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: December 9, 2020 Budget and Finance Committee Meeting

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Items 2 and 3 **Files 20-1245 and 20-1280**	**Department:** Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- **File 20-1245** is a resolution that would approve the following agreements for electricity-related products between San Francisco Public Utilities Commission's (SFPUC) CleanPowerSF and Calpine Energy Services (Calpine): (1) retroactively amend an agreement to purchase Resource Adequacy (RA) products, increasing the contract amount by $27,000,000 for a total not to exceed $30,240,000 and extending the term through December 2029; (2) amend an agreement to purchase renewable energy, increasing the contract amount by $193,299,120 for a total not to exceed $242,979,817 and extending the term through December 2029; and (3) approve an agreement to purchase RA products for the period of January 2024 through December 2029 with a total amount not to exceed $59,400,000.
- **File 20-1280** is a resolution that would retroactively approve an agreement for CleanPowerSF to sell excess RA products to Southern California Edison (SCE) for the period from January through December 2021 for an amount not to exceed $1,273,570.

Key Points

- State law requires all electric service providers, including CleanPowerSF, to maintain certain quantities of RA to ensure sufficient electric generation resources to meet unusually high levels of customer demand. The California Public Utilities Commission (CPUC) provided CleanPowerSF with RA volumes for each month of 2021 and 2022, requiring CleanPowerSF to purchase additional RA products by October 31 to meet its compliance obligations.
- CleanPowerSF issued four solicitations for RA supply and participated in solicitations from other electric providers to purchase and sell RA. In response, Calpine submitted offers to increase the RA and renewable energy volumes sold to CleanPowerSF from the Geysers geothermal facility and an offer to sell RA from other facilities. CleanPowerSF also submitted an offer to sell RA to SCE. Under these contracts, CleanPowerSF does not purchase energy from the plants, but rather receives a commitment from the plant to make its power producing capability available to CAISO if the state needs it to ensure electric system reliability. SFPUC is seeking retroactive approval for two agreements due to the October 31 compliance deadline.

Fiscal Impact

- Over the terms of the three Calpine agreements, CleanPowerSF would have total expenditures of up to $332,619,817 through 2029. Over the one-year term of the SCE agreement, CleanPowerSF would receive up to $1,273,570 in revenue.

Recommendations

- Amend the proposed resolution in File 20-1245 to reduce the not-to-exceed amount for the second Calpine agreement by $609,151, for a total not to exceed $242,370,666.
- Approve the resolution in File 20-1245 as amended and approve the proposed resolution in File 20-1280.

MANDATE STATEMENT

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

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 May 2016, the San Francisco Public Utilities Commission (SFPUC) launched the CleanPowerSF Community Choice Aggregation (CCA)[1] program to provide cleaner and more sustainable electricity at comparable rates to those offered by Pacific Gas &Electric Company (PG&E). CleanPowerSF uses clean and renewable energy purchased from various sources, including SFPUC's Hetch Hetchy Power.

State law requires all electric service providers, including CleanPowerSF, to maintain certain quantities of Resource Adequacy (RA) to ensure sufficient electric generation resources to meet unusually high levels of customer demand. RA requirements are determined by formula using demand forecasts. Retail sellers must also procure different types of RA products from different geographical areas.

In July 2020, the California Public Utilities Commission (CPUC) provided each electric service provider a preliminary notice of RA requirements for each month of 2021 and 2022. On September 18, 2020, CPUC provided final RA volumes, requiring CleanPowerSF to purchase additional RA products by October 31, 2020 to meet its compliance obligations.

CleanPowerSF issued solicitations for RA supply on August 3, September 2, September 29, and October 16, 2020, and participated in solicitations from other electric providers to purchase and sell RA. In response to a solicitation, Calpine Energy Services, LP (Calpine) submitted offers to increase the RA volumes and renewable energy sold to CleanPowerSF from the Geysers geothermal facility and an offer to sell RA from other facilities pursuant to a master power purchase and sale agreement that was approved by the Board of Supervisors in December 2015 (File 15-1123, Ordinance 223-15).[2] CleanPowerSF also submitted an offer to sell excess RA product to Southern California Edison (SCE).

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[1] Community Choice Aggregation (CCA) programs enable local governments to purchase and/or develop power on behalf of the local community.

[2] In January 2018, the Board of Supervisors approved an ordinance delegating authority under City Charter Section 9.118(b) to the SFPUC General Manager to enter into agreements exceeding 10 years or $10 million for power and related products and services required for CleanPowerSF (File 17-1172, Ordinance 08-18). The delegated authority applied to power agreements procured through two Requests for Offers (RFO) issued in 2017. Since the proposed

Bids are evaluated using a least cost, best fit methodology. Proposals are evaluated by Utility Specialists on the Origination and Power Supply team and approved by the Deputy Managers of Power Operations and CleanPowerSF. Transactions with a total value greater than $1 million also require approval of the SFPUC Assistant General Manager of Power.

DETAILS OF PROPOSED LEGISLATION

File 20-1245 is a resolution that would approve the following agreements with Calpine:

1. Retroactively amend an agreement for CleanPowerSF to purchase of RA products from the Geysers geothermal facility, increasing the contract amount by $27,000,000 for a total not to exceed $30,240,000 and extending the term seven years through December 2029;
2. Amend an agreement for CleanPowerSF to purchase renewable energy from the Geysers geothermal facility, increasing the contract amount by $193,299,120 for a total not to exceed $242,979,817 and extending the term by seven years through December 2029; and
3. Approve an agreement for CleanPowerSF to purchase RA products for the period of January 2024 through December 2029 with a total amount not to exceed $59,400,000.

According to Ms. Erin Mulberg, SFPUC Power Enterprise Origination and Power Supply, the new agreement with Calpine begins in 2024 because the RA products purchased will not be available before then. As electricity prices generally increase each year, and available RA capacity is expected to tighten in the near and medium-terms as existing plants are decommissioned, SFPUC believes that this agreement will allow CleanPowerSF to secure its required RA capacity at a competitive and stable rate.

File 20-1280 is a resolution that would retroactively approve an agreement for CleanPowerSF to sell excess RA products to SCE for the period from January through December 2021 for an amount not to exceed $1,273,570.

According to Ms. Mulberg, SFPUC is requesting retroactive approval for two of the agreements because the agreements were already executed to meet the October 31st compliance deadline.

Community Benefits

According to the SFPUC, Calpine's power agreement required a Community Benefits program. Calpine has provided financial contributions to the Hunter Point Family Foundation (Girls 2000) STEM Education program. Calpine has voluntarily agreed to continue this program through 2025.

FISCAL IMPACT

The contract amounts with Calpine of $30,240,000, $242,979,817, and $59,400,000 are based on the bid price per kilowatt (kW) per month and price per megawatt-hour (MWh) multiplied by the

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Calpine amendments purchase energy procured through solicitations in 2020, they are not subject to the delegated authority.

total kW of capacity or MWh of renewable energy. The actual bid price varies by the type of electricity-related product.

As noted above, CPUC requires retail sellers to procure different types of RA products from different geographical areas. The energy source for RA products in the existing Calpine agreements is the Geysers geothermal facility in Santa Rosa. According to Ms. Mulberg, the energy source for RA products in the new Calpine agreement will be from its fleet or resources, and will be confirmed 45 days before each monthly RA compliance filing.

Ms. Mulberg states that RA capacity contracts are contracts that commit power plants to be available to the state's grid operator, the California Independent System Operator (CAISO), when the demand for electricity in California is at its highest levels. Under these contracts, CleanPowerSF does not purchase energy from the plants. Instead, CleanPowerSF receives a commitment from the plant to make its power producing capability available to CAISO if the state needs it to ensure electric system reliability.

Over the terms of the three Calpine agreements, CleanPowerSF would have total expenditures of up to $332,619,817 through 2029. Over the one-year term of the SCE agreement, CleanPowerSF would receive up to $1,273,570 in revenue. Projected and actual expenditures by year for the Calpine agreements are shown in Table 1 below.

Table 1: Projected and Actual Calpine RA Expenditures by Year

Calendar Year	Contract 1 (Existing)	Contract 2 (Existing)	Contract 3 (New)	Total
2018 (Actual)		$1,874,569		$1,874,569
2019 (Actual)	720,000	10,118,503		10,838,503
2020 (Actual and Projected)	720,000	10,535,674		11,255,674
2021 (Projected)	900,000	13,271,400		14,171,400
2022 (Projected)	2,700,000	26,148,600		28,848,600
2023 (Projected)	3,600,000	25,754,400		29,354,400
2024 (Projected)	3,600,000	25,824,960	9,900,000	39,324,960
2025 (Projected)	3,600,000	25,754,400	9,900,000	39,254,400
2026 (Projected)	3,600,000	25,754,400	9,900,000	39,254,400
2027 (Projected)	3,600,000	25,754,400	9,900,000	39,254,400
2028 (Projected)	3,600,000	25,824,960	9,900,000	39,324,960
2029 (Projected)	3,600,000	25,754,400	9,900,000	39,254,400
Total	**$30,240,000**	**$242,370,666**	**$59,400,000**	**$332,010,666**

Source: SFPUC

SFPUC has submitted an amended resolution that reduces the not-to-exceed amount of the second Calpine agreement from $289,599,121 to $242,979,817 due to actual expenditures to date. According to Ms. Mulberg, underspending was due to decreased power outputs from the Geysers geothermal facility after wildfires in Sonoma County in 2019 and resulting transmission constraints in early 2020. The revised not-to-exceed amount of $242,979,817 is approximately

$609,151 greater than total projected expenditures through 2029 of $242,370,666, as shown in Table 1 above.

According to Ms. Mulberg, these RA and renewable energy purchases will reduce CleanPowerSF's expected power supply costs over the FY 2022-2029, benefiting ratepayers.

RECOMMENDATIONS

1. Amend the proposed resolution in File 20-1245 to reduce the not-to-exceed amount of the second Calpine agreement by $609,151, for a total not to exceed $242,370,666.
2. Approve the resolution in File 20-1245 as amended.
3. Approve the proposed resolution in File 20-1280.

Item 4 File 20-1266	Department: Department of Homelessness and Supportive Housing (HSH), Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would exercise the option to extend the lease at 234-238 Eddy Street between TJ-T, LLC as landlord and the Department of Homelessness and Supportive Housing (HSH) as tenant, for a term of ten years, from January 2021 through December 2030.

Key Points

- The Windsor Hotel is a 104-room Single Room Occupancy (SRO) hotel, which is master-leased by the City for Permanent Supportive Housing. The hotel currently functions as a low-cost clinic and provides supportive SRO housing for formerly homeless residents with complex medical, mental health and/or substance use diagnoses The original lease was approved by the Board of Supervisors in December 2010, with two ten-year options to extend.

Fiscal Impact

- The existing lease sets rent, on exercise of the extension option, at the greater of either fair market rent or 103 percent of rent during the prior lease year. According to the Real Estate Division, fair market rent is based on a formula defined by the federal Department of Housing and Urban Development. The first year rent under the proposed lease extension is set at $84,493, or $1,013,913 per year, and will increase between 3 percent and 6 percent per year over the term of the lease, based on the Consumer Price Index. First year costs, including rent, building repair, utilities and custodial services are $1,471,663, and total estimated costs over the ten-year extension period are $17.6 million.
- Funding is the Department of Homelessness & Supportive Housing General Fund budget in FY 2020-21 and FY 2021-22.

Policy Consideration

- The Department of Homelessness and Supportive Housing’s FY 2020-21 expenditures are expected to exceed original budget projections due to costs associated with the Shelter in Place (SIP) Hotel Program, Congregate Shelter Program and the Safe Sleeping Program, and lower-than-anticipated FEMA reimbursement eligibility of these costs.

Recommendations

- Amend the proposed resolution to correctly state that the number of units is 104, rather than 92 as stated in the resolution.
- Approve the proposed resolution as amended.

MANDATE STATEMENT

City Administrative Code 23.27 states that any lease with a term of one year or longer and where the City is the tenant is subject to Board of Supervisors approval by resolution.

City Charter Section 9.118(c) states that leases with a term greater than ten years require Board of Supervisors' approval.

BACKGROUND

Windsor Hotel

In April 1999, the Department of Public Health (DPH) as tenant entered into a ten-year lease with 238 Windsor Associates as the landlord for the Windsor Hotel, located at 234-238 Eddy Street, for the residential units, excluding the ground floor commercial space.[1] In March 2000, DPH also leased the ground floor, portions of the basement, and the mezzanine from 238 Windsor Associates for DPH to operate a service-delivery hub.[2] Prior to 2010, the property, including both the residential units and the ground floor commercial space, changed ownership from 238 Windsor Associates to TJ-T, LLC and both properties were merged into one lease.[3]

In December 2010, the Board of Supervisors approved a new Master Lease for the Windsor Hotel between DPH as the tenant and the new landlord, TJ-T, for a term of ten years, from January 1, 2011 to December 31, 2020 for 104 Single Resident (SRO) units of Permanent Supportive Housing, including restrooms, common areas, storage facilities, ground floor commercial space, mezzanine, basement and clinic.[4] At that time, the Hotel was managed by DPH as a Direct Access to Housing (DAH) Site.[5] In 2016, the Department of Homelessness & Supportive Housing was created and administration of the City's Permanent Supportive Housing programs were transferred from DPH to HSH. The entire site now functions as a Permanent Supportive Housing (PSH) site, and the tenants are referred through the Department of Homelessness and Supportive Housing's Coordinated Entry.

The Windsor Hotel has nine residential floors, plus ground level commercial space that currently operates as a low-cost clinic and supportive services hub for residents. There are 104 SRO units at approximately 200-300 square feet each.[6] The site is currently managed by the nonprofit Delivering Innovation in Supportive Housing (DISH), which manages multiple PSH sites in the City.

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[1] File 99-0627
[2] File 10-0598
[3] According to Mr. Josh Keene, Special Projects and Transactions Manager, Real Estate Division.
[4] File 10-0598
[5] Direct Access to Housing (DAH) is a program that provides permanent supportive housing to San Francisco residents who are experiencing homelessness and have complex medical, mental health, and/or substance use diagnoses.
[6] 234-238 Eddy St. Master Lease. Exhibit C.

Section 4.3 of the lease allows for two ten-year options to extend, at the greater of either fair market rent or 103 percent of rent during the prior lease year and with an increase of between 3 to 6 percent each subsequent year of the extension. [7]

The Real Estate Division negotiated rent for the ten-year extension based on the fair market rent for SRO units totaling $84,493 per month ($1,013,913 annually).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a lease extension between the Department of Homelessness and Supportive Housing and TJ-T, LLC for continued use of 104 units of permanent supportive housing plus commercial space at 234-238 Eddy Street for a term of ten additional years, from January 2021 through December 31, 2030, with initial annual base rent of $1,013,913 and three to six percent annual increases thereafter (consistent with the Consumer Price Index). The current lease expires on December 31, 2020.

Under the lease, HSH is responsible for utility, janitorial, and operating costs. Key terms of the proposed lease extension are shown in Table 1 below.

Table 1. Terms of Proposed Lease Extension

Landlord	TJ-T, LLC
Tenant	City
Building	234-238 Eddy St ("Windsor Hotel")
Premises	Residential premises, located at 238 Eddy St. and clinic premises located at 234 Eddy St.
Square Feet	45,775[8]
Term	Ten years, from January 2021 through December 31, 2030
Monthly Rent	$84,493
Annual Base Rent	$1,013,913 ($22.15 per square foot)
Rent Increases	3% - 6% per year
Utilities and Janitorial Services	Paid by City
Operating Costs	Paid by City

Source: Master Lease with TJ-T, LLC

[7] According to Section 4.3, fair market rent for the residential premises is calculated as using 51 percent of the monthly allowance for a single zero bedroom ("Efficiency") rental unit in the most recently published Governmental Rent Index, multiplied by 104 units. Efficiency Unit Rent Allowance is (.51) X (2,124) X 104 = $112,656.96 (monthly rate). SRO Unit Rent Allowance (.51) X (1,593) X 104 = $84,492.72 (monthly rate). Rent for the 2nd through 10th lease years will increase between 3 and 6 percent, depending on the Consumer Price Index. 234-238 Eddy St. Master Lease, Section 4.3. According to Mr. Josh Keene, RED Special Projects and Transactions Manager, the 51% of FMR metric is a HUD calculation included in most of the PSH master leases entered into by DPH in the late 2000s and early 2020s. The leases were assigned to HSH by DPH at the time HSH was formed. The specific origination during DPH's oversight is not known at this time.

