CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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

July 13, 2018

TO: Government Audit and Oversight Committee

FROM: Budget and Legislative Analyst

SUBJECT: July 18, 2018 Government Audit and Oversight Committee Meeting

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Item 1 **File 18-0550**	**Department** San Francisco Public Utilities Commission (SFPUC) Office of Economic and Workforce Development (OEWD)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the Conditional Land Disposition and Acquisition Agreement between the City, through the SFPUC, and 2000 Marin Property, L.P. in which the SFPUC would transfer ownership of the City's parcel at 639 Bryant Street to 2000 Marin Property, L.P. in exchange for 2000 Marin Street.

Key Points

- Resolution 18-0370, adopted by the Board of Supervisors in April 2018, urged the SFPUC to negotiate a property exchange of City-owned property 639 Bryant Street for 2000 Marin Street, owned by Tishman-Speyer (parent company of 2000 Marin Property L.P.). The property exchange would facilitate the temporary relocation of the Flower Mart, currently located at 6th and Brannan Streets on a site slated for office and retail development, to 2000 Marin Street.
- SFPUC uses 639 Bryant Street for the Power Enterprise warehouse and parking of large equipment. Under the proposed Agreement, SFPUC would relocate some Power Enterprise and Water Enterprise facilities to 2000 Marin Street.
- Tishman-Speyer plans a 1.2 million square foot mixed-use development bounded by 4th, 5th, Bryant, and Brannan Streets, including SFPUC's property at 639 Bryant Street. The proposed Agreement, provides for construction of a public park as part of this development, which would be transferred to the City on completion.
- 2000 Marin Property L.P. would construct temporary facilities at 2000 Marin Street for SFPUC, subject to reimbursement by SFPUC, pending completion of a study by SFPUC to determine the best use of 2000 Marin Street. 2000 Marin Property L.P. would also negotiate a lease with a third party for the portion of 2000 Marin Street not used by SFPUC (the proposed Agreement specifies that the lease would be negotiated with Kilroy Realty, the parent company of KR Flower Mart, LLC, to relocate the Flower Mart to 2000 Marin Street).

Fiscal Impact

- The appraised value of 639 Bryant Street of $63,875,000 is $275,000 more than the appraised value of 2000 Marin Street of $63,600,000. Under the proposed agreement, 2000 Marin Property L.P. would reimburse City costs up to $1,070,000.

Policy Consideration

- While SFPUC staff states that the property exchange of the existing City property at 639 Bryant Street for 2000 Marin Street is necessary to accommodate future expansion of the SFPUC's Power and Water Enterprises, the reasons and scope of the expansion are not identified.
- The appraised value of the property at 2000 Marin Street of $63.6 million does not account for potential environmental contamination. The property value could be less than the appraisal if the environmental site assessment finds that the property cannot be used for the SFPUC's intended purpose due to environmental contamination.
- The Planning Department is expected to request waiver of Transportation Sustainability Fees charged to Tishman-Speyer (the parent company of 2000 Marin Property L.P.) for the mixed use development of the area bounded by 4th, 5th, Bryant, and Brannan Streets (which includes 639 Bryant Street) as consideration for the public park to be developed by Tishman-Speyer. The loss of these fees could potentially be offset by assessing such fees to other development projects, or through another funding mechanism such as the Central SOMA Community Facilities District special tax.

Recommendations

- Request the Planning Commission in considering potential waiver of Transportation Sustainability Fees for the future mixed-use development of the property bounded by 4th, 5th, Brannan, and Bryant Streets to (a) not include the Developer's reimbursements of $245,000 to SFPUC for transaction costs in calculating the fee waiver, (b) consider the impact of the potential loss of Transportation Sustainability Fee revenues on bicycle, pedestrian, street, and transit projects in SOMA, and (c) consider the reasonableness and feasibility of recouping the potential loss of Transportation Sustainability Fee revenues through development agreements with other private developers.
- Request the Planning Department to include the ongoing costs to the City to maintain the park in any agreement with the Developer to develop the park.
- Request a written report from the SFPUC General Manager on the potential scope of the Power and Water Enterprise expansions, including the (a) potential increase in customers, infrastructure, SFPUC staffing, and other revenues and expenditures associated with the expansion, and (b) timelines for the expansions.
- Amend the proposed resolution to state the Board of Supervisor's policy that, if the Phase II Environmental Site Assessment identifies contamination that makes the property unsuitable for the intended use and occupancy by the SFPUC, and if the SFPUC choses to continue with the property exchange transaction, the final property exchange transaction will (a) provide for the Developer to fully mitigate all environmental contamination to make the property suitable for the intended use and occupancy by the SFPUC, and/or (b) reduce the exchange value of the property to fully account for the costs of environmental remediation to make the property suitable for the intended use and occupancy by the SFPUC.
- Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

The San Francisco City Charter section 9.118(b) states that contracts entered into by the City and County, any other contracts or agreements entered into by a department, board or commission having a term in excess of ten years, or requiring anticipated expenditures by the City and County of ten million dollars, or the modification or 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.

Administrative Code Section 23.3 requires Board of Supervisors approval for the sale or conveyance of city-owned property.

BACKGROUND

The City and County of San Francisco (City), under the jurisdiction of its Public Utilities Commission (SFPUC), owns one parcel and leases one parcel in the South of Market neighborhood for its Power Enterprise.

639 Bryant Street

The City, through the SFPUC, currently owns a parcel at 639 Bryant Street for its Power Enterprise. The parcel is approximately 1.38 acres and has a warehouse and parking lot for SFPUC heavy equipment, materials storage, vehicle parking, construction staging, and operation of a hydrogen peroxide tank. In July 2018, the parcel was appraised by Clifford Advisory, LLC at $63,875,000 or $209 per square foot of gross floor area[1] ($1,140 per square foot of the site area[2]).

The appraisal for 639 Bryant Street assumes several future conditions, including but not limited to: (1) that the Central SOMA Plan, which was approved by the Planning Commission in May 2018 and makes substantial changes to the zoning of the area in which the parcel lies, is approved by the Board of Supervisors; (2) that the property receives an allocation of 689,791 square feet of Proposition M controlled office space; and (3) that the property is developed in coordination with the surrounding parcels, which are all owned by the proposed Developer.

651 Bryant Street

The City, through the SFPUC, also leases an approximately 0.44-acre parcel at 651 Bryant Street, which is adjacent to the parcel the City owns at 639 Bryant Street. The parcel contains office space and a warehouse that serve the SFPUC's Power Enterprise. The SFPUC's annual rent for this parcel is $286,560, which will increase to $293,724 in October 2018. The lease expires in October 2019; however, SFPUC has a ten-year extension option. According to Ms. Rosanna Russell, SFPUC Real Estate Director, the estimated savings from not exercising the optional ten-year lease extension is $6,637,586 or approximately $663,759 per year. The rent for 651 Bryant Street is expected to increase from $293,724 to $663,759 after October 2019

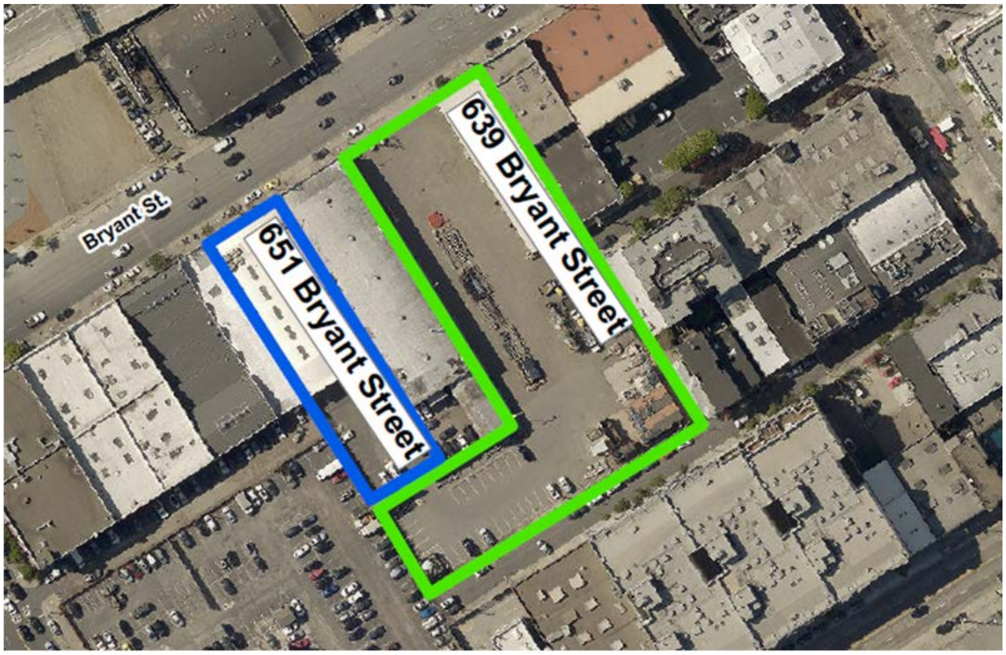
[1] Gross floor area refers to the maximum area taken by land and property improvements, including vertical structures.

[2] Site area refers to the land area of the parcel.

due to expected increases in land values resulting from the pending approval of the Central Some Plan.

The parcels at 651 Bryant and 639 Bryant are shown in Exhibit 1 below.

