CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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July 7, 2016

TO: Budget and Finance Sub-Committee

FROM: Budget and Legislative Analyst

SUBJECT: July 13, 2016 Budget and Finance Sub-Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- 16-0557: Resolution determining and declaring the public interest and necessity demand the construction, acquisition, improvement, rehabilitation and conversion of "at-risk" multi-unit residential buildings to permanent affordable housing and performing needed seismic, fire, health and safety upgrades and other major rehabilitation for habitability, to be financed through bonded indebtedness not to exceed $350,000,000.
- 16-0552: Ordinance calling for a special election on November 8, 2016 to submit a proposition to San Francisco voters to amend Proposition A approved by voters in November 1992 to authorize additional purposes for providing general obligation bonded indebtedness loans for affordable housing.

Key Points

- San Francisco voters approved a $350,000,000 General Obligation bond in 1992 to fund a Seismic Safety Loan Program to provide seismic loans for unreinforced masonry buildings. Because of the low number of masonry buildings requiring seismic upgrades, the proposed legislation would amend the program to expand the uses for such loans.

Fiscal Impact

- Under the existing Market Rate Loan Program and Affordable Housing Loan Program, for market rate loans the property owner pays the full amount of the principal and interest costs, and for affordable housing loans the property owner pays full principal and one-third interest costs and the City pays two-thirds interest costs. Therefore, the expanded allowable use of the Proposition A General Obligation bonds could increase the annual property tax rate resulting from new affordable housing loans, but is not expected to impact the City's property tax rate above the 2006 property tax rate baseline.

Policy Consideration

- While the legislation does not specify the level of affordability for housing acquired or renovated through the Affordable Housing Loan Program, MOHCD's intent is for eligible properties to conform to the City's Small Site Acquisition and Rehabilitation Program, which provides for housing to be affordable to households up to 80 percent of the Area Median Income on average. Currently, Administrative Code Chapter 66 provides for the Affordable Housing Loan Program to issue loans to housing projects that are affordable up to 40 to 60 percent of the Area Median Income. MOHCD proposes to submit a future ordinance to the Board of Supervisors to amend Chapter 66 of the Administrative Code to set affordability requirements to conform to the City's Small Site Acquisition and Rehabilitation Program.

Recommendation

- Approval of the proposed resolution and ordinance to submit a $350 million General Obligation bond to San Francisco voters for the November 2016 ballot is a policy decision for the Board of Supervisors.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

According to Article 16, Section 18(a) of the State of California Constitution, no county, city, town, township, board of education, or school district, shall incur any indebtedness or liability for any purpose exceeding in any year the income and revenue provided for such year, without the approval of two-thirds of the voters of the public entity voting at an election to be held for that purpose. Section 9.105 of the City's Charter provides that the Board of Supervisors is authorized to approve the issuance and sale of General Obligation bonds in accordance with State law or local procedures adopted by ordinance.

City Administrative Code Section 2.34 requires that a resolution of public interest and necessity for the acquisition, construction or completion of any municipal improvement be adopted by the Board of Supervisors not less than 141 days before the election at which such proposal will be submitted to the voters. These time limits may be waived by resolution of the Board of Supervisors.

Background

On November 3, 1992, San Francisco voters approved a $350,000,000 General Obligation bond to fund a Seismic Safety Loan Program (Proposition A) to provide loans to property owners to seismically strengthen their unreinforced masonry buildings. Under the existing $350 million Seismic Safety Loan Program, which is administered by the Mayor's Office of Housing and Community Development (MOHCD), $150 million is authorized for affordable housing and $200 million is authorized for market-rate residential, commercial and institutional buildings. As shown in Table 1 below, of the total $350,000,000 in bonds authorized in 1992, $260,684,550 of that authorization remains after almost 24 years.

Table 1: Existing Seismic Safety Loan Program Bond Authorizations

	Total	Affordable Housing	Market Rate
Bonds Authorized	$350,000,000	$150,000,000	$200,000,000
Bonds Issued to Date	89,315,450	45,315,450	44,000,000
Remaining Bond Authorization	$260,684,550	$104,684,550	$156,000,000

DETAILS OF PROPOSED LEGISLATION

Under the proposed resolution (File 16-0557), the Board of Supervisors would:

(a) Determine and declare that the public interest and necessity demand the acquisition, improvement and rehabilitation and conversion of "at-risk" multi-unit residential buildings to permanent affordable housing, including performance of needed seismic, fire, health and safety upgrades and other major rehabilitation for habitability; and that such work would be financed through bonded indebtedness not to exceed $350,000,000;

(b) Find that the estimated cost of $350,000,000 previously authorized under Proposition A in 1992 is and will be too great to be paid out of the ordinary annual income and revenue of the City;

(c) Provide for the levy and collection of taxes to pay both principal and interest on such bonds;

(d) Set certain procedures and requirements for the election;

(e) Adopt findings under the California Environmental Quality Act (CEQA); and

(f) Find that the proposed bond is in conformance with the General Plan and eight priority policies of the Planning Code, Section 101.1.

Under the proposed ordinance (File 16-0552), the Board of Supervisors would:

(a) Provide for a special election to be held in the City and County of San Francisco on November 8, 2016 in which a proposition would be submitted to San Francisco voters amending Proposition A (approved by the voters in November 1992) to expand the Affordable Housing Loan Program and the Market Rate Loan Program to allow for the use of bond proceeds to provide loans to finance the costs to acquire, improve, and rehabilitate multi-unit residential buildings that are at-risk of losing their affordability, and to convert such properties to permanent affordable housing, including performance of needed seismic, fire, health and safety upgrades and other major rehabilitation for habitability;

(b) Provide for the levy and collection of taxes to pay both principal and interest on such bonds;

(c) Incorporate the provisions of the Administrative Code relating to the Citizens' General Obligation Bond Oversight Committee's review of the Bonds;

(d) Setting certain procedures and requirements for the election;

(e) Adopt findings under the California Environmental Quality Act (CEQA); and

(f) Find that the proposed bond is in conformance with the General Plan and eight priority policies of the Planning Code, Section 101.1

Currently, the Affordable Housing Loan Program and Market Rate Loan Program provide loans to property owners to make seismic upgrades to masonry buildings. Because of the lack of supply of masonry buildings in need of seismic upgrades, there may not be high demand for the remaining authorization of seismic safety loans. The proposed resolution and ordinance would amend the program to expand the uses for such loans. Under the proposed resolution and ordinances, property owners could use loan proceeds to acquire, improve and rehabilitate of "at-risk" multi-unit residential properties, and convert these properties to permanent affordable housing.

According to Mr. Brian Strong, Director of the City's Capital Planning Program the proposed resolution and ordinance are scheduled to be heard by the Capital Planning Committee on Monday, July 11, 2016.

FISCAL IMPACT

No Additional Bond Authorization

The proposed ordinance expands the uses of the Proposition A General Obligation Bonds, previously approved by the voters in November 1992 for the Seismic Safety Loan Program, but does not increase the bond amount of $350,000,000. While the proposed legislation could increase the use of Affordable Housing and Market Rate Loan Program loans, resulting in issuance of previously authorized but unissued bonds of $260,684,550 (see Table 1 above) to fund these loans, the demand for these loans is not currently known.

Under the existing Market Rate Loan Program and Affordable Housing Loan Program, for market rate loans the property owner pays the full amount of the principal and interest costs, and for affordable housing loans the property owner pays full principal and one-third interest costs and the City pays two-thirds interest costs. Therefore, according to Mr. Strong, the expanded allowable use of the Proposition A General Obligation bonds could increase the annual property tax rate resulting from new affordable housing loans, but is not expected to impact the City's property tax rate above the 2006 property tax rate baseline.

Other City Costs

In accordance with Section 5.31 of the Administrative Code, one-tenth of one percent (0.1%) of the bonds gross proceeds would be deposited into the Controller's Office fund, to be appropriated by the Board of Supervisors to cover the costs of the Citizens' General Obligation Bond Oversight Committee. In addition, the Controller's City Service Audit fee, bond issuance costs, and underwriter's discount fees would be included in the City's bond total costs.

According to MOHCD, depending on the additional work required by the proposed program, the MOHCD may need to add one additional full-time equivalent (FTE) staff to administer this program.

POLICY CONSIDERATION

According to Ms. Kate Hartley, MOHCD Deputy Director, while the legislation does not specify the level of affordability for housing acquired or renovated through the Affordable Housing Loan Program, MOHCD's intent is for eligible properties to conform to the City's Small Site Acquisition and Rehabilitation Program[1], which provides for housing to be affordable to households up to 80 percent of the Area Median Income[2] on average. Currently, Administrative Code Chapter 66 provides for the Affordable Housing Loan Program to issue loans to housing projects that are affordable up to 40 to 60 percent of the Area Median Income. MOHCD proposes to submit a future ordinance to the Board of Supervisors to amend Chapter 66 of the

[1] The City's Small Site Acquisition and Rehabilitation Program, administered by the Mayor's Office of Housing and Community Development, identifies potential existing properties at risk of losing their affordability that can be acquired or rehabilitated in order to retain affordable housing in the City.

