

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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March 31, 2017

TO: Budget and Finance Sub-Committee

FROM: Budget and Legislative Analyst



SUBJECT: April 6, 2017 Budget and Finance Sub-Committee Meeting

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| Item 2 File 17-0285 | Department: Arts Commission |
| EXECUTIVE SUMMARY | |
| Legislative Objectives | |
| <ul style="list-style-type: none"> • The Arts Commission is requesting the release of \$62,000 on Budget and Finance Committee reserve for acoustic mitigation work. | |
| Key Points | |
| <ul style="list-style-type: none"> • In October 2015, the Arts Commission moved into the War Memorial Veterans Building, after completion of a \$130 million seismic upgrade and improvement project. • Noise problems were evident immediately upon moving into the War Memorial Veterans Building, including voices echoing in offices and meeting rooms, difficulty hearing calls, conversations heard through walls and poor quality audio tapes. | |
| Fiscal Impact | |
| <ul style="list-style-type: none"> • The acoustic mitigation work will include: (a) installing sound absorbing acoustic panels on the ceiling and walls of the Commission/community meeting room (\$48,303); (b) replacing clear tempered glass wall panels with more sound absorbing laminated glass in private offices (\$11,781); and (c) installing a sound masking system in the main office suite (\$4,385), for a total cost of \$64,469. • The Art Commission will fund the additional \$2,469 (\$64,469 less \$62,000) with existing available funds in the department's budget. | |
| Recommendation | |
| <ul style="list-style-type: none"> • Approve the requested release of \$62,000 on reserve. | |

MANDATE STATEMENT

City Administrative Code Section 3.3(e) 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.

BACKGROUND

War Memorial Veterans Building Upgrades and Improvements

In October 2015, the Arts Commission moved into 401 Van Ness Avenue, the War Memorial Veterans Building, after the completion of an approximately \$130 million seismic upgrade and improvement project. The upgrades and improvements which took approximately two years to complete, included seismic and life safety, building systems, historic restoration and theatrical and interior improvements. Certificates of Participation, General Fund, War Memorial funds and gift funds provided funding for this project.

According to Ms. Patty Solis, Department of Public Works architect and project manager, interior noise mitigation improvements were included in the early design phases for the War Memorial Veterans Seismic Upgrade project. However, due to significant cost overruns in the project, the majority of such interior improvements were eliminated from the project scope.

Noise Problems in War Memorial Veterans Building

Ms. Rebekah Krell, Deputy Director of Cultural Affairs and Chief Financial Officer for the Arts Commission advises that noise problems were evident immediately upon moving into the War Memorial Veterans Building. Ms. Krell reports that voices echo in private offices and meeting rooms, telephone conference calls are difficult to hear, conversations can be heard through walls and required recording of public meetings results in poor quality audio tapes. As a result, the Arts Commission requested \$62,000 of General Fund monies in the FY 2016-17 budget to address these noise issues.

During the FY 2016-17 budget deliberations, the Board of Supervisors recommended placing the \$62,000 of General Fund monies on reserve in the Arts Commission budget pending detailed cost estimates for acoustic mitigation expenses.

According to Ms. Krell, based on the results of a Request for Proposal (RFP), the War Memorial Performing Arts Department selected ARUP, a consultant to evaluate and recommend improvements to the noise issues in the War Memorial Veterans Building. ARUP issued a report on October 4, 2016, to address the noise mitigation problems facing both the War Memorial Performing Arts and the Arts Commission spaces in the building. The proposed request is based on the results of the ARUP evaluation and recommendations.

DETAILS OF PROPOSED LEGISLATION

The Arts Commission is requesting the Budget and Finance Committee of the Board of Supervisors release \$62,000 previously placed on Budget and Finance Committee reserve in the Arts Commission's FY 2016-17 budget to pay for acoustic mitigation of the Arts Commission offices in the Veterans War Memorial building at 401 Van Ness Avenue. Specifically, this would include:

- Installing sound absorbing acoustic panels on the ceiling and walls of the Commission/community meeting room.
- Replacing clear tempered glass wall panels with more sound absorbing laminated glass in private offices; and
- Installing a sound masking system in the main office suite.

Although three different vendors would install these noise mitigations, Ms. Krell estimates that the work could be completed within the next two to three months.

FISCAL IMPACT

The Table below shows the projected total cost of \$64,469 to address the Arts Commission's noise mitigation issues.

Table: Costs for Acoustic Mitigation for Arts Commission

| Description | Amount |
|--|-----------------|
| Furnish & install acoustic panels on walls & ceiling | \$48,303 |
| Replace glass walls with absorbing laminated glass | 11,781 |
| Install Lencore Spectra Sound Masking System | 4,385 |
| Total | \$64,469 |

As shown in the Table above, the total projected cost is \$64,469. However, only \$62,000 is currently on Budget and Finance Committee reserve. Ms. Krell advises that the Art Commission will fund the additional \$2,469 (\$64,469 less \$62,000) with existing available funds in the department's budget. The Table above identifies one-time costs only, which will not require ongoing maintenance funding.

RECOMMENDATION

Approve the requested release of \$62,000 on reserve.

| | |
|--|---|
| Item 5 File 17-0180 | Department: Recreation and Parks Department (RPD) |
| EXECUTIVE SUMMARY | |
| <p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the Recreation and Park General Manager’s Declaration of Emergency due to failure of the boiler system at Kezar Pavilion in accordance with Administrative Code Section 6.60, which requires Board of Supervisors approval of emergency work with estimated costs of more than \$250,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The San Francisco Recreation and Park Department (Recreation and Park) manages Kezar Pavilion, an indoor arena in the southeast corner of Golden Gate Park. The Pavilion is regularly used for major sports events by entities such as the San Francisco Unified School District, Wallenburg High School, and the California Inter-Scholastic Federation. • The Kezar Pavilion is heated by a dual steam boiler system, which consists of two boilers that were originally installed in 1924. In the spring of 2016, Recreation and Park staff discovered that one of the two boilers in the Kezar Pavilion had a leak and the use of this boiler was stopped. The Department was in the preliminary planning stages for full boiler system replacement in FY 2017-18, when the second boiler failed in December 2016. • The Department determined that there was insufficient time to competitively bid for the work because the lack of heat impacted the use of Kezar Pavilion by SFUSD and other schools for sporting events. The Recreation and Park Department entered into a design/build contract with City Mechanical, Inc. (City Mechanical), on a sole source basis on December 20, 2016 to replace the boiler system in Kezar Pavilion, as permitted under Administrative Code Section 6.60. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The contract for replacement of the Kezar Pavilion boiler system with City Mechanical is \$468,650. Funds for the contract are included in the Department’s FY 2016-17 budget. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to state that the removal, abatement , and replacement of the boiler system would cost \$468,650 rather than the incorrect amount of \$455,000. • Approve the proposed resolution as amended. | |

MANDATE STATEMENT

Administrative Code Section 6.60 provides that City contracts entered into for emergency work may be executed in the most expeditious manner. However, declarations of emergencies where the repair work is anticipated to be \$250,000 or more are subject to Board of Supervisors approval. Section 6.60(d) also states that if the emergency does not permit Board of Supervisors approval of the emergency before work is commenced or the contract(s) entered into, such approvals from the Board of Supervisors shall be obtained as soon as possible, with the proposed resolution approving the emergency determination submitted to the Board of Supervisors within 60 days of the department head's emergency declaration.

BACKGROUND

The San Francisco Recreation and Park Department (Recreation and Park) manages Kezar Pavilion, an indoor arena in the southeast corner of Golden Gate Park. The Pavilion is regularly used for major sports events by entities such as the San Francisco Unified School District, Wallenburg High School, and the California Inter-Scholastic Federation. The Kezar Pavilion is heated by a dual steam boiler system, which consists of two boilers that were originally installed in 1924.