Exhibit 1: 639 Bryant Street and 651 Bryant Street



Source: SFPUC

2000 Marin Street

The SFPUC is seeking to exchange its parcel at 639 Bryant Street for an approximately 7.98-acre parcel located at 2000 Marin Street. If approved, the SFPUC plans to relocate its Power Enterprise facilities currently located at 639 Bryant Street and 651 Bryant Street to 2000 Marin Street. According to Ms. Russell, the SFPUC Water and Power Enterprises will require more space than it currently has on its existing owned and leased land and is therefore seeking to relocate and expand its operations at 2000 Marin Street.

In July 2018, the parcel at 2000 Marin Street was appraised by Clifford Advisory, LLC at \$63,600,000 or \$185 per square foot of the gross floor area. The appraised value does not take into account the parcel's known hazardous material contamination, which is pending further review. The parcel had a purchase price of \$33,000,000 in April 2015, which is \$30,600,000 less than the July 2018 appraised value. [3]

The parcel at 2000 Marin Street is shown below in Exhibit 2.

[3] 2000 Marin Street was formerly the location of the of the Hearst Corporation printing facility. The site was purchased by Tishman Speyer (the parent company of 2000 Marin Property L.P.) in 2015.

Exhibit 2: 2000 Marin Street

Source: SFPUC

San Francisco Flower Market and SOMA Development

The Board of Supervisors approved a resolution in April 2018 (File 18-0370) urging the SFPUC to negotiate a property exchange of 639 Bryant Street for 2000 Marin Street, owned by Tishman Speyer (the parent company of 2000 Marin Property, L.P.). The property exchange would facilitate the temporary relocation of the Flower Mart, currently located at 6th and Brannan Streets, to 2000 Marin. Kilroy Realty, which owns the 6th and Brannan Streets property, plans a mixed use retail and office development that would replace the Flower Mart's warehouse at that location.

Tishman Speyer plans a 1.2 million square foot mixed-use development bounded by 4th, 5th, Bryant, and Brannan Streets, including SFPUC's property at 639 Bryant Street. Tishman Speyer has agreed to construct a 38,000 square foot public park as part of the development, which would be transferred to the City once completed.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Conditional Land Disposition and Acquisition Agreement between the City, through the SFPUC, and 2000 Marin Property, L.P. in which the SFPUC would transfer ownership of the City's parcel at 639 Bryant Street to 2000 Marin Property, L.P. in exchange for 2000 Marin Street. The Agreement documents the framework and necessary conditions for the SFPUC to trade its parcel at 639 Bryant Street for 2000 Marin Street as well as the certain transaction-related costs for which the SFPUC will be reimbursed. The transfer of parcels is expected to take place during the second half of 2019.

Requirements for Final Transfer of Parcels

Prior to the transfer of the parcels, the City, through the SFPUC, and 2000 Marin Property, L.P. ("Developer") must certify that the following conditions are met, which will be documented in the Closing Authorization Action Agreement (which is not the Agreement currently before the Board of Supervisors). The requirements are:

1. The Developer's receipt of all governmental approvals necessary for Developer to construct temporary facilities at 2000 Marin Street, including zoning changes.
2. The SFPUC Commission's review of the environmental testing results for 2000 Marin, remediation costs, and subsequent written approval of the environmental condition of 2000 Marin, including the option to negotiate with the Developer an appropriate environmental remediation strategy.
3. The Board of Supervisors' waiver or reduction of certain development impact fees for the Developer's project at 639 Bryant Street in exchange for Developer's dedication of a public park to the City as part of the project.

The Agreement does not require the City to approve the Central SOMA Plan or any proposed development, including any development of 639 Bryant Street or 2000 Marin.

Per the proposed Agreement, the Closing Authorization Action, which will certify that all requirements of the proposed Agreement are met and allow for the exchange of parcels, will require approval by the Board of Supervisors.

FISCAL IMPACT

City Costs and Reimbursements

As shown below in Exhibit 3, the appraised value of the City's parcel at 639 Bryant Street exceeds the appraised value of the parcel it seeks to purchase at 2000 Marin Street by approximately $275,000.

Exhibit 3: Difference in Appraised Value

Appraised Value of Parcels to be exchanged	Amount
Appraised Value of 639 Bryant Street (SFPUC owned)	$63,875,000
Appraised Value of 2000 Marin Street (Developer owned)	(63,600,000)
Difference in Appraised Values	**$275,000**

As shown in Exhibit 4 below, under the proposed Conditional Agreement, the Developer would pay or reimburse the City's costs, in an amount not-to-exceed $1,070,000. The proposed Conditional Agreement would allow the SFPUC to recover up to:

- $245,000 in pre-agreement legal and appraisal costs,
- $35,000 in consultant costs to estimate SFPUC's relocation costs
- $690,000 to relocate SFPUC facilities at 639 Bryant Street and 651 Bryant Street, and

- $100,000 to assess the environmental condition of 2000 Marin Street and the SFPUC's oversight costs.

In addition, the Developer would incur the cost of relocating the hydrogen peroxide tank from 639 Bryant Street to another location, with an estimated cost to the Developer of $1,000,000.

Exhibit 4: Developer Reimbursement of City Costs

Reimbursed Costs	Amount
Pre-Agreement Costs	$245,000
Cost to Estimate Relocation Costs	35,000
Relocation Costs	690,000
Environmental Testing for 2000 Marin Street	100,000
Subtotal, Reimbursed Costs	**$1,070,000**
Relocation of Hydrogen Peroxide Tank (est.)	1,800,000
Total Developer Reimbursement and Estimated Costs	**$2,870,000**

In addition, the SFPUC estimates that it would avoid approximately $6,637,586 in rent costs by giving up its lease for 651 Bryant Street. All revenues and costs for this transaction would be recorded in the SFPUC's Water Enterprise and Power Enterprise funds, which are funded by rate payers.

Expected Development Plans for the Parcels

Once the transfer of parcels is finalized and approved by the Board of Supervisors, the SFPUC will conduct a study to determine the best use of the parcel at 2000 Marin Street.

As noted below, under the proposed Agreement, the Developer will negotiate a lease with a third party tenant for 2000 Marin Street. According to Ms. Russell, the third party tenant will be responsible to demolish the existing building at 2000 Marin Street.

The Developer will construct temporary facilities at an estimated cost of $3,400,000 - $3,900,000, which must be repaid by the SFPUC. The Developer's budget for construction of the temporary facilities, including a contingency up to 10 percent, must be approved by the City.

<u>Relocation of the Flower Mart</u>

The proposed Agreement requires the Developer to negotiate a lease with Kilroy Realty Corporation, which is the parent company of KR Flower Mart LLC, to temporarily relocate the Flower Mart to the remaining portions of 2000 Marin not used for SFPUC's temporary facilities, and to assign the lease to SFPUC. According to the SFPUC staff report to the July 10, 2018 Commission meeting, lease revenues are intended to be sufficient to cover the costs of constructing SFPUC's temporary facilities.

If the Developer and Kilroy Realty cannot negotiate a mutually acceptable lease, the SFPUC will work with the Developer to identity another source of revenue to reimburse the Developer for the cost of the temporary facilities at 2000 Marin Street. The SFPUC must approve any use of 2000 Marin Street. However, because the 2000 Marin Street lease is between the Developer and a third party (expected to be Kilroy Realty), the lease does not require Board of Supervisors approval.

Development Impact Fee Waivers

As noted above, the Developer has preliminary plans to develop the area bounded by 4th, 5th, Brannan, and Bryant Streets into a mixed-use project that includes a public park of approximately one acre. The Developer will construct the park, which will be transferred to the City.

The Office of Economic and Workforce Development (OEWD) and the Planning Department are negotiating with the Developer to waive certain development impact fees to offset the Developer's cost of constructing the park. As shown in Exhibit 5 below, the estimated cost to the Developer for constructing the park is $35,570,000, including an estimated $1,070,000 paid by the Developer to reimburse SFPUC for transaction and relocation costs.

The proposed Central SOMA Plan[4] states that the Planning Commission may waive the Transit Sustainability Fee for projects within the Central SOMA Plan area if the waived amount can be recovered by other funding. According to Ms. Sarah Dennis-Phillips, OEWD Deputy Director of Development, when the Developer's mixed-use project is considered for approval by the Planning Commission, the Planning Department will recommend that the Developer's Transit Sustainability Fee be waived so that the development impact fees paid by the Developer (estimated to be $35.4 million) approximately equal the cost of the public park to be constructed by the Developer.

Exhibit 5: Potential Waiver of Development Impact Fees

Estimated Costs to Developer to Construct Public Park	
Land Purchase [a]	$30,000,000
Development Costs [b]	3,500,000
Reimbursements to SFPUC	1,070,000
Total Estimated Costs	**$34,570,000**
Estimated Development Impact Fees	
Eastern Neighborhoods Infrastructure Impact Fee [c]	$17,000,000
Transportation Sustainability Fee [d]	18,400,000
Total Estimated Development Impact Fees	**$35,400,000**

Source: OEWD

[a] According to the Planning Department, the estimated land purchase price of $30 million is based on the portion of each parcel that will be dedicated to a public park (639 Bryant Street, Parcel 50, and Parcel 51) multiplied by the value per square foot.

[b] Based on park development costs of approximately $95 per square foot for 38,000 square feet.

[c] Eastern Neighborhoods Infrastructure Impact Fee for open space would be waived in consideration of the public park to be constructed by the Developer.

[d] The Proposed Central SOMA Plan allows the waiver of the Transportation Sustainability Fee.

[4] The Planning Commission approved the Central SOMA Plan in May 2018. The Plan was continued at the Land Use and Transportation Committee at the July 9, 2018 meeting to July 16, 2018, and is expected to be calendared at the Board of Supervisors meeting on July 24, 2018.

