CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: January 26, 2022 Budget and Finance Committee Meeting

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Item 2 **File 21-1281**	**Department:** Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed hearing would release $865,000 from Budget and Finance Committee reserve for the San Francisco Public Utilities Commission (SFPUC) Wastewater Enterprise to partially reimburse the Wastewater Enterprise for the $4,946,480 settlement payments paid in December 2021 related to damage caused by major rainstorms in December 2014.

Key Points

- The San Francisco Public Utilities Commission (SFPUC) Wastewater Enterprise operates a combined storm water and sewer system. Storms during December 2014 and the 2016-17 winter caused flooding and damage to various private properties. Property owners who suffered damage from these storms filed claims against the City for compensation.
- The Board of Supervisors has approved $10 million in supplemental appropriations to pay for legal claims related to the storms. In 2017, the Board of Supervisors appropriated $5 million from the Wastewater Enterprise (File 17-0411) to pay possible claims settlements, legal expenses, and related costs arising from the 2016-2017 storms. The Board had previously appropriated $5 million in 2015 (Ordinance 184-15) to pay possible claims settlements, legal expenses, and related costs arising from the 2014 storms.
- $865,000 remains on Budget and Finance Committee reserve for flood claims. SFPUC is requesting this remaining balance be released from reserve, to partially reimburse the SFPUC Wastewater Enterprise fund balance for approved settlement payments made in December of 2021 totaling $4,946,480.

Fiscal Impact

- The proposed hearing would release $865,000 from Budget and Finance Committee reserve.
- In December of 2021, the SFPUC Wastewater Enterprise paid 12 settlement payments totaling $4,946,480 related to damage from the 2014 storms, which were approved by the Board of Supervisors.
- SFPUC made these payments from its fund balance and is now requesting the remaining $865,000 from the 2017 appropriation be released from reserve to partially reimburse the SFPUC Wastewater Enterprise fund balance.

Recommendation

- Approve the requested release of $865,000 from Budget and Finance Committee reserve.

MANDATE STATEMENT

City Administrative Code Section 3.3(j) states that the Budget and Finance Committee of the Board of Supervisors has jurisdiction over the City's budget and may reserve proposed expenditures to be released at a later date subject to Board of Supervisors approval. The practice of the Board of Supervisors is for the Budget and Finance Committee to approve release of funds placed on reserve by the Committee, without further Board of Supervisors approval.

BACKGROUND

The San Francisco Public Utilities Commission (SFPUC) Wastewater Enterprise operates a combined storm water and sewer system. Storms during December 2014 and the 2016-17 winter caused flooding and damage to various private properties. Property owners who suffered damage from these storms filed claims against the City for compensation.

The Board of Supervisors has previously considered $10 million in supplemental appropriations to pay for legal claims related to the storms. In 2017, the Board of Supervisors appropriated $5 million from the Wastewater Enterprise (File 17-0411) to pay possible claims settlements, legal expenses, and related costs arising from the 2016-2017 storms. The Board had previously appropriated $5 million in 2015 (Ordinance 184-15) to pay possible claims settlements, legal expenses, and related costs arising from the 2014 storms.

When considering the 2017 supplemental appropriation, the Board held $3 million of the $5 million appropriation request for flood claims on Budget and Finance Committee reserve, since it was not known at the time whether the City would need to spend the entire $5,000,000. The Budget and Finance Committee released $2,135,000 in July 2020 to pay settlements related to damage caused by the December 2014 storms (File 20-0725). This left $865,000 on Budget and Finance Committee reserve for flood claims.

In December of 2021, the SFPUC Wastewater Enterprise paid 12 settlement payments totaling $4,946,480 related to damage from the 2014 storms, which were approved by the Board of Supervisors (Ordinance No. 181-21 through Ordinance No. 192-21). SFPUC made these payments from its fund balance and is now requesting the remaining balance be released from reserve, to partially reimburse the SFPUC Wastewater Enterprise fund balance.

DETAILS OF PROPOSED LEGISLATION

The proposed hearing would release $865,000 from Budget and Finance Committee reserve for the SFPUC Wastewater Enterprise to partially reimburse the Wastewater Enterprise for the $4,946,480 it paid in December 2021 settlement payments related to damage caused by the December 2014 storms.

The 2017 appropriation that was the source of the $865,000 remaining on Budget and Finance Committee reserve stated that the appropriation was to be used to pay the claims settlements, legal expenses, and related expenses due to claims arising from the 2016-17 winter storms. The settlements approved in November 2021 are for claims arising from the December 2014 winter storms, but SFPUC may use this reserve to pay settlements on 2014 storms claims because the budget authority in the financial system is "Flood Claims" in general.

FISCAL IMPACT

The proposed hearing would release $865,000 from Budget and Finance Committee reserve. This is the remaining balance of the $3 million placed on reserve in 2017 appropriation, following the release of $2,135,000 in July 2020 to pay settlements related to damage caused by the storms as shown in Exhibit 1 below.

Exhibit 1: Committee Reserve

Held on Reserve in 2017	$3,000,000
Released in 2020	$2,135,000
Currently Remaining	$865,000
Remaining Balance If Request Approved	**$0**

Source: BLA Analysis

To date, the SFPUC Wastewater Enterprise has paid $11,032,226 to settle property damage and diminution claims resulting from the 2014 and 2016-2017 storms, exceeding the $10 million appropriated by the Board of Supervisors. The remaining $1,032,226 in payments were funded from the SFPUC Wastewater operating budget and fund balance. In this proposed hearing, SFPUC is not asking the Board to appropriate additional funds to make up for this difference; its request is to release the relevant funds remaining in Budget and Finance Committee reserve.

According to Rick Sheinfield, Deputy City Attorney, the Office of the City Attorney plans to seek Board approval for $3,626,445 to pay for the attorney's fees, costs, and interest associated with the settlements related to the 2014 and 2016-2017 storms. Deputy City Attorney Sheinfield is not aware of any other pending lawsuits regarding damages from the 2014 and 2016-2017 storms.

RECOMMENDATION

Approve the requested release of $865,000 from Budget and Finance Committee reserve.

Item 3 **File 21-1280**	**Department:** Department of Juvenile Probation (JUV)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed hearing would release $469,745 from Budget and Finance Committee reserve to the Juvenile Probation Department (JUV) to fund overtime activities.

Key Points

- In June 2021, the Budget & Finance Committee placed $469,745 of JUV overtime on Budget and Finance Committee reserve for both FY 2021-22 and FY 2022-23.
- State law requires that juvenile halls maintain staffing sufficient to ensure safety, provide services, and generally operate the facility. To meet this standard, overtime is needed to backfill JUV staffing shortages, including when Juvenile Hall employees are completing required ongoing career development training. According to Department staff, overtime was necessary to staff isolation units to mitigate the spread of COVID-19 in Juvenile Hall and to generally backfill vacancies due to time-off and separations.

Fiscal Impact

- The JUV FY 2021-22 budget provides $939,489 in General Fund monies for staff overtime, including the $469,745 placed on Budget and Finance Committee reserve. JUV staff report that actual overtime expenditures to date total $678,379, and total overtime expenditures for FY 2021-22 are projected to be $1,393,355, or $453,866 more than budgeted.
- The Department anticipates overspending its FY 2021-22 General Fund salaries and benefits budget by approximately $660,000. However, JUV management plans to shift eligible labor spending from the General Fund to state juvenile justice funds, if necessary, to ensure that the General Fund labor budget is not overspent.

Policy Consideration

- In June 2019, the Board of Supervisors approved an ordinance that required the City to close Juvenile Hall by December 31, 2021. As of the writing of this report, Juvenile Hall remains open and the closure date has not been determined. While Juvenile Hall remains operational, the state mandated staffing requirements noted above remain in effect and staff working overtime hours must be paid. Given that the Department does not project a General Fund salary surplus, we therefore recommend approving the Department's request to release the reserved $469,745 in overtime funds.

Recommendation

- Approve the requested release of reserves.

