CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

June 15, 2018

TO: Government Audit and Oversight Committee

FROM: Budget and Legislative Analyst

SUBJECT: June 20, 2018 Government Audit and Oversight Committee Meeting

TABLE OF CONTENTS

Items 1, 2, 3, 4, 5 and 6 Files 18-0529, 18-0530, 18-0531, 18-0532, 18-0533 and 18-0536	Department: Mayor's Office of Housing and Community Development (MOHCD)

EXECUTIVE SUMMARY

Legislative Objectives

- The six proposed resolutions authorize MOHCD to execute six new approximately 15-year Local Operating Subsidy Program (LOSP) agreements with nonprofits providing housing to low income persons who were formerly homeless, renewing two existing 9-year agreements with two current providers, replacing three agreements with three providers that were not renewed under the federal Continuum of Care program and adding one new agreement with a new provider.

Key Points

- LOSP provides operating subsidies to supportive housing operators to bridge the gap between the cost of operating housing and the amounts that the tenants can afford to pay. The six LOSP agreements would subsidize 172 supportive housing units in the Zygmundt Arendt House, Parkview Terraces, 455 Fell Street Family Housing, 10^{th} & Mission Family Housing, Railton Place, and Monterey Boulevard Apartments.

Fiscal Impact

- The total costs over the approximately 15-year term for the six projects are estimated to be $43,410,547. The annual General Fund subsidies for these six projects are anticipated to increase from $1,996,862 in 2019 to $3,584,019 in 2033. The average cost of each unit's subsidy that would be provided over the approximately 15-year term of each of these agreements ranges from $139,039 for each of the 40 units in the Railton Place project to $415,586 for each of the 4 units at the Monterey Boulevard.

Policy Consideration

- Parkview Terraces, Railton Place, and the Monterey Boulevard Apartments previously received Continuum of Care funding, but the funding for these housing units was not renewed by HUD. An alternative to HUD's Continuum of Care funding are Project Based Vouchers, funded through HUD's Section 8 program and administered by the San Francisco Housing Authority (SFHA).

Recommendations

- Amend the proposed resolutions to clarify the term of each agreement.
- Amend (i) File 18-0529 to state that the current agreement with Arendt House, LP will terminate on December 31, 2018; and (ii) File 18-0530 to state that the current agreement with Parkview Terrace Partners, LP is retroactive to April 1,.
- Amend the proposed resolutions to (1) request the MOHCD Director to facilitate the application of the respective housing project to the next RFP for Project Based Voucher funding for which they are eligible; and (2) require the LOSP contract for the respective housing project to be amended to account the Project Based Voucher funding if awarded.
- Approve the proposed resolutions as amended.

MANDATE STATEMENT

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

BACKGROUND

The Mayor's Office of Housing and Community Development (MOHCD), in collaboration with the Department of Homelessness and Supportive Housing (HSH)[1], currently provides operating subsidies to non-profit owners and operators of 28 supportive housing facilities, through its Local Operating Subsidy Program (LOSP). The program was started in 2004 as a part of the Mayor's ten year "San Francisco Plan to Abolish Chronic Homelessness," which had a goal of providing 3,000 new supportive housing units within 10 years to low income persons who were formerly homeless. Supportive housing provides social and other related services as well as housing to formerly homeless persons in order to improve their social outcomes and in an attempt to reduce the City's associated health, mental health, social services, criminal justice, and other related costs.

According to Ms. Anne Romero, MOHCD Senior Project Manager, tenants in supportive housing have very low incomes (below 20 percent of area median income)[2]. Under the agreements between the City and housing operators, rent in supportive housing units is capped to a fixed percentage of a tenant's income (50 percent in Direct Access to Housing (DAH)[3] subsidized units, 30 percent in all other subsidized units). The LOSP was created to bridge the gap between the cost of operating the housing and the amount the tenants can afford to pay, thereby providing long-term financial incentives to owners and operators to create and maintain permanent supportive housing units.

As shown in Table 1 below, between FY 2013-14 and FY 2017-18, the number of LOSP agreements has grown from 21 to 28, the number of subsidized units increased from 1,218 to 1,477 and the overall annual General Fund costs have decreased slightly from $9,377,788 to $9,284,434[4]. In FY 2017-18, MOHCD is anticipated to pay $9,284,434 in operating subsidies to

---

[1] MOHCD previously collaborated with the Department of Public Health (DPH) and the Human Services Agency (HSA) prior to the creation of the Department of Homelessness and Supportive Housing (HSH), which combines key homeless serving programs and contracts from the two agencies.

[2] 20 percent of area median income (AMI) for one person in 2018 is $16,600 annually according to the HUD Metro Fair Market Rent Area (HMFA)

[3] Established by the San Francisco Department of Public Health – Housing and Urban Health Section (SFDPH-HUH) in 1998, the Direct Access to Housing (DAH) is a permanent supportive housing program targeting low-income San Francisco residents who are homeless and have special needs.

[4] According to Ms. Romero, LOSP funding has decreased in FY 2017-18 because several projects applied for Project Based Vouchers (PBV) through the San Francisco Housing Authority in 2017 which are in the process of being placed. The award of this subsidy has provided savings for the LOSP. Through this effort to date, 476 PBV units across 11 sites have been placed under federal Department of Housing and Urban Development (HUD) Housing Assistance Payments (HAP) contracts dated December 1, 2017, with a corresponding annual LOSP savings of $4.9

28 supportive housing nonprofit providers for 1,477 units throughout the City, for an average subsidy of $524 per unit of housing per month.

Table 1: Actual Local Operating Subsidy Program Agreements, Subsidized Units, Budget, and Subsidy per Unit – FY 2013-14 through FY 2017-18

Fiscal Year	Number of Local Operating Subsidy Program Agreements	Number of Subsidized Units of Housing	Total Annual Budgeted Amount	Average Subsidy per Unit per Year	Average Subsidy per Unit per Month
FY 2013-14	21	1,218	$9,377,788	$7,699	$642
FY 2014-15	26	1,454	$12,231,928	$8,413	$701
FY 2015-16	26	1,459	$12,359,887	$8,471	$706
FY 2016-17	26	1,464	$12,117,510	$8,277	$690
FY 2017-18	28	1,477	$9,284,434	$6,286	$524

As shown in Table 2 below, MOHCD estimates that over the next five years, or by FY 2022-23, the LOSP will provide subsidies to 62 housing projects covering 2,842 units of supportive housing at an overall General Fund cost of $25,966,320 in FY 2022-23, or an average cost of $761 per unit per month.

Table 2: Estimated Local Operating Subsidy Program Agreements, Subsidized Units, Budget, and Subsidy per Unit – FY 2018-19 through FY 2022-23[5]

Fiscal Year	Number of Local Operating Subsidy Program Agreements	Number of Subsidized Units	Total Annual Budgeted amount	Average Subsidy per Unit per Year	Average Subsidy per Unit per Month
FY 2018-19	35	1,616	$9,356,674	$5,790	$483
FY 2019-20	41	1,858	$10,753,579	$5,787	$482
FY 2020-21	48	2,415	$14,950,219	$6,190	$516
FY 2021-22	56	2,654	$21,868,562	$8,240	$687
FY 2022-23	62	2,842	$25,966,320	$9,137	$761

DETAILS OF PROPOSED LEGISLATION

The six proposed resolutions authorize MOHCD to execute six new approximately 15-year Local Operating Subsidy Program (LOSP) agreements with nonprofits providing housing to low income persons who were formerly homeless, renewing two existing 9-year agreements with two current providers, replacing three agreements with three providers that were not

---

million for 2017-18 and around $7.6 million in 2018-19 (plus additional General Fund savings for some HSH General Fund-supported sites).

[5] According to Ms. Romero, LOSP budget estimates for 2020-21 through 2022-23 are preliminary as a full budget update incorporating the annual reductions due to award of PBV subsidies needs to be finalized.

renewed under the federal Continuum of Care program and adding one new agreement with a new provider as follows:

- File 18-0529: Arendt House, LP for Zygmunt Arendt House at 850 Broderick Street for a not to exceed amount of $11,787,548 and a term of 15 years from January 1, 2019 through December 31, 2033. The proposed new LOSP agreement replaces the current 9-year LOSP agreement with Arendt House, LP from February 2010 and through February 2019. According to Ms. Romero, MOHCD has moved LOSP funding to the Calendar Year instead of Fiscal Year to the extent possible because the tax credit reporting cycle is on the Calendar Year. Therefore, the proposed agreement is from January 1, 2019 through December 2033 and will supersede the previous LOSP agreement. The proposed legislation should be amended to terminate the existing agreement with Arendt House, LP on December 31, 2018 prior to the start of the new agreement on January 1, 2019.
- File 18-0530: A new LOSP agreement with Parkview Terrace Partners, LP for Parkview Terraces at 871 Turk Street not to exceed $4,580,619 for a term of 15 years and nine months from April 1, 2018 through December 31, 2033. The proposed new LOSP agreement replaces a contract under the federal Continuum of Care program which was not renewed by HUD.[6] According to Ms. Romero, given that the project lost its Continuum of Care funding in March 2018, the project needs to fill the gap in operating costs from April 2018 onwards for the project's 20 units. Therefore, MOHCD is requesting that the proposed LOSP agreement allow for reimbursements of operating expenses incurred since April 2018. Consequently, the proposed legislation should be amended for retroactive approval for the period of April 1, 2018 through December 31, 2033 for the LOSP agreement with Parkview Terrace Partners, LP.
- File 18-0531: 455 Fell, LP for 455 Fell Street Family Housing (formerly known as Parcel O), for a not to exceed amount of $10,077,324 and a term of 15 years and eight months to commence on May 1, 2019 and end on December 31, 2034. The building is currently under construction and this is a new LOSP contract.
- File 18-0532: Mercy Housing California XIV, LP for 10th & Mission Family Housing at 1390 Mission Street for a not to exceed $9,741,171 and a term of 15 years and six months from July 1, 2018 through December 31, 2033. The proposed new LOSP agreement replaces the current 9-year LOSP agreement with Mercy Housing California XIV, LP from July 2009 through June 2018.
- File 18-0533: The Salvation Army Turk Street, LP for Railton Place at 242 Turk Street for a not to exceed amount of $5,561,543 and a term of 15 years and six months from July

[6] According to MOHCD, the Chinatown Community Development Corporation's (project sponsor) renewal application for the Continuum of Care rental assistance for Parkview Terraces ranked too low in the competition last year to be funded. It was ranked 58 out of 62 projects that applied. The funding threshold was at 57. The application for Parkview received a low score because CCDC had failed to properly report income under the existing Continuum of Care contract, in addition to other reporting errors, and failed to show increases in income of the Continuum of Care-supported tenants. Continuum of Care contracts are renewed annually through the Local Homeless Coordinating Board consolidated application to HUD, and the project received annual funding from when it began in 2008 – March 2018.

1, 2018 through December 31, 2033. The proposed new LOSP agreement replaces a contract under the federal Continuum of Care program which was not renewed by HUD.[7] According to Ms. Romero, given that the project lost its Continuum of Care funding in 2017, HSH increased its funding for operations from 23 to 40 units to cover the gap in funding from April 2017 through June 2018. HSH was already funding operations for 23 units and support services for all 40 units. This was bridge funding until another operating subsidy could be obtained. HSH still provides supportive services funding to the project.

- File 18-0536: A new LOSP agreement with Housing Services Affiliate of Bernal Heights Neighborhood Center for Monterey Boulevard Apartments at 403 Monterey Boulevard not to exceed $1,662,342 for a term of 15 years and 6-months from July 1, 2018 through December 31, 2033. The proposed new LOSP agreement replaces a contract under the federal Continuum of Care program which was not renewed by HUD[8]. According to Ms. Romero, given that the project lost its Continuum of Care funding in December 2016, HSH assumed operating funding from January 2017 through June 2018 until the project could obtain another operating subsidy. HSH was already overseeing the project and providing supportive services funding.

Table 3 below shows the target population, total number of units, and the number of units to be subsidized under the proposed LOSP agreements.

[7] According to MOHCD, the Continuum of Care contract was not renewed in 2017 and ended in March 2017. Continuum of Care contracts are renewed annually through the Local Homeless Coordinating Board consolidated application to HUD, and the project received annual funding from when it began in 2008 – March 2017. The Fair Market Rent (FMR) has increased since 2015, which reduces the total number of units that are funded. Citywide, San Francisco has over 60 projects with Continuum of Care subsidies which seek renewal every year, as well as new projects which seek this subsidy. Projects are scored into different tiers and over time, some contracts are lost on the lowest scoring projects. These projects used to be transitional housing developments which did not meet HUD's current priorities for permanent supportive housing models. Now that there are no transitional housing developments remaining within the Continuum of Care portfolio, PSH sites that have been in operation for many years are starting to lose their contracts. In 2017, an additional two PSH projects lost their contracts, despite being high performing projects. Consequently, MOHCD aims to backfill these subsidies to provide project continuity and maintain these units as permanent supportive housing.

[8] According to MOHCD, the Continuum of Care contract was not renewed in December 2016. MOHCD has since recognized that projects with less than 10 units funded with Continuum of Care funding are less likely to be renewed based on the current renewal scoring (e.g., lack of economies of scale for operations and service provision), and is working to develop contingency plans and other strategies to manage and minimize the impact. As a solution for this loss in funding, MOHCD initially pursued plans to replace the lost Continuum of Care funding with Project-Based Voucher (PBV) Section 8 under a new RFP to have been issued by the San Francisco Housing Authority (SFHA). However, SFHA was not able to obtain the necessary HUD approvals needed by April 2018 to make additional PBVs available via RFP. In order to avoid the risk of the project running short on operating funding during 2018, MOHCD offered to recommend Local Operating Subsidy Program funds to fill the operating budget gap caused by the loss of the Continuum of Care subsidy.

Table 3: Summary of Proposed LOSP Agreements

Project: Address	Target Population	Total Number of Units	LOSP Funded Units
Zygmundt Arendt House: 850 Broderick Street	Seniors	47	31
Parkview Terraces: 871 Turk Street	Seniors	101	20
455 Fell Street Family Housing: 455 Fell Street	Families	108	33
10th & Mission Family Housing: 1390 Mission Street	Families	136	44
Railton Place: 242 Turk Street	Adults	113	40
Monterey Boulevard Apartments: 403 Monterey Boulevard	Families	4	4
Total		**509**	**172**

Each of the projects and project sponsors are summarized below:

Zygmundt Arendt House (File 18-0529)

Zygmundt Arendt House was completed in 2010 as a 47 unit permanent supportive housing development for formerly homeless seniors. The property has Continuum of Care subsidies on 16 units and the remaining 31 units are covered by LOSP. The initial 9 year LOSP contract expires in February 2019, and the proposed resolution is for a new 15 year LOSP contract for the 31 LOSP units. The project sponsor is Community Housing Partnership. Supportive services are also provided by Community Housing Partnership.

Parkview Terraces (File 18-0530)

Parkview Terraces was completed in 2008 as an affordable senior development with 20 out of 101 units targeted to formerly homeless seniors, which previously had HUD's Continuum of Care subsidies that were not renewed in 2017. The 20 units are set aside to serve extremely low-income, formerly homeless seniors. The project sponsor is the Chinatown Community Development Center. Supportive services are provided by Northern California Presbyterian Homes and Services.

455 Fell Street Family Housing (File 18-0531)

455 Fell Street Family Housing is currently under construction and will provide 108 units of affordable family rental housing including 33 units serving formerly homeless families and ground floor commercial space. Mercy Housing California and the San Francisco Housing Development Corporation were selected to develop the property through a Request for Proposals (RFP) process. The building is located in the Hayes Valley neighborhood on a former Freeway Parcel, known as Parcel O. The project sponsor is Mercy Housing California. Supportive services are provided by Mercy Housing California and Episcopal Community Services.

10th & Mission Family Housing (File 18-0532)

10th & Mission Family Housing was completed in 2009 and has 136 units of affordable family housing including 44 LOSP units set aside for formerly homeless families. The initial 9-year LOSP contract ends in June 2018 and is being renewed for a new 15 year term. The project sponsor is Mercy Housing California. Supportive services are provided by Catholic Charities.

