

File No. 151178

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date March 16, 2016

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
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| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
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OTHER

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Completed by: Linda Wong Date March 11, 2016

Completed by: Linda Wong Date _____

[Appropriation - General Fund Reserve - Facilities Improvements in the Recreation and Park Department and the Department of Public Health - \$5,000,000 - FY2015-2016]

Ordinance appropriating \$5,000,000 from the General Fund Reserve, of which \$2,500,000 will be used in the Recreation and Park Department for facilities improvements in the Geneva Car Barn and \$2,500,000 will be used in the Department of Public Health for facilities improvements of 35-45 Onondaga Avenue, in FY2015-2016.

Note: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in ~~*italics Times New Roman font*~~.
Board amendment additions are in double underlined Arial font.
Board amendment deletions are in ~~Arial font~~.
Asterisks (* * *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The sources of funding outlined below are herein appropriated to reflect the funding available in Fiscal Year 2015-2016.

SOURCES Appropriation

Fund	Index/Project Code	Subobject	Description	Amount
1G AGF AAA	GENRESERVE	99999R	GENERAL FUND	\$5,000,000
GF- NON-PROJECT- CONTROLLED			RESERVE	
Total SOURCES Appropriation				<u>\$5,000,000</u>

1 Section 2. The uses of funding outlined below are herein appropriated in Fiscal Year
 2 2015-2016 for facilities improvements of the Geneva Car Barn and for facilities improvements
 3 at 35 - 45 Onondaga Avenue:
 4

5 **Uses Appropriation**

Fund	Index/Project Code	Subobject	Description	Amount
1G AGF ACP	XXXXX/ GENEVA	06700	BUILDINGS,	\$2,500,000
GENERAL FUND	CAR BARN		STRUCTURES and	
CONTINUING PROJECTS			IMPROVEMENT	
			PROJECT BUDGET	
1G AGF ACP	XXXXX/ 35-45	06700	BUILDINGS,	\$2,500,000
GENERAL FUND	ONONDAGA		STRUCTURES and	
CONTINUING PROJECTS	AVENUE		IMPROVEMENT	
			PROJECT BUDGET	
Total USES Appropriation				<u><u>\$5,000,000</u></u>

22 Section 3. The Controller is authorized to record transfers between funds and adjust
 23 the accounting treatment of sources and uses appropriated in this Ordinance as necessary to
 24 conform with Generally Accepted Accounting Principles.
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APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: BSW
BUCK DELVENTHAL
Deputy City Attorney

FUNDS AVAILABLE:
BEN ROSENFELD, Controller

By: [Signature]
BEN ROSENFELD
Controller

Item 1
File 15-1178
(Continued from March 9, 2016)

Departments:
 Recreation and Park Department (RPD)
 Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- Ordinance appropriating \$5,000,000 from the General Fund Reserve, of which (a) \$2,500,000 will be used by the Recreation and Park Department (RPD) for facilities improvements to the Geneva Car Barn and (b) \$2,500,000 will be used by the Department of Public Health (DPH) for facilities improvements to 35-45 Onondaga Avenue.

Key Points

- RPD is managing the City-owned Car Barn Project, in two phases, at a total cost of \$29,000,000. Phase 1 would improve only the Powerhouse building for \$6,883,212. Phase 1 construction could commence in early 2017 and be completed by the end of 2017.
- In 2012, the two City-owned properties at 35-45 Onondaga Avenue under DPH were declared surplus to the City’s needs and appraised at \$640,000. A recent Northern California Community Loan Fund (NCCLF) site assessment report identified potential short-term and long-term improvements for these two buildings, including initial budgets.

Fiscal Impact

- The Phase I Car Barn projected funding sources total \$7,501,278, or \$618,066 more than the \$6,883,212 Phase 1 Powerhouse estimated cost. However, the identified other funding sources and amounts will not be fully known until the summer of 2016.
- The estimated costs for the 35-45 Onondaga properties range from \$3,035,000 for short term improvements to \$4,903,000 for long term improvements. However, none of the anticipated non-General Fund financing sources have been received nor the timing known for application and/or receipt of such funds.