According to Ms. Dennis-Phillips, the Planning Commission could potentially recover the waived Transit Sustainability Fee through a development agreement with the KR Flower Mart, LLC or other private developer, or through another funding mechanism such as the Central SOMA Community Facilities District special tax.[5]

POLICY CONSIDERATION

The proposed resolution approving the Conditional Land Disposition and Acquisition Agreement between SFPUC and 2000 Marin Property, L.P. is consistent with the resolution adopted by the Board of Supervisors urging the exchange of 639 Bryant Street (File 18-0370). The proposed Conditional Land Disposition and Acquisition Agreement sets the conditions for the Closing Authorization Action, which is subject to future Board of Supervisors approval.

SFPUC's Use of 2000 Marin Street

As noted above, the SFPUC will incur estimated costs of up to $3.9 million for temporary facilities while conducting a study to determine the SFPUC's best utility use of 2000 Marin Street. While the SFPUC staff report to the July 10, 2018 Commission meeting states that the property exchange of existing City property at 639 Bryant Street for 2000 Marin Street is necessary to accommodate future expansion of the SFPUC's Power and Water Enterprises, the reasons and scope of the expansion are not identified. The Board of Supervisors should amend the proposed resolution to request a written report from the SFPUC General Manager on the potential scope of the Power and Water Enterprise expansions, including the (a) potential increase in customers, infrastructure, SFPUC staffing, and other revenues and expenditures associated with the expansion, and (b) timelines for the expansions.

Potential Impact of Environmental Contamination at 2000 Marin

2000 Marin Street was previously used by the Hearst Corporation as a printing plant. According to the appraisal report by Clifford Advisory, LLC, the appraised value of $63.6 million does not account for potential environmental contamination; the appraisal report was completed prior to completion of the Phase I Environmental Site Assessment to identify potential or existing environmental contamination.

The proposed Conditional Land Disposition and Acquisition Agreement provides for the Developer to conduct a Phase II Environmental Site Assessment, which could include soil and other physical testing of the site for contamination[6]. Based on the results of the assessment, the SFPUC will prepare an estimate of the costs of remediating 2000 Marin Street for the SFPUC's proposed industrial uses. According to the SFPUC Commission's resolution, adopted on July 10, 2018, the Commission will review the Phase II Environmental Site Assessment results, projected remediation costs, and the environmental condition of 2000 Marin Street. If the SFPUC Commission determines, based on the Phase II Environmental Site Assessment results,

[5] City Administrative Code Chapter 56 allows the City to enter into development agreements with private developers in exchange for assurances to the developer that the project may proceed in accordance with specified policies, rules, and regulations, and subject to conditions of approval.

[6] The City will select a licensed engineering or environmental firm to conduct the assessment and the Developer will pay the costs of the assessment.

that the property is contaminated in a way that makes the property unsuitable for commercial development, the Commission may (a) extend the time period for the property exchange, (b) terminate the exchange, or (c) negotiate with the Developer "an appropriate remediation strategy". According to the Conditional Land Disposition and Acquisition Agreement, the City's acceptance of the environmental condition of 2000 Marin Street will occur only after the SFPUC Commission has an opportunity to review and approve the condition.

Because the appraised value of 2000 Marin Street may be less than $63.6 million, the Board of Supervisors should consider amending the proposed resolution to state the Board's policy that, if the Phase II Environmental Site Assessment identifies contamination that makes the property unsuitable for the intended use and occupancy by the SFPUC, and if the SFPUC choses to continue with the property exchange transaction, the final property exchange transaction will (a) provide for the Developer to fully mitigate all environmental contamination to make the property suitable for the intended use and occupancy by the SFPUC, and/or (b) reduce the exchange value of the property to fully account for the costs of environmental remediation to make the property suitable for the intended use and occupancy by the SFPUC.

Future Mixed Use Development

According to the proposed resolution, the proposed use of the SFPUC property at 639 Bryant Street by the Developer may yield more appropriate land uses within the Central SOMA Plan area. According to OEWD, potential use by the Developer is a mixed-use development of the property bounded by 4th, 5th, Brannan, and Bryant Streets, which includes a public park.

<u>Potential Development Impact Fee Waivers</u>

The Planning Department plans to request the Planning Commission to waive Transportation Sustainability Fees for 2000 Marin L.P. (the Developer) for the proposed mixed-use development of the property bounded by 4th, 5th, Brannan, and Bryant Streets. According to OEWD staff, the loss of the Transportation Sustainability Fee revenues, estimated to be $18.4 million (see Exhibit 5 above), could potentially be offset by assessing such fees to KR Flower Mart, L.P. or other private developer through a development agreement in accordance with Administrative Code Chapter 56.

In addition, the Developer is requesting that reimbursements to SFPUC, capped at $1.07 million by the Conditional Land Disposition and Acquisition Agreement, be considered as part of the costs of the public park development by 2000 Marin L.P. The Board of Supervisors should request the Planning Commission in considering potential waiver of Transportation Sustainability Fees for the future mixed-use development of the property bounded by 4th, 5th, Brannan, and Bryant Streets to not include Developer's reimbursements to SFPUC for transaction costs ($245,000 for legal and other costs related to the Conditional Land Disposition and Acquisition, shown in Exhibit 4 above) in calculating the fee waiver.

Also, consistent with provisions of the Central SOMA Plan, which states that any portion of the Transit Sustainability Fee that is waived in consideration of the development of a public park, the fee revenues should be replaced by other funding mechanisms to ensure the City's transportation system is not negatively impacted, the Board of Supervisors should request the Planning Commission to (a) consider the impact of the potential loss of Transportation

Sustainability Fee revenues on bicycle, pedestrian, street, and transit projects in SOMA, and (b) consider the reasonableness and feasibility of recouping the potential loss of Transportation Sustainability Fee revenues through development agreements with other private developers.

Future City Costs for the Public Park

As noted above, the potential mixed-use development of the property bounded by 4th, 5th, Brannan, and Bryant Streets could include a public park to be developed by the Developer and transferred to the City. The Board of Supervisors should request the Planning Department to include the ongoing costs to the City to maintain the park in any agreement with the Developer to develop the park.

RECOMMENDATIONS

1. Request the Planning Commission in considering potential waiver of Transportation Sustainability Fees for the future mixed-use development of the property bounded by 4th, 5th, Brannan, and Bryant Streets to (a) not include the Developer's reimbursements of $245,000 to SFPUC for transaction costs in calculating the fee waiver, (b) consider the impact of the potential loss of Transportation Sustainability Fee revenues on bicycle, pedestrian, street, and transit projects in SOMA, and (c) consider the reasonableness and feasibility of recouping the potential loss of Transportation Sustainability Fee revenues through development agreements with other private developers.
2. Request the Planning Department to include the ongoing costs to the City to maintain the park in any agreement with the Developer to develop the park.
3. Request a written report from the SFPUC General Manager on the potential scope of the Power and Water Enterprise expansions, including the (a) potential increase in customers, infrastructure, SFPUC staffing, and other revenues and expenditures associated with the expansion, and (b) timelines for the expansions.
4. Amend the proposed resolution to state the Board of Supervisor's policy that, if the Phase II Environmental Site Assessment identifies contamination that makes the property unsuitable for the intended use and occupancy by the SFPUC, and if the SFPUC choses to continue with the property exchange transaction, the final property exchange transaction will (a) provide for the Developer to fully mitigate all environmental contamination to make the property suitable for the intended use and occupancy by the SFPUC, and/or (b) reduce the exchange value of the property to fully account for the costs of environmental remediation to make the property suitable for the intended use and occupancy by the SFPUC.
5. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

Item 2 **File 18-0560**	**Department:** San Francisco Public Utilities Commission (SFPUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution will authorize exercise of the first amendment to the contract between SFPUC and Calpine Energy Solutions, LLC (Calpine). The proposed amendment would (i) extend the contract by three years to October 31, 2021, with the option of extending the contract for an additional three years to October 31, 2024; (ii) increase the contract not-to-exceed amount by $14,030,000, from $5,600,000 to $19,630,000.

Key Points

- The San Francisco Public Utilities Commission (SFPUC) implemented a CCA, CleanPowerSF, in 2015 to provide electricity from more renewable resources to residents and businesses. PG&E provides the infrastructure for electricity transmission and distribution. SFPUC uses a third party to provide the customer and technical administrative services. The Board of Supervisors approved the original contract with Noble Americas Energy Solutions in 2015 to provide customer and technical administrative services; Noble was acquired by Calpine in 2016.
- Under the existing contract, CleanPowerSF pays Calpine using a tiered structure depending on the number of meters Calpine is servicing. Under the proposed first amendment, CleanPowerSF will pay a flat rate of $1.15 per-meter-per-month.
- Current CleanPowerSF enrollment is 87,000, which is expected to increase to 115,000 during the July 2018 enrollment period, and to 375,000 by July 2019. Enrollment may be expedited in 2018 if the California Public Utilities Commission approves an increase in 2019 to the fee charged by PG&E to customers who switch service to CleanPowerSF. The fee charged by PG&E is to cover generation costs acquired prior to a customer's change in service provider. Enrolling customers in CleanPowerSF in 2018 rather than 2019 would result in a lower fee charged to these customers by PG&E.

Fiscal Impact

- Total actual and projected expenditures under the existing contract between SFPUC and Calpine are $3,244,225, and estimated expenditures under the proposed first amendment are $14,030,000, plus a contingency of $1,495,000, for total contract expenditures of $18,769,225.

