CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: November 29, 2018 Budget and Finance Committee Meeting

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Item 1 **Files 18-0932** *(Continued from October 25, 2018)*	**Department:** Public Works

EXECUTIVE SUMMARY

Legislative Objectives

The proposed ordinance appropriates up to $200,000,000 of Special Tax Bonds, Series 2018A and Series 2018B, for financing related to the Transbay Transit Center Project and Transbay Plan Infrastructure Project in FY 2018-19. Of the $200 million appropriation, $29.0 million would be allocated to the City's Department of Public Works to pay for streetscape improvements.

Key Points

- In September 2014, the Board of Supervisor authorized the formation of a community facilities district (CFD) for new large developments located near the new Transbay Transit Center to provide funding for public infrastructure, including the rooftop park, train box, Caltrain extension, and streetscape improvements. In January 2015, the Board of Supervisors authorized the issuance and sale of not to exceed $1.4 billion in special tax bonds for the Transbay Transit Center CFD. Pursuant to a Joint Community Facilities Agreement between the City and the Transbay Joint Powers Authority, 82.6 percent of the CFD proceeds will finance a portion of the Transbay project, including the Rooftop Park, train box, and Caltrain extension. The remaining 17.4 percent of proceeds will finance streetscape improvements within the CFD and capacity enhancements for the closest Bay Area Rapid Transit District (BART) stations.
- The City completed the first issuance of bonds in November 2017 in the amount of $207.5 million. A second issuance in the amount of $200 million is currently pending before the Board of Supervisors. The bonds are not secured by public funds.

Fiscal Impact

- Of the $200,000,000 appropriation of bond proceeds, $29,031,261 is appropriated to the Department of Public Works for streetscape improvements in the CFD.
- Funding for the streetscape improvements would remain on Controller's Reserve until cash for the projects is needed in FY 2019-20 and FY 2020-21, at which time the bonds would be sold.
- Although the Office of Public Finance currently anticipates selling approximately $173 million in bonds, a variety of market conditions could change to be more favorable at the time of sale, which would result in project funds above the estimated $173 million.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT

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

BACKGROUND

In September 2014, the Board of Supervisor authorized the formation of a Mello-Roos community facilities district (CFD) for new large developments located immediately south of Market Street near the new Transbay Transit Center (known as the Salesforce Transit Center) to provide funding for the Transbay project and related public infrastructure (File No. 14-0814; Resolution No. 350-14). Properties that receive a zoning bonus that allows for development exceeding the current height and floor-to-area ratios in the City's Planning Code must participate in the CFD.

In January 2015, the Board of Supervisors authorized the issuance and sale of not to exceed $1.4 billion in special tax bonds for the Transbay Transit Center CFD (File No. 15-0018; Resolution No. 002-15).

Pursuant to a Joint Community Facilities Agreement between the City and the Transbay Joint Powers Authority, 82.6 percent of the CFD proceeds will finance a portion of the Transbay project, including the rooftop park, train box, and Caltrain extension. The remaining 17.4 percent of proceeds will finance streetscape improvements within the CFD and capacity enhancements for the closest Bay Area Rapid Transit District (BART) stations.

In November 2017, the City completed the first issuance of Transbay Transit Center CFD bonds (Series 2017A and 2017B) in the aggregate amount of $207.5 million.

A proposed resolution currently pending before the Board of Supervisors would authorize the second issuance of Transbay Transit Center CFD bonds (Series 2018A and 2018B) in an amount not to exceed $200 million (File No. 18-0940). Based on project cost estimates and schedules, the Office of Public Finance expects to deliver approximately $173 million in bond proceeds based on assumptions about market conditions expected at the time of sale.

Both the 2017 and 2018 bonds are secured by a pledge of special tax revenues collected in the CFD. Special taxes are levied on certain properties in the CFD for 30 years following issuance of both a Certificate of Occupancy and Tax Commencement Authorization. According to the Office of Public Finance, in FY 2018-19, the CFD anticipates collecting approximately $15.5 million in special tax revenues, with collections increasing to approximately $19.4 million by the end of FY 2019-20, and to approximately $19.8 million by the end of FY 2020-21. The bonds are not secured by public funds.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance appropriates up to $200,000,000 of Special Tax Bonds, Series 2018A and Series 2018B, for financing related to the Transbay Transit Center Project and Transbay Plan Infrastructure Project in FY 2018-19.

Estimated sources and uses of the funds available for FY 2018-19 are shown below.

Sources and Uses of Funds[1]

	Amount
Sources	
Bond Proceeds	$200,000,000
Total Sources	$200,000,000
Uses	
Transbay Transit Center Project Fund	$147,741,045
Streetscape Improvements	29,031,261
BART Infrastructure Improvements	2,032,882
Subtotal, Project Costs	$178,805,188
Debt Service Reserve	15,020,943
Capitalized Interest	2,882,924
Cost of Issuance	3,232,882
City Services Auditor (0.2% of proceeds)	58,063
Subtotal, Reserves, Interest, Issuance, and Other Costs	$21,194,812
Total Uses	$200,000,000

The uses of the funding outlined above would be placed on Controller's Reserve pending sale of the special revenue tax bonds and approval from the Controller's Office of Public Finance for the fund release.

FISCAL IMPACT

Of the $200,000,000 appropriation of bond proceeds, $29,031,261 is appropriated to the Department of Public Works for the following streetscape improvements.

[1] As discussed further below, the Office of Public Finance expects the bond par amount to be $173 million rather than $200 million based on market conditions. According to the September 21, 2018 memorandum from the Office of Public Finance to the Board of Supervisors, a bond par amount of $173 million would reduce project funds from $178.8 million (shown in the table above) to $154.4 million.

