


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

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July 21, 2014

TO: Budget and Finance Sub-Committee

FROM: Budget and Legislative Analyst 

SUBJECT: July 23, 2014 Budget and Finance Sub-Committee Meeting

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Item 1 File 14-0655	Department: Municipal Transportation Agency (MTA)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution (File 14-0655) would approve a contract between the San Francisco Municipal Transportation Agency (SFMTA) and Brookville Equipment Corporation to repair and upgrade 16 former SEPTA Presidents' Conference Committee (historic) streetcars. The contract is for an amount not to exceed \$34,482,428 and a term of six years. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • According to SFMTA staff, the 16 historic streetcars require an overhaul due to normal wear and tear from continuous daily service since the historic streetcars' last overhaul in 1994. The SFMTA staff states that the repairs and upgrades to the historic streetcars will result in safety and reliability improvements and extension of the useful life of the streetcars for a minimum of 10 years. • On April 5, 2013 the SFMTA issued a Request for Proposals (RFP) for the repair and upgrade of the 16 historic streetcars. An impartial committee of SFMTA staff reviewed three proposals and determined the proposal from Brookville Equipment Co. to be the most competitive. • On May 20, 2014 the SFMTA Board of Directors adopted a resolution to authorize the Director of Transportation to execute a contract not to exceed \$34,482,428 and a term not to exceed six years with Brookville Equipment Corporation for the repair and upgrade of the 16 historic streetcars. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed contract to repair the historic streetcars is not to exceed \$34,482,428. SFMTA has budgeted an additional \$5,179,280 for associated costs. Therefore the total project cost is \$39,661,708. • The proposed total project cost of \$39,661,708 would be funded with a Federal grant, bridge toll funds and Proposition K Sales Taxes. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

City Charter Section 9.118(b) states that agreements entered into by a department, board or commission requiring anticipated expenditures by the City and County of ten million dollars or more shall be subject to approval of the Board of Supervisors by resolution.

Background

The San Francisco Municipal Transportation Agency (SFMTA) operates the Municipal Railway (Muni), which owns and operates 50 historic streetcars. Mr. Louis Maffei, Senior Light Rail Vehicle Equipment Engineer at SFMTA, reports that these streetcars are in revenue service 21 hours per day every day of the year. The historic streetcars operate on the F Market & Wharves line which provides service on Market Street and the Embarcadero. According to the SFMTA's Transportation Effectiveness Project, the historic streetcars are used by an average of 23,208 riders per weekday.

According to the Federal Transit Authority¹ (FTA) the minimum useful life of a streetcar is 25 years with each major overhaul adding an additional ten years of useful life. Mr. Maffei reports that the historic streetcars were manufactured in 1946 and the last overhaul was completed in 1994, or 20 years ago; therefore the historic streetcars are past the FTA minimum extended life spans.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (File 14-0655) would approve a contract not to exceed \$34,482,428 between the SFMTA and Brookville Equipment Co. to upgrade and repair 16 historic streetcars. The term of the contract is not to exceed six years from the effective date.

SFMTA reports the upgrades and repairs will extend the historic streetcars' useful life by 10-20 years. The proposed upgrades and repairs involve the complete disassembly and reassembly of the historic streetcars. According to Mr. Maffei, specific repairs and upgrades were selected based on (a) the need to meet SFMTA safety and communication policies, (b) regulatory requirements, and (c) upgrades that would result in time savings for maintenance staff. Examples of the proposed upgrades and repairs include:

- Removal of toxic materials such as asbestos and lead paint.
- Upgrades to the braking systems.
- Installation of video cameras and recorders for security purposes.
- Replacement of combustible materials with flame and smoke compliant materials.
- Installation of upgraded communications equipment.

¹ Federal Transit Authority Grant Management Guidelines C 5010.1C and CFT49, Part 661

On April 5, 2013 the MTA issued a Request for Proposals (RFP) for the upgrade and repair of 16 out of 50 historic streetcars. Four proposals were submitted. One proposal was considered non-compliant by the City's Attorney's Office due to exceptions taken to the contract terms and conditions. A panel of SFMTA staff reviewed the remaining three proposals. As shown below, Brookville Equipment Co. received the highest score.

Table 1: RFP Evaluation Scores by Proposal

Criteria	Maximum Score	Alstom Transport	Brookville Equipment Co.	Complete Coach Works
Technical Proposal	60	33	51	22
Oral Presentation	20	13	15	10
Price Proposal	20	14	18	20
Total Score	100	59	84	53
Proposed Contract Price		\$45,479,381	\$34,482,428	\$31,476,139

Source: SFMTA

Impact on Service

To provide minimal disruption of service, no more than 3 out of the 16 historic streetcars to be upgraded and repaired will be delivered to Brookville Equipment Co. at one time. Additionally, SFMTA will perform safety and performance tests on one historic streetcar at a time prior to returning it to service. Therefore, a maximum of four historic streetcars will be out of service at any one time. Mr. Maffei asserts that the remaining 46 out of 50 active historic streetcars will sufficiently meet projected service demands.

Project Timeline

According to the terms of the contract, all upgrades and repairs must be completed on all 16 historic streetcars by no later than 6 years subsequent to approval of the contract. According to Mr. Maffei, if the contract is approved by August 2014, it is anticipated that the first historic streetcar will be returned to SFMTA by August 2016 and the 16th streetcar by August 2018. The projected project timeline is detailed in Table 2 below.

Table 2: Proposed Project Timeline

Item	Timeline
Project Plan	September 2014
Delivery of 1 st streetcar to SFMTA	August 2016
Completion of 1 st streetcar, including testing	November 2016
Delivery of 2 nd streetcar to SFMTA	November 2016
Delivery of remaining 14 streetcars	One streetcar every 1.5 months
Delivery of 16 th streetcar to SFMTA	August 2018

Source: SFMTA

FISCAL IMPACT

As noted above, the total not to exceed amount of the proposed contract with Brookville Equipment Co. is \$34,482,428. A budget for the proposed project costs is shown in Table 3 below.

Table 3: Proposed Project Costs

Brookville Equipment Co. Contract	Price per Streetcar	Number of Streetcars	Total Price
Streetcars to be Overhauled	\$1,990,381	16	\$31,846,096
Streetcar Shipping	\$39,653	16	634,448
Training			150,000
Spare Parts and Special Tools			500,000
California Sales Tax (8.75% on materials only)			1,351,884
Subtotal Brookville Equipment Contract			\$34,482,428

Source: SFMTA

Brookville Equipment Co. will receive payments from SFMTA after the completion of critical milestones as detailed in Table 4 below.

Table 4: Proposed Payment Schedule

Milestone	Price per Streetcar ¹	Number of Streetcars	Total Payment
Approval of Project Plan			\$1,624,027
Completion of Vehicle Disassembly			3,248,054
Completion of all Rehabilitation Work	\$1,015,017	16	16,240,272
Successful Testing of Historic Streetcars	\$609,010	16	9,744,163
Completion of Training			142,500
Delivery of Spare Parts and Special Tools			500,000
Final Acceptance of Contract Deliverables			1,631,528
California Sales Tax (8.75%)			1,351,884
Total			\$34,482,428

Source: SFMTA

¹ Amounts are rounded

SFMTA has budgeted additional associated costs for the project that total \$5,179,280 as shown in Table 5 below. These costs are not included in the proposed contract with Brookville Equipment Co.

Table 5: Associated Expenditures

Associated Expenditures	Cost
SFMTA Engineering and Project Management Staff Salaries	\$3,962,026
SFMTA Project Design Staff Salaries	692,254
CH2M Hill Consultant Support	500,000
Travel Costs	25,000
Subtotal of Other Associated Cost Items	\$5,179,280

Source: SFMTA

The total project cost including the Brookville Equipment Co. contract of \$34,482,428 (Table 3 above) and the associated expenditures of \$5,179,280 (Table 5 above) is \$39,661,708. The \$39,661,708 of project costs would be funded from three sources including a federal grant, bridge toll funds and Proposition K sales taxes as detailed in Table 6 below.

Table 6: Project Funding by Source

Project Funding Source	Amount
FTA Section 5307 Federal Grant ²	\$31,729,367
RM2 Bridge Toll Funds ³	1,001,413
Proposition K ⁴ Funds	6,930,928
Total Funding	\$39,661,708

Source: SFMTA

RECOMMENDATION

Approve the proposed resolution.

² The Urbanized Area Formula Funding Program (49 U.S.C. 5307), administered by the Federal Transit Administration, provides funding to urbanized areas for transit capital and operating assistance. FTA Section 5307 Federal Grant funds cannot exceed 80 percent of the net project cost.

³ Bay Area voters passed Regional Measure 2 (RM2) on March 2, 2004, which raised the toll on the seven State-owned toll bridges in the San Francisco Bay Area by \$1.00. This additional funding is used to fund transportation projects within the region that have been determined to reduce congestion as identified in SB 916 (Chapter 715, Statutes of 2004).

⁴ San Francisco voters passed Proposition K on November 4, 2003, which increased the local sales tax by a half-cent to provide funding for transportation projects identified in the San Francisco County Transportation Authority's 30-Year Expenditure Plan.

<p>Item 2 File 14-0783</p>	<p>Department: Department of Public Health</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objective</p>	
<ul style="list-style-type: none"> The proposed resolution will retroactively authorize the extension of the lease of the Empress Hotel located at 144 Eddy Street between DPH and Empress, LLC for a period of 10 years beginning on July 1, 2014 through June 30, 2024 for use by the Department of Public Health’s Direct Access to Housing program. The first year rent is \$60,687.03 per month or \$728,244 per year. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> On July 1, 2004, the Department of Public Health (DPH) leased the Empress Hotel at 144 Eddy Street from Empress LLC for use as supportive housing through DPH’s Direct Access to Housing program for an original term of 10 years ending on June 30, 2014. The Empress Hotel contains 89 Single Resident Occupancy (SRO) units for chronically homeless adults with medical or behavioral health conditions and one manager’s unit. The original lease includes an option to extend the term of the lease for an additional 10 years with an adjustment of the rent to 95% of fair market value. Property management services at the Empress Hotel are provided by the non-profit Tides Center’s Delivering Innovation in Supportive Housing (DISH) selected by DPH through a Request for Proposal (RFP) process. The Empress Hotel is one of five master lease sites for which DISH is providing property management services under the contract. Since the initial year of the lease in 2004, U.S. Department Housing and Urban Development (HUD) McKinney Vento Homeless Assistance Act grant funds have paid 62% of the Empress Hotel’s base rent, and the remaining 38% has been paid for by DPH. 	
<p style="text-align: center;">Fiscal Impacts</p>	
<ul style="list-style-type: none"> DPH will pay Empress, LLC an initial annual rent of \$728,244 for the period of July 1, 2014 through June 30, 2015, which is \$49,294 or 7.3% more than FY 2013-14 rent of \$678,950. According to the Real Estate Division, the first year rent of \$728,244 represents 95% of fair market value based on the department’s evaluation of market rates. In subsequent lease years, the base rent will increase at the same rate as the Consumer Price Index with a minimum of 2% and a maximum of 4%. DPH anticipates the U.S. Department of Housing and Urban Development (HUD) McKinney Vento Homeless Assistance Act grant funds will contribute 62% of the base rent and DPH funds will pay the remaining 38% of the base rent in each upcoming lease year. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> Approve the proposed resolution. 	

MANDATE STATEMENT

Administrative Code Section 23.27 requires that leases in which the City is a tenant must be approved by resolution of the Board of Supervisors.

BACKGROUND

On July 1, 2004, the Department of Public Health (DPH), as tenant, leased the Empress Hotel at 144 Eddy Street from Empress LLC, as landlord, for use as supportive housing through DPH's Direct Access to Housing program. The Empress Hotel contains 89 Single Resident Occupancy (SRO) units for chronically homeless adults with medical or behavioral health conditions and one manager's unit.

The lease was for an initial term of 10 years, ending on June 30, 2014 (Resolution 368-04), and included two options to extend the lease for ten years for each extension, resulting in a total potential lease term of 30 years through June 30, 2034. Under the original lease, if the City exercises the option to extend the lease, the rent is adjusted to 95% of fair market value as determined by the Real Estate Division.

Property management services at the Empress Hotel are provided by the non-profit Tides Center's Delivering Innovation in Supportive Housing (DISH) selected by DPH through a Request for Proposal (RFP) process. The Empress Hotel is one of five master lease sites for which DISH is providing property management services under the contract.

Since the initial year of the lease in 2004, DPH has also received federal grant funds from the U.S. Department Housing and Urban Development (HUD) McKinney Vento Homeless Assistance Act¹ to pay a portion of the Empress Hotel's base rent. Since 2004, HUD funds have paid for 62% of the Empress Hotel's base rent, and the remaining 38% has been paid for by General Fund money appropriated to DPH.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively authorize the first of two ten-year options to extend the lease between DPH and Empress, LLC for the Empress Hotel located at 144 Eddy Street from July 1, 2014 through June 30, 2024 for use by the Department of Public Health's Direct Access to Housing program. According to Mr. Charlie Dunn, Senior Real Estate Officer at the Real Estate Division, DPH is submitting the proposed lease extension to the Board of Supervisors for retroactive approval because the City did not conclude negotiations with Empress, LLC for the lease extension until June 13, 2014.

The provisions of the lease extension are shown in Table 1 below.

¹ McKinney Vento Homeless Assistance Act of 1987 is a federal grant program run by the U.S. Department of Housing and Urban Development to provide money for homeless shelter programs.

Table 1: Summary of the Lease Extension Provisions

Provision	Lease Terms
Square Feet	41,490
Term	July 1, 2014 through June 30, 2024
First Year Monthly Rent	\$60,687 (\$.146 per month)
First Year Base Rent	\$728,244 (\$17.55 per square foot)
Rent Increase	Based on a minimum rent increase 2%, at a maximum of 4%
Options to Extend	One 10-year options through June 30, 2034
Rent under Options to Extend	95% of Fair Market Value as determined by the Real Estate Division
Utilities, Janitorial, Security	Paid by City
Real Estate Taxes	Paid by Landlord

FISCAL IMPACT

Under the proposed resolution, DPH will pay Empress, LLC an initial annual rent of \$728,244 for the period of July 1, 2014 through June 30, 2015, the first year of the 10-year lease extension, as shown in Table 2 below. The base rent will increase by a minimum of 2% and a maximum of 4%. As shown in Table 2 below, under the proposed lease extension DPH will pay Empress, LLC between \$7,947,069 to \$8,743,375 over the course of the first 10-year term option.

Table 2: Minimum and Maximum Rent Payment by DPH for the Empress Hotel

Fiscal Year	Minimum Rent (Annual 2% Increase)	Maximum Rent (Annual 4% Increase)
2014-15	\$728,244	\$728,244
2015-16	\$742,809	\$757,374
2016-17	\$757,665	\$787,669
2017-18	\$772,818	\$819,175
2018-19	\$788,275	\$851,942
2019-20	\$804,040	\$886,020
2020-21	\$820,121	\$921,461
2021-22	\$836,523	\$958,319
2022-23	\$853,254	\$996,652
2023-24	\$870,319	\$1,036,518
TOTAL	\$7,974,069	\$8,743,375

* Lease years begin on July 1 and end June 30 of each year.

The FY 2014-15 rent of \$728,244 is \$49,294 or 7.3% more than FY 2013-14 rent of \$678,950. According to Mr. Dunn, the first year rent of \$728,244 represents 95% of fair market value based on the department’s evaluation of market rates.

Sources of funds for the proposed lease extension are General Fund monies in the FY 2014-15 DPH budget, as approved by the Board of Supervisors, and U.S. Department of Housing and Urban Development (HUD) McKinney Vento Homeless Assistance Act grant funds. As shown in Table 3 below, HUD grant funds will contribute 62% of the base rent, for an amount of \$451,055 in FY 2014-15, and DPH funds will pay the remaining 38% of the base rent, or \$277,189 in 2014-15. According to Mrs. Margot D. Antonetty, Interim Director of Housing and Urban Health at the Department of Public Health, HUD grant funds are applied for and provided annually and are expected to be available at the same rate for the remainder of the first 10-year lease extension for the Empress Hotel.

Table 3: Funding for Base Rent for the Empress Hotel from July 1, 2014 to June 30, 2015

Source of Funding	Percent	Amount
U.S. Department of Housing and Urban Development McKinney Vento Homeless Assistance Act Grant Funds	62%	\$451,055
Department of Public Health General Fund	38%	\$277,189
TOTAL		\$728,244

RECOMMENDATION

Approve the proposed resolution.

Item 3
File 14-0011

Department:
Recreation and Parks Department (RPD)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the San Francisco Recreation and Park Department (the Recreation and Park Department) to accept and expend a grant award from the California Department of Parks and Recreation's Land and Water Conservation Fund totaling \$249,835 with a Recreation and Park Department match requirement of \$249,835 to support the development of Phase I of the McLaren Bike Park Project.

Key Points

- In February 2008 San Francisco voters approved \$185,000,000 for the Clean and Safe Neighborhood Parks Bond, including \$5,000,000 for the Community Opportunity Fund, the Recreation and Park Department-managed capital program allowing residents, neighborhood groups, and advocates to initiate park improvements by matching public funding with other gifts and grants.
- In January 2013 McLaren Bike Park, a two-phase project located within city-owned and the Recreation and Park Department-managed McLaren Park, became one of ten city projects recommended for approval by the Community Opportunity Fund Project Selection Committee. A joint project between the Recreation and Park Department and the non-profit San Francisco Urban Riders (SFUR), McLaren Bike Park will be the first of its kind purposed bike recreation facility in San Francisco. The Committee supported the full Phase I funding request of \$249,835.
- In July 2013 the Recreation and Park Department received confirmation from California Department of Parks and Recreation that a \$249,835 matching grant for Phase 1 of the McLaren Bike Park Project had been recommended for approval, with a grant contract term of approximately 2 years and 9 months, from October 1, 2013 to June 30, 2016.
- The total Phase 1 Budget of \$499,670 will be directed towards construction costs although a detailed construction budget is not yet available. SFUR recently completed raising money to pay for project soft costs, including completion of the final project design. A designer was hired as of July 2014 and design is proceeding through approximately November 2014, to be followed by a bid and award phase through approximately April 2015. Construction is expected to be completed in late 2015. There is currently no funding, budget, or timetable for Phase 2, which has an estimated total cost of approximately \$1 million.

Fiscal Impact

- All \$499,670 in grant and Community Opportunity Fund matching funds will be allocated to the construction contract, which will be awarded through a competitive bid process. To date no grant or matching funds have been expended by the Recreation and Park Department.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

City Administrative Code Section 10.170-1 states that accepting Federal, State, or third-party grant funds in the amount of \$100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval.

BackgroundCommunity Opportunity Fund

In February 2008 San Francisco voters approved \$185,000,000 in Clean and Safe Neighborhood Parks Bonds to pay for capital improvements to Recreation and Park Department parks and facilities. The bond funds included an allocation of \$5,000,000 for the Community Opportunity Fund, a capital program allowing residents, neighborhood groups, and advocates to initiate park improvements by matching public funding with other gifts and grants.

The third and final series of the bonds were sold in January 2012 in the amount of \$76,000,000, including a Community Opportunity Fund allocation of \$1,250,000. The Recreation and Park Department staff and the Community Opportunity Fund Project Selection Committee subsequently worked with the San Francisco Parks Alliance to develop an outreach strategy and to find “as many potential applicants as possible” for suitable Community Opportunity Fund projects. (See Attachment 1 for details on the Community Opportunity Fund Project Selection Committee.)