[2] The San Francisco Average Median Income in 2016 for a four-person household is $107,700. 80 percent of the San Francisco Average Median Income in 2016 for a four-person household is $86,150.

Administrative Code to set affordability requirements to conform to the City's Small Site Acquisition and Rehabilitation Program.

RECOMMENDATION

Approval of the proposed resolution and ordinance to submit a proposition to San Francisco voters to expand the uses of the existing $350 million Seismic Safety General Obligation bond program for the November 2016 ballot is a policy decision for the Board of Supervisors.

Item 5 File 16-0539	Department: Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

The proposed resolution would authorize a new 12-year Master License Agreement between the San Francisco Public Utilities Commission (SFPUC) and New Cingular Wireless PCS, LLC d.b.a. AT&T, a Delaware limited liability company (AT&T) to install Distributed Antenna System (DAS) equipment on 250 to 500 existing street light poles which would provide expanded wireless data capacity coverage.

Key Points

- SFPUC owns and maintains approximately 25,000 street light poles in San Francisco. A DAS installation consists of multiple low power antennas that are connected by fiber-optic lines to the carrier's hubs. DAS facilities distribute wireless network coverage, providing for more efficient management of wireless cellular telephone and data capacity in heavily trafficked areas.
- The Board of Supervisors approved three similar master license agreements between SFPUC and ExteNet Systems, LLC (ExteNet), GTE Mobilenet of California, LP (Verizon), both approved in December 2014 (File 14-1162), and Mobilitie Investments III, LLC (Mobilitie), approved in January 2015 (File 15-0015).
- The proposed resolution would approve a new 12-year Master License Agreement with AT&T; SFPUC will enter into separate licenses with AT&T for each street light pole location to install DAS equipment.

Fiscal Impact

- Estimated payments by AT&T to SFPUC in the first year for one-time fees, street light pole licenses, and installation of DAS equipment on 100 street light poles are $557,500. Estimated payments by AT&T to SFPUC in annual license fees over the 12-year term range from $13,114,635 for 250 licenses, to $24,553,602 for 500 licenses.

Policy Considerations

- Prior policy discussions regarding the DAS program resulted in resolution that revenues from DAS master license agreements be appropriated to SFPUC's streetlight program in the Annual Appropriation Ordinance. The proposed resolution should reflect that prior decision.

Recommendations

- Amend the proposed resolution to specify that the revenues generated by these licenses will be appropriated to the streetlight program in the Annual Appropriation Ordinance.
- Approve the proposed resolution as amended.

MANDATE STATEMENT

San Francisco City Charter Section 9.118(a) states that contracts entered into by a department, board, or commission that have anticipated revenues of $1 million or more are subject to Board of Supervisors approval.

BACKGROUND

The San Francisco Public Utilities Commission (SFPUC) owns and maintains approximately 25,000 street light poles in San Francisco. In April 2012, SFPUC adopted the San Francisco Street Light Pole Use Policy which identifies priorities for alternative uses of street light poles such as for decorative purposes or holiday displays, and grants the General Manager of SFPUC the authority to issue licenses for alternative uses of street light poles by city agencies, neighborhood associations and community business districts. The Street Light Use Policy does not address the use of street lights for private commercial uses.

The Board of Supervisors previously approved three master license agreements with 12-year terms between SFPUC and ExteNet Systems, LLC (ExteNet), GTE Mobilenet of California, LP (Verizon) and Mobilitie Investments III, LLC (Mobilitie) to install Distributed Antenna Systems (DAS) on SFPUC's street light poles. A DAS installation consists of multiple low power antennas that are connected by fiber-optic lines to the carrier's hubs. DAS facilities distribute wireless network coverage, providing for more efficient management of wireless cellular telephone and data capacity in heavily trafficked areas. The master license agreements between SFPUC and ExteNet and Verizon were approved by the Board of Supervisors in December 2014 (File 14-1162) and the master license agreement between SFPUC and Mobilitie was approved by the Board of Supervisors in January 2015 (File 15-0015). According to a SFPUC report prepared by Ms. Mary Tienken, SFPUC Project Manager of the DAS Program, as of the end of April 2016, SFPUC has received a total of $659,200 in revenues from annual street light pole license fees under the existing three master license agreements.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize a new 12-year Master License Agreement between SFPUC and New Cingular Wireless PCS, LLC d.b.a. AT&T (AT&T), a Delaware limited liability company, for AT&T to install Distributed Antenna System (DAS) equipment on an estimated 250 to 500 additional street light poles over the 12-year term which would provide expanded wireless cellular telephone and data capacity coverage. As was also authorized in prior resolutions approving DAS master license agreements, this resolution would authorize the General Manager of SFPUC to enter into any modifications to the Master License Agreement, in consultation with the City Attorney, which do not materially increase the obligations or liabilities of the SFPUC or the City.

<u>Master License Agreement</u>

The proposed Master License Agreement establishes the fees, charges, procedures, and conditions in which SFPUC may grant permission to AT&T to install DAS equipment on specific street light poles. Prior to installation of DAS equipment, AT&T must apply for individual licenses to authorize the specific location and site constraints for each street light pole. As is the case with the three existing DAS master lease agreements, each street light pole license will constitute an amendment to the Master License Agreement and will not be subject to future approval by the Board of Supervisors.

Table 1 below summarizes the key provisions of the proposed Master License Agreement with AT&T.

Table 1: Key Provisions of the Master License Agreement	
Permitted Use	Installation, operation, and maintenance of DAS equipment on the License Area specified in each Pole License and no other location. Use of the License Area for any other purpose without SFPUC's prior consent is prohibited.
Term	12 years after effective date
Street Light Pole License Application Deadline	10 years after effective date
Master License Application Fee to be paid by AT&T to SFPUC	$7,500 (one-time)
Pole License Fees to be paid by AT&T to SFPUC	Pole License Fee - $4,160 (per pole, per year) Administration Fee - $900 (per pole, one-time) Service Connection Fee - $440 (per pole, one-time)
Pole License Fee Adjustments	Pole License Fees will escalate by 4% on January 1 of each year.

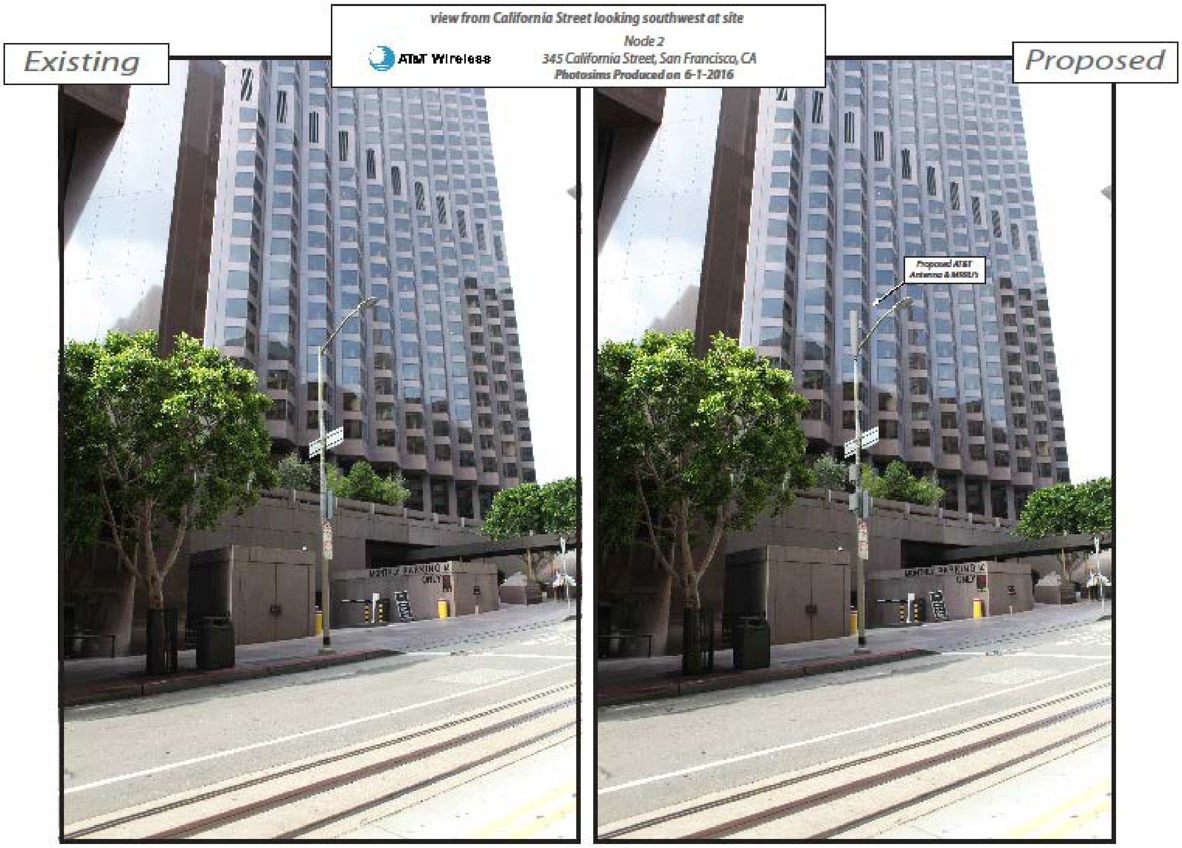
Licensee Selection of Location and Quantity of Poles

