CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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

September 8, 2011

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: September 14, 2011 Budget and Finance Committee Meeting

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Item 1 **Files 11-0914**	**Department(s):** Assessor/Recorder

EXECUTIVE SUMMARY

Note: An Amendment of the Whole will be introduced at the September 14, 2011 Budget and Finance Committee Meeting to correct the proposed resolution. The following report is based on the proposed Amendment of the Whole.

Legislative Objective

- The proposed resolution would authorize an increase in the Assessor-Recorder's existing base fee charged to persons recording and indexing the first page of every document by $6 from $4 to $10.

Key Points

- Documents recorded with the Assessor's Office include deeds, trusts and notices of default.
- The current base fee of $4 has been in place since 1987.
- The Assessor-Recorder's Office estimates the actual cost of each recording of a document is $23.91, or $19.91 more than the existing base fee of $4.
- California State Senate Bill 676 increased the maximum allowable base fee to be charged from $4 to $10 in 2009.

Fiscal Impact

- In FY 2010-11, the Assessor-Recorder collected $869,148 in base fees for recording 217,287 documents. Mr. Mark McLean, Senior Administrative Analyst in the Assessor-Recorder's Office, estimates that the proposed base fee increase of $6.00 would generate an additional $1,200,000 a year, resulting in an estimated $2,069,148 in total annual base fee revenues for recording documents ($869,148 plus $1,200,000).

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT/BACKGROUND

Mandate Statement

Charter Section 2.109 provides that within 30 days of submission by the Mayor, the Board of Supervisors shall approve or reject any rate, fee, or similar charge to be imposed by any department, official, board or commission.

Background

The Assessor-Recorder collects fees charged to persons recording various types of documents, such as deeds, trusts and notices of default. Currently, the fee for recording the first page of a document is $11, which includes the $4 base fee and $7 in other fees authorized by the Administrative Code, as shown in Table 1:

TABLE 1

	Currently	Proposed	Purpose of Fee
Base Fee for Recording Various Documents	**$4**	**$10**	$3 to General Fund, $1 to Modernization Fund
Microfilm Fee	$1	$1	To fund storage of documents on microfilm
Access Fee	$1	$1	To ensure the office is accessible and open to the public
Indexing Fee	$1	$1	To ensure the document is indexed within 48 hours
Social Security Number Truncation Fee	$1	$1	To redact social security numbers from old files
Fraud Protection Fee	$3	$3	10 percent to Assessor-Recorder, 90 percent to law enforcement for overall fraud prevention
TOTAL FEE	**$11**	**$17**	

The Assessor-Recorder has charged the existing base fee of $4 since 1987. Of the $4 base fee, $3 reimburses the Assessor-Recorder for recording documents and $1 is deposited into the Modernization Fund.[1] According to Mr. Mark McLean, Senior Administrative Analyst in the Assessor-Recorder's Office, the Assessor-Recorder's Office's actual costs to record documents are an estimated $23.91 per document, or $19.91 more than the existing base fee of $4.

[1] The $1 fee deposited into the Modernization Fund is to be used exclusively to pay the costs required to support, maintain, improve, and provide for the full operation for modernized creation, retention, and retrieval of information in the Recorder's system of recorded documents (Administrative Code Section 8.24-2).

DETAILS OF PROPOSED LEGISLATION

In 2009, the State Legislature passed Senate Bill (SB) 676, allowing counties to increase the maximum allowable base fee charged to persons for recording the first page of every document with the Assessor-Recorder’s Office from $4 per document to $10 per document. Therefore the proposed resolution would authorize the Assessor-Recorder to increase the existing base fee by $6 from $4 to $10, which is the maximum allowable fee under State law. The total fees charged by the Assessor-Recorder would also increase by $6 from $11 to $17, as shown in Table 1 above. The existing $4 fee has not been increased since 1987.

FISCAL ANALYSIS

In FY 2010-11, the Assessor-Recorder collected $869,148 in base fees from 217,287 documents recorded ($4 per document). Of the $869,148 collected from the base fees, $651,861 was allocated to the General Fund to offset the cost of recording the documents ($3 per document) and $217,287 was allocated to the Modernization Fund ($1 per document). Mr. McLean estimates that the proposed base fee increase of $6.00 would generate an additional $1,200,000 per year (based on estimated 200,000 documents being recorded), resulting in an estimated $2,069,148 total annual base fee revenues for recording documents ($869,148 plus $1,200,000).[2]

RECOMMENDATION

Approve the proposed resolution.

[2] Due to the fact that the fee increase would go into effect on October 21, 2011 at the earliest (30 days after the proposed resolution is approved), the additional revenue generated, based on the Assessor-Recorder’s estimate for FY 2011-12 would be approximately $831,781 ($1,200,000 pro-rated by partial year * (253 days left in the year as of October 21 / 365).

Item 2 Files 11-0695	Department(s): San Francisco International Airport

EXECUTIVE SUMMARY

Legislative Objective

- Resolution approving and authorizing the execution of Modification No. 1 of the 2011 Lease and Use Agreement between the Airport and Cathay Pacific Airways Limited (Cathay Pacific Airways), to expand Cathay Pacific Airways' Exclusive Use Space in the International Terminal for a new passenger lounge.

Key Points

- On May 11, 2010, the Board of Supervisors approved a new ten-year lease, with a term from July 1, 2011 through June 30, 2021, between Cathay Pacific Airways and the City, on behalf of the Airport for 2,616 square feet of Exclusive Use Space and 631,987 square feet of non-exclusive Joint Use Space in the International Terminal of the Airport.

