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

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TO: Budget and Finance Sub-Committee

FROM: Budget and Legislative Analyst

SUBJECT: July 20, 2017 Budget and Finance Sub-Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a communications site license between the San Francisco Public Utilities Commission (SFPUC), as tenant, and American Towers LLC (American Towers), as landlord, in which SFPUC will install and maintain new microwave communications antennas, radio communications, and other general telecommunications facilities located at 300 Radio Road in Daly City, San Mateo County. The proposed license is for a term of seven years from August 1, 2017 through July 31, 2024 with three five-year options to renew the term through July 31, 2039.

Key Points

- SFPUC currently operates 11 microwave transmission facilities as part of their Microwave Network Backbone for an enhanced radio communications system. SFPUC intends to connect two Microwave Networks, the in-City Microwave Network and the Microwave Network that connects the Peninsula, East Bay, and Hetch Hetchy communications, in order to complete a path for communications between San Francisco facilities to Hetch Hetchy Water and Power facilities in Moccasin, California.
- According to Mr. Anthony Bardo, SFPUC's Assistant Real Estate Director, the property located on San Bruno Mountain at 300 Radio Road in Daly City, San Mateo County is optimally and uniquely geographically situated to locate a Microwave Repeater site to relay microwave signals between SFPUC's existing microwave transmission sites at 525 Golden Gate Avenue and the Harry Tracy Water Treatment Plant in San Bruno.

Fiscal Impact

- The proposed license provides for annual rent of \$22,800 or \$1,900 per month payable by SFPUC to American Towers, increasing by 4 percent each subsequent year of the license term and renewal options. Over the 22-year license term which includes the three five-year renewal options, SFPUC will pay American Towers total rent of \$780,854 for use of the site for SFPUC's installation and maintenance of new microwave communications antennas, radio communications, and other general telecommunications facilities.
- In addition, SFPUC will pay for electrical usage, estimated to cost approximately \$1,020 per year for use of up to 186 kWh per month. SFPUC will also pay up to \$1,900 per year for its share of any common area expenses incurred for installation, operation, maintenance and repair of the tower facility.

Recommendations

- Amend the proposed resolution to revise any language using the incorrect term of "lease" to the correct term of "license".
- Approve the proposed resolution, as amended.

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

The San Francisco Public Utilities Commission (SFPUC) currently operates 11 microwave transmission facilities[1] as part of their Microwave Network Backbone[2] for an enhanced radio communications system. SFPUC intends to connect two Microwave Networks, the in-City Microwave Network and the Microwave Network that connects the Peninsula, East Bay, and Hetch Hetchy communications, in order to complete a path for communications between San Francisco facilities to Hetch Hetchy Water and Power facilities in Moccasin, California. The expanded Microwave Network will enhance the coverage and reliability of SFPUC's data and voice communications, including Supervisory Control and Data Acquisition (SCADA)[3] and Security Network.

According to Mr. Anthony Bardo, SFPUC's Assistant Real Estate Director, the property located on San Bruno Mountain at 300 Radio Road in Daly City, San Mateo County is optimally and uniquely geographically situated to locate a Microwave Repeater[4] site to relay microwave signals between SFPUC's existing microwave transmission sites at 525 Golden Gate Avenue and the Harry Tracy Water Treatment Plant in San Bruno. In addition, Mr. Bardo states that the establishment of a radio site on San Bruno Mountain is critical in order to provide an alternative wireless communications path to the existing land-based[5] data communications network during a catastrophic event, such as an earthquake. This would ensure that communications between SFPUC's City headquarters at 525 Golden Gate Avenue and the regional water system are not disrupted.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a communications site license between the San Francisco Public Utilities Commission (SFPUC), as tenant, and American Towers LLC (American

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[1] The 11 facilities include: 1) 525 Golden Gate Avenue in San Francisco, 2) Twin Peaks in San Francisco, 3) H. Tracy Water Treatment Plant in San Bruno in San Mateo County, 4) Mt. Allison site in Alameda County, 5) Livermore Hills site in Alameda County, 6) Pelican Crossover site in San Joaquin County, 7) San Joaquin Valve House site in San Joaquin County, 8) TriStar Modesto site in Stanislaus County, 9) Roselle Crossover site in Stanislaus County, 10) Warnerville Substation site in Stanislaus County, and 11) Moccasin Peak in Moccasin, Tuolumne County

[2] A Microwave Network Backbone is the wireless path that carries the highest amount of data traffic between the main sites of the Microwave Network that transmits information via microwave radio waves.

[3] SCADA is a category of software application program for process control, the gathering of data in real time from remote locations in order to control equipment and conditions.

[4] A Microwave Repeater is used to extend the range of radio transmissions. It receives a low strength signal and re-transmits and re-directs it at a higher power.

[5] The SFPUC currently uses landlines for data communications between 525 Golden Gate Avenue and other in-City facilities, as well as facilities outside the City.

Towers), as landlord, in which SFPUC will install and maintain new microwave communications antennas, radio communications, and other general telecommunications facilities located at 300 Radio Road in Daly City, San Mateo County. The proposed license is for a term of seven years from August 1, 2017 through July 31, 2024 with three five-year options to renew the term through July 31, 2039.

Table 1 below summarizes the key license provisions.

Table 1: Summary of Key License Provisions

Premises	One 40 foot Emergency Telecommunications Tower with up to 16 total antenna and related equipment on approximately 859 square feet. Licensed area is not to exceed 2,500 square feet.
License Term	August 1, 2017 to July 31, 2024 (7 years)
Options to Extend	Three options to renew of five years each (15 years)
Annual License Fee Payable by SFPUC to American Towers	$22,800 per year ($1,900 per month)
Annual License Fee Increases	Annual increases of 4 percent
Tenant Improvement Allowance	None. No Tenant Improvements required.
Utilities and Services	SFPUC to pay for electrical usage at the rate of $85 per month for use of up to 186 kWh $1,020 per year
Common Area Expenses	SFPUC to pay up to $1,900 per year on common area expenses incurred for installation, operation, maintenance and repair of the tower facility[6]
Application Fee Payable by SFPUC to American Towers	One-time non-refundable fee of $1,000

Amendment to Proposed Resolution

The proposed resolution should be amended to revise any language using the incorrect term of "lease" to the correct term of "license". According to Ms. Rosanna Russell, SFPUC Real Estate Director, a lease is an agreement in which the landlord agrees to give the tenant the exclusive right to occupy real property, usually for a specific term and, in exchange, the tenant agrees to

[6] This includes, but is not limited to, expenses related to the construction, maintenance and repair of a common septic system and field, insurance, common utilities and other costs of operating and maintaining the facility.

pay rent to the landlord. A lease typically transfers to the tenant an exclusive interest in the real property and, unless otherwise provided in the lease, a lease is transferable and irrevocable during the lease term. A revocable license, on the other hand, gives the permission of the owner to an individual or an entity to use real property for a specific purpose. Unlike a lease, it typically does not transfer an exclusive interest in the real property to the licensee, and the licensor may issue other licenses for the use of the same premises to other parties. It is typically personal to the licensee and often the license provides that any attempt by the licensee to transfer the license terminates it.

FISCAL IMPACT

The proposed license provides for annual rent of $22,800 or $1,900 per month payable by SFPUC to American Towers, increasing by 4 percent each subsequent year of the license term and renewal options. Over the 22-year license term which includes the three five-year renewal options, SFPUC will pay American Towers total rent of $780,854 for use of the site for SFPUC's installation and maintenance of new microwave communications antennas, radio communications, and other general telecommunications facilities. In addition, SFPUC will pay for electrical usage, estimated to cost approximately $1,020 per year for use of up to 186 kWh per month. SFPUC will also pay up to $1,900 per year for its share of any common area expenses incurred for installation, operation, maintenance and repair of the tower facility.

Upon execution of the proposed license, SFPUC must pay a non-refundable, one-time application fee of $1,000 to American Towers for preparation of the license and related documents.

According to Mr. Bardo, there are no similar communications facilities given the uniqueness of the San Bruno site; therefore there are no comparable estimates. However, Mr. Bardo stated that SFPUC determined that the monthly fee is fair in light of the fact that SFPUC, as landlord, charges its communications tenants located in the Peninsula Watershed and San Mateo County a minimum of $4,500 per month for space on its communications towers. In addition, the annual license fee increase of 4 percent per year reflects the standard amount applied to all SFPUC real estate leases and licenses since 2011 to cover the risk of inflation during the license term.

The source of funds is Hetch Hetchy Water Enterprise.

RECOMMENDATIONS

1. Amend the proposed resolution to revise any language using the incorrect term of "lease" to the correct term of "license".
2. Approve the proposed resolution, as amended.