Railton Place (File 18-0533)

Railton Place is an existing 113 unit permanent and transitional supportive housing development completed in 2008 by The Salvation Army. 40 units are permanent supportive housing for chronically homeless households including 17 units that lost their Continuum of Care federal subsidy in 2017, and 23 units that were previously funded by HSH for a total of 40 units. The project also has 15 Veteran Affairs Supportive Housing Program (VASH) units and 55 transitional housing units for veterans and adults in recovery from Salvation Army's rehabilitation programs, and Transitional Aged Youth with their own respective program structures and rental subsidies. There are also three affordable property management staff units. The project sponsor is The Salvation Army. Supportive services are also provided by The Salvation Army.

Monterey Boulevard Apartments (File 18-0536)

Monterey Boulevard Apartments is a 4-unit, permanent family supportive housing development that previously operated with the support of Continuum of Care subsidies which were not renewed by HUD. The target population is formerly homeless families referred by HSH. The project sponsor is the Housing Services Affiliate of the Bernal Heights Neighborhood Center. Supportive services are provided by HSH.

Approval of Local Operating Subsidy Program Providers

According to Ms. Romero, the six nonprofit providers were approved for LOSP subsidies as part of the evaluation by the Citywide Affordable Housing Loan Committee[9] of applications responding to various Notice of Funding Availability (NOFA) for capital funding for acquisition and predevelopment financing for supportive housing for homeless persons, or Request for Proposals (RFP) for specific development sites.

Ms. Romero advises that the operating subsidies to be paid to the six nonprofit affordable housing owners and operators are necessary because revenue generated by the affordable housing developments, including outside grants, tax credits and tenant rents, are not sufficient to fund permanent supportive housing to low income persons who were formerly homeless. According to Ms. Romero, for FY 2018-19, three additional existing supportive housing projects were added to the LOSP portfolio due to loss of federal Continuum of Care subsidies in 2017 and 2018: Railton Place, Monterey Boulevard Apartments, and Parkview Terraces totaling 64 units. This backfill was implemented to ensure continuation of the permanent supportive housing units.

Funding for the proposed agreements are General Fund monies allocated annually in the HSH budget, which is subject to Board of Supervisors annual appropriation approval. The proposed agreements are administered by MOHCD, under work order agreements with HSH. Ms. Romero

[9] The Citywide Affordable Housing Loan Committee is composed of the Directors and/or senior staff of the Mayor's Office of Housing and Community Development, the Office of Community Investment and Infrastructure, and the Department of Homelessness and Supportive Housing.

notes that, if any of the six proposed LOSP agreements are not approved, or if any of the General Fund appropriations are not approved in the current or future 14 fiscal years, then the individual nonprofit housing providers would not be able to provide such specified housing units for very low income formerly homeless target populations.

FISCAL IMPACT

Under the proposed LOSP agreements, the rent charged to tenants living in these subsidized units would be capped at a fixed percentage of a tenant's income (50 percent in Direct Access to Housing (DAH) subsidized units, 30 percent in all other subsidized units). According to Ms. Romero, in 2016, the average tenant's rent was $331 per unit per month. The projected City LOSP subsidy amount for the units covered under the proposed agreements is the difference between the rent paid by individual tenants and the actual cost to operate the unit per month. The actual operating cost is the amount necessary to cover each facility's operating expenses, which includes property management and office staff, utilities, taxes, licenses, insurance, maintenance, security and required reserves. The amount of the projected subsidy is specified in each agreement, and (i) is subject to revision annually by MOHCD based on the prior years' occupancy and operating budget, and (ii) is contingent on the annual General Fund appropriation to HSH, under work orders with MOHCD, by the Board of Supervisors.

The Attachment provided by MOHCD summarizes the projected LOSP expenditures for each of the six projects, over the approximately 15-year term of each agreement. As shown in the Attachment, the City's 2019 subsidy provided per housing unit ranges from $571 per month at the Railton Place project to $1,893 per month at the 455 Fell Street Family Housing project. According to Ms. Romero, the significant variation in the subsidy per unit is primarily due to the number of the LOSP units per project because economies of scale allow property management and other housing staff requirements to be spread over a greater number of units. Target populations and staffing models are also additional factors.

As summarized in Table 4 below, the total costs over the approximately 15-year term for the six projects are estimated to be $43,410,547. The annual General Fund subsidies for these six projects are anticipated to increase from $1,996,862 in 2019 to $3,584,019 in 2033. The average cost of each unit's subsidy that would be provided over the approximately 15-year term of each of these agreements is shown in Table 4, ranging from $139,039 for each of the 40 units in the Railton Place project to $415,586 for each of the 4 units at the Monterey Boulevard Apartments project.

Table 4: Projected Subsidy Expenditures under the Proposed Six Agreements

Project	Number of LOSP Units	Total LOSP Cost	Average Cost Per Unit for Agreement Term
Zygmunt Arendt House (File 18-0529)	31	$11,787,548	$380,243
Parkview Terraces (File 18-0530)	20	4,580,619	$229,031
455 Fell Street Family Housing (File 18-0531)	33	10,077,324	$305,373
10th & Mission Family Housing (File 18-0532)	44	9,741,171	$221,390
Railton Place (File 18-0533)	40	5,561,543	$139,039
Monterey Boulevard Apartments (File 18-0536)	4	1,662,342	$ 415,586
TOTAL:	**172**	**$43,410,547**	

As noted above, funding for the proposed agreements are General Fund monies appropriated annually in the Department of Homelessness and Supportive Housing (HSH) budget, which are subject to Board of Supervisors annual appropriation approval. The proposed agreements are administered by MOHCD, under work order agreements with HSH, such that MOHCD would be party to each of the proposed LOSP agreements on behalf of the City.

POLICY CONSIDERATION

Annual Reporting

The Budget and Legislative Analyst's January 2012 Performance Audit of San Francisco's Affordable Housing Policies recommended that MOHCD report annually to the Board of Supervisors on (i) completed and planned supportive housing units for chronically homeless individuals and families, and (ii) funding strategies for planned but not constructed units. According to Ms. Romero, MOHCD reports on the LOSP contracts in the MOHCD Annual Progress Report, which contains all of MOHCD's required reports for the Board of Supervisors.

Loss of Continuum of Care Funding from HUD

The federal Department of Housing and Urban Development (HUD) allocates rental assistance funding to eligible housing units each year through applications to the Local Homeless Coordinating Board. Due to increases in the fair market rent in San Francisco, the total number of housing units that receive funding each year is reduced, resulting permanent supportive housing units that previously received Continuum of Care funding losing this funding in 2017 and 2018.

As noted above, Parkview Terraces, Railton Place, and the Monterey Boulevard Apartments previously received Continuum of Care funding, but the funding for these housing units was not renewed by HUD. According to Ms. Romero, housing units that did not receive renewal of the Continuum of Care funding are not eligible for future Continuum of Care funding.

Parkview Terraces Loss of Funding

While Railton Place and Monterey Boulevard Apartments did not receive Continuum of Care funding due to ineligibility of program model (Railton Place's Clean and Sober program does not conform to HUD's Housing First model) or size (Monterey Boulevard Apartments has only four units), Parkview Terrace lost funding due to inability to meet HUD's reporting requirements. According to Ms. Romero, MOHCD has worked with Chinatown Community Development Corporation (the sponsor of Parkview Terraces) to implement procedures to assure that Chinatown Community Development Corporation will continue to be eligible for Continuum of Care funding at other housing projects sponsored by Chinatown Community Development Corporation.

Project Based Vouchers

An alternative to HUD's Continuum of Care funding are Project Based Vouchers, funded through HUD's Section 8 program and administered by the San Francisco Housing Authority (SFHA). SFHA issued a Request for Proposals (RFP) in August 2017 to award Project Based Vouchers for up to 600 housing units serving the homeless; the three housing projects noted above – Parkview Terraces, Railton Place, and the Monterey Boulevard Apartments – did not apply for Project Based Vouchers in response to this RFP.

According to Ms. Romero, MOHCD and SFHA hope to expand the use of Project Based Vouchers to offset the costs of LOSP for supportive housing units for formerly homeless adults and families. SFHA is only allowed to allocate 20 percent of their Section 8 Housing Choice Vouchers to Project Based Vouchers; this allocation can be increased to 30 percent for housing units for formerly homeless adults and families that have access to supportive services. In order for SFHA to issue a new RFP for Project Based Vouchers, HUD must review and approve a "cap analysis" on how many housing units can be allocated Project Based Vouchers. HUD has not yet approved a new RFP for this purpose.

Because housing units in the six projects being recommended for new 15-year LOSP contracts could potentially be eligible to apply for Project Based Voucher funding through a new RFP process, the proposed resolutions should be amended to (1) request the Director of the Mayor's Office of Housing and Community Development to facilitate the application of the respective housing project to the next RFP for Project Based Voucher funding; and (2) require the LOSP contract for the respective housing project to be amended to account the Project Based Voucher funding if awarded.

RECOMMENDATIONS

1. Amend the proposed resolutions to clarify the term of each agreement as follows:

File	Provider	Agreement Start Date	Agreement End Date	Term
18-0529	Zygmunt Arendt House	January 1, 2019	December 31, 2033	15 yrs
18-0530	Parkview Terraces	April 1, 2018	December 31, 2033	15 yrs, 9 mo
18-0531	455 Fell Street Family Housing	May 1, 2019	December 31, 2034	15 yrs, 8 mo
18-0532	10th & Mission Family Housing	July 1, 2018	December 31, 2033	15 yrs, 6 mo
18-0533	Railton Place	July 1, 2018	December 31, 2033	15 yrs, 6 mo
18-0536	Monterey Boulevard Apartments	July 1, 2018	December 31, 2033	15 yrs, 6 mo

2. Amend (i) File 18-0529 to state that the current agreement between MOHCD and Arendt House, LP for Zygmunt Arendt House will terminate on December 31, 2018 prior to the start of the new LOSP agreement on January 1, 2019; and (ii) File 18-0530 to state that the current agreement between MOHCD and Parkview Terrace Partners, LP for Parkview Terraces is retroactive from April 1, 2018 through December 31, 2033.

3. Amend the proposed resolutions to (1) request the Director of the Mayor's Office of Housing and Community Development to facilitate the application of the respective housing project to the next RFP for Project Based Voucher funding for which they are eligible; and (2) require the LOSP contract for the respective housing project to be amended to account the Project Based Voucher funding if awarded.

4. Approve the proposed resolutions as amended.

Attachment

Combined Exhibit A

Calendar Year	Zygmundt Arendt House			10th & Mission			455 Fell Street			Monterey Boulevard			Railton Place			Parkview Terraces		
	Months of Contract	Projected Local Operating Subsidy Program Expenditure	Average Local Operating Subsidy Program Subsidy Per Unit Per Month	Months of Contract	Projected Local Operating Subsidy Program Expenditure	Average Local Operating Subsidy Program Subsidy Per Unit Per Month	Months of Contract	Projected Local Operating Subsidy Program Expenditure	Average Local Operating Subsidy Program Subsidy Per Unit Per Month	Months of Contract	Projected Local Operating Subsidy Program Expenditure	Average Local Operating Subsidy Program Subsidy Per Unit Per Month	Months of Contract	Projected Local Operating Subsidy Program Expenditure	Average Local Operating Subsidy Program Subsidy Per Unit Per Month	Months of Contract	Projected Local Operating Subsidy Program Expenditure	Average Local Operating Subsidy Program Subsidy Per Unit Per Month
2018	0	$ -	$ -	6	$ 246,896	$ 935	0	0	$ -	6	$ 36,213	$ 1,509	6	132,042	$ 550	9	$167,817	$ 932
2019	12	$596,433	$ 1,603	12	$ 496,130	$ 940	8	$323,273	$ 1,893	12	$ 75,771	$ 1,579	12	274,311	$ 571	12	$230,943	$ 962
2020	12	$631,091	$ 1,696	12	$ 513,339	$ 972	12	$499,870	$ 1,309	12	$ 79,313	$ 1,652	12	284,920	$ 594	12	$239,079	$ 996
2021	12	$652,644	$ 1,754	12	$ 531,193	$ 1,006	12	$518,260	$ 1,357	12	$ 83,067	$ 1,731	12	295,924	$ 617	12	$247,134	$ 1,030
2022	12	$674,295	$ 1,813	12	$ 549,715	$ 1,041	12	$537,319	$ 1,407	12	$ 87,047	$ 1,813	12	307,337	$ 640	12	$254,090	$ 1,059
2023	12	$699,166	$ 1,879	12	$ 568,931	$ 1,078	12	$557,065	$ 1,458	12	$ 91,271	$ 1,901	12	319,176	$ 665	12	$258,510	$ 1,077
2024	12	$725,925	$ 1,951	12	$ 588,865	$ 1,115	12	$577,524	$ 1,512	12	$ 95,759	$ 1,995	12	331,454	$ 691	12	$268,412	$ 1,118
2025	12	$739,857	$ 1,989	12	$ 609,544	$ 1,154	12	$598,721	$ 1,567	12	$ 100,529	$ 2,094	12	344,187	$ 717	12	$278,448	$ 1,160
2026	12	$769,268	$ 2,068	12	$ 621,742	$ 1,178	12	$620,682	$ 1,625	12	$ 105,605	$ 2,200	12	357,392	$ 745	12	$292,761	$ 1,220
2027	12	$799,761	$ 2,150	12	$ 643,692	$ 1,219	12	$643,435	$ 1,684	12	$ 111,010	$ 2,313	12	371,086	$ 773	12	$299,127	$ 1,246
2028	12	$830,875	$ 2,234	12	$ 666,461	$ 1,262	12	$667,007	$ 1,746	12	$ 116,771	$ 2,433	12	385,285	$ 803	12	$314,509	$ 1,310
2029	12	$863,149	$ 2,320	12	$ 690,079	$ 1,307	12	$691,427	$ 1,810	12	$ 122,917	$ 2,561	12	400,009	$ 833	12	$321,490	$ 1,340
2030	12	$897,128	$ 2,412	12	$ 714,577	$ 1,353	12	$716,725	$ 1,876	12	$ 129,479	$ 2,697	12	415,275	$ 865	12	$333,288	$ 1,389
2031	12	$932,354	$ 2,506	12	$ 739,987	$ 1,401	12	$742,932	$ 1,945	12	$ 136,491	$ 2,844	12	431,104	$ 898	12	$345,511	$ 1,440
2032	12	$968,872	$ 2,604	12	$ 766,343	$ 1,451	12	$770,081	$ 2,016	12	$ 141,536	$ 2,949	12	447,514	$ 932	12	$358,182	$ 1,492
2033	12	$1,006,730	$ 2,706	12	793,678	$ 1,503	12	$798,203	$ 2,058	12	149,563	$ 3,116	12	464,527	$ 968	12	$371,318	$ 1,547
2034	0	$0	$ -	0	$ -	$ -	12	$814,800	$ 2,058									
TOTAL:	**180**	**$ 11,787,548**		**186**	**$ 9,741,172**		**188**	**$ 10,077,324**		**186**	**$ 1,662,342**		**186**	**$5,561,543**		**189**	**$ 4,580,619**	
# of LOSP Units	31			44			33			4			40			20		

TOTAL: $ 43,410,548

Total LOSP by Fiscal Year for 6 projects

Total LOSP 2018	$	582,968
2019	$	1,996,862
2020	$	2,247,612
2021	$	2,328,222
2022	$	2,409,803
2023	$	2,494,118
2024	$	2,587,939
2025	$	2,671,286
2026	$	2,767,450
2077	$	2,868,111
2028	$	2,980,908
2029	$	3,089,071
2030	$	3,206,472
2031	$	3,328,379
2032	$	3,452,527
2033	$	3,584,019
2034	$	814,800
Total 6 projects over contract	**$**	**43,410,548**

LOSP New or Renewal Projects coming on line in 2018-19								UNIT MIX - HOMELESS UNITS					
Project	**Target Population**	**Service Agency**	**TI Units**	**TI Homeless Units**	**TI LOSP units**	**15 Year LOSP Contract**	**Other Operating Subsidies**	**Studios**	**1-BR**	**2-BR**	**3-BR**	**4-BR**	**TOTAL**
Zygmundt Arendt House	Seniors	Community Housing Partership	47	47	31	$ 11,787,548	Continuum of Care	47					47
10th & Mission	Families	Catholic Charities	136	44	44	$ 9,741,172	None		34	42	60		136
455 Fell Street	Families	Mercy Housing California and Episocpal Community Services	108	33	33	$ 10,077,324	None	1	57	42	8		108
Monterey Blvd	Families	Dept of Homelessness	4	4	4	$ 1,662,342	None		1	3			4
Railton Place	Adults	The Salvation Army	113	110	40	$5,561,543	THP Plus, VASH, Salvation Army		113				113
Parkview Terraces	Seniors	Northern California Presbyterian Homes and Serviecs	101	20	20	$ 4,580,619	None	59	42				101
TOTAL:			**509**	**258**	**172**	**$ 43,410,548**							509

Item 7 File 18-0380	Department: San Francisco Municipal Transportation Agency (SFMTA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution authorizes the contract between the San Francisco Municipal Transportation Agency (SFMTA) and Conduent to administer parking and transit citations and parking permits for SFMTA. The contract is for five years from approximately July 2018 through June 2023, with the option to extend the contract for an additional five years through June 2028. The contract amount over the term of up to 10 years is not-to-exceed $77,200,000.