- Cathay Pacific Airways pays a total of $5,100,234 annually under the terms of the existing lease. Per the terms of the existing lease, Cathay Pacific Airways currently pays $423,530 annually or $161.90 per square foot for 2,616 square feet of Exclusive Use Space, equal to $35,294 per month and $4,676,704 annually or $7.40 per square feet for 631,987 square feet of Joint Use Space, equal to $389,725 per month.

- The Airport issued a Permit to Cathay Pacific Airways on May 1, 2011, granting Cathay Pacific Airways the right to use 5,664 square feet of additional Exclusive Use Space within the International Terminal to begin the $2,000,000 in tenant improvements at the sole cost of Cathay Pacific Airways, necessary to construct a new lounge space. Under the terms of the Permit, the permit fee is $917,002 annually or $161.90 per square foot for the Exclusive Use Space, equal to $76,417 per month. If the proposed resolution is approved to amend the existing lease, the Permit previously granted by the Airport to Cathay Pacific Airways will be terminated by the Airport. Permits issued by the Airport are not subject to Board of Supervisors approval because they are considered short-term and can be terminated by either party with 30 days notice.

Fiscal Impacts

- If the proposed resolution is approved and Cathay Pacific Airways leases an additional 5,664 square feet of Exclusive Use Space, Cathay Pacific Airways would pay the Airport an additional $917,002 annually based on $161.90 per square foot, an increase of $76,417 per month. Such an increase would be paid under the existing lease instead of being paid under the current Permit as is now the case.

- Under the Airport's residual rate setting methodology, otherwise known as the breakeven policy, the proposed lease modification does not have a direct fiscal impact on the Airport.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Section 2A.173 of the City's Administrative Code authorizes the Airport to negotiate and execute leases of Airport lands and space in Airport buildings, without undergoing a competitive bid process, as long as the original term of the lease does not exceed 50 years.

Charter Section 9.118 (a) requires that any contract or lease, which would result in revenues to the City in excess of $1,000,000, be subject to approval of the Board of Supervisors.

Background

On May 11, 2010, the Board of Supervisors approved a new ten-year lease, with a term from July 1, 2011 through June 30, 2021, between Cathay Pacific Airways Limited (Cathay Pacific Airways) and the City, on behalf of the Airport for 2,616 square feet of Exclusive Use Space[1] and 631,987 square feet of non-exclusive Joint Use Space[2] in the International Terminal of the Airport. As shown in Table 1 below, Cathay Pacific Airways currently pays the Airport a total of $5,100,234 annually under the terms of the existing lease, including $423,530 annually or $161.90 per square foot for Exclusive Use Space, equal to $35,294 per month and $4,676,704 annually or $7.40 per square foot for Joint Use Space, equal to $389,725 per month. The existing lease includes a provision which allows annual rent increases payable to the Airport based on changes in the Consumer Price Index.[3] (CPI)

Table 1: Current Annual Rent Payable by Cathay Pacific Airways to the Airport under Existing Lease

	Square Feet Under Current Lease Terms
Exclusive Use Space	2,616
X Annual Rental Rate Per Square Foot	$161.90
Total Annual Rent Paid for Exclusive Use Space	**$423,530**
Joint Use Space	631,987
X Annual Rental Rate Per Square Foot	$7.40
Total Annual Rent Paid for Joint Use Space	**$4,676,704**
Total Annual Rent for both Exclusive Use and Joint Use Space	**$5,100,234**

According to Mr. Dan Ravina, Senior Property Manager at the Airport, Cathay Pacific Airways wants to create a premium class lounge in the International Terminal for its passengers, which is not possible within the existing primarily Joint Use Space lease agreement.

The Airport issued a Permit to Cathay Pacific Airways on May 1, 2011, granting Cathay Pacific Airways the right to lease an additional 5,664 square feet of Exclusive Use Space within the

[1] Exclusive Use Space is space in an Airport Terminal leased or permitted to a single air carrier for its exclusive use.
[2] Joint Use Space is space in an Airport Terminal that is leased or permitted for use by more than one air carrier.
[3] The Consumer Price Index is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

International Terminal and to commence the $2,000,000 in tenant improvements, at the sole cost of Cathay Pacific Airways, necessary to create a premium class lounge space. Cathay Pacific Airlines has assumed responsibility for paying for the $2,000,000 in tenant improvements. Under the terms of the Permit, the permit fee is $917,002 annually or $161.90 per square foot, equal to $76,417 per month, which is the same rate as the proposed lease for this Exclusive Use Space. Permits of this nature are not subject to Board of Supervisors approval because they are considered short-term and can be terminated by either party with 30 days notice.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the execution of Modification No. 1 of the 2011 Lease and Use Agreement between Cathay Pacific Airways and the Airport in order for Cathay Pacific Airways to expand its Exclusive Use Space in the International Terminal by 5,664 square feet for a new premium class lounge.

As noted above, Cathay Pacific Airways currently leases a total of 634,603 square feet of space in the International Terminal, including (a) 631,987 square feet of non-exclusive Joint Use Space, and (b) 2,616 square feet of Exclusive Use Space. Under the proposed lease modification, the total square footage of International Terminal space would be 640,267 square feet, an increase of 5,664 square feet. While the 631,987 square feet of non-exclusive Joint Use Space would remain the same, under the proposed resolution, the Exclusive Use Space would increase from 2,616 square feet to 8,280 square feet, an increase of 5,664 square feet.