According to Mr. Marc Grabisch, Site Acquisition Project Manager of AT&T, AT&T plans to initially install DAS equipment on 25 to 100 street light poles, primarily to increase cellular coverage in the areas near Union Square. Mr. Grabisch estimates that the company will license between 250 and 500 street light poles under the Master License Agreement. AT&T will select street light poles for installation of their DAS equipment to meet their service coverage needs, subject to SFPUC’s approval requirements under the Master License Agreement.

Description of Infrastructure and Installation

According to Mr. Grabisch, the proposed DAS equipment is similar to that used by the companies with SFPUC’s existing master license agreements. The equipment consists of an antenna mounted on top of a street light pole, along with a radio enclosure attached to the street light pole at a height approximately 20 feet above the sidewalk. Exhibit 1 below shows a rendering provided by AT&T of the prospective DAS equipment on a street light pole.

Exhibit 1: Sample Street Light Pole with DAS Equipment



Source: AT&T

SFPUC Rights to Poles

According to the proposed agreement, SFPUC retains possession and control of all SFPUC poles for SFPUC operations. SFPUC will maintain and repair SFPUC poles as needed, at any time. Licensees are liable for any damage to SFPUC poles. SFPUC may terminate a street light pole license for street light pole(s) and require removal of the DAS equipment if SFPUC determines that continued use of the street light pole for DAS interferes with SFPUC's street light operations.

In approving a street light pole license, SFPUC may consider any matter affecting its municipal obligations and interests. SFPUC staff engineers will review the street light pole license applications and conduct site visits with the Licensee to determine feasibility of use for each street light pole location to adhere to SFPUC interests. Examples of these interests may include:

1) The resulting total load on the SFPUC street light pole;
2) The impact of the installation on street lighting operations;
3) Whether the equipment would create a hazardous or unsafe condition;
4) Aesthetic concerns, particularly for historic or decorative street light poles;
5) Cumulative level of emissions in the vicinity of the street light pole.

Coordination with Other City Agencies

SFPUC, in consultation with the Department of Public Health (DPH), will require each DAS installation to fully comply with Federal Communications Commission requirements for human exposure to radio frequency emissions. SFPUC will also consult with the Planning Department to limit the aesthetic impacts of the proposed DAS installation.

Prior to approval of the street light pole license, licensees must demonstrate compliance with regulatory approvals from the Department of Public Works (DPW). DPW will review Wireless Telecommunications Service Facility Site Permit applications and issue a Wireless Telecommunications Service Facility Site Permit, under Article 25 of the San Francisco Public Works Code, which sets limits on the number, size, and type of antennas that can be installed on street light poles. Additionally, Article 25 requires that DPW and the Planning Department consider the aesthetic impacts of a proposed street light pole installation, and that DPH confirm that the proposed street light pole is in compliance with the Public Health Compliance Standard. Compliance with regulations is performed by the licensee and SFPUC does not have a role in coordinating approvals from DPW, DPH and the Planning Department, although SFPUC will confirm that all regulatory approvals have been granted prior to issuing a street light pole use license.

Municipal Use of Fiber-Optic Cables

According to the agreement, AT&T will grant the City a license to use four strands of any fiber-optic cable that AT&T owns at each licensed SFPUC street light pole. AT&T agrees that upon the expiration or termination of the Master License, it will grant to the City by quitclaim or sale, any fiber strands that the City uses or desires to use.

FISCAL IMPACT

AT&T will be required to pay a one-time application fee of $7,500 for the processing of the Master License Agreement. AT&T will also be required to pay fees for each street light pole license: an annual street light pole license fee of $4,160, a one-time administration fee of $900, and a one-time service connection fee of $440. The annual street light pole license fee is set at $4,160 for 2016 and is subject to an increase of 4 percent per year, which conforms to prior SFPUC DAS master license agreements and results from research conducted by SFPUC on comparable agreements in other cities. Table 2 below shows the fees associated with the agreement.

Table 2: Fees Associated with the Master License Agreement

Fees	Amount	Frequency
Master License Agreement Application Fee	$7,500	One-time
Street Light Pole License Fee*	$4,160	Per pole, per year
Administration Fee	$900	Per pole, one-time
Service Connection Fee	$440	Per pole, one-time

*Street Light Pole License Fee increases 4% per year

According to Mr. Grabisch, AT&T plans to install DAS equipment on between 25 and 100 SFPUC street light poles in the first year of the Master License Agreement. The total estimated revenue to SFPUC from the Master License Agreement would thus range from $145,000 to $557,500 in the first year, as shown in Table 3 below.

Table 3: Estimated Year One Revenues Paid by AT&T to SFPUC

Year One	25 Poles	100 Poles
Master License Agreement Application Fee	$7,500	$7,500
Street Light Pole License Fee	104,000	416,000
Administration Fee	22,500	90,000
Service Connection Fee	11,000	44,000
Total	**$145,000**	**$557,500**

Over the 12-year term of the Master License Agreement, the estimated revenues to SFPUC from AT&T for annual street light pole license fees, not including one-time fees noted above) range from $13,114,635 for 250 street light pole licenses to $24,553,602 for 500 street light pole licenses, as shown in Table 4 below.

Table 4: Estimated Total Annual License Fee Revenue Paid by AT&T to SFPUC

	Annual License Fee	Low Estimate*	Total Annual Revenue	High Estimate*	Total Annual Revenue
Year 1	$4,160.00	25	$104,000	100	$416,000
Year 2	4,326.40	100	432,640	150	648,960
Year 3	4,499.46	150	674,919	200	899,892
Year 4	4,679.43	200	935,886	300	1,403,829
Year 5	4,866.61	200	973,322	350	1,703,314
Year 6	5,061.28	250	1,265,320	400	2,024,512
Year 7	5,263.73	250	1,315,933	500	2,631,865
Year 8	5,474.28	250	1,368,570	500	2,737,140
Year 9	5,693.25	250	1,423,313	500	2,846,625
Year 10	5,920.98	250	1,480,245	500	2,960,490
Year 11	6,157.82	250	1,539,455	500	3,078,910
Year 12	6,404.13	250	1,601,033	500	3,202,065
Total Annual License Fee Revenues			**$ 13,114,635**		**$ 24,553,602**

*Source: AT&T

According to Ms. Barbara Hale, Assistant General Manager of SFPUC's Power Enterprise, the City will also benefit from the use of four fiber-optic cables at each licensed street light pole. SFPUC has not estimated the value of these fiber-optic cables to the City.

<u>Cumulative Fiscal Impact of Annual Street Light Pole License Fees</u>

As noted above, SFPUC has received $659,200 in annual street light pole license fees from the three existing master license agreements with ExteNet, Verizon, and Mobilitie during the approximately 18-month period since implementation of the agreements in December 2014 and January 2015 respectively. This fourth Master License Agreement with AT&T is estimated to generate between $13,114,635 and $24,553,602 in annual street light pole license fees over its 12-year term, as noted in Table 4 above. SFPUC estimates that the cumulative annual street light pole license fee revenue from the three existing master license agreements and the one proposed new agreement with AT&T in the 12-year period from 2015 through 2026 will be between $19,982,458 and $39,182,144 as shown in Table 5 below.

