

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: October 6, 2021 Budget and Finance Committee Meeting

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Item 1 File 21-0940 <i>Continued from September 29, 2021)</i>	Department: Department of Homelessness and Supportive Housing (HSH), Real Estate Division (RED)
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Director of Property, on behalf of the Department of Homelessness and Supportive Housing (HSH), to purchase the 25-room Eula Hotel located at 3055-3061 16th Street from Mahadeva, LLC, for an amount of \$5,600,000, plus an estimated \$115,000 for closing costs, for a total amount of \$5,715,000.

Key Points

- In January 2021, HSH issued a Request for Information (RFI) to identify suitable properties for possible acquisition as permanent supportive housing sites. The owners of 3055-3061 16th Street, which contains the Eula Hotel with 20 single residential occupancy units, five tourist rooms, and a ground floor liquor store, responded to the RFI. HSH prioritized acquisition of the Eula Hotel because of its condition, location, price, and ability to meet the needs of the transitional-aged youth population.
- HSH and the Real Estate Division (RED) have negotiated a purchase and sale agreement with the owners of the Eula Hotel for an amount of \$5,600,000, plus typical closing costs. HSH would select a third-party non-profit contractor to operate the building. HSH estimates annual operating costs to be \$19,800 per unit, or \$495,000 for the 25-unit building. HSH estimates improvement costs to the building to be approximately \$1-1.5 million.

Fiscal Impact

- The total cost to purchase the building, including closing costs, is \$5,715,000. Including an estimated \$1,500,000 improvement cost, the total acquisition and improvement cost is approximately \$7,215,000, or approximately \$288,600 per unit.
- HSH estimates that initial annual operating costs are \$19,800 per unit, or \$495,000 for the 25-unit building. Assuming three percent annual escalation, total operating costs over five years would be approximately \$2,628,022. Over 10 years, total operating costs would be approximately \$5,674,620. All acquisition, improvement, and operating costs would be funded by Proposition C funds.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Administrative Code Section 23.3 states that the Board of Supervisors must approve acquisitions and conveyances of real property by resolution. An appraisal of the property is required if the Real Estate Division determines that the fair market value is greater than \$10,000 and an appraisal review if the fair market value is greater than \$200,000.

BACKGROUND

In November 2018, San Francisco voters approved Proposition C, a gross receipts tax to fund homeless services and housing. In July 2020, Mayor London Breed announced her Homelessness Recovery Plan with the goal of acquiring and operating 1,500 new units of permanent supportive housing over the next two years. According to the proposed resolution, as of August 2021, the City has acquired or contracted for over 700 new units of permanent supportive housing.

In January 2021, the Department of Homelessness and Supportive Housing (HSH) issued a Request for Information (RFI) to identify suitable properties for possible acquisition as permanent supportive housing sites and received 85 responses. The owners of 3055-3061 16th Street, which currently contains the Eula Hotel with 20 single residential occupancy units, five tourist rooms, and a ground floor liquor store, responded to the RFI. According to Dylan Schneider, HSH Manager of Policy and Legislative Affairs, HSH prioritized the Eula Hotel for acquisition because of its fitness with the criteria considered as part of the RFI, including the condition, location, price, and ability to meet the needs of the transitional-aged youth population. Although the RFI stated a preferred minimum of 30 rooms and preferred range of 50 to 150 rooms, HSH determined that the Eula Hotel, with 25 rooms, could viably serve its target population. HSH and the Real Estate Division (RED) have negotiated a purchase and sale agreement with the owners of the Eula Hotel for an amount of \$5,600,000, plus typical closing costs.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would make the following actions:

1. Approve and authorize the Director of Property, on behalf of HSH, to acquire the Eula Hotel property located at 3055-3061 16th Street;
2. Approve and authorize HSH on behalf of the City to apply to the California Department of Housing and Community Development for the 2021 Homekey Grant Program for the purchase of the property;
3. Approve an Agreement of Purchase and Sale for Real Estate for acquisition of the property for \$5,600,000 plus an estimated \$115,000 for typical closing costs,¹ for a total amount of \$5,715,000 from Mahadeva, LLC;

¹ Closing costs include escrow fee, title insurance, property inspection fee, and recording fees. Specific amounts of each fee were not provided by HSH.

4. Authorize the Director of Property, HSH Director, and City Attorney's Office to make certain modifications, and take certain actions in furtherance of the resolution and the purchase and sale agreement that do not increase the liabilities of the City;
5. Affirm the Planning Department's determinations that the purchase is not considered a project under the California Environmental Quality Act (CEQA); and
6. Adopt the Planning Department's findings that the purchase and sale agreement is consistent with the General Plan and Planning Code Section 101.1.

An appraisal conducted by Watts, Cohn, and Partners, Inc. confirmed that the proposed sale price of \$5,600,000 is fair market value. An appraisal review by R. Blum and Associates affirmed the appraised value.

Homekey Grant Application

The proposed resolution allows HSH to apply for a competitive Homekey Program grant to purchase the Eula Hotel. Projects are eligible for up to \$200,000 in funding per unit, or \$300,000 per unit if the applicant provides at least \$100,000 per unit in matching funds. Operating subsidies are available for up to \$1,400 per unit per month for two years, or for three years if a match is provided. Per unit subsidies vary based on unit size and population served.

If the grant application is successful, HSH would seek Board of Supervisors approval to accept and expend the Homekey and approve a Standard Agreement with HCD. According to HSH Policy and Legislative Affairs Manager Schneider, the City would purchase the property with Proposition C funds if the Homekey grant is not awarded.

Ongoing Costs

After the purchase is complete, the property will be operated by a third-party non-profit contractor. HSH is currently finalizing a Solicitation of Information (SOI) to select an operator for the property. At this time, HSH estimates annual operating and services costs of \$19,800 per unit, or \$495,000 in total for the 25-unit building.

Rehabilitation Costs

Saida + Sullivan Design Partners Inc. and ZFA Structural Engineers assessed the general interior condition of the building and site accessibility on behalf of the City. According to HSH Policy and Legislative Affairs Manager Schneider, the residential portion of the building was recently renovated and requires no improvements for occupancy. The ground floor would be converted from its current liquor store use to support spaces for residents, including offices, counseling rooms, and a resident lounge. The scope and budget for the commercial space would be determined in coordination with the selected operator. At this time, HSH estimates the costs to be approximately \$1.0 - 1.5 million. According to HSH Policy and Legislative Affairs Manager Schneider, following selection of the operator, a scope and budget will be determined for the commercial space. Based on that scope, a timeline for implementation of the improvements and subsequent lease-up will be developed.

FISCAL IMPACT

The total cost to purchase the property, including closing costs, is \$5,715,000. Including an estimated \$1,500,000 improvement cost, the total acquisition and improvement cost is approximately \$7,215,000, or approximately \$288,600 per unit. Details are shown in Exhibit 1 below.