In the spring of 2016, Recreation and Park staff discovered that one of the two boilers in the Kezar Pavilion had a leak and the use of this boiler was stopped. According to Mr. William Tarbox, Recreation and Park Department Structural Maintenance Division Superintendent, the Department originally planned to fully replace the boiler system in FY 2017-18, and make interim repairs to the system in FY 2016-17.¹ The Department was in the preliminary planning stages for full boiler system replacement in FY 2017-18, when the second boiler failed in December 2016.

The Recreation and Park Department General Manager declared a state of emergency in a letter to the Board of Supervisors on December 20, 2016. The Recreation and Park Department submitted the resolution, declaring a state of emergency, to the Board of Supervisors on February 14, 2017.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Recreation and Park Department General Manager's Declaration of an Emergency for repair work for the boiler system at Kezar Pavilion, in accordance with Administrative Code Section 6.60.

The Recreation and Park Department entered into a design/build contract with City Mechanical, Inc. (City Mechanical), on a sole source basis on December 20, 2016 to replace the boiler system in Kezar Pavilion, as permitted under Administrative Code Section 6.60. The scope of

¹ The Board of Supervisors appropriated \$600,000 in each year of the Department's FY 2016-17 and FY 2017-18 budgeted for capital repairs to the Department's pump, boiler and other systems, which was an increase of \$350,000 from the Department's FY 2015-16 budget of \$250,000.

work included the complete abatement of asbestos, demolition and removal of the existing system, and installation and start-up of the hot water system and steam heating system, at a contract amount of \$468,650.

According to Ms. Dana Ketcham, Recreation and Park Department Director of Permits and Property Management, the Department determined that there was insufficient time to competitively bid for the work because the lack of heat impacted the use of Kezar Pavilion by SFUSD and other schools for sporting events. According to Ms. Ketcham, the abatement of the asbestos led to a partial shutdown of Kezar Pavilion, including the locker rooms. The Recreation and Park Department was concerned that if the asbestos abatement process was not started immediately, the teams would not have access to the locker rooms for the high school basketball playoffs, scheduled to begin on February 15th, 2017. According to Mr. Tarbox, soliciting three quotes would have delayed the abatement by approximately two months.

According to Mr. Tarbox, the initial offer from City Mechanical of \$480,000 was rejected by the Recreation and Park Department. City Mechanical and the Department agreed on a final negotiated contract amount of \$468,650, which was reviewed by Department staff and determined to be reasonable.

City Mechanical began work on the boiler replacement on January 1, 2017, which was completed on March 30, 2017.

FISCAL IMPACT

The budget for replacement of the Kezar Pavilion boiler system under the contract with City Mechanical is \$468,650, as shown in Table 1 below.

Table 1: Budget for Boiler Replacement at Kezar Pavilion

| Purpose | Estimate Cost |
|-----------------------------------|----------------------|
| Materials (including two boilers) | \$182,000 |
| Labor | <u>273,000</u> |
| Subtotal | 455,000 |
| Performance bond | 13,650 |
| Total Cost Estimate | \$468,650 |

The proposed resolution, which provides for a contract amount of \$455,000, should be amended to show the actual amount of \$468,650.

RECOMMENDATIONS

1. Amend the proposed resolution to state that the removal, abatement, and replacement of the boiler system would cost \$468,650 rather than the incorrect amount of \$455,000.
2. Approve the proposed resolution as amended.

| | |
|--|---|
| Item 6 File 17-0192 | Department: Controller's Office (Controller) |
| EXECUTIVE SUMMARY | |
| <p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would establish the City's FY 2016-17 appropriations limit at \$3,185,468,215 as calculated by the Controller. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Article XIII B of the California State Constitution places annual limits on the appropriations of tax proceeds made by the State, school districts, and local governments in California. The annual appropriations limit is based on the appropriations limit for the preceding fiscal year and adjusted for (1) the change in population, and (2) the change in the cost of living. • Local governments are allowed to calculate the change in the cost of living using (1) the percentage change in California per-capita personal income or (2) the percentage change for the local jurisdiction's assessment roll for non-residential new construction. In FY 2015-2016, the change in per-capita personal income was 5.37 percent and change in assessment roll was 0.33 percent. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The Controller calculated the FY 2016-17 appropriations limit to be \$3,185,468,215, using the percentage change in California per-capita personal income. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The Controller has discretion to calculate the change in the cost of living using (1) the percentage change in California per-capita personal income or (2) the percentage change for the local jurisdiction's assessment roll for non-residential new construction. • The Controller calculated the appropriations limit of \$3,185,468,215, using the change to the per-capita income. Had the Controller elected to use the percentage change in the local assessment roll, the appropriations limit would have been calculated at \$3,033,102,648 which is \$152,365,567 less than the proposed appropriations limit of \$3,185,468,215. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. | |

MANDATE STATEMENT

California Constitution Article XIII B states that each local government must set an annual appropriations limit as calculated using the preceding year's appropriations limit adjusted for (1) the change in population and (2) the change in the cost of living.

BACKGROUND

On November 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. Article XIII B (later amended by State Proposition 111, as approved by the voters in June of 1990) places annual limits on the appropriations of tax proceeds made by the State, school districts, and local governments in California. The annual appropriations limit is based on the appropriations limit for the preceding fiscal year and adjusted for (1) the change in population, and (2) the change in the cost of living.

Per Article XIII B Section 9 and California Government Code Section 7901, the appropriations limit does not apply to any tax proceeds appropriated for (a) debt service, (b) federal mandates for Social Security and Medicare, (c) qualified capital outlays, and (d) other federal mandates.

California Government Code Section 7901(b) defines the change in population as the population growth for the calendar year preceding the beginning of the fiscal year for which the appropriations limit is to be determined. According to the California Department of Finance, in calendar year 2015, San Francisco's population growth was 1.06 percent.

California Constitution Article XIII B Section 8(e)2 allows the local government to use one of the two following definitions to calculate the cost of living adjustment:

Definition 1: The percentage change in California per-capita personal income from the preceding year, estimated to be 5.37 percent in FY 2015-16, or

Definition 2: The percentage change for the local jurisdiction in the assessment roll from the preceding year due to non-residential new construction, estimated to be 0.33 percent in FY 2015-16.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would establish the City's FY 2016-17 appropriations limit at \$3,185,468,215, as calculated by the Controller. The appropriations limit for FY 2016-17 is based on the amount of the FY 2015-16 appropriations limit and adjusted to reflect increases in (1) the population and (2) cost of living (calculated using the increase in per-capita personal income).

FISCAL IMPACT

As mentioned above, the appropriations limit does not apply to tax proceeds appropriated for: (a) debt service, (b) federal mandates for Social Security and Medicare, (c) qualified capital outlays, and (d) other federal mandates. Consequently, the Controller excluded \$676,138,404 from the City's total FY 2016-17 tax proceeds of \$3,674,736,995 as shown in Table 1 below, resulting in net tax proceeds subject to the appropriations limit of \$2,998,598,591.

Table 1: Estimated Tax Proceeds Subject to the Proposed Appropriations Limit

| | |
|--|------------------------|
| FY 2016-17 Estimated Total Tax Proceeds* | \$3,674,736,995 |
| Exclusions | |
| (a) Debt Service | (249,483,102) |
| (b) Federal Mandate for Social Security/Medicare | (153,246,302) |
| (c) Qualified Capital Outlays | (238,675,425) |
| (d) Other Federal Mandates | (34,733,575) |
| Subtotal Exclusions | (676,138,404) |
| FY 2016-17 Net Tax Proceeds Subject to Appropriations Limit | \$2,998,598,591 |

*Includes property taxes, business taxes, other local taxes, rents & concessions, interest, and state grants.

As shown on Table 2 below, the City's FY 2016-17 appropriation limit, as calculated by the Controller, is \$3,185,468,215. The FY 2016-17 net tax proceeds of \$2,998,598,591 is \$186,869,624 less than the FY 2016-17 appropriation limit of \$3,185,468,215.