Between March 22 and April 10, 2012, a series of five Applicant Workshops were held across the City. The Recreation and Park Department staff received 25 applications totaling \$3,600,000 in requests for \$1,250,000 in available funds, with submissions from all eleven supervisorial districts. Based upon previously developed Community Opportunity Fund Project Selection Criteria (see Attachment 2), the Selection Committee evaluated the proposals¹ in November and December 2012 and voted to accept or decline the applications by simple majority.

McLaren Bike Park Project

The proposed resolution will authorize the Recreation and Park Department to accept and expend a grant of \$249,835 from the California Department of Parks and Recreation’s Land and Water Conservation Fund to support the development of Phase 1 of the McLaren Bike Park Project. The McLaren Bike Park Project is a two-phase project within city-owned McLaren Park, a property operated and maintained by the Recreation and Park Department. The proposed project will be located along Sunnydale Avenue, adjacent to the Sunnydale Housing Project. On January 25, 2013, this project became one of ten city projects recommended for approval by

¹ Two types of projects were eligible: menu projects (simple in scope, involving the replacement or adding of basic amenities), and custom projects (more complex, requiring greater planning and design). Project proposals were rated on a 120 point scale, equally weighted between four criteria: (1) Project Planning and Readiness, (2) Leverages Outside Resources, (3) Park Experience and Identity, and (4) and Fosters Stewardship and Community Building.

the Community Opportunity Fund Project Selection Committee. The Committee supported the full Phase I funding request of \$249,835.

The McLaren Bike Park is a joint project between the Recreation and Park Department and San Francisco Urban Riders, a non-profit coalition of recreational cyclists who have been advocating for the construction of a bike park in this location for many years. The park will be an exclusive-use bike facility – the first of its kind in San Francisco. Recreation and Park Department staff have described the proposed location of the bike park as “underutilized”, “derelict”, and “blighted”; Recreation and Park Department Assistant Deputy Director of Development, Ms. Daliah Khoury, noted the site has “basically been used as an illegal garbage dump”.

The \$249,835 funding allocation from the \$1,250,000 Community Opportunity Fund allocation from the 2008 Clean and Safe Neighborhood Parks Bonds made the project eligible for a matching grant from the National Park Service’s Land and Water Conservation Fund (LWCF), which provides funding to States for the “planning, acquisition, and development of outdoor recreation areas and facilities”. The program is administered at the State-level by the California Department of Parks and Recreation.

The Recreation and Park Department staff recommended the Recreation and Parks Commission authorize a resolution to apply for a matching grant in the amount of \$249,835 in March 2013. In July 2013, the Recreation and Park Department received confirmation from the California Department of Parks and Recreation that Phase I of the McLaren Bike Park Project had been recommended for approval in the amount requested.

DETAILS OF PROPOSED LEGISLATION

As noted above, the proposed resolution will authorize the Recreation and Park Department to accept and expend a grant of \$249,835 from the California Department of Parks and Recreation’s Land and Water Conservation Fund to support the development of Phase 1 of the McLaren Bike Park Project. This grant contract has a term of approximately 2 years and 9 months, from October 1, 2013 to June 30, 2016, and will be matched with \$249,835 of funding from the Community Opportunity Fund, for a total Phase 1 budget of \$499,670. Recreation and Park Department staff have confirmed that to date no grant or matching funds have been expended on the project.

McLaren Bike Park will be the first-of-its-kind bike recreation facility in San Francisco. It will be completed over two phases and will include beginner and intermediate bicycle trails, BMX² terrain parks and other urban BMX elements, picnic areas, improved signage and facilities, and native species vegetation trails. The site has approximately two acres along Sunnydale Avenue in the southern section of McLaren Park. The design was completed by Alpine Bike Parks, LLC, who were commissioned and funded by SF Urban Riders.

According to Mr. Jacob Gilchrist, Recreation and Park Department Project Manager, Phase 1 work will include clearing and securing the site, minor soil remediation, establishing site

² BMX bikes differ from regular bikes in frame construction and tire size, and are used for racing and freestyling (stunts).

infrastructure such as water and drainage tie-ins, ensuring Americans with Disabilities Act (ADA) compliance, the build-out of a youth BMX area, and a picnic area. The entire Phase 1 budget of \$499,670 will be directed towards construction costs.

Mr. Gilchrist states that SF Urban Riders recently completed fundraising for additional soft costs associated with Phase 1 planning, and a designer, Theresa Zaro Landscape Architecture, was hired as of July 2014. Construction documents will be completed over the next several months through approximately November 2014 and the public bid and award phase over another five months through approximately April 2015. Once begun construction is expected to take about six months with an expected completion date in late 2015.

Upon completion of Phase 1 about one-third of the site will be open and ready for public use, with the youth-focused facilities being the main public amenity. The remaining two-thirds will be inaccessible to the public until work on Phase 2, which will include facilities for adults and more experienced riders, has been completed. There is currently no funding, budget, or timetable for Phase 2, which has an estimated total cost of approximately \$1 million.

FISCAL IMPACT

Budget

According to Ms. Alexis Ward, Assistant Project Manager at the Recreation and Park Department, the proposed budget of \$499,670 including \$249,835 from a National Park Service Federal grant and \$249,835 from the Community Opportunity Fund matching allocation will be used for Phase 1 construction costs and engineering and architectural costs, as shown in Table 1 below.

Table 1: Total Grant Awards – McLaren Bike Park Project – Phase 1

	National Park Service Federal Grant (50%)	Community Opportunity Fund Match (Clean and Safe Neighborhood Park Bond Funds) (50%)	Total
Picnic Areas – Construction	\$40,125	\$40,125	\$80,250
Bicycling on Unpaved Surfaces - Construction	207,890	207,890	415,780
Engineering and Architectural Fees	1,820	1,820	3,640
Total	\$249,835	\$249,835	\$499,670

According to Ms. Ward, Phase 1 project planning, design, and other soft costs are estimated to be between \$200,000 to \$250,000, which will be funded through a combination of cash gifts, in-kind services, and Community Opportunity Fund program monies. The Department has

already expended \$40,000 in Community Opportunity Fund monies³ for a site survey, soil report, California Environmental Quality Act (CEQA) review, and internal project management costs. As noted above, SF Urban Riders hired an architect in July 2014 to complete the project design and construction documents.

As of this writing the Recreation and Park Department does not have an estimate of the Bike Park's future maintenance costs once the project has been completed.

RECOMMENDATION

Approve the proposed resolution.

³ According to Mr. Gilchrist, Community Opportunity Fund monies, in addition to the \$249,835 matching funds to the grant, are available to pay soft costs for the project.

ATTACHMENT 1 – COMMUNITY OPPORTUNITY FUND PROJECT SELECTION COMMITTEE

A review panel comprised of the General Manager’s Office, PROSAC, and RPD Commission appoints the Selection Committee. The General Manager’s Office will pre-screen and prepare application packet for review.

- (1) PROSAC member
- (1) RPD Commissioner
- (1) Community Organizer/Representative from a High Needs, Underserved area
- (1) Member of a parks support/stewardship group
- (1) Youth Member (Youth Commission)
- (1) Programming/Service Provider
- (1) Landscape Architect

The term of commitment is 2 years and will include the Round 2 submissions. Selection Committee members will be required to disclose any relation, interest, or park site they hold in a particular project application. The Selection Committee member will be recused from the application and will not score, rank, or discuss the specific application. Failure of disclosure will result in disqualification of the application

Cara Ruppert, Landscape Architect

Cara Ruppert is a San Francisco resident and a practicing Landscape Architect. She is deeply committed to improving her fellow citizens’ quality of life through public spaces. Her career has focused on public parks and spaces. She is active in community based design and providing quality outdoor recreation to neighborhoods lacking parks and open spaces.

As a landscape architect, she has enjoyed a broad range of projects, from small nonprofit projects to large public park improvements. She has managed over \$100 million of landscape architecture scope and supervised dozens of projects. Her background has given her experience in community outreach and community-based design, and she finds herself most inspired when working with the community.

Trevor Nguyen, Resident of High Needs/Underserved Area

Trevor Nguyen is a business development professional focused on local businesses and start-ups, with experiences in business law and real estate. As a lawyer and real estate broker, he provides strategic legal and financial analyses to business projects and working groups.

Trevor enjoys being proactive and involved in community organizations providing social services and promoting diversity. He has served and held leadership positions on various community non-profit groups. Previously, he was the Member-at-Large, and then Social Chair, on the Gay Asian Pacific Alliance promoting political awareness and social activism. Currently, he advises the Asian Pacific-Islander Wellness Center (APIWC) as a member on both the Community Advisory Board, and the Financial Advisory Committee.

Terence Yang, Youth Committee Member

Terence Yang is San Francisco high school student. He is a member of Crocker Amazon's Open Advisory Board and is also a member of the “Greenager” program, a group devoted to environmental literacy among youths. He hopes to accurately voice the opinions of his peers as a member of this committee and have a more direct hand in the positive progress of San Francisco’s parks.

Tom Harrison, San Francisco Recreation and Parks Commissioner

Tom Harrison, born and raised in San Francisco, was appointed to the Recreation and Park Commission in October 2004 by Mayor Gavin Newsom. He was sworn into office by Mayor Newsom in November 2004.

Mr. Harrison worked for the Recreation and Park Department beginning in 1964 as an Assistant Gardener and was promoted to Gardener in 1972. After 28 years of service and many assignments after, he was then hired by Laborers Local 261 as a Union Representative. Mr. Harrison was appointed to serve the Gardeners and Laborers of the City. In 2002 he was promoted to Assistant Business Manager of Local 261. He retired from City Employment in 2004 completing 30 years of service to the City and County of San Francisco.

Commissioner Harrison takes great personal pride in his appointment to the Recreation and Parks Commission, "I have a great respect for the people of San Francisco for whom I serve."

Linda D'Avirro, Member of the Parks, Recreation, and Open Space Committee

A resident of the Outer Mission whose personal and professional career combines travel, volunteerism, issues management, negotiations and sales, enjoys working collaboratively as a member of several community neighborhood Boards, including Precita Eyes Muralists Association, the District 11 Council of Neighborhood Groups, District 11 member (one of two) of the Parks and Recreation Open Space Advisory Committee/P.R.O.S.A.C. and others.

She is committed to pursuing the vision that our parks and public spaces are a source of personal inspiration and renewal and looks to the COF for a pathway furthering that vision. Linda hopes to continue sharing her knowledge and skills offered by the opportunity to be part of the collaborative process as a member of the Community Opportunity Fund Selection Committee.

Jonathan Silverman, Recreation Program/Service Provider

Jonathan's organization, Feel The Earth, is actively supporting the Mayor's efforts for healthy and sustainable food through "hands-on" interactive workshops in sustainable agriculture, gardening, dance performances, and natural edible artistic projects. Jonathan has an extensive horticultural and project manager background. He was a key player in the restoration of Project Alcatraz, Pe'ah Garden (1-acre organic food project for the San Francisco Food Bank), Full Circle Farm (11-acre food project for the Santa Clara Unified School District), and a decade of California Native Plant Society restoration work throughout San Francisco. Recently, he launched "Seeds On Streets", "LEARN the ART of SEEDING", and "Farm Yoga". He is currently working with San Francisco libraries and community gardens using ground breaking permaculture design concepts to support the urban agriculture movement.

William Weil, Park Steward

Bill has been a member of the Steering Committee for the Friends of Upper Douglass Dog Park for almost two years and has served as the group's treasurer for most of that time. We has helped organize their Dogtoberfest event, has coordinated several park clean up days, and was key to moving forward with the gift from FUDDP for the new entry gate. Bill is also a member of NPC's Steering Committee.

Before retiring, he spent many years working on computer systems, interfaces, and procedures and processes. He is very familiar with the dynamics of group decision-making that will be a part of the COF selection process.

**COMMUNITY OPPORTUNITY FUND
PROJECT SELECTION CRITERIA**

	MENU	CUSTOM
1. PROJECT PLANNING & READINESS	30	30
Project is well planned and ready to begin.	12	6
Applicant has demonstrated evidence of community support/"buy-in" for the proposed improvements.	18	6
Project budget and plan for community-funded portion is complete and accurate.	n/a	6
Applicant has shown a strong track record of collaborative projects and partnerships with RPD or other City agencies within the applicant team.	n/a	6
For leveraging, the applicant has convened groups or individuals with experience in the proposed type of project for in-kind support, or has adequately demonstrated how the sweat equity or financial match will occur.	n/a	6
2. LEVERAGES RESOURCES	30	30
Leverages financial contributions appropriate to project scope. (20% = 5 points, 35% = 10 points, 50% = 15 points)	15	15
Leverages additional sweat equity or in-kind donations appropriate to project scope.	10	10
Commitment to leverage resources is well documented.	5	5
3. PARK EXPERIENCE AND IDENTITY	30	30
Enhance park aesthetics or address a capital need of the park.	5	5
Increase neighborhood use and enjoyment of the park.	5	5
Include environmentally beneficial/sustainable features or improve sustainability by reducing maintenance of the park feature.	5	5
Increase the flexibility of park features, such as shifting a single-use feature into a multi-use feature.	5	5
Target high need populations (seniors, youth, teens, residents in dense park-deficient neighborhoods, etc).	5	5
Enhance habitat for native or non-invasive plants and animals.	5	5
4. FOSTERS STEWARDSHIP AND COMMUNITY BUILDING	30	30
Increases the number of residents engaged in the park and build a stable network of community residents and park users.	10	5
Enhances the park in a manner that will inspire neighbors to commit to using and maintaining the park.	5	5
Project and/or stewardship activities promote interaction of diverse parts of the community.	10	5
Located in a high need neighborhood (seniors, youth, teens, residents in dense park-deficient neighborhoods, etc).	5	5
Proposes a means to work with RPD to help maintain the improvements upon project completion.	n/a	5
The applicant team is experienced in organizing or overseeing volunteers or plans to work with an organization that is experienced in volunteer stewardship.	n/a	5
TOTAL	120	120
BONUS INNOVATION POINTS	5	5

<p>Items 5 and 6 Files 14-0781 and 14-0586</p>	<p>Department: Public Utilities Commission (PUC)</p>
<p>EXECUTIVE SUMMARY</p>	
<p>Legislative Objectives</p>	
<p>File 14-0781: The proposed resolution would approve an emergency public work contract between the Public Utilities Commission (PUC) and Monterey Mechanics to perform immediate work to improve the Sunol Valley Water Treatment Plant in order to treat water from the Lower Cherry Aqueduct in response to an emergency drought declaration.</p>	
<p>File 14-0586: The proposed resolution would approve an emergency public work contract not to exceed \$16,000,000 between the Public Utilities Commission (PUC) and contractor Flatiron West, Inc. to perform immediate work to repair the Lower Cherry Aqueduct in response to an emergency drought declaration.</p>	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • On February 21, 2014 the Vice President of the PUC approved an emergency declaration regarding drought conditions and the need for critical repairs and projects to expand the City’s supply of water, consisting of the proposed repair of the Lower Cherry Aqueduct and improvements to various conveyance and treatment facilities including the Sunol Valley Water Treatment Plant (SVWTP). • According to PUC staff, the Lower Cherry Aqueduct, which conveys water from Cherry Creek located in Tuolumne County, was damaged by the 2013 Rim Fire. The Sunol Valley Water Treatment Plant (SVWTP) treats all water from the Calaveras and San Antonio reservoirs, which provide 10% of the City’s water supply. PUC states that repairs to the SVWTP are needed to reliably treat water from the Lower Cherry Aqueduct. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • The Lower Cherry Aqueduct project budget is \$18.1 million, which is funded by Water Revenue Bonds and other sources appropriated by the Board of Supervisors in June 2014. Of the \$18.1 million budget, \$14 million funds the proposed contract between PUC and Flatiron West for construction management/general contractor services. • The SVWTP project is \$8.5 million, which is funded by Water Revenue Bonds and other sources appropriated by the Board of Supervisors in June 2014. Of the \$8.5 million budget, \$5.1 million funds the proposed contract between PUC and Monterey Mechanical for construction management/general contractor services. 	

Recommendations

- Amend File 14-0586 to reduce the not-to-exceed contract amount by \$2,000,000, from \$16,000,000 to \$14,000,000.
- Amend File 14-0781 to specify that the public work contract being approved as an emergency contract is the contract between PUC and Monterey Mechanical for construction management/general contractor services for the Sunol Valley Water Treatment Plant project in an amount not to exceed \$5,137,000. The following revisions to the proposed resolution should be made:
 - Lines 3 through 7 on page 1 should be revised to state: “Resolution approving the emergency public work contract between the San Francisco Public Utilities Commission and Monterey Mechanical under San Francisco Administrative Code Section 6.60 to perform immediate work to repair Sunol Valley Water Treatment Plant, San Antonio Pump Station and related infrastructure in an amount not to exceed \$5,137,000.
 - Lines 3 through 5 on page 4 should be revised to state: “Whereas, the repairs to Sunol Valley Water Facilities to extend SFPUC water supplies have estimated project costs of \$8.5 million;” and
 - Lines 16 through 18 on page 4 should be revised to state: “Resolved, that the Board of Supervisors approves the emergency contract between PUC and Monterey Mechanical under Administrative Code Section 6.60 for an amount not to exceed \$5,137,000;”
- Approve the proposed resolutions as amended.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

In accordance with Administrative Code Section 6.60, an emergency contract awarded by a City department that exceeds \$250,000 requires approval by the Board of Supervisors. Administrative Code provisions also authorize department heads responsible for such emergency work to award and proceed with emergency contracts, which are not subject to the City's regular competitive bidding procedures. The Administrative Code defines an emergency as a sudden, unforeseeable and unexpected occurrence or a discovery of a condition involving a clear and imminent danger, demanding immediate action to prevent or mitigate loss or damage to, life, health, property or essential public services.

Background

On February 10, 2014 the Mayor issued an Executive Directive to all City departments outlining initiatives to reduce water use. The Mayor specifically directed the Public Utilities Commission (PUC) to develop alternative sources of water supplies for both potable and non-potable uses.

According to the Vice President of the PUC, on February 19, 2014 precipitation in the Hetch Hetchy system was 47% below normal levels and snowpack was 22% below normal levels. On February 21, 2014 the Vice President of the PUC issued a Declaration of Emergency due to drought conditions. The Declaration found that repairs to the Lower Cherry Aqueduct and Sunol Valley Water Treatment Plant were critical to ensuring the sustainability of the City's water supply, and authorized the Water Enterprise to procure construction and professional services to conduct these repairs.

Lower Cherry Aqueduct

The Lower Cherry Aqueduct was constructed to convey water from Cherry Creek to supplement the City's primary water supply from the Hetch Hetchy Reservoir during a drought year. The Lower Cherry Aqueduct is able to provide the City with 200,000 acre-feet of water¹ from Cherry Creek in Tuolumne County, California.

According to PUC staff, the Lower Cherry Aqueduct, which was heavily damaged during the 2013 Rim Fire,² is in need of critical repairs in order to provide a reliable supplemental water supply. According to Mr. Carlos Jacobo, PUC Budget Director, damage from the Rim Fire included:

- Destruction of buildings that house mechanical equipment needed to operate the aqueduct.
- Destruction of hydraulic operating equipment making water conveyance from the aqueduct impossible.

¹ One acre-foot of water is equivalent to 325,851 gallons of water.