Exhibit 1: Estimated Acquisition and Improvement Costs

Item	Amount
Purchase Price	\$5,600,000
Closing Costs	115,000
Improvement Cost	1,500,000
Total Cost	\$7,215,000
Units	25
Cost Per Unit	\$288,600

Transfer Taxes

Because the City is purchasing the property, the property sale does not generate real estate transfer taxes, estimated to be \$126,000. According to Andrico Penick, Director of Real Estate, the Real Estate Division does not reduce the purchase price by the amount of the waived transfer tax for a number of reasons: (1) the transfer tax is waived by statute to induce owners to sell their property to government entities and reducing the price would take away that statutory incentive; (2) allocation of closing costs is a negotiated item between seller and buyer, thus the seller could require a private entity buyer to pay the transfer fee and still obtain the full appraised value; and (3) it is the practice of RED to get the best deal possible for the City and often gets other concessions from the seller in recognition that there is no transfer fee and thus increasing their net profit.

Tenant Improvement and Operating Costs

HSH estimates that initial annual operating costs are \$19,800 per unit, or \$495,000 for the 25-unit building. Assuming three percent annual escalation, total operating costs over five years would be approximately \$2,628,022. Over 10 years, total operating costs would be approximately \$5,674,620.

According to the HSH Policy and Legislative Affairs Manager, all acquisition, improvement, and operating costs would be funded by Proposition C funds. Acquisition costs are included in HSH’s FY 2021-22 budget. Estimated annual Proposition C revenues are approximately \$266 million.

Project Homekey Grants

An additional round of Project Homekey grant funding was recently announced by the California Department of Housing and Community Development (HCD). According to HSH Policy and Legislative Affairs Manager Schneider, HSH will not apply for Homekey grant funding for the Eula Hotel purchase due to its small size relative to other properties under consideration for purchase. HSH has prioritized larger properties for Homekey grant applications to maximize leveraging of grant funds.

RECOMMENDATION

Approve the proposed resolution.

Item 2 File 21-0915	Department: Public Utilities Commission (PUC)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve an updated emergency declaration of the San Francisco Public Utilities Commission (SFPUC) to replace and repair fences on SFPUC watershed land in the Alameda watershed damaged by the SCU Lightning Complex Fire, increasing the total not to exceed amount from \$4,250,000 to \$11,000,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In August 2020, the SCU Lightning Complex Fire in the Alameda Watershed burned nearly 400,000 acres including 10,500 acres of SFPUC watershed property located in Alameda and Santa Clara Counties. Approximately 60 miles of SFPUC-owned security and grazing operation fencing was destroyed. In February 2021 the Board of Supervisors approved the SFPUC’s emergency declaration to replace and repair the fences for a total not-to-exceed amount of \$4.25 million (File 21-0008). • Following a Request for Quotes process, SFPUC selected two vendors to complete the fence repair work: Ranch Fence and All Commercial Fence. Over the past six months approximately 13 miles of fencing has been completed, and 47 miles remain. The total cost of fencing that has been built is \$1,339,969, or 32 percent of the original not to exceed emergency declaration amount of \$4.25 million. • Since the original approval of the emergency declaration, SFPUC staff have completed field inspections and have determined that 60 miles of fencing are required with additional posts and gates to ensure the fencing is sufficiently strong to contain cattle and properly secure the watershed lands. In addition, SFPUC determined that the complexity of the work requires hiring a construction management firm to oversee the two repair contractors. SFPUC expects that all the work will be completed by the end of 2023. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Fencing located in Santa Clara County will be eligible for reimbursement under FEMA’s Fire Management Assistance Grant (FMAG), which amounts to \$7.48 million will be reimbursed. The remaining \$3.52 million in costs will be funded by SFPUC Water Enterprise funds. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Reduce the proposed total not-to-exceed-amount by \$100,000, from \$11,000,000 to \$10,900,000 to reflect the revised budget with updated staffing costs provided by SFPUC. • Approve the proposed resolution. 	

MANDATE STATEMENT

Administrative Code Section 6.60 provides that City contracts entered into for emergency work may be executed in the most expeditious manner. However, declarations of emergencies where the repair work is anticipated to be \$250,000 or more are subject to Board of Supervisors approval. Section 6.60(d) also states that if the emergency does not permit Board of Supervisors approval of the emergency before work is commenced or the contract(s) entered into, such approvals from the Board of Supervisors shall be obtained as soon as possible, with the proposed resolution approving the emergency determination submitted to the Board of Supervisors within 60 days of the department head's emergency declaration.

BACKGROUND

The San Francisco Public Utilities Commission (SFPUC) provides retail drinking water and wastewater services to San Francisco and wholesale water to three Bay Area counties. SFPUC's surface water sources are located in three watersheds: 1) Hetch Hetchy Watershed in Yosemite National Park, 2) Alameda Watershed near Sunol, and 3) the Peninsula Watershed, south of San Francisco.

In August 2020, the SCU Lightning Complex Fire in the Alameda Watershed burned nearly 400,000 acres including 10,500 acres of SFPUC watershed property located in Alameda and Santa Clara Counties. Approximately 60 miles of SFPUC-owned security and grazing operation fencing was destroyed before the fire was 100 percent contained in early October 2020. The SFPUC fencing provided a security barrier to protect SFPUC Alameda watershed lands and regional water system infrastructure from trespass, vandalism and contamination of drinking water sources. On February 2, 2021 the Board of Supervisors approved the SFPUC's emergency declaration to replace and repair the fences for a total not-to-exceed amount of \$4.25 million (File No. 21-0008).

Following a Request for Quotes process, SFPUC selected two vendors to complete the fence repair and replacement work. On March 18, 2021, SFPUC awarded a contract to All Commercial Fence, Inc., and on April 16, 2021, SFPUC awarded a contract to Ranch Fence, Inc. Work is assigned by task order and payment is based on actual material quantities installed. SFPUC does not anticipate additional solicitations.

Work Completed

All Commercial Fence started work on March 1, 2021 and so far has built approximately 6.5 miles of fencing. All Commercial Fence has completed sections A1, B3, B1, and 75 percent of A4 (See attached Map). Following Board approval of the pending resolution, All Commercial Fence would continue working on sections A4 and B4.

Ranch Fence started work on July 1, 2021, but since has paused work due to staffing shortages, and anticipates beginning work again in October. Ranch Fence has built approximately 6.5 miles so far, including the completion of section A3 and the east-west portion of B2. Their next work would be the remaining north-south portion of B2.

Between the two contractors, over the past six months approximately 13 miles of fencing has been completed, and 47 miles remain. The total cost of fencing that has been built is \$1,339,969, or 32 percent of the original not to exceed emergency declaration amount of \$4.25 million.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve an updated emergency declaration of the San Francisco Public Utilities Commission (SFPUC) to replace and repair fences on SFPUC watershed land in the Alameda watershed damaged by the SCU Lightning Complex Fire, increasing the total not to exceed amount from \$4,250,000 to \$11,000,000.