Streetscape Improvement Projects and Budgets

Project Description	FY 2019-20	FY 2020-21	Total
Improvements on Howard St between 3rd St and Embarcadero, including pedestrian signal at under ramp park; reconfigure Steuart St from one-way to two-way between Howard St and Mission St with mid-block pedestrian signal	$13,135,276	$8,231,173	$21,366,448
Beale St loading improvements for Casual Carpool dropoff between Clementina St and Howard St	2,482,125		2,482,125
Beale St sidewalk, bicycle facility, and loading improvements between Market St and Mission St	3,723,188		3,723,188
Install pedestrian crossing signal on Beale St at Clementina St	672,000		672,000
Improve pedestrian connection between MoMA and Transit Center on Natoma St	262,500		262,500
Install striped bike lane on Main Street and pedestrian crossing at Clementina St on Main Street	525,000		525,000
Total	$20,800,088	$8,231,173	$29,031,261

According to Mr. Devin Macaulay, Budget Manager at Public Works, funding for the streetscape improvements would remain on Controller's Reserve until cash for the projects is needed in FY 2019-20 and FY 2020-21, at which time the bonds would be sold.

According to Ms. Jamie Querubin, Deputy Director of the Controller's Office of Public Finance, actual bond proceeds will depend on market conditions at time of the bond sales. Although the Office of Public Finance anticipates selling approximately $173 million in bonds based on current market conditions, the requested appropriation of not-to-exceed $200 million exceeds this amount to provide flexibility should market conditions be more favorable at the time of sale. Conditions that could result in a change in the anticipated project fund and/or par amount above the estimated $173 million include: (1) bonds issued on a federally tax-exempt basis; (2) bonds issued with a debt service reserve fund surety policy or smaller cash reserve fund; (3) fluctuations in market interest rates between the date of authorization by the Board of Supervisors and the sale of the bonds; (4) changes in required deposits for capitalized interest; and (5) changes in estimated delivery date expenses.

Based on current market conditions, the Office of Public Finance estimates average annual debt service of approximately $10.7 million, based on a 30-year term and an overall borrowing cost of 4.27 percent for the issuance of federally taxable bonds. The anticipated total par amount of $173 million is estimated to result in $153 million in interest payments and total debt service of approximately $328.5 million over the life of the bonds.

RECOMMENDATION

Approve the proposed ordinance.

Items 5 and 6 Files 18-1078 and 18-1079	Department: Human Services Agency (HSA) Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed legislation would (a) appropriate $1,120,193 of federal and state revenues for HSA's SSI Cash Out program, (b) re-appropriate $492,857 from HSA's City Grant program to HSA's Cash Out program and to HSA's Home Visiting program, and (c) appropriate $968,320 in federal revenues for HSA's CalWORKS Housing support program.
- The legislation would also authorize 37 new positions (13.0 FTEs in FY 2018-19 which would be annualized to 37.0 FTEs in FY 2019-20) to support the additional caseloads.

Key Points

- The Human Services Agency (HSA) manages three social service programs which are now eligible to receive additional State and Federal funding due to changes in State law and the recent award of a Federal grant. The three programs proposed to receive additional funding are: (1) SSI Cashout, (2), CalWORKS Home Visiting Initiative, and (3) CalWORKS Housing Support Program.

Fiscal Impact

- HSA plans to use the additional appropriations to fund $206,308 for rental assistance administered directly by HSA and $762,012 for a community-based organization that will provide services to clients in the CalWORKS Housing Support program.
- The proposed legislation would also fund $1,613,051 in FY 2018-19 for salaries and benefits for 37 new positions (which would annualize to $4,623,477 in FY 2019-20).

Policy Consideration

- Based on workload data provided by HSA, we recommend reducing the Senior Eligibility Worker positions from 20 requested positions to 18 positions**,** which would increase the Senior Eligibility Worker case load from 2.8 cases per day, as proposed by HSA, to 3.1 cases per day. In addition, we recommend reducing the number of new Clerk positions from 3 to 2, and the number of new Senior Clerk positions from 5 to 3, increasing the number of cases per clerk per day from 4.5, as proposed by HSA, to 4.7.

Recommendations

- Amend File 18-1078 to reduce the SSI Cash Program Salaries and Benefits budget in proposed appropriation by $175,039 from $1,120,193 to $945,154 and approve the proposed ordinance in File 18-1078 as amended.
- Amend File 18-1079 to reduce the authorized positions in HSA HS SF Benefit Net as follows: (a) Reduce 1404 Clerk 1.00 FTEs to 0.66 FTEs, (b) Reduce 1406 Senior Clerk 1.67 FTEs to 0.99 FTEs, (c) Reduce 2905 Senior Eligibility Worker 6.67 FTEs to 5.94 FTEs, and approve the proposed ordinance in File 18-1079 as amended.

MANDATE STATEMENT

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

BACKGROUND

The Human Services Agency (HSA) manages three social service programs which are now eligible to receive additional State and Federal funding due to changes in State law and the recent award of a Federal grant. The programs are:

SSI Cashout: CalFresh provides nutrition assistance to 50,000 low-income San Francisco residents. Since 1974, under state law Supplemental Security Income (SSI) recipients in California have been ineligible for CalFresh and instead received an additional $10 in their SSI grant. This year, the State Legislature reversed this policy; in summer 2019, individuals receiving SSI will be able to apply for CalFresh**.**

There are 43,000 elderly and disabled SSI recipients in San Francisco. HSA estimates that as a result of the policy change approximately 29 percent of SSI recipients (12,600 residents) will become newly eligible for CalFresh, and that an additional 4,200 existing CalFresh households with an SSI recipient in them will experience a change in their benefit amount. The 12,600 newly eligible San Franciscans will now be eligible to receive $75- $97 per month in CalFresh nutrition assistance.