² The 2013 Rim Fire was the third largest wildfire in California history. The Rim Fire burned over 257,000 acres in Tuolumne County from August to September 2013.

- Accumulation of debris within the aqueduct tunnels, which may negatively impact water quality.

Sunol Valley Water Treatment Plant (SVWTP)

The SVWTP treats all water from the Calaveras and San Antonio reservoirs, which provide 10% of the City's water supply. The SVWTP consists of three facilities which pump, convey and treat water. The SVWTP currently has the capacity to treat 160 million gallons of water per day.

According to Mr. Carlos Jacobo, PUC Budget Director, several critical components related to the SVWTP's ability to pump and treat water are in need of repairs and upgrades in order to treat water from the Lower Cherry Aqueduct. On February 11, 2014, PUC approved the Water Enterprise Ten-Year Capital and Programmatic Plans, which approved the proposed repairs to the SVWTP during FY 2015-24. However, in response to the Declaration of Emergency, PUC determined that it was necessary to begin certain repairs immediately to enable the SVWTP to treat water from the Lower Cherry Aqueduct by Fall 2014 and therefore ensure the sustainability of the City's water supply.

DETAILS OF PROPOSED LEGISLATION

File-14-0586 would approve an emergency public work contract in accordance with Administrative Code Section 6.60 between the Public Utilities Commission and Flatiron West, Inc. to perform immediate work to repair the Lower Cherry Aqueduct. The immediate work is related to the drought declaration by the PUC. The contract is for construction management/general contractor services in an amount not-to-exceed \$14,000,000.

In order to expedite selection of a contractor, PUC conducted a modified competitive process to select a construction manager/general contractor for the Lower Cherry Aqueduct project. On March 10, 2014, PUC issued a Request for Proposals (RFP) to 21 pre-qualified firms to provide pre-construction, construction management, and general contractor services. Preconstruction services include participating in design coordination meetings, performing constructability reviews, and procuring items. Construction management and general contractor services include preparing a trade work package plan and procuring trade subcontractors through competitive bidding.

PUC received three proposals in response to the expedited RFP. The proposals were evaluated for both cost (50% of total score) and qualifications (50% of total score). The proposals were evaluated by staff from PUC, Treasure Island Development Authority and the Department of Public Works. As shown in Table 1 below, Flatiron West, Inc. received the highest score.

Table 1: RFP Evaluation Scores by Proposal – Lower Cherry Aqueduct

	<u>Flatiron West, Inc.</u>	<u>Shimmick Construction</u>	<u>Preston Pipeline</u>
Written Proposal Score	44.04	43.11	36.83
Cost Proposal Score	50.00	14.47	19.72
Total Score	94.04	57.58	56.55
Cost Proposal	\$951,351	\$3,287,200	\$2,411,750

Source: PUC

PUC awarded the contract to Flatiron on April 9, 2014 and Flatiron began providing preconstruction services, including working with the project design contract on project specifications.

According to Mr. Jacobo, during the contract negotiation process with Flatiron, PUC was made aware of unanticipated permitting requirements from the U.S. Forest Service that impacted the project's schedule and cost. PUC determined that due to the permitting requirements, the Lower Cherry Aqueduct will need to be completed in two phases. The first phase will include maintenance and construction to allow for the temporary conveyance of water in 2014. The second phase will include permanent repairs and upgrades to the Lower Cherry Aqueduct infrastructure after the requisite permits have been acquired.

File 14-0781 would approve an emergency public work contract in accordance with Administrative Code Section 6.60 between the Public Utilities Commission and Monterey Mechanical to perform immediate work to the Sunol Valley Water Treatment Plant (SVWTP). The immediate work is for improvements to the SVWTP in order to treat water conveyed from the Lower Cherry Aqueduct as part of the drought declaration by the PUC. The contract is for construction management/general contractor services in an amount not-to-exceed \$5,137,000.

In order to expedite selection of a contractor, PUC conducted a modified competitive process to select a construction manager/general contractor for the SVWTP project. On May 22, 2014, PUC issued an RFP to 5 pre-qualified firms to provide pre-construction, construction management and general contractor services for the repairs to SVWT facilities. Preconstruction services include participating in design coordination meetings, performing constructability reviews, and procuring items. Construction management and general contractor services include preparing a trade work package plan and procuring trade subcontractors through competitive bidding.

According to the RFP, the 5 firms had previously demonstrated their ability to deliver water treatment plant improvement projects. PUC received 2 proposals in response to the expedited RFP. The proposals were evaluated by PUC staff. The proposals were evaluated for both cost (50% of total score) and qualifications (50% of total score). As shown in Table 2 below, Monterey Mechanical received the highest score.

Table 2: RFP Evaluation Scores by Proposal - SVWTP

	Monterey Mechanical	Shimmick Construction
Written Proposal Score	40.22	39.20
Cost Proposal Score	50.00	28.87
Total Score	90.22	68.07
Cost Proposal	\$927,000	\$1,605,500

According to Mr. Jacobo, the proposed emergency repair contract will result in improved safety, reliability, and capacity of SVWTP as well as enable SVWTP to treat water from the Lower Cherry Aqueduct. Monterey Mechanical began preconstruction services on June 30, 2014. The work is expected to be completed by December 1, 2014.

FISCAL IMPACT

File 14-0586: The proposed contract between PUC and Flatiron for construction management/general contractor services for repair of the Lower Cherry Aqueduct includes a budget of \$14,000,000, of which \$992,636³ is for construction management services, and \$13,007,364 is for construction repair work, as shown in Table 3 below.

Table 3: Lower Cherry Aqueduct Contract Budget

Service	Budget
Construction Management Services	\$992,636
Construction Repair Work	13,007,364
Total Contract	\$14,000,000

The total project budget for the Lower Cherry Aqueduct project is \$18,100,000, which includes the proposed \$14,000,000 contract and \$4,100,000 for associated project costs, as shown in Table 4 below.

Table 4: Total Lower Cherry Aqueduct Project Budget

Project Phase	Budget
Project Design (PUC Staff and Consultants)	\$1,650,000
Construction Management (PUC Staff)	1,500,000
Planning and Permitting (PUC Staff)	750,000
Project Contingency (PUC Staff)	200,000
Subtotal	\$4,100,000
Flatiron West, Inc. Contract	\$14,000,000
Project Total	\$18,100,000

Source: PUC

³ Due to the new U.S. Forest Service permitting requirements and associated changes in the Lower Cherry Aqueduct project timelines and costs, the cost of pre-construction management services and general condition costs increased from \$951,351 to \$992,636.

On June 11, 2014 the Budget and Finance Committee approved a supplemental appropriation ordinance (File 14-0480) authorizing \$215,108,836 of Hetch Hetchy revenues, Cap and Trade allowances, and Power and Water Revenue for the PUC Hetch Hetchy Capital Improvement Program. Of the \$103,508,198 allocated for FY 2014-15, \$18,100,000 was allocated to fund the emergency repair work needed for the Lower Cherry Aqueduct.

The proposed resolution provides for a contract not-to-exceed amount of \$16,000,000 rather than the actual contract not-to-exceed amount of \$14,000,000. Therefore, the proposed resolution should be amended to reduce the not-to-exceed contract amount by \$2,000,000, from \$16,000,000 to \$14,000,000.

File 14-0781: The final negotiated contract between PUC and Monterey Mechanical for emergency repairs to the SVWTP is not to exceed \$5,137,000. Of the proposed not to exceed \$5,137,000, \$927,000 is for construction management services, and \$4,210,000 is for construction, as shown in Table 5 below

Table 5: SVWTP Contract Budget

Service	Budget
Construction Management Services	\$927,000
Construction Repair Work	4,210,000
Total Contract	\$5,137,000

The total project budget is \$8,513,000, which includes the not to exceed \$5,137,000 proposed contract and \$3,376,000 for associated project costs, as shown in Table 6 below.

Table 6: Total SVWTP Project Budget

Project Phase	Budget
Design and Engineering (PUC Staff)	\$718,000
PUC Staff	2,658,000
Subtotal	\$3,376,000
Monterey Mechanical Contract	5,137,000
Project Total	\$8,513,000

Source: PUC

On June 17, 2014 the Board of Supervisors approved an appropriation ordinance (File 14-0479) authorizing \$363,758,000 of proceeds from revenue bonds, Bay Area Water Supply and Conversation Agency pre-payment bonds, water revenues and water capacity fees for PUC's Water Enterprise's Capital Improvement Program. Of the \$181,213,000 allocated for FY 2014-15, \$8,513,000 will be allocated to fund the emergency repair work for the SVWTP.

The proposed resolution (File 14-0781) should be amended to specify that the public work contract being approved as an emergency contract is the contract between PUC and Monterey Mechanical for construction management/general contractor services for the Sunol Valley Water Treatment Plant project in an amount not to exceed \$5,137,000, as follows:

- Lines 3 through 7 on page 1 should be revised to state: “Resolution approving the emergency public work contract between the San Francisco Public Utilities Commission and Monterey Mechanical under San Francisco Administrative Code Section 6.60 to perform immediate work to repair Sunol Valley Water Treatment Plant, San Antonio Pump Station and related infrastructure in an amount not to exceed \$5,137,000.
- Lines 3 through 5 on page 4 should be revised to state: “Whereas, the repairs to Sunol Valley Water Facilities to extend SFPUC water supplies have estimated project costs of \$8.5 million;”
- Lines 16 through 18 on page 4 should be revised to state: “Resolved, that the Board of Supervisors approves the emergency contract between PUC and Monterey Mechanical under Administrative Code Section 6.60 for an amount not to exceed \$5,137,000;”

RECOMMENDATIONS

1. Amend proposed resolution (File 14-0586) to reduce the not-to-exceed contract amount by \$2,000,000, from \$16,000,000 to \$14,000,000.
2. Amend proposed resolution 14-0781 to (1) specify that the public work contract being approved as an emergency contract is the contract between PUC and Monterey Mechanical for construction management/general contractor services for the Sunol Valley Water Treatment Plant project in an amount not to exceed \$5,137,000, as follows:
 - Lines 3 through 7 on page 1 should be revised to state: “Resolution approving the emergency public work contract between the San Francisco Public Utilities Commission and Monterey Mechanical under San Francisco Administrative Code Section 6.60 to perform immediate work to repair Sunol Valley Water Treatment Plant, San Antonio Pump Station and related infrastructure in an amount not to exceed \$5,137,000.
 - Lines 3 through 5 on page 4 should be revised to state: “Whereas, the repairs to Sunol Valley Water Facilities to extend SFPUC water supplies have estimated project costs of \$8.5 million;”
 - Lines 16 through 18 on page 4 should be revised to state: “Resolved, that the Board of Supervisors approves the emergency contract between PUC and Monterey Mechanical under Administrative Code Section 6.60 for an amount not to exceed \$5,137,000;”
3. Approve the proposed resolutions as amended.

Item 8 File 14-0743	Department: Department of Public Health
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <p>The proposed resolution would approve an amendment to the contract between the Department of Public Health (DPH) and Edgewood Center for Children and Families (Edgewood Center) to provide mental health services for children, youth and families. The resolution would increase the total contract amount by \$8,974,194 from \$29,109,089 to \$38,083,283.</p> <p>Key Points</p> <ul style="list-style-type: none"> • On December 1, 2010, based on a competitive selection process, the Board of Supervisors authorized DPH to enter into a contract with Edgewood Center to provide mental health services for children, youth and families. The original contract amount was not-to-exceed \$29,109,089, with a five and one-half year term retroactive from July 1, 2010 to December 31, 2015. • The proposed amendment to the contract would increase the contract not-to-exceed amount to \$38,083,283. The increased contract amount is due to an expanded scope of work. The contract term is unchanged. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The contract not-to-exceed amount would increase by \$8,974,194 or 31 percent from \$29,109,089 to \$38,083,283 for the 18 months from July 1, 2014 through December 31, 2015. Actual and budgeted expenditures over the five and one-half year term of the contract from July 1, 2010 through December 31, 2015 are \$36,958,528, including a 12 percent contingency, or \$1,124,755 less than the contract not-to-exceed amount of \$38,083,283. Therefore, the Budget and Legislative Analyst recommends reducing the contract not-to-exceed amount by \$1,124,755 from the requested \$38,083,283 to the recommended \$36,958,528, based on the contract budget and actual expenditures to date. <p>Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed legislation to reduce the contract not-to-exceed amount by \$1,124,755 from the requested \$38,083,283 to the recommended \$36,958,528. • Approve the resolution as amended. 	

MANDATE STATEMENT

In accordance with Charter Section 9.118, (a) any contract for \$10,000,000 or more, or that extends for longer than ten years, or (b) such contract with an amendment of more than \$500,000, is subject to Board of Supervisors approval.

BACKGROUND

On December 1, 2010, based on a competitive selection process, the Board of Supervisors authorized the Department of Public Health (DPH) to enter into contract with Edgewood Center for Children and Families to provide mental health services for children, youth and families. The original contract amount was not-to-exceed \$29,109,089, with a five and one-half year term from July 1, 2010 to December 31, 2015. The scope of work under the contract included implementation of the following programs:

- Behavioral Health Outpatient Kinship Early Periodic Screening, Diagnosis and Treatment (EPSDT)

Makes outpatient mental health, case management and medication support services more accessible to San Francisco residents by targeting EPSDT-eligible residents throughout San Francisco communities. Services include: 1) case management, 2) crisis intervention, 3) medication support services, and 4) mental health services.

- Early Childhood Mental Health Initiative

Builds capacity of parents, caregivers and early childhood providers to understand child development within a mental health perspective. Services include: 1) individual consultation, 2) group consultation, 3) class/child observation, 4) training/parent support group, 5) individual direct services, and 6) group direct services.

- Community-Based Day Treatment

Provides intervention and treatment to improve functioning of Seriously Emotionally Disturbed children and adolescents. Services include: 1) intensive day treatment, 2) day rehabilitation, 3) mental health services, and 4) crisis intervention.

- Primary Intervention Program

Designed to identify young children who are at risk of developing serious school adjustment problems. Activities include outreach and consulting services to 1) provide interventions to cope with stressful life situations, 2) enhance agencies' mental health knowledge in relation to the community and special population groups.

- School-Based Well Being

Capacity building services for teachers, families and children of Charles Drew College Preparatory Academy to deal with behavioral issues that may impede academic and social

progress. Direct services include: 1) mental health consultations, 2) access to family resource center, 3) teacher training, 4) behavior coaching, and 5) primary intervention programs.

- Juvenile Justice Mental Health Consultation & Training Program

Provides capacity building services to mental health service providers which increase the providers' ability to assess and meet behavioral health needs of at-risk and system-involved youth. Services include: 1) mental health consultation services, 2) direct services to youth and families, and 3) learning circle.

- Residentially-Based Day Treatment

Provides intervention and treatment to improve functioning of Seriously Emotionally Disturbed children and adolescents and transitions these populations to a lower level of care. Services include: 1) day treatment intensive therapy, 2) day rehabilitation, 3) mediation support services, 4) mental health services, and 5) crisis intervention.

- School Mental Health Partnership

Provides services in the Serious Emotional Disturbances classroom to assist students in meeting their educational and mental health goals. Services include: 1) crisis intervention, 2) mental health services, 3) medication support services, 4) indirect services including consultations to teachers, school staff and parents.

- Therapeutic Behavioral Services

Reduces severity, intensity and frequency of target behaviors that jeopardize a child's ability to step down and remain in a lower level of care. This program provides one-on-one, short-term interventions for children, youth and Transition-Aged Youth up to 21 years of age.

- Family Mosaic Wrap Around Services

Provides individualized contracts between a behavior coach, a youth and his or her family with the intent of: 1) developing strategies to improve patterns of communication, 2) increase parenting skills, 3) decreasing the child's disruptive or dangerous behaviors, and 4) increasing healthy participation from all family members.

- Wrap Around Services

Provides skills and support necessary for youth to function in their communities in family and family-like environments. Services include: 1) case management, 2) crisis intervention, 3) medication support services, and 4) mental health services.

Expenditures under the current contract

According to Ms. Anne Okubo, Deputy Financial Officer at DPH, total expenditures for this contract are \$21,494,454 from July 1, 2010 through June 30, 2014. These expenditures are summarized in Table 1 below.

Table 1: Contract Expenditures through June 30, 2014

Year	Expenditures
FY 2010-11	\$4,729,271
FY 2011-12	4,539,490
FY 2012-13	5,498,960
FY 2013-14	6,726,733
Total	\$21,494,454

Source: DPH

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve an amendment to the existing contract between DPH and Edgewood Center for Children and Families to provide mental health services for children, youth and families. The resolution would increase the total contract amount by \$8,974,194 from \$29,109,089 to \$38,083,283.

According to Ms. Okubo, the increase in the DPH contract with Edgewood Center is due to expanded services. The Department's FY 2014-15 budget, approved by the Board of Supervisors, included additional funds to increase behavioral health and other health services provided by community based organizations.

The scope of work to be performed by Edgewood Center under the proposed contract amendment would include the addition of the following programs:

- Educational Assessments

The educational assessment component will ascertain learning difficulties and identify areas for needed skills development, including whether the cause of learning difficulties is emotional, neurodevelopmental or due to a lack of learning opportunities.

- Youth Agency Mental Health Consultation (YAMHC)

Provides services to at-risk youth, including crisis intervention and short-term therapy.

- Hospital Diversion Program

Offers an intensive 24/7 service for behavioral health crisis stabilization, assessment and acute intervention. The purpose of this intensive level of care is to avoid psychiatric hospitalization as well as to provide a step-down from inpatient hospitalization to further stabilize symptoms and continue skills development and family/caregiver support.

- Crisis Triage

Provides a crisis stabilization, assessment and triage center that addresses the needs of children, youth and families experiencing a psychiatric emergency by appropriately evaluating mental status, intervening as necessary and triaging care to the most appropriate and least restrictive level of care. An additional goal is to reduce unnecessary use of adult hospital emergency departments for this category of care.

FISCAL IMPACTS

The proposed resolution would increase the contract not-to-exceed amount to \$38,083,283 from \$29,109,089, for an increase of \$8,974,194 or 31 percent.

The Budget and Legislative Analyst recommends reducing the contract not-to-exceed amount by \$1,124,755 from the requested \$38,083,283 to the recommended \$36,958,528, based on the contract budget submitted by DPH, as shown in Table 2 below.

Table 2: Budget and Legislative Analyst’s Recommendations

	Total
Actual expenditures through June 30, 2014	\$21,494,454
FY 2014-15 budget	9,204,806
FY 2015-16 budget (July to December)	4,602,403
12% contingency	1,656,865
Total actual and budgeted expenditures	\$36,958,528
Requested contract amount	38,083,283
Recommended reduction	(\$1,124,755)

RECOMMENDATIONS

1. Amend the proposed legislation to reduce the contract not-to-exceed amount by \$1,124,755 from the requested \$38,083,283 to the recommended \$36,958,528.
2. Approve the proposed resolution as amended.