[8] San Francisco Property Information Map, SF Planning. https://sfplanninggis.org/pim/

FISCAL IMPACT

Under the proposed lease extension, the Department of Homelessness and Supportive Housing (HSH) would pay $1,013,913 in base rent, with three to six percent annual increases depending on the Consumer Price Index. Over the ten-year extension term, HSH would pay an estimated $11,801,582 in base rent (based on 3.3 percent inflationary increase per year, on average, during the initial ten-year lease term).[9]

HSH would also pay utilities, repairs and custodial costs, which is an estimated $5,757,530 over the ten-year period.[10] According to Josh Keene, Real Estate Division Special Projects and Transactions Manager, the initial annual janitorial, custodial and repair costs are estimated at approximately $457,750. The combined estimated total for the ten-year extension period would be $17,559,113. See table 2 below.

Table 2: Projected Expenditures for Extension Term

Year	Base Rent	Utilities & Custodial	Repair Costs	Total Cost
1	$1,013,913	$320,425	$137,325	**$1,471,663**
2	1,047,676	336,446	144,191	**1,528,314**
3	1,082,564	353,269	151,401	**1,587,233**
4	1,118,613	370,932	158,971	**1,648,516**
5	1,155,863	389,479	166,919	**1,712,261**
6	1,194,353	408,953	175,265	**1,778,571**
7	1,234,125	429,400	184,029	**1,847,554**
8	1,275,222	450,870	193,230	**1,919,322**
9	1,317,687	473,414	202,892	**1,993,992**
10	1,361,566	497,084	213,036	**2,071,686**
Total	**$11,801,582**	**$4,030,271**	**$1,727,259**	**$17,559,112**

Source: Real Estate Division

The cost of the lease, including rent, utilities, custodial, and repair costs will be funded from the Department of Homelessness & Supportive Housing General Fund budget in FY 2020-21 and FY 2021-22. The Department expects to continue to rely on its General Fund appropriations for future lease costs.

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[9] Since 2010, the rent has increased from $50,625 per month ($607,502 annually) to $67,499 per month ($809,988 annually), which is an increase of 33 percent over 10 years, or an average of 3.3 percent per year.

[10] Utilities, repairs, and custodial costs are estimated to increase approximately 5 percent per year, according to Mr. Josh Keene, RED Special Projects and Transactions Manager.

POLICY CONSIDERATIONS

According to the Controller's Office FY 2020-21 Three-Month Budget Status Report dated November 10, 2020, General Fund revenues are estimated to be $115.9 million less than budgeted for FY 2020-21. Revenue projections will be updated mid-year, as part of the Joint Report prepared by the Controller, Mayor's Office of Public Policy and Finance, and our Office, which will also project revenues and expenditures for subsequent fiscal years. In a presentation to the Budget & Appropriations Committee on November 19, 2020, the Mayor's Acting Budget Director stated that the Mayor has requested departments to prepare proposals to reduce spending in order to accommodate the projected decrease in General Fund revenues. The Mayor's plan to rebalance the FY 2020-21 budget is expected to be finalized in January.

The Department of Homelessness and Supportive Housing's FY 2020-21 expenditures are expected to exceed original budget projections due to costs associated with the Shelter in Place (SIP) Hotel Program, Congregate Shelter Program and the Safe Sleeping Program, and lower-than-anticipated FEMA reimbursement eligibility of these costs.

RECOMMENDATIONS

1. Amend the proposed resolution to correctly state that the number of units is 104, rather than 92 as stated in the resolution.
2. Approve the proposed resolution as amended.

Item 5 **File 20-1267**	**Department:** Department of Homelessness and Supportive Housing (HSH), Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would exercise the option to extend the lease at 30 Eddy Street between Hotel Le Nain, LLC as landlord and the Department of Homelessness and Supportive Housing (HSH) as tenant, for a term of ten years, from February 2021 through February 2031.

Key Points

- The original lease was approved by the Board of Supervisors in February 2011, with two ten-year options to extend. The site, Hotel Le Nain, currently functions as SRO housing for formerly homeless residents with complex medical, mental health, and/or substance use diagnoses.

Fiscal Impact

- The existing lease sets rent, on exercise of the extension option, at the greater of either fair market rent or 103 percent of rent during the prior lease year. According to the Real Estate Division, fair market rent is based on a formula defined by the federal Department of Housing and Urban Development. The first year rent under the proposed lease extension is set at $74,744, or $896,924 per year, and will increase between 3.5 and 6 percent per year over the duration of the lease term. First year costs, including rent, building repair, utilities and custodial services are $1,148,924, and total estimated leases costs over the ten-year extension period are $13.74 million.
- Funding is the Department of Homelessness & Supportive Housing General Fund budget in FY 2020-21 and FY 2021-22.

Policy Consideration

- The Department of Homelessness and Supportive Housing's FY 2020-21 expenditures are expected to exceed original budget projections due to costs associated with the Shelter in Place (SIP) Hotel Program, Congregate Shelter Program and the Safe Sleeping Program, and lower-than-anticipated FEMA reimbursement eligibility of these costs.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code 23.27 states that any lease with a term of one year or longer and where the City is the tenant is subject to Board of Supervisors approval by resolution.

City Charter Section 9.118(c) states that leases with a term greater than ten years require Board of Supervisors' approval.

BACKGROUND

Hotel Le Nain

In March 2000, the Department of Public Health (DPH) as tenant entered into a ten year lease with Hotel Le Nain, LLC as the landlord for Hotel Le Nain, located at 730 Eddy Street to house approximately 92 individuals.[1] At that time, the site was being used as a Direct Access to Housing (DAH) site to provide supportive housing for homeless, medically frail and extremely low-income residents.[2] While DPH leased the site, the property management function and the supportive services programs were provided through homelessness-focused nonprofits.

In February 2011, the Board of Supervisors authorized a new lease for Hotel Le Nain with the Department of Public Health as the tenant and Hotel Le Nain, LLC, as the landlord, for an additional ten years, from February 1, 2011 to January 31, 2021, for 92 units of supportive housing, including restrooms and common areas, storage facilities and a portion of the basement.[3] The Hotel continued to operate as a Direct Access to Housing (DAH) site and was used exclusively as a senior housing project.[4] The lease was transferred to the new Department of Homelessness and Supportive Housing in FY 2016-17, and new tenants are referred through the Department of Homelessness and Supportive Housing's Coordinated Entry.[5]

Hotel Le Nain has four floors and 92 housing units. Hotel Le Nain is currently managed by the nonprofit Delivering Innovation in Supportive Housing (DISH), which manages multiple SRO sites in the City and has been managing Hotel Le Nain since 2007.

Section 4.3 of the lease allows for two ten-year options to extend, at the greater of either fair market rent or 100 percent of rent during the prior lease year, and with a base rent increase of between 3 to 6.5 percent each year.[6]

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[1] File 00-0484

[2] Direct Access to Housing (DAH) is a program that provides permanent supportive housing to San Francisco residents who are experiencing homelessness and have complex medical, mental health, and/or substance use diagnoses.

[3] File 10-1506

[4] "DISH: The Le Nain. https://dishsf.org/the-lenain/

[5] Coordinated Entry provides specific entry points into the homelessness and functions as a way to allocate services.

[6] According to Section 4.3, fair market rent for the residential premises is calculated as using 51% of the monthly allowance for a single zero bedroom ("Efficiency") rental unit in the most recently published Governmental Rent Index, multiplied by 92 units. Efficiency Unit Rent Allowance is (.51) X (2,124) X 92 = $99,658.08 (monthly rate). SRO Unit Rent Allowance (.51) X (1,593) X 92 = $74,743.56 (monthly rate). Rent for the 2nd through 10th lease years will increase between 3 and 6.5 percent, depending on the Consumer Price Index. 730 Eddy St. Master Lease, Section

The Real Estate Division negotiated rent for the ten-year extension based on the fair market rent for SRO units of $74,144 ($896,924 per year).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a lease extension between the Department of Homelessness and Supportive Housing (HSH), and the landlord, Hotel Le Nain, LLC for continued use of 92 units of Permanent Supportive Housing at 730 Eddy Street for a term of ten additional years, from February 1, 2021 through February 1, 2031, with initial annual base rent of $896,924 and 3.5 to 6 percent annual increases thereafter (consistent with the Consumer Price Index). The current lease expires on January 31, 2021.

Under the lease, HSH pays utility, janitorial, and operating costs. Key terms of the proposed lease extension are shown in Table 1 below.

Table 1. Terms of Proposed Lease Extension

Landlord	Hotel Le Nain, LLC
Tenant	City
Building	730 Eddy St ("Le Nain Hotel")
Premises	Residential premises, located at 730 Eddy St.
Square Feet	25,200
Term	Ten years, from February 2021 through February 2031
Monthly Rent	$74,744
Annual Base Rent	$896,924 ($35.60 per square foot)
Rent Increases	3.5% - 6% per year, based on CPI
Utilities and Janitorial Services	Paid by City
Operating Costs	Paid by City

Source: Lease with Hotel Le Nain, LLC

FISCAL IMPACT

Under the proposed lease extension, the Department of Homelessness and Supportive Housing (HSH) would pay an initial base rent of $896,924, with 3.5 to 6 percent annual increases (depending on the Consumer Price Index). Over the ten-year extension term, HSH would pay an estimated $10,570,926 in base rent (based on 3.6 percent inflationary increase per year).[7]

The Department would also pay utilities, repairs and custodial costs, which is an estimated $3,169,630 over the ten-year period. According to Josh Keene, Real Estate Division Special

4.2. According to Mr. Josh Keene, RED Special Projects and Transactions Manager, the 51% of FMR metric is a HUD calculation included in most of the PSH master leases entered into by DPH in the late 2000s and early 2020s. The leases were assigned to HSH by DPH at the time HSH was formed. The specific origination during DPH's oversight is not known at this time.

[7] Since 2011, the annual rent has increased from $656,933 to $896,112, which is an increase of approximately 36% over 10 years, or an average of 3.6% per year.

Projects and Transactions Manager, the initial annual janitorial, custodial and repair costs are estimated at approximately $252,000 and are expected to increase at about 5% per year.[8]

The combined estimated total for the ten-year extension period is $13,740,556. See table 2 below.

Table 2: Projected Expenditures for Extension Term

Year	Base Rent	Utilities and Custodial Costs	Repair Costs	Total Cost
1	896,924	176,400	75,600	**1,148,924**
2	929,213	185,220	79,380	**1,193,813**
3	962,665	194,481	83,349	**1,240,495**
4	997,321	204,205	87,516	**1,289,043**
5	1,033,224	214,415	91,892	**1,339,532**
6	1,070,421	225,136	96,487	**1,392,043**
7	1,108,956	236,393	101,311	**1,446,660**
8	1,148,878	248,213	106,377	**1,503,468**
9	1,190,238	260,624	111,696	**1,562,557**
10	1,233,086	273,654	117,280	**1,624,021**
Total	**10,570,926**	**2,218,742**	**950,889**	**13,740,556**

Source: Real Estate Division

The cost of the lease, including rent, utilities, custodial, and repair costs will be funded from the Department of Homelessness & Supportive Housing General Fund budget in FY 2020-21 and FY 2021-22. The Department expects to continue to rely on its General Fund appropriations for future lease costs.

POLICY CONSIDERATIONS

According to the Controller's Office FY 2020-21 Three-Month Budget Status Report dated November 10, 2020, General Fund revenues are estimated to be $115.9 million less than budgeted for FY 2020-21. Revenue projections will be updated mid-year, as part of the Joint Report prepared by the Controller, Mayor's Office of Public Policy and Finance, and our Office, which will also project revenues and expenditures for subsequent fiscal years. In a presentation to the Budget & Appropriations Committee on November 19, 2020, the Mayor's Acting Budget Director stated that the Mayor has requested departments to prepare proposals to reduce spending in order to accommodate the projected decrease in General Fund revenues. The Mayor's plan to rebalance the FY 2020-21 budget is expected to be finalized in January.

[8] According to Josh Keene, RED Special Projects and Transactions Manager, the landlord is responsible for most of the major building and building systems repair and replacement, but the City is responsible for maintaining service contracts, minor repair and routine maintenance which is an estimated $3.00 per sq. ft per year.

The Department of Homelessness and Supportive Housing's FY 2020-21 expenditures are expected to exceed original budget projections due to costs associated with the Shelter in Place (SIP) Hotel Program, Congregate Shelter Program and the Safe Sleeping Program, and lower-than-anticipated FEMA reimbursement eligibility of these costs.

RECOMMENDATION

Approve the proposed resolution.

Item 6 **File 20-1035**	**Department:** Real Estate Division

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would (1) approve the purchase of the parcel at 444 6th Street, (2) approve the Purchase Agreement associated with the acquisition, (3) authorize the issuance of commercial paper[1] to fund the cost of the acquisition, and (4) adopt the Planning Department's finding that the acquisition does not require review under the California Environmental Quality Act and is in conformance with the City's General Plan.

Key Points

- In January 2016, the Board of Supervisors urged the Real Estate Division to begin negotiating the acquisition of four properties adjacent to the Hall of Justice to relocate City offices from the Hall of Justice. In October 2019, the Board authorized the issuance of Certificates of Participation of $62 million to be used for acquiring the four properties and other improvements to facilitate Hall of Justice relocation. The City has purchased three of the four parcels, with the purchase of 444 6th Street as the final purchase.

Fiscal Impact

- The purchase price for 444 6th Street is $4,200,000, which is consistent with the appraisal and appraisal review. The City' Real Estate Division estimates that the City's estimated additional purchase costs are $25,000, which includes the costs for the property survey, title insurance, recording fees, and other closing costs. The total estimated acquisition by City cost is therefore $4,225,000.

Policy Consideration

- According to the November 25, 2020 memorandum to the Board of Supervisors from the Real Estate Division Director, the purchase price paid by the City of $4.2 million is greater than the appraisal completed in October 2020, which estimated the fair market value of the parcel and site improvements at $3.9 million. The Real Estate Division Director stated in the memorandum that the $300,000 premium is justified due to the benefits that will accrue to the City from acquisition of the parcel. According to the Director of Real Estate, the lower appraisal price reflects shorter-term impacts of the Covid 19 pandemic on real estate prices, and does not express the parcel's longer-term fair market value.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

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

City Charter Section 9.118(e) states that the Board of Supervisors has the power to borrow money by the issuance of tax anticipation notes, temporary notes, commercial paper, or any other short-term debt instruments in the manner provided by state law or City ordinance.

