CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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September 15, 2023

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst DY

SUBJECT: September 20, 2023 Budget and Finance Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution sets the property tax rate for FY 2023-24 for taxing entities within San Francisco including (a) the City; (b) the San Francisco Unified School District; (c) the San Francisco County Office of Education; (d) the San Francisco Community College District; (e) Bay Area Rapid Transit (BART); and (f) the Bay Area Air Quality Management District (BAAQMD).

Key Points

- The Board of Supervisors annually sets the combined property tax rate that provides revenues for: (1) general operations, (2) specific Charter-required activities for the City such as services for children, open space, or the public library; and (3) paying debt service on voter-approved General Obligation bonds that were issued by the City, the San Francisco Unified School District (SFUSD), the San Francisco Community College District (SFCCD), and the Bay Area Rapid Transit District (BART).
- The proposed resolution would also set the property tax pass-through rate that landlords can pass-through to tenants in FY 2023-24, as allowed under the Administrative Code.

Fiscal Impact

- The proposed resolution would set the combined property tax rate (comprised of the property tax rates levied for all of the taxing jurisdictions within the City) for FY 2023-24 at $1.17769382 per $100 of assessed value. The FY 2023-24 property tax rate of $1.17769382 is $0.00204400, or 0.17 percent less than the FY 2022-23 tax rate of $1.17973782 per $100 of assessed value.
- The proposed FY 2023-24 property tax rate would increase property taxes by $147 on a median-priced single-family residence and increase the allowable pass-through to tenants by $19 on the same residence. Although the property tax rate decreased this year, the allowed two percent increase in the assessed value of a median valued home more than offsets the property tax rate decrease.
- The FY 2023-24 General Fund share of property tax revenue is budgeted at $2,510.0 million, which is $130.5 million, or 5.5 percent, more than the $2,379.5 million in the FY 2022-23 budget.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

California Revenue and Taxation Code Section 2151 requires the Board of Supervisors to fix the rates of county and district property taxes and to levy the property taxes for the County and Districts.

San Francisco Administrative Code Section 3.3(m) requires the Board of Supervisors to adopt the property tax rate for the City and County of San Francisco by September 30.

City Charter Section 16.107-109 requires that portions of the City's annual property tax levy be set aside for specific uses including $0.0250 for the Library Preservation Fund; $0.0400 for the Children's Fund; and $0.0250 for the Open Space Acquisition Fund per $100 of assessed value. San Francisco Administrative Code Section 37.3(a)(6)(A-D), the Residential Rent Stabilization and Arbitration Ordinance allows landlords to pass through to tenants a portion of property tax increases that result from certain voter-approved General Obligation bonds.

BACKGROUND

The Board of Supervisors annually sets the combined property tax rate that provides revenues for affected taxing entities: (1) General Operations, (2) specific Charter-required activities for the City and County of San Francisco such as services for children, acquiring open space, or constructing, maintaining and operating the public library; and (3) paying debt service on voter-approved General Obligation bonds that were issued by the City, the San Francisco Unified School District (SFUSD), the San Francisco Community College District (SFCCD), and the Bay Area Rapid Transit District (BART).

Under the California Constitution Article XIII(A), the base property tax rate that the City can levy on property owners is one percent and can be used for general purposes. Any amount over the base of one present is used to pay for debt service on voter-approved General Obligation bonds.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution sets the property tax rate for FY 2023-24 for taxing entities[1] within the City and County of San Francisco including (a) the City; (b) the San Francisco Unified School District; (c) the San Francisco County Office of Education; (d) the San Francisco Community College District; (e) BART; and (f) the Bay Area Air Quality Management District (BAAQMD).

The proposed resolution would also set the property tax pass-through rate that landlords can pass-through to tenants in FY 2023-24, as allowed in Chapter 37.3 of the City Administrative Code. The pass through to tenants may only be imposed on a tenant's anniversary date and does not become part of a tenant's base rent. The allowable tenant pass-through rate is based on the portion of the landlord's property tax liability that comes from General Obligations bond debt

[1] Taxing entities are agencies or organizations located within the City and County of San Francisco that have taxing authority but may not be part of the City government. The General City Operations tax rate factor of $0.80918319 includes $0.25330113 to be shifted to the Educational Revenue Augmentation Fund (ERAF) for the benefit of San Francisco Unified School District, the County Office of Education, and the San Francisco Community College District.

service for certain periods and is comprised of three factors outlined in Chapter 37.3 of the Administrative Code, as shown in Exhibit 1 below.

Exhibit 1: Percent of Property Tax Increases for General Obligation Bond Debt Service Allowed for Pass-Through to Tenants

Entity	Date of GO Bond Approval	Pass-Through Rate
City and County of San Francisco	November 1, 1996-November 30, 1998	100%
San Francisco Unified School District	November 14, 2002-Present	50%
San Francisco Community College District	November 1, 2006-Present	50%

Source: Administrative Code Section 37.3(6)

FISCAL IMPACT

The proposed resolution would set the combined property tax rate for FY 2023-24 at $1.17769382 per $100 of assessed value. The FY 2023-24 property tax rate of $1.17769382 is $0.00204400, or 0.17 percent less than the FY 2022-23 tax rate of $1.17973782 per $100 of assessed value. See Exhibit 2 below for the proposed tax rates for all taxing jurisdictions in the City, as determined by the Controller.

Exhibit 2: Current and Proposed Tax Rates per $100 of Assessed Property Value

Tax/Entity	FY 2022-23	FY2023-24	Change
City & County of San Francisco			
General Fund	$0.80918319	$0.80918319	No change
Library Preservation Fund	$0.02500000	$0.02500000	No change
Children's Fund	$0.04000000	$0.04000000	No change
Open Space Fund	$0.02500000	$0.02500000	No change
GO Bond Fund	$0.10761763	$0.11295032	$0.00533269
City Subtotal	**$1.00680082**	**$1.01213351**	**$0.00533269**
San Francisco Unified School District			
General Operations	$0.07698857	$0.07698857	No change
General Obligation Debt Service	$0.04216026	$0.04025720	($0.00190306)
SFUSD Subtotal	**$0.11914883**	**$0.11724577**	**($0.00190306)**
San Francisco County Office of Education	**$0.00097335**	**$0.00097335**	**No change**
San Francisco Community College District			
General Operations	$0.01444422	$0.01444422	No change
General Obligation Bond Debt Service	$0.01595993	$0.01108630	($0.00487363)
SFCCD Subtotal	**$0.03040415**	**$0.02553052**	**($0.00487363)**
Bay Area Rapid Transit			
General Operations	$0.00632528	$0.00632528	No change
General Obligation Bond Debt Service	$0.01400000	$0.01340000	($0.00060000)
Bay Area Rapid Transit Subtotal	**$0.02032528**	**$0.01972528**	**($0.00060000)**
Bay Area Air Quality Management District	**$0.00208539**	**$0.00208539**	**No change**
Total Property Tax Rate	**$1.17973782**	**$1.17769382**	**($0.00204400)**

Source: Proposed Resolution

Tenant Pass-Through Tax Rate

The proposed resolution would set the allowable property tax rate that landlords can pass-through to tenants at $0.0726 per $100 of assessed value (or 7.26 cents per $100 of assessed value). The FY 2023-24 pass-through rate is $0.0013 more than the FY 2022-23 rate of $0.0713.

Residential tenants may file a financial hardship application with the Rent Board to request a portion of the FY 2023-24 pass-through be waived under Section 37.3(a)(6)e of the Administrative Code. In such cases, the Rent Board may waive the pass-through amount up to $0.0259 per $100 of assessed value, or 2.59 cents per $100 of assessed value.

Impact of the Combined Property Tax Rate and Allowable Pass-Through

Under Proposition 13, the City may annually increase the assessed value of a property by a State-determined inflation factor or 2.00 percent, whichever is less. For FY 2023-24, the California Consumer Price Index (CCPI) adjustment authorized by the State Board of Equalization is 2.00 percent. The median assessed value of a single-family residence was $683,637 in FY 2022-23, as shown in Exhibit 3 below. The taxable assessed value on that same home with the assessed value increased by the State-determined inflation factor of 2.00 percent, with a homeowner's exemption, would be $690,310 in FY 2023-24.

Exhibit 3: Estimated Property Tax for Single Family Residence with Median Assessed Value

	Single Family Residence	Allowable Tenant Pass-Through
Fiscal Year 2022-23		
Assessed Value	$683,637	$683,637
Less Homeowner's Exemption	$7,000	$0
Total Taxable Assessed Value	$676,637	$683,637
Property Tax Rate	1.17973782%	0.0713%
Property Taxes Payable in 2022-23	**$7,983**	**$487**
Proposed FY 2023-24		
Prior Year Assessed Value	$683,637	$683,637
Assessed Value + California Consumer Price Index Increase (2.00%)	$13,673	$13,673
Subtotal	$697,310	$697,310
Less Homeowner's Exemption	$7,000	$0
Total Taxable Assessed Value	**$690,310**	**$697,310**
Property Tax Rate	1.17769382%	0.0726%
Property Taxes Payable in 2023-24	**$8,130**	**$506**
Total Increase in Property Taxes Payable in FY 2023-24 versus FY 2022-23	$147	$19

Source: Controller's Office

Note: Total may not add up due to rounding.

As shown above in Exhibit 3, the proposed FY 2023-24 property tax rate of $1.17769382 per $100 of assessed value would increase property taxes by $147 on a single-family residence with an assessed value of $697,310 in FY 2023-24 and increase the allowable pass-through to tenants by $19 on the same residence. Although the property tax rate decreased this year, the allowable two percent increase in the assessed value of a median valued home more than offsets the property tax rate decrease.

The FY 2023-24 General Fund share of property tax revenue is budgeted at $2,510.0 million, which is $130.5 million, or 5.5 percent, more than the $2,379.5 million in the FY 2022-23 budget.

RECOMMENDATION

Approve the proposed resolution.

Item 2 **File 23-0939**	**Department:** Public Works

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize an agreement with RossDrulisCusenbery Architecture, Inc. for the design of a new San Francisco Fire Department training facility, with a not-to-exceed amount of $14,100,000 and a term of five years. The City would have options to extend the contract up to two additional years.

Key Points

- The Fire Department is planning to relocate current training facilities to a new site located at 1236 Carroll Avenue.
- On August 6, 2021, the Department of Public Works issued a Request for Qualifications seeking an external architectural and engineering team to lead the design of all site components other than the office/administrative building and landscaping, for which the Department of Public Works is leading the design process.
- The Department of Public Works received three proposals in response to the competitive solicitation, and RossDrulisCusenbery Architecture, Inc. (RDC) was selected based on scoring.
- The Fire Department currently has a training facility on Treasure Island, which is slated for closure to accommodate a development project, as well as a smaller training site in the Mission District that the solicitation states is insufficient to meet the Department's citywide needs. According to the RFQ, building a new training facility will address these space needs and allow the Fire Department to upgrade its training capabilities to reflect current best practices.

Fiscal Impact

- The not-to-exceed amount in the proposed resolution of $14,100,000 comprises a base amount of $12,147,579 and a contingency of $1,952,421, which includes $722,850 for the potential need for additive services related to solar and battery storage systems and an approximate 10 percent contingency of $1,229,571.
- The 2020 Earthquake Safety and Emergency Response (2020 ESER) bond program is the source of all proposed funding.

Recommendations

- Reduce the not-to-exceed amount in the proposed resolution by $14,814 from $14,100,000 to $14,085,186 to reflect 10 percent of the base amount plus $722,850 for additive additional services.
- 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

On August 6, 2021, the Department of Public Works (Public Works) issued a Request for Qualifications (RFQ) related to design of a new 6.6-acre fire training facility for the San Francisco Fire Department. The Fire Department is planning to relocate current training facilities to a new site located at 1236 Carroll Avenue and Public Works is seeking an external architectural and engineering team to lead the design of all components other than the office/administrative building and landscaping, for which the Department of Public Works is leading the design process. The new location will be the site of both classroom instruction and hands-on training in firefighting, confined space and water rescues, and other emergency responses. New recruits and existing personnel will all train at the site.

The Fire Department currently has a training facility on Treasure Island, which is slated for closure to accommodate a development project, as well as a smaller training site in the Mission District that the RFQ states is insufficient to meet the Department's citywide needs. According to the solicitation, building a new training facility will address these space needs and allow the Department to upgrade its training capabilities to reflect current best practices.

