CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: February 10, 2016 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Item 3 File 16-0069	Department: Real Estate Division Mayor's Office of Housing and Community Development (MOHCD)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution authorizes the acquisition of real property by the City's Real Estate Division from the San Francisco Unified School District (SFUSD). The property is a 0.57 acre vacant parcel located at 1101 Connecticut Street, adjacent to 25th Street. The purchase price is $1,800,000. The property would be placed under the jurisdiction of the Mayor's Office of Housing and Community Development (MOHCD).

Key Points

- The City entered into an option agreement with the San Francisco Unified School District (SFUSD) in November 2014 to purchase vacant property at 1101 Connecticut Street, adjacent to 25th Street. Under the option agreement, SFUSD granted the City the irrevocable and exclusive option to purchase the property by March 2016. The City paid SFUSD $450,000 to compensate SFUSD for keeping the property off the market. Under the option agreement, the City was to pay $1,800,000 to the SFUSD to purchase the property. The purchase price of $1,800,000 was in addition to the $450,000 payment under the option agreement. Therefore, the total cost to the City, if the purchase option is exercised, is $2,250,000.
- According to the City's Director of Real Estate, the proposed purchase price of $1,800,000 represents fair market value based on two appraisals, one of which was obtained by the SFUSD in 2009 and the other was obtained by the private real estate firm, CBRE Global Corporate Services in 2013.
- The property at 1101 Connecticut Street will be combined with an adjacent property owned by the Housing Authority as part of the Potrero HOPE SF project. The first phase of Potrero HOPE SF is construction of a 70-unit apartment building (69 affordable units and 1 manager's unit) at 1101 Connecticut Street.

Fiscal Impact

- The Board of Supervisors previously appropriated $1,800,000 in MOHCD's FY 2015-16 budget to purchase the 1101 Connecticut Street property. The sources of funds are federal Housing and Urban Development (HUD) Community Development Block Grant, HOME, and Choice Neighborhood Grant funds.

Policy Consideration

- Because purchase of the 1101 Connecticut Street property to build affordable housing is consistent with Board of Supervisors policy, the Budget and Legislative Analyst recommends approval of the proposed resolution.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Administrative Code Section 23.1 requires Board of Supervisors approval of all resolutions and ordinances approving real property transactions. Administrative Code Section 23.4 requires Board of Supervisors approval of the granting of real property to the City before the Director of Real Estate can accept the deed to the property.

BACKGROUND

The City entered into an option agreement with the San Francisco Unified School District (SFUSD) in November 2014 to purchase vacant property at 1101 Connecticut Street, adjacent to 25th Street. Under the option agreement, SFUSD granted the City the irrevocable and exclusive option to purchase the property by March 2016. The City paid SFUSD $450,000 to compensate SFUSD for keeping the property off the market. Under the option agreement, the City was to pay $1,800,000 to the SFUSD to purchase the property. The purchase price of $1,800,000 was in addition to the $450,000 payment under the option agreement. Therefore, the total cost to the City, if the purchase option is exercised, is $2,250,000.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the acquisition of real property by the City's Real Estate Division from the San Francisco Unified School District (SFUSD). The property is a 0.57 acre vacant parcel located at 1101 Connecticut Street, adjacent to 25th Street. The purchase price is $1,800,000. The property would be placed under the jurisdiction of the Mayor's Office of Housing and Community Development (MOHCD).

Property Appraisals

SFUSD obtained an appraisal from Clifford Associates in 2009 that appraised the property at $1,625,000. A subsequent appraisal by Cushman & Wakefield Western, Inc., obtained by the private real estate firm CBRE Global Corporate Services in 2013, appraised the property at $2,100,000. According to Mr. John Updike, Director of Real Estate, the proposed purchase price of $1,800,000 represents fair market value based on these two appraisals.

Property Use

According to MOHCD, the property at 1101 Connecticut Street will be combined with an adjacent property owned by the Housing Authority as part of the Potrero HOPE SF project. Potrero HOPE SF is a mixed-income housing development that will redevelop the Housing Authority's Potrero Terrace and Potrero Annex public housing projects. Approximately 1,700 housing units will be built, resulting in 606 replacement public housing units for families, approximately 200 new affordable housing units, and up to 900 market rate housing units.

The first phase of Potrero HOPE SF is construction of a 70-unit apartment building (69 affordable units and 1 manager's unit) at 1101 Connecticut Street. The apartment building will consist of one-bedroom, two-bedroom and three-bedroom units. Approximately 52 of the 69 affordable housing units will be occupied by households who are relocating from the Housing

Authority's Potrero Annex. The remaining 17 of the 69 affordable housing units will be available to households with income of 50 percent to 60 percent of the Area Median Income.[1]

MOHCD selected BRIDGE Housing, a nonprofit developer, through a competitive Request for Proposals (RFP) process to develop Potrero HOPE SF, including the 70-unit apartment building at 1101 Connecticut Street. MOHCD will enter into a 99-year ground lease with BRIDGE Housing for the property. BRIDGE Housing will be responsible for financing the construction of the 70-unit apartment building.

The estimated project development costs for 1101 Connecticut Street (not including property acquisition costs) are $42.3 million. MOHCD has approved a $2.2 million loan to BRIDGE Housing to pay predevelopment costs. According to MOHCD, BRIDGE Housing is seeking the balance of needed financing of $40.1 million, including financing sources from general partner equity contributions, a conventional mortgage, federal low-income housing tax credits, the Federal Home Loan Banks' Affordable Housing Program, and additional MOHCD loans.

FISCAL IMPACT

The Board of Supervisors previously appropriated $1,800,000 in MOHCD's FY 2015-16 budget to purchase the 1101 Connecticut Street property. The sources of funds are federal Housing and Urban Development (HUD) Community Development Block Grant, HOME, and Choice Neighborhood Grant funds.

Because purchase of the 1101 Connecticut Street property to build affordable housing is consistent with Board of Supervisors policy, the Budget and Legislative Analyst recommends approval of the proposed resolution.

RECOMMENDATION

Approve the proposed resolution.

[1] In 2015, 60 percent AMI equals $61,150 and 50 percent AMI equals $50,950 for a family of four.

Item 3 File 16-0066	Departments: Mayor's Office of Housing and Community Development (MOHCD) Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the subordination of two existing Seismic Safety Loan Program loans, secured in part by real property commonly known as 890 Hayes Street and 214 Haight Street, to a new loan from the Nonprofit Finance Fund to HealthRight 360 in the amount of $8,500,000 for the construction of HealthRight 360's new headquarters and medical clinic located at 1563 Mission Street.