Item 9 File 14-0744	Department: Department of Public Health
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <p>The proposed resolution would approve amendments to the two existing contracts between the Department of Public Health (DPH) and Richmond Area Multi Services, Inc. (RAMS) increasing the contracts' not-to-exceed amounts by \$9,181,979, from \$34,773,253 to \$43,955,232. The contract term from July 1, 2010 through December 31, 2015 remains unchanged.</p> <p>Key Points</p> <ul style="list-style-type: none"> • On December 1, 2010, the Board of Supervisors retroactively authorized two Department of Public Health (DPH) contracts with Richmond Area Multi-Services, Inc. (RAMS), a non-profit agency, to provide behavioral health services to 1) children, youth and families and 2) adults. (File 10-0927). Under the original resolution, the Board of Supervisors approved a term of five and one-half years for the two contracts from July 1, 2010 through December 31, 2015, and the combined amount for the two contracts was \$34,773,853. • Actual expenditures for the subject contracts are \$13,338,808 for children, youth and families and \$15,088,484 for adults from July 1, 2010 through June 30, 2014, totaling \$28,427,292. • The proposed resolution would approve amendments to the two existing contracts between DPH and RAMS increasing the contracts' not-to-exceed amounts by \$9,181,979, from \$34,773,253 to \$43,955,232, to be expended in Fiscal Years 2014-15 and 2015-16. • The increases in the two DPH contracts with RAMS are due to expanded services. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed resolution would increase the two contracts' total not-to-exceed amounts by \$9,181,979, from \$34,773,253 to \$43,955,232. • Based on expenditure data provided by DPH, the Budget and Legislative Analyst recommends reducing the not-to-exceed contract amount by \$1,448,718, from the requested \$43,955,232 to the recommended \$42,516,514. <p>Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to reduce the contract not-to-exceed amount for (a) children, youth and families by \$915,175, from the requested \$20,819,627 to the recommended \$19,904,452, and (b) adults by \$533,543, from the requested \$23,135,605 to the recommended \$22,602,062. The total recommended reduction in the not-to-exceed contract amount is \$1,448,718, from the requested \$43,955,232 to the recommended \$42,516,514. • Amend the proposed resolution (page 1, lines 14 through 17) to state that the contract amounts are increasing "by \$4,756,543 for services for children, youth and families, and \$4,425,436 for services for adults, respectively, a total value of \$8,631,146". • Approve the proposed resolution as amended. 	

MANDATE STATEMENT

In accordance with Charter Section 9.118, (a) any contract for \$10,000,000 or more or a term of more than ten years, or (c) such contract with an amendment of more than \$500,000, is subject to Board of Supervisors approval.

BACKGROUND

On December 1, 2010, the Board of Supervisors retroactively authorized two Department of Public Health (DPH) contracts with Richmond Area Multi-Services, Inc. (RAMS), a non-profit agency, to provide behavioral health services to 1) children, youth and families and 2) adults. (File 10-0927). Under the original resolution, the Board of Supervisors approved a term of five and one-half years for the two contracts from July 1, 2010 through December 31, 2015, and the combined amount for the two contracts was \$34,773,853.

Children, Youth and Families Contract

The scope of work for the children, youth and families contract included the following programs:

- Outpatient Services Program and Early Periodic Screening Diagnosis and Treatment

Provide mental health outpatient & prevention services that include individual & group counseling, family collateral counseling, targeted case management services, crisis intervention, substance abuse and risk assessment, psychiatric evaluation & medication management, psychological testing & assessment, psycho-education, information, outreach & referral services and collaboration/consultation with substance abuse, primary care and school officials.

- Outpatient Services School-Based Partnership

Counselors provide on-site mental health service to the students referred for services which may include initial assessment, individual therapy, group therapy, family therapy, case management, and collateral and crisis intervention.

- Wellness Centers Program

Referred students receive an on-site, face-to-face confidential assessment evaluation. The RAMS school-based assessment assesses the student's strengths and interactions between psychological, biological, sociocultural and environmental factors that are impacting the youths functioning in school, at home in the community.

- Fu Yau Project

Provides mental health consultations and early intervention services to children, prenatal to five years old, in order to prevent emotional disturbance. Interventions include individual and group consultations, child observations, training/parent support groups and direct services.

- Summer Bridge

An eight-week summer mentoring program for youth ages 16 to 20 currently enrolled in or recently graduated from high school. Outcomes include promoting awareness of psychological well-being and to foster interest in health and human services as career options.

Adult Contract

The scope of work for the adult contract included the following programs:

- Adult/Older Adult Outpatient Services Program

Serves adult and older adult residents in need of psychiatric services, ranging from those with severe behavioral health symptoms and functional impairments with many repeat users of higher end emergency, acute and institutional care and supporting transition into the community. Special focus serving the Asian and Pacific Islander and Russian-speaking communities.

- Hire-Ability Vocational Services – Employee Development Program

Provides vocational services including vocational assessments, job skills training, on-site work experience, vocational counseling and job coaching and classes/workshops aimed at building strengths toward employment readiness.

- Broderick Street Adult Residential Program

Operates a facility providing 24/7 behavioral and mental health services that include individual and group counseling, case management, crisis intervention, psychiatric evaluation and medication management; psycho-education, family collateral counseling; psychological testing and assessment; information & referral and consultation. Psycho-educational activities have included holistic & complementary practices, wellness recovery groups/workshops and psychotropic medication.

- Peer Specialist Mental Health Certificate Program

In collaboration with San Francisco State University, the Peer Specialist Mental Health Certification Program prepares consumers and or family members with the basic skills & knowledge for entry-level employment in the behavioral/mental health system of care with academic/career planning. Course activities include interactive lectures, classroom exercises, job shadowing, service learning reports and examinations.

Expenditures under the current contracts

Under the two existing contracts, Richmond Area Multi-Services submits invoices to DPH for the actual costs of salaries, fringe benefits, and other direct costs for reimbursements. According to Ms. Okubo, actual expenditures are \$13,338,808 for children, youth and families and \$15,088,484 for adults from July 1, 2010 through June 30, 2014, totaling \$28,427,292. These expenditures are summarized in Table 1 below.

Table 1: Contract Expenditures through June 30, 2014

Year	Children, Youth and Families	Adults	Total
FY 2010-11	\$3,022,718	\$2,657,026	\$5,679,744
FY 2011-12	3,106,949	3,877,678	6,984,627
FY 2012-13	3,345,073	4,134,773	7,479,846
FY 2013-14	3,864,068	4,419,007	8,283,075
Total	\$13,338,808	\$15,088,484	\$28,427,292

Source: DPH

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve amendments to the two existing contracts between DPH and Richmond Area Multi Services, Inc. increasing the contracts' not-to-exceed amounts by \$9,181,979, from \$34,773,253 to \$43,955,232, to be expended in Fiscal Years 2014-15 and 2015-16, as shown in Table 2 below.

Table 2: Proposed Increase in Not-to-Exceed Amounts

	Original Contract Amount	Previously Approved by Board of Supervisors	Proposed Amount	Increase from Original Amount
Children, Youth and Families	\$16,063,084	\$16,063,084	\$20,819,627	\$4,756,543
Adults	14,504,459	18,710,169	23,135,605	4,425,436
Total	\$30,567,543	\$34,773,253	\$43,955,232	\$9,181,979

Source: Contracts between DPH and RAMS

According to Ms. Anne Okubo, DPH Deputy Finance Officer, the increases in the two DPH contracts with RAMS are due to expanded services. The Department's FY 2014-15 budget, approved by the Board of Supervisors, included additional funds to increase behavioral health and other health services provided by community-based organizations.

The amended contract for adult services would also include the following additions to the scope of work:

- Broderick Street Adult Residential Care Facility

The Broderick Street Adult Residential Care Facility is a supportive housing program managed by the Department's Housing and Urban Health program. RAMS provides outpatient behavioral health, medication support, and other services to the 33 residents.

- i-Ability, Vocational IT

Provides IT vocational services including vocational assessments, job skills training, on-site work experience, vocational counseling & job coaching designed to provide IT support services and engage consumers for improved emotional/physical well-being and to obtain and retain competitive employment.

- Asian Pacific Islander Health Parity Coalition

Implements culturally-relevant mental health promotion/capacity building activities, which may include (1) mental health first aid trainings, (2) mental health peer educator trainings and outreach and (3) anti-stigma trainings and community presentations.

FISCAL IMPACT

The proposed resolution would increase the two contracts' total not-to-exceed amounts by \$9,181,979, from \$34,773,253 to \$43,955,232. Based on expenditure data provided by DPH, the Budget and Legislative Analyst recommends reducing the not-to-exceed contract amount by \$1,448,718, from the requested \$43,955,232 to the recommended \$42,516,514, as shown in Table 3 below.

Table 3: Budget and Legislative Analyst's Recommendations

	Children, Youth and Families	Adults	Total
Actual expenditures through June 30, 2014	\$13,338,808	\$15,088,484	\$28,437,292
FY 2014-15 budget	\$3,908,121	\$4,472,368	\$8,380,489
FY 2015-16 budget (July to December)	1,954,061	2,236,184	4,190,245
12% contingency	703,462	805,026	1,508,488
Total budget	\$6,565,644	\$7,513,578	\$14,079,222
Total actual and budgeted expenditures	19,904,452	22,602,062	42,506,514
Requested contract amount (See table 2 above)	20,819,627	23,135,605	43,955,232
Recommended reduction	(\$915,175)	(\$533,543)	(\$1,448,718)

The proposed resolution should be amended (page 1, lines 14 through 17) to correctly state the amount of the amended contract. The resolution currently states that the contract amounts are increasing "by \$8,631,146 for services for children, youth and families, and \$4,755,943 for services for adults, respectively, a total value of \$13,387,089". The resolution should be amended to state that the contract amounts are increasing "by \$4,756,543 for services for

children, youth and families, and \$4,425,436 for services for adults, respectively, a total value of \$8,631,146”.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the not-to-exceed contract amount for (a) children, youth and families by \$915,175, from the requested \$20,819,627 to the recommended \$19,904,452, and (b) adults by \$533,543, from the requested \$23,135,605 to the recommended \$22,602,062. The total recommended reduction in the not-to-exceed contract amount is \$1,448,718, from the requested \$43,955,232 to the recommended \$42,516,514.
2. Amend the proposed resolution (page 1, lines 14 through 17) to that the contract amounts are increasing “by \$4,756,543 for services for children, youth and families, and \$4,425,436 for services for adults, respectively, a total value of \$8,631,146”.
3. Approve the proposed resolution as amended.

Item 10 File 14-0745	Department: Department of Public Health
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objective</p> <ul style="list-style-type: none"> • The proposed resolution would authorize the first amendment of the contract between DPH and HealthRIGHT 360 to provide mental health and substance abuse services to adults, increasing the contract not-to-exceed amount by \$26,974,027, from \$42,477,760 to \$69,451,787. The contract expiration date of December 31, 2015 is unchanged. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In December 2010, the Board of Supervisors retroactively approved a five-year contract between the Department of Public Health (DPH) and Walden House Inc. from July 1, 2010 through December 31, 2015 for a total contract amount of \$54,256,545. In 2011, both Walden House and Haight Ashbury Free Clinics merged under the Haight Ashbury Free Clinics name until August 31, 2012 when the organization changed its name to HealthRIGHT 360. DPH reassigned the contract to HealthRIGHT 360 and revised the contract not-to-exceed amount to \$42,477,760 for the period from July 1, 2011 through June 30, 2015. • The increase in the DPH contract with HealthRIGHT 360 is due to increased services. The Department's FY 2014-15 budget, approved by the Board of Supervisors, included additional funds to increase behavioral health and other health services provided by community based organizations. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • DPH's actual expenditures under the contract with HealthRIGHT 360 from July 1, 2011 through June 30, 2014 are \$40,345,099. Contract services are funded through a combination of DPH General Funds, Federal and State grants, and City department work orders. • Under the proposed resolution, the DPH contract not-to-exceed amount with HealthRIGHT 360 would increase by \$26,974,027 or 63.5 percent, from \$42,477,760 to \$69,451,787 for the remaining 18 months of the contract from July 1, 2014 through December 31, 2015. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to reduce the contract not-to-exceed amount by \$4,889,384, from the requested \$69,451,787 to the recommended \$64,562,403. • Approve the proposed resolution as amended. 	

MANDATE STATEMENT

Section 9.118 (a) states any contracts or agreements entered into by a department requiring anticipated expenditures of \$10,000,000 or the modification to contracts having an impact of more than \$500,000 must be approved by the Board of Supervisors.

BACKGROUND

In December 2010, the Board of Supervisors retroactively approved a five-year contract between the Department of Public Health (DPH) and Walden House Inc. from July 1, 2010 through December 31, 2015 for a total contract amount of \$54,256,545 (Resolution 563-10). DPH Selected Walden House through a Request for Proposals (RFP) process to provide mental health and substance abuse services. In 2011, both Walden House and Haight Ashbury Free Clinics merged under the Haight Ashbury Free Clinics name until August 31, 2012 when the organization changed its name to HealthRIGHT 360. DPH reassigned the contract to HealthRIGHT 360 and revised the contract not-to-exceed amount to \$42,477,760 for the period from July 1, 2011 through June 30, 2015.

According to Mrs. Anne Okubo, Deputy Financial Officer at DPH, HealthRIGHT 360 provides substance abuse and mental health services to adults, including adult parolees, persons living with HIV, transgender adults, transitional aged youth.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the first amendment of the contract between DPH and HealthRIGHT 360 to increase the contract not-to-exceed amount by \$26,974,027, from \$42,477,760 to \$69,451,787. The contract expiration date of December 31, 2015 is unchanged.

According to Ms. Okubo, the increase in the DPH contract with HealthRIGHT 360 is due to increased services. The Department's FY 2014-15 budget, approved by the Board of Supervisors, included additional funds to increase behavioral health and other health services provided by community based organizations.

As shown in Table 1 below, DPH's actual expenditures under the contract with HealthRIGHT 360 from July 1, 2011 through June 30, 2014 are \$40,345,099.

Table 1: Contract Expenditures

	Actual Expenditures
FY 2010-11	\$1,020,358
FY 2011-12	12,781,123
FY 2012-13	12,993,460
FY 2013-14 ¹	13,550,158
Total	\$40,345,099

Source: DPH

¹ Expenditures estimated through June 30, 2014.

FISCAL IMPACT

Under the proposed resolution, the DPH contract not-to-exceed amount with HealthRIGHT 360 would increase by \$26,974,027 or 63.5 percent, from \$42,477,760 to \$69,451,787 for the remaining 18 months of the contract from July 1, 2014 through December 31, 2015. DPH will pay HealthRIGHT 360 through a combination of DPH General Funds, Federal and State grants, and City department work orders.

Based on the budget submitted by DPH, the Budget and Legislative Analyst recommends reducing the contract not-to-exceed amount by \$4,889,384, from the requested \$69,451,787 to the recommended \$64,562,403, as shown in Table 2 below.

Table 2: Budget and Legislative Analyst's Recommendation

Actual expenditures through June 30, 2014	\$40,345,099
Budgeted expenditures FY 2014-15	14,415,062
Budgeted expenditures July 1, 2015 through December 31, 2015	7,207,531
Total actual and budgeted expenditures through December 31, 2015	61,967,692
12% contingency July 1, 2014 through December 31, 2015	2,594,711
Total required contract amount	64,562,403
Total requested amount	69,451,787
Budget and Legislative Analyst's recommended reduction	(\$4,889,384)

RECOMMENDATIONS

Amend the proposed resolution to reduce the contract not-to-exceed amount by \$4,889,384, from the requested \$69,451,787 to the recommended \$64,562,403.

Approve the proposed resolution as amended.

Item 11 File 14-0746	Department: Department of Public Health
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <p>The proposed resolution would approve an amendment to the contract between the Department of Public Health (DPH) and MedImpact Healthcare Systems, Inc. (MedImpact) to provide third party administration services. The resolution approves the fifth amendment to the contract to (1) increase the not-to-exceed amount by \$5,880,000 to \$23,455,376 from \$17,575,346, and (2) extend the contract term by 18 months through December 31, 2015.</p> <p>Key Points</p> <ul style="list-style-type: none"> • In 2008, Department of Public Health (DPH) entered into a contract with MedImpact to provide third party pharmacy administration services to support the federal 340B Drug Program by providing online, point-of-service electronic claims administration for prescriptions issued by Community Health Network clinics and filled by select pharmacies, which includes instant verification of patient and provider eligibility for the 340B Dug Program as well as information on the patient’s co-pay status and formulary status of prescribed medication. The original contract was for an amount not-to-exceed \$840,000 for three years, beginning July 1, 2008 and ending June 30, 2011 with an option to extend the term for a maximum of nine years as defined in the RFP. • This contract was amended in 2009 (First Amendment) to increase the contract amount by \$6,888,000, from \$840,000 to \$7,728,000, in 2011 (Second Amendment) to increase the contract amount by \$2,172,000, from \$7,728,000 to \$9,900,000, and in 2012 (Third Amendment) to increase the contract amount by \$7,765,376 from \$9,900,000 to \$17,575,376 and extend the contract term by three years from July 1, 2011 through June 30, 2014, for a term of six years. A fourth amendment to the contract was exercised on May 9, 2013 which amended a section on the audit and inspection of records. • Under the fourth amendment, the total contract term is 7 ½ years and not-to-exceed amount is \$23,455,376. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • Under the proposed resolution, the contract amount would increase by \$5,880,000, or 33 percent, from \$17,575,346 to \$23,455,376 over the 18 months from July 1, 2014 through December 31, 2015. • Actual and budgeted contract expenditures over the entire term of the contract, including a 12 percent contingency, are \$22,134,625, which is \$1,320,751 less than the contract not-to-exceed amount to \$23,455,376. Therefore, the Budget and Legislative Analyst recommends reducing the contract not-to-exceed amount by \$1,320,751. <p>Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to reduce the contract not-to-exceed amount by \$1,320,751 from the requested \$23,455,376 to the recommended \$22,134,625. • Approve the resolution as amended. 	

MANDATE STATEMENT

In accordance with Charter Section 9.118, any contract (a) for \$10,000,000 or more, (b) or that extends for longer than ten years, or (c) such contracts with an amendment of more than \$500,000, is subject to Board of Supervisors approval.

BACKGROUND

According to Section 340B of the Federal Public Health Services Act, the Department of Public Health's Community Health Network (CHN) clinics are able to purchase outpatient drugs for eligible patients at discounted rates from drug manufacturers who enter into drug purchasing agreements with the United States Department of Health and Human Services. CHN clinics have contracted with certain pharmacies in the community, largely Walgreens, to dispense these discounted drugs exclusively to eligible CHN clinic outpatients on the CHN clinics' behalf. The program is referred to as the 340B Drug Program.

In December of 2007, MedImpact Healthcare Systems, Inc. (MedImpact) was selected by DPH through a competitive Request for Proposals (RFP) process to provide third party pharmacy administration services to support the 340B Drug Program by providing online, point-of-service electronic claims administration for prescriptions issued by CHN clinics and filled by select pharmacies, which includes instant verification of patient and provider eligibility for the 340B Drug Program as well as information on the patient's co-pay status and formulary status of prescribed medication¹.

In 2008, the City entered into a contract on behalf of the Department of Public Health with MedImpact for an amount not-to-exceed \$840,000 for three years, beginning July 1, 2008 and ending June 30, 2011 with an option to extend the term for a maximum of nine years as defined in the RFP. This contract was amended in 2009 (First Amendment) to increase the contract amount by \$6,888,000, from \$840,000 to \$7,728,000, in 2011 (Second Amendment) to increase the contract amount by \$2,172,000, from \$7,728,000 to \$9,900,000, and in 2012 (Third Amendment) to increase the contract amount by \$7,675,376 from \$9,900,000 to \$17,575,376 and extend the contract term by three years through June 30, 2014, for a term of six years. The third amendment was approved by the Board of Supervisors (File No. 13-0513) because it had exceeded the \$10,000,000 threshold established in Charter Section 9.118. A fourth amendment to the contract was exercised on May 9, 2013 which amended a section on the audit and inspection of records. No changes to the contract amount or contract term were made through this amendment.

