determined by the SFMTA to be the most cost-effective and reliable means of acquiring the ATCS for the Central Subway.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve an award of a sole source contract between SFMTA and Thales for design review, software, and implementation and testing services for the ATCS for the Central Subway Project. The contract is for a total amount not to exceed $21,363,292 and a term not to exceed 1,700 days or approximately 4 years and 8 months from approximately June 2014 through January 2019.

Under the proposed contract, Thales is responsible for the following:

1. Review of existing SFMTA ATCS designs and specifications; confer with project design and engineering consultants and recommend any necessary changes to the existing ATCS designs; review and approve final ATCS designs;
2. Supply of all proprietary equipment (including that which is provided under the equipment contract, discussed below) and associated firmware and software necessary for the installation, testing, and operation of the ATCS;
3. Incorporate and verify all design input data;
4. Prepare ATCS infrastructure build specifications, and ATCS functional and performance requirements;
5. Prepare all interface requirements specifications involving the ATCS;
6. Prepare the ATCS build designs;
7. Prepare all documentation needed to support the continuing operation and maintenance of the ATCS, including training SFMTA train operators in its use;
8. Perform hazard analyses and provide mitigation measures and corrective actions;

9. Perform all necessary Reliability, Availability, Maintainability and Safety (RAMS) analyses and provide compliance reports with supporting data;
10. Identify spare and replacement parts including maintenance schedules;
11. Prepare the systems integration and ATCS Test Plans and all verification and validation procedures;
12. Submit Pre-Revenue and Turn Over Plan to SFMTA;
13. Coordination with SFMTA, City and oversight groups;
14. Provide management, design review, and construction testing and oversight of:
    a. ATCS Design;
    b. Subcontractors, suppliers, vendors, installers;
    c. ATCS physical and operational interfaces;
    d. Transport and local storage of proprietary equipment;
    e. Installation, configuration, integration, testing, commissioning, and user training of the ATCS and its proprietary equipment and software;
    f. Documentation of the ATCS as finally tested and approved;
    g. Training and maintaining qualification evaluations;
    h. All necessary oversight of work by the construction contractor that affects the ATCS and the certification of ATCS performance; and
    i. Provide warranty services for three years following substantial completion.

While Thales will provide the professional services to support the installation of the SFMTA ATCS under the proposed contract for the Central Subway project, a separate contract for the physical installation of the ATCS was awarded through a competitive process to Tutor Perini Corporation (Tutor), the contractor responsible for the construction of the Central Subway stations, trackways, control systems, and system integration. If the proposed contract between the SFMTA and Thales is approved for the ATCS for the Central Subway project, Thales will become a subcontractor to Tutor to support the physical installation of the ATCS. Tutor will ultimately be responsible for the successful installation and operation of the SFMTA ATCS.

According to Mr. Hoe, the SFMTA Board of Directors recommended the award of the proposed contract to Thales in December 2013, before it was confirmed that Thales had received the required insurance to cover the services provided. While the contract was signed in December 2013, the SFMTA did not receive confirmation until March 2014 that Thales acquired insurance to cover the City and County of San Francisco.

FISCAL IMPACT

The proposed not-to-exceed contract amount is $21,363,292, which includes the costs for design review, software, and implementation and testing services for the ATCS for the Central Subway Project. The SFMTA has a separate equipment contract with Thales for procurement of proprietary equipment for a not-to-exceed amount of $3,425,424, which is not subject to Board of Supervisors approval. The combined amount of the two contracts is $24,788,716, which is less than the engineering estimate of $28,344,570 prepared by HNTB Corporation, the engineering firm retained by SFMTA for the Central Subway Project.

The budget of $24,788,716 for the implementation of the ATCS is shown in Table 2 below.

Table 2: Proposed Budget for Two ATCS Contracts, Including $21,363,292 Contract, for ATCS Design, Implementation and Equipment

Contract Milestone		Budget
Mobilization		$ 495,774
Initial Submittals		$ 778,482
Preliminary Design		$ 2,075,952
Intermediate Design		$ 3,113,928
Final Design		$ 2,594,940
Factory Acceptance Tests Complete		$ 2,366,271
Hardware Procurement		$ 2,912,783
Deliver Hardware		$ 3,425,424
Installation, Software Testing		$ 2,580,868
Start up and Testing		$ 2,220,059
Substantial Completion		$ 1,235,686
Final Acceptance		$ 988,549
	Total	**$ 24,788,716**

Source: Contract between SFMTA and Thales

The funding sources of $1,578,300,000 (see Table 1 above) for the Central Subway Project, including the two contracts with Thales for the ATCS, comes from federal, state and local sources. As of the writing of this report, SFMTA has received $785,401,000 or 49.8 percent of the total estimated costs of $1,578,300,000, as shown in Table 3 below.

Table 3: Breakdown of Funding for Central Subway Project

Federal	Commitment	Actual	Percent
Sect. 5309, New Starts Program	$ 942,200,000	$ 319,182,000	33.9%
Congestion Mitigation and Air Quality Improvement Program	41,025,000	41,025,000	100.0%
Federal Subtotal	$ 983,225,000	$ 360,207,000	36.6%
State			
Traffic Congestion Relief Program	$ 14,000,000	$ 14,000,000	100.0%
Regional Improvement Program for California	88,000,000	-	0.0%
Prop. 1B, Public Transportation Modernization, Improvement, and Service Enhancement Account	307,792,000	225,912,000	73.4%
Prop. 1A, High Speed Rail Connectivity	61,308,000	61,308,000	100.0%
State Subtotal	$ 471,100,000	$ 301,220,000	63.9%
Local			
Prop. K funds, Local sales tax revenue for transportation improvement	$ 123,975,000	$ 123,975,000	100.0%
Local Subtotal	$ 123,975,000	$ 123,975,000	100.0%
Project Total	**$ 1,578,300,000**	**$ 785,401,000**[1]	49.8%

Source: SFMTA

RECOMMENDATION

Approve the proposed resolution.

[1] The difference between the stated total and the sum of listed values are due to rounding.

Item 5 **File 14-0450**	**Department:** San Francisco Municipal Transportation Agency (SFMTA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the San Francisco Municipal Transportation Agency (SFMTA) to execute a Third Amendment to an existing lease with Sprint Spectrum Realty LP (Sprint) for 2,152 square feet of retail space at 833 Mission Street in the Fifth and Mission/Yerba Buena Garage, to (a) exercise the second option to extend the lease for five years from June 1, 2014 through May 31, 2019, (b) provide one additional five-year option from June 1, 2019 through May 31, 2024, and (c) increase the annual rent and provide future annual adjustments and modifications.

Key Points

- The Fifth & Mission/Yerba Buena Garage is owned by the City, under the SFMTA. Until December 31, 2012, the City leased this Garage to the nonprofit Downtown Parking Corporation, which was responsible for the day-to-day management and operation, including the subleasing of retail space. On December 18, 2012, the Board of Supervisors approved the termination of the lease agreement between the City and the Downtown Parking Corporation such that on January 1, 2013, the SFMTA assumed full responsibility for managing and operating the Fifth & Mission Garage.
- Sprint approached SFMTA to request the proposed extension to their existing retail lease in the Fifth & Mission Garage. The proposed Third Amendment to the lease is based on negotiations between SFMTA and Sprint, which was not subject to competitive bid because there is additional vacant and comparable space in the Garage. SFMTA reviewed comparable retail rental properties in the area to negotiate the proposed fair market rent structure with Sprint.
- The proposed lease would commence on June 1, 2014. The proposed resolution was delayed by SFMTA due to staff turnover and absences, such that this resolution should be amended to provide for retroactively to June 1, 2014.

Fiscal Impact

- The proposed resolution to exercise the second five-year option from June 1, 2014 through May 31, 2019 would provide an additional $689,049 of lease revenues to the SFMTA. In addition, the proposed resolution to extend the lease for one additional five-year option period would result in an additional $798,812 of lease revenues to the SFMTA.

Recommendations

- Amend the proposed resolution to provide for retroactivity to June 1, 2014.
- Approve the proposed resolution as amended.