Key Points

- HealthRight 360 is a nonprofit organization, which is a merger of Haight Ashbury Free Clinics, Walden House, Lyon-Martin Health Services, Tenderloin Health Services and Asian American Recovery Services which receives $45 million of annual funding from the DPH.
- HealthRight 360 currently has two outstanding deferred Seismic Safety loans totaling $4,087,000 for their 815 Buena Vista facility, which is secured with three properties (a) 815 Buena Vista, (b) 890 Hayes Street and (c) 214 Haight Street. The 890 Hayes Street and 214 Haight Street properties provide residential treatment with 163 beds for men, women and transgender individuals with substance abuse and mental health disorders.
- In August 2014, HealthRight360 purchased a building at 1563 Mission Street, which is being developed for its headquarters and medical clinic at a cost of $48.7 million. One funding source is an $8,500,000 loan from the Nonprofit Finance Fund (NFF), which requires a superior lien position on the 890 Hayes Street and 214 Haight Street properties.

Fiscal Impact

- Over the seven-year term for the $8,500,000 loan, HealthRight 360 will pay a total of $6,267,112, including interest. At the end of the seven-years, there will be a balance of $4,816,941, which HealthRight 360 would need to refinance or payoff. The loan will be repaid from a $15 million capital fundraising campaign or surplus operating funds.
- MOHCD staff are not able to verify that HealthRight 360 is able to repay the $8,500,000 NFF loan or refinance the $4,816,941 balance of the NFF loan when due in seven years.

Policy Consideration

- HealthRight 360 is a vital component of DPH's ability to provide comprehensive health services in the City. If HealthRight 360 is not successful in completing their new headquarters and clinic at 1563 Mission Street, it would significantly affect HealthRight 360's ability to provide vital health services in San Francisco.

Recommendation

- Approval of the proposed resolution is a policy decision for the Board of Supervisors.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

City Administrative Code Chapter 66A describes the City's Seismic Safety Loan Program under which taxable General Obligation bond proceeds can be loaned to building owners to finance the seismic retrofit of unreinforced masonry buildings. In accordance with Section 66A.6 of the Administrative Code, as security for the seismic safety loan funds, borrowers must execute and deliver a deed of trust and assignment of rents on the property to the City; however, if the borrower is a nonprofit organization and the property does not meet the underwriting criteria specified, the borrower may provide other guarantees that are satisfactory to the City's loan committee[1]. Section 66A.7 also authorizes the City, in its discretion, to subordinate the lien to subsequent lenders providing financing for the rehabilitation of the property as long as the property continues to meet the underwriting criteria set forth in Section 66A[2].

Background

Seismic Safety Loan Program

In November 1992, San Francisco voters approved $350,000,000 of General Obligation bonds for a Seismic Safety Loan Program to provide loans for seismic strengthening of unreinforced masonry buildings, with $150,000,000 allocated to affordable housing. In 1994, the City issued the first series of bonds, which have now been repaid in full. In 2007, the City issued $31,315,450 for the second bond issuance, of which $25,193,793 remains outstanding.

Cash proceeds from the bond issuances are used to make loans to individual property owners, who need to complete seismic repairs to their buildings. Repayments from the loan recipients are used to partially pay the debt service on the bonds, with property taxes assessed on all properties in the City, to pay the difference between the cost of debt service and repayments by loan recipients. The City's seismic safety loan program is administered through the Mayor's Office of Housing and Community Development (MOHCD).

HealthRight 360

HealthRight 360 is a nonprofit organization, originally created in 2011 with the merger of two nonprofits, Haight Ashbury Free Clinics and Walden House. Since then, HealthRight 360 has expanded to include Lyon-Martin Health Services, Tenderloin Health Services and Asian American Recovery Services. HealthRight 360 receives approximately $45 million of annual funding through the Department of Public Health (DPH) and currently operates four primary medical clinics, seven residential programs, four outpatient day centers, two gender responsive jail programs, providing HIV services, case management, outreach, prevention, employment,

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[1] The City's Loan Committee is appointed by the Director of the Mayor's Office of Housing and includes a representative of the Mayor's Office of Housing, a financial expert or mortgage broker, a real estate appraiser or commercial real estate expert, an affordable housing development finance expert from the Mayor's Office of Housing and an engineering cost estimator.

[2] Underwriting criteria require the loan to value ratio not exceed 95% and minimum debt service coverage ratio of 1.1 or loan to value ratio of 90% and debt service coverage ratio of 1.05.

housing and educational assistance to approximately 20,000 persons in San Francisco. In addition to San Francisco, HealthRight 360 currently operates in eight other California counties.

Previous HealthRight 360 Seismic Safety Loan

HealthRight 360 currently has two outstanding deferred seismic safety loans in the amounts of $285,000 and $3,802,000, for total loans of $4,087,000 for seismic upgrades to their 815 Buena Vista facility[3]. When the loans were approved in 2005 and 2007, the total $4,087,000 loan exceeded the 95% required loan to value ratio for the 815 Buena Vista property under the City's seismic safety loan program. To satisfy the requirements of the seismic safety loan program, Walden House (the predecessor to HealthRight 360) secured the loan with three properties owned by Walden House, including (a) 815 Buena Vista, (b) 890 Hayes Street and (c) 214 Haight Street. This loan is not amortized and the loan repayments by HealthRight 360 are dependent on surplus available funds being available.

An April 2014 appraisal determined the value of the 815 Buena Vista building is $13,500,000. Based on total current outstanding debt on this property of $5,588,250, including the $4,087,000 seismic safety loan, the current loan to value ratio is 41% for the Buena Vista property alone. Therefore, the 890 Hayes Street and 214 Haight Street properties are no longer needed to achieve the 95% loan to value ratio, which was required when the loans were originated.

Current HealthRight 360 Project

In August 2014, to address increasing rental costs threatening the organization, HealthRight360 purchased a five-story 50,000 square foot building at 1563 Mission Street, at the corner of Mission Street and South Van Ness[4], to replace services currently provided at 1735 Mission Street. HealthRight360 is currently developing the new 1563 Mission Street site into its primary expanded medical clinic, dental clinic, pharmacy, substance abuse treatment, mental health services and resource center. The new HealthRight 360 headquarters and expanded medical clinic is projected to be completed by the summer of 2017 and estimated to cost a total of approximately $48.7 million. Table 1 below summarizes the total costs and sources of funds that HealthRight 360 anticipates using to fund this project.

[3] 815 Buena Vista is a 109-bed residential behavioral health treatment facility for low income adults.

[4] The 1563 Mission Street property is directly across the street from the current Goodwill site, where the City is working with a developer to potentially construct a new City office building.