Table 5: Cumulative Fiscal Impact of DAS Program Annual License Fees

		Low Estimate		High Estimate	
	Annual License Fee	Number of Poles	Total Revenue	Number of Poles	Total Revenue
2015 - Y1	$4,000	111	$444,000	111	$444,000
2016 - Y2	4,160	212	881,920	274	1,139,840
2017 - Y3	4,326	374	1,617,924	647	2,798,922
2018 - Y4	4,499	374	1,682,626	747	3,360,753
2019 - Y5	4,679	374	1,749,946	747	3,495,213
2020 - Y6	4,867	374	1,820,258	747	3,635,649
2021 - Y7	5,061	374	1,892,814	747	3,780,567
2022 - Y8	5,264	347	1,826,608	720	3,790,080
2023 - Y9	5,474	347	1,899,478	720	3,941,280
2024 - Y10	5,693	347	1,975,471	720	4,098,960
2025 - Y11	5,921	347	2,054,587	720	4,263,120
2026 - Y12	6,158	347	2,136,826	720	4,433,760
12-Year Total			**$19,982,458**		**$39,182,144**

Source: SFPUC

POLICY CONSIDERATIONS

Previous Policy Discussions

Under the December 2014 resolution approving the two master license agreements with ExteNet and Verizon, and under the January 2015 resolution approving the master license agreement with Mobilitie, the Board of Supervisors amended the legislation to require that all revenues from those Master License Agreements be appropriated to the streetlight program in the Annual Appropriation Ordinance.

In accordance with the Board of Supervisors' previous amendments to those resolutions approving the existing master license agreements, the Budget and Legislative Analyst recommends amending the proposed resolution to require that all revenues from the proposed Master License Agreement with AT&T be appropriated to the SFPUC Streetlight Program in the Annual Appropriation Ordinance.

Management of Street Light Pole Licenses

SFPUC is required to submit to the Board of Supervisors reports detailing the number and locations of existing DAS street light pole licenses annually and with each proposed resolution to approve a new DAS master license agreement. SFPUC has provided a report to the Board of Supervisors on July 5, 2016.

RECOMMENDATIONS

1. Consistent with previous Board of Supervisors policy, amend the proposed resolution to specify that all revenues generated from the proposed Master License Agreement with AT&T will be appropriated to the SFPUC Streetlight Program in the Annual Appropriation Ordinance, subject to Board of Supervisors approval.
2. Approve the proposed resolution, as amended.

Item 7 **File 16-0593**	**Department:** San Francisco Municipal Transportation Agency (SFMTA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would authorize the San Francisco Municipal Transportation Agency to include, in any contract for parking meter coin collections, counting and support services it executes after issuing a competitive solicitation, provisions that require the contractor and subcontractors to pay prevailing wages to meter collector, coin room operator, crew lead and foreperson positions, and to provide transitional employment and retention to the prior contractor's employees performing such services, subject to compliance with all applicable state laws and regulations; and making findings as to the applicable prevailing wage rates for the positions covered by this ordinance.

Key Points

- On July 17, 2012, the Board of Supervisors approved the SFMTA executing a five-year agreement, with four annual options, with Serco for parking meter coin collections, counting and support services for a not to exceed $46,410,974. SFMTA's average annual costs for this Serco agreement were $3,802,808 between FY 2012-13 and FY 2015-16.
- In early 2016, Serco negotiated a collective bargaining agreement with Teamsters Local 665 to represent Serco's employees working on the SFMTA contract, including salary and benefit increases. The existing agreement between SFMTA and Serco does not require the City to pay any increases resulting from negotiated wages and benefits under new collective bargaining agreements. Serco indicates they will only honor the negotiated collective bargaining agreement if the SFMTA covers the increased costs to Serco that will result from the new collective bargaining agreement.
- On May 17, 2016, the SFMTA Board of Directors approved (a) authorizing SFMTA to execute a second amendment with Serco to implement collective bargaining agreement wage increases effective July 1, 2016; and (b) urging the Board of Supervisors to approve an ordinance to establish prevailing wage requirements in future contracts based on the collective bargaining agreements and to establish transitional employment and retention requirements for existing employees performing these services.

Fiscal Impact

- SFMTA estimates that the proposed ordinance would result in an increased cost of $715,000 in FY 2016-17, an 18.8 percent cost increase. Based on projected hourly wage and benefit increases, SFMTA estimates the proposed ordinance would result in an increase of approximately $913,000 for each extension year of the Serco agreement, a 24 percent increase.

Recommendation

- Approval of the proposed ordinance is a policy decision for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 2.105 states that all legislative acts shall be by ordinance and shall require two readings by the Board of Supervisors.

City Administrative Code Section 21C.7 requires certain contractors and subcontractors that have contracts with the City to pay prevailing rate of wages to individuals that perform work under those contracts and to provide transitional employment and retention for the prior contractor's employees. This requirement to pay prevailing rates of wages includes wage rates for overtime, holidays and fringe benefits. The Board of Supervisors determines the prevailing rate of wages at least once a year for each of the covered contracts. These requirements are then enforced by the City's Office of Labor Standards Enforcement.

BACKGROUND

On July 17, 2012, the Board of Supervisors approved the San Francisco Municipal Transportation Agency (SFMTA) executing a five-year agreement or through July 31, 2017 with Serco, Inc. (Serco) for parking meter coin collections, counting and support services for a not to exceed $46,410,974 (File 12-0581)[1]. This agreement between SFMTA and Serco also includes options for up to an additional four years or through July 31, 2021. Serco has provided parking meter coin collections, counting and support services for the City since 1998.

Although the SFMTA conducted a competitive Request for Proposal (RFP) process in 2012, Serco submitted the sole bid to the SFMTA to provide these parking meter related services. Serco's bid was responsive to the RFP, which required compliance with the City's Minimum Compensation Ordinance.

In early 2016, Serco negotiated a collective bargaining agreement with Teamsters Local 665 to represent Serco's meter collectors, coin room operators, crew leads, and forepersons working on the SFMTA contract, including progressive pay scales, salary increases, additional paid time off, and increased employer contributions for health benefits. The existing agreement between SFMTA and Serco to provide parking meter related services does not require the City to pay any increases resulting from negotiated wages and benefits under new collective bargaining agreements. Serco indicates they will only honor the negotiated collective bargaining agreement if the SFMTA covers the increased costs to Serco that will result from the new collective bargaining agreement.

On May 17, 2016, the SFMTA Board of Directors approved a resolution (a) authorizing the Director of Transportation to execute a second amendment with Serco to implement collective bargaining agreement wage increases effective July 1, 2016 through the remainder of the base

[1] Although the Board of Supervisors approved a not to exceed $46,410,974 agreement with Serco, or an average of $9,282,195 per year, SFMTA's actual average per year expenditures on this Serco agreement were $3,802,808 between FY 2012-13 and FY 2015-16. The annual reduction of approximately $5,479,387 was due to the installation of smart parking meters which accept credit or debit cards as payment, which resulted in reduced (a) frequency to collect coins and the volume of coins to count, (b) fees associated with credit and debit cards which was transferred to other merchants, (c) need for spare parts, and (d) contingency.

term and each extension year of the agreement; and (b) urging the Board of Supervisors to approve an ordinance authorizing SFMTA to establish prevailing wage requirements in future contracts based on the collective bargaining agreements and to establish transitional employment and retention requirements for existing employees performing these services (SFMTA Resolution No. 16-063).

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would authorize the SFMTA to include in any contract for parking meter coin collections, counting and support services, which the SFMTA executes after issuing a competitive solicitation, provisions that require the contractor and subcontractors to (a) pay prevailing wages to meter collector, coin room operator, crew lead and foreperson positions, and (b) provide transitional employment and retention to the prior contractor's employees performing such services, subject to compliance with all applicable state laws and regulations and (c) make findings as to the applicable prevailing wage rates for the positions covered by this ordinance.

If the proposed ordinance is approved, the SFMTA would be required to include such prevailing rates of wage provisions in future contracts, after issuing a competitive solicitation, for meter collection, coin counting and related support services. In addition, as discussed above, the SFMTA recently approved a resolution stating their intention to amend the existing contract with Serco for parking meter coin collections, counting and support services to authorize payment for services based on the rates of pay and other compensation terms in the collective bargaining agreement negotiated by Serco and Teamsters Local 665 that affect the positions of meter collector, coin room operator, crew lead and foreperson.

If the proposed ordinance is approved, the SFMTA would also include in any new contract for coin collection, counting and support services, requirements that the successor contractor:

(1) Retain, for a six-month period, employees who have worked at least 15 hours per week and have been employed by the prior contractor or its subcontractors, if applicable, for the preceding 12 months;

(2) Retain employees of the prior contractor by seniority within job classifications if fewer employees are required to perform the new contract;

(3) During the six-month retention period, maintain a preferential hiring list of eligible employees that were not retained by the successor contractor;

(4) Not discharge any retained employee during the six-month transition period without cause; and

(5) At the end of the six-month period, offer continued employment to retained employees, if the employee's performance is satisfactory, under the terms and conditions established by the successor contractor.

FISCAL IMPACT

The Table below shows the projected hourly wage and fringe benefit increases that would occur as of July 1, 2016 for wages and December 31, 2016 for benefits, based on the collective bargaining agreement between Serco and Teamsters Local 665.