MANDATE STATEMENT

City Administrative Code Section 3.3(j) states that the Budget and Finance Committee of the Board of Supervisors has jurisdiction over the City's budget and may reserve proposed expenditures to be released at a later date subject to Board of Supervisors approval. The practice of the Board of Supervisors is for the Budget and Finance Committee to approve release of funds placed on reserve by the Committee, without further Board of Supervisors approval.

BACKGROUND

In June 2021, the Budget & Finance Committee placed $469,745 of the Juvenile Probation Department (JUV) overtime on Budget and Finance Committee reserve for both FY 2021-22 and FY 2022-23.

DETAILS OF PROPOSED LEGISLATION

Due to the ongoing need for overtime staffing, JUV is requesting that $469,745 in overtime funds be released from Budget and Finance Committee reserve for FY 2021-22.

State law requires that juvenile halls maintain staffing sufficient to ensure safety, provide services, and generally operate the facility. To meet this standard, overtime is needed to backfill JUV staffing shortages, including when Juvenile Hall employees are completing required ongoing career development training. According to Department staff, overtime was necessary to staff isolation units to mitigate the spread of COVID-19 in Juvenile Hall and to generally backfill vacancies due to time-off and separations. As of January 7, 2022, the Department had 27 total vacancies: 9 vacancies in the management and administrative divisions of the Department, 11 vacancies in Juvenile Hall, and 7 vacancies in probation services.[1]

FISCAL IMPACT

The JUV FY 2021-22 budget provides $939,489 in General Fund monies for staff overtime, including the $469,745 placed on Budget and Finance Committee reserve. JUV staff report that actual overtime expenditures to date total $678,379, and total overtime expenditures for FY 2021-22 are projected to be $1,393,355, or $453,866 more than budgeted. Attachment 1 to this report shows the actual and projected overtime hours and costs by position. Of the $1,393,355 in projected current year overtime, $1,138,387 is projected to be incurred for positions in Juvenile Hall.

According to the JUV draft Six-Month Budget Status Report, the Department anticipates overspending its FY 2021-22 General Fund salaries and benefits budget by approximately $660,000. However, JUV management plans to shift eligible labor spending from the General Fund to state juvenile justice funds, if necessary, to ensure that the General Fund labor budget is not overspent. According to Cheryl Taylor, JUV Interim Finance Director, several grant-funded

[1] One vacant position in Juvenile Hall is a 0.25 Full-Time Equivalent (FTE) position.

positions have been vacated, allowing for savings to help shift other labor costs away from the General Fund, though the final amount has not been determined as of this writing.

POLICY CONSIDERATION

Closure of Juvenile Hall

In June 2019, the Board of Supervisors approved an ordinance that required the City to close Juvenile Hall by December 31, 2021 (File 19-0392). As of the writing of this report, Juvenile Hall remains open and the closure date has not been determined. While Juvenile Hall remains operational, the state mandated staffing requirements noted above remain in effect and staff working overtime hours must be paid. Given that the Department does not project a General Fund salary surplus, we therefore recommend approving the Department's request to release the reserved $469,745 in overtime funds.

RECOMMENDATION

Approve the requested release of reserves.

Attachment 1: Actual and Projected JUV Hours and Costs by Position

Position	**Actual Overtime Hours (through 12/24/2021)**	**Actual Overtime Costs (through 12/24/21)**	**Total FY 2021-22 Projected Overtime Hours**	**Total FY 2021-22 Projected Overtime Costs**
Probation Services				
1844 Secretary I	21.00	$1,112	44.64	$2,361
8444 Deputy Probation Officer	459.25	$27,876	973.28	$59,210
8530 Deputy Probation Officer (SFERS)	37.50	$2,807	79.53	$5,962
8562 Counselor, Juvenile Hall (SFERS)	675.50	$32,424	1,333.51	$64,595
Probation Services Subtotal	*1,193.25*	*$67,910*	*2,430.96*	*$132,129*
Juvenile Hall				
2604 Food Service Worker	17.50	$497	37.10	$1,050
2654 Cook	389.00	$10,652	821.00	$22,421
2736 Porter	2.00	$102	4.28	$216
8316 Assistant Counselor	67.93	$1,710	143.94	$3,632
8318 Counselor II	1,379.50	$93,433	2,859.20	$194,407
8320 Counselor, Juvenile Hall	9,565.76	$301,275	19,463.29	$613,697
8322 Senior Counselor, Juvenile Hall	1,130.76	$72,957	2,373.18	$153,038
8562 Counselor, Juvenile Hall (SFERS)	1,506.47	$72,700	3,100.72	$149,926
Juvenile Hall Subtotal	*14,058.92*	*$553,326*	*28,802.71*	*$1,138,387*
General				
1549 Secretary, Juvenile Probation Commission	100.00	$4,791	206.35	$9,908
2708 Custodian	124.00	$4,928	262.99	$10,376
2716 Custodial Assistant Supervisor	24.50	$1,349	51.89	$2,865
7120 Buildings and Grounds Maintenance Superintendent	50.00	$2,748	81.29	$4,385
7205 Chief Stationary Engineer	122.50	$5,313	259.61	$11,285
7334 Stationary Engineer	850.50	$28,868	1,706.03	$57,615
7524 Institution Utility Worker	8.00	$335	17.00	$712
8444 Deputy Probation Officer	236.50	$12,503	484.39	$25,692
General Subtotal	*1,516.00*	*$60,834*	*3069.55*	*$122,838*
Total	**16,768.17**	**$678,379**	**34,303.22**	**$1,393,355**

Item 4 **File 21-1282**	**Department:** Juvenile Probation (JUV)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed hearing would release $794,598 for the Juvenile Justice Realignment Block Grant program.

Key Points

- In September 2020, Governor Gavin Newsom signed Senate Bill 823 into law, which shifted the responsibility of custody, care, and supervision of youth offenders with sustained petitions for certain violent offenses from the State Division of Juvenile Justice (DJJ) to the counties. The State has provided Juvenile Justice Realignment Block Grant (JJRBG) funding to counties to assist with implementation of realignment from DJJ to counties' operations.

Fiscal Impact

- The proposed $794,598 would fund services including credible messenger life coaches, whole family support, flexible funding (including direct funding to youth and their families), collective training for all system stakeholders and partners, and flexible funding for personalized programming and support in the Secure Youth Treatment Facility (for education, workforce, behavioral health and wellness, parenting, substance abuse, and re-entry/transition). Programming would largely be provided through work orders with the Department of Children, Youth, and their Families (DCYF). The two departments plan to undertake competitive solicitations to select providers.

Policy Consideration

- Without a local secure youth treatment facility to hold youth offenders with court-ordered commitments that would have otherwise been sent to a state facility, the City would have to contract with another county for placement in their secure youth treatment facilities or placement in an adult facility (jail or prison). The City's Log Cabin Ranch, which provided a local long-term placement option, has been closed since 2018 and is not expected to reopen. A regional facility serving all Bay Area counties is allowed, but no determination has been made on that yet.
- The proposed release of reserves would fund services at Juvenile Hall for youth who have sustained petitions for 707(b) offenses, including those on probation, ordered to out of home placement, or court-ordered commitments of youth offenders that were previously served in state facilities or at Log Cabin Ranch. According to the City's Juvenile Justice Block Grant Annual Plan, portions of Juvenile Hall will have to be upgraded to allow use of the facility for long-term placements.

Recommendation

- Approval of the requested release of reserves is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Administrative Code Section 3.3(j) states that the Budget and Finance Committee of the Board of Supervisors has jurisdiction over the City's budget and may reserve proposed expenditures to be released at a later date subject to Board of Supervisors approval. The practice of the Board of Supervisors is for the Budget and Finance Committee to approve release of funds placed on reserve by the Committee, without further Board of Supervisors approval.