FISCAL IMPACTS

Modification to Existing Lease Would Result in the Airport Continuing to Receive $917,002 from Cathay Pacific Airways For the Duration of the Existing Lease

Under the proposed Modification No 1, instead of being under a permit, the additional 5,664 square feet of Exclusive Use Space would be added to the existing lease between the Airport and Cathay Pacific Airways at the existing permit rate of $161.90 per square foot annually. As shown in Table 2 below, according to Mr. Ravina, if the proposed resolution is approved and Cathay Pacific Airways leases an additional 5,664 square feet of Exclusive Use Space under the terms of the current lease, the Airport would continue to receive $917,002 annually or $161.90 per square foot, equal to $76,417 per month payable by Cathay Pacific Airways, but such payments would be made under the modified lease instead of being paid to the Airport under the existing permit.

Table 2: Proposed Increase In Leased Space			
Type of Space	**Square Feet Under Current Lease Terms**	**Square Feet Under Proposed Modified Lease Terms**	**Increase**
Exclusive Use Space	2,616	8,280	5,664
x Annual Rental Rate Per Square Foot	161.90	161.90	0
Total Annual Rent Paid for Exclusive Use Space	**$423,530**	**$1,340,532**	**$917,002**
Joint Use Space	631,987	631,987	0
x Annual Rental Rate Per Square Foot	$7.40	$7.40	**0**
Total Annual Rent Paid for Joint Use Space	**$4,676,704**	**$4,676,704**	0
Total Annual Rent for both Exclusive Use and Joint Use Space	**$5,100,234**	**$6,017,236**	**$917,002**

Therefore, as shown on Table 2 above the total annual rent under the modified lease payable by Cathay Pacific Airways to the Airport is $6,017,236 or $917,002 more than the $5,100,234 currently being paid by Cathay Pacific Airways to the Airport. However, as noted above because Cathay Pacific Airways has been paying such additional rent under a permit, the Airport would continue to receive the same rent for the duration of the current lease, which expires on June 30, 2021.

Residual Rate Setting Methodology

The Airport uses a “breakeven policy” known as the residual rate setting methodology to determine the rental rates, landing fees, and related fees to calculate the total rent to be paid by each airline for use of Airport terminal space. The rental rates, landing fees, and related fees include (a) the cost per square foot charged to an airline for that airline’s exclusive use of Airport space, (b) fees for use of space which is shared by multiple airlines, and (c) various non-space-related fees, such as landing fees and aircraft parking fees. Those rental rates, landing fees, and related fees are then used to calculate the total rent payable by each airline to the Airport, such that while the total rent payable by each airline may differ due to (a) the amount of space leased, (b) the type of space leased, and (c) passenger and aircraft traffic, no airline has preferable lease terms over another airline.

The residual rate setting methodology is a formula which sets the schedule of all rental rates, landing fees, and related fees to a level which ensures that Airport revenues received from the airlines, plus the non-airline revenues (such as concession revenues) received by the Airport, are equal to the Airport’s total costs, including debt service and operating expenditures. According to this methodology, the amount needed to balance the Airport’s budget then becomes the basis for calculating, by a formula specified in the leases with the airlines, the rental rates, landing fees, and related fees charged to airlines operating at the Airport in the upcoming year, such that the total revenues paid to the Airport by all airlines in the upcoming year is sufficient to balance the Airport’s budget. At the end of the fiscal year, any budget shortfall or surplus is carried forward into the following fiscal year and is used in the calculation of the new rental rates, landing fees, and related fees charged to the airlines.

The revenues generated by the existing lease is calculated by the Airport's residual rate setting methodology (breakeven policy), such that the modification would continue to result in the Airport's budget being fully balanced by the revenues paid by the airlines to the Airport, after considering the Airport's budgeted expenditures and all non-airline revenues.

POLICY CONSIDERATIONS

As previously discussed, the Airport issued a Permit to Cathay Pacific Airways on May 1, 2011, granting Cathay Pacific Airways the right to lease an additional 5,664 square feet of Exclusive Under the terms of the Permit, the permit fee is $917,002 annually or $161.90 per square foot, equal to $76,417 per month, which is the same rate under the proposed Modification No. 1 to the existing lease for this additional Exclusive Use Space. Therefore, as noted above, the Airport would continue to receive from Cathay Pacific Airways the same rental payments, if the proposed Modification No. 1 to the existing lease is approved, as the Airport has been receiving under the Permit.

According to Mr. Ravina, the Permit is an instrument used by the Airport to allow maximum flexibility in leasing and terminating space at the Airport that does not have a defined term but allows a 30-day notice from either party to terminate at will. According to Mr. Ravina, the 5,664 feet of Exclusive Use Space that Cathay Pacific Airways is currently occupying under the Permit has been vacant since the International Terminal opened over ten years ago. Mr. Ravina advises that when Cathay Pacific Airways approached the Airport with their proposal to construct a premium class lounge in November 2010, Cathay Pacific Airways requested that the lounge be operational by the 2011 December holidays. In order to accomplish this goal, the Airport decided to approve a Permit, which is not subject to Board of Supervisors approval, to allow Cathay Pacific Airways to commence construction on the new lounge, before seeking approval to amend the existing lease from the Board of Supervisors. Mr. Ravina advises that, if the proposed resolution is approved and the existing lease is amended, the Permit granted to Cathay Pacific Airways will be terminated by the Airport.