Table: Existing and Proposed Hourly Rates and Benefit Increases for Serco Employees

Covered Employees	Existing Rates Per Hour	Proposed Rates Per Hour as of July 1, 2016	Actual Increases in Hourly Rates
Parking Meter Revenue Collectors	$13.34 - $16.01	$14.50 - $21.80	**$1.16 - $8.33**
Coin Room Operators	$13.68 – $16.84	$14.50 – $21.80	**$4.96 - $7.98**
Collection Leads (Foreperson)	$15.88 - $18.48	$25.07	**$6.59 - $9.19**
Additional Benefits			
- Employer Health Contribution			$2.88
- 401(k) & Pension Contributions			2.44
- Paid Time Off			0.81 – 2.80
- Holidays, Hospital, Parking & Uniforms			0.80 – 0.99
Total Additional Benefits			**$6.93 - $9.11**

As noted above, SFMTA's actual average annual costs for this Serco agreement were $3,802,808 between FY 2012-13 and FY 2015-16. Based on the increases reflected in the Table above, SFMTA estimates that the proposed ordinance would result in an increased cost of approximately $715,000 in FY 2016-17. Based on the average annual expenditures of approximately $3,802,808 per year, this represents a SFMTA cost increase of 18.8 percent.

In addition, based on projected future hourly wage and benefit increases, SFMTA estimates the proposed ordinance would result in an increase of approximately $913,000 for each extension year of the Serco agreement, an increase of 24 percent more than current average annual cost to SFMTA.

According to Ms. Lorraine Fuqua, SFMTA Contract Administrator, the SFMTA has not included additional revenues in its FY 2016-17 budget to cover these additional costs. However, Ms. Fuqua advises that the anticipated annual debit/credit card processing fees of $1.28 million and wireless communication fees of $1.89 million originally anticipated to be included in the Serco contract are no longer necessary as these costs were transferred to other merchants and agreements, after SFMTA's acquisition of new smart parking meters.

POLICY CONSIDERATION

On December 8, 2015, the Board of Supervisors approved an ordinance authorizing the SFMTA to include in its next contract for SFMTA's paratransit brokerage services to pay prevailing wages and provide transitional employment and retention provisions (File 15-1003). The SFMTA paratransit broker contract expires on June 30, 2016. SFMTA estimates that this recently approved ordinance related to paratransit broker contract services will result in $564,414 increased costs to the SFMTA in FY 2016-17 and $960,841 increased costs in FY 2017-18. This recently approved ordinance relating to SFMTA's paratransit brokerage services is similar to the proposed ordinance related to SFMTA's contracted parking meter related services.

However, under the proposed ordinance, the SFMTA would amend the existing contract with Serco to include these provisions, although this is not required by the existing Serco contract. Approval of both the prior paratransit brokerage services and the proposed parking meter related services results in significant increased annual costs to the SFMTA. In addition by requiring prevailing wages and transitional employment and retention of prior contractor's employees, the City is reducing the likelihood that there would be other competitive bidders in the future. By limiting the number of bidders, City costs may further increase.

RECOMMENDATION

Approval of the proposed ordinance is a policy decision for the Board of Supervisors.

Item 9 File 16-0408	Department: San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

The proposed resolution would approve an Intergovernmental Agreement between San Mateo County and the City and County of San Francisco, through the Airport Commission, to:

1. Reimburse San Mateo County for the cost of public safety dispatches to the Airport in an amount not to exceed $1,000,000 for the period retroactive to July 1, 2015, through June 30, 2020; and
2. Share the Transient Occupancy Tax (hotel tax) relating to the Airport's hotel until either the Airport hotel receives a cumulative total of $8,000,000 in hotel taxes or June 30, 2029, whichever occurs first.

Key Points

- San Francisco International Airport is physically located in unincorporated San Mateo County. San Mateo County operates the public safety communications dispatch center that receives emergency 911 calls from the Airport.
- The Airport is currently developing a 350-room hotel on Airport property. San Mateo County levies hotel taxes of 10 percent of the hotel room rate for hotels located in unincorporated areas of the County.

Fiscal Impact

- Net costs for operating the San Mateo County Public Safety Dispatch Center were $2,639,414 in FY 2014-15, and approximately 6 percent of calls came from the Airport. The Airport would have been requested to pay $158,365 to San Mateo County in FY 2014-15 if the proposed agreement were in place. While net costs or the share of calls coming from the Airport could change over the five-year term of the agreement, the cost to the Airport will not exceed $1,000,000.
- San Mateo County will share half of the first $16,000,000 in hotel taxes collected from operation of the new hotel with the Airport. The Airport expects to receive the maximum amount of $8,000,000 in hotel taxes sometime in year 2024.
- If aviation fuel tax revenues are remitted to the Airport, the Airport will still receive $8,000,000 in combined hotel tax and aviation fuel tax revenues from San Mateo County.

Recommendations

- Amend the proposed resolution to state that the provision for the Airport to reimburse San Mateo County for the Airport's share of public safety dispatches is retroactive to July 1, 2015.
- Approve the proposed resolution, as amended.

MANDATE STATEMENT

City Charter Section 9.118(a) states that contracts entered into by a department, board, or commission that have anticipated revenues of $1 million or more are subject to Board of Supervisors approval.

BACKGROUND

Public Safety Dispatch

San Francisco International Airport (the Airport) is physically located in unincorporated San Mateo County. San Mateo County operates the Public Safety Communications Dispatch Center (911 Call Center). Approximately 6 percent of calls to the San Mateo County 911 Call Center come from the Airport.

The Airport cannot enter into a mutual aid agreement with the San Mateo County Emergency Services Joint Powers Authority because on-duty emergency personnel and vehicles at the Airport are not permitted to leave Airport property. Therefore, the Airport needs an Intergovernmental Agreement to reimburse San Mateo County for the Airport's share of costs for 911 Call Center calls.

Airport Hotel Tax

The Airport is currently developing a 350-room hotel on Airport property that will be owned by the Airport and operated by the Hyatt Corporation, as approved by the Board of Supervisors in 2015 (File No. 15-0988; Resolution No. 434-15). The hotel is expected to be ready for occupancy on or about July 1, 2019. San Mateo County levies a Transient Occupancy Tax (hotel tax) of 10 percent of the hotel room rate for hotels located in unincorporated areas of the County.

Aviation Fuel Tax

Approximately $4 million in aviation fuel tax revenues are generated each year on aviation/jet fuel sold at the Airport. Fuel tax revenues are collected by the State and disbursed equally to San Francisco and San Mateo counties.

By Federal law and the policies of the Federal Aviation Administration (FAA), aviation fuel tax revenues must be used for aviation purposes only. There are only two small general aviation airports located within the jurisdiction of San Mateo County (San Carlos and Half Moon Bay). If the FAA determines that the municipality receiving aviation fuel tax revenues uses the revenues for non-aviation purposes, the municipality could be required to remit revenues to the Airport, according to FAA's Revenue Use Policy. San Mateo County does not currently remit any of its share of the fuel tax revenues to the Airport.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new Intergovernmental Agreement between San Mateo County and the City and County of San Francisco, through the Airport Commission, to have the Airport:

1. Reimburse San Mateo County for the Airport's share of costs for 911 Call Center calls in an amount not to exceed $1,000,000 for the period retroactive to July 1, 2015, through June 30, 2020; and
2. Share the Transient Occupancy Tax (hotel tax) relating to the Airport's hotel with San Mateo County until either the Airport hotel receives a cumulative total of $8,000,000 in hotel taxes or June 30, 2029, whichever occurs first.

The proposed Intergovernmental Agreement establishes a process for the Airport to reimburse the San Mateo County Emergency Services Joint Powers Authority for the Airport's share of costs for 911 Call Center calls. The agreed upon approach is to invoice the Airport for its share of 911 call volume multiplied by the Public Safety Communications Dispatch Center's net cost. The Public Safety Communications Dispatch Center's net cost is the expenditures not reimbursed by other agencies, including the San Mateo County's Sheriff's Office.

As noted above, San Mateo County does not currently remit its share of aviation fuel tax revenues to the Airport. Under the proposed Intergovernmental Agreement, if the FAA requires San Mateo County to return aviation fuel tax revenues to the Airport in the future, these remittances would count towards the Airport's cumulative hotel tax sharing limit of $8,000,000.

FISCAL IMPACT

Public Safety Communications Dispatch

Net costs for operating the San Mateo County Public Safety Communications Dispatch Center increased 17 percent over two years between FY 2012-13 and FY 2014-15, from $2,254,849 to $2,639,414. If the Intergovernmental Agreement had been in place in FY 2012-13 through FY 2014-15, the Airport would have been requested to pay $135,291 to San Mateo County in FY 2012-13, increasing to $158,365 in FY 2014-15, assuming that the Airport's share of calls to the 911 Call Center are constant at 6 percent, as shown in Table 1 below.