Item 2 **File 17-0759**	**Departments:** Department of Homelessness and Supportive Housing (HSH) Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would (a) approve a lease of approximately 25,125 square feet at 170 9th Street with Michael E. Hornstein and Ellen F. Hornstein, Trustees as Landlord, for the 12-year term from April 1, 2018 to March 31, 2030 for the Department of Homelessness and Supportive Housing at an initial annual rent of $1,256,250 with 3% annual increases with two five-year options to extend; and (b) find the proposed transaction is in conformance with the City's General Plan and the eight priority policies of Planning Code, Section 101.1.

Key Points

- A new Department of Homelessness and Supportive Housing (HSH) was created in FY 2016-17 to consolidate the City's homelessness programs and contracts with 117 FTE positions and $245 million of funding.
- In FY 2016-17 the Board of Supervisors authorized the purchase of 440 Turk Street from the Housing Authority for $5,000,000 for offices for the new HSH staff, plus $4,000,000 for tenant improvements for a total of $9,000,000 from General Fund revenues.
- Instead of offices for HSH staff, HSH now wants to use 440 Turk Street as a 24-hour, 7 day a week homeless program resource center, with various services for homeless clients.

Fiscal Impact

- The proposed monthly base rent is $104,688 or $1,256,250 the first year, $50 per square foot annually. Together, rent and operating expenses will be $64.66 per square foot in the first year, increasing 3% annually over the 12-year term.
- The lease will cost $23,056,045 over the 12-year term, including $17,828,737 of rent and $5,227,308 of operating expenses. Tenant improvements will cost $5,136,122 or $204 per square foot, of which the landlord will pay $1,381,875 or $55 per square foot and the City will pay $3,754,247 or $149 per square foot. An additional $270,639 will be expended on one-time furniture, fixtures and equipment for 170 9th Street.
- For the initial 12 years, this new HSH office lease is estimated to cost a total of $27,080,931 of General Fund revenues.

Policy Consideration

- This lease is an increase of $12,853,623 or 43% more than the initial $9,000,000 approved to purchase and renovate 440 Turk Street for HSH offices, excluding operating expenses.

Recommendations

- Amend the proposed resolution on page 4, line 5 to delete "and Sublease" as the proposed lease does not contain a sublease.
- Approval of the resolution, as amended, is a policy decision for the Board of Supervisors.

MANDATE STATEMENT

Administrative Code Section 23.27 requires Board of Supervisors approval of leases that are longer than one year where the City is the tenant.

Administrative Code Section 23.27 also states that if the base rent to be paid by the City in a lease is more than $45 per square foot per year, the Director of Property shall obtain an appraisal of the market rent for the lease, with an appraisal effective date not earlier than nine months before the proposed lease is submitted to the Board of Supervisors.

BACKGROUND

New Department of Homelessness and Supportive Housing

During the summer of 2016, a new Department of Homelessness and Supportive Housing (HSH) was created to consolidate the City's homelessness programs and contracts from the Department of Public Health (DPH), Human Services Agency (HSA), Mayor's Office of Housing and Community Development (MOHCD) and the Department of Children, Youth and Their Families (DCYF). The FY 2017-18 budget for HSH includes 117 FTE positions and $245 million of funding, including $161 million of General Fund revenues.

Table 1 below shows the City employees that will work for HSH based on FY 2015-16 City department employees, proposed new staff and identifies the current location of these positions.

Table 1: Department of Homelessness and Supportive Housing

FY 2015-16 Department	Staff	Staff by Location	Current Location
Department of Public Health	17	10 7	101 Grove Street 50 Ivy/2712 Mission/Main Library
Human Services Agency (HSA)	61	52 9	1650 Mission, 3rd Floor 1235 Mission
Mayor's Office of HOPE	3	3	City Hall, Room 18
New Positions in FY 2016-17	20	20	Temp space at 1360 Mission
New Positions in FY 2017-18	7	7	Temp space at 1360 Mission
Temporary Staff/Contractor/Fellows	9	9	1360 Mission and 1650 Mission
Total	**117**	**117**	

According to Mr. Charlie Dunn of the Real Estate Division, all of the spaces currently occupied by existing City staff will be backfilled with other staff at each City department. Mr. Dunn reports that HSA's space at 1650 Mission Street, where 52 staff are currently located, is so overcrowded that if the proposed HSH staff were not relocating, HSA would need to seek an additional lease to accommodate their existing staff.

City Purchase of 440 Turk Street Property

On July 19, 2016, the Board of Supervisors authorized the purchase of real property at 440 Turk Street from the San Francisco Housing Authority for a not-to-exceed $5,000,000 for the staff of the newly created HSH Department (File 16-0652; Resolution 321-16). The 440 Turk Street property included 25,500 square feet of office space on two floors and limited use of 11,932 square feet of parking and storage[1]. The total estimated cost for the 440 Turk Street property was $9,000,000 from General Fund revenues budgeted in FY 2016-17, including $5,000,000 to purchase the property and $4,000,000 for tenant improvements[2].

To date, the City has not purchased the property at 440 Turk Street. According to Mr. John Updike, Director of the Real Estate Division, the City intends to purchase the 440 Turk Street property by the end of September 2017 for $5,000,000. SFHA has now secured Federal Housing and Urban Development Department approval for the sale. However, HSH no longer intends to use the 440 Turk Street property for HSH offices.

Homeless Program Resource Center

Instead, HSH wants to use 440 Turk Street as a homeless program resource center, with services for homeless clients. According to Ms. Gigi Whitley, Deputy Director for Administration and Finance for HSH, based on meetings with Real Estate and Public Works in the fall of 2016, 440 Turk Street was determined to be better suited as a 24 hour, 7 day a week homeless resource center, instead of as HSH administrative offices, given the real estate challenges of finding a property that could serve homeless clients. The 440 Turk Street Center would provide street respite with showers, restrooms and reclining chairs and connections to support services, benefit program enrollment, medical services and leverage State MediCal funding. This new 24-hour center will enable the SF Homeless Outreach Team, Encampment Response Team and Police to bring homeless persons to this resource center when other service sites are closed or full in the evening and to increase the City's overall resource center capacity.

Ms. Whitley advises that currently the City funds three drop-in centers for homeless adults: (1) Bayview Resource Center at 2111 Jennings Street open daily from 7pm to 9am, (2) Mission Neighborhood Resource Center at 165 Capp Street, open daily from 7am to 7pm, and (3) MSC South at 525 Firth Street open daily from 5pm to 1am. The City also funds a Family Resource Center through Compass Connecting Point, located at 995 Market Street, which closes at 4pm.

The recently approved FY 2017-18 budget includes $5,000,000 for the purchase of 440 Turk Street and $5,300,000[3] for tenant improvements to renovate 440 Turk Street into a Homeless Program Resource Center, with proceeds from Public Health and Safety General Obligation Bonds. An additional $1,700,000 of General Fund revenues was appropriated and put on reserve in the HSH FY 2017-18 budget for furniture, fixtures and equipment for 440 Turk Street.

[1] The 440 Turk Street property also included a residential tower, above the two floors of office space, which would continue to be used by the San Francisco Housing Authority.

[2] Tenant improvements of $4,000,000 included generator and electrical upgrades, HVAC, interior wall reconfiguration, furniture and telecommunications, carpet, pain and data room.

[3] Increased costs from $4 million to $5.3 million for tenant improvements is based on Public Works assessment of the HVAC system and required code upgrades, which would have been needed if HSH offices were located here.

Together, the costs to purchase, renovate and equip 440 Turk Street for a Homeless Program Resource Center are now budgeted at $12,000,000.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would

(a) approve a lease of approximately 25,125 square feet at 170 9th Street with Michael E. Hornstein and Ellen F. Hornstein, Trustees of the Michael & Ellen Hornstein 1998 Revocable Trust, Jordan D. Hornstein and Emily F. Hornstein as Landlord, for the 12-year term from April 1, 2018 to March 31, 2030 for the Department of Homelessness and Supportive Housing at an initial annual rent of $1,256,250 with 3% annual increases with two five-year options to extend; and

(b) find the proposed transaction is in conformance with the City's General Plan and the eight priority policies of Planning Code, Section 101.1.

On May 5, 2017 and June 22 2017, the Planning Department determined that the subject City lease is consistent with the City's General Plan and the eight priority policies under Planning Code Section 101.1.

The proposed resolution indemnifies and holds harmless the landlord from any and all claims, costs and expenses, including without limitation, reasonable attorney fees, incurred from the City's use of the premises, or any default or acts by the City. In addition, the resolution authorizes the Director of Property to enter into any amendments or modifications to the subject lease, in consultation with the City Attorney that are determined to be in the best interest of the City and do not materially increase the obligations or liabilities or decrease the benefits to the City. The resolution also states that the lease and sublease are subject to certification of funds by the Controller and appropriation approval in subsequent fiscal years.

Given that there is no sublease under the subject lease, the proposed resolution should be amended to delete the language regarding the sublease.

Under the proposed lease, the City would be the only tenant in the property. Table 2 below summarizes the major terms and conditions of the proposed lease.