Recommendations

- Amend the proposed resolution to reduce the contract not-to-exceed amount by $860,775, from $19,360,000 to $18,769,225.
- Amend the proposed resolution to clarify that exercise of the second and final option to extend the contract by three years to October 31, 2024 is subject to future Board of Supervisors approval.
- Approve 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

State law allows cities and counties to develop Community Choice Aggregation (CCA) programs, through which local governments supply electricity to serve the needs of participating customers within their jurisdictions while the existing private utility (PG&E in San Francisco) continues to provide various services including billing, transmission, and distribution.

The San Francisco Public Utilities Commission (SFPUC) implemented a CCA, CleanPowerSF, in 2015 to provide electricity from more renewable resources to residents and businesses. PG&E provides the infrastructure for electricity transmission and distribution. SFPUC uses a third party to provide the customer and technical administrative services. In August 2015, the Board of Supervisors approved a contract between SFPUC and Noble Americas Energy Solutions LLC (Noble), selected through a competitive process, to provide meter data management, billing, and customer services for CleanPowerSF. The contract was for an amount not-to-exceed $5,600,000 and for a three-year term from September 1, 2015 to October 31, 2018, with two three-year options to extend the contract to October 2024. Noble was acquired by Calpine Corporation on December 1, 2016, and SFPUC executed an amendment to the contract certifying the name change.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution will authorize exercise of the first amendment to the contract between SFPUC and Calpine Energy Solutions, LLC (Calpine). The proposed amendment would (i) extend the contract by three years to October 31, 2021, with the option of extending the contract for an additional three years to October 31, 2024; (ii) increase the contract not-to-exceed amount by $14,030,000, from $5,600,000 to $19,630,000.

The services provided by Calpine will remain the same and include:

- Management of CleanPowerSF customer accounts and billing
- Exchange of customer usage, billing, and payment data with PG&E
- Handling of CleanPowerSF customer service calls

The increase in the contract not-to-exceed amount accounts for increasing the number of customers enrolled in CleanPowerSF. CleanPowerSF currently serves approximately 87,500 customers, and anticipates adding 27,500 customers in July 2018.[1] Service will be expanded to include 385,000 commercial and residential customers by July 2019. The program automatically enrolls eligible PG&E electricity customers within the City and County of San Francisco and these customers are then given the opportunity to opt out of participating if they choose. According to Ms. Julia Allman, Utility Specialist with CleanPowerSF, 96 percent of customers enrolled have remained with the program since service commenced in May 2016.

Rate Adjustments

Under the existing contract, CleanPowerSF pays Calpine using a tiered structure depending on the number of meters Calpine is servicing. Rates were set at $1.55 per-meter-per-month for the first 100,000 meters, $1.30 per-meter-per-month for meters 100,001-200,000, $1.25 per-meter-per-month for meters 200,001-300,000, and $1.15 per-meter-per-month for all meters over 300,000. Under the proposed first amendment, CleanPowerSF will pay a flat rate of $1.15 per-meter-per-month. This fee consists of $0.20 per active meter for customer services and $0.95 per active meter for administration.

CleanPowerSF intends to assume some or all of the customer service calls function during the three-year contract extension. If CleanPowerSF takes over this function from Calpine, the per-meter-per-month customer service fee will be reduced.

FISCAL IMPACT

Total actual and projected expenditures under the existing contract between SFPUC and Calpine are $3,244,225, and estimated expenditures under the proposed first amendment are $14,030,000, plus a contingency of $1,495,000, for total contract expenditures of $18,769,225, as shown in Table 1 below.

[1] SFPUC implemented Phase I of CleanPowerSF in 2016, which automatically enrolled residential customers in selected neighborhoods (who could opt-out). CleanPowerSF's May 2017 Growth Plan calls for citywide enrollment into CleanPowerSF by the end of FY 2018-19, with the next major auto-enrollment phase to occur in July 2018.

Table 1: Actual and Projected Contract Expenditures May 2016 to October 2021

Time Frame	Approximate Number of Meters	Average monthly rate per meter	Average monthly invoice	Total
Existing Contract				
Spending to date [a]	-	-		$2,410,175
June 2018	87,000	$1.55	$134,850	134,850
July 2018-Oct. 2018	115,000	$1.52	$174,800	699,200
Subtotal Existing Contract				$3,244,225
Proposed First Amendment [b]				
Nov. 2018-March 2019	115,000	$1.15	$132,250	$661,250
April 2019-Oct. 2021	375,000	$1.15	$431,250	13,386,750
Subtotal First Amendment				$14,030,000
Contingency				1,495,000
Total	**-**	**-**		**$18,769,225**

Source: Invoicing and Projections provided by CleanPowerSF

[a] Spending from May 2016 to May 2018 was based on per meter rates that varied based on the number of meters. CleanPowerSF paid Calpine $1.55 per meter for the first 100,000 meters, $1.30 per meter for meters 100,001-200,000, $1.25 for meters 200,001-300,000, and $1.15 per meter for all meters over 300,000.

[b] Under the proposed first amendment, CleanPowerSF will pay Calpine $1.15 per meter regardless of the number of meters.

Current CleanPowerSF enrollment is 87,000, which is expected to increase to 115,000 during the July 2018 enrollment period, and to 375,000 by July 2019. According to Mike Hyams, CleanPowerSF Director, SFPUC included a contingency of $1,495,000 in the event that CleanPowerSF needed to expedite enrollment in 2018 if they foresaw an increase in the Power Charge Indifference Adjustment (PCIA).[2] The PCIA rate that a customer pays is based on the year that the customer starts service with CleanPowerSF, SFPUC may choose to enroll customers in 2018 to secure a lower PCIA rate for those customers if they anticipated that the PCIA rate might increase in 2019.

The proposed resolution should be amended to reduce the not-to-exceed amount by $860,775, from $19,630,225 to $18,769,225, shown in Table 1 above.

[2] The PCIA is a charge assessed by PG&E to cover generation costs acquired prior to a customer's change in service provider. PG&E collects the fee from customers who switch service from PG&E to CleanPowerSF. SFPUC sets CleanPowerSF rates to account for the PCIA paid by customers when they switch from PG&E to CleanPowerSF (i.e., CleanPowerSF rates are reduced to offset the cost of the PCIA). The California Public Utilities Commission regulates the PCIA; if the CPUC increases the PCIA charged to customers who switch service from PG&E to CleanPowerSF in 2019, then CleanPowerSF rates would be adjusted downward to offset the increase in the PCIA.

RECOMMENDATIONS

- Amend the proposed resolution to reduce the contract not-to-exceed amount by $860,775, from $19,360,000 to $18,769,225.
- Amend the proposed resolution to clarify that exercise of the second and final option to extend the contract by three years to October 31, 2024 is subject to future Board of Supervisors approval.
- Approve proposed resolution as amended.

Item 4 File 18-0534	Departments Mayor's Office of Housing and Community Development San Francisco Municipal Transportation Agency

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves the jurisdictional transfer of the Upper Yard (Assessor's Parcel Number 6973, Lot 039) located at the intersection of Geneva Avenue and San Jose Avenue, from the San Francisco Municipal Transportation Agency (SFMTA) to the Mayor's Office of Housing and Community Development (MOHCD) for a transfer fee of $6,150,000.
- The proposed resolution also affirms the Planning Department's determinations that the proposed jurisdictional transfer is (a) not a project under the California Environmental Quality Act and (b) in conformity with the City's General Plan.

Key Points

- The Upper Yard is comprised of approximately 30,750 square feet and is currently used by the SFMTA as a surface parking lot for employees. In April 2014 the SFMTA and MOHCD entered into a Memorandum of Understanding agreeing to the transfer of jurisdiction of the Upper Yard from the SFMTA to MOHCD to develop affordable housing on the site. Under the First Amendment to the Memorandum of Understanding dated April 2016, the transfer fee for the property of $6,150,000 was set based on an appraisal prepared by a third party independent appraiser.
- MOHCD currently estimates that up to 130 units of affordable housing, along with associated ground floor community amenities such as childcare and retail, will be constructed on the property. The total development cost of this scenario is estimated to be $96 million. MOHCD selected Related California / Mission Housing Development Coalition through a competitive process to develop the property.

Fiscal Impact

- The funding sources for the $6,150,000 transfer fee will be $2,500,000 from the Community Development Block Grant allocated by the U.S. Department of Housing and Urban Development and $3,650,000 from the Affordable Housing Fund. The funds from both sources have already been secured.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code Section 23.16 states that if the Board of Supervisors determines that real property proposed to be transferred is no longer necessary or advantageous to the department having jurisdiction and can be more advantageously used by the requesting department, the Board shall by resolution order a transfer of the real property to the requesting department.

BACKGROUND

Proposed jurisdictional transfer

The City owns property, under the jurisdiction of the San Francisco Municipal Transportation Agency (SFMTA), known as the Upper Yard (Assessor's Parcel Number 6973, Lot 039) located at the intersection of Geneva Avenue and San Jose Avenue, across the street from the Balboa Park BART station. The property is comprised of approximately 30,750 square feet and is currently used by the SFMTA as a surface parking lot for employees. In November 2012, the SFMTA Board of Directors passed Resolution No. 137-12 in support of the sale of the Upper Yard and directing the SFMTA Director of Transportation to work with partner agencies to advance such a sale.