BACKGROUND

In June 2021, the Budget & Finance Committee placed $794,598 of the Juvenile Justice Realignment Block Grant spending on Budget & Finance Committee reserve

Realignment of Long-Term Youth Offender Placement

In September 2020, Governor Gavin Newsom signed Senate Bill 823 into law, which shifted the responsibility of custody, care, and supervision of youth offenders with sustained petitions for certain violent offenses from the State Division of Juvenile Justice (DJJ) to the counties. Senate Bill 92, signed in May 2021, allows counties to establish local secure youth treatment facilities for youth who would have been eligible for DJJ commitment. The State has provided Juvenile Justice Realignment Block Grant (JJRBG) funding to counties to assist with implementation of realignment from DJJ to counties' operations.

As required by law, the City convened a 15-member DJJ Realignment Subcommittee to develop a local realignment plan.[1] The subcommittee held 16 public meetings and four learning sessions and submitted a final plan to the DJJ in December 2021. The state allocated JUV $805,571 in JJRBG funds in FY 2021-22 and the Department anticipates an allocation of $2,353,800 in FY 2022-23.

DETAILS OF PROPOSED LEGISLATION

The proposed hearing would release $794,598 for the Juvenile Justice Realignment Block Grant program. In FY 2021-22, JUV was allocated $805,571 in state funding for the Juvenile Justice Realignment Block Grant funding. $794,598 is on Budget and Finance Committee reserve, which was the amount that had been anticipated at the time the FY 2021-23 two-year budget was approved.

Under Senate Bills 823 and 92, California counties are required to submit a plan for local facilities, programs, placements, services, supervision, and reentry strategies for all young people with sustained petitions for 707(b) offenses (described below), which includes young people ordered to wardship probation, out of home placement, as well as to the secure youth treatment facility.

[1] The subcommittee consisted of representatives from JUV, District Attorney's Office, Public Defender's Office, Department of Social Services, Department of Mental Health, County Office of Education/School District, Superior Court, Juvenile Advisory Council, Huckleberry Youth Programs/CARC, Juvenile Justice Providers Association/Sunset Youth Services, a community-based provider, an individual directly impacted by a secure facility, a family member of youth impacted by a secure facility, a victim/survivor of community violence, and an SF Bar Association Indigent Defense Administrator of Juvenile Delinquency.

San Francisco's DJJ Realignment Subcommittee voted to use Juvenile Hall as the interim Local Secure Youth Facility, as it is the only secure location identified within the City. After Juvenile Hall is closed down, JUV may co-locate the local secure youth facility with the new youth detention facility, if one is built.

California Welfare and Institution Code Section 707(b) lists 30 criminal offenses that are considered violent or serious in nature. The target population for Juvenile Justice Realignment Block Grant funding is youth with 707(b) offenses. From 2016 to 2021, there were 347 youth with sustained petitions (similar to convictions in the juvenile justice system) in San Francisco for 707(b) offenses. Of these 347 convictions, only 11 youth were committed to DJJ facilities, with an average commitment of 1.9 years. DJJ stopped receiving new referrals in July 2021, so any youth that would have been referred to DJJ for incarceration are now incarcerated at Juvenile Hall. There are currently two such youth currently placed in Juvenile Hall, the City's interim local secure youth facility.

The DJJ Realignment Subcommittee voted to use initial Juvenile Justice Realignment Block Grant funding to address the service gaps it had identified. The plan includes funding in credible messenger life coaches, whole family support, flexible funding (including direct funding to youth and their families), collective training for all system stakeholders and partners, and flexible funding for personalized programming and support in the secure youth treatment facility (for education, workforce, behavioral health and wellness, parenting, substance abuse, and re-entry/transition). Programming would largely be provided through work orders with the Department of Children, Youth, and their Families (DCYF). The two departments plan to undertake competitive solicitations to select providers.

FISCAL IMPACT

The spending plan for the Juvenile Justice Realignment Block Grant Funds awarded in FY 2021-22 are shown in Exhibit 1 below.

Exhibit 1: FY 2021-22 JJRBG Spending Plan

Program	Procurement	Amount
Services for realigned youth and their families (Credible messenger life coaches, whole family support, direct funding to young people and their families, personalized programming and support in the Secure Youth Treatment Facility)	Work order to DCYF	$544,598
Personalized programming and support in the Secure Youth Treatment Facility, direct funding to young people and their families	Procured by JUV	50,000
Collective training for all system stakeholders and partners	Work order to DCYF	100,000
Collective training for all system stakeholders and partners	Procured by JUV	100,000
Total		**$794,598**

Source: JUV

Note: The Department is still developing a spending plan for the $10,973 ($805,571 minus $794,598) in additional Juvenile Justice Realignment Block Grant funds allocated to San Francisco by the state in FY 2021-22.

According to the Department, credible messenger life coaches will be delivered to realigned youth (including those on probation, out of home placement, or incarceration) by people with similar experience in San Francisco. Whole family support refers to peer family navigators, family wellness activities and other programming. Direct funding to monies provided for basic needs such as tools and supplies for work, books for school, and transportation assistance. Collective training refers to training for all juvenile justice department stakeholders, service providers, and other community stakeholders (such as school staff). Both DCYF and JUV have existing contracts with providers that may be used to deliver services.

POLICY CONSIDERATION

Without a local secure youth treatment facility to hold youth offenders with court-ordered commitments that would have otherwise been sent to a state facility, the City would have to contract with another county for placement in their secure youth treatment facilities or placement in an adult facility (jail or prison). The City's Log Cabin Ranch, which provided a local long-term placement option, has been closed since 2018 and is not expected to reopen. A regional facility serving all Bay Area counties is allowed, but no determination has been made on that yet.

In June 2019, the Board of Supervisors approved an ordinance that required the City to close Juvenile Hall by December 31, 2021 (File 19-0392). As of the writing of this report, Juvenile Hall remains open and the closure date has not been determined. The proposed release of reserves would fund services at Juvenile Hall for youth who have sustained petitions for 707(b) offenses, including those on probation, ordered to out of home placement, or court-ordered commitments of youth offenders that were previously served in state facilities or at Log Cabin Ranch. According to the City's Juvenile Justice Block Grant Annual Plan, portions of Juvenile Hall will have to be upgraded to allow use of the facility for long-term placements.

RECOMMENDATION

Approval of the requested release of reserves is a policy matter for the Board of Supervisors.

Items 7 & 8 **Files 21-1305 & 21-1295**	**Department:** Recreation & Parks

EXECUTIVE SUMMARY

Legislative Objectives

- **File 21-1305**: The proposed resolution would approve an amendment to the lease and management agreement with the San Francisco Botanical Garden Society to also include the Japanese Tea Garden and the Conservatory of Flowers as part of the leased premises.
- **File 21-1295**: The proposed ordinance would amend the Park Code to waive admission fees for San Francisco residents to the Japanese Tea Garden and the Conservatory of Flowers and reauthorize the Recreation and Park Department to set admission fees for non-resident adults at the Japanese Tea Garden, the Conservatory of Flowers, and the Botanical Garden through flexible pricing.

Key Points

- The Botanical Garden Society (SFBGS) is responsible for admissions collections and other services for the Botanical Garden. The Conservatory of Flowers is currently managed by the Parks Alliance, and the Department is typically responsible for managing admissions at the Japanese Tea Garden in addition to garden maintenance. Under the proposed amendment, SFBGS would provide these same services to the Japanese Tea Garden and the Conservatory of Flowers. Non-profit costs are covered by admission revenues.

Fiscal Impact

- The Department estimates savings of $383,484 from joint management of the gardens due to consolidation of admission staffing and resulting in lower admissions costs than historical spending for the three gardens. The proposed budget includes an annual deposit of $514,105 to the City's Garden Improvement Fund for maintenance and improvement of the gardens.
- The Department estimates that waiving resident fees at the gardens would result in $271,385 in annual lost revenue, but that this would be off-set by higher non-resident adult admission fees. Any net revenue would be assigned to the City's Garden Improvement Fund.