¹ A formulary is a list of prescription drugs, both generic and brand name, that are preferred by a given health plan and are covered or partly covered in and are less expensive than name-brand or non-formulary prescription drugs.

Expenditures under the Current Contract

According to Ms. Anne Okubo, Deputy Financial Officer at DPH, total expenditures are \$16,254,625 from July 1, 2008 through June 30, 2014. These expenditures are summarized in Table 1 below.

Table 1: Contract Expenditures through June 30, 2014

Year	Expenditures
FY 2008-09	\$1,479,169
FY 2009-10	2,045,047
FY 2010-11	2,522,160
FY 2011-12	3,111,481
FY 2012-13	4,092,685
FY 2013-14	3,004,083
Total	\$16,254,625

Source: DPH

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve an amendment to the existing contract between DPH and MedImpact Healthcare Systems, Inc. to provide third party administration services. The resolution approves the fifth amendment to the contract to (1) increase the not-to-exceed amount by \$5,880,000 to \$23,455,376 from \$17,575,376, and (2) extend the contract term by 18 months through December 31, 2015. Therefore the total contract term would be 7 ½ years from July 1, 2008 through December 31, 2015.

FISCAL IMPACT

The proposed resolution would increase the contract not-to-exceed amount to \$23,455,376 from \$17,575,376, an increase of \$5,880,000 or 33 percent.

The Budget and Legislative Analyst recommends reducing the contract not-to-exceed amount by \$1,320,751 from the requested \$23,455,376 to the recommended \$22,134,625, based on the proposed contract budget, as shown in Table 2 below.

Table 2: Budget and Legislative Analyst's Recommendations

	Total
FY 2014-15 budget	\$3,500,000
FY 2015-16 budget (July to December)	1,750,000
12% contingency	<u>630,000</u>
Budgeted expenditures through FY 2015-16	5,880,000
Actual expenditures through June 30, 2014	<u>16,254,625</u>
Total actual and budgeted expenditures	22,134,625
Requested contract amount	<u>-23,455,376</u>
Recommended reduction	(\$1,320,751)

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the contract not-to-exceed amount by \$1,320,751 from the requested \$23,455,376 to \$22,134,625.
2. Approve the proposed resolution as amended.

Item 12 File 14-0748	Department: Department of Public Health
EXECUTIVE SUMMARY	
<p>Legislative Objective</p> <ul style="list-style-type: none"> • The proposed resolution would authorize the first amendment to the contract between DPH and HealthRIGHT 360 for fiscal intermediary services to (1) extend the term by four years from the original one-year term from January 1, 2014 through December 31, 2014 to the proposed five-year term from January 1, 2014 through December 31, 2018; and (2) increase the contract not-to-exceed amount by \$61,560,418, from \$9,700,495 to \$71,260,913. <p>Key Points</p> <ul style="list-style-type: none"> • On January 1, 2014, the Department of Public Health (DPH) entered into a contract with HealthRIGHT 360 to provide fiscal intermediary services on a fee-for-service basis to DPH health service contractors that are not able to directly receive payments for services from third party payers, such as MediCal, Medicare, and private insurance companies. Under the contract, HealthRIGHT 360 serves as the fiscal intermediary to several community based organizations providing behavioral health and other services to DPH, including Family Mosaic, Drug Court, Homeless Connect, and other programs. DPH selected HealthRIGHT 360 through a competitive Request for Proposals (RFP) process. • DPH selected HealthRIGHT 360 following a competitive Request for Proposals (RFP), issued in June 2013. These fiscal intermediary services were previously provided by Asian American Recovery Services under a seven-year contract from July 1, 2009 through June 30, 2016. DPH solicited a new fiscal intermediary services contract in 2013, rather than completing the existing contract with Asian American Recovery Services because Asian American Recovery Services merged with HealthRIGHT 360 as of January 2014. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • Actual contract expenditures for the first six months from January 1, 2014, through June 30, 2014 are \$4,493,413, and the contract budget from July 1, 2014 through December 31, 2018, including a 12 percent contingency, is \$58,304,383. Therefore, the total required amount for the contract is \$62,797,796, which is \$8,463,117 less than the requested amount. • DPH will pay for the contract with HealthRIGHT 360 through a combination of DPH General Funds, City department work orders, and State and Federal grants. <p>Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to reduce the contract not-to-exceed amount by \$8,463,117, from the requested \$71,260,913 to the recommended \$62,797,796. • Approve the proposed resolution as amended. 	

MANDATE STATEMENT

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

BACKGROUND

On January 1, 2014, the Department of Public Health (DPH) entered into a contract with HealthRIGHT 360 to provide fiscal intermediary services on a fee-for-service basis to DPH health service contractors that are not able to directly receive payments for services from third party payers, such as MediCal, Medicare, and private insurance companies. Under the contract, HealthRIGHT 360 serves as the fiscal intermediary to several community based organizations providing behavioral health and other services to DPH, including Family Mosaic, Drug Court, Homeless Connect, and other programs.

The original contract was for one-year from January 1, 2014 through December 31, 2014 for a total contract amount of \$9,700,495.

DPH selected HealthRIGHT 360 following a competitive Request for Proposals (RFP), issued in June 2013. These fiscal intermediary services were previously provided by Asian American Recovery Services under a seven-year contract from July 1, 2009 through June 30, 2016. DPH solicited a new fiscal intermediary services contract in 2013, rather than completing the existing contract with Asian American Recovery Services because Asian American Recovery Services merged with HealthRIGHT 360 as of January 2014.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the first amendment to the contract between DPH and HealthRIGHT 360 for fiscal intermediary services to (1) extend the term from January 1, 2014 through December 31, 2018, resulting in a five-year term; and (2) increase the contract not-to-exceed amount by \$61,560,418, from \$9,700,495 to \$71, 260,913.

FISCAL IMPACT

Under the proposed resolution, the DPH contract not-to-exceed amount with HealthRIGHT 360 would increase by \$61,560,418, from \$9,700,495 to \$71,260,913 for the five-year term of the contract term from January 1, 2014 through December 31, 2018. DPH will pay for the contract through a combination of DPH General Funds, City department work orders, and State and Federal grants.

DPH has spent \$4,493,413 on the contract from January 1, 2014 through June 30, 2014. Based on the budget submitted by DPH, the Budget and Legislative Analyst recommends reducing the contract not-to-exceed amount by \$8,463,117, from the requested \$71,260,913 to the recommended \$62,797,796, as shown in the Table below.

Table: Budget and Legislative Analyst's Recommendation

	Amount
<u>Budgeted Expenditures</u>	
FY 2014-15	\$11,568,330
FY 2015-16	11,568,330
FY 2016-17	11,568,330
FY 2017-18	11,568,330
July 1, 2018 - December 31, 2018	5,784,165
Budgeted expenditures July 1, 2014 – December 31, 2018	52,057,485
12% contingency July 1, 2014 through December 31, 2018	6,246,898
Total contract budget and contingency	58,304,383
Actual expenditures January 1, 2014 – June 30, 2014	4,493,413
Total required contract amount	62,797,796
Total requested amount	71,260,913
Budget and Legislative Analyst's recommended reduction	(\$8,463,117)

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the contract not-to-exceed amount by \$8,463,117, from the requested \$71,260,913 to \$62,797,796.
2. Approve the proposed resolution as amended.

Item 13 File 14-0670	Department: San Francisco International Airport (Airport)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize (1) the fourth amendment to an existing contract between the Airport and PGH Wong Engineering, Inc. (PGH Wong) for construction management services between the Airport and PGH Wong Engineering, Inc. (PGH Wong), and (2) the Airport Director to negotiate and execute future amendments to the contract. • The fourth amendment to the contract would increase the contract amount by \$2,835,000 from \$9,165,000 to \$12,000,000. The term would remain unchanged from the current term ending in June 30, 2015. The future contract amendments would increase the contract amount by \$1,700,000, from \$12,000,000 to \$13,700,000 and extend the term by 19 months to February 1, 2017. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • For large construction projects, the Airport awards construction management contracts for a contract term that is less than the full term of the project with the expectation that, if the contractor meets performance expectations, the Airport will amend the original contract to provide construction management services through the end of the project. • The Airport awarded the construction management contract for the Terminal 3 Boarding Area E improvement project to PGH Wong through a competitive process. The original contract between the Airport and PGH Wong was for a term of 22 months from August 2010 through June 30, 2012 and for a not-to-exceed contract amount of \$1,757,700. The Airport has amended the contract three times to (1) include administrative contract management services for the Boarding Area E improvement project and adjacent Terminal 3 East Improvement Project, (2) increase the not-to-exceed contract amount by \$7,407,750 to \$9,165,000, and (3) extend the contract term by 36 months through June 30, 2015. The original contract and subsequent amendments were not subject to Board of Supervisors approval because they did not meet the Charter required thresholds. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The fourth amendment to the contract would increase the not-to-exceed contract amount by \$2,835,000 from \$9,165,000 to \$12,000,000. The future amendments to the contract would increase the contract not-to-exceed amount by \$1,700,000 to \$13,700,000. The contract is funded by Airport revenue bonds. • According to Airport staff, the Airport does not anticipate additional amendments to the contract with PGH Wong Engineering that would increase the contract amount to more than \$13,700,000 or extend the contract term beyond February 1, 2017. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT / BACKGROUND

Mandate Statement

City Charter Section 9.118(b) states that (1) contracts entered into by a department, board or commission that have a term of more than ten years, or require expenditures of \$10 million or more, or (3) such contracts that require a modification with a \$500,000 impact or more are subject to Board of Supervisors approval.

Background

After the San Francisco International Airport (Airport) completed its renovation of Terminal 2 in 2011, it began renovating Terminal 3 including, among other various projects, renovating Boarding Area E and the Terminal 3 East Improvement Project.

Construction Management Services Contracts at the Airport

In September 2009, the Airport issued a Request for Qualifications (RFQ) to solicit statements of qualification from construction management companies in order to develop a pool of qualified companies that could provide construction management services on projects included in the Airport's 5-Year Capital Improvement Plan (CIP). In March 2010, the Airport received 11 statements of qualification, which were scored by a three-member panel. Of those companies that provided statements of qualification, the top seven scores were placed into the eligible pool of companies that could provide construction management services for projects included in the Airport's 5-Year CIP.

Table 1 below shows the seven companies in the pool and the scores they received.

Table 1: Pool of Companies Eligible for Construction Management Services Contracts for Projects in the Airport's 5-Year Capital Improvement Program

<u>Company</u>	<u>Score</u>
The Allen Group, LLC/ Cornerstone, Joint Venture	85.28
URS/ ECS, Joint Venture	84.93
F.E. Jordan/Hill International	84.57
PGH Wong Engineering, Inc.	75.67
EPC/CM West, Joint Venture	73.10
AECOM	72.33
PMA/NBA, Joint Venture	70.23

As the Airport began projects in the 5-Year CIP, the Airport issued competitive Requests for Proposals (RFP) to those companies in the eligible pool, which would then submit proposals that would be scored and subsequently awarded to the company that received the highest score.

PGH Wong Engineering, Inc.

In May 2010, the Airport issued a competitive RFP for construction management services for the Boarding Area E renovation project. Six of seven firms in the construction management pool submitted proposals that were reviewed by a three-member panel consisting of a senior

engineer from the Airport, a principal architect from the Airport, and a project manager from the Department of Public Works. Table 2 below shows that PGH Wong Engineering, Inc. (PGH Wong) received the highest score.

**Table 2: Companies and Scores for Boarding Area E of Terminal 3
Construction Management Services Contract**

NAME	SCORE
PGH Wong Engineering, Inc.	113.00
URS/ECS, Joint Venture	107.32
EPC Consultants, Inc.	106.07
FE Jordan/Hill International	104.28
AECOM	102.83
PMA/NBA, Joint Venture	101.77

In August 2010, the Airport awarded the contract in the not-to-exceed amount of \$1,757,250 for construction management services related to the Boarding Area E renovation project to PGH Wong. The original contract was not subject to Board of Supervisors approval because the contract amount was less than \$10 million.

The Airport amended the contract in February 2012, August 2013, and April 2014 to (1) expand the services provided under the original contract to include administrative construction management (ACM) services for both Boarding Area E and the Terminal 3 East Improvement Project, (2) increase the total not-to-exceed amount for the contract, and (3) extend the term of the contract, as shown in Table 3 below. The first, second, and third amendments to the original contract were not subject to Board of Supervisors approval because those amendments increased the total contract not-to-exceed amount to \$9,165,000, which did not exceed the \$10 million Charter threshold.

Contract Funding

In May 2014, the Board of Supervisors approved a resolution and an ordinance (Files 14-0237 and 14-0232 respectively) that authorized the Airport to issue \$1,969,830,773 in Airport Revenue Bonds in order to fund various capital projects including \$151,258,290 for the improvements to Terminal 3 discussed in this report. All of the construction management service contract costs will be paid for by using these approved Airport revenue bond proceeds.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize (1) the fourth amendment to an existing contract between the Airport and PGH Wong Engineering, Inc. (PGH Wong) for construction management services between the Airport and PGH Wong Engineering, Inc. (PGH Wong), and (2) the Airport Director to negotiate and execute future amendments to the contract.

- The fourth amendment to the contract would increase the contract amount by \$2,835,000 from \$9,165,000 to \$12,000,000. The term would remain unchanged from the current term from August 23, 2010 through June 30, 2015.

- The future contract amendments would increase the contract amount by \$1,700,000, from \$12,000,000 to \$13,700,000 and extend the term by 19 months to February 1, 2017.

For large construction projects, the Airport awards construction management services contracts for an initial term of one-year that can be amended to extend the term of contract if the Airport is satisfied with the contractor services, which allows the Airport to better manage the contract and related costs. Therefore, according to Ms. Judi Mosqueda, Airport Terminal Area Program Director, the Airport anticipates and has budgeted for two future contract amendments, of which:

1. The future fifth amendment to the contract would increase the amount by \$1,200,000 from \$12,000,000 to \$13,200,000, and extend the term by 12 months from June 30, 2015 to June 30, 2016; and
2. The future sixth amendment to the contract would increase the amount by \$500,000 from \$13,200,000 to \$13,700,000 and extend the term by 7 months from June 30, 2016 to February 1, 2017.

Table 3 below shows the approved, proposed, and future amendments to the contract between PGH Wong and the Airport.

Table 3: Summary of Construction Management Contract and Subsequent Amendments

Contract / Amendment	Not to Exceed Amount	Increase	Contract Start Date	Contract Expiration Date	Original Term and Extensions
Original Contract*	\$1,757,250	n/a	August 23, 2010	June 30, 2012	22 months
First Amendment	\$5,223,000	\$3,465,750	n/a	June 30, 2015	36 months
Second Amendment	\$7,400,000	\$2,177,000	n/a	June 30, 2015	0 months
Third Amendment	\$9,165,000	\$1,765,000	n/a	June 30, 2015	0 months
Proposed Fourth Amendment	\$12,000,000	\$2,835,000	n/a	June 30, 2015	0 months
Future Fifth Amendment	\$13,200,000	\$1,200,000	n/a	June 30, 2016	12 months
Future Sixth Amendment	\$13,700,000	\$500,000	n/a	February 1, 2017	7 months
Total	\$14,700,000	\$11,942,750	August 23, 2010	February 1, 2017	77 months

FISCAL IMPACT

The proposed resolution would approve the fourth amendment to the original contract between PGH Wong and the Airport for construction management services and would increase the total not-to-exceed contract amount by \$2,835,000 from \$9,165,000 to \$12,000,000. The fourth amendment does not change the contract end date of June 30, 2015.

A budget for the requested fourth amendment contract amount of \$2,835,000 is shown in Table 4 below.

Table 4: Summary of Original Contract, Amendments to Date, and Proposed Amendments

Contract Service	Original Contract*	Contract As Amended Through July 2014	Proposed Fourth Amendment	Total
Construction Management	\$1,359,697	\$6,693,748	\$1,946,600	\$8,640,348
Inspection and Material Testing	100,000	1,350,000	650,000	2,000,000
Document Control and Inspection	77,654	678,691	75,000	753,691
Environmental Monitoring	-	8,313	-	8,313
Contract Coordination	15,600	15,600	-	15,600
Procurement Services	43,898	30,391	-	30,391
Signage Consulting	-	203,300	88,400	291,700
Other Direct Costs	160,401	184,957	75,000	259,957
Total	\$1,757,250	\$9,165,000	\$2,835,000	\$12,000,000

According to Ms. Mosqueda, PGH Wong has, through May 2014, invoiced \$8,696,743 of the currently authorized not-to-exceed amount of \$9,165,000.

Table 5 below shows the proposed budget for the two future amendments to the construction management services contract between the Airport and PGH Wong that are anticipated to increase the total not-to-exceed amount of the contract by an amount up to \$1,700,000.

Table 5: Proposed Fourth Amendment and Future Fifth and Sixth Amendments Budget

Contract Service	Total Contract Amount Under Fourth Amendment	Future Fifth Amendment	Future Sixth Amendment	Total
Construction Management	\$8,640,348	\$425,000	\$234,000	\$9,299,348
Inspection and Material Testing	2,000,000	750,000	250,000	3,000,000
Document Control and Inspection	753,691	-	-	-
Environmental Monitoring	8,313	-	-	-
Contract Coordination	15,600	-	-	-
Procurement Services	30,391	-	-	-
Signage Consulting	291,700	-	-	-
Other Direct Costs	259,957	25,000	16,000	300,957
Total	\$12,000,000	\$1,200,000	\$500,000	\$13,700,000

According to Ms. Mosqueda, the Airport does not anticipate additional amendments to the contract with PGH Wong Engineering that would increase the contract amount to more than \$13,700,000 or extend the contract term beyond February 1, 2017.

RECOMMENDATION

Approve the proposed resolution.

Item 14 File 14-0671	Department: San Francisco International Airport (Airport)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the third amendment to the contract between the Airport and Parsons Brinckerhoff for construction management services related to the Airport Runway Safety Areas project. The proposed third amendment would increase the contract amount by \$4,820,000, from \$9,880,000 to \$14,700,000 and extend the contract end date by 11 months, from the current termination date of July 31, 2014 to the proposed termination date of June 30, 2015. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Runway Safety Areas (RSAs) are at the ends of runways and exist to reduce damage to the aircraft in the event that the aircraft overruns, undershoots, or veers off side the runway when landing or taking-off, which the Airport must construct in order to comply with federal law. • In August, 2012, the Airport awarded the construction management services contract for the Airport's RSA project to Parsons Brinckerhoff following a competitive process. • The Airport subsequently amended the contract in October 2013 and January 2014 to (1) increase the not-to-exceed amount of the initial contract by \$7,280,000, from \$2,600,000 to \$9,880,000 and (2) extend the term of the contract by 9 months from the initial 13 month term from October 1, 2012 through October 31, 2013 to the revised 22 month term through July 31, 2014. The original contract and subsequent amendments were not subject to Board of Supervisors approval because they did not meet the Charter thresholds. • Under the proposed fourth amendment, the total contract amount would be \$14,700,000 and the total contract term would be 33 months from October 1, 2012 through June 30, 2015. According to Airport staff, the Airport's Runway Safety Areas project is on budget and on schedule to be completed by June 30, 2015. Therefore, barring any unforeseen incidence, the Airport does not anticipate any further amendments to the subject construction management contract. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed resolution would amend the contract to increase the not-to-exceed contract amount by \$4,820,000 from \$9,880,000 to \$14,700,000 to provide for construction management services including contract employee salaries, equipment, materials and supplies, a departure management system and project contingency through the end of the RSA construction project. The contract is funded by Airport revenue bonds. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

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

Public Law 109-115 requires, among other things, that commercial service airports comply to the best extent practicable with Code of Federal Regulations 139.307, which requires the use of Runway Safety Areas by December 15, 2015.