Recommendations

- Sever the proposed ordinance to separate the \$5,000,000 request into two \$2,500,000 requests, one for RPD for the Geneva Car Barn and one for DPH for the 35-45 Onondaga properties.
- Approve the requested \$2,500,000 supplemental appropriation for RPD for the Geneva Car Barn, placing the entire \$2,500,000 on Budget and Finance Committee Reserve pending the determination of the remaining sources and amounts of funding for the project.
- Continue the proposed \$2,500,000 supplemental appropriation for DPH pending the identification of additional funding sources, amounts of funding available and organizational structures determined to close the gap to renovate and use the 35-45 Onondaga properties.

MANDATE STATEMENT

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

BACKGROUND

This report pertains to two City-owned facilities, the (1) Geneva Car Barn and (2) 35-45 Onondaga Avenue.

Geneva Car Barn

The Geneva Car Barn and Powerhouse (Car Barn) are two buildings located at Geneva and San Jose Avenues across from the Balboa Park BART Station, adjacent to a vehicle storage facility owned by the San Francisco Municipal Transportation Agency (SFMTA). In 1998, the Car Barn was saved from demolition by the Friends of the Geneva Car Barn and Powerhouse (Friends), a nonprofit neighborhood organization. In 2004, the SFMTA transferred jurisdiction of the vacant Car Barn to the Recreation and Park Department (RPD) (File No. 04-0320) at no cost, with the intent that RPD form a partnership with the Friends to renovate the Car Barn. Between 2004 and 2015, RPD and the Friends spent \$3,983,000 on the Car Barn from various sources, for roof repairs, preliminary seismic stabilization, planning, design, program administration, historic preservation architect and environmental testing.

In October 2014, the Board of Supervisors approved a Lease Disposition and Development Agreement between RPD and the Friends (File 14-0920) specifying the Friend's obligations to fundraise, rehabilitate and operate the Car Barn as a community center. However, the Friends were unable to meet the funding requirements and in October 2015, the Board of Supervisors terminated the Lease Disposition and Development Agreement with the Friends (File 15-0890).

According to Ms. Nicole Avril, Project Director at RPD, RPD is now directly managing the Car Barn Project, which has now been divided into two separate phases, at a total estimated remaining cost of approximately \$29,000,000.

- Phase 1: Design, restoration, and improvement of the Powerhouse building only, including seismic stabilization, hazardous material remediation, streetscape improvements, a new roof, and limited mechanical and electrical system upgrades at a cost of \$6,883,212; and
- Phase 2: Design, restoration, and improvement of the Car Barn building and completion of more extensive improvements to the Powerhouse building at a cost of \$22,116,788.

In 2013, the Planning Department determined that this project is exempt from the California Environmental Quality Act (CEQA).

Ms. Avril advises that the design for the overall project is complete. Construction documentation for Phase 1 should be completed by the end of April 2016. Ms. Avril further advises that award of the construction contract, which will be competitively bid, should be

completed by late fall 2016. Construction is anticipated to commence by the beginning of 2017 and be completed by the end of calendar year 2017.

Phase 1 would renovate the 3,000 square foot Powerhouse, which is essentially a warehouse now, into a community arts center which could provide after school arts programs for elementary to high school students, daytime arts programs for seniors and toddlers, evening arts programs for adults and potentially be rented by local theater groups or for birthdays and weddings on weekends. According to Ms. Avril, it is anticipated that such programs would be provided through a partnership between RPD and nonprofit organizations, with the rental income from the various arts programming used to offset the operating costs. Ms. Avril advises that the programming would be similar to the model used at RPD's Boeddeker Park Clubhouse in the Tenderloin, in which the nonprofit Boys & Girls Clubs of San Francisco partners with RPD to offer programs to the community.

35-45 Onondaga Avenue

The City-owned properties at 35-45 Onondaga Avenue located near the intersection with Alemany Boulevard in the Outer Mission/Excelsior District, were originally constructed in 1933 with funding from a 1928 public bond measure as a public hospital and health center. These two adjoining City-owned buildings, which total approximately 8,200 square feet, remain under the jurisdiction of the Department of Public Health (DPH). According to Mr. John Updike, Director of Real Estate, the last known tenant in 35 Onondaga was the nonprofit organization, Self-Help for the Elderly, which vacated the building in 2012, because they could no longer secure insurance, given the poor seismic condition of the building. 45 Onondaga contains murals and frescos, which were commissioned in 1937 under the Federal Works Progress Administration (WPA), and has been vacant since 2009.