In April 2014 the SFMTA and the Mayor's Office of Housing and Community Development (MOHCD) entered into a Memorandum of Understanding agreeing to the transfer of jurisdiction of the Upper Yard from the SFMTA to MOHCD for the purposes of affordable housing development. Under the First Amendment to the Memorandum of Understanding dated April 2016, the transfer fee for the property of $6,150,000 was set based on an appraisal prepared by David Tattersall & Company, a third party independent appraiser, dated as of November 15, 2012, that determined that the Upper Yard was valued at $6,150,000.[1]

File 17-1107, which was approved by the Board of Supervisors in January 2018, amended Section 23.14 of the City Administrative Code to exempt certain City jurisdictional transfers for affordable housing from appraisal requirements, including the requirement that any appraisal and appraisal review have an effective date of value that is not earlier than nine months before the date any legislation for the proposed transfer is submitted to the Board of Supervisors.

Affordable housing development

According to Ms. Claudia Gorham, Deputy Managing Director of the Real Estate Division, MOHCD currently estimates that up to 130 units of affordable housing, along with associated ground floor community amenities such as childcare and retail, will be constructed on the property. The total development cost of this scenario is estimated to be $96 million.

In April 2016, MOHCD issued a Request for Qualifications for a qualified developer to work with the City to develop affordable family housing and a ground floor commercial and community-serving space on the Upper Yard and to coordinate improvements on the adjacent parcel

[1] The requirement that an appraisal review be obtained for any appraisal that determines the fair market value of real property to be more than $200,000 was not added to City Administrative Code Section 23.14 until 2016 (File 16-0361).

owned by Bay Area Rapid Transit (BART). Two development partners submitted qualifications. In September 2016, after reviewing the proposals, the selection panel recommended that Related California / Mission Housing Development Coalition be selected to develop, own, and operate the family housing proposed for the Upper Yard site. According to Ms. Sara Amaral, Project Manager at MOHCD, in March 2017 the Related California / Mission Housing Development Coalition submitted a $2,000,000 predevelopment request to the Affordable Housing Loan Committee, which was approved. Other potential funding sources for development of the affordable housing project include developer equity, bank loans, MOHCD loans, and federal and state tax credits. According to Ms. Amaral, MOHCD evaluated the financial feasibility of the project and the ability of the selected development partners to secure financing as part of the proposal review.

BART has indicated to MOHCD that it is willing to negotiate a 30-foot no-build deed restriction along the shared property line, which would alleviate development constraints imposed by the unusual shape of the Upper Yard. According to Ms. Gorham, negotiations are expected to conclude by September 2018. If for any reason a lesser no-build deed restriction is agreed upon, then the Department of Building Inspection would need to re-assess the proposed size and design of the affordable housing development that could be constructed in the Upper Yard.

General Plan conformance

The Planning Department, through the General Plan Referral letter dated June 28, 2016, verified that the project is, on balance, in conformity with the General Plan and the eight priority policies outlined in Planning Code Section 101.1.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves the jurisdictional transfer of the Upper Yard from the SFMTA to MOHCD for a transfer fee of $6,150,000. The proposed resolution also affirms the Planning Department's determinations that the proposed jurisdictional transfer is (a) not a project under the California Environmental Quality Act and (b) in conformity with the City's General Plan.

FISCAL IMPACT

According to Ms. Gorham, the funding sources for the $6,150,000 transfer fee will be $2,500,000 from the Community Development Block Grant allocated by the U.S. Department of Housing and Urban Development and $3,650,000 from the Affordable Housing Fund, as shown in Exhibit 1 below.

Exhibit 1: Funding for Transfer Fee

Funding Source	Amount
Affordable Housing Fund	$3,650,000
Community Development Block Grant	2,500,000
Total	**$6,150,000**

Source: Real Estate Division

According to Ms. Gorham, the funds from both sources have already been secured for the transfer fee.

RECOMMENDATION

Approve the proposed resolution.

Item 6 **File 18-0563**	**Department:** Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves a new sublease between the Department of Public Health (DPH), as subtenant, and HealthRIGHT 360, as sublessor, for approximately 19,975 square feet of space at 1735 Mission Street. The lease will be for a 3.5 year term from approximately July 1, 2018 through January 16, 2022, with no options to extend.

Key Points

- DPH is developing a new electronic health records (EHR) system that unifies all hospitals and clinics under a single system. The Department is in need of nine additional training rooms, primarily during calendar year 2019, to train staff on the new EHR system.
- HealthRIGHT 360, a non-profit organization, has space available at 1735 Mission Street under a below current market rate lease that will expire on January 16, 2022.
- DPH plans to use the subleased HealthRIGHT 360 space for the nine training spaces at 1735 Mission Street, as well as administrative space for trainers and IT operations staff.

Fiscal Impact

- Based on the rate of $31.32 per square foot per year or $625,617 per year for the initial annual rate, plus proposed tenant improvements of $764,498 and operations costs of $812,429, the proposed sublease will cost a total of $3,830,442 over the approximately three and one-half year lease term through January 16, 2022.

Policy Consideration

- The primary need for the space at 1735 Mission Street is for a six-month period in 2019 for EHR system training. The need for the space after the conclusion of the six-month EHR training period is less well defined.
- 1735 Mission Street is zoned for Production, Distribution, and Repair, which limits the City's ability to use the space to meet its need for temporary office space during the remaining term of the sublease after the six-month EHR training period is completed.

Recommendation

- Because the City's actual need for the subleased space after the six-month EHR training is not sufficiently shown, and the zoning of the location limits the City's ability to use the space efficiently, the Budget and Legislative Analyst considers approval of the proposed sublease to be a policy matter for the Board of Supervisors. If the Board of Supervisors approves the proposed sublease, the Board should request that, once the training space is no longer needed for EHR training, the Director of Real Estate further evaluate options to use the space at 1735 Mission Street to better meet the City's need for temporary space, and make more efficient use of the 1735 Mission Street space for City purposes for the remainder of the sublease term.

MANDATE STATEMENT

City Administrative Code 23.27 states that any lease with a term of one year or longer or with rent of $15,000 or more per month and where the City is the tenant is subject to Board of Supervisors approval.

BACKGROUND

As outlined in the City's Information and Communication Technology (ICT) Plan, Fiscal Years 2018-2022, the Department of Public Health (DPH) is in the process of developing a new electronic health records (EHR) system that unifies all hospitals and clinics under a single system, which will allow DPH to transition to performance-based medicine and better track patients and service delivery outcomes. Funding for the new EHR system was recommended by the Committee on Information Technology in the FY 2018-2022 ICT Plan as part of the Major IT Projects Allocation. Table 1 below outlines the major project milestones and targets by fiscal year, beginning in FY 2017-18 and continuing through FY 2021-22.

Table 1: Unified EHR System Rollout

Fiscal Year	Milestone/Target
FY 2017-18	EHR solution selection, contracting, governance, implementation readiness, discovery and design
FY 2018-19	Phase I build, test, train
FY 2019-20	Go-live Phase I; Phase II build, test, train; Go-live Phase II
FY 2020-21	Stabilization Phase II; Optimization Phase I; Phase III
FY 2021-22	Optimization and operations

Source: ICT Plan, FY 2018-2022

According to Ms. Sandi Levine, Project Manager of the Real Estate Division, DPH has been investigating dedicated training room options to train staff for approximately three years and estimates needing approximately 16 dedicated training rooms in FY 2018-19 and FY 2019-20, and as needed through FY 2021-22. Seven spaces have been allocated for use as training rooms on the Zuckerberg San Francisco General and Laguna Honda campuses, leaving the Department in need of nine additional training rooms.

HealthRIGHT 360, a non-profit organization that contracts with DPH to provide healthcare services, has a below current market rate lease for 1735 Mission Street with SF L&W Partnership that will expire on January 16, 2022. HealthRIGHT 360 has purchased 1563 Mission Street and has moved some of its services to that location from 1735 Mission Street, leaving space at the 1735 Mission Street location through 2022. Under the proposed resolution, DPH plans to use the available space at 1735 Mission Street to locate the remaining nine dedicated training spaces as well as ancillary administrative space for trainers and IT operations staff. This location would support training for users who are able to leave the hospital campuses and users who are located at DPH's clinical sites across the City.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves a new sublease between the Department of Public Health, as subtenant, and HealthRIGHT 360, as sublessor, for approximately 19,975 square feet of space at 1735 Mission Street. The lease will be for a three and one-half year term commencing upon approval by the Board of Supervisors and the Mayor, from approximately July 1, 2018 through January 16, 2022, with no options to extend. The initial rent will be $52,135 ($2.61 per square foot) per month, or $625,617 ($31.32 per square foot) annually, and will increase each January 17th by one percent. The City will also be responsible for 43.4 percent of operating expenses and for reimbursement to HealthRIGHT 360 for up to $764,498 for tenant improvements.

Table 2 below summarizes the terms and conditions of the proposed sublease.

Table 2: Terms and Conditions of Proposed Sublease

Lease period	Estimated July 1, 2018 through January 16, 2022
Size of property	19,975 square feet
Base rent paid by tenant	$625,617 per year ($31.32 per square foot)
Annual rent adjustments to base rent	1.0 percent annually each January 17th
Options to extend the lease	None
Tenant improvement plan	City is responsible for reimbursement to sublessor of up to $764,498 for tenant improvements related to the development of nine training rooms
Operating costs (utilities, janitorial, maintenance, security)	City is responsible for a pro-rata share not to exceed 43.4 percent of operating costs, estimated at $812,429 for the entire lease period

General Plan conformance

The Planning Department, through the General Plan Referral letter dated April 9, 2018, verified that the project is, on balance, in conformity with the General Plan and the eight priority policies under Planning Code, Section 101.1.