Home Visiting Initiative: CalWORKs provides financial aid, subsidized child care, and welfare-to-work services to approximately 3,100 low-income families with children in San Francisco. This year, the State created a home visit program for families receiving CalWORKs, called the CalWORKs Home Visiting Initiative. In home visiting programs, a nurse, or other trained professional, provides guidance, coaching, access to prenatal and postnatal care, and other health and social services to new parents in their homes for two years after a child is born.

San Francisco's Project 500, a collective impact initiative led by HSA already brings home visiting to CalWORKs families with very young children. HSA intends to use new state funding available through the Home Visiting Initiative to expand Project 500 from serving 160 families to an additional 80 first-time parents on CalWORKs.

Housing Support Program: HSA was recently awarded an increased allocation for the CalWORKs Housing Support Program, which will allow an additional 50 CalWORKs families to receive short-term rental subsidies, move-in support, and eviction prevention. HSA plans to use $762,012 to contract with a community-based organization to provide housing assistance services, and $206,308 in aid assistance for clients for ongoing rent subsidies managed directly by HSA.

Exhibit 1 below summarizes the additional caseload by program.

Exhibit 1: Additional Caseload Due to Changes in State Law and Increases in Program Funding

	SSI Cash Out	CalWORKS HVI	CalWORKS Housing Support	Total
Additional caseload	12,600	80	50	12,730
Date of program change	Summer 2019	January 2019	Immediately	

Source: Human Services Agency

As shown above in Exhibit 1, HSA expects 12,730 additional cases as a result of changes program eligibility and increases in program funding. HSA plans to hire additional positions for the SSI Cashout program by March 1, 2019 to support that program's expansion in the Summer of 2019. HSA and the Department of Public Health expect to hire additional positions by January 1, 2019 to support the expansion of the CalWORKS HVI program. Funding for rental subsidies and contracting with one or more community based organizations to expand the CalWORKS Housing Support program could be immediately disbursed.

DETAILS OF PROPOSED LEGISLATION

The proposed legislation would (a) appropriate $1,120,193 of federal and state revenues for HSA's SSI Cash Out program, (b) re-appropriate $492,857 from HSA's City Grant program to HSA's Cash Out program and to HSA's Home Visiting program, and (c) appropriate $968,320 in federal revenues for HSA's CalWORKS Housing support program.

The legislation would also authorize 37 new positions (13.0 FTEs in FY 2018-19 which would be annualized to 37.0 FTEs in FY 2019-20) to support the additional caseloads.

FISCAL IMPACT

Exhibit 2 below summarizes the sources and uses of funding in the proposed legislation.

Exhibit 2: Sources and Uses of Funding for SSI Cash Out, CalWORKS HVI, & Housing Support for FY 2018-19

Sources	SSI Cash Out	CalWORKS HVI	CalWORKS Housing Support	Total, FY 2018-19
Federal	$658,937	$0	$968,320	$1,627,257
State	461,256	0	0	461,256
General Fund Re-appropriation	197,681	295,176	0	492,857
Total	**$1,317,874**	**$295,176**	**$968,320**	**$2,581,370**

Uses				
Salaries and Benefits	$1,317,874	$137,106	$0	$1,454,980
Work Order to DPH for Mental Health Services	0	158,070	0	158,070
Rent Assistance	0	0	206,308	206,308
Community Based Organization	0	0	762,012	762,012
Total	**$1,317,874**	**$295,176**	**$968,320**	**$2,581,370**

Source: Proposed Supplemental Appropriation Ordinance

As shown above in Exhibit 2, of the total $2,581,370 requested in the supplemental appropriation, $1,627,257 is Federal funding, $461,256 is State funding, and $492,857 is from HSA's FY 2018-19 General Fund appropriation. According to Ms. Ruth Levine, HSA Acting Budget Director, the source of the General Fund monies are $492,857 currently budgeted for community based organizations. HSA plans to use the additional appropriations to fund $206,308 for rental assistance administered directly by HSA and $762,012 for a community-based organization that provides services to clients in the CalWORKS Housing Support program.

The proposed legislation would also fund $1,613,051 in FY 2018-19 for salaries and benefits for new positions ($1,454,980 at for 12.0 FTEs at HSA and $158,070 for 1.0 FTEs at the Department of Public Health). Exhibit 3 below details the new positions by program in FY 2018-19 and in FY 2019-20. There are no positions being requested for the Housing Support Program.

Exhibit 3: Detail of New Positions, by Program

SSI Cashout

Class	Job Class Title	Total FTE, FY 2018-19	Salary + Fringe, FY 2018-19	Total FTE, FY 2019-20	Salary + Fringe, FY 2019-20
0923_C	Manager II	0.33	$61,615	1.0	$201,643
1404_C	Clerk	1	89,657	3.0	283,959
1406_C	Senior Clerk	1.67	155,912	5.0	473,265
2905_C	Senior Eligibility Worker	6.67	827,883	20.0	2,518,900
2907_C	Eligibility Worker Supervisor	1	137,106	3.0	413,736
2913_C	Program Specialist	0.33	45,702	1.0	137,912
SSI Cashout Total		**11.0**	**$1,317,875**	**33.0**	**$4,029,415**

CalWORKS Home Visiting Initiative (HVI)