Table 1: Costs for 1563 Mission Street Project and Sources of Funding

Costs of Project	
Acquisition of site	$17,255,000
Construction/renovations	22,416,584
Contingency (4%)	896,663
Preconstruction services	1,755,004
Architecture/engineering	1,480,000
Furniture, fixtures, and equipment	1,210,637
Other- project management, interest, transfer tax, permits, fees, insurance, owner's contingencies, etc.	3,657,883
Total Costs	**$48,671,771**
Sources of Funding	
Bank of America Loan	$24,000,000
Nonprofit Finance Fund Bridge Financing	8,500,000
HealthRight 360 Contribution[5]	3,789,217
Net New Market Tax Credit Equity	12,382,554
Total Funding Sources	**$48,671,771**

As shown in Table 1 above, one of the primary sources of funding for the HealthRight 360 project is an $8,500,000 construction bridge loan from the Nonprofit Finance Fund (NFF), a nonprofit lending organization. However, prior to approving the $8,500,000 loan, NFF requires a superior lien position on the two other HealthRight 360 properties, namely 890 Hayes Street and 214 Haight Street, which are currently being used as additional security for the City's seismic safety loan for HealthRight 360's facility at 815 Buena Vista.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the subordination of two existing City Seismic Safety Loan Program loans for Health Right 360's facility at 815 Buena Vista, secured in part by real property commonly known as 890 Hayes Street and 214 Haight Street, to a new loan from the Nonprofit Finance Fund to HealthRight 360 in the amount of $8,500,000 for the construction of HealthRight 360's new headquarters and primary medical clinic located at 1563 Mission Street.

The 890 Hayes Street property, with over 32,000 square feet, is used as a men's residential behavioral health treatment facility to serve men for six months to a year with substance abuse disorders, co-occurring mental health disorders and/or HIV/AIDS. This property was appraised in 2014 at $14,500,000, and currently has $2,595,050 outstanding loans on the property.

[5] HealthRight 360 has undertaken a capital campaign to raise $15 million to support the 1563 Mission Street project, with the $3,789,217 reported received to date. The capital campaign is intended to continue through construction and during the first two years of operation and be the primary source of repayment for the Nonprofit Finance Fund loan.

The 214 Haight Street property, with 24,000 square feet, provides women's residential behavioral health treatment services and transgender recovery program services to target individuals with substance use disorders for six months to a year. This property was appraised in 2014 at $9,200,000, and currently has $511,700 outstanding loans on the property.

Together, these two properties provide 163 beds of affordable housing for men, women and transgender individuals with substance abuse and mental health disorders in San Francisco.

Rationale for Subordination

HealthRight 360 advised DPH that without the requested loan subordination, NFF will not provide the needed $8,500,000 loan to HealthRight 360. If HealthRight 360 does not secure the $8,500,000 loan, completion of HealthRight 360's new headquarters/clinic building at 1563 Mission Street will not be possible and HealthRight 360 could potentially forfeit this building in a foreclosure to Bank of America, which provided the primary $24,000,000 acquisition and construction loan for the project. If this were to occur, it would significantly affect HealthRight 360's ability to provide vital health services in San Francisco. Ms. Colleen Chawla, Director of Policy and Planning at DPH reports that this would have a significant and negative impact on the City's health care safety net for the most vulnerable San Franciscans.

Mr. Donald Lusty, Senior Project Manager at MOHCD advises that because the proposed subordination does not meet the criteria of the Seismic Safety Loan Program, the subject resolution is being requested to be approved by the Board of Supervisors. Specifically, Section 66A.7 authorizes the City to subordinate the lien of a Seismic Safety Loan Program Deed of Trust to subsequent lenders providing financing for the rehabilitation of the property if certain underwriting criteria are met. In this case, the conditions of Section 66A.7 are not met because the lender requesting the subordination is not providing financing for the rehabilitation of the property that benefited from or is secured by the Seismic Safety loans and that property receives no benefit from the new construction loan. MOHCD typically can only propose to subordinate City loans to new non-City debt if the new loans are used to fund affordable housing properties. As noted, the new loan would fund a new nonprofit health headquarters and expanded medical clinic building.

Therefore, Mr. Lusty advises that MOHCD is jointly requesting with DPH this subordination be approved by the Board of Supervisors, based on the overriding importance of the services provided by HealthRight 360 to the residents of San Francisco.

FISCAL IMPACT

Nonprofit Finance Fund Loan (NFF)

The Nonprofit Finance Fund will provide an $8,500,000 loan to HealthRight 360 based on a seven year term at an annual interest rate of 5.25%, allowing interest only payments for the first 18 months. Mr. Lusty advises that based on numerous conversations with NFF and their underwriting staff, NFF, as a nonprofit lender, has significant expertise in specifically providing loans to nonprofit health care organizations and that NFF has never foreclosed on a property. Table 2 below summarizes the payments to be made by HealthRight 360 to NFF for this loan.

Table 2: Repayment of NFF loan by HealthRight 360

	Interest	Principal	Total
Year 1	$446,250	$0	$446,250
Year 2	441,125	334,668	775,793
Year 3	409,645	669,391	1,079,036
Year 4	374,498	669,534	1,044,032
Year 5	339,343	669,678	1,009,021
Year 6	304,181	669,822	974,003
Year 7	269,011	669,966	938,977
Total	$2,584,053	$3,683,059	$6,267,112

As shown in Table 2 above, over the seven-year term, HealthRight 360 would be required to pay a total of $6,267,112 for this loan. At the end of the seven-year term, HealthRight 360 would have repaid $3,683,059 of the total $8,500,000 original loan, leaving a remaining balance of $4,816,941. Therefore, HealthRight 360 would need to refinance or payoff this balance at the end of the seven year loan term.

Ability for HealthRight 360 to Repay Loan

Based on documents provided by HealthRight 360, reviewed by MOHCD and DPH, HealthRight 360 considers this NFF loan to be a construction bridge loan, which would be primarily repaid with funds from a HealthRight 360 $15 million capital fundraising campaign. Alternatively, HealthRight 360 would use surplus operating funds to payback both the $24,000,000 Bank of America loan and this $8,500,000 NFF loan. However, there are no guarantees that such fundraising efforts will be successful or that surplus operating funds will be available.

As noted above, DPH currently provides approximately $45 million annually to HealthRight 360 to provide City residents with various health and mental health services at numerous locations in the City. Ms. Chawla advises that DPH has no plans to increase their contracts with HealthRight 360 to cover the costs associated with the development project for HealthRight 360 new headquarters and clinic at 1563 Mission Street. However, HealthRight 360 projections assume significant increases over the next seven years in public funding for operations from various federal, state and local sources.