Background

Runway Safety Areas (RSAs) are at the ends of runways and exist to reduce damage to the aircraft in the event that the aircraft overruns, undershoots, or veers off side the runway when landing or taking-off. According to the Code of Federal Regulations (CFR) Section 139.307, RSAs must: (1) be cleared and graded and have no potentially hazardous ruts, humps, depressions, or other surface variations, (2) be drained by grading or storm sewers to prevent water accumulation, (3) support snow removal and aircraft rescue and firefighting equipment and occasional passage of aircraft without causing major damage to the aircraft, and (4) be free from all objects located in the RSA except for objects that need to be located in a safety area because of their function.

One of the technologies available for commercial service airports to make RSAs safer and less damaging to the aircraft, as required under CFR Section 139.307(3), is an Engineered Material Arresting System (EMAS), which uses crushable concrete in the RSA. Any aircraft that rolls onto the EMAS will sink into the material and should be safely slowed, without damaging the aircraft.

In May 2010, the Board of Supervisors approved a resolution (File 10-0493) that found that the plan that was proposed by the San Francisco International Airport (Airport) to improve the RSAs at the Airport by installing EMAS of various sizes and specifications was fiscally feasible.

In June 2012, the Airport issued a competitive Request for Proposals (RFP) for construction management services including project scheduling, project controls and reporting, project inspection, and budgeting related to the Airport's RSA project. In July 2012, three private firms submitted proposals, which were scored by a three-member panel that included one current Airport employee, one former Airport employee and one representative from the Federal Aviation Administration (FAA). As shown in Table 1 below, Parsons Brinckerhoff, Inc. (Parsons Brinckerhoff), a private for-profit company, received the highest score.

Table 1: San Francisco International Construction Management Contract Proposal Scores

<u>Company</u>	<u>Score</u>
Parsons Brinckerhoff, Inc.	377.67
URS Corporation Americas, Inc.	367.33
Atkins North America, Inc.	350.33

In August, 2012, the Airport awarded the construction management services contract for the Airport's RSA project to Parsons Brinckerhoff. The original contract was not subject to Board of Supervisors approval because the contract amount was for less than \$10 million. The Airport twice amended the contract in October 2013 and January 2014 to (1) increase the not-to-exceed amount of the initial contract and (2) extend the term of the contract, as shown in Table 2 below. The first and second amendments were not subject to Board of Supervisors approval because the contract amendments did not exceed the \$10 million Charter threshold.

In May 2014, the Board of Supervisors approved a resolution and an ordinance (Files 14-0237 and 14-0232 respectively) that authorized the Airport to issue \$1,969,830,773 in Airport Revenue Bonds in order to fund various projects in the Airport's Capital Plan including \$87,259,436 for the RSA project, of which \$14,700,000 funds the construction management contract with Parsons Brinckerhoff.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the third amendment to the contract between the Airport and Parsons Brinckerhoff for construction management services related to the Airport RSA project. The proposed third amendment would increase the contract amount by \$4,820,000, from \$9,880,000 to \$14,700,000 and extend the contract expiration date by 11 months, from July 31, 2014 through June 30, 2015, as shown in Table 2 below.

Table 2: Summary of Construction Management Contract and Subsequent Amendments

Contract / Amendment	Not to Exceed Amount	Increase	Contract Start Date	Contract Expiration Date	Original Term and Extensions
Initial Contract*	\$2,600,000	n/a	October 1, 2012	October 31, 2013	13 months
First Amendment	\$3,880,000	\$1,280,000	n/a	April 30, 2014	6 months
Second Amendment	\$9,880,000	\$6,000,000	n/a	July 31, 2014	3 months
Proposed Third Amendment	\$14,700,000	\$4,820,000	n/a	June 30, 2015	11 months
Total	\$14,700,000	\$12,100,000	October 1, 2012	June 30, 2015	33 months

*Included three options to extend the term of the contract by one year.

As shown in Table 2 above, the initial contract and subsequent amendments have increased the total not-to-exceed amount of the contract to \$14,700,000, which requires Board of Supervisors approval. According to Mr. Jim Chiu, Airport Runway Safety Area Program Manager,

for large construction projects, the Airport awards construction management contracts for a contract term that is less than the full term of the project with the expectation that, if the contractor meets performance expectations, the Airport will amend the original contract to provide construction management services through the end of the project.

FISCAL IMPACT

The proposed resolution would approve the third amendment to increase the existing contract by \$4,820,000 between the Airport and Parsons Brinckerhoff from a not-to-exceed amount of \$9,880,000 to a total not-to-exceed amount of \$14,700,000 for: (1) salaries for approximately 30 full-time equivalent contractual employees¹, (2) equipment, materials and supplies, (3) testing and inspection, (4) departure management services during construction², and (5) a contingency amount equal to approximately 5 percent of the total anticipated costs.

Table 3 below shows the expenditures to date and budget for the proposed amendment to the contract.

Table 3: Actual and Estimated Expenditures through June 2015

Currently Authorized Not-to-Exceed Contract Amount	\$9,880,000
Proposed Third Amendment	4,820,000
Total Requested Not-To-Exceed Contract Amount	\$14,700,000
Estimated expenditures Through July 30, 2014	\$9,214,699
Estimated Additional Expenditures Through June 30, 2015	
Staff Time	3,716,896
Equipment, Supplies, and Materials	220,000
Testing and Inspection	497,143
Departure Management Services	334,727
Subtotal Estimated Additional Expenditures	4,768,766
Subtotal Estimated Contract Expenditures Through June 30, 2015	\$13,983,465
Contingency (5.1 Percent of Total Estimated Project Expenditures)	716,535
Total Estimated Contract Expenditures Including Contingency	\$14,700,000

According to Mr. Chiu, the Airport's Runway Safety Areas project is on budget and on schedule to be completed by June 30, 2015. Therefore, barring any unforeseen incidence, the Airport does not anticipate any further amendments to the subject construction management contract.

RECOMMENDATION

Approve the proposed resolution.

¹ Does not include overtime costs.

² On May 17, 2014, the Airport closed two runways that were primarily used for departing aircraft in order to install the EMAS and construct the RSAs. In order to effectively use the remaining two runways, Parsons Brinckerhoff provided departure management services that would control departure traffic on the runways.

Item 15 File 14-0784	Department: Human Services Agency
EXECUTIVE SUMMARY	
<p>Legislative Objective</p> <ul style="list-style-type: none"> • The proposed resolution will retroactively authorize a new lease agreement between San Francisco Unified School District as the landlord and the Human Services Agency as tenant to occupy the building at 1235 Mission Street from July 1, 2014 through on April 30, 2026. The lease includes the option for two five-year lease extensions through April 30, 2036 at a rent of 95% of fair market rent. <p>Key Points</p> <ul style="list-style-type: none"> • The Human Services Agency (HSA) has occupied 1235 Mission Street since 1993, which is HSA's main office for the County Adult Assistance Program and for the CalFresh Food Stamps Program. The original lease between HSA and the San Francisco Unified School District (SFUSD) was for ten years through August 31, 2003, which was subsequently extended for two five-year extensions, terminating on August 31, 2013. • When the Board of Supervisors retroactively approved the second five-year extension in 2012, the Real Estate Division reported that they had already begun discussions with SFUSD on the terms of a new lease to begin in September 2013. According to the Real Estate Division, the Real Estate Division and SFUSD were unable to reach agreement on the necessary tenant improvements to the space by September 2013, and therefore, HSA has continued to occupy the space in holdover status from September 2013 to June 2014. HSA began renovations to the lobby of 1235 Mission Street in September 2013 at an estimated cost to HSA of \$1.3 million, which according to Mr. John Updike, Director of Real Estate, was possible because the City Attorney's Office had informed the Real Estate Division that HSA had a valid leasehold for 1235 Mission Street. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • Under the proposed lease, HSA will pay base rent in FY 2014-15 of \$2,592,172 plus a one-time payment of \$232,706 for total first year rent of \$2,824,878. • Base rent increases by \$1.25 per square foot every two years through FY 2023-24 and by \$1.50 per square foot for the two-year period from FY 2024-25 and FY 2025-26. • Sources of funds for the lease payments are 79% General Fund and 21% state and federal funds from the CalWORKS, MediCAL, and CalFresh programs. • In the first three years of the lease, SFUSD and HSA will also spend up to \$6,000,000 on capital improvements at 1235 Mission Street. SFUSD will contribute up to \$3,500,000 and HSA will contribute up to \$2,500,000. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

Administrative code section 23.27 requires that leases in which the City is a tenant must be approved by resolution of the Board of Supervisors.

BACKGROUND

In 1993 the Human Services Agency (HSA), as tenant, entered into a 10-year lease with San Francisco Unified School District (SFUSD), as landlord, for 117,826 square feet of office space at 1235 Mission Street, which ended on June 30, 2003 (Resolution 20-92). The lease for 1235 Mission Street was subsequently extended for five years in 2003 (Resolution 404-03) and another five years in 2012 (Resolution 342-12) ending on August 31, 2013¹. The building at 1235 Mission Street is HSA's main office for the HSA County Adult Assistance Program and for the CalFresh Food Stamps Program.

According to the Budget and Legislative Analyst's September 19, 2012 report on the prior lease (File 12-0885), the Real Estate Division had already begun discussions with SFUSD on the new lease at that time. According to Mr. John Updike, Director of Real Estate, the Real Estate Division and SFUSD were not able to agree to new lease terms by the August 31, 2013 expiration of the prior lease due to the need for significant tenant improvements.² HSA continued to occupy the space from September 1, 2013 through June 30, 2014 on hold-over status,³ and paid a base rent of \$177,230 per month for use of 1235 Mission Street, which was the rent at the date of the lease termination.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively authorize a new lease between the San Francisco Unified School District as the landlord and the Human Services Agency as tenant to occupy the building at 1235 Mission Street for a term of 11 years and 10 months, from July 1, 2014 through April 30, 2026. The lease includes options for two five-year extensions through April 30, 2036 at a rent of 95% of fair market rent as determined by the Real Estate Division.

The terms of the proposed lease are summarized in Table 1 below.

¹ In 2012 the Board of Supervisors approved a retroactive five-year extension of the lease through August 31, 2013.

² SFUSD acquired title to the property on September 1, 2013. Prior to that date, the property was held by Encore Bank, N.A. until SFUSD's debt to acquire the property was paid in full.

³ According to Mr. Updike, the City continued to have a valid leasehold during the holdover period.

Table 1: Summary of Lease Terms

Provision	Lease Terms
Square Feet	117,826
Term	July 1, 2014 through April 30, 2026
Rent per Square Foot per Year	\$22 per square foot
First Year Base Rent	\$2,592,172 (\$216,014 monthly)
One-Time Additional Payment	\$232,706
Total First Year Rent	\$2,824,878 Effective rate agreement (\$23.98 per square foot)
Rent Increase	\$1.25 per square foot ever 2 years (see Fiscal Impact Section below)
Options to Extend	Two 5-year options through April 30, 2036
Rent under Options to Extend	95% of Fair Market Value
Tenant Improvements Paid by City	Up to \$2,500,000
Tenant Improvements Paid by Landlord	Up to \$3,500,000
Total Tenant Improvements	Up to \$6,000,000
Utilities, Janitorial, Security	Paid by City
Real Estate Taxes	Paid by City

Source: Proposed Lease Agreement

FISCAL IMPACT

Under the proposed lease, HSA will pay base rent in FY 2014-15 of \$2,592,172 (\$216,014 monthly) plus a one-time payment of \$232,706 for total first year rent of \$2,824,878. The base rent increases by \$1.25 per square foot every two years through FY 2023-24 and by \$1.50 per square foot for the two-year period from FY 2024-25 and FY 2025-26. Total rent over the ten-year term is \$35,256,485, as shown in Table 2 below.

Table 2: Base Rent Paid by HSA to SFUSD for 117, 826 Square Feet

Year	Rent per Square Foot per Year	Increase	Total
FY 2014-15	\$22.00	n/a	\$2,592,172
One-time	n/a	n/a	232,706
Subtotal, FY 2014-15			2,824,878
FY 2015-16	\$22.00	\$0.00	2,592,172
FY 2016-17	\$23.25	\$1.25	2,739,455
FY 2017-18	\$23.25	\$0.00	2,739,455
FY 2018-19	\$24.50	\$1.25	2,886,737
FY 2019-20	\$24.50	\$0.00	2,886,737
FY 2020-21	\$25.75	\$1.25	3,034,020
FY 2021-22	\$25.75	\$0.00	3,034,020
FY 2022-23	\$27.00	\$1.25	3,181,302
FY 2023-24	\$27.00	\$0.00	3,181,302
FY 2024-25	\$28.50	\$1.50	3,358,041
FY 2025-26 (10 months)	\$28.50	\$0.00	2,798,368
Total			\$35,256,485

Source: Proposed Lease Agreement

According to Mr. John Updike, Director of Real Estate, first year base rent of \$22.00 per square foot represents fair market value based on evaluation of the market data.

Sources of funds for the proposed lease are HSA General Funds (79% of the base rent or \$2,047,816 in FY 2014-15) and CalWORKS, MediCAL, and CalFresh funds (21% of the base rent or \$544,356 in FY 2014-15). According to Mr. David Curto, HSA Director of Contracts, the State and Federal funding for CalWORKS, MediCAL, and CalFresh are anticipated to be available throughout the course of the lease and will cover the same proportion of the base rent each lease year.

The City will also pay a one-time rental payment to SFUSD of \$232,706 to compensate for the reduced base rent HSA paid during negotiations from September 1, 2013 through June 30, 2014. During the 10 month negotiations, HSA paid \$177,230 per month approximately \$1.50 per square foot per month (equivalent to \$18.05 per square foot per year). The one-time rental payment of \$232,706 adds approximately \$0.20 per square foot per month for total rent of \$1.70 per square foot per month (equivalent to approximately \$20.42 per square foot per year).

In the first three years of the lease, SFUSD and HSA will also spend up to \$6,000,000 on capital improvements at 1235 Mission Street. SFUSD will contribute up to \$3,500,000 and HSA will contribute up to \$2,500,000 to:

- Remodel the lobby.
- Upgrade electrical systems and the redistribution of power throughout the building.
- Upgrade the heating, ventilation, and air conditioning systems.
- Upgrade plumbing to include new water conservation toilets and sinks.
- Re-roof the building.

According to Mr. Curto, \$2.5 million in funds to pay the tenant improvements were appropriated by the Board of Supervisors the Department's FY 2013-14 budget (\$1.5 million) and FY 2014-15 and FY 2015-16 budgets (\$1.0 million).

HSA began the remodel of the lobby for 1235 Mission Street in September 2013 with the expected completion of the lobby remodel by October 2014. According to Mr. Updike, although the new lease was not yet enacted when HSA began the lobby remodel, the City Attorney's Office considered that HSA has a valid leasehold interest for 1235 Mission Street in which to conduct the remodel. The lobby remodel will cost approximately \$1,300,000, which will be paid by the City.

According to the proposed lease, the City and SFUSD will use "good faith efforts" to mutually agree to the additional tenant improvements and the associated costs, of which the City is responsible to pay up to \$1,200,000 (total of \$2,500,000 in tenant improvement costs when combined with lobby work) and SFUSD is responsible to pay up to \$3,500,000.

The City's total first year costs of the proposed lease are \$4,124,878, as shown in Table 3 below.

Table 3: HSA's FY 2014-15 Costs under the Proposed Lease

Expenditures	FY 2014-15
Annual Base Rent	\$2,592,172
One-Time Payment	232,706
Rent Subtotal	\$2,824,878
Tenant Improvements	1,300,000
Total	\$4,124,878

RECOMMENDATION

Approve the proposed resolution.

Item 17 File 14-0701	Department: Office of the Public Defender
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objective</p> <ul style="list-style-type: none"> • The proposed resolution will retroactively authorize the lease of 1,800 square feet of office space at 258A Laguna Honda Boulevard with Choo Laguna LLC for use by the Public Defender for a period of five years beginning on July 1, 2014 through June 30, 2019. The initial rent for the 1,800 square feet of office space at 258A Laguna Honda Boulevard will be \$3,500 per month or \$1.94 per square foot. The lease includes an option to extend the term of the lease for an additional five years on the same terms and conditions, adjusting rent to equal 95% of the prevailing fair market value. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Public Defender has leased 1,800 square feet of office space from Laguna Honda Properties located at 258A Laguna Honda Boulevard since February 11, 2004. According to the Real Estate Division, Board of Supervisors approval was not required for the initial lease, because under Administrative Code Section 23.26, the Director of Real Estate has the authority to enter into leases, in which the City is a tenant, on a year-to-year or shorter tenancy in which the rent is less than \$5,000 per month. • On March 6, 2013, Choo Laguna LLC purchased the property at 258A Laguna Honda Boulevard. The Public Defender began leasing the 1,800 square feet of office space from Choo Laguna LLC on March 6, 2013 on month-to-month lease, in according the Administrative Code Section 23.26 while a longer term lease was negotiated. The monthly rent during the first half of 2014 was \$3,950 per month or \$2.19 per square foot, plus \$625 monthly janitorial costs. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The rent paid by the City to the landlord for 1,800 square feet at 258A Laguna Honda Boulevard is \$3,500 per month or \$1.94 per square foot per month in the first year from July 1, 2014 until June 30, 2015, plus janitorial costs up to \$625 per month. Total monthly rent and janitorial costs in the first year are \$49,500. • Annual rent increases by 3 percent per year for the subsequent years in the five-year lease or approximately \$0.06 per square foot a month, and janitorial services may face an annual increase not to exceed 10%. • Under the proposed resolution, the City will pay \$268,772 over five years for use of 1,800 square feet of office space at 258A Laguna Honda Boulevard by the Public Defender. • Should the Public Defender choose to extend the lease another five years, rent will be adjusted to equal 95% of the prevailing fair market value. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

Administrative Code Section 23.27 requires that leases in which the City is a tenant must be approved by resolution of the Board of Supervisors.

BACKGROUND

On February 11, 2004, the Public Defender, as tenant, began leasing 1,800 square feet of office space from Laguna Honda Properties, as landlord, located at 258A Laguna Honda Boulevard for a period of approximately 11 months, expiring on December 31, 2004. Since the end of the lease on December 31, 2004, the Public Defender has continued to occupy the office space at 258A Laguna Honda Boulevard through annual extensions approved by the Director of Real Estate through December 31, 2013. Under Administrative Code Section 23.26, the Director of Real Estate has the authority to enter into leases, in which the City is a tenant, on a year-to-year or shorter tenancy in which the rent is less than \$5,000 per month.

On March 6, 2013, Choo Laguna LLC purchased the property at 258A Laguna Honda Boulevard. The Public Defender, as tenant, began leasing the 1,800 square feet of office space from Choo Laguna LLC, as landlord, on March 6, 2013 on month-to-month leases while a longer term lease was negotiated. The monthly rent from January 1, 2014 through June 30, 2014 was \$3,950 per month or approximately \$2.19 per square foot, plus \$625 monthly janitorial costs, for a total of \$4,575 per month paid to Choo Laguna LLC.