In 2012, the Real Estate Division listed the 35-45 Onondaga Avenue properties as surplus to the City's needs. In April 2012, these properties were appraised at \$640,000 by Carneghi-Blum & Partners, Inc. In March 2013, a Mayor's Office of Housing (MOH) staff report determined 12 units would be the maximum residential density for these properties, and concluded that MOH not pursue these properties for affordable housing, given the high costs per unit to construct on this site.

Mr. Updike advises that the 35-45 Onondaga Avenue properties are not seismically safe, and require extensive capital improvements estimated at approximately \$3,350,000 for seismic repairs, asbestos abatement and related repairs to make these two buildings functional. Mr. Updike notes that an additional approximately \$500,000 for mural restoration and \$500,000 for tenant improvements would also be required, for a total estimated cost of approximately \$4,350,000 for occupancy of the buildings.

On February 23, 2016, the Northern California Community Loan Fund (NCCLF)¹, a nonprofit organization, issued a draft site assessment report on the general condition of the 35-45

¹ NCCLF is a nonprofit lender and consulting organization in San Francisco provides financing, financial expertise, and socially responsible investment services for community-based organizations in northern and central California.

Onondaga property to determine the potential short-term and long-term occupancy of the two buildings, including preliminary budgets.

In the short-term, the two buildings need:

- roof and skylight repairs to stop leaks and prevent further water damage,
- new replacement glass windows and glazing,
- repair and replacement of doors, hardware, egress and exterior gates,
- plumbing repairs, cosmetic repairs and finishes and
- protection of the historic frescos.

This NCCLF draft report provided a conceptual budget for these improvements of \$3,035,000. However, the report also recommended the City

- complete a Capital Needs Assessment to identify defects and deferred maintenance required for immediate occupancy;
- work with Real Estate Division to remediate building deficiencies for immediate occupancy; and
- work with a general contractor to develop a construction cost budget for permanent occupancy.

For the long term occupancy of the two buildings, the report recommends significant fire and life safety improvements, removal of hazardous materials, building systems upgrades, tenant improvements and historic preservation of the murals. The NCCLF estimated total cost for these improvements is \$4,903,000.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate a total of \$5,000,000 from the General Fund Reserve in FY 2015-16 as follows:

- (a) \$2,500,000 for the Recreation and Park Department for Phase 1 facility improvements at the Geneva Car Barn; and
- (b) \$2,500,000 for the Department of Public Health for facility improvements at 35-45 Onondaga Avenue.

FISCAL IMPACT

Geneva Car Barn Project

Table 1 below summarizes the Phase 1 budget of \$6,883,212 to complete design, construction and improvements to the Powerhouse under the Car Barn Project.

Table 1: Phase 1 Powerhouse Car Barn Project Budget

Design Fees (Aidlin Darling Design)	\$651,219
Permits and Regulatory Agency Approvals	117,655
Art Enrichment Program	104,702
Art Commission Fee	6,000
Historic Preservation Tax Credit Bridge Loan Fees and Interest	70,050
Construction	5,235,078
Construction Contingency (10%)	523,508
Hazardous Materials Abatement	50,000
Fire Security System	30,000
Bathroom Trailer	60,000
PG&E Transformer Installation Fee	<u>35,000</u>
Phase 1 Powerhouse Cost Estimate	\$6,883,212

In addition to the costs shown in Table 1 above, depending on the type of arts programs (i.e., modular walls, dance floor, digital arts equipment, stage for theater), there would be an additional \$500,000 cost for furniture, fixtures and equipment, or a total cost of \$7,383,212. However, Ms. Avril notes that the nonprofit arts groups will partner to fund the improvements.

Table 2 below summarizes the sources of funding for the Phase 1 Powerhouse Project.

Table 2: Phase 1 Powerhouse Car Barn Project Funding Sources

2000 Neighborhood Park General Obligation Bonds	\$126,278
RPD FY 2015-16 Capital Budget	175,000
Office of Economic and Workforce Development Invest in Neighborhoods Initiative FY 2015-16 Budget	<u>300,000</u>
Subtotal—Previously Appropriated	\$601,278
RPD Community Opportunity Fund	3,000,000
Historic Preservation Tax Credits	1,400,000
General Fund Reserve (subject of this request)	2,500,000
Total	\$7,501,278

As shown in Table 2 above, the projected funding sources total \$7,501,278 which is \$618,066 more than the \$6,883,212 Phase 1 Powerhouse estimated cost shown in Table 1 above. However, as also shown in Table 2 above, only \$601,278 has previously been appropriated by the Board of Supervisors for this project. This leaves a current \$6,281,934 funding gap (\$6,883,212 total cost less \$601,278 previously appropriated) for this Phase 1 Project.