Policy Consideration

- The original lease and management agreement with the Botanical Garden Society approved by the Board of Supervisors was not competitively procured and may be extended through May 2043. Because management of the three gardens has never been competitively procured, we do not know if costs are reasonable or if there are other providers that would bid on a competitive solicitation.

Recommendations

- Approval of Files 21-1305 and 21-1295 are policy matters for the Board of Supervisors.

MANDATE STATEMENT

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

City Charter Section 2.105 states that all legislative acts shall be by ordinance, approved by a majority of the members of the Board of Supervisors.

BACKGROUND

Current Lease and Management Agreement

Under an existing lease and management agreement between the Recreation and Parks Department and the nonprofit organization, San Francisco Botanical Garden Society, the San Francisco Botanical Garden Society is responsible for visitor services, admissions collections, educational programming, marketing, and other services to support operations of the Botanical Garden in Golden Gate Park. The existing agreement was effective beginning in December 2013 and expires December 2023 and includes two options to extend for ten years each.

Proposed Gardens of Golden Gate Park

The Recreation and Parks Commission seeks to bring the Botanical Garden, Japanese Tea Garden, and the Conservatory of Flowers under joint management. The three gardens would be referred to collectively as "the Gardens of Golden Gate Park."

Currently, all three gardens are separately managed. As mentioned above, the Botanical Garden is managed under a lease and management agreement with the San Francisco Botanical Garden Society. The Conservatory of Flowers is currently managed under a license with the San Francisco Parks Alliance. The license has been in holdover status since it expired in 2012. The Recreation and Parks Department is primarily responsible for managing admissions at the Japanese Tea Garden in addition to garden maintenance.[1] However, the San Francisco Botanical Garden Society has managed admissions collections for the Japanese Tea Garden during the COVID-19 pandemic according to a supplemental agreement to the existing lease and management agreement.

Admission Fees

The Park Code establishes admission fees for the San Francisco Botanical Garden, the Japanese Tea Garden, and the Conservatory of Flowers. There are different rates for children, adults, and seniors. San Francisco residents do not pay any fees at the Botanical Garden and receive discounts at the Japanese Tea Garden and Conservatory of Flowers.

[1] According to Recreation and Parks Department staff, the Department receives support from the Friends of the Japanese Tea Garden and a concessionaire operates the historic Tea House and Gift Shop.

In 2019, the Board of Supervisors authorized the Recreation and Park Department to set non-resident adult admission fees for the three gardens through "flexible pricing" (File 19-0629). This allowed the Department to temporarily increase or decrease the fees based on factors such as public demand, facility conditions, and rates at comparable facilities. The Department could only increase prices once per year by up to 50% and was only permitted to increase prices during certain times of the year depending on the facility. The existing law permits price increases for non-resident adults as follows:

- **Botanical Garden**: Increases only on Saturdays and Sundays
- **Conservatory of Flowers**: Increases only on Fridays, Saturdays, and Sundays
- **Japanese Tea Garden**: Increases only March through October

The flexible pricing system was scheduled to sunset on June 30, 2021, but the Board of Supervisors authorized the extension of flexible pricing at the gardens until December 7, 2021 (File 21-0653). The 2019 flexible pricing legislation also allowed the General Manager to adjust non-resident admission fees for Coit Tower, however that authority was never implemented and expired in June 2021.

DETAILS OF PROPOSED LEGISLATION

File 21-1305

The proposed resolution would approve an amendment to the lease and management agreement with the San Francisco Botanical Garden Society to also include the Japanese Tea Garden and the Conservatory of Flowers as part of the leased premises. The term of the agreement with the Botanical Garden Society remains unchanged.

File 21-1295

The proposed ordinance would amend the Park Code to:

- Waive admission fees for San Francisco residents to the Japanese Tea Garden and the Conservatory of Flowers;
- Authorize the Recreation and Park Department to waive or discount other admission fees at the Japanese Tea Garden, the Conservatory of Flowers, and the Botanical Garden;
- Re-authorize the Recreation and Park Department to set admission fees for non-resident adults at the three gardens through flexible pricing; and
- Affirm the Planning Department's determination that all associated actions comply with the California Environmental Quality Act.

Selection of San Francisco Botanical Garden Society

Chapter 23.33 of the Administrative Code requires that leases be competitively bid unless competitive bidding procedures are impractical or impossible. The Department determined that holding a competitive bid for the lease and management of the Conservatory of Flowers and the Japanese Tea Garden would not be practical or feasible given the San Francisco Botanical Garden Society's specialized knowledge and experience pertaining to specialty gardens, its existing agreement for the Botanical Garden, and the assumed benefits from bringing the three gardens under joint management. Therefore, the Department is proposing to amend the existing lease and management agreement to include the two other gardens. The Board of Supervisors authorized the waiver of the requirement under Chapter 23.33 of the Administrative Code that the existing lease and management agreement be competitively bid, given the San Francisco Botanical Garden Society's specialized knowledge and experience in 2013 (File 13-0537). At that time, the Department estimated that the value of the services provided by the lease was $2.1 million annually, which exceeded the fair market value of the annual rent of $384,062, as estimated by an appraiser. The Department has not conducted a new appraisal of the Botanical Garden nor of the Japanese Tea Garden or the Conservatory of Flowers.

Services Provided

Under the existing agreement, the San Francisco Botanical Garden Society is responsible for managing the following aspects of the Botanical Garden operations: visitor services, admissions collection, educational programming, marketing, volunteer program coordination, special events, and community relations. The Department is responsible for garden maintenance and oversight, including strategic and master site planning, plant collections development and documentation, signage, as well as improvements, renovations, and maintenance of the Botanical Garden. As described below in the Fiscal Impact Section, costs for these services are covered by admission fees and the Botanical Garden Society pays the City a base rent of $100 per year.

Under the proposed amendment to the lease and management agreement, the San Francisco Botanical Garden Society would provide the same services that it currently provides at the Botanical Garden to the Japanese Tea Garden and the Conservatory of Flowers. Similarly, the Department would continue to be responsible for garden maintenance, facility maintenance, and oversight at all three gardens.

Admissions Receipts

According to Exhibit E of the proposed amendment to the lease and management agreement, fees paid for admission to the three gardens may only be used for the benefit of the three gardens. The San Francisco Botanical Garden Society (SFBGS) would collect admission fees and remit them in full to the Department. The Department would allocate monies collected monthly in the following order:

a) SFBGS expenses associated with collection of admission fees, such as personnel costs, office supplies, and rent or related fees for equipment;
b) Department expenses associated with maintenance and oversight of the gardens of $4.4 million per fiscal year;
c) SFBGS education and community outreach expenditures of $650,000 per fiscal year;

d) The balance of admission receipts would be paid into the "Gardens of Golden Gate Park Improvement Fund," which would be maintained by the City.[2]

This reflects the allocation model in the existing agreement for the Botanical Garden. According to the Department, admission receipts from the Japanese Tea Garden historically accrued to the Department's general fund and were used for costs associated with managing admissions and maintenance of all of the gardens. According to Department staff, admission receipts from the Conservatory of Flowers have not been paid directly to the Department. According to a November 2021 Budget and Legislative Analyst Report, *Relations between Recreation and Parks Department and San Francisco Parks Alliance*, there is no provision for a minimum guaranteed amount of admissions receipts to be allocated to the Department in the 2003 agreement with the San Francisco Parks Alliance.

Admission Fee Changes (File 21-1295)

The proposed ordinance would waive admission fees for residents and re-authorize and standardize flexible pricing for adult non-residents. The proposed ordinance would allow the Department to increase prices for non-resident adults only by up to 50% of the Park Code set fee upon 30 days' notice to the public rather than just once per year and does not constrain price increases to certain months or days unlike the existing law. The Department could also decrease fees at any time. In addition, the proposed ordinance would also remove the sunset date for flexible pricing, allowing the Recreation and Park Department to continue using flexible pricing at the three gardens indefinitely. Fee changes must be due to changes in demand at particular days and times, adverse weather, or facility conditions.