Mr. Lusty advises that HealthRight 360 has already pledged the new headquarters and clinic building, including personal assets of the organization, to secure the Bank of America construction loan. Mr. Lusty also notes that MOHCD's expertise is in the underwriting of affordable housing assets and not evaluating the operational risk associated with health care entities. Nevertheless, after extensive research and discussion with representatives from both HealthRight 360 and NFF, MOHCD staff were not able to validate HealthRight 360's projected operating income and expenses. Therefore, MOHCD could not determine whether HealthRight 360 would be able to repay the $8,500,000 NFF loan or refinance the $4,816,941 balance of the NFF loan when due in seven years.

In response, HealthRight 360 reported to DPH and MOHCD that their projections were vetted by both Bank of America and NFF, and reflect the tremendous opportunity presented by California's implementation of the Affordable Care Act. Two years ago, less than 10% of HealthRight 360's clients were insured by Medi-Cal and today over 70% of their clients are insured by Medi-Cal. In addition, all of HealthRight 360's behavioral health services are now a covered benefit as a Federal entitlement creating greater stability for their business model.

Risk to the City if HealthRight 360 Defaults

If HealthRight 360 defaults on the new $8,500,000 debt, NFF would have the right to foreclose and sell and/or repurpose the two facilities at 890 Hayes Street and 214 Haight Street. As discussed above, these two HealthRight 360 properties provide residential substance abuse services to low income adults with a combined capacity of 163 beds. Mr. Lusty advises that these two properties are an important component of the City's overall affordable housing program.

Risk Mitigation

A letter on January 12, 2016 from the Mr. Olson Lee, Director of the Mayor's Office of Housing and Community Development and Ms. Barbara Garcia, Director of Health to the Board of Supervisors provides that DPH is committed to mitigating risk to the City. DPH plans to increase its financial oversight of HealthRight 360's operations by amending its existing agreements with HealthRight 360 to impose updated asset management and reporting requirements. In addition, HeathRight 360 will be required to provide DPH with quarterly financial statements, notify DPH of any merger negotiations and obtain prior approval of such negotiations and mergers. Ms. Chawla advises that if such reviews uncover areas of concern, DPH will initiate immediate corrective action[6].

POLICY CONSIDERATION

DPH currently provides approximately $45 million of funding annually to HealthRight 360 to provide medical, behavioral health, HIV and other services to nearly 20,000 low income San Franciscans each year. According to Ms. Chawla, HealthRight 360 is a vital component of DPH's ability to provide comprehensive health services in the City. HealthRight 360 reports that continuing to rent increasingly costly space for the services it provides jeopardizes Health Right 360's ability to continue to provide services. Therefore, HealthRight 360 needs to be successful in completing their new headquarters and clinic located at 1563 Mission Street, which will expand health care services and ensure the long term viability of HealthRight 360.

[6] In 2011, the City initiated a Citywide Nonprofit Corrective Action Policy to encourage nonprofit accountability, compliance with government funding requirements and reliable service delivery. This Policy outlines how the City should respond when a nonprofit fails to comply with required performance or monitoring standards and how nonprofits can work to correct deficiencies.

At risk under the proposed resolution is up to $8,500,000 of a nonprofit loan to HealthRight 360, which would be secured by two residential treatment program facilities that provide up to 163 beds of affordable housing and supportive services.

Lease and First Right to Purchase

On January 7, 2016, HealthRight 360 signed a letter of intent to (a) lease approximately 2,000 square feet of space at their new 1563 Mission Street facility to DPH for an initial term of five years, plus one three year option to extend based on an independent appraisal of fair market rent, and (b) a first right to purchase the 1563 Mission Street property[7]. As noted above, the new headquarters and medical clinic building is estimated to be completed by the summer of 2017. DPH advises that this lease/right to purchase arrangement will allow DPH to have an onsite presence for greater involvement in HealthRight 360's successful operation. DPH has not yet determined which DPH programs will be located at the 1563 Mission Street facility.

RECOMMENDATION

Approval of the proposed resolution is a policy decision for the Board of Supervisors.

[7] This first right to purchase excludes any sale to an affiliated California nonprofit to meet the requirements of the New Market Tax Credit which was used to fund the development of this project.

Item 4 File 16-0009	Department: Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would (1) approve a Purchase and Sale Agreement for the City and County of San Francisco to acquire four easements (Easements) located in San Mateo County from the Joint Partnership of John Daly Boulevard Associates, LP, Monarch Ventures, LP, and Wilbak Investments, LP (Joint Partnership) for $78,185 to be used for the San Francisco Public Utilities Commission's (SFPUC) Regional Groundwater Storage and Recovery Project; (2) adopt findings under the California Environmental Quality Act (CEQA); and (3) adopt findings that the purchase of the Easements is consistent with the City's General Plan and the eight priority policies of San Francisco Planning Code, Section 101.1.

Key Points

- In 2012, the SFPUC initiated the Regional Groundwater Storage and Recovery Project (Project). The Project consists of the construction of 16 groundwater wells and well stations with total capacity of 7.2 million gallons of water to be used as a regional dry-year water supply.
- Construction for the Project requires that the City and County of San Francisco acquire Easements across portions of property located in San Mateo County, which are owned by the Joint Partnership.

Fiscal Impact

- Under the Purchase and Sale Agreement, the City would purchase four easements containing a total of 29,751 square feet from the Joint Partnership, including one temporary construction easement, two permanent surface access easements, and one subsurface access easement for water utilities, at a total cost of $78,185.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Administrative Code Section 23.4 provides that acquisitions of real property are subject to Board of Supervisors approval.

BACKGROUND

Groundwater Storage and Recovery Project

In 2012, the San Francisco Public Utilities Commission (SFPUC) initiated the Regional Groundwater Storage and Recovery Project (Project). The Project consists of the construction of 16 groundwater wells and well stations with total capacity of 7.2 million gallons of water to be used as a regional dry-year water supply. The wells will connect the SFPUC's water transition system to the water systems of Daly City, the City of San Bruno and the California Water Service Company. The estimated Project cost is $133,580,000, and is scheduled to be completed in July 2018. The Project is part of the SFPUC's Water System Improvement Program (WSIP), a $4.8 billion program to repair, replace, and seismically upgrade SFPUC's water infrastructure.

The Board of Supervisors previously appropriated $113,580,000 in Water Revenue Bonds for the Project.[1] In October 2014, the Board of Supervisors adopted findings related to the California Environmental Quality Act (CEQA) and the San Francisco Planning Commission's General Plan findings for the Project (File No. 14-0945).