According to Mr. Jason Hinson, Client Services Manager at the Real Estate Division, the Public Defender uses the space to meet with clients and to prepare client defenses at the Juvenile Court.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution will retroactively authorize a new lease of 1,800 square feet of office space at 258A Laguna Honda Boulevard with Choo Laguna LLC for use by the Public Defender for a period of five years beginning on July 1, 2014 through June 30, 2019. The initial rent for the 1,800 square feet of office space at 258A Laguna Honda Boulevard will be \$3,500 per month or approximately \$1.94 per square foot, which is \$0.25 per square foot or 11.4 percent less than the current rent being paid to Choo Laguna LLC. The lease includes an option to extend for an additional five years on the same terms and conditions, adjusting rent to equal 95% of the prevailing fair market value as determined by the Real Estate Division.

FISCAL IMPACT

From July 1, 2014 until June 30, 2015, under the first year of the proposed new lease, the rent for 1,800 square feet of office space at 258A Laguna Honda Boulevard will be \$3,500 per month

or approximately \$1.94 per square foot, shown in Table 1 below. In addition, monthly janitorial costs will have a cost not to exceed \$625 per month. According the Mr. Hinson, the costs of janitorial services of \$625 per month under the proposed lease are based on actual current expenditures under the existing lease.

As shown in Table 1 below, the total annual cost for use of 1,800 square feet at 258A Laguna Honda Boulevard is \$49,500 in the first year. Funds to pay the full cost of the 258A Laguna Honda Boulevard lease are included in the Public Defender's FY 2014-15 budget.

Table 1: Annual Rent and Janitorial Services for 1,800 Square Feet of Leased Space at 258A Laguna Honda Boulevard

Period	Monthly rent	Per Square Foot	Janitorial Services	Annual Rent
July 1, 2014 - June 30, 2015	\$3,500	\$1.94	\$625	\$49,500
July 1, 2015 - June 30, 2016	\$3,605	\$2.00	\$688	\$51,510
July 1, 2016 - June 30, 2017	\$3,713	\$2.06	\$756	\$53,633
July 1, 2017 - June 30, 2018	\$3,825	\$2.12	\$832	\$55,877
July 1, 2018- June 30, 2019	\$3,939	\$2.19	\$915	\$58,252
Total				\$268,772

The rent will increase by 3 percent per year for the subsequent lease years under the proposed five-year lease and janitorial services will increase by 10% per year, shown in Table 1 above. As shown in Table 1 above, the Public Defender will pay a total of \$268,772 over five years for use of the 1,800 square feet of office space.

RECOMMENDATION

Approve the proposed resolution.

<p>Items 20, 21, 22, 23 and 24 Files 14-0801, 14-0802, 14-0811, 14-0812, and 14-0840</p>	<p>Department: Office of Public Finance (OPF)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • File 14-0840 authorizes the issuance \$400,000,000 in aggregate principal amount of Earthquake Safety and Emergency Response general obligation bonds that were approved by the voters on June 4, 2014; • File 14-0811 allows for the sale of not-to-exceed \$106,095,000 of 2014 Earthquake Safety and Emergency Response general obligation bonds, Series 2014D; • File 14-0812 allows for the sale of not-to-exceed \$57,840,000 of 2010 Earthquake Safety and Emergency Response general obligation bonds, Series 2014C; • File 14-0801 appropriates \$106,095,000 in Series 2014D bond proceeds; and • File 14-0802 appropriates \$57,840,000 in Series 2014C bond proceeds. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • In June 2010, voters approved Proposition B, authorizing the issuance of not-to-exceed \$412,300,000 in general obligation bonds to finance earthquake safety and emergency response projects. Four series of the 2010 bonds, totaling \$332,135,000, have been issued to date. The sale of \$57,840,000 (Series 2014C) is the fifth series of the 2010 bonds. • In June 2014, voters approved Proposition A, authorizing the issuance of up to \$400,000,000 in general obligation bonds to fund the completion of certain projects funded by the 2010 bonds as well as new earthquake safety and emergency response projects. The first series of bonds issued under Proposition A is 2014D. • The projects funded through the two proposed bond sales, Series 2014C and Series 2014D include: repairs to the Public Safety Building, continued work on the Neighborhood Fire Station and Support Facilities, continuation of existing projects related to the Auxiliary Water Supply System, upgrades to District Police Stations, relocation of Medical Examiner Facility, and upgrades to the Traffic Company & Forensic Services Division. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • The requested not-to-exceed total of \$163,935,000 in bonds is projected to be sold for a par amount of \$156,205,000, with \$154,299,784 in estimated project funds and \$1,905,216 in issuance and related oversight costs. • The bonds are estimated to have an annual interest rate of 5.02 percent over the approximate 20-year life of the bonds, with interest on the bonds totaling \$91,900,000. The total principal and interest payment on the 20-year bonds is estimated to be \$248,105,000. • Repayment of the annual debt service will be covered through increases in the annual Property Tax rate, and for properties with an assessed value of \$500,000, owners would pay average annual additional \$35.83 in Property Taxes to the City per year if the anticipated \$156,205,000 in bonds are sold. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> • Approve the proposed resolutions and ordinances. 	

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Charter Section 9.105 provides that the issuance and sale of General Obligation bonds are subject to approval by the Board of Supervisors. Charter Section 9.105 also provides that amendments to the appropriation ordinance, as finally adopted, are to be adopted in the same manner as other ordinances, subject to the Controller certifying the availability of funds.

Administrative Code Section 2.71 requires City departments to submit Bond Accountability Reports to the Clerk of the Board, Controller, Treasurer, Director of Public Finance and the Budget and Legislative Analyst 60 days prior to appropriation of bond funds.

Administrative Code Section 3.15 requires Board of Supervisors approval for supplemental budget requests subsequent to the adoption of the annual budget.

Background

In June 2010, two-thirds majority of voters of the City approved Proposition B, which authorized the issuance of not-to-exceed \$412,300,000 in general obligation bonds to finance the construction, acquisition, improvement, retrofitting, rehabilitation and completion of earthquake safety and emergency responsiveness facilities and infrastructure.

On November 2, 2010, the Board of Supervisors approved a resolution (File 10-1255) authorizing the issuance of up to \$412,300,000 Earthquake Safety and Emergency Response (ESER) General Obligation Bonds. The Board of Supervisors has previously authorized the following sale and appropriation of \$349,315,000 of the 2010 ESER Bonds.

Month	Amount	File
November 2010	85,000,000	Files 10-1256 and 10-1248
January 2012	192,000,000	Files 11-1344 and 11-1333
June 2012	40,410,000	Files 12-0533 and 12-0527
May 2013	31,905,000	Files 13-0382 and 13-3068
Total	349,315,000	

\$332,135,000 of the \$349,315,000 has been sold to date for projects related to ESER.

In June 2014, voters approved Proposition A, which authorized the issuance of up to \$400,000,000 in general obligation bonds for the completion of certain projects funded by the 2010 ESER bonds as well as new ESER projects. The first series of bonds has not yet been issued under Proposition A.

DETAILS OF PROPOSED LEGISLATION

The proposed three resolutions do the following:

- File 14-0840 authorizes the issuance \$400,000,000 in aggregate principal amount of City and County of San Francisco General Obligation Bonds that were approved by the voters in June 2014;
- File 14-0811 allows for the sale of not-to-exceed \$106,095,000 of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2014D; and
- File 14-0812 allows for the sale of not-to-exceed \$57,840,000 of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response bonds, 2010), Series 2014C; and,

The proposed two ordinances appropriate \$163,935,000 as follows:

- File 14-0801 appropriates \$106,095,000 in Series 2014D bond proceeds; and
- File 14-0802 appropriates \$57,840,000 in Series 2014C bond proceeds.

The 2014C Bonds will be the fifth series of bonds to be issued under the 2010 Proposition B, and the 2014D Bonds will be the first series to be issued under the 2014 Proposition A. The two series authorized by the proposed resolutions represent a not to exceed aggregate principal amount of \$163,935,000. Table 1 below shows the total amount of the 2010 and 2014 Earthquake Safety and Emergency Response bonds that have been authorized and sold.

Table 1: Total Authorized and Sold Earthquake Safety and Emergency Response Bonds

	2010 Bonds	2014 Bonds (Pending)	Total
Authorized	\$412,300,000	\$400,000,000	\$812,300,000
Previously Sold	332,135,000	0	332,135,000
Remaining Balance	\$80,165,000	\$400,000,000	\$480,165,000
Proposed	2014C Series	2014D Series	Total
	57,840,000	106,095,000	163,935,000
Remaining Balance	\$22,325,000	\$293,905,000	\$316,230,000

The proposed sources and uses of the Series 2014C and 2014D bond proceeds are shown in Table 2 below.

Table 2: Sources and Uses of Funds

	ESER 2010 Series 2014C	ESER 2014 Series 2014D	Aggregate
Sources			
Bond Proceeds	\$57,840,000	\$106,095,000	\$163,935,000
Uses			
<u>Projects</u>			
Emergency Firefighting Water System (AWSS)	31,003,224	20,000,000	51,003,224
Neighborhood Fire Stations	11,600,000	8,150,600	19,750,600
Public Safety Building	11,782,742	0	11,782,742
District Police Stations	0	6,882,939	6,882,939
Traffic Company & Forensic Services Division	0	30,319,674	30,319,674
Medical Examiner Facility	<u>0</u>	<u>34,252,621</u>	<u>34,252,621</u>
Subtotal, Projects	54,385,966	99,605,834	153,991,800
Controller's Audit Fund	108,772	199,212	307,984
Projects Subtotal	54,494,738	99,805,046	154,299,784
Other Costs of Issuance			
Costs of Issuance	233,902	421,674	655,576
Underwriter's Discount	386,190	707,245	1,093,435
Citizens' General Obligation Bond Oversight Committee	55,170	101,035	156,205
Costs of Issuance Subtotal	675,262	1,229,954	1,905,216
Par Amount of Bonds	55,170,000	101,035,000	156,205,000
Reserve Pending Bond Sale ¹	2,670,000	5,060,000	7,730,000
Total Uses	\$57,840,000	\$106,095,000	\$163,935,000

Source: Letter dated July 15, 2014, from the Office of Public Finance to the Board of Supervisors, re City and County of San Francisco General Obligation Bonds, Earthquake Safety and Emergency Response Bonds, Series 2014C (2010) and 2014D (2014)

Proceeds from the 2014C Bonds will fund the following project costs of \$54,385,966, as shown in Table 2 above:

- \$31,003,224 for renovation of the City's emergency firefighting water system (the Auxiliary Water Supply System or AWSS), which includes planning, design and construction of cisterns, pipelines, and tunnels.
- \$11,600,000 for Neighborhood Fire Station and Support Facilities, which includes design of Fire Station 5 improvements, construction of Fire Station 16 improvements, environmental review of the Station 35 fire boat, and other projects. As shown in Table

¹ The Reserve Pending Sale accounts for variations in interest rates prior to the sale of the proposed bonds.

3 below, \$21,885,235 in 2010 ESER bonds to fund Neighborhood Fire Station and Support Facilities projects remains unsold and unappropriated.

- \$11,782,742 to complete the Public Safety Building project. The project is scheduled for completion in November 2014.

Proceeds from the 2014D Bonds will fund the following project costs of \$99,605,834, as shown in Table 2 above:

- \$6,882,939 for the District Police Stations to fund the initial costs to rehabilitate and seismically upgrade selected police district stations throughout the City.
- \$34,252,621 for the Medical Examiner Facility, which funds the initial costs of relocating the Medical Examiner Facility from the seismically vulnerable Hall of Justice at 850 Bryant Street to a seismically safe facility.
- \$30,319,674 for the Traffic Company & Forensic Services Division to relocate the motorcycle police and crime lab from the seismically vulnerable Hall of Justice and the Hunters Point Shipyard to a safe facility.
- \$20,000,000 for Auxiliary Water Supply System projects funded by the 2014 ESER bonds for continued planning, design, and construction of pipeline, tunnel, and cistern projects.
- \$8,150,600 to fund the Neighborhood Fire Station and Support Facilities projects funded by the 2014 ESER bonds, which continues ongoing projects.

Table 3 below shows the 2010 Proposition B and 2014 Proposition A bond budgets, prior appropriations, and proposed appropriations for the sale of Series 2014C and 2014D bonds. As shown in Table 3, if the Board of Supervisors approves the proposed resolutions and ordinances, the balance of authorized and unsold 2010 Proposition B bonds is \$22,325,000 and 2014 Proposition A bonds is \$293,905,000.

Table 3: Earthquake Safety and Emergency Response Bond Appropriations

	Budget	Prior Appropriation	Proposed	Balance
2010 Proposition B			2014C Bonds	
Public Safety Building	\$239,000,000	\$227,217,258	\$11,782,742	\$0
Neighborhood Fire Stations	64,000,000	30,514,765	11,600,000	21,885,235
Auxiliary Water Supply System	102,400,000	71,396,776	31,003,224	0
Oversight, Accountability and Issuance	6,900,000	3,006,199	3,454,034	439,767
Total ^a	\$412,300,000	\$332,135,000	\$57,840,000	\$22,325,002
2014 Proposition A			2014D Bonds	
District Police Stations	\$30,000,000		\$6,882,939	\$23,117,061
Medical Examiner Facilities	65,000,000		34,252,621	30,747,379
Traffic Company & Forensic Services	165,000,000		30,319,674	134,680,326
Auxiliary Water Supply System	55,000,000		20,000,000	35,000,000
Neighborhood Fire Stations	85,000,000		8,150,600	76,849,400
Oversight, Accountability and Issuance			6,489,166	(6,489,166)
Total	\$400,000,000		\$106,095,000	\$293,905,000

^a Variations in total amounts are due to rounding.

FISCAL IMPACT

The requested not-to-exceed \$163,935,000 in Series 2014C and 2014D bonds (see Table 2 above) are projected to be sold for a par amount of \$156,205,000, which would result in project funds totaling \$154,299,784 and issuance and related oversight costs totaling \$1,905,216. Estimated bond proceeds of \$156,205,000 are projected to have an annual interest rate of 5.02 percent over the approximate 20-year life of the bonds. The Office of Public Finance estimates that average annual debt service on the bonds is \$12,415,000; and total interest payments over the life of the bonds are \$91,900,000. The total principal and interest payment on the 20-year bonds is estimated to be \$248,105,000.

The proposed resolution provides that the proposed bonds could be structured as a 25-year bond, instead of the anticipated 20-year term, if market conditions require a longer period of time, though a 20-year term is anticipated.

Repayment of the proposed bonds is outlined as follows and summarized in Table 4 below:

- For Series 2014C, repayment of the annual debt service will be recovered through increases in the annual Property Tax rate, which, according to the Controller's Office, would average \$0.0025 per \$100 or \$2.54 per \$100,000 of assessed valuation over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of \$500,000, assuming a homeowner's exemption of \$7,000, would pay average annual additional Property Taxes

to the City of \$12.54 per year if the anticipated \$55,170,000 Earthquake Safety and Emergency Response General Obligation Bonds are sold.²

- For Series 2014D, repayment of the annual debt service will be recovered through increases in the annual Property Tax rate, which, according to the Controller’s Office, would average \$0.0047 per \$100 or \$4.66 per \$100,000 of assessed valuation over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of \$500,000, assuming a homeowner’s exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$22.96 per year if the anticipated \$101,035,000 Earthquake Safety and Emergency Response General Obligation Bonds are sold.³

Table 4: Anticipated Property Tax Increase for Bond Repayment

General Obligation Bonds	Requested		Anticipated Average Annual Property Tax Impact on \$500,000 Home
	Not to exceed Amount	Anticipated Par Amount	
2014C (Proposition B)	57,840,000	55,170,000	12.54
2014D (Proposition A)	106,095,000	101,035,000	23.29
Total	163,935,000	156,205,000	35.83

Source: Controller’s Office of Public Finance

RECOMMENDATION

Approve the proposed resolutions and ordinances.

² The difference between the authorized amount of \$57,840,000 and the expected par amount of \$55,170,000 is the \$2,670,000 Reserve Pending Sale shown in Table 2.

³ The difference between the authorized amount of \$106,095,000 and the expected par amount of \$101,035,000 is the \$5,060,000 Reserve Pending Sale shown in Table 2.

Item 26
File 14-0838

Department:
 Administrative Services

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would (1) approve an exclusive negotiation agreement and letter of intent between the City (through the Department of Administrative Services' Real Estate Division) and Related California Urban Housing, LLC (Related) for the purchase by the City of the property located at 1500-1580 Mission Street for the potential development of a City-owned office building at 1500-1580 Mission Street (Lot 2 and Lot 3, Block 3506) at an estimated purchase price of \$253,000,000, and (2) authorize non-refundable payments of \$1,000,000 by the City to Related toward land acquisition costs and up to \$250,000 toward schematic design costs.

Key Points

- On June 5, 2014, the City, through the Real Estate Division and Related signed an exclusive negotiating agreement (ENA) and letter of intent (LOI) for the development and subsequent purchase by the City of a portion of a 2.5 acre site located at 1500-1580 Mission Street. The site, currently a Goodwill Industries operations center, is located at Van Ness Avenue and Mission Streets and is proposed to be developed as a new City office building.
- Under the proposed ENA and LOI, Related will develop the Goodwill Site with an approximate 462,354 gross square foot City office building on the eastern portion (along 11th street), and approximately 550 multifamily residential units on the western portion (along Van Ness Avenue). The City will acquire fee title to the office parcel and building from Related upon project completion in late 2018.
- The City anticipates consolidating office space for the Departments of Public Works, Building Inspection and Planning, and the Retirement and Health Services System, among others into the new office building. The building will include a one-stop permit center on the ground floor.

Fiscal Impact

- The City's total estimated cost to purchase the office parcel and building, including 5% profit to Related, is \$253,285,080. The proposed resolution would also authorize non-refundable payments of \$1,000,000 toward land acquisition costs and up to \$250,000 for initial schematic design costs. This \$1,250,000 in up-front costs would be paid out of the Department of Building Inspection's capital budget for continuing projects.
- The Board of Supervisors must endorse the Purchase and Sale Agreement no later than October 31, 2014, subject to approval under the California Environmental Quality Act (CEQA). Endorsement would commit the City to incur approximately \$2,911,150 in costs for the design development and construction documents needed for the 12 to 18 month CEQA and environmental review process.
- To help finance the purchase of the new building, the City will offer an existing City-owned office building located at 30 Van Ness for sale this summer, with a leaseback to the City until late 2018. Sale of 30 Van Ness is subject to Board of Supervisors approval. Depending on market conditions in 2017-2018, the City will also offer for sale the City-owned 1660 Mission Street and the City-owned 1680 Mission Street. These three buildings have a net rentable square footage of 290,301 square foot and an aggregate potential sales value of approximately \$102,000,000. In addition to the building sales proceeds, the City is assuming contributions from the DBI fund balance, the Retirement Trust Fund, and the General Fund.

Policy Considerations

- The proposed transaction is complex and will be executed over several years, with multiple points of approval required by the Board of Supervisors. At this time, there are several significant unknowns the City must contend with, including: (1) total potential equity contributions, including the final sales prices of the three existing City office buildings which would be sold in order to purchase 1500-1580 Mission Street, as well the Building Inspection Fund contribution; (2) the proceeds from COPs and additional debt service required by the City; (3) total General Fund impacts; and (4) finalized design, occupancy mix, developer pricing, and negotiated office lease.
- Because of the future commitment of significant City funds, the Budget and Legislative Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors. If the Board of Supervisors approves the ENA and LOI, then the City would move forward with the next steps in planning for the final purchase of 1500-1580 Mission Street, including committing up to \$1,250,000 in non-refundable funds, which were previously appropriated by the Board of Supervisors in the Department of Building Inspection's budget. If the Board of Supervisors does not approve the proposed resolution, the City will likely lose the opportunity to purchase 1500-1580 Mission Street.