Class	Job Class Title	Total FTE, FY 2018-19	Salary + Fringe, FY 2018-19	Total FTE, FY 2019-20	Salary + Fringe, FY 2019-20
2574_C	Clinical Psychologist (DPH)	0.5	$84,144	1.0	$169,620
2916_C	Social Work Specialist (HSA)	1	137,106	2.0	275,824
2930_C	Psychiatric Social Worker (DPH)	0.5	73,926	1.0	148,618
HVI Total		**2.0**	**$295,176**	**4.0**	**$594,062**
Total, both programs		**13.0**	**$1,613,051**	**37.0**	**$4,623,477**

Source: FY 2018-19 and FY 2019-20 Cost Report

As shown above in Exhibit 3, the proposed legislation would authorize and fund 11.0 FTEs for the SSI Cashout Program in FY 2018-19 (annualized to 33.0 FTEs in FY 2019-20) and would also authorize and fund 2.0 positions in the CalWORKS Home Visiting Initiative Program in FY 2018-19 (annualized to 4.0 FTEs in FY 2019-20). The total cost for these new positions is $1,613,051 in FY 2018-19 which would be annualize to $4,623,477 in FY 2018-19.

According Ms. Levine, funding for these new program costs will be included in HSA's FY 2019-20 budget proposal. HSA expects 85 percent of the SSI Cashout program to be funded by State and Federal sources. In addition, HSA has applied for grant that would cover $1,383,972 of CalWORKS HVI's expenses during FY 2019-20 and expects ongoing Federal funding to support the expansion of the CalWORKS Housing Support Program.

The Budget and Legislative Analyst's Recommended Changes to the Proposed Ordinances

Positions

The Human Services Agency is requesting 33 new positions in the SSI Cashout program, which is part of HSA's SF Benefits Net/Operations that consists of CalFresh and Medi-Cal eligibility programs and support operations. According to HSA, an additional 12,600 SSI recipients are expected to be eligible for CalFresh benefits under the new state rules. The additional 20 Senior Eligibility Worker positions would result in average caseload per new position of 2.8 cases per day.[1] Based on workload data provided by HSA, the Budget and Legislative Analyst recommends reducing the Senior Eligibility Worker positions by two from 20 requested positions to 18 positions, which would increase the Senior Eligibility Worker case load from 2.8 cases per day, as proposed by HSA, to 3.1 cases per day.[2]

In addition, HSA is requesting (a) three new Clerk positions, increasing the total number of Clerks in HSA's SF Benefits Net and HSA Benefits Net Operations programs from 18 to 21, and (b) five new Senior Clerk positions, increasing the total number of Senior Clerks in those two programs from 36 to 41. Based on workload data, the Budget and Legislative Analyst recommends reducing the number of new Clerk positions from three to two, and the number of new Senior Clerk positions from five to three. This would increase the number of cases per clerk per day from 4.5, as proposed by HSA, to 4.7.

The recommended reduction in positions reduces the requested supplemental appropriation for the SSI Cash Out program by $175,039, from $1,317,875 to $1,142,836, as shown in Exhibit 4 below.

[1] These estimates account for vacation, holiday, and sick leave.

[2] According to HSA, the additional SSI Cashout cases will be less complex than typical eligibility cases, as they will be persons with no earned income therefore will require eligibility redetermination only once every 3 years as opposed to annually for other cases.

Exhibit 4: Recommended Reduction in New Positions for SSI Cash Out Program

		Proposed FY 2018-19			Recommended FY 2018-19			
Class	**Job Class Title**	**Positions**	**FTE**	**Salary and Fringe Benefits**	**Positions**	**FTE**	**Salary and Fringe Benefits**	**Savings**
0923	Manager II	1.00	0.33	$61,615	1.00	0.33	$61,615	$0
1404	Clerk	3.00	1.00	$89,657	2.00	0.66	$59,771	$29,886
1406	Senior Clerk	5.00	1.67	$155,912	3.00	0.99	$93,547	$62,365
2905	Senior Eligibility Worker	20.00	6.67	$827,883	18.00	5.94	$745,095	$82,788
2907	Eligibility Worker Supervisor	3.00	1.00	$137,106	3.00	0.99	$137,106	$0
2913	Program Specialist	1.00	0.33	$45,702	1.00	0.33	$45,702	$0
Total		**33.00**	**11.00**	**$1,317,875**	**28.00**	**9.24**	**$1,142,836**	**$175,039**

Source: BLA Analysis

RECOMMENDATIONS

1. Amend File 18-1078 to reduce the SSI Cash Program Salaries and Benefits budget in proposed appropriation by $175,039 from $1,317,875 to $945,154.
2. Approve the proposed ordinance in File 18-1078 as amended.
3. Amend File 18-1079 to reduce the authorized positions in HSA HS SF Benefit Net as follows:
    a. Reduce 1404 Clerk 1.00 FTEs to 0.66 FTEs
    b. Reduce 1406 Senior Clerk 1.67 FTEs to 0.99 FTEs
    c. Reduce 2905 Senior Eligibility Worker 6.67 FTEs to 5.94 FTEs
4. Approve the proposed ordinance in File 18-1079 as amended.

Items 9 and 10 Files 18-1094 and 18-1095	Department: Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

File 18-1094 is a resolution authorizing the lease between the City and ArtSpan, a nonprofit organization, for 45 Onondaga Avenue.

File 18-1095 is a resolution authorizing the lease between the City and Volunteers in Medicine, dba Clinic by the Bay, a nonprofit organization, for 35 Onondaga Avenue.

Key Points

- 35 Onondaga Avenue and 45 Onondaga Avenue are City-owned properties in the City's Outer Mission – Ingleside neighborhoods. The Office of Economic and Workforce Development and the City's Real Estate Division advertised a leasing opportunity for nonprofit organizations to lease the two Onondaga Avenue properties in January 2017 with proposals dues in March 2017. The prospective tenant was to be responsible for making tenant improvements. The City received responsive proposals from Clinic by the Bay to lease 45 Onondaga Avenue, and Art Span to lease 35 Onondaga Avenue, who will use one contractor to make structural repairs and other work on the two buildings.
- The leases are for 10 years through 2029 with two (2) five-year options to extend the leases through 2039.