Use of space

Training space

The Department proposes to use 67 percent of the space at 1735 Mission Street as an EHR and job training space, including the creation of nine training classrooms. According to Ms. Levine, the bulk of the EHR training will be needed for approximately six months during the second lease year (January 17, 2019 through January 16, 2020). In later years when the training spaces are no longer needed for EHR training, the Department proposes to use the facilities as training spaces for community and job trainings, including emergency medical services training, behavioral health training for students in public health and medical schools, the IT Information System Trainee Program, and others. The Department currently holds these trainings in a variety of City conference rooms and rented spaces, except for the emergency medical services training, which is a new program and is in need of identified training space.

Staff space

The remaining 33 percent of the space at 1735 Mission Street will house:

- DPH IT operations services units, which will support training activities and EHR implementation and are slated for consolidation at Laguna Honda Hospital in 2022.
- 99 full-time equivalent (FTE) staff:
  - 55 IT business services and service management staff, who are proposed to relocate from 1360 Mission Street. These 55 FTEs will move to the Laguna Honda campus in 2022 when the proposed sublease expires.
  - 24 EHR-related contractors. According to Ms. Levine, these contractors are in the process of being hired.
  - 20 on-the-job trainees, as part of the IT Information System Trainee Program wherein paid interns receive a combination of technical training and on-the-job experience under the mentorship of professional staff at the Department of Public Health IT unit.

The 55 FTEs in IT operations are proposed to move from 1360 Mission Street to 1735 Mission Street before moving to their ultimate location on the Laguna Honda campus because the City's lease at 1360 Mission Street will expire before the Laguna Honda location will be ready 2022. According to Ms. Claudia Gorham, Deputy Managing Director of the Real Estate Division, the lease at 1360 Mission Street cannot be extended through 2022 because the landlord desires to develop the parcel. For the remainder of the lease, the vacated space at 1360 Mission Street will be used to house the software development team building and implementing the EHR system, because those positions will not be needed after the project is completed.

FISCAL IMPACT

Based on the rate of $31.32 per square foot per year or $625,617 per year for the initial annual rate, plus proposed tenant improvements of $764,498 and operations costs of $812,429, the proposed sublease will cost a total of $3,830,442 over the approximately three and one-half year lease term through January 16, 2022, as shown in Table 3 below. Tenant improvement costs will be incurred in the first lease year for the creation of the nine training spaces. Operating costs are comprised of monthly utilities (electricity and water), janitorial, after-hours access, property management, and security alarm monitoring.

Table 3: Total Costs of Proposed Sublease

	Year 1 (6.5 months)	Year 2 (12 months)	Year 3 (12 months)	Year 4 (12 months)	Total
	7/1/18 - 1/16/19	*1/17/19 - 1/16/20*	*1/17/20 - 1/16/21*	*1/17/21 - 1/16/22*	*7/1/18 - 1/16/22*
Annual rate psf [a]	$31.32	$31.63	$31.95	$32.27	-
Annual rent	338,876	631,873	638,192	644,574	2,253,515
Operations cost estimate [b]	108,017	290,040	205,560	208,812	812,429
Tenant improvement costs	764,498	-	-	-	764,498
Total for lease year	**$1,211,391**	**$921,913**	**$843,752**	**$853,386**	**$3,830,442**

Source: Real Estate Division

[a] The rate per square foot increases by 1.0 percent each January 17th.

[b] Operations costs are estimated to be higher in year 2 of the lease to account for extra after-hours access for EHR trainings, as the Department anticipates holding trainings during year 2 from 6am to 11pm.

1735 Mission Street is zoned for PDR-1-G (Production, Distribution, and Repair – 1 – General). According to Ms. Levine, the sublease rate of $31.32 per square foot in the first year is below fair market rent for PDR space.

According to Ms. Levine, the costs associated with this sublease have been included in DPH's proposed FY 2018-19 and FY 2019-20 budgets.

POLICY CONSIDERATION

The proposed sublease for 1735 Mission Street is from approximately July 2018 to January 2022, a term of three years and six months. Based on information provided by DPH, the primary need for the space at 1735 Mission Street is for the approximate six-month period in calendar year 2019 when DPH will conduct training for all staff on the new electronic health record system. The need for the space after the end of EHR training in 2019 through the end of the sublease in January 2022[1] is less well defined. While the Real Estate Division has stated that the space could be used for other training programs, most of these programs are currently conducted in available City space.

Also, the use of the space for City purposes is limited because 1735 Mission Street is zoned as a PDR, and therefore cannot be used to meet the City's office space needs.

Because the City's actual need for the subleased space after the six-month EHR training is not sufficiently shown, and the zoning of the location limits the City's ability to use the space efficiently, the Budget and Legislative Analyst considers approval of the proposed sublease to be a policy matter for the Board of Supervisors. If the Board of Supervisors approves the proposed sublease, the Board should request that, once the training space is no longer needed for EHR training, the Director of Real Estate further evaluate options to use the space at 1735 Mission Street to better meet the City's need for temporary space, and make more efficient use of the 1735 Mission Street space for City purposes for the remainder of the sublease term.

[1] According to DPH staff, the need for EHR training will be ongoing for new staff, refresher training, etc. However, DPH will have seven training rooms that can be used for ongoing training.

RECOMMENDATION

Approval of the proposed resolution is a policy matter for the Board of Supervisors. If the Board of Supervisors approves the proposed sublease, the Board should request that, once the training space is no longer needed for EHR training, the Director of Real Estate further evaluate options to use the space at 1735 Mission Street to meet the City's need for temporary space, and make more efficient use of the 1735 Mission Street space for City purposes for the remainder of the sublease term.

Item 8 File 18-0561	Department: Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a new contract with Bay Area Addiction, Research and Treatment, Incorporated (known as BAART), a non-profit organization, for the continuation of existing methadone and other opioid replacement services in an amount not to exceed $35,952,000 for a contract term of four years from July 1, 2018 through June 30, 2022. The proposed contract includes one six-year option to extend the contract from July 1, 2022, through June 30, 2028.

Key Points

- In July 2010, the Department of Public Health (DPH) entered into a contract with Bay Area Addiction, Research and Treatment, Incorporated (known as BAART), a non-profit organization, based on a competitive Request for Proposals (RFP) to provide methadone maintenance and support services to DPH clients. In January 27, 2016, the Board of Supervisors retroactively approved the third amendment to the contract for behavioral health services with BAART to extend the contract by three years, from July 1, 2010 through June 30, 2015, to July 1, 2010 through June 30, 2018, with a corresponding increase of $25,316,243 for a total amount not to exceed $51,359,308 (File 15-1167).
- In anticipation of the June 30, 2018 contract expiration, DPH issued a competitive Request for Qualifications in September of 2016 to provide substance use disorder treatment services. DPH received proposals from seven proposers, including BAART. Based on the solicitation submissions and capacity/State-licensed treatment slots, seven providers were awarded contracts, including BAART.
- Under the proposed contract, BAART serves a client population of adults who are using and/or dependent on opioids. BAART currently operates at two locations: 1111 Market Street and 433 Turk Street. BAART also serves pregnant and parenting women who are using and/or dependent on opioids through its FACET program.

Fiscal Impact

- The four year budget of the proposed BAART contract is $35,952,000 and is based on annual expenditures of approximately $8,025,000 and a 12 percent contingency.
- Funding for the proposed contract comes from federal, state and General Fund monies.
- Under the proposed contract, DPH estimates a total of 1,212 clients will be served annually in the facilities at 1111 Market Street and 433 Turk Street, as well as the FACET program. The rate per 10-minute increment varies at each of the programs based on the facility and level of care that is required.

Recommendations

- Amend the proposed resolution to be retroactive to July 1, 2018.
- 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

In July 2010, the Department of Public Health (DPH) entered into a contract with Bay Area Addiction, Research and Treatment, Incorporated (known as BAART), a non-profit organization, based on a competitive Request for Proposals (RFP) to provide methadone maintenance and support services to DPH clients. DPH reimburses BAART for these services based on BAART's costs of providing the services. The original contract was for the 18 month period from July 1, 2010 through December 31, 2011, for a not-to-exceed amount of $8,202,621. In 2011, DPH entered into the first amendment to the contract, extending the term of the contract by 3 years and 6 months from January 1, 2012 through June 30, 2015, and increased the not-to-exceed amount to $9,990,000. Because the amended not-to-exceed amount was under $10,000,000, approval by the Board of Supervisors was not required.

In 2012, DPH entered into the second amendment to the contract which increased the not-to-exceed amount to $26,043,065 and provided for three one-year options to extend the contract from July 1, 2015 to June 30, 2018. In January 27, 2016, the Board of Supervisors retroactively approved the third amendment to the contract for behavioral health services with BAART to extend the contract by three years, from July 1, 2010 through June 30, 2015, to July 1, 2010 through June 30, 2018, with a corresponding increase of $25,316,243 for a total amount not to exceed $51,359,308 (File 15-1167). Table 1 below shows the amount expended as compared to the budget through FY 2017-18.

Table 1: BAART Contract Expenditures through FY 2017-18 (File 15-1167)

Year	Expenditure Amount	Authorized Budget	Amount Expended Under (Over) Budget
FY 2010-15[1]	$25,339,242	$25,339,242	$0
FY 2015-18	22,210,812	23,232,202	1,021,390
Subtotal	$47,550,054	$48,571,444	$1,021,390
Contingency	-	$2,787,864	$2,787,864
Total	**$47,550,054**	**$51,359,308**	**$3,809,254**

Source: DPH

[1] This includes a reduction of $1,364,970 as recommended and approved in File 15-1167.

