CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: September 2, 2020 Budget and Finance Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would (1) approve a loan amount not to exceed $31,780,000 for the acquisition, rehabilitation, or permanent financing of 270 Turk Street and (2) affirm the Planning Department's determination that this project is consistent with the General Plan. The purpose of the loan is to provide permanent financing for the acquisition and rehabilitation loan for 270 Turk Street, an 86 unit multi-family residential rental housing building, and maintain its affordability for low- to moderate-income households.

Key Points

- 270 Turk GP, LLC, an affiliate of Tenderloin Neighborhood Development Corporation (TNDC), purchased 270 Turk Street for $19,000,000 through San Francisco Housing Accelerator Fund financing. The proposed loan to 270 Turk GP, LLC would be used to repay the Housing Accelerator Fund and pay other costs.
- Sources of funds for the proposed loan are (1) the Preservation and Seismic Safety Program, and (2) either the Small Sites Program or Downtown Neighborhoods Preservation Fund. The proposed resolution allows MOHCD to use excess ERAF funds as a funding source. According to MOHCD, the Department intends to use Downtown Neighborhood Preservation Funds as a source, but will use excess ERAF funds if the Downtown Neighborhood Preservation Funds are not available; in that instance, MOHCD will use FY 2019-20 excess ERAF funds but not FY 2018-19 excess ERAF funds that were designated for small sites of 25 units or less.
- The mix of tenants and household income depends on finalizing a contract between TNDC and the Department of Homelessness and Supportive Housing for Step Up Program funds to provide supportive services.

Fiscal Impact

- The Draft Loan Agreement provides for a loan amount not-to-exceed $31,870,000, which is more than estimated loan amounts ranging from $28,782,204 to $28,710,327. MOHCD is requesting loan authorization exceeding the actual loan amount because the project budget is still being finalized and additional flexibility in the total amount is needed.

Policy Consideration

- The Budget and Finance Committee amended the resolution in the July 29, 2020 meeting, to add a "whereas" clause providing the City with an option to purchase 270 Turk Street at a future date.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (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

Tenderloin Neighborhood Development Corporation sponsored an application to the Mayor's Office of Housing and Community Development (MOHCD) for financing to cover the acquisition and rehabilitation of 270 Turk Street, an 86 unit multi-family rental housing building. According to the MOHCD Loan Committee Evaluation Report, 270 Turk Street was purchased by 270 Turk GP, LLC on March 19, 2019 for $19,000,000.[1] The property was purchased through San Francisco Housing Accelerator Fund financing, allowing the purchaser to quickly acquire the building and take it off the market with the goal of preventing displacement of the building's low-income residents. The Tenderloin Neighborhood Development Corporation's request for MOHCD financing is to (a) repay the Housing Accelerator Fund loan and accrued interest, (b) reimburse the Tenderloin Neighborhood Development Corporation for its working capital contribution, (c) cover the costs associated with executing permanent financing, (d) capitalize reserves and (e) pay the developer fee.

270 Turk Street Overview

270 Turk Street, built in 1927, is located between Leavenworth and Jones Street in the Tenderloin neighborhood. Table 1 provides an overview of the building's features.

Table 1. 270 Turk Street Building Characteristics

Square Feet	Approximately 47,000 square feet
Floors	10
Units	86 studio units
Current Tenant Area Median Income (AMI)	Ranges from 15% to 134% AMI
Rehabilitation Prior to Purchase	2017: Elevator upgrade; partial exterior painting 2018: Roof replacement; rehabilitation of 22 units

Source: MOHCD

Following acquisition in 2019 by 270 Turk GP, LLC, the Project Team determined that priority areas for additional rehabilitation included: 1) Addressing extensive mold issues in a majority of the residential units; 2) Updating the fire alarm system to meet SF Fire Department 2021 Code and expanding the fire sprinkler system to all building areas; 3) Addressing issues in 5 units

[1] 270 Turk GP, LLC is solely owned by O'Farrell Senior Housing, Inc. an affiliate of Tenderloin Neighborhood Development Corporation.

deemed uninhabitable through kitchen, bathroom, and flooring replacements; 4) Spot replacement of windows, paint, and flooring, and miscellaneous repairs to units as they became vacant and issues were identified.

According to the rehabilitation timeline provided by MOHCD, the construction on the property is estimated to be completed by the end of July 2020.

Project Selection

MOHCD provides financing through rolling applications to the 2019 Small Sites Notice of Funding Availability (NOFA) and 2018 Downtown Neighborhoods Preservation Fund NOFA. Loans provided through these programs help with acquisition and rehabilitation of multi-family rental housing to maintain its affordability for low- to moderate-income tenants.

According to Ms. Caroline McCormack, Project Manager for MOHCD, 270 Turk Street was submitted for consideration under the Downtown Neighborhoods Preservation Fund program NOFA in November 2018 by the Tenderloin Neighborhood Development Corporation. This project met threshold eligibility requirements and was therefore determined to be an eligible project. MOHCD received one other application for this program which was also funded. Ms. McCormack notes that while the project was submitted under the Downtown Neighborhoods Preservation Fund program NOFA, it also meets the eligibility requirements for the Small Sites Program and could therefore receive funding through either the Small Sites Program or Downtown Neighborhoods Preservation Fund.

Funding Sources

MOHCD proposes using a variety of city funding sources for the permanent financing of 270 Turk Street. The project will receive funding through the Preservation and Seismic Safety and the Small Sites Program or Downtown Neighborhood Preservation Fund. According to Ms. McCormack, MOHCD needs flexibility as to whether it uses the Small Sites Program or Downtown Neighborhoods Preservation Fund to assist in funding this loan. The original source of funding for the project was intended to be the Downtown Neighborhood Preservation Fund. However, MOHCD is waiting on the sale of the Oceanwide Center and collection of related fees to fund the Downtown Neighborhood Preservation Fund to support for this project. The sale is currently stalled and if it does not go through MOHCD will utilize funds from the Small Sites Program, which is supported by Education Revenue Augmentation Fund (ERAF) funds.

Below is a description of the funding sources that MOHCD may utilize for financing loans for this project.

Preservation and Seismic Safety Program

The Preservation and Seismic Safety Program authorizes the City, through MOHCD, to utilize a portion of the proceeds from the 2016 General Obligation Bond (Series 2019A) for the preservation of affordable housing. Loan funds distributed under this program carry the following affordability restrictions: restrict all units to households earning no more than 120 percent of AMI at turnover and require that the project's combined average household incomes are no higher than 80 percent of AMI. The proposed loan agreement utilizes a mix of Preservation and

Seismic Safety Market Rate, Below Market Rate, and Deferred loans. The Below Market Rate and Deferred Loans, which have an interest rate that is at least one-third of the true interest cost, require that the affordability restrictions be permanent.

Downtown Neighborhoods Preservation Fund

Downtown Neighborhoods Preservation Fund, established by the Board of Supervisors on June 26, 2016 through Ordinance 137-16, authorized up to $40 million in funding from fees paid through the Jobs-Housing Linkage Program (Section 413) and the Inclusionary Affordable Housing Program (Section 415) of the San Francisco Planning Code to be used for the acquisition and rehabilitation of existing housing. The program requires that the housing be within a one-mile radius of the Oceanwide Center at 50 First Street. Funds dispersed under this program target low- and moderate-income tenants and may serve tenants with household income up to a maximum of 120 percent AMI as long as the building-wide average does not exceed 80 percent AMI. This funding streams places a maximum $250,000 City subsidy per unit.