Key Points

- SFMTA uses a private contractor to administer parking and transit citations and parking permits. SFMTA issued a competitive Request for Proposals (RFP) to select a new contractor in 2016. Conduent was the only responsive bid to the proposal and met the minimum qualifications and subcontracting goals and they were selected as the contractor to provide citation and permitting services.
- SFMTA currently has a 10-year contract with PRWT Services, Inc. ("PRWT") to provide parking/transit citation processing and parking permit processing that began in October 30, 2008, and expires on October 31, 2018. The proposed contract with Conduent will overlap with the existing contract with PRWT by approximately four months to allow for PRWT to provide for citation collections for notices sent by PRWT prior to the commencement of the proposed Conduent contract.

Fiscal Impact

- Under the proposed contract, Conduent will receive a parking citation processing fee of $3.30 per citation, based on 1,325,000 citations. If the actual number of citations is 10 percent more or less than 1,325,000, the parking citation processing fee will increase or decrease by 5 percent of the per citation fee.
- Other contract services include parking permit processing, credit card processing, lockbox services, and equipment and warranties. The Treasurer/Tax Collector's Office will begin credit card processing in November 2018 and lockbox services in January 2019. The proposed contract not-to-exceed amount of $77,200,000 includes $2,208,838 for lockbox services in years two through ten of the contract; this budget amount of $2,208,838 is not needed because the Treasurer/Tax Collector, rather than the contractor, will be providing lockbox services during this time.
- In FY 2016-17, SFMTA spent $7,998,935 to process parking citations and received $110,206,729 in parking citation revenues for net revenues of $102,206,729.

Recommendations

- Amend the proposed resolution to reduce the contract not-to-exceed amount by $2,208,838, from $77,200,000 to $74,991,162.
- Approve the proposed resolution as amended.

MANDATE STATEMENT

City Charter Section 9.118(b) states that agreements entered into by a department, board, or commission having a term of (a) more than 10 years*;* (b) anticipated expenditures of $10 million or more; or (c) modifications to these agreements of more than $500,000*,* require Board of Supervisors approval.

BACKGROUND

Citation and Permitting Services

The San Francisco Municipal Transportation Agency (SFMTA) uses a private contractor to administer parking, and transit citations and parking permits. SFMTA currently has a 10-year contract with PRWT Services, Inc. ("PRWT") that began in October 30, 2008, and expires on October 31, 2018.

SFMTA issued a competitive Request for Proposals (RFP) to select a new contractor in 2016; Conduent State and Local Solutions, Inc. ("Conduent") was the only responsive bid to the proposal, in spite of the fact that MTA extended the bidding deadline from September 30, 2016 to November 4, 2016. Conduent met the minimum qualifications and subcontracting goals and was selected as the contractor to provide citation and permitting services. The SFMTA Board of Directors adopted a resolution on April 3, 2018 authorizing a five-year contact with Conduent with the option to extend the contract for five additional years. According to Mr. Steven Lee, SFMTA Senior Manager for Finance and Information Technology, more than 17 months passed between the completion of the RFP and SFMTA Board of Directors approval because the department opted to address collections services separately from citation processing, and thus needed to ensure all associated functions were working before terminating the current citation process agreement.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the contract between SFMTA and Conduent to administer parking and transit citations and parking permits for SFMTA. The contract is for five years from approximately July 2018 through June 2023, with the option to extend the contract for an additional five years through June 2028. According to Mr. Lee, the proposed contract with Conduent will overlap with the existing contract with PRWT by approximately four months to allow for PRWT to provide for citation collections for notices sent by PRWT prior to the commencement of the proposed Conduent contract.

The contract amount over the term of up to 10 years is not-to-exceed $77,200,000.

Under the proposed contract, Conduent will provide the following services:

- Parking citation processing at a rate of $3.30 per citation for an estimated 1.3 million parking and transit citations annually
- Software upgrades and support

- Parking permit processing for approximately 65,000 parking permits annually
- Cashiering functions
- Issuing notices and other correspondence
- Citation and towing adjudication
- Enforcement beat optimization
- Payment processing and accounting
- Report generation

The parking citation processing fee of $3.30 per citation is based on 1,325,000 citations. If the actual number of citations is 10 percent more or less than 1,325,000, the parking citation processing fee will increase by 5 percent (for a 10 percent reduction in citations), and will decrease by 5 percent (for a 10 percent increase in citations).[1]

FISCAL IMPACT

The project budget of $77,113,340 is summarized in Table 1 below.

Table 1: Proposed Contract Budget 2018 to 2028

Contract Task	Five-Year Base Term	Five-Year Extension	Total Contract Term
Citation Processing	$22,754,666	$25,122,989	$47,877,664
Support services (including noticing and correspondence, lockbox, special handling, franchise tax board processing)	4,098,962	4,525,585	8,624,556
Permit Processing	5,099,190	5,436,953	10,536,152
Management Fee	493,859	519,051	1,012,919
Software Enhancement Requests	183,500	0	183,509
Credit Card Processing Fees	510,000	0	510,009
Equipment and Warranties	4,145,454	550,999	4,696,462
Subtotal	$37,285,631	$36,155,577	$73,441,271
5% Contingency	1,864,282	1,807,779	3,672,069
TOTAL	**$39,149,913**	**$37,963,356**	**$77,113,340**

Source: Proposed Contract

According to Mr. Lee, SFMTA included a 5 percent contingency in the contract to account for unforeseen increases in the number of citations and permits, or changes in parking and enforcement policies.

[1] Between 2010 and 2011, the total number of citations decreased by 10 percent from 1,732,589 in 2010 to 1,565,736 in 2011. Between 2011 and 2017, the average percent change in the number of citations was 3 percent per year.

According to Mr. Lee, the proposed contract between SFMTA and Conduent differs from the existing contract between SFMTA and PRWT in that PRWT provides delinquent citation collection and lockbox[2] services, which will be provided by the Treasurer/Tax Collector's Office beginning in January 2019 under a proposed agreement between SFMTA and the Treasurer/Tax Collector's Office. The proposed contract not-to-exceed amount of $77,200,000 includes $2,208,838 for lockbox services in years two through ten of the contract; this budget amount of $2,208,838 is not needed because the Treasurer/Tax Collector, rather than the contractor, will be providing lockbox services during this time.

Also, the Treasurer/Tax Collector's Office will begin processing credit cards in approximately November 2018, resulting in the elimination of these contract services at that time.

Projected Citation Revenues

In FY 2016-17, SFMTA spent $7,998,935 to process parking citations and received $110,206,729 in parking citation revenues for net revenues of $102,206,729.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the contract not-to-exceed amount by $2,208,838, from $77,200,000 to $74,991,162.
2. Approve the proposed resolution as amended.

[2] Lockbox services is the collection of mailed in payments that are processed and deposited by the city bank. The City's Treasurer Tax Collector will be providing lock box services in approximately January 2019.

Item 8 File 18-1562	Department: Municipal Transportation Agency (MTA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves Amendment No. 4 to the contract between the San Francisco Municipal Transportation Agency (SFMTA) and New Flyer of America, Inc. for SFMTA to (a) revise the numbers of parallel propulsion and series propulsion standard buses to be purchased under the contract, (b) amend the list of additional equipment added during the production phase of the contract, and (c) amend the schedule of prices to reflect these changes, increasing the not-to-exceed contract amount by $14,880,231, from $413,774,673 to $428,654,904. The contract expiration date will remain 2020.

Key Points

- The SFMTA is proposing to revise the numbers of parallel propulsion and series propulsion standard buses purchased under the contract because the series propulsion system has a higher capacity battery and would allow the SFMTA to run a test program to operate zero-emission zones, in which buses operate entirely on battery power with the vehicle engine off, along several electric hybrid routes. Some of the new equipment added under Amendment 4 will also be needed to operate the zero-emission zones.
- In addition to the changes related to the zero-emission zones, the new equipment additions and changes under Amendment 4 are to add new equipment that has been incorporated onto SFMTA vehicles since the contract was implemented.

Fiscal Impact

- The proposed resolution increases the contract not-to-exceed contract amount by $14,880,231, from $413,774,673 to $428,654,904. The $14,880,231 increase is due to the cost of $18,431,786 in additional equipment, which is partially offset by a reduction of $3,551,558 in savings due to the switch from 68 standard parallel propulsion buses to 68 standard series propulsion buses.
- According to the May 18, 2018 memorandum to the Board of Supervisors from the Director of Transportation, additional funding of $14,880,231 comes from available Proposition K sales tax revenues and Federal Transit Administration funds.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

In December 2014, the Board of Supervisors approved the original contract between the San Francisco Municipal Transportation Agency (SFMTA) and New Flyer of America, Inc. (New Flyer) after completing a competitive process. The original contract provided for the purchase of 61 articulated (60-foot) buses for a total not-to-exceed amount of $68,257,536. The original contract was for one year with 5 one-year options to extend through December 2020, and included the purchase of 363 additional standard (40-foot) and articulated (60-foot) buses through the five extensions, totaling 424 buses (File 14-1224).

Since 2014, the Board of Supervisors has approved three amendments to the contract.

- In June 2015, the Board of Supervisors approved Amendment No. 1 to the contract between New Flyer and SFMTA to (i) modify the propulsion system of six of the 61 previously approved articulated buses to series propulsion systems rather than parallel propulsion systems, and (ii) to exercise the first option to extend the contract and purchase an additional 48 standard buses and 50 articulated buses, totaling 98 buses (File 15-0472). The first amendment increased the contract amount by $99,382,133, from $68,257,536 to $167,639,669.
- In December 2015, the Board of Supervisors approved Amendment No. 2 to the contract between the SFMTA and New Flyer for SFMTA to exercise all four remaining one-year options through December 30, 2020 in order to expedite the purchase of 152 standard buses and 113 articulated buses, totaling 265 additional buses (File 15-1236). The second amendment to the contract increased the total not-to-exceed amount by $244,630,752, from $167,639,669 to $412,270,421.
- In November 2017, the Board of Supervisors approved Amendment No. 3 to the contract between the SFMTA and New Flyer to revise the list of spare parts and special tools to be purchased under the contract and to add equipment to new vehicles during the production phase of the contract (File 17-1040). The third amendment to the contract increased the total not-to-exceed amount by $1,504,252, from $412,270,421 to $413,774,673.

Of the 424 buses authorized for purchase by the Board of Supervisors, 316 buses have been delivered and are in service, as shown in Table 1 below.

Table 1. Number of Buses Ordered and Delivered

	Standard Buses (40-foot)	Articulated Buses (60-foot)	Total Ordered	Total Delivered
Existing Contract Terms				
Base Amount	-	61	61	61
Amendment No. 1	48	50	98	98
Amendment No. 2	152	113	265	157
Total	**200**	**224**	**424**	**316**

Note: Amendment No. 3 to the contract did not add any additional buses.

To date, $333,351,077 of the $413,774,673 of the contract has been spent, and an additional $24,356,758 has been encumbered.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves Amendment No. 4 to the contract between the SFMTA and New Flyer for SFMTA to (a) revise the numbers of parallel propulsion and series propulsion standard buses to be purchased under the contract, (b) amend the list of additional equipment added during the production phase of the contract, and (c) amend the schedule of prices to reflect these changes, increasing the not-to-exceed contract amount by $14,880,231, from $413,774,673 to $428,654,904. The contract expiration date will remain 2020.

Change of 68 standard buses from parallel propulsion to series propulsion

The options exercised under Amendments No. 1 and No. 2 to the contract allow for the purchase of a total of 200 standard buses. These buses are powered through either a parallel propulsion hybrid system or a series propulsion system. In a parallel propulsion hybrid system, both an electric motor and diesel engine work in parallel to power the driveshaft. In a series propulsion system, electricity is generated by a diesel engine, but only the electric motor provides power to the driveshaft.

The proposed resolution approving Amendment No. 4 to the contract changes 68 of the standard buses that are currently ordered as parallel propulsion to series propulsion. The SFMTA is proposing the change because the series propulsion system has a higher capacity battery and would allow the SFMTA to run a test program to operate zero-emission zones, in which buses operate entirely on battery power with the vehicle engine off, along several electric hybrid routes. The zero-emission zones are consistent with the SFMTA's 2018 Strategic Plan and San Francisco's Climate Action Strategy to reduce vehicle emissions in San Francisco.

The breakdown of parallel propulsion and series propulsion buses to be purchased under the contract and Amendments No. 1 and No. 2 is shown in Table 2 below, along with the proposed change in Amendment No. 4.

Table 2. Number of Standard Buses Ordered and Proposed Changes

	Standard Parallel Propulsion	Standard Series Propulsion	Total Ordered
Existing Contract Terms			
Base Amount	0	0	0
Amendment No. 1	24	24	48
Amendment No. 2	122	30	152
Existing Total	**146**	**54**	**200**
Revised Contract Terms			
Amendment No. 4	**78**	**122**	**200**

Additional equipment

The proposed resolution approving Amendment No. 4 to the contract also amends the list of additional equipment added during the production phase of the contract. In November 2017, Amendment No. 3 to the contract added additional equipment to 159 of the total 424 buses ordered. Amendment No. 4 adds additional equipment to the remaining 265 buses. According to Mr. Enoch Chu of the SFMTA, some of the equipment changes, like a higher capacity battery system and a heavy-duty engine with auto start/stop, are needed to operate the zero-emission zones, and the remainder of the equipment changes are to add new equipment that has been incorporated onto SFMTA vehicles since the contract was implemented.

FISCAL IMPACT

The proposed resolution increases the contract not-to-exceed contract amount by $14,880,231, from $413,774,673 to $428,654,904. As shown in Table 3 below, the $14,880,231 increase is due to the cost of $18,431,786 in additional equipment, which is partially offset by a reduction of $3,551,558 in savings due to the switch from 68 standard parallel propulsion buses, for a unit price of $812,838, to 68 standard series propulsion buses, for a unit price of $760,609, as shown in Table 3 below.

Table 3. Uses of Funds for Amendment No. 4

Uses of Funds	Unit change under Amdmt. 4	Unit price	Total price
Standard parallel propulsion buses	(68)	$812,838	($55,272,984)
Standard series propulsion buses	68	760,609	51,721,426
Subtotal, bus type	0		(3,551,558)
Additional equipment charges			18,431,789
Total Additional Needed			**$14,880,231**

The main equipment changes are changes to: batteries and auto start/stop features for the zero-emissions zones; the traffic signal priority system; the radio system; heating, ventilation, and air conditioning (HVAC) systems; and wheelchair ramps. Details on the equipment changes are displayed in Table 4 below.

Table 4. Changes in Equipment Details in Amendment No. 4

Equipment Change	Price
HVAC changes	$5,184,488
Radio system and programming changes	4,853,906
Changes for zero-emission zones [a]	3,124,387
Traffic signal priority system changes	1,227,034
Camera changes	972,528
Wheelchair ramp changes	875,185
Other changes and credits [b]	2,194,260
Total Equipment Changes	**$18,431,786**

[a] Changes related to zero-emission zones are battery changes and auto start/stop features that will allow buses to operate on battery power with the engine off.

[b] Other changes and credits are miscellaneous equipment additions and changes to items like mirrors, grab straps, flooring inserts, camera lenses, buttons, latches, and credits for equipment that will no longer be purchased.