Table 2: Terms and Conditions of Proposed Lease

Location	170 9th Street between Howard and Mission Streets
Purpose	Space for HSH management staff and back-office functions
Square Footage	25,125 square feet
Term	12 years from approximately April 1, 2018 through March 31, 2030
Base Rent	$1,256,250 per year or $104,688 per month (approximately $50 per square foot annually)
Increases to Base Rent	3% annually
Operating Expenses	Estimated at $30,694 per month or $368,328 per year (approximately $14.66 per square foot annually)
Options to Extend	Two five-year options at 95% of the then fair market rent, subject to Board of Supervisors approval
Tenant Improvement Allowance	$1,381,875 provided by Landlord, or approximately $55 per square foot
Additional City Cost of Tenant Improvements	Estimated at $3,754,247, or approximately $149 per square foot
Option to Purchase	City has first opportunity to purchase property, subject to Board of Supervisors approval

Source: Real Estate Division

As noted above in Table 2, the lease term would not begin until April 1, 2018. Mr. Dunn advises that required tenant capital improvements would be completed between approximately August 1, 2017 and March 31, 2018. HSH would then move into the 170 9th Street office space upon completion of the tenant improvements, anticipated to be April 1, 2018.

Tenant improvements are estimated to cost $5,136,122 or $204 per square foot, of which the landlord will pay for $1,381,875 or $55 per square foot and the City would be responsible for funding the balance of $3,754,247 or $149 per square foot. HSH's FY 2017-18 budget included $3,754,247 of General Fund revenues to fund these costs. According to Mr. Dunn, 170 9th Street has been renovated with seismic bracing, new elevator, new washrooms, new roof with mounted HVAC equipment and other building infrastructure. However, Mr. Dunn advises that the building is currently a shell with only basic walls, lobby, and no distribution of heating, ventilation or electrical outlets. Mr. Dunn reports that the landlord will complete the tenant improvements with a contractor retained by the landlord and approved by the City. Mr. Dunn advises that if the total cost to complete renovations exceeds the total $5,136,122, the lease requires redoing the plans such that the City's costs will not exceed $3,754,247. Otherwise, the City will be responsible for the additional expenses.

The proposed lease also states that the City has the "First Opportunity to Purchase" such that if the landlord decides to sell the property during the term of the lease to a third party (and not to any member of the landlord's family by blood or marriage), the landlord will first offer the property to the City at the same purchase price offered to the real estate market. Mr. Dunn advises that the City unsuccessfully tried to negotiate a purchase option for this building. Mr. Dunn reports that the landlords do not have any plans to sell the property.

FISCAL IMPACT

Under the proposed lease, the City would be responsible for all operating expenses, as shown in Table 3 below. Operating expenses for this building are estimated at $30,694 per month or $368,327 in the first year, which is approximately $14.66 per square foot in the first year.

Table 3: Projected Operating Expenses

Expenses	Cost per Square Foot	Annual Costs
Property Taxes	$3.45	$86,681
Insurance	.50	12,562
Utilities	1.85	46,481
Water	.40	10,050
Janitorial, Supplies, Refuse Removal	3.10	77,888
General Repairs	2.00	50,250
Elevator Maintenance Contract	.35	8,794
HVAC Maintenance	.55	13.819
Fire, Life, Safety, Elevator Monitoring	.35	8,794
Property Management (4% of base rent)	2.00	50,250
Security Alarm Monitoring	.11	2,796
Total	**$14.66**	**$368,327**

Source: Real Estate Division

Operating expenses are projected to increase approximately 3% per year.

The proposed monthly base rent for is $104,688 or $1,256,250 in the first year, which is approximately $50 per square foot annually. Under the proposed lease, the rent would increase 3% per year over the 12-year term. Together, the rent and operating expenses will be $64.66 per square foot in the first year, increasing 3% annually.

As shown in Table 4 below, the proposed lease is projected to result in total costs of $23,056,045 over the 12-year term of the lease, including $17,828,737 of rent payments and $5,227,308 of operating expenses.

Table 4: Total Costs by Year under Proposed Lease

Lease Year	Annual Rent	Annual Operating Costs	Total Costs
1	$1,256,250	$368,327	$1,624,577
2	1,293,938	379,377	1,673,314
3	1,332,756	390,758	1,723,514
4	1,372,738	402,481	1,775,219
5	1,413,920	414,555	1,828,476
6	1,456,338	426,992	1,883,330
7	1,500,028	439,802	1,939,830
8	1,545,029	452,996	1,998,025
9	1,591,380	466,586	2,057,966
10	1,639,121	480,583	2,119,705
11	1,688,295	495,001	2,183,296
12	1,738,944	509,851	2,248,795
Total	**$17,828,737**	**$5,227,308**	**$23,056,045**

Source: Real Estate Division

The City's General Fund would fund the HSH lease and operating expenses, such that HSH's budget for FY 2017-18 and FY 2018-19 includes these projected expenses.

In addition, as shown in Table 2 above, initial one-time City costs of approximately $3,754,247 are anticipated to be expended for tenant improvements to the property, which was budgeted in the HSH FY 2017-18 budget for these tenant improvements. HSH estimates an additional $270,639 will be expended on one-time furniture, fixtures and equipment for 170 9th Street.

For the initial 12 years, this new HSH office lease is estimated to cost a total of approximately $27,080,931 of General Fund revenues for rent ($17,828,737), operating expenses ($5,227,308), tenant improvements ($3,754,247), and furnishings ($270,639). Assuming operating expenses would be fairly comparable at 440 Turk Street and 170 9th Street for HSH offices, the additional cost for rent, tenant improvements and furnishings total approximately $21,853,623 ($17,828,737 rent + $3,754,247 City tenant improvements + $270,639 for furnishings). This lease includes two five-year options to extend, such that assuming a straight 3% increase annually over the 22-year term of the lease will result in total General Fund costs of over $50 million for HSH's offices at 170 9th Street.

Appraisal of Lease

On May 10, 2017, Clifford Advisory LLC completed an appraisal of the subject property at 170 9th Street for the Real Estate Division and determined the fair market rent to be $50 per square foot per year, or total of $65 per square foot per year including operating expenses, based on the current condition of the building. The appraisal assumes a $65 per square foot tenant improvement allowance to build-out the subject space to average-good quality condition Class B office space.

However, the proposed lease includes $1,381,875 or $55 per square foot tenant improvement allowance from the landlord, which is $10 less per square foot than the appraisal. As noted above, the City will also contribute an additional $3,754,247 or $149 per square foot for tenant improvements, for a total of $5,136,122 or $204 per square foot. According to Mr. Dunn, the proposed lease was further negotiated to include additional code and accessibility compliance improvements to be funded by the landlord and a start date for the lease of April 1, 2018, instead of December 1, 2017, a four month delay and resulting savings in rent, which together more than compensate for the $10 less per square foot contribution by the landlord.

POLICY CONSIDERATION

As noted above, in July 2016, the Board of Supervisors authorized the purchase of 440 Turk Street from the San Francisco Housing Authority for $5,000,000 for 25,500 square feet of office space on two floors for the staff of the newly created HSH Department. The Board of Supervisors also approved $4,000,000[4] of tenant improvements to 440 Turk Street. A total of $9,000,000 General Fund revenues was budgeted for HSH administrative offices in FY 2016-17.

As discussed above, HSH now plans to use 440 Turk Street as a Homeless Resource Center instead of as HSH's administrative offices. The FY 2017-18 and FY 2018-19 budgets include proposed General Obligation bond funds to purchase and renovate 440 Turk Street as a Homeless Resource Center and General Fund revenues for HSH to renovate and lease office space at 170 9th Street.

HSH is now requesting approval to lease the property at 170 9th Street for HSH administrative offices at an additional cost of approximately $21,853,623 ($17,828,737 rent + $3,754,247 City tenant improvements + $270,639 furnishings), excluding operating expenses[5] over an initial 12-year lease term. This request reflects an increase of $12,853,623 or 43% more than the initial $9,000,000 request to purchase and renovate 440 Turk Street for HSH offices, excluding operating expenses. Given the huge need in San Francisco to provide direct homeless services, the subject request to expend an additional $12,853,623 of General Fund revenues for a new 12-year lease for HSH's administrative office space is a policy decision for the Board of Supervisors.

RECOMMENDATIONS

1. Amend the proposed resolution on page 4, line 5 to delete "and Sublease" as the proposed lease does not contain a sublease.
2. Approval of the proposed resolution, as amended, is a policy decision for the Board of Supervisors.

[4] As noted above, the original $4 million increased to $5.3 million based on subsequent evaluation by Public Works.
[5] Operating expenses at both 440 Turk Street and 170 9th Street are assumed to be comparable.

Item 4 File 17-0646	Department: Real Estate Division

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a new lease agreement between T-Mobile, as tenant, and the City, as landlord, in order for T-Mobile to occupy approximately 200 square feet of space on the roof of the building at 1 South Van Ness Avenue. The lease term is for ten years through 2027, with two options to extend the lease by five years for each option through 2037. First year rent is $60,000 ($5,000 per month).