BACKGROUND

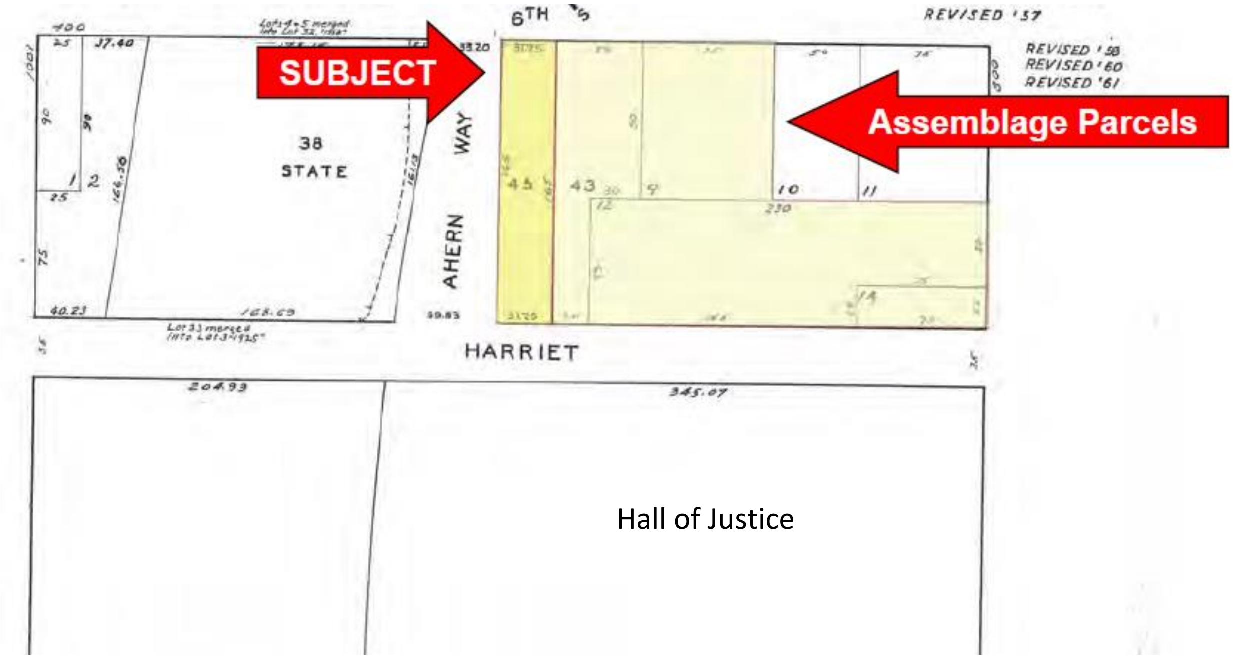
Justice Facilities Improvement Program

The Hall of Justice, located at 850 Bryant Street, was constructed in 1958 and is seismically deficient. Due to aging infrastructure, the Hall of Justice has serious health, safety, and working condition problems, requiring significant renovation and capital investment. The City's Ten-Year Capital Plan for FY 2020 – FY 2029 includes the Justice Facilities Improvement Program, which includes relocation of City staff, demolition of the existing Hall of Justice buildings, and replacing the facility with a consolidated campus of facilities.

Prior Board of Supervisors Actions

In January 2016, the Board of Supervisors passed a resolution (File 15-1286) urging the Director of the Department of Public Health and the Sheriff to convene a working group to re-envision the jail replacement project at the Hall of Justice. The resolution also urged the Real Estate Division to begin negotiating the acquisition of four properties adjacent to the Hall of Justice at: (1) 450 6th Street, (2) 444 6th Street, (3) 470 6th Street, and (4) 814-820 Bryant Street. Exhibit 1 below shows these four properties and the Hall of Justice.

Exhibit 1: Hall of Justice Consolidation Properties



Source: Real Estate Division

The City has purchased three of the four properties for the Hall of Justice project. In June 2016, the Board of Supervisors approved the purchase of 450 6th Street (File 16-0645). In May 2019, the Board of Supervisors approved the acquisition of 814-820 Bryant Street and 470 6th Street (File 19-0420). The proposed acquisition is the final remaining parcel originally contemplated by the Board of Supervisors for the Hall of Justice project. The City intends to develop the four properties into office buildings for City Departments.

The priority for the HOJ Replacement now that the City actually holds (or would, pending approval) all of these adjacent properties would be to build out the departments that remain at the Hall and bring back departments from leased properties as space and budget allow. The question of what will happen with the Courts remains unresolved as the capital budget anticipated to support their construction needs was pulled at the State level in response to the COVID-19 crisis. Meanwhile, the City can advance to relocate all of its employees out of the building.

DETAILS OF THE PROPOSED LEGISLATION

The proposed resolution would (1) approve the purchase of the parcel at 444 6th Street, (2) approve the Purchase Agreement associated with the acquisition, (3) authorize the issuance of commercial paper[2] to fund the cost of the acquisition, and (4) adopt the Planning Department's finding that the acquisition does not require review under the California Environmental Quality Act and is in conformance with the City's General Plan.

On October 1, 2019, the Board approved Ordinance number 227-19 which authorized the issuance of Certificates of Participation of $62,000,000 to be used for undertaking property acquisitions, improvements, including expenditures related to financing acquisitions to facilitate Hall of Justice relocations. On October 1st, 2019, the Board also approved Ordinance No. 228-19 authorizing the issuance of $62,000,000 in Certificates of Participation for capital expenditures, including acquisition financing, related to the HOJ relocation. The proposed resolution provides for the Controller to issue Commercial Paper to pay for the purchase price and associated closing costs for 444 6th Street, pending the issuance and sale of the Certificates of Participation.

Purchase Agreement

The City will purchase the parcel and site improvements from Myung Chan, who has a sole and undivided interest in the property. The site is a 5156 sq. ft. parcel containing a one-story, 5115 sq. ft. building constructed in 1959, which is currently vacant. The City will acquire the land and all improvements on the site for a total purchase price of $4,200,000, which is consistent with the appraisal and appraisal review required by Administrative Code Section 23.3.

According to Director of Property Andrico Penick on behalf of the Real Estate Division, the current and adjacent parcels will be used to build new facilities that will allow for the full relocation of all staff and criminal justice functions from the HOJ, which will be fully demolished. The current plan is a modification of the prior plan, for which the planned demolition and reconsolidation of the HOJ was scheduled to take place over several years, and involved a sequenced phasing of a planned HOJ demolition and consolidation. Under the prior plan, various police and court functions where slated to be moved between the different wings of the HOJ building, and County Jail #4 inmates were to be relocated. The phased timing of the demolition and reconstruction was planned to allow the Courts to remain fully operational. The City is now planning for a full-scale demolition, and is currently devising plans for how to relocate police and Court related functions, having already relocated inmates out of the facility earlier this year. According to Mr. Penick, the logistics of the plan to fully and finally close the HOJ are in a preliminary stage, but will involve the construction of a new facility on the acquired parcels to house the majority of current functions housed within the HOJ. However, because of the change in the planned phasing of the relocation and reconstruction of the HOJ, there are no specific development plans currently in place for the acquired parcels.

FISCAL IMPACT

The purchase price for 444 6th Street is $4,200,000. The City' Real Estate Division estimates that the City's estimated additional purchase costs are $25,000, which includes the costs for the property survey, title insurance, recording fees, and other closing costs.[3] The total estimated acquisition by City cost is therefore $4,225,000.

POLICY CONSIDERATION

According to the November 25, 2020 memorandum to the Board of Supervisors from the Real Estate Division Director, the purchase price paid by the City of $4.2 million is greater than the appraisal completed in October 2020, which estimated the fair market value of the parcel and site improvements at $3.9 million. The Real Estate Division Director stated in the memorandum that the $300,000 premium is justified due to the benefits that will accrue to the City from acquisition of the parcel. As per the assessment of the Director of Real Estate, the lower appraisal price reflects shorter-term impacts of the Covid 19 pandemic on real estate prices, and does not express the parcel's longer-term fair market value. The Department has also indicated that the ability to acquire the site, which directly adjoins parcels previously acquired to facilitate the HOJ relocation, will allow the City to avoid "construction issues related to windows, shoring, and other adjacency considerations, justifying payment of the premium".

RECOMMENDATION

Approve the proposed resolution.

Item 7 **File 20-1312**	**Department:** Human Services Agency

EXECUTIVE SUMMARY

Legislative Objectives

- The Human Services Agency (HSA) is requesting the release of $15,382,351 for the COVID Feeding Program on Budget and Finance Committee Reserve.

Key Points

- Food insecurity in San Francisco has increased as a result of the COVID-19 Pandemic. The City, led by HSA is responding by providing funding for community food programs, like the Great Plates Delivered program that provides meals to at-risk seniors, food pantries, food delivery to those in isolation/quarantine, and serving community programs for those who are most impacted by the pandemic, such as the Latinx community.
- HSA's FY 2020-21 budget allocated $45.8 million to the COVID Command Center Feeding Program budget: $15 million for food provided through the Great Plates program and $30.8 million for community organizations, including food banks and meal delivery providers.
- The Board of Supervisors placed $15,382,351 of the $30,764,702 allocated for support to community organizations on Budget and Finance Committee Reserve to allow HSA to present an update on the efficacy and spending of the program.

Fiscal Impact

- As of November 30, 2020, HSA has spent $17,277,556 and encumbered an additional $498,778 for the COVID-19 Feeding Programs.
- HSA projects $51,319,305 in FY 2020-21 program expenditures, $2,680,605 more than anticipated in the budget, of which roughly $1 million of the shortfall is projected to be in General Fund. The source for this additional funding has not yet been identified.
- An estimated $15,462,098 will be funded by revenue from FEMA and Cal OES reimbursement for eligible program costs. The remainder is funded through the General Fund and the CARES Act – Corona Virus Relief Fund.

Policy Consideration

- Funding sources have not been identified if ongoing support for the COVID Feeding Program exceeds the funding budgeted through the end of FY 2020-21.

Recommendations

- Request HSA provide a written report detailing funding sources for all COVID Feeding Program expenditures by March 15, 2021 and include the report in the legislative file.
- Approve the release of reserves.

MANDATE STATEMENT

City Administrative Code Section 3.3(j) states that the Budget and Finance Committee of the Board of Supervisors has jurisdiction over the City's budget and may reserve proposed expenditures to be released at a later date subject to Budget and Finance Committee approval. The practice of the Board of Supervisors is for the Budget and Finance Committee to approve release of funds placed on reserve by the Committee, without further Board of Supervisors approval.

BACKGROUND

Since the onset of the COVID-19 pandemic the City has operated a COVID Feeding Program to provide services to food insecure residents in response to a dramatic increase in need. The Human Services Agency (HSA) has led much of these efforts. Their FY 2020-21 budget allocated roughly $45.8 million to the COVID Command Center Feeding Program budget. Of the approximately $45.8 million, $15 million was allocated for food provided through the Great Plates Delivered program. The remaining $30.8 million was allocated for community based organizations including food banks, Meals on Wheels, and meal delivery providers serving seniors and those with disabilities living in San Francisco.

The Board of Supervisors placed $15,382,351 of the $30,764,702 (50 percent) allocated for support to Community Based Organizations as part of the COVID Feeding Program on Budget and Finance Committee Reserve to allow the Department to present an update on the efficacy and spending of the program prior to accessing these funds.

DETAILS OF PROPOSED LEGISLATION

On November 20, 2020, HSA sent a letter requesting release of $15,382,351 placed on Budget and Finance Committee reserve to support the continued need to respond to increased food insecurity in San Francisco. This funding will be used for continued support of food programs, including: the Great Plates Delivered program, food pantries, food delivery to those in isolation and quarantine, and serving new and expanded community programs for those who are most impacted by the pandemic, such as the Latinx community and older adults. Given the diverse set of needs and varying timelines for funding, the Feeding Program includes several components, which are detailed below.

- **Pantries**: This is a partnership with the San Francisco-Marin Food Bank (SFMFB) and provides groceries to anyone in need of food assistance. As of the end of October funding for this initiative provided 342,500 grocery bags and HSA expects to provide an additional 689,196 grocery bags in FY 2020-21.
- **Latinx-focused food distribution**: Provides funding to support pantry-style grocery distribution and other food resources to the Latinx community as they have been disproportionately impacted by COVID-19 in San Francisco. HSA has advertised the Request for Proposals (RFP) for this program with responses due December 18, 2020 and

a notice of intent to award date of January 8, 2021. HSA anticipates providing 181,860 grocery bags and boxes in FY 2020-21.

- **Great Plates Delivered**: This is a temporary State program that utilizes local restaurants and food providers to prepare and deliver three daily meals to at-risk seniors. Between July and November 2020, the program delivered 968,240 meals and anticipates delivering an additional 266,500 meals by January 8, 2021 when the program is currently anticipated to end. The Great Plates program is extended on a month-to-month basis. Current contracts supporting the program run through May 2021 in the event that the program is extended into Spring 2021.
- **Isolation/Quarantine Food Support**: Provides delivered meals and groceries for food insecure households with a positive or suspected COVID-19 case for the duration of their isolation or quarantine to mitigate virus spread. According to Ms. Emily Gibbs, HSA's Budget Director, this program's costs are tied to transmission rates and have increased rapidly during the surges in cases in San Francisco. This program has served 7,764 clients and anticipates serving an additional 13,587 clients.
- **Older Adults-focused food distribution**: Utilizes the Department of Disability and Aging Services nutrition network of 13 providers who offer meals and food supports across the City, serving roughly 42,000 people per year. This program anticipates providing 406,041 meals to older adults through the end of the fiscal year. Funding for these services is being reserved to cover costs once providers have exhausted their normal annual budget and CARES Act resources, which is projected to happen towards the end of the fiscal year.
- **Street Feeding**: Delivers meals to unsheltered residents to reduce their need to travel across the city for food and help mitigate virus spread. This program ended on October 31, 2020 and provided 5,318 meals.

As of November 30, 2020, HSA has spent $17,277,556 and encumbered an additional $498,778 for the COVID-19 Feeding Programs. According to Ms. Gibbs, HSA is finalizing contracts with community based organizations for several of these services. HSA recently signed a $9.5 million contract with SF Marin Food Bank, and they anticipate being billed immediately for $3.5 million in expenses incurred by the vendor prior to the contract to be finalized. HSA also has $1 million in Great Plates invoices pending for meals delivered in October. The Board of Supervisors approved the contract between HSA and Off the Grid (File 20-1214) at the December 1, 2020 meeting. Approval of the contract between HSA and New Deal (File 20-1318) is pending before the Board of Supervisors.

FISCAL IMPACT

Table 1 below shows the original and revised budgets for the COVID-19 Feeding Program along with the anticipated expenditures as of November 2020 and anticipated revenue that will reimbursed through the Federal Emergency Management Agency (FEMA) and/or the California Governor's Office of Emergency Services (Cal OES).

Table 1. COVID-19 Feeding Program Budget, Projected Expenditures and Revenues for FY 2020-2021

	Budget	Projected Spending	Difference	Projected Revenue	General Fund Support
Pantries	22,060,000	13,600,000	(8,460,000)	2,040,000	11,560,000
Latinx-focused food distribution	4,100,000	5,000,000	900,000	750,000	4,250,000
Great Plates *	15,273,998	26,786,618	11,512,620	10,044,982	16,741,636
I/Q Food Support	1,800,000	2,000,000	200,000	1,275,000	725,000
Older Adults-focused food distribution	3,004,702	3,004,702	0	1,352,116	1,652,586
Street Feeding	2,400,000	927,985	(1,472,015)	0	927,985
Total	**48,638,700**	**51,319,305**	**2,680,605**	**15,462,098**	**35,857,207**

*Great Plates Projected Revenue goes through January 2021.
Source: Human Services Agency

Expected expenditures for FY 2020-21 have been revised as of November 2020 for the COVID-19 Feeding Program and total $51,319,305, of which HSA projects $15,462,098 will be funded by revenue from FEMA and Cal OES reimbursement for eligible program costs. The remainder is from General Fund and CARES Act – Corona Virus Relieve fund sources.

As shown above, HSA expects to spend $13.6 million on the pantries program, which is $8.5 million less than the $22.1 million budgeted for this program. The City was able to continue its in-kind labor support for the pantries for several months of the fiscal year which has reduced the need for City financial support. Similarly, the Agency's Street Feeding program is projected to be $1.5 million less than budget and was discontinued in October 2020**.** According to HSA, as a result of outreach work and the ramp up of other homeless interventions, the number of large homeless encampments decreased significantly and the need to continue to provide food has lessened commensurate with this decrease.

According to HSA, funding is being diverted to the Great Plates program because community need remains high, restaurants continue to operate well below capacity, and FEMA continues to extend its participation in the program.

Projected expenditures are $2,680,605 more than anticipated in the budget, of which roughly $1 million of the shortfall is projected to be in General Fund. The source for this additional funding has not yet been identified.