Table 2: Proposed FY 2016-17 Appropriations Limit

| | |
|--|------------------------|
| FY 2015-16 Appropriations Limit^a | \$2,991,417,308 |
| Adjustment Factors | |
| Increase in Population | 1.06% |
| Increase in Per-Capita Personal Income | 5.37% |
| FY 2016-17 Appropriations Limit^a | \$3,185,468,215 |

Source: Controller's Office

^a The annual appropriations limit is a formula set by the California Constitution. The Controller calculated the FY 2016-17 appropriations limit based on the increase in the City's population and the increase in per-capita personal income as follows: \$2,991,417,308 x 1.0106 x 1.0537 equals \$3,185,468,215 (actual total may vary due to rounding).

POLICY CONSIDERATION

As noted above, the Controller has discretion to calculate the cost of living adjustment factor using one of two following definitions:

Definition 1: The percentage change in California per-capita personal income from the preceding year, estimated to be 5.37 percent in FY 2015-16, or

Definition 2: The percentage change for the local jurisdiction in the assessment roll from the preceding year due to local non-residential new construction, estimated to be 0.33 percent in FY 2015-16.

Table 3 below shows the FY 2016-17 appropriations limit using both definitions.

Table 3: The FY 2016-17 Appropriations Limit by Definition

| | <u>Definition 1</u> | <u>Definition 2</u> |
|--|-------------------------------|--|
| | Per-Capita Personal Income | Local Assessment Roll from Non- Residential New Construction ^a |
| FY 2015-16 Appropriations Limit | \$2,991,417,308 | \$2,991,417,308 |
| Adjustment Factors | | |
| Increase in Population | 1.06% | 1.06% |
| Increase in Per-Capita Personal Income | 5.37% | - |
| Increase in Local Assessment Roll | - | 0.33% |
| FY 2016-17 Appropriations Limit | \$3,185,468,215 | \$3,033,102,648 |

^a Difference due to rounding

For the FY 2016-17 appropriations limit, the Controller elected to use the percentage change in per-capita personal income from the preceding year to calculate the cost of living adjustment, consequently calculating the appropriations limit at \$3,185,468,215, as shown in Table 3 above. Had the Controller elected to use the percentage change in the local assessment roll from the preceding year, the appropriations limit, as shown in Table 3 above, would have been calculated at \$3,033,102,648, which is (a) \$152,365,567 less than the proposed appropriations limit of \$3,185,468,215 and (b) \$34,504,057 more than the Controller's estimate of net tax proceeds subject to the appropriations limit of \$2,998,598,591, as shown in Table 1 above.

RECOMMENDATION

Approve the proposed resolution.

| | |
|--|---|
| Item 7 File 17-0231 | Department: Department of Public Health (DPH) |
| EXECUTIVE SUMMARY | |
| <p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would retroactively approve a new contract between the City and Homebridge to provide Contract Mode In-Home Supportive Services (IHSS) and Provider Skill Development Training and Supports, for the three-year period of July 1, 2016 through June 30, 2019, in the amount of \$131,486,797. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • IHSS is a federally-, state-, and locally-funded program that provides funding for eligible low-income seniors (over the age of 65) and disabled persons to receive non-medical personal care and other household assistance in their home. • Human Services Agency (HSA) has an existing three-year contract for IHSS with Homebridge that expires on June 30, 2017. HSA issued an RFP in March 2016 to select a new provider for IHSS for a three-year period from July 1, 2016 through June 30, 2019, and Homebridge was the only agency that submitted a proposal. • HSA is proposing to enter into a new contract with Homebridge because funds under the existing contract will be fully expended by March 31, 2017. Because the existing and proposed contracts overlap in FY 2016-17, the start date for the new contract should be April 1, 2017. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The new contract amount totals \$88,221,604 over three-year term from July 1, 2016 through June 30, 2019. The proposed resolution states that the contract is for the period from July 1, 2016 through June 30, 2019 in the amount of \$131,486,797, and should be amended to reduce the resolution amount by (a) \$43,265,193 to equal the contract amount of \$88,221,604, and (b) \$21,248,275 to reflect the recommended revised start date of April 1, 2017, for a total reduction in the resolution of \$64,413,868. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • In 2012, the State established a Maintenance of Effort formula, which set each county's expenditures for IHSS based on FY 2011-12 IHSS expenditures, adjusted for inflation. The Governor's proposed budget for FY 2017-18 ends the Maintenance of Effort formula, which could potentially shift \$43.4 million of costs for IHSS from the State to the City in FY 2017-18. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to state that (1) the existing contract between HSA and Homebridge terminates as of March 31, 2017, rather than June 30, 2017; and (2) the proposed new contract between HSA and Homebridge is effective as of April 1, 2017, rather than July 1, 2016. • Amend the proposed resolution to reduce the amount by \$64,513,868, from \$131,486,797 to \$66,972,930. • Approve the proposed resolution as amended. | |

MANDATE STATEMENT

City Charter Section 9.118(b) requires the Board of Supervisors to approve by resolution all contracts and leases that either (1) have a term of more than ten years, (2) require the City to expend \$10,000,000 or more; or (3) modify an existing agreement in a way that will have a fiscal impact of more than \$500,000.

BACKGROUND

In-Home Supportive Services (IHSS) is a federally-, state-, and locally-funded program administered by each county. IHSS provides funding for eligible low-income seniors (over the age of 65) and disabled persons to receive non-medical personal care and other household assistance in their home. IHSS care allows seniors and disabled persons to remain in their own homes and thereby avoid unnecessary and expensive hospitalization or institutionalization.

Each eligible IHSS client is allocated a specified number of monthly IHSS service hours based on an annual needs assessment conducted by the Human Services Agency (HSA). In San Francisco, IHSS service hours are provided to clients via two modes of service delivery: the independent provider mode and the contract mode. Clients who cannot manage their own non-medical personal care and other household needs receive services from contracted providers who are employees of a third-party organization under contract with HSA. The third-party agency is the employer of record.

HSA pays for a contracted provider to administer the IHSS program and then seeks reimbursement from the federal and State government. The federal government pays for 56 percent of IHSS costs, the State pays for 23 percent, and the City pays for the remaining 21 percent from its General Fund.

HSA has an existing three-year contract for IHSS with Homebridge, Inc. (Homebridge)¹ that expires on June 30, 2017. In the existing contract, Homebridge provides two levels of service: (a) intensive supervision and (b) regular supervision. Intensive supervision includes case management, which requires the contract providers to assess client needs that fall outside the scope of approved IHSS services and to refer clients to appropriate resources.

Although the existing contract extends to June 30, 2017, HSA issued a competitive Request for Proposals (RFP) in March 2016 to select a new provider for IHSS for a three-year period from July 1, 2016 through June 30, 2019. Only one agency submitted a proposal, which was the incumbent provider Homebridge. According to Ms. Elena Baranoff, Senior Contract Manager at HSA, Homebridge scored 92.3 points, which was above the required 60 percent passing requirement outlined in the RFP for (a) program approach, (b) organization and staffing, and (c) fiscal capacity. HSA issued the award letter for the new contract in May 2016.

During the term of the existing contract, HSA performed program monitoring of Homebridge and found that Homebridge was satisfactorily complying with its contract requirements. In FYs

¹Homebridge was previously known as the IHSS Consortium until its name was changed March 2015.

2015-16 and 2016-17, HSA did not perform program monitoring because it was in the RFP process.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a new contract between the City and Homebridge, a non-profit organization, to provide Contract Mode IHSS and Provider Skill Development Training and Supports, for the three-year period of July 1, 2016 through June 30, 2019, in the amount of \$131,486,797. The contract provides for one additional year through June 30, 2020 at the sole discretion of HSA.

Homebridge will provide an estimated 645,865 service hours annually. IHSS clients will receive an average of 45 hours of service per month. The types of services provided through the IHSS program include housecleaning, meal preparation, laundry, grocery shopping, personal care services (e.g., bathing, bowel and bladder care), accompaniment to medical appointments, and protective supervision for the mentally impaired. The IHSS caseload increased by 7 percent between FY 2012-13 and FY 2013-14 and then decreased by approximately 4 percent between FY 2013-14 and FY 2016-17, as shown in Table 1 below.

