

File No. 171279

Committee Item No. 5

Board Item No. \_\_\_\_\_

# COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget & Finance Committee

Date December 13, 2017

Board of Supervisors Meeting

Date \_\_\_\_\_

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Completed by: Linda Wong Date December 8, 2017  
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DEPARTMENT OF  
HOMELESSNESS AND  
SUPPORTIVE HOUSING

December 1, 2017

Honorable Malia Cohen  
Chair, Budget and Finance Committee  
San Francisco Board of Supervisors  
1 Dr. Carlton B. Goodlett Place  
City Hall, Room 244  
San Francisco, CA 94102

**Subject: Release of Reserve Funds for Furniture, Fixtures and Equipment for the 440 Turk Street Project**

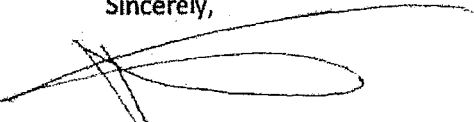
Dear Supervisor Cohen:

The Department of Homelessness and Supportive Housing respectfully requests that the Budget and Finance Committee release the \$1,700,000 placed on the General Fund Reserve during the FY17-19 Budget process for the 440 Turk project (Ordinance No. 156-17). The Committee reserved the funding for furniture, fixtures and equipment (FF&E) for the 440 Turk Street project pending a project plan.

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 the newly created department (File 16-0652; Resolution 321-16). HSH now proposes to use the 400 Turk Street site as both the Department's headquarters and on the first floor of the building, as a critical access point for people experiencing homelessness. Based on the project budget developed by Public Works, FF&E is estimated to cost \$1,718,000. This estimate is based on cost per square footage using data from recent City office projects as well as FF&E costs at the City's Navigation Centers. FF&E includes expenditures for staff work stations and office furniture, IT and Telephony costs, access point furnishings for clients, washer/dryers and other client access point equipment.

Releasing the reserve funds will ensure a smooth and timely rehabilitation of the site and opening of the 440 Turk Street in the spring 2018.

Sincerely,



Jeff Kositsky  
Director  
Department of Homelessness and Supportive Housing

CC: Angela Calvillo, Clerk of the Board of Supervisors  
Harvey Rose, Board of Supervisors Budget and Legislative Analyst  
Ben Rosenfield, Controller  
Melissa Whitehouse, Mayor's Budget Director

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<http://hsh.sfgov.org>



**Items 4 and 5****Files 17-1154 and 17-1279****Department:**

Homelessness and Supportive Housing (HSH)

**EXECUTIVE SUMMARY****Legislative Objectives**

- File 17-1154: The proposed ordinance would re-appropriate \$4,093,100 of lease and tenant improvement costs from 170 9<sup>th</sup> Street for the renovation of the building at 440 Turk Street for the Department of Homelessness and Supportive Housing in FY 2017-18.
- File 17-1279: Requested release of \$1,700,000 for furniture, fixtures and equipment.

**Key Points**

- During the summer of 2016, a new Department of Homelessness and Supportive Housing (HSH) was created and the Board of Supervisors approved purchasing 440 Turk Street for \$5,000,000 for administrative offices for the newly created HSH Department.
- In the fall of 2017, HSH requested approval from the Board of Supervisors for a new separate lease at 170 9<sup>th</sup> Street for HSH's administrative offices. 440 Turk Street was then proposed to be used as a homeless resource center. The Board of Supervisors tabled the requested lease at 170 9<sup>th</sup> Street (File 17-0759).

**Fiscal Impact**

- The cost to purchase, renovate and equip 440 Turk Street for a homeless program resource center was previously budgeted at \$11,975,000. The FY 2017-18 budget also included \$4,160,392 of General Fund monies to pay for a new administrative office lease for HSH staff at 170 9<sup>th</sup> Street, which was ultimately tabled by the Board of Supervisors. Overall, the funds appropriated to date total \$16,135,392, including \$10,275,000 from 2016 Public Health General Obligation Bonds and \$5,860,392 from General Funds.
- The 440 Turk Street project now costs \$12,868,100. This ordinance will re-appropriate \$4,093,100 General Funds from the 170 9<sup>th</sup> Street lease to 440 Turk Street, resulting in a \$3,267,292 surplus of GO Bonds proceeds, to be used for future homeless capital projects.