POLICY CONSIDERATION

HSA is currently projected to end the year with a net operating surplus of approximately $10.2 million, which reflects $12.7 million in surplus revenue offsetting $2.4 million in projected expenditure deficit. Higher than anticipated revenue reflects a surplus in Aid and Assistance programs and a surplus in Operations and Administration primarily due to an increase in Medi-Cal funding.

While HSA currently projects a net operating surplus, it is unclear what funding sources will be utilized if ongoing support for the COVID Feeding Program exceeds the funding budgeted through the end of FY 2020-21. We recommend HSA report back to the Budget and Finance Committee on the sources identified to cover Program costs should spending outpace the current budget.

RECOMMENDATIONS

1. Request the Human Services Agency to provide a written report detailing the sources of funding for all the COVID Feeding Program expenditures by March 15, 2021 and include the report in the legislative file.

2. Approve the release of reserves.

Item 8 **File 20-1319**	**Department:** Department of Emergency Management

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed hearing is a request for the release of $7,762,051 on Budget and Finance Committee Reserve for COVID-19 response in FY 2020-21.

Key Points

- In September 2020, the Board of Supervisors approved the Department of Emergency Management's ("Emergency Management") FY 2020-21 budget, which included $15,453,724 to support COVID-19 response expenditures. Due to uncertainty regarding future needs for continued funding of the Emergency Operations Center and Joint Information Center to support the COVID-19 response, the Board of Supervisors placed approximately half of this total, or $7,762,051, on Budget and Finance Committee Reserve. The funds

Fiscal Impact

- The COVID-19 response budget of $15,453,724 funds the costs of COVID Command Center staffing and operations, the Joint Information Center staffing and public messaging, Moscone Center operating costs, and Emergency Management overtime. Of the $15,453,724 allocation, $4,456,496 was transferred to the Sheriff's Department to pay for security staffing and to the Department of Public Health to pay for temporary staff.
- The Department of Emergency Management's budget for COVID-19 response, net of transfers to the Department of Public Health and the Sheriff's Department, is $10,997,228. According to Department documents, actual expenditures and encumbrances from July 2020 through November 2020 are $3,682,067, which is less than the Department's spending plan for these months, and the Department's planned spending for December 2020 through June 2021 is $6,557,394, leaving a balance of $1,204,657.
- We recommend releasing $6,557,394 of the requested release of $7,762,051, consistent with the Department's spending plan, and retaining $1,204,657 on Budget and Finance Committee Reserve. While Department of Emergency Management staff have expressed concern about potential new costs due to the surge of COVID cases, and the need to plan for distribution of the vaccine, funds of $1,204,657 will remain available for release if the need arises.

Recommendation

- Release $6,557,394 and retain $1,204,657 on Budget and Finance Committee Reserve.

MANDATE STATEMENT

City Administrative Code Section 3.3(j) states that the Budget and Finance Committee of the Board of Supervisors has jurisdiction over the City's budget and may reserve proposed expenditures to be released at a later date subject to Board of Supervisors approval. The practice of the Board of Supervisors is for the Budget and Finance Committee to approve release of funds placed on reserve by the Committee, without further Board of Supervisors approval.

BACKGROUND

Department of Emergency Management

In September 2020, the Board of Supervisors approved the Department of Emergency Management's ("Emergency Management") FY 2020-21 budget, which included $15,453,724 to support COVID-19 response costs.[1] Due to uncertainty regarding future needs for continued funding of the Emergency Operations Center and Joint Information Center to support the COVID-19 response, the Board of Supervisors placed approximately half of this total, or $7.76 million, on reserve, as shown in Table 1 below.[2] The purpose of the reserve was to allow the Budget & Finance Committee to review Emergency Management's emergency spending and evaluate whether the annual budget was still reasonable.

Table 1. Budget and Finance Committee Reserve Funding for Emergency Management

Program	Reserve Funding
Command Center Operations	$6,056,688
COVID-Related Overtime	307,495
Joint Information Center	1,397,868
Total	**$7,762,051**

As shown in Table 1, the Board of Supervisors reserved approximately $6.1 million for COVID Command Center Operations, approximately $300,000 for Emergency Management's COVID-related overtime, and $1.4 million for the Joint Information Center budget, on reserve, totaling $7.8 million.[3]

The Department's FY 2020-21 COVID-19 response budget is funded by the General Fund; however the Department anticipates that approximately 50 percent of expenditures will be reimbursable through the FEMA Federal Share Recovery Program.[4] The Department's COVID-19 Response budget is summarized below.

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[1] Costs include the continued use of Moscone South as the City's temporary Emergency Operations Center, temporary salary expenses, public outreach and messaging.

[2] At the time of budget deliberations, many of these costs were unknown and there was the possibility that EOC and/or JIC operations would phase out at some point during FY 2020-21, as the City shifts from an acute crisis emergency response to a less intense, more prolonged response.

[3] The Administration Division's total budget is $38,811,524 for FY 2020-21.

[4] The Department is working with the Controller's office to submit requests to FEMA for reimbursement on a quarterly basis.

Table 2. Emergency Management's COVID-19 Response Budget Summary[5]

Program Name	Anticipated Reimbursable Funding via FEMA	Non-Reimbursable Funding (General Fund)	Total
COVID Command Center (CCC) Staffing	$693,111	$693,111	$1,386,222
Moscone Center Operations	3,682,284	3,682,284	7,364,568
Sheriff's Department Security	1,646,105	1,646,105	3,292,209
Emergency Management Staff Overtime	307,495	307,495	614,989
JIC Staffing	447,868	447,868	895,736
JIC Public Messaging	950,000	950,000	1,900,000
Total	**$7,726,862**	**$7,726,862**	**$15,453,724**

Source: Emergency Management

Note: JIC refers to the Joint Information Center

As noted in the table above, the $15.5 million budget for COVID response includes approximately;

- $1.4 million for hiring additional temporary staff to provide operations and logistics support at the COVID Command Center (CCC);[6]
- $7.4 million for Moscone Center operating expenses including custodial, engineering, facility management, and IT personnel, among others;
- $3.3 million in Sheriff Department security costs to monitor the entrance of Moscone South and patrol the basement level, which is currently being used to house all Personal Protective Equipment (PPE);
- $614,989 for Emergency Management personnel overtime to support COVID-related activities; and
- $2.8 million towards Joint Information Center staffing and public messaging funds, which includes hiring additional temporary full-time positions to support Joint Information Center communications, as well as the development of strategies and communications to inform sustained public information efforts.[7]

Transfer to Other Departments

Of the total $15,453,724 FY 2020-21 COVID response budget (which includes the reserve funding), $4,456,496 has since been transferred to other departments. According to Mr. William Lee, Emergency Management's Deputy Director of Administration and Support, after departmental COVID response budgets were approved, the Controller's Office instructed departments with budgets for COVID to administer interdepartmental services as direct charges, as opposed to the usual practice of establishing workorder encumbrances and then workorder

[5] This budget includes the $7,762,051 that was placed on reserve.

[6] According to DEM, the Department has a number of grant funded positions which have been assigned to work as DSWs. Because the work they are currently performing does not tie to the grant eligibility of their funded positions, their salaries costs are being offset with this COVID budget.

[7] Expenses associated with JIC communication efforts also include graphic design services, language translation services, public service announcements, among other expenses.[7]

billings.[8] Therefore, the Department of Emergency Management transferred $4.5 million to other departments to account for their COVID-related expenses related to Sheriff Security Staffing and DPH temporary staffing to support the Joint Information Center, as shown in the Table below.

Table 3. Emergency Management Interdepartmental Transfers

Department Receiving Funds	Amount
Sheriff's Department	$3,503,486
Department of Public Health	953,010
Total Funds Transferred	4,456,496
Revised Total Budget	**$10,997,228**

Source: Emergency Management

DETAILS OF PROPOSED LEGISLATION

The proposed hearing is a request for the release of $7,762,051 on Budget and Finance Committee Reserve for COVID-19 response in FY 2020-21.

FISCAL IMPACT

Projected Need

The Department of Emergency Management's budget for COVID-19 response, net of transfers to the Department of Public Health and the Sheriff's Department, is $10,997,228. According to Department documents, actual expenditures and encumbrances from July 2020 through November 2020 are $3,682,067, which is less than the Department's spending plan for these months[9], and the Department's planned spending for December 2020 through June 2021 is $6,557,394, leaving a balance of $1,204,657, as shown in Table 4 below.

Table 4: Projected Emergency Management **Spending and Reserve Request**

Total Appropriation	15,453,724
Transfers	(4,456,496)
Available Funds	10,997,228
Actual Expenditures through November 30 2020	(3,682,067)
Projected Spending through June 30 2020	(6,557,394)
Surplus	1,204,657

Source: BLA Analysis of Emergency Management Spending

[8] These departments include the Department of Public Health (DPH), the Human Services Agency (HSA), the Department of Homelessness and Supportive Housing (HSH), the Department of Public Works (DPW) and the Department of Emergency Management (DEM)

[9] The spending plan includes the COVID Command Center, Joint Information Center Information Center, Moscone Center, 911 Call Center, and public messaging.

We recommend releasing $6,557,394, consistent with the Department's spending plan, and retaining $1,204,657 on Budget and Finance Committee Reserve. While Department of Emergency Management staff have expressed concern about potential costs due to the surge of COVID cases, and the need to plan for distribution of the vaccine, these funds of $1,204,657 will remain available for release if the need arises.

RECOMMENDATION

Release $6,557,394 and retain $1,204,657 on Budget and Finance Committee Reserve.

Item 9 File 20-1278	Department: San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would authorize the San Francisco International Airport (Airport) Commission, under the Airport's COVID-19 Emergency Rent Relief Program, to amend certain leases with Airport Concession tenants without Board of Supervisors approval under City Charter Section 9.118, and waive Administrative Code and Environment Code requirements enacted after the most recent modification of each lease for those amendments that are conducted under the Rent Relief Program.

Key Points

- The Airport's COVID-19 Emergency Rent Relief Program allows the Airport Commission to amend eligible leases to waive various types of rents and fees for certain periods of time, varying by concession sector. The program is anticipated to provide rent relief to 125 tenants across four sectors of Airport concession leases: (1) Food and Beverage; (2) Retail; (3) Services; and (4) Rental Cars.
- Approximately 102 of the leases eligible for participation in the program would typically require Board of Supervisors approval for amendments, as outlined in City Charter Section 9.118(c). The proposed ordinance would waive Board of Supervisors approval for these leases so the Airport may quickly implement the program and provide tenant relief. The proposed ordinance would also waive Administrative and Environmental Code provisions for eligible leases enacted after a tenant's original lease or most recent amendments.

Fiscal Impact

- The total amount of rent and fee waivers provided by the COVID-19 Emergency Rent Relief Program is estimated at $21,269,133. The program is funded by federal CARES Act funding.
- The program would reduce the Airport Service Payment to the City's General Fund by approximately $1,626,843.

Policy Consideration

- Because the proposed ordinance waives Administrative and Environmental Code provisions and Board of Supervisors approval of lease amendments under Charter Section 9.118(c), approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Recommendation

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

MANDATE STATEMENT

City Charter Section 9.118(c) states that (1) any lease of real property for ten or more years, including options to renew, (2) have anticipated revenues to the City of $1,000,000, or (3) the modification, amendment or termination of these leases is subject to Board of Supervisors approval.

BACKGROUND

Air traffic has declined due to the COVID-19 pandemic. In April 2020, passenger traffic at San Francisco International Airport (Airport) was only three percent of April 2019 levels. Passenger traffic has slowly increased, but remains well below pre-COVID projections and may take three to four years to fully recover.

After the March 17, 2020 Shelter-In-Place order throughout six Bay Area counties, the number of restaurants, stores, and passenger services locations operational at the Airport dropped from 149 to 27. To assist tenants, the Airport offered concessionaires the option of deferring payment of all rent and fees for April and May 2020, with deferred payments due by June 1, 2021 (the COVID-19 Rent Deferral Program). As of October 2020, 52 percent of food and beverage and retail locations are open, but most have reduced operating hours and some only provide take-out service. The Airport's phased reopening plan has all existing food and beverage and retail locations open by June 2021, but the situation remains fluid.

In June 2020, the Federal Aviation Administration (FAA) encouraged airports to provide temporary rent abatements and Minimum Annual Guarantee (MAG) waivers to assist airport businesses through the COVID-19 pandemic and to protect workers' jobs. The Airport received $258.4 million in federal CARES Act funding to pay for operations and maintenance expenses. The Airport estimates that total rent relief available to Airport tenants is approximately $21.3 million. On October 6, 2020, the Airport Commission authorized Airport staff to implement the COVID-19 Emergency Rent Relief Program.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would authorize the Airport Commission, under the Airport's COVID-19 Emergency Rent Relief Program, to amend certain leases with Airport concession tenants without Board of Supervisors approval under City Charter Section 9.118. It would also waive Administrative Code and Environment Code requirements enacted after the most recent modification of each lease for those lease amendments that are enacted under the Rent Relief Program.

Waiver of Administrative and Environmental Code Provisions

Typically, Administrative and Environmental Code provisions that were enacted after the commencement of the original lease or amendments to the original lease must be included in subsequent amendments to the lease. Examples of these provisions include but are not limited to Administrative Code: Section 4.1-3 (All-Gender Toilet Facilities), Section 4.9-1(c) (Vending Machines; Nutritional Standards and Calorie Labeling Requirements; Offerings), Section 4.20

(Tobacco Product and Alcoholic Beverage Advertising Prohibition), Chapters 12B and 12C (Nondiscrimination in Contracts and Property Contracts), Section 12F (MacBride Principles – Northern Ireland), Chapter 12K (Salary History), Chapter 12Q (Health Care Accountability), Chapter 12T (Criminal History in Hiring and Employment Decisions), Chapter 21C (Miscellaneous Prevailing Wage Requirements), Sections 23.50-23.56 (Labor Representation Procedures in Hotel and Restaurant Developments), Section 23.61 (Prevailing Wage and Apprenticeship Requirements and Local Hire Requirements), and Sections 83.1 et seq. (First Source Hiring Program); and Environmental Code: Chapter 3 (Restrictions on Use of Pesticides), Sections 802(b) and 803(b) (Tropical Hardwood and Virgin Redwood Ban), Chapter 13 (Preservative-Treated Wood Containing Arsenic), and Chapter 16 (Food Service and Packaging Waste Reduction Ordinance. According to the Airport, 31 of the 125 leases included in the Covid-19 Emergency Rent Relief Program are older than five years. The Airport states that the provisions listed above are included in the leases due either to the age of the provision or the relative newness of the Airport's current concessions program.

Impact on Airport Tenants

According to the proposed ordinance, approximately 102 of the leases eligible for participation in the COVID-19 Emergency Rent Relief Program would typically require Board of Supervisors approval for amendments, as outlined in City Charter Section 9.118(c). The Airport is asking to waive Board of Supervisors approval for making lease amendments under the COVID-19 Emergency Rent Relief Program in order to quickly implement the program.

As shown in Table 1 below, the COVID-19 Emergency Rent Relief Program waives various types of rents and fees for certain periods related to COVID-19, varying by concession sector.

Table 1: COVID-19 Emergency Rent Relief Program

Concession Sector	Number of Leases and Permits	Financial Relief (All Months Shown in 2020)
Food and Beverage	68	March: Waive MAG, while not waiving Percentage Rent[1]; April & May: Waive all rent, fees, and utility charges; June-December: Waive storage fees, food court cleaning fees, tenant infrastructure fees, refuse fees, and marketing fees.
Retail	39	March: Waive MAG, while not waiving Percentage Rent; April & May: Waive all rent, fees, and utility charges; June-December: Waive storage fees, tenant infrastructure fees, refuse fees, and marketing fees.
Services	13	March: Waive MAG, while not waiving Percentage Rent; April & May: Waive all rent, fees, and utility charges; June-December: Waive storage fees, refuse fees, and marketing fees.
Rental Cars[2]	5	March: Waive Space Rent; April & May: Waive Space Rent and utility charges.
Total Leases	**125**	

Source: Airport

Program Requirements

Eligible Concessionaires

The COVID-19 Emergency Rent Relief Program is available to the following concessionaires:

- Concession tenants with a lease effective as of February 1, 2020 and a term extending through at least August 31, 2021;
- Concession tenants operating on a holdover basis; or
- Concession program permittees with operations at the Airport as of February 1, 2020.