The RPD Community Opportunity Fund was created with \$12,000,000 as part of the 2012 General Obligation Parks Bond, approved by San Francisco voters. The Friends are anticipated to apply for \$3,000,000 of RPD Community Opportunity Funds in March 2016; a decision regarding the amount of Community Opportunity Funds to be awarded will not be determined until May 2016. The Historic Preservation Tax Credits allow a bank to purchase and sell tax credits in exchange for providing funds to rehabilitate historic buildings. The \$1,400,000 of Historic Preservation Tax Credits for this project are likely to be available but competitive, and would not be known until the summer of 2016.

The requested \$2,500,000 of General Fund Reserve funding could then potentially be used to close the remaining funding gap, but the final amount of the funding gap would not be known until the Community Opportunity Funds and Historic Preservation Tax Credits are awarded. Therefore if the requested \$2,500,000 General Fund Reserve appropriation is approved by the Board of Supervisors, all of these funds should be placed on Budget and Finance Committee Reserve pending the outcome of the decisions regarding the \$3,000,000 request for the RPD Community Opportunity Funds and \$1,400,000 request for the Historic Preservation Tax Credits. Depending on the award and amounts of each of these other awards, the requested \$2,500,000 City’s General Fund Reserve appropriation should then be adjusted to reflect the remaining amount needed.

Funding for Phase 2 of the Geneva Car Barn project has not been identified, which is currently estimated to cost \$22,116,788. Ms. Avril notes that funding for Phase 2 is likely to be a combination of public and private financing. Ms. Avril further notes that Phase 1 is intended to be a stand-alone project, if Phase 2 is not funded.

35-45 Onondaga Avenue

Table 3 below summarizes the City’s Real Estate Division and NCCLF estimated costs for both short-term and long term improvements at the 35-45 Onondaga properties. As shown in Table 3 below, the estimated costs range from \$3,035,000 for short term improvements to \$4,903,000 for long term improvements.

Table 3: Estimated Costs for 35-45 Onondaga Properties

	City Real Estate	NCCLF Short Term Improvements	NCCLF Long Term Improvements
Construction Cost	\$3,350,000	\$1,850,000	\$3,282,000
Arch, Engineer, Inspect (25% construct)	-	463,000	821,000
Preservation of Murals	500,000	500,000	500,000
Tenant Improvements	500,000	-	-
Financing Expenses	-	222,000	300,000
Total Estimated Costs	\$4,350,000	\$3,035,000	\$4,903,000

The City’s Real Estate Division’s estimate of the construction cost extrapolated estimates from prior studies and then escalated these expenses to today’s costs, which include both hard construction and soft costs, such as architect, engineering and inspection, but do not include any financing expenses. The construction costs estimated by NCCLF assume \$225 per square foot for the short term improvements and \$400 per square foot for the long term improvements, based on the 8,205 square feet in both buildings. As shown in Table 3 above, NCCLF did not include tenant improvement costs in their proposals as NCCLF anticipates that a future nonprofit tenant would pay the costs of their own improvements.

The City’s Real Estate Division did not identify potential funding sources to pay for the estimated \$4,350,000 improvements for the 35-45 Onondaga properties. Rather, as noted above, the Real Estate Division listed this property as surplus to the City’s needs in 2012. Based on an appraisal of \$640,000 in April 2012, the FY 2015-16 DPH budget included \$1,000,000 as a source of revenue from the anticipated sale of the 35-45 Onondaga properties. According to Ms. Jenny Louie, Budget Director at DPH, the \$1,000,000 of revenue in the FY 2015-16 budget were anticipated to be used to offset General Fund costs for DPH’s supportive housing program for the Local Operating Subsidy Program (LOSP). Ms. Louie advises that if the 35-45 Onondaga properties are not sold, such that DPH does not realize the budgeted \$1,000,000 of revenues in FY 2015-16, DPH would still have sufficient expenditure authority to support the LOSP.

Table 4 below summarizes the sources of funding identified by NCCLF for the proposed 35-45 Onondaga properties.