Key Points

- The first year rent of $5,000 per month was based upon a survey of other municipal telecommunication site rates in 2015, when the City entered into the Letter of Intent with T-Mobile. The Real Estate Division is honoring the original rent of $5,000 agreed upon in 2015 because it is an accepted practice in the real estate industry to negotiate rent based on the market value of the time, and because T-Mobile has been negotiating in good faith.
- There has been substantial ongoing coordination between the Real Estate Division, T-Mobile, and a second telecommunications provider to ensure that both providers' equipment can successfully co-locate atop 1 South Van Ness.

Fiscal Impact

- The proposed lease agreement would generate $687,833 in rent paid by T-Mobile to the City over the initial ten-year lease period, including annual adjustments of 3 percent.

Policy Consideration

- The Real Estate Division determined that competitively bidding to select telecommunications providers for this site was not practical because individual telecommunications providers require equipment placement specific to their networks, and because this site will be leased to two telecommunications providers.
- The Budget and Legislative Analyst recommended establishing a rate sheet for telecommunication leases on City-owned buildings in its April 2017 performance audit of the Real Estate Division.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease of real property for a period of ten years or more or that has revenue to the City of $1 million or more is subject to Board of Supervisors approval.

BACKGROUND

In 2015, the City entered into a Letter of Intent with T-Mobile West LLC (T-Mobile) to lease approximately 200 rentable square feet of roof space on 1 South Van Ness Avenue to T-Mobile West LLC, for the purposes of storing and operating telecommunications equipment. In the same year, the City also entered into a Letter of Intent to lease remaining available roof space on 1 South Van Ness to a second telecommunications provider for the same purpose. According to Mr. Joshua Keene, Project Manager from the Real Estate Division, there has been substantial ongoing coordination between the Real Estate Division and the respective telecommunications providers since 2015 to ensure that both providers' equipment can successfully co-locate atop the same building, and there were additional delays when designs needed to be adjusted to account for an upcoming development which would have interfered with equipment signals. The Real Estate Division has since approved the design plans for both installations, and the Planning Department has determined that the proposed lease between the City and T-Mobile is consistent with the interests of the City.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new lease agreement between T-Mobile, as tenant, and the City, as landlord, in order for T-Mobile to occupy approximately 200 square feet of space on the roof of the building at 1 South Van Ness Avenue. The lease term is for ten years through 2027, with two options to extend the lease by five years through 2037. First year rent is $60,000 ($5,000 per month). Table 1 below shows the major provisions in the proposed lease agreement.

Table 1. Summary of Proposed Lease Terms

	Proposed Lease
Premises	Approx. 200 sq. ft. of roof space on 1 S. Van Ness Ave.
Base Rent	$5,000 per month $60,000 per year
Utility Expenses	Tenant is responsible for utility costs
Base Rent Increase Amount	Three percent (3%) annual increase
Tenant Improvements	T-Mobile will pay for all tenant improvements, which includes 9 mobile antennas and two equipment cabinets.
Term	Ten years from 2017 to 2027. The term will begin on the date that the lease is signed by the City.
Options to Extend	Two 5-year options to extend Total lease term if options to extend are exercised is 20 years

Source: Real Estate Division

T-Mobile would install telecommunications equipment, including nine mobile antennae and two equipment cabinets, onto the premises. The installation plans were prepared by Precision Design Inc., the tenant's architect, and have been approved by the Real Estate Division and the Planning Department. The plan design would allow for a second telecommunications provider to install equipment onto the roof of 1 South Van Ness, and ensures that neither sets of equipment would interfere with the other's operations.

FISCAL IMPACT

As is shown in Table 2 below, the proposed lease agreement would generate an estimated $687,833 in rent paid by T-Mobile to the City over the initial ten-year lease period.

Table 2. Revenue from Base Rent

Lease Year	Monthly Base Rent	Annual Base Rent
Year 1	$5,000	$60,000
Year 2	$5,150	$61,800
Year 3	$5,305	$63,654
Year 4	$5,464	$65,564
Year 5	$5,628	$67,531
Year 6	$5,796	$69,556
Year 7	$5,970	$71,643
Year 8	$6,149	$73,792
Year 9	$6,334	$76,006
Year 10	$6,524	$78,286
Total		**$687,832**

Source: Real Estate Division

According to Mr. Keene, the first year rent of $5,000 per month was based upon a survey of other municipal telecommunication site rates in 2015, when the City entered into the Letter of Intent with T-Mobile. Mr. Keene states that the Real Estate Division is honoring the original rent of $5,000 agreed upon in 2015 because it is an accepted practice in the real estate industry to negotiate rent based on the market value of the time, and because T-Mobile has been negotiating in good faith.

POLICY CONSIDERATION

No Competitive Bid

The proposed resolution states that "the Board of Supervisors finds that competitive bidding procedures for award of the lease were impractical or impossible due to federal law and individual cellular company network needs". According to Mr. Keene, the Real Estate Division determined that competitively bidding to select telecommunications providers for this site was not practical because individual telecommunications providers require equipment placement specific to their networks, and because this site will be leased to two telecommunications providers. The Board of Supervisors previously approved a similar lease between the City and Sprint Spectrum in which Sprint Spectrum leased a telecommunications site from the City without undergoing a competitive process (File 15-1214).

Telecommunication Lease Rent

The Budget and Legislative Analyst's April 2017 performance audit of the City's Real Estate Division found that the City does not charge consistent rents for telecommunication sites on City-owned properties. The Budget and Legislative Analyst recommended that the Director of Real Estate establish a rate sheet for telecommunication leases on City-owned buildings. The Director of Real Estate agreed with this recommendation with qualifications, stating that "Real Estate has informally maintained a minimum required rate for cellular leases of City-owned building rooftops, adjusted periodically based on market updates, and subject to final determination by the Board of Supervisors".

RECOMMENDATION

Approve the proposed resolution.

Item 6 File 17-0694	Departments: Adult Probation Department of Child Support Services (DCSS) Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objectives

- Resolution authorizing a lease with Adult Probation Department for 1,128 square feet of space at 1315 and 1319 Evans Street with Raul and Denise Arriaza for 50% interest and The Olson Family Trust for a 50% interest, as landlord, for a five-year term with one option to extend, at a monthly base rent of $3,384 for a total annual base rent of $40,608.

Key Points

- On February 24, 2004, the Board of Supervisors approved a five-year lease with one five-year option, from March 1, 2004 through February 28, 2014, between the City, on behalf of the Department of Child Support Services (DCSS) as tenant and John, Guy and Barbara Holland as landlord, at 1315 and 1319 Evans Street in the Bayview neighborhood. The lease was for approximately 1,128 square feet of office space at an initial rate of $1.50 per square foot per month or $1,692 per month. The lease has continued on a month-to-month basis since it expired on February 28, 2014.
- In June, 2012 Child Support Services relocated back to DCSS main offices at 617 Mission Street. In September 2012, the Adult Probation Department moved into the vacant 1,128 square feet of office space at 1315 and 1319 Evans Street to operate an Adult Probation satellite office. Adult Probation has continued to occupy this space since then.

Fiscal Impact

- Current monthly rent is $3,384, equal to $3 per square foot per month, or $40,608 annually at $36 per square foot per year. Annual rent is fixed for the five-year term. Rent for the five-year option would be at 95% of the prevailing fair market rent, but not less than the $40,608 annual rent paid during the initial five year term.
- The proposed annual rent of $36 per square foot represents the current fair market rent based on comparable rents in the area.
- The FY 2017-18 and FY 2018-19 Adult Probation budgets include $40,608 of General Fund revenues to pay for this Bayview office lease. Ongoing lease cost would be funded through the Adult Probation Department's budget from the City's General Fund, subject to Board of Supervisors appropriation approval.

Policy Consideration

- The City's Real Estate Division was not notified about DCSS and Adult Probation's changes to the original lease at 1315 and 1319 Evans Street. The Real Estate Division should be notified regarding all City leased space and any changes to occupancy in existing leases.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Administrative Code Section 23.27 requires Board of Supervisors approval of leases that are longer than one year where the City is the tenant.

BACKGROUND

Original Lease at Evans Street with Child Support Services

On February 24, 2004, the Board of Supervisors approved a five-year lease, with one five-year option, between the City and County of San Francisco (City) on behalf of the Department of Child Support Services (DCSS) as tenant, with John, Guy and Barbara Holland as landlord, at 1315 and 1319 Evans Street at the intersection of Mendell Street in the Bayview neighborhood (File 04-0091; Resolution 117-04). The lease was for approximately 1,128 square feet of office space at an initial rate of $1.50 per square foot per month or $1,692 per month. In 2009, DCSS exercised the five-year option, such that the total term of the lease was from March 1, 2004 through February 28, 2014.