MANDATE STATEMENT/BACKGROUND

Mandate Statement

San Francisco City Charter Section 9.118 (c) requires any lease of real property for a period of ten or more years, including options to renew, or having anticipated revenue to the City and County of $1,000,000 or more, or the amendment or termination of any lease, for a period of ten or more years, including options to renew, or with anticipated revenue to the City and County of $1,000,000 or more shall be subject to approval by resolution of the Board of Supervisors.

Background

The Fifth & Mission/Yerba Buena Garage, located on Mission Street between 4th and 5th Streets, is owned by the City and County of San Francisco, under the jurisdiction of the San Francisco Transportation Agency (SFMTA). Until December 31, 2012, the City leased the Fifth & Mission Garage to the nonprofit Downtown Parking Corporation, which was responsible for the day-to-day management and operation of the Fifth & Mission Garage, including the subleasing of retail space on the ground floor.

- On February 18, 2004 the Downtown Parking Corporation entered into an initial five-year sublease from May 8, 2004 through May 31, 2009, with Sprint Spectrum Realty Company (Sprint), a limited partnership, for 1,625 square feet of space at 833 Mission Street for $6,094 per month or $3.75 per square foot per month, for Sprint to operate a retail store. This sublease included annual rental increases of 2.5% and two five-year options to extend or through May 31, 2019. The SFMTA does not have any records indicating when the first five-year option to extend was awarded. However, the current sublease with Sprint extends through May 31, 2014.
- On April 2, 2007, the Downtown Parking Corporation and Sprint approved a technical amendment to the original sublease to comply with an arbitration decision to change the electrical service provider from the City's municipal power to Pacific Gas & Electric (PG&E).
- On September 26, 2007, the Downtown Parking Corporation and Sprint approved a First Amendment to this sublease to increase the retail space from 1,625 square feet to 2,152 square feet, an increase of 527 square feet at an increased monthly rent of $8,908, including rent credits, through May 31, 2009.
- On February 1, 2008, the Downtown Parking Corporation and Sprint entered into a Second Amendment to this sublease to allow Sprint to install and maintain an antenna on the roof at Sprint's expense to enhance Sprint's wireless communication signals within their subleased space.

- The original sublease and all of the subsequent amendments were subject to approval by the non-profit Downtown Parking Corporation Board of Directors and were not subject to approval by the Board of Supervisors.

On December 18, 2012 (File 12-1138; Resolution 464-12), the Board of Supervisors approved the termination of the lease agreement between the City and the Downtown Parking Corporation for management of the Fifth & Mission Garage. As a result, effective January 1, 2013, the SFMTA assumed full responsibility for managing and operating the Fifth & Mission Garage, which includes termination of all former subleases with the Downtown Parking Corporation and assumption of all of such retail leases and subleases by the SFMTA.

On March 4, 2014, the SFMTA Board of Directors authorized the Director of Transportation to execute a Third Amendment to the lease with Sprint (Resolution No. 14-035).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the San Francisco Municipal Transportation Agency (SFMTA) to execute a Third Amendment to an existing lease with Sprint Spectrum Realty LP (Sprint) for 2,152 square feet of retail space at 833 Mission Street in the Fifth and Mission/Yerba Buena Garage, to (a) exercise the second option to extend the lease for five years from June 1, 2014 through May 31, 2019, (b) provide one additional five-year option from June 1, 2019 through May 31, 2024, and (c) increase the annual rent and provide future annual adjustments and modifications.

Table 1 below summarizes the major terms of the existing and proposed lease:

Table 1: Existing and Proposed Lease Terms

Terms	Existing	Proposed
Square footage leased	2,152 square feet	2,152 square feet
Lease Term	10 years, May 8, 2004 through May 31, 2014	15 years, May 8, 2004 through May 31, 2019
Option to Extend	One five-year option to extend through May 31, 2019	One five-year option to extend through May 31, 2024
Annual Rent	$125,991 (monthly rent of $10,499)	$129,787 (monthly rent of $10,816)
Rent per Square Foot per Year	$58.55	$60.31
Rent Increases	2.5% per year	3% per year
Utilities	Tenant's expense	Tenant's expense

According to Mr. Rob Noiles at the SFMTA, Sprint approached staff at the SFMTA to request the proposed option and additional five-year extension to their existing lease agreement at 833 Mission Street in the Fifth and Mission Garage. The proposed Third Amendment to the lease is based on negotiations between SFMTA and Sprint, which was not subject to competitive bid. Mr. Noiles advises that SFMTA did not conduct a competitive bid for the subject space because there is additional vacant and comparable space currently available in the Fifth and Mission Garage which SFMTA is trying to lease. In addition, Mr. Noiles advises that the SFMTA reviewed comparable retail rental properties in the area to negotiate the proposed fair market rent structure with Sprint.

The existing lease with Sprint expires on May 31, 2014, such that the proposed extension term would commence on June 1, 2014. However, the proposed resolution would not be approved by the Board of Supervisors until at least June 10, 2014. According to Mr. Noiles, the proposed resolution was delayed by SFMTA due to staff turnover and absences. The proposed resolution should therefore be amended to provide for retroactively to June 1, 2014.

FISCAL IMPACT

Table 2 below summarizes the annual rent paid by Sprint and the proposed annual rent to be paid by Sprint in five-year increments.

Table 2: Previous and Projected Revenues in Five-Year Lease Periods

Lease Year	Square Footage	Rate Per Square Foot	Annual Rent
Original Sublease			
2004-05	1625	$44.15	$71,749
2005-06	1625	46.13	74,953
2006-07	1625	47.28	76,827
2007-08	1625	48.46	87,439
2008-09	2152	49.67	106,897
Subtotal			$417,865
First 5-Year Option			
2009-10	2152	$51.98	$111,856
2010-11	2152	54.37	116,996
2011-12	2152	55.73	119,921
2012-13	2152	57.12	122,919
2013-14	2152	58.55	125,991
Subtotal			$597,682
Second 5-Year Option (subject of this request)			
2014-15	2152	$60.31	$129,787
2015-16	2152	62.12	133,682
2016-17	2152	63.98	137,685
2017-18	2152	65.90	141,817
2018-19	2152	67.88	146,078
Subtotal			$689,049
Third 5-Year Option (subject of this request)			
2019-20	2152	$69.92	$150,460
2020-21	2152	72.01	154,974
2021-22	2152	74.17	159,623
2022-23	2152	76.40	164,412
2023-24	2152	78.69	169,344
Subtotal			$798,812

As shown in Table 2 above, the proposed resolution to exercise the second five-year option from June 1, 2014 through May 31, 2019 would provide an additional $689,049 of lease revenues to the SFMTA. In addition, the proposed resolution to extend the lease for one additional five-year option period would result in an additional $798,812 of lease revenues to the SFMTA.

RECOMMENDATIONS

1. Amend the proposed resolution to provide for retroactivity to June 1, 2014.
2. Approve the proposed resolution as amended.

Item 7 **File 14-0334**	**Department:** San Francisco Municipal Transportation Agency (SFMTA)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would authorize the Office of Contract Administration (OCA) to enter into the sixth modification to the existing contract between the City and Bridgestone Tire Operations, LLC (Bridgestone), for the lease of bus tires to the San Francisco Municipal Transportation Agency (SFMTA). This modification will increase the not-to-exceed amount by $1,800,000, from $9,950,000 to $11,750,000.

Key Points

- Bridgestone currently leases tires and provides associated services to SFMTA for all rubber-tire revenue vehicles, including diesel and hybrid coaches and electric trolleys. The original contract with Bridgestone was for five years from April 2009 through March 2014, with four one-year options to extend the contract through March 2018. Rather than exercise the first one-year option to extend the contract, OCA extended the contract by six months to September 30, 2014 in order to competitively bid for a new tire and tire services vendor. OCA advertised the bids in April 2014 with a bid due date of June 20, 2014.
- As of April 2014, SFMTA had spent $9,942,488 of the contract not-to-exceed amount of $9,950,000. This proposed resolution would allow OCA to increase the contract limit by $1,800,000 to fund the remaining six months of the contract with Bridgestone Tire Operations.