RECOMMENDATION

Approve the proposed resolution.

Item 3 **File 11-0926**	**Department:** Port

EXECUTIVE SUMMARY

Legislative Objective

- The Port is requesting a release of reserved funds in the amount of $17,907,635 for the Port's Cruise Terminal Project.

Key Points

- On July 22, 2003, the Board of Supervisors approved a supplemental appropriation of $9,324,000 from the sale of Seawall Lot 330 and $20,376,000 of then-estimated revenue from the Watermark Condominium sales proceeds, placing the entire $29,700,000 on Budget and Finance Committee reserve, for the development of the Port's Cruise Terminal Project and the Port's Brannan Street Wharf Project, pending the Port providing specific budget details to the Budget and Finance Committee (File 03-1229).

- In 2010, the Cruise Terminal Project, located at Pier 27, was incorporated into the waterfront development plan for the 34th America's Cup tournament. The Cruise Terminal Project is divided into two phases, with Phase I satisfying the City's commitment to the America's Cup Event Authority, and Phase II completing buildout of the Cruise Terminal Project. The total estimated cost of Phases I and II is $92,283,778.

- On May 10, 2011, the Board of Supervisors approved a resolution finding that the Cruise Terminal Project is fiscally feasible, in accordance with Chapter 29 of the City's Administrative Code (File 10-0920).

- The Port's August 10, 2011 memorandum to the Clerk of the Board of Supervisors, requesting the release of reserved funds, included a budget and expenditure plan for the two-phase $92,283,778 Cruise Terminal Project.

Fiscal Impact

- The two sources for the $17,907,635 in reserved funds requested by the Port are: (1) $324,000 of the $9,324,000 in previously reserved proceeds from the sale Seawall Lot 330 at the corner of Beale and Bryant Streets; and (2) $17,583,635 of the then-estimated $20,376,000 in City proceeds from the sale of the Watermark Condominiums.

- The requested $17,907,635 would be used by the Port for Phase I of the Cruise Terminal Project costs, a breakdown of which is provided in Table 2 on page 4 of this report.

Recommendation

- Approve the requested release of $17,907,635.

MANDATE STATEMENT

In accordance with Section 3.3 of the City's Administrative Code, the committee of the Board of Supervisors that has jurisdiction over the budget (i.e., Budget and Finance Committee) may place any proposed budget expenditures on reserve until released by the Budget and Finance Committee.

BACKGROUND

On July 22, 2003, the Board of Supervisors approved a supplemental appropriation of $9,324,000 from the sale of Seawall Lot 330 and $20,376,000 of then-estimated revenue from the Watermark Condominium sales proceeds placing the entire $29,700,000 on Budget and Finance Committee reserve for the development of the Port's Cruise Terminal Project and Brannan Street Wharf Project, pending the Port providing specific budget details to the Budget and Finance Committee (File 03-1229).

The Port's Cruise Terminal Project was originally conceived for Piers 30-32. In 2006, an 11-member blue-ribbon Cruise Terminal Advisory Panel, appointed by the Mayor, evaluated the necessity of a new cruise terminal and its value to San Francisco and, if determined necessary and valuable, where that new terminal should be located. In 2007, the Cruise Terminal Advisory Panel recommended the development of a single-berth primary cruise terminal at Pier 27 instead of Piers 30-32, and the Port Commission accepted this recommendation. In 2010, the Pier 27 Cruise Terminal Project was incorporated into the Port's Waterfront Development Plan for the 34th America's Cup tournament. In order to meet the requirements for the 34th America's Cup, the Pier 27 Cruise Terminal Project will be divided into two phases, as summarized in Table 1 below, at a total estimated cost of $92,283,778.

Table 1: Summary of Phases I and II of Cruise Terminal Project

Phase I: Completion of an Enhanced Building Core and Shell
Description: Phase I would result in an enhanced building core and shell, with minimal site improvements to allow the America's Cup Event Authority to install temporary tenant improvements for the America's Cup racing events. **Estimated Completion Date:** January 2013 **Total Estimated Cost of Phase I:** $60,162,039
Phase II: Completion of an Operational Cruise Terminal
Description: Phase II would result in the build-out of offices for the U.S. Customs and Border Protection as well as the installation of a glass enclosure in the lobby, additional escalators, and certain interior finishes. Phase II, at the Port's option, may also include related site improvements including the Northeast Wharf Plaza and the ground transportation area, installation of maritime equipment, pier repair work, and interior renovation of a portion of the adjacent Pier 29 shed. Phase II will take place following the America's Cup racing events. **Estimated Completion Date:** October 2014 **Total Estimated Cost of Phase II:** $32,121,739 **Total Estimated Cost of Phases I and II: $92,283,778**

On May 10, 2011, the Board of Supervisors approved a resolution finding that the Port's Pier 27 Cruise Terminal Project is fiscally feasible, in accordance with Chapter 29 of the City's Administrative Code (File 10-0920).