Flexible Pricing Use at the Gardens

The Recreation and Parks Department provided an update on flexible pricing at the three gardens to the Board of Supervisors in May 2021. The regular non-resident adult admission fee was $9 at all three gardens until FY 2020-21 when it was increased to $10 at the Japanese Tea Garden and the Conservatory of Flowers and in FY 2021-22 when it increased to $10 at the Botanical Garden due to allowable CPI increases. According to that report, flexible pricing for non-resident adults was applied as follows:

- Botanical Garden: Applied on the weekends starting in November 2019 with a $3 increase.
- Conservatory of Flowers: Applied on the weekends starting in October 2019 with a $2 increase.
- Japanese Tea Garden: Applied starting in March 2020 through September 2020 with a $2 increase. In October 2020, the price was adjusted back to $10, and the $2 increase was restored starting in March 2021.

[2] According to the proposed amendment, expenditures from the Gardens of Golden Gate Park Improvement Fund may only be used for expenses associated with maintenance, renovation, and improvement of the gardens, unless the Recreation and Park Commission and the San Francisco Botanical Garden Society otherwise agree in writing.

Other City Departments Use of Flexible Pricing

At the request of a Supervisor, we completed a short survey of City entities that charge for use of City property.

Our survey found that the Recreation and Parks Department uses a flexible pricing structure for golf fees, which allows the General Manager to adjust resident and tournament rates based on demand, prices at other golf courses, and course conditions.[3] The Academy of Sciences uses dynamic admissions pricing, which varies by day and time. However, the Fine Arts Museums, which include the De Young and Legion of Honor Museums, does not use dynamic pricing for admissions, though the museums charge higher fees for special exhibits.

Additionally, we found that the San Francisco Municipal Transportation Agency (SFMTA) uses dynamic pricing (referred to as transportation demand management) for garage and parking meter fees, both of which are generally based on demand. According to SFMTA staff, since the implementation of dynamic pricing in 2011, garage fees have generally increased and parking meter fees have fluctuated between $0.50 and $10 per hour based on demand for curb space. Garage and parking meter fees are adjusted by SFMTA staff.

Performance of Botanical Garden Society

The existing lease and management agreement does not have performance metrics. Data provided by the Recreation and Parks Department show that admissions increased from 240,000 in FY 2011-12 to 424,000 in FY 2018-19 (the last full year before COVID-19), an increase of 76.7%.

FISCAL IMPACT

The Recreation and Parks Department developed the Gardens of Golden Gate Park budget based on actual spending from FY 2018-19 due to the impact of COVID-19 on subsequent years. Exhibit 1 below summarizes the sources and uses of the proposed amended lease and management agreement.

[3] Park Code Section 12.12(d), which relates to municipal golf courses, states that the General Manager may discount resident rates by 50% and increase them by 25%; tournament rates may be increased by 50%.

Exhibit 1: Sources and Uses of Proposed Gardens of Golden Gate Park

Sources	Botanical Garden	Conservatory of Flowers	Japanese Tea Garden	Total
Admissions Receipts	$1,393,527	$1,047,127	$4,280,000	$6,720,654
Total Sources	**$1,393,527**	**$1,047,127**	**$4,280,000**	**$6,720,654**
Uses				
SFBGS Admissions Cost	536,998	323,202	306,203	1,166,403
Rec & Park Operating Expenses	287,573	250,000	3,865,000	4,402,573
SFBGS Education and Community Engagement Expenses	287,573	250,000	100,000	637,573
Garden Improvement Fund	281,383	223,925	8,797	514,105
Total Uses	**$1,393,527**	**$1,047,127**	**$4,280,000**	**$6,720,654**

Source: Recreation and Parks Department

Note: Admission receipts are based on FY 2018-19 fees. At that time, flexible pricing was not in use for adult non-residents, and adult residents paid discounted fees at the Conservatory of Flowers and the Japanese Tea Garden and no admission fee at the Botanical Garden.

As shown above, the proposed budget includes $4.4 million in operating expenses for the Recreation and Parks Department for maintenance and oversight of the three gardens. According to Department staff, the estimates are based on three years of spending and include costs associated with 27.15 FTE positions (including 14.25 FTE Gardeners, 4.0 Nursery Specialists, 2.25 Custodians, and other maintenance positions), deferred maintenance, and materials and supplies. City costs are expected to increase from $3.9 million in FY 2018-19 to $4.4 million in the first year of the proposed agreement due to increases in City salary and benefits costs and costs associated with maintenance of the Conservatory of Flowers, which was previously paid for by the San Francisco Parks' Alliance out of admissions revenue. Attachment 1 compares the proposed budget to FY 2018-19 actual expenses for the three gardens.

The Department estimates savings of $383,484 from joint management of the gardens compared to FY 2018-19 expenses, due to consolidation of admission staffing and resulting in lower admissions costs than historical spending for the three gardens. The proposed budget assumes annual admission levels are the same as FY 2018-19 levels.

The savings would support an increase of $150,000 in education and community engagement programming for the San Francisco Botanical Garden Society to cover the additional facilities as well as increases in the Recreation and Parks Department budget described above. The proposed amended lease and management agreement would result in an estimated annual deposit of $514,105 to the Gardens of Golden Gate Park Improvement Fund. This reflects an increase from prior year deposits to the Garden Improvement Fund because admission receipts from the Conservatory of Flowers and the Japanese Tea Garden were not previously deposited to a dedicated improvement fund.

Admission Fee Changes (File 21-1295)

As noted above, under the proposed ordinance, fees for resident admissions are waived at the Conservatory of Flowers and the Japanese Tea Garden to align with current practices at the Botanical Garden, and the Department could raise fees for non-residents by a maximum of $5, up to $15 at all three gardens. Exhibit 2 below shows the number of visitors and total admissions revenue for the three gardens for FY 2018-19. Admissions were lower in subsequent years due to the impacts of COVID-19. In FY 2018-19 non-resident adult admission fee collections across the three gardens accounted for approximately three-quarters of total admissions revenue.

Exhibit 2: Total Visitors and Admissions Revenue, FY 2018-19

Facility	Resident	Non-Resident Adult	Non-Resident Other [a]	Other Free [b]	Total Visitors
Botanical Garden	211,719	107,056	54,339	63,618	436,732
Conservatory of Flowers	20,338	74,383	49,064	25,042	168,827
Japanese Tea Garden	29,400	380,145	100,364	246,270	756,179
Total Visitors	**261,457**	**561,584**	**203,767**	**334,930**	**1,361,738**
Admissions Revenue	**$271,385**	**$5,054,301**	**$1,221,695**	**$0**	**$6,547,381**
Percent of Total Revenue	4.1%	77.2%	18.7%	0.0%	100.0%

Source: Recreation and Parks Department

[a] Non-Resident other includes discounted admissions for children and senior non-residents.

[b] Other Free includes free admissions for low-income residents and non-residents, free admissions hours at the gardens, and other free admissions.

Note: FY 2018-19 revenues for the Botanical Garden was $1.2 million, $1.0 million for the Conservatory of Flowers, and $4.3 million for the Japanese Tea Garden.

Recreation and Parks Department staff estimate that waiving resident fees at the Conservatory of Flowers and the Japanese Tea Garden would result in $271,385 in annual lost revenue based on admission fee collections for residents in FY 2018-19, as shown above. The Department estimates this lost revenue would be more than off-set by increased revenue from reauthorizing flexible pricing for non-resident adult admission fees. Non-resident admission fees are currently $10 at each of the three gardens. If the Department increased admission fees for non-residents by $2 up to $12 for the entire year, admission receipts would increase by approximately $1.1 million based on FY 2018-19 admissions data from the Department. If non-resident adult admissions decrease because of the $2 price increase, the increased revenue would be lower than $1.1 million but would likely still cover the $271,385 in lost revenue from waiving admission fees for residents. Under the proposed lease and management agreement, any surplus revenue would be assigned to the City's Gardens of Golden Gate Park Improvement Fund for expenses associated with maintenance, renovation, and improvement of the gardens.