Fiscal Impact

- SFMTA's estimate of $1,800,000 in additional not-to-exceed authorization is based on estimated monthly expenditures of $276,374 ($1,658,244 for six months) plus a contingency of $141,756 (8.5 percent of expenditures). This amount is based on historical expenditures and expected price increases due to changes in service and possible acquisition of a new bus model. Funding for this contract comes from SFMTA's operating budget.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that either (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

Background

Bridgestone Tire Leasing

The San Francisco Municipal Transportation Agency (SFMTA) operates San Francisco's public transportation network, including Muni's fleet of approximately 861 busses and trolleys. Since April 2009, tires for the bus fleet have been provided by Bridgestone Tire Operations, LLC (Bridgestone) under a contract awarded by competitive bid with the City's Office of Contract Administration (OCA).

The original contract with Bridgestone was for five years from April 1, 2009 through March 31, 2014, with four one-year options to extend the contract through March 31, 2018. Rather than exercise the first one-year option to extend the contract, OCA extended the contract by six months from April 1, 2014 through September 30, 2014 in order to competitively bid for a new tire and tire services vendor for SFMTA. OCA projects that the cost of the current five-year contract will exceed $10,000,000 during this six-month extension period. Therefore, OCA seeks Board of Supervisors approval to increase the not-to-exceed contract amount by $1,800,000, from the current not-to-exceed amount of $9,950,000 to the proposed not-to-exceed amount of $11,750,000.

The contract between OCA and Bridgestone provides for the lease by SFMTA from Bridgestone of an unlimited number of tires over the contract period with payment determined by the number of miles driven per tire. Bridgestone provides tires and tire services in six separate Muni bus yards.

SFMTA currently pays Bridgestone between approximately $0.008 and $0.009 per tire per mile, depending on the type of tire needed for each particular coach. In addition, SFMTA pays a monthly fee of $69,507 to Bridgestone to provide personnel and equipment in Muni bus yards to support tire operations. Bridgestone handles the entire lifecycle of the tire, including recycling and disposal. SFMTA reports that leasing tires rather than purchasing from Bridgestone is beneficial because leasing reduces costs related to the disposal of the tires, reduces liability related to product quality, and provides for Bridgestone tire experts in six of the SFMTA bus yards.

Since the implementation of the contract, SFMTA has paid Bridgestone an average of $1,898,955 annually to provide tires and tire services, including inspection and replacement services. Annual payments vary based on the types of buses operated and changes in service frequency and/or routes. Over the five year and one month contract period from April 2009 through April 2014, SFMTA has paid Bridgestone a total of $9,942,488, as shown in Table 1 below.

Table 1: Annual Payments to Bridgestone Tire Operations for Tire Leasing Services

Contract Period	Payment Amount
April 2009 – March 2010	$1,484,117
April 2010 – March 2011	1,982,906
April 2011 - March 2012	1,647,975
April 2012 – March 2013	2,379,186
April 2013 – March 2014	2,000,589
April 2014	447,715
Total	**$9,942,488**

OCA previously entered into five contract modifications, as shown in Table 2 below, in addition to the original contract, with the sixth modification pending based on this proposed resolution. The original contract and five prior modifications were not subject to Board of Supervisors' approval because the contract term was less than 10 years and the total amount was less than $10,000,000.

Table 2: Bridgestone Contract and Modifications

Date	Modification Number	Contract Changes
April 6, 2009	Original	
April 15, 2010	1	1) Price increase
April 11, 2011	2	1) Price increase 2) Increase contract limit from $5,000,000 to $8,500,000
April 12, 2012	3	1) Price increase 2) Update contractual clauses
December 4, 2012	4	1) Increase contract limit from $8,500,000 to $9,500,000 2) Update contractual clauses
April 4, 2014	5	1) Increase term limit to September 30, 2014 2) Increase contract limit from $9,500,000 to $9,950,000 3) Update Contractual Clauses
TBD	6	1) Increase contract limit from $9,950,000 to $11,750,000

-DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Office of Contract Administration on behalf of SFMTA to enter into the sixth modification to the existing contract with Bridgestone Tire Operations, LLC, to increase the not-to-exceed amount by $1,800,000, from $9,950,000 to $11,750,000, in order for SFMTA to continue to lease tires from Bridgestone for SFMTA busses for the period from April 1, 2014 through September 30, 2014.

Bridgestone will continue to provide services agreed to in their existing contract with SFMTA until the contract expires on September 30, 2014. OCA issued a competitive request for bids for a new tire and tire services vendor in April 2014, and expects to select a vendor and enter into a new contract to become effective October 1, 2014.

FISCAL IMPACT

Under the proposed sixth modification to the Bridgestone contract, the not-to-exceed contract amount would increase by $1,800,000, from $9,950,000 to $11,750,000 to provide sufficient spending authority through September 30, 2014.

SFMTA's estimate of the additional needed not-to-exceed amount of $1,800,000 for the remaining six months of the current contract is based on historical expenditures plus expected cost increases from service changes and possible acquisition of a new bus model. SFMTA estimates monthly expenditures of $276,374 or a total of $1,658,244 for six months, plus a contingency of 8.5 percent of expenditures or $141,756.

According to SFMTA, funding for this contract comes from the FY 2013-14 and FY 2014-15 SFMTA operating budget, subject to appropriation approval of the Board of Supervisors.

RECOMMENDATION

Approve the proposed resolution.

Item 8 **File 14-0376**	**Department:** **San Francisco International Airport (Airport)**

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the second amendment to the Curbside Program Management agreement between the Airport and FSP PPM Management, LLC (FSP PPM) to extend the existing agreement by one year from July 1, 2014 through June 30, 2015 and increase the not-to-exceed amount by $4,794,000, from $14,636,814 to $19,430,814.

Key Points

- In 1999, the Airport established the Curbside Management Program to consolidate the management and monitoring of the Airport's ground transportation services and increase the utilization of ground transportation services through improved customer service.
- In 2010, based on a competitive process the Board of Supervisors approved an agreement with FSP PPM Management in an amount not-to-exceed $10,450,000 for a two and one-half year term from January 1, 2011 through June 30, 2013. In 2013, the Board of Supervisors approved a one-year extension of the agreement with FSP PPM to continue the Curbside Management Program through June 30, 2014 and increased the not-to-exceed amount by $4,186,814 to $14,636,814.

Fiscal Impact

- The Budget and Legislative Analyst recommends reducing the Curbside Management Program agreement not-to-exceed amount by $2,492,121, from $19,430,814 under the proposed resolution to $16,938,693, based on projected total expenditures under the current agreement from January 1, 2011 through June 30, 2014 and recommended revisions to the proposed FY 2014-15 budget.

Recommendations

- Amend the proposed resolution to delete the incorrect not-to-exceed amount of $19,861,000 and add the correct not-to-exceed amount of $19,430,814.
- Amend the proposed resolution to reduce the not-to-exceed amount by $2,492,121 from $19,430,814 under the proposed resolution to $16,938,693.
- Approve the resolution as amended.

MANDATE STATEMENT

In accordance with Charter Section 9.118(b), any agreement with a term of more than ten years or anticipated expenditures of $10,000,000 or more are subject to Board of Supervisors approval.

BACKGROUND

In 1999, the San Francisco International Airport (Airport) established the Curbside Management Program to consolidate the management and monitoring of the Airport's ground transportation services and increase the utilization of ground transportation services[1] through improved customer service.

On November 16, 2010, based on a competitive process, the Board of Supervisors approved the existing Curbside Management Program agreement with FSP PPM Management in an amount not-to-exceed $10,450,000 for a two and one-half year term from January 1, 2011 through June 30, 2013 (File 10-1294), with three one year options to extend the agreement, subject to Board of Supervisors approval.

In June 2013, the Board of Supervisors approved a one-year extension of the agreement with FSP PPM Management to continue the Curbside Management Program through June 30, 2014 (File 13-0391), and increased the not-to-exceed amount by $4,186,814 for a new total not-to-exceed amount of $14,636,814.

Services Provided Under Existing Curbside Management Program Agreement

Under the existing Curbside Management Program agreement, the scope of work includes:

- <u>Shared Ride Van</u>: FSP PPM Management manages and monitors shared van operations by (a) ensuring that shared vans wait in the designated van lots, (b) grouping passengers going to similar destinations at each of the nine van curb zones, (c) dispatching vans from the van lots to the van curb zones to ensure that van companies are rotating, (d) providing van operation information to air passengers, and (e) arranging appropriate ground transportation services for people with special needs (physically disabled, visually impaired or elderly).

- <u>Limousine Operations</u>: FSP PPM Management manages and monitors limousine operations by (a) monitoring and documenting the departure times of non-stretch and stretch limousines that enter the limousine loading zones[2], (b) providing ground transportation information to air passengers, and (c) arranging appropriate ground transportation services for people with special needs (physically disabled, visually impaired or elderly).

---

[1] Ground transportation services include shared van, limousine and taxicab operations for passengers at the Airport.

[2] Limousine loading zones include any of the white zones in Domestic Terminal 1 and Domestic Terminal 3 (for non-stretch limousines only), one limousine curb zone in the Domestic Terminal 2 (all limousines) and one limousine curb zone in the International Terminal (all limousines).

- Taxi Operations, Taxi Smartcard Revenue System Operations and Taxi Cashier Operations: FSP PPM Management manages and monitors taxi operations by (a) ensuring that taxis wait in the designated Main Taxicab Holding Lot or the Taxicab Overflow lot, (b) dispatching taxis from the designated Main Taxicab Holding Lot to the four taxi zones to meet passenger demand, (d) providing taxi operation information to air passengers, and (e) arranging appropriate ground transportation services for people with special needs (physically disabled, visually impaired or elderly).

  In addition, FSP PPM Management also operates the taxi smartcard revenue system. The Airport requires that taxi drivers pay a trip fee[3] to the Airport to pick up passengers at the Airport. The taxi smartcard revenue system automatically collects these fees from individual taxi drivers using smartcards. Operating the taxi smartcard-based revenue system includes (a) inputting taxi driver information into the taxi smartcard-based revenue database, (b) issuing new or replacement smartcards to taxi drivers, (c) collecting unused or returned smartcards from taxi drivers, (d) filing and maintaining the collected taxi driver information, and (e) troubleshooting and maintaining the system.

Expenditures Under the Existing Curbside Management Program Agreement

Under the existing Curbside Management Program agreement, FSP PPM Management submits invoices to the Airport for the actual costs of salaries, fringe benefits, and other direct costs for reimbursement. The management fees paid by the Airport to FSP PPM Management are a fixed amount that is equally divided and paid on a monthly basis.

Total Curbside Management Program expenditures from January 1, 2011 through March 31, 2014 are $11,610,919, as shown in Table 1 below.

[3] The trip fee consists of $4.00 for a regular trip (a trip that is over 30 minutes). If the trip is less than 30 minutes, then when the taxi comes back to pick up passengers, the 2nd trip is free. If the 2nd trip is less than 30 minutes, then when the taxi comes back to pick up passengers, the 3rd trip is $2.00. The less than 30-minute fees will rotate (i.e. 2nd trip is free, 3rd trip is $2.00, 4th trip is free, 5th trip is $2.00) until the taxi driver gets another regular trip in which they would have to pay another $4.00.

Table 1: Curbside Management Program Expenditures

	FY 2010-11 January 1, 2011 – June 30, 2011 (6 months)	FY 2011-12	FY 2012-13	FY 2013-14 July 1, 2013 – March 31, 2014 (9 months)	Total
Salaries					
Assistant General Manager	$32,083	$64,167	$35,208	$54,167	$185,625
Curbside Managers	77,132	229,537	237,954	169,951	714,574
Taxi Supervisors	91,443	212,101	225,930	153,798	683,272
Limousine/ Van-Supervisors	83,481	220,684	185,910	132,663	622,738
Taxi Dispatchers	466,184	1,042,892	1,068,546	837,518	3,415,140
Limousine Monitors	16,111	34,200	31,717	26,379	108,407
Administrative Assistants	53,548	98,035	81,435	63,376	296,394
Salaries subtotal	819,982	1,901,616	1,866,700	1,437,852	6,026,150
Fringe Benefits	299,406	756,195	822,248	674,380	2,552,229
Salaries and Fringe Benefits	1,119,388	2,657,811	2,688,948	2,112,232	8,578,379
Other Direct Costs	224,081	141,147	192,980	135,299	693,507
Management Fees					
General Manager Salary	47,500	61,484	98,199	75,850	283,033
General Manager Benefits	14,275	28,861	28,746	21,560	93,442
Insurance Premiums	128,700	220,170	219,289	165,128	733,287
Profit and Overhead [4]	151,911	396,956	393,259	287,145	1,229,271
Management Fees Subtotal	342,386	707,471	739,493	549,683	2,339,033
Total Expenditures	**$1,685,855**	**$3,506,429**	**$3,621,421**	**$2,797,214**	**$11,610,919**

Evaluation of Proposed Curbside Management Program

The Airport evaluated FSP PPM Management's performance under the existing Curbside Management Program agreement on a quarterly basis beginning in January 2012 to ensure that specified benchmarks and goals were met. The Airport evaluated FSP PPM Management performance using the following 10 performance measures on a scale from one point to five points with five points being excellent and one point being poor:

1. Operate the Curbside Management Program with zero lost time due to injuries.
2. Maintain an active Safety Committee by conducting quarterly meetings, reporting and documenting safety hazards and documenting the resolution of all hazards.
3. Provide excellent customer service resulting in minimal complaints.
4. Provide initial and service training to new employees.
5. Provide ongoing training for all employees.

[4] The Airport's Contribution to profit and overhead cannot exceed seven percent of total expenditures (which include the Van Coordinator salaries funded by Van Operator companies, not a part of this budget) under the existing Curbside Management Program agreement.

6. Conduct and document weekly supervisory and management meetings.
7. Provide initial communication training to both Curbside Management Program staff and management.
8. Provide on-going annual refresher communication training to both Curbside Management Program staff and management.
9. Provide training on preparing and/or reviewing incident reports and submit reports weekly to the Airport.
10. Monitor the Curbside Management Program budget to ensure that funds are properly expended.

Under the existing Curbside Management Program agreement, FSP PPM Management needed to score a minimum average of three points for each performance measure or submit a written improvement plan to the Airport within 15 days of receiving the evaluation results. According to Mr. Daniel Pino, Senior Transportation Planner at the Airport, the Airport conducted performance reviews in 2013 and FSP PPM Management received an average rating of 4.3 out of a possible 5 points for each performance measure.

DETAILS OF LEGISLATION

The proposed resolution would authorize the second amendment to the existing Curbside Management Program Agreement between the City, acting on behalf of the Airport, and FSP PPM Management, exercising the second one-year extension from July 1, 2014 through June 30, 2015, and increasing the not-to-exceed amount by an additional $4,794,000, from $14,636,814 to $19,430,814.

FISCAL IMPACTS

The Curbside Management Program Agreement's FY 2014-15 budget under the proposed second amendment totals $4,776,733, as shown in Table 2 below. The Airport would fund the proposed amendment through its annual operating budget subject to appropriation approval by the Board of Supervisors.

