CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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January 26, 2018

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: February 1, 2018 Budget and Finance Committee Meeting

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Item 1 **File 18-0069**	**Department:** Human Services Agency (HSA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves the second modification of the contract between Human Services Agency (HSA) and Allied Universal Security for the provision of security services, extending the contract by five months through June 30, 2018 and increasing the total not to exceed amount by $3,259,977, from $22,802,311 to $26,062,288.

Key Points

- On June 17, 2014, the Board of Supervisors retroactively approved a contract with Allied Universal Security for security services, with an initial term of four years, commencing February 1, 2014 and expiring January 31, 2018, and a total not to exceed amount of $19,785,392. On September 5, 2017, the Board of Supervisors approved an amendment to the contract, increasing the not to exceed amount to $22,802,311, due to security services needed at new facilities that had been added during the contract period. HSA issued a Request for Proposals (RFP) for a new security provider, with bids due January 30, 2018.
- The proposed resolution extends the current contract with Allied Universal Security for an additional five months, from February 1, 2018 through June 30, 2018, and increases the total not to exceed amount to $26,062,288. According to HSA, the increase in the contract is needed to continue security services at HSA facilities pending the award of a contract to a new contractor.

Fiscal Impact

- The proposed resolution increases the not to exceed amount of the contract by $2,259,977, from $22,802,311 to $26,062,288. The increase consists of $2,524,459 for security services from February 2018 through June 2018, and a contingency of $1,009,783 for up to two additional months in the event that a new contractor is not in place by July 2018, which is offset by the previously authorized contingency of $274,265 which has not been spent.
- The contract is funded by a combination of City funds (55 percent) and State and Federal funds (45 percent). The City's General Fund share of the contract is $14,334,258, equal to 55 percent of the total contact amount of $26,062,288.

Recommendations

- Amend the proposed resolution to correctly state the increase in the contract is $3,259,977, not $3,534,242 as stated in the resolution.
- Approve the proposed resolution as amended.

MANDATE STATEMENT

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

BACKGROUND

In August 2013, the Human Services Agency (HSA) conducted a Request for Proposals (RFP) for provision of security services in its facilities. Allied Universal Security (then known as Guardsmark, LLC) was selected as the highest scoring responsive and responsible bidder. On June 17, 2014, the Board of Supervisors retroactively approved a contract with Allied Universal Security with an initial term of four years, commencing February 1, 2014 and expiring January 31, 2018, and a not to exceed contract amount of $19,785,392 (File 14-0462, Resolution 204-14). On September 5, 2017, the Board of Supervisors approved an amendment to the contract, increasing the not to exceed amount to $22,802,311, which included a contingency of $274,265 (File 17-0801, Resolution 333-17). The increase was due to the addition of thirteen new locations during the contract period, of which ten are permanent, as well as temporary homeless shelters. The contract expires January 31, 2018. According to Ms. Elizabeth Leone, HSA Senior Contracts Manager, administrative delays have postponed the awarding of a contract to a new security provider. HSA issued an RFP for a new contractor, with bids due January 30, 2018.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves the second modification to the contract between HSA and Allied Universal Security, extending the contract by five months through June 30, 2018 and increasing the not to exceed amount by $3,259,977, from $22,802,311 to $26,062,288. The scope of security services under the contract includes providing assistance and information, maintaining order, deterring intrusion, disputes, violence, threats and vandalism, and responding to emergencies. There are nineteen HSA facilities receiving security services under the contract.

FISCAL IMPACT

Under the proposed resolution, the total not to exceed amount of the contract increases by $3,259,977 from $22,802,311 to $26,062,288. Using the number of hours of labor provided in February, March, and April 2017, HSA expects that Allied Universal Security will provide approximately 3,562 hours of labor per week, or a total of 77,177 hours over the five month contract extension. Using the hourly billing rate of $32.71[1], the estimated contract cost for the five month extension is $2,524,459. The contract modification also includes a contingency of

[1] The hourly billing rate of $32.71 includes hourly costs of $18.11 for base pay, $3.74 for taxes, $4.97 for benefits, $3.76 for overhead, and $2.13 for other costs.

$1,009,783, equivalent to estimated cost of two months of additional service. According to Ms. Leone, the contingency was included in case the new security contractor is unable to begin service on July 1, 2018, or in case HSA needs to pay for any overtime or holiday hours.[2] The breakdown of the cost estimate is shown in Table 1 below.