Change in Estimated Repair Needs

The original repair estimate of 50 miles of fencing was based on inspection of a limited number sites and conversation with ranch tenants. Since the original approval of the emergency declaration, SFPUC staff have completed field inspections of the entire affected property and have determined that 60 miles of fencing are required with additional posts and gates to ensure the fencing is sufficiently strong to contain cattle and properly secure the watershed lands. In addition, SFPUC determined that the complexity of the work requires hiring a construction management firm to oversee the two repair contractors. SFPUC estimates that all the work will be completed by the end of 2023.

Construction Management Firm

SFPUC determined that in-house staffing was insufficient to manage the construction project, and that contracted construction management services were needed. Included in the proposed new, not to exceed amount is a contract for \$1,953,000 between the SFPUC and the construction management consultant Townsend Management, Inc./CM Pros JV for a duration of 31 months. The emergency construction management contract was awarded in June 2021 following a Request for Proposals process in which Townsend Management, Inc./CM Pros JV received the highest score out of the three proposals submitted and reviewed by a panel of subject matter experts. The primary role of the consultant is to provide construction administration, change management and construction inspection (i.e. quality control).¹

FISCAL IMPACT

Exhibit 1 below details the costs of the proposed emergency work.

¹ Request For Proposals: Emergency CM Services for the SCU Complex Fire Fence, Agreement No. PUC.PRO.0201, February 23, 2021. SFPUC Manager John Scarpulla said that although the RFP states the contract duration was to be for 18 months, the RFP was prepared and the agreement was executed before additional time could be spent evaluating the difficulties associated with the rugged terrain and remote work locations and experience based on the initial invoicing could be applied to the update cost estimate, which is for 31 months.

Exhibit 1: Estimated Total Budget to Replace Fire Impacted SFPUC Fencing

Description	Quantity	Unit Price	Total Cost
Barb Wire Fencing	316,800 (ft.)	\$18.5	\$5,860,800
Additional Line Posts	475	530	251,750
Drop Gates	60	2,000	120,000
Swing Gates	170	2,500	425,000
H Braces	885	960	849,600
Double H Braces	425	1,330	565,250
Leg Brace	1,072	50	53,600
Subtotal, Material Costs			\$8,126,000
Contingency (10%)			812,600
Total Construction Costs			\$8,938,600
Construction Management	31 months	\$63,000	\$1,953,000
Total			\$10,891,600

Source: SFPUC

The unit prices used for the budget estimate are the rates per the contract with All Commercial Fence. This firm may be required to build the rest of the fencing, if Ranch Fence does not return to the project, or stops work again.

Because the projected costs are \$10.9 million, we recommend reducing the proposed resolution’s not-to-exceed amount to \$10.9 million.

Sources of Funding

Fencing located in Santa Clara County will be eligible for reimbursement under FEMA’s Fire Management Assistance Grant (FMAG). Alameda County is not currently considered eligible for FMAG funding. SFPUC estimates that since approximately 68 percent of the damaged fencing is in Santa Clara County, therefore \$7.48 million is expected be reimbursed. The remaining \$3.52 million in costs will be funded by SFPUC Water Enterprise funds.

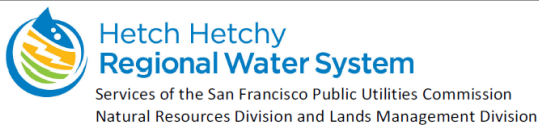
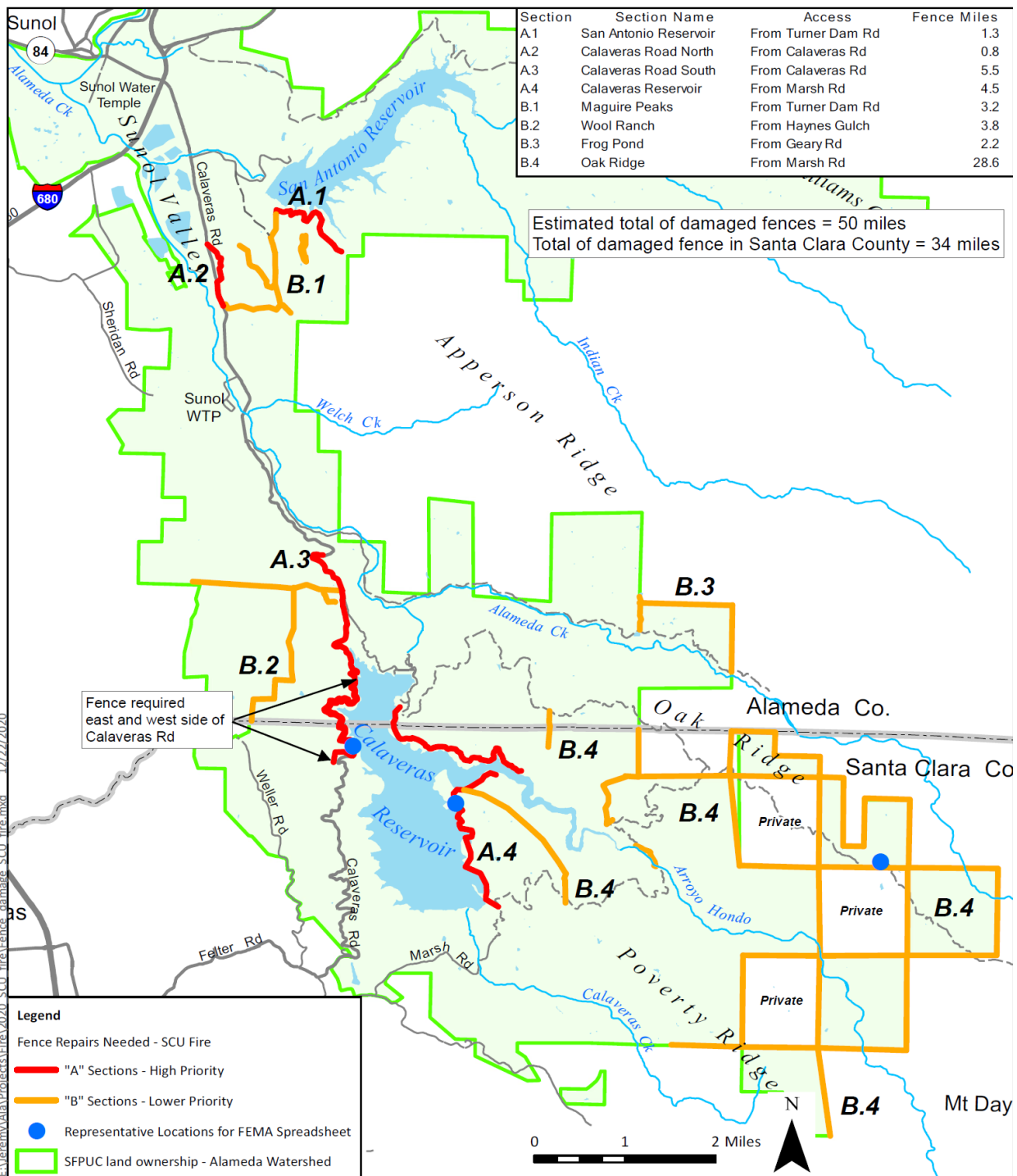
POLICY CONSIDERATIONS

In approving the emergency work, the Board granted SFPUC exemption from requirements of Chapter 6 of the Administrative Code which contains policies and procedures for the City’s public works contracting; Chapters 12A, 12B and 12C of the Administrative Code which contain policies related to nondiscrimination in contracts; and Chapter 14B of the Administrative Code which contains policies for local hiring in the City’s contracting process.