Fiscal Impact

- Rent for each lease is $12 per year. First year rent for 35 Onondaga Avenue is $47,520 and for 45 Onondaga Avenue is $50,928. Rent may be each year based on the Consumer Price Index at the option of the City.
- According to the City's Real Estate Division, tenant improvements to be made by the nonprofit tenants to the two buildings are expected to cost up to $2 million. The proposed leases provide for the City to pay a tenant improvement allowance for both buildings of up to $410,000. Due to the potential costs of the tenant improvement work, ArtSpan and Clinic by the Bay have the right to terminate their respective leases within four months of the lease commencement date if the scope of tenant improvements exceeds the organization's financial capacity.
- The Arts Commission has authorized $90,000 to conserve the historic murals at 45 Onondaga Avenue. According to the Real Estate Division, the extent to which ArtSpan, the tenant at 45 Onondaga Avenue, is responsible for the mural's safety and public viewing has not yet been finally determined.

Recommendation

- Approve the proposed resolutions.

MANDATE STATEMENT

City Administrative Code Section 23.30 provides for Board of Supervisors approval of leases of City-owned property with terms of one year or more.

BACKGROUND

35 Onondaga Avenue and 45 Onondaga Avenue are City-owned properties in the City's Outer Mission – Ingleside neighborhoods. These properties were formerly used by the Department of Public Health but have been vacant since 2011. 35 Onondaga Avenue is approximately 3,960 square feet and 45 Onondaga Avenue is approximately 4,244 square feet. The properties, which are adjacent, are shown in Exhibit 1 below.

Exhibit 1: 35 Onondaga Avenue and 45 Onondaga Avenue

Source: Real Estate Division

The Office of Economic and Workforce Development and the City's Real Estate Division advertised a leasing opportunity for nonprofit organizations to lease the two Onondaga Avenue properties in January 2017 with proposals dues in March 2017. According to the leasing opportunity documents, priority for leasing the properties would be given to nonprofit organizations based in San Francisco and serving San Francisco residents, and demonstrating financial stability and effective use of the space.

The advertised rent for the two Onondaga properties was $1 per month or $12 per year, not including expenses for utilities, janitorial services, security, and insurance. The lease term(s) could be up to 10 years.

35 Onondaga Avenue and 45 Onondaga Avenue were to be leased "as is". The prospective tenant was to be responsible for making tenant improvements, with the City offering an allowance for both buildings of up to $350,000 for improvements to the buildings and $90,000 for restoration of the buildings' murals.

The City received responsive proposals from Clinic by the Bay, a nonprofit organization, to lease 45 Onondaga Avenue, and Art Span, a nonprofit organization, to lease 35 Onondaga Avenue. According to emails from Clinic by the Bay and ArtSpan, the two nonprofit organizations would use one contractor to make structural repairs and other work on the two buildings.

According to Ms. Claudia Gorham, Real Estate Division Deputy Director, the proposed leases were submitted to the Board of Supervisors for approval nearly 18 months after selection of the nonprofit tenants in March 2017 due to the nonprofit organizations concerns about the financial obligation to make tenant improvements in light of the age, condition and considerable tenant improvements needed at both buildings. City and nonprofit staff made numerous in-person and onsite meetings and tours. In late 2017, due to hazardous material (hazmat) concerns, the City paid for a survey and hazmat study to be performed by the Department of Public Works and its consultants. The study was completed in late August 2018. An agreement was reached in November 2018.

DETAIL OF PROPOSED LEGISLATION

File 18-1094 is a resolution authorizing the lease between the City and ArtSpan, a nonprofit organization, for 45 Onondaga Avenue.

File 18-1095 is a resolution authorizing the lease between the City and Volunteers in Medicine, dba Clinic by the Bay, a nonprofit organization, for 35 Onondaga Avenue.

Lease terms are summarized in Exhibit 2 below.

Exhibit 2: Summary of Lease Terms for 35 Onondaga Avenue and 45 Onondaga Avenue

	35 Onondaga Avenue	**45 Onondaga Avenue**
Tenant	Clinic by the Bay	ArtSpan
Use	Low cost public health and medical clinic	Artist studio space, classes and art exhibition space
Estimated Rent Commencement Date	January 1, 2020	January 1, 2020
Initial Term	10 years from January 2020 to December2029	10 years from January 2020 to December2029
Options to Extend	Two (2) five-year options to extend to December 2039	Two (2) five-year options to extend to December 2039

	35 Onondaga Avenue	45 Onondaga Avenue
Square Feet	3,960	4,244
Annual Rent per Square Foot	$12.00	$12.00
Total Annual Rent	$47,520	$50,928
Rent Increases	Annual rent increases based on the Consumer Price Index (CPI) up to 5 percent at the option of the City	Annual rent increases based on the Consumer Price Index (CPI) up to 5 percent at the option of the City
Tenant Improvements	Building renovation with plans and specifications approved by the Director of Real Estate (estimated to cost approximately $1 million for 35 Onondaga Avenue and 45 Onondaga Avenue)	Building renovation with plans and specifications approved by the Director of Real Estate (estimated to cost approximately $1 million for 35 Onondaga Avenue and 45 Onondaga Avenue)
Tenant Improvement Allowance Paid by the City	Up to $410,000 for 35 Onondaga Avenue and 45 Onondaga Avenue combined	Up to $410,000 for 35 Onondaga Avenue and 45 Onondaga Avenue combined
Utilities and Services	Paid by tenant City maintains structure Up to two (2) months' rent per year offset for tenant's actual expenses to maintain and repair HVAC	Paid by tenant City maintains structure Up to two (2) months' rent per year offset for tenant's actual expenses to maintain and repair HVAC

Source: Draft Leases

FISCAL IMPACT

Estimated base rent paid to the City over the initial 10-year term (including estimated annual CPI increases of 3 percent) by Clinic by the Bay is $544,764, and by ArtSpan is $583,832, totaling $1,128,596. These rents would be offset by (a) the tenant improvement allowance of up to $410,000, and (b) potential annual rent abatements for repair and maintenance of the HVAC system up to an estimated $188,099, for net rent payments to the City over 10 years of $530,497.