Ongoing Requirements

To receive relief under the COVID-19 Emergency Rent Relief Program, Eligible Concessionaires must satisfy the following ongoing requirements at all times prior to August 31, 2020:

- If the concessionaire ceased operations due to the COVID-19 pandemic, it must recommence operations and continue to operate through at least August 31, 2021 in

[1] Under Airport concession leases, tenants pay the greater of the Minimum Annual Guaranteed (MAG) rent or Percentage Rent of gross revenues. Leases typically contain a provision to suspend MAG rent when enplanements drop below 80 percent of base year enplanements for three consecutive months. Due to the impact of COVID-19 on air travel, MAG rents have been suspended, and tenants have been paying percentage rent.

[2] Rent relief will be for the previous leases at the On-Airport Car Rental Center, as the holdover of those leases expired August 31, 2020 and the new leases commenced September 1, 2020.

conformance with the schedule provided by the Airport. The schedule may be modified at the Airport Director's discretion to adjust to the operational needs of the Airport.

- The concessionaire must remain in good standing and not in default of their agreements, beyond notice and cure periods, or must not be otherwise in any unresolved dispute with the City at any time during the term of the program, through August 31, 2021.

Payroll and Rehiring Program Requirements

Eligible Concessionaires with employees stationed at the Airport must have satisfied the following conditions no later than August 31, 2021:

i. All Food and Beverage Concessions must expend at least 33 percent of their total MAG relief on "payroll costs," as defined in the CARES Act;

ii. Retail Concessions must expend at least 18 percent of their total MAG relief given on such payroll costs;

iii. Services Concessions must spend at least 33 percent of their total MAG relief given on such payroll costs;

iv. Rental Car Concessions must spend at least 33 percent of their total Rental Car Center Space Rent relief given on such payroll costs; and

v. All concessions must participate in a hiring program which prioritizes the hiring and/or rehiring of laid-off and furloughed employees at SFO.

All concessions must track their payroll costs and provide reasonable documentation demonstrating such compliance in order to satisfy these requirements.

Additional Terms and Conditions

If any concessionaire participates in the COVID-19 Emergency Rent Relief Program but fails to satisfy the requirements by August 31, 2021, then any amounts deferred under the COVID-19 Rent Deferral Program will become immediately due and payable. Participation in the COVID-19 Emergency Rent Relief Program is not mandatory, and any concessionaire may decline financial relief and incentives being offered if they are unable or unwilling to satisfy program requirements. The Airport Director may make necessary and appropriate adjustments to the COVID-19 Emergency Rent Relief Program to ensure that it is implemented in a fair and consistent manner and continues to meet the operational requirements of the Airport and the goals of the Airport Commission.

FISCAL IMPACT

The Airport estimates that the total cost of the COVID-19 Emergency Rent Relief Program is approximately $21,269,133. The program is funded by federal CARES Act funding. According to Ms. Cheryl Nashir, Airport Director of Revenue Development and Management, tenants that have participated in the COVID-19 Rent Deferral Program would have their rents and fees waived under the Rent Relief Program, while tenants that have paid rents and fees would receive rent credits. Estimated rent relief by concession sector is shown in Table 2 below.

Table 2: Estimated Rent Relief by Concession Sector

Concession Sector	Number of Leases and Permits	MAG and Percentage Rent Waived	Space Rent, Utilities, and Fees Waived	Total Financial Relief
Food and Beverage	68	$2,743,112	$4,278,159	$7,021,271
Retail	39	2,955,219	851,243	3,806,462
Services	13	4,107,530	686,641	4,794,171
Rental Cars	5	-	5,647,229	5,647,229
Total	**125**	**$9,805,862**	**$11,463,272**	**$21,269,133**

Source: Airport

As shown in Table 2 above, the COVID-19 Emergency Rent Relief Program would waive approximately $9,805,862 in MAG and Percentage rent and approximately $11,463,272 in Space Rent, utilities, and fees. According to Ms. Nashir, MAG and Percentage rents are eligible for the Airport Service Payment, which returns 15 percent of concession revenues to the City’s General Fund, while Space Rent, utility charges, and fees are not eligible. However, for Rental Car concessions, surface space rent is eligible for the Airport Service Payment. Airport Finance staff estimates that the Rental Car surface space rent waived by the program is approximately $1,039,759. Therefore, the impact of the program to the City’s General Fund is 15 percent of MAG, Percentage Rent, and Rental Car surface space rent waived, or approximately $1,626,843.

POLICY CONSIDERATION

General Fund Impact

According to the Controller's FY 2020-21 Three-Month Budget Status Report, issued November 10, 2020, the Airport Service Payment to the City's General Fund is projected to be $15.2 million, which is $9.9 million (39.5 percent) below budget and $18.3 million (54.7 percent) below prior year actuals. According to Airport Finance staff, the impact of the Airport’s COVID-19 Emergency Rent Relief Program to the General Fund is included in this projection.

Waiver of Board Contract Review and Municipal Code Requirements

The proposed ordinance will waive the Board of Supervisors’ approval of lease amendments for a subset of the approximately 125 leases eligible for the COVID-19 Emergency Rent Relief Program (estimated to be 102 leases which are subject to Board of Supervisors’ approval). It will also waive compliance requirements under the Administrative Code and Environmental Code enacted after the most recent modification of each lease for those lease amendments that are entered into under the program. Because the proposed ordinance waives Administrative and Environmental Code provisions and Board of Supervisors’ approval of lease amendments under Charter Section 9.118(c), we consider approval of the proposed ordinance to be a policy matter for the Board of Supervisors.

RECOMMENDATION

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

Item 11 File 20-1291	Department: Department of Homelessness & Supportive Housing

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a new $26,329,610 grant agreement between the City and Episcopal Community Services (ECS) for a three-year and two-month term from January 1, 2021, through February 29, 2024.

Key Points

- x Episcopal Community Services (ECS) is a non-profit that provides services to individuals who have experienced homelessness in San Francisco. Under the proposed agreement, ECS will continue to provide supportive housing services at the five master lease supportive housing sites.

Fiscal Impact

- The total City funding for the proposed agreement is to be $23,508,581. The proposed resolution's not-to-exceed amount is $26,329,610, which includes a 12 percent contingency for escalating operating costs and unexpected funding needs. The Department expects to use HSH Fund and General Fund to fund the City share of the costs.

Policy Consideration

- According to the Controller's Office FY 2020-21 Three-Month Budget Status Report dated November 10, 2020, General Fund revenues are estimated to be $115.9 million less than budgeted for FY 2020-21. The proposed contract would require $250,000 in General Fund costs in FY 2020-21, which is included in the Department's FY 2020-21 General Fund appropriation.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

Episcopal Community Services (ECS) is a non-profit that provides services to individuals who have experienced homelessness in San Francisco. The City provides grant funding to ECS to provide supportive housing services at five master lease sites, shown below in Table 1.

Existing Agreement with ECS

The Department of Homelessness & Supportive Housing's (HSH) existing agreement with ECS expires December 31, 2020. The existing agreement has a six-month term, which allowed for continuation of services after the prior agreement with ECS expired on June 30, 2020. That agreement was originally entered into in 2014 after a competitive solicitation and retroactively approved by the Board of Supervisors in 2018 (File 18-1050). The agreement was amended in 2019 to allow Caritas Management Corporation as a sub-contractor, to provide Property Management services.

Vendor Selection

The Department of Homelessness & Supportive Housing procured the proposed agreement under Administrative Code Section 21B.2, which allows the Department to enter into grant agreements for homeless services without competitive solicitations typically required under Chapter 21 of the Administrative Code. According to the Department, ECS was selected because it has been providing supportive housing services at these five locations since 2014.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new $26,329,610 grant agreement between the City and Episcopal Community Services (ECS) for a three-year and two-month term from January 1, 2021, through February 29, 2024.

Services Provided

According to Appendix A of the proposed agreement, ECS will provide supportive housing services, including outreach, intake and assessment for vacant units, case management, benefits advocacy and referrals to services, coordination with property management, wellness checks, support groups and other organized activities, and exit planning to prospective and existing tenants at the master lease supportive housing sites shown in Table 1 below.

Table 1: Master Lease Supportive Housing Sites in Proposed Agreement

Name	Address	Units
Alder Hotel	175 6th Street	116
Crosby on O'Farrell Hotel	516 O'Farrell Street	124
Elm Hotel	364 Eddy Street	80
Hillsdale Hotel	51 6th Street	75
Mentone Hotel	387 Ellis Street	68
Total		**463**

Source: Appendix A to Proposed Agreement

As shown above, the proposed agreement would allow for supportive housing services at five supportive housing sites with a total of 463 units. Potential tenants would be referred to units by the Department of Homelessness & Supportive Housing's Coordinated Entry process and are typically enrolled in the County Adult Assistance Program, which provides cash and other benefits to low-income residents. According to the Department, 18 units were vacant as of the beginning of November 2020. As of that date, ECS had an average occupancy rate of 97.15 percent.

Performance Monitoring

According to the FY 2019-20 monitoring report for the existing agreement, ECS was meeting all of its program objectives, including achieving housing stability for 90 percent of tenants, retaining at least 75 percent of tenants who do not pay rent or have other lease violations, and at least 80 percent of tenants indicating satisfaction with program services.

However, ECS did not meet its objective of 80 percent of tenants indicating satisfaction with the timeliness and quality of repairs. According to the FY 2019-20 tenant survey, 45 percent of respondents had favorable responses for maintenance. The proposed agreement expands the service objectives for ECS. HSH will ensure ECS provides timely and quality maintenance by continuing to monitor the annual tenant survey responses.

FISCAL IMPACT

Table 2 below summarizes the sources and uses for the proposed agreement with ECS.

Table 2: Sources and Uses for Proposed Agreement

Sources	FY 2020-21 (6 months)	FY 2021-22	FY 2022-23	FY 2023-24 (6 months)	Total
Operating Revenue					
Rental Income	1,068,022	2,136,043	2,136,043	1,424,029	6,764,136
Private Revenue	2,597	5,194	5,194	3,462	16,445
Subtotal, Operating Revenue	1,070,619	2,141,238	2,141,238	1,427,491	6,780,581
City Funds					
HSH Fund	3,461,881	6,923,762	6,923,762	4,949,175	22,258,581
General Fund	250,000	500,000	500,000	0	1,250,000
Subtotal, City Funding	3,711,881	7,423,762	7,423,762	4,949,175	23,508,581
Total Sources	**4,782,500**	**9,565,000**	**9,565,000**	**6,376,666**	**30,289,161**
Uses					
Salaries & Benefits	889,355	1,778,709	1,778,709	1,185,806	5,632,579
Non-Personnel Costs	976,858	1,953,716	1,953,716	1,302,477	6,186,767
Subtotal, Operating Expenses	1,866,213	3,732,425	3,732,425	2,488,284	11,819,347
Indirect (12%)	223,946	447,891	447,891	298,594	1,418,322
Other Operations Expenses (not subject to Indirect)	2,692,342	5,384,683	5,384,683	3,589,789	17,051,496
Total Uses	**4,782,500**	**9,565,000**	**9,565,000**	**6,376,666**	**30,289,164**

Source: Appendix B of Proposed Agreement and HSH

Notes: FY 2020-21 includes six months of costs and FY 2023-24 includes eight months of costs, consistent with the agreement's term

Private Revenue refers to ECS fundraising efforts

HSH Fund refers to the funding source formerly known as Care Not Cash (CNC)

Other Expenses refer to Operations line items that are not subject to the indirect percentage, such as the master lease payment.

$4 of expenses are not accounted for in revenues.

As shown above, the total cost of these supportive housing services is $30,289,161, which is offset by $6,780,586 in operating revenues consisting of tenant rents and private fundraising by ECS. The total City funding for the proposed agreement is to be $23,508,581. The proposed resolution's not-to-exceed amount is $26,329,610, which includes a 12 percent contingency for escalating operating costs and unexpected funding needs. The Department expects to use HSH Fund and General Fund to fund the City share of the costs. The operating expenses in the proposed agreement are the same as in the existing agreement.

POLICY CONSIDERATION

According to the Controller's Office FY 2020-21 Three-Month Budget Status Report dated November 10, 2020, General Fund revenues are estimated to be $115.9 million less than budgeted for FY 2020-21. Revenue projections will be updated mid-year, as part of the Joint Report prepared by the Controller, Mayor's Office of Public Policy and Finance, and our Office, which will also project revenues and expenditures for subsequent fiscal years. In a presentation to the Budget & Appropriations Committee on November 19, 2020, the Mayor's Acting Budget Director stated that the Mayor has requested departments to prepare proposals to reduce spending in order to accommodate the projected decrease in General Fund revenues. The Mayor's plan to rebalance the FY 2020-21 budget is expected to be finalized in January.

As shown above, the proposed contract would require $250,000 in General Fund costs in FY 2020-21, which is included in the Department's FY 2020-21 General Fund appropriation.

RECOMMENDATION

Approve the proposed resolution.

Item 13 **File 20-1333**	**Department:** Controller's Office of Public Finance

EXECUTIVE SUMMARY

- The proposed resolution authorizes the issuance of not to exceed $995,000,000 aggregate principal amount of City and County of San Francisco Judgment Obligation Bonds to pay the costs of a potential judgment associated with litigation related to Proposition C (2018) (Commercial Rent Tax for Childcare and Early Education), subject to specified conditions.

Key Points

- The California Constitution defines the debt limit for local jurisdictions, in which indebtedness or liabilities entered into for the year cannot exceed the local jurisdiction's revenues for the year. An exception to the debt limit is the "Obligation Imposed by Law Exception", in which local jurisdictions may issue debt, such as judgment obligation bonds, to settle legal obligations.
- Proposition C was approved by 50.9 percent of San Francisco voters in 2018. A lawsuit was filed stating that Proposition C required two-thirds voter approval. In June 2019, the San Francisco Superior Court ruled that Proposition C, as a citizen's initiative, was correctly certified by City officials with 50 percent approval. This decision could be appealed to the California Supreme Court.
- Given the court decision, and passage of Proposition F in November 2020, which created a new general tax that would go into effect if the original Proposition C were to be overturned, the Controller plans to release revenues generated by Proposition C from Controller's Reserve. The proposed resolution approves the issuance of the Judgment Obligation Bonds as a "prudent budgetary measure" in the event that the California Supreme Court could rule against the City and require repayment of Proposition C taxes.

Fiscal Impact

- The Controller estimates issuing $990.4 million in Judgment Obligation Bonds, of which $843.3 million would repay previously collected taxes, and the balance would be reserves and financing costs. The City collected $269.7 million in Proposition C revenues through June 2020 and estimates collection of $573.6 million through June 2023, totaling $843.3 million.

Policy Consideration

- Approval of the proposed resolution is a preliminary approval of the proposed Judgment Obligation Bonds. The Office of Public Finance would only issue the Bonds in the event of the California Supreme Court overturning the Tax on Commercial Rents for Childcare and Early Education Board of Supervisors approval of the Preliminary Official Statement and other financing documents would be required at a future date.

Recommendations

- Amend the proposed resolution to add a "whereas" clause stating that the Office of Public Finance will provide Good Faith Estimates of the bond financing costs to the Board prior to the issuance of the Bonds in compliance with Section 5852.1 of the California Government Code.
- Approve the proposed resolution as amended.

MANDATE STATEMENT

City Charter Section 9.106 provides for Board of Supervisors approval for the issuance of bonds in accordance with the State Constitution. The State Constitution allows for the issuance of bonds to pay for obligations imposed by law (e.g. legal judgments).

The California Government Code authorizes the City to issue refunding bonds for the purpose of refunding any evidence of indebtedness of the City.