The charges presented in Table 4 above represent the charges for 265 buses. According to Mr. Chu, aside from the changes related to the zero-emission zones, the new equipment additions and changes are to add new equipment that has been incorporated onto SFMTA vehicles since the contract was implemented. The other 159 buses purchased by the SFMTA under this contract have already been outfitted with additional equipment, and the SFMTA does not anticipate any further amendments to this contract to purchase additional equipment.

According to the May 18, 2018 memorandum to the Board of Supervisors from the Director of Transportation, additional funding of $14,880,231 comes from available Proposition K sales tax revenues and Federal Transit Administration funds.

RECOMMENDATION

Approve the proposed resolution.

Item 9 **File 18-0603**	**Department:** San Francisco Municipal Transportation Agency (SFMTA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution retroactively approves Amendment No. 6 to Contract CS-155-3 Architectural and Engineering Services for the Final Design and Construction of the Central Subway Project with HNTB-B&C JV to increase the contract amount by $1,269,472 to redesign the trackway alignment and analyze impacts to the ventilation systems and provide design and construction support for specialized communication and video systems with no change to the term expiring April 27, 2020, for a total contract amount not to exceed $34,930,020.

Key Points

- SFMTA's Central Subway Project will provide direct transit connection from Chinatown to the Caltrain Terminal, with three underground subway stations and one surface station.
- On April 13, 2010, the Board of Supervisors approved a design contract with HNTB-B&C Transit, to design the control systems and trackway integration for the Central Subway Project and several other SFMTA projects for a not-to-exceed $32,294,319.
- To date, the SFMTA Director of Transportation has approved seven amendments to this contract for a total not to exceed $34,930,020.

Fiscal Impact

- Amendment No. 6, approved by the Director on June 11, 2014, increased the contract by $1,269,472. However, this Amendment was subject to approval by the Board of Supervisors, as required by the City's Charter, which did not occur. The work under Amendment No. 6 has now been substantially completed by HNTB-B&C.

Policy Consideration

- Amendment No. 6 to the HNTB-B&C contract for $1,269,472 was not submitted for approval by the Board of Supervisors prior to June 2014, due to the Central Subway staff's misunderstanding of SFMTA's Charter authority.

Recommendation

- Retroactive approval of Amendment No. 6 is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 9.118(b) states that agreements entered into by a department, board, or commission having (a) a term of more than 10 years*;* (b) anticipated expenditures of $10 million or more; or (c) modifications to these agreements of more than $500,000*,* require Board of Supervisors approval.

BACKGROUND

Central Subway Project

The SFMTA's proposed Central Subway Project will provide a new underground and surface transit connection between Chinatown (Washington Street and Stockton Street) and the Caltrain Terminal/Muni T-Line (King Street and Fourth Street). The Central Subway Project will have three underground subway stations: (1) Yerba Buena/Moscone Station (YBM), (2) Union Square/Market Street Station (UMS), and (3) Chinatown Station (CTS). The Project also includes one surface station at Fourth/Brannan Street Station (FBS).

Final design work for the Central Subway Project began in January 2010, with completion of construction originally scheduled for February 2018. Construction is now anticipated to be completed in May 2019, with transit operations commencing in December 2019. Various certifications, start up and testing of all equipment and training of staff will occur between May and December 2019. The estimated total cost for the Central Subway Project is $1.578 billion.

Professional Design Services

Because of the scope and expertise required, the professional design services for the Central Subway Project were divided into three design packages: (1) Utilities Relocation and Tunnel Design[1], (2) Subway Stations Design (subject of File 16-0604 in this report), and (3) System and Trackway Integration Design (subject of this File 18-0603). In April of 2009, the SFMTA issued a Request for Proposals (RFP) for Central Subway Professional Final Design Services for all three design contracts. On July 21, 2009, the SFMTA received five design proposals, including two proposals for the design of the system and trackway integration.

Design of the System and Trackway Integration

On April 13, 2010, the Board of Supervisors approved a design contract with HNTB-B&C Transit, a joint venture between HNTB Corporation and B&C Transit Inc. (now called Transit Systems Engineering Inc.), to design the control systems and trackway integration, including the surface station at the Fourth and Brannan Streets, for the Central Subway Project (File No. 10-0331; Resolution No. 143-10). This HNTB-B&C contract also included several SFMTA projects not directly related to the Central Subway Project. The original total contract amount was a not-to-exceed $32,294,319 for a ten-year base term from April 28, 2010 through April 27, 2020, with a two-year option to extend through April 27, 2022.

[1] The Utilities Relocation and Tunnel Design services contract was originally awarded to PB/Telamon in 2009 for $6,500,000. Seven amendments were approved by SFMTA, for a total amended contract amount of $7,940,159. These design services were completed in December 2015. This contract was not subject to Board of Supervisors approval because the contract was under $10 million and ten years.

Under this contract, HNTB-B&C was required to: design the trackway infrastructure, trackway (rails and ties), crossovers, switch systems, specialty trackwork, train control system, computer aided dispatch system, radio and band data communication systems, and ventilation system, fire detection, alarm and suppression systems, public information signs, and other utility and control systems and assist in design of the surface station at Fourth and Brannan Streets necessary for the functioning of the Central Subway and the integration of the Central Subway system with existing MUNI systems, including all updates and reviews as needed.

Original Contract and Amendments

Table 1 below shows the dates and amounts of the original contract and the seven amendments SFMTA approved to date, with descriptions of the work performed under each amendment. The sixth amendment to the HNTB-B&C contract for $1,269,472 is highlighted in Table 1 below, which is the subject of the proposed resolution. The original contract was approved by the Board of Supervisors. Amendments Nos. 1-7 were approved by the SFMTA Director of Transportation.

Table 1: HNTB-B&C Contract and Amendments for System and Trackway Integration Design

CSDG Original Contract and Contract Amendments	Not to Exceed Contract Amount
April 13, 2010: Original Contract Amount	$32,294,319
January 16, 2012: Amendment No. 1 Review impact of lowering Chinatown Station, modifying tunnel & trackway designs for lowered Station & perform geotechnical for Fourth/Brannan Station.	152,882
March 19, 2012: Amendment No. 2 Perform vibration impact analysis for 570 4th Street property.	38,380
May 4, 2012: Amendment No. 3 Provide additional design technology support, quality control services & busine process review.	304,651
July 11, 2012: Amendment No. 4 Perform additional design work to incorporate replacing track switches & switc machines & integrate Central Subway systems to SFMTA's Transit Management Center.	332,779
April 24, 2013: Amendment No. 5 Perform additional design work to integrate Central Subway systems to SFMTA' Transit Center Management Center.	180,951
June 11, 2014: Amendment No. 6 ***Perform additional work to redesign trackway alignment & evaluate impacts to the ventilation systems & provide design & construction support for specialized communication & video systems.***	***1,269,472***
April 20, 2015: Amendment No. 7 Perform construction support for integrated systems Replacement Project & Emergency Blue Light Telephone Replacement Project.	356,586
Total Contract Not to Exceed Amount	**$34,930,020**

DETAILS OF PROPOSED LEGISLATION

The proposed resolution retroactively approves Amendment No. 6 to Contract CS-155-3, Architectural and Engineering Services for the Final Design and Construction of the Central Subway Project between HNTB-B&C JV and the SFMTA to increase the contract amount by $1,269,472 to redesign the trackway alignment and analyze impacts to the ventilation systems and provide design and construction support for specialized communication and video systems, with no change to the term expiring April 27, 2020, for a total amended contract amount not to exceed $34,930,020.

Amendment No. 6

Given that the original HNTB-B&C contract was greater than $10 million, which was approved by the Board of Supervisors, Amendment No. 6 which is greater than $500,000 is also subject to Board of Supervisors approval, in accordance with Charter Section 9.118(b). However, SFMTA did not previously request Board of Supervisors approval for Amendment No. 6. Therefore, this resolution is requesting the Board of Supervisors to retroactively approve Amendment No. 6 back to June 11, 2014, to increase the contract by $1,269,472.

Amendment No. 6 was used to compensate HNTB-B&C for additional design work required to redesign the alignment of the trackway, analyze additional impacts on the ventilation systems and provide additional design and support on the specialized communication and video systems. According to Mr. Albert Hoe, Acting Program Director for the Central Subway Project, the alignment of the trackway required redesign due to micropile obstructions that were discovered in the original tunnel alignment. In changing the alignment, the ventilation design required reevaluation to ensure that there was sufficient ventilation in case of an emergency. In addition, because the construction duration was extended for other SFMTA projects, additional daily construction support was required for the communication and video systems.

FISCAL IMPACT

As shown in Table 1 above, the original contract plus the seven amendments results in an amended contract amount not to exceed $34,930,020. According to SFMTA, through December 2017, SFMTA incurred $26,701,517 of expenditures on this HNTB-B&C contract, resulting in a remaining balance of $8,228,503. Table 2 below shows Amendment No. 6 tasks and costs.

Table 2: Amendment No. 6 for HNTB-B&C System and Trackway Integration Design

Tasks in Amendment No. 6	Not to Exceed Contract Amount
Central Subway Project: Redesign trackway alignment & evaluate impacts to ventilation systems due to lowering tunnel profile	$55,188
Two Other Project Tasks: 1. Integrated Systems Replacement: extended support for procurement & installation of specialized communication & audio/visual systems. 2. Transportation Management Center: a. Construction Support: extended support for Central Control facilities through relocation and implementation. b. Integrated Human Machine Interface: develop, design and configure system for Transportation Management Center Integrated Systems.	$538,288 675,996
Total	**$1,269,472**

Regarding the requested Amendment No. 6, HNTB-B&C completed the trackway realignment in 2014 and been paid for this work by the SFMTA. In addition, HNTB-B&C has now substantially completed the remainder of the other project tasks related to Amendment No. 6. According to Mr. Hoe, a portion of this work has already been paid by the SFMTA.

The total budget for the Central Subject Project is $1,578,300,000 is summarized in Table 3 below. The costs for the HNTB-B&C contract that are related to the Central Subject Project are included in Table 3 below under the Final Design and Design & Construction Project Management cost categories.

Table 3: Central Subway Project Budget, Expenditures and Balances Through April 2018

Cost Categories	Total Budget	Costs Through April, 2018	Remaining Balance
Guideway & Track Elements	$284,261,449	$268,356,898	$15,904,551
Stations, Stops, Terminals, Intermodal	554,774,462	394,953,133	159,821,329
Sitework & Special Conditions	213,778,742	204,494,652	9,284,090
Systems	95,341,827	33,649,217	61,692,610
ROW, Land, Existing Improvements	32,246,321	30,648,969	1,597,352
Vehicles	13,309,000	10,598,347	2,710,653
Preliminary Engineering	46,202,674	46,202,674	0
Final Design	***61,318,331***	***61,199,308***	**119,023**
Design & Construction Project Management	***89,012,545***	***70,356,422***	**18,656,123**
Construction Management	91,096,881	74,176,900	16,919,981
Insurances	6,800,000	6,340,196	459,804
Legal, Permits and Review Fees	8,212,604	4,497,714	3,714,890
Surveys, Testing, Investigation & Inspection	933,100	857,829	75,271
Start-up	6,941,902	0	6,941,902
Contingencies	***74,070,161***	***0***	***74,070,161***
Total	**$1,578,300,000**	**$1,206,332,254**	**$371,967,741**

Table 3 above also shows an estimated $74,070,161 of contingency funds available for the Central Subway Project, including approximately $49 million of immediately available contingency funds. Mr. Hoe advises that such contingency funds would be used to pay for the additional costs of the subject HNTB-B&C contract related to the Central Subway project. The other SFMTA projects under the subject HNTB-B&C contract were already funded with other revenues as this work has been completed.

As shown in Table 4 below, the Central Subway Project is funded with various sources, including Federal Transit Administration (FTA) New Starts, Federal Congestion Management & Air Quality (CMAQ), State Transportation Bond Proposition 1A and 1B, State Regional Improvement Program (RIP), State Transportation Congestion Relief Program (TCRP), and Proposition K Half-Cent Local Sales Tax funds.

Table 4: Central Subway Project Funding Sources

Sources	Total
FTA 5309 New Starts	$942,200,000
Federal CMAQ3	41,025,000
Proposition 1A High Speed Rail Connectivity	61,308,000
State Proposition 1B- MTA	87,895,815
State Proposition 1B-SFMTA	219,896,185
RIP-SF/Other	74,248,000
State TCRP	14,000,000
Local Proposition K	137,727,000
TOTAL	**$1,578,300,000**

POLICY CONSIDERATION

Amendment No. 6 was only approved by the SFMTA Director of Transportation. Amendment No. 6 which increased the contract by $1,269,472 should have been approved by the Board of Supervisors prior to June of 2014, as required by City Charter Section 9.118(b).

Mr. Hoe advises that Amendment No. 6 to the HNTB-B&C contract for $1,269,472 was not submitted for approval by the Board of Supervisors prior to June 2014, due to the Central Subway staff's misunderstanding of SFMTA's Charter authority. In addition, Mr. Robert Stone of the City Attorney's Office reports that this error was not caught by SFMTA contract administration staff or by City Attorney staff. Mr. Stone advises that the City Attorney and SFMTA identified this mistake when the SFMTA staff was preparing Amendment No. 4 to the CSDG contract (File 18-0604), which required approval by the Board of Supervisors.

After realizing this mistake, the SFMTA staff then reviewed other contracts and amendments, which identified this Amendment No. 6 to the HNTB-B&C contract for $1,269,472, which also required Board of Supervisors approval, which was not previously obtained by SFMTA.

Mr. Stone advises that the Director of Transportation directed SFMTA contract administration staff to review all existing contracts to determine if additional amendments require Board of

Supervisors approval. This review is currently ongoing. SFMTA administration staff will clarify the application of Charter Section 9.118(b) to staff and will modify SFMTA's contract amendment process to identify contract amendments that are subject to Charter Section 9.118 to ensure that such contracts are brought before the Board of Supervisors as required.

RECOMMENDATION

Retroactive approval of Amendment No. 6 is a policy matter for the Board of Supervisors.

Item 10 File 18-0604	Department: San Francisco Municipal Transportation Agency (SFMTA)

EXECUTIVE SUMMARY

Legislative Objectives

- Proposed resolution retroactively approving Amendment No. 1 and approving Amendment No. 4 to Contract CS-155-2 Architectural and Engineering Services for the Final Design and Construction of the Central Subway Project with Central Subway Design Group to increase the contract by $1,010,600 for Amendment No. 1 and $6,323,936 for Amendment No. 4 for a total amended contract amount not to exceed $47,900,606.

Key Points

- SFMTA's Central Subway Project will provide direct transit connection from Chinatown to the Caltrain Terminal, with three underground subway stations and one surface station.
- On March 2, 2010, the Board of Supervisors approved a contract with Central Subway Design Group (CSDG) to design three subway stations. This CSDG contract was for $39,949,948 for ten years through April 4, 2020, with an option to extend for two years. To date, the contract has been amended three times for a total not to exceed $41,576,670.

Fiscal Impact

- Amendment No. 1 was for an increase of $1,010,600, effective December 2011, which was not previously approved by the Board of Supervisors as required by the City's Charter. However, this work has now been completed by CSDG and CSDG has been fully paid for this work by the SFMTA. Furthermore, CSDG expenditures of $40,684,539 incurred through February of 2018 already exceeds the not to exceed legally authorized amount of this contract by at least $118,469.
- The proposed Amendment No. 4 would further increase the CSDG contract by $6,323,936 for additional design support services through the completion of the Central Subway Project stations construction. If both Amendments Nos 1 and 4 are approved, the total amended CSDG contract amount would not exceed $47,900,606.

Policy Consideration

- Amendment No. 1 was not previously submitted for approval by the Board of Supervisors, due to the Central Subway's staff misunderstanding of SFMTA's Charter authority.

Recommendations

- Retroactive approval of Amendment No. 1 is a policy matter for the Board of Supervisors.
- Approve Amendment No. 4.

MANDATE STATEMENT

City Charter Section 9.118(b) states that agreements entered into by a department, board, or commission having a term of (a) more than 10 years*;* (b) anticipated expenditures of $10 million or more; or (c) modifications to these agreements of more than $500,000*,* require Board of Supervisors approval.

BACKGROUND

Central Subway Project

The SFMTA's proposed Central Subway Project will provide a new underground and surface transit connection between Chinatown (Washington Street and Stockton Street) and the Caltrain Terminal/Muni T-Line (King Street and Fourth Street). The Central Subway Project will have three underground subway stations: (1) Yerba Buena/Moscone Station (YBM), (2) Union Square/Market Street Station (UMS), and (3) Chinatown Station (CTS). The Project also includes one surface station at Fourth/Brannan Street Station (FBS).