**Recommendations**

- Approve the proposed re-appropriation ordinance (File 17-1154).
- Reduce the \$1,700,000 on reserve by \$390,225 and release \$1,309,775 (File 17-1279).

**MANDATE STATEMENT**

City Charter Section 9.105 provides that amendments to the Annual Appropriation Ordinance are subject to Board of Supervisors approval by ordinance after the Controller certifies the availability of funds.

City Administrative Code Section 3.3(e) 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 Budget and Finance Committee approval.

**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 \$250 million of funding, including \$166 million of General Funds. HSH planned to relocate all 117 FTEs from eight different locations into one central location to coordinate all HSH functions.

**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 includes 25,500 square feet of office space on two floors and limited use of 11,932 square feet of parking and storage<sup>1</sup>.

To date, the City has not yet purchased the property at 440 Turk Street. According to Mr. John Updike, Director of the Real Estate Division, the City intends to complete the purchase of the 440 Turk Street property in December 2017 or January 2018, just prior to beginning construction on the property.

**Proposed Office Lease at 170 9<sup>th</sup> Street**

Based on meetings among HSH, Real Estate and Public Works during the summer and fall of 2016, given the challenges of finding a property to serve homeless clients, 440 Turk Street was determined to be better suited as a homeless program resource center to directly serve homeless clients. As a result, HSH then requested approval from the Board of Supervisors of a new lease of 25,125 square feet of space at 170 9<sup>th</sup> Street to be used for HSH's administrative offices (File 17-0759). This proposed HSH office lease at 170 9<sup>th</sup> Street was estimated to cost a total of \$27,080,931 of General Fund revenues over the initial 12-year term. On September 12, 2017, the Board of Supervisors tabled this resolution (File 17-0759).

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<sup>1</sup> The 440 Turk Street property also includes a residential tower, above the two floors of office space, which would continue to be used for senior and disabled housing by the San Francisco Housing Authority.

**DETAILS OF PROPOSED LEGISLATION**

File 17-1154: The proposed ordinance would re-appropriate \$4,093,100 of lease and tenant improvement costs from 170 9<sup>th</sup> Street for the renovation of the building at 440 Turk Street for the Department of Homelessness and Supportive Housing in FY 2017-18.

File 17-1279: The hearing request is for the release of \$1,700,000 in General Fund monies placed by the Board of Supervisors on Budget and Finance Committee Reserve in June 2017 pending a detailed plan for the purchase and renovation of 440 Turk Street, and submission of specific details for the purchase of furniture, fixtures, and equipment.

**Use of 440 Turk Street**

HSH is now proposing to use the 440 Turk Street property as both a critical access point for homeless persons on the first floor and as HSH administrative offices on the second floor.

According to Ms. Gigi Whitley, Deputy Director for Administration and Finance for HSH, HSH will be launching a new Coordinated Entry System to organize the City's Homelessness Response System to more efficiently prioritize and direct homeless clients to the appropriate intervention services and resources. The proposed new coordinated entry access point on the first floor at 440 Turk Street would allow people experiencing homelessness to receive coordinated entry and assessment, with referrals for shelter, housing, case management, medical attention and mental health services.

The first floor access point would include offices for 7-10 HSH staff to meet with homeless clients, as well as capacity to serve 30-50 clients who can use the showers, laundry, storage, and restroom facilities. HSH anticipates the first floor at 440 Turk Street would be open up to 12 hours a day, 7 days a week for assessment and referral. However, HSH advises they will finalize the hours of operations as part of selecting a nonprofit provider to operate the access point services.

The second floor of 440 Turk Street is proposed to be the administrative offices for 95 HSH staff and three shared workstations. These HSH offices would be open 7am to 7pm, Monday through Friday. To accommodate all the HSH staff, Ms. Whitley advises that seven FTEs Homeless Outreach staff will continue to be located at 50 Ivy Street and 2712 Mission Street and three FTEs Housing Access Team staff will continue to be located with the Human Services Agency (HSA) at 1235 Mission Street.

Ms. Whitley also advises that HSH intends to provide security both in and around the 440 Turk Street property. The Office of Contract Administration (OCA) recently released a Request for Proposal (RFP) for unarmed security services for all HSH facilities, including 440 Turk Street. Although bids have not yet been received, based on existing City security contracts, Ms. Whitley estimates security at 440 Turk Street will be approximately \$200,000 per year.