Competitive Process for New Contract

In anticipation of the June 30, 2018 contract expiration, DPH issued a competitive Request for Qualifications[2] in September of 2016 to provide substance use disorder treatment services. According to Ms. Michelle Ruggels, Director of DPH Business Office, DPH received proposals from seven proposers[3], including BAART. Based on the solicitation submissions and capacity/State-licensed treatment slots, seven providers were awarded contracts, including BAART. All met minimum qualifications[4].

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new contract with Bay Area Addiction, Research and Treatment, Incorporated (known as BAART), a non-profit organization, for the continuation of existing methadone and other opioid replacement services in an amount not to exceed $35,952,000 for a contract term of four years from July 1, 2018 through June 30, 2022. The contract includes one six-year option to extend the contract from July 1, 2022, through June 30, 2028.

Because the contract expired on June 30, 2018, the proposed resolution should be amended for retroactivity to July 1, 2018.

Under the proposed contract, BAART serves a client population of adults who are using and/or dependent on opioids. BAART serves individuals from all levels of economic status. Many clients are homeless, living in the streets, in shelters and residential hotels. BAART currently operates at two locations: 1111 Market Street and 433 Turk Street. BAART provides Medication Assisted Treatment (MAT) for opioid-dependent individuals with co-occurring disorders such as HIV, Hepatitis C, tuberculosis, diabetes and mental illness through providing legally regulated doses of the opioids Methadone, Buprenorphine, Naltrexone or Disulfiram (Antabuse), as well as counseling and ancillary and referral services to help patients address co-occurring disorders.

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[2] According to DPH, review panels are comprised of small groups (approximately five members) and include representative participants with appropriate expertise from community based organizations, direct service providers, other Bay Area counties, consumers of Behavioral Health Services, City departments, and/or no more than one member of DPH staff. The panel is also assembled to ensure diversity with regards to ethnicity and gender. The RFP contained multiple substance abuse modalities. For the Narcotic Treatment Program modality, under which BAART was selected, the proposal reviewers included a representative of a related community organization, a mental health services manager with another Bay Area county, a manager of a local supportive housing provider, and a DPH program coordinator.

[3] The seven proposers and their respective scores include the following: University of California at San Francisco (UCSF) Department of Psychiatry Division of Substance Abuse and Addiction Medicine (95), Bayview Hunters Point Foundation for Community Improvement (94.04), BAART (89.66), Westside Community Services (87.07), Fort Help, Mission (83.97), and Fort Help, LLC (81.44). All proposers have existing contracts with DPH. This proposed contract does not consolidate methadone contracts.

[4] According to Ms. Ruggels, each agency has a maximum capacity of methadone slots that they can deliver. The maximum capacity is licensed by the State. Ms. Ruggels states that there is enough demand for substance use services and treatment to utilize the capacity of all of the vendors combined. If a vendor/contract was to be eliminated, DPH would need to transfer all of the clients to the remaining contracts, which may not have sufficient capacity to take all of the new individuals.

The target population may also include opioid-dependent individuals under 18 years of age, who are served on a case-by-case basis.

BAART also serves pregnant and parenting women who are using and/or dependent on opioids through its FACET program. FACET's target population is opioid-dependent women 18 or older who have children aged 0-2 years, and includes particularly at-risk neighborhoods such as the Tenderloin, the Mission District and South of Market.

Each client's recommended length of treatment varies based on criteria established at the beginning of treatment and assessed on an ongoing basis. Criteria used to measure the effectiveness of treatment include toxicology screening, counseling session attendance, employment status, arrest record, and other related lifestyle factors.

FISCAL IMPACT

Under the proposed contract, DPH estimates a total of 1,212 clients will be served annually in the facilities at 1111 Market Street and 433 Turk Street, as well as the FACET program. The rate per 10-minute increment varies at each of the programs based on the facility and level of care that is required. Table 2 below shows the estimated annual budget of approximately $8,025,000 and a 12 percent contingency.

Table 2: Estimated Annual Budget for Proposed BAART Contract

Program	Rate per 10 minute increment	Number of Clients Served	Annual Total
433 Turk Street			
Methadone Dosing	$13.11	600	$2,356,683
Methadone Individual Counseling	$15.37	600	1,327,969
Methadone Group Counseling	$3.43	600	24,696
Buprenorphine Dosing	$20.18	5	36,324
Buprenorphine Individual Counseling	$15.37	5	4,611
Buprenorphine Group Counseling	$3.42	5	205
Disulfiram	$10.47	5	19,512
Naloxone	$150.00	600	90,000
Non Drug-MediCal Narcotic Treatment	$2.01	600	40,000
Average Rate/Total	*$25.93*	*600*[5]	*$3,900,000*
1111 Market Street			
Methadone Dosing	$13.11	600	$2,356,683
Methadone Individual Counseling	$15.37	600	1,327,968
Methadone Group Counseling	$3.43	600	24,696
Buprenorphine Dosing	$20.18	5	36,324
Buprenorphine Individual Counseling	$15.37	5	4,612
Buprenorphine Group Counseling	$3.42	5	205
Disulfiram	$10.47	5	19,512
Naloxone	$150.00	600	90,000
Non-DMC NTP Subsidy	$2.01	600	40,000
Average Rate/Total	*$25.93*	*600*	*$3,900,000*
FACET			
Dosing	$14.11	9	$38,297
Individual Counseling	$16.39	9	21,241
Group Counseling	$4.28	9	462
Childcare Support	$370.01	12	53,280
Individual Counseling	$176.00	12	50,688
Education & Nutritional	$42.00	12	6,048
Parenting	$47.00	12	23,689
Case Management	$47.00	12	31,295
Average Rate/Total	*$89.60*	*12*	*$225,000*
Source: DPH	**Total**	**1,212**	**$8,025,000**

The four year budget of $35,952,000 is based on annual expenditures of approximately $8,025,000 and a 12 percent contingency, as shown in Table 3 below.

[5] Program total amounts represent unduplicated client counts.

Table 3: Total Budget for Proposed BAART Contract

July 1, 2018 – June 30, 2019	$ 8,025,000
July 1, 2019 – June 30, 2020	$ 8,025,000
July 1, 2020 – June 30, 2021	$ 8,025,000
July 1, 2021 – June 30, 2022	$ 8,025,000
Subtotal	**$32,100,000**
12% Contingency	$ 3,852,000
Total	**$35,952,000**

Funding for the proposed contract comes from federal, state and General Fund monies, as shown in Table 4 below.

Table 4: Sources of Funds for Proposed BAART Contract

Sources of Funds	**FY 2018-19**	**FY 2019-20**	**FY 2020-21**	**FY 2021-22**	**Total**
Federal and California State Funds					
Perinatal Medi-Cal	$39,000	$39,000	$39,000	$39,000	$156,000
Drug Medi-Cal	5,018,000	5,018,000	5,018,000	5,018,000	20,072,000
State Match/ 2011 Realignment	2,723,000	2,723,000	2,723,000	2,723,000	10,892,000
2011 Realignment - Non-Drug Medi-Cal	123,765	123,765	123,765	123,765	495,000
Federal and California State Funds Subtotal	$7,903,765	$7,903,765	$7,903,765	$7,903,765	$31,615,060
San Francisco General Fund	$121,235	$121,235	$121,235	$121,235	$484,940
Subtotal	**$8,025,000**	**$8,025,000**	**$8,025,000**	**$8,025,000**	**$32,100,000**
Contingency (12%)					**$3,852,000**
Total					**$35,952,000**

Source: DPH

RECOMMENDATIONS

1. Amend the proposed resolution to be retroactive to July 1, 2018.

2. Approve the proposed resolution, as amended.

Item 9 File 18-0647	Department: General Services Agency - Department of Public Works (DPW)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the acceptance and expenditure of California State Senate Bill 1 Local Partnership Program (LPP) formulaic funding in the amount of $4,189,000 for the Department of Public Works (DPW) street resurfacing projects for FY 2017-18 and FY 2018-19. The $4,189,000 in LPP funds will fund the following two projects: (1) Parkmerced/Twin Peaks/Glen Park Residential Pavement Renovation ($2,106,000 in LPP funds, $2,794,000 in required local matching funds); and (2) Alemany Boulevard Pavement Renovation ($2,083,000 in LPP funds, $3,417,000 in required local matching funds).

Key Points

- On April 28, 2017, the Governor of California signed the Road Repair and Accountability Act of 2017, also known as Senate Bill 1, a transportation funding package of more than $50 billion over the next 10 years that increases funding for local streets and roads, multi-modal improvements, and transit operations. Senate Bill 1 created the Local Partnership Program (LPP), which appropriates $200 million annually to be allocated by the California Transportation Commission (CTC) to local or regional agencies that have sought and received voter approval of taxes or imposed fees solely dedicated to transportation.
- DPW worked with the San Francisco County Transportation Authority (SFCTA) to request LPP Formulaic Program funding for DPW's street resurfacing projects. On January 31, 2018, the CTC adopted and programmed $4,189,000 in FY 2017-18 and FY 2018-19 LPP Formulaic Program funds for DPW street resurfacing projects.

Fiscal Impact

- The total budget for the Parkmerced/Twin Peaks/Glen Park Residential Pavement Renovation Project is $4,900,000. Of this amount, the LPP grant will fund $2,106,000, and DPW will contribute the additional $2,794,000 in matching funds. The source of $2,794,000 is Proposition K Sales Tax funds, which is a half-cent local sales tax for transportation that was approved by San Francisco voters in November 2003.
- The total budget for the Alemany Boulevard Pavement Renovation Project is approximately $5,500,000. Of this amount, the LPP grant will fund $2,083,000, and DPW will contribute the additional $3,417,000 in matching funds. The source of $3,157,000 in matching funds is Proposition K Sales Tax funds. The source of $260,000 in matching funds is DPW's Street Resurfacing General Fund.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code Section 10.170-1 states that accepting Federal, State, or third-party grant funds in the amount of $100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval.