Table 1: Breakdown of Contract Extension Cost Estimate

	Estimated Hours	Straight Time Billing Rate	Estimated Security Costs
Extension (Five Months)	77,177	$32.71	$2,524,459
Contingency (Two Months)	30,871	32.71	1,009,783
Subtotal	**108,048**	**$32.71**	**$3,534,242**
Previous Contingency (Not Spent)			(274,265)
Total Additional Contract Authorization			**$3,259,977**

According to Ms. Leone, the contract is funded by a combination of City funds (55 percent) and State and Federal funds (45 percent). The State and Federal funds are provided by the California Department of Social Services, which receives funding from various Federal agencies, including the Department of Health and Human Services and the Department of Agriculture. HSA is reimbursed for these expenses on a quarterly basis. The City's General Fund Share of the contract is $14,334,258, or $1,792,987 for the additional amount authorized by the proposed resolution.

RECOMMENDATIONS

1. Amend the proposed resolution to correctly state the increase in the contract is $3,259,977, not $3,534,242 as stated in the resolution.

2. Approve the resolution, as amended.

[2] The Overtime/Holiday billing rate is $49.07 per hour, or 1.5 times the standard billing rate of $32.71 per hour.

Item 2 File 17-1218	Departments: Department of Public Health (DPH) Real Estate Division

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution authorizes and approves a license for a portion of the equipment room at Zuckerberg San Francisco General Hospital (ZSFGH) and Trauma Center, Building 25 at 1001 Potrero Avenue with AT&T Mobility National Accounts, LLC (AT&T), a Delaware limited liability company, at a monthly base rent of $5,000, which is waived while participating in the Distributed Antenna System and providing enhanced cellular services to staff, patients and visitors.

Key Points

- Building 25, the new trauma center at ZSFGH that opened in May 2016, is built with materials that block radio and cellular signals from reaching portions of the building including basement surgical and exam areas, elevators, stairwells, etc. To address this issue, the Department of Public Health (DPH) installed a Distributed Antenna System that enhances coverage through a series of in-building repeaters. The Distributed Antenna System supports a wide range of wireless, cellular, public safety, radio, and paging service providers. Various cellular and paging service providers were invited to install and maintain their own equipment under individual leases to enhance the coverage in ZSFGH.
- Under the proposed license, AT&T would install and maintain one rack, batteries and associated fiber cables and connections in the basement with associated wireless repeaters on each floor to the roof of Building 25 at ZSFGH.
- The proposed license is for an initial five years with automatic one year extensions, unless terminated by either party.
- This license was not competitively bid because DPH asked cellular companies to participate in the Distributed Antenna System in order to enhance cellular coverage for all users in ZSFGH. AT&T will be required to install and maintain their own equipment which will directly benefit the City, staff, patients and visitors of ZSFGH.

Fiscal Impact

- Base rent is $5,000 per month or $60,000 annually, with three percent annual increases. However, AT&T is exempt from making rent payments during the term of the proposed license to provide enhanced cellular service at ZSFGH for staff, vendors, patients and visitors. The City will also pay for janitorial, utilities and related services, estimated to cost approximately $3,708 per year, while the license agreement is in effect.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code Section 23.27 provides that lease agreements with a term of one year or longer or with rent of $5,000 or more and where the City is the landlord are subject to Board of Supervisors approval. Administrative Code Section 23.2 defines lease agreements to include subleases, licenses, permits or other similar instruments or other means of granting a right to occupy or use real property.

BACKGROUND

Building 25, the new trauma center at Zuckerberg San Francisco General Hospital (ZSFGH) located at 1001 Potrero Avenue opened in May 2016. ZSFGH was constructed with materials that block radio and cellular signals from reaching portions of the building including basement exam and surgical areas, elevators, stairwells, restrooms and the building's middle core. To address this issue, DPH installed a Distributed Antenna System that enhances coverage through a series of in-building repeaters and boosters. The Distributed Antenna System supports a wide range of wireless, cellular, public safety, radio, and paging services for fire, police and first responders as well as ZSFGH staff, patients, vendors and visitors.

The Department of Public Health (DPH) invited various paging and cellular companies to enter into individual leases with DPH to install and maintain their own equipment in ZSFGH in order to join the Distributed Antenna System to improve the cellular coverage within the building. On April 18, 2017 and September 19, 2017, the Board of Supervisors approved leases with

(1) American Messaging Services (File 17-0099; Resolution No. 128-17) to install two antennae and a satellite dish on the roof and power supply equipment in Building 25's equipment room;

(2) SPOK, Inc. (File 17-0100; Resolution No. 129-17) to install an antenna on the roof and power supply equipment in Building 25's equipment room; and

(3) T-Mobile West (File 17-0833; Resolution No. 350-17) to install one rack, router, batteries and associated fiber cables and connections in the basement of Building 25.