However, in June, 2012, the DCSS staff in the Evans Street leased space relocated back to the DCSS main offices at 617 Mission Street at New Montgomery Street because DCSS caseloads dropped dramatically, particularly the number of cases and children in the Bayview. Although DCSS moved out in June, 2012, DCSS was still contractually obligated under the lease until it expired on February 28, 2014. The original lease expired on February 28, 2014, and the lease has continued on a holdover month-to-month basis.

Adult Probation Moves into Evans Street

In September 2012, Adult Probation Department staff moved into the vacant 1,128 square feet of space at 1315 and 1319 Evans Street to operate an Adult Probation satellite office and entered into a work order arrangement with DCSS for Adult Probation to pay the full costs of DCSS's lease[1]. Prior to 2012, Adult Probation Officers were located in the Hall of Justice. The rent for the 1,128 square feet of space on Evans Street is currently $3.00 per square foot per month, or $3,384 monthly, resulting in annual lease costs of $40,608 paid by the Adult Probation Department, with City General Funds through a work order with DCSS.

According to Ms. Diane Lim, Director of Finance and Administrative Services for the Adult Probation Department, two Deputy Probation Officers and one Probation Aide are currently assigned to this satellite Bayview Office, as well as one security guard. Ms. Lim advises that the two Adult Probation Officers handle a Domestic Violence Caseload and a High Risk Intensive Supervision Caseload, specifically targeted for accessibility to clients in the Bayview. Currently, 95 probation clients are required to report to this Bayview office, with the majority of the probationers required to meet with their Probation Officers a minimum of twice per month either in the Bayview office or in the Bayview community.

[1] In June and July 2012, Adult Probation Department set up telecommunication equipment and moved furniture and equipment to prepare for their move into the space at 1315 and 1319 Evans Street.

Adult Probation State Grant

In October 2016, Ms. Lim advises that the Adult Probation Department received a $100,000 grant from the California Office of Emergency Services, Victim Services & Public Safety Branch to enhance and/or create specialized probation units to intensively supervise reduced caseloads of probationers of crimes involving domestic violence, sexual assault, dating violence and/or stalking. This $100,000 State grant plus $33,333 of local match funds one of the Adult Probation Officers salary and benefits for the grant period between October 1, 2016 and September 30, 2017. In accordance with the grant requirements, the Probation Officer must meet probationers in the community at least 30% of the time and in the office at least 30% of the time. Ms. Lim reports that this Bayview satellite office facilitates these meetings. According to Ms. Lim, Adult Probation has been annually awarded this grant since 2011, will be reapplying for this grant in the fall of 2017 and anticipates continuing to receive grant funds to support one of these positions.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Adult Probation Department to enter into a lease of approximately 1,128 square feet at 1315 and 1319 Evans Street including one parking stall with Raul and Denise Arriaza as to an undivided 50% interest and The Olson Family Trust as to an undivided 50% interest, as the landlord, for a five-year term with one five-year option to extend at a fixed monthly base rent of $3,384 for a total annual base rent of $40,608.

Table 1 below summarizes the terms and conditions of the proposed lease extension.

Table 1: Terms and Conditions of Proposed Lease

Location	1315 and 1319 Evans Street at Mendell
Premises	1,128 square feet and 1 Parking Space
Base Rent (monthly)	$3,384 per month or $3 per square foot
Annual Rent	$40,608 per year, fixed for five years
Utilities and Janitorial	Landlord is responsible for cost of all utilities and janitorial services
Term	Five years from approximately August 1, 2017 through July 31, 2022
Options to Renew	One five-year option at 95% of the then market rent, but not less than the base rent paid in the prior lease year
Tenant Improvements	At landlord's cost, landlord will paint, carpet and replace window coverings

Source: Real Estate Division

FISCAL IMPACT

The current monthly rent for the existing lease is $3,384, equal to $3 per square foot per month, or $40,608 annually or $36 per square foot per year. Under the proposed lease, the rent would remain the same for the first five-year term. As shown in Table 1 above, the proposed lease includes one five-year option to extend after 2022, at 95% of the then prevailing fair market rent, but not less than the $40,608 annual rent paid during the initial five year lease, subject to approval by the Mayor and the Board of Supervisors.

According to Ms. Claudine Venegas, Senior Real Property Officer of the Real Estate Division, the current and proposed annual rent rate of $36 per square foot represents the current fair market rent based on comparable rents in the vicinity as quoted by CoStar[2]. Ms. Venegas also notes that a primary comparable City lease is located at 3801 3rd Street, which was recently approved at $36 per square foot per year, with annual 3% increases. Based on a fixed $36 per square foot per year, or $40,608 per year for the initial five-year term, the proposed lease would cost a total of $203,040 over the initial five-year term of the lease.

The FY 2017-18 and FY 2018-19 Adult Probation budgets include $40,608 of General Fund revenues to pay for this Bayview office lease. Ongoing lease cost would be funded through the Adult Probation Department's budget from the City's General Fund, subject to Board of Supervisors appropriation approval.

POLICY CONSIDERATION

As noted above, DCSS entered into the original five-year office lease with one five-year option at 1315 and 1319 Evans Street in 2004. In June 2012, DCSS staff moved out of the Evans Street space and in September 2012, Adult Probation staff moved into the Evans Street space. DCSS maintained the lease and entered into a work order arrangement with Adult Probation to reimburse DCSS for the lease costs. The Evans Street lease expired on February 28, 2014, such that the lease has continued on a holdover month-to-month basis for the past three years and five months.

Although the lease allows the City as tenant to use the premises for public programs and general offices, the City's Real Estate Division was not notified about the changes in occupancy between DCSS and the Adult Probation Department until this past year. Both DCSS and Adult Probation acknowledge they wanted flexibility in using the limited office space in the Bayview. However, the City's Real Estate Division should be notified regarding all City leased space and any changes in occupancy to existing leases.

RECOMMENDATION

Approve the proposed resolution.

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[2] CoStar Group, Inc. (CoStar) is a private firm that provides information, analytics and marketing services to the commercial real estate industry, including data on lease space, sales, tenant information, rates and prices.

Item 7 File 17-0801	Department: Human Services Agency (HSA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a modification to the contract between HSA and Allied Universal Security, increasing the contract not-to-exceed amount by $3,106,919, from $19,785,392 to $22,802,311. The contract term from February 1, 2014 – January 31, 2018 would not change.

Key Points

- HSA's security staffing needs have exceeded the amounts estimated in the original contract. $18,638,948 of the $19,785,392 contract not-to-exceed amount has already been spent, resulting in insufficient contract spending authority through the end of the contract in January 2018 to maintain security services.
- Spending on this contract was higher than estimated due to the addition of thirteen new sites during the contract period, ten of which are permanent. The opening of temporary shelters to house homeless individuals in the city, such as during El Nino, also led to unanticipated short-term increases in security needs.

Fiscal Impact

- The proposed resolution would authorize an additional $3,016,919 for this contract, resulting in a new total amount of $22,802,311. The $3,016,919 increase consists of the estimated amount of additional funds needed ($2,742,654), and a 10 percent contingency ($274,265).
- The City's General Fund share of the contract is $12,541,271.

Recommendation

- Accept 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

Allied Universal Security (formerly Guardsmark LLC) is a for-profit company contracted with the Human Services Agency to provide security services at all Human Services Agency (HSA) sites and certain Department of Homelessness and Supportive Housing (DHSH), Department of Child Support Services (DCSS), Department of Public Health (DPH), and Adult Probation Department (APD) sites. Allied has provided security services to HSA since 2008 and was selected for their current contract in a competitive process in 2013. The contract has a term of four years expiring on January 31, 2018 and a not-to-exceed amount of $19,785,392. Allied's services include (a) deterring intrusion, violence, theft, and vandalism, (b) providing assistance and information, and (c) responding to emergencies.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a modification to the contract between HSA and Allied Universal Security, increasing the contract not-to-exceed amount by $3,106,919, from $19,785,392 to $22,802,311. The contract term from February 1, 2014 – January 31, 2018 would not change.

FISCAL IMPACT

HSA's security staffing needs have exceeded the amounts estimated in the original contract. According to Mr. Terrance Thibodeaux, Senior Administrative Analyst from HSA, $18,638,948 of the $19,785,392 contract not-to-exceed amount has already been spent, resulting in insufficient contract spending authority through the end of the contract in January 2018 to maintain security services. Spending on this contract was higher than estimated due to the addition of thirteen new sites during the contract period, ten of which are permanent. The opening of temporary shelters to house homeless individuals in the city, such as during El Nino, also led to unanticipated short-term increases in security needs.

Actual contract expenditures through January 2018 are estimated to be $22,528,046, which is $2,742,654 more than the contract not-to-exceed amount of $19,785,392, as shown in Table 1 below.