Table 4: Anticipated Funding Sources for 35-45 Onondaga Properties

	NCCLF Short Term Improvements	NCCLF Long Term Improvements
General Fund Reserve (subject of this request)	\$2,500,000	\$2,500,000
Historic Preservation Tax Credits	535,000	903,000
Construction Loans		1,500,000
Total Estimated Funding	\$3,035,000	\$4,903,000

As shown in Table 4 above, the requested \$2,500,000 supplemental appropriation would be used to fund either short term or long term improvements to the 35-45 Onondaga properties. Historic Preservation Tax Credits would allow a bank to purchase and sell tax credits in exchange for providing funds to rehabilitate these historic buildings. The NCCLF report assumes that under the long term improvements, a \$1,500,000 construction loan could be repaid through rental income from future building tenants to sufficiently cover its costs². However, as of the writing of this report, none of the anticipated non-General Fund financing sources have been received to cover the remaining costs of the improvements to the 35-45 Onondaga properties. The projected timing for application and/or receipt of such funds has also not been determined.

Mr. Brian Cheu, Director of Community Development in the Mayor’s Office of Housing and Community Development (MOHCD) advises that MOHCD provided a \$50,000 grant to the NCCLF to prepare a report on potential organizational structures for a real estate holding entity that could hold properties in trust for nonprofit tenants that might benefit from such an organization. This NCCLF report is anticipated to be completed in June 2016. Depending on the type of organizational structures recommended, a possible scenario could be for the 35-45 Onondaga property to be transferred or sold to such an organization. Mr. Cheu notes that a

² The \$1,500,000 construction loan assumes rents payable by future tenants at the rate of \$2.25 per square foot per month. An October 8, 2013 Budget and Legislative Analyst report based on survey respondents found that the average renewal rental rate for nonprofit tenants was \$1.79 per square foot per month.

similar model for arts organizations is called the Community Arts Stabilization Trust (CAST), a nonprofit organization, which purchased two properties on behalf of two different arts organizations, with initial seed funding for acquisition and tenant improvements from private philanthropy. Alternatively, Mr. Cheu notes that a nonprofit entity could lease property from the City and act as master leaseholder and take on tenant improvement responsibilities.

As noted above, the anticipated other funding sources for either short term or long term improvements have not yet been secured for the 35-45 Onondaga properties. In addition, a report on potential new real estate organizational structures for nonprofit tenants will not be completed until summer of 2016. Therefore, the requested \$2,500,000 supplemental appropriation related to the 35-45 Onondaga Avenue properties should be continued.

General Fund Reserve Balance

The City's General Fund Reserve balance is currently \$73,931,443. If the Board of Supervisors approves the proposed \$5,000,000 supplemental appropriation ordinance, the General Fund Reserve would be reduced to \$68,931,443.

RECOMMENDATIONS

1. Sever the proposed ordinance to separate the \$5,000,000 request into two \$2,500,000 requests, one for RPD for the Geneva Car Barn and one for DPH for the 35-45 Onondaga properties.
2. Approve the requested \$2,500,000 supplemental appropriation for RPD for the Geneva Car Barn, and place the entire \$2,500,000 on Budget and Finance Committee Reserve pending the determination of the remaining funding sources and actual amounts of funding received for the project.
3. Continue the proposed \$2,500,000 supplemental appropriation for DPH pending the identification of additional funding sources, actual amounts of funding received and the organizational structures determined to close the gap to renovate and use the 35-45 Onondaga properties.

Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date _____

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee.
An ordinance, resolution, motion, or charter amendment.
- 2. Request for next printed agenda without reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [] inquires"
- 5. City Attorney request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. []
- 9. Request for Closed Session (attach written motion).
- 10. Board to Sit as A Committee of the Whole.
- 11. Question(s) submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission Youth Commission Ethics Commission
- Planning Commission Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative

Sponsor(s):

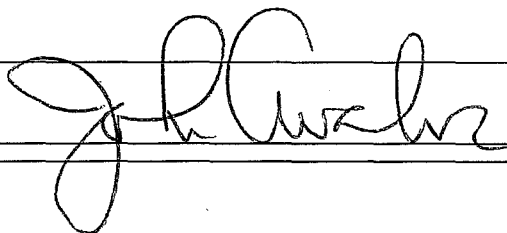
Supervisor John Avalos

Subject:

Ordinance - Appropriating \$5,000,000 from the General Fund Reserve for facilities improvements in the Recreation and Park Department and the Department of Public Health - FY2015-2016

The text is listed below or attached:

[Empty box for text listing]

Signature of Sponsoring Supervisor: 

For Clerk's Use Only:

