CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Sub-Committee

FROM: Budget and Legislative Analyst

SUBJECT: March 12, 2014 Budget and Finance Sub-Committee Meeting

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Item 4 **File 14-0008** *(Continued from February 26, 2014)*	**Department:** **Mayor's Office of Housing and Community Development**

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would appropriate $4,515,000 of General Fund Reserve monies in the Mayor's Office of Housing and Community Development to establish a new Nonprofit Rent Stabilization Program.

Key Points

- In 2000, the Board of Supervisors approved ordinances appropriating $1,500,000 from the General Fund Reserve and establishing conditions for such expenditures to provide rent subsidies to nonprofit arts organizations in immediate danger of being evicted or displaced by rent increases. In 2000, the Board of Supervisors approved another ordinance to appropriate $3,000,000 from the General Fund Reserve for (a) $500,000 for rent subsidies, and (b) $2,500,000 to fund capital improvements and real property acquisitions, specifying the criteria for such nonprofit organizations to receive these City funds.
- On October 8, 2013, the Budget and Legislative Analyst issued a report on the impact of increasing rents in San Francisco on local nonprofits, identifying 6,005 San Francisco nonprofits, of which 1,425 or 23.7% currently contract with the City. This report found that commercial vacancy rates decreased Citywide from 12.4% in 2011 to 9.3% in 2013, while average commercial rents increased from $39.67 per square foot per year to $52.69 per square foot per year, a 32.8% increase during this same period.
- On November 5, 2013, the Board of Supervisors approved a resolution to convene a work group to develop recommendations on how the City can address nonprofit displacement. A Nonprofit Displacement Work Group was created, which will present recommendations to the Board of Supervisors by April 11, 2014.

Fiscal Impacts

- The initial $2,515,000 is an estimate of the General Fund Property Tax revenue growth in the Central Market Street and Tenderloin exclusion zone since the Payroll Expense Tax Credit was established in FY 2010-2011. On February 5, 2014, the Budget and Finance Committee amended the proposed ordinance to add $2,000,000 to the initial $2,515,000 for a total of $4,515,000, to provide sufficient funds to include arts and cultural community groups in the new Nonprofit Rent Stabilization Program.
- The amount of funding for the new Nonprofit Rent Stabilization Program, whether this would be a one-time appropriation or require ongoing appropriations, the specific use of the requested $4,515,000, criteria for awarding rent stabilization funds to individual nonprofit organizations, any limits on the amount of funds awarded and administrative and selection procedures have not yet been decided.

Recommendations

- Amend the proposed ordinance to place all of the $4,515,000 General Funds on Budget and Finance Committee reserve, pending issuance of the April 2014 report from the Nonprofit Displacement Work Group to the Board of Supervisors, to provide more specific details on how such funds would be allocated.
- Approval of the proposed ordinance, as amended, is a policy decision for the Board of Supervisors.

MANDATE STATEMENT

In accordance with Charter Section 9.105, amendments to the Annual Appropriation Ordinance are subject to Board of Supervisors approval by ordinance, subject to the Controller certifying the availability of funds.

BACKGROUND

Nonprofit Arts Organizations in 2000 Needed Rental Assistance

In late October and early November of 2000, the Board of Supervisors approved two ordinances (Files 00-1810 and 00-1811; Ordinances 266-00 and 267-00) to (a) appropriate $1,500,000 from the City's General Fund Reserve and (b) establish the terms and conditions for the expenditure of these funds by the California Lawyers for the Arts, a nonprofit organization. California Lawyers for the Arts was to allocate such funds to provide rent subsidies to nonprofit arts organizations that were in immediate danger of being evicted or displaced by rent increases in San Francisco. One of the ordinances (File 00-1811) included specific (a) criteria for nonprofit organizations to be eligible to receive these City funds, (b) limits on the amount of grant funds to be awarded, (c) administrative and selection processes for distributing the rental assistance funds, and (d) reporting requirements.

Detailed information on overall expenditures, including administrative costs, for this nonprofit arts rental assistance program is not currently available. Mr. Brian Cheu, the Director of Community Development for the Mayor's Office of Housing and Community Development advises that approximately 12 grants for rental subsidies were provided under this nonprofit arts rental assistance program. The requests for nonprofit arts rental subsidies ranged from a maximum of $80,000 which was the limit specified by the legislation, to a minimum of $7,000, with average grant requests of approximately $35,000.

Other Nonprofit Organizations in 2000 Needed Rental and Capital Improvement Assistance

In addition, on November 20, 2000, the Board of Supervisors approved another ordinance (File 00-1809; Ordinance 283-00) to appropriate $3,000,000 from the City's General Fund Reserve for the Mayor's Office of Community Development to fund (a) a $500,000 grant program for rent subsidies to nonprofit service and advocacy organizations at risk of being evicted or displaced by rent increases and (b) $2,500,000 to fund capital improvements and real property acquisitions by nonprofit organizations. This ordinance also specified (a) criteria for nonprofit organizations to be eligible to receive these City funds, (b) limits on the amount of funds to be awarded to individual organizations and (c) individual administrative and selection processes. This ordinance also specified that the $2,500,000 capital improvement and real property acquisition funds would be allocated by the Partnership for Affordable Nonprofit Space[1] and

[1] A coalition that included the City and County of San Francisco, the Evelyn and Walter Haas Jr. Fund, the San Francisco Foundation and the United Way.

administered by the Northern California Community Loan Fund (NCCLF), a nonprofit intermediary. This ordinance specified that funding priorities would be given to (a) applications that benefit more than one nonprofit organization and result in long-term affordable space, (b) organizations that currently receive funding for operating expenses under a City grant or contract, and are in good standing, and (c) organizations primarily serving San Francisco citizens.