**Selection of Contractor and Subcontractors**

Legislation declaring an emergency and authorizing Public Works to renovate 440 Turk Street to provide an access point for homeless services is calendared for a special Budget and Finance Committee on December 11, 2017. Mr. Edgar Lopez, City Architect and Deputy Director of

Public Works states that Public Works is responsible for overseeing the design, construction and management of the proposed renovations to 440 Turk Street, on behalf of HSH. Given the expedited timeframe allowed under emergency declarations, Public Works contacted Pankow Builders, a design-builder that Public Works has worked with in the past and knows can deliver the construction projects in a competent manner, especially within a short time frame. For example, Pankow Builders has previously been awarded City contracts based on being the low bidder for the Veterans Memorial Building seismic upgrade, construction of the new Public Safety Building and the current rebuild of Central Shops.

According to Mr. Lopez, Public Works is now negotiating with Pankow Builders based on these previous project costs. Under the proposed contract, Pankow Builders will act as the general contractor and competitively bid subcontractor trade packages (electrical, mechanical, painting, carpeting, etc.) to complete the tenant improvements. If approved, Public Works intends to enter into an agreement with Pankow Builders in January 2018, and to immediately commence construction.

## FISCAL IMPACT

### 2016 Public Health and Safety General Obligation Bonds

In June 2016, San Francisco voters approved Proposition A, a \$350 million general obligation bond measure to fund (a) \$272 million for renovation, expansion and seismic improvements of fire safety and healthcare facilities, (b) \$58 million for a new ambulance center and repair and modernization of fire stations, and (c) \$20 million for construction, acquisition and improvement of homeless care facilities. In December, 2016, the Board of Supervisors approved the sale and appropriation of \$176 million of the total \$350 million bonds, including \$4,850,000 to create a centralized deployment facility to improve coordination and delivery of services for the homeless (Files 16-1192, 16-1193 and 16-1194). At the time of this approval last year, design of the facility was anticipated to begin in January 2017 and be completed in 2022. According to Mr. Vishal Trivedi, Financial Analyst in the Office of Public Finance, Controller's Office, the next issuance of these bonds is anticipated to occur in the spring of 2018, such that an additional \$2,225,000 would be available in May or June of 2018 for homeless service projects.

### FY 2016-17 Budget

In FY 2016-17, the total estimated budget for the 440 Turk Street property was \$9,000,000 from General Fund revenues, including \$5,000,000 to purchase the property and \$4,000,000 for tenant improvements for HSH administrative offices<sup>2</sup>.

### FY 2017-18 Budget

A year later, the FY 2017-18 budget de-appropriated the FY 2016-17 \$9,000,000 General Fund budget for HSH's administrative offices at 440 Turk Street. Instead, the FY 2017-18 budget

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<sup>2</sup> Tenant improvements of \$4,000,000 included upgrades to the generator, electrical and HVAC systems, interior wall reconfiguration, creation of a data room, telecommunications, furniture, carpet and paint.

included \$5,425,000<sup>3</sup> to renovate 440 Turk Street into a homeless program resource center with 2016 Public Health and Safety General Obligation Bond proceeds. These funds, together, with the \$4,850,000 previously appropriated from 2016 Public Health and Safety General Obligation Bond proceeds, provided a total of \$10,275,000 from the GO 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. Together, the cost to purchase, renovate and equip 440 Turk Street for a homeless program resource center was budgeted at \$11,975,000.

In addition, the FY 2017-18 budget included \$4,160,392 of General Fund monies to pay for a new administrative office lease for HSH staff at 170 9<sup>th</sup> Street, which was ultimately tabled by the Board of Supervisors.

Overall, the funds appropriated to date total \$16,135,392, including \$10,275,000 from the 2016 Public Health General Obligation Bonds and \$5,860,392 from General Funds, as summarized in Table 1 below.