BACKGROUND

On April 28, 2017, the Governor of California signed the Road Repair and Accountability Act of 2017, also known as Senate Bill 1, a transportation funding package of more than $50 billion over the next 10 years that increases funding for local streets and roads, multi-modal improvements, and transit operations. Senate Bill 1 created the Local Partnership Program (LPP), which appropriates $200 million annually[1] to be allocated by the California Transportation Commission (CTC) to local or regional agencies that have sought and received voter approval of taxes or imposed fees solely dedicated to transportation.

The Department of Public Works (DPW) worked with the San Francisco County Transportation Authority[2] (SFCTA) to request LPP Formulaic Program funding for DPW's street resurfacing projects. SFCTA identified DPW street resurfacing projects as good candidates for the LPP Formulaic Program given the steady pipeline of construction ready projects, the size of the projects being a good match with the anticipated size of SFCTA's LPP formulaic shares, and sufficient Proposition K funds to provide the dollar for dollar local match requirement. On January 31, 2018, the CTC adopted and programmed $4,189,000 in FY 2017-18 and FY 2018-19 LPP Formulaic Program funds for the following two DPW street resurfacing projects:

- Parkmerced/Twin Peaks/Glen Park Residential Pavement Renovation ($2,106,000): Street resurfacing of 2.8 miles of residential streets (43 blocks) in the Parkmerced, Twin Peaks, and Glen Park neighborhoods in San Francisco. The project consists of repairs to the road base, paving work, curb ramp construction, and sidewalk and curb repairs.
- Alemany Boulevard Pavement Renovation ($2,083,000): Street resurfacing of 1.3 miles of a key arterial road[3] in San Francisco. The project consists of repairs to the road base, paving work, curb ramp construction, and sidewalk and curb repairs.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the acceptance and expenditure of California State Senate Bill 1 Local Partnership Program (LPP) formulaic funding in the amount of $4,189,000 for

[1] (CTC) has both a formulaic program and a competitive program, both of which allocate $100 million annually. The LPP Formulaic Program allocates its annual $100 million to cities and counties throughout California that have voter approved sales taxes, tolls, or fees that dedicate funding to transportation.

[2] The San Francisco County Transportation Authority is eligible to receive LPP Formulaic Program distributions because SFCTA administers Proposition K, a half-cent local transportation sales tax program approved by San Francisco voters in November 2003, and Proposition AA, an additional $10 vehicle registration fee approved by San Francisco voters in November 2010, both with revenues dedicated to fund transportation investments.

[3] An arterial road or arterial thoroughfare is a high-capacity urban road.

the Department of Public Works' (DPW) street resurfacing projects for FY 2017-18 and FY 2018-19. The $4,189,000 in LPP funds will fund the following two projects, as detailed below:

- Parkmerced/Twin Peaks/Glen Park Residential Pavement Renovation ($2,106,000 in LPP funds, $2,794,000 in required local matching funds): Street resurfacing of 2.8 miles of residential streets (forty-three blocks) in the Parkmerced, Twin Peaks, and Glen Park neighborhoods in San Francisco. The project consists of repairs to the road base, paving work, curb ramp construction, and sidewalk and curb repairs. The project will resurface the following residential street segments in southwest San Francisco: Clairview Court (Panorama Drive to End), Darien Way (Aptos Avenue to Kenwood Way/Upland Drive), Dorado Terrace (Jules Avenue/Ocean Avenue to End), Font Boulevard (Juan Bautista Circle to Lake Merced Boulevard), Midcrest Way (Panorama Drive to End), Oak Park Drive (Clarendon Avenue to End), Olympia Way (Panorama Drive to Clarendon Avenue), San Aleso Avenue (Monterey Boulevard to Upland Drive), and Upland Drive (Darien Way/Kenwood Way to San Benito Way). The grant project period is from November 2018 through May 2020.
- Alemany Boulevard Pavement Renovation ($2,083,000 in LPP funds, $3,417,000 in required local matching funds): Street resurfacing of 1.3 miles of a key arterial road in San Francisco. The project consists of repairs to the road base, paving work, curb ramp construction, and sidewalk and curb repairs. The project will resurface Alemany Boulevard, between Congdon Street and Seneca Avenue. The grant project period is from April 2019 through August 2020.

DPW applied for the LPP funds in December 2017. The LPP Formulaic Program grant funds require dollar for dollar local matching funds, which mean that at least 50 percent of the construction costs must come from local funds. The total amount of local matching funds for the two projects is $6,211,000.

FISCAL IMPACT

Parkmerced/Twin Peaks/Glen Park Residential Pavement Renovation

The total budget for the Parkmerced/Twin Peaks/Glen Park Residential Pavement Renovation Project is $4,900,000. Of this amount, the LPP grant will fund $2,106,000, and DPW will contribute the additional $2,794,000 in matching funds. The source of $2,794,000 is Proposition K Sales Tax funds, which is a half-cent local sales tax for transportation that was approved by San Francisco voters in November 2003. Table 1 below summarizes grant funding for the Parkmerced/Twin Peaks/Glen Park Residential Pavement Renovation Project.

Table 1. Parkmerced/Twin Peaks/Glen Park Residential Pavement Renovation Project Grant Budget

Sources	
Senate Bill 1 Local Partnership Program (LPP)	$2,106,000
Proposition K Sales Tax (matching funds)	2,794,000
Total Sources	**$4,900,000**
Uses	
Construction	$4,900,000
Total Uses	**$4,900,000**

Details of construction costs of $4.9 million are shown in Table 2 below.

Table 2. Parkmerced/Twin Peaks/Glen Park Residential Pavement Renovation Project Construction Budget

Item Description	Estimated Quantity	Unit	Average Cost/ Unit	Cost
Traffic Routing Work	---	---	---	$322,088
Planing	757,853	Square feet	$1.10	833,638
Hot Mix Asphalt (HMA)	9,473	Ton	$140.00	1,326,243
Concrete Base 8-Inch	68,207	Square feet	$13.00	886,687
Concrete Sidewalk	7,579	Square feet	$12.50	94,732
Combined Concrete Curb And Concrete Gutter	1,895	Linear feet	$60.00	113,678
Concrete Curb Ramp With Detectable Tiles	76	Each	$4,300.00	325,877
Adjust City-Owned Manhole Frame And Casting To Grade	76	Each	$405.00	30,693
Adjust City-Owned Hydrant And Water Main Valve Box Casting To Grade	152	Each	$150.00	22,736
City-Owned Pull Box Type I (New or Replacement)	38	Each	$510.00	19,325
Temporary 4-Inch Broken White/Yellow Striping	49,261	Linear feet	$1.50	73,891
			Construction :	$4,049,588
			Construction Contingency @ 10% :	404,958
			Construction Management @ 11% :	445,454
			Total:	**$4,900,000**

According to Ms. Rachel Alonso, DPW Transportation Finance Analyst, DPW will not incur any ongoing costs for the pavement renovation project once the grant funds expire.

Alemany Boulevard Pavement Renovation

The total budget for the Alemany Boulevard Pavement Renovation Project is approximately $5,500,000. Of this amount, the LPP grant will fund $2,083,000, and DPW will contribute the additional $3,417,000 in matching funds. The source of $3,157,000 in matching funds is Proposition K Sales Tax funds. The source of $260,000 in matching funds is DPW's Street Resurfacing General Fund. Table 3 below summarizes grant funding for the Alemany Boulevard Pavement Renovation Project.

Table 3. Alemany Boulevard Pavement Renovation Project Grant Budget

Sources	
Senate Bill 1 Local Partnership Program (LPP)	$2,083,000
Proposition K Sales Tax (matching funds)	$3,157,000
DPW Street Resurfacing General Fund (matching funds)	$260,000
Total Sources	**$5,500,000**
Uses	
Construction	$5,500,000
Total Uses	**$5,500,000**

Details of construction costs of $4.9 million are shown in Table 4 below.

Table 4. Alemany Boulevard Pavement Renovation Project Construction Budget

Item Description	Estimated Quantity	Unit	Average Cost/ Unit	Cost
Traffic Routing Work	---	---	---	$361,443
Planing	850,455	Square Feet	$1.10	935,500
Hot Mix Asphalt (HMA)	10,631	Ton	$140.00	1,488,295
Concrete Base 8-Inch	76,541	Square Feet	$13.00	995,031
Concrete Sidewalk	8,505	Square Feet	$12.50	106,307
Combined Concrete Curb And Concrete Gutter	2,126	Linear Feet	$60.00	127,568
Concrete Curb Ramp With Detectable Tiles	85	Each	$4,300.00	365,695
Adjust City-Owned Manhole Frame And Casting To Grade	85	Each	$405.00	34,443
Adjust City-Owned Hydrant And Water Main Valve Box Casting To Grade	170	Each	$150.00	25,514
City-Owned Pull Box Type I (New or Replacement)	43	Each	$510.00	21,687
Temporary 4-Inch Broken White/Yellow Striping	55,279	Linear feet	$1.50	82,919
	Construction :			$4,544,402
	Construction Contingency @ 10% :			454,849
	Construction Management @ 11% :			500,749
	Total :			**$5,500,000**

According to Ms. Alonso, DPW will not incur any ongoing costs for the pavement renovation project once the grant funds expire.

RECOMMENDATION

Approve the proposed resolution.