Table 1: IHSS Active Caseload

| Fiscal Year | Active Caseload | Year-over-Year % Change |
|-------------|-----------------|----------------------------|
| FY 2011-12 | 21,591 | -- |
| FY 2012-13 | 21,608 | 0% |
| FY 2013-14 | 23,190 | 7% |
| FY 2014-15 | 22,600 | (3%) |
| FY 2015-16 | 22,298 | (1%) |
| FY 2016-17 | 22,377 | 0% |

Source: San Francisco City Performance Scorecards

FISCAL IMPACT

The amount of the existing contract between HSA and Homebridge to provide In-Home Supportive Services during the four-year term between July 1, 2013 and June 30, 2017 was \$81,038,524. According to Ms. Baranoff, actual contract expenditures through February 2017 are \$80,005,370 with a remaining balance of \$1,033,154. Ms. Baranoff states that HSA is proposing to enter into a new contract with Homebridge, based on the competitive RFP process, because funds under the existing contract will be fully expended by March 31, 2017.

The new contract amount, including a 10 percent contingency, totals \$88,221,603 over three-year term from July 1, 2016 through June 30, 2019.

Table 2: Homebridge Contract Budget

| Fiscal Year | FY 2016-17 | FY 2017-18 | FY 2018-19 | Total |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|
| Contract Mode | \$24,761,183 | \$25,735,182 | \$26,720,735 | \$77,217,100 |
| Provider Skills & Development | 994,786 | 994,786 | 994,786 | 2,984,358 |
| Subtotal | 25,755,969 | 26,729,968 | 27,715,521 | 80,201,458 |
| 10% Contingency | 2,575,597 | 2,672,997 | 2,771,552 | 8,020,146 |
| Total | \$28,331,566 | \$29,402,965 | \$30,487,073 | \$88,221,604 |

Source: Proposed Contract

Contract Mode services are direct services to IHSS clients (including supervisory oversight and administration), consisting of approximately 379 FTE (full-time equivalent) IHSS providers, the program director, client service coordinators, service schedulers, and support staff (such as nurses and bilingual support). Provider Skills and Development consists of training staff to provide mandated ongoing basic and advanced skill development training to IHSS providers.

The contract is funded by a combination of federal, State, and City sources, as shown in Table 3 below.

Table 3: Funding Sources

| Source | Amount | Percentage |
|--------------------------------|---------------------|------------|
| City General Fund | \$16,842,306 | 21% |
| State Grants | 18,446,335 | 23% |
| Federal Grants | 44,912,816 | 56% |
| Subtotal | \$80,201,457 | |
| 10% Contingency (General Fund) | 8,020,146 | |
| TOTAL | \$88,221,603 | |

Source: Proposed Contract

According to Ms. Baranoff, although HSA awarded the new contract to Homebridge in May 2016, HSA did not submit the resolution approving the proposed contract to the Board of Supervisors until March 2017 because HSA and Homebridge spent more than six months negotiating the terms of the new contract.

Overlapping Contract Dates

HSA has an existing contract with Homebridge to provide IHSS in FY 2016-17 through June 30, 2017, as noted above, and is proposing to enter into a new contract with Homebridge to provide IHSS in FY 2016-17, retroactive from July 1, 2016 through June 30, 2017. The proposed resolution should be amended to state that:

1. The existing contract between HSA and Homebridge terminates as of March 31, 2017, rather than June 30, 2017; and
2. The proposed new contract between HSA and Homebridge is effective as of April 1, 2017, rather than July 1, 2016.

Surplus Contract Spending Authority

The proposed resolution states that the contract is for the period from July 1, 2016 through June 30, 2019 in the amount of \$131,486,797, which is \$43,265,193 more than amount in the contract of \$88,221,604. According to HSA staff, the surplus amount of \$43,265,193 is to provide spending authority if HSA decides to extend the contract by one year through June 30, 2020. The Budget and Legislative Analyst recommends amending the proposed resolution to reduce the amount by \$43,265,193 from \$131,486,797 to the amount in the contract of \$88,221,604.

In addition, the Budget and Legislative Analyst recommends amending the proposed resolution to reduce the contract amount by \$21,248,675, from \$88,221,604 to \$66,972,930 to correspond with the proposed contract start date of April 1, 2017.

In total, the Budget and Legislative Analyst recommends amending the proposed resolution to reduce the amount by \$64,513,868, from \$131,486,797 to \$66,972,930 as shown below.

| | |
|--|---------------------|
| Resolution Amount | \$131,486,797 |
| Reduction to Correspond to Contract Amount | (43,265,193) |
| Reduction to Correspond to Revised Start Date of April 1, 2017 | <u>(21,248,675)</u> |
| Recommended Reduction | (64,513,868) |
| Recommended Resolution Amount | \$66,972,930 |

POLICY CONSIDERATION

IHSS Maintenance of Effort

The State implemented the IHSS Coordinated Care Initiative in 2012, which implemented statewide collective bargaining for IHSS providers, created a statewide IHSS authority, and established a Maintenance of Effort formula. Under the Maintenance of Effort formula, each county's expenditures for IHSS are based on FY 2011-12 IHSS expenditures, increasing annually by an inflation factor of 3.5 percent.

The Governor's proposed budget for FY 2017-18 ends the Coordinated Care Initiative and Maintenance of Effort formula. Counties will assume responsibility for increases in IHSS costs, which generally are higher than the increase of 3.5 percent that counties assumed under the Maintenance of Effort formula. In addition, if the Governor's proposal is implemented, San Francisco will pay the difference between San Francisco's wages for IHSS providers and the State's wage rate up to \$12.10 per hour².

According to the March 23, 2017 Five-Year Financial Plan Update, prepared jointly by the Controller, Mayor's Office, and Budget and Legislative Analyst's Office, eliminating the Maintenance of Effort formula could shift \$43.4 million of costs for IHSS from the State to the

² The proposed contract includes hourly wages for IHSS providers of \$13.74 in FY 2016-17, \$14.78 in FY 2017-18, and \$15.84 in FY 2018-19.

City in FY 2017-18, with growing costs in future years. If the Governor's proposed budget is enacted, the City's proportional share of contract costs, shown in Table 3 above, may increase.

RECOMMENDATIONS

1. Amend the proposed resolution to state that (1) the existing contract between HSA and Homebridge terminates as of March 31, 2017, rather than June 30, 2017; and (2) the proposed new contract between HSA and Homebridge is effective as of April 1, 2017, rather than July 1, 2016.
2. Amend the proposed resolution to reduce the amount by \$64,513,868, from \$131,486,797 to \$66,972,930.
3. Approve the proposed resolution as amended.