Table 2: Proposed Second Amendment Budget

	FY 2014-15
Salaries	
Assistant General Manager	$70,127
Curbside Managers	226,935
Taxi Supervisors	197,404
Limousine/Van Supervisors	179,204
Taxi Dispatchers	1,288,169
Limousine Monitors	41,320
Administrative Assistants	106,449
Cashier Supervisors	13,849
Cashiers	49,573
Salaries Subtotal	2,173,030
Fringe Benefits Subtotal	1,460,375
Subtotal Salaries and Fringe Benefits	3,633,405
Other Direct Costs[5]	389,465
Management Fees	
General Manager Salary	$95,000
General Manager Fringe Benefits	22,581
Insurance Premiums	220,170
Profit and Overhead	416,112
Management Fees Subtotal	753,863
Total Budget	**$4,776,733**

The Budget and Legislative Analyst recommends reducing the Curbside Management Program not-to-exceed amount by $2,492,121, from $19,430,814 under the proposed resolution to $16,938,693, as follows:

Actual expenditures through March 31, 2014	$11,610,919
Projected expenditures April 1, 2014 through June 30, 2014	932,405
Total expenditures January 1, 2011 through June 30, 2014	12,543,324
Revised FY 2014-15 budget[6]	4,395,369
Total estimated contract expenditures, including FY 2014-15	16,938,693
Proposed not-to-exceed amount under resolution 14-0376	(19,430,814)
Budget and Legislative Analyst's recommended reduction	($2,492,121)

[5] Miscellaneous direct costs include expenditures such as (1) expenses for Ground Transportation Management System, (2) Airport identification badges, (3) cost of fingerprinting and background investigations, and (4) office equipment and supplies.

[6] Based on a review of proposed FY 2014-15 expenditures, the Budget and Legislative Analyst recommends reducing the proposed budget from $4,776,733 to $4,395,369.

Correction to Resolution

The proposed resolution incorrectly states the proposed not-to-exceed amount is $19,861,000 rather than the actual amount requested by the Airport of $19,430,814. Therefore, the proposed resolution should be amended to state the correct not-to-exceed amount of $19,430,814.

RECOMMENDATIONS

1. Amend the proposed resolution to delete the incorrect not-to-exceed amount of $19,861,000 and substitute the correct not-to-exceed amount of $19,430,814.
2. Amend the proposed resolution to reduce the amount by $2,492,121, from $19,430,814 under the proposed resolution to $16,938,693.
3. Approve the proposed resolution as amended.

Item 9 **File 14-0456**	**Department:** San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a new, ten-year lease between the Airport and Green Beans Coffee Osteria – SFO Group (Green Beans) to provide a retail coffee shop at a pre-security location near Boarding Area C of Terminal 1 and with a total minimum rent amount payable by Green Beans to the Airport of $521,760 over the ten-year term of the lease.

Key Points

- In November 2013, the Airport issued a competitive Request for Proposals (RFP) for a coffee shop lease at a pre-security location near Boarding Area C of Terminal 1.
- In January 2014, two vendors submitted proposal for the lease, which were evaluated by a three-member scoring panel.
- Green Beans was awarded the higher score by the panel and was awarded the lease by the Airport.

Fiscal Impact

- The proposed resolution would require Green Beans to pay the Airport a rent amount that is the greater of: (1) the Minimum Annual Guarantee of $52,176 per year (adjusted annually to reflect inflation as calculation by the Consumer Price Index) or (2) percentage rent based on annual gross revenues (See Table 2).
- The proposed resolution will generate minimum revenues paid by Green Beans to the Airport of $521,760 over the next ten years. The Budget and Legislative Analyst's Office notes that the actual rent paid by Green Beans to the Airport will be higher since the Minimum Annual Guarantee will be increased annually to reflect inflation as calculated by the Consumer Price Index

Recommendations

- Amend the proposed resolution to reduce the annual rent amount by $720 from $52,896 to $52,176.
- Approve the proposed resolution as amended.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

City Charter Section 9.118(a) states that contracts entered into by a department, board or commission that will generate revenue in excess of $1 million or any modification of that contract is subject to Board of Supervisors approval.

Background

In November 2013, the Airport issued a competitive Request for Proposals (RFP) for a retail coffee shop concession lease to be provided at a pre-security location near Boarding Area C of Terminal 1. Two vendors, Green Beans Coffee Osteria – SFO Group (Green Beans) and Mission Yogurt, Inc., submitted proposals, which were evaluated by a three-member scoring panel comprised of two Airport staff and one airline station manager that determined that Green Beans, received the highest score as shown in Table 1 below.

Table 1: Scores Awarded by Airport Panel to the Retail Coffee and Food Services Proposals

Criteria	Green Beans Coffee Osteria – SFO Group	Mission Yogurt, Inc.
Proposed Concept	28.33	28.67
Design Intent and Capital Investment	13.60	13.33
Business Plan	18.00	13.33
Customer Service and Quality Control	12.13	12.47
Total (Out of 100 Points Possible)	**72.06**	**67.80**

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new ten-year concession lease between the Airport and Green Beans to sell coffee, tea, and food at a pre-security location near Boarding Area C of Terminal 1. Table 2 below summarizes the provisions of the subject lease.

Table 2: Summary of Lease Provisions

Term	10 years from approximately August 2014 through July 2024
Options to Extend	None
Premises	1,087 square feet of pre-security space near Boarding Area C of Terminal 1
Minimum Annual Guarantee (MAG)	$48 per square foot - $52,176 per year
MAG Adjustment	Adjusted annually based on the Consumer Price Index (CPI)
Revenue Percentage Rent	6 percent of revenues up to and including $500,000
	Plus 8 percent of revenues between $500,001 and $1,000,000
	Plus 10 percent of revenues greater than $1,000,000
Promotional Fee	$1 per square foot - $1,087 per year
Deposit Amount	50 percent of the MAG in effect when the lease commences, of $52,088.
Minimum Initial Investment	$350 per square foot - $380,450

FISCAL IMPACT

Under the subject lease, Green Beans is required to pay the Airport the greater of the initial MAG amount of $52,176 or percentage rent as shown in Table 2 above. The subject lease will generate MAG revenues payable by Green Beans to the Airport of $521,760 over the next ten years, excluding annual CPI adjustments.

The lease agreement between the Airport and Green Beans requires an initial MAG amount of $52,176. However, the proposed resolution states an incorrect MAG amount of $52,896. The Budget and Legislative Analyst's Office recommends amending the proposed resolution to state the correct MAG amount of $52,176.

RECOMMENDATIONS

1. Amend the proposed resolution to state the correct MAG amount of $52,176.

2. Approve the proposed resolution as amended.

Item 10 **File 14-0311**	**Department:** San Francisco International Airport

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would (1) approve the acquisition of 28 avigation easements from various property owners in San Mateo County required for the Airport's Noise Insulation Program, (2) adopt findings that the Noise Insulation Program is categorically exempt from environmental review under the California Environmental Quality Act (CEQA), (3) adopt findings that the acquisition is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1, and (4) authorize the Director of Property and the Mayor to execute documents, make certain modifications, and take certain actions in furtherance of the proposed resolution.

Key Points

- Avigation easements effectively permit aircraft to fly in airspace above private property when landing or taking off from an airport and restrict property owners from creating any obstructions to the aircrafts' functioning while within the property's airspace.
- On August 22, 2012, the Airport submitted an application to receive Federal Aviation Administration (FAA) funding to pay for up to 80 percent of the eligible costs of soundproofing residences located near the Airport in exchange for avigation easements in order to comply with the Airport's Noise Insulation Program. The FAA approved a grant of up to $1,696,000 on September 19, 2012.
- Subsequently, the Airport negotiated to acquire 28 avigation easements from 28 property owners in San Mateo County in exchange for soundproofing of residences. The soundproofing on the 28 properties is expected to be completed by December 2014.

Fiscal Impact

- The total cost to complete the soundproofing of the 28 properties in conjunction with the 28 avigation easement acquisitions from property owners is estimated to be $1,597,514.
- The Airport will fund approximately $750,230, or 47 percent of the total project cost of $1,597,514 from the Airport's Capital Fund as part of the Airport's Capital Plan. The FAA grant will provide funding for the remaining $847,284, or 53 percent of the total project cost of $1,597,514. According to Airport staff, the FAA has allowed the use of grant funds for properties contained within a specific noise impact boundary which only contains 18 of the total 28 properties. FAA grant funds will cover 80 percent of the costs for these 18 properties with the Airport fully funding the costs of the other 10 properties.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

In accordance with Administrative Code Section 23.1, all resolutions and ordinances involving sales, leases, acceptances, and other real estate transactions must be conducted through the Director of Real Estate and are subject to approval by the Board of Supervisors.