RECOMMENDATIONS

1. Reduce the proposed total not-to-exceed-amount by \$100,000, from \$11,000,000 to \$10,900,000 to reflect a revised budget with updated staffing costs provided by SFPUC.
2. Approve the proposed resolution.

Attachment I



Alameda Watershed
Fence Repairs Required
SCU Complex Fire

<p>Item 6 File 21-0966</p>	<p>Department: Homelessness & Supportive Housing</p>
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EXECUTIVE SUMMARY

Legislative Objectives

- HSH is proposing to establish a new Vehicle Triage Center in Candlestick Point State Recreation Area, a state park in Supervisorial District 10. According to Department of Homelessness & Supportive Housing (HSH), the accumulation of inhabited vehicles nearby is impairing access to that park.
- The proposed resolution would approve the term sheet for a sublease with the California Department of Parks and Recreation for a Vehicle Triage Center in the Candlestick Point State Recreation Area and endorse the proposal for a Vehicle Triage Center and in-kind, off-site public services in the vicinity.

Key Points

- The portion of the park that would be subleased by the City includes a parking lot and surrounding area with connecting roads. The proposed two-year sublease would provide space for a Vehicle Triage Center with up to 150 parking spots.
- In-lieu of rent, the City would provide in-kind law enforcement and parking enforcement services. The purpose of these off-site services is to restore access to the park.

Fiscal Impact

- The total two-year cost of the proposed Vehicle Triage Center, including the one-time site improvement costs of \$3 million and annual operating costs of \$5.2 million, is \$13.5 million, of which \$10 million are Our City Our Home (Proposition C) funds appropriated by the Board of Supervisors in FY 2021-22 and FY 2022-23. HSH anticipates that capital costs will be funded by a State grant. The estimated annual cost of \$5.2 million for the proposed Vehicle Triage Center is higher than the \$3.5 million budgeted for this purpose in FY 2022-23 and may therefore require additional appropriations in that year, subject to Board of Supervisors approval.
- The annual value of the MTA and Police off-site services is approximately \$900,000 which is greater than the \$312,000 annual rent in the proposed sublease.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Administrative Code Section 23.37 requires Board of Supervisors approval by resolution of all leases for a term of more than one year in which the City is the tenant.

BACKGROUND**Vehicle Triage Center**

Chapter 119 of the Administrative Code required the Department of Homelessness & Supportive Housing (HSH) to pilot an Overnight Safe Parking and Vehicle Navigation Triage Center (later referred to as a Vehicle Triage Center) program to provide a designated safe place for unhoused individuals and families living in vehicles to safely park their vehicles and receive services. HSH operated a pilot Vehicle Triage Center at 2340 San Jose Avenue from December 2019 to March 2021. According to a February 2021 evaluation by the Controller's Office, the pilot Vehicle Triage Center on San Jose Avenue had 29 parking spots and served 75 clients between November 2019 and November 2020, of which 45 were eligible to be referred to a subsidized housing program and 30 were referred to Problem Solving, which refers to HSH clients working with Access Point support services staff to exit homelessness through housing relocation assistance, reunification, mediation and conflict resolution, workforce development or flexible financial resources.. The Vehicle Triage Center on San Jose Avenue was an interim use of that property, which is now being developed into affordable housing.

As stated in the proposed resolution, the Healthy Streets Operations Center's August 2021 Tent, Structure, and Vehicle count identified 1,088 inhabited vehicles, 677 of which were in Supervisorial District 10. HSH is proposing to establish a new Vehicle Triage Center in Candlestick Point State Recreation Area, a state park in District 10. According to HSH, the accumulation of inhabited vehicles near the Candlestick Point Recreation Area is impairing access to that park.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve (1) the term sheet and authorize the Director of Property to negotiate a sublease and quitclaim deed with the California Department of Parks and Recreation for a Vehicle Triage Center in the Candlestick Point State Recreation Area, (2) endorse the proposal for a Vehicle Triage Center and in-kind, off-site public services in the vicinity, (3) approve actions taken by City officials to finalize the sublease and that are consistent with the final sublease, and (4) approves the Planning Department's findings that (a) the Vehicle Triage Center is exempt from California Environmental Quality Act (CEQA) review and (b) the project conforms with the City's General Plan.

Term Sheet

Exhibit 1 summarizes the key terms of the proposed term sheet.

Exhibit 1: Term Sheet

Landlord	California State Lands Commission
Sub-landlord	California Department of Parks & Recreation
Subtenant	City
Premises	312,000 square foot parking lot
Term	Two years
Extension Term	Subject to mutual agreement
Annual Rent	\$312,000 per year (\$1 per square foot), Rent to be paid for through delivery of in-kind law enforcement public services
Utilities	Paid by City

Source: Proposed Term Sheet

According to a valuation analysis completed by the Real Estate Division, the fair market value rent for the site is \$1.00 per square foot per year. The parties have agreed that the rent should be paid with in-kind law enforcement and parking enforcement services. Because the value of the sublease is less than \$45 per square foot, it does not require a third-party appraisal per Chapter 23 of the Administrative Code. The term of agreement is 2 years, subject to possible extension by mutual agreement of parties.

The proposed resolution allows for contract provisions required by the Administrative Code to not be included in the final sublease and states that the final sublease will include a provision to indemnify the State Lands Commission and State Parks and Recreation Department for the City’s use of the subleased property.

After Board of Supervisors approval of the sublease term sheet, the State Lands Commission would still have to authorize this use for the parcel and authorize California Department of Parks and Recreation to enter into a Sublease with the City based on the term-sheet.

Vehicle Triage Center at Candlestick Point State Recreation Area

The Candlestick Point State Recreation Area is a public open space area of land, a portion of which is owned by the California State Lands Commission and leased to the California Department of Parks and Recreation. The portion of the park that would be subleased by the City includes a parking lot and surrounding area with connecting roads.