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| Items 9 and 10 Files 17-0100 and 17-0099 | Department: Department of Public Health (DPH) |
| EXECUTIVE SUMMARY | |
| <p style="text-align: center;">Legislative Objectives</p> <p>File 17-0100: The proposed resolution approves a new lease between DPH and SPOK, Inc. (SPOK), a Delaware corporation, to lease a portion of the equipment room at ZSFGH to install SPOK's paging and radio equipment.</p> <p>File 17-0099: The proposed resolution approves a new lease agreement between the Department of Public Health (DPH), as landlord, and American Messaging Services, LLC (American Messaging Services), a Delaware limited liability company, as tenant, for DPH to lease a portion of the roof and equipment room at Zuckerberg San Francisco General Hospital (ZSFGH) to American Messaging Services to install paging and radio equipment.</p> <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Building 25, the new trauma center at ZSFGH that opened in May 2016, is built with materials that block radio and cellular signals from reaching portions of the building including basement surgical areas. To address the issue, DPH installed a Distributed Antenna System that enhances coverage through a series of in-building repeaters. The Distributed Antenna System supports a wide range of wireless, cellular, public safety, radio, and paging service providers. • To ensure sufficient paging and cellular service to doctors and staff at ZSFGH, (1) American Messaging Services, which has an agreement with DPH to provide paging and related services, needs to install two antennae and a satellite dish on the roof and one rack with power supply equipment in the equipment room of Building 25; and (2) SPOK, which has an agreement with the University of California, San Francisco (UCSF), needs to install one antenna on the roof and one rack with power supply equipment in the equipment room of Building 25 to connect to the building's Distributed Antenna System. • Each lease is for approximately five years with two (2) five-year options to extend. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Annual rent for each of the tenants is \$60,000. Lease payments are waived during the term of the respective agreements to provide paging and related services to DPH and UCSF. The City will also pay for utilities, estimated to be approximately \$3,708 per year, for each of the tenants while the master agreements for paging services are in effect. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • File 17-0100 should be amended to state that UCSF will provide advanced notification to DPH if their master agreement with SPOK ends during the term of the proposed lease agreement. • Approve the proposed resolutions, as amended. | |

MANDATE STATEMENT

City Administrative Code 23.27 states that lease agreements with a term of one year or longer or with rent of \$5,000 or more and where the City is the landlord is subject to Board of Supervisors approval.

BACKGROUND

Paging Equipment and Services Provided by American Messaging Services and SPOK

The Department of Technology (DT) entered into an agreement with American Messaging Services in 2013 to provide paging equipment and services for City departments following a competitive request for proposals (RFP) process. Under the agreement, American Messaging Services provides paging equipment and services to Zuckerberg San Francisco General Hospital (ZSFGH) and Laguna Honda Hospital. The agreement was for a term of three years from July 1, 2013 to June 30, 2016 with one option to extend through June 30, 2017. The agreement amount was for not-to-exceed \$300,000.¹ According to Ms. Verwina Roble, Communications Business Analyst at DPH, DT intends to enter into a new agreement with American Messaging Services without undergoing a new competitive process when the current master agreement expires on June 30, 2017. According to Ms. Roble, the City is not planning to undertake a new competitive process because moving to a different vendor would be highly disruptive to the operation of the more than 1,000 active pagers being used for emergency response at ZSFGH. DT intends to renew the master agreement with American Messaging Services for three years with two one-year options to extend for a total of five years.

SPOK, Inc. (SPOK) has a master agreement with the University of California, San Francisco (UCSF) to provide paging services and equipment to UCSF, including medical staff and emergency personnel located at the ZSFGH campus. DPH staff report that they do not have information about the agreement because it is between UCSF and SPOK. Therefore, City staff were not able to provide information about the terms of the agreement.

Distributed Antenna System at ZSFGH

Building 25, the new trauma center at ZSFGH that opened in May 2016, is built with materials that block radio and cellular signals from reaching portions of the building including basement surgical areas. To address the issue, DPH installed a Distributed Antenna System that enhances coverage through a series of in-building repeaters. The Distributed Antenna System supports a wide range of wireless, cellular, public safety, radio, and paging service providers. To ensure sufficient paging and cellular service to doctors and staff at ZSFGH, (1) American Messaging Services needs to install two antennae and a satellite dish on the roof and one rack with power supply equipment in the equipment room of Building 25; and (2) SPOK needs to install one antenna on the roof and one rack with power supply equipment in the equipment room of Building 25 to connect to the building's Distributed Antenna System.

¹ The agreement was not subject to Board of Supervisors approval because it was below the threshold amount set by City Charter Section 9.118.

DETAILS OF PROPOSED LEGISLATION

File 17-0099: The proposed resolution approves a new lease agreement between the Department of Public Health (DPH), as landlord, and American Messaging Services, LLC (American Messaging Services), a Delaware limited liability company, as tenant, for DPH to lease a portion of the roof and equipment room at Zuckerberg San Francisco General Hospital (ZSFGH) to American Messaging Services to install paging and radio equipment.

File 17-0100: The proposed resolution approves a new lease between DPH and SPOK, Inc. (SPOK), a Delaware corporation, to lease a portion of the equipment room at ZSFGH to install SPOK's paging and radio equipment.

The terms of the leases are shown in Table 1 below.

Table 1: Summary of Lease Terms

| | American Messaging Services | SPOK |
|---------------------------------|---|---|
| Lease Period | Approximately 4 years and 9 months From approximately April 1, 2017 to December 31, 2021 | Approximately 4 years and 9 months From approximately April 1, 2017 to December 31, 2021 |
| Size of Property | 8,646 rentable square feet | Participation in distributed antenna system |
| Options to Extend Lease | Two 5-year options to extend through 2032 at fair market rent Total lease term if options to extend are exercised is approximately 14 years and 9 months | Two 5-year options to extend through 2032 at fair market rent Total lease term if options to extend are exercised is approximately 14 years and 9 months |
| Base Rent Paid by Tenant to DPH | \$5,000 per month \$60,000 per year | \$5,000 per month \$60,000 per year |
| Rent Waiver | Rent is waived in full during the term of the tenant's master agreement for paging services (see below) | Rent is waived in full during the term of the tenant's master agreement for paging services (see below) |
| Annual Adjustments to Base Rent | 3 percent | 3 percent |
| Tenant Improvements | None | None |
| Utilities and Services | \$3,708 per year paid by tenant, subject to 3 percent annual increase City to pay for utilities during the term of tenant's master agreement | \$3,708 per year paid by tenant, subject to 3 percent annual increase City to pay for utilities during the term of tenant's master agreement |

According to Ms. Claudia Gorham, Assistant Director of Real Estate, American Messaging Services and SPOK have previously received permits from the City to install paging and radio

equipment on buildings at the ZSFGH campus without entering into leases. According to Ms. Gorham, the paging companies and the Real Estate Division mutually agreed to a more permanent arrangement for the new installations at Building 25, with rent paid by American Messaging Services and SPOK to the City should the paging services under the respective agreements with DT and with UCSF end.

FISCAL IMPACT

According to Ms. Gorham, the base rent amounts are based on the City's minimum charge of \$5,000 per month at other locations for a cellular antenna on City property. As noted above, rent is waived as long as either tenant is providing paging services to hospital users under the respective agreements with DT and with UCSF. The City will also pay for utilities, estimated to be approximately \$3,708 per year, for each of the tenants while the master agreements for paging services are in effect.

POLICY CONSIDERATION

Given that a new master agreement between the City and American Messaging Services has not been finalized and the City does not have control over the agreement between SPOK and UCSF, it is not known whether the tenants would ever pay the base rent over the terms of the proposed lease agreements. Ms. Gorham advises that there is a possibility, however unlikely, that American Messaging Services or SPOK could choose to leave their equipment in place to continue serving other customers in the vicinity of the ZSFGH campus in the event the master agreements with the City or UCSF ends.

Because the City is not currently tracking the SPOK master agreement, it seems possible that the agreement for paging services with UCSF could expire or terminate and the City would not be aware that they would be entitled to collect rent. Therefore, the proposed resolution should be amended to state that UCSF will provide advanced notification to DPH if their master agreement with SPOK ends during the term of the proposed lease agreement

RECOMMENDATIONS

1. File 17-0100 should be amended to state that UCSF will provide advanced notification to DPH if their master agreement with SPOK ends during the term of the proposed lease agreement.
2. Approve the proposed resolutions, as amended.

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| <p>Item 11 File 17-0153</p> | <p>Department: Department of Emergency Management (DEM) Department of Technology (DT)</p> |
|---|--|

EXECUTIVE SUMMARY

Legislative Objectives

The proposed resolution would authorize: (1) a new ten-year lease, from April 1, 2017, through March 31, 2027, with three five-year extension options, between C&E Haas Development Company (C&E), a California limited liability company, as landlord, and the City and County of San Francisco, acting by and through the Department of Emergency Management (DEM) and Department of Technology (DT), as tenant, for radio transmission space at 1 Bayview Park Road for DEM’s use as an emergency radio transmission site, and (2) other actions in furtherance of this resolution.