Table 1: San Mateo County Public Safety Dispatch Center Costs

Year	Net Cost	Airport Share of Call Volume	Airport Reimbursement to San Mateo County [a]
FY 2012-13	$2,254,849	6%	$135,291
FY 2013-14	2,575,009	6%	154,501
FY 2014-15	2,639,414	6%	158,365

[a] The proposed Intergovernmental Agreement does not involve the Airport reimbursing San Mateo County for public safety dispatch in FY 2012-13 through FY 2014-15. Amounts are shown for analytical purposes only.

It is not known how much the Public Safety Communications Dispatch Center's net costs or the Airport's share of 911 emergency calls will change over the five-year term of the agreement, but the cost to the Airport will not exceed $1,000,000 over five years under the terms of the proposed agreement, and could be less if net costs and 911 emergency call volumes do not increase from FY 2014-15 levels. The source of funds will be the Airport's operating budget, which is subject to appropriation approval by the Board of Supervisors.

However, as noted above, the Airport will be responsible to reimburse San Mateo County for the Airport's share of Public Safety Communications Dispatch Center calls retroactive to July 1, 2015. According to Ms. Cathy Widener, Airport Government Affairs Manager, the agreement will be retroactive because San Mateo County has been requesting reimbursement for several years, and it took time to negotiate the agreement and have the Airport Commission and San Mateo County Board of Supervisors approve it. According to Ms. Widener, San Mateo County has not yet submitted information to the Airport on the amount of reimbursement to be paid by the Airport to San Mateo County in FY 2015-16. Because the proposed Intergovernmental Agreement between the Airport and San Mateo County is retroactive to July 1, 2015, the proposed resolution should be amended for retroactivity.

Airport Hotel Tax

San Mateo County will share 50 percent of the first $16,000,000 in hotel taxes collected from operation of the new Hyatt hotel expected to open on July 1, 2019 at the Airport. Once the Airport has received $8,000,000, through a combination of hotel taxes and aviation fuel tax, all hotel taxes thereafter will accrue to San Mateo County. As shown in Table 2 below, Airport staff project that hotel taxes for the first ten years of the Hyatt hotel operations will be approximately $34,617,737. Assuming (1) the hotel is ready for occupancy around July 1, 2019, and (2) a modeled "economic shock" in year 2022 that reduces room revenues, the Airport would receive the maximum amount of $8,000,000 in hotel taxes sometime in year 2024. Despite the inherent uncertainty in predicting future economic conditions that affect hotel room revenues, it seems reasonable to assume that the Airport would receive the $8,000,000 share of hotel tax revenue by June 30, 2029, which is the end date for the Airport and San Mateo County to share hotel taxes under the proposed Intergovernmental Agreement.

Table 2: On-Airport Hotel Tax Projections

Year	Average Daily Rate without Tax ($)	Annual Occupancy (%)	Room Revenue without 10% Tax ($)	Hotel Tax (10% of Room Revenue)	50% Share of Tax ($)	Airport Cumulative Hotel Tax ($)
2019	294	69.5	$26,058,764	$2,605,876	$1,302,938	$1,302,938
2020	307	80.1	31,546,860	3,154,686	1,577,343	$2,880,281
2021	319	85.1	34,731,261	3,473,126	1,736,563	$4,616,844
2022	272	80.8	28,076,384	2,807,638	1,403,819	$6,020,663
2023	280	82.5	29,510,250	2,951,025	1,475,513	$7,496,176
2024	320	85.1	34,884,192	3,488,419	1,744,210	**$9,240,386**
2025	352	85.1	38,267,768	3,826,777	1,913,388	$11,153,774
2026	366	85.1	39,789,782	3,978,978	1,989,489	$13,143,263
2027	377	85.1	40,983,475	4,098,347	2,049,174	$15,192,437
2028	388	85.1	42,328,631	4,232,863	2,116,432	$17,308,868
		Total	**$346,177,367**	**$34,617,737**	**$17,308,868**	--

Aviation Fuel Tax

It is not known if or how much aviation fuel tax revenue San Mateo County could be required to remit to the Airport. The FAA has not yet determined that San Mateo County is using aviation fuel tax revenues for non-aviation purposes. If aviation fuel tax revenues are remitted to the Airport, the Airport will still receive a cumulative $8,000,000 in combined hotel tax and aviation fuel tax revenues from San Mateo County between the start of hotel occupancy expected in July 2019 and June 30, 2029.

RECOMMENDATIONS

1. Amend the proposed resolution to state that the provision for the Airport to reimburse San Mateo County for the Airport's share of public safety 911 emergency calls is retroactive to July 1, 2015.
2. Approve the proposed resolution, as amended.

Items 10 through 22 **Files: 16-0445 through 16-0457**	**Department:** San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolutions detailed below in Tables 1 and 2 would approve 13 new International Food and Beverage Concession Leases between the Airport and various tenants at the Airport's International Terminal.

Key Points

- The 13 new leases were awarded through a competitive Request for Proposals process. Seven of the 13 new leases are located post-security. Each of these leases is for ten years with 2 one-year options to extend through approximately 2028. Six of the 13 new leases are located pre-security. Each of these leases is for seven years with 3 one-year options to extend through approximately 2026. While the Airport's Food and Beverage Concession leases generally have an initial term of ten years, the Airport is proposing seven-year terms for the pre-security leases because the Airport may renovate the International Terminal's Main Hall in approximately nine years.
- Rent in each of the 13 leases is based on the greater of the Minimum Annual Guarantee (MAG) established by the Airport or percentage rent. The MAG increases each year by the Consumer Price Index.
- Each tenant will be required to make a minimum investment in the leased location of $450 per square foot.

Fiscal Impact

- The estimated MAG paid to the Airport by the post-security tenants over the initial ten-year term ranges from $1,605,408 to $9,739,476. The estimated MAG paid to the Airport by the pre-security tenants over the initial seven-year term ranges from $878,759 to $1,435,307.

Recommendation

- Approve the proposed resolutions.

MANDATE STATEMENT

City Charter Section 9.118(c) states that any modification, amendment or termination of a lease that had an initial term of ten years or more, including options to extend, or that had anticipated revenues of $1 million or more is subject to Board of Supervisors approval.

BACKGROUND

The San Francisco International Airport (Airport) completed construction of the International Terminal in 1999. In 2000, the Airport entered into leases with multiple vendors for food and beverage concessions in the International Terminal. Each lease was for a ten-year term, with one option to extend for an additional five years. The current food and beverage concession leases expired on November 9, 2015, and are currently on holdover status.

In August 2015, the Airport issued a Request for Proposals (RFP) for 12[1] new International Terminal Food and Beverage Concession Leases. Proposals were to be evaluated on criteria totaling 100 points including:

- Proposed Concept – 50 points
- Design Intention & Capital Investment – 25 points
- Business Plan – 10 points
- Customer Service & Quality Control – 15 Points

The Airport received 90 proposals from 41 vendors in response to the RFP. The Airport convened a five-member panel to review the qualifying proposals and determined that the 13 highest-ranking, responsive, and responsible proposers for their respective leases were:

1. Andale Management Group (Andale) – 87.80 points
2. High Flying Foods SFO, LLC (High Flying Foods) – 91.40 points
3. Tastes on the Fly, San Francisco, LLC (Tastes on the Fly) – 93.40 points
4. Mum Fresh SF, Inc. (Mum Fresh) – 89.00 points
5. Tomokazu Japanese Cuisine (SFO), Inc. (Tomokazu) – 93.20 points
6. SSP America, Inc. (SSP America) – 89.20 points
7. Joe & The Juice, LLC (Joe & The Juice) – 89.20 points
8. Stix Holdings, LLC (Stix) – 78.00 points
9. Midfield Concession Enterprises, Inc. (Midfield) – 91.60 points
10. Bayport Concessions, LLC (Bayport) – 89.60 points
11. Adam Light (Adam Light) – Sole proposer, did not receive a score
12. Host International, Inc. (Host) – 89.00 points
13. SSP America, Inc. (SSP America) – 82.40 points

The Airport Commission awarded the 13 leases to the highest-scoring proposers in January 2016. According to Mr. Matthew McCormick, Senior Principal Property Manager at the Airport,

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[1] The original RFP was issued for 12 leases. The Airport subsequently chose to split one lease into two separate leases, each for a different location within the International Terminal, and therefore required 13 total leases.

subsequent to the Airport Commission award, Airport staff finalized the 13 leases, including approvals by the respective tenants and the City Attorney's Office.