Ms. Claudia Gorham, Assistant Director of Real Estate advises that a similar lease with Verizon is currently being negotiated, which will be subject to Board of Supervisors approval, to further improve cellular and paging services at ZSFGH.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes and approves a new license[1] between DPH and AT&T Mobility National Accounts, LLC (AT&T), a Delaware limited liability company, to enter and use a portion of the equipment room at ZSFGH to install and maintain one rack, batteries and associated fiber cables and connections for AT&T to connect to the Distributed Antenna System to improve cellular coverage.

The terms of the proposed license are shown in the Table below.

Table: Summary of License Terms

License Period	Five years From approximately January 1, 2018 to December 31, 2023
Location and Size of Property	Building 25 - Basement Facilities Room, with connections to wireless repeaters on each floor and to the roof Approximately five square feet
Options to Extend License	One year automatic extensions at fair market value, with either party able to give 90-day notice not to extend.
Base Rent Paid by AT&T to DPH	$5,000 per month $60,000 per year
Annual Adjustments to Base Rent	3 percent
Janitorial and Utilities	To be paid by the City Estimated at $3,708 per year
Exemption from Paying Rent and Utilities	AT&T is exempt from paying rent, janitorial, utilities and other services while AT&T continues participation in the Distributed Antenna System (see Fiscal Impact Section below)

On August 24, 2016, the Planning Department determined that a lease, license or use of City property to install communications equipment is not subject to the California Environmental Quality Act (CEQA). On September 8, 2016, the Planning Department found that a lease, license or use of City property is consistent with the City's General Plan and Planning Code Section 101.1(b). Therefore, the proposed resolution includes a Board of Supervisors finding that the proposed license is consistent with the City's General Plan and Planning Code.

According to Ms. Gorham, the proposed license was not competitively bid because DPH asked cellular companies to participate in the Distributed Antenna System in order to enhance cellular

[1] Under the proposed resolution, the City would be entering into a license agreement rather than a lease agreement. This is because AT&T objected to the use of a lease agreement as AT&T believes it is not technically leasing anything, rather AT&T is simply putting their equipment in the ZSFGH building as a service to the City. As noted above, Section 23.2 of the City's Administrative Code defines leases to include licenses.

coverage for all users in ZSFGH. The proposed resolution states that competitive bidding procedures would be impractical given the City's invitation to numerous cellular companies to participate in the Distributed Antenna System at the cellular companies' own expense to install and maintain their own equipment and to benefit the City, staff, patients and visitors of ZSFGH who use AT&T's services. As noted above, in 2017 the Board of Supervisors approved three leases with American Messaging Services, SPOK and T-Mobile West (Files 17-0100, 17-0099 and 17-0833) to install paging and radio equipment on buildings at the ZSFGH campus with comparable provisions without undergoing a competitive bidding process.

FISCAL IMPACT

According to Ms. Gorham, the rent amount is based on the City's minimum charge of $5,000 per month or $60,000 annually at other locations for a cellular antenna on City property. However, as noted in the Table above, AT&T would be exempt from paying rent and utilities and other service payments to DPH as long as AT&T is providing paging and cellular services to hospital users under the proposed license agreement. As noted above, the City will pay for utilities, janitorial and other services estimated to be approximately $3,708 per year, while the subject license agreement is in effect.

Ms. Gorham advises that the cost to AT&T to install, maintain and repair their own equipment plus the value of the enhanced cellular services for public safety employees, ZSFGH staff, patients, vendors and visitors at ZSFGH is equal to or greater than the basic rental rate plus utilities.

As noted above, the proposed license is for an initial term of five years, and then automatically extends annually, unless terminated by either party. However, if the City requires AT&T to exit the ZSFGH property during the initial four years, the City will be required to pay the cost to dismantle and remove the AT&T equipment. The estimated cost to dismantle the AT&T equipment is approximately $3,000.

RECOMMENDATION

Approve the proposed resolution.