According to Ms. Gorham, due to continued damage from leaks in the roof in the 2017 rainy season and resulting mold, both nonprofits asked if the City’s tenant improvement allowance could be increased. The former Director of Real Estate agreed to an increase of $60,000 or from $350,000 to $410,000.

Tenant Improvements

According to the proposed leases, the tenants are to submit detailed plans for tenant improvements to be approved by the Director of Real Estate. The tenants are to assume full costs for tenant improvements, which are estimated to be up to $2 million for both buildings, and receive $410,000 in rent credits.[1] Rent credits apply to the tenant's joint costs for preparing design and construction documents (up to $25,000), construction costs, third party construction management fees (up to $40,000), and permit fees.

According to Ms. Gorham, the City assumes that 35 Onondaga Avenue and 45 Onondaga Avenue may require abatement of asbestos and/or lead. Due to the potential costs of the tenant improvement work, ArtSpan and Clinic by the Bay have the right to terminate their respective leases within four months of the lease commencement date if the scope of tenant improvements exceeds the organization's financial capacity. Each of the tenants would be responsible to refund the City any allowance paid for their respective share of the tenant improvement work if the tenant terminates the lease within five years of the rent commencement date (or prior to January 2025).

Murals

35 Onondaga Avenue and 45 Onondaga Avenue were built as the Alemany Emergency Hospital and Health Center in 1933; these buildings were added to the Landmark Designation Work Program in 2015 by the City's Historic Preservation Commission. 45 Onondaga Avenue contains murals painted by Bernard Zakheim in 1934, funded by the federal Public Works of Art Project.[2] The Arts Commission has authorized $90,000 to conserve the murals. According to Ms. Gorham, the extent to which ArtSpan, the tenant at 45 Onondaga Avenue, is responsible for the mural's safety and public viewing has not yet been finally determined.

RECOMMENDATION

Approve the proposed resolutions.

[1] Rent credits total $410,000 for both leases. As noted above, the two nonprofit organizations are hiring one contractor and sharing the costs of the tenant improvements.

[2] The federal Public Works of Art Project preceded the federal Works Progress Administration (WPA). Bernard Zakheim also painted the Library fresco at COIT Tower.

Item 11 **File 18-0646** *Continued from November 15, 2018*	**Department:** Department of Environment (DOE)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance amends the Environment Code to (1) require audits every three years of large refuse generators for compliance with refuse separation requirements; and (2) establish enforcement measures applicable to large refuse generators found noncompliant.

Key Points

- In June 2009, the Board of Supervisors added the "Mandatory Recycling and Composting Ordinance" to the Environment Code, requiring all persons in San Francisco to separate recyclables, compostables, and landfilled trash in recycling and composting programs.
- In 2002, the Board of Supervisors approved a resolution adopting a goal of zero waste and authorized the Commission on the Environment to adopt a timeline for achieving zero waste. The Commission directed the Department of Environment to develop policies and programs to achieve zero waste, including increasing producer and consumer responsibility in order to achieve the zero waste goal.
- The Department of Environment found that approximately 80 percent of recyclable or compostable material is currently being recovered from San Francisco properties.

Fiscal Impact

- The proposed ordinance could result in a fiscal impact to City departments if any of the City facilities that meet the definition of large refuse generator fail their compliance audit and are required to engage a zero waste facilitator for two years at the expense of the affected department(s). According to the Department of Environment, each large refuse generator that is required to engage a zero waste facilitator may need one to two full time staff, at a rate of approximately $20 per hour in direct salary plus an additional $20 for benefits and overhead, or approximately $40 per hour per staff person. The Department of Environment expects that five City-operated large refuse generators may fail their compliance audit, resulting in a total cost to the City of approximately $416,000 to $832,000 per year.
- City departments could potentially realize savings on refuse costs if the use of zero waste facilitators resulted in reduced waste disposal. According to information provided by the Department of the Environment, the San Francisco Municipal Transportation Agency increased waste recovery at three maintenance yards from 29 percent to 42 percent after contracting with a zero waste facilitator, and reduced their annual disposal costs by $116,418.

Recommendation

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

MANDATE STATEMENT

Charter Section 2.105 requires all legislative acts to be by ordinance subject to an affirmative vote by the Board of Supervisors.

BACKGROUND

In June 2009, the Board of Supervisors approved an amendment to the Environment Code that added Chapter 19, Sections 1901 through 1912, entitled "Mandatory Recycling and Composting Ordinance" that requires all persons in San Francisco to separate recyclables, compostables, and landfilled trash in recycling and composting programs (File No. 08-1404; Ord. No. 100-09).