DETAILS OF PROPOSED LEGISLATION

In an August 10, 2011 memorandum to the Clerk of the Board of Supervisors from the Port's Deputy Director Ms. Elaine Forbes, the Port requested that the Board of Supervisors release $17,907,635, of the $29,700,000 of the funds previously appropriated and reserved by the Board of Supervisors for the Port's Pier 27 Cruise Terminal Project. According to Mr. Lawrence Brown of the Port's Finance Department, the Port is now requesting $17,907,635 of the previously reserved $29,700,000 as follows:

- Of the $29,700,000 in previously reserved funds, $324,000 of the $9,324,000 from the proceeds of the sale of Seawall Lot 330 are being requested for the Pier 27 Cruise Terminal Project. The remaining $9,000,000 will be requested at a future date for release from the previously reserved funds for the Port's Brannan Street Wharf Project.
- $17,583,635 from the proceeds of the sale of the Watermark Condominiums are also being requested for the Pier 27 Cruise Terminal Project. The Watermark Condominiums generated less revenue than was projected in 2003. Although the Port had projected condominium sales would generate $20,376,000 in revenue for the City, actual revenue was $17,583,635, or $2,792,365 less than the original projection. According to Mr. Brown, the Port, in 2003 overestimated the sales price for the Watermark Condominiums, as many of the condominiums were sold after condominium values began to decline.

The $324,000 from the sale of Seawall Lot 330 and the $17,583,635 from the sale of the Watermark Condominiums result in a total of $17,907,635 being requested.

As noted in the Background section above, the Board of Supervisors appropriated and placed on reserve $29,700,000 on July 22, 2003 for both the Cruise Terminal Project and the Brannan Street Wharf Project, pending submission to the Budget and Finance Committee of specific budget details. Ms. Forbes's August 10, 2011 memorandum identified a total estimated amount of $92,283,778 for the Port's Pier 27 Cruise Terminal Project Budget, detailing $60,162,039 in costs for Phase I and $32,121,739 in costs for Phase II, including an expenditure plan for the period from July 2011 through January 2015.

FISCAL ANALYSIS

There are two sources for the Port's request of $17,907,635 from the funding previously appropriated and reserved by the Board of Supervisors:

1. $324,000 in proceeds from the sale of 22,600 square feet of San Francisco's Seawall Lot 330 at the corner of Beale and Bryant Streets; and
2. $17,583,635 in proceeds from the sale of the Watermark Condominiums.

The property sale and agreement related to the Watermark Condominiums was approved by the Board of Supervisors on July 15, 2003 (File 03-0371). The Attachment to this report, provided by the Port, provides a project budget for Phase I and Phase II of the Port's Pier 27 Cruise Terminal Project.

According to Ms. Forbes, the entire $17,907,635 requested to be released from the funds previously reserved by the Board of Supervisors would be expended for Phase I of the Port's Pier 27 Cruise Terminal Project, as shown in Table 2 below.

Table 2: Estimated Expenditures for the $17,907,635 in Reserved Funds

Phase I of the Pier 27 Cruise Terminal Construction Project	**Cost**
SF Department of Public Works (DPW) Services	$1,167,292
Design Team Services	2,239,449
Relocation of cruise ship shoreside power equipment*	1,974,932
Structural steel, stairs and metal deck**	5,400,000
Escalators and elevators**	800,000
Funds toward other project construction costs	6,325,962
Total	**$17,907,635**

* The shoreside power equipment will be temporarily relocated from Pier 27 during Phase I of the Cruise Terminal Project to allow for uses related to the America's Cup. The Port is to be reimbursed by the America's Cup Event Authority.
** Preliminary estimates
Source: Mr. Lawrence Brown, San Francisco Port

The $17,907,635 now being requested for release, from funds previously appropriated and reserved by the Board of Supervisors, represents 19.4 percent of the total estimated cost of $92,283,778 for the Port's Pier 27 Cruise Terminal Project. Phase I is estimated to be completed by April 2012.

RECOMMENDATION

Approve the requested release of $17,907,635.

Pier 27 Cruise Ship Terminal		
Phase I Project Budget		
Item		**BUDGET**
1.0 Construction		**44,590,531**
1.1 Construction Purchase and Installation (IPD)	**$**	**37,945,753**
1.1.1 Multipliers (GC, Insurance, Bonding, Fee, LEED, Escalation, Design Contigency)		36,145,753
1.1.2 Shoreside Power Construction		1,800,000
1.2 15% Construction Contigency for scope changes & unforseen conditions (only based on Item #1.1.1)	**$**	**5,421,863**
1.3 Construction Manager/ General Contractor Services	**$**	**1,222,915**
1.3.1 2% contignency for scope gaps between trade packages		722,915
1.3.2 Pre-construction services		500,000
2.0 Project Control		**15,171,508**
2.1 DPW Project Management	**$**	**2,081,083**
Responsibilities include management of project budget & schedule from start-up to post-construction, monitoring of project funds, management of design and construction contracts.		2,081,083
2.2 City Administrative Services	**$**	**330,000**
2.3.1 City Attorney's fees		300,000
2.3.2 Advertisement of public contracts		30,000
2.3 Regulatory Agency Approvals	**$**	**1,379,095**
2.3.1 Regulatory Agency Approves including permit fees and utility fee connections		979,095
2.3.2 Printing fees		200,000
2.3.3 Special Inspections		200,000
2.4 Architectural & Engineering Design Services/KMD	**$**	**7,498,309**
2.4.1 KMD/Pfau/B&A (Programming - Schematic Design) Based on Proposal		2,419,440
2.4.2 KMD Add services 1-20		666,244
2.4.3 KMD DD services and some reembursables		1,245,726
2.4.4KMD CD-CA		2,857,500
2.4.5 ADD Service allowance to reach 9.5 cap		309,399
2.4.A Architectural & Engineering Design Services/KMD-Shoreside Power	**$**	**174,932**
2.4.A.1 Shoreside Power Soft Costs (Approximate)		174,932
2.5 Architectural & Engineering Design Services/DPW	**$**	**1,651,453**
2.5.1 DPW Landscape (Programiming - Schematic Design)		77,582
2.5.2 DPW Landscape DD-CA		90,000
2.5.3 DPW Architecture through Schematic		200,749
2.5.4 DPWArchitecture DD-CA		421,827
2.5.5 DPW BOE through schematic		6,333
2.5.6 DPW BOE DD-CA		396,890
2.5.7 Dept of Tech DD-CA		50,000
2.5.8 Extra Services BOE and BOA		408,072
2.6 EIR & Additional A/E Services	**$**	**780,636**
2.6.1 EIR Consultant (ESA)		559,731
2.6.2 Planning Department Fees		220,905
2.7 Specialized Consulting Services	**$**	**280,000**
2.7.1 Specialized Consulting Services		280,000
2.8 City Construction Management Services	**$**	**796,000**
2.8.1 Construction Management Services including prevailing wage monitoring, HRC Reviews, RE services, and other BCM-related services		796,000
2.9 Geotechnical, Surveys	**$**	**100,000**
2.9.1 Geotechnical, Surveys		100,000
2.10 Commissioning	**$**	**100,000**
2.10.1 Commissioning		100,000
3.0 Program Contingency		**400,000**
3.1 Program Contingency		400,000
Total Project Budget		**60,162,039**
Quarterly Totals		