Item 3 **File 17-1287**	**Department:** Real Estate Division

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution authorizes the Director of the Real Estate Division to negotiate with the California Department of Transportation (Caltrans) to execute lease agreements for Navigation Center sites

Key Points

- Two Caltrans sites are currently being considered by the City for lease and/or purchase: (1) 5th and Bryant Streets; and (2) Division Circle at 224-242 South Van Ness Avenue. The two sites would be used by the Department of Homelessness and Supportive Housing to operate two Navigation Centers.
- The proposed Navigation Center at the intersection of 5th and Bryant Streets would consist of a complex of modular trailer buildings that would be purchased and installed on-site to house/serve approximately 80 persons, and is slated to open in the Spring of 2018. The proposed Navigation Center at the Division Circle would provide an initial large tensile structure shelter to house/serve approximately 125 persons, and is slated to open in the Spring of 2018.

Fiscal Impact

- Initial construction costs at 5th and Bryant Streets are $4.2 million, and at Division Circle are $3.7 million, totaling $7.9 million. According to the Department, these costs are reasonable even though the sites will not be permanent because the City does not have lease costs for these two sites, which have rents of $12 per year per site in accordance with the California Government Code.
- Annual operating costs are estimated to be approximately $3.2 million at 5th and Bryant Street and $4.7 million at Division Circle or $7.9 million for both Navigation Centers. Sources of funds to pay initial construction and annual operating costs include (a) $12 million in the Department of Homelessness and Supportive Housing's FY 2017-18 and FY 2018-19 budgets, and (b) a $10 million grant from the California Department of Housing and Community Development.

Policy Consideration

- If the three Navigation Centers at 125 Bayshore Boulevard (File 17-1288, pending before the Board of Supervisors), 5th and Bryant Streets, and Division Circle are completed, an additional 333 temporary and emergency beds would be added to the existing 1,553 beds, for a total of 1,886 temporary and emergency beds, 686 of which would come from temporary Navigation Centers. These new beds would be offset by the closure of three existing Navigation Centers: 1950 Mission Street and 1515 South Van Ness are scheduled to close in 2018, and the Civic Center is scheduled to close in 2019. .

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code Section 23.26 provides that the Director of Real Estate has the authority to enter into leases with the City as the tenant, that are on a year-to-year basis or shorter and less than $15,000 per month. Longer term and more expensive leases are subject to the Board of Supervisors approval. City Administrative Code Section 23.3 also requires (1) Board of Supervisors approval of the purchase of real property by the City, including (2) an appraisal for the purchase of property exceeding $10,000 in fair market value and an appraisal review for the purchase of property exceeding $200,000 in fair market value.

BACKGROUND

The Board of Supervisors adopted an ordinance in March 2016, declaring the existence of a shelter crisis in San Francisco (File 16-0223), and reaffirmed these findings in May 2017 (File 17-0467). The City's 2017 Point-in-Time count estimated approximately 7,500 people are experiencing homelessness on any given night in San Francisco. The City has added approximately 350 Navigation Center beds over the past 2.5 years and 300 new permanent supportive housing units over the past year.

On December 12, 2017, the Board of Supervisors approved a resolution declaring a homeless shelter emergency, authorizing Public Works and the Department of Homelessness and Supportive Housing (HSH) to waive certain Administrative Code provisions in order to construct, improve or repair facilities and to provide services for persons experiencing homelessness (File 17-1256). This resolution is scheduled to sunset when a permanent emergency ordinance is enacted or on February 15, 2018, whichever comes first. An ordinance authorizing Public Works, the Department of Homelessness and Supportive Housing, and the Department of Public Health to enter into contracts for shelters and Navigation Center sites without competitive bidding and other municipal code requirements was introduced to the Board of Supervisors on January 9, 2018 (File 18-0032).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the Director of the Real Estate Division to negotiate with Caltrans for the purpose of executing purchase and sale or lease agreements to provide homeless services on Caltrans property to protect the health safety and welfare of people experiencing homelessness.

Under the proposed resolution, the Director of Real Estate would be authorized to enter into direct negotiations with Caltrans officials for the acquisition or lease of properties that are controlled by Caltrans underneath or adjacent to City freeways. If the negotiations are successful, the Director of Real Estate would then provide a copy of the contract to the Clerk of the Board within 30 days of the execution of the agreement for consideration and potential ratification by the Board of Supervisors.

Two Caltrans sites are currently being considered by the City for lease and/or purchase:

(1) 5th and Bryant Streets; and

(2) Division Circle at 224-242 South Van Ness Avenue.

The two sites would be used by the Department of Homelessness and Supportive Housing to operate two Navigation Centers[1]. According to Mr. Updike, both of these sites are currently awaiting the City Planning Department's determinations for California Environmental Quality Act (CEQA) approvals. Depending on negotiations with Caltrans, lease and construction could commence as early as February 2018. Construction of facilities is estimated to take four to five months, or approximately to July 2018.

5th and Bryant Streets

The proposed Navigation Center at the intersection of 5th and Bryant Streets would consist of a complex of modular trailer buildings that would be purchased and installed on-site to serve as dormitories, restrooms, showers, laundry, community room and offices to serve persons experiencing homelessness. As shown in Attachment 1, provided by Mr. Edgar Lopez, Public Works Deputy Director, the proposed 5th and Bryant Street site is 21,550 square feet, with the trailers comprising 7,520 square feet or 35 percent of the property. This Navigation Center is estimated to house/serve approximately 80 persons and is slated to open in the Spring of 2018.

Division Circle

The proposed Navigation Center at the Division Circle at 224-242 South Van Ness Avenue site would provide an initial large tensile structure that includes a dormitory, showers, restroom, laundry, community/dining room and offices to serve persons experiencing homelessness. As shown in Attachment 2, provided by Mr. Lopez, the proposed Division Circle site includes 60,000 square feet with tent sites comprising 13,500 square feet or approximately 23 percent of the property. This Navigation Center is estimated to house/serve approximately 125 persons and is slated to open in the Spring of 2018. While the site would initially include portable shower and restroom facilities, Public Works plans to install modular shower and restroom facilities and underground utility connections.

FISCAL IMPACT

Lease Costs

Section 104.16 of the California Streets and Highway Code (recently amended via AB 857) provides that any airspace under a freeway or real property acquired for highway purposes in the City and County of San Francisco (City), that is not excess property, shall be offered for lease on a right of first refusal to the City for purposes of an emergency shelter or feeding program or for park, recreational or open space purposes. If for emergency shelter or feeding program, the lease cost is $1 per month. As noted above, the Director of Real Estate has the authority to enter into leases for the City as tenant that are on a year-to-year basis or shorter and less than $15,000 per month. Therefore, if Real Estate is able to negotiate a successful lease with

[1] Navigation centers provide shelter and services to homeless individuals. Navigation centers differ from traditional shelters in that they have few barriers to entry and provide intensive case management to assist individuals in accessing appropriate services.

Caltrans for use as an emergency shelter or feeding program, the cost to the City would be $1 per month per parcel, or $12 per year per parcel.

According to Mr. Updike, the proposed leases between the City and Caltrans for the 5th and Bryant Street and Division Circle sites would be annual self-renewing leases for up to several years at the City's option.

Site Development Costs

Based on information provided by Mr. Lopez, the costs to develop each of the two proposed sites are shown in the Table below.

Table: Estimated Costs to Immediately Develop Two Proposed Homeless Shelter Sites

	5th and Bryant	**Division Circle**	**Total**
Site preparation and construction	$755,000	$600,000	$1,355,000
Dormitory Tent includes slab, HVAC & electric	-	975,000	975,000
Community Room/Services Tent slab, HVAC & electric	-	700,000	700,000
Permanent utilities	420,000	-	420,000
Temporary electrical power	139,500	-	139,500
Lease of portable restrooms, showers, generator (6 mos.)	-	252,000	252,000
Purchase of modular buildings	1,420,000	-	1,420,000
Subtotal Construction	2,734,500	2,527,000	5,261,500
Construction contingency (10%)	273,450	252,700	526,150
Construction Total	3,007,950	2,779,700	5,787,650
Design, engineering, oversight and fees (15%)	451,193	416,955	868,148
Furniture, fixtures and equipment (FF&E)	350,000	200,000	550,000
Project Subtotal	3,809,143	3,396,655	7,205,798
Project Contingency Reserve (10%)	380,914	339,666	720,580
Total Project Costs	**$4,190,057**	**$3,736,321**	**$7,926,378**

Source: Public Works

Division Circle Construction Costs

Public Works will lease portable restrooms, showers, and generator for six months for the Division Circle site, as shown in the Table above, during which time Public Works will install modular shower and restroom buildings and complete construction of underground utilities. The initial construction costs for Division Circle in FY 2017-18 are $3,736,321. Public Works estimates additional costs of $870,293 to install modular shower and restroom buildings and underground utilities, for total estimated costs of $4,606,613.