Small Sites Program

The Small Sites Program, established on July 18, 2014 by the Citywide Affordable Housing Loan Committee for the purpose of stabilizing San Francisco's existing rental housing stock of buildings occupied by low- to moderate-income tenants who are vulnerable to displacement. This program is intended to provide funding for buildings with 5-25 units; however, according to Ms. McCormack, the program does not exclude buildings with more than 25 units. Over the lifetime of the project, a building should maintain affordability through an average of tenants with household income at no more than 80 percent of AMI. This funding stream also places a maximum $300,000 City subsidy per unit for buildings with 10-25 units. According to program guidelines this may be exceeded on a case-by-case basis, as is the case with this project.

Education Revenue Augmentation Fund (ERAF)

Excess ERAF revenues received by the City are appropriated to the Affordable Housing Production and Preservation Fund, which was established by the Board of Supervisors on June 21, 2019 through Ordinance 112-19 (File 19-0438). The ERAF Affordable Housing Production and Preservation Fund funds the land acquisition and production of new 100 percent affordable housing projects along with acquisition and preservation of existing housing to make that housing permanently affordable. The proposed resolution allows MOHCD to use excess ERAF funds as a funding source. According to MOHCD, the Department intends to use Downtown Neighborhood Preservation Funds as a source, but will use excess ERAF funds if the Downtown Neighborhood Preservation Funds are not available; in that instance, MOHCD will use FY 2019-20 excess ERAF funds but not FY 2018-19 excess ERAF funds that were designated for small sites of 25 units or less.

Ground Lease

To preserve affordability long term, the City typically ground leases a City-owned property to a non-profit entity to develop, maintain, and manage the site. Under the Small Sites and Downtown Neighborhoods Preservation Fund Programs, the City provides permanent financing for the acquisition and rehabilitation of sites that are not owned by the City. According to Ms.

McCormack, the Small Sites and Downtown Neighborhoods Programs must compete with profit-motivated developers to remove properties from the speculative real estate market, so the City uses a public-private partnership model designed to execute transactions quickly.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve a loan amount not to exceed $31,780,000 for the acquisition, rehabilitation, or permanent financing of 270 Turk Street and (2) affirm the Planning Department's determination that this project is consistent with the General Plan. The purpose of the loan is to provide permanent financing for the acquisition and rehabilitation loan for 270 Turk Street, an 86 unit multi-family residential rental housing building, and maintain its affordability for low- to moderate-income households.

By approving the proposed resolution, the Board of Supervisors is approving the (1) the Planning Department's determination that the proposed loan is not a project under the California Environmental Quality Act (CEQA), (2) the loan documents, including the Draft Loan Agreement and related documents, and (3) future actions by the City to protect the City's financial investment and retain affordability of the housing, which could include purchase or deed acceptance in lieu of foreclosure.

According to the Draft Loan Agreement between MOHCD and 270 Turk GP, LLC, the sources of loan funds up to $31,870,000 are:

Preservation and Seismic Safety	
Below Market Rate	$4,407,346
Market Rate	6,820,024
Deferred	716,640
Subtotal Preservation and Seismic Safety	11,944,010
Small Sites Acquisition/ Downtown Preservation	19,870,000
Total	$31,814,010

According to the proposed resolution, the loans will be funded through a combination of funds that include the Small Sites Program (ERAF funds) or The Downtown Neighborhoods Preservation Fund and Preservation and Seismic Safety Program loans.

Tenant Income Restrictions

According to the Draft Loan Agreement, the project proposes imposing two possible scenarios – A and B, presented below — for maintaining affordability of the building for tenants who are low- to moderate-income. After the agreement date, rent for the units that are vacant shall be set to achieve a mix of tenants at the following AMIs.

Scenario A

Scenario A includes 24 units that are set aside for a Step Up Housing Program for individuals who are formerly homeless and receive subsidies through the Department of Homelessness and Supportive Housing. According to Ms. McCormack, MOHCD and the Department of

Homelessness and Supportive Housing prefer Scenario A but are waiting on the execution of a program contract between the Department of Homelessness and Supportive Housing and Tenderloin Neighborhood Development Corporation.

Number of Units	Median Income (Percentage)
24	30%
26	50%
10	60%
10	72%
15	80%

If the Department of Homelessness and Supportive Housing subsidies are reduced or no longer available for the units with household income at 30 percent AMI, rent for these units can be increased as needed to make the Project financially feasible (as approved by MOHCD) for households with income up to 120 percent AMI, which is in line with the current Small Sites underwriting guidelines regarding income restrictions.

Scenario B

Under this scenario, rents will be set for vacant units in order to bring the combined average for rent across all units as close as possible to the amount calculated for households with income from 30 percent to 80 percent AMI and no more than 120 percent AMI; this is consistent with the standard Small Sites Program income restrictions.

Option to Purchase

The Budget and Finance Committee amended the resolution in the July 29, 2020 meeting, to add a "whereas" clause stating the "The City and the Borrower, 270 Turk GP, LLC, have agreed to enter into a purchase option agreement prior to or concurrent with execution of the Loan Agreement, providing the City with an option and right of first refusal to acquire the Project upon any proposed transfer of the Property, among other certain events".

FISCAL IMPACT

Table 2 below summarizes the sources and uses of the proposed funding for the permanent financing of the acquisition and rehabilitation loan for 270 Turk Street. Similar to the two scenarios presented above for tenant income restrictions, there are two corresponding scenarios for the total cost of the loan, A and B. Scenario A, which includes Department of Homelessness and Supportive Housing subsidies, is slightly higher because of higher operating reserve costs, which are associated with higher costs for operating the building with supportive services.

In scenario A, because of the operating subsidy provided by the Department of Homelessness and Supportive Housing, the project supports more Preservation and Seismic Safety Program permanent debt, which is why less Small Sites or Downtown Neighborhoods subsidy is required. In scenario B, the project supports less Preservation and Seismic Safety Program debt and therefore requires more subsidy.

Table 2. Sources and Uses of Funds for Proposed Permanent Financing for 270 Turk Street

SOURCES	Scenario A	Scenario A Cost per Unit	Scenario B	Scenario B Cost per Unit
MOHCD – SSP or DNPF	$16,838,204	$195,793	$19,870,327	$231,050
MOHCD – PASS*	$11,944,000	$138,884	$8,840,000	$102,791
Subtotal City Sources	$28,782,204	$334,677	$28,710,327	$333,841
Tenant Income during Operations	$238,551	$2,774	$238,551	$2,774
Total All Sources	$29,020,755	$337,451	$28,948,878	$336,615
USES				
Acquisition Costs**	$26,597,851	$309,277	$26,651,940	$309,906
Soft Costs***	$725,862	$8,440	$740,075	$8,606
Reserves	$757,042	$8,803	$616,864	$7,173
Developer Costs	$940,000	$10,930	$940,000	$10,930
Total Uses	$29,020,755	$337,451	$28,948,878	$336,615

Source: MOHCD
*This includes all three Preservation and Seismic Safety (PASS) Program Loans at Market Rate, Below Market Rate, and Deferred.
**Acquisition Costs include the costs of acquisition, rehabilitation, and interest accrued.
***Soft costs include engineering and environmental studies, financing costs, legal costs, and soft cost contingency.