Final design work for the Central Subway Project began in January, 2010, with completion of construction originally scheduled for February 2018. Construction is now anticipated to be completed in May 2019, with transit operations commencing in December 2019. Various certifications, start up and testing of all the equipment and training of staff will occur between May and December 2019. The estimated total cost for the Central Subway Project is $1.578 billion.

Professional Design Services

Because of the scope and expertise required, the professional design services for the Central Subway Project were divided into three design packages: (1) Utilities Relocation and Tunnel Design[1], (2) Subway Stations Design (subject of this File 16-0604), and (3) System and Trackway Integration Design (subject of File 18-0603 in this report). In April of 2009, the SFMTA issued a Request for Proposal (RFP) for Central Subway Professional Final Design Services for all three design contracts. On July 21, 2009, the SFMTA received five design proposals, including two proposals for the design of the three subway stations.

Design of Three Subway Stations

On March 2, 2010, the Board of Supervisors approved a contract with Central Subway Design Group (CSDG), a joint venture of three private firms consisting of Parsons Brinckerhoff, Inc., Michael Willis Architects, Inc., and Kwan Henmi Architecture and Planning, Inc. to design the three subway stations[2] for the Central Subway Project (File No. 10–0007; Resolution No. 68-10).

[1] The Utilities Relocation and Tunnel Design services contract was originally awarded to PB/Telamon in 2009 for $6,500,000. Seven amendments were subsequently approved by SFMTA, for a total amended contract amount not to exceed $7,940,159. These design services were completed in December 2015. This contract was not subject to Board of Supervisors approval because the contract was under $10 million and ten years.

[2] Design of the surface station at Fourth and Brannan Streets was included in the System and Trackway Integration Design contract.

The original CSDG contract amount was a not-to-exceed $39,949,948, including $4,890,707 of optional work, for the ten year term from April 5, 2010 through April 4, 2020, with an option to extend for two years[3], through April 4, 2022.

Under this contract, CSDG was to (a) provide preliminary and final designs for the Yerba Buena/Moscone Station, Union Square/Market Street Station, and Chinatown Station, (b) verify construction costs and schedules, (c) provide support and direction to the construction contractors, (d) review and respond to contractor's Request for Information (RFIs) and submittals, (e) implement quality control and inspect completed work, and other related responsibilities. Design for the project primarily occurred between 2010 and 2013, with construction beginning in 2011 and currently continuing.

Original Contract and Amendments

Table 1 below shows the dates and amounts of the original contract and the three amendments SFMTA approved to date and the proposed fourth amendment to the CSDG contract. Amendment Nos. 1 and 4 are further explained in the Details of Proposed Legislation below. Amendment No. 2 for $484,053 was to redesign the Chinatown Station roof structure to accommodate the new Chinatown Plaza design, to be integral with the Chinatown Station design. Amendment 3 for $132,069 was to provide additional design support and oversight for the subway tunnel boring machines to be extracted from the tunnels at the Pagoda Theater in North Beach. Both Amendments Nos. 2 and 3 were approved by the SFMTA Director of Transportation.

Table 1: CSDG Original Contract and Amendments for Design of Three Subway Stations

CSDG Original Contract and Contract Amendments	Not to Exceed Contract Amount
March 2, 2010: Contract Amount, including Optional Work	$39,949,948
December 20, 2011: Amendment No. 1 (subject of this request)	*1,010,600*
June, 2016: Amendment No. 2	484,053
November 2016: Amendment No. 3	132,069
Total Contract Not to Exceed Amount	**$41,576,670**
June 5, 2018: Amendment No. 4 (subject of this request)	*6,323,936*
Proposed Total Contract Not to Exceed Amount	**$47,900,606**

DETAILS OF PROPOSED LEGISLATION

The proposed resolution retroactively approves Amendment No. 1 and approves Amendment No. 4 to Contract CS-155-2 Architectural and Engineering Services for the Final Design and Construction of the Central Subway Project with Central Subway Design Group to increase the contract amount by $1,010,600 for Amendment No. 1 and $6,323,936 for Amendment No. 4, with no change to the term expiring on April 4, 2020, for a total amended contract amount not to exceed $47,900,606.

[3] The option to extend the contract for two years is not subject to the Board of Supervisors approval.

Amendment No. 1

Given that the original CSDG contract was greater than $10 million, which was approved by the Board of Supervisors, Amendment No. 1 which is greater than $500,000 is also subject to Board of Supervisors approval, in accordance with Charter Section 9.118(b). However, SFMTA did not previously request Board of Supervisors approval for Amendment No. 1. Therefore, this resolution is requesting the Board of Supervisors to retroactively approve Amendment No. 1 back to December 20, 2011, to increase the CSDG contract by $1,010,600 to compensate CSDG for additional design work required to lower the level of the Chinatown Station.

The decision to lower the Chinatown Station came during the final design when additional geotechnical engineering studies and a peer review identified the risk that the excavation might impact the adjacent Mandarin Tower building in Chinatown. As a result, SFMTA and CSDG agreed to lower the Chinatown Station by 25 feet into more stable bedrock, necessitating additional CSDG design services. Though the Director of Transportation approved Amendment No. 1 in December of 2011, this Amendment was neither approved by the SFMTA Board nor by the Board of Supervisors, as required by the City's Charter.

Amendment No. 4

The proposed Amendment No. 4 would further increase the CSDG contract by $6,323,936 prospectively, for additional work necessary to provide engineering services through the completion of the Central Subway Project stations construction, with no change to the term expiring on April 4, 2020. If both Amendments Nos 1 and 4 are approved, the total amended CSDG contract amount would not exceed $47,900,606, as summarized in Table 1 above.

As noted above, completion of the Central Subway Project was originally scheduled for February 2018. Construction is now projected to be completed in May 2019, a delay of 15 months. Transit operations are anticipated to commence in December 2019.

The CSDG design contract requires CSDG to provide ongoing design and engineering support services during construction in order to interpret design documents, answer questions and provide direction to the construction contractor, review and approve contractor's submittals, and inspect completed work. Given the construction delay of approximately 15 months, Amendment No. 4 will enable CSDG to continue to provide engineering support and design services necessary to support the delayed construction of the Central Subway stations. Ms. Jane Wang of the SFMTA advises that if the Central Subway Project is further delayed, this design contract may require further amendments in the future.

FISCAL IMPACT

Amendment No. 1

Table 2 below summarizes the tasks and costs of Amendment No. 1.

Table 2: Amendment No. 1

Required Tasks	Contract Amendment
Chinatown Station hydrotests	$26,100
Union Square/Market Street Station geotechnical borings	34,500
Chinatown Station lowering	950,000
Total	**$1,010,600**

According to Mr. Albert Hoe, Acting Program Director for the Central Subway Project, all of the work under Amendment No. 1 has been completed by CSDG. Mr. Hoe also advises that the contractor has been fully paid $1,010,600 for this work by the SFMTA. However, Amendment No. 1 has not yet been approved by the Board of Supervisors as required by the City's Charter.

Furthermore, through February of 2018, SFMTA already incurred $40,684,539 of expenditures under this CSDG contract and CSDG has continued to do work since February 2018. Given that Amendment No. 1 for $1,010,600 was never approved by the Board of Supervisors, the CSDG amended contract amount is only authorized for a total not to exceed $40,566,070 ($39,949,948 original contract + $484,053 Amendment No. 2 + $132,069 Amendment No. 3). Therefore, the CSDG expenditures of $40,684,539 incurred through February of 2018 already exceeds the not to exceed legally authorized amount of this contract by at least $118,469.

Amendment No. 4

Table 3 below summarizes the tasks and costs of Amendment No. 4. Under Amendment No. 4 CSDG provided specialty field engineers during the mining of the Chinatown Station due to various challenges of the Sequential Excavation Method (SEM) in complex geological conditions and an urban environment. CSDG will also provide staff support during the 15 month delay in construction, to augment the arts enhancement requirements and for SFMTA's mechanical engineering staff to review RFI submittals, change order requests, and design revisions related to designs developed and prepared by SFMTA staff.

Table 3: Amendment No. 4

Required Tasks	Contract Amendment
SEM field engineering for mining of Chinatown Station	$2,871,781
Design support during delay of construction	3,038,300
Arts enhancement	98,000
City staff support	315,855
Total	**$6,323,936**

According to Mr. Hoe, all of the work to be performed under Amendment No. 4 is based on the estimated number of hours and specific contractor staff required to perform each task multiplied by individual staff hourly rates.

Amendments Nos. 1-4 result in a not to exceed contract amount totaling $47,900,606, an increase of $7,950,658 or 19.9% greater than the original $39,949,948 contract.

The total budget for the Central Subject Project is $1,578,300,000, as summarized in Table 4 below. The costs for this subway station design contract are included in Table 4 below under the Final Design and Design & Construction Project Management cost categories. As also shown in Table 4 below, the SFMTA has an estimated $74,070,161 of contingency funds available for the Central Subway Project, including approximately $49 million of immediately available contingency funds. Mr. Hoe advises that such contingency funds would be used to pay for the additional costs of the subject design contract.

Table 4: Central Subway Project Budget, Expenditures and Balances Through April 2018

Cost Categories	Total Budget	Costs Through April, 2018	Remaining Balance
Guideway & Track Elements	$284,261,449	$268,356,898	$15,904,551
Stations, Stops, Terminals, Intermodal	554,774,462	394,953,133	159,821,329
Sitework & Special Conditions	213,778,742	204,494,652	9,284,090
Systems	95,341,827	33,649,217	61,692,610
ROW, Land, Existing Improvements	32,246,321	30,648,969	1,597,352
Vehicles	13,309,000	10,598,347	2,710,653
Preliminary Engineering	46,202,674	46,202,674	0
Final Design	***61,318,331***	***61,199,308***	**119,023**
Design & Construction Project Management	***89,012,545***	***70,356,422***	**18,656,123**
Construction Management	91,096,881	74,176,900	16,919,981
Insurances	6,800,000	6,340,196	459,804
Legal, Permits and Review Fees	8,212,604	4,497,714	3,714,890
Surveys, Testing, Investigation & Inspection	933,100	857,829	75,271
Start-up	6,941,902	0	6,941,902
Contingencies	***74,070,161***	***0***	***74,070,161***
Total	**$1,578,300,000**	**$1,206,332,254**	**$371,967,741**

As shown in Table 5 below, the Central Subway Project is funded with various sources, including Federal Transit Administration (FTA) New Starts, Federal Congestion Management & Air Quality (CMAQ), State Transportation Bond Proposition 1A and 1B, State Regional Improvement Program (RIP), State Transportation Congestion Relief Program (TCRP), and Proposition K Half-Cent Local Sales Tax funds.

Table 5: Central Subway Project Funding Sources

Sources	Total
FTA 5309 New Starts	$942,200,000
Federal CMAQ3	41,025,000
Proposition 1A High Speed Rail Connectivity	61,308,000
State Proposition 1B- MTA	87,895,815
State Proposition 1B-SFMTA	219,896,185
RIP-SF/Other	74,248,000
State TCRP	14,000,000
Local Proposition K	137,727,000
TOTAL	**$1,578,300,000**

POLICY CONSIDERATION

Mr. Hoe advises that Amendment No. 1 to the CSDG contract for $1,010,600 was not submitted for approval by the Board of Supervisors prior to December 2011, due to the Central Subway's staff misunderstanding of SFMTA's Charter authority. In addition, Mr. Robert Stone of the City Attorney's Office reports that this error was not caught by SFMTA contract administration staff or by City Attorney staff. Mr. Stone advises that the SFMTA identified this mistake when the SFMTA staff was preparing Amendment No. 4 to the CSDG contract, which required approval by the Board of Supervisors.

After realizing this mistake, the SFMTA staff then reviewed other contracts and amendments, which also identified Amendment No. 6 to the HNTB-B&C contract for $1,269,472 described separately under File 18-0603 in this report. Amendment No. 6 to the HNTB-B&C contract for $1,269,472 also required Board of Supervisors approval, which was not obtained by SFMTA prior to its effective date in 2014.

Mr. Stone advises that the Director of Transportation directed SFMTA contract administration staff to review all existing contracts to determine if additional amendments require Board of Supervisors approval. This review is currently ongoing. SFMTA administration staff will clarify the application of Charter Section 9.118(b) to staff and will modify SFMTA's contract amendment process to identify contract amendments subject to Charter Section 9.118 to ensure that such contracts are brought before the Board of Supervisors as required.

RECOMMENDATIONS

1. Retroactive approval of Amendment No. 1 is a policy matter for the Board of Supervisors.
2. Approve Amendment No. 4.

Item 11 **File 18-0495**	**Department:** Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the General Manager of the San Francisco Public Utilities Commission to execute a professional services contract with Arcadis US, Inc., to provide construction management staff augmentation services for the Biosolids Digester Facilities Project for an amount not to exceed $42,000,000 over a term of seven years, from July 2018 through July 2025.

Key Points

- The San Francisco Public Utilities Commission (SFPUC) has a $7.0 billion capital project to upgrade and replace the City's wastewater system, called the Sewer System Improvement Program. The Biosolids Digester Facilities Project is the largest project in the Sewer System Improvement Program, and will upgrade aging infrastructure and fully replace the outdated existing solids treatment processes at the Southeast Water Pollution Control Plant (Plant). The total budget for the Biosolids Digester Facilities Project is $1.276 billion.
- In 2015, the SFPUC determined during the early phases of the design of the Biosolids Digester Facilities Project that outside help for construction management was needed due to anticipated workload from other SFPUC construction projects, the constrained Plant project site, and the construction expertise required.
- After a request for proposals was advertised on January 24, 2018, and despite outreach efforts, only one firm submitted a proposal: Arcadis U.S., Inc., with CDM Smith and HDR Engineering as major subconsultants. There is a limited remaining pool of qualified consultant companies with the required expertise and capacity who were not conflicted due to their past or current participation in the Biosolids Digester Facilities Project.

Fiscal Impact

- The $42 million contract budget consists of direct labor costs (approximately $36 million), mark up on sub-consultant labor costs (approximately $1 million within SFPUC's allowance of 5 percent of sub-consultant labor costs), other project-related costs ($2 million), and a project contingency ($3 million). The project contingency may be used for overtime construction inspection, other inspection services, testing and commissioning, or annual CPI increases. The proposed contract with Arcadis US, Inc. will be funded through the previously authorized wastewater revenue bonds.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118 states that any contract entered into by a department, board or commission that requires expenditures of $10 million or more is subject to Board of Supervisors approval.

BACKGROUND

On March 29, 2011, the Board of Supervisors approved the City's Ten Year Capital Expenditure Plan for FY 2012-2021 (Resolution 151-11), which includes the San Francisco Public Utilities Commission (SFPUC) capital project to upgrade and replace the City's wastewater system, called the Sewer System Improvement Program. The Sewer System Improvement Program is anticipated to be completed in two phases over a period of 20 years, at an estimated cost of $7.0 billion to be funded from increases in rates to SFPUC wastewater customers. Phase I includes planning and construction of sewer treatment facilities, at a total estimated cost of $3.0 billion.

Phase I of the Sewer System Improvement Program includes a series of facility upgrades at the Southeast Water Pollution Control Plant (Plant), located in the Bayview neighborhood of San Francisco. Built in 1952, the Plant treats 80 percent of the City's wastewater. The Biosolids Digester Facilities Project is the largest project in the Sewer System Improvement Program, and will upgrade aging infrastructure and fully replace the outdated existing solids treatment processes at the Plant. The total budget for the Biosolids Digester Facilities Project is $1.276 billion.

In 2015, the SFPUC determined during the early phases of the design of the Biosolids Digester Facilities Project that outside help for construction management was needed due to anticipated workload from other SFPUC construction projects, the constrained Plant project site, and the construction expertise required.

According to Ms. Carolyn Chiu, Senior Project Manager at the SFPUC, SFPUC's Contract and Engagement Outreach Manager contacted over 450 consultant companies, which were a combination of both engineering and construction management companies, to encourage them to reply to the request for proposals. In addition, the SFPUC used social media services and presented at multiple events such as Construction Management Association of America events, SFPUC's contractor's breakfast, and outreach workshops held at the SFPUC's Contract Assistance Center.