Mr. Cheu advises that there is no information on the $500,000 portion of the grant program for rent subsidies to nonprofit service and advocacy organizations, such that it appears that the City may have never implemented this portion of the program. Regarding the $2,500,000 City capital improvement and real property acquisition funds portion of the grant program, which was allocated by the Partnership for Affordable Nonprofit Space, Table 1 below identifies each of the nonprofit organizations, the address or location of their facility and the amount of funding received by each organization.

Table 1: Nonprofit Organizations that Received Capital Improvement and Real Property Acquisition Funds Appropriated in 2000

Name of Nonprofit Organization	Address/Location	Amount of Funding*
Ark of Refuge, Inc.	1025 Howard/30 Harriet	$171,000
Chinatown Community Development Corp	1525 Grant Avenue	19,647
Coleman Advocates for Children and Youth	459 Vienna Street	30,000
Filipino American Development Foundation	1010 Mission Street	100,000
Mercy Housing California	Mission Creek at 4th Street	100,000
Nihonmachi Little Friends	1830 Sutter Street	200,000
9th Street Media Consortium	145 Ninth Street	200,000
North of Market Senior Services	315 Turk Street	355,000
ODC Theater/San Francisco	3153 17th Street	400,000
Portola Family Connections	25634 San Bruno Avenue	50,000
Raphael House	1045-1049 and 1065 Sutter	300,000
SF Museum & Historical Society	88 Fifth Street	100,000
SF Housing Development Corporation	4439 Third Street	100,000
Tenants and Owners Development Corp	328 Tehama Street	65,330
Tenderloin Neighborhood Development Corp	3145 Taylor Street	50,000
Bindlestiff Studio (Planning grant)	185 Sixth Street	10,000
Museum of the Africa Diaspora (Planning grant)	685 Mission Street	10,000
Subtotal		$2,260,977
Title Recording Fees and Administrative Costs		297,000
Total		**$2,557,977**

* Reflects amount of funding provided by the City and County of San Francisco to each nonprofit organization. These organizations may have received additional funding from the other funders, such as the Evelyn and Walter Haas Jr. Fund, the San Francisco Foundation and the United Way, who participated in this program.

Recent 2013 Report on the Impact of Increasing Rents in San Francisco on Local Nonprofits

On October 8, 2013, the Budget and Legislative Analyst issued a report to Supervisor Jane Kim on the impact of increasing rents in San Francisco on local nonprofits. As part of this report, the Budget and Legislative Analyst surveyed nonprofit organizations to identify rents being paid by these organizations and to determine how they are being affected by current commercial real estate market conditions.

This report identified that as of July 2013, there were 6,005 nonprofit organizations in San Francisco, of which 1,425 nonprofits or 23.7% currently contract with the City and County of San Francisco. In addition, this report found that commercial vacancy rates decreased Citywide from 12.4% in 2011 to 9.3% in 2013, reflecting the reduction in available commercial space in the City. At the same time, average City commercial rental rates increased between 2011 and 2013 from $39.67 per square foot per year to $52.69 per square foot per year, a 32.8% increase.

This report notes that the financial burden of renting in San Francisco may require nonprofit organizations to devote a greater proportion of resources to renting, taking away from resources that could go to providing services to San Francisco residents. As a result, this report identified various policy options that the Board of Supervisors could consider to address the issue of escalating commercial rents impacting nonprofit organizations. Such policy options include:

(1) evaluate development impact fees to be charged to commercial developers to be expended for renovating or acquiring facilities for nonprofit organizations, at controlled rents;

(2) expand inclusionary zoning, to include incentives for commercial developers to provide (a) space for nonprofit organizations in their developments at below-market rates, or (b) pay fees in-lieu of providing space to be expended by nonprofit organizations to acquire or rehabilitate buildings and occupied by one or more nonprofits at controlled rents;

(3) create City incentives for commercial landlords to offer below market rents for specified nonprofits;

(4) enhance existing City programs or create new programs to provide loans and/or grants to nonprofits to acquire or rehabilitate facilities with controlled rents;

(5) identify unutilized or underutilized City properties for occupancy by nonprofit organizations at controlled rents; and

(6) collaborate with foundations, private donors and others to pool property and financial resources to provide ownership or leased facilities for nonprofits at controlled rents.

Current Work Group

On November 5, 2013, the Board of Supervisors approved a resolution (File 13-1072; Resolution 395-13) urging the Director of the Mayor's Office of Housing and Community Development to convene a work group to develop a series of recommendations on how the City can address the issue of nonprofit displacement. In accordance with this resolution, this work group would include staff from the Mayor's Office of Housing and Community Development, Mayor's Office of Public Policy and Finance, Arts Commission, Office of Economic and Workforce Development, the Human Services Agency, the Department of Public Health, Department of Children, Youth and their Families, Real Estate Division and the Planning Department as well as a broad representation of nonprofit organizations, neighborhood advocates and impacted clients. As specified in the resolution, this work group would convene within 30 days and present a report to the Board of Supervisors within 120 days from its first meeting that includes a series of recommendations and action items.

Mr. Cheu advises that a Nonprofit Displacement Work Group was created and convened its first meeting on December 13, 2013. According to Mr. Cheu, the Nonprofit Displacement Work Group plans to meet monthly and to present a report to the Board of Supervisors by April 11, 2014, as required by Resolution 395-13. Mr. Cheu notes that in addition to the resolution's specified representatives, the Nonprofit Displacement Work Group includes representatives from two Board of Supervisors offices[2], the Office of the City Administrator, the Controller's Office and specified nonprofit and other interested organizations[3].

Based on the Controller's Office data from the past three years, the City funds approximately 500 nonprofit organizations with at least $25,000 per agency each year. The Work Group distributed a survey to more than 300 such City-funded agencies and to date, has received responses from 84 nonprofit organizations, describing their needs at 102 different service locations. Based on this initial survey data:

1. 54% of the nonprofit respondents would benefit from technical assistance relating to real estate transactions;
2. 68% of the nonprofit respondents are interested in potentially sharing space with other nonprofit organizations;
3. 51% of the nonprofit respondents are interested in potentially sharing back office duties; and
4. 25% of the nonprofit respondents have leases expiring by 2017.

[2] Representatives from President Chiu and Supervisor Kim's offices.

[3] Such nonprofit and interested organizations include Catholic Charities, Positive Resource, Lutheran Social Services, Council of Community Housing Organizations, Tenderloin Neighborhood Development Corporation, Northern Community Loan Fund, Legal Assistance for the Elderly, Hospitality House, San Francisco Foundation, YMCA of San Francisco, Yerba Buena Center for the Arts, and In-Home Supportive Services.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance, as initially introduced would appropriate $2,515,000 of General Fund Reserve monies to establish a new Nonprofit Rent Stabilization Program. On February 5, 2014, the Budget and Finance Committee amended the proposed ordinance to add $2,000,000 of additional General Fund Reserve funds to the subject $2,515,000 supplemental appropriation for a total of $4,515,000, to provide sufficient funds to include arts and cultural community groups in the new Nonprofit Rent Stabilization Program. The proposed ordinance would now appropriate $4,515,000 of General Fund Reserve monies in the FY 2013-14 Mayor's Office of Housing and Community Development budget to establish a new Nonprofit Rent Stabilization Program, as shown in Table 2 below.

Table 2: Proposed Source and Use of $4,515,000 General Fund Reserve

Source of Funds	
General Fund Reserve	$4,515,000
Use of Funds	
Mayor's Office of Housing and Community Development	
Nonprofit Rent Stabilization Program	$4,515,000

FISCAL IMPACTS

Source of Funds

The proposed $4,515,000 supplemental appropriation would be funded from the City's General Fund Reserve. According to Ms. Risa Sandler, Citywide Budget Manager in the Controller's Office, the City's General Fund Reserve has a current balance of $44,613,143. If the proposed $4,515,000 supplemental appropriation is approved, the General Fund Reserve balance would be $40,098,143.

According to Ms. Michelle Allersma of the Controller's Budget & Analysis Division, the initial $2,515,000 represents an estimate by the Controller's Office of the General Fund Property Tax revenue growth in the Central Market Street and Tenderloin exclusion zone since the Payroll Expense Tax Credit was established in FY 2010-2011, based on information provided by the Assessor's Office.

Use of Funds

According to Mr. Cheu, the Nonprofit Displacement Work Group has identified 28 possible options for addressing nonprofit organizations potential displacement, which have been divided into the following four programmatic areas:

1. Options that involve the City and/or an intermediary agency to provide real estate-related technical assistance for City-funded agencies;
2. Options that involve potential policy decisions or legislative changes;
3. Options that involve the expansion of private/public partnerships; and

4. Options that require the provision of City funds, provided either directly by the City or through an intermediary agency, to non-profit organizations facing the possibility of displacement.

As the final report of the Work Group will not be completed until April 2014, the specific amount of funding needed for the new Nonprofit Rent Stabilization Program is not yet known, and whether this would be a one-time appropriation or require ongoing appropriations has not yet been decided. In addition, the specific use of the requested $4,515,000 within each of the above-noted programmatic areas has not yet been determined. Specified criteria for awarding rent stabilization funds to individual nonprofit organizations, any limits on the amount of funds to be awarded to individual organizations and required administrative and selection procedures have also not yet been decided.

However, Mr. Cheu notes that the award of such General Fund monies to nonprofit organizations would be subject to a competitive Request for Proposal (RFP) process. Based on the number of responses received, the number of grants awarded and the level of City administration and oversight required, Mr. Cheu estimates that implementation of a new Nonprofit Rent Stabilization Program would require approximately 1.25 FTE positions in the Mayor's Office. Mr. Cheu also notes that the specifics of the funding needs, ongoing requirements, criteria for award of the funds and recommended uses of the funds would be provided in the Nonprofit Displacement Work Group report to be presented to the Board of Supervisors by April 11, 2014.

Although there is an identified need to address the issue of escalating commercial rents impacting nonprofit organizations in San Francisco, given that (a) the amount of funding needed for a new Nonprofit Rent Stabilization Program has not yet been determined, (b) whether this Program would require only this one-time appropriation or require ongoing appropriations is not known, (c) the specific uses of the subject $4,515,000 has not yet been decided, and (d) specified criteria for equitable allocation of the proposed funding has not been determined, approval of the proposed supplemental appropriation is a policy decision for the Board of Supervisors.

RECOMMENDATIONS

1. Amend the proposed ordinance to place all of the $4,515,000 General Funds on Budget and Finance Committee reserve, pending issuance of the April 2014 report from the Nonprofit Displacement Work Group to the Board of Supervisors, to provide more specific details on how such funds would be allocated.
2. Approval of the proposed ordinance, as amended, is a policy decision for the Board of Supervisors.

Item 5 File 14-0124	Department(s): Mayor's Office of Housing (MOHCD)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would authorize an expenditure of $105,000 from the South of Market Area (SOMA) Community Stabilization Fund to fund the non-profit organization, Veterans Equity Center, to provide organizational capacity building and support for tenant counseling services.

Key Points

- Under the City's Planning Code, developers constructing new residential development in the Rincon Hill Downtown Residential District pay development impact fees (South of Market Community Stabilization Fee) of $10.95 per square foot. Fee revenues are deposited into the SOMA Community Stabilization Fund to be used for housing and economic and workforce development. The MOHCD administers the SOMA Community Stabilization Fund, and the Community Stabilization Fund Community Advisory Committee advises on the use of fees allocated to the SOMA Community Stabilization Fund revenues, subject to Board of Supervisors approval.
- Based on a competitive Request for Proposal (RFP) process, the Community Stabilization Fund Community Advisory Committee and MOHCD recommended $165,000 for a grant to Veterans Equity Center, a non-profit organization, for the provision of organizational capacity building and support for tenant counseling services.
- The sources of funds for this grant include $105,000 in SOMA Community Stabilization Funds and $60,000 in funds appropriated by the Board of Supervisors through the FY 2013-14 budget review process.
- MOHCD previously allocated $60,000 of the $165,000 grant to the Veterans Equity Center, effective October 1, 2013. The proposed resolution authorizes the expenditure of the additional $105,000 in SOMA Community Stabilization Funds as part of the total grant award.
- The term of this grant will be 18 months from October 1, 2013 through March 31, 2015.

Fiscal Impact

- The SOMA Community Stabilization Fund currently has an available balance of $4,257,287. If the proposed resolution is approved authorizing $105,000 of expenditures from the SOMA Community Stabilization Fund, the SOMA Community Stabilization Fund balance would be reduced to $4,152,287.

Recommendation

- Approve the proposed resolution.

BACKGROUND/MANDATE STATEMENT

Mandate Statement

In accordance with Planning Code Section 418.7, all monies in the South of Market Area (SOMA) Community Stabilization Fund are to be expended in order to address the effects of destabilization on residents and businesses in SOMA due to new residential development in the Rincon Hill Area, subject to conditions specified in the Planning Code. In accordance with Section 418.7(c) of the Planning Code, the SOMA Community Stabilization Fund expenditures are administered by the Mayor's Office of Housing and Community Development (MOHCD), subject to approval by resolution of the Board of Supervisors. In approving expenditures from the Fund, (a) MOHCD and the Board of Supervisors shall consider any comments from the SOMA Community Stabilization Fund Community Advisory Committee, the public, and any relevant City departments or offices, and (b) the Board of Supervisors shall determine the relative impact from the development in the Rincon Hill Plan Area and shall insure that the expenditures are consistent with mitigating the impacts from the development.

Background

The Board of Supervisors approved a new Section 318 in the City's Planning Code in 2005, which among other provisions, (a) established the Rincon Hill Downtown Residential District[1], (b) created a Rincon Hill Community Improvement Fund, (c) imposed a South of Market Area (SOMA) Community Stabilization Fee of $14 per square foot (subsequently amended down to $10.95 per square foot by the Board of Supervisors under Ordinance 270-10) on developers who build new residential development within the Rincon Hill Downtown Residential District, (d) created the SOMA Community Stabilization Fund, and (e) established a SOMA Community Stabilization Fund Community Advisory Committee (CAC) to advise the MOHCD and the Board of Supervisors on the uses of the SOMA Community Stabilization Fund (Ordinance 217-05).

In accordance with Section 418.7 of the Planning Code, monies in the SOMA Community Stabilization Fund are to be used to address the effects of destabilization on residents and businesses in SOMA due to new residential development in the Rincon Hill Area. Under the Planning Code, the SOMA Community Stabilization Fund is to be used for housing, and economic and workforce development.

The Board of Supervisors approved a resolution in 2008 (Resolution 0216-08) (a) approving the SOMA Community Stabilization Fund Strategic Plan, (b) authorizing MOHCD to administer the SOMA Community Stabilization Fund in accordance with this Strategic Plan, and (c) authorizing MOHCD to work with the SOMA Stabilization Fund Community Advisory Committee to issue Requests for Proposals (RFPs)for non-profit agencies to provide services addressing the effects of destabilization on residents and businesses in SOMA, consistent with the Community Stabilization Fund Strategic Plan. In 2011, the SOMA Stabilization Fund Community Advisory

[1] The Rincon Hill Downtown Residential District is the area bounded by Folsom Street, The Embarcadero, Bryant Street, and Essex Street.

Committee revised the Community Stabilization Fund Strategic Plan to articulate four goals, which include:

1) Strengthen community cohesion
2) Support economic and workforce development for low-income residents and businesses that serve the SOMA community
3) Increase access to perpetually affordable housing opportunities for existing SOMA residents
4) Improve the infrastructure and physical environment

RFP Process

MOHCD issued an RFP in August 2013 announcing that $165,000 would be made available for organizational capacity building and tenant counseling and case management services for low-income residents and low-income workers in SOMA. The grant period stated in the RFP is October 1, 2013 through March 31, 2015, and is one-time funding.

The Veterans Equity Center was the sole respondent to the RFP.

Grant Source of Funds

Funds for the Organizational Capacity Building and Tenant Counseling grant awarded to the Veterans Equity Center, a nonprofit agency which provides tenant outreach and case management services. The grant award is derived from two sources: (1) $105,000 from the SOMA Community Stabilization Fund (subject of this resolution), and (2) $60,000 appropriated by the Board of Supervisors in MOHCD's FY 2013-14 budget.

According to Ms. Claudia Del Rosario, MOHCD SOMA Community Stabilization Fund Director, the $165,000 grant was divided into two separate awards of $105,000 and $60,000 respectively. MOHCD awarded the $60,000 grant to the Veterans Equity Center, effective on October 1, 2013.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize $105,000 of expenditures from the SOMA Community Stabilization Fund to fund the Veterans Equity Center to provide organizational capacity building and tenant counseling services.

Organizational capacity building efforts through this grant include (1) development of a strategic plan to diversify the composition of the Veterans Equity Center, and (2) creation of a fund development plan to enhance organizational sustainability.

Tenant counseling services proposed through this grant include (1) intake and assessment of housing needs/barriers of individuals in SOMA through tenant counseling, (2) providing resources to consumers, (3) developing an individualized care plan to address needs/barriers, and (4) referrals to appropriate agencies and service providers.

FISCAL IMPACT

Total funds for the Veterans Equity Center to provide organizational capacity building and tenant counseling services are $165,000, including $60,000 previously appropriated by the Board of Supervisors in the FY 2013-14 budget and $105,000 from the SOMA Community Stabilization Fund.

The budget for the proposed $165,000 is shown in Table 1 below.

Table 1: Proposed Grant Budget

Budget Item	Requested amount
Staff salaries and benefits	$118,495
Consultant Fees	$25,000
Training Expenses	$15,736
Indirect Costs	$3,763
Other	$2,006
Total	**$165,000**

As shown in Table 2 below, from FY 2005-06, when the SOMA Community Stabilization Fund was established, to FY 2013-14, $10,071,623 was deposited into the Fund.

Table 2: Revenues Deposited to the SOMA Community Stabilization Fund (Through January 31, 2014)

	Development Impact Fees	Transfers from Rincon Hill Community Improvement Fund and SOMA Community Stabilization Fund	Total Revenue
FY 2005-2006	$98,471	$0	$98,471
FY 2006-2007	0	203,292	203,292
FY 2007-2008	0	0	0
FY 2008-2009	67,324	0	67,324
FY 2009-2010	4,962,933	350,000	5,312,933
FY 2010-2011	2,807,128	589,626	3,396,754
FY 2011-2012	(81,761)*	0	(81,761)
FY 2012-2013	185,874	0	185,874
FY 2013-2014	626,591	0	$626,591
Subtotal	$8,666,560	$1,142,918	$9,809,478
Interest Earnings			$262,145
Total			**$10,071,623**

***** Return of fees collected erroneously in the prior fiscal year for 333 Harrison project.

Source: Mayor's Office of Housing and Community Development

As shown in Table 3 below, SOMA Community Stabilization Fund expenditures, previously authorized by the Board of Supervisors, total $5,814,336, including expenditures for non-profit agencies and MOHCD and City Attorney costs. This results in an available fund balance of $4,257,287.

Table 3: Expenditures from the SOMA Community Stabilization Fund (Through January 31, 2014)

	Salaries, Benefits and Other Costs	Inclusionary Housing Study	Grant Expenditures	Total Expenditures
FY 2006-2007	$45,614	$40,000	$0	$85,614
FY 2007-2008	82,452	110,000	0	192,452
FY 2008-2009	185,596	0	0	185,596
FY 2009-2010	102,090*	0	0	102,090
FY 2010-2011	135,719*	0	3,613,462	3,749,181
FY 2011-2012	160,709*	0	404,411	565,120
FY 2012-2013	149,770*	0	606,621	756,391
FY2013-2014	66,930	0	110,962	177,892
Total	**$928,880**	**$150,000**	**$4,735,456**	**$5,814,336**

* Includes advertising for public hearing and City Attorney costs.
Source: Mayor’s Office of Housing and Community Development

If the proposed resolution authorizing $105,000 of expenditures from the SOMA Community Stabilization Fund is approved, the remaining Fund balance would be $4,152,287.

RECOMMENDATION

Approve the proposed resolution.

Item 6 File 14-0092	Department: Public Utilities Commission

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution will authorize the Public Utilities Commission to enter into a new sole-source software maintenance contract with Itron, Inc. to provide proprietary meter reading and electric load forecasting software for a term of five years and six months, from March 30, 2014 to September 30, 2019, for a total contract amount of $171,000.

Key Points

- City Administrative Code Section 21.30(d) allows a City department to enter into a sole source contract for proprietary software, including maintenance of the proprietary software.
- PUC previously entered into a sole-source contract with Itron for use of Itron's software and software maintenance from March 30, 2004 to March 29, 2014 for a total contract amount of $295,000. The contract was not subject to Board of Supervisors approval because the contract term did not exceed ten years.
- Under the proposed maintenance contract, Itron will continue to provide annual software license and software maintenance and add new services for Itron's MVRS software which supports PUC's meter data collection when a meter cannot be read remotely.

Fiscal ImpactsUnder the proposed maintenance contract, the PUC will pay a total not-to-exceed amount of $171,000, over the five year and six month term from March 30, 2014 to September 30, 2019.

- For each contract year, PUC fees for licenses and software maintenance begin on October 1 until September 30 of the next year and increase at a rate of 3.5% each year.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) requires Board of Supervisors approval of contracts with a term in excess of ten years, or the modification of these contracts having an impact of more than $500,000.

City Administrative Code Section 21.30(d) allows a City department to enter into a sole source contract for proprietary software, including maintenance of the proprietary software.

BACKGROUND

The Public Utilities Commission (PUC) manages the City's municipal power utility which supplies electricity to City-owned facilities, derived primarily from the Hetch Hetchy Power system, as well as the City's 13 solar arrays and 2 biogas cogeneration facilities. To manage efficient delivery of PUC electricity to the City and to facilitate time-of-use billing, the PUC reads electricity use through meters at small time intervals.

On March 30, 2004, the PUC entered into a sole-source contract with Itron, Inc. (Itron) for use of Itron's proprietary software and the software maintenance for electric load forecasting and meter reading. The contract, which is effective from March 30, 2004 to March 29, 2014 for a total contract amount of $295,000, was not subject to Board of Supervisors approval because the contract term did not exceed ten years. According to Mr. Darryl Dunn, Manager, PUC Energy Data Systems, PUC awarded a contract to Itron on a sole-source basis because of the PUC's need for Itron's meter reading and electric load forecasting software for its operations.

According to Mr. Dunn, the original contract provided the PUC with an annual software license and software maintenance services for:

- MetrixND, an electric load forecasting software package that allows the PUC to predict its customers electric load based on history as well as forecasted weather, growth, and other variables within a two year timespan; and
- MetrixLT, an electric load forecasting software that predicts customer electric load based on history for beyond two years.

The original contract also provided a network license and software maintenance services for:

- MV-90 xi that allows the PUC to pull electric meter reads and interval data (5 or 15 minute data) from its customer's electric meters; and
- MV-90 xi TCP/IP module which allows the PUC to read electric meters through the Internet.

The network license allows an unlimited number of PUC users to utilize the MV-90 xi software.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (File 14-0092) will authorize PUC to enter into a new sole-source contract with Itron, for a term of five years and six months, from March 30, 2014 to September 30, 2019, for a total contract amount not-to-exceed $171,000.

Under the proposed maintenance contract, Itron will (a) continue to provide the annual software license and software maintenance services noted above, and (b) add maintenance services for Itron's MVRS software which supports PUC's meter data collection when a meter cannot be read remotely.

On October 1 of each contract year, the PUC will pay Itron the annual fee for the software license and maintenance services. Maintenance services are defined by the contract as updating Itron software and providing vendor support for the products.

FISCAL IMPACT

The proposed resolution would provide for a total not-to-exceed contract amount of $171,000, over the five years and six months term from March 30, 2014 to September 30, 2019.

As shown in the table below, the fees for MetrixND, MetrixLT, MV-90 xi, and MV-90 xi TCP/IP in year one of the contract are higher than the following years because the first contract year extends beyond 12 months. According to Mr. Dunn, although the existing contract with Itron expires on March 30, 2014, because PUC has already paid license and software maintenance fees for MetrixND, MetrixLT, MV-90 xi, and MV-90 xi TCP/IP for part of 2014, new license fee payments are scheduled to begin after the start date of the proposed contract. For MetrixND and MetrixLT, year one fee payments are for the 16-month period from May 31, 2014 to September 30, 2015; and for MV-90 xi and MV-90 xi TCP/IP services, year one fee payments are for the 14-month period from August 1, 2014 to September 30, 2015. Beginning in year two of the proposed contract, fee payments begin on October 1 and extend through September 30 of the contract year. Under the proposed contract, annual license fees and software maintenance fees will escalate at a rate of 3.5% in each 12-month period.

Table: Annual License and Software Maintenance Fees

	Year 1*	Year 2	Year 3	Year 4	Year 5	
MetrixND	$7,917.54	$6,145.99	$6,361.10	$6,583.74	$6,814.17	$33,822.54
MetrixLT	$1,583.51	$1,229.20	$1,272.22	$1,316.75	$1,362.84	$6,764.52
MV-90 xi	$20,513.36	$18,198.28	$18,835.22	$19,494.45	$20,176.76	$97,218.07
MV-90 xi TCP/IP	$2,928.08	$2,272.93	$2,352.48	$2,434.81	$2,520.03	$12,508.33
MVRS	$3,804.59	$3,937.75	$4,075.57	$4,218.21	$4,365.85	$20,401.97
Total	**$36,747.08**	**$31,784.15**	**$32,896.59**	**$34,047.96**	**$35,239.65**	**$170,715.43**

* For MetrixND and MetrixLT, fee payments for year 1 cover May 31, 2014 to September 30, 2015. For MV-90 xi and MV-90 xi TCP/IP services, fee payments for year 1 cover August 1, 2014 to September 30, 2015. In all other years, fee payments extend from October 1 through September 30 of each contract year. For MVRS in all contract years, fee payments begin on October 1 through September 30.

RECOMMENDATION

Approve the proposed resolution.

Item 8 File 14-0099	Department: Department of Public Health

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would authorize the Department of Public Health (DPH) to (a) retroactively accept and expend U.S. Department of Justice, Office of Juvenile Justice and Delinquency Prevention, Second Chance Act Juvenile Reentry Program funds of $749,967 to implement a new one-year pilot program called Family Intervention, Reentry and Supportive Transitions (FIRST) from October 1, 2013 through September 30, 2014, (b) retroactively enter into subcontract agreements in an amount totaling $554,865 with the University of California-San Francisco (UCSF) Young Adult and Family Center and Seneca Family of Agencies, and (c) authorize the Director of Health to enter into a grant agreement with the U.S. DOJ on behalf of the City.

Key Points

- The Second Chance Act of 2007 requires the City to provide 1:1 matching funds as a condition of receiving the Second Chance Juvenile Reentry Program grant funds. Therefore, the proposed one-year FIRST pilot program would include $749,967 from the subject U.S. DOJ grant and $750,000 City matching funds, for a total one-year program cost of $1,499,967.

- The proposed resolution would authorize DPH to retroactively accept and expend these grant funds and to enter into the subcontract agreements, due to delays in the award and approval of the grant funds. However, none of the grant funds have been expended, none of the subcontracts have been finalized, and the grant funds can be expended over a two-year period.

Fiscal Impact

- City matching funds of $750,000 were appropriated in the FY 2013-14 budget, including $324,896 from DPH, $120,439 from State Mental Health Services Act funding, $154,561 from the Superior Court Public Safety Realignment Drug Court funding, $50,104 General Funds from the Department of Children, Youth, and Families (DCYF), and a $100,000 work order from DCYF to DPH to support occupational therapy for juveniles.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code Section 10.170-1 states that acceptance and expenditure of Federal, State, or other grant funds in the amount of $100,000 or more is subject to the approval by resolution of the Board of Supervisors. If, as a condition of the grant, the City is required to provide any matching funds, those funds shall be included in determining whether the grant meets the $100,000 threshold.