Pier 27 Cruise Ship Terminal

Phase II Project Budget

Item		BUDGET
1.0 Construction		**27,393,725**
1.1 Construction Purchase and Installation (IPD)	$	**23,242,500**
1.1.1 Multipliers (GC, Insurance, Bonding, Fee, LEED, Escalation, Design Contigency)		20,542,500
1.1.2 Gangway (More info on the exact date to follow)		2,700,000
1.2 15% Construction Contigency for scope changes & unforseen conditions	$	**3,486,375**
1.2.1 15% Construction Contingency for scope changes & unforeseen conditions		3,486,375
1.3 Construction Manager/ General Contractor Services	$	**664,850**
1.3.1 2% contignency for scope gaps between trade packages		464,850
1.3.2 Pre-construction services		200,000
2.0 Project Control		**4,328,014**
2.1 DPW Project Management	$	**626,832**
Responsibilities include management of project budget & schedule from start-up to post-construction, monitoring of project funds, management of design and construction contracts, reporting of bond arbitrage and financing.		626,832
2.2 City Administrative Services	$	**24,000**
2.3.1 City Attorney's fees		10,000
2.3.2 Advertisement of public contracts		14,000
2.3 Regulatory Agency Approvals	$	**47,600**
2.3.1 Regulatory Agency Approves including permit fees and utility fee connections		12,000
2.3.2 Printing fees		25,600
2.3.3 Special Inspections		10,000
2.4 Architectural & Engineering Design Services/KMD	$	**2,396,104**
2.4.1 KMD DD-CA		2,001,691
2.4.2 Extra Services under 10 cap but requires approval (984,413) total		394,413
2.5 Architectural & Engineering Design Services/DPW	$	**747,478**
2.5.1 DPW Landscape DD-CA		324,528
2.5.2 DPW Landscape Extra Services		80,000
2.5.3 DPW Architecture		180,000
2.5.4 DPW BOE DD-CA		112,950
2.5.5 Dept of Tech DD-CA		50,000
2.6 EIR & Additional A/E Services	$	**-**
2.6.1 EIR, cost estimating, quality assurance reviews, etc.		
There will be extra money here as we only spent 125K		
2.7 Specialized Consulting Services	$	**56,000**
2.7.1 Specialized Consulting Services		56,000
2.8 City Construction Management Services	$	**250,000**
2.8.1 Construction Management Services including prevailing wage monitoring, HRC Reviews, RE services, and other BCM-related services		250,000
2.9 Geotechnical, Surveys	$	**-**
2.9.1 Geotechnical, Surveys		-
2.10 Commissioning	$	**180,000**
2.10.1 Commissioning		180,000
3.0 Program Contingency		**400,000**
3.1 Program Contingency		400,000
Total Project Budget		**32,121,739**

Item 5 **Files 11-0900**	**Department(s):** San Francisco Film Commission

EXECUTIVE SUMMARY

Legislative Objective

- The proposed ordinance would amend San Francisco Administrative Code Sections 57.5 and 57.8 to (a) codify the existing daily use fees; (b) reduce the daily use fee charged by the Film Commission to lower-budget film productions from $300 per day to $100 per day; (c) extend eligibility for the Film Rebate Program to documentaries, docudramas, and reality programs, and make environmental findings.

Key Points

- The proposed ordinance will be continued at the September 14, 2011 Budget and Finance Committee meeting.

Recommendation

- Continue the proposed ordinance, as requested by the Budget and Finance Committee.

Item 8 File 11-0778	Department: Department of Public Health (DPH); Real Estate Division

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would approve a new five-year lease between the City and County of San Francisco, on behalf of DPH, as lessee, and Mercy Commercial California, as lessor, for 6,300 square feet of office space at 1360 Mission Street, Suite 401. The term of the proposed lease is from the date of the passage of the proposed resolution by the Board of Supervisors until 5 years after that date, with one two-year option to extend the proposed lease for a total maximum term of 7 years.

Key Points

- DPH's Sexually Transmitted Disease (STD) Section's administrative offices have occupied 6,300 square feet at 1360 Mission Street, Suite 401, since 1992. Currently, 17 staff members work at this location, including (a) the Sexual Health Unit, (b) the Epidemiology Unit, (c) Special Projects, and (d) the Director's Office.