Site Improvement

The proposed sublease allows for the following site improvements to the existing parking lot: installing lighting, configuring up to 150 parking spots, constructing a pet area, constructing a guard shack, installation of mobile trailers for office staff, storage, case management and other service staff, installation of shower trailers and mobile restrooms, installation of water sources and charging stations, and installation of perimeter fencing and access gates.

The planned Vehicle Triage Center will ultimately have up to 150 parking spaces and 15 spaces for site staff. Phase 1 of the project will make 78 parking spots available for use upon approval from the Board of Supervisors and State Lands Commission and following initial site improvements. In Phase 2, the remaining parking spaces and supporting infrastructure will be installed over six months and are expected to open in June 2022 or July 2022. Public Works (DPW) will be responsible for soliciting bids from contractors and overseeing site improvement work. Upon the termination of the sublease, Public Works will remove improvements, which will remain City property.

Client Referrals

According to HSH, clients will be referred by the San Francisco Homeless Outreach Team and by the Healthy Streets Operations Center. According to HSH, outreach will focus on the area immediately around Candlestick Point State Recreation Area, where people are already living in their vehicles. As noted above, the homeless vehicle count in District 10 totals 677 and is concentrated around Candlestick Point. The proposed Vehicle Triage Center will accommodate up to 150 vehicles. For those that cannot be accommodated in the proposed Vehicle Triage Center, HSH reports it will continue to provide outreach and engagement to support people residing in their vehicles and is actively seeking property to open a second Vehicle Triage Center site.

On-Site Services

HSH plans to contract with one or more nonprofit providers to deliver the following services: bathroom and shower operations, blackwater services, electricity, security, case management, and referrals to other services. HSH plans a streamlined procurement of such services; per Administrative Code Chapter 21B, HSH and DPW have the authority to enter into contracts for homeless related services without competitive bidding, equal benefits, and local business enterprise requirements.

Off-Site Services

The proposed term sheet states that in-lieu of rent, the City will provide in-kind law enforcement and parking enforcement services throughout the Candlestick Point Recreation Area that are valued greater than the proposed rent of \$312,000. Exhibit 2 summarizes the off-site services required by the proposed sublease:

Exhibit 2: Off-Site Services

MTA Parking Enforcement	Repost parking regulation signs; enforce parking regulations
Police Services	Daily patrol of Park and Vehicle Triage Center, advise on site design and emergency access, meet regularly with State Park and Vehicle Triage Center staff, support parking enforcement

Source: Interdepartmental Agreement included in the legislative file for this item

In addition, Public Works plans to deliver litter and debris removal at least three days per week, replace no dumping signs, and potentially employ anti-dumping surveillance cameras around the Hunters Point Expressway to address illegal dumping on that street. The original term sheet

submitted in the legislative file for this item included this activity as part of the required in-kind services. Although no longer required by the State Lands Commission, the City intends to provide that service.

FISCAL IMPACT

Exhibit 3 below summarizes the ongoing on-site and off-site costs associated with the proposed Vehicle Triage Center. The total two-year cost of the Vehicle Triage Center proposed for Candlestick Point State Recreation Area, including the one-time site improvement costs of \$3 million and annual operating costs of \$5.2 million, is \$13.5 million. The annual value of the MTA and Police off-site services is approximately \$900,000, which is greater than the \$312,000 annual rent in the proposed sublease. The purpose of the off-site services is to allow for public access to the Candlestick Point State Recreation Area, which is now impeded by a concentration of inhabited vehicles. The total cost of the Vehicle Triage Center and the off-site services over two-years is \$15.3 million.

Exhibit 3: Candlestick Vehicle Triage Center Costs and Off-Site Costs

	Year 1	Year 2	Total
Vehicle Triage Center Costs			
Site Improvement	\$3,000,000	\$0	\$3,000,000
Operations	5,256,000	5,256,000	10,512,000
Subtotal, Vehicle Triage Center Costs	\$8,256,000	\$5,256,000	\$13,512,000
Off-Site Services			
MTA Parking Enforcement	\$750,170	\$745,920	\$1,496,090
Police Services	150,000	150,000	300,000
Subtotal, Off-Site Services	\$900,170	\$895,920	\$1,796,090
Total	\$9,156,170	\$6,151,920	\$15,308,090

Source: BLA Analysis, Department of Homelessness & Supportive Housing, and Valuation Analysis from Real Estate Division

Vehicle Triage Center operating costs are budgeted at approximately \$96 per parking space per night, which is less than the \$105 cost per night of the original Vehicle Triage Center on San Jose Avenue.¹ According to HSH, the lower cost is budgeted due to anticipated efficiencies of scale to

¹ The Controller's February 2021 evaluation of the San Jose Avenue Vehicle Triage Center estimated the cost per night per parking spot was \$105, not including case management, which was provided by the Homeless Outreach Team. That evaluation estimated the cost of case management would be \$4,500 per parking spot. HSH's \$96 per night per parking spot budget for the proposed Vehicle Triage Center includes site operating and case management services. The actual cost of the Vehicle Triage Center is subject to change and depends on procurement of service providers, which is not yet final.

operate compared to the original VTC. Final estimates are still being developed for the operating budget based on the specifics of the site, including number of parking spaces.

Sources of Funding

The Adopted FY 2021-2023 budget for HSH allocated \$10 million from the Our City, Our Homes (Proposition C) funds for one-time capital costs and two years of operating funds for a safe parking site in the Bayview community (\$3 million for capital costs; \$3.5 million for annual operating costs). HSH also expects to receive a \$5.6 million state grant through the FY 2021-22 State budget that will be used to cover the one-time site improvement costs. The estimated annual cost of \$5.2 million for the proposed Vehicle Triage Center is higher than the \$3.5 million budgeted for this purpose in FY 2022-23 and may therefore require additional appropriations in that year, subject to Board of Supervisors approval.

MTA parking enforcement costs of \$750,150 are included in the Agency's FY 2021-22 budget. Police costs of \$150,000 are included in the Departments FY 2021-22 budget.

RECOMMENDATION

Approve the proposed resolution.