Acquisition of Easements

Construction for the Project requires that the City and County of San Francisco acquire four easements (Easements) across portions of property located in San Mateo County, which are owned by the joint partnership of John Daly Boulevard Associates, LP, Monarch Ventures, LP, and Wilbak Investments, LP (Joint Partnership). The property on which the easements are located is currently in use as a high-density apartment complex. The Real Estate Division retained Associated Right of Way Services, Inc. to appraise the acquisition of the Easements. Associated Right of Way Services, Inc. is a consulting firm specializing in acquisition of property for public projects. On August 12, 2014, the SFPUC approved the proposed acquisition of the Easements.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve a Purchase and Sale Agreement for the City and County of San Francisco to acquire four Easements located in San Mateo County from the joint partnership named above for $78,185 to be used for the SFPUC's Regional Groundwater Storage and Recovery Project; (2) adopt findings under the California Environmental Quality Act

[1] Files 10-0337, 11-1031, 13-0483 appropriated funds for the Project, and additional monies were funded from previous WSIP appropriations in files 92-10, 104-03, 65-04, 54-05, 196-05, 89-06, 22-07, 53-08, 247-08, 311-08, 37-09, and 230-11.

(CEQA); and (3) adopt findings that the purchase of the Easements is consistent with the City's General Plan and the eight priority policies of San Francisco Planning Code, Section 101.1.[2]

CEQA Findings and City's General Plan

The Board of Supervisors adopted CEQA findings and the San Francisco Planning Commission's General Plan Findings for the Project in October 2014. The proposed resolution would find that the acquisition of the Easements is within the scope of the Project analyzed in the CEQA findings and the Planning Commission's findings that the Project is consistent with the City's General Plan and Planning Code.

FISCAL IMPACT

Under the Purchase and Sale Agreement, the City would purchase four easements containing a total of 29,751 square feet from the Joint Partnership, including one temporary construction easement, two permanent surface access easements, and one subsurface access easement for water utilities, at a total cost of $78,185.[3] The easements were appraised by Associated Right of Way Services to have a value of $38,185. However, because construction at the subject property would be disruptive to the Joint Partnership's tenants, the SFPUC agreed with the Joint Partnership, based on a negotiation, to pay an additional $40,000 to the appraised value, thus making the total amount of the purchase of the easements $78,185.[4] The total cost to purchase the easements from the Joint Partnership of $78,185 is shown in Table 1 below.

[2] 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.

[3] The appraisal value was determined by comparing seven sales of similar properties throughout the Bay Area. The price for these sales ranged from $50.03 to $112.73 per square foot. Value of the subject property was determined to be $70 per square foot at its highest and best use. However, the subject property is currently used as high-density residential development, which limits its future use, thus reducing its value to an average price of $2.63 per square foot.

[4] According to Mr. Brian Morelli, Right of Way Manager at SFPUC, the SFPUC agreed to a negotiated settlement with the Joint Partnership because if an agreement for the easements was not reached, then the SFPUC would have to commence a condemnation action which could potentially lead to a more costly settlement.

Table 1: Purchase of Easements

Easement	Square Feet	Approximate Price per Square Foot	Amount
Temporary Construction Easement	705	$10.46	$7,373
Permanent Surface Access Easements	28,896	0.70	27,137
Subsurface Access Easement	150	24.50	3,675
Negotiated Price for Construction Use			40,000
Total	**29,751**	**$2.63***	**$78,185**

*Average per square foot cost

Funding of the $78,185 for the purchase of the easements was previously appropriated by the Board of Supervisors under the SFPUC's Water System Improvement Program.

The temporary construction easement expires after nine months, and the SFPUC has the option to extend the term for an additional six months on a month-to-month basis, for a total term of fifteen months. SFPUC will continue to pay the same rate for the easement during the extension period. Mr. Carlos Jacobo, Budget Director for SFPUC, states that the SFPUC has sufficient budgeted funds for any additional cost to extend the term for the construction easement.

RECOMMENDATION

Approve the proposed resolution.

Item 5 File 16-0045	Department: Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the third amendment to the contract between the San Francisco Public Utilities Commission (SFPUC) and Hatch Mott MacDonald, to continue providing construction management services for the New Irvington Tunnel Project. The amendment would increase the contract amount by $1,000,000 from $19,500,000 to $20,500,000, and extend the term for three months through October 31, 2016 for a total contract term of seven years and three months.

Key Points

- The New Irvington Tunnel Project will construct a new seismically-designed tunnel parallel to the existing Irvington Tunnel, which supplies the majority of the drinking water to the SFPUC's 2.6 million customers. The Project is estimated to be completed in December 2016 with a total cost of $347,128,023.
- In 2009, the Board of Supervisors approved a contract between SFPUC and Hatch Mott MacDonald to provide construction management services for the Project for an amount not-to-exceed $15,000,000 with a five year term, concluding on July 31, 2014. The Board of Supervisors has previously approved two contract amendments, increasing the contract amount to $19,500,000 and the contract term through July 31, 2016.
- The proposed third amendment would extend the term of the contract through October 31, 2016 and increase the contract amount by $1,000,000 to $20,500,000. Mr. Dan Wade, Director of the WSIP, states that the requested additional $1,000,000 is needed because the amount of inspectors used by Hatch Mott MacDonald is higher than had previously been anticipated due to additional repairs to the tunnel liner.

Fiscal Impact

- Funds to pay for the contract between SFPUC and Hatch Mott MacDonald for construction management services are included in the New Irvington Tunnel Project budget, which is funded by water revenue bonds previously appropriated by the Board of Supervisors.

Policy Consideration

- According to Mr. David Tsztoo, Sunol/San Joaquin Regional Project Manager at SFPUC, the remaining contingency amount for the Project is $11,724,793. Ms. Tsztoo further states that the Project estimates additional change orders totaling $11,664,914. The cost of any additional change orders and risks beyond the current contingency levels would be paid by the WSIP Director's Reserve.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contracts or agreements entered into by a department, board or commission having a term in excess of ten years, or requiring anticipated expenditures by the City and County of ten million dollars, or the modification or amendments to such contract or agreement having an impact of more than $500,000 shall be subject to approval of the Board of Supervisors by resolution.

BACKGROUND

The New Irvington Tunnel Project (Project) will construct a new seismically-designed tunnel parallel to the existing Irvington Tunnel. The tunnel is located between the Calaveras and Hayward Faults and supplies the majority of the drinking water to the San Francisco Public Utilities Commission's (SFPUC) 2.6 million customers. The existing Irvington Tunnel was constructed between 1928 and 1932 and has not been able to be completely taken out of service for inspection or repairs since 1966 due to the customer water demands that it supports. The Project would allow SFPUC to take the old tunnel out of service for needed inspection and repairs and provide for additional seismic stability that will provide greater reliability to the system's water demands. The Project is part of the SFPUC's Water System Improvement Program (WSIP); a $4.8 billion program to repair, replace, and seismically upgrade SFPUC's water infrastructure.