A competitive request for proposals (RFP) was advertised on January 24, 2018, and despite outreach efforts, only one firm submitted a proposal: Arcadis U.S., Inc., with CDM Smith and HDR Engineering as major subconsultants. According to Ms. Chiu, the SFPUC anticipated few responses due to the limited number of water and wastewater engineering firms that have the specialized expertise for the project.

The SFPUC determined that further outreach, readvertisement, or modification of the RFP would not change the outcome. According to Ms. Chiu, there is a limited remaining pool of qualified consultant companies with the required expertise and capacity, who could propose on a new RFP and who were not conflicted out of the work due to their past or current participation in the Biosolids Digester Facilities Project. The Biosolids Digester Facilities Project is currently utilizing five major engineering firms with extensive wastewater or construction management expertise along with over 50 subconsultant companies.

The SFPUC staff determined that Arcadis U.S., Inc., is a highly qualified firm and began negotiations.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the General Manager of the San Francisco Public Utilities Commission to execute a professional services contract with Arcadis US, Inc., to provide construction management staff augmentation services for the Biosolids Digester Facilities Project for an amount not to exceed $42,000,000 over a term of seven years, from July 2018 through July 2025.

FISCAL IMPACT

Summary budget details for the contract not-to-exceed amount of $42,000,000 are shown in Table 1 below.

Table 1: Contract Budget for Construction Management Services August 2018 to July 2025

Expenditure	Amount
Labor	$35,979,106
Mark-up on sub-consultant labor costs [a]	1,011,323
Other direct costs [b]	2,000,000
Contingency (approximately 8 percent) [c]	3,000,000
Total	**$41,990,429**

Source: Proposed Contract between SFPUC and Arcadis U.S., Inc.

[a] The contract between Arcadis U.S. and SFPUC provides for $20,226,453 of the total labor costs of $35,979,106 to be provided by sub-consultants, of which $7,313,446 to be provided by Local Business Enterprise (LBE) sub-consultants. SFPUC allows a markup by the prime consultant of 5 percent of sub-consultant labor costs, equal to $1,011,323. This was true in the previous contract for construction management services for the replacement of the headworks facilities at the Southeast Water Pollution Control Plant.

[b] Other direct costs consist of, but not limited to, task-specific out-of-town travel as requested by the SFPUC, specialty printing, task related permit fees, and expedited courier services when requested by SFPUC staff.

[c] According to Mr. Jacobo, the contingency of $3,000,000, equal to approximately 8 percent of total costs, is slightly below the industry standard of 10 percent. The SFPUC predicts the contingency may be used for overtime construction inspection services, specialized inspection services, startup, testing and commissioning services, distributed control system services, or yearly CPI increases.

Of the $42,000,000 contract not-to-exceed amount, $35,979,106 will go towards the 22 staff members, including LBE sub-consultants, who will be working across six tasks, as shown in Table 2 below.

Table 2 Labor Costs by Task paid by SFPUC to Arcadis, U.S., Inc.
August 2018 to July 2025

	Approximate Average Rate per Hour	Hours	Total
Pre-Construction Services	$192	5,056	$971,207
Construction Contract Administration	$167	93,048	15,537,173
Construction Inspection	$163	80,112	13,042,366
Construction Contract Management	$231	5,400	1,248,016
Project Controls	$176	21,280	3,750,600
Building Information Modeling	$125	11,480	1,429,744
Total	**$166**	**216,376**	**$35,979,106**

Source: Proposed Contract between SFPUC and Arcaid U.S., Inc.

According to Ms. Chiu, the SFPUC reviewed the labor rates and found them to be within acceptable SFPUC and industry standards.

The proposed construction management contract with Arcadis US, Inc. will be funded through the previously authorized wastewater revenue bonds. Repayment of these bonds is included in the Wastewater Enterprise operating budget through FY 2019-20 and retail wastewater rates approved through FY 2021-22. For spending beyond these timeframes, assumptions have been made in the SFPUC 10 Year Financial Plan.

The total budget approved for the Biosolids Digester Facilities Project of $1,276,500,000, including the budgeted $42,000,000 contract with Arcadis US, Inc. for construction management services, is shown in Table 3 below.

Table 3: Project Total

Activity		Approved Budget
Project Management		$50,500,000
Planning		41,000,000
Design		96,000,000
Environmental Review		16,500,000
Construction		989,500,000
Construction Management		83,000,000
	Total	$1,276,500,000

According to Ms. Chiu, the $42,000,000 contract between Arcadis U.S., Inc. and the SFPUC is included as a line item in the total $83,000,000 for Construction Management.

To date, the SFPUC has spent $113,209,621 and has encumbered an additional $30,631,709 for a total of $143,841,330 out of $1,276,500,000. The SFPUC plans to spend the remaining $1,132,158,670 by the end of the project in 2025.

According to Ms. Chiu, the SFPUC has standard procedures and performance measures to manage project scope, schedule and budget and help control variances. Standard project control measures in place for this contract include daily coordination meetings, monthly invoice reports, quality control reviews from independent engineers, budget tracking, and direct oversight from the Senior Project Manager for the Biosolids Project and the Manager for the Construction Management Bureau.

RECOMMENDATION

Approve the proposed resolution

Item 12 **File 18-0496**	**Department:** Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize a modification to the current Memorandum of Agreement between the San Francisco Public Utilities Commission (SFPUC) and the National Park Service for comprehensive management of watersheds supplying the San Francisco Regional Water System. The modification would increase the total not-to-exceed amount of the agreement by $14,677,857, from $12,326,507 to $27,004,364, and extend the memorandum by an additional two years to a total duration of four years, July 1, 2016, through June 30, 2020.

Key Points

- The Hetch Hetchy Reservoir and watershed is located in Yosemite National Park, which is operated by the U.S. Department of the Interior's National Park Service. Water from Hetch Hetchy currently provides 85 percent of the Regional System's water supply.
- According to state and federal law, the SFPUC must demonstrate control over watershed activities like stock management and wastewater treatment to allow the water to remain untreated. Since the watershed above Hetch Hetchy is part of Yosemite National Park, managed and controlled by the National Park Service, the Memorandum of Agreement uses SFPUC funding to protect and enhance water quality.

Fiscal Impact

- The original Memorandum of Agreement had a $100,000 contingency budget that was never spent. To date, the SFPUC has paid the National Park Service a total of $12,226,501, or $100,006 less than the previously approved Memorandum of Agreement of $12,326,507.
- Projected expenditures payable by the SFPUC to the National Park Service under the proposed two-year modification of the Memorandum of Agreement are $14,677,857, which represents an increase of $2,451,356 or 20 percent of the current Memorandum of Agreement.
- The largest percentage increase of costs in the Memorandum of Agreement comes from the increase of costs of special projects, from $73,002 to $1,022,414. The special projects were previously delayed due to limited funding during the drought.

Recommendations

- Amend the proposed resolution to reduce the agreement not-to-exceed amount by $100,000, from $27,004,364 to $26,904,364.
- Approve the proposed resolution, as amended.

MANDATE STATEMENT

City Charter Section 9.118 states that any contract entered into by a department, board or commission that requires expenditures of $10 million or more, or modifications to such contracts that increase expenditures by $500,000 or more, is subject to Board of Supervisors approval.

BACKGROUND

The Hetch Hetchy Reservoir and watershed is located in Yosemite National Park, which is operated by the U.S. Department of the Interior's National Park Service. The 1913 Raker Act authorized the City of San Francisco to construct the O'Shaughnessy Dam at Hetch Hetchy and other water and power facilities to supply water to the San Francisco Regional Water System. Water from Hetch Hetchy currently provides 85 percent of the Regional System's water supply.

Under the Raker Act, the San Francisco Public Utilities Commission (SFPUC) is required to reimburse the National Park Service for:

(1) Cost of the inspection necessary to secure compliance with the sanitary regulations;

(2) Costs of road and trail maintenance; and

(3) Expenses incurred by the National Park Service in making investigations or decisions with respect to SFPUC's rights, benefits, and obligations under the Raker Act.

Water delivered by the SFPUC to San Francisco from Hetch Hetchy is exempt from filtration under federal and state law. To maintain this exemption, the SFPUC must demonstrate control over watershed activities like stock management and wastewater treatment. Since the watershed above Hetch Hetchy is part of Yosemite National Park, managed and controlled by the National Park Service, the Memorandum of Agreement uses SFPUC funding to protect and enhance water quality in addition to expenses that are the SFPUC's responsibility under the Raker Act.

In 2016, the Board of Supervisors approved a resolution authorizing a new Memorandum of Agreement between the San Francisco Public Utilities Commission and National Park Service for comprehensive management of watersheds within Yosemite National Park that supply the San Francisco Regional Water System (File 16-0538). The Memorandum of Agreement included a total not-to-exceed amount of $12,326,507 payable by the SFPUC to the National Park Service for an agreement term of two years from July 1, 2016 through June 30, 2018.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize a modification to the current Memorandum of Agreement between the SFPUC and the National Park Service for comprehensive management of watersheds supplying the San Francisco Regional Water System. The modification would increase the total not-to-exceed amount of the agreement by $14,677,857, from $12,326,507 to $27,004,364, and extend the memorandum by an additional two years to a total duration of four years, July 1, 2016, through June 30, 2020.

FISCAL IMPACT

Projected expenditures payable by the SFPUC to the National Park Service under the proposed two-year modification of the Memorandum of Agreement are $14,677,857, which represents an increase of $2,451,356 or 20 percent of the current Memorandum of Agreement, as shown in Table 1 below.

Table 1: Original Memorandum of Agreement and Proposed Modification Costs

Program Category	FY 2016-18 (to date)	FY 2018-20 (proposed)	Percent Change
Source Water Protection	$9,611,842	$10,942,205	14%
Environmental Stewardship	645,737	637,676	-1%
Security	1,497,132	1,653,941	10%
Program Manager	338,788	361,621	7%
Raker Act Fee	60,000	60,000	0%
Subtotal	**12,153,499**	**13,655,443**	**12%**
Special Projects	73,002	1,022,414	1,301%
Total	**$12,226,501**	**$14,677,857**	**20%**

According to Ms. Cheryl Sperry, Administrative Services Manager for Hetch Hetchy Water, the 2011 – 2017 California droughts caused SFPUC's Hetch Hetchy Water to not increase its budget due to the severely limited water revenues. Hetch Hetchy Water requested that the National Park Service not increase the budget for required services provided by SFPUC for the initial two-year term. The 12 percent increase in expenditures in FY2018-19 and FY2019-20, not including the special projects, reflect Cost of Living Allowance (COLA) increases at approximately 4 percent per year, and a restoration of services using FY 2015-16 as a benchmark year.

To date, the SFPUC has paid the National Park Service $6,115,698 in FY 2016-17 and $6,110,803 in FY 2017-18 for a total of $12,226,501. This is $100,006 less than the previously approved Memorandum of Agreement of $12,326,507. The original Memorandum of Agreement had a $100,000 contingency budget that, according to Ms. Sperry, was never spent. The Budget and Legislative Analyst recommends reducing the agreement not-to-exceed amount by $100,000 from the requested $27,004,364 to $26,904,364.

Funds for the agreement will be available from the Hetch Hetchy Water and Power Operating budget for FY 2018-19 and FY 2019-20, subject to the Board of Supervisors approval.

Special Projects

The largest percentage increase of costs in the Memorandum of Agreement comes from the increase of costs of special projects, from $73,002 to $1,022,414. According to Ms. Sperry, the special projects were previously delayed due to limited funding during the drought. The special projects and SFPUC's associated costs are shown in Table 2 below.

Table 2: Special Projects and SFPUC's Funding Costs

Special Project	Cost
Glen Aulin Composting Toilets[1]	$657,443
Replace Roof at Hetch Hetchy Entrance Office, Residence and Garage	51,240
Tuolumne Meadows Vault Toilet Repairs	17,640
Leave No Trace Videos	13,745
Restore Tuolumne Riverbanks	96,023
Implementation of Wilderness Stock Use Framework[2]	107,502
Ranger Boat Replacement	78,822
Total	**$1,022,414**

[1] The SFPUC believes that replacing flush toilets at this location with composting toilets will significantly reduce the volume of wastewater discharged to the leach field. The SFPUC will fund 100 percent of the design and construction costs for this project, and the National Park Service will fund environmental and project management costs.

[2] Wilderness Stock Use Framework helps the SFPUC and the National Park Service determine grazing capacities, understand stock behavior, build monitoring tools, and determine baseline conditions of the camps and meadows.

According to Ms. Sperry, if the special project benefits both the SFPUC and the National Park Service, the costs are evenly shared, as is the case with the (1) Replacement Roof; (2) Tuolumne Meadows Vault Toilet Repairs; (3) Leave No Trace Videos; (4) Restore Tuolumne Riverbanks; and (4) Implementation of Wilderness Stock Use Framework. As the SFPUC is the sole beneficiary of the Ranger Boat Replacement, all funds for this project come from SFPUC.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the agreement not-to-exceed amount by $100,000, from $27,004,364 to $26,904,364.

2. Approve the proposed resolution, as amended.

Item 13 **File 18-0548**	**Departments:** Department of Homelessness and Supportive Housing (HSH) Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- Resolution approving the fourth amendment to the contract between the City and County of San Francisco and the Tides Center to provide supportive housing property management under the Delivering Innovation in Supportive Housing (DISH) Program, to extend the contract term by one year, for a total term of July 1, 2008 through June 30, 2019 and to increase the contract amount by $7,225,718 for a total contract amount of $47,734,035.

Key Points

- In response to a competitive Request for Proposal (RFP) in 2007, the Tides Center, a nonprofit organization, entered into a contract with the City to provide supportive housing property management services to six supportive housing sites, comprising 449 housing units, plus one health clinic. This contract has been amended three times, such that this contract currently extends for ten years from July 1, 2008 through June 30, 2018.
- The existing contract terminates on June 30, 2018. On April 3, 2018, the Office of Contracts Administration approved extending this contract for one year, through the end of FY 2018-19 without a new procurement, with a limited sole source waiver. HSH anticipates issuing a new RFP by September 2018 for new supportive housing services to commence on July 1, 2019.

Fiscal Impact

- The initial contract was for a not-to-exceed $7, 101,716. With the contract amendments approved thus far, the Tides Center contract is currently for a not-to-exceed $40,508,317.
- The $7,225,718 requested increase reflects both increased costs of $1,553,819 for FY 2017-18 and $5,671,899 for FY 2018-19.
- Based on actual and projected expenses, the total requested Tides Center contract for a not to exceed $47,734,035 can be reduced by $1,347,544, for a total not to exceed contract authority of $46,386,491 through FY 2018-19.

Recommendations

- Amend the proposed resolution to reduce the requested increase in the contract amount from $7,225,718 to $5,878,174 and reduce the total contract amount of $47,734,035 to $46,386,491, a reduction of $1,347,544.
- Approved the proposed resolution, as amended.

MANDATE STATEMENT

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

BACKGROUND

In response to a competitive Request for Proposal (RFP) process in November 2007, the Department of Public Health (DPH) selected the Tides Center, a nonprofit organization, to provide supportive housing property management services under the City's Delivering Innovation in Supportive Housing (DISH) Program. Supportive housing property management services include repairs, maintenance and janitorial, rent collection, lease management/eviction prevention, tenant move-in/move-out, and 24-hour front desk coverage. Under this Program, the Tides Center provides supportive housing property management services to the six master-lease housing sites comprising 449 units of housing shown in Table 1.

Table 1: City Supportive Housing Hotels, Location and Number of Units Managed Under Contract by the Tides Center

Hotel	Address	# of Units
Pacific Bay Inn	520 Jones Street	75
The Empress Hotel	144 Eddy Street	88
Windsor Hotel	238 Eddy Street	91
Camelot Hotel	124 Turk Street	55
LeNain Hotel	730 Eddy Street	86
Star Hotel	2176 Mission Street	54
Total		**449**

Under this contract, the Tides Center also provides repair, maintenance and janitorial related services for one health clinic located in the commercial space of the Windsor Hotel at 234 Eddy Street. In addition, the Tides Center serves as the fiscal agent for the DISH Program.