BACKGROUND

Since 1983, the Airport has implemented the Noise Insulation Program in order to comply with Title 21 of the California Administrative Code that requires the control and reduction of aircraft noise levels in the areas surrounding airports throughout California.[1] Through the Noise Insulation Program, the Airport works with the surrounding communities and the County of San Mateo to acquire avigation easements, which are agreements between property owners[2] and the airport that grant the airport the right-of-flight in the airspace above and in the vicinity of a property, in exchange for providing property owners with noise reduction improvements to their properties.[3] Property owners who participate in the Airport's Noise Insulation Program waive their right to legal action against the Airport except under certain limited circumstances defined in the recording grant of the avigation easement.

Noise insulation improvements are designed to achieve a reduction of aircraft noise through soundproofing of treated properties of at least 5 decibels, and a maximum annual Community Noise Equivalent Level (CNEL) of 45 decibels in the livable areas of the dwellings.[4] Standard soundproofing conducted as part of the Noise Insulation Program includes:

---

[1] Title 21 of the California Administrative Code establishes regulations regarding control and reduction of aircraft noise levels in areas surrounding airports within the State, including a) establishing the acceptable level of noise in the vicinity of an airport to be below an annual community noise equivalent level (CNEL) value of 65 decibels, b) establishing noise impact boundaries which are the locus of points around airports for which the annual CNEL to be equal to 65 decibels or less, c) requiring that airports monitor CNEL values within the noise impact boundaries containing residential areas on a continuous basis, d) mandating that airports eliminate incompatible land uses within noise impact boundaries caused by annual CNELs exceeding 65 decibels by reducing the annual CNEL to 65 decibels or lower unless an airport resolves the issue through other specific actions, such as acquiring avigation easements for the affected properties.

[2] The Noise Insulation Program has formed agreements with property owners that live in single-family and multi-family homes and has also included churches and schools as well.

[3] In addition, avigation easement agreements permit the airport to a) create noise, vibrations, air currents, illumination, electronic interference, aircraft engine exhaust and emissions, dust, discomfort, or other environmental effects inherent in aircraft travel, b) restrict or prohibit any construction or installation of any building, structure, improvement, tree, or other object on the property that constitutes an obstruction to air navigation, and c) restrict the creation of electrical or electronic interference with aircraft communications systems, aircraft navigation equipment, or with Federal Aviation Administration (FAA), airline, or airport personnel communication with any aircraft.

[4] The Community Noise Equivalent Level represents the average daytime noise level in decibels during a 24-hour day, adjusted to account for the lower tolerance of noise during evening and night time periods relative to the daytime period. The annual CNEL is the average of the daily CNEL over a 12-month period.

- Replacement of existing windows and doors with new windows/doors that provide noise insulation.
- Installation of attic insulation to mitigate the impact of aircraft noise.
- Installation of fresh air intakes.

Between 1985 and 2012, the Airport's Noise Insulation Program resulted in the Airport acquiring 12,660 avigation easements from property owners located near the Airport in San Mateo County. Table 1 below shows that the total cost to complete the soundproofing in conjunction with the 12,660 avigation easement acquisitions from 1985 to 2012 was $188,496,997, of which $135,596,311 or 71.9 percent was funded with Airport funds. The remaining $52,900,686 or 28.1 percent was funded by Federal Aviation Agency (FAA) grants.

Table 1: Costs and Funding Sources of the Noise insulation Program from 1985 to 2012

Time Period	Airport Funds	Percent	Federal Aviation Administration (FAA) Funds	Percent	Total Cost of Noise Improvements
1985-2000	$4,210,456	20.0%	$16,841,822	80.0%	$21,052,278
1991	10,000,000	100.0%	0	0.0%	10,000,000
1992 – 2000[5]	102,427,114	82.7%	21,449,920	17.3%	123,877,034
2000 - 2007	18,633,880	58.1%	13,451,881	41.9%	32,085,761
2010-2012	324,861	21.9%	1,157,063	78.1%	1,481,924
Total	**$135,596,311**	**71.9%**	**$52,900,686**	**28.1%**	**$188,496,997**

During the initial phases of the Airport's Noise Insulation Program (1985 to 2007), some property owners chose not to participate in the program or failed to respond to invitations to participate and, as a result, no avigation easements for those properties were acquired at the time. Subsequently, some of those properties have been sold to new homeowners who have chosen to participate in the Airport's Noise Insulation Program.

On August 22, 2012, the Airport applied for a Federal Aviation Administration (FAA) grant to pay up to 80 percent of the eligible costs of soundproofing additional homes in exchange for avigation easements for a total projected program cost of $2,500,000. This application was subsequently revised on September 7, 2012 and approved by the FAA on September 19, 2012 to provide the grant amount of up to $1,696,000, or 80 percent of the total projected revised cost of $2,120,000. Upon approval of the grant, the Airport identified 28 properties to be

[5] The FAA funded only 17.3 percent of the cost of soundproofing completed from 1992 to 2000 because a Memorandum of Understanding (MOU) between the Airport and municipalities located near the Airport and signed in 1992 was based on a 1983 FAA-approved Noise Exposure Map, defining areas eligible for Federal reimbursement. Subsequently, when an updated Noise Exposure Map was approved in 1995 by the FAA, a large number of properties were no longer eligible for Federal funding but were still eligible for soundproofing under the MOU.

included in the 2012-2014 phase of the Airport's Noise Insulation Program. On September 4, 2013, the Airport approved the acquisition of the 28 avigation easements associated with these properties (Airport Commission Resolution No. 13-0195).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve the acquisition of 28 avigation easements from various residential property owners in San Mateo County under the Airport's Noise Insulation Program, (2) adopt findings that the Noise Insulation Program is categorically exempt from environmental review under the California Environmental Quality Act (CEQA), (3) adopt findings that the acquisition is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1, and (4) authorize the Director of Property to execute documents, make certain modifications, and take certain actions in furtherance of the proposed resolution.

The soundproofing of the 28 properties for which the avigation easements are to be acquired is expected to be completed by December 31, 2014.

On December 11, 2013, the Director of Planning found the proposed acquisition of the 28 avigation easements to be categorically exempt from environmental review under CEQA and to be consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.

FISCAL IMPACT

As shown in Table 2 below, the cost to acquire the proposed 28 avigation easements from property owners located in San Mateo County is $1,597,514. The proposed costs will pay for the soundproofing of residences from aircraft noise in exchange for the avigation easements acquired by the Airport from the 28 property owners in San Mateo County. By agreeing to grant avigation easements to the Airport, property owners waive their right to legal action against the Airport except under certain limited circumstances defined in the recording grant of the avigation easement.

Table 2: Estimated Costs of the Airport's Noise Insulation Program for 28 Avigation Easements

COSTS OF PROGRAM	Total Cost For All 28 Residences	Average Cost Per Residence
Administration Expenses	$395,000	$14,107
Architectural & Engineering Fees	358,914	12,818
Project Inspection Fees	19,000	679
Construction Costs	824,600	29,450
Total Cost	**$1,597,514**	**$57,054**

Funding for the Airport's Noise Insulation Program to acquire the 28 avigation easements from the 28 San Mateo property owners and to construct the noise insulation improvements will be provided through a combination of FAA grant funds and the Airport's Capital Fund. As shown in Table 3 below, the Airport will provide $750,230, or 47 percent of the total estimated project costs of $1,597,514. The FAA grant will provide grant funding for the remaining $847,284, or 53 percent of the total project costs of $1,597,514.

According to Mr. Gerardo Fries, Special Projects Manager at the San Francisco International Airport, the FAA grant funds can only be used for 18 of the 28 properties that are located within the previously approved noise impact area. The remaining 10 properties are located within an updated noise impact area, which has not yet been officially approved by the FAA at the time of the grant application and therefore, are not eligible for grant funds. FAA grant funds will pay for 80 percent of the costs for the 18 properties within the specified noise impact boundary while the Airport must pay 100 percent of the costs for the remaining 10 properties.

Table 3: Source of Funding for the Airport's Noise Insulation Program for 28 Avigation Easements

FUNDING SOURCES	Funding Amount	Percentage of Total
Federal Aviation Administration (FAA) Grant Funds	$847,284	53.0%
Airport Capital Funds	750,230	47.0%
Total Funds	**$1,597,514**	**100.0%**

The Airport initiated a competitive bidding process for the construction of the noise improvements on February 21, 2014, and awarded the construction agreement to G. E. Chen Construction on May 6, 2014.