The original approved budget for the Project in 2005 was $214,650,000. Construction began in 2010 with an original project completion date of 2013. In the fall of 2014, two sections of tunnel liner were found to have failed. The repairs to these failed sections and project changes due to unforeseen site conditions required the Project schedule to be extended. According to Mr. Dan Wade, Director of the WSIP, final construction is expected to be completed in March 2016; however the final administrative closeout of the Project is December 2016. The current Project budget is $347,128,023.

Construction Management Contract

In 2009, the Board of Supervisors approved a contract between SFPUC and Hatch Mott MacDonald to provide construction management services for the Project, following a competitive Request for Proposals process. The contract was for an amount not-to-exceed $15,000,000 with a five year term, concluding on July 31, 2014. In 2011, the Board of Supervisors approved the first amendment to the contract between SFPUC and Hatch Mott MacDonald to: (1) extend the agreement for one year, for a total of six years, ending in August 2015, and (2) increase the not-to-exceed amount by $2,500,000, from $15,000,000 to a not-to-exceed amount of $17,500,000. In 2015, the Board of Supervisors approved the second amendment to the contract between SFPUC and Hatch Mott MacDonald to: (1) extend the agreement for one additional year, ending on July 31, 2016, and (2) increase the not-to-exceed amount by $2,000,000, from $17,500,000 to a total not-to-exceed amount of $19,500,000.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the third amendment to the contract between the SFPUC and Hatch Mott MacDonald, to continue providing construction management services for the New Irvington Tunnel Project. The amendment would increase the contract not-to-exceed amount by $1,000,000 from $19,500,000 to $20,500,000, and extend the term for three months through October 31, 2016 for a total contract term of seven years and three months. Table 1 below shows the budget and remaining scope of work for the requested increased amount of $1,000,000 to the Hatch Mott MacDonald contract.

Table 1: Hatch Mott MacDonald Construction Management Contract Amendment Budget

Scope of Work	Proposed Budget
Quality Assurance (Inspection)	$200,000
Contracts management	140,000
Environmental Compliance	105,000
Closeout and Turnover	80,000
Project Controls	35,000
Public Outreach Support	35,000
Contract Administration	30,000
Other Direct Charges and Mark-Up Fees	75,000
Support for Potential Dispute Resolution Board Hearings	300,000
Total	**$1,000,000**

Mr. Wade states that requested additional $1,000,000 in funding for the construction management contract is needed because the repairs to the tunnel liner required an increase to the amount of inspectors used by Hatch Mott MacDonald to verify that the work by the contractor had been performed properly. As a result, funds for the Hatch Mott MacDonald construction management contract were expended at higher rates than had been anticipated prior to the previous contract amendment.

According to Mr. Wade, SFPUC does not expect any further amendments to the contract with Hatch Mott MacDonald.

FISCAL IMPACT

Funds for the contract between SFPUC and Hatch Mott MacDonald for construction management services, including the proposed third amendment, are included in the New Irvington Tunnel Project budget, which is funded by water revenue bond funds previously appropriated by the Board of Supervisors. The revised budget for the New Irvington Tunnel Project is $347,128,023, as shown below in Table 2. This budget includes the approved Hatch Mott MacDonald construction management contract for $19,500,000 and the requested $1,000,000 amendment for a total contract amount of $20,500,000.

Table 2: Remaining Amount to be Spent on New Irvington Tunnel Project

Category	Amount
Expenditures as of 09/30/15	$323,898,443
Remaining Project Budget	
Construction	$19,183,478
Construction Management*	3,233,246
Project Management	398,478
Closeout	400,000
Right-of-Way	14,378
Remaining Project Budget Subtotal	$23,229,580
Total Forecast Project Budget	**$347,128,023**

* Includes construction management provided by Hatch Mott McDonald contract, SFPUC staff and other contractors.

Of the $323,898,443 in expenditures to date, $19,491,718 were for the construction management contract between SFPUC and Hatch Mott MacDonald, which is $8,282 less than the current contract amount of $19,500,000.

POLICY CONSIDERATION

The New Irvington Tunnel Project budget has increased by $132,478,023 or 61.7 percent from the original 2005 budget of $214,650,000 to the revised budget of $347,128,023. According to Mr. David Tsztoo, Sunol/San Joaquin Regional Project Manager at SFPUC, the New Irvington Tunnel Project has a remaining construction contingency amount of $11,724,793. SFPUC estimates additional construction change orders to the New Irvington Tunnel Project totaling $11,664,914. If the project were to encounter any construction claims resulting in revised change order amounts that exceed the contingency of $11,724,793, these change orders would be paid by the WSIP Director's Reserve, which receives funds from projects that have been completed under budget. The Director's Reserve has a current balance of approximately $32,138,716.

Mr. Dan Wade, Director of the WSIP, states that the SFPUC expects to request supplemental funds for several WSIP projects as part of the SFPUC's ten-year Capital Improvement Program, which will be presented to the Board of Supervisors in May 2016. Mr. Wade further states that SFPUC would manage this supplemental request in a way that has as little impact as possible on water rates, or seek to defer other Capital Improvement Plan projects to later years.

RECOMMENDATION

Approve the proposed resolution.

Item 6 File 16-0075	Department: First Five San Francisco

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would retroactively approve to July 1, 2015 the sixth amendment to the existing contract between First 5 San Francisco (First 5) and the Children's Council to continue to provide fiscal intermediary services for Preschool for All. The amendment would extend the contract expiration date by one year from June 30, 2015 to June 30, 2016, and increase the not-to-exceed amount from $47,326,791 to $74,390,567, an increase of $27,063,776.

Key Points

- Preschool for All is a citywide universal preschool program that aims to expand preschool access and improve the quality of preschools in the City of San Francisco by providing financial resources, training, and technical assistance to public and private preschools. First 5 San Francisco has administered Preschool for All since its inception in 2004.
- On July 1, 2012, First 5 awarded a contract to administer the Preschool for All program to the Children's Council for a one-year term from July 1, 2012 through June 30, 2013. Services provided by the Children's Council include providing fiscal intermediary services, managing enrollment reimbursements to preschool providers, and providing technical assistance and training to preschool providers through subcontracts with nonprofit organizations. The contract has been amended five times between 2012 and 2015. The contract's current not-to-exceed amount is $47,326,791 and the contract end date if June 30, 2015.