Table 1: Budgeted and Actual Security Costs Over Contract Term

	Budgeted		Actual		Difference	
	Hours	Cost	Hours	Cost	Hours	Cost
February 2014-January 2015	160,000	$4,868,240	182,711	$5,667,240	22,712	$799,000
February 2015-January 2016	160,000	4,924,024	180,738	5,560,895	20,738	636,870
February 2016-January 2017	160,000	4,972,384	178,754	5,530,183	18,754	557,800
February 2017-January 2018	160,000	5,020,744	185,224[1]	5,769,728[2]	25,224	748,984
Total	**480,000**	**$19,785,392**	**727,427**	**$22,528,046**	**87,428**	**$2,742,654**

Source: Human Services Agency

Under the original contract, the total not-to-exceed amount for the Allied Universal Security contract was $19,785,392. The proposed resolution would authorize an additional $3,016,919 for this contract, resulting in a new total amount of $22,802,311. The $3,016,919 increase consists of the estimated amount of additional funds needed ($2,742,654), and a 10 percent contingency ($274,265).

This contract is funded by a combination of City funds (55 percent) and State/Federal funds (45 percent). According to Mr. Thibodeaux, the State/Federal funds are provided by the California Department of Social Services, which in turn receives funds from multiple federal agencies including the Department of Health and Human Services and the Department of Agriculture. The State/Federal funds used for this contract are considered as allowable overhead, and HSA is reimbursed for these expenses on a quarterly basis.

The City's General Fund share of the contract is $12,541,271, as shown in Table 2 below.

Table 2: Breakdown of Funding by Source

	City	State/Federal	Total
% of Contract	55%	45%	100%
Original Not-to-Exceed Amount	$10,881,966	$8,903,426	$19,785,392
Additional Funding	1,659,305	1,357,614	3,016,919
New Not-to-Exceed Amount	$12,541,271	$10,261,040	$22,802,311

Source: Human Services Agency

RECOMMENDATION

Accept the proposed resolution.

[1] Revised estimates for security staffing needs were derived from the 12 week average of actual hours worked in February, March, and April of 2017 (3,562 hrs./wk.). The average weekly hours were then projected over 52 weeks.
[2] The revised cost estimate took the number of estimated hours and multiplied it by the rate of $31.15 per hour.

Item 8 File 17-0822	Department: Department of Emergency Management (DEM)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve (a) an amendment to an existing sharing agreement between the City, as tenant, and the Department of Veterans Affairs Medical Center, as landlord, for the placement of emergency radio telecommunications and associated equipment at 4150 Clement Street, and (b) adopt findings under the California Environmental Quality Act (CEQA) and find that the proposed transaction is in conformance with the City's General Plan and the eight priority policies of Planning Code.

Key Points

- Since 1997, the City has owned and maintained an 800 MHz Citywide Emergency Radio System for the City's public safety and other City departments.
- In 2003, the City entered into a sharing agreement with the Department of Veterans Affairs Medical Center for radio telecommunications equipment on the Water Tower at the Veterans Administration facility from April 1, 2003 to March 31, 2013. In 2013, the City used the first of two (2) five-year renewal options to extend the agreement until March 31, 2018.
- In October 2016, the City entered into a purchase and installation agreement for a new 800MHz Citywide Emergency Radio System. Concurrently, the Veterans Administration intends to demolish the existing Water Tower premises as part of the construction of its Long Range Development Plan requiring relocation of the City's equipment.
- The City will construct a prefabricated telecommunications shelter 500 feet from the Water Tank at Building 2 within the Veterans Administration campus at 4150 Clement Street, and have space on the roof to install new equipment and antennae to support the new radio system and new equipment.

Fiscal Impact

- The proposed rent paid by the City is $4,537.40 per month, which is $133.12 or 3 percent more than the current rent of $4,404.28. The rent per month will be adjusted annually by three percent beginning on April 1st, 2018 through March 31, 2023. Over the five-year term of the lease, the City will pay a total rent of $289,076.
- The proposed monthly base rent of $4,537.40 is $3,712.60 less, or 45 percent, of the fair market monthly rent of $8,250 monthly.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

Since 1997, the City has owned and maintained a 800 MHz Citywide Emergency Radio System for the City's public safety and other City departments, including the Police, Fire, Public Health, Sheriff, and Recreation and Park Departments, the San Francisco Public Utilities Commission Water Enterprise, and the San Francisco Municipal Transportation Agency. The current system relies on eight telecommunications equipment locations essential to city-wide coverage, including telecommunications equipment located on the Water Tower of the Veterans Administration facility at 4150 Clement Street.

In 2003, the City entered into a sharing agreement with the Department of Veterans Affairs Medical Center for radio telecommunications equipment on the Water Tower at the Veterans Administration facility. The agreement allowed the City to (a) install a 360 square foot enclosure at the Veterans Administration facility to house transmitting and receiving equipment, and (b) place two (2) six-foot microwave dishes and three (3) 800 MHz antennas on the Water Tower from April 1, 2003 to March 31, 2013. In 2013, the City used the first of two (2) five-year renewal options to extend the agreement until March 31, 2018.

In October 2016, the Board of Supervisors authorized the Department of Emergency Management and the Department of Technology to enter into a purchase and installation agreement, as well as a maintenance and support agreement, for a new citywide 800MHz Citywide Emergency Radio System with Motorola, Inc. The 800 MHz Citywide Emergency Radio System Replacement Project (Radio System Replacement Project), which will be completed by June 2020, will use most of the current radio sites across the City, including the Veterans Administration site, in order to ensure and achieve optimal radio coverage for public safety agencies. Concurrently, the Veterans Administration intends to demolish the existing Water Tower Premises as part of the construction of its Long Range Development Plan requiring relocation of the City's equipment. Therefore the City and the Veterans Administration entered into negotiations for an amendment to the existing sharing agreement.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve (a) an amendment to an existing sharing agreement between the City, as tenant, and the Department of Veterans Affairs Medical Center, as landlord, for the Department of Emergency Management and the Department of Technology to place emergency radio telecommunications and associated equipment at 4150 Clement Street and (b) adopt findings under the California Environmental Quality Act (CEQA) and find that the proposed transaction is in conformance with the City's General Plan and the eight priority policies of Planning Code, Section 101.1.

As noted above, the Department of Technology and the Department of Emergency Management are currently replacing the City's end-of-life 800 MHz Citywide Emergency Radio System. According to Ms. Michelle Geddes, Project Manager for the Radio System Replacement Project, other sites in the northwest area of the City were explored, but the City chose to remain at the Veterans Administration site due to costs, and coverage.

As part of the Radio System Replacement Project, the Department of Technology and the Department of Emergency Management will construct a prefabricated telecommunications shelter 500 feet from the Water Tank at Building 2 within the Veterans Administration campus at 4150 Clement Street, and have space on the roof to install new equipment and antennae to support the new radio system. In addition to the shelter, the new equipment will include four whip antennas, two microwave dish antennas, and two GPS antennas.

Table 1 below summarizes the key lease provisions.

Table 1: Summary of Key Lease Provisions

	Proposed Amendment
Premises	4150 Clement Street, Building 2
Equipment	Equipment Shelter (4) Whip Antenna (2) Microwave Antenna (2) GPS W3 Antenna
Base Rent	$4,537.40 monthly
Base Rent Increase Amount	3% annually beginning Apri1 1, 2018
Term	Through March 31, 2023
Options to Extend	None

If the amendment to the sharing agreement between the City and the Department of Veterans Affairs Medical Center is approved by the Board of Supervisors, the construction of the new site will begin in October 2017 and will be completed in January 2018. The new equipment is expected to be installed by the middle of 2018.

According to Ms. Geddes, the City tried to include options to extend the sharing agreement. However, the Veterans Administration was unwilling to include City options. If the City is unable to negotiate an extension in 2023, the City will need to relocate to another site. If the lease is not renewed, the City could remove the pre-fabricated shelter and keep the equipment in the facility.

FISCAL IMPACT

The proposed rent paid by the City to the Department of Veterans Affairs Medical Center is $4,537.40 per month, which is $133.12 or 3 percent more than the current rent of $4,404.28. Annual rent is the first year is $54,449. The rent per month will be adjusted annually by three percent beginning on April 1st, 2018, and will continue through March 31, 2023. Over the five-year term of the lease, the City will pay a total rent of $289,076 as shown below in Table 2.

Table 2: Annual Rent over Five-Year Lease

Lease Year	Rent
Year One	$54,449
Year Two	56,082
Year Three	57,765
Year Four	59,498
Year Five	61,283
Total Five-Year Rent	**$289,076**

Pursuant to Administrative Code Section 23, the Real Estate Division selected Mateo Advisors after a competitive process to provide a Fair Market Rent appraisal of the property. On May 15, 2017, Mateo Advisors found that proposed monthly base rent of $4,537.40 was $3,712.60 less, or 45 percent, of the fair market monthly rent of $8,250 monthly.

The ongoing lease costs are funded by the Department of Technology.

Construction and Installation Costs

The City estimates the total cost of construction and installation of the equipment to be $1,230,000. This amount includes the $550,000 cost for the site equipment, software and installation services and the approximately $680,000 cost from a competitive bidding process to install the pre-fabricated shelter. The cost for the site equipment, software and installation services are being paid through a $34,000,000 financing agreement that the City entered into in December 2016 with Bank of America. The prefabricated shelter is being funded through the Capital Planning Project Funds for FY2015-16 and FY2016-17. The cost of the entire Radio System Replacement Project is $78,000,000.