**Table 1: Total Appropriations To Date for 440 Turk Street and 170 9<sup>th</sup> Street**

Purpose	Source	Total Appropriations
440 Turk Capital Project	2016 GO Bonds	\$5,425,000
Homeless Services	2016 GO Bonds	<u>4,850,000</u>
<b>Subtotal</b>	<b>2016 GO Bonds</b>	<b>\$10,275,000</b>
440 Turk Furniture, Fixtures & Equip (FF&E)	General Fund	\$1,700,000
170 9 <sup>th</sup> Street Lease	General Fund	<u>4,160,392</u>
<b>Subtotal</b>	<b>General Fund</b>	<b>\$5,860,392</b>
<b>Total</b>	<b>All Funds</b>	<b>\$16,135,392</b>

#### Proposed Re-appropriation and Re-use of Funds

However, now that 440 Turk Street is no longer proposed to be used exclusively as a homeless resource center, Public Works' analysis determined that only 55 percent of the total project costs can be paid with the 2016 GO Bond funds specified for homeless facilities, with the remaining 45 funded with General Fund monies. The total 440 Turk Street project costs as shown in Table 2 below are \$12,868,100. Therefore, HSH is requesting to re-appropriate the above-noted \$4,160,392 General Fund appropriation from the 170 9<sup>th</sup> Street lease to renovations at 440 Turk Street. Given that \$16,135,392 has already been appropriated, and the 440 Turk Street project is estimated to cost a total of \$12,868,100, this results in a surplus of \$3,267,292 of GO Bond proceeds previously appropriated. Ms. Whitley advises that HSH will identify future bond eligible projects to be funded with these surplus proceeds, in accordance with the Capital Planning Committee.

<sup>3</sup> Increased costs from \$4 million to \$5.4 million were based on Public Works assessment of the HVAC system and required code upgrades.

Table 2 below show the sources and uses for the proposed purchase, renovation, construction, furnishings and equipment for the 440 Turk Street office and homeless service facility totaling \$12,868,100.

As highlighted in Table 2 below, the requested \$4,093,100<sup>4</sup> of General Fund monies would be re-appropriated from funding the previously rejected HSH lease at 170 9<sup>th</sup> Street to renovating and constructing the proposed 440 Turk Street facility (File 17-1154).

**Table 2: Sources and Uses of Funds for 440 Turk Street**

<b>Sources</b>	
2016 Public Health General Obligation Bond	\$4,850,000
Future Public Health General Obligation Bonds	<u>2,225,000</u>
Subtotal General Obligation Bond Proceeds	\$7,075,000
General Fund Furniture, Fixtures and Equipment	\$1,700,000
<b>General Fund Re-appropriation (Subject of this ordinance)</b>	<b><u>4,093,100</u></b>
Subtotal General Fund Proceeds	\$5,793,100
<b>Total Sources</b>	<b>\$12,868,100</b>
<b>Uses</b>	
Purchase of 440 Turk Street	\$5,000,000
Renovation and Construction of 440 Turk Street	6,168,100
Furniture, Fixtures and Equipment (FF&E) (File 17-1279)	<u>1,700,000</u>
Subtotal Renovation, Construction and FF&E	<u>7,868,000</u>
<b>Total Uses</b>	<b>\$12,868,100</b>

### Design and Construction Budget

Table 3 below summarizes the budget for the design, construction, contingencies and furniture, fixtures and equipment for 440 Turk Street project totaling \$7,868,000. In addition to a 15 percent contingency for design and project management, and a 10 percent contingency for construction costs, the budget shown in Table 3 below assumes another 15 percent contingency for subcontractor bids, 3 percent for regulatory approvals and 2 percent for San Francisco Art Commission (SFAC) art enrichment. According to Mr. Lopez, the 15 percent subcontractor bid market contingency is because currently there is extreme high demand for key subcontractors and a limited labor pool available, which results in increased costs due to these market conditions. The 3 percent Regulatory Approvals are to pay for required fees to the City's Department of Building Inspection (DBI), Fire Department plan check review and City Planning. Mr. Lopez also advises while the specific public art component has not yet been determined for 440 Turk Street, the 2 percent Art Enrichment costs are required.

<sup>4</sup> As discussed above, HSH originally appropriated \$4,160,392 of General Fund monies for a new 170 9<sup>th</sup> Street lease for administrative offices. The proposed ordinance would re-appropriate \$4,093,100 of these General Funds for renovation of 440 Turk Street, with the remaining \$67,292 available for HSH's security, and moving expenses.