Sources of Funds

- *Small Sites Program / Downtown Neighborhood Preservation Fund:* This funding source is estimated to be approximately $16.8 to $19.9 million depending on the Scenario. This will be a 40-year loan accruing 3 percent interest annually. Payments on the loan are due annually in an amount equal to two-thirds of the residual receipts. The remaining balance on the loan with all accrued and unpaid interest and unpaid costs and fees will be due at 40 years. 270 Turk GP, LLC's obligation to pay interest annually is contingent on availability of residual receipts; any interest not paid as of each payment date due to lack of residual receipts will be forgiven and will not accrue.
- *Preservation and Seismic Safety Program:* Funding through this program will account for approximately $8.8 to $11.9 million depending on the Scenario. This source is comprised of three different loans a) Market Rate with an interest rate of 5.16725 percent per year, b) Below Market Rate with an interest rate of 1.38908 percent per year and c) Deferred with an interest rate of 1.38908 percent per year. Each of these loans is over 40 years. The Market Rate and Below Market Rate loans are to be paid in monthly installments; the remaining balance, with all accrued and unpaid interest and unpaid fees and costs incurred will be due at 40 years. The Deferred loan is due in full including all interest and unpaid fees and costs incurred at 40 years.
- *Tenant Income:* A small amount of funding, estimated at $238,551, will come from tenant income from current operations.

Uses of Funds

Acquisition costs noted in Table 2 above range from $26,597,851 (Scenario A) to $26,651,940 (Scenario B), including:

- $19,000,000 for the March 2019 purchase by Turk 270 GP, LLC, funded by a loan from the Housing Accelerator Fund. According to an appraisal obtained by the Housing Accelerator Fund in June 2020, the purchase price of $19,000,000 is at or below the current market price.
- Approximately $3,501,607 in soft costs including accrued interest on the Housing Accelerator Fund loan, project due diligence costs, and other transaction costs associated with the acquisition and rehabilitation of the Project.
- Approximately $4,841,688 for the rehabilitation completed between March 2019 and July 2020, including mold removal, updating the fire system, rehabilitating five units, and performing spot updates to windows, floors, and paint.

Total City Subsidy per Housing Unit

The total per housing unit City subsidy is estimated at $334,677 for funding in Scenario A and $333,841 in Scenario B, as shown in Table 3 below.

Table 3: City Subsidy for Affordable Housing Units

	Scenario A	*Scenario B*
Number of units	86	86
Total Residential Area (Sq. Ft.)	47,000	47,000
Total City Cost	$28,782,204	$28,710,327
City Cost per Unit	$334,677	$333,841
City Subsidy per Sq. Ft.	$612	$611

Source: MOHCD

Operating Revenues and Expenses

According to the 20-year cash flow analysis for 270 Turk Street, the project will have sufficient revenues to cover operating expenses, operating reserves, hard debt, management fees, and payments to the proposed MOHCD loans. Project revenues consist of tenant rents and in the case of Scenario A revenue includes supportive services income.

POLICY CONSIDERATION

Not to Exceed Cost

The Draft Loan Agreement provides for a loan amount not-to-exceed $31,870,000, which is $3,087,796 to $3,159,673 more than estimated loan amounts under Scenario A ($28,782,204) and Scenario B ($28,710,327) shown in Table 2 above. According to Ms. McCormack, MOHCD is requesting loan authorization exceeding the actual loan amount because the project budget is still being finalized and additional flexibility in the total amount is needed.

RECOMMENDATION

Approve the proposed resolution.

Item 3 Files 20-0767	Department: San Francisco Municipal Transportation Agency

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a new contract between the San Francisco Municipal Transportation Agency (SFMTA) and Cubic Transportation Systems, Inc. (Cubic) for developing, implementing and maintaining a Next Generation Customer Information System for Muni in an amount not to exceed $88,980,877, for an initial term of six years with two optional five-year terms to cover software subscriptions and equipment lifecycle maintenance. The proposed resolution requires Board of Supervisors approval for each five-year option to extend.

Key Points

- SFMTA had a prior contract with Cubic (previously known as Next Bus) for the Muni Customer Information System (or Automated Vehicle Location System). According to SFMTA, core components of the Next Bus information technology and signage systems currently installed at Muni bus and station stops will no longer be available from equipment suppliers. SFMTA selected Cubic, the existing contractor, to implement the replacement system following a competitive solicitation.
- The contract is structured into two major phases. In Phase I, Cubic, Inc. will carry out a one-for-one replacement of existing signs at transit stops, plus some limited expansion the number of displays at transit stops. In addition, Cubic will install the core components and infrastructure of the Next Generation System and the signage and communication system of the Central Subway. SFMTA is obligated under the terms of the contract to purchase all system component and supportive services that are outlined in Phase I. Phase II will involve installation of additional signs, enhancements to software, installation of the Analytic Platform, additional cross-system functional integration, and overall improvements in real-time communication of route and service status, and alternative routes. Phase II work will be performed solely at SFMTA discretion

Fiscal Impact

- The capital budget for this contract is $25.4 million and the operating budget for the initial six-year contract term is $16.1 million, totaling $41.5 million in the first six years. The total contract amount, including contingencies, is approximately $89 million. Capital costs of $25.4 million will be paid from the Agency's fund balance, which was $448.8 million as of June 30, 2020. The operating costs will be paid for from SFMTA's operating budget. In the FY 2020-21 – FY 2021-22 budget under consideration by the Board of Supervisors, the operating cost of the proposed contract is expected to be $2.4 million. Following that, according to the cash flow analysis provided by SFMTA, annual operating costs are expected to be $3.0 - $3.1 million through FY 2025-26.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (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

In 2002, the San Francisco Municipal Transportation Agency (SFMTA) and Next Bus, now a subsidiary of Cubic Transportation Systems, Inc. (Cubic), entered into a contract for Next Bus to provide the City with an Automatic Vehicle Location System. This system provides real-time vehicle location and expected arrival time information to SFMTA management and Municipal Railway (Muni) riders.

In 2013, SFMTA entered into a new four-year contract with Next Bus for software and equipment maintenance services for the not-to-exceed amount of $7,890,220 from August 1, 2013 through July 31, 2017. In July 2017, the Board of Supervisors approved the third amendment to the contract, which increased the contract amount to $12,968,676 and extended the contract for one year with an option to extend by an additional year, though July 31, 2019 (File 17-0509). In 2019 and 2020, SFMTA renewed the annual support and maintenance renewal for Next Bus by Cubic under Admin Code 21.30 which provides for extending contracts for proprietary software. These contract extensions were necessary to keep the current Customer Information System running until SFMTA was ready to transition to the Next Generation Customer Information System, which was is in the midst of the procurement process. [1]

Vendor Selection

According to SFMTA, core components of the Next Bus information technology and signage systems currently installed at Muni bus and station stops will no longer be available from equipment suppliers. On September 4, 2018, the SFMTA Board of Directors authorized the SFMTA to issue a Request for Proposals for SFMTA Contract No. 2019-01: Next Generation Customer Information System (Contract), The SFMTA received six proposals in response to the Request for Proposals, which were evaluated by SFMTA and Metropolitan Transportation Commission staff, and on July 1, 2019, the SFMTA issued a notice of intent to negotiate the Contract to Cubic Transportation Systems, Inc., which had the highest scoring proposal.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new contract between the SFMTA and Cubic Transportation Systems, Inc. (Cubic) for developing, implementing and maintaining a Next

[1] Cubic has proprietary rights to NextBus software, equipment and all related services. SFMTA Procurement determined that Cubic was to be treated as a sole source for the purpose of any contract requirement included in the municipal code.

Generation Customer Information System for Muni in an amount not to exceed $88,980,877, for an initial term of six years with two optional five-year terms to cover software subscriptions and equipment lifecycle maintenance. The proposed resolution requires Board of Supervisors approval for each five-year option to extend.

Services Provided

The proposed contract with Cubic is for licensing, operations, and maintenance of software and equipment and consists of the following five elements: system software, stationary digital signs, on-board digital sign software, mobile app & website, and an analytics tool.

Features the SFMTA will receive as part of the part of the comprehensive IT and communications system upgrade includes new kiosk digital signage system. This will provide a significant larger sign display showing maps of current vehicle locations and arrival times, system-wide maps of vehicle locations, and suggestions for alternative routes in the event of unanticipated service delays, with real time vehicle positions. The system will also provide an app-based real time update on arrival times, real-time update on changes in service status; a trip planner features such as point-to-point directions and transfer instructions, estimates of total trip time, "all-in-one" mobile ticketing app; improved two-way communication with Muni users via phone notification, communication of changes in service status; increased predicative accuracy of arrival times and time to destination; suggested trip and travel itineraries; and information on alternative routes in the event of longer than anticipated wait times to service disruptions and congestion-related arrival delays. The Local Business Entity subcontracting participation requirement for the proposed contract is ten percent.

Project Phasing

The contract is structured into two major phases. In Phase I, Cubic, Inc. will carry out a one-for-one replacement of existing signs at transit stops, plus some limited expansion the number of displays at transit stops. In addition, Cubic will install the core components and infrastructure of the Next Generation System and the signage and communication system of the Central Subway. MTA is obligated under the terms of the contract to purchase all system component and supportive services that are outlined in Phase I.

Phase II will involve installation of additional signs, enhancements to software, installation of the Analytic Platform, additional cross-system functional integration, and overall improvements in real-time communication of route and service status, and alternative routes. Phase II work will be performed solely at MTA discretion.

Contract Monitoring

Appendix H of the proposed contract outlines a timeline for the build-out and implementation of the various components and functional features of the Next Generation System Cubic is expected to deliver over Phase I. The contract also has a detailed specification of benchmarks, and the dates at which certain components are expected to be delivered. Appendix G-1 further details contractor performance measures and liquidated damages if performance measures are not met. The SFMTA project team will be responsible for monitoring and reporting performance. They will evaluate performance metrics on a six-months basis to determine vendor compliance and work with the vendor to improve performance as necessary.

FISCAL IMPACT

Exhibit 1 shows the contract capital and operating budgets in the initial six-year contract term and two five-year options. The total not-to-exceed contract budget over sixteen years is projected to cost $88,90,877, which includes the ten percent contingency.

Exhibit 1: Contract Budget

	Total Capital Budget	Operating Budget Initial 6-Year Term	First 5-Year Option	Second 5-Year Option	Total Operating	Total
Base System	$18,750,552	$12,621,722	$17,819,238	$19,050,012	$49,490,972	$68,241,524
Options	4,371,844	1,978,796	2,921,688	3,377,855	8,278,339	12,650,183
Subtotal	23,122,396	14,600,517	20,740,926	22,427,867	57,769,310	80,891,706
10% Contingency	2,312,240	1,460,052	2,074,093	2,242,787	5,776,931	8,089,171
Total Cost	**$25,434,636**	**$16,060,569**	**$22,815,018**	**$24,670,654**	**$63,546,241**	**$88,980,877**

Source: SFMTA

Note: The capital budget of $25.4 million includes Phase 1 ($15.5 million) and Phase 2 ($9.9 million)

As shown in Exhibit 1, the operating budget is expected to increase at year seven by $6,754,449 or 42 percent, from $16,060,569 to $22,815,018. This reflects the fact that implementation and scaling the operation of various components of system will take place over time.[2] At year seven, all ongoing licensing and servicing costs will be billed at rates corresponding to a fully functioning system.

Sources of Funds

According SFMTA, the $25.4 million of capital costs will be paid for using the Agency's fund balance. According to the Budget Outlook Update for FY 2019-20 to FY 2023-24, the SFMTA projected fund balance as of June 30, 2020 is $448.8 million, of which $65.7 million was previously appropriated by the Board of Supervisors in the FY 2020-21 budget.

The operating costs will be paid for from SFMTA's operating budget. In the FY 2020-21 – FY 2021-22 budget under consideration by the Board of Supervisors, the operating cost of the proposed contract is expected to be $2.4 million. Following that, according to the cash flow analysis provided by SFMTA, annual operating costs are expected to be $3.0 - $3.1 million through FY 2025-26 (assuming all optional system enhancement are included).

POLICY CONSIDERATION

SFMTA believes that the $25 million in one-time capital funds will help lay the foundation for long-term SFMTA recovery and growth. A part of the effort to establish the rationale for funding the Next Generation system, MTA conducted survey research on actual or potential transit users

[2] In FY 2021-22, operating costs are expected to be $2.2 million, following that, annual operating costs are expected to be $3.0 - $3.1 million.

to determine the degree to which better real-time information could improve confidence in Muni, and bring back riders during the COVID-19 crisis and recovery period. MTA also sought to determine whether better signage displays and more comprehensive, up-to-date information arrival times, travel speeds, estimated time to destination point, and most criticality, the ability suggest alternative routes in the event of unplanned service delays, would favor greater adoption of public transit

SFMTA reports that between 80 and 85 percent of survey respondents stated they would continue to use Muni in the face of a 20-minute wait provided they were presented with an alternative route within 3 blocks that had a shorter wait. There were some minor variants by respondent income, all falling within a range of 5 percent. The percentage of respondent stating they would continue to opt for Muni in the face of a 20 minute wait reported on the current Next Bus display system, but without any information provided an alternative route with shorter waits, ranged for 58 of the lowest income category of respondent to 22 percent for persons in the higher income bracket.[3] SFMTA asserts this as evidence that installation of the Next Generation system is necessary to bring riders back to the Muni system. SFMTA has also pointed to the ability of the Next Generation technological platform to provide information vehicle crowding to allow users to determine whether to board, or wait for the next arrival – a feature that is touted to address user concurs over exposure to COVID-19 on overcrowded, densely packed light rail vehicles and buses.

MTA believes this will lead to perceptions of greater reliably, higher quality of communication real-time information that will allow users of the public transportation system to plan trip itineraries, and make adjustments in response to disruption in service status, bus overcrowding, and delays due to traffic congestion. SFMTA asserts that the ability to display suggested alternative routes at kiosk display signs in the event of longer-than expected arrival delays will lead more current residents to opt for Muni over other modes of potential transportation – in particular, the use of TNCs.

RECOMMENDATION

Approve the proposed resolution.

Item 8 **File 20-0897**	**Department:** Human Services Agency

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution is to retroactively approve the expedited grant agreement amendment between the San Francisco Human Services Agency (HSA) and Self-Help for the Elderly for the administration of nutrition programs to: a) extend the agreement end-date from June 30, 2020 to December 31, 2020, and b) to increase the grant amount by $1,872,168, for a total not to exceed amount of $11,564,733.

Key Points

- On January 1, 2017, HSA issued a request for proposals for the provision of nutrition services to seniors and adults with disabilities. Following a competitive process, the San Francisco-based non-profit Self-Help for the Elderly was awarded a grant to provide congregate and home-based nutrition services for the elderly and people living with disabilities in San Francisco, effective July 1, 2017 to June 30, 2020.
- HSA amended the grant agreement with Self Help for the Elderly to increase the grant agreement amount by $1,872,168 and extend the term to December 31, 2020 as authorized by the City's Controller's policy allowing departments to modify agreements existing as of May 11, 2020. Under the policy adopted by the Controller's Office, City Departments may extend existing grant agreements up to six months but no later than December 31, 2020, without requiring a competitive solicitation or commission approval.

Fiscal Impact

- This agreement provides nutrition services to enrolled consumers, for a suggested contribution, but is funded primarily by the General Fund and by Federal funding sources.
- To comply with social distancing guidelines, the proposed amendment reduces the service units the Choosing Healthy Appetizing Meal Plan Solution for Seniors (CHAMPSS) by more than 50 percent and increases the number of unduplicated consumers receiving home delivered meals by more than double the amount compared to the first six months of FY 2019-20.
- Actual and proposed expenditures total $11,318,142, which is $246,591 less than the grant agreement amount of $11,564,733.

Recommendations

- Amend the proposed resolution to reduce the not-to-exceed amount by $246,591, from $11,564,733 to $11,318,142.
- Approve the resolution as amended.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (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

On January 1, 2017, the San Francisco Human Services Agency (HSA) issued a Request for Proposals (RFP #715) for the provision of nutrition services to seniors and adults with disabilities. Following the competitive application process, the San Francisco-based non-profit Self-Help for the Elderly was awarded a portion of the funding available for nutrition services as administered by the HSA, effective July 1, 2017 to June 30, 2020.

Self-Help for the Elderly started serving seniors in San Francisco's Chinatown community in 1966.[1] Today, this non-profit organization provides a range of services to predominately low-income, minority, and the elderly throughout the San Francisco Bay Area.

<u>Amendment History</u>

Under the original July 1, 2017 agreement between HSA and Self-Help for the Elderly, grant funds were not to exceed $8,275,212 plus a contingency of $827,521, with a maximum amount not to exceed $9,102,733. The grant agreement's original term was from July 1, 2017 to June 30, 2020, with the City having the option to extend the term by one year, for a total of four years, subject to annual availability of funds, annual satisfactory contractor performance, and need.

On October 4, 2017, the first amendment to this agreement was made, increasing the agreement amount by $207,712 for a new maximum not to exceed amount of $9,310,445 from the original maximum not to exceed amount of $9,102,733.

On December 5, 2018, the second amendment to this agreement was made, increasing the agreement amount by $568,612 for a new maximum not to exceed amount of $9,879,057 from the original maximum not to exceed amount of $9,310,445.

COVID-19 Expedited Grant Amendment

As a part of the City's COVID-19 emergency response, on May 11, 2020, Mayor London Breed issued a Thirteenth Supplement to an Emergency Proclamation (originally dated February 25, 2020) that authorized the City's Controller to adopt a policy allowing departments to modify agreements existing as of May 11, 2020. Under the policy adopted by the Controller's Office, City Departments may extend existing grant agreements up to six months but no later than December 31, 2020, without requiring a competitive solicitation or commission approval. As authorized by those actions, HSA amended the grant agreement with Self Help for the Elderly to increase the grant agreement amount by $1,872,168 and extend the term to December 31, 2020. This

[1] https://www.selfhelpelderly.org/about-us

proposed amendment was not the product of a competitive solicitation and was not submitted to the HSA Disability and Aging Services Commission.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution retroactively approves an expedited grant agreement amendment between HSA and Self-Help for the Elderly to: a) extend the agreement end-date from June 30,2020 to December 31, 2020, and b) to increase the grant amount by $1,872,168, for a total not to exceed amount of $11,564,733.

According to Ms. Rocio Duenas, HSA Senior Contract Manager, the Department's plan was to renew this contract prior to its expiration on June 30, 2020. After the emergency declaration, due to staffing constraints, the Department decided to utilize the COVID expedited six-month extension in order to avoid an interruption in services but was not able to submit the proposed amendment for Board of Supervisors review prior to the end of the existing grant term.

<u>Services Provided</u>

The purpose of this grant is to provide congregate[2] and home-delivered nutrition programs for both qualified older adults (age 60 or older) and for adults living with a disability (age 18-59) in the City and County of San Francisco. Program performance monitoring and evaluation is built into the grant to ensure compliance with local and state regulations (5 & 6 below).

Under this grant, Self-Help for the Elderly provides six programs and one sub-service:

1) Adults with Disabilities Congregate Meals
2) Adults with Disabilities Home-Delivered Meals
3) Elderly Nutrition Program Congregate Meals
    a. Choosing Healthy Appetizing Meal Plan Solution for Seniors (CHAMPSS)[3]
4) Elderly Nutrition Program Home-Delivered Meals
5) Elderly Nutrition Program Congregate Meal Nutrition & Compliance
6) Elderly Nutrition Program Home-Delivered Meal Nutrition & Compliance

The Meal Nutrition & Compliance Programs ensure that meals being provided in the congregate and home-delivery setting meet local and state nutrition and food regulations. This component of the grant also provides consumers nutrition education, individualized counseling, kitchen, site and route monitoring.

<u>COVID-Related Changes to Congregate Meal Operations</u>

Shortly after the shelter-in-place health order in March, Self-Help pivoted their congregate meal program to delivery only and focused on serving their clients who relied on them as a primary source for daily nutrition. March through June congregate meals were taken to a consumer's house by a Self-Help employee or volunteer. This delivery service for the congregate meal program continued through the end of the fiscal year. Starting in July, Self-Help transitioned the

[2] A program that provides nutrition services in a group setting with an opportunity to socialize with other participants.

[3] Within the congregate nutrition program, CHAMPSS provides eligible participants with a meal at participating restaurants in the City. The meal meets the same nutritional standards as a congregate meal.

congregate meal program to a meal pick-up/take away meal service whereby clients come to a congregate meal site and pick up meals. Currently, there is no dining on site.

Performance Monitoring

In addition to the grant's built-in performance evaluation, City staff conduct annual site visits and contract monitoring, as required by federal, state, and local regulations and based on the Office of Community Partnerships' (OCP) Standards for Program Operation.

HSA provided to the BLA a report from site visits conducted by City staff on June 10, 11 & 12, 2019 showing that the Self-Help for the Elderly is meeting program quality and service delivery standards, with several technical recommendations to the provider. The HSA report also found that the results from the annual consumer satisfaction survey showed that consumers are very satisfied with the programs and services.

FISCAL IMPACT

This agreement provides nutrition services to enrolled consumers, for a suggested contribution.

As depicted in Table 1, the agreement is funded primarily by the City's General Fund. The federal and state funding is from the Older Americans Act (Area Plan) funds through California Department of Aging (CDA).

Table 1. Budgeted Funding Sources for Self-Help for the Elderly Nutrition Services Agreement

	State	Federal	General Fund	Total
FY 2017-18		673,689	2,334,388	3,008,077
FY 2018-19		1,160,368	2,089,373	3,249,741
FY 2019-20	87,865	1,533,496	1,813,386	3,434,747
FY 20-21 Proposed		1,316,283	385,688	1,701,971
Total [a]	87,865	4,683,836	6,622,835	11,394,536

Source: Human Services Agency

[a] Does not include contingency amount for FY 2017-18 through FY 2019-20.

Table 2 shows the actual expenditures FY 2017-18 through FY 2019-20, as well as the requested budget for the first six months of FY 2020-21.

Table 2. Expenditures to Date for Self-Help for the Elderly Agreement

Actual Expenditures	
FY 2017-18	$2,879,422
FY 2018-19	3,138,864
FY 2019-20	3,427,688
Total Actual	$9,445,974
Budgeted Expenditures	
FY 2020-21 (6 months)	$1,701,971
Contingency (10%)	170,197
Total Budget	$1,872,168
Total Grant Agreement Amount	$11,318,142

Source: Human Services Agency

Actual expenditures through FY 2019-20 and budgeted expenditures in the first six months of FY 2020-21 total $11,318,142, which is $246,591 less than the proposed grant agreement amount of $11,564,733. Therefore, the proposed resolution should be amended to reduce the not-to-exceed amount by $246,591, from $11,564,733 to $11,318,142.

Table 3 shows that the proposed amendment reduces the Choosing Healthy Appetizing Meal Plan Solution for Seniors (CHAMPSS) by more than 50 percent and increases the number of unduplicated consumers receiving home delivered meals by double the amount compared to the first six months of FY 2019-20. According to Ms. Rocio Duenas, HSA Senior Contract Manager, funding has been reallocated in order to deliver more meals to consumers in light of social distancing guidance to reduce the spread of COVID-19.

Table 3. Annual Units of Service provided by Self-Help for the Elderly

	FY 2017-18	FY 18-19	FY 2019-20	Proposed Six-Month Extension
Congregate Nutrition Program for the Elderly				
Unduplicated Consumers	5,055	5,055	5,055	2,527
Meals	232,050	231,900	268,757	132,000
CHAMPSS				
Unduplicated Consumers	3,800	3,800	3,800	800
Meals	58,568	58,668	29,196	10,834
Home-Delivered Nutrition Program for the Elderly				
Unduplicated Consumers	299	328	364	365
Meals	70,791	77,113	84,663	46,680
Congregate Nutrition for Adults with Disabilities				
Unduplicated Consumers	14	14	14	7
Meals	3,433	3,439	4,640	1,719
Home-Delivered Nutrition Program for Adults with Disabilities				
Unduplicated Consumers	158	158	158	140
Meals	51,517	51,478	46,514	24,420

Source: Appendices B to Proposed Grant Amendment

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the not-to-exceed amount by $246,591, from $11,564,733 to $11,318,142.
2. Approve the resolution as amended.

Item 9 File 20-0898	Department: Human Services Agency

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution retroactively approves an expedited fourth grant amendment between the Human Services Agency and Meals on Wheels in San Francisco for the administration of nutrition programs, extending the grant agreement to from July 1, 2020 to December 31, 2020, and increasing the grant amount by $2,946,695 for a total not to exceed amount of $29,174,263.

Key Points

- After a competitive solicitation, in June 2017, HSA's Aging and Adult Services Commission approved the original agreement with Meals on Wheels San Francisco for the 3-year period of July 1, 2017 through June 30, 2020. Per the Mayor's Thirteenth Supplemental Declaration of a Local Emergency, the Controller's Office developed a policy that allows City Departments to extend existing grant agreements up to six months but no later than December 31, 2020, without requiring a competitive solicitation or commission approval, as is the case with this requested amendment.
- The additional $2,946,695 would support extend funding for three existing programs for the six-month period from July 2020 through December 2020: Emergency Home Delivered Meals program, Home Delivered Meals (Elderly Nutrition) program, including Nutrition Compliance-Quality Assurance Services, and Home Delivered Meals for Adults with Disabilities

Fiscal Impact

- Of the $4,631,853 budgeted for the period of July 1, 2020 to December 31, 2020, approximately 72.5 percent of the budget comes from the General Fund and approximately 27.5 percent comes from state and federal sources.
- To pay for the anticipated $4.6 million in services for this six-month extension period, HSA will use the remaining $2.2 million in unused Meals on Wheels contract authority plus the requested $2.9 million in additional contract authority, which total $5,131,080 or $499,228 more than the requested budget for these programs

Recommendations

- Amend the proposed resolution to reduce the requested not-to-exceed amount by $499,228, or from $2,946,695 to $2,447,467.
- Approve the proposed resolution, as amended.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (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

Meals on Wheels

Meals on Wheels of San Francisco, a non-profit organization, served an estimated 4,300 clients in 2019 and delivered an estimated 2.2 million meals in San Francisco.[1] In addition to home-delivered meals, Meals on Wheels also provides wellness checks, nutrition counseling services, home-delivered groceries and minor home repairs, among other services.[2]

Contract History

The Human Services Agency (HSA) administers nutrition services to increase availability and accessibility of meal services to eligible residents in underserved areas within the City and County of San Francisco. In January 2017, HSA issued Request for Proposals (RFP) 715 for these services within seven separate service categories.[3] In response to this RFP, HSA received proposals from 18 unique agencies. Meals on Wheels submitted proposals for three service categories: Home-Delivered Meals and Nutrition Compliance (Elderly Nutrition), Home-Delivered Meals (Adults with Disabilities), and Emergency Home-Delivered Meals. Proposals were assessed by a panel of nutrition experts and an intake supervisor from HSA, and were scored based on organizational capacity, service design, program approach and fiscal capacity.[4] Meals on Wheels scored first out of eight proposals within the category of Home-Delivered Meals and Nutrition Compliance (Elderly Nutrition), second out of five proposals within the category of Home-Delivered Meals (Adults with Disabilities), and 1 out of 1 in the category of Emergency Home Delivered Meals.[5]

On June 7, 2017, the Aging and Adult Services Commission approved the initial grant agreement with Meals and Wheels San Francisco for a three-year period of July 1, 2017 through June 30, 2020, in an amount not to exceed $21,600,737. The total contract awarded is for the three service categories. On October 4, the Aging and Adult Services Commission approved Amendment 1 to

[1] Meals on Wheels San Francisco. About Us. https://www.mowsf.org/about
[2] Meals on Wheels San Francisco. About Us. https://www.mowsf.org/about
[3] RFP #715 was issued for seven separate service areas: 1. Congregate Meals – Elderly Nutrition Program 2. Congregate Meals- Choosing Healthy Appetizing Meal Plan Solutions for Senior 3. Congregate Meals – Adults with Disabilities 4. Home-Delivered Meals – Elderly Nutrition Program 5. Home-Delivered Meals – Adults with Disabilities 6. Emergency Home-Delivered Meals 7. Home-Delivered Groceries. Respondents could propose programs within one or more of the seven service areas.
[4] BLA report 5, File 19-0283. April 3, 2019.
[5] Meals on Wheels received a score of 91.5 for Home-Delivered Meals (Elderly Nutrition), 90.0 for Home-Delivered Meals (Adults with Disabilities), and 91.0 for Emergency Home Delivered Meals.

increase the amount by $709,688 for a total not to exceed amount of $22,310,425. On November 1, 2017, the Aging and Adult Services Commission approved Amendment 2, which provided for a cost of doing business adjustment and additional addback funding appropriated by the Board, and increased the not to exceed amount by $826,393 for a new total amount of $23,136,818. On December 5, 2018, the Aging and Adult Services Commission approved Amendment 3 to increase the agreement amount by $3,090,750 for a total not to exceed amount of $26,227,568.

HSA did not obtain Board of Supervisors approval for the original agreement in 2017 nor the subsequent amendments, as required by City Charter.[6] In April 2019, the Board of Supervisors retroactively approved the original grant agreement and the three amendments for a total not to exceed amount of $26,227,568 (File 19-0283).

Contract Monitoring

According to HSA staff, Meals on Wheels met their service objectives for unduplicated consumers for all three programs. The most recent program monitoring report from April 2019 for the Meals on Wheels home delivery program indicated that the program met or exceeded measured program outcomes. Meals on Wheels received an overall score of 94.5 out of 98.

COVID-19 Expedited Grant Amendment

Per the Mayor's Thirteenth Supplement to the Emergency Proclamation of a Local Emergency, the Controller's Office adopted a policy allowing Departments to modify agreements existing as of May 11, 2020. Under that policy, City Departments may extend existing grant agreements up to six months but no later than December 31, 2020, without requiring a competitive solicitation or commission approval. As authorized by those actions, HSA amended the grant agreement with Meals on Wheels to increase the grant agreement amount by $2,946,695, for a revised not to exceed amount of $29,174,263 and to extend the grant agreement to December 31, 2020.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution retroactively approves an expedited fourth grant amendment between the Human Services Agency and Meals on Wheels in San Francisco for the administration of nutrition programs, to extend the grant agreement to from July 1, 2020 to December 31, 2020 and to increase the grant amount by $2,946,695, for a total not to exceed amount of $29,174,263.