Fiscal Impact

- The budget for the requested increase to the Children's Council contract for services through FY 2015-16 is $27,063,776. The Board of Supervisors appropriated funds for Preschool for All in the Office of Early Care and Education's FY 2015-16 budget. First 5 administers Preschool for All through a work order with the Office of Early Care and Education.
- First 5 has spent $45,828,263 through FY 2014-15, and is requesting an additional $27,063,776 for FY 2015-16, for a total needed contract amount of $72,892,039. The Budget and Legislative Analyst recommends reducing the requested contract not-to-exceed amount from $74,390,567 to $72,892,039, a reduction of $1,498,528.

Recommendations

1. Amend the proposed resolution to reduce the requested contract amount by $1,498,528 from $74,390,567 to $72,892,039.
2. Approve the resolution, as amended.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contracts or agreements entered into by a department, board or commission having a term in excess of ten years, or requiring anticipated expenditures by the City and County of ten million dollars, or the modification or amendments to such contract or agreement having an impact of more than $500,000 shall be subject to approval of the Board of Supervisors by resolution.

BACKGROUND

Preschool for All is a citywide universal preschool program that aims to expand preschool access and improve the quality of preschools in the City and County of San Francisco by providing financial resources, training, and technical assistance to public and private preschools. First 5 San Francisco (First 5) has administered Preschool for All since its inception in 2004.

On July 1, 2012, First 5 awarded a contract to administer the Preschool for All program to the Children's Council for a one-year term from July 1, 2012 through June 30, 2013. Services provided by the Children's Council include providing fiscal intermediary services, managing enrollment reimbursements to preschool providers, and providing technical assistance and training to preschool providers through subcontracts with nonprofit organizations. The contract was awarded by First 5 to the Children's Council based on a competitive Request for Proposal (RFP) process in an amount not to exceed $9,900,000. Because the original contract was less than $10,000,000, the contract did not require approval from the Board of Supervisors.

In 2013, the Board of Supervisors approved an amendment to the existing contract, which: (1) increased the not-to-exceed amount by $30,830,000 from $9,900,000 to $40,730,000; and (2) extended the term of the contract for two years, from July 1, 2013 through June 30, 2015. First 5 subsequently executed the second, third, and fourth amendments to the contract that adjusted non-material elements of the contract.[1] Such amendments were not subject to approval by the Board of Supervisors. In April 2015, the Board of Supervisors approved the fifth amendment to the existing contract, which increased the not-to-exceed amount by $6,596,791, from $40,730,000 to $47,326,791. Table 1 below shows the amount spent through Fiscal Year 2014-15 for the Children's Council contract.

Table 1: Children's Council Contract Expenditures

Fiscal Year	Actual Spent
FY 2012-13	$11,729,999
FY 2013-14	15,636,670
FY 2014-15	18,461,594
Total	**$45,828,263**

[1] These changes included adjusting annual budgets, but not the overall not-to-exceed amount, and revised dates of payments to preschool providers participating in the program.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve to July 1, 2015 the sixth amendment to the existing contract between First 5 and the Children's Council to continue to provide fiscal intermediary services, manage enrollment reimbursements to preschool providers, and provide technical assistance and training to preschool providers through subcontracts with nonprofit organizations. The amendment would extend the contract expiration date by one year from June 30, 2015 to June 30, 2016, and increase the not-to-exceed amount from $47,326,791 to $74,390,567, an increase of $27,063,776.[2]

According to Ms. Ingrid Mezquita, Senior Program Officer at First 5, the proposed resolution is being requested retroactively because of the transfer of administration of the Public Education Enrichment Fund from First 5 to the Office of Early Care and Education.[3] Ms. Mezquita further states that the requested contract increase of $27,063,776 will fund 4,326 child care enrollments in FY 2015-16, compared to 3,600 in FY 2014-15.

FISCAL IMPACT

Table 2 below shows the budget for the requested increase of $27,063,776 for the Children's Council contract for FY 2015-16.

Table 2: FY 2015-16 Children's Council Contract Budget

Budget Item	Amount
Program Administration	
Personnel	$123,478
Fringe Benefits	36,410
Administrative Costs	36,402
Other Program Expenses	3,710
Subtotal Program Administration	*$200,000*
Reimbursements to Preschool For All Providers	$22,744,000
Training & Technical Assistance	$4,119,776
Total	**$27,063,776**

The Board of Supervisors appropriated funds for Preschool for All in the Office of Early Care and Education's FY 2015-16 budget. First 5 administers Preschool for All through a work order with the Office of Early Care and Education. Table 3 below shows the sources of funds for the requested increase of $27,063,776 to the Children's Council contract for services through FY 2015-16.

[2] The original RFP provided for an initial contract term of three years from July 1, 2012 through June 30, 2015, with the option to extend the contract term by two years through June 30, 2017.

[3] According to Ms. Mezquita, in 2014 administration of the Public Education Enrichment Fund was transferred from First 5 to the Office of Early Care and Education, a newly created agency. First 5 agreed to manage Preschool for All in FY 2015-16 as a transition year. This change in administration of the Public Education Enrichment Fund from First 5 to the Office of Early Care and Education caused delays in submitting the proposed Children's Council contract amendment to the Board of Supervisors.

Table 3: Sources of Funds for Requested Increase to Children's Council Contract

Source of Funds	Amount
San Francisco Funds	
Public Education Enrichment Fund	$21,994,000
Subtotal City of San Francisco Funds	*$21,994,000*
State of California Funds	
Proposition 10	3,588,282
Race to the Top – Early Learning Challenge	$281,494
Quality Ratings Improvement System	1,200,000
Subtotal State of California Funds	*$5,069,776*
Total	**$27,063,776**

As shown in Table 4 below, First 5 has spent $45,828,263 through FY 2014-15, and is requesting an additional $27,063,776 for FY 2015-16, for a total needed contract amount of $72,892,039. Therefore, the Budget and Legislative Analyst recommends reducing the requested contract not-to-exceed amount from $74,390,567 to $72,892,039, a reduction of $1,498,528 as shown in Table 4 below.

Table 4: Recommended Reduction to Children's Council Contract

Actual Expenditures through June 30, 2015	$45,828,263
Requested Funds for FY 2015-16	$27,063,776
Total Actual Expenditures and Requested Funds	**$72,892,039**
Requested Amount	$74,390,567
Budget and Legislative Analyst Recommended Reduction	**$1,498,528**

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the requested contract amount by $1,498,528 from $74,390,567 to $72,892,039.
2. Approve the resolution, as amended.