The Department of Public Works received three proposals in response to the competitive solicitation. RossDrulisCusenbery Architecture, Inc. (RDC) scored highest on both the written proposal and interview components of the panel's evaluation, as shown below in Exhibit 1.[1] Public Works selected RDC based on scoring.

Exhibit 1: Proposal Scores

Proposal	Written Proposal	Interview	Total
RossDrulisCusenbery Architecture, Inc.	60.33	28.63	88.96
Mark Cavagnero Associates	60.00	23.82	83.82
Hellmuth, Obata & Kassabaum (HOK)	60.00	23.00	83.00

Source: Department of Public Works

[1] The selection panel was comprised of one member each of the San Francisco Fire Department, the San Jose Fire Department, and the Department of Public Works' Bureau of Architecture.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize an agreement with RossDrulisCusenbery Architecture, Inc. for the design of a new San Francisco Fire Department training facility, with a not-to-exceed amount of $14,100,000 and a term of five years. The City would have options to extend the contract up to two additional years.

The not to exceed amount in the resolution ($14,100,000) includes a contingency of $1,952,421 above the base amount of $12,147,579 and thus a total of $14,100,000. This contingency includes $722,850 additive additional services related to the potential need for solar and battery storage systems as well as an approximate 10 percent contingency of $1,229,572 based on the base contract amount. This amount is slightly higher ($14,813.71) than 10 percent of the base contract amount of $12,147,578. We therefore recommend reducing the not-to-exceed amount in the proposed resolution by a like amount to reflect a reduced contingency from $1,229,572 to $1,214,758.

RDC would lead the design of most facilities at the site, including site design and civil engineering, training structures, maintenance shops, and a fire apparatus building. It would also consult on the design of the site’s office building and landscaping, for which the Department of Public Works is leading the design process.

Under the proposed agreement, the fixed construction budget limit is $152,631,579, and the “design to” cost target is $145 million.

Performance Monitoring

The draft agreement requires RDC to submit to the City a Quality Assurance/Quality Control plan, as well as documents showing the completion of Quality Assurance/Quality Control actions at key stages of the project. City staff must approve these documents prior to the project proceeding.

Subcontractors

Exhibit 2 below lists the prime and subcontractors listed in the proposed agreement.

Exhibit 2: Prime and Subcontractors

Firm	Services
RossDrulisCusenbery Architecture, Inc.	Executive Architect / Parking
Kuth Ranieri Architects	Associate Architect
Abercrombie Planning + Design	Subject Matter Expert
P2S	Mechanical, Electrical, Plumbing, Energy
Pannu Larsen McCartney	Structural
BKF Civil Engineers	Civil
AR Green Consulting	LEED/Resource Efficiency
SCS Engineers	Industrial Engineer
Cumming Management Group, Inc.	Cost
NBA Engineering Inc.	Building Commissioning
Jensen Hughes, Inc.	Code Compliance / Fire Life Safety
RDH Building Science	Roofing / Waterproofing / Exterior Envelope
Clearstory Inc.	Signage and Wayfinding
Syska Hennessey Group	Vertical Transportation (Elevator Design)
SJ Engineers	Fire Protection
Salter Inc.	Acoustical
Guidepost Solutions, LLC.	Security Electronics
Guidepost Solutions, LLC.	Telecom
Guidepost Solutions, LLC.	AV
Niteo	Lighting
Emily Borland Specifications, Inc.	Specification Writing

Source: Public Works

There is a 20 percent Local Business Entity subcontracting participation requirement under the contract.

Overall Project Budget and Project Budget Increase

The overall project budget for development of the new training facility is $270.8 million, including $39 million in land acquisition costs, $176.9 million in construction costs, and $54.9 million in project control costs, including the services in the proposed agreement. According to Public Works staff, construction is expected to begin in late 2025 and continue through summer 2028.

The current project budget is $60.1 million, or 28.5 percent, greater than the budget of $210.7 million estimated by Department staff in April of 2022, at the time of the Budget and Finance Committee's review of the purchase and sale agreement for the site. This increase is largely due to planning delays, which have delayed the expected start and end dates from those anticipated in April of 2022 (October of 2024 and March of 2027, respectively) by about one year, according to Project Manager Scott Moran.

FISCAL IMPACT

The proposed agreement would have a not-to-exceed amount of $12,147,579. RDC would consult on the design of the site's office building (Scope A) and landscaping (Scope C) and would lead the design of the remaining facilities at the site (Scope B), including site design and civil engineering, training structures, maintenance shops, and a fire apparatus building. Exhibit 3 below shows a budget breakdown.

Exhibit 3: Budget Breakdown

Category	Cost
Basic Services (Scope B)	$10,539,245
Supplemental Consultant Services (Scopes A and C)	$735,327
Subtotal, Architectural/Engineering Services	$11,274,572
Subcontractor Markup (5%)	$347,646
Reimbursable Allowance and Liability Insurance Rider	$525,360
Base Amount	$12,147,579
Contingency	$1,952,421
Not-to-Exceed Amount	$14,100,000

Source: Public Works

Note: Contingency includes $722,850 in additive alternate services related to solar and battery power that may or may not be required.

Basic services under the agreement (Scope B) total $10,539,2452. Exhibit 3 below provides a breakdown of these services. Line-item budgets are based on RDC's proposal and subsequent negotiations between Public Works and RDC, according to Public Works staff.

Exhibit 4: Basic Services

Basic Services (Scope B)	Cost
Pre-Design Phase Project Coordination	$85,633
Coordination Services for Scopes A & C	$660,559
Existing Conditions Review, Format and Modeling (BKF)	$38,392
Program Validation/Concept Design	$908,292
Schematic Design	$1,250,642
Design Development	$1,689,417
Early Bid Package – Civil Engineering	$197,872
Early Bid Package – Design/Build Pile Foundations	$100,398
Early Bid Package – Mechanical, Electrical and Plumbing Bridging Documents	$124,798
Early Bid Packages – Construction Administration Services	$160,894
Construction Documents - Main Contract	$2,152,596
Permits/Approvals	$157,363
Construction Phase Services - Main Contract (30 Months)	$2,656,747
Construction Close Out	$90,162
Building Commissioning	$225,000
Additional Specification Writing	$40,480
Subtotal, Basic Services	**$10,539,245**

Source: Public Works

Note: Early Bid Packages are documents will be used by proposing firms during competitive bidding for construction management services.

The 2020 Earthquake Safety and Emergency Response (2020 ESER) bond program is the source of all proposed funding.

RECOMMENDATIONS

1. Reduce the not-to-exceed amount in the proposed resolution by $14,814 from $14,100,000 to $14,085,186 to reflect 10 percent of the base amount plus $722,850 for additive additional services.
2. Approve the proposed resolution as amended.

Item 3 **File 23-0912**	**Department:** Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize a third amendment, extending DPH's HIV/AIDS Hospice Service contract with the Maitri Center for three years. The not-to-exceed amount of the contract would increase by $4,594,103 from $9,536,341 to $14,130,444.

Key Points

- Maitri has been providing HIV/AIDS Hospice services and related mental health services to uninsured and underinsured low-income residents of San Fransisco under this contract since 2017 and had been previously providing services under an earlier agreement.
- The third amendment would increase staffing by 0.4 FTE and would also decrease the number of mental health case management units of service.
- In FY 2021-22 the program achieved the target units of service of Hospice care and served the target number of clients, but did not achieve the target number of mental health units of service. In FY 2020-21, the target number of mental health units of service was not achieved, which was attributed by DPH to staff turnover.

Fiscal Impact

- The contract extension would commit $4,594,103 in federal and state funding over a three-year period.

Policy Consideration

- The program is achieving the target level of service for Hospice care but is not achieving the target level of related mental health services, which include individual and group therapy and aftercare.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

Maitri AIDS Hospice ("Maitri") provides HIV/AIDS hospice services. Maitri has a contract with DPH that partially funds Maitri's operations and ensures that beds will be set aside for uninsured and underinsured low-income residents of the City.

Procurement Process

On April 10, 2017, DPH issued a Request for Proposals (RFP 25-2017) for HIV/AIDS Hospice Services. The RFP required that interested service providers submit a Letter of Intent to bid by April 19, 2017, nine days after the RFP was issued. Maitri was the only provider to submit a letter of intent to bid and was awarded the contract. The RFP limits the maximum term to 10 years.

Initial Contract

The initial contract was established for an approximate four-year period, July 1, 2017 through March 31, 2021, with a not-to-exceed amount of $4,869,545. The contract provided the City with six options to renew the contract for one-year periods through March 31, 2027.

First Contract Amendment

DPH amended the contract on January 1, 2019 (First Amendment). The First Amendment increased the not-to-exceed amount by $626,246 to $5,495,791 with no change to the contract term. The amendment also added a mental health component to the existing services. The added mental health services consisted of individual and group services that targeted residents who are triply-diagnosed with advanced AIDS, mental health, and substance use challenges. The amendment anticipated serving 10 unduplicated clients who meet this criterion.

Second Contract Amendment

On October 1, 2020, DPH executed a second amendment to the contract to increase the not-to-exceed amount by $4,040,550 to $9,536,341 and exercise three of the City's six one-year options to extend the contract. The contract termination date changed from March 31, 2021 to March 31, 2024 with three one-year options to extend remaining. The Second Amendment retroactively added volunteer-run psychosocial support group services to the mental health services programming for one year. The support groups focused on stress management and encouraging self-care techniques through art therapy/self-expression, meditation, and group processing.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Third Amendment to the agreement between Maitri and DPH to provide HIV/AIDS hospice services, increasing the not-to-exceed amount by $4,594,103 to $14,130,444 and extending the term by three years through March 31, 2027. Note, the proposed resolution incorrectly states that the agreement is being extended by four years, rather than three years. No programmatic changes are being proposed.

Program Services and Clientele

The agreement provides for the following services:

- The **AIDS Hospice Services Program** provides safe housing, medical care, and nutrition support for people with HIV/AIDS and in need of hospice or 24-hour skilled nursing care.
- The **Mental Health Services Program** provides individual and group services that target residents who are diagnosed with advanced AIDS, mental health, and substance use challenges.

Enrollment priority is reserved for low-income, uninsured San Francisco City residents with secondary enrollment reserved for low-income, underinsured City residents. By serving uninsured and underinsured individuals, the program assures that contract funds are used only to pay for services that are not reimbursed by any other funding source. Per the agreement, all but one bed at the Maitri Center is reserved for low-income individuals for use in conjunction with this program.

Clients are typically referred to Maitri by hospital discharge planners (especially San Francisco General, California Pacific Medical-Center and Laguna Honda), the Alliance Health Project, Westside Community Services, other residential care facilities for the chronically ill, and community home health and hospice agencies. Potential clients with HIV cognitive impairment/dementia are screened to determine if an appropriate level of care can be provided. Individuals with mild to moderate cases and non-ambulatory individuals with severe dementia may be accepted after screening.

Units of Service and Unduplicated Clients

Hospice Services

For the Hospice Services Program, units of service (UOS) to be provided per this contract are measured in days of service and include professional and paraprofessional care. The professional care to be provided includes Registered Nurse (RN) case management, 24-hour RN on-call support, 24-hour Licensed Vocational Nurse care, social work case management, and intensive case management and evaluation. The paraprofessional care consists of 24-hour attendant care.

UOS to be provided are based on an 80 percent occupancy rate of the 13 beds at Maitri. The contract establishes the expectation that 20 unduplicated clients (UDC) will be served annually, as shown in Exhibit 1 below.

Mental Health Services

For the Mental Health Services program, UOS are measured in hours of therapy. Annually the program must serve 16 unduplicated clients and provide 1,008 hours of therapy, including group therapy.