Item 7 File 21-0967	Department: Department of Homelessness and Supportive Housing (HSH), Real Estate Division
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the acquisition of 1321 Mission Street, a 160-unit property to be converted to supportive housing. The resolution would also authorize the Department of Homelessness & Supportive Housing to apply for a State Homekey grant. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The property proposed for purchase at 1321 Mission Street was selected following a Request for Information and evaluation by an interdepartmental review panel. The property contains 160 units, of which 120 are micro studios (less than 275 square feet) and 40 are three-bedroom units. As of this writing, 20 units remain leased to students, for which the leases expire in two to four years. In addition, there are 50 units leased to formerly homeless households. Once the student housing leases expire, the property would provide a net increase of 110 units of permanent supportive housing. • The purchase price of \$86,500,000 was confirmed by a third part appraisal and appraisal review. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The total cost to purchase the property, including closing costs, is \$86,673,000 or approximately \$541,706 per unit. Costs to the City could be offset if the City were awarded the Homekey grant; if the Homekey grant is not awarded, then the full \$86,673,000 amount would be funded by Proposition C funds. • Ongoing costs for building operations and supportive services are estimated to be \$19,800 per unit or starting at \$3.2 million per year. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • Property acquisition is new function for the Department of Homelessness & Supportive Housing, which is now planning to acquire or lease 800 units of new supportive housing. The Department should develop formal policies to govern the acquisition/leasing process. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • The Board of Supervisors should request the Department of Homelessness & Supportive Housing to report on the status of the permanent supportive housing acquisitions completed in FY 2021-22 during the FY 2022-23 budget process, including the occupancy at each site and the actual costs of building operations and supportive services, and the Department's formal policies to govern the acquisition/leasing process. • We recommend approval of the proposed resolution because the purchase of 1321 Mission Street is consistent with the intended use of Proposition C funds to expand the City's supportive housing and the acquisition is at fair market value. 	

MANDATE STATEMENT

Administrative Code Section 23.3 states that the Board of Supervisors must approve acquisitions and conveyances of real property by resolution. An appraisal of the property is required if the Real Estate Division determines that the fair market value is greater than \$10,000 and an appraisal review if the fair market value is greater than \$200,000.

BACKGROUND

Expansion of Permanent Supportive Housing

According to the 2020 U.S. Department of Housing and Urban Development's Housing Inventory Count Report, San Francisco has 5,897 units of permanent supportive housing. In July 2020, Mayor London Breed announced her Homelessness Recovery Plan, with the goal of acquiring or leasing 1,500 new units of permanent supportive housing by July 2022. According to the proposed resolution, as of August 2021, the City has acquired or contracted for over 700 new units of permanent supportive housing.

In January 2021, the Department of Homelessness and Supportive Housing (HSH) issued a Request for Information (RFI) to identify properties for possible acquisition as permanent supportive housing sites and received 86 responses, including the property located at 1321 Mission Street. HSH identified the property located at 1321 Mission Street as a candidate for a Homekey grant and plans to submit a grant application for this property. HSH and the Real Estate Division (RED) have negotiated a purchase and sale agreement with the owners of the Mission Inn for an amount of \$86,500,000, plus \$173,000 for closing costs.

The Existing Property

The property proposed for purchase at 1321 Mission Street contains 160 units, of which 120 are micro studios (less than 275 square feet) and 40 are three-bedroom units. The majority of the units were most recently master leased by the California College of the Arts and University of the Pacific for student housing. Of those, as of this writing, 20 units remain leased and expire in two to four years. In addition, there are 50 units leased to formerly homeless households placed by Brilliant Corners under the City's Flexible Housing Subsidy Pool program, which subsidizes rent for formerly homeless households in private market apartments and provides supportive services to support people remaining stably housed. Once the student housing leases expire, the property would provide a net increase of 110 units of permanent supportive housing.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would make the following actions:

1. Approve and authorize the Director of Property, on behalf of HSH, to acquire the property located at 1321 Mission Street;
2. Approve and authorize HSH, on behalf of the City, to apply for HCD's 2021 Homekey Grant Program to purchase the property;

3. Approve and authorize an Agreement of Purchase and Sale for Real Estate for acquisition of the property, for \$86,500,000 plus an estimated \$173,000 for typical closing costs,¹ for a total amount of \$86,673,000 from Mission Smartspace Senior LLC;
4. Authorize the Director of Property, HSH Director, and City Attorney's Office to execute the purchase and sale agreement, make certain modifications, and take certain actions in furtherance of the resolution and the purchase and sale agreement that do not increase the liabilities of the City;
5. Affirm the Planning Department's determination that the purchase is not considered a project under the California Environmental Quality Act (CEQA); and
6. Adopt the Planning Department's findings that the purchase and sale agreement is consistent with the General Plan and Planning Code Section 101.1.

An appraisal conducted by Colliers International confirmed that the proposed sale price of \$86,500,000 is fair market value. An appraisal review by R. Blum and Associates affirmed the appraised value.

Homekey Grant Application

In July 2020, the California Department of Housing and Community Development (HCD) announced the Homekey Program, providing grants to sustain and expand housing for people experiencing homelessness and impacted by COVID-19. In 2020, the City received two Homekey grant awards totaling approximately \$74.1 million to purchase two hotels, adding approximately 362 permanent supportive housing units to the City's existing inventory.² On September 9, 2021, HCD announced a second round of Homekey grant funding.

As noted above, the proposed resolution would allow HSH to apply for a Homekey grant. Based on the Homekey funding materials released to date, HSH has determined that the project is competitive for Homekey funding and intends to prioritize the project for application once application materials are released. Successful applicants will be notified within 45 days of application. Projects are eligible for up to \$200,000 in funding per unit, or \$300,000 per unit if the applicant provides at least \$100,000 per unit in matching funds. Operating subsidies are available for up to \$1,400 per unit per month for two years, or for three years if a match is provided. Per unit subsidies vary based on unit size and population served.

If the grant application is successful, HSH would seek Board of Supervisors approval to accept and expend the Homekey and approve a Standard Agreement with HCD. According to HSH Policy and Legislative Affairs Manager Dylan Schneider, the City would purchase the property with Proposition C funds if the Homekey grant is not awarded.

¹ Closing costs include escrow fee, title insurance, property inspection fee, and recording fees. Specific amounts of each fee were not provided by HSH.

² In 2020, the Board of Supervisors approved Standard Agreements with HCD for Homekey grant funds for amounts up to \$30,000,000 to purchase the 130-room Hotel Diva at 440 Geary Street (File 20-1193) and up to \$49,000,000 to purchase the 232-room Hotel Granada at 1000 Sutter Street (File 20-1268).

Ongoing Costs and Existing Contracts

After the purchase is complete, the property will be operated by a third-party non-profit provider. HSH is currently finalizing a Solicitation of Information (SOI) to select an operator for the property. HSH expects lease up to begin within six months of closing.

The current owner has fourteen existing contracts for building services which may be assigned to the City, including for telecommunications, security cameras, and elevator maintenance. In addition, HSH reports that all ground floor space will be delivered vacant except for a coffee shop/wine bar lease that will be assigned to the City.

Site Condition

A visual inspection of the exterior condition and eight rooms of the building was done by a licensed consultant who also reviewed building drawings on behalf of the Housing Accelerator Fund in August 2021. The inspection found that the building condition was good with no immediate repair needs. The inspection did not include a review of the adequacy of building systems, hazardous materials, or seismic condition. Because the building was constructed in 2015 and based on the inspection of the building, HSH does not expect that any significant rehabilitation will be necessary to convert the property to supportive housing.