Prior to the pandemic, the Department's plan was to renew this contract prior to its expiration on June 30, 2020. After the emergency declaration, due to staffing constraints, the Department decided to utilize the COVID expedited six-month extension in order to avoid an interruption in services but was not able to submit the proposed amendment for Board of Supervisors review prior to the end of the existing grant term

[6] Subsequent to retroactive approval of a different grant agreement between the Tenderloin Housing Clinic and the Department of Homelessness and Supportive Housing, which was implemented by HSA without Board of Supervisors' approval, HSA reviewed existing contracts at that time and determined the Meals on Wheels contract was not approved by the Board of Supervisors and submitted the agreement to the Board of Supervisors.

Services Provided

The additional $2,946,695 would extend funding for three existing programs for the six-month period from July 2020 through December 2020: Emergency Home Delivered Meals program, Home Delivered Meals (Elderly Nutrition) program, including Nutrition Compliance-Quality Assurance Services, and Home Delivered Meals for Adults with Disabilities.

- The Emergency Home Delivered Meals Program serves low-income individuals who are homebound with a critical or emergency need. The proposed fourth amendment provides for 20,016 meals to 176 unduplicated clients (or approximately two meals per day for eight weeks).
- The Elderly Nutrition Program serves low-income individuals over the age of 60 who are homebound. The proposed fourth amendment provides for 789,603 meals to 3,272 unduplicated clients (or approximately three meals per day for eleven weeks).
- The Adults with Disabilities Program serves low-income individuals between the ages of 18 and 59 who are homebound. The proposed fourth amendment provides for 140,037 meals to 557 unduplicated clients (or approximately three meals per day for twelve weeks).

FISCAL IMPACT

Contract Spending and Remaining Authority

Table 1 below shows the total spending on the Meal on Wheels contract.

Table 1: Meals on Wheels Spending

Program Name	FY 2017-18	FY 2018-19	FY 2019-20	Total Spending
Emergency Home-Delivered Meals	$157,498	$109,815	$215,557	$482,871
Home-Delivered Meals and Nutrition Compliance (Elderly Nutrition)	6,237,625	6,645,577	7,270,636	20,153,839
Home-Delivered Meals (Adults with Disability)	1,096,794	1,082,170	1,227,509	3,406,473
Total	$7,491,917	$7,837,563	$8,713,703	$24,043,183

Source: Human Services Agency

As shown above, HSA spent $24,043,183 on Meals Wheels, which is $2,184,385 less than the current contract authority of $26,227,568.

According to HSA staff, during FY 2019-20 additional local funding was added to the Emergency Home Delivered Meals program to meet the increased demand of emergency meals and a third meal (breakfast) during the COVID-19 pandemic.[7],[8] Some additional modifications were made to implement no-contact delivery.

The budget for each program through December 2020 is shown in Table 2 below.

Table 2: Meals on Wheels Budget by Program

Program Name	**July 2020 - Dec 2020**
Emergency Home-Delivered Meals	$83,265
Home-Delivered Meals and Nutrition Compliance (Elderly Nutrition)	3,453,933
Home-Delivered Meals (Adults with Disability)	673,577
Subtotal	$ 4,210,775
10% contingency	421,078
Total	**$ 4,631,853**

Source: Human Services Agency

To pay for the expected $4.6 million in services through December 2020, HSA will use the remaining $2.2 million in unused Meal on Wheels contract authority plus the requested $2.9 million in additional contract authority, which total $5,131,080 or $499,228 more than the budget for these programs, as shown in Table 2 above. We therefore recommend amending the proposed resolution to reduce the requested not-to-exceed amount by $499,228, or from $2,946,695 to $2,447,467.

Funding Sources

For the six-month extension period, approximately 72.5 percent of the budget comes from the General Fund, and approximately 27.5 percent is are provided through the Department's annual allocation of State and Federal funding from the California Department of Aging (CDA) in support of services for older and disabled adults. The budget for the proposed 6-month extension period is shown in Table 2 below.

[7] According to HSA staff, the additional COVID-related funding was estimated based on the provider's production capacity and anticipated breakfast meal demands. There is some underspending in this area because the inclusion of breakfast had a late start in May, and demands were not as high as anticipated.

[8] According to HSA Staff, 1,252 clients were served from 4/1/20-6/30/20. This total represents an average monthly increase of 365% for the Emergency Home-Delivered Meals program, 188% for the Elderly Nutrition program, and 46% for the Home-Delivered Meals for Adults with Disabilities program.

Table 2: Meals on Wheels Budget by Funding Source for 6-Month Extension

Program Name	Federal	State	General Fund	Total
Emergency Home-Delivered Meals			$83,265	**$83,265**
Home-Delivered Meals and Nutrition Compliance (Elderly Nutrition)	908,853	248,499	2,296,581	**3,453,933**
Home-Delivered Meals (Adults with Disability)			673,577	**673,577**
10% contingency			421,078	421,078
Total	**$908,853**	**$248,499**	**$3,053,423**	**$4,210,775**

Source: Human Services Agency

According to Ms. Ella Lee, HSA contract manager, 71 full-time employees at Meals on Wheels are currently funded through this agreement and will continue to be funded through the proposed extension of the contract term.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the requested not-to-exceed amount by $499,228, or from $2,946,695 to $2,447,467.
2. Approve the proposed resolution, as amended.

Item 11 **Files 20-0781**	**Department:** Department of Emergency Management Real Estate Division

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves a new lease between the City as tenant and Speyer & Schwartz Inc. as landlord for 5,057 square feet of office space at 1663 Mission Street. The initial lease term is 10 years with two 5-year options to extend subject to Board of Supervisors approval.

Key Points

- Staff administering the Department of Homeland Security Urban Areas Security Initiative (UASI) grant are currently in leased space at 711 Van Ness Avenue, for which the lease terminates on January 31, 2021. The proposed new lease would be for relocation of UASI grant-funded positions and storage of required audit documents.
- The lease term begins in December 2020 after completion of tenant improvements to be made by the landlord at an estimated cost of $150,000 (paid by the landlord).

Fiscal Impact

- The first year rent of $41.24 per square foot is comparable to the recently approved lease at 3119/3120 Mission Street, and less than the current rent of $53.50 per square foot at 711 Van Ness Avenue. Rent increases by 3 percent per year and resets to 95 percent of fair market rent at the exercise of each 5-year lease extension. The first year rent includes two-months' rent abatement, with an anticipated rent commencement date of February 15, 2021. Estimated rent paid by the City over the initial 10-year term is $2,356,041, paid by UASI grant funds.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Administrative Code Section 23.27 requires Board of Supervisors approval of leases of one year or more in which the City is the tenant.

BACKGROUND

The Bay Area Urban Areas Security Initiative

The Bay Area Urban Areas Security Initiative (BAUASI) is a Department of Homeland Security grant-funded program, administered by San Francisco Department of Emergency Management ("Emergency Management"). The objectives of BAUASI are to "improve regional capacity to prevent, protect against, respond to and recover from terrorist incidents and catastrophic events."[1]

711 Van Ness Avenue

There are currently three departments housed at 711 Van Ness Avenue – the Urban Areas Security Initiative, the Assessor's Office and the San Francisco Public Utilities Commission (SFPUC). According to Mr. Joshua Keene, Special Projects and Transactions Manager at the Real Estate Division, the lease for 711 Van Ness Avenue was one of several leases selected to be terminated as a cost saving measure to offset the purchase and construction costs of the City-owned 49 South Van Ness project All three departments are vacating the space at the end of the lease term and have made alternative arrangements.[2] The Board of Supervisors approved a resolution (File 17-0433) in June 2017, authorizing the extension of the Van Ness Avenue lease, which was set to expire on January 31, 2018, through January 31, 2021.