BACKGROUND

Judgment Obligation Bonds

Article XVI, Section 18 of the California Constitution defines the debt limit for local jurisdictions, in which indebtedness or liabilities entered into for the year cannot exceed the local jurisdiction's revenues for the year. Local jurisdictions may exceed the debt limit if the issuance of bonds is approved by two-thirds of voters. An exception to the debt limit is the "Obligation Imposed by Law Exception". According to the California Debt and Advisory Commission, the constitutional debt limit is designed to address only discretionary actions, and therefore voter approval of bonded debt is not required if the debt is to pay the local jurisdiction's legal obligations. The Obligation Imposed by Law Exception applies if the payment of a liability is imposed or mandated by law (e.g. a court judgment). According to the California Debt and Advisory Commission, because the case law is not well developed, this exception generally requires a validation proceeding. The Obligation Imposed by Law Exception is generally applied to pension obligation bonds and judgment obligation bonds.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the issuance of not to exceed $995,000,000 aggregate principal amount of City and County of San Francisco Judgment Obligation Bonds to pay the costs of a potential judgment associated with litigation related to Proposition C (2018) (Commercial Rent Tax for Childcare and Early Education), subject to specified conditions.

Proposition C (June 2018)

The California Constitution requires two-third voter approval for taxes imposed by a local jurisdiction for special purposes. The California Supreme Court in 2017 (California Cannabis Coalition v. City of Upland) ruled that the Constitution provision did not apply to citizen initiatives for the holding of special elections but did not specifically address voter approval requirements.

Proposition C, the Commercial Rent Tax for Childcare and Early Education, was a citizen initiative imposing taxes on commercial rents for the purpose of funding childcare and early education programs. The proposition was approved by 50.87 percent of the votes in the June 2018 election.

In June 2019, the San Francisco Superior Court ruled that Proposition C (June 2018) was correctly certified by City officials with 50 percent rather than two-third voter approval.[1] This decision was upheld by the California First District Court of Appeals, which could be appealed to the California Supreme Court.

Proposition F (November 2020)

San Francisco voters approved Proposition F, revising the gross receipts tax structure, in November 2020 with 67.48 percent of the vote. Proposition F also created a new general tax, equal to the Commercial Rent Tax for Childcare and Early Education approved by Proposition C in June 2018, which would go into effect if the original Proposition C were to be overturned on appeal to the California Supreme Court. Revenues from the new general tax would be used to pay back businesses that had paid the Commercial Rent Tax for Childcare and Early Education[2] and provide a revenue stream going forward.

Proposed Judgment Obligation Bonds

Commercial Rent Tax for Childcare and Early Education revenues have been placed on Controller's Reserve pending the outcome of litigation. According to the proposed resolution, the Controller now plans to release these funds, although the litigation challenging the certification of Proposition C could be appealed to the California Supreme Court.

The proposed resolution approves the issuance of the Judgment Obligation Bonds as a "prudent budgetary measure" in the event that the California Supreme Court could rule against the City and require businesses to be repaid for Commercial Rent Tax for Childcare and Early Education payments. The proposed resolution authorizes the Controller to issue bonds to:

- Pay the Judgment Obligation, including the reimbursement of the City for any advances or interfund borrowings made to pay such Judgment Obligation in anticipation of the issuance of the Bonds;
- Fund a debt service or other similar reserve; and
- Pay the costs of issuance of the Bonds (including underwriter's discount).

According to the proposed resolution, the Judgment Obligation Bonds would only be issued if:

- The California Supreme Court rules against the City's certification of Propositions C, and the Controller determines that the City has insufficient funds to pay the Obligation; and
- The Board of Supervisors approves the financing documents, including the Preliminary Official Statement, at a future date and prior to issuance of the Bonds.

[1] The 2017 San Francisco Superior Court ruling also applied to the November 2018 Proposition C, which imposed a gross receipts tax for homeless services. Proposition C was approved with 61.34 percent of the vote. The California First District Court of Appeals upheld the Superior Court ruling in June 2020, and the California Supreme Court subsequently declined to hear the appeal on the November 2018 Proposition C.

[2] Businesses were required to pay the tax pending the outcome of litigation, but tax revenues have been placed on Controller's Reserve.

Validation Proceedings

As noted above, because the case law is not well-developed regarding judgment obligation bonds, which are an exception to the California Constitution's debt limit requirements, issuance of these bonds generally requires a validation proceeding. The proposed resolution authorizes City officials to bring a validation action under Section 860 of the California Code of Civil Procedure to determine the legality and validity of the proposed Judgment Obligation Bonds.

Negotiated Sale

The proposed resolution authorizes the Director of Public Finance to sale the Judgment Obligation Bonds through a negotiated rather than competitive sale. According to Ms. Anna Van Degna, Director of Public Finance, the Controller's Office is proposing a negotiated rather than competitive sale because a negotiated sale provides an opportunity for issuers to engage with underwriter(s) and investors during a "pre-marketing" period ahead of the bond sale. According to Ms. Van Degna, given the untraditional debt structure of the proposed bonds, this additional market dialogue may help expand the investor universe and result in higher demand for the bonds. The decision to issue bonds via a negotiated sale would be based upon a recommendation by the City's Municipal Advisor. Additionally, the underwriter(s) would need to be selected as part of a competitive Request for Proposals (RFP) process.

FISCAL IMPACT

According to Ms. Van Degna, the Office of Public Finance estimates issuing $990.4 million in Judgment Obligation Bonds, shown in Table 1 below, which is approximately $4.6 million less than the not-to-exceed amount of $995.0 million in the proposed resolution. The difference of $4.6 million is due to potential change in interest rates at the time of the sale.

Table: Estimated Sources and Uses of the Proposed Bonds

Sources	
Estimated Par Amount	$990,420,000
Uses	
Judgment Payments and Reserves	
Net Proceeds for Judgment	$843,280,000
Debt Service Reserve Fund [a]	92,266,275
Capitalized Interest Fund [b]	51,144,188
Subtotal	$986,690,463
Bond Issuance Costs	
Cost of Issuance [c]	$1,253,487
Underwriter's Discount [d]	2,476,050
Subtotal	$3,729,537
Total Uses	$990,420,000

Source: Controller's Office

[a] The debt service reserve fund equals one year's principal and interest payment on the bonds.
[b] A capitalized interest fund would be used in order to cover a partial year's worth of interest, in the event that the Judgement Obligation Bonds are issued on a schedule that doesn't align with the City's annual budgeting process.

[c] Costs of issuance include bond counsel, financial advisers, rating agencies, and other costs.
[d] The underwriter's discount is the difference of the price paid by the underwriter and the price paid by investors, which according to the proposed resolution would not exceed 1 percent of the par amount (or $9,904,200).

Judgment Obligation Bonds proceeds of $843.3 million would repay businesses for their Commercial Rent Tax for Childcare and Early Education payments, which went into effect in January 2019. The City collected $269.7 million in Commercial Rent Tax for Childcare and Early Education revenues through June 2020 and estimates additional collection of $573.6 million through June 2023, totaling $843.3 million.

According to Ms. Van Degna, total estimated principal and interest payments over the 20-year term of the proposed Bonds is $1.8 billion. Annual estimated debt service is approximately $90 million, to be paid from the City's General Fund.

POLICY CONSIDERATION

The proposed issuance of the Judgment Obligation Bonds would be issued in accordance with the Obligation Imposed by Law Exception to the California Constitution's debt limit. According to the proposed resolution, given the court rulings in the City's favor and the recent passage of Proposition F, the Controller plans to release from Controller's Reserve up to $269.7 million in Tax on Commercial Rents for Childcare and Early Education revenues collected through June 2020; future payments of the Tax on Commercial Rents for Childcare and Early Education would not be placed on reserve. The Office of Public Finance is requesting authority to issue Judgment Obligation Bonds at this time "as a prudent measure" to refund the City's obligations if the California Supreme Court were to overturn the Tax on Commercial Rents for Childcare and Early Education. The Office of Public Finance would only issue the Bonds in the event of the California Supreme Court overturning the Tax on Commercial Rents for Childcare and Early Education, and after approval by the Board of Supervisors of the associated Bond documents.

Approval of the proposed resolution is a preliminary approval of the proposed Judgment Obligation Bonds. Board of Supervisors approval of the Preliminary Official Statement and other financing documents would be required at a future date. According to the memorandum from the Office of Public Finance to the Board of Supervisors, the Office of Public Finance will provide Good Faith Estimates of the bond financing costs to the Board prior to the issuance of the Bonds in compliance with Section 5852.1 of the California Government Code.

RECOMMENDATIONS

- Amend the proposed resolution to add a "whereas" clause stating that the Office of Public Finance will provide Good Faith Estimates of the bond financing costs to the Board prior to the issuance of the Bonds in compliance with Section 5852.1 of the California Government Code.
- Approve the proposed resolution as amended.

Item 14 **Files 20-1318**	**Department:** Human Services Agency

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the second contract amendment between the Human Services Agency and San Francisco New Deal, for the implementation of the Great Plates Delivered program, to extend the contract term by five months through May 31, 2021, and to increase the contract amount by $16,632,000 for a total not to exceed amount of $25,740,000.

Key Points

- Created by the State of California and the Federal Emergency Management Agency (FEMA), the purpose of the Great Plates Delivered program is 1) to provide meals to adults 65 and older and adults 60-64 who are at high-risk from COVID-19 and unable to access meals while staying at home and are ineligible for other nutrition programs; and 2) to support local restaurants and other food provider/agricultural workers at risk during the public health crisis.
- In June 2020, the Human Services Agency approved a contract with San Francisco New Deal following a Request for Qualifications for the period of June 1, 2020 to August 31, 2020 in an amount not to exceed $9,108,000. Because the contract was less than $10 million and less than 10 years, the contract did not require Board of Supervisors' approval. On August 31, 2020, the Human Services Agency approved a first amendment for a no cost extension to the contract through December 31, 2020.

Fiscal Impact

- San Francisco New Deal has invoiced the City $7,729,368 for services through November 15, 2020, which leaves $1,378,632 remaining on the existing $9,108,000 contract. According to Ms. Duenas, the remaining contract authority will be depleted by December 15, 2020. The proposed second amendment would increase the contract's not-to-exceed amount by $16,632,000, which includes 168 days of spending and a ten percent contingency.
- For the proposed contract amendment, approximately 62 percent of the budget comes from the General Fund, and approximately 38 percent is provided through FEMA and the California Governor's Office of Emergency Services (CalOES).
- The Human Services Agency's FY 2020-21 budget included $15 million for the overall Great Plates Delivered program, and, the total spending on the Great Plates Delivered Program in FY 2020-21 is now projected to be $26,786,618. After State and Federal reimbursements, the Agency expects the program will require $16,741,636 in General Fund support or $8,791,636 more than budgeted.

Recommendation

- Approve the proposed the resolution

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

Great Plates Delivered Program

Created by the State of California and the Federal Emergency Management Agency (FEMA), the purpose of the Great Plates Delivered program is 1) to provide meals to adults 65 and older and adults 60-64 who are at high-risk from COVID-19 and unable to access meals while staying at home and are ineligible for other nutrition programs; and 2) to support local restaurants and other food provider/agricultural workers at risk during the public health crisis. As part of the Great Plates Delivered program, on April 23, 2020, the Human Services Agency (HSA) issued a Request for Qualifications (RFQ) for Meal Services for People Who Are in Need and Have Access to Congregate Sites, are Unsheltered, or are in Their Homes, and Who Are Otherwise Not Covered by Other City and County of San Francisco-Affiliated Programs to establish a pool of providers to provide meal services for older adults experiencing food need due to risk, exposure, illness, quarantine, accessibility issues, or similar due to the COVID-19 public health crisis. Proposals were considered from organizations that can provide the following services: 1) food production and packaging, and delivery of food to sites and/or food distribution to individuals; and 2) home delivery services. According to Ms. Rocio Duenas, Senior Contract Manager at Human Services Agency, due to the nature of the services to be performed, selection of a qualified organization from the pool was made on an as-needed basis at the agency's discretion. Each proposal's screening was a pass or fail determination as to whether the proposer met the minimum qualifications. The proposed contract term listed in the RFQ was tentatively April 24, 2020 to June 30, 2021. The RFQ established a pool of 93 pre-qualified, as-needed contractors for each of the components, which included San Francisco New Deal.

In June 2020, the Human Services Agency approved a contract with San Francisco New Deal for the period of June 1, 2020 to August 31, 2020 in an amount not to exceed $9,108,000. Because the contract was less than $10 million and less than 10 years, the contract did not require Board of Supervisors' approval. On August 31, 2020, the Human Services Agency approved a first amendment for a no cost extension to the contract through December 31, 2020.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the second contract amendment between the Human Services Agency and San Francisco New Deal, for the implementation of the Great Plates Delivered program, to extend the contract term by five months through May 31, 2021, and to increase the contract amount by $16,632,000 for a total not to exceed amount of $25,740,000.

According to Ms. Duenas, the increased contract amount and extension are needed because FEMA and the State of California continue to extend the Great Plates Delivered Program due to the COVID-19 public health crisis.

Services Provided

The purpose of this contract is to provide delivery of three meals per day to eligible participants identified by the Department of Disability and Aging Services' Integrated Intake. Eligibility requirements were determined by the State of California and FEMA and include the following criteria:

- Adults aged 65 or older, as well as older adults who are aged 60-64 and in high-risk categories (i.e., people who have received a positive COVID-19 diagnosis, have been exposed to COVID-19, or who have underlying health conditions);
- Unable to obtain or make their own meals;
- Living alone or with one other adult who also meets these criteria;
- Earning less than $74,940 for a single-person household or $101,460 for two-person households;
- People whose income is between 200 percent and 600 percent of the federal poverty level.

The City allows adults aged 60 or older whose income is below 200 percent of the federal poverty level to participate in the program.

According to Ms. Duenas, to date the program has provided 1,192,454 meals to 3,211 recipients since its inception in May 2020. 95 percent of recipients have been adults aged 65 or older, and 5 percent have been adults aged 60-64. The proposed amendment does not make any changes to the scope of services of the original contract.

Performance Monitoring

According to Appendix A-1 of the proposed contract, service objectives include the following:

- Provide meals to eligible individuals per screening by Department of Disability and Aging Services' Integrated Intake as indicated on daily spreadsheet of participants;
- Adhere to food preferences, allergies, and special diets as indicated by Intake assessment;
- Collect data and submit to program manager weekly, including: 1) number of individuals receiving meal support, 2) number of meals provided per individual, 3) dates meals delivered, 4) number of recipients over age 65, and 5) number of recipients ages 60-64

The contractor must provide a monthly report of data and activities to the Human Services Agency for inclusion in reports submitted to the State. According to Ms. Duenas, the contractor has been meeting their service objective delivery levels.

FISCAL IMPACT

According to Ms. Duenas, San Francisco New Deal has invoiced the City $7,729,368 for services through November 15, 2020, which leaves $1,378,632 remaining on the existing $9,108,000 contract. According to Ms. Duenas, the remaining contract authority will be depleted by December 15, 2020.

The proposed second amendment would increase the contract's not-to-exceed amount by $16,632,000, which includes 168 days of spending and a ten percent contingency, as shown below.

Table 1: Proposed Contract Spending

Existing Spending Authority Depleted	12/15/2020
Proposed End Date	5/31/2021
Days of Proposed Spending	168
Clients per Day	1,500
Cost per Client	$60
Subtotal	$15,120,000
Contingency (10%)	$1,512,000
Total	**$16,632,000**

Source: Human Services Agency

As shown above, the proposed contract amendment would serve up to 1,500 people per day at a cost of $60 per person per day.

Funding Sources

For the proposed contract amendment, approximately 62 percent of the budget comes from the General Fund, and approximately 38 percent is provided through FEMA and the California Governor's Office of Emergency Services (CalOES). Table 2 below summarizes the funding sources for the proposed increased contract amount of $16,632,000.