Initial Tides Center Contract

DPH entered into an initial contract with the Tides Center for two years from July 1, 2008 through June 30, 2010 for a not-to-exceed amount of $7,101,716. The contract included a 12 percent contingency of $760,898. This initial contract did not require Board of Supervisors approval because the original term was less than ten years and the estimated expenditures were less than $10 million.

Subsequent Amendments to the Tides Center Contract

Although the RFP provided specified options to extend this contract for up to ten years, the initial Tides Center contract did not include any options to extend due to DPH's administrative oversight. As a result, in July 2010, the Board of Supervisors retroactively approved a first amendment to this Tides Center contract to (a) increase the not-to-exceed contract amount by $10,270,097 from $7,101,716 to $17,371,813, (b) extend the term by three years, from July 1, 2010 through June 30, 2013, and (c) include five one-year options to extend the contract through June 30, 2018 (File No. 10-0929; Resolution No. 388-10).

In February, 2013 the Board of Supervisors approved a second amendment to this contract to (a) increase the not-to-exceed contract amount by $23,136,504 from $17,371,813 to $40,508,317 and (b) to extend the term by five years from July 1, 2013 through June 30, 2018 (File No. 12-1212; Resolution No. 37-13). The Department executed a third amendment to the Tides Center contract in 2016, to incorporate newer standardized contract language but did not change the basic terms or cost, and was not subject to Board of Supervisors approval.

New Department of Homelessness and Supportive Housing

In August of 2016, the Board of Supervisors created the Department of Homelessness and Supportive Housing (HSH) to serve as the lead agency for the provision and coordination of homeless services in San Francisco, such that the responsibility for managing this Tides Center contract was transferred from DPH to HSH.

Sole Source Waiver

As described above, the existing contract with the Tides Center terminates on June 30, 2018. On April 3, 2018, the Office of Contracts Administration granted HSH request to extend this contract for one year without a new procurement, through the approval of a limited sole source waiver. The requested sole source waiver will extend this Tide Center contract through the end of FY 2018-19.

Ms. Gigi Whitley, Deputy Director for Administration and Finance for HSH advises that given the number of staff vacancies and turnover, the workload for HSH has been significantly greater than anticipated, such that HSH did not have sufficient time to competitively bid this supportive housing contract this past fiscal year. In addition, Ms. Whitley advises that most of the other City supportive housing contracts (e.g., Community Housing Partnership, Tenderloin Housing Clinic) expire at the end of FY 2018-19. With the subject sole source extension for the Tides Center contract for one year, HSH staff will be able to issue one RFP for multiple supportive housing service contracts at the same time. HSH anticipates issuing a new RFP by September 2018 for new supportive housing services to commence on July 1, 2019.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the fourth amendment to the contract between the City and County of San Francisco and the Tides Center to provide supportive housing property management under the Delivering Innovation in Supportive Housing (DISH) Program, to extend the contract term by one year, for a total term of July 1, 2008 through June 30, 2019 and to increase the contract amount by $7,225,718 for a total contract amount of $47,734,035.

FISCAL IMPACT

For the previous ten-year period from FY 2008-09 through FY 2017-18, the Tides Center contract was $40,508,317 or an average annual cost of $4,050,832. Under the proposed fourth amendment to the contract for the one-year extension period from July 1, 2018 through June 30, 2019, the request is for $7,225,718, an increase of $3,174,886 or 78% compared to the prior ten years. However, Ms. Whitley advises that, while the costs for such services are increasing and have been enhanced, the significant increase in average annual costs is because the $7,225,718 requested increase reflects both increased costs for FY 2017-18 as well as for FY 2018-19 as shown in Table 2 below.

Table 2: Tides Center Contract Authority Increase Request

	FY 2017-18	FY 2018-19	Total
Camelot Baseline (MHSA Prop 63)	$397,579	$397,579	
Empress Baseline (HUD funding)	212,331	212,331	
Six Building Baseline (General Fund)	3,766,416	3,860,576	
One-time FY 2017-18 Board Addback	264,150	-	
Ongoing FY 2016-17 Mayoral Enhancement	415,110	425,488	
Ongoing FY 2017-18 Mayoral Enhancement	134,648	138,014	
FY 2017-18 2.5% COLA increase	104,538	-	
Total General Fund	$4,684,862	$4,424,078	
Tides Center Contract Total	$5,294,772	$5,033,988	
Contingency Request (12% of contract)	635,373	637,911	
Total Increased Request	**$1,553,819**	**$5,671,899**	**$7,225,718**

The total increased request of $1,553,819 for FY 2017-18 reflects the Board of Supervisors Addback ($264,150), Mayoral Enhancements ($415,110 + $134,648), Cost of Living (COLA) increase ($104,538) and the Contingency Request ($635,373).

Table 3 below shows the actual expenditures incurred under the Tides Center contract for the nine year period from FY 2008-09 through FY 2016-17 as well as the currently projected expenditures for FY 2017-18 and FY 2018-19. Ms. Whitley reports that although the Tides Center has not yet fully billed the City for FY 2017-18, based on actual expenditures through December of 2017, and projected invoices for the remainder of the year, the Tides Center anticipates incurring total costs of $5,294,772 in FY 2017-18. Therefore, the requested contingency of $635,373 for FY 2017-18 will not be needed.

Table 3: Actual and Estimated Contract Expenditures through FY 2018-19

Fiscal Years	Actual and Projected Expenditures
FY 2008-09	$3,387,098
FY 2009-10	3,368,784
FY 2010-11	3,655828
FY 2011-12	4,048,329
FY 2012-13	3,331,643
FY 2013-14	4,593,837
FY 2014-15	3,717,716
FY 2015-16	4,443,757
FY 2016-17	4,872,828
Total Actual Expenditures	$35,419,820
Projected FY 2017-18	5,294,772
Projected FY 2018-19	5,671,899
Total Actual & Projected Expenditures	$46,386,491
Requested Contract Amount	**$47,734,035**
Remaining Contract Balance Not Required	**$1,347,544**

In addition, as shown in Table 3 above, based on actual and projected expenses, the total requested Tides Center contract for a not to exceed $47,734,035 can be reduced by $1,347,544, for a total not to exceed contract authority of $46,386,491 through FY 2018-19.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the requested increase in the contract amount from $7,225,718 to $5,878,174 and reduce the total contract amount of $47,734,035 to $46,386,491, a reduction of $1,347,544.
2. Approved the proposed resolution, as amended.

Item 15 **File 18-0477**	**Department:** Real Estate Division

EXECUTIVE SUMMARY

Legislative Objectives

The proposed resolution authorizes the second amendment to the existing lease for 617 Mission Street/109 New Montgomery Street between the San Francisco Department of Child Support Services (DCSS) and MacLean Properties LLC and Conner Children's Trust No. 2. The second amendment extends the term of the lease for 6 ½ years from July 1, 2018 to December 31, 2024. Rent of $1,903,888 per year ($158,657 per month) is fixed over the 6 ½ year term.

Key Points

- The San Francisco Department of Child Support Services (DCSS) currently leases 33,988 square feet of space at 617 Mission Street/109 New Montgomery. DCSS shares 617 Mission Street with the Department of Public Health's IT department. DCSS occupies approximately 72 percent and DPH occupies approximately 28 percent of the space.
- The first amendment to the existing lease terminates on December 31, 2019. The Real Estate Division determined that entering into the new lease amendment on July 1, 2018, which is 18 months prior to the expiration of the existing lease term, was cost effective because the City could achieve lower rent over the long term. Under the existing lease, if DCSS exercised the additional five-year option to extend the lease from January 1, 2020 through December 31, 2024, DCSS would pay 95 percent of Fair Market Rate beginning in January 2020, with annual 3 percent rent increases.

Fiscal Impact

- Under the current lease, DCSS pays annual rent of $42.75 per square foot through December 31, 2019. Under the proposed second amendment, DCSS would pay annual rent of approximately $56 per square foot, an increase of $13.25 per square foot per year or 31 percent. The rent of $56 per square foot would be fixed over the 6 ½ year term of the second amendment, totaling $12,371,632.
- If DCSS were to continue under the existing first amendment through December 31, 2019 and extend the lease term beginning January 1, 2020, DCSS would begin paying estimated rent of $71.25 per square foot per year (based on 95 percent of estimated fair market rent of $75 per square foot per year) with 3 percent annual increases. Therefore, the estimated rent that would be paid by DCSS and DPH from July 1, 2018 to December 31, 2024 would be $15,036,323 or $2,664,691 more than rent of $12,371,632 under the proposed second amendment.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code Section 23.26 provides that the Director of Real Estate has the authority to enter into leases with the City as the tenant, that are on a year-to-year basis or shorter and less than $15,000 per month. Longer term and more expensive leases are subject to the Board of Supervisors approval.

City Administrative Code 23.27 requires a third-party appraisal for leases with base rent of $45 per square foot and a third-party appraisal review for leases with base rent of $60 per square foot.

BACKGROUND

The San Francisco Department of Child Support Services (DCSS) is a state funded department that establishes and delivers child support collection services on behalf of custodial parents. The Department served 11,689 child support cases in FY 2016-17, and represented 9,792 children. The Department employs approximately 70 people.

DCSS manages their services out of 617 Mission Street/109 New Montgomery Street in San Francisco where they are the primary tenant. In 2016, DCSS began to share their space with the Department of Public Health's IT services in order to decrease costs. DPH has approximately 28 percent of the space for the lease in question and their rent is proportional to the percentage of space that they occupy.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the second amendment to the existing lease for 617 Mission Street/109 New Montgomery Street between the San Francisco Department of Child Support Services (DCSS) and MacLean Properties LLC and Conner Children's Trust No. 2. The second amendment extends the term of the lease for 6 ½ years from July 1, 2018 to December 31, 2024. Rent of $1,903,888 per year ($158,657 per month) is fixed over the 6 ½ year term. The lease terms are summarized in Table 1 below.

Table 1: Terms of Proposed Lease Amendment

Term	Amended Lease
Initial Term	July 1, 2018 to December 31, 2024 (6 ½ years)
Options to Extend	Two 5-year options, subject to future Board of Supervisors approval
Premises	33,988 square feet
Base Rent	$158,657.33 per month (approximately $56.00 per sq. ft. per year)
Annual Rent Increase	None
Tenant Improvements	None
Rent if Option to Extend is Exercised	95% of fair market rent with annual 3% increases
Utilities	Separately metered electricity estimated to cost $5,457.15 per month (approximately $0.16 per sq. ft.)

Source: Real Estate Division

FISCAL IMPACT

Early Termination of First Amendment

The first amendment to the existing lease terminates on December 31, 2019. According to Mr. Charlie Dunn, Senior Real Estate Property Officer, the Real Estate Division determined that entering into the new lease amendment on July 1, 2018, which is 18 months prior to the expiration of the existing lease term, was cost effective because the City could achieve lower rent over the long term. Under the existing lease, if DCSS exercised the additional five-year option to extend the lease from January 1, 2020 through December 31, 2024, DCSS would pay 95 percent of Fair Market Rate beginning in January 2020, with annual rent 3 percent rent increases.

Under the current lease, DCSS pays annual rent of $42.75/square foot through December 31, 2019. Under the proposed second amendment, DCSS would pay annual rent of approximately $56 per square foot, an increase of $13.25 per square foot per year or 31 percent. The rent of $56 per square foot would be fixed over the 6 ½ year term of the second amendment.

According to an appraisal by Runde & Partners, Inc., fair market rent for office space equivalent to 617 Mission Street ranges from $74.25 to $76.75 per square foot per year.[1] If DCSS were to begin paying rent of $71.25 per square foot per year (based on 95 percent of fair market rent of $75 per square foot per year), with 3 percent annual increases, the combined rent paid by DCSS and DPH from July 1, 2018 to December 31, 2024 would be $2,664,691 more under the existing lease than under the proposed second amendment, as shown in Table 2 below.

[1] According to the appraisal by Runde & Partners, Inc., fair market rent for equivalent office space is $74.25 to $76.75 per square foot. Because the proposed second amendment does not have annual rent increases, the appraisal adjusts the fair market rent to $77.31 to $81.50 per square foot.

Table 2: Comparison of Rent under Existing Lease and Proposed First Amendment, July 1, 2018 through December 31, 2024

	Current Lease Terms	Proposed Lease Terms	Difference
FY 2018-19	$1,452,987	$1,903,328	$450,341
FY 2019-20	1,937,316	1,903,328	(33,988)
FY 2020-21	2,457,970	1,903,328	(554,642)
FY 2021-22	2,531,709	1,903,328	(628,381)
FY 2022-23	2,607,660	1,903,328	(704,332)
FY 2023-24	2,685,890	1,903,328	(782,562)
FY 2024-25 (six months)	1,362,791	951,664	(411,127)
Total	**$15,036,323**	**$12,371,632**	**($2,664,691)**

Source: Real Estate Division

Based on each department's share of space at 617 Mission Street, DPH pays 28 percent of the rent and DCSS pays 72 percent of the rent. Therefore, over the initial 6 ½ year term of the proposed second amendment, DCSS would pay approximately $8,907,575 and DPH would pay $3,464,057.

RECOMMENDATION

Approve the proposed resolution.

Item 16 File 18-0564	Departments Technology Real Estate

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution authorizes a renewal agreement between the City and the State of California Technology Agency, Office of Technology Services, for the use of space and communication services within a State data center for a three-year term, from July 2018 through June 2021, for a total amount over the three-year term of $2,385,938. The renewal agreement (a) increases the number of data cabinets available from up to 20 to up to 30, in order to store additional data as City departments consolidate backup data at the Rancho Cordova location and as departments incorporate offsite data storage and recovery into their continuity of operations plans, and (b) adds in a gateway to consolidate departments' cloud provider connections, which will allow the Department of Technology to more easily manage and secure departments' connections to cloud providers.

Key Points

- The City has an existing agreement with the State of California Technology Agency, in which the State provides data center services outside of the City to back up and allow for the recovery of the City's information technology systems and data. The existing agreement began in 2013 and expires in June 2018.

Fiscal Impact

- The annual total for the first year under the proposed agreement is $756,840. The second and third year totals increase annually by 5 percent, for a total three-year maximum under the agreement of $2,385,938.
- The proposed agreement increases the annual total cost by $289,392, or 62 percent, from the annual total cost under the existing agreement of $467,448, due largely to the increase in cabinets from up to 20 cabinets to up to 30 cabinets.
- Costs incurred under the proposed renewed agreement will be allocated first to individual Departments for specific systems backups that are currently in place. The cost balance will then be allocated to all City departments based on each department's relative share of Citywide full-time equivalent (FTE) positions.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

In May 2013, the Board of Supervisors approved an agreement between the City and the State of California Technology Agency, Office of Technology Services for disaster recovery services (File 13-0378). Under the terms of the agreement, the State provided data center service outside of the City to back up and, in the event of a natural or human-made disaster, allow for the recovery of City information technology systems and data. The agreement was for two years between July 1, 2013 and June 30, 2015, with two two-year options to extend, for space and communication services at a co-location data facility located at 3101 Gold Center Drive, Rancho Cordova, California. The maximum amount of the agreement was $130,474 per year, plus applicable one-time costs and power costs, for a total maximum of $265,891 over the two years. The initial agreement provided for six dedicated data cabinets and communication services at the facility.

In 2015, the City extended the agreement for a three-year term through June 30, 2018. At the time of extension the City increased the number of data cabinets from six to up to 20.[1] According to Mr. Fazulul Haque Sheik of the Department of Technology, the increase in data cabinets was for two reasons:

1. The Department of Technology is working with other City departments to consolidate departments' data systems into shared data centers, including the Rancho Cordova site, requiring additional data cabinet storage. Consolidation of multiple departments' data systems in a shared data center offers cost savings and provides increased systems security.
2. The Department of Technology and the Department of Emergency Management are assisting other City departments with technology disaster recovery and continuity of operations plans[2] to ensure continuity of operations in the event of a disaster. The Department of Technology has uncovered a lack of system and data redundancy needed for continuity of operations, and therefore the Department is also assisting

[1] According to the Budget and Legislative Analyst's report to the May 15, 2013 Budget and Finance Committee, the lease between the City and the State of California allowed for the Director of the City's Real Estate Division to (a) extend the lease for two two-year extensions through June 30, 2019 at the rent established by State regulations, and (b) add equipment and services to the lease for an amount up to $5,000 per month ($60,000 per year), subject to Board of Supervisors appropriation approval.