In 2002, the Board of Supervisors approved a resolution adopting a goal of zero waste and authorized the Commission on the Environment to adopt a timeline for achieving zero waste. The Commission adopted a timeline in 2003 and directed the Department of Environment to develop policies and programs to achieve zero waste, including increasing producer and consumer responsibility in order to achieve the zero waste goal (Resolution No. 002-03). According to Mr. Charles Sheehan, Chief Policy and Public Affairs Officer for the Department of Environment, the Department of Environment has found that approximately 80 percent of recyclable or compostable material is currently being recovered from San Francisco properties.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance amends the Environment Code to (1) require audits every three years of large refuse generators for compliance with refuse separation requirements; and (2) establish enforcement measures applicable to large refuse generators found noncompliant.

A compliance audit entails a thorough visual inspection of the contents of refuse collection containers that results in a finding of the approximate percentage of contaminants or materials not appropriate for that type of container (i.e., recyclables, compostables, or trash).

Large refuse generators are defined as commercial property refuse account holders or City-owned and operated facilities, that have roll-off compactor service or generate 40 cubic yards or more of uncompacted refuse per week. There are 15 City-owned and operated facilities that meet the definition of "large refuse generator," listed below.

City-Operated Large Refuse Generators

Primary Department	Departments Occupying Building	Name of Facility	Address
Public Health		Laguna Honda Hospital	375 Laguna Honda Blvd
Public Health		SF General Hospital	1001 Potrero Ave
Port		Fisherman's Wharf	Foot of Leavenworth
Port		South Beach Harbor	Pier 40 - 44
Real Estate	Sheriff, Police, District Attorney, Superior Court, Adult Probation	Hall of Justice	850 Bryant
Real Estate	Controller, Public Works, Board of Supervisors, Mayor, Assessor Recorder, Treasurer/Tax Collector, etc.	City Hall	1 Dr. Carlton B. Goodlett
Real Estate	SFMTA, Human Resources, 311, Technology, MOHCD, MOEWD	1 South Van Ness	1 South Van Ness Ave
Library		Main Library	100 Larkin St
SFMTA		Woods Maintenance Yard	1095 Indiana
SFMTA		Green Maintenance Yard	2200 San Jose
SFMTA		Flynn Maintenance Yard	1940 Harrison St
SFMTA		Potrero Maintenance Yard	2500 Mariposa
SFMTA		MME Maintenance Yard	601 25th Street
SFPUC		Northshore Pumping Station	140 Bay
SFPUC		SFPUC Headquarters	525 Golden Gate Ave

Source: Department of Environment

If any of the City-owned and operated facilities fail their compliance audit, City departments would be required to engage for two years a "zero waste facilitator", which is a person who manages refuse materials within a given property, including material sorting and transfer.

FISCAL IMPACT

The proposed ordinance could result in a fiscal impact to City departments if any of the City facilities that meet the definition of large refuse generator fail their compliance audit and are required to engage a zero waste facilitator for two years at the expense of the affected department(s). However, City departments could potentially realize savings on refuse costs if the use of zero waste facilitators resulted in reduced waste disposal.

Potential Cost of Zero Waste Facilitators

According to the Department of Environment, each large refuse generator that is required to engage a zero waste facilitator may need one to two full time staff, at a rate of approximately $20 per hour in direct salary plus 100 percent for benefits and overhead, or approximately $40 per hour per staff person. The Department of Environment expects that five City-operated large refuse generators may fail their compliance audit, resulting in a total cost to the City of approximately $416,000 to $832,000 per year, as shown in the table below.

Estimated Annual Cost to the City of Zero Waste Facilitators

Cost per Zero Waste Facilitator Staff		
Hourly wage	$20	
Benefits and overhead	20	
Hourly total	40	
Annual Hours	x 2080	
Annual total (2,080 hours)	$83,200	
Estimated Cost per Facility		**Cost for Five Facilities**
1 staff	$83,200	$416,000
2 staff	$166,400	$832,000

At this time, it is not known which facilities and which departments would need to engage zero waste facilitators. Affected departments would need to include funding for zero waste facilitators in their future annual budgets, subject to Board of Supervisors appropriation approval.

Potential Disposal Cost Savings from Zero Waste Facilitators

According to information provided by the Department of the Environment, in 2016 the San Francisco Municipal Transportation Agency (SFMTA) hired Green Streets, a zero waste facilitator, for three of their maintenance yards. Before hiring the zero waste facilitator, the overall waste recovery rate at the three yards was 29 percent. In 2017, following engagement of the zero waste facilitator, the overall recovery rate increased to 42 percent and SFMTA reduced their annual disposal costs at the three yards by $116,418.

RECOMMENDATION

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

Item 12 **File 18-1043**	**Departments** City Administrator, Department of Public Works

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would amend the Administrative Code to require a citywide project labor agreement applicable to certain public work or improvement projects with projected costs over the threshold amounts (ranging from $1,000,000 to $5,000,000 depending on the year the advertisement for bid is released; or $10,000,000 if the project is funded by a source other than General Obligation Bond) or where delay in completing the project may interrupt or delay services or use of facilities that are important to the City's essential operations or infrastructure.

Key Points

- A project labor agreement is a collective bargaining agreement with one or more labor organizations that establishes the terms and conditions or employment for specific construction projects. California Senate Bill (SB) 922 prohibits local governments (other than charter cities) from banning project labor agreements; charter cities such as San Francisco are not prohibited from banning project labor agreements but the State may withhold state funding from these cities' projects.
- According to the League of California Cities, arguments supporting project labor agreements include reducing the risk of construction delays and associated costs caused by a shortage of workers or labor disputes due to no-strike provisions in the agreement and use of centralized hiring systems. Arguments against project labor agreements include limits to competition, preference for union over non-union labor, and potential increased costs.