Key Points

- The \$105,946,396 Citywide Emergency Radio System (CERS) replacement project was adopted in the City’s five-year Information & Communication Technology Plan for Fiscal Years 2016-2020, and updates City’s public safety radio communications system to support the City’s police, fire and other first responders. The CERS Replacement Project is currently in the final stages of the design phase.
- The CERS Replacement Project identified two additional sites to provide adequate radio coverage throughout the City. This lease would cover one site for radio coverage in the southeast quadrant of the City.
- The leased site will be used exclusively for radio transmission; no DEM/DT staff will occupy the site. DEM will construct improvements to the leased site and install radio transmission equipment. Construction of the improvements is scheduled to begin in October 2017 and completed in October 2018.

Fiscal Impact

- Annual rent for the site is \$91,800, or \$7,650 per month in the first year of the lease, and would increase by three percent per year. DEM’s costs for site improvements and installation of equipment are \$1,375,003. Over the initial ten-year period, the City will pay approximately \$2,592,054 in site improvements, purchase and installation of equipment, annual rent, and electricity under this lease.
- Site improvements, purchase and installation of equipment, construction, and rent in Year One would be funded by previous FY 2015-2016 appropriations in the DEM budget. Upon project completion in October 2018, the annual base rent and electricity costs are anticipated to be funded by the DT’s operating budget beginning in FY 2018-19.

Recommendation

- Approve the proposed resolution

MANDATE STATEMENT

City Administrative Code 23.27 states that any lease with a term of one year or longer or with rent of \$5,000 or more and where the City is the tenant is subject to Board of Supervisors approval.

BACKGROUND

The City's public safety agencies use the Citywide Emergency Radio System (CERS) for critical voice communications amongst first responders during emergency operations. In 1997, the Board of Supervisors approved a new 800 MHz Radio System to be installed and used for emergency public services by the City's public safety agencies (Resolution No. 804-97). The current 800 MHz radio system has reached the end of its service life.

In October 2016, the Board of Supervisors authorized the Department of Emergency Management (DEM) and the Department of Technology (DT) to enter into a Purchase and Installation Agreement and Maintenance and Support Agreement for a new Citywide 800 MHz Public Safety Radio Replacement Project with Motorola, Inc. to enhance the reliability and performance of the emergency radio network (File 16-0967). The CERS Replacement Project, which is a part of the new 800 MHz Public Safety Radio Replacement Project, will update the public safety communications system. DT and DEM will spend \$105,946,396 in the CERS Replacement Project to switch the system from analog to digital operations, add more channels, and increase coverage throughout the City.

The CERS Replacement Project was adopted as a major IT initiative in the City's five-year Information & Communication Technology Plan (ICT) for Fiscal Years (FY) 2016-2020. The current CERS system consists of eight radio sites throughout the City.¹ The CERS Replacement Project identified the need to install two additional radio transmission base stations in the southeast section of the City to improve its coverage, for a total of ten radio sites across the City.

Funding for the CERS Replacement Project comes from a combination of General Fund monies and lease financing, as shown in Table 1 below.

¹ One of the eight sites is South Hill in San Bruno State Park, which is the subject of File 17-0154 of this report.

Table 1: Funding Sources

| | Budgeted Amount | Funding Source |
|--|----------------------|---|
| Radio Site Improvements | \$11,223,118 | City General Fund appropriation FY 2013-14 through FY 2015-16 |
| FY 2016-17 DEM Appropriation for Motorola Contract | 11,000,000 | City General Fund appropriation in FY 2015-16 |
| Lease Financing for Motorola Contract | 38,062,472 | Financing costs to be paid out of City General Fund appropriation FY 2016-17 through FY 2026-27 |
| Projected Additional Costs | 17,660,806 | Anticipated City General Fund appropriations FY 2016-17 through FY 2019-20 |
| Maintenance and Support Agreement | <u>28,000,000</u> | Future City General Fund appropriations in FY 2017-18 through FY 2034-35 |
| Total | \$105,946,396 | |

Source: DEM

The Board of Supervisors appropriated \$5,126,115 in DEM’s FY 2015-16 budget for the radio site improvements, including adding two new radio stations. Other site improvements include: tower enhancements, generator and electrical improvements, control system updates, HVAC, and other improvements to the existing and planned radio sites.

The overall timeline for the CERS Replacement Project is approximately five years. The CERS Replacement Project is currently in the final stages of the design phase. The major project milestones are outlined in Table 2 below.

Table 2: CERS Replacement Project Timeline

| Major Milestones | Date |
|--------------------------------------|-------------|
| Complete Design | April 2016 |
| Construction/Installation | 2017-2019 |
| Systems Cutover & Reliability Period | 2019 |
| Final Systems Acceptance | August 2020 |

Source: ICT Technology Plan FY 2016-2020

DT and DEM are now seeking to enter into a lease with C&E Haas Development Company, LLC (C&E), for premises at 1 Bayview Park Road in the Bayview Hunter’s Point neighborhood, for use as one of the two new CERS radio transmission base station sites.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would: (a) authorize a new ten-year lease, from April 1, 2017, through March 31, 2027, with three (3) five-year extension options, between C&E Haas Development Company (C&E), as landlord, and the City and County of San Francisco, acting by and through the Department of Emergency Management (DEM) and Department of Technology (DT), as tenant, to serve as a ninth radio transmission base station site space at 1 Bayview Park Road

for the CERS citywide system, (b) adopt environmental findings, (c) authorize other actions in furtherance of this resolution.

Table 3 below summarizes the key lease provisions.

Table 3: Key Lease Provisions

| | |
|--------------------------------------|--|
| Area | Secured equipment room consisting of approximately 84 square feet in the basement of the main building where four racks of electronic equipment and batteries will be installed; space on the tower for four radio antennae; space on the main building roof for two 24-inch microwave dishes, two YAGI antenna, ² and two 16-inch GPS antennae; space for all conduits, panels, and equipment necessary to connect to City's emergency generator on premises; the placement of a condensing unit on building's exterior, and all conduits, panels and equipment necessary to connect fiber to the premises and to connect the City's equipment to the building's grounding system. |
| Rent paid by DT to C&E | \$7,650 monthly (\$91,800 annually) for the first base year of the lease |
| Rent Adjustments | Rent to be increased at the fixed rate of three percent per year on the anniversary of the lease date |
| Term | Ten (10) years, from April 1, 2017, through March 31, 2027 |
| Options to extend | <ul style="list-style-type: none"> • Three (3) additional five-year extension options • Rent to be increased at the fixed rate of three (3) percent per year |
| Services and Utilities | <ul style="list-style-type: none"> • The City pays for the electrical usage, estimated by DT to be \$12,000 in Year One, increasing by three percent annually • Landlord, at its sole cost, provides the security services |
| Construction of Tenant Improvements | \$1,375,003 in total tenant improvements paid by the City, including: <ul style="list-style-type: none"> • \$132,000 to add improvements to the premises • \$1,243,003 to purchase and install equipment on site |
| Miscellaneous fees paid by DT to C&E | \$27,100 in total one-time fees, including: <ul style="list-style-type: none"> • \$2,100 for an initial review of tower integrity with new equipment • \$25,000 one-time fee for the telecommunications lease |

This space to be leased is a telecommunications site; no City staff will be present on site.

The first year rent of \$91,800 is less than the fair market value of \$96,000, according to an independent appraisal conducted by CBRE, Inc., and midrange between other City telecommunications leases, as shown in Table 4 below.

² A Yagi antenna is a directional antenna generally used for communications with a frequency above 10 MHz.