Relocation to 1633 Mission Street

The Department of Emergency Management, on behalf of UASI, reached out to the Real Estate Division to request relocation from 711 Van Ness Avenue. According to Real Estate Division staff, the 1663 Mission Street site was determined to be the best site to relocate UASI staff due to geographic proximity to Civic Center, the Department of Emergency Management offices on Turk Street, availability of space to allow for compliance with new planning standards resulting from COVID -19, budget restrictions and the landlord's willingness to pay for work required to accommodate staff. According to Mr. Josh Keene of the Real Estate Division, no other property on the market satisfied all of the required criteria.

[1] According to Tristan Levardo of the Bay Area UASI, Department of Emergency Management.

[2] According to Mr. Keene, the 9,800 sq. ft. space at 711 Van Ness is currently divided as follows: Department of Emergency Management (5,000 sq. ft.); Assessor (2,800 sq. ft.) and SFPUC (2,000 sq. ft.). The Assessor's Office will likely relocate within City Hall (or if needed, it also has leased premises at 1155 Market which the City already leases). SFPUC's occupancy is for its records/archives, so its own Real Estate Services group will handle any required relocation under its Commission authority.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve a lease between the City as tenant and Speyer & Schwartz Inc., as landlord for property located at 1663 Mission Street for a term of 10 years with two 5-year options to extend, subject to Board of Supervisors' approval, (for a total possible lease term of 20 years) at a base rent of $208,551 per year and with 3 percent annual increases and an anticipated commencement date of November 1, 2020, (2) authorize the Director of Property to execute documents, make certain modifications and take certain actions to finalize the lease; (3) find the proposed transaction is in conformance with the General Plan, the eight priority policies of Planning Code, Section 101.1; (4) adopt findings that the lease is not a project under the California Environmental Quality Act, (5) allow the City to obtain janitorial services for the site, (6) indemnify the landlord for any claims and costs related to the City's use of the site,.

The 1663 Mission Street Site

The property at 1663 Mission St. includes 5,057 square feet of office space; Suite 304, with a total 3,415 square feet, and Suite 320, with a total of 1,642 square feet.

According to Mr. Tristan Levardo and Mr. Craig Dziedzic of Bay Area UASI, this property at 1663 Mission Street will be used for office space for 18 current UASI positions and four new positions approved in the FY 2020-21 budget, totaling 22 positions (all grant funded), equivalent to 230 square feet per position. In addition, the space will be used for storage of federal and state audit records in accordance with respective record retention policies.[3] According to Mr. Keene, the number of square feet of these factors taken together is consistent with the city standard.

Table 1 below lists the terms of the proposed lease.

[3] According to Mr. Dziedzic, the 22 grant-funded positions include: 16 (UASI Grant), one (Regional Catastrophic Preparedness Grant), four (Securing the Cities Grant), and one (Preventing Violent Extremist Grant). Any additional space will be dedicated to UASI's storage and filing requirements. As the fiscal agent for the ongoing regional grant programs, UASI is required to retain hard copies of all grant related documentation for periodic state and federal audits. UASI's fiduciary responsibility as fiscal agent also includes record retention for a period of 3-5 years from the official closeout letter of the grant.

Table 1. Proposed Lease Terms for 1663 Mission St.

Landlord	Speyer & Schwartz Inc.
Tenant	City
Building	1663 Mission St, San Francisco CA
Premises	Suites 304 and 320
Area	5,057 rentable square feet
Monthly Rent	$17,379
Annual Rent	$208,550
Rent adjustments	3% annual increase for initial 10-year term
Anticipated Lease Commencement Date	Upon substantial completion of tenant improvements, estimated December 15, 2020
Anticipated Rent Commencement Date	February 15, 2021
Term	Initial term of 10 years
Options to extend	Two 5-year options to extend
Rent during extension	Rent resets at 95% of the then prevailing market rate
Services and Operations	City will pay for janitorial services, landlord will pay for all other building services including utilities
Taxes and Insurance	Landlord to pay real estate taxes and landlord's insurance
Tenant Improvements	Landlord to perform capital and tenant improvements estimating $150,000 at landlord's expense

Source: Proposed Lease

Tenant Improvements

According to Mr. Keene, the landlord is offering to perform and pay for needed tenant improvements including fire/life safety upgrades, minor demolition and office space construction at an estimated cost of $150,000 (or approximately $30 per square foot). These upgrades are estimated to begin in mid-September 2020 and reach completion in mid-December 2020. The City is not required to pay rent until two months after substantial completion of tenant upgrades, however UASI staff can move in upon substantial completion of tenant improvements.

FISCAL IMPACT

Under the proposed lease, the City would pay an initial annual rent of $208,550, escalating by 3 percent per year over the ten-year term, with rent abated for the first two months of the term. Total rental costs over the initial ten-year term for 1663 Mission St. are estimated at $2,356,041 (including the two months of rent abatement). Under the proposed lease, two additional five-year extension options exist with rent at 95% of the then prevailing market rate. By comparison, the USAI lease for 5,000 square feet at 711 Van Ness is currently $53.50 per square foot. See Table 2 for total rental costs under proposed lease for 1663 Mission St.

Table 2. Total Rental Costs Under Proposed Lease for 1663 Mission St.

Year	Square Feet	Annual Rent per Square Foot	Total Rental Costs
1	5,057	$41.24	$208,551
2	5,057	42.48	214,807
3	5,057	43.75	221,251
4	5,057	45.06	227,889
5	5,057	46.42	234,726
6	5,057	47.81	241,767
7	5,057	49.24	249,020
8	5,057	50.72	256,491
9	5,057	52.24	264,186
10	5,057	53.81	272,111
Total (excluding 2 months' rent abatement in Year 1)			$2,390,799
Total (including 2 months' rent abatement in Year 1)			$2,356,041

Source: BLA Review of Proposed Lease

The first year rent of $41.24 is under the $45 per square foot that would require an appraisal in accordance with Administrative Code Section 23.27.[4] According to Mr. Keene, recent City Real Estate transaction most comparable to this lease would be the lease renewal at 3119/3120 Mission St. at $41.18 per square foot (File 20-0316).[5] Mr. Keene notes that the first year rent of $41.24 per square foot is consistent with Board of Supervisors direction to enter into lease agreements representing a 15 percent – 20 percent reduction from market rents in place prior to COVID-19.

Additional Operating Expenses

Rent includes all operating expenses, except janitorial services within the premises. The City will pay for its own custodial services at a cost estimated no more than $1,500 per month with an

[4] Per City Administrative Code Section 23.27, the Director of Property shall determine the Market Rent of such lease based on a review of available and relevant data. If the Market Rent of the lease is more than $45 per square foot per year as base rent, the Director of Property shall obtain an appraisal for such Lease

[5] According to Mr. Josh Keene, the City has to pay for custodial services for both properties and has to pay utilities under the 2 Gough lease. Additionally, both the 2 Gough and 3119/3120 Mission St. leases were also reduced to 95% of fair market value, so the market value of those leases was even higher.

annual 3% escalation.[6] The estimated maximum cost of custodial services for the ten-year term is $206,350.

The rent for the Urban Areas Security Initiative leased space and janitorial services will be paid from U.S. Department of Homeland Security grant funds.

RECOMMENDATION

Approve the proposed resolution.

[6] Letter from the Real Estate Division addressed to the Board of Supervisors through City Administrator Naomi Kelly. Dated July 20, 2020.