Item 7 File 16-0068	Department: Municipal Transportation Agency (MTA)

EXECUTIVE SUMMARY

Legislative Objectives

The proposed resolution would approve Amendment No. 6 to the agreement between the SFMTA and Transdev for the provision of paratransit brokerage services, increasing the total not-to-exceed amount of the agreement by $8,200,000, from $118,599,710 to $126,799,710. The term of the agreement would remain the same as established in Amendment No. 5, through June 30, 2016.

Key Points

- The San Francisco Paratransit Program, administered by the San Francisco Municipal Transportation Agency (SFMTA), provides van and taxi services to people with disabilities, who are unable to independently use other forms of public transit.
- The Board of Supervisors approved an agreement in 2010 between the SFMTA and Veolia Transportation Services, now known as Transdev Services (Transdev), to provide paratransit broker services for five years and three months, through June 30, 2015. The agreement has been amended five times prior to the proposed Amendment No. 6.
- At the end of the original agreement term, $18,354,786 of the $118,599,710 agreement not-to-exceed amount remained, which SFMTA determined was sufficient to fund the extension of the agreement by one year. Amendment No. 5 extended the agreement for one year, through June 30, 2016 with the same not-to-exceed amount of $118,599,710.
- SFMTA recently determined that an additional $8,200,000 in contracting authority is needed to fully cover projected expenditures through June 30, 2016.

Fiscal Impact

- Total projected expenditures through Fiscal Year (FY) 2015-16, from July 1, 2015 through June 30, 2016, including a contingency, are $125,443,773, which is $6,844,063 more than the existing agreement not-to-exceed amount of $118,599,710.
- The proposed resolution should be amended to reduce the increase in the agreement amount by $1,355,937 from the requested amount of $8,200,000 to $6,844,063, and reduce the total requested agreement not-to-exceed amount by $1,355,937 from $126,799,710 to $125,443,773.

Recommendations

- Amend the proposed resolution to reduce the requested increase in the agreement amount by $1,355,937 from $8,200,000 to $6,844,063, and reduce the total requested agreement not-to-exceed amount by $1,355,937 from $126,799,710 to $125,443,773.
- Approve the proposed resolution, as amended.

MANDATE STATEMENT

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

BACKGROUND

The San Francisco Paratransit Program, administered by the San Francisco Municipal Transportation Agency (SFMTA), provides van and taxi services to people with disabilities, who are unable to independently use other forms of public transit. The services are provided free to eligible residents, in accordance with the Americans with Disabilities Act (ADA). To provide these services, SFMTA contracts with a paratransit broker who manages the program, including all subcontracting with paratransit service providers.

Based on a competitive process, the Board of Supervisors approved an agreement (File 09-1439) in 2010 between the SFMTA and Veolia Transportation Services, now known as Transdev Services (Transdev), to provide paratransit broker services. The term of the agreement was for five years and three months, from April 1, 2010 through June 30, 2015, with one five-year option to extend through June 30, 2020. The total not to exceed amount of the agreement was $118,599,710 for the initial five year and three month period.

The agreement between SFMTA and Transdev was amended four times between April 2010 and June 2015, including a reduction in Transdev's administrative expenses, expanded responsibilities, and the authorization for the City to lease additional accessible vans to Transdev to carry out the paratransit program, among others. None of these amendments were subject to Board of Supervisors approval.

The fifth amendment to the agreement extended the term by one year from July 1, 2015 through June 30, 2016. Upon termination of the original five-year agreement term, both parties did not wish to exercise the option to extend for five years. However, $18,354,786 of the $118,599,710 agreement not-to-exceed amount remained, which SFMTA determined was sufficient to extend the agreement by one year.

SFMTA recently determined that an additional $8,200,000 in contracting authority is needed to fully cover projected expenditures through June 30, 2016. The SFMTA Board of Directors adopted a resolution to approve Amendment No. 6 to the agreement between SFMTA and Transdev on January 5, 2016.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 6 to the agreement between the SFMTA and Transdev for the provision of paratransit brokerage services, increasing the total not-to-exceed amount of the agreement by $8,200,000, from $118,599,710 to $126,799,710. The term of the agreement would remain the same as established in Amendment No. 5, through June 30, 2016.

Request for Proposals (RFP) for New Contractor

SFMTA issued an RFP for paratransit brokerage services on November 3, 2015 and is currently reviewing proposals. A new contractor is expected to begin providing services in July 2016, upon termination of the current agreement with Transdev on June 30, 2016.

Environmental Findings

The SFMTA determined that the proposed contract amendment would not constitute a finding under the California Environmental Quality Act (CEQA) since the actions would not result in a direct or indirect physical change to the environment.

FISCAL IMPACT

SFMTA's total expenditures under the agreement from April 2010 through June 2015 are $100,244,924. Total projected expenditures through Fiscal Year (FY) 2015-16, from July 1, 2015 through June 30, 2016, including a contingency, are $125,443,773, which is $6,844,063 more than the existing agreement not-to-exceed amount of $118,599,710, as shown in Table 1 below.

Table 1: Transdev Agreement Contracting Authority Projections and Expenditures

Fiscal Year	Expenditures
Actual Expenditures	
April 2010 - June 2011	$21,262,901
FY 2011-12	18,260,274
FY 2012-13	18,532,014
FY 2013-14	19,534,909
FY 2014-15	22,654,826
Subtotal, Actual Expenditures	**$100,244,924**
FY 2015-16 (Projected)	23,723,849
Contingency (6% of $23,723,849)	1,475,000
Total, Actual and Projected Expenditures	**$125,443,773**
Less, Current Not-to-Exceed Amount	(118,599,710)
Required Increase in Not-to-Exceed Amount	**$6,844,063**

Therefore, the proposed resolution should be amended to reduce the increase in the agreement amount by $1,355,937 from the requested amount of $8,200,000 to $6,844,063, and reduce the total requested agreement not-to-exceed amount by $1,355,937 from $126,799,710 to $125,443,773.

As shown in Table 2 below, the FY 2015-16 budget for paratransit brokerage services under the agreement between SFMTA and Transdev is $23,723,849.

Table 2: SFMTA's Paratransit Program FY 2015-16 Budget

Paratransit Service	FY 2015-16 Projections
SF Access	$11,511,247
Taxi	4,016,772
Group Van	3,418,612
Broker Administration	3,328,740
Department of Aging & Adult Services	709,134
Shop-A-Round	599,684
Intercounty	139,660
Total	**$23,723,849**

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the requested increase in the agreement amount by $1,355,937 from $8,200,000 to $6,844,063, and reduce the total requested agreement not-to-exceed amount by $1,355,937 from $126,799,710 to $125,443,773.
2. Approve the proposed resolution, as amended.