Table 4: Comparable Lease Transactions

| Address | Date | Annual Rent | Utilities included in Rent | Tenant |
|-----------------------|-----------------|--------------------|-----------------------------------|---------------|
| <i>Subject</i> | <i>Proposed</i> | <i>\$91,800</i> | <i>No</i> | <i>DEM</i> |
| Bayview Park Rd (1/2) | 1/15 | \$78,000 | No | SFMTA |
| Bayview Park Rd (2/2) | 8/14 | \$72,000 | No | KEST AM |
| 555 California | 5/13 | \$92,785 | Yes | SFMTA |
| 1250 Jones St | 12/15 | \$135,435 | Yes | DEM |

Source: City & County of San Francisco, Real Estate Division

Site Improvements

DEM will construct the following improvements to the lease site as part of the CERS Replacement Project:

- 1) Four radio antennae mounted to a tower at approximately 70 feet and 90 feet;
- 2) Two 24-inch microwave dishes, two YAGI antennae, and two 16-inch GPS antennae on the main building roof and space to install a condensing unit on the northeastern corner of the main building;
- 3) All conduits, panels, and equipment necessary to connect to the City’s emergency generator to the City’s equipment; and
- 4) All conduits, panels and equipment necessary to connect fiber between the City’s equipment in the main building and the tower and to connect such equipment to the main building’s grounding system.

The Department of Public Works (DPW) will select through a competitive bid process a contractor to complete the site improvements. Motorola will install the equipment as part of their overall CERS Replacement Project contract with DEM, discussed in the Background section above.

Total site improvement costs to DEM are \$1,375,003, including \$132,000 for site construction costs, and \$1,243,003 for equipment costs, as shown in Table 5 below.

Table 5: Proposed Tenant Improvements Budget

| Site Construction: | Amount |
|--|--------------------|
| Architectural Improvement Costs (including room improvements) | \$10,000 |
| Mechanical Improvement Costs (including HVAC and fire protection) | \$30,000 |
| Electrical Improvement Costs (including security controls and alarm) | \$80,000 |
| Sub-total | \$120,000 |
| Contingency @10% | \$12,000 |
| Total Estimated Site Construction Costs | \$132,000 |
| Equipment Costs: | |
| 800 MHz Radio Equipment | |
| 11 Control Stations | \$9,701 |
| 24 Radio Repeaters | \$163,215 |
| Digital Software | \$444,990 |
| Security Router, Switch, Interface Equip | \$59,400 |
| Open Sky Equipment | |
| Microwave Equipment | \$102,905 |
| Antenna Equipment | \$32,100 |
| Equipment Installation | \$317,692 |
| Sub-total | \$1,130,003 |
| Contingency @ 10% | \$113,000 |
| Total Estimated Equipment Costs | \$1,243,003 |
| Total Estimated Construction and Equipment Costs | \$1,375,003 |

Site improvement costs of \$1,375,003, and base rent and electricity during the tenant improvement period through October 2018 will be funded by DEM's FY 2015-16 operating budget previously appropriated by the Board of Supervisors. Upon project completion in October 2018, the annual base rent and electricity costs are anticipated to be funded by DT's operating FY 2018-19 budget, subject to appropriation approval by the Board of Supervisors.

Site improvements are scheduled to be complete in twelve months upon selection of a contractor, or by September 2018. Motorola is tentatively scheduled to install equipment in October 2018.

Adoption of Environmental Findings

On September 12, 2016, the City's Planning Department determined that the proposal to lease the premises qualified for a Class 1 categorical exemption from environmental review under the California Environmental Quality Act (CEQA), as the lease would be for an existing facility involving negligible expansion of use beyond what currently exists.

FISCAL IMPACT

Over the initial ten-year term of the lease, DEM and DT will pay an estimated \$2,592,054 in site improvements, base rent, equipment and electricity, as shown below in Table 6.

Table 6: Annual Rent and Utilities

| Lease Year | Rent | Electricity | Total |
|---|-------------|--------------------|--------------------|
| Year One | \$91,800 | \$12,000 | \$103,800 |
| Site Improvements | | | \$132,000 |
| Purchase & Installation of Equipment | | | \$1,243,003 |
| Year One Subtotal | | | \$1,478,803 |
| Year Two | \$94,554 | \$12,360 | \$106,914 |
| Year Three | \$97,391 | \$12,731 | \$110,121 |
| Year Four | \$100,312 | \$13,113 | \$113,425 |
| Year Five | \$103,322 | \$13,506 | \$116,828 |
| Year Six | \$106,421 | \$13,911 | \$120,333 |
| Year Seven | \$109,614 | \$14,329 | \$123,943 |
| Year Eight | \$112,902 | \$14,758 | \$127,661 |
| Year Nine | \$116,289 | \$15,201 | \$131,491 |
| Year Ten | \$119,778 | \$15,657 | \$135,435 |
| Total Rent Subtotal | | | \$1,086,151 |
| Initial Review Fee | | | \$2,100 |
| One-Time Fee | | | \$25,000 |
| Total | | | \$2,592,054 |

The lease includes an annual base rent of \$91,800 per year, or \$7,650 per month. Per the lease agreement, the annual rent will increase by three percent each year. In addition, DEM and DT will pay for electricity, estimated to cost approximately \$12,000 per year in Year One and increasing by three percent per year.

DT will also pay an initial review fee of \$2,100 to assess the structural integrity of the radio tower with the addition of this City equipment and a \$25,000 one-time fee to be paid by the City to C&E. According to Mr. Charlie Dunn, Senior Real Property Officer for the City's Real Estate Division, the one-time fee is typical for telecommunications licenses and was negotiated with the rent. A similar fee was negotiated in the lease for another CERS radio site, at 1250 Jones St, last year.

RECOMMENDATION

Approve the proposed resolution.

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| <p>Item 12 File 17-0154</p> | <p>Department: Department of Emergency Management (DEM) Department of Technology (DT)</p> |
| <p>EXECUTIVE SUMMARY</p> | |
| <p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve a 25-year telecommunications ground lease between the Department of Emergency Management (DEM) and the Department of Technology (DT), as tenants, and the State of California, Department of General Services, and the California Department of Parks and Recreation (CDPR), as landlord. The ground lease is for 859 square feet on the South Hill Site located in Daly City in San Bruno Mountain State Park, which the City would continue to use for the City’s public safety telecommunications tower. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In 1998, the City, as tenant, entered into a no cost lease agreement with Daly City, as landlord, to use a portion of the land on the Reservoir 2b Water Tank site on South Hill in Daly City to build a 40 foot telecommunications tower as part of the City’s 800 MHz Radio System Project. Unknown to Daly City and the City, Daly City did not own the Water Tank site on South Hill but rather had an easement with the State of California. In January 2016, the City entered into a Right of Entry Permit with the California Department of Parks and Recreation (CDPR) to allow the City to continue its activities at the South Hill site for use and operation of the emergency services telecommunications tower. • Since discovering the tower was on San Bruno Mountain State Park Land, the State of California, the County of San Mateo, Daly City and the City have been working towards a lease agreement to allow the City’s continued use of the existing telecommunications tower on the South Hill site. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed ground lease provides for annual rent of \$43,884 or \$3,657 per month payable by DT to the State, increasing by 3.5 percent each subsequent year. Over the 25-year lease term, DT will pay the State total rent of \$1,709,276 for use by the City of a public safety telecommunications tower located in Daly City. In addition, DT will pay for electricity, estimated to cost approximately \$7,200 per year. Upon execution of the proposed lease, DT must also pay a required, one-time administrative fee of \$1,500 to the State for preparation of the lease and related documents. • Under the proposed ground lease, the City will also contribute a one-time payment of \$175,000 towards a State Park Benefit Fund to provide funding to the San Mateo County Parks Department. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. | |

MANDATE STATEMENT

Administrative Code Section 23.27 requires Board of Supervisors approval of leases in which the City is the tenant.

BACKGROUND

In 1997, the Board of Supervisors approved a new 800 MHz Radio System to be installed and used for emergency public services by the City's public safety agencies (Resolution No. 804-97). In 1998, the City, as tenant, entered into a no cost lease agreement with Daly City, as landlord, to use a portion of the land on the Reservoir 2b Water Tank site on South Hill in Daly City to build a 40 foot telecommunications tower as part of the City's 800 MHz Radio System Project.