Exhibit 1: Annualized Units of Service and Unduplicated Clients

Unit of Service Description	UOS	UDC
AIDS Hospice Services		
Professional Patient Day (RN, SW, LVN Care)	3,796 (365 days x 13 beds x 80% occupancy)	20
Paraprofessional Patient Day	3,796 (365 days x 13 beds x 80% occupancy)	20
Subtotal, Hospice		
Mental Health Services		
Mental Health Individual Hours	528	16
Mental Health Group Therapy Hours	240	16
Mental Health Aftercare Individual Hours	96	8
Mental Health Aftercare Group Therapy Hours	144	12
Subtotal, Mental Health Services	1,008	16

Source: DPH

Performance Monitoring

The contract provides for annual program monitoring, which was conducted for FY 2020-21 and drafts for FY 2021-22 were completed on September 12, 2023. We were provided with copies of the monitoring reports for FY 2020-21 and the draft monitoring reports for FY 2021-22

Compassionate Care Residential Nursing and Hospice Services

The draft FY 2021-22 program monitoring report for compassionate care residential nursing and hospice services gave Maitri an overall program rating of "commendable/exceeds standards," which is the highest rating possible. In FY 2021-22 Maitri served 100 percent of its target number of unduplicated hospice care clients and exceeded the target number of days of hospice care. The target was 3,796 days of care and 4,167 days were provided. The FY 2020-21 program monitoring report, which was revised on September 13, 2023, found that the total contracted units of service for the compassionate care residential nursing and hospice program was achieved.

Mental Health Services

The draft FY 2021-22 program monitoring report for mental health services gave Maitri an overall program rating of "acceptable/meets standards," which is the second highest of four possible ratings. In particular, the program monitoring report gave Maitri the lowest possible score of "unacceptable" for program deliverables. Only 33 percent of the targeted units of service for mental health services were provided in FY 2021-22. The program monitoring report attributed this poor performance to staff transitions. At the time of the program monitoring, the program was in the process of hiring and training new staff. The FY 2020-21 program monitoring report, which was revised on September 13, 2023, found that 83 percent of the units of service for mental health group therapy and 70 percent of the mental health case management hours were achieved. The FY 2020-21 program monitoring report attributed the provided units of service to staff turnover in the therapist position.

The proposed amendment reduces the number of contracted mental health case management hours from 768 hours in FY 2020-21 to 528 hours in the remaining years of the contract.

Fiscal Monitoring

The Mayor's Office of Housing and Community Development completed a fiscal and compliance monitoring review on February 27, 2023. The review did not result in any findings.

FISCAL IMPACT

Approval of the proposed amendment would increase the contract's not-to-exceed amount to $14,130,444, including a contingency of $663,031. The source of funding is Ryan White state and federal funding. The actual and projected contract expenditures by year are shown in Exhibit 2 below.

Exhibit 2: Actual and Projected Expenditures

Year	Actual Contract Expenditures	Projected Expenditures	Total Actual and Projected Expenditures
FY 2017-18 (9 months)	$1,069,239		$1,069,239
FY 2018-19	1,438,776		1,438,776
FY 2019-20	1,368,873		1,368,873
FY 2020-21	1,317,983		1,317,983
FY 2021-22	1,460,967		1,460,967
FY 2022-23	1,286,315		1,286,315
FY 2023-24	536,863	844,452	1,381,315
FY 2024-25		1,381,315	1,381,315
FY 2025-26		1,381,315	1,381,315
FY 2026-27		1,381,315	1,381,315
Subtotal	$8,479,016	$4,988,397	$13,467,413
Contingency (12%)			663,031
Total Not to Exceed			**$14,130,444**

Source: DPH

The annual budget is $1,381,315 in each year of the proposed contract extension. Exhibit 3 below shows annual costs by program.

Exhibit 3: Annual Costs by Program in Extension Years

Program	FY2024-25	FY 2025-26	FY 2026-27	3-Year Total
Hospice Care	$1,286,315	$1,286,315	$1,286,315	$3,858,945
Mental Health Services	95,000	95,000	95,000	285,000
Total	**$1,381,315**	**$1,381,315**	**$1,381,315**	**$4,143,945**

Source: DPH

Staffing

According to DPH staff, the contract funds 14.08 FTE annually in the extended term, which reflects a slight increase from the second amendment.

POLICY CONSIDERATION

Maitri has not achieved the target number of mental health hours of service, which includes individual and group therapy as well as individual and group aftercare, in either FY 2021-22 or FY 2020-21. Staff turnover was attributed as the cause by DPH staff in the previous two monitoring reports.

The program has also experienced turnover at the executive level position. A new executive director is in place and DPH staff advised during the last monitoring visit that the program focus on improving staff retention.

RECOMMENDATION

Approve the proposed resolution.

Item 4 **File 23-0915**	**Department:** Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would retroactively approve an amended and restated lease between The Lighthouse Building LLC as landlord and the City as tenant for approximately 103,487 square feet of space at 1155 Market Street, for a term of five years from February 2023 through January 2028, with one five-year option to extend through January 2033, at an initial rent of $6,685,260, with three percent annual increases thereafter, and authorize the Director of Property to enter into further immaterial amendments to the lease.

Key Points

- The existing lease for 1155 Market Street expired in January 2023. The Real Estate Division submitted a Notice of Option to Extend the lease in January 2022. Due to extensive negotiations, the landlord did not agree on rent terms until August 2023. If approved, the new amended and restated lease would be retroactive to February 1, 2023.
- The City has paid holdover rent of $79.33 per square foot since February 2023. If approved, the City will be owed a rent credit for the difference between holdover rent of $79.33 and proposed rent of $64.60 between February 1, 2023 and enactment of the amended lease.

Fiscal Impact

- First year rent in the extended lease term is $64.60 and increases annually by three percent. Estimated rent over the five-year lease extension through January 2028 is $35.5 million.

Policy Consideration

- The proposed rent in the first year of the extended term of $64.60 per square foot is 4.2 percent higher than fair market rent of $62.00 per square foot, based on the appraisal by Colliers International. According to the terms of the original lease, if the difference in proposed rent between the landlord and the City is 10 percent or less, the rent is to be set as the average of the landlord's and the City's fair market rent determination.

Recommendations

- Given the cost to the City for the leased space and City departments' ongoing need for office space, the Board of Supervisors should request a report from the Director of Property in July 2025 regarding progress towards identifying potential purchase opportunities in the Civic Center that would satisfy the City's needs.
- Approval of the proposed resolution is a policy matter for the Board of Supervisors because the proposed rent of $64.60 per square foot in the first year of the lease, which was set as the average of the rent amounts proposed by the landlord and the City in accordance with the original lease terms, was based on an appraisal as of December 2022 but fair market rent for office space in San Francisco declined between December 2022 and July 2023 by an additional 4 percent to 6 percent.

MANDATE STATEMENT

City Administrative Code 23.27 states that any lease with a term of one year or longer and where the City is the tenant is subject to Board of Supervisors approval by resolution. A third-party appraisal is required for leases in which the rent exceeds $45 per square foot per year, and an appraisal review is required for leases in which the rent exceeds $60 per square foot.

BACKGROUND

The City has leased office space at 1155 Market Street since 1999. In November 2012, the Board of Supervisors approved the most recent lease for approximately 103,501 square feet at 1155 Market Street, for a term of 10 years, from February 2013 through January 2023 (File 12-1048). The Real Estate Division submitted a Notice of Option to Extend the lease on January 24, 2022. Due to extensive negotiations, the landlord did not agree on lease amendment terms until August 7, 2023. If approved, the new amended and restated lease would be retroactive to February 1, 2023, or the date after the previous lease expired.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve an amended and restated lease between the Lighthouse Building LLC as landlord and the City as tenant for approximately 103,487 square feet of space at 1155 Market Street, for a term of five years from February 2023 through January 2028, with one five-year option to extend through January 2033, at an initial rent of $6,685,260, with three percent annual increases thereafter, and authorize the Director of Property to enter into further immaterial amendments to the lease. The Real Estate Division is seeking retroactive approval due to extensive negotiations with the landlord over the lease terms.

City Departments Use of Space

The San Francisco Public Utilities Commission (SFPUC) leased four floors of 1155 Market Street from 1999 to 2003; the lease was amended in 2002 to add seven floors to the leased space. SFPUC vacated most of the leased space in 2012 when the new SFPUC building at 525 Golden Gate Avenue opened.

The City entered into a new lease for 1155 Market Street from 2012 to 2023 for use of eight floors. Several City departments relocated to 1155 Market Street from 875 Stevenson, for which the City's lease had been terminated.[1] The 2012 lease provided the City the option to lease three additional floors at 1155 Market Street and the right of first offer to purchase 1155 Market Street. The lease was amended in 2014, when ownership of 1155 Market Street was acquired by Lighthouse Building LLC, to delete these provisions.

[1] The City departments leasing space at 1155 Market Street include the departments relocating from 875 Stevenson (Assessor, Treasurer-Tax Collector, General Services Agency), the Mayor's Office of Disability, the Office of Civic Engagement and Immigrant Affairs, Department of the Environment, and Contract Monitoring Division.

Under the proposed lease amendment, City departments would continue to lease eight floors of 1155 Market Street. The lease would be for five years to 2028 with one five-year option to extend to 2033.

FISCAL IMPACT

Holdover Rent

The City has paid holdover rent of $79.33 per square foot since February 2023, equal to 160 percent of rent of $49.57 in effect when the original lease expired at the end of January 2023. According to the existing lease, if the landlord and City have not agreed on rent by the start of the extended term, holdover rent is set at the amount proposed by the landlord for the first year of the lease extension.

Determination of Rent for Extended Term

According to the existing lease, rent is to be set at fair market value at the beginning of the extended term. The landlord is to provide the City with written notice of the landlord's good faith determination of fair market rent. If the City does not agree, the City is to provide the landlord with written notice of the City's good faith determination of fair market rent. If the difference between the landlord's and the City's determination of fair market rent is 10 percent or less, the lease provides for rent to be set at the average of the landlord's and the City's fair market rent determination.[2]

The City obtained an appraisal of fair market rent from Collier's International and an appraisal review from R. Blum & Associates. The proposed rent in the first year of the extended term of $64.60 is 4.2 percent higher than the appraised fair market rent. According to the Director of Property, the landlord proposed rent of $69.00 – $69.50 per square foot for the first year of the lease extension. Because the landlord did not accept the City's appraisal of fair market rent, and the difference in value was less than 10 percent, the proposed rent of $64.60 in the first year of the extended term is the average of the landlord's and the City's fair market rent estimates.

Retroactive Lease

The lease would be retroactive to February 1, 2023.[3] The City will be owed a rent credit for the difference between holdover rent of $79.33 and proposed rent of $64.60 between February 1, 2023 and enactment of the amended lease.

[2] The lease provides for arbitration if fair market rent estimates differ by more than 10 percent.

[3] While the existing lease does not specifically address rent credits if holdover rent exceeds the final determination of fair market rent, the lease provides for rent credits if the final fair market rent determination is based on the City's estimate. We estimate that the rent credit to the City from February 2023 – September 2023 is $1.0 million.

Rent in the Amended Lease

First year rent in the extended lease term is $64.60. Rent increases annually by three percent. Therefore, estimated rent over the five-year lease extension from February 2023 through January 2028 is $35.5 million, as shown in Exhibit 1 below.

Exhibit 1: Total Rent Paid by the City to Lighthouse Building LLC, February 2023 – January 2028

	Per Square Foot	Square Feet	Total
Year 1	$64.60	103,487	$6,685,260
Year 2	$66.54	103,487	$6,886,025
Year 3	$68.54	103,487	$7,092,999
Year 4	$70.60	103,487	$7,306,182
Year 5	$72.72	103,487	$7,525,575
Total			$35,496,041

Source: Proposed Lease Amendment

Other Operating Expenses and Additional Charges

The City will continue to pay additional charges for the City's proportional share of property taxes and operating expenses, including janitorial, security, utilities, and other expenses. According to the Director of Property, the estimated operating expenses and additional charges in the first year of the extended term are $74,676 assuming a 2023 base year reset. According to the amended lease, the landlord is to provide the City details of operating expenses and additional charges each year. The City has the right to audit these expenses and charges.

Tenant Improvement Allowance

The amended lease provides the City a one-time tenant improvement allowance of $15 per square foot or $1,552,305. According to the Director of Property, tenant improvements may include paint, carpet, tenant remodeling or conversion to rent credits.

POLICY CONSIDERATION

Property Appraisal and Proposed Rent

The proposed rent in the first year of the extended term of $64.60 per square foot is 4.2 percent higher than fair market rent of $62.00 per square foot, based on the appraisal by Colliers International. According to the terms of the original lease, if the difference in proposed rent between the landlord and the City is 10 percent or less, the rent is to be set as the average of the landlord's and the City's fair market rent determination.