Reuse of Modular Structures

The City may lease the 5th and Bryant Street and Division Circle sites from Caltrans for up to several years at the City's option as noted above. According to Mr. Updike, the modular trailers, tents and some of the fixtures and equipment may be reused at other sites.

Sources of Funds

The Department of Homelessness and Supportive Housing's FY 2017-18 includes $4,000,000 and FY 2018-19 budget includes $8,000,000, totaling $12,000,000, for new navigation or resource centers, which will be a source of funds for the estimated construction costs for the 5th and Bryant Street and Division Circle sites of $7,926,378 (see Table above). In addition, legislation to accept a $10 million grant from the California Department of Housing and Community Development for the expansion of Navigation Centers is pending before the Board of Supervisors (File 18-0055).

Ongoing Operating Costs

The two proposed Navigation Centers at 5th and Bryant Streets and the Division Circle at 246 South Van Ness Avenue would be operated by non-profit providers. Based on operating costs at existing Navigation Centers in the City, Ms. Gigi Whitley, HSH Deputy Director for Administration and Finance, estimates that annual costs to operate the centers, including security, meals, and client services, would be approximately $3.2 million at 5th and Bryant Streets, and $4.7 million at Division Circle, or $7.9 million for both centers.

POLICY CONSIDERATION

Department of Homelessness and Supportive Housing Navigation Centers

The Department of Homelessness and Supportive Housing oversees four operating Navigation Centers: 1515 South Van Ness Avenue, 1950 Mission Street, the Central Waterfront site, and the Civic Center. The Navigation Centers are not permanent sites. According to Ms. Whitley, the Department currently utilizes sites for Navigation Centers on an interim basis, some of which have been designated for other permanent uses such as market rate and affordable housing. The existing four Navigation Center sites have terms of use ranging from approximately nine months for 1515 South Van Ness up to three years and eight months for 1950 Mission Street. According to Ms. Whitley, the Department prefers a mix of short- and long-term Navigation Centers to meet emergency shelter needs, with a preference for sites to be available for at least three years.

According to Ms. Whitley, the estimated tenant improvement costs to the City for the two proposed Navigation Centers at 5th and Bryant Streets and Division Circle, totaling $7.9 million, are reasonable even though the sites will not be permanent because the City does not have lease costs for these two sites, which have rents of $12 per year per site.

Total Department of Homelessness and Supportive Housing Navigation Center Beds

If the three Navigation Centers at 125 Bayshore Boulevard (File 17-1288, pending before the Board of Supervisors), 5th and Bryant Streets, and Division Circle are completed, an additional