Deposit

Section 2.2 of the proposed purchase and sale agreement states that the City is required to put a deposit of \$5 million within ten days of the effective date of the purchase and sale agreement. The purchase and sale agreement are effective after it is approved by the Board and Mayor.

FISCAL IMPACT

The total cost to purchase the property, including closing costs, is \$86,673,000 or approximately \$541,706 per unit. Costs to the City could be offset if the City were awarded the Homekey grant; if the Homekey grant is not awarded, then the full \$86,673,000 amount would be funded by Proposition C funds. The estimated acquisition costs are shown in Exhibit 1 below.

Exhibit 1: Estimated Acquisition and Improvement Costs

Item	Amount
Purchase Price	\$86,500,000
Closing Costs	\$173,000
Improvement Cost	\$0
Total Cost	\$86,500,000
Units	160
Cost Per Unit	\$541,706

Tenant Improvement and Operating Costs

HSH estimates that initial annual operating costs are \$19,800 per unit, or \$3.2 million for the 160-unit building, once it is fully occupied. Assuming three percent annual escalation, total operating costs over three years would be approximately \$9.8 million. These costs to the City over the first three years would be offset by Homekey grant funds if the City is awarded the Homekey grant

but would otherwise be funded by Proposition C funds. All operating costs beyond three years would be funded by Proposition C funds. Estimated annual Proposition C revenues are approximately \$266 million in FY 2022-23. We recommend approval of the proposed resolution because it consistent with the intended use of Proposition C funds to expand the City's supportive housing and the acquisition is at fair market value.

POLICY CONSIDERATION

Property Identification Process

As noted above, HSH had received 86 responses as of September 2021 to the open Request for Information (RFI) seeking properties that could potentially be purchased by the City and converted to permanent supportive housing. The RFI stated preferred property specifications, including range of 50 to 150 residential units, availability for occupancy, building amenities such as in-unit bathrooms and kitchens, laundry on-site, and community space, accessibility, and compliance with building codes. Following the 2020 Homekey Grant process in which the City purchased two properties,³ the City convened a cross-departmental team to evaluate potential properties that had submitted responses to the RFI; the team includes representation from the Mayor's Office, the Real Estate Division, Mayor's Office of Housing and Community Development, and Planning Department, as well as technical consultants. RFI responses were prioritized for site visits and subsequent negotiations based on preferred specifications stated in the RFI, as well as a focus on geographic equity. The RFI is still open, and the City continues to accept submissions.

Property acquisition is new function for the Department of Homelessness & Supportive Housing, which is now planning to acquire or lease 800 units of new supportive housing. The Department should develop formal policies to govern the acquisition/ leasing process.

Programming

The Department of Homelessness & Supportive Housing has not finalized a supportive housing program for 1321 Mission Street, therefore the cost of operations and the timeline until full occupancy may be different than presented above. We recommend that the Department report on the status of the permanent supportive housing acquisitions completed in FY 2021-22 during the FY 2022-23 budget process, including the occupancy at each site and the actual costs of building operations and supportive services.

RECOMMENDATIONS

1. Request the Department of Homelessness & Supportive Housing to report on the status of the permanent supportive housing acquisitions completed in FY 2021-22 during the FY 2022-23 budget process, including the occupancy at each site and the actual costs of building operations and supportive services, and the Department's formal policies to govern the acquisition/leasing process.
2. Approve the proposed resolution.

³ The City purchased 1000 Sutter (File 20-1063 & File 20-1268) and 440 Geary (File 20-1193).

Item 9 File 21-1010	Department: Office of Economic and Workforce Development
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance de-appropriates \$400,000 from the Office of Small Business' Legacy Business Historic Preservation Fund and re-appropriates \$400,000 for the provision of a new grant program for Legacy Businesses in FY 2021-22. <p>Key Points</p> <ul style="list-style-type: none"> • The Legacy Business Historic Preservation Fund was established through a voter-approved proposition and includes two separate grant programs to support long-standing businesses: the Business Assistance Grant, which allocates funding to Legacy Businesses based on the number of full-time employees (FTEs), and the Rent Stabilization Grant, which awards grants to commercial landlords that lease real property to Legacy Businesses. • The proposed \$400,000 re-appropriation comes from funds appropriated by the Board of Supervisors to the Legacy Business Historic Preservation Fund as part of the FY 2021-22 add-back process with the goal of supporting direct grants to small businesses. The proposed ordinance would re-appropriate these funds from the Legacy Business Preservation Fund to a new grant program to allow flexibility in prioritizing grant awards. • The current allocation method for the Business Assistance Grant results in payment of smaller grant awards to the smallest and most financially challenged businesses. According to the City Attorney, the allocation method cannot legally be changed within the existing grant without another ballot proposition. • The Office of Small Business (OSB) proposes the creation of a new Legacy Business grant with a different allocation methodology that no longer awards funding based on the number of FTEs. The new program would award funding based on business type and property ownership, and would prioritize for-profit businesses over nonprofits, and renters over property owners. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The source of funding for the \$400,000 is General Fund. • Based on an expected 280 applicants, OSB anticipates that 196 For-Profit Renters would each receive an individual award of \$1,646 (\$322,616 total), the 33 For-Profit Property Owners would receive individual grant awards of \$1,235 each (\$40,755 total), the 38 Nonprofit Renters would each receive \$823 each (\$31,274 total) and the 13 Nonprofit Property Owners would each receive \$411 (\$5,343 total). <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance. 	

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

Legacy Business Registry

The Office of Small Business (OSB) establishes and maintains the registry of Legacy Businesses in San Francisco. To qualify as a Legacy Business, a business must be nominated by a member of the Board of Supervisors or the Mayor and must have operated in San Francisco for 30 or more years, with no break in San Francisco operations for over two years.^{1 2} Legacy Business applications are reviewed by the Small Business Commission and are limited to 300 total businesses per fiscal year. Nonprofit entities are eligible to receive Legacy Business status.

The Legacy Business Historic Preservation Fund

The Legacy Business Historic Preservation Fund (“The Fund”) was added to the Administrative Code by voters through Proposition J in November 2015 to help long-operating businesses remain in the City.^{3 4} The Fund includes two separate grant programs, funded by General Fund monies:

- The Legacy Business Assistance Account awards funding of up to \$500 per full-time employee to qualifying Legacy Businesses, up to a maximum of 100 full-time equivalent employees (FTEs).
- The Legacy Business Rent Stabilization Account awards grants of up to \$4.50 per square foot to commercial landlords that lease real property in San Francisco to a Legacy Business for a term of at least 10 years, or extends the term of the Legacy Business’s existing lease to at least 10 years.⁵

The Small Business Commission, which establishes and oversees the Fund’s allocation procedures, has prioritized full funding for the Legacy Business Rent Stabilization Grant Program. As shown in Exhibit 1 below, in FY 2021-22, \$1,000,000 has been budgeted for the Rent Stabilization Grant program and there was no funding budgeted for the Business Assistance Grant Program.