We consider approval of the proposed amended and restated lease to be a policy matter for the Board of Supervisors because, although the proposed rent of $64.60 is consistent with the terms of the original lease, we estimate that the proposed rent exceeds fair market rent by more than 4.2 percent. According to the Colliers International appraisal report, the fair market rent of $62.00 per square foot was based on market rent valuation as of December 2022. According to a table included in the report, fair market rents decreased by 7 percent between March 2022 and December 2022. According to information provided to the Budget and Legislative Analyst by a commercial real estate broker, office vacancies remain high and commercial rents have continued to decline in 2023. According to a table included in the commercial real estate broker's report, fair market rent in Class A office buildings decreased by 4 percent and in Class B office buildings decreased by 6 percent between December 2022 and July 2023.

Leased Space

According to the September 20, 2022 memorandum from the Director of Property to the Board of Supervisors, "it is in the City's best interest to acquire a Class A office building in the Civic Center area in the range of 300,000 square feet to 500,000 square feet in the next three to five years." The memorandum further states that "Leases allow you to more easily give up space during economic downturn. It also allows you to quickly acquire space to accommodate new hires and programs. For core programs and staffing levels where cost predictability is a greater concern than flexibility, owning property is the best option for office space in the Civic Center."

According to the Director of Property, many City leases will expire between 2023 and 2028, which is a window to increase City-owned space in the Civic Center, although the City would need to purchase building space in 2025-2026 to allow sufficient time for tenant improvements and transition. Three of the departments leasing space at 1155 Market Street have occupied that space since 2012 or for more than 10 years. Given the cost to the City for the leased space and City departments' ongoing need for office space, the Director of Property should evaluate options for reducing or ending the lease at 1155 Market Street at the end of the five-year extension term through January 2028 and locating City department staff in City-owned space in the Civic Center.

RECOMMENDATIONS

1. Given the cost to the City for the leased space and City departments' ongoing need for office space, the Board of Supervisors should request a report from the Director of Property in July 2025 regarding progress towards identifying potential purchase opportunities in the Civic Center that would satisfy the City's needs.
2. Approval of the proposed resolution is a policy matter for the Board of Supervisors because the proposed rent of $64.60 per square foot in the first year of the lease, which was set as the average of the rent amounts proposed by the landlord and the City in accordance with the original lease terms, was based on an appraisal as of December 2022 but fair market rent for office space in San Francisco declined between December 2022 and July 2023 by an additional 4 percent to 6 percent.

Item 5 **File 23-0952**	**Department:** Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the third amendment to the lease at 35 Onondaga Avenue between the City as landlord and Volunteers in Medicine, DBA Clinic by the Bay as tenant, increasing the City's share of tenant improvement costs by $850,000, from $2,120,594 to $2,970,594.

Key Points

- The City owns two properties at 35 and 45 Onondaga Avenue which are currently rented at below market-rate rent to Clinic By the Bay and ArtSpan, community-based non-profits that provide free medical services and community art and cultural space, respectively.
- The City initially agreed to reimburse the tenants $410,000 in tenant improvement costs. In 2019, the lease was amended and restated to increase the City's share of tenant improvements to $1,410,000, leaving $129,000 to be paid by the tenants. In 2021, the Board of Supervisors approved the first amendment to the lease, increasing the City's contribution for tenant improvements to $1,660,000 and the tenants' contribution to $471,111, due to additional water and mold damage discovered. In 2022, the Board of Supervisors approved the second amendment to the lease, increasing the City's contribution for tenant improvements to $2,120,594, with no change to the tenants' contribution.
- The $850,000 in funding from the proposed third amendment would be used to pay for remaining core and shell improvements to the building. Tenant improvements are ongoing, and the tenants have not occupied the premises or paid rent to date.

Fiscal Impact

- The proposed third amendment would increase the City's share of tenant improvements by $850,000, from $2,120,594 to $2,970,594. Funding for the increase is provided entirely by the General Fund through a Board of Supervisor's add-back during the FY 2023-25 budget process ($250,000), and a Mayoral technical adjustment ($600,000).

Policy Consideration

- Because the City's costs to rent out the properties are greater than the below market-rate rental revenues, we consider approval of the proposed resolution to be a policy matter for the Board of Supervisors.

Recommendation

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

MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease, modification, amendment or termination of a lease that had an initial term of ten years or more, including options to extend, or that had anticipated revenues of $1 million or more is subject to Board of Supervisors approval.

BACKGROUND

Original Lease

In December 2018, the Board of Supervisors approved a 10-year commercial lease of City-owned property at 35 Onondaga Avenue with Volunteers in Medicine, DBA Clinic By the Bay, to operate a free primary care medical clinic (File 18-1095). In 2018, the Board approved another lease at the adjacent City-owned property at 45 Onondaga Avenue with ArtSpan[1] (File 18-1094).

Both leases are with non-profits for below market-rate rent. Clinic By the Bay and ArtSpan were selected as tenants through a public solicitation process. The leases are for 10 years through 2029 with two five-year options to extend through 2039.

The original 2018 lease for 35 Onondaga stated that the City would reimburse the tenants $410,000 in tenant improvement costs to 35 Onondaga and 45 Onondaga, and that the tenants would cover the remaining $1,590,000 in estimated tenant improvement costs. In 2019, the lease was amended and restated (File 19-0739) to increase the City's share of tenant improvements to $1,410,000, leaving $129,000 to be paid by the tenants. The improvements included building infrastructure and restoration of historic murals.

First Amendment

After the amended and restated lease was approved, Nibbi Construction, the contractor selected by the nonprofit tenant to carry out construction,[2] began construction and discovered additional water and mold damage. Therefore, in April 2021, the Board of Supervisors approved the first amendment to the lease, increasing the City's contribution for tenant improvements to $1,660,000 and the tenants' contribution to $471,111 (File 21-0190).

Second Amendment

During construction, the City determined that costs were even greater than previously anticipated due to needed construction of a below-ground vault for power supply conversion from Pacific Gas and Electric (PG&E) to the San Francisco Public Utilities Commission (SFPUC). City-owned buildings in San Francisco are typically powered by SFPUC's Hetch Hetchy Power. By converting from PG&E electrical service to Hetch Hetchy Power, the City would attain long-term energy cost savings for the two Onondaga Avenue properties. The work was to be completed by Nibbi Construction.

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[1] ArtSpan is a nonprofit organization that provides community art and cultural space.

[2] Because the work was to be completed by the Tenant and the City was not entering into a contract with Nibbi Construction, the Tenant was not required to complete a competitive bidding process to select a contractor.

In October 2022 the Board of Supervisors approved the second amendment to the lease, increasing the City's contribution for tenant improvements by $460,594, from $1,660,000 to $2,120,594 (File 22-0975). The Department of Public Health contributed $260,000 to the project, the SFPUC Power Enterprise contributed $200,594, and the remaining amount came from the City's General Fund.

Over the initial 10-year terms of the two leases, the total rent paid to the City is $1,128,596. The rents are offset by (1) the tenant improvement allowance of up to $1,660,000, (2) potential annual rent abatements for repair and maintenance of the HVAC system, up to an estimated $188,099, and (3) a six-month waiver of base rent in the amount of $49,224 (File 19-0855), for a total offset of up to $2,357,917 under the proposed amendment. The City's contribution for tenant improvements and rent abatements is approximately $1,229,321 greater than the rent paid by the tenants over 10 years. Tenant improvements are ongoing, and the tenants have not occupied the premises or paid rent to date.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the third amendment to the amended and restated lease at 35 Onondaga Avenue between the City as landlord and Clinic By the Bay as tenant, increasing the City's share of tenant improvement costs by $850,000, from $2,120,594 to $2,970,594. According to the proposed resolution, the project was delayed due to the transfer of power sourcing from PG&E to SFPUC, increasing project costs. The increase in improvement costs is for the purpose of rehabilitating the premises due to increased work required and escalated costs related to the delay of construction. There is no change to the contract term of 10 years with two five-year extension options.

The $850,000 in funds will be used to pay for remaining core and shell improvements to the building, as well as water and power installation.

FISCAL IMPACT

The proposed third amendment would increase the City's share of tenant improvements by $850,000, from $2,120,594 to $2,970,594. Funding for the increase is provided by the General Fund through a Board of Supervisor's add-back during the FY 2023-25 budget process ($250,000), and a Mayoral technical adjustment ($600,000). The change in City contributions is shown in Exhibit 1 below.

Exhibit 1: Change in City Share of Tenant Improvements

	Current	Proposed	Change
City Share	$2,120,594	$2,970,594	$850,000
Tenant Share	$471,111	$471,111	$0
Total	$2,591,705	$3,441,705	$850,000

Source: Proposed Lease Amendment

POLICY CONSIDERATION

The proposed third amendment would increase the City's share of tenant improvements to $2,970,594. In addition, the City has provided rent abatements of up to $237,323, for a total contribution of $3,207,917. This cost is more than two-and-a-half times the amount of $1,128,596 that would be received in rent from the two properties over 10 years. Because the City's costs to rent out the properties are greater than the below market-rate rental revenues, we consider approval of the proposed resolution to be a policy matter for the Board of Supervisors.

RECOMMENDATION

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

Items 6, 7 & 8 **Files 23-0905, 23-0906, 23-0907**	**Department:** Office of Contract Administration (OCA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolutions would approve amendments to the Technology Marketplace contracts with the following vendors: (1) CCT Technologies, Inc., increasing the not-to-exceed amount by $3,600,000, for a total not to exceed $66,500,000 (File 23-0905); (2) Insight Public Sector, Inc., increasing the not-to-exceed amount by $3,600,000, for a total not to exceed $43,800,000 (File 23-0906); and (3) Zones, LLC, increasing the not-to-exceed amount by $2,200,000, for a total not to exceed $26,300,000 (File 23-0907).

Key Points

- The Office of Contract Administration (OCA) selects information technology firms through a competitive Request for Proposals (RFP) process to provide goods and services through the Technology Marketplace. City departments may purchase technology products and specialized services through the Technology Marketplace on an as-needed basis. OCA has released an RFP for Technology Marketplace 3.0 and plans to have new contracts in place starting in January 2024.
- According to the original agreements, each vendor is an authorized reseller of various manufacturers, including Cisco, Dell, Hewlett Packard, IBM, Juniper, Microsoft, and VMware products. Vendors may also offer hardware maintenance, training, consulting, and cloud services and become authorized resellers of other manufacturers. City departments use these contracts based on their business needs. In addition to the Technology Marketplace, OCA has entered into stand-alone agreements for various technology products.

Fiscal Impact

- The proposed resolutions would increase the not-to-exceed amounts of the three contracts by a total of $9,400,000. The proposed not-to-exceed amounts are projections based on actual monthly expenditures, rounded up to the nearest $100,000. City departments pay for services from their budgets.

Recommendation

- Approve the proposed resolutions.

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 Office of Contract Administration (OCA) selects information technology firms through a competitive Request for Proposals (RFP) process to provide goods and services through the Technology Marketplace. City departments may purchase technology products and specialized services through the Technology Marketplace on an as-needed basis.

In 2018, OCA implemented Technology Marketplace 2.0, which allowed a broader pool of vendors. In its current form, the Technology Marketplace offers three tiers of as-needed contracts which are utilized by City departments based on their business needs. Tier 1 contracts have initial amounts of $20 million each and require the vendor to provide a wide selection of technology products, professional and cloud services, maintenance, and training for City departments. Tier 2 contracts have initial amounts of $3 million and offer a more limited set of options such as technology hardware and training. Finally, Tier 3 contracts which were awarded pursuant to a Micro LBE (Local Business Enterprise) Set Aside solicitation, have initial amounts of $600,000 each, which is equal to the Minimum Competitive Amount at the time of the solicitation.

In June 2018, OCA issued an RFP for Technology Marketplace 2.0 and received 21 Tier 1 proposals, of which 19 met the minimum requirements and minimum score of at least 60 out of 100 points. In January 2019, the Board of Supervisors approved contracts with the 19 vendors, including the following three vendors: (1) CCT Technologies, Inc., dba ComputerLand of Silicon Valley (File 18-1117); (2) Insight Public Sector, Inc., formerly known as En Pointe Technologies Sales, LLC (File 18-1122); and (3) Zones, LLC (File 18-1132). Each contract had an initial term of approximately three years, from January 2019 through December 2021, with two one-year options to extend through December 2023, and an amount not to exceed $20,000,000.