RECOMMENDATION

Approve the proposed resolution.

Item 11 File 14-0560	Departments: Human Services Agency (HSA) Real Estate Division

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the retroactive approximately nine year sublease effective April 1, 2014 through March 26, 2023 of approximately 6,024 square feet at 3450 Third Street between the City through the Human Services Agency (HSA), with the San Francisco Child Abuse Prevention Center (SFCAPC), a nonprofit organization, to provide a new Children's Advocacy Center at an initial monthly rent of $22,113.

Key Points

- Currently, SFCAPC has a remaining nine-year lease with 1238 Sutter Street LLC for the entire 3-floor building at 3450 Third Street at a cost of $24,723 per month. In 2013, SFCAPC expended $3.8 million of grant funds to create a new 9,385 square foot Child Advocacy Center at 3450 Third Street, including forensic interview rooms, medical exam rooms, childcare facilities, conference rooms, training facilities, private and shared offices and parking. This Child Advocacy Center is a multi-partner, collaborative effort with five City departments (Human Services Agency, Department of Public Health, Police Department, District Attorney and City Attorney) to coordinate responses for abused children, such as criminal and child protection investigations, medical exams, interviews, mental health evaluations, family support, victim advocacy and parent education.

Fiscal Impact

- The proposed resolution would retroactively approve a new approximately nine-year sublease between the City, acting on behalf of HSA, and SFCAPC at a cost of $22,113 per month in rent, or a total of $265,356 the first year. The total first year cost includes $147,286 for the base rent and first year's operating costs and $118,070 to amortize the City's share of tenant improvements of approximately $1.1 million. The total $265,356 annual cost reflects a rate of $44.05 per square foot for the 6,024 square feet of space.
- The base rent will increase annually by three percent, such that HSA is projected to pay SFCAPC a total of $2,823,304 over the approximately nine-year term of the sublease.
- HSA will fund the total of $265,356 in the first year with approximately 23% Federal funds ($61,032), 6% State funds ($15,921) and 71% City General Funds ($188,403).

Recommendations

- Amend the proposed resolution to add a further resolved clause that it is the policy of the Board of Supervisors that leases should be submitted to the Board for approval prior to the effective date of the leases and prior to the department(s) occupying the leased and/or subleased premises.
- Approve the proposed resolution as amended.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

San Francisco Administrative Code Section 23.27 requires Board of Supervisors approval by resolution of all leases (and subleases) on behalf of the City as tenant.

Background

The San Francisco Child Abuse Prevention Center (SFCAPC), a nonprofit organization, dedicated to preventing child abuse, entered into an initial 18-month lease with 1238 Sutter Street LLC on September 1, 2011 for a base rent of $13,500 per month for a portion of the building at 3450 Third Street to develop a multi-disciplinary and integrated child advocacy and wellness center. The 3450 Third Street building is located in the Bayview neighborhood, just south of Islais Creek, near Evans Avenue. The original lease included an option for SFCAPC to (a) expand the lease to the entire building and (b) purchase the building. To date, there have been five amendments to the lease[1] to extend the term, expand the lease to include the entire building, increase the rent, modify liability and other provisions, and provide additional repairs and tenant improvements. Currently, this lease between SFCAPC and 1238 Sutter Street LLC is for the entire 3-floor, approximately 26,094 square foot building, including ground floor parking at 3450 Third Street at a base rent of $24,723 per month and extending through March 26, 2023.

In 2013, SFCAPC expended approximately $3.8 million of grant funds to complete major capital tenant improvements to the 3450 Third Street leased building to create a Child Advocacy Center comprising approximately 9,385 square feet, including forensic interview rooms, medical exam rooms, childcare facilities, conference rooms with state of the art technology, training facilities, private and shared offices and parking. This Child Advocacy Center at 3450 Third Street, which has now been created under the auspices of SFCAPC, is intended to be a multi-partner, collaborative effort with five City departments to coordinate the responses for an abused child, including criminal and child protection investigations, forensic medical exams and interviews, mental health evaluations, family support and victim advocacy and parent education. The five City departments include:

- Human Services Agency (Child Protective Services);
- District Attorney's Office (Child Abuse Unit Prosecution, Coordinator/Forensic Interviewer and Victim Advocates);
- Department of Public Health (Child and Adolescent Support Advocacy and Resource Center (CASARC), Medical Services and Mental Health Services);
- Police Department (Juvenile Division); and
- City Attorney (Child welfare and dependency).

[1] The first amendment is dated October 19, 2011, the second amendment is dated December 13, 2012, the third amendment is dated February 28, 2013, the fourth amendment is dated March 27, 2013 and the fifth amendment is dated September 7, 2013.

These major tenant improvements reduced the overall 26,094 square foot building at 3450 Third Street to approximately 18,572 square feet of rentable space. SFCAPC also subleases space to two other nonprofit organizations, the Center for Youth Wellness which occupies 4,525 square feet of space, and California Pacific Medical Center (CPMC) Child Health Center which occupies 4,662 square feet of space. As of the writing of this report, the Real Estate Division provided confidential information on the rent per square foot that each of these two nonprofit organizations are currently paying to SFCAPC, which are consistent with the proposed sublease. The existing use of the total 18,572 square feet of rentable space at 3450 Third Street is shown in Table 1 below:

Table 1: Existing Square Footage at 3450 Third Street

Organization	Square Footage
Total Child Advocacy Center (City Portion of Child Advocacy Center-subject of the proposed sublease)	9,385 (6,024)
CPMC Child Health Center	4,662
Center for Youth Wellness	4,525
Total	**18,572**

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the approval of an approximately nine-year sublease retroactive from April 1, 2014 through March 26, 2023 of 6,024 square feet of space at 3450 Third Street between the City, through the Human Services Agency (HSA), and the San Francisco Child Abuse Prevention Center (SFCAPC), a nonprofit organization, to provide a new Children's Advocacy Center of San Francisco at an initial monthly rent of $22,113.

Major Sublease Provisions

Although the proposed sublease would provide space for five City departments (HSA, DPH, Police, District Attorney and City Attorney) to cooperatively provide a Children's Advocacy Center, the sublease is with HSA on behalf of the City, because HSA would have the majority of exclusive space and permanent staff in this facility and HSA could potentially allocate state and federal funds to offset a portion of the cost of this sublease. Table 2 below summarizes the main provisions of the proposed sublease between the City (HSA) and SFCAPC.

Table 2: Summary of Proposed Major Sublease Terms

Location	3450 Third Street
Square Feet	6,024 square feet on third floor
Term	Approximately nine years from April 1, 2014 through March 26, 2023
Uses	Private offices, forensic interview space, medical exam rooms, conference and training rooms and 8 parking spaces
Options to Terminate	After March 26, 2018, with one year's notice, approved resolution and reimbursement of unamortized tenant improvements
Rates per Square Foot (psf)	$3.67 psf/month $44.05 psf/year
Initial Base Monthly Rent	$22,113
First Year Base Total Rent	$265,356
Annual Rent Increases	Three percent annually
Operating Expenses	Included in first year base rent, with pass through of actual increases over base year
Tenant Improvements	Amortized in base rent

The proposed 6,024 square foot sublease includes exclusive-use space for City private offices, medical exam rooms, forensic interview space and conference rooms as well as shared-use space for a childcare facility, other interview spaces, large training room and conference spaces.

As noted above, SFCAPC expended approximately $3.8 million of grant funds for tenant improvements to this 3450 Third Street building in 2013. According to Mr. Charlie Dunn of the Real Estate Division, approximately $1.1 million of the overall tenant improvements would be reimbursed to SFCAPC by the City under the proposed sublease base rent amortized over the nine year sublease term, which represents the City's share of the tenant improvements.

Under the proposed sublease, the City could terminate at any time on or after March 26, 2018 by (a) giving SFCAPC at least a one year prior written notice, (b) providing an approved resolution from the Board of Supervisors and Mayor within 90 days of the written termination notice, and (c) paying a termination fee based on reimbursement of the unamortized portion of the City's share of the tenant improvements.

The operating expenses which are included in the first year base rent include the cost of electricity, water, heating, mechanical, escalator and elevator systems, utilities, janitorial, refuse and recycling services, security, insurance, management fees, taxes, all labor, equipment and material costs for repairs and any other reasonable expenses related to the management, administration, operation, maintenance or repair of the premises. After the first year, any actual prorated increases in operating expenses would be passed-through to be paid by the City.

As noted above, the existing lease between SFCAPC and 1238 Sutter Street LLC includes an option for SFCAPC to purchase the building during the lease term which expires on March 26, 2023. Under the proposed nine-year sublease between SFCAPC and the City, if SFCAPC exercises this option to purchase the building, the proposed sublease terms would remain in effect.

Five City Departments Use of Sublease Space

According to Mr. David Curto, Director of Contracts and Facilities for the Human Services Agency (HSA), the five City departments that are part of the Child Advocacy Center operate under inter-agency memorandum of understanding agreements, which provide the overall model for the Child Advocacy Center's multidisciplinary child abuse intervention response. Under this model, an abused child would only have to be interviewed once (with one-way mirrors to allow other child-support staff to observe in adjacent rooms), rather than multiple interviews at different locations (i.e., Child Protective Services, San Francisco General Hospital, Police station, District Attorney's Office). Mr. Curto notes that this model is an effort to reduce the trauma on the child, by providing multiple health, support, education and criminal responses, which should allow the abused child's healing process to begin sooner.

Table 3 below summarizes the breakdown of the exclusive-use space for four of the five City departments[2] and the shared-use space among the City departments and the SFCAPC.

Table 3: Square Footage Space to be Subleased by City Departments

City Departments	Square Footage
Human Services Agency	1,327
District Attorney	641
Police Department	317
Public Health	639
Coordinator[3]	336
CAC Director	309
Subtotal Exclusive Space	**3,569**
Shared Space (conference rooms, interview rooms, observation rooms, file storage areas, waiting rooms, etc.)	2,455
Total Subleased Space	**6,024**

[2] The City Attorney will not have dedicated exclusive-use space, but will have use of the shared-use space at 3450 Third Street.

[3] The Coordinator is a District Attorney's Office position, funded through the Human Services Agency.

According to Mr. Curto, the Child Advocacy Center opened in December of 2013 and HSA moved 11 existing permanent HSA Child Protective Services staff into the 3450 Third Street facility in mid- January of 2014 from a previous leased space on 225 Valencia Street. In addition, CASARC, under the Department of Public Health, has two existing staff assigned to this facility, who were previously assigned to San Francisco General Hospital. Mr. Curto advises that the proposed sublease is not intended to result in any new staff being required from any City department; while the other City departments (i.e., Police, District Attorney and City Attorney) have specified space assigned to them, these departments would only staff their space as needed, depending on the child abuse case.

FISCAL IMPACTS

Costs for Proposed Sublease

The proposed resolution would approve a new approximately nine-year sublease between the City, acting on behalf of HSA, and SFCAPC in which HSA will pay $22,113 per month in rent, or a total of $265,356 the first year, which includes $147,286 for the base rent and first year's operating costs and $118,070 to amortize the City's share of tenant improvements or approximately $1.1 million. As shown in Table 4 below, this reflects an overall annual rate of $44.05 per square foot for the 6,024 square feet of space.

Table 4: Total Annual Cost and Square Foot Costs for 6,024 Square Feet for Sublease

	Total Annual Cost	Cost per square foot
Base Rent	$147,286	$24.45
Tenant Improvements	118,070	19.60
Total	**$265,356**	**$44.05**

Ms. Marta Bayol of the Real Estate Division advises that the proposed sublease, which includes highly specialized tenant improvements, represents the fair market rent.

Per the provisions of the sublease, the base rent will increase annually by three percent, and the operating expenses are projected to increase as shown in Table 5 below. As summarized in Table 5 below, HSA is projected to pay to SFCAPC a total of $2,823,304 over the approximately nine-year term of the proposed sublease.

Table 5: Total Rent and Estimated Operating Expenses to be Paid by HSA to SFCAPC

Lease Year	Monthly Rent	Annual Rent (includes 3% annually)	Estimated Operating Costs	Total Sublease Costs
2014-15	$22,113	$265,356	$0	$265,357
2015-16	22,776	273,312	3,543	276,855
2016-17	23,460	281,520	7,085	288,605
2017-18	24,163	289,956	10,629	300,585
2018-19	24,888	298,656	14,171	312,827
2019-20	25,635	307,620	17,714	325,334
2020-21	26,404	316,848	21,256	338,104
2021-22	27,196	326,352	24,799	351,151
2022-23	28,012	336,144	28,342	364,486
Total		**$2,695,764**	**$127,539**	**$2,823,304**

Termination of the Sublease

Under the proposed sublease, the City could terminate at any time on or after March 26, 2018 by (a) giving SFCAPC at least a one year prior written notice, (b) providing an approved resolution from the Board of Supervisors and Mayor within 90 days of the written termination notice, and (c) paying a termination fee based on reimbursement of the unamortized tenant improvements. If the termination date were to be effective as of March 26, 2018, the termination fee would be $632,513. As shown above, the City is reimbursing the SFCAPC $118,070 annually for the tenant improvements, such that the termination fee would be reduced by this amount each year.

Source of Funding

As noted above, because HSA has the majority of the space and permanent staff to be located at the 3450 Third Street facility and can use some state and federal funds to offset a portion of the lease costs, HSA will be the master tenant under the proposed sublease. Mr. Curto advises that HSA will fund the first 2014-15 lease year rent and operating costs of $265,356 with approximately 23% Federal funds ($61,032), 6% State funds ($15,921) and 71% City General Funds ($188,403). These new costs would be funded in the proposed FY 2014-15 Human Services Agency budget.

Retroactive Approval of Sublease

Although the Children's Advocacy Center has been undergoing tenant improvements for over a year and has been operational since December of 2013, Mr. Dunn advises that the proposed sublease is being requested on a retroactive basis to April 1, 2014. Mr. Dunn advises that the Real Estate Division did not have sufficient time to complete this complicated transaction in time to submit this resolution to the Board of Supervisors prior to the commencement of this sublease on April 1, 2014.

Although the proposed lease would be retroactive to April 1, 2014, as noted above, HSA moved into their space in early January of 2014. Mr. John Updike of the Real Estate Division advises that the proposed lease would be retroactive to April 1, 2014, although HSA began occupying the facility in mid-January 2014 because the space was ready to occupy and the new program was ready to commence. Therefore, Mr. Curto advises that because HSA began occupying the space in early January, HSA will reimburse $66,339 to SFCAPC, under an existing separate agreement that HSA has with SFCAPC to provide a Child Abuse Hotline, for the sublease costs from January 1, 2014 through March 31, 2014, before the official commencement of the subject lease, to cover the City's share of the cost for this three-month period.

In accordance with Administrative Code Section 23.27, the Board of Supervisors is required to approve all leases on behalf of the City as tenant, by resolution. However, if the Board of Supervisors approves the proposed resolution, the subject sublease would be retroactive to April 1, 2014, over two months ago. Furthermore, HSA moved into the subleased space in early January 2014, or six months ago, and as noted above, will be liable for the rental costs for the City effective January 1, 2014. The Real Estate Division should be required to bring all leases and subleases to the Board of Supervisors on a prospective, not retroactive basis. Therefore, the proposed resolution should be amended to add a further resolved clause that it is the policy of the Board of Supervisors that leases should be submitted to the Board for approval prior to the effective date of the leases and prior to the department(s) occupying the leased and/or subleased premises.

RECOMMENDATIONS

1. Amend the proposed resolution to add a further resolved clause that it is the policy of the Board of Supervisors that leases should be submitted to the Board for approval prior to the effective date of the leases and prior to the department(s) occupying the leased and/or subleased premises.
2. Approve the proposed resolution as amended.