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions detailed below in Tables 1 and 2 would approve 13 new International Food and Beverage Concession Leases between the Airport and various tenants at the Airport's International Terminal with the following provisions:

- Rent to be paid by the tenant to the Airport is the greater of a Minimum Annual Guarantee rent or Percentage Rent based on gross revenues of sales.
- The initial lease term is for (1) ten years with two one-year options to extend, totaling 12 years, for concessions located post-security; and (2) seven years with three one-year options to extend, totaling 10 years, for concessions located pre-security.
- Each tenant will be required to pay the Airport an Initial Promotional Fee of $1 per square foot leased, and a Food and Beverage Cleaning Fee of $38 per square foot.
- Each tenant will also be required to provide a Minimum Investment Amount of $450 per square foot to build out their premises.

Table 1 below summarizes the lease provisions for post-security leases, and Table 2 below summarizes the lease provisions for pre-security leases.

Table 1: Key Provisions of Proposed International Terminal Food and Beverage Leases for Post-Security Tenants

File Number	Lessee	Square Feet	First Year MAG	Percentage Rent	Term
16-0445	Andale	4,476	$560,000	8% of gross revenues up to $3,000,000 10% from $3,000,000 to $3,500,000 12% above $3,500,000	Ten Years 2 One-Year Options
16-0446	High Flying Foods	3,820	$294,000	6% of gross revenues up to $1,000,000 8% from $1,000,000 to $1,500,000 10% above $1,500,000	Ten Years 2 One-Year Options
16-0447	Tastes on the Fly	13,907	$910,000	8% of gross revenues up to $3,000,000 10% from $3,000,000 to $3,500,000 12% above $3,500,000	Ten Years 2 One-Year Options
16-0448	Mum Fresh	926	$165,000	6% of gross revenues up to $1,000,000 8% from $1,000,000 to $1,500,000 10% above $1,500,000	Ten Years 2 One-Year Options
16-0449	Tomokazu	951	$165,000	6% of gross revenues up to $1,000,000 8% from $1,000,000 to $1,500,000 10% above $1,500,000	Ten Years 2 One-Year Options
16-0450	SSP America	1,694	$225,000	6% of gross revenues up to $1,000,000 8% from $1,000,000 to $1,500,000 10% above $1,500,000	Ten Years 2 One-Year Options
16-0451	Joe & The Juice	672	$150,000	6% of gross revenues up to $1,000,000 8% from $1,000,000 to $1,500,000 10% above $1,500,000	Ten Years 2 One-Year Options

Table 2: Key Provisions of Proposed International Terminal Food and Beverage Leases for Pre-Security Tenants

File Number	Lessee	Square Feet	First Year MAG	Percentage Rent	Term
16-0452	Stix	889	$155,000	6% of gross revenues up to $1,000,000 8% from $1,000,000 to $1,500,000 10% above $1,500,000	Seven Years 3 One-Year Options
16-0453	Midfield	372	$125,000	6% of gross revenues up to $1,000,000 8% from $1,000,000 to $1,500,000 10% above $1,500,000	Seven Years 3 One-Year Options
16-0454	Bayport	604	$155,000	6% of gross revenues up to $1,000,000 8% from $1,000,000 to $1,500,000 10% above $1,500,000	Seven Years 3 One-Year Options
16-0455	Adam Light	1,970	$190,000	6% of gross revenues up to $1,000,000 8% from $1,000,000 to $1,500,000 10% above $1,500,000	Seven Years 3 One-Year Options
16-0456	Host International	1,310	$120,000	6% of gross revenues up to $1,000,000 8% from $1,000,000 to $1,500,000 10% above $1,500,000	Seven Years 3 One-Year Options
16-0457	SSP America	544	$196,000	6% of gross revenues up to $1,000,000 8% from $1,000,000 to $1,500,000 10% above $1,500,000	Seven Years 3 One-Year Options

Lease Terms

According to Mr. McCormick, the standard term for Airport food and beverage concession leases is ten years with two one-year options. However, the Airport may renovate the International Terminal's Main Hall in approximately nine years, which would require terminating the leases for pre-security tenants. As such, each of the pre-security locations have seven-year leases with three one-year options, allowing these leases to expire in order to refurbish the International Terminal's Main Hall.

Rent Structure

Under the proposed leases, MAG is established by the Airport for each specific lease as an estimate of that tenant's potential revenue, rather than using a MAG per square foot, as was the practice under the previous food and beverage leases. According to Mr. McCormick, the Airport chose to use a different MAG structure because historically MAG had been set too low for these tenants and in practice nearly all tenants would pay percentage rent rather than MAG rent. According to each lease, the MAG will be increased each year by a formula based on the Consumer Price Index.

According to Mr. McCormick, the Airport sets percentage rent in each of the concession leases based on industry standards.

FISCAL IMPACT

The Airport estimates that MAG rent, including annual Consumer Price Index (CPI) increases, paid by post-security tenants to the Airport will range between $1,605,408 and $9,739,476. The estimated total MAG to be paid by each post-security tenant to the Airport is shown in Table 3 below.

Table 3: Estimated MAG to be Paid by Post-Security Tenants in Ten-Year Base Term [a]

Fiscal Year	Andale	High Flying Foods	Tastes On The Fly	Mum Fresh	Tomokazu	SSP America	Joe and The Juice
FY 2016-17	$560,000	$490,000	$910,000	$165,000	$165,000	$225,000	$150,000
FY 2017-18	568,400	497,350	923,650	167,475	167,475	228,375	152,250
FY 2018-19	576,926	504,810	937,505	169,987	169,987	231,801	154,534
FY 2019-20	585,580	512,382	951,567	172,537	172,537	235,278	156,852
FY 2020-21	594,364	520,068	965,841	175,125	175,125	238,807	159,205
FY 2021-22	603,279	527,869	980,328	177,752	177,752	242,389	161,593
FY 2022-23	612,328	535,787	995,033	180,418	180,418	246,025	164,016
FY 2023-24	530,151	280,069	1,009,959	183,124	183,124	249,715	166,477
FY 2024-25	538,103	284,270	1,025,108	185,871	185,871	253,461	168,974
FY 2025-26	546,175	288,534	1,040,485	188,659	188,659	257,263	171,508
Total	**$5,715,306**	**$4,441,139**	**$9,739,476**	**$1,765,948**	**$1,765,948**	**$2,408,114**	**$1,605,409**

[a] Assumes annual increase of 1.5 percent to the MAG based on the Consumer Price Index

The Airport estimates that MAG rent, including CPI increase, to be paid by pre-security tenants to the Airport will range between $878,759 and $1,435,307. The estimated total MAG to be paid by each pre-security tenant is shown in Table 4 below.

Table 4: Estimated MAG to be Paid by Pre-Security Tenants in Seven-Year Base Term [a]

Fiscal Year	Stix	Midfield	Bayport	Adam Light	HMS Host	SSP America
FY 2016-17	$155,000	$125,000	$155,000	$190,000	$120,000	$196,000
FY 2017-18	157,325	126,875	157,325	192,850	121,800	198,940
FY 2018-19	159,685	128,778	159,685	195,743	123,627	201,924
FY 2019-20	162,080	130,710	162,080	198,679	125,481	204,953
FY 2020-21	164,511	132,670	164,511	201,659	127,364	208,027
FY 2021-22	166,979	134,661	166,979	204,684	129,274	211,148
FY 2022-23	169,484	136,680	169,484	207,754	131,213	214,315
Total	**$1,135,064**	**$915,374**	**$1,135,064**	**$1,391,369**	**$878,759**	**$1,435,307**

[a] Assumes annual increase of 1.5 percent to the MAG based on the Consumer Price Index

RECOMMENDATION

Approve the proposed resolutions.

Item 23 File 16-0410	Department: Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the first amendment to the agreement between the Department of Public Health (DPH) and the San Francisco AIDS Foundation to (i) increase the total not-to-exceed amount by $20,252,607 from $19,685,910 to $39,938,517, and (ii) and to exercise the five one-year options to extend the agreement from June 30, 2016 to June 30, 2021.

Key Points

- DPH entered into an agreement with the San Francisco AIDS Foundation in 2011 to provide rental subsidies to low-income San Francisco residents with disabling HIV/AIDS and already in receipt of a Ryan White Part A or General Fund subsidy.
- According to Ms. Michelle Ruggels, Director of DPH Business Office, the San Francisco AIDS Foundation was the only organization that responded to the Request for Proposals (RFP).
- The total not-to-exceed amount was $19,685,910 for a term of five years from July 1, 2011 through June 30, 2016. The agreement included five one-year options to extend the agreement term through June 30, 2021.