¹ San Francisco Administrative Code, Section 2A.242

² Exceptions may be made for businesses operating in San Francisco between 20-30 years, if the Small Business Commission finds that the business has significantly contributed to the community and would face a significant risk of displacement.

³ San Francisco Administrative Code, Section 2A.243

⁴ Proposition J. <http://www.amlegal.com/pdffiles/sanfran/Admin%20App.%20117.pdf>

⁵ Up to a maximum of 5,000 square feet.

Exhibit 1: FY 2021-22 Legacy Business Historic Preservation Fund Balance

Program	Budget	Carryforward	Expenditures	Balance
Business Assistance Fund	\$0	\$0	\$0	\$0
Rent Stabilization Fund	\$1,000,000	\$443,577	\$235,230	\$1,208,347
Total	\$1,000,000	\$443,577	\$235,230	\$1,208,347

Source: Received from Department

As of September 2021, \$235,230 has been expended through the Rent Stabilization grant program for FY 2021-22. Rent Stabilization Fund has \$443,577 in unspent carryforward funding from previous years. According to OSB staff, projected expenditures for the Rent Stabilization Grant are \$851,414 through the end of FY 2021-22 and Rent Stabilization Grant expenditures are expected to increase due to the increasing number of applications received from applicants as more Legacy Businesses are added to the Legacy Business Registry. OSB staff anticipate that unspent funding for the Rent Stabilization Fund from FY 2021-22 will cover the increasing expenditures for FY 2022-23, which is expected to exceed \$1 million.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance de-appropriates \$400,000 from the Office of Small Business' Legacy Business Historic Preservation Fund and re-appropriates \$400,000 for the provision of a new grant program for Legacy Businesses in FY 2021-22. The \$400,000 comes from the Board of Supervisors' FY 2021-22 add-back to the Legacy Business Historic Preservation Fund with the intention of supporting direct grants to small businesses, which is in addition to the \$1 million appropriated to the Legacy Business Preservation Fund shown in Exhibit 1 above.⁶

The Legacy Business Historic Preservation Fund's Business Assistance Grant Program

According to the Executive Director for the Office of Small Business, the current allocation methodology for the existing Business Assistance Grant, which awards funding based on the number of FTEs (full time equivalent positions), results in payment of smaller grant awards to the most financially struggling businesses, some of whom have had to lay off employees due to the COVID-19 pandemic and would accordingly receive a lower grant award. Additional problems with the existing grant allocation procedures include difficulties with calculating and verifying the exact number of FTEs in accordance with the methodology described in the Administrative Code, which is determined by adding, for each employee employed immediately before June 30, the employee's average weekly hours over the past 12 months divided by 40 and rounded to the nearest full employee. According to the Executive Director for the Office of Small Business, many Legacy Business applicants calculated their FTEs incorrectly in past grant applications and it was

⁶ The Board of Supervisors added \$500,000 to the Legacy Business Preservation Fund in FY 2021-22, of which \$400,000 allocated to grants to businesses and \$100,000 was allocated to temporary staff to administer the Fund.

time intensive for OSB staff to review grant applications and verify FTEs through payroll reports. Funding has not been awarded from this grant program since FY 2020-21.

New Legacy Business Grant Program

According to OSB staff, the City Attorney's office confirmed that Administrative Code 2A.243 does not authorize the Office of Small Business to create a new grant program within the Legacy Business Historic Preservation Fund or to substantively modify the program without another ballot proposition passed by voters. The OSB proposes the creation of a new Legacy Business grant with a simpler application and review process, and a different allocation methodology based on business type and property ownership. According to OSB staff, the grant would prioritize funds for renters (as opposed to property owners) due to susceptibility of renters to commercial space rent increases. The grant would also prioritize for-profit businesses over nonprofit businesses, since for-profit businesses pay more for various City services such as the Business Registration Certificate and the Health Care Security Ordinance, and are not eligible for other sources of City funding dedicated specifically for nonprofit organizations.⁷ The new grant program would no longer allocate funding based on the number of FTEs. In total, there would be four categories of grantees, prioritized as follows:

1. For-Profit Renters
2. For-Profit Property Owners
3. Nonprofit Renters
4. Nonprofit Property Owners

According to OSB staff, nonprofits received significantly more funding through the Business Assistance Grant than for-profits. In FY 2019-20, nonprofit Legacy Businesses had, on average, approximately 23 FTEs and received an average grant amount of \$9,909, compared to for-profit Legacy Businesses that had an average of 18 FTEs and received \$2,312 less than qualifying nonprofits (\$7,597 total). In FY 2018-19, nonprofits had an average of 27 FTEs and received an average grant award of \$8,413, compared to for-profits which had an average of 16 FTEs and received an average award of \$5,015.

FISCAL IMPACT

Funding Source

The source of funding for the \$400,000 is General Fund monies, allocated by the Board of Supervisors for the replenishment of the Legacy Business Preservation Fund for direct grants to qualifying businesses as part of the FY 2021-22 add-back process.

⁷ Additional stated reasons for the decision to prioritize for-profit businesses include inability of for-profit businesses to receive tax-deductible donations, as well as a goal of decreasing ground-level storefront vacancies (of which for-profit businesses are the primary tenants).

Grant Allocation Amounts

OSB staff anticipates that nearly all of the eligible Legacy Businesses will apply for funding under the new grant program. As of September 2021, there are 289 Legacy Businesses. Exhibit 2 shows the estimated grant awards based on the \$400,000 budget allocation and an estimated 280 Legacy Business applicants, grouped according to the four categories.

Exhibit 2: Estimated Legacy Business Grant Allocation for FY 2021-22⁸

Category	Number of Businesses	Individual Grant Award	Total Grant Amount
For-Profit Renters	196	1,646	322,616
For-Profit Property Owners	33	1,235	40,755
Nonprofit Renters	38	823	31,274
Nonprofit Property Owners	13	411	5,343
Total Cost	280		\$399,988

Source: Legacy Business Program Grant Proposal, received from Department

As shown above, for-profit renters would receive the highest award of approximately \$1,646 each, and nonprofit property owners would receive the smallest award of \$411 each. For-profit renters would receive approximately 4x as much funding as nonprofit property owners. According to OSB staff, there will be no requirements for how the funding can be used.

Because the proposed re-allocation of funds under the proposed ordinance is consistent with the intent of the original Board of Supervisors appropriation, we recommend approval of the proposed ordinance.

RECOMMENDATION

Approve the proposed ordinance.

⁸ For-Profit Renters would receive 4x as much funding as Nonprofit Property Owners, For-Profit Property Owners would receive 3x as much funding and Nonprofit Renters would receive 2x as much funding.