POLICY CONSIDERATION

Agreement Amendment

The proposed lease and management agreement amendment (File 21-1305) allows the Botanical Garden Society, which operates the Botanical Garden, to operate the Japanese Tea Garden, typically operated by City staff, and the Conservatory of Flowers, currently operated by the San Francisco Parks Alliance. According to Recreation and Parks Department staff, the Botanical Garden Society temporarily took over admission operations at the Japanese Tea Garden during the pandemic and City staff have been re-assigned to recreation centers.

Net revenues from the Conservatory of Flowers, which previously went to the San Francisco Parks Alliance, together with revenues from the Japanese Tea Garden and Botanical Garden, will all be provided to the Recreation and Parks Department account to cover Department staffing costs and facility maintenance costs. Overall, City costs are expected to increase from $3.9 million in FY 2018-19 to $4.4 million in the first year of the proposed agreement due to increases in City salary and benefits costs and costs associated with maintenance of the Conservatory of Flowers, which was previously paid for by the San Francisco Parks' Alliance out of admissions revenue. Beyond that, the proposed agreement does not expand the scope of City services related to the gardens.

The original lease and management agreement with the Botanical Garden Society approved by the Board of Supervisors was not competitively procured and may be extended through May 2043. Aside from expanding operations to include the Japanese Tea Garden and Conservatory of Flowers, the proposed lease and management agreement amendment is generally consistent with the original agreement approved by the Board of Supervisors. Lease and management of each of the three gardens has never been competitively procured. The Botanical Garden Society has been operating the Botanical Garden since 1955. The Japanese Tea Garden has been operated by the City, and the Conservatory of Flowers has been operated by the San Francisco Parks' Alliance since it reopened in 2003. The Department believes that the Botanical Garden Society is uniquely suited to operate garden admissions, given the organization's $20 million endowment and fundraising capacity that may be used to fund garden improvements, strong community ties, and network of volunteers.

Because management of the three gardens has never been competitively procured, we do not know if costs are reasonable or if there are other providers that would bid on a competitive solicitation. We therefore consider approval of the proposed resolution (File 21-1305) to be a policy matter for the Board of Supervisors.

Fee Ordinance

As noted above, the proposed ordinance (File 21-1295) would eliminate residential admission fees for the three gardens and continue to allow dynamic pricing for non-resident adult admission fees. The $271,385 annual revenue loss from the elimination of residential admission fees could be offset by an increase of $0.50 in non-resident admission fees.[4] If the proposed ordinance modifying the garden admission fees is not approved, the admission fees for the gardens are expected to cover the operating expenses of both the Botanical Garden Society and the City for all three gardens. If the non-resident fees are increased beyond that breakdown point, all additional net revenue would accrue to an improvement fund dedicated to garden improvements.

We consider approval of the proposed ordinance (File 21-1295) to be a policy matter for the Board of Supervisors.

RECOMMENDATIONS

1. Approval of File 21-1305 is a policy matter for the Board of Supervisors.
2. Approval of File 21-1295 is a policy matter for the Board of Supervisors.

[4] In FY 2018-19, the three gardens had 561,584 visitors. Therefore, a $0.50 increase in admissions fees with the same number of visitors would equate to $280,792 in new revenues.

Attachment 1

Exhibit 3: Proposed Gardens of Golden Gate Park Budget Compared to FY 2018-19 Actuals (All Gardens)

Sources	FY 2018-19 Actuals	Proposed Budget	Difference	Percent Difference
Admissions Receipts	$6,568,309	$6,720,654	$152,345	2.3%
Total Sources	**$6,568,309**	**$6,720,654**	**$152,345**	**2.3%**
Uses				
SFBGS Admissions Cost	1,549,857	1,166,403	(383,454)	-24.7%
Rec & Park Operating Expenses	3,914,343	4,402,573	488,230	12.5%
Botanical Garden	*287,573*	*287,573*	*0*	*0.0%*
Conservatory of Flowers	*0*	*250,000*	*250,000*	
Japanese Tea Garden	*3,626,770*	*3,865,000*	*238,230*	*6.6%*
SFBGS Education and Community Engagement Expenses	487,573	637,573	150,000	30.8%
Garden Improvement Fund	209,409	514,105	304,696	145.5%
Total Uses	**$6,161,182**	**$6,720,654**	**$559,472**	**9.1%**

Source: Recreation and Parks Department

Note: FY 2018-19 actuals do not include Rec & Park operating costs for the Conservatory of Flowers. Garden Improvement Fund amounts for FY 2018-19 are less than the difference between sources and SFBGS and City uses because, under the existing license agreement with the San Francisco Parks Alliance, net revenues from the Conservatory of Flowers are provided to the City.

Items 9 & 10 **Files 21-1290 & 21-1291**	**Department:** Municipal Transportation Agency (MTA)

EXECUTIVE SUMMARY

Legislative Objectives

- **File 21-1290**: is an ordinance that would call and provide for a special election to be held on June 7, 2022, in order to submit to San Francisco voters a proposition to incur $400 million of general obligation bonded indebtedness for transportation improvements. In addition, approval of this $400 million general obligation bond would require approval by at least two-thirds of San Francisco voters.

  File 21-1291: is a resolution that would determine and declare that the public interest and necessity demand acquisition, construction, and improvement of street, transit, and transportation infrastructure.

Key Points

- This is the second of two general obligation bonds recommended by prior studies of Municipal Transportation Agency (MTA) funding needs. The proposed $400 million would be used to fund the following capital improvement programs: $42 million for street signals, $42 million on pedestrian and bicycle improvements, $30 million for speed management, $250 million for facility upgrades, $26 million for Muni network improvements, and $10 million for the train control system upgrade.
- All issuances of the bonds and appropriations of the bond fund proceeds would be subject to future Board of Supervisors approval, at which time CEQA review and approval of the specific projects would be required, and the project costs would be identified.

Fiscal Impact

- According to the Office of Public Finance, total estimated debt service is $690 million, including approximately $290 million in interest and $400 million in principal.
- The average property tax rate for the proposed bonds would be $9.61 per $100,000 of assessed valuation, half of which could be passed through to tenants.
- The proposed bonds are consistent with the City's debt policies related to the amount of debt outstanding and the property tax rate cap.

Recommendation

- Approve the proposed ordinance and resolution.

MANDATE STATEMENT

According to Article 16, Section 18(a) of the State of California Constitution, no county, city, town, township, board of education, or school district, shall incur any indebtedness or liability for any purpose exceeding in any year the income and revenue provided for such year, without the approval of two-thirds of the voters of the public entity voting at an election to be held for that purpose.

City Administrative Code Section 2.34 requires that a resolution of public interest and necessity for the acquisition, construction or completion of any municipal improvement be adopted by the Board of Supervisors not less than 141 days before the election at which such proposal will be submitted to the voters. These time limits may be waived by resolution of the Board of Supervisors.

BACKGROUND

The San Francisco Municipal Transportation Agency (MTA) has undertaken several studies of funding needs, including the Transportation Task Force 2030 (completed in 2013), which recommended the City issue $1 billion in general obligation bonds to fund transportation infrastructure improvements. In November 2014, San Francisco voters approved a $500 million general obligation bond for transportation improvements. According to the November 2021 Quarterly Status Report on those bonds, $493.4 million in bond issuances have occurred, of which $231.8 million has been spent with an additional $37.9 million encumbered. The final $122.8 million of GO Bonds were issued at the beginning of Quarter 1 of FY 2021-22. Expenditures will begin to be reflected in the second and third quarters of FY 2021-22. A second Transportation Task Force 2045 process (completed in 2017) reaffirmed the recommendation for a second Transportation General Obligation Bond.