Fiscal Impact

- Actual and estimated expenditures for this agreement from FY 2010-11 to FY 2015-16 are $18,088,346, and projected expenditures over five years from FY 2016-17 through FY 2020-2021 are $21,720,860.

Recommendations

- Amend the proposed resolution to reduce the total not-to-exceed amount by $129,311 from $39,938,517 to $39,809,206.
- 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

After a competitive Request for Proposals (RFP) process, the Department of Public Health (DPH) entered into an agreement with the San Francisco AIDS Foundation in 2011 to provide rental subsidies to low-income San Francisco residents with disabling HIV/AIDS and already in receipt of a Ryan White Part A or General Fund subsidy. The total not-to-exceed amount was $19,685,910 for a term of five years from July 1, 2011 through June 30, 2016. The agreement included five one-year options to extend the agreement term through June 30, 2021.

According to Ms. Michelle Ruggels, Director of DPH Business Office, the San Francisco AIDS Foundation was the only organization that responded to the RFP.

Under the existing contract, the San Francisco AIDS Foundation helps individuals to search and obtain safe and affordable housing by offering three types of housing subsidies:

1. **Standard Rental Subsidy Program**: monthly financial assistance in the form of a rental subsidy to clients with disabling HIV or AIDS;
2. **Shallow Rental Subsidy**: monthly financial assistance in the form of a rental subsidy to HIV clients of San Francisco's Centers for Excellence, St. Mary's Medical Center, and clients aging out of Larkin Street Youth Services; and
3. **Partial Rental Subsidy**: financial assistance in the form of rental subsidy to people with disabling HIV or AIDS who are in stable housing but who are imminently homeless because 50 percent or more of their income is used to pay rent.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to the agreement between DPH and the San Francisco AIDS Foundation to (i) increase the total not-to-exceed amount by $20,252,607 from $19,685,910 to $39,938,517, and (ii) and to exercise the five one-year options to extend the agreement from June 30, 2016 to June 30, 2021.[1]

[1] The General Fund is the only funding source for the total requested not-to-exceed amount of $39,938,517.

FISCAL IMPACT

Actual and estimated expenditures for this agreement from FY 2010-11 to FY 2015-16 are $18,088,346, and projected expenditures over five years from FY 2016-17 through FY 2020-2021 are $21,720,860, as shown in Table 1 below.

Table 1. Actual and Projected Expenditures of Proposed Agreement

Actual and Estimated Expenditures	Amount
July 1, 2011 - June 30, 2012	$ 3,509,777
July 1, 2012 - June 30, 2013	3,512,729
July 1, 2013 - June 30, 2014	3,639,433
July 1, 2014 - June 30, 2015	3,640,033
July 1, 2015 - June 30, 2016	3,786,375
Subtotal Actual and Estimated Expenditures	**$ 18,088,346**
Projected Expenditures	**Amount**
July 1, 2016 - June 30, 2017	$ 3,878,725
July 1, 2017 - June 30, 2018	3,878,725
July 1, 2018 - June 30, 2019	3,878,725
July 1, 2019 - June 30, 2020	3,878,725
July 1, 2020 - June 30, 2021	3,878,725
Contingency Funds (12%)	2,327,235
Subtotal Projected Expenditures	**$ 21,720,860**
Grand Total	**$ 39,809,206**
Total Requested Not-to-Exceed Amount	$ 39,938,517
BLA Recommended Reduction	($129,311)

Source: Department of Public Health staff.

Agreement expenditures of up to $21,720,860 in FY 2016-17 through FY 2020-21 are General Fund monies, subject to appropriation by the Board of Supervisors.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the total not-to-exceed amount by $129,311 from $39,938,517 to $39,809,206.

2. Approve the proposed resolution as amended.

Item 24 File 16-0503	Department: Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a third amendment to the contract between DPH and Helios Healthcare to continue to provide long-term mental health services to San Francisco adults in a 24-hour locked facility.
- The amendment will extend the contract for two years from June 30, 2016 through June 30, 2018.

Key Points

- In 2011, DPH established a contract with Helios Healthcare, LLC to provide long-term psychiatric care to San Francisco adults and/or older adults with a diagnosed mental illness in a locked, licensed Skilled Nursing Facility.
- The contract was amended in 2013 and 2014 to extend the term of the contract and increase the compensation amounts.
- As the contract amount is currently less than $10,000,000, the contract with Helios Healthcare has previously not been subject to Board of Supervisors approval.

Fiscal Impact

- The proposed not-to-exceed amount for the contract will increase by $4,688,841, from $9,946,311 to $14,635,152.
- Funding for the proposed contract extension is allocated by the State Controller's Office subject to appropriation by the California Department of Health Care Services as part of the State's 1991 Public Safety Realignment program. Funds are subject to Board of Supervisors appropriation approval.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

In accordance with Charter Section 9.118(b), any contracts or agreements entered into by a department, board or commission requiring anticipated expenditures by the City and County of San Francisco of more than $10,000,000, or the modification of amendments to such contract or agreement having an impact of more than $500,000 shall be subject to approval of the Board of Supervisors by resolution.

BACKGROUND

In 2011, the Department of Public Health (DPH) established a contract with Helios Healthcare, LLC to provide long-term psychiatric care to San Francisco adults and/or older adults with a diagnosed mental illness in a locked, licensed Skilled Nursing Facility. The contract was awarded based on a competitive Request for Proposals (RFP) process and was approved by the San Francisco Health Commission.

The total compensation for the original contract was $3,648,540 over the term of July 1, 2011 through June 30, 2014, with four one-year options to extend the contract through June 30, 2018.

In 2013, the Health Commission approved the first amendment to extend the contract by 6 months through December 31, 2014 to continue to provide long-term mental health services. The total compensation for Helios Healthcare was increased to $6,388,551 from $3,648,540, an increase of $2,740,011.

In 2014, the Health Commission approved the second amendment to extend the term of the contract by 18 months to June 30, 2016 to continue to provide long-term mental health services. The total compensation for Helios Healthcare was increased to $9,946,311 from $6,388,551, an increase of $3,557,760.

As the contract amount is currently less than $10,000,000, the contract with Helios Healthcare has previously not been subject to Board of Supervisors approval.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a third amendment to the contract between DPH and Helios Healthcare to continue to provide long-term mental health services to San Francisco adults in a 24-hour locked facility. The amendment will extend the contract from June 30, 2016 through June 30, 2018, an extension of two years. The total term of the contract will be July 1, 2011 through June 30, 2018. The proposed not-to-exceed amount for the contract will increase to $14,635,152 from $9,946,311, an increase of $4,688,841.

According to Ms. Michelle Ruggels, Director of the Business Office at DPH, DPH chose to extend the contract because there remains a longstanding need for these long-term mental health services in a 24-hour locked facility for San Francisco residents. By implementing a single extension for an additional two years, rather than individual one-year extensions to be exercised each year, DPH will align the terms of all of the existing contracts for locked long-term care facilities. According to Ms. Ruggels, DPH plans to solicit a new competitive process to procure long-term mental health services upon completion of the proposed contract term in 2018.

Contract Case Load

According to data provided by DPH, the average monthly patient census was 30.6 for FY 2011-12, and has increased to 36.2 for FY 2015-16. Table 1 below shows the changes over time in average monthly patient census.

Table 1: Average Monthly Patients Census

Year	Patients
FY 11-12	30.6
FY 12-13	35.3
FY 13-14	37.9
FY 14-15	36.7
FY 15-16	36.2

Source: DPH

According to Ms. Ruggels, the increase in the contract amount is primarily due to an increase in the number of patients with particularly high needs and associated higher daily rates. In FY 2011-12, daily rates were either $118 or $143 per patient depending on the patient's needs. In FY 2015-16, daily rates ranged from $118 to $472 per patient.

FISCAL IMPACT

The Helios Healthcare contract not-to-exceed amount would increase by $4,688,841, from $9,946,311 to $14,635,152 over the proposed two-year extended period.

Table 2 below summarizes the requested increase to the Helios Healthcare contract to be approved through the proposed resolution.

Table 2: Increase to Contract Not-to-Exceed Amount

Contract Term	Amount
7/1/2016 - 6/30/2017	$2,412,000
7/1/2017 - 6/30/2018	2,412,000
Subtotal	**$4,824,000**
12% Contingency	578,880
Total Estimated Project Expenditures (7/1/2016 – 6/30/2018)	**5,402,880**
Unused Spending Authority thru 6/30/2016	(714,039)
Proposed Increase to Not-To-Exceed Amount	**$4,688,841**

Funding for the proposed extension of the contract is allocated by the State Controller's Office subject to appropriation by the California Department of Health Care Services as part of the State's 1991 Public Safety Realignment program. Funds are subject to Board of Supervisors appropriation approval.

RECOMMENDATION

Approve the proposed resolution.