BACKGROUND

In 2009 and 2012, the City applied to the U.S. Department of Justice (U.S. DOJ), Office of Juvenile Justice and Delinquency Prevention, for Second Chance Act Juvenile Reentry Program funds for the Juvenile Collaborative Reentry Unit (JCRU) program to reduce recidivism rates for delinquent youths. The JCRU program is a collaboration between San Francisco's Superior Court's Office of Collaborative Justice, the Juvenile Probation Department, the Public Defender, and the Center on Juvenile and Criminal Justice, a nonprofit organization. Under the JCRU program, 100 delinquent youths receive reentry planning services which includes housing, vocational training, completion of education, and therapy or drug treatment services, with the goal of reducing recidivism rates.

On June 17, 2013, the Department of Public Health (DPH) applied to the U.S. DOJ, Office of Juvenile Justice and Delinquency Prevention, Second Chance Act Juvenile Reentry Program for a grant of $749,967 to fund the Family Intervention, Reentry and Supportive Transitions (FIRST) program to enhance the existing JCRU program by providing additional family therapy services to youth in long-term detention. On September 30th, 2013, DPH was awarded a one-year grant of $749,967 by the U.S. DOJ to fund FIRST. According to Dr. Emily Gerber, DPH Assistant Director, Child, Youth & Family System of Care, the FIRST program is designed to provide intensive rehabilitative therapy to approximately 100 delinquent youths and their families to further assist in reducing the juvenile recidivism rates for youths returning from long-term detainment (12-18 months).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize DPH to (a) retroactively accept and expend U.S. DOJ, Office of Juvenile Justice and Delinquency Prevention, Second Chance Act Juvenile Reentry Program funds of $749,967 to implement a new one-year pilot program called Family Intervention, Reentry and Supportive Transitions (FIRST) from October 1, 2013 through September 30, 2014, (b) retroactively enter into two subcontract agreements in an amount totaling $554,865 with the University of California-San Francisco (UCSF) Young Adult and Family Center and Seneca Family of Agencies, and (c) authorize the Director of Health to enter into a grant agreement with the U.S. DOJ on behalf of the City.

According to Dr. Gerber, currently there are 101 San Francisco youths in long-term detainment, including in (a) 13 youths in Log Cabin Ranch in La Honda, CA, (b) 54 youths in other California facilities, and (c) 34 youths in multiple out-of-state facilities. These out-of-state facilities are George Junior and Glen Mills in Pennsylvania, Lakeside Academy in Michigan, Clarinda Academy and Woodward Academy in Iowa, Mingus Mountain Academy in Arizona, and Normative in Wyoming. Under the proposed FIRST program, approximately 100 delinquent youths and their families would participate in this new three stage intensive therapy model during the one-year FIRST program, including:

(1) Commitment stage: FIRST initiates therapy with the delinquent youths and their families between 2-8 weeks before the youths are sent to their long-term detention;

(2) Engagement stage: during the first four months when the youths are in long-term detention, FIRST engages with the youths at least once a month and their families up to 2-3 times a week to provide counseling support and case management services; and

(3) Intensive Family Therapy stage: in the final 6-10 months of the FIRST program, FIRST provides intensive, home-based therapy sessions to youth and the families three times a week.

For youths already in long-term detention facilities, FIRST may only conduct the final two stages of treatment, depending on their release date.

The U.S. DOJ Second Chance Act of 2007 requires the City to provide 1:1 matching funds as a condition of receiving the U.S. DOJ Second Chance Juvenile Reentry Program grant funds. Therefore, the proposed one-year FIRST pilot program would include $749,967 from the subject U.S. DOJ grant and $750,000 City matching funds, for a total one-year program cost of $1,499,967.

DPH is requesting retroactive approval to accept and expend the proposed grant funds and to enter into subcontract agreements with UCSF and Seneca Family of Agencies, a nonprofit organization, for the grant period of October 1, 2013 through September 30, 2014. According to Dr. Gerber, the requested retroactive approval is needed because the Federal government’s shutdown in October of 2013 significantly delayed award and final U.S. DOJ approval of the subject grant funds. However, Dr. Gerber advises that to date, none of the grant funds have been expended, none of the subcontracts have been finalized, and the subject grant funds can be expended over a two-year period, or through September 30, 2015.

According to Dr. Gerber, DPH will enter into separate contracts with UCSF and Seneca Family of Agencies to implement the FIRST program. Dr. Gerber advises that the contract with UCSF would be on a sole-source basis due to UCSF’s extensive experience in providing family therapy services, UCSF’s previous innovative work in developing family therapy models and UCSF’s remote video conferencing and teletherapy facilities, which would be integral components in the proposed FIRST program. Under FIRST, DPH will contract with UCSF for $156,612 to provide (a) overall clinical leadership, training and supervision of clinical teams, (b) remote video conferencing and teletherapy facilities, and (c) research expertise and support for the evaluation of FIRST.

Dr. Gerber advises that Seneca Family of Agencies, a nonprofit organization, was previously selected by the Juvenile Probation Department to provide mental health services for youth under contract, based on a competitive Request for Proposal (RFP) process. Dr. Gerber advises that the existing Juvenile Probation Department contract with Seneca Family of Agencies would be increased by $398,253 to provide three clinicians and offer direct services to approximately 50 participating youth and families under the FIRST program.

Under the FIRST program, one new DPH temporary Project Director position would be hired to coordinate cross agency teams for oversight, operations, travel, training, reimbursements, information gathering, and evaluation critical to the development of the FIRST program, with 0.8 FTE funded through the proposed grant and 0.2 FTE funded with DPH matching funds. In addition, DPH's Family Mosaic Team would use three existing DPH clinicians to provide direct services to approximately 50 youths and their families. The temporary Project Director position will be terminated upon conclusion of the grant.