In September 2019, the Board of Supervisors approved Amendment No. 1 to the CCT Technologies contract, increasing the not-to-exceed amount to $23,000,000 (File 19-0877). In October 2020, the Board of Supervisors approved Amendment No. 2 to the CCT Technologies contract, increasing the not-to-exceed amount to $44,000,000 (File 20-0936), and Amendment No. 1 to the Insight Public Sector contract, increasing the not-to-exceed amount to $28,000,000 (File 20-0938). In September 2021, OCA amended all Tier 1, 2, and 3 Technology Marketplace contracts to exercise the options to extend through December 2023, with no changes to the not-to-exceed amounts. In April 2022, the Board of Supervisors approved the following contract amendments: (1) Amendment No. 4 to the CCT Technologies contract, increasing the not-to-exceed amount to $62,900,000 (File 22-0175); (2) Amendment No. 3 to the Insight Public Sector contract, increasing the not-to-exceed amount to $39,700,000 (File 22-0177); and (3)

Amendment No. 2 to the Zones contract, increasing the not-to-exceed amount to $23,600,000 (File 22-0180).

Contract expenditures for these three contracts have exceeded projections made in 2022 and require amendments to provide sufficient expenditure authority through December 2023.

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would approve the following Technology Marketplace contract amendments:

1. Amendment No. 5 to the CCT Technologies contract, increasing the not-to-exceed amount by $3,600,000, for a total not to exceed $66,500,000 (File 23-0905);
2. Amendment No. 5 to the Insight Public Sector contract, increasing the not-to-exceed amount by $3,600,000, for a total not to exceed $43,800,000 (File 23-0906); and
3. Amendment No. 4 to the Zones contract, increasing the not-to-exceed amount by $2,200,000, for a total not to exceed $26,300,000 (File 23-0907).

The proposed contract amendments would not make other changes to the contracts.

The amended not-to-exceed amounts are projections based on previous spending through July 2023, or 55 months through the contract terms. OCA has released an RFP for Technology Marketplace 3.0 and plans to have new contracts in place starting in January 2024.

Services Provided

According to the original agreements, each vendor is an authorized reseller of various manufacturers, including Cisco, Dell, Hewlett Packard, IBM, Juniper, Microsoft, and VMware products. Vendors may also offer hardware maintenance, training, consulting, and cloud services and become authorized resellers of other manufacturers. City departments use these contracts based on their business needs and pay for services from their budgets. In addition to the Technology Marketplace, OCA has entered into stand-alone agreements for various technology products.

Technology Marketplace Purchases

According to Jonathan Jew, OCA IT Purchasing Supervisor, City departments procuring goods or services through the Technology Marketplace must submit requisitions to OCA for approval. For commodity purchases over $25,000, OCA conducts an informal competitive solicitation of Technology Marketplace vendors and approves vendors for each requisition based on cost. For professional services, City departments conduct competitive solicitations and provide bid documents with the requisition to OCA for approval. Transactions through the Technology Marketplace are limited to $2.5 million.

FISCAL IMPACT

The proposed resolutions would increase the not-to-exceed amounts of the three contracts by a total of $9,400,000. The proposed not-to-exceed amounts are projections based on actual monthly expenditures, rounded up to the nearest $100,000. Actual and projected expenditures for each vendor are shown in Exhibit 1 below.

Exhibit 1: Actual and Projected Contract Expenditures

Vendor	Actual Expenditures (through July 2023)	Actual Expenditures per Month	Projected Expenditures (5 Months)	Amended Not-to-Exceed (Actual + Projected Rounded to Nearest $100,000)
CCT Technologies (File 23-0905)	$60,946,731	$1,108,122	$5,540,612	**$66,500,000**
Insight Public Sector (File 23-0906)	40,118,252	729,423	3,647,114	**43,800,000**
Zones (File 23-0907)	24,043,172	437,147	2,185,743	**26,300,000**
Total	**$125,108,155**	**$2,274,694**	**$11,373,469**	**$136,600,000**

Source: OCA

Purchases made through the Technology Marketplace are funded by various City departments that make the purchases. Actual expenditures by City departments are shown in Attachment 1 to this report. The contracts are as-needed and will expire December 31, 2023 regardless of actual total expenditures.

RECOMMENDATION

Approve the proposed resolutions.

Attachment 1: Actual Expenditures for the Three Contracts by City Department

Department	Amount (Through 7/31/23)
Public Utilities Commission	$26,619,920
Department of Technology	18,199,507
Public Library	12,537,356
Airport	11,198,598
Public Works	9,934,579
Human Services Agency	9,344,375
Public Health	7,628,566
Police Department	6,686,419
City Administrator's Office	3,655,207
Fire Department	3,209,218
General City Responsibility	2,072,340
Treasurer/Tax Collector	1,541,962
Department of Emergency Management	1,450,939
City Planning	1,423,975
Controller's Office	1,240,191
Department of Building Inspection	1,168,285
City Attorney's Office	738,795
Retirement System	555,793
Other City Departments (Under $500,000 in Expenditures)	4,136,061
Total	**$123,342,086**

Source: OCA

Item 9 File 23-0865	Department: Police Department (POL)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would delete one 0395 Assistant Chief position and three 0490 Commander positions and add 7.69 FTE Q004 Police Officer positions, all within the General Fund.

Key Points

- Currently, there are no Command Staff or Captain vacancies, forcing the demotion of people assigned to their respective Command Staff positions down to their last civil service rank which is the rank of Captain. Given there are no Captain vacancies, these proposed changes will also impact the least senior Captains by forcing their demotion to Lieutenant. This could result in more reassignments for District Station Captains.
- According to SFPD staff, the Assistant Chief and Commander positions are directly linked to reform, including the efforts to improve transparency (including responsiveness to Commissioners, Members of the Board, the Mayor's Office, and the public), accountability, and community policing.

Fiscal Impact

- We estimate that the proposed ordinance would increase the Police Department's costs by $406,437 in FY 2023-24. The proposed ordinance deletes 1.00 FTE for each command staff; however, we estimate costs assuming the positions are deleted effective October 1, 2023. Costs would be absorbed by vacancy savings. In subsequent years, we estimate the proposed change would be closer to cost neutral with only approximately $30,000 in additional costs.

Policy Consideration

- Since FY 2010-11, the Police Department has undergone several changes to its command staff structure (sworn positions ranked Captain and above), which totaled 36 positions in FY 2010-11 and then increased to 47 positions in FY 2017-18, which remains the current count as of this writing.
- Historically, Field Operations/Patrol was organizationally divided into two geographic divisions: Metro (eastside Police Districts) and Golden Gate (westside Police Districts). In May 2023, the Department implemented the Mid City Division as a pilot program, to align resources to support the newly formed Drug Market Agency Coordination (DMACC) program and Fugitive Recovery Enforcement Team (FRET), and Healthy Streets Operation Center (HSOC). The Commander assigned to oversee the Community Engagement Division has been loaned to oversee the Mid City Division and a Captain is now Acting Commander overseeing the Community Engagement Division.
- We benchmarked San Francisco's Police command staffing against other jurisdictions, the results of which are shown in Appendix C to this report. We found that the average ratio of the top three ranks to total sworn staff is 0.5 percent and San Francisco's is 0.3 percent. However, when considering the top five ranks compared to total sworn staff, San Francisco's ratio of 2.0 percent is higher than the 0.9 percent benchmark average.

Recommendation

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

MANDATE STATEMENT

Administrative Code Section 2.1-1 states that the Board of Supervisors shall determine the maximum number of each class of employment in each of the various departments and offices of the City and County, and shall fix rates and schedules of compensation.

BACKGROUND

Organizational Structure

The Police Department is organized into three main organizational functions: (1) Office of the Chief of Police, (2) Office of the Chief of Staff, and (3) Operations. The Office of the Chief of Police oversees the entire department and provides the executive level decision making of the agency including employee discipline and policy within the authority of the Chief of Police. The Chief of Staff oversees the (a) Administration Bureau, (b) Risk Management Division, (c) Strategic Communications Division, (d) Policy Development Division, and (e) Policy and Public Affairs. Operations is comprised of four bureaus: (a) Field Operations, (b) Special Operations, (c) Investigations and (d) Airport. Separately, Strategic Management Bureau oversees the (a) Fiscal Division, (b) Technology Division, and (c) Professional Standards Division, which is responsible for reform implementation and sustainability, data analytics, and department-wide audits.

Exhibit 1 below summarizes the programs within each bureau.

Exhibit 1: Police Bureaus and Divisions

Bureau	Programs	Positions
Office of the Chief of Police	**Administration, Constitutional Policing**	**X**
Operations		**2608**
Operations Headquarters	Administration and Oversight of Four Operation Bureaus, Crime Strategies, and Community Engagement Division	X
Airport	Administration, Patrol, Traffic	477
Field Operations	District stations, Patrol, Community Engagement, Healthy Streets Operations, Drug Market Coordination, Permits	1,510
Investigations	Crime Lab & Forensics, Investigations of General Crimes, Specialized Functions (including homicides, robbery, community violence reduction, hate crimes, sexual assaults, crimes against children, and dignitary protection)	393
Special Operations	Traffic, MTA, Tactical, Urban Area Security Initiative, Homeland Security and traffic fatalities and injury collision investigation	228
Strategic Management	**Fiscal Unit, Information Technology, Business Analysis (data analytics), and Professional Standards (collaborative reform initiative, and audits)**	**76**
Chief of Staff		**389.50**
Chief of Staff	Risk Management, Policy & Public Affairs (including community violence reduction initiative, the administration of the CalVIP grant), Strategic Communications, Labor Relations, Policy Development	X
Administration	Administration, Academy/Training, Crime Information, Staff Services, Facilities, Fleet, Staffing & Deployment, Recruitment, Retention, and Hiring.	X

Source: BLA Review of Police Organizational Charts

Note: Fields with "X" could not be confirmed by the Police Department at the time that this report was published.

The Police Department has two Assistant Chief positions which oversee operations and the administrative functions of the department. The Operations Command includes 2,608 authorized full-time equivalent positions (FTEs) and the Chief of Staff has 389.50 FTEs. The Strategic Management Bureau has 76 FTEs.

In general, each Bureau under the Assistant Chiefs is overseen by a Deputy Chief. The Strategic Management Bureau is overseen by a 0954 Deputy Director IV, a civilian position, who reports to the Chief of Police. Within each Bureau, divisions are overseen by a Commander, Captain, or a civilian Director.

An organizational chart of the Police Department is included in Appendix A to this report.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would delete one 0395 Assistant Chief position and three 0490 Commander positions and add 7.69 FTE Q004 Police Officer positions, all within the General Fund.

Exhibit 2 below summarizes the impact of the proposed deletion of command staff positions. Two Commanders funded by the Airport and the Municipal Transportation Agency are not shown.

Exhibit 2: Deletion of Command Staff Positions

Position	Filled
Assistant Chief of Staff	Yes
Assistant Chief of Operations	Yes
Commander Administration	Yes
Commander Risk Management	Yes
Commander Metro Division	Yes
Commander Golden Gate Division	Yes
Commander Investigations	Yes
Commander Community Engagement (on loan to support Mid-City Division initiative)	Yes

Source: BLA Analysis of financial data and Police Department Organizational Chart

Based on the current positions authorized in the General Fund, the proposed ordinance would require deleting either the Assistant Chief of Staff or the Assistant Chief of Operations position. According to the Police Department, all General Fund Commander positions are filled, with the Commander overseeing the Community Engagement Division on loan to Field Operations overseeing the Mid City Division pilot program. Any filled position would result in a demotion for the person currently in that position to a lower-ranked sworn position.

Civil Service Rule 221 states, "layoff of permanent appointees shall be by class in a Department in inverse order of seniority except if a more senior permanent appointee elects to be laid off. In the event of a conflict, the permanent appointee with the greater seniority shall have preference" and the oldest senior member will be demoted to their last civil service position.

Currently, there are no Command Staff or Captain vacancies, forcing the demotion of people assigned to their respective Command Staff positions down to their last civil service rank which is the rank of Captain. Given there are no Captain vacancies, these proposed changes will also impact the least senior Captains by forcing their demotion to Lieutenant. This could result in more reassignments for District Station Captains, impacting those communities in which Captains would change.

Police Officer Staffing

As noted above, the proposed ordinance would add 7.69 Police Officer FTE to the currently funded 2,064.25 sworn FTE in the General Fund. Based on information provided by the Police Department during our review of the proposed FY 2023-24 – FY 2024-25 budget and final adopted budget for that period, we estimate that the General Fund will have approximately 285 Police Officer vacancies.[1] This figure excludes vacant Police Officer positions that are used to fund temporary staff and academies. Appendix B to this report details the Police Department's General Fund positions in the FY 2023-24 budget.