RECOMMENDATION

Approve the proposed resolution.

Item 9 **File 17-0817**	**Department:** Recreation and Parks Department (RPD)

EXECUTIVE SUMMARY

Legislative Objectives

- The Recreation and Park Department is requesting the release of $2,500,000 placed on Budget and Finance Committee Reserve by the Board of Supervisors in March 2016 to partially fund the Phase 1 Powerhouse renovation.

Key Points

- The Geneva Car Barn and Powerhouse (Car Barn) are two buildings located at Geneva and San Jose Avenues across from the Balboa Park BART Station. The Car Barn is currently under the jurisdiction of the Recreation and Park Department and is planned for renovation as a community center. In October 2015, the Recreation and Park Department recommended a two-phase Car Barn Project, managed by the Department. Phase 1 includes the design, restoration, and improvement of the Powerhouse building only.
- The Board of Supervisors appropriated $2,500,000 from the General Fund Reserve in March 2016 to partially fund the Phase 1 renovation of the Powerhouse. The Board of Supervisors placed these funds on Budget and Finance Committee Reserve pending identification of remaining funding sources for the Phase 1 Powerhouse renovation.
- The Phase 1 Powerhouse renovation was intended as a stand-alone project and does not depend on funding for the Phase 2 Car Barn renovation.

Fiscal Impact

- The Phase 1 Powerhouse renovation budget is $11,863,804. The Recreation and Park Department has secured funding or received funding commitments, totaling $11,863,804, including the $2,500,000 in General Fund monies on Budget and Finance Committee Reserve. Sources of funds for the Phase 1 Powerhouse renovation project include $4,809,192 in federal Historic Preservation and New Market Tax Credits and a contribution from the nonprofit organization, Community Arts Stabilization Trust (CAST).
- In order for the Phase 1 Powerhouse renovation project to qualify for the Historic Preservation and New Market Tax Credits, CAST will form and manage a qualified low-income investment business. The qualified low-income investment business formed by CAST will enter into a 55-year lease with the Recreation and Park Department for the Powerhouse, and would sublease the Powerhouse to a for-profit subsidiary. The for-profit subsidiary would then sub-sublease the Powerhouse to the nonprofit organization, Performing Arts Workshop (PAW) for recreational programming.

Recommendation

- Approve the requested release of $2,500,000 on Budget and Finance Committee Reserve.

MANDATE STATEMENT

Administrative Code Section 3.3(e) provides for the committee of the Board of Supervisors having jurisdiction over the budget (Budget and Finance Committee) to place funds on reserve. These funds may be released by the Budget and Finance Committee.

BACKGROUND

The Geneva Car Barn and Powerhouse (Car Barn) are two buildings located at Geneva and San Jose Avenues across from the Balboa Park BART Station, adjacent to a vehicle storage facility owned by the San Francisco Municipal Transportation Agency (SFMTA). In 1998, the Car Barn was saved from demolition by the Friends of the Geneva Car Barn and Powerhouse (Friends), a nonprofit neighborhood organization. In 2004, the SFMTA transferred jurisdiction of the vacant Car Barn to the Recreation and Park Department (Department) (File No. 04-0320) at no cost, with the intent that the Department would form a partnership with the Friends to renovate the Car Barn. Between 2004 and 2015, the Department and the Friends spent $3,983,000 on the Car Barn from various sources, for roof repairs, preliminary seismic stabilization, planning, design, program administration, historic preservation architect and environmental testing.

In October 2014, the Board of Supervisors approved a Lease Disposition and Development Agreement between the Recreation and Park Department and the Friends (File 14-0920) specifying the Friend’s obligations to fundraise, rehabilitate and operate the Car Barn as a community center. However, the Friends were unable to meet the funding requirements and in October 2015, the Board of Supervisors terminated the Lease Disposition and Development Agreement with the Friends (File 15-0890).

When the Lease Disposition and Development Agreement terminated in October 2015, the Recreation and Park Department recommended a two-phase Car Barn Project, managed by the Department in coordination with the Office of Economic and Workforce Development, the Office of the District 11 Supervisor, and the San Francisco Arts Commission.

- Phase 1: Design, restoration, and improvement of the Powerhouse building only, including installation of a modern utility system, restoration of historic features, seismic stabilization, hazardous material remediation, new circulation systems to accommodate ADA access, streetscape improvements, improved entrances, a new roof, and a new floor plan with radiant heating; and
- Phase 2: Design, restoration, and improvement of the Car Barn building and completion of more extensive improvements to the Powerhouse building

The Board of Supervisors appropriated $2,500,000 from the General Fund Reserve in March 2016 to partially fund the Phase 1 renovation of the Powerhouse. The Board of Supervisors placed these funds on Budget and Finance Committee Reserve pending identification of remaining funding sources for the Phase 1 Powerhouse renovation. The Department had not identified funding sources for the Phase 2 renovation of the Car Barn. The Phase 1 Powerhouse renovation was intended as a stand-alone project and does not depend on funding for the Phase 2 Car Barn renovation.

DETAILS OF PROPOSED LEGISLATION

The Recreation and Park Department is now requesting the release of $2,500,000 placed on Budget and Finance Committee Reserve by the Board of Supervisors in March 2016 to partially fund the Phase 1 Powerhouse renovation.

FISCAL IMPACT

The Phase 1 Powerhouse renovation budget is $11,863,804, as shown in the table below.

Table: Phase 1 Powerhouse Renovation Budget

Sources of Funds	
Secured	
State of California General Fund Grant	$3,000,000
2000 Neighborhood Park General Obligation Bonds	838,000
Recreation and Park Department FY 2015-16 Capital Budget	210,612
Neighborhood Asset Activation	306,000
Recreation and Park Department FY 2017-18 Budget	200,000
Subtotal Secured Funds	$4,554,612
Committed	
Community Arts Stabilization Trust (CAST)	$1,000,000
Net Historic Preservation Tax Credits	1,560,192
Net New Market Tax Credits	2,249,000
Subtotal Committed	$4,809,192
Budget and Finance Committee Reserve	$2,500,000
Total Sources	**$11,863,804**
Uses of Funds	
Construction Costs	$6,750,346
Construction Contingency (20% of Construction)	1,329,295
Subtotal, Construction	8,079,105
Other Miscellaneous Construction	1,606,305
Planning, Permitting, Design, Engineering, Environmental	1,522,681
Other Consultant Fees	655,177
Total Uses	**$11,863,804**

Community Arts Stabilization Trust and Historic Preservation and New Market Tax Credits

Sources of funds for the Phase 1 Powerhouse renovation project include $4,809,192 in federal Historic Preservation and New Market Tax Credits and a contribution from the nonprofit organization, Community Arts Stabilization Trust (CAST).

Tax Credits

The federal Historic Preservation Tax Credit program provides a 20 percent tax credit to projects that rehabilitate certified historic structures. The federal New Market Tax Credit program provides tax credits to qualified low-income investment businesses. Historic Preservation and New Market Tax Credits require the formation of a for-profit subsidiary to qualify for the tax credits.

In order for the Phase 1 Powerhouse renovation project to qualify for the Historic Preservation and New Market Tax Credits, CAST will form and manage a qualified low-income investment business. CAST and the qualified low-income investment business will form a for-profit subsidiary, which will be controlled by CAST.

U.S. Bank submitted letters to the Recreation and Park Commission in December 2016, stating that U.S. Bank would consider investing in the Phase 1 Powerhouse renovation project, which would result in the New Market and Historic Preservation Tax Credits being available to U.S. Bank. [1] In exchange for the New Market and Historic Preservation Tax Credits, U.S. Bank will invest $2,249,000 and $1,560, 192 respectively, as shown in the Table above.

Federal tax credits are awarded to qualified projects through a competitive process. According to Ms. Nicole Avril, Recreation and Park Department Project Director, the City submitted an application to receive Historic Preservation Tax Credits to the California Office of Historic Preservation in 2011, and amended on August 19, 2016. The building was certified to be historic, and therefore eligible for the 20 percent tax credits, on March 3, 2017. The City submitted an application to receive New Market Tax Credits from the San Francisco Community Investment Fund on June 2, 2017 and received notice of the award on July 3, 2017.

Proposed Powerhouse Lease

The qualified low-income investment business formed by CAST will enter into a 55-year lease with the Recreation and Park Department for the Powerhouse, and would sublease the Powerhouse to a for-profit subsidiary. The for-profit subsidiary would then sub-sublease the Powerhouse to the nonprofit organization, Performing Arts Workshop (PAW) for recreational programming.

According to Ms. Avril, the Department is negotiating the terms of the Powerhouse lease with CAST, which will be submitted to the Board of Supervisors for approval in September 2017. Under the proposed lease, CAST will contribute $1,000,000 to the Phase 1 Powerhouse renovation project.