Table 2: Proposed San Francisco New Deal Budget by Funding Source

Funding Source	Amount	Percentage
Federal Emergency Management Agency	$4,989,600	30%
California Office of Emergency Services	$1,330,560	8%
General Fund	$10,311,840	62%
Total	**$16,632,000**	**100%**

Source: Human Services Agency

To be eligible for FEMA and CalOES funding, recipients must meet the age and health condition requirements and have income between 200 percent and 600 percent of the Federal Poverty Level. For eligible recipients, the funding breakdown is as follows: 75 percent from FEMA, 18.75 percent from the State, and 6.25 percent from the City. For ineligible recipients (those with incomes below 200 percent of the Federal Poverty Level), the City fully funds the costs of services.

POLICY CONSIDERATION

According to the Controller's Office FY 2020-21 Three-Month Budget Status Report dated November 10, 2020, General Fund revenues are estimated to be $115.9 million less than budgeted for FY 2020-21. Revenue projections will be updated mid-year, as part of the Joint Report prepared by the Controller, Mayor's Office of Public Policy and Finance, and our Office, which will also project revenues and expenditures for subsequent fiscal years. In a presentation to the Budget & Appropriations Committee on November 19, 2020, the Mayor's Acting Budget Director stated that the Mayor has requested departments to prepare proposals to reduce spending in order to accommodate the projected decrease in General Fund revenues. The Mayor's plan to rebalance the FY 2020-21 budget is expected to be finalized in January.

The Human Services Agency’s FY 2020-21 budget included $15 million for the overall Great Plates Delivered program, which contained $7,950,000 in General Fund support. According to the Human Services Agency, the total spending on the Great Plates Delivered Program in FY 2020-21 is now projected to be $26,786,618. After State and Federal reimbursements, the Agency expects the program will require $16,741,636 in General Fund support or $8,791,636 more than budgeted.

The Agency intends to fund the larger than expected expenditures by relying on savings in its COVID food pantries program (see the Human Service Agency’s request to release COVID feeding reserves, File 20-1312). However, as noted in our report on File 20-1312, the projected General Fund spending on the Human Services Agency’s COVID feeding programs is approximately $1 million more than budgeted and the Agency has not yet identified a funding source for the expected overspending.

RECOMMENDATION

Approve the proposed the resolution.

Item 15 **File 20-1317**	**Department:** Municipal Transportation Agency (MTA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would (1) approve the fifth amendment to the Aon Risk Insurance Services West, Inc. (Aon) contract for excess liability insurance for the Central Subway Project to increase the contract amount by $1,684,550 from $25,094,436 for an amount not to exceed $26,778,986; and (2) extend the term by approximately two years from June 24, 2020 to July 1, 2022.

Key Points

- SFMTA established an Owner Controlled Insurance Program (OCIP) to provide excess coverage above the coverage required to be provided by construction contractors. In January 2012, the SFMTA Board of Directors approved a contract with Aon Risk Insurance Services West, Inc. (Aon). Under the contract, Aon served as an insurance broker for the Central Subway project. The contract pays for insurance premiums, broker's fees, brokers' commissions, and other related charges.
- The Tutor station construction contract requires insurance coverage of $50 million and OCIP provides $150 million in additional coverage. The Barnard tunnel construction contract carries $350 million in insurance coverage and OCIP provides $150 million in additional coverage. The premiums for the $300 million in excess insurance coverage for the two OCIP Central Subway project construction contracts are based on the value of the construction contracts and the period of active construction. According to SFMTA, the majority of the increased costs and project delays were needed to ensure that the construction of the stations and various systems are operational and meet the latest requirements from regulatory agencies, and were a result of modifications to site conditions and other obstructions within the construction site.

Fiscal Impact

- SFMTA has expended all Central Subway project funding sources for the existing contract. The proposed increased insurance costs will be funded by the Capital Contingency, which are local funds from SFMTA's current operating budget reserved for capital project contingencies and approved for FY 2020-21.

Policy Consideration

- The $1.68 million required to fund the proposed contract amendment will be sourced from the SFMTA Capital Reserve, which is part of SFMTA's operating budget that is projected to have a $37.8 million deficit in FY 2020-21 according to the Controller's Office FY 2020-21 Three-Month Budget Status Report dated November 10, 2020.

Recommendations

- Request a written report from SFMTA regarding the revised budget for the Central Subway project no later than February 1, 2021 and include the report in the legislative file.
- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

The Central Subway project will connect the Muni's light rail T-line from the Caltrain station at 4th and King Streets to Washington and Stockton Streets in Chinatown. The 1.67-mile extension includes a surface station at 4th and Brannan Streets and three subway stations at Yerba Buena/Moscone Center, Union Square, and Chinatown. Revenue service for the Central Subway is expected to begin in March 2022.

San Francisco Municipal Transportation Agency (SFMTA) established an Owner Controlled Insurance Program (OCIP) to provide excess coverage above the coverage required to be provided by construction contractors. The goals of the OCIP were to reduce the cost of procuring large insurance policies, reduce construction bid costs by relieving some of the contractor insurance burden, and attract more contractors to bid.

Most of the Central Subway construction is divided between two contracts for which OCIP provides excess coverage in addition to the insurance coverage provided by the construction contractors.

- SFMTA has a contract with Barnard Impregilo Healey (Barnard) for construction of the Central Subway tunnels for $239,973,354.
- SFMTA has a contract with Tutor Perini Corporation (Tutor) for construction of stations, trackways, and control systems for $936,490,910.

According to Mr. Albert Hoe, Central Subway Project Manager, the Tutor station construction contract requires insurance coverage of $50 million and OCIP provides $150 million in additional coverage. The Barnard tunnel construction contract carries $350 million in insurance coverage and OCIP provides $150 million in additional coverage.

The contractors are liable for any latent defects not visible by inspection for a period of ten years beyond project completion. OCIP provides coverage to reduce SFMTA's exposure in the event of a catastrophic loss that exceeds the value of the insurance carried by the contractors.

Contract with Aon

In January 2012, the SFMTA Board of Directors approved a contract with Aon Risk Insurance Services West, Inc. (Aon). Under the contract, Aon served as an insurance broker. The contract pays for insurance premiums, broker's fees, brokers' commissions, and other related charges. The contract was modified four times, as shown in Table 1 below.

Table 1: Aon Contract Modifications

No.	Date	$150 million coverage – tunnel construction	$150 million coverage – trackways, stations and control systems	Not-to-Exceed Amount
1	8/3/2012	$9,808,750[1]	$0	$9,808,750
2[2]	1/24/2013	$9,808,750	$8,280,000	$18,088,750
3	6/23/2014	$9,808,750	$8,964,381	$18,773,131
4[3]	10/26/18	$14,151,837	$10,942,599	$25,094,436

Source: Contract Amendments

The contract with Aon was most recently amended in 2018 in order to extend term of contract by two years through to accommodate delays in the Central Subway project.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve the fifth amendment to the Aon Risk Insurance Services West, Inc. (Aon) contract for excess liability insurance for the Central Subway Project to increase the contract amount by $1,684,550 from $25,094,436 for an amount not to exceed $26,778,986; and (2) extend the term by approximately two years from June 24, 2020 to July 1, 2022.

The proposed amendment would provide $150 million OCIP coverage for the station construction and $150 million OCIP coverage for the tunnel construction through FY 2021-22, totaling $300 million in OCIP coverage.

Retroactive Approval

According to Mr. Robert Stone, Deputy City Attorney, the nominal term of the Aon Contract ended on June 24, 2020, but the insurance agreement is still in effect. An insurance broker is obligated to assist the insured with claims and to represent the insured to the underwriters until the statutory period for claims has expired. With the Board's approval, the nominal term of the Aon Contract will be extended retroactively commencing June 25, 2020, but the broker's obligations did not expire.

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[1] SFMTA administratively approved Amendment No. 1 to the contract, which allowed payment to different divisions within Aon, but did not change the term or not-to-exceed amount.

[2] In January 2013, the Board of Supervisors approved Amendment No. 2 to the contract, increasing the insurance coverage for the Central Subway Project from $150 million to $300 million. The contract increased by $8,280,000 to pay for premiums for the additional insurance coverage, resulting in a total contract amount of $18,088,750 (File 12-1169).

[3] In October 2018, the Board of Supervisors (1) retroactively approved Amendment No. 3 to the Aon contract, increasing the contract amount by $684,382, for a total not to exceed $18,773,132 and (2) approved Amendment No. 4 to the Aon contract, increasing the contract amount by $6,321,304, for a total not to exceed $25,094,436 (File 18-0907).

Additional Insurance Coverage Required due to Delays in the Central Subway Project

According to the November 3, 2020 SFMTA staff report to the SFMTA Board of Directors, the premiums for the $300 million in excess insurance coverage for the two OCIP Central Subway project construction contracts are based on the value of the construction contracts and the period of active construction.[4] According to Mr. Hoe, the tunnel construction costs under the contract with Barnard increased by $6.4 million, and station/ trackway/ control system construction costs under the contract with Tutor have increased by $96.8 million.

Construction of the Central Subway tunnels was completed in October 2018, and construction of the station/ trackway/ control system is scheduled for completion in approximately March 2021. Revenue service is scheduled to begin in early March 2022. Under the proposed contract amendment with Aon, the excess coverage remains at $300 million, but the contract term would be extended from June 2020 to July 1, 2022. According to Mr. Hoe, the extension of the Aon contract term to July 2022, more than one year after scheduled completion of construction, is due to the need for the insurance coverage to continue through final closeout of the project.

According to Mr. Hoe, the majority of the increased costs and project delays were needed to ensure that the construction of the stations and various systems are operational and meet the latest requirements from regulatory agencies including the Federal Transit Administration and California Public Utilities Commission. In addition, Mr. Hoe states that modifications to site conditions and other obstructions within the construction site contributed to project delays and increased costs.[5] Mr. Hoe also states that the project has been impacted by Covid-19 health restrictions, which have limited the number of construction staff to be used on site and imposed requirements on how contractors perform their work.[6] Consequently, Mr. Hoe states that there

[4] The SFMTA pays the premiums (charges) for the OCIP through Aon, which as the OCIP insurance broker, procures the insurance policies for the OCIP from 16 underwriters.

[5] According to Mr. Hoe, some examples relate to the construction of the station structure. Because the stations are constructed under the street, there were changes to the soil around the station that required the project to change the special supports to construct the station. This includes the construction of the slurry wall to be thicker and to enhance the temporary shoring to withstand the soil pressure. In addition, there was an adjustment in the water table which allowed water intrusion into the station. Since the station needed to be watertight, additional measures were installed to address the water leakage within the station. At the Union Square/Market Street Station, additional measures were needed to ensure that construction did not undermine the foundation of surrounding buildings. This included providing extra monitoring devices on all the surrounding buildings to determine real-time settlement of each foundation. In addition, increased contract costs and project delays resulted from changes to the site conditions during utility relocation. Abandoned or unidentified utility was discovered when the station structure was constructed. These utility adjustments resulted in delays to the main construction activities.

[6] The San Francisco Health Officer issued the following directives and guidelines concerning performance of construction work during the pandemic: Order of the Health Officer No. C19-07c Appendix B-2 (Large Construction Project Safety Protocol) dated March 31, 2020, superseded and reissued May 5, 2020; Health Officer Directive No. 2020-04; Appendix A: City and County of San Francisco Public Works Project Safety Protocol for COVID-19 (Alternative to Appendices B-1 and B-2 for Public Works Projects), May 5, 2020. The City Administrator also issued the following guidelines that governed safety management on construction sites: Memo from Naomi Kelly, City Administrator to Public Works Construction Departments in San Francisco Construction Industry Consensus – Best Practices COVID-19 Construction Field Safety Guidelines, April 1, 2020.

may be further delays to the project beyond the estimated construction completion date of March 2021.

FISCAL IMPACT

The proposed resolution would increase the not-to-exceed amount of the Aon contract by $1,684,550 from $25,094,436 for an amount not to exceed $26,778,986. Table 2 below shows the premium costs from the insurance underwriters for the proposed contract amendment. As previously mentioned, the premiums are based on the value of construction contracts and the periods of active construction.

Table 2: Aon Contract Amendment Proposed Costs

Uses	Costs
Apollo Side Car Demo	$557,894
Berkshire Hathaway	$279,003
CV Starr	$278,947
Allied World National Assurance Co.	$557,894
Taxes[7]	$10,812
Total	**$1,684,550**

Source: SFMTA

Funding Source

Mr. Hoe states that SFMTA has expended all Central Subway project funding sources for the existing contract, and so the proposed increased insurance costs will be funded by the Capital Contingency, which are local funds from SFMTA's current operating budget reserved for capital project contingencies and approved for FY 2020-21.

POLICY CONSIDERATION

MTA Operating Funds

According to the Controller's Office FY 2020-21 Three-Month Budget Status Report dated November 10, 2020, SFMTA projects to end the year with a $37.8 million operating deficit due to a revenue deficit of $182.4 million, which is partly offset by expenditure savings of $144.6 million. MTA operating funds are projected to end the fiscal year with a balance of $147.2 million, of which $39.1 million has been appropriated in the previously approved FY 2021-22 budget.

As noted above, the $1.68 million required to fund the proposed contract amendment will be sourced from the SFMTA Capital Reserve, which is part of SFMTA's operating budget that, as noted above, is projected to have a $37.8 million deficit in FY 2020-21.

[7] According to Mr. Hoe, this is SFMTA's estimated amount of taxes associated with the premium costs.

RECOMMENDATIONS

1. Request a written report from SFMTA regarding the revised budget for the Central Subway project no later than February 1, 2021 and include the report in the legislative file.
2. Approve the proposed resolution.

Item 18 **File 20-1185**	**Department:** Homelessness and Supportive Housing

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance amends the Administrative Code to set a cap on monthly rental payment for all Permanent Supportive Housing (PSH) units that are funded by the City at 30 percent of the tenant's adjusted monthly income.

Key Points

- Some occupants of Permanent Supportive Housing projects transferred from the Department of Public Health or Human Services Agency to the Department of Homelessness and Supportive Housing in 2016 pay more than 30 percent of their income for rent. HSH has since instituted a policy that PSH residents pay no more than 30 percent of adjusted monthly income in unit rent. However, no ongoing adjustment has been made in the legacy PSH portfolio transferred from the Human Services Agency and Department of Public Health
- The adjusted monthly income of residents will be determined by the method of calculation set forth in the housing operators contracts with the City. In those cases where the method of determination of resident monthly income is not specified or set forth in the site contracts and rental documents, the maximum monthly income will be calculated as per the methodology used by U.S. Department of Housing and Urban Development. The ordinance sets October 1, 2023 as the date by which all PSH units under contract prior to passage of the ordinance must be brought into full compliance with the 30 percent maximum rental payment cap.

Fiscal Impact

- Approximately 2,887 PSH units transferred from the Human Services Agency and the Department of Public Health's Direct Access to Housing program to HSH have tenants who may be paying monthly rents that exceed the proposed 30 percent maximum rental cap. The estimated reduction in rent under the proposed ordinance, based on FY 2020-21 rents paid by tenants to housing operators, is $6.0 million. According to HSH staff, implementation of the proposed ordinance could require an increased General Fund subsidy to offset potential reduction in tenant rents to cover operating costs for Permanent Supportive Housing sites.
- Because this is a new program for which a funding source has not yet been identified but would likely include General Fund sources, we consider approval of the proposed ordinance to be a policy matter for the Board of Supervisors.

Recommendation

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

MANDATE STATEMENT

City Charter Section 2.105 states that all legislative acts shall be by ordinance, approved by a majority of the members of the Board of Supervisors.

BACKGROUND

Prior to the formation of Department of Homelessness & Supportive Housing (HSH) in 2016, the Human Services Agency was the entity responsible for the oversight and management of Permanent Supportive Housing (PSH) funded through the Care Not Cash program (CNC) and non-Care Not Cash program (non-CNC). The Direct Access to Housing program was established in 1998 and operated by Department of Public Health.