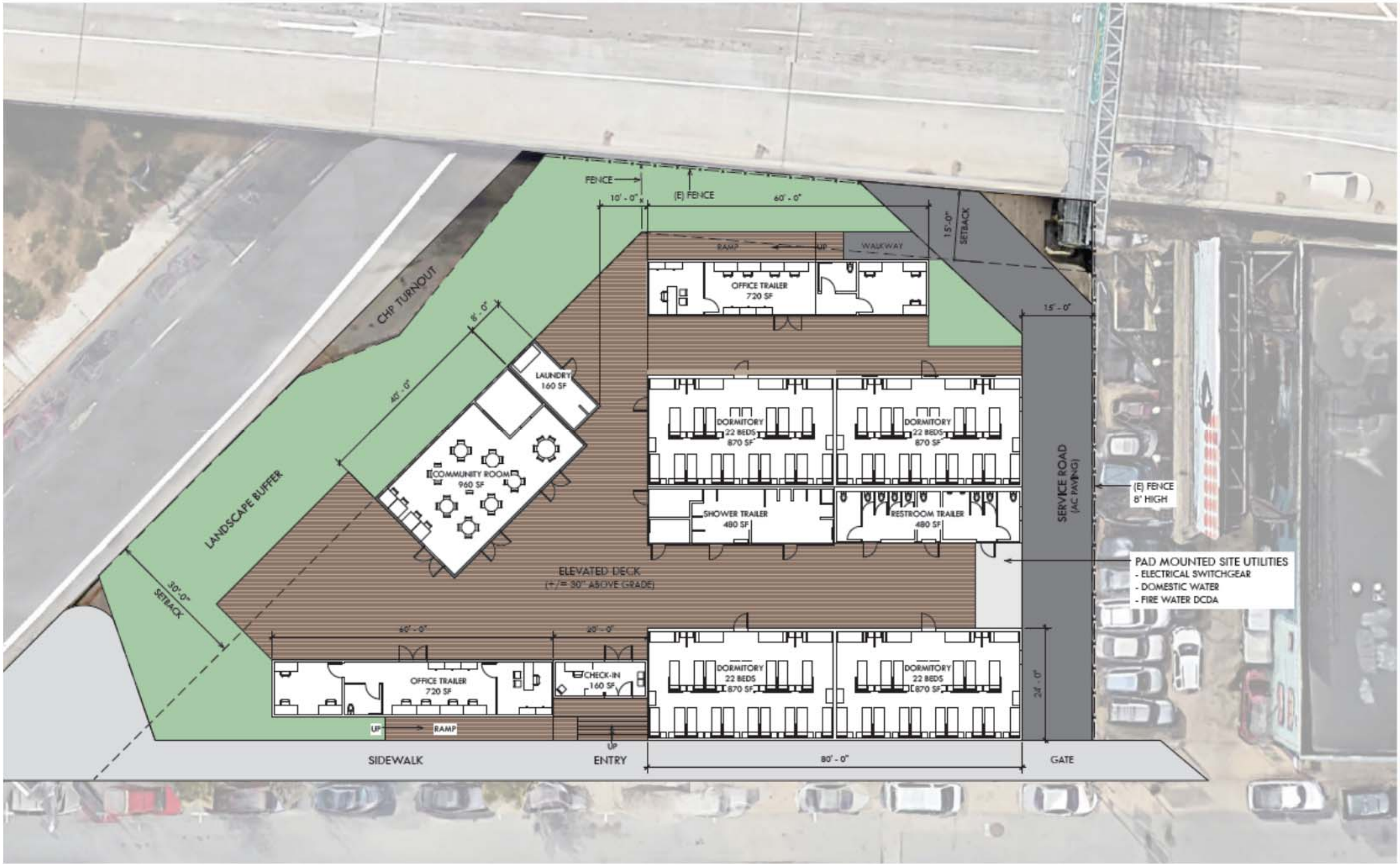
333 temporary and emergency beds would be added to the existing 1,553 beds, for a total of 1,886 temporary and emergency beds, 686 of which would come from temporary Navigation Centers.

As noted above, the four existing Navigation Centers are temporary. Two Navigation Centers, 1950 Mission Street and 1515 South Van Ness, are scheduled to close in 2018, and a third Navigation Center, Civic Center, is scheduled to close in 2019. The three Navigation Centers currently have a combined 288 temporary and emergency beds. Central Waterfront is scheduled to close by June 2020.