Unknown to Daly City and the City, Daly City did not own the Water Tank site on South Hill but rather had an easement with the State of California¹. In January 2016, the City entered into a Right of Entry Permit with the California Department of Parks and Recreation (CDPR) to allow the City to continue its activities at the South Hill site for use and operation of the emergency services telecommunications tower.

In October 2016, the Board of Supervisors authorized the Department of Emergency Management (DEM) and the Department of Technology (DT) to enter into a Purchase and Installation Agreement and Maintenance and Support Agreement for a new Citywide 800 MHz Public Safety Radio Replacement Project with Motorola, Inc. to enhance the reliability and performance of the emergency radio network (File 16-0967). The new 800 MHz Public Safety Radio Replacement Project will continue to use the existing telecommunications tower at South Hill to ensure and achieve optimal radio coverage for public safety agencies.

Since discovering the tower was on San Bruno Mountain State Park Land, the State of California, the County of San Mateo, Daly City and the City have been working towards a lease agreement to allow the City's continued use of the existing telecommunications tower on the South Hill site². According to Ms. Claudia Gorham, Assistant Director of the City's Real Estate Division, the South Hill site is critical to the City's emergency radio system because if a telecommunications tower or antenna is relocated, disconnected, or changed in height, the network of radio signals is shifted. This would lead to decreased radio coverage throughout the City and would require most or all of the other towers and antennas to change in synchronization to ensure optimal coverage.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a 25-year telecommunications ground lease between the Department of Emergency Management (Emergency Management) and the Department of

¹ In 1980, the California Department of Parks and Recreation (CDPR) took title to San Bruno Mountain State Park (SBMSP) subject to an existing 1963 non-exclusive easement benefitting Daly City for a water tank site.

² South Hill is a radio communications site for the City's 800MHz Citywide Emergency Radio System (CERS), the 700 MHz Interoperable Radio System, the Public Service Emergency Radio System, the Wireless Data Network and the City's Public Wi-Fi Network.

Technology (DT), as tenants, and the State of California, Department of General Services, and the California Department of Parks and Recreation (CDPR), as landlord. The ground lease is for 859 square feet on the South Hill Site located in Daly City in San Bruno Mountain State Park, which the City would continue to use for the City's public safety telecommunications tower.

Table 1 below summarizes the key ground lease provisions.

Table 1: Summary of Key Ground Lease Provisions

| | |
|---|---|
| Premises | One 40 foot Emergency Telecommunications Tower with up to 16 total antenna and related equipment on approximately 859 square feet. Lease area is not to exceed 2,500 square feet. |
| Ground Lease Term | July 1, 2017 to June 30, 2042 (25 years) |
| Options to Extend | None |
| Annual Base Rent Payable by DT to the State | \$43,884 per year (\$3,657 per month) |
| Annual Rent Increases | Annual increases of 3.5 percent |
| Tenant Improvement Allowance | None. No Tenant Improvements required. |
| Utilities and Services | DT to pay for electrical usage, estimated to be approximately \$7,200 per year |
| Administrative Fee Payable by DT to the State | One-time fee of \$1,500 |
| State Parks Benefit Fund Payment Payable by DEM to the State | \$175,000 total – two equal installments of \$87,500 over two years |

Under the proposed lease, the State has the right to place one antenna on the tower if needed at no cost to the State of California. The space to be leased is a telecommunications site; no City staff will be present on site.

Payment to the State Park Benefit Fund

Under the proposed ground lease, in addition to the annual rent, the City will contribute a one-time payment of \$175,000 towards a State Park Benefit Fund to provide funding to the San Mateo County Parks Department for the following projects and improvements:

- Old Guadalupe Trail Safety Corridor Project to make safety, fuel reduction and vegetation improvements to the Guadalupe Trail and the Ed Baccaccio group camp area
- Seed Collection and Expansion Project to facilitate the collection of native seeds throughout the San Bruno Mountain State Park for restorative native planting of sensitive areas throughout the park
- Bog Area Stewardship Project to further exotic and invasive weed control, fuel reduction, and restorative planting within the Colma Creek and Bog areas.

According to Ms. Gorham, the one-time payment of \$175,000 was negotiated between the State, Emergency Management, and the Real Estate Division in consideration of the City's past use of the area without payment to the State and the State's waiver of all claims against the City for any past rent due.

California Environmental Quality Act (CEQA) and City's General Plan

On September 22, 2016, the City's Planning Department determined that the proposal to lease the premises qualified for a Class 1³ and Class 3⁴ categorical exemption from environmental review under the California Environmental Quality Act (CEQA), as the lease would be for an existing facility involving negligible expansion of use beyond what currently exists. The Planning Department also determined that the proposed ground lease is consistent with the City's General Plan, and with the eight priority policies of Planning Code, Section 101.1(b)⁵, as previously approved by the Board of Supervisors.

³ Class 1 consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination.

⁴ Class 3 consists of construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure.

⁵ The Eight Priorities of City Planning Code Section 101.1 include: (1) existing neighborhood-serving retail uses be preserved and enhanced, and future opportunities for resident employment in and ownership of such businesses enhanced; (2) existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods; (3) the City's supply of affordable housing be preserved and enhanced; (4) commuter traffic not impede Muni transit service or overburden our streets or neighborhood parking; (5) a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced; (6) the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake; (7) landmarks and historic buildings be preserved; and (8) parks and open space and their access to sunlight and vistas be protected from development.

FISCAL IMPACT

The proposed ground lease provides for annual rent of \$43,884 or \$3,657 per month payable by DT to the State, increasing by 3.5 percent each subsequent year. Over the 25-year lease term, DT will pay the State total rent of \$1,709,276 for use by the City of a public safety telecommunications tower located in Daly City. In addition, DT will pay for electricity, estimated to cost approximately \$7,200 per year. Upon execution of the proposed lease, DT must also pay a required, one-time administrative fee of \$1,500 to the State for preparation of the lease and related documents. In addition, the City will contribute a one-time payment of \$175,000 to a State Park Benefit Fund. According to Ms. Gorham, the base rent for the proposed ground lease was calculated by applying the State's telecommunications lease rate guidelines, which includes a standard formula-based fee derived from the geographical location, number of antennas (up to 16) within a specific square footage (up to 2,500) less a 25 percent public entity discount. The annual rent increase of 3.5 percent per year reflects the State's requirement per the telecommunications lease rate guidelines.

Ms. Gorham also stated that base rent for similar telecommunications tower locations with a similar number of antennas are appraising for at least approximately \$90,000 per year.⁶ In addition, according to Ms. Gorham, the City's yearly base rental for telecommunications towers with up to three antennas was \$60,000 per year and increased in 2017 to \$78,000, which does not include additional antennas, towers or square footage.

According to Mr. Christopher Chamberlain, Public Safety Division Engineering Manager at the Department of Technology, total rent cost, including utilities and one-time administrative fee, over the 25-year term will be funded by DT's operating budget, subject to appropriation approval by the Board of Supervisors.

Payment to the State Park Benefit Fund

As noted above, under the proposed ground lease, a one-time payment of \$175,000 from Emergency Management to the State towards a State Park Benefit Fund will be divided into two equal installments of \$87,500 each and due at the commencement of the lease and the one year anniversary of the commencement. According to Mr. Chamberlain, the payment of \$175,000 will be funded from the Emergency Management Radio Replacement Project monies, as appropriated by the Board of Supervisors.

RECOMMENDATION

Approve the proposed resolution.

⁶ Per City Charter Section 23.27, if the consideration to be paid by the City for the lease as base rent is more than \$45 per square foot per year, the Director of Property, on behalf of the department concerned shall obtain an appraisal for the market rent of the lease. Because the annual base rent for the South Hill Site cell tower property was determined by the Real Estate Division to be the equivalent of approximately \$17.55 per square foot per year, an appraisal was not required.