OPERATIONAL IMPACT

The Department of Justice (DOJ), Office of Community Oriented Policing Services (COPS Office) completed its collaborative reform assessment of the SFPD in 2016 and the City had committed to supporting the work of fulfilling the 272 recommendations to help the Department improve its policies and practices, build community trust, and implement industry best practices. Two Assistant Chiefs and three Commander positions were added to help create the necessary oversight and management structure to support the collaborative reform work. According to Department staff, the Department has reached substantial compliance on 245 of the 272 DOJ Recommendations.

According to Department staff, the removal of either Assistant Chief would triple the number of direct reports to the Chief of Police and dilute the focused leadership attention that the areas of oversight receive currently. Department staff state that the elimination of the Commander positions would impact the Department in one of two ways: if the Department eliminated operations commanders, the respective bureaus would be left without proper oversight. The elimination of the Risk Management Office commander would result in scattered oversight over

[1] The Police Department will use vacant officer positions, budgeted at $38.2 million, to supplement their overtime budget of $42.4 million, for a total projected overtime spending of $78.6 million. The Department may also draw on its vacant civilian positions, the $10 million account in General City Responsibility set-aside for costs related to host the Asian Pacific Economic Conference, as well as any private monies raised to fund related sworn hiring or overtime.

the legal functions, the internal criminal and administrative investigations functions, and Early Intervention efforts to identify and stop risky behavior before an officer hurts themself or someone else. These functions have management positions, and with the elimination of the Commander position, they would be reporting directly to the Assistant Chief (if not eliminated) or the Chief (if the Assistant Chief position were eliminated).

According to SFPD staff, the Assistant Chief and Commander positions are directly linked to reform, including the gains made in transparency (including responsiveness to Commissioners, Members of the Board, the Mayor's Office, and the public), accountability, and community policing. According to Catherine McGuire, Executive Director of the Strategic Management Bureau, the budget request for these positions was made six years ago and is consistent with the Department's use of the positions. The Budget and Finance Committee approved the positions in a desire to support the Chief's request for additional leadership which formed the foundation leading to the completion of reform. According to the Executive Director of Strategic Management, SFPD has been able to achieve substantial compliance for 90 percent of the recommendations, which SFPD states were ushered through the process by five of the commanders in the Department as their full-time assignment in the last 3-6 months of Phase 3 of the engagement with the California Department of Justice.

FISCAL IMPACT

Exhibit 3 below summarizes the fiscal impact of the proposed ordinance, which would increase the Police Department's costs by $406,437 in FY 2023-24. The proposed ordinance deletes 1.00 FTE for each command staff; however, we estimate costs assuming the positions are deleted effective October 1, 2023. Costs would be absorbed by vacancy savings. The proposed change is closer to cost neutral results in only approximately $30,000 in additional costs in subsequent years.

Exhibit 3: Fiscal Impact of Proposed Position Changes, FY 2023-24

Job Title	Code	FTE	FTE Cost
Assistance Chief	0395	(0.75)	$444,801
Commander	0490	(2.25)	$354,284
Subtotal, Deletions		(3.00)	($1,130,740)
Police Officer	Q004	7.69	$199,893
Subtotal, New		7.69	$1,537,177
Net Cost			**$406,437**

Source: BLA Analysis

POLICY CONSIDERATION

Historical Command Staff

Since FY 2010-11, the Police Department has undergone several changes to its command staff structure (sworn positions ranked Captain and above), which totaled 36 positions in FY 2010-11 and then increased to 47 positions in FY 2017-18, which remains the current count as of this writing.[2] Exhibit 4 summarizes the changes over that time period.

Exhibit 4: Historical Police Command Staff, FY 2010-11 – FY 2017-18

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018
Captain	25	30	30	31	31	31	31	31
Commander	5.34	6	6	5	5	5	5	8
Deputy Chief	2	4	4	5	5	5	5	5
Assistant Chief	3	0	0	0	0	0	0	2
Chief of Police	1	1	1	1	1	1	1	1
Total	**36**	**41**	**41**	**42**	**42**	**42**	**42**	**47**

Source: BLA Records of City Financial Data

Historically, the Police Department has had the Assistant Chief position in various assignments which has changed over the years. As shown above, in FY 2010-11 there were two Deputy Chiefs and three Assistant Chiefs which followed a reorganization plan implemented by the 2008 Police Executive Research Forum (PERF) report in conjunction with the Controller's Office. The following fiscal year, as part of the strategy to reduce the number of furloughs and/or layoffs experienced during the recession, the Assistant Chief positions were reassigned as two Deputy Chief positions. An additional Deputy Chief was added in FY 2013-14. During FY 2016-17, prior to receiving approval by the Board of Supervisors, the Police Department created five additional command positions, augmenting its command structure with three additional Commanders and two Assistant Chiefs of Police to build the foundation for the implementation in reforms, the associated administrative expectations, and the necessary oversight of the Department. The Board then approved the creation of these positions in the FY 2017-18 annual appropriation and salary ordinances.

The two Assistant Chiefs of Police positions were added in 2017 to assist the Chief of Police with oversight of the day-to-day operations of the Department as well as to provide greater oversight over the command staff who were assigned to manage the implementation of the recommendations of the 2016 U.S. Department of Justice assessment.[3]

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[2] In addition, in FY 2018-19, the Board of Supervisors approved the creation of a civilian Executive Director position (0954) to oversee the Strategic Management Division created that year.

[3] US Department of Justice Collaborative Reform Initiative - An Assessment of the San Francisco Police Department

The Chief of Police has the responsibility under the City Charter of a Department Head as well as those associated with being the lead of a law enforcement agency charged with providing public safety service to a major metropolitan city. The Assistant Chief of Operations oversees the front-line and investigative functions and is focused on implementing public safety strategies in response to community concerns. The Assistant Chief of Staff oversees the internal support functions (personnel, training, policy development) necessary to develop a professional and responsive workforce, as well as oversight of specific community services including Internal Affairs and the release of police incident and traffic collision reports.

Three additional Commander positions were created in 2017. Two of those positions were assigned under the Chief of Staff to assist with shifted and added responsibilities under the Administration Bureau and Risk Management. The third Commander position was appointed to oversee the Community Engagement Division which had been a Captain (Q80) position.

When there were no Assistant Chief positions in the Department, the five Deputy Chiefs all reported directly to the Police Chief. Under the current structure, one Deputy Chief reports to the Assistant Chief of Staff and four Deputy Chiefs report to the Assistant Chief of Operations.

Current Command Staffing

Historically, Field Operations/Patrol was organizationally divided into two geographic divisions: Metro (eastside Police Districts) and Golden Gate (westside Police Districts). In May 2023, the Department implemented the Mid City Division as a pilot program, to align resources to support the newly formed Drug Market Agency Coordination (DMACC) program and Fugitive Recovery Enforcement Team (FRET), and Healthy Streets Operation Center (HSOC). The Commander assigned to oversee the Community Engagement Division has been loaned to oversee the Mid City Division and a Captain is now Acting Commander overseeing the Community Engagement Division.

According to the Police Department, all Captain positions are filled except one of three Captain roles assigned to oversee field operations night shifts and one Captain within the Administration Bureau. The Police Department's organizational structure includes 31 Captain roles.

Staffing Study

In November 2020, voters approved Proposition E, which removed the previously established Police staffing minimum and replaced it with a requirement for a biannual workload-based staffing analysis. The first required study was released in 2022 and was undertaken by the Police Department using analytical methods developed by developed by the City's Staffing Task Force. The report did not recommend increases in command staffing but did recommend increases in other sworn and civilian staffing. The next Proposition E staffing analysis will be issued in Spring 2024.

Survey of Other Jurisdictions

We benchmarked San Francisco's Police command staffing against other jurisdictions, the results of which are shown in Appendix C to this report. We found that the average ratio of the top three ranks to total sworn staff is 0.5 percent and San Francisco's is 0.3 percent. However, when considering the top five ranks compared to total sworn staff, San Francisco's ratio of 2.0 percent is higher than the 0.9 percent benchmark average.

RECOMMENDATION

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

Appendix A: Police Department Organizational Chart (September 5, 2023)

SAN FRANCISCO POLICE DEPARTMENT

Appendix B: Police Department General Fund Positions

Sworn Job Class	**FTE**	**Amount ($)**
Police Officer III	1,486.50	297,140,945
Sergeant III	488.00	111,698,808
Lieutenant III	95.00	24,563,200
Captain III	26.00	8,358,272
Commander III	6.00	2,125,704
Deputy Chief III	4.00	1,721,656
Assistant Chief of Police	2.00	889,602
Chief of Police	1.00	480,458
Subtotal, Sworn FTE	2,108.50	446,978,645
Other Pay		
Attrition Savings - Police	(44.25)	(9,177,968)
Step Adjustments - Police		(30,860,677)
Overtime - Uniform		42,390,657
Holiday Pay - Uniform		7,283,964
Premium Pay - Uniform		37,349,691
Subtotal, Other Sworn Pay		46,985,667
Sworn Positions	2,064.25	493,964,312
Civilian Positions	457.58	69,390,189
Total General Fund Positions	**2,521.83**	**563,354,501**

Source: Financial System

Appendix C: Benchmarking Survey

	Top Rank	Second Rank	Third Rank	Fourth Rank	Fifth Rank	Total Sworn	Top 3 Ratio	Top 5 Ratio
San Diego	1	1	6	19		1,855	0.4%	1.5%
Los Angeles	1	3	12	19	80	9,233	0.2%	1.2%
Honolulu	1	2	6			2,049	0.4%	0.4%
Seattle	1	1	6	4		1,200	0.7%	1.0%
Milwaukee	1	3	17	2		1,632	1.3%	1.4%
Oakland	1	1	3			794	0.6%	0.6%
Portland	1	1	3	6	3	803	0.6%	1.7%
San Jose	1	1	4			1,107	0.5%	0.5%
Boston	1	1	7	13	21	2,187	0.4%	2.0%
Philadelphia	1	1	5			6,300	0.1%	0.1%
Denver	1	1	3			1,464	0.3%	0.3%
Chicago	1	1	3	9	40	13,108	0.04%	0.4%
San Francisco	**1**	**2**	**5**	**8**	**31**	**2,298**	**0.3%**	**2.0%**
SF Proposed	**1**	**5**	**5**	**31**		**2,298**	**0.5%**	**1.8%**
Average	**1**	**1**	**6**	**10**	**35**	**3,387**	**0.5%**	0.9%

Source: Budget & Legislative Analyst

Item 10 **File 23-0949**	**Department:** Recreation and Park (REC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the Recreation and Park Department's (REC) emergency declaration for elevator repair and replacement work at Portsmouth Square, estimated to cost $2,200,000.

Key Points

- The elevators at Portsmouth Square were expected to be included in the Portsmouth Square Garage Project conducted from 2017 to 2020. However, the elevator modernization project was removed from the project scope. In the intervening years, one to two elevators have been frequently out of service. On August 8th, all three elevators were non-functional with one elevator brought back into service later that day. On August 21st, a second elevator was brought back into service. According to the Recreation and Park General Manager, it is expected that the elevators will continue to breakdown and the imminent breakdown of this equipment is a public safety concern for park users and community members until a full modernization can be completed.
- The General Manager states in his emergency declaration that expected procurement time for elevators is approximately 10 months and can only be initiated after a contractor has been issued a Notice to Proceed and shop drawings are complete. Additionally, the Department originally hoped to fold the elevator modernization work into the Portsmouth Square Improvement project for streamlined cost efficiency, but due to the emergency situation, the Department is advancing the project separately.

Fiscal Impact

- The Recreation and Park Department has estimated that the elevator repair and replacement cost would be approximately $2,200,000, including contingencies, a construction escalation rate, and reserve. REC staff anticipate that the majority of the project (approximately $1.9 to $2 million) would be funded from the Portsmouth Square Capital Improvement Fund, with $200,000 coming from a General Fund carryforward from a previous year's appropriation.

Policy Consideration

- The proposed resolution states that the not to exceed amount is "estimated." It is not clear to us that the Department would therefore be limited to spending no more than $2,200,000 without further approval from the Board of Supervisors.