RECOMMENDATION

Approve the requested release of $2,500,000 on Budget and Finance Committee Reserve.

[1] Federal tax credits allow private investors, including banks, to fund public benefit projects in exchange for federal tax credits against the investors' future earnings.

Item 19 **File 17-0771**	**Departments:** San Francisco Public Utilities Commission (SFPUC) Local Agency Formation Commission (LAFCO)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the General Manager of the San Francisco Public Utilities Commission (SFPUC) to execute the third amendment to the Memorandum of Understanding (MOU) with the San Francisco Local Agency Formation Commission (LAFCO), to extend the term by two years, for a total agreement term of 11 years from FY 2008-09 through FY 2018-19, with no change to the total amount not-to-exceed $2,100,000, pursuant to Charter Section 9.118.

Key Points

- On April 17, 2009, the SFPUC authorized the General Manager to execute a Memorandum of Understanding (MOU) with LAFCO for services related to the Community Choice Aggregation Program, or CleanPowerSF, for a not-to-exceed $2,100,000 for the three-year period from July 1, 2008 through June 30, 2011.
- SFPUC has approved three amendments to this MOU to extend the term, now through June 30, 2019, or a total of 11 years, with no change to the not-to-exceed $2,100,000.
- Under the third amendment, LAFCO would continue to monitor the implementation process and advise the SFPUC and the Board of Supervisors regarding all aspects of development, operation and management of the CleanPowerSF Program.

Fiscal Impact

- The total $2,100,000 provided by the SFPUC to LAFCO was funded with SFPUC Power Enterprise revenues in FY 2008-09. To date, LAFCO has expended $1,879,000 of the original $2,100,000 appropriation, leaving a remaining balance of $221,000. The SFPUC has not determined a specific spending plan for LAFCO over the next two fiscal years.
- The Mayor's FY 2017-18 original proposed budget included $143,000 of General Fund monies for LAFCO. During the FY 2017-18 budget deliberations, the Budget and Finance Committee (a) deleted two LAFCO positions and (b) added back $50,000, for a total $193,000 of General Fund revenues for FY 2017-18 for LAFCO. Under this arrangement, the Clerk of the Board will provide limited administrative support and LAFCO will hire outside consultants to provide research, analysis and reporting on assigned projects.

Policy Consideration

- LAFCO annual budgets must, at a minimum, be equal to the budget adopted the previous fiscal year, unless the local Commission finds that reduced staffing or program costs will still allow LAFCO to fulfill its purposes and programs. According to LAFCO, the official statutory amount that LAFCO is entitled to for FY 2017-18 is $297,342.

Recommendation

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

MANDATE STATEMENT

Charter Section 9.118(b) requires Board of Supervisors approval by resolution of any City contract or agreement having a term in excess of ten years or $10,000,000.

BACKGROUND

MOU between LAFCO and SFPUC

On April 17, 2009, the San Francisco Public Utilities Commission (SFPUC) authorized the General Manager of the SFPUC to execute a Memorandum of Understanding (MOU) with the San Francisco Local Agency Formation Commission (LAFCO) for LAFCO services related to the Community Choice Aggregation (CCA) Program, or CleanPowerSF, for a not-to-exceed $2,100,000 for the three-year period from July 1, 2008 through June 30, 2011 (SFPUC Resolution No. 09-0061). Under the MOU, SFPUC is solely responsible for providing energy services, including CleanPowerSF[1]. LAFCO's role is to monitor the implementation process and advise SFPUC and the Board of Supervisors. In addition, LAFCO can undertake tasks to assist in the implementation of CleanPowerSF, subject to the SFPUC's direction.

According to Mr. Michael Hyams of SFPUC, since the MOU has been in place, LAFCO has:

- Commissioned studies on potential job creation associated with the formation of a CCA Program in San Francisco;
- Worked closely with SFPUC to advocate on behalf on the CCA Program and CleanPowerSF before the State Legislature and the California Public Utilities Commission on bills and regulations;
- Joined SFPUC staff at countless public events and meetings to help educate San Franciscans about CleanPowerSF Program; and
- Worked closely with program stakeholders to help ensure that program design and implementation are aligned with the City's goals for CleanPowerSF.

Amendments to the MOU

- On April 9, 2013, the SFPUC authorized the SFPUC General Manager to execute the first amendment to the MOU, to extend the MOU by four years, or through June 30, 2015, for a total of seven years with no change in the authorized not-to-exceed $2,100,000 (SFPUC Resolution No. 13-0054).
- On January 13, 2015, the SFPUC authorized the SFPUC General Manager to execute the second amendment to the MOU, to extend the MOU by two additional years or through June 30, 2017, for a total of nine years, with no change in the not-to-exceed $2,100,000 (SFPUC Resolution No. 15-0023).

[1] CleanPowerSF is San Francisco's Community Choice Aggregation program that allows the SFPUC to make electricity supply choices for its customers and partner with Pacific Gas & Electric (PG&E) to deliver that cleaner energy to residents and businesses. PG&E continues to bill all customers and remains responsible for outage response. CleanPowerSF began serving energy to San Francisco neighborhoods in phases in May 2016.

- On May 9, 2017, the SFPUC authorized the SFPUC General Manager to execute the third amendment to the MOU, to extend the MOU by two additional years or through June 30, 2019, for a total of 11 years, with no change in the not-to-exceed $2,100,000 (SFPUC Resolution No. 17-0103).

Charter Section 9.118

The previous MOUs were not subject to Board of Supervisors approval as the term was less than ten years and $10,000,000, the thresholds for Charter Section 9.118. However, as the term of the MOU would extend for a total of 11 years under the proposed third amendment, the requested extension is therefore subject to the Board of Supervisors approval, in accordance with Charter Section 9.118.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the General Manager of the San Francisco Public Utilities Commission (SFPUC) to execute the third amendment to the Memorandum of Understanding (MOU) with the San Francisco Local Agency Formation Commission (LAFCO), to extend the term of the MOU by two years, for a total agreement duration of 11 years from FY 2008-09 through FY 2018-19, with no change to the total amount not-to-exceed $2,100,000, pursuant to Charter Section 9.118.

Under the proposed third amendment to the MOU between SFPUC and LAFCO, LAFCO would continue to monitor the implementation process and advise the SFPUC and the Board of Supervisors regarding all aspects of development, operation and management of the CleanPowerSF Program. In addition, given that CleanPowerSF began implementation in phases in 2016, according to Ms. Barbara Hale of SFPUC, LAFCO could participate in additional enrollment-related activities, such as education and outreach. Planned growth of the CleanPowerSF Program, through public events and meetings and continued work with stakeholders is also needed to help ensure that program design and implementation are aligned with the City's goals for CleanPowerSF.

Ms. Hale further advises that if LAFCO staff or resources are not available, SFPUC would have to rely on its own staff and contractors to do this work.

FISCAL IMPACT

The Mayor's FY 2017-18 original proposed budget included $143,000 of General Fund monies for LAFCO, under the Board of Supervisors budget, which assumed approval of the proposed resolution to fully fund LAFCO with the balance of SFPUC funding. During the FY 2017-18 budget deliberations, the Budget and Finance Committee (a) deleted two positions for LAFCO[2] and (b) added back $50,000 of General Fund monies in the Board of Supervisors budget, for a

[2] The two LAFCO positions included: (1) 9775 Senior Community Development Specialist II and (1) 9770 Community Development Assistant. Only the 9775 Senior Community Development Specialist II position was filled and funded.

total of $193,000 of General Fund revenues for FY 2017-18 for LAFCO. Under this arrangement, the Clerk of the Board would assume the role of LAFCO Executive Director for limited administrative responsibilities and LAFCO could hire outside consultants to provide research, analysis and reporting on assigned SFPUC and other projects.

The total $2,100,000 provided by the SFPUC to LAFCO was funded with SFPUC Power Enterprise revenues in FY 2008-09. To date, LAFCO has expended $1,879,000 of the original $2,100,000 appropriation, leaving a remaining balance of $221,000. Under the proposed resolution, the subject MOU would be extended by two fiscal years, through FY 2018-19. The SFPUC has not determined a specific spending plan for LAFCO over the next two fiscal years.

POLICY CONSIDERATION

In accordance with State Government Code Section 56381 (Cortese-Knox-Hertzberg Act), Local Agency Formation Commissions (LAFCOs) must adopt their final annual budgets by June 15 of each year. LAFCO annual budgets must, at a minimum, be equal to the budget adopted the previous fiscal year, unless the local Commission finds that reduced staffing or program costs will still allow LAFCO to fulfill its purposes and programs. San Francisco's LAFCO has historically requested the full statutory amount authorized by Government Code Section 56381, and then based on available reserves, allocated surplus funds back to the City's General Fund. According to LAFCO, the official statutory amount that LAFCO is entitled to for FY 2017-18 is $297,342.

RECOMMENDATION

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