Tenant rent varies by PSH site, based on the funding sources that have been used to construct and/or acquire the unit, and the various local, state, and federal funding sources that provide ongoing operating support. HSH has since instituted a policy that PSH residents pay no more than 30 percent of adjusted monthly income in unit rent. However, no ongoing adjustment has been made in the legacy PSH portfolio transferred from the Human Services Agency and Department of Public Health that allowed providers to charge tenants up to 50 percent of their adjusted monthly income in rent if a site provides “comprehensive on-site medical and clinical services” free of charge.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance amends the Administrative Code to set a cap on monthly rental payment for all Permanent Supportive Housing (PSH) units that are funded by the City at 30 percent of the tenant’s adjusted monthly income. The adjusted monthly income of residents will be determined by the method of calculation set forth in the housing operators contracts with the City. In those cases where the method of determination of resident monthly income is not specified or set forth in the site contracts and rental documents, the maximum monthly income will be calculated as per the methodology used by U.S. Department of Housing and Urban Development (24 C.R.F. Section 5.603 and 578.77). The ordinance sets October 1, 2023 as the date by which all PSH units under contract prior to passage of the ordinance must be brought into full compliance with the 30 percent maximum rental payment cap.

Under the terms of the proposed ordinance, wraparound service agreements will not be impacted by 30 percent cap.

At the present time, there is no requirement that supportive housing operators charge residents rent as a condition for participation in the PSH program. The proposed ordinance does not change this practice. Also, for persons currently paying less than 30 percent of adjusted monthly income in rent, the ordinance does not have any language or provisions that would limit the ability of supportive housing operators to require such persons to pay an additional increment of their adjusted monthly income in rent as a condition of ongoing participants PSH program.

FISCAL IMPACT

As shown in Table 1, approximately 2,887 such units transferred from the Human Services Agency and the Department of Public Health's Direct Access to Housing program to HSH have tenants who may be paying monthly rents that exceed the proposed 30 percent maximum rental cap. The estimated reduction in rent under the proposed ordinance, based on FY 2020-21 rents paid by tenants to housing operators, is $6.0 million, as shown in Table 1.

Table 1: Estimated Cost of Change in Rent Structure

Program	# Units at 50% Income	Average Rent	Average Rent at 30% Income	Difference in Rent Payment
Care Not Cash	1,107	$318	$176	$1,886,328
Non- Care Not Cash	1,087	$503	$302	$2,624,453
Direct Access to Housing	693	$450	$270	$1,496,880
Estimated Total Cost	**2,887**			**$6,007,661**

Source: HSH

Currently, the maximum monthly rent that the PSH providers could charge any person residing in a PSH unit is either 30 percent of monthly household income, or 50 percent if a site provides "comprehensive on-site medical and clinical services" free of charge. As noted above, the ordinance requires that all PSH units be brought into full compliance with 30 percent maximum rental payment cap by October 1, 2023. According to HSH staff, implementation of the proposed ordinance could require an increased General Fund subsidy to offset potential reduction in tenant rents to cover operating costs for Permanent Supportive Housing sites.

Because this is a new program for which a funding source has not yet been identified but would likely include General Fund sources, we consider approval of the proposed ordinance to be a policy matter for the Board of Supervisors.

RECOMMENDATION

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

Item 20 **File 20-1328**	**Department:** Homelessness & Supportive Housing Human Services Agency

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed emergency ordinance would require that the City maintain approximately 2,300 SIP hotel rooms until the Federal Emergency Management Agency (FEMA) provides written notification that it will no longer reimburse program costs or until County Health Officer's Stay Safer at Home Order is rescinded or expires.

Key Points

- The City's Shelter in Place (SIP) program provides hotel rooms for individuals experiencing homelessness to reduce their risk of contracting COVID-19.
- The total cost of the SIP hotel program is $199.2 million in FY 2020-21. The projected cost assumes a phased demobilization of the program to be completed during the fiscal year. Total projected sources for the SIP hotel program in FY 2020-21 amount to $198.1, leaving $1.1 million in projected expenses for which a funding source has not yet been identified.

Fiscal Impact

- The demobilization plan provides for the phased-in closure of hotel rooms, with the first phase resulting in the closure of 567 rooms in December 2020 and January 2021, and the closure of all 2,500 hotel rooms by June 2021. Delaying the phased-in closure of hotel rooms by 60 days (the term of the emergency ordinance) would result in additional estimated costs of $35 million in FY 2020-21 and $29.2 million in FY 2021-22. Delaying the phased-in closure of hotel rooms until July 2021 would result in additional estimated costs of $53.4 million in FY 2020-21 and $119.4 million in FY 2021-22.
- These costs could be offset by ongoing FEMA reimbursements, so long as FEMA continues to reimburse for this type of emergency expense, which is authorized on a monthly basis. FEMA will reimburse for individuals aged 65 or older or who have a medical condition that would make them vulnerable to complications from COVID-19

Policy Consideration

- Continuation of the Shelter in Place hotel program is not currently budgeted. A potential funding source could be Our City, Our Home funds, for which a hearing to consider releasing from Budget & Finance Committee reserve is tentatively scheduled for December 16, 2020. Our City, Our Home funds have expenditure categories and caps that constrain the flexibility of the uses that could impact its ability to support the Shelter in Place Hotel program.

Recommendation

- Because this is an extension of an existing program that would require identification of a new funding source, we consider approval to be a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 2.107 states that the Board of Supervisors may pass emergency ordinances on their first reading with a 2/3 affirmative vote. Emergency ordinances become effective upon approval by the Mayor, the expiration of the ten-day period for the Mayor to approve or veto, or the Board of Supervisors' override of the Mayor's veto. Emergency ordinances expire sixty days after their passage.

BACKGROUND

Health Order

In March 2020, the County Health Officer ordered San Francisco residents to shelter in place in order to control the spread of COVID 19. The intent of the order was for individuals to self-isolate as much as possible to prevent infection from the virus The Health Order was subsequently amended several times, including most recently in November 2020, to urge individuals to stay at home. The order specifically exempted homeless individuals but urged the City to take steps to provide shelter for these individuals.

Alternative Housing Programs

The City has implemented three housing programs in response to COVID-19: (1) the Isolation & Quarantine program, which provides space to individuals who cannot self-isolate after testing positive for COVID-19 or while awaiting test results following a documented exposure, (2) the Shelter in Place program, which provides congregate shelter or hotel rooms to individuals who have recovered from COVID-19 or whose COVID-19 status is negative or unknown, and (3) the Front Line Worker program, which provides hotel rooms to first responders and City employees who are exposed to COVID-19 but cannot self-isolate. In April 2020, the Board of Supervisors passed an emergency ordinance requiring the City to secure the use of 8,250 hotel rooms to use as temporary quarantine facilities (File 20-0363), however, the City did not meet the requirements of that legislation during the period the emergency ordinance was in effect or afterwards.[1]

The Human Services Branch of the City's COVID Command Center manages the City's Shelter in Place (SIP) program, which provides hotel rooms and congregate shelters for individuals experiencing homelessness to reduce their risk of contracting COVID-19. For the SIP hotel rooms, priority is given to individuals who are age 60 and older and/or have health conditions that increase their risk of complications if infected with COVID-19. Individuals not meeting either criteria are referred to congregate shelters. Table 1 below shows the current status of SIP program by housing type.

[1] For example, according to the Human Services Agency, the City procured 2,614 hotel rooms as of August 7, 2020 (see File 20-0819, a resolution approving an agreement with a hotel at 1231 Market Street).

Table 1: SIP Program Status

	Sites	Units	Occupied Units	Percent Occupancy
Hotel	25	2,503	1,934	77%
Congregate Shelter	9	808	590	73%
Recreation Vehicle	1	120	115	96%
Total	**35**	**3,431**	**2,639**	77%

Source: Human Service Agency data, as of November 25, 2020

As shown above, as of November 25, 2020, the City had 2,503 SIP hotel rooms, of which 1,934 were occupied. SIP hotel rooms are located among twenty-five sites. Our Office reviewed the City's agreements with SIP hotel and determined the expiration dates, summarized in Table 2 below.

Table 2: SIP Hotel Agreement Expiration Dates

Expiration Date	Hotels
December 2020	1
March 2021	5
April 2021	9
May 2021	5
June 2021	2
July 2021	1
August 2021	1
None	1
Total	**25**

Source: BLA Review of SIP Hotel Agreements

As shown above, of the twenty-three SIP hotel agreements reviewed, one would expire during the sixty-day period of the proposed emergency ordinance. That hotel has a capacity of fifty rooms.

Projected Costs and Revenues for SIP Hotel Program

Table 3 below shows the projected cost of the SIP hotel program and the projected revenues allocated for the program.

Table 3: Projected Costs & Revenues for SIP Hotel Program

Uses	FY 2020-21
Total Uses	**199,264,145**
Sources	
FEMA Reimbursement*	23,334,690
CARES Community Development Block Grant	,000,000
CARES Emergency Solutions Grant 1	2,825,000
CARES Emergency Solutions Grant 2	43,605,003
Homeless Housing Assistance and Prevention	2,676,459
Whole Person Care	4,200,000
Project Roomkey**	10,055,604
General Fund	3,479,208
Total Sources	**198,175,964**
Unbudgeted	(1,088,181)

Source: HSH and HSA

* FEMA reimbursements assume 85% of clients meet FEMA criteria for reimbursement, which require persons be at least 65 years old or have a medical condition that would make them vulnerable to complications from COVID-19.

** Project Roomkey funds have not yet been appropriated.

As shown above, the total cost of the SIP hotel program is $199.2 million in FY 2020-21. The projected cost assumes a phased demobilization of the program to be completed during the fiscal year, discussed below.

The SIP hotel program is funded by the General Fund. However, these costs are partially offset by the state and federal revenues. The largest source of revenue is ongoing reimbursement from the Federal Emergency Management Agency (FEMA), which provides reimbursement for 75 percent of eligible costs for clients aged 65 or older or who have a medical condition that would make them vulnerable to complications from COVID-19 and is assumed to be available for the remainder of the fiscal year. FEMA's authorization for non-congregate shelter was authorized in March 2020 but must be renewed on a monthly basis. In addition, the Coronavirus Aid, Relief, and Economic Security (CARES) Act expanded Community Development Block Grants and Emergency Solutions Grants, which are both one-time sources. The State has also expanded Homeless Housing Assistance and Prevention funding during FY 2020-21, but it is not known whether that expansion will continue in FY 2021-22. Finally, the State announced additional one-time Project Roomkey funding for San Francisco for non-congregate shelter in late November, pending Board of Supervisors appropriation approval. With the exception of FEMA, which is reimbursement based, the other state and federal sources are capped and do not increase as costs increase leaving any remaining costs to be funded local sources.

Total projected sources for the SIP hotel program in FY 2020-21 amount to $198.1, leaving $1.1 million in projected expenses for which a funding source has not yet been identified.

Demobilization Plan

On November 10, 2020 HSH presented a Rehousing and Demobilization Plan for the Shelter in Place Program to the Board of Supervisors. The plan to end the program is to occur in four phases over FY 2020-21, with operations ceasing by the end of the fiscal year. Table 4 below shows the monthly savings associated with each demobilization phase.

Table 4: Monthly Demobilization Savings

Phase	Start Date	End Date	# Rooms	Monthly Savings	Local Share
Phase 1	12/2/2020	1/21/2021	567	$4,421,362	$1,602,744
Phase 2	1/4/2021	2/22/2021	661	$5,700,041	$2,066,265
Phase 3	3/1/2021	4/19/2021	552	$4,681,468	$1,697,032
Phase 4	5/3/2021	6/21/2021	742	$6,639,001	$2,406,638

Source: HSH

Note: Local Share refers to the expected reduction of monthly General Fund costs for each phase. Reduced costs due to ramp down were anticipated in the FY 2020-21 budget development.

The monthly savings shown above pertains to each phase. For example, by the end of phase two, SIP hotel program monthly costs will be $10.1 million less ($4.4 million + $5.7 million) than prior to the demobilization.

DETAILS OF PROPOSED LEGISLATION

The proposed emergency ordinance would require that the City maintain approximately 2,300 SIP hotel rooms until FEMA provides written notification that it will no longer reimburse program costs or until County Health Officer's Stay Safer At Home Order is rescinded or expires.

The proposed emergency ordinance limits client exits from SIP hotels to the following conditions:

1. the client moves to permanent supportive housing or other housing placement that client agrees is appropriate
2. the client is placed in an alternative SIP Hotel room due to health needs or habitability conditions
3. the client is found to have violated program rules, as determined by an appeal process pursuant to the City's Shelter Grievance Policy

Accounting for the flow of existing SIP hotel clients exiting to housing, the proposed ordinance requires the City to continue to make SIP hotel rooms available to persons experiencing homelessness at risk of COVID-19 infection, including those exiting jail or from quarantine rooms.

Reporting

The proposed emergency ordinance requires weekly reporting on SIP hotel room clients' housing need assessments by HSH and housing outcomes after exiting the program.

FISCAL IMPACT

Table 5 shows the cost of implementing the proposed emergency ordinance.

Table 5: Cost of Delaying SIP Hotel Demobilization

	FY 2020-21	Unbudgeted	Local Share
Cost of Existing Demobilization Plan	199,264,145	1,088,181	1,088,181
Emergency Ordinance (Effective 60 Days)	233,137,485	34,961,521	12,673,551
Delay of Demobilization Until FY 2021-22	251,526,254	53,350,290	19,339,480

Source: HSH

Under the Department's current plan for phased closure of hotel rooms (shown in Table 4 above), the total FY 2020-21 costs are $199.3 million. Under the proposed ordinance, hotel rooms scheduled for closure would remain open for additional months. If the phased closure of hotel rooms were delated by 60 days, the FY 2020-21 hotel costs would increase by approximately $35 million for total FY 2020-21 costs of $233.1 million, as shown in Table 5 above. The 60-day delay in the phased-in closure would result in costs in FY 2021-22 of $29.2 million. If the phased closure of hotel rooms were delayed to July 1, 2021, the FY 2020-21 hotel costs would increase by approximately $53.3 million for total FY 2020-21 costs of $251.5 million, as shown in Table 5 above. The delay in phased in closure to July 1, 2021 would result in costs in FY 2021-22 of $119.4 million.

These costs could be offset by ongoing FEMA reimbursements. The Local Share shown in Table 5 above assumes FEMA continues to reimburse for this type of emergency expense and that 85 percent of clients meet FEMA reimbursement criteria. According to HSH, a 5 percent reduction in the number of clients eligible for FEMA reimbursement would result in a loss of $737,438 revenue loss per month.[2]

POLICY CONSIDERATION

Funding Source

According to the Controller's Office FY 2020-21 Three-Month Budget Status Report dated November 10, 2020, General Fund revenues are estimated to be $115.9 million less than budgeted for FY 2020-21. Revenue projections will be updated mid-year, as part of the Joint Report prepared by the Controller, Mayor's Office of Public Policy and Finance, and our Office, which will also project revenues and expenditures for subsequent fiscal years. In a presentation to the Budget & Appropriations Committee on November 19, 2020, the Mayor's Acting Budget Director stated that the Mayor has requested departments to prepare proposals to reduce

[2] 5% of 2,300 SIP Hotel Rooms = 115. 115 guests * $285 per person per 30 nights = $983,250. If FEMA eligible, 75% of $983,250 = $737,438 reimbursement.

spending in order to accommodate the projected decrease in General Fund revenues. The Mayor's plan to rebalance the FY 2020-21 budget is expected to be finalized in January.

As noted above, continuation of the Shelter in Place hotel program is not budgeted and therefore would likely require General Fund resources. An additional funding source could be Our City, Our Home funds, for which a hearing to consider releasing from Budget & Finance Committee reserve is tentatively scheduled for December 16, 2020. Per the authorizing legislation, the Our City, Our Home funds have expenditure categories and caps that constrain the flexibility of the uses that could impact its ability to support the Shelter in Place Hotel program.

Because this is an extension of an existing program that would require identification of a new funding source, we consider approval to be a policy matter for the Board of Supervisors.

RECOMMENDATION

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