Recommendations

1. Amend the proposed resolution to require a report from the Director of Real Estate prior to the date by which the Board of Supervisors must endorse the Purchase and Sale Agreement on October 31, 2014 that:
 - Provides details on the space requirements of the City departments and the proposed uses (such as training, board room and conference space) for occupying the new office building, including long-term staffing projections and the reasons for increases in staffing and/or office space, if applicable;
 - Explains the options for backfilling the Health Service System's leased space at 1145 Market Street or other options under the existing lease, allowing the Health Service System to relocate to the new office building; and provide details on Health Service System's space requirements;
 - Recommends potential project alternatives if the increase in space is not required by DPW, DBI, City Planning or other City departments slated to occupy the new office building; and
 - Describes the Real Estate Division's overall space plan for Civic Center office space.
2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

MANDATE STATEMENT**Mandate Statement**

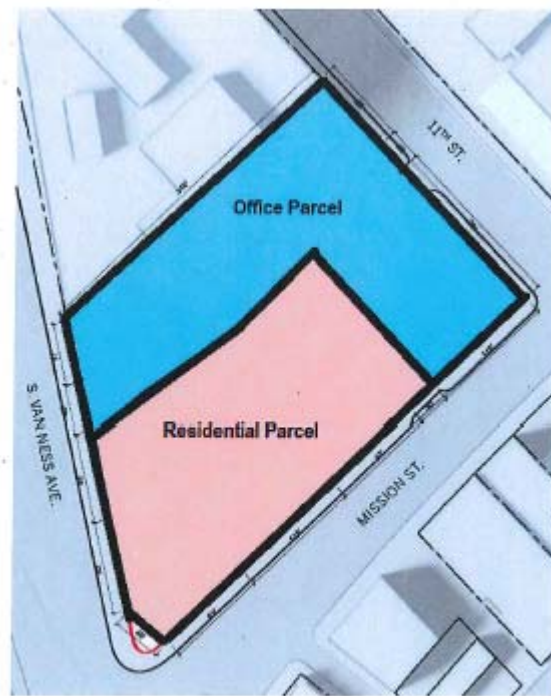
City Charter Section 9.118(b) states that contracts or agreements entered into by a department, board or commission having a term in excess of ten years, or requiring anticipated expenditures by the City and County of ten million dollars, or the modification or amendments to such contract or agreement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

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve an exclusive negotiation agreement and letter of intent between the City (through the Department of Administrative Services' Real Estate Division) and Related California Urban Housing, LLC (Related) for the purchase by the City of the property located at 1500-1580 Mission Street for the potential development of a City-owned office building at 1500-1580 Mission Street (Lot 2 and Lot 3, Block 3506) at an estimated purchase price of \$253,000,000, and (2) authorize non-refundable payments of \$1,000,000 by the City to Related toward land acquisition costs and up to \$250,000 toward schematic design costs.

Project Description

On June 5, 2014, the City, through the Real Estate Division and Related signed an exclusive negotiating agreement (ENA) and letter of intent (LOI) for the development and subsequent purchase by the City of a portion of a 2.5 acre site located at 1500-1580 Mission Street. The site, currently a Goodwill Industries operations center, is located at Van Ness Avenue and Mission Streets and is proposed to be developed as a new City office building. See Figure 1 below for a map of the proposed site.

Figure 1: Map of 1500-1580 Mission Street

Block 3506, Lots 02 and 03

Source: Real Estate Division

Related is under contract to purchase the Goodwill site from Goodwill Industries and anticipates closing the transaction in early September. Under the proposed ENA and LOI, Related will develop the Goodwill Site with an approximate 462,354 gross square foot City office building on the eastern portion (along 11th street), and approximately 550 multifamily residential units¹ on the western portion (along Van Ness Avenue). The City will acquire fee title to the office parcel and building from Related upon project completion in late 2018.

The City anticipates consolidating office space for the Departments of Public Works, Building Inspection and Planning (currently housed in various City-owned and leased buildings), as well as the Retirement and Health Services Systems (currently leasing office space at 1145 Market Street), among others into the new office building. The building will include a one-stop permit center on the ground floor. Table 1 below details the proposed square footage of the proposed new City office building².

¹ According to Mr. John Updike, Director of Real Estate, approximately 110 out of the total proposed 550 units, or 20%, will be classified as affordable. The City is also working with the developer to potentially target middle-income residents, or those classified as earning between 80-120% of Area Median Income, for the remainder of the units.

² According to Mr. Updike, these estimates of square footage are preliminary and do not do not reflect actual anticipated square feet, which will be determined through a planning process.

Table 1: Proposed Usage of New City Office Building

Department / Usage	Current Square Feet	Proposed Gross Square Feet	Increase / (Decrease)	Percent
Public Works*	178,000 ³	180,000	2,000	1.1%
Building Inspection	73,000	100,000	27,000	37.0%
Planning	52,000	60,000	8,000	15.4%
Retirement	35,579	35,000	(579)	(1.6%)
Health Service System	19,560	27,000	7,400	37.8%
One stop permit center		32,000		
Training/Conference/Board – Commission Rooms		20,000		
Misc./undetermined		8,354		
Total		462,354		

* includes Administrative Services Capital Planning and Recreation and Parks Capital Planning

The Department of Public Works (DPW), Department of Building Inspection (DBI) and Planning Department currently occupy office space in City-owned and leased buildings. According to Mr. John Updike, Director of Real Estate, these three departments will relocate from their existing office spaces to the new City office building, which will each increase the number of square feet of office space for these three departments compared to their existing office space, as shown in Table 1 above. With respect to the existing City-owned buildings, please see “Proposed Sale of Existing City Office Buildings” under “Fiscal Impact” below.

According to Mr. Updike, the potential increase in office space for:

- DBI results from a space study performed jointly by the Controller’s Office and DPW;
- Planning results from the increase in staffing already experienced by Planning over the past year; and
- DPW is due to the expected economies of co-location.

In addition, the proposed City office building includes 20,000 square feet of space for training facilities, conference rooms and board rooms. According to Mr. Updike, such space will provide the City the opportunity to allow a current lease of training space at 1740 Cesar Chavez to expire in early 2019, saving approximately \$290,000/year in rent. Meeting space for boards or commissions include the Health Service System, the Retirement System, and DBI.

The Retirement System and the Health Service System currently occupy leased space. The Retirement System currently has a ten-year lease at 1145 Market Street with an expected term until 2024 (File 13-1218). The City has an early termination right as of late 2017, or prior to the proposed move to the new City office building in 2018.

The Health Service System currently party has a ten-year lease at 1145 Market Street with an expected term until 2023 (File 13-0466). The City does not have an early termination right until early 2021, or several years after the proposed move to the new City office building in 2018.

³ DPW currently occupies 155,000 square feet of space but will backfill the 30 Van Ness Avenue space vacated by the Retirement System, bringing the total to 178,000 square feet.

According to Mr. Updike, options to permit a 2018 relocation of the Health Service System include backfilling the space at 1145 Market Street with other City uses until either the early termination date in 2021, or until the natural termination of the lease in 2023. As shown in Table 1 above, the Health Service System's office space will increase by 7,400 or 37.8% in the new City office building compared to their current leased space. In addition, the Health Service System will have access to the training/conference/board rooms for activities currently conducted in their leased space.

Project Timeline

According to the negotiated ENA and LOI, the Mayor and the Board of Supervisors must endorse the ENA and LOI no later than July 31, 2014. Doing so would require the City to deposit a \$1,000,000 availability payment into escrow for land acquisition and require the City to spend up to an additional \$250,000 toward the cost of initial schematic designs. The total of up to \$1,250,000 of such payments cannot be returned to the City if the City ultimately decides not to approve the Purchase and Sale Agreement or if the City defaults on or after the Closing Date, as specified in Table 2 below.

Table 2 below details the proposed project timeline with key payments to be made by the City.

Table 2: Proposed Project Timeline and City Costs

Project Milestone	Date	Financial Action	City Cash Outflow	Cumulative City Obligation
LOI Signature*	6/4/14	Related pays schematic design costs	\$0	N/a
Closing Date	9/4/14	\$1m Availability Payment	\$1,250,000	\$1,250,000
		City reimburses \$250k in schematic design costs (if/as incurred)		
Endorsement of the Purchase and Sale Agreement*	10/31/14	City incurs design development and construction document costs Related pays design development/ construction document costs	\$2,911,150	\$4,161,150
CEQA*	11/1/15	N/A	0	\$4,161,150
Final Purchase and Sale Agreement*	11/1/15	N/A	0	\$4,161,150
Construction Loan	12/1/15	City deposits 30% equity on project costs	\$65,095,925 (est.)	\$69,257,075 (est.)
Project Completion	12/1/17	City commits to purchase or lease	0	\$69,257,075 (est.)
Office Parcel and Building Acquired	2/1/18	City completes purchase	\$184,028,005 (est.)	\$253,285,080 (est.)

*Will require Board of Supervisors approval

Source: Real Estate Division

The proposed project includes the following steps, as shown in Table 2 above:

1. Approval of the ENA and LOI by the Board of Supervisors and Mayor no later than July 31, 2014. The City would commit to \$1,250,000 in non-refundable payments, as noted above.
2. Endorsement of the Purchase and Sale Agreement by the Board of Supervisors no later than October 31, 2014, subject to approval under the California Environmental Quality Act (CEQA). Endorsement of the Purchase and Sale Agreement would commit the City to incur approximately \$2,911,150 in costs for the design development and construction documents needed for the 12 to 18 month CEQA and environmental review process.
3. If the Board adopts or certifies the adequacy of the environmental review document and grants project entitlements, then the Director of Real Estate would seek approval by the Board of Supervisors and Mayor of the final Purchase and Sale Agreement. Once approved, the City would pledge cash equity equal to 30% of the project development costs (an estimated payment of \$65.1 million), shown in Table 2 above, and the approximately 24-month construction of the City office building would begin.
4. If the City does not enter into the final Purchase and Sale Agreement after the endorsement and CEQA approval, the City would be required to reimburse the Developer for the Developer's development and construction document costs of up to \$7,072,300.

Upon completion of the City office building, the City will issue Certificates of Participation combined with other equity sources to cover the final estimated purchase price of \$253,285,080 for the completed facility.

FISCAL IMPACT

Project Budget

As stated in the proposed resolution, the estimated purchase price of the buildings at 1500-1580 Mission Street is \$253,000,000. Related estimated development cost is \$241,223,886, or \$521.73 per square foot, as shown in Table 3 below, for approximately 462,354 square feet. The City's total estimated cost to purchase the office parcel and building, including 5% profit to Related, is \$253,285,080.

Table 3: Project Budget

Development Costs to Related	Factor	Value	S/GSF
Land Price	\$65/GSF	\$30,000,000	64.89
Real Estate Commissions	1.00%	2,412,239	5.22
Related Development Fee (Management)	4.00%	7,954,729	17.2
Related Development Fee (Financing) ⁽¹⁾	1.00%	1,988,682	4.3
Soft Costs	\$18/GSF	8,322,300	18
Fees and Permits	Calculated	13,167,471	28.48
Core and Shell ⁽²⁾	\$301/GSF	139,263,450	301.21
Tenant Improvements ⁽³⁾	\$50/GSF	23,117,500	50
Finance Costs	Calculated	14,352,821	31.04
Soft Costs Cont.	3.00%	644,693	1.39
Subtotal, Development Costs		\$241,223,886	\$521.73
5% Profit		12,061,194	
Total		\$253,285,080	

Source: Real Estate Division

⁽¹⁾ Charged on estimated \$198.8 million in debt

⁽²⁾ Estimated by construction contractor, Swinerton Builders; assumes restoration of historic clock tower and historic clock façade of southeasterly wall (still under consideration by development team)

⁽³⁾ Assumes \$50 per square foot

Proposed Source of Up-Front Project Costs

The proposed legislation would authorize (1) non-refundable payments of \$1,000,000 toward land acquisition costs and (2) up to \$250,000 for initial schematic design costs. This \$1,250,000 in up-front costs would be paid out of the Department of Building Inspection's capital budget for continuing projects. These non-General Fund monies were allocated for DBI's building expansion project in the FY 2014-15 budget. Table 4 below shows the source of the proposed \$1,250,000 in up-front costs.

Table 4: Proposed Source of Up-Front Project Costs

Index Code Title	Project Code	Project Title	FY 2014-15 Budgeted Amount	Proposed Use of Funds
DBI Projects Continuing	CBIBEP01	Building Expansion	\$1,500,000	\$1,250,000

Proposed Sale of Existing City Office Buildings

To help finance the purchase of the new building, the City will be offering an existing City-owned office building located at 30 Van Ness for sale this summer, with a leaseback to the City until late 2018. Sale of 30 Van Ness is subject to Board of Supervisors approval.

Depending on market conditions in 2017-2018, the City will also offer for sale the City-owned 1660 Mission Street, the current location of the Department of Building Inspection, and the City-owned 1680 Mission Street, the current location of some staff in the Department of Public Works.

These three buildings have a net rentable square footage of 290,301 square foot, as specified below in Table 5.

Table 5: Square Footage of Existing Office Buildings

Building	Net Rentable Square Feet
30 Van Ness	182,836
1660 Mission	71,585
1680 Mission	35,880
Total	290,301

These properties have an aggregate potential sales value of approximately \$102,000,000 depending on market conditions and future negotiations with potential buyers, according to Mr. Updike. Proceeds from all three potential sales will be one of several proposed sources of funds to purchase the new office development (See Table 6 below for additional details).

The Real Estate Division considers 30 Van Ness to be suitable for a transit-oriented-development, and believes current market conditions are favorable to a building sale. Mr. Updike states the Real Estate Division will take additional time to potentially sell the Mission Street properties, in order to mitigate the risks of prematurely disposing of City assets before the new project is fully approved or near completion.

Estimated Sources of Project Funds

The estimated sources of funds for the project are listed in Table 6 below. Based on preliminary estimates, the project will be financed by approximately 54.3 percent equity, and 45.7 percent debt. In addition to the building sales proceeds, the City is assuming a significant contribution from the DBI fund balance as well as equity from the Retirement Trust Fund. However, there is no guarantee these contributions will materialize in the amounts specified below in Table 6.

Table 6: Total Estimated Sources of Project Funds

Sources	Amount
Sales Proceeds of City-owned Buildings	\$102,000,000
Less debt payoff	(29,250,000)
Less sales costs	<u>(2,800,000)</u>
Subtotal (net yield from sales)	\$69,950,000
DBI Fund Balance	50,000,000
Retirement Trust Fund	<u>17,500,000</u>
Total Equity (54.3%)	\$137,450,000
Certificates of Participation (COPs) (45.7%)	115,550,000
Total	\$253,000,000

Source: Real Estate Division

According to Ms. Nadia Sesay, Director of Public Finance, as of the writing of this report the Office of Public Finance is not accounting for potential DBI Fund Balance or Retirement Trust Fund contributions. As such, under current Office of Public Finance assumptions, the COPs will generate proceeds of approximately \$187.1 million to acquire the site, or \$71,550,000 more

than the estimated \$115,550,000 listed above in Table 6. In this scenario, debt would account for approximately 74% of total project funds and debt service would be projected at roughly \$15 million over 30 years. Ms. Sesay notes that General Fund impact to repay the COPS will depend on the precise mix of tenants in the new building.

POLICY CONSIDERATIONS

According to Mr. Updike, the Real Estate Division is proposing the purchase the property located at 1500-1580 Mission Street in order to address several long-term City priorities, particularly in the Civic Center area. These priorities include:

- 1) Developing more consolidated space for departments currently housed in multiple locations;
- 2) Making available underutilized City sites for more intense mixed-use developments where possible; and
- 3) Addressing the lack of space for growth, as the city-owned buildings in Civic Center are currently over 99 percent occupied.

Additionally, according to Mr. Updike, the new building will allow core City functions to be centralized in a facility specifically built to meet City needs; and the proposed ENA and LOI allow the City to purchase new Class A office building at a favorable price to comparable real estate in the City⁴.

As noted above, the proposed transaction is complex and will be executed over several years, with multiple points of approval required by the Board of Supervisors. At this time, there are several significant unknowns the City must contend with, including:

- Total potential equity contributions, including the final sales prices of the three existing City office buildings, as well DBI fund balance contributions;
- The proceeds from COPS and additional debt service required by the City;
- Total General Fund impacts; and
- Finalized design, occupancy mix, developer pricing, and negotiated office lease.

If the Board of Supervisors and Mayor do not approve the ENA and LOI by July 31, 2014, then either the City or the Developer may terminate negotiations. Because of the future commitment of significant City funds, the Budget and Legislative Analyst considers approval of the proposed resolution authorizing the ENA and LOI to be a policy matter for the Board of Supervisors. If the Board of Supervisors approves the ENA and LOI, then the City would move forward with the next steps in planning for the final purchase of 1500-1580 Mission Street, including committing up to \$1,250,000 in non-refundable funds, which were previously appropriated by the Board of Supervisors in the FY 2014-15 DBI budget. According to Mr.

⁴ According to the Q1 and Q2 2014 office market reports from real estate services firm Avison Young, the top sales of Class A office space in San Francisco have seen prices ranging from \$447 to \$765 per square foot. As noted above, the proposed purchase price of 1500-1580 Mission Street by the City is approximately \$521.73 per square foot.

Updike, if the Board of Supervisors does not approve the proposed resolution, the City will likely lose the opportunity to purchase 1500-1580 Mission Street.

If the Board of Supervisors approves the proposed resolution, the resolution should be amended to require a report from the Director of Real Estate prior to the date by which the Board of Supervisors must endorse the Purchase and Sale Agreement on October 31, 2014 that:

(1) Provides details on the space requirements of the City departments and the proposed uses for occupying (such as training, board room and conference space) the new office building, including long-term staffing projections and the reasons for increases in staffing and/or office space, if applicable;

(2) Explains the options for backfilling the Health Service System's leased space at 1145 Market Street or other options under the existing lease, allowing the Health Service System to relocate to the new office building; and provide details on Health Service System's space requirements;

(3) Recommends potential project alternatives if the increase in space is not required by DPW, DBI, City Planning or other City departments anticipated to occupy the new office building; and

(4) Describes the Real Estate Division's overall space plan for Civic Center office space.

RECOMMENDATIONS

1. Amend the proposed resolution to require a report from the Director of Real Estate prior to the date by which the Board of Supervisors must endorse the Purchase and Sale Agreement on October 31, 2014 that:
 - Provides details on the space requirements of the City departments and the proposed uses (such as training, board room and conference space) for occupying the new office building, including long-term staffing projections and the reasons for increases in staffing and/or office space, if applicable;
 - Explains the options for backfilling the Health Service System's leased space at 1145 Market Street or other options under the existing lease, allowing the Health Service System to relocate to the new office building; and provide details on Health Service System's space requirements;
 - Recommends potential project alternatives if the increase in space is not required by DPW, DBI, City Planning or other City departments slated to occupy the new office building; and
 - Describes the Real Estate Division's overall space plan for Civic Center office space.
2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.