Recommendations

- The Board should consider limiting the scope of the emergency contracting authority by deleting the word "estimated" before any references to the not to exceed amount of $2,200,000.
- Approval of the proposed resolution is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

Administrative Code Section 6.60(d) states that contracts entered into for emergency work that are more than $250,000 are subject to Board of Supervisors approval. Prior to the commencement of emergency work above the $250,000 threshold, the Department must also secure approval in writing from the Mayor, the President of the Board, or the Commission. If the emergency does not permit approval of the emergency determination by the Board of Supervisors before work begins, the Department head must submit a resolution approving the emergency determination to the Board of Supervisors within 60 days of when the Department declares an emergency.

BACKGROUND

Portsmouth Square Garage, managed by the San Francisco Municipal Transportation Agency (SFMTA), sits underneath Portsmouth Square, a park that is managed by the Recreation and Park Department (REC). There are three elevators that connect the square to the underground garage.

In early August, the elevators began experiencing significant operational issues. According to Philip Ginsburg, General Manager of the Recreation and Park Department, on August 8, 2023, all three of the elevators at Portsmouth Square had significant operational issues, causing them to be non-functional. One of the elevators was brought back into service on the same day. On August 10, 2023, SFMTA conducted a site visit with ThyssenKrupp, an elevator maintenance company, to evaluate all three elevators and provide recommendations for keeping the elevators in service until an elevator maintenance modernization project could be completed. According to General Manager Ginsburg, SFMTA contracted with ThyssenKrupp, a company with expertise in maintaining older elevator equipment, after receiving approval from the current elevator repair company who could no longer repair the elevators due to age. On August 21, 2023, the second elevator was brought back into service after additional short-term repairs were conducted.

According to General Manager Ginsburg, the elevators at Portsmouth Square were expected to be included in the Portsmouth Square Garage Project conducted by the Portsmouth Plaza Parking Corporation Board from 2017 to 2020. However, the elevator modernization project was removed from the project scope. In the intervening years, one to two elevators have been frequently out of service. According to General Manager Ginsburg, it is expected that the elevators will continue to breakdown and the imminent breakdown of this equipment is a public safety concern for park users and community members until a full modernization can be completed.

REC declared an emergency at Portsmouth Square on September 5, 2023. The proposed resolution for Board of Supervisors approval of that emergency was introduced that same day, within the 60-day timeframe required by Administrative Code Section 6.60(d).

According to General Manager Ginsburg, the unique conditions in the elevator industry include: (1) a limited number of elevator contractors who work in San Francisco; (2) a limited number of manufacturers throughout the world; and (3) high demand from modernization and development projects. Further, General Manager Ginsburg states in his emergency declaration that expected procurement time for elevators is approximately 42 weeks (10 months) and that procurements can only be initiated after a contractor has been issued Notice to Proceed and shop drawings are complete. Additionally, the declaration states that the Department originally hoped to fold the elevator modernization work into the Portsmouth Square Improvement project for streamlined cost efficiency, but due to the emergency situation, the Department is advancing the project separately.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Recreation and Park Department's (REC) emergency declaration for elevator repair and replacement work at Portsmouth Square, with an estimated cost not to exceed $2,200,000.

The proposed legislation includes an "*estimated* not to exceed amount of $2,200,000" [emphasis added]. Given that the language of the proposed resolution includes the word "estimated" it is not clear to us that the Department would be limited to that amount.

FISCAL IMPACT

The proposed legislation approves the Recreation and Park Department General Manager's declaration of emergency for the repair and replacement of the elevators at Portsmouth Square Parking Garage with an estimated not to exceed amount of $2,200,000. As shown in Exhibit 1 below, this amount includes (1) total project hard costs of $1,519,865, (2) a bid/market factor contingency of $227,980, (3) a construction contingency of $174,784, (4) a construction escalation rate of $139,828 (8 percent), and (5) a project hard cost reserve.

Exhibit 1: Projected Project Costs

Description	Rate	Estimated Cost
Total Project Hard Costs- Base Scope	N/A	$1,519,865
Bid/Market Factor Contingency	15%	227,980
Construction Contingency	10%	174,784
Construction Escalation Rate	8%	139,828
Project Hard Cost Reserve	8%	139,828
Total		**$2,202,284**

Source: Recreation and Park Department

Note: Total may not sum due to rounding

REC staff report that the Department is reaching out with the design drawings to approximately three contractors with experience in elevator modernization work with SFMTA and others to find a suitable vendor.

Funding Sources

According to REC staff, the majority of funding for the Portsmouth Square Garage Elevator Modernization Project would come from the Portsmouth Square Capital Improvement Fund.

Further, REC staff state that these monies are provided by garage revenues that are segregated for capital purposes and that there are currently about $1.9 million in such funds available with revenues continually being added. REC staff have stated that additional funding would come from a $200,000 General Fund carryforward of the previous year's appropriation.

POLICY CONSIDERATION

Not to Exceed Amount is Estimated

The proposed legislation includes an "*estimated* not to exceed amount of $2,200,000" [emphasis added]. Given that the language of the proposed resolution includes the word "estimated" it is not clear to us that the Department would be limited to that amount. The Board of Supervisors should consider amending the proposed legislation to strike the word "estimated" from references to the not to exceed amount.

As is typical for other emergency work, the Department may seek Board approval for additional emergency spending once costs are better defined. This would provide additional oversight over the repair work at Portsmouth Square.

RECOMMENDATIONS

1. The Board should consider limiting the scope of the emergency contracting authority by deleting the word "estimated" before any references to the not to exceed amount of $2,200,000.
2. Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Item 11 **File 23-0911**	**Department:** Human Services Agency (HSA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would retroactively approve the second amendment to the grant agreement between the Human Services Agency and the San Francisco-Marin Food Bank to continue to provide free supplemental groceries to residents citywide, increasing the amount by $6,600,000 for a total not to exceed amount of $17,828,328 and extending the term by one year from July 1, 2023 through June 30, 2024 for a total period of July 1, 2022 through June 30, 2024.

Key Points

- In response to increased levels of food insecurity during the COVID-19 pandemic, the City created several nutrition programs to supplement existing food insecurity programming, including citywide grocery access programs, neighborhood-based grocery access programs, and other programs. Funding for these and other food insecurity programs declined in the FY 2023-25 adopted budget. According to the adopted FY 2023-25 budget, funding for citywide grocery access decreased from $14.35 million in FY 2022-23 to $7.5 million in FY 2023-24**,** a 48 percent reduction.
- The San Francisco-Marin Food Bank will continue to provide free supplemental groceries to residents citywide with a focus on serving food-insecure adults, children, and other community members in high-need neighborhoods. According to the most recent monthly service program report (June 2023), the San Francisco-Marin Food Bank exceeded service objectives, distributing an average of 50,214 grocery units per month from July 2022 through June 2023 and serving an average 18,884 unduplicated households per month from July 2022 through June 2023. In addition, the vendor has also met and exceeded each of the outcome objectives.

Fiscal Impact

- The proposed resolution would increase the not-to-exceed amount of the grant agreement by $6,600,000, for a total not to exceed $17,828,328. Annual budgeted expenditures are declining from $10.2 million in FY 2022-23 to $6.0 million in FY 2023-24, a reduction of 41 percent. According to HSA staff, this reduction in City funding is not expected to be offset by increases in other funding sources for the program (such as San Francisco-Marin Food Bank fundraising and volunteering). The contract is entirely funded by the City's General Fund.

Policy Consideration

- No City funding has been allocated in FY 2024-25 for this program. According to HSA, it is unclear if the San Francisco-Marin Food Bank will continue the program when the grant term ends given the organization's financial constraints.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

Reduced City Funding for New Grocery Access Programs

In response to increased levels of food insecurity during the COVID-19 pandemic, the City created several nutrition programs to supplement existing food insecurity programming, including citywide grocery access programs, neighborhood-based grocery access programs, and other programs. Providers for citywide programs provide groceries at sites across the City, and providers for neighborhood-based programs target specific neighborhoods through culturally responsive models.

Funding for these and other food insecurity programs declined in the FY 2023-25 adopted budget. According to the adopted FY 2023-25 budget, funding for citywide grocery access decreased from $14.35 million in FY 2022-23 to $7.5 million in FY 2023-24**,** a 48 percent reduction.[1] In addition, funding for neighborhood grocery access decreased from $9.35 million to $7.06 million, a 24 percent reduction. According to Human Services Agency (HSA) staff, funding is declining for these programs due to budget constraints, not due to reduced need.

San Francisco-Marin Food Bank Existing Contract for Citywide Grocery Access

In February 2023, the Board of Supervisors retroactively approved the first amendment to the grant agreement between HSA and the San Francisco-Marin Food Bank to provide free supplemental groceries to residents citywide, increasing the amount by $4,930,828 for a total not to exceed amount of $11,228,328 and extending the term by five months from February 1, 2023 through June 30, 2023 (File 23-0013). The grantee was selected to provide services under the original agreement through a completive solicitation process.[2]

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve the second amendment to the grant agreement between the Human Services Agency and the San Francisco-Marin Food Bank to continue to provide free supplemental groceries to residents citywide, increasing the amount by $6,600,000 for a total not to exceed amount of $17,828,328 and extending the term by one year from July 1, 2023 through June 30, 2024 for a total period of July 1, 2022 through June 30, 2024. According to HSA, the proposed resolution is retroactive because the final FY 2023-24 budget for citywide food access funding needed to be approved by the Board of Supervisors in late June

[1] Funding is split between the San Francisco-Marin Food Bank and Dolores Street Community Services.

[2] The RFP stated that the grant would have a tentative term of July 1, 2022 to January 31, 2023, with the option to extend the term up to three additional years, depending on funding availability and need.

before moving forward with the contract extension and presenting at HSA's Human Services Commission meeting on August 24, 2023.

Services

Under the proposed second amendment, the San Francisco-Marin Food Bank will continue to provide free supplemental groceries to residents citywide with a focus on serving food-insecure adults, children, and other community members in high-need neighborhoods.[3] The grantee is responsible for obtaining all food and packaging and managing and administering grocery distribution across citywide "pop-up pantry" sites, as well as screening and enrolling all clients into the program. Grocery bags distributed to residents contain 18 to 28 pounds of food for at least seven meals and feature a variety of produce, protein items, and grains.

Reductions to Service Objectives due to Decreased Funding

Under the proposed second amendment, the grantee is required to meet the following service objectives in the extension year: (1) provide a minimum of 24,000 grocery units per month; and (2) have a minimum of 6,000 enrolled unduplicated participants actively utilizing the program per month. This reflects a 40 percent decrease in grocery units and participants from FY 2022-23 when 40,000 grocery units per month and 10,000 unduplicated participants per month were required.

According to HSA staff, an assessment is currently being conducted to determine which "pop-up pantry" sites can be consolidated and/or closed in FY 2023-24 because of decreased funding for grocery access programs. The number of sites has not been finalized yet. In addition, the grantee has reinstated their pre-pandemic policy of allowing each household only one grocery unit per week, rather than allowing large households to receive more than one grocery unit. Finally, the grantee is reviewing and finalizing possible staff reductions as well.

Fiscal & Performance Monitoring

According to the most recent monthly service program report (June 2023), the San Francisco-Marin Food Bank exceeded service objectives, distributing an average of 50,214 grocery units per month from July 2022 through June 2023 and serving an average of 57,296 unduplicated individuals per month and 18,884 unduplicated households per month from July 2022 through June 2023. In addition, as part of the contract, the vendor is required to conduct a survey and report on the following outcome objectives: (1) at least 90 percent of participants who use the program will report that they had a dignified experience; (2) at least 85 percent of the participants who use the program will report that they are satisfied with the selection and quality of food items at the program; (3) at least 85 percent of the participants who use the program will report that the food they received were culturally appropriate; and (4) at least 85 percent of participants who use the program will report that access to the program has decreased their food insecurity. The vendor has also met and exceeded each of these outcome objectives. According to HSA staff, 21 percent of individuals enrolled in the program participated in the survey. A summary of service and outcome objectives from the agreement are provided in Exhibit 1 below.

[3] High-need neighborhoods are defined as the following zip codes in the agreement: 94102, 94103, 94112, 94124, 94134, 94109, 94110, 94133, 94115, 94122.