**Table 3: Design and Construction Budget for 440 Turk Street**

Description of Work	Basis	Cost
<b>First Floor-Access Point &amp; Client Services</b>		
Offices/Meeting Area/Resource Center (9,900 sf)	\$143/sf	\$1,415,700
Restrooms>Showers/Lockers/Laundry (800 sf)	\$450/sf	360,000
<b>Second Floor – HSH Offices</b>		
General Office Spaces/Meeting Rooms (14,800 sf)	\$143/sf	\$2,116,400
<b>Overall Building Required Upgrades</b>		
Elevator Code upgrades and re-certification	Lump sum	\$50,000
Roof penetrations and hazardous materials allowance	Lump sum	50,000
Window and insulation (Title 24) upgrades	Lump sum	<u>250,000</u>
<b>Subtotal Construction</b>		<b>\$4,242,000</b>
Design and Project Management (15% of construction)	15%	\$636,000
Subcontractor Bid Market Contingency (15% of construction)	15%	636,000
Construction Contingency (10% of construction)	10%	424,000
Regulatory Approvals (3% of construction)	3%	127,000
SFAC Art Enrichment (2% of construction)	2%	<u>85,000</u>
<b>Subtotal Contingencies and Related Costs</b>		<b>\$1,908,000</b>
Furniture, Fixtures and Equipment (File 17-1279)		<b>1,718,000</b>
<b>Total Design and Construction Budget</b>		<b>\$7,868,000</b>

As shown in Table 3 above, Public Works estimates furniture, fixtures and equipment will now cost \$1,718,000. In June 2017, \$1,700,000 of General Fund revenues were placed on Budget and Finance Committee reserve, pending a detailed plan for the purchase and renovation of 440 Turk Street, and submission of specific details for the purchase of furniture, fixtures, and equipment.

#### **Furniture, Fixtures and Equipment (FF&E)**

Table 4 below details the requested \$1,718,000 for furniture, fixtures and equipment and proposed recommended FF&E of \$1,309,775, which results in a General Fund savings of \$408,225. The proposed recommended reduction for computers and telephones assumes purchase of 100 new computers at \$1,300 each plus 118 telephones at \$200 each. The other proposed recommended reductions are based on actual recent costs for technology equipment, actual Public Works bid received for furnishings and equipment for 440 Turk Street, and recent City project costs for FF&E for the Office of the Medical Examiner.

**Table 4: Furniture, Fixtures and Equipment Costs for 440 Turk Street**

Description	Requested	Recommended	Savings
Workstation Systems Furniture	\$413,000	\$413,000	\$0
Telephone and Data Wiring	144,550	144,550	0
Computers and Telephones	413,000	153,600	259,400
Commercial washers and dryers	50,000	50,000	0
Conference Rooms Furniture	120,000	95,000	25,000
Access Point FF&E	225,000	225,000	0
Server, Data Room & Network	200,000	150,000	50,000
Moving and Relocation	55,200	30,000	25,200
Subtotal	\$1,620,750	\$1,261,150	359,600
Escalation (6%)	<u>97,250</u>	<u>48,625</u>	<u>48,625</u>
<b>Total FF&amp;E Costs</b>	<b>\$1,718,000</b>	<b>\$1,309,775</b>	<b>\$408,225</b>

However, given that only \$1,700,000 (not \$1,718,000) is currently on reserve for FF&E, the requested release of reserve should be reduced by \$390,225, and release the recommended \$1,309,775.

## POLICY CONSIDERATION

### Community Meetings

HSH held several community meetings with residents and business owners in the Tenderloin neighborhood, who were concerned about HSH converting 440 Turk Street into a 24-hour per day, seven days per week resource center for homeless services. Based on community feedback, HSH reports that they changed the uses on the site such that Tenderloin community members were generally supportive of locating HSH headquarters at 440 Turk Street, with the understanding that this site would include administrative staff offices, space to meet clients experiencing homelessness and an access point to HSH's homelessness response system. As noted above, HSH is now planning to use the first floor of 440 Turk Street for homeless access services, anticipated to be open up to 12 hours per day, seven days per week, although the hours of operation have not yet been finalized. The second floor of 440 Turk Street would be used for HSH's administrative offices.

## RECOMMENDATIONS

1. Approve the proposed re-appropriation ordinance (File 17-1154).
2. Reduce the \$1,700,000 on reserve by \$390,225 and release \$1,309,775 (File 17-1279).