As part of the proposed FIRST one-year pilot program, the results will be analyzed for the program's effectiveness on reducing recidivism rates with youths returning from long-term detention or placement. The Department of Children, Youth, and Families (DCYF) currently has a contract with Mission Analytics for $364,000 to evaluate San Francisco's juvenile justice programs based on the results of a competitive RFP process. As part of their existing contract, the DCYF assigned Mission Analytics to provide $50,104 of services to evaluate the FIRST program.

FISCAL IMPACT

The U.S. DOJ Second Chance Act requires 1:1 matching funds for the proposed grant of $749,967, such that DPH is proposing City matching funds of $750,000 for a total one-year pilot FIRST program budget of $1,499,967, as summarized in the Table below. All of the City's $750,000 matching funds were previously appropriated by the Board of Supervisors in the FY 2013-14 budgets of DPH, the Superior Court, and DCYF.

Table: DPH Grant Budget for FIRST Program October 1, 2013 through September 30, 2014

Sources of Funds	Federal Grant	Local Match	One-Year Budget
Federal Funds			
Department of Justice, Office of Juvenile Justice & Delinquency Prevention	$749,967	$0	$749,967
Federal Funds Subtotals	**$749,967**	**$0**	**$749,967**
City Matching Funds			
Department of Public Health (in-kind)	$0	$324,896	$324,896
Mental Health Services Act[1]	0	120,439	120,439
Public Safety Realignment - Drug Court[2]	0	154,561	154,561
DCYF work order (in-kind)[3]	0	100,000	100,000
DCYF General Fund[4]	0	50,104	50,104
City Matching Funds Subtotal	**$0**	**$750,000**	**$750,000**
Total Sources	**$749,967**	**$750,000**	**$1,499,967**
Uses of Funds			
Personnel	$113,600	$324,896	$438,496
Travel	67,806	0	67,806
Supplies	1,200	0	1,200
Indirect Costs	12,496	0	12,496
FIRST Program Expenditures	**$195,102**	**$324,896**	**$519,998**
Contract Expenditures			
UCSF Young Adult & Family Center	$156,612	$0	$156,612
Seneca Family of Agencies	398,253	0	398,253
SF Achievement Collaborative Court[5]	0	275,000	275,000
Occupational Therapy Training Program through DCYF	0	100,000	100,000
Mission Analytics through DCYF	0	50,104	50,104
Contract Expenditures Subtotal	**$554,865**	**$425,104**	**$979,969**
Total Uses	**$749,967**	**$750,000**	**$1,499,967**

[1] The Mental Health Services Act, which was approved by California voters in November 2004 (Proposition 63), imposes a 1% tax on incomes over $1 million per year, with such tax revenues dedicated to expanding access to public mental health programs in California. Based on a formula, San Francisco receives approximately $30 million annually of Mental Health Services Act funding from the State Department of Health Care Services. The Mental Health Services Act previously funded the Youth Justice Institute, a nonprofit organization, which provided case management services to youths in the juvenile justice system. When the Youth Justice Institute closed in 2013, $120,489 was transferred to DPH to provide mental health related services to youths in the juvenile justice system.

[2] Under the State's Public Safety Realignment-Drug Court program the Superior Court receives approximately $300,000 annually in Comprehensive Drug Court Initiative Funding to provide alternatives to incarceration, such as substance abuse treatment. In FY 2013-14, the Superior Court transferred $154,561 of such funds to DPH for intensive outpatient treatment for delinquent youth.

[3] In FY 2013-14, the Department of Children, Youth, and Families (DCYF) contracted with the Occupational Therapy Training Program, a nonprofit organization, that provides therapeutic treatment to youths in the juvenile justice system, based on a RFP process, of which $100,000 is proposed as existing matching funds.

[4] In FY 2013-14, based on a RFP process, DCYF contracted with Mission Analytics to provide $349,360 of evaluation services with General Fund revenues, including $50,104 to evaluate the FIRST program.

[5] SF-Achievement Collaborative Court (SF-ACT) is a program through the Superior Court's Juvenile Drug Court which provides services for intensive outpatient treatment therapy. In FY 2013-14, SF-ACT contracted with Richmond Area Multi-Services (RAMS), a nonprofit organization, to provide intensive outpatient treatment to juveniles, based on a RFP process, including $275,000 funded with Mental Health Services Act and Public Safety Realignment Funds for continued treatment services through FIRST.

As shown in the Table above, the Federal FIRST grant will fully fund all travel ($67,806), supplies ($1,200), indirect costs ($12,496), and the costs for the two contractors ($554,865). In addition, under the proposed FIRST program, the Federal grant will fund 0.8 FTE salary and fringe benefit costs for the FIRST Project Director ($113,600), for a total Federal grant of $749,967. Because of the frequency of meetings, and the location of many of the incarcerated youth, Dr. Gerber notes that travel costs are a significant portion of the grant.

DPH's FY 2013-14 budget will fund $324,896 in local matching funds which includes the salary and fringe benefit costs for three existing DPH clinicians and the remaining 0.2 FTE for the new temporary Project Director. City matching funds also include the existing $275,000 contract to provide outpatient treatment to juveniles through the SF Achievement Collaborative Court program in the Superior Court, DCYF's existing $100,000 Occupational Therapy Training Program and DCYF's $50,104 contract with Mission Analytics for an independent evaluation , as displayed in the Table. In total, the City will contribute $750,000 in matching funds to FIRST.

According to Dr. Gerber, when the Federal grant ends, based on the results of the evaluation, DPH's existing clinical teams hope to retain the FIRST program's intensive therapy model, while eliminating the more expensive travel costs by transitioning to more remote video conferencing and teletherapy sessions. In addition, Dr. Gerber advises that Seneca's therapy services that would be funded under the existing grant could potentially be continued by recovering Medi-Cal funds for these juvenile patient mental health services.

RECOMMENDATION

Approve the proposed resolution.