MTA is proposing a new $400 million series of general obligation bonds for transportation improvements. The Agency is proposing $400 million rather than the $500 million recommended by the Transportation Task Force 2030 and 2045 as the proposed bond is being advanced 2-years earlier, from 2024, and due to the overall City General Obligation capacity within the 10-Year Capital Plan

DETAILS OF PROPOSED LEGISLATION

File 21-1290: The proposed ordinance would call and provide for a special election to be held in San Francisco on June 7, 2022, in order to submit to San Francisco voters a proposition to incur $400 million of general obligation bonded indebtedness for the transportation improvements summarized in Exhibit 1 below. In addition, approval of this $400 million general obligation bond would require approval by at least two-thirds of San Francisco voters.

File 21-1291: The proposed resolution would determine and declare that the public interest and necessity demand acquisition, construction, and improvement of street, transit, and transportation infrastructure.

Both the proposed ordinance (File 21-1290) and resolution (File 21-1291) would:

- Find that the estimated cost of $400 million for such proposed projects will be too great to be paid out of the ordinary annual income and revenue of the City and will require expenditures greater than the amount allowed by the annual tax levy;
- Find that the bond proposal is not subject to review under the California Environmental Quality Act (CEQA);
- Find that the proposed bonds are in conformity with the General Plan, and the eight priority policies of Planning Code, Section 101.1(b);
- Waive the time requirements specified in Administrative Code, Section 2.34;
- Authorize landlords to pass-through 50 percent of the resulting property tax increase to residential tenants under Administrative Code, Chapter 37; and,
- Declare the City's intention to use bond proceeds to reimburse capital expenses incurred prior to the issuance of the proposed bonds

Possible uses of the bond proceeds are shown in Exhibit 1 below.

Exhibit 1: Possible Uses of Bond Funds

Program Area	Possible Uses	Estimated Budget
Muni facility upgrades	Upgrading existing trolley-coach facilities beyond their useful life, expanding rail and bus facilities for additive capacity, installing electric vehicle charging infrastructure	$250 million
Muni network improvements	Rapid Network enhancements, such as bus-only lanes, smart traffic signals, and sidewalk bulbs	$26 million
Muni Train Control System	Investment and expansion in the Muni Metro and Subway Train Control System, including local contribution to leverage match for state and federal grants	$10 million
Street Signal Improvements	Pedestrian and traffic signal improvements and crossings	$42 million
Corridor Pedestrian & Bicycle Improvements	Sidewalk, bike lane, and transit boarding enhancements	$42 million
Speed Management	Traffic calming, speed limit reductions, speeding signs	$30 million
Total		**$400 million**

Source: 2022 Muni Reliability and Street Safety Bond Overview, SFMTA

The proposed budgets noted above include estimated citizen oversight committee and audit costs. All issuances of the bonds and appropriations of the bond fund proceeds would be subject to Board of Supervisors approval, at which time CEQA review and approval of the specific projects would be required, and the project costs would be identified.

Rationale for Proposed Costs

MTA's FY 2020-21 to FY 2024-25 Capital Improvement Program does not include the proposed bonds. In May 2022, MTA will update its Five-Year Capital Improvement Program. The Five-Year CIP will be amended to add GO Bond Funding with more specific projects and programs within one-quarter of the June election, pending the outcome.

According to Jonathan Rewers, MTA Acting Chief Financial Officer, the estimated spending on $42 million street signals, $42 million on pedestrian and bicycle improvements, and $30 million speed management is based on the same proportion of spending on those program areas as for the 2014 bonds. The $250 million for facility upgrades is based on potential spending on facility projects, in consideration of the scarcity of discretionary grant funds for facilities. The $26 million for Muni network improvements is based on the completion of the next round of Muni Forward corridor treatments across the City. And the $10 million for the train control system upgrade is based on the estimated local share required by state and federal grants funding that project.

FISCAL IMPACT

Debt Service

If the proposed $400 million of Muni Reliability and Street Safety Obligation Bonds are approved by San Francisco voters in June 2022, the City is expected to issue multiple series of bonds through FY 2024-25. According to Vishal Trivedi, Financial Analyst in the Office of Public Finance, the proposed bonds are projected to have an annual interest rate of six percent over approximately 20 years, with estimated total debt service payments of $690 million, including approximately $290 million in interest and $400 million in principal. The Office of Public Finance estimates average annual debt service payments of $30 million.

Property Taxes

Repayment of such annual debt service would be recovered through increases to the annual property tax rate. According to the Office of Public Finance, the average property tax rate for the proposed bonds would be $9.61 per $100,000 of assessed valuation, half of which could be passed through to tenants.

Debt Limit

Section 9.106 of the City Charter limits the amount of general obligation bonds the City can have outstanding at any given time to three percent of the total assessed value of property in San Francisco. The FY 2021-22 total assessed value of property in the City is approximately $312 billion, such that the general obligation debt limit is currently approximately $9.3 billion. As of December 2021, there was $2.9 billion of general obligation bonds outstanding, or approximately 0.9 percent of the total assessed value of property in the City. If the proposed $400 million general obligation bonds are issued, the outstanding general obligation bonds would total $3.3 billion, or approximately 1.1 percent of the total assessed value of property.

According to the FY 2021-22 to FY 2030-31 Ten Year Capital Plan, the proposed bonds are consistent with the City's current debt management policy to maintain the property tax rate for City general obligation bonds below the FY 2005-06 rate.

RECOMMENDATION

Approve the proposed ordinance and resolution.

Item 12 **File 22-0015**	**Department:** Department of Homelessness and Supportive Housing (HSH), Real Estate Division

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the acquisition of 835 Turk Street, which includes 114 Single Room Occupancy (SRO) units to be converted to supportive housing. The resolution would also authorize the Department of Homelessness & Supportive Housing to apply for a State Homekey grant.

Key Points

- The property proposed for purchase at 835 Turk Street was selected following a Request for Information and evaluation by an interdepartmental review panel. The property contains 114 Single Room Occupancy units. According to HSH, 42 units were occupied (including a manager's unit and a mix of long-term tenants, students, and short-term tenants), and the remaining 72 units were vacant, as of November 2021. The majority of leases have a term of one-year or less or are in month-to-month status.
- The purchase price of $25,650,000 was confirmed by a third-party appraisal and appraisal review.

Fiscal Impact

- The total cost to purchase the property, including closing costs, is $25,701,300, with additional costs for immediate rehab needs of approximately $9.1 million for a total of $34,763,450, or approximately $304,943 per unit. HSH plans to use Proposition C funds to acquire and operate the property. However, costs to the City could be offset if the City were awarded a Homekey grant.
- Ongoing costs for building operations and supportive services are estimated to be $19,800 per unit per year or approximately $2.3 million per year.

Recommendation

- We recommend approval of the proposed resolution because it is consistent with the intended use of Proposition C funds to expand the City's supportive housing and the acquisition is at fair market value.

MANDATE STATEMENT

Administrative Code Section 23.3 states that the Board of Supervisors must approve acquisitions and conveyances of real property by resolution. An appraisal of the property is required if the Real Estate Division determines that the fair market value is greater than $10,000 and an appraisal review is required if the fair market value is greater than $200,000.

BACKGROUND

Expansion of Permanent Supportive Housing

As of 2021, the Department of Homelessness and Supportive Housing (HSH) had over 9,000 units of Permanent Supportive Housing serving over 10,000 households. In July 2020, Mayor London Breed announced her Homelessness Recovery Plan, with the goal of acquiring or leasing 1,500 new units of permanent supportive housing by July 2022. According to the proposed resolution, as of December 2021, the City has acquired or contracted for over 950 new units of permanent supportive housing.

In January 2021, the Department of Homelessness and Supportive Housing (HSH) issued a Request for Information (RFI) to identify properties for possible acquisition as permanent supportive housing sites and received 130 responses, including the property located at 835 Turk Street. HSH identified the property located at 835 Turk Street as a potential candidate for a Homekey grant and may choose to submit a grant application for this property. HSH and the Real Estate Division (RED) have negotiated a purchase and sale agreement with the owners of 835 Turk Street for an amount of $25,650,000, plus $51,300 for closing costs.