[2] A continuity of operations plan outlines a department's process for maintaining its essential operations, organizational functions, personnel, systems, and records when interrupted by a disaster. In 2016, the Committee on Information Technology passed a Citywide policy requiring each department to develop a continuity of operations plan for its technology systems.

with the engineering and construction of backup and disaster recovery sites, including the Rancho Cordova site, which requires additional data cabinets for storage.

The maximum amount under the three-year extension was $467,448 per year in the initial year, increasing by 5 percent each year, for a three-year maximum of $1,473,630. Under the terms of the agreement, the City pays only for the data cabinets that are used, and the City currently uses 18 of the 20 available data cabinets. As of May 2018, $990,266 has been expended and $372,436 has been encumbered under the three-year extension.

According to Mr. Sheik, costs incurred under the existing agreement are first allocated to individual departments for specific systems backups that are currently in place. The cost balance is then allocated to all City departments, including the San Francisco Public Utilities Commission and Port, based on each department’s relative share of Citywide full-time equivalent (FTE) positions.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes a renewal agreement between the City and the State of California Technology Agency, Office of Technology Services, for the use of space and communication services within a State data center for a three-year term, from July 2018 through June 2021, for a total amount over the three-year term of $2,385,938. The renewal agreement (a) increases the number of data cabinets available from up to 20 to up to 30, in order to store additional data as City departments consolidate backup data at the Rancho Cordova location and as departments incorporate offsite data storage and recovery into their continuity of operations plans, and (b) adds in a gateway to consolidate departments’ cloud provider connections, which will allow the Department of Technology to more easily manage and secure departments’ connections to cloud providers.

As under the existing agreement, the City will pay only for the data cabinets it uses under the proposed renewal agreement.

FISCAL IMPACT

The annual total for the first year under the proposed agreement is $756,840. The second and third year totals increase annually by 5 percent, for a total three-year maximum under the agreement of $2,385,938, as shown in Table 1 below. The rates charged under the proposed agreement are established by the State in the California Department of Technology Rate Schedule (version 34, effective October 1, 2017) and are not negotiated.

Table 1: Annual Rates under Proposed Agreement

Year 1 total	$756,840
Year 2 total (year 1 plus 5%)	$794,682
Year 3 total (year 2 plus 5%)	$834,416
3-year total	**$2,385,938**

The proposed agreement increases the annual total cost by $289,392, or 62 percent, from the annual total cost under the existing agreement of $467,448, due largely to the increase in cabinets from up to 20 cabinets to up to 30 cabinets. As shown in Table 2 below, $216,312 of the increase is due to the additional data cabinets that will be available to the City and associated power costs, and $99,480 is due to the additional equipment and services related to the addition of the gateway to consolidate cloud provider connections. The additional charges are offset by a reduction of $26,400 in network installation costs not proposed under the renewed agreement.

Table 2: Changes to Services under Proposed Agreement

	2015-2018 Agreement			Proposed Agreement			Change
	Annual unit price	Units	Total	Annual unit price	Units	Total	
Data cabinets	$20,508	20	$410,160	$20,508	30	$615,240	
Power exceeding 3.5 kW	1,404	22	30,888	1,404	30	42,120	
Subtotal, cabinets and power			**441,048**			**657,360**	**$216,312**
Cable installation	-	-	-	1,050	4	4,200	
Connectivity	-	-	-	30,000	2	60,000	
Cloud provider	-	-	-	35,280	1	35,280	
Subtotal, cloud provider gateway						**99,480**	**99,480**
Network installation	1,320	20	26,400	-	-	-	(26,400)
Total, annual base amount			***$467,448***			***$756,840***	***$289,392***

Additional data cabinets

According to Mr. Sheik, the increase of up to 30 data cabinets is proposed according to the Department's estimate of the total data storage that will be needed as City departments continue to consolidate their data systems into the shared Rancho Cordova site and as departments develop and incorporate offsite data storage and backup as part of recovery and continuity of operations plans.

Cloud provider gateway

According to Mr. Sheik, when a department wishes to use a cloud provider, the department must work with the Department of Technology to establish a unique connection with a cloud provider that must be individually secured and managed. The cloud provider gateway added under the proposed new agreement will consolidate the connects to cloud providers, making it easier for the Department of Technology to manage and secure departments' connections, and also allow departments to have a choice of cloud providers and easily change providers as needed.

Allocation of costs

As under the current agreement, costs incurred under the proposed renewed agreement will be allocated first to individual Departments for specific systems backups that are currently in place. The cost balance will then be allocated to all City departments based on each department's relative share of Citywide full-time equivalent (FTE) positions. According to Mr. Sheik, as departments assign specific workloads to be backed up at the Rancho Cordova site, more of the cost allocation will be based on usage charges and less on a Department's share of Citywide FTE positions.

According to Mr. Leo Levenson of the Department of Technology, the cost of the proposed renewal agreement has been included in the Department's proposed FY 2018-19 and FY 2019-20 budgets and is supported by sufficient work order recoveries budgeted in other City departments for FY 2018-19 and FY 2019-20.

RECOMMENDATION

Approve the proposed resolution.

Item 17 File 18-0416	Department: Department of Public Health

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a new agreement between the Department of Public Health and Crestwood Behavioral Health for long-term mental health services in a 24-hour locked facility. The agreement is for five years from July 1, 2018 through June 30, 2023 in an amount not to exceed $77,280,000. The agreement includes one five-year option to extend the agreement from July 1, 2023, through June 30, 2028.

Key Points

- In anticipation of the June 30 2018 agreement expiration, the Department of Public Health issued a competitive Request for Proposals (RFP) in November of 2017 to provide psychiatric care to adults and older adults in a locked licensed facility, Skilled Nursing Facility, and/or Mental Health Rehabilitation Center within the San Francisco Bay Area. The Department of Public Health received proposals only from Canyon Manor (Novato, California), and Crestwood Behavioral Health Inc. (statewide). Both agencies were selected, based on the solicitation submissions, which met minimum qualifications.

Fiscal Impact

- Under the proposed agreement with Crestwood, the Department of Public Health estimates an average census of 203 adults in nine facilities.[1] The rate per day varies at each of the nine facilities based on the type of facility and level of care that is required.
- The five year budget of $77,280,000 is based on annual expenditures of approximately $13,800,000 and a 12 percent contingency, as shown in Table 2 below.
- Funding for the proposed agreement comes from State Realignment and General Fund monies.

Recommendation

- Approve the proposed resolution.

[1] The census projections are based on average census at each of these facilities over the prior ten years. The proposed new agreement between the Department of Public Health and Crestwood adds three new facilities, which may result in increased average census over the term of the agreement.

MANDATE STATEMENT

In accordance with Charter Section 9.118(b), any agreements requiring anticipated expenditures by the City of $10,000,000 are subject to approval of the Board of Supervisors by resolution.

BACKGROUND

In 2008, the Department of Public Health (DPH) entered into an agreement with Crestwood Behavioral Health Services (Crestwood) to provide long-term mental health services in a 24-hour locked facility to San Francisco residents aged 18-60 who have a diagnosed mental illness. The agreement was awarded in a total agreement amount of $48,787,156 and a term of October 1, 2008 through June 30, 2013 with five one-year options to extend the agreement through June 30, 2018. The Board of Supervisor approved an increase in the agreement to $51,728,151 and exercise of the five one-year options to extend the agreement through June 2018.

In anticipation of the June 30 2018 agreement expiration, the Department of Public Health issued a competitive Request for Proposals (RFP) in November of 2017 to provide psychiatric care to adults and older adults in a locked licensed facility, Skilled Nursing Facility, and/or Mental Health Rehabilitation Center within the San Francisco Bay Area. The Department of Public Health received proposals only from Canyon Manor (Novato, California), and Crestwood Behavioral Health Inc. (statewide). Both agencies were selected, based on the solicitation submissions, which met minimum qualifications. According to Michelle Ruggels, Director of the DPH Business Office, an additional consideration in the selection process was that both vendors currently house DPH clients, a population that is not easily relocated.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new agreement between the Department of Public Health and Crestwood Behavioral Health for long-term mental health services in a 24-hour locked facility. The agreement is for five years from July 1, 2018 through June 30, 2023 in an amount not to exceed $77,280,000. The agreement includes one five-year option to extend the agreement from July 1, 2023, through June 30, 2028.

Under the agreement, Crestwood provides mental health rehabilitation center, skilled nursing facility, and licensed community care services to adults who have a psychiatric diagnosis. Crestwood has five mental health rehabilitation centers, four skilled nursing facilities (for adults with psychiatric and medical or physical disabilities), and three licensed community care (residential) services in northern and central California.[2] The agreement funds 32 new skilled nursing facility beds (the "San Francisco Healing Center") located at Saint Mary's Medical

[2] The five mental health rehabilitation facilities are in Angwin, Bakersfield, Eureka, Vallejo, and San Francisco; the four skilled nursing facilities are in Stockton (which serves clients with dementia), Modesto, Stevenson, and Mowry; and the three licensed community care centers are in Vallejo (two facilities) and Carmichael.

Center (a not for profit hospital owned by Dignity Health) to serve incarcerated individuals who are in the San Francisco County jail system or are returned to San Francisco by Napa State Hospital--individuals who require placement into locked psychiatric facilities to meet State law. The San Francisco Healing Center began serving clients in April of 2018.

FISCAL IMPACT

Under the proposed agreement with Crestwood, the Department of Public Health estimates an average census of 203 adults in nine facilities.[3] The rate per day varies at each of the nine facilities based on the type of facility and level of care that is required. Table 1 below shows the estimated annual budget of approximately $13,800,000.

Table 1: Estimated Annual Agreement Budget

Facility	Rate per Day	Census	Annual Total
Community Care			
American River Residential	$116	3	$127,020
Crestwood Hope	$116	24	1,016,160
Crestwood Our House	$116	7	296,380
Mental Health Rehabilitation Center			
Crestwood Center – Angwin	$314	1	114,610
Crestwood Recovery & Rehab	$250	34	3,102,500
	$297	2	216,810
SF Healing Center	*$431*	*32*	*5,034,080*
Skilled Nursing Facility			
Crestwood Manor Fremont –Stevenson	$34	20	248,200
	$88	20	642,400
	$130	23	1,091,350
	$158	1	57,670
	$229	1	83,585
	$287	3	314,265
	$385	2	281,050
Crestwood Manor Stockton	$34	5	62,050
	$55	5	100,375
	$88	3	96,360
	$130	1	47,450
Crestwood Treatment – Mowry	$130	15	711,750
	$483	1	176,295
	Total	**203**	**$13,820,360**

The five year budget of $77,280,000 is based on annual expenditures of approximately $13,800,000 and a 12 percent contingency, as shown in Table 2 below.

[3] The census projections are based on average census at each of these facilities over the prior ten years. The proposed new agreement between the Department of Public Health and Crestwood adds three new facilities, which may result in increased average census over the term of the agreement.

Table 2: Total Agreement Budget

Term	Not to Exceed Amount
July 1, 2018 - June 30, 2019	$13,800,000
July 1, 2019 - June 30, 2020	13,800,000
July 1, 2020 - June 30, 2021	13,800,000
July 1, 2021 - June 30, 2022	13,800,000
July 1, 2022 - June 30, 2023	13,800,000
Subtotal	**$69,000,000**
12% Contingency	8,280,000
Total	**$77,280,000**

Funding for the proposed agreement comes from State Realignment and General Fund monies.

RECOMMENDATION

Approve the proposed resolution.

Item 22 **File 17-0205**	**Departments** City Administrator Department of Public Works

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would amend the Administrative Code to require a citywide project labor agreement applicable to certain public work or improvement projects with projected costs over $1,000,000 or where delay in completing the project may interrupt or delay services or use of facilities that are important to the City's essential operations or infrastructure.

Key Points

- A project labor agreement is a collective bargaining agreement with one or more labor organizations that establishes the terms and conditions or employment for specific construction projects. California Senate Bill (SB) 922 prohibits local governments (other than charter cities) from banning project labor agreements; charter cities such as San Francisco are not prohibited from banning project labor agreements but the State may withhold state funding from these cities' projects.
- According to the League of California Cities, arguments supporting project labor agreements include reducing the risk of construction delays and associated costs caused by a shortage of workers or labor disputes due to no-strike provisions in the agreement and use of centralized hiring systems. Arguments against project labor agreements include limits to competition, preference for union over non-union labor, and potential increased costs.

Fiscal Impact

- The City Services Auditor's March 2016 report on the *Risk-Benefit Assessment of a Citywide Project Labor Agreement* found that, among other findings, the potential effects of a project labor agreement on the City's construction costs are unclear. Based on the report's findings, the City Services Auditor did not find "compelling evidence to suggest that the City would realize significant benefits from a mandated citywide PLA and recommends that departments are instead encouraged to consider the use of PLAs when appropriate for their needs, as in the case of the Airport and the SFPUC."
- According to the Budget and Legislative Analyst's 2017 survey, approximately 40 public works and capital improvement projects overseen by the Department of Public Works and the Recreation Department, with total project costs of approximately $180 million, would be subject to project labor agreements if the proposed ordinance were to be approved by the Board of Supervisors.

Recommendation

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

MANDATE STATEMENT

Charter Section 2.105 requires that legislative acts in San Francisco be by ordinance, subject to approval by a majority of the Board of Supervisors.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the Administrative Code to require a citywide project labor agreement applicable to certain public work or improvement projects with projected costs over $1,000,000 or where delay in completing the project may interrupt or delay services or use of facilities that are important to the City's essential operations or infrastructure.

Project Labor Agreements

A project labor agreement is a collective bargaining agreement with one or more labor organizations that establishes the terms and conditions or employment for specific construction projects. California Senate Bill (SB) 922 prohibits local governments (other than charter cities) from banning project labor agreements; charter cities such as San Francisco are not prohibited from banning project labor agreements but the State may withhold state funding from these cities' projects.

According to the League of California Cities, arguments supporting project labor agreements include reducing the risk of construction delays and associated costs caused by a shortage of workers or labor disputes due to no-strike provisions in the agreement and use of centralized hiring systems. Arguments against project labor agreements include limits to competition, preference for union over non-union labor, and potential increased costs.

Proposed Ordinance

Under the proposed ordinance, public works and capital improvement projects exceeding $1 million in project costs, or determined to be essential, as noted above, would require project labor agreements. These would include Department of Public Works and Recreation and Park Department projects, but not Airport, Port, San Francisco Public Utilities Commission (SFPUC), or San Francisco Municipal Transportation Agency (SFMTA) projects. These projects would still be subject to Administrative Code provisions pertaining to public works contracts, Local Business Enterprise, and First Source Hiring.

The proposed ordinance would require the City Administrator to negotiate a project labor agreement with labor unions on behalf of the City prior to September 2017. If the Board of Supervisors were to approve the proposed ordinance, the date of the required negotiations would need to be revised. For public works and capital projects that begin after the revised start date, labor unions, contractors, and subcontractors would be bound by the terms of the project labor agreement. The project labor agreements would cover craft workers, but not supervisors above the foreman, managers, and clerical staff.

Under the project labor agreements, contractors and subcontractors would be required to hire union workers, and apprentices in the State-approved joint apprenticeship program for the applicable crafts and trades. Unions would be required to use the Helmets to Hardhats program to assist returning veterans in obtaining training and employment on the projects.

The project labor agreements would provide a mechanism to resolve jurisdictional disputes between the labor unions. Labor unions would be required to refrain from strikes, and other work actions related to the project, and union workers would be required to continue working on the project despite in the event that the respective collective bargaining agreement(s) expired without a successor agreement.

FISCAL IMPACT

The City Services Auditor's March 2016 report on the *Risk-Benefit Assessment of a Citywide Project Labor Agreement* found that, among other findings, the potential effects of a project labor agreement on the City's construction costs are unclear. Based on the report's findings, the City Services Auditor did not find "compelling evidence to suggest that the City would realize significant benefits from a mandated citywide PLA and recommends that departments are instead encouraged to consider the use of PLAs when appropriate for their needs, as in the case of the Airport and the SFPUC."

According to the Budget and Legislative Analyst's 2017 survey, approximately 40 public works and capital improvement projects overseen by the Department of Public Works and the Recreation Department, with total project costs of approximately $180 million, would be subject to project labor agreements if the proposed ordinance were to be approved by the Board of Supervisors.

RECOMMENDATION

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