Fiscal Impact

- The City Services Auditor's March 2016 report on the *Risk-Benefit Assessment of a Citywide Project Labor Agreement* found that, among other findings, the potential effects of a project labor agreement on the City's construction costs are unclear. Based on the report's findings, the City Services Auditor did not find "compelling evidence to suggest that the City would realize significant benefits from a mandated citywide PLA and recommends that departments are instead encouraged to consider the use of PLAs when appropriate for their needs, as in the case of the Airport and the SFPUC."
- According to the City Services Auditor's report, the Office of Labor Standards Enforcement, the Department of Public Works, and other City departments could potentially need to add staff positions to administer and monitor the project labor agreement. The City Services Auditor's report also estimated that the City would likely incur other costs associated with enhancing existing systems and/or procuring new systems to facilitate standard data collection and reporting.

Recommendation

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

MANDATE STATEMENT

Charter Section 2.105 requires that legislative acts in San Francisco be by ordinance, subject to approval by a majority of the Board of Supervisors.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the Administrative Code to require a citywide project labor agreement applicable to certain public work or improvement projects with projected costs over the threshold amounts (ranging from $1,000,000 to $5,000,000 depending on the year in which the advertisement for bid is released; or $10,000,000 if the project is funded by a source other than a General Obligation Bond) or where delay in completing the project may interrupt or delay services or use of facilities that are important to the City's essential operations or infrastructure.

Project Labor Agreements

A project labor agreement is a collective bargaining agreement with one or more labor organizations that establishes the terms and conditions or employment for specific construction projects. California Senate Bill (SB) 922 prohibits local governments (other than charter cities) from banning project labor agreements; charter cities such as San Francisco are not prohibited from banning project labor agreements but the State may withhold state funding from these cities' projects.

According to the League of California Cities, arguments supporting project labor agreements include reducing the risk of construction delays and associated costs caused by a shortage of workers or labor disputes due to no-strike provisions in the agreement and use of centralized hiring systems. Arguments against project labor agreements include limits to competition, preference for union over non-union labor, and potential increased costs.

Proposed Ordinance

Under the proposed ordinance, public works and capital improvement projects with projected costs over the threshold amounts, or determined to be essential, as noted above, would require project labor agreements. The threshold amounts for

(1) projects funded by General Obligation Bonds begin at $5,000,000 in the first year after signing the project labor agreement, $3,000,000 in the second year and $1,000,000 thereafter for General Obligation Bond-funded projects; and

(2) $10,000,000 for projects funded through sources other than a General Obligation Bond.

These would include Department of Public Works and Recreation and Park Department projects, but not Airport, Port, San Francisco Public Utilities Commission (SFPUC), or San Francisco Municipal Transportation Agency (SFMTA) projects. These projects would still be subject to Administrative Code provisions pertaining to public works contracts, Local Business Enterprise, and First Source Hiring.

The proposed ordinance would require the City Administrator to negotiate a project labor agreement with labor unions on behalf of the City no later than January 1, 2020. For public works and capital projects that begin after the start date, labor unions, contractors, and subcontractors would be bound by the terms of the project labor agreement. The project labor agreements would cover craft workers, but not supervisors above the foreman, managers, and clerical staff.

Under the project labor agreements, contractors and subcontractors would be required to hire union workers and apprentices in the State-approved joint apprenticeship program for the applicable crafts and trades. Unions would be required to use the Helmets to Hardhats program to assist returning veterans in obtaining training and employment on the projects.

The project labor agreements would provide a mechanism to resolve jurisdictional disputes between the labor unions. Labor unions would be required to refrain from strikes, and other work actions related to the project, and union workers would be required to continue working on the project despite in the event that the respective collective bargaining agreement(s) expired without a successor agreement.

FISCAL IMPACT

Impact on Construction Costs

The City Services Auditor's March 2016 report on the *Risk-Benefit Assessment of a Citywide Project Labor Agreement* found that, among other findings, the potential effects of a project labor agreement on the City's construction costs are unclear. Based on the report's findings, the City Services Auditor did not find "compelling evidence to suggest that the City would realize significant benefits from a mandated citywide PLA and recommends that departments are instead encouraged to consider the use of PLAs when appropriate for their needs, as in the case of the Airport and the SFPUC."

City Departments' Administration and Monitoring Costs

The San Francisco Public Utilities Commission (SFPUC) used a project labor agreement for the $4.8 billion Water System Improvement Program, and had approximately five full time equivalent staff positions to administer the agreement. In addition to project labor agreement administration, these positions were responsible for community outreach, especially to Local Business Enterprise contractors.[1]

According to the City Services Auditor's report, the Office of Labor Standards Enforcement, the Department of Public Works, and other City departments could potentially need to add staff positions to administer and monitor the project labor agreement. The City Services Auditor's report estimated that Public Works and other City departments subject to the project labor agreement ordinance (in this case, the Recreation and Park Department) would likely require numerous additional staff but did not provide a specific estimate.

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[1] *Risk-Benefit Assessment of a Citywide Project Labor Agreement,* page 19.

According to the City Administrator's Office, "estimating the cost of administering a citywide Project Labor Agreement is challenging give the uncertainty about what specific provisions will be included in the Agreement." According to the City Administrator's Office, based on the number of active Public Works and Recreation and Park Department projects that could be covered by a project labor agreement, the Office of Labor Standards Enforcement could require five new positions to monitor compliance with the agreement.

The City Services Auditor's report also estimated that the City would likely incur other costs associated with enhancing existing systems and/or procuring new systems to facilitate standard data collection and reporting. The City Administrator's Office also estimates one-time costs for the City Administrator to negotiate the project labor agreement (as required by the proposed ordinance) and for potential database system modifications to enable the tracking and reporting related to agreement administration and monitoring.

RECOMMENDATION

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