The Existing Property

The property proposed for purchase at 835 Turk Street includes 114 Single Room Occupancy (SRO) units. According to HSH, 42 units were occupied (including a manager's unit and a mix of long-term tenants, students, and short-term tenants), and the remaining 72 units were vacant, as of November 2021. The majority of leases have a term of one-year or less or are in month-to-month status according to HSH. HSH also reports that no existing tenants will be displaced or asked to leave, but HSH expects that some of the students and short-term tenants may relocate voluntarily. All existing tenants will have access to support services.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would make the following actions:

1. Approve and authorize the Director of Property, on behalf of HSH, to acquire the property located at 835 Turk Street;
2. Approve and authorize HSH, on behalf of the City, to apply for the California Department of Housing and Community Development's Homekey Grant Program to purchase the property;

3. Approve and authorize an Agreement of Purchase and Sale for Real Estate for acquisition of the property for $25,650,000 plus an estimated $51,300 for typical closing costs,[1] for a total amount of $25,701,300 from VSSF Associates LLC;
4. Authorize the Director of Property, HSH Director, and City Attorney's Office to execute the purchase and sale agreement, make certain modifications, and take certain actions in furtherance of the resolution and the purchase and sale agreement that do not increase the liabilities of the City;
5. Affirm the Planning Department's determination that the purchase is not considered a project under the California Environmental Quality Act (CEQA); and
6. Adopt the Planning Department's findings that the purchase and sale agreement is consistent with the General Plan and Planning Code Section 101.1.

An appraisal conducted by Watts, Cohn, and Partners Inc. confirmed that the proposed sale price of $25,650,000 is fair market value. An appraisal review by R. Blum and Associates affirmed the appraised value.

Homekey Grant Application

In July 2020, the California Department of Housing and Community Development (HCD) announced the Homekey Program, providing grants to sustain and expand housing for people experiencing homelessness and impacted by COVID-19. In 2020, the City received two Homekey grant awards totaling approximately $74.1 million to purchase two hotels, adding approximately 362 permanent supportive housing units to the City's existing inventory.[2] On September 9, 2021, HCD announced a second round of Homekey grant funding. In December 2021, the City received a 2021 Homekey Award in the amount of $54.8 million for the property located at 1321 Mission Street.[3]

As noted above, the proposed resolution would allow HSH to apply for a Homekey grant. According to HSH Manager of Policy and Legislative Affairs Dylan Schneider, HSH plans to purchase the property with Proposition C funds. However, HSH would apply for Homekey funding if HSH determines that the project is competitive based on the anticipated timelines for rehabilitation and lease-up and Homekey deadlines. If the grant application is successful, HSH would seek Board of Supervisors approval to accept and expend the Homekey grant and approve a Standard Agreement with HCD.

Based on the Homekey funding materials released to date, projects are eligible for up to $200,000 in funding per unit, or $300,000 per unit if the applicant provides at least $100,000 per unit in matching funds. Operating subsidies are available for up to $1,400 per unit per month for two

[1] Closing costs include escrow fee, title insurance, property inspection fee, and recording fees. Specific amounts of each fee were not provided by HSH.

[2] In 2020, the Board of Supervisors approved Standard Agreements with HCD for Homekey grant funds for amounts up to $30,000,000 to purchase the 130-room Hotel Diva at 440 Geary Street (File 20-1193) and up to $49,000,000 to purchase the 232-room Hotel Granada at 1000 Sutter Street (File 20-1268).

[3] HSH reports that it will seek Board of Supervisors approval to accept and expend the 2021 Homekey award and approve a Standard Agreement with HCD in early 2022.

years, or for three years if a match is provided. Per unit subsidies vary based on unit size and population served.

Property Identification Process

As noted above, HSH had received 130 responses as of December 2021 to the open Request for Information (RFI) seeking properties that could potentially be purchased by the City and converted to permanent supportive housing. The RFI stated preferred property specifications, including a range of 50 to 150 residential units, availability for occupancy, building amenities such as in-unit bathrooms and kitchens, laundry on-site, and community space, accessibility, and compliance with building codes. According to HSH staff, 100 out of 130 responses were considered qualified by HSH staff based on threshold criteria for acquisitions. Following the 2020 Homekey Grant process in which the City purchased two properties,[4] the City convened a cross-departmental team to evaluate potential properties that had submitted responses to the RFI; the team includes representation from the Mayor's Office, the Real Estate Division, Mayor's Office of Housing and Community Development, and Planning Department, as well as technical consultants. RFI responses were prioritized for site visits and subsequent negotiations based on preferred specifications stated in the RFI, as well as a focus on geographic equity. The RFI was closed on December 31, 2021 according to HSH staff.

According to HSH, 835 Turk Street was prioritized for acquisition based on its favorable acquisition price, building condition, high vacancy rate, and unit amenities, among other factors.

At the recommendation of the Budget & Legislative Analyst Office and in response to a request from the Budget & Finance Committee, HSH is developing formal policies to govern its acquisition process. The Department has committed to provide a status update on the acquisition policy development process and information on newly acquired properties during the June 2022 budget process.

Ongoing Costs and Existing Contracts

After the purchase is complete, the property will be operated by a third-party non-profit provider. HSH released a Solicitation of Information (SOI) to select an operator for the property in January 2022. According to the SOI, applications are due in February 2022 and grant agreements would begin in Spring 2022. HSH expects lease up to begin by the summer of 2022.

The current owner has existing contracts for building services which may be assigned to the City, such as contracts for pest control, fire alarm monitoring, and elevator maintenance. According to the proposed purchase and sale agreement, the current owner would provide interim property management services for up to four months after the closing date, and the City would pay the current owner a monthly fee of $5,000 and provide reimbursement for interim operating expenses upon invoice and adequate documentation.

Site Condition

The six-story building was constructed in 1930. A visual inspection of the exterior condition and 14 rooms of the building was done by a licensed consultant on behalf of the Housing Accelerator

[4] The City purchased 1000 Sutter (File 20-1063 & File 20-1268) and 440 Geary (File 20-1193).

Fund over two inspection days in June 2021 and November 2021. The inspection found that the building condition appeared to be good but identified approximately $9.1 million in immediate repair needs, including $5.5 million in voluntary seismic upgrades based on an assessment conducted by structural engineers. The inspection did not include a review of the adequacy of building systems, hazardous materials, or a geotechnical assessment, which would inform structural upgrades.

Deposit

Section 2.2 of the proposed purchase and sale agreement states that the City is required to put a deposit of $250,000 within 10 days of the effective date of the purchase and sale agreement. The purchase and sale agreement is effective after it is approved by the Board and Mayor.

FISCAL IMPACT

The total cost to purchase the property, including closing costs, is $25,701,300, with additional costs for immediate rehab needs of approximately $9.1 million for a total of $34,763,450, or approximately $304,943 per unit. As noted above, HSH plans to use Proposition C funds to acquire and operate the property. However, costs to the City could be offset if the City were awarded a Homekey grant. The estimated acquisition and improvement costs are shown in Exhibit 1 below.

Exhibit 1: Estimated Acquisition and Improvement Costs

Item	Amount
Purchase Price	$25,650,000
Closing Costs	51,300
Improvement Cost	9,062,150
Total Cost	**$34,763,450**
Units	114
Cost Per Unit	**$304,943**

Tenant Improvement and Operating Costs

HSH estimates that initial annual operating costs would be $19,800 per unit per year, or $2.3 million for the 114-unit building, once it is fully occupied. HSH has not finalized a supportive housing program for 835 Turk Street, therefore the cost of operations and the timeline until full occupancy may be different than presented above. All operating costs would be funded by Proposition C funds. Costs to the City over the first three years could be offset by Homekey grant funds if the City is awarded a Homekey grant. Estimated annual Proposition C revenues are approximately $266 million in FY 2022-23. We recommend approval of the proposed resolution because it is consistent with the intended use of Proposition C funds to expand the City's supportive housing and the acquisition is at fair market value.

RECOMMENDATION

Approve the proposed resolution.