- Since the expiration of the existing lease on December 31, 2010, DPH has continued on a month-to-month tenancy at the existing lease's rate of approximately $2.11 per square foot, or $13,287 per month, while extended negotiations took place between the Real Estate Division and Mercy Commercial California.

- Under the proposed lease, DPH would continue to lease from Mercy Commercial California 6,300 square feet of office space at 1360 Mission Street, Suite 401, which DPH currently occupies under a month-to-month tenancy, for $132,867 annually or $11,072.25 per month, or approximately $1.76 per square foot per month. The rental rate of $11,072.25 per month was determined to be the fair market value based on comparable rents in the vicinity.

- Under the proposed lease, all future rent rates after the first year would be subject to annual Consumer Price Index adjustments of no less than 2 percent and no more than 5 percent.

Fiscal Analysis

- Under the current lease, DPH pays annual rent for 1360 Mission Street, Suite 401, of $159,444. Under the proposed lease, DPH would pay first year rent of $132,867 ($11,072.25 per month x 12 months), resulting in a first year reduction of $26,577 or 16.7 percent. The annual rental rate over the term of the lease ranges from $132,687 in the first year of the lease up to $161,501 in the fifth year of the lease.

- Based on annual rent increases of no less than 2 percent and no more than 5 percent, total estimated five-year lease costs range from $691,446 to $734,174.

- DPH also paid one-time costs to install new telecommunications, data, and computer cabling, which was completed in February, 2011. The total cost of that installation was $16,450. Therefore, the total estimated cost of the proposed lease ranges between $707,896 and $750,624.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

In accordance with Section 23.27 of the City's Administrative Code, except in specified short-term leases, all leases, in which the City is the lessee, are subject to Board of Supervisors approval.

Background

Currently, the Department of Public Health's (DPH) Sexually Transmitted Disease Prevention and Control Services (STD Section) leases 6,300 square feet of office space at 1360 Mission Street, Suite 401, for the STD Section's administrative services. In addition, the STD Section's clinical services are provided at City Clinic, the municipal STD Clinic located at 7th and Harrison Streets.

The Department of Public Health's (DPH) Sexually Transmitted Disease Prevention and Control Services Section's (STD Section) mission is to maximize sexual and reproductive health in San Francisco. The STD Section's goals are to (a) reduce STD incidence and complications, (b) provide culturally proficient STD diagnosis and treatment, (c) identify and decrease risk factors associated with poor sexual health, and (d) promote awareness and provide state of the art sexual health education and training. The STD Section provides STD services, including primary STD/HIV prevention through health education activities and risk reduction counseling of at-risk patients, and secondary STD prevention through diagnosis and treatment of persons with STDs. STD diagnostic and treatment services include (a) the clinical services provided at City Clinic, (b) the referral of untreated, infected individuals identified through partner notification programs, (c) the identification of asymptomatic, infected individuals through the STD screening programs, and (d) the technical expertise provided for clinicians caring for STD patients outside of City Clinic.

According to Ms. Claudine Venegas, Senior Real Property Officer at the General Services Agency's Real Estate Division (RED), DPH's STD Section's administrative offices have leased office space at 1360 Mission Street, Suite 401, since 1992. Currently 17 staff members work at this location, including (a) the Sexual Health Unit, (b) the Epidemiology Unit, (c) Special Projects, and (d) the Director's Office. The Sexual Health Unit is primarily responsible for community outreach and engagement, drafting routine reports, and overseeing STD-related contracts with Public Health Foundation Enterprises, a fiscal intermediary, and Better World Advertising which handles a portion of the STD Section's social media activities. The Sexual Health Unit is also responsible for the Memorandum of Understanding (MOU) with DPH's AIDS Office Prevention Section, which funds a variety of the STD Section's activities. The Epidemiology Unit is responsible for analyzing and maintaining STD data, and overseeing their grant writing and submission. The Special Projects Unit works on a variety of STD-related projects, including responding to STD and/or communicable disease outbreaks. The Director is responsible for general oversight of the STD Section's activities.

On October 3, 2003, the Board of Supervisors approved a four-year and two-month lease from November 1, 2003 to December 31, 2007 between the DPH, as lessee, and Mercy Commercial California, as lessor, with one five-year option to extend. On March 14, 2008, the Board of Supervisors retroactively approved a three-year option to extend the lease from January 1, 2008 through December 31, 2010. This three-year option to extend was two years less than the previously approved five-year option to extend in the original lease due to the anticipated move by the STD Section's administrative offices to the City Clinic located at 356 7th Street by December 31, 2010 after a planned renovation to the clinic was completed. However, according to Ms. Wendy Wolf, Deputy Director of STD Section, the move did not take place because the DPH had insufficient funds to renovate the City Clinic as planned. According to Ms. Wolf, DPH does not have current plans to move forward with the renovations at the City Clinic.

The rental rate in the original lease was $8,925 per month for the four-year and two months term of the lease. The three year option to extend included a rent increase of (a) $3,360 or 37.6 percent, from $8,925 to $12,285, (b) a second increase of $491, or 4 percent from $12,285 to $12,776 on January 1, 2009, and (c) a third increase of $511 or 4 percent from $12,776 to $13,287 on January 1, 2010. As shown in Table 1 below, the total amount paid under the existing lease was $906,426.