Exhibit 1: FY 2022-23 Service and Outcome Performance Results, As of June 2023

Survey Results	Objective	Actual
Grocery units provided per month	40,000	50,214
Unduplicated households per month	10,000	18,884
Participants report they had a dignified experience	90%	99%*
Participants report they are satisfied with the selection and quality of food items	85%	97%*
Participants report that the food they received was culturally appropriate	85%	93%*
Participants report decreased food insecurity from access to program	85%	96%*

Source: HSA

*21 percent of participants participated in survey

Fiscal and Compliance Monitoring

As part of the Citywide Fiscal and Compliance Monitoring program, the San Francisco-Marin Food Bank was assessed for FY 2022-23 on May 24, 2023 with no findings and was deemed to be in conformance with all monitored governance recommended practices. Monitoring included a review of various financial and fiscal policies and procedures documents and board oversight, as well as supporting documentation for invoices and subcontracts. The expanded monitoring form states that the organization is expected to run an approximately $8.0 million deficit in 2023, and therefore must use reserves. According to HSA staff, the grantee will be able to meet service objectives through the proposed grant term, and HSA staff will continue to monitor the organization.

FISCAL IMPACT

The proposed resolution would increase the not-to-exceed amount of the grant agreement by $6,600,000, for a total not to exceed $17,828,328. Annual budgeted expenditures are declining from $10.2 million in FY 2022-23 to $6.0 million in FY 2023-24, a reduction of 41 percent. According to HSA staff, this reduction in City funding is not expected to be offset by increases in other funding sources for the program (such as San Francisco-Marin Food Bank fundraising and volunteering).

The projected sources and uses of funds for the proposed one-year extension of the grant agreement are shown in Exhibit 2 below.

Exhibit 2: Projected Sources and Uses of Funds for Grant Agreement

	Original 7/1/22 – 6/30/23	Proposed Increase 7/1/23 - 6/30/24	Total Proposed 7/1/22 - 6/30/24
Sources			
General Fund	$10,207,571	$6,000,000	$16,207,571
Total Sources	**$10,207,571**	**$6,000,000**	**$16,207,571**
Expenditures			
Salaries & Benefits	2,708,985	1,592,338	4,301,323
Operating Expenses	6,570,626	3,862,207	10,432,833
Indirect Costs (10%)	927,960	545,455	1,473,415
Total Expenses	**$10,207,571**	**$6,000,000**	**$16,207,571**
Contingency (10%)	1,020,757	600,000	1,620,757
Total Not-to-Exceed	**$11,228,328**	**$6,600,000**	**$17,828,328**

Source: Appendix B-2 of Contract Amendment

Approximately $1.6 million (26.5 percent) of the budget for the proposed amendment will be used to fund 19.85 full time equivalent (FTE) employees, $3,862,207 (64.4 percent) will be used towards operating expenses, including food purchases,[4] food storage and distribution, food transportation costs, program supplies, contracted labor for pop-up pantry support,[5] utilities, office supplies and other costs, and $545,455 is for indirect costs, which is 10 percent of salary and benefit costs and operating expenses. The number of FTE employees funded under the grant will decline in FY 2023-24, but staff reductions have not yet been finalized as mentioned above.

Funding Source

The contract is entirely funded by the City's General Fund. A 10 percent contingency is included to account for unexpected expenses for the existing program. According to HSA staff, the contingency amount would only be disbursed if authorized by the City and if funding is identified and certified as available by the Controller's Office.

Actual Spending

According to HSA staff, actual expenditures through June 2023 totaled $10,207,571, which is 100 percent of the existing not-to-exceed amount (not including the 10 percent contingency). If the proposed extension is approved, the full contingency under the existing contract ($1,020,757), together with the proposed new contingency funds ($600,000) total $1,620,757. According to HSA staff, $392,571 of the original contingency was used in FY 2022-23 for the annual Cost of Doing Business allotment, and it is anticipated that an additional $225,000 will be allotted for the Cost of Doing Business allotment in FY 2023-24. The estimated remaining $1.0 million may be used for unexpected expenses, should HSA have budget authority to cover such expenses.

[4] 956,534 bags at $6.33/bag (for duration of total grant term)

[5] According to HSA staff, the food bank generally relies heavily on volunteers to provide labor for the pop-up pantries. However, as many volunteers have now returned to full-time work and volunteers sometimes cancel at the last minute, the food bank hires contracted labor to fill these gaps.

POLICY CONSIDERATION

Future Funding for the Program is Uncertain

As previously mentioned, the Mayor's budget for FY 2023-25 allocated $7.5 million in funding in FY 2023-24 for citywide grocery access to extend the proposed grant for one additional year and fund one other provider. No City funding has been allocated in FY 2024-25 for this program. According to HSA staff, it is unclear if the San Francisco-Marin Food Bank will continue the program when the grant term ends given the organization's financial constraints.

RECOMMENDATION

Approve the proposed resolution.

Item 12 File 23-0925	Department: Mayor's Office of Housing and Community Development (MOHCD)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve and authorize the Director of Property and the Mayor's Office of Housing and Community Development (MOHCD) to enter into a commercial ground lease for property owned by the City at 2070 Bryant Street and 683 Florida Street (Commercial Property) with 681 Florida Street Commercial LLC (Tenant), for a lease term of 75 years (and one 24-year option to extend) and an annual base rent of $1 in order to develop the two adjoining ground-floor commercial spaces for public benefit or community-serving uses.

Key Points

- The property at 681 Florida Street (the commercial ground floor at this location is known as 2070 Bryant Street) was conveyed to the City in June 2017 for $1 by a developer for the purposes of developing affordable housing.
- In October 2020, MOHCD entered into a ground lease with 681 Florida Housing Associates, L.P. for lease of the property at 681 Florida Street. The terms of the 2020 lease stipulate that the residential tenant will convey to the commercial tenant the commercial parcels at 2070 Bryant Street and 683 Florida Street prior to the residential tenant's conversion of its construction financing to permanent financing.
- The commercial tenant, 681 Florida Street Commercial LLC, has entered into a lease with Carnaval San Francisco, a project under Cultura y Arte de Las Americas (CANA SF) for use of the commercial space. The use will be non-profit community-serving artist and maker space, which is consistent with the intended use under the existing ground lease (arts-related Production, Distribution, and Repair).

Fiscal Impact

- The base rent for the commercial space is $1 per year, in accordance with MOHCD's Commercial Underwriting Guidelines for commercial space intended for a public benefit or community-serving use. After full repayment of the MOHCD Commercial Loan (a total of $4,395,119), the tenant will pay the City the Percentage Rent (40 percent of annual net commercial cash flow), if any, in addition to the base rent of $1 per year.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Administrative Code Section 23.30 states that the Board of Supervisors shall approve all leases on behalf of the City as landlord by resolution for which the term is longer than a year and costs over $15,000 per month. Leases of City property that require Board of Supervisors approval may be less than market rate if the Board of Supervisors finds that doing so would serve a public purpose.

BACKGROUND

Acquisition, Development and Management of 681 Florida Street Property

The City owns the parcels located at 681 Florida Street (the commercial ground floor at this location is known as 2070 Bryant Street) and 683 Florida Street. The property at 681 Florida Street was conveyed to the City in June 2017 for $1 by a developer, Podell Corporation, in order to satisfy the City's Inclusionary Affordable Housing requirement for a new 199-unit market-rate housing development at 2000 Bryant Street.[1] The Mission Economic Development Agency (MEDA) and the Tenderloin Neighborhood Development Corporation (TNDC) were jointly selected by the City as joint venture partners under a Request for Proposals issued in October 2016 to develop the site. The two entities formed 681 Florida Housing Associates, L.P. to develop and manage the 681 Florida property into 130 affordable housing units, along with 9,250 square feet of ground-floor community-serving commercial space intended for arts-related Production, Distribution, and Repair. In September 2020, the Board of Supervisors approved a $35.1 million loan to support the project and ground lease (File 20-0976).

2020 Residential Ground Lease

In October 2020, MOHCD entered into a ground lease with 681 Florida Housing Associates, L.P. for lease of the property at 681 Florida Street. The terms of the 2020 lease included Section 14.03 regarding transfer of the commercial parcel. This section stipulates that the residential tenant will convey to the commercial tenant the commercial parcels prior to the residential tenant's conversion of its construction financing to permanent financing.[2] As part of the conveyance, the City and residential tenant will amend the ground lease to remove the commercial parcels, and the City and commercial tenant will enter into a separate ground lease for the commercial parcels, in accordance with all approvals and MOHCD's Commercial Underwriting Guidelines.

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[1] See Resolution No. 258-17 (File No. 17-0602). Developer elected to satisfy the Inclusionary Affordable Housing Program requirements (Planning Code Section 415 and 419) by dedicating a portion of the development property to the City.

[2] This is a typical condition for newly-constructed 100 percent affordable housing projects in which a sizable commercial space will be subdivided (as planned here), according to MOHCD.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would do the following:

1. Approve and authorize the Director of Property and MOHCD to enter into a commercial ground lease for property owned by the City at 2070 Bryant Street and 683 Florida Street (Commercial Property) with 681 Florida Street Commercial LLC (Tenant)[3], for a lease term of 75 years (and one 24-year option to extend) and an annual base rent of $1 in order to develop the two adjoining ground-floor commercial spaces for public benefit or community-serving uses;
2. Approve and authorize the Director of Property and the Director of MOHCD to enter into an amendment to the existing residential ground lease for 681 Florida Street to remove the Commercial Property from the lease between the City and 681 Florida Housing Associates, L.P.;
3. Adopt findings that the project and proposed transaction is consistent with the General Plan and Planning Code Section 101.1;
4. Determine that the below market rent payable under the commercial ground lease will serve a public purpose by providing community-serving space, in accordance with Administrative Code Section 23.3;
5. Authorize the Director of Property and/or the Director of MOHCD to execute the commercial ground lease and the amendment to the 681 Florida Street residential ground lease—to remove the Commercial Property—and make certain modifications to such agreements and take certain actions in furtherance of the resolution.

Tenant and Subtenant

The tenant, 681 Florida Street Commercial LLC, has entered into a lease with Carnaval San Francisco, a project under Cultura y Arte de Las Americas (CANA SF),[4] for use of the commercial space. The use will be non-profit community-serving artist and maker space, which is consistent with the intended use under the existing ground lease (arts-related Production, Distribution, and Repair). The ground floor commercial space at 2070 Bryant Street and 683 Florida Street is 9,512 square feet and is currently vacant, according to MOHCD.

Commercial Loan Agreement

Alongside the execution of the commercial ground lease, the City and 681 Florida Street Commercial LLC (Tenant) will execute a Commercial Loan Agreement to reflect the Tenant's assumption of a portion of the MOHCD loan to the residential borrower in an amount equal to the purchase price of the commercial parcels—a total of $4,395,119 for the adjoining commercial parcels, according to MOHCD. The City and residential borrower will amend the residential

[3] Together, MEDA and TNDC are Tenant for the purposes of developing and operating the ground-floor commercial parcels at 2070 Bryant Street and 683 Florida Street as public benefit or community-serving space.
[4] CANA SF is a non-profit organization that seeks to educate the public about the rich cultures and indigenous healing practices in the Americas and the Caribbean, according to the organization's website.

ground lease and MOHCD residential loan agreement to remove the commercial parcels and reduce the amount of the MOHCD loan by the MOHCD commercial loan amount, per the new loan agreement for the commercial parcels.

FISCAL IMPACT

Rent

The base rent for the commercial space is $1 per year, in accordance with MOHCD's Commercial Underwriting Guidelines for commercial space intended for a public benefit or community-serving use. After full repayment of the MOHCD Commercial Loan, the Tenant will pay the City the Percentage Rent (40 percent of annual net commercial cash flow), if any, in addition to the base rent of $1 per year. Under Administrative Code Section 23.3, leases of City property that require Board of Supervisors approval may be less than market rate if the Board of Supervisors finds that doing so would serve a public purpose.

Tenant Improvements

The City's Office of Economic and Workforce Development is providing approximately $2 million in grants to CANA SF to fund tenant improvements, which are currently underway according to MOHCD. In addition, Podell Corporation—the market-rate housing developer of 2000 Bryant Street—provided $500,000 as a community benefit for the 2070 Bryant Street and 683 Florida Street adjoining commercial space to remain an arts and cultural space, according to MOHCD staff. Carnaval San Francisco is responsible for completing tenant improvements. Although the full scope of improvements has not been provided to MOHCD, some of the planned improvements include creating a multi-purpose room with a recording studio, dance rehearsal space, as well as a kitchen and maker's space.

RECOMMENDATION

Approve the proposed resolution.