Table 1: Total Amount Paid Under Existing lease from November 1, 2003 – December 31, 2010

Lease Term	Rent per Square Foot per Month	Total Rent per Month [1]	Total Annual Rent
November 1, 2003 – December 31, 2007	$1.42	$8,925	$446,250
January 1, 2008 – December 31, 2008	$1.95	$12,285	$147,420
January 1, 2009 – December 31, 2009	$2.03	$12,776	$153,312
January 1, 2010 – December 31, 2010	$2.11	$13,287	$159,444
Total			**$906,426**

[1] Rent per square foot per month x 6,300 square feet

Since the expiration of the existing lease on December 31, 2010, DPH has continued on a month-to-month tenancy at the existing lease's most recent rate of approximately $2.11 per square foot, or $13,287 per month, while extended negotiations took place between the Real Estate Division and Mercy Commercial California to approve a new lease.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new five-year lease between the City and County of San Francisco, on behalf of DPH, as lessee, and Mercy Commercial California, as lessor, for 6,300 square feet of office space at 1360 Mission Street, Suite 401. The term of the proposed lease is from the date of the passage of the proposed resolution by the Board of Supervisors until 5 years after that date, with one two-year option to extend the proposed lease for a total maximum term of 7 years.

Under the proposed lease, DPH would pay rent of $11,072.25 ($132,867 annually) per month during the first year of the lease, or approximately $1.76 per square foot per month for the same 6,300 square feet of space which DPH occupies under the existing lease. Total annual rent during the first year of the proposed lease of $132,867 ($11,072.25 x 12 months) is $26,577 or 16.7 percent, less than annual rent of $159,444 under the existing lease, as shown in Table 2 below.

Table 2: Comparison of Rent Under Current and Proposed Lease			
	Rent per Square Foot per Month	**Total Rent per Month [1]**	**Total Annual Rent**
Current Lease	$2.11	$13,287	$159,444
Proposed Lease	$1.76	$11,072	$132,867
Proposed Rent Reductions	**$0.35**	**$2,215**	**$26,577**

[1] Rent per square foot per month x 6,300 square feet

According to Ms. Venegas, the proposed rental rate of $11,072.25 per month ($132,867 annually) was determined to be the current fair market value based on comparable rents in the vicinity. Under the proposed lease, all rent rates after the first year would be subject to annual Consumer Price Index[1] adjustments of no less than 2 percent and no more than 5 percent.

Ms. Venegas advises that no other rental properties were considered because 1360 Mission Street, Suite 401, was built out to the STD Section's specifications in 1992 and relocating would be too costly to consider as a viable option.

FISCAL ANALYSIS

Approval of the proposed resolution would result in annual rent payable by the DPH, as lessee, to Mercy Commercial California, as lessor, under the proposed lease totaling $132,867 ($11,072.25 per month multiplied by 12) in the first year.

According to Ms. Venegas, the proposed lease would be funded from General Fund monies as part of DPH's annual budget appropriation. Monies for this purpose were included in the City's FY 2011-12 budget previously approved by the Board of Supervisors. Rent payments made after FY 2011-12 will likewise be included in DPH's annual budget appropriation and subject to Board of Supervisors appropriation approval.

As shown in Table 3 below, the annual rental rate over the term of the lease ranges from $132,687 in the first year of the lease up to $161,501 in the fifth year of the lease.

[1] The Consumer Price Index represents changes in the prices of all good and services for All Urban Consumers in the San Francisco-Oakland-San Jose area and is published by the Bureau of Labor Statistics under the United States Department of Labor.

Table 3: Estimated Annual Rent For 6,300 Square Feet During 5 Year Term of Lease		
	Annual Rent Based on:	
	2 Percent Annual Increase	5 Percent Annual Increase
Year 1	$132,867	$132,867
Year 2	135,524	139,510
Year 3	138,235	146,486
Year 4	141,000	153,810
Year 5	143,820	161,501
	$691,446	**$734,174**

DPH paid one-time costs to install new telecommunications, data, and computer cabling. According to Ms. Wolf, the installation was funded from General Fund monies and was completed in February, 2011. The Budget and Legislative Analyst notes that DPH funded and performed the telecommunications, data, and computer cabling installation prior to approval of the proposed lease by the Board of Supervisors. Ms. Wolf advises that this was done because (a) the wiring in the site was outdated and was making it difficult for STD Section to perform its programmatic functions, (b) the DPH STD Section has had the existing lease with the lessor, Mercy Commercial California, for more than five years and because the rent for the site under the terms of the proposed lease was decreasing, DPH anticipated Board of Supervisors approval, and (c) lease negotiations extended over a longer period of time than anticipated by DPH. As shown in Table 4 below, the total cost of that installation was $16,450.

Table 4: Total Cost of Installing New Telecommunications, Data, and Computer Cabling	
Labor	$11,260
Materials	5,190
Total Cost	**$16,450**

Therefore, the total cost of the proposed lease over the five-year term ranges from $707,896 ($691,446 plus $16,450) to $750,624 ($734,174 plus $16,450).

RECOMMENDATION

Approve the proposed resolution.

Harvey M. Rose

cc: Supervisor Chu
Supervisor Mirkarimi
Supervisor Kim
President Chiu
Supervisor Avalos
Supervisor Campos
Supervisor Cohen
Supervisor Elsbernd
Supervisor Farrell
Supervisor Mar
Supervisor Wiener
Clerk of the Board
Cheryl Adams
Controller
Rick Wilson