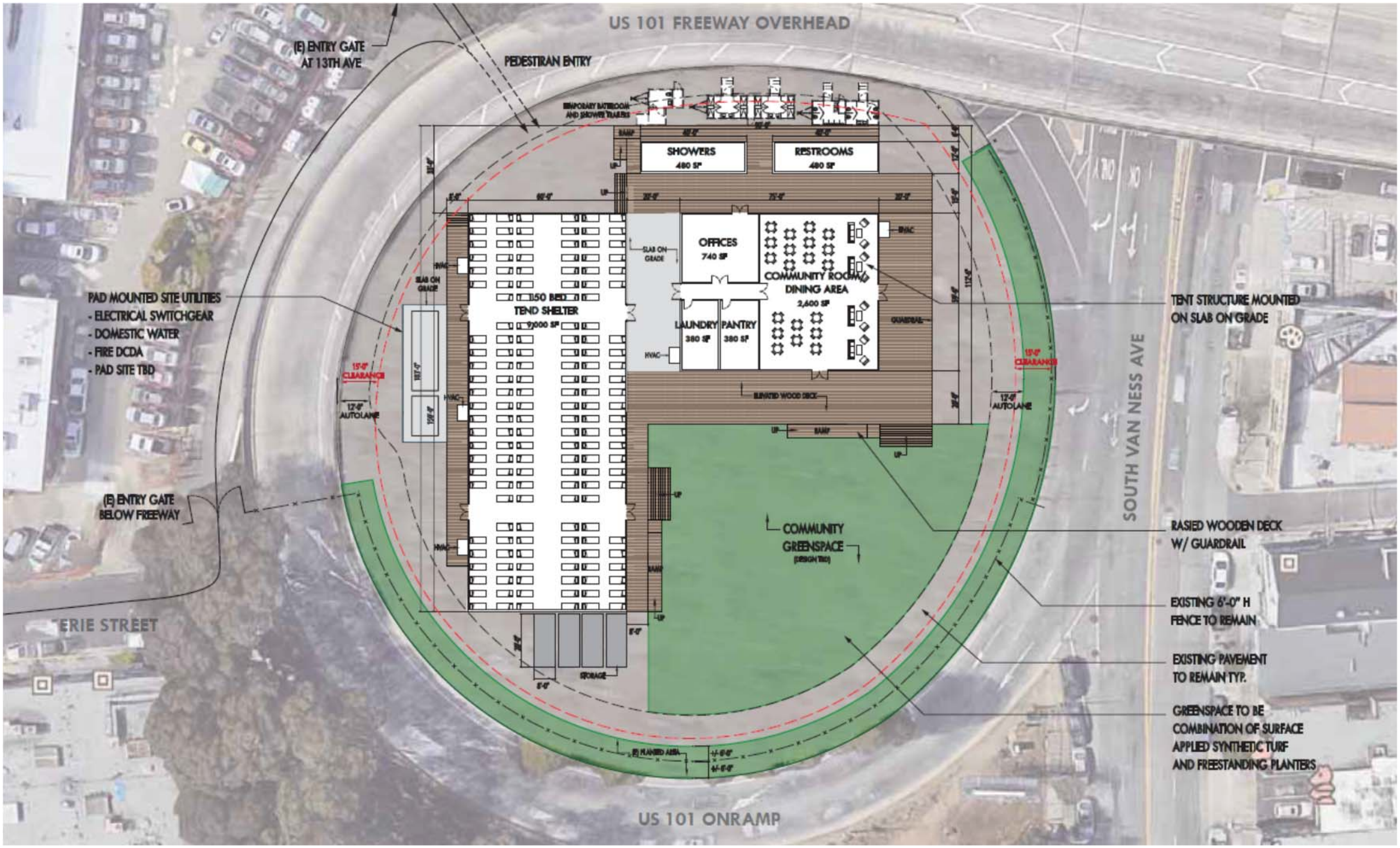
RECOMMENDATION

Approve the proposed resolution.

Attachment I: 5th and Bryant Streets Navigation Center Site



Attachment II: Division Circle Navigation Center Site



Items 4 and 5 **Files 18-0009 and 18-0010**	**Department:** San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- **File 18-0009:** The proposed resolution would approve the second modification of the property lease between the San Francisco International Airport (Airport) and American Airlines for the recapture by the Airport of land at Plot 40 of the SuperBay Hangar to accommodate the demand for the Airport's construction contractors' parking at the Airport, reducing the annual rent by $120,470.88 from $4,742,383.67 to $4,621,912.79 (retroactive to January 2017) with no change to the length of term. **File 18-0010:** The proposed resolution would approve the second modification of the property lease between the Airport and United Airlines for the exchange of land at Plot 40 of the SuperBay Hangar to accommodate the demand for the Airport's construction contractors' parking at the Airport, reducing the annual rent by $25,918.29 from $3,886,150.87 to $3,860,232.58 (retroactive to January 2017) with no change to the length of the term.

Key Points

- The City and County of San Francisco owns the SuperBay Hanger at the Airport, a hangar that is currently used by American Airlines and United Airlines for aircraft maintenance, and aircraft and employee parking. The purpose of the proposed modifications to the leases between the Airport and American Airlines and United Airlines is for the Airport to increase parking space for the employees of the Airport's construction contractors.
- According to the Airport, United Airlines' exchange of land at Plot 40 is contingent on American Airlines relinquishing a portion of their leasehold per the second modification because the land United Airlines will occupy after the exchange is land American Airlines currently leases. The second modification for the American Airlines and United Airlines leases are retroactive to January 2017 because of a delay due to negotiations with the airlines, legal review, and the holiday season after the Airport Commission rescission of the first modification and approval of the second modification in January 2017.

Fiscal Impact

- The proposed second modification of the lease between the Airport and American Airlines for the recapture of 1.19 acres would reduce the annual rent by $120,470.88 from $4,742,383.67 to $4,621,912.79 effective January 2017 (File 18-0009). The proposed second modification of the lease between the Airport and United Airlines for the recapture of 1.48 acres in exchange for 1.26 acres would reduce the annual rent by $25,918.29 from $3,886,150.87 to $3,860,232.58 effective January 2017 (File 18-0010).
- Total estimated revenue loss to the Airport is $386,287.72 over the remaining terms of the two leases. The Airport estimates savings of $1,039,091 through the recapture of leased space by the Airport to be used by construction contractors' employees for parking, which exceed the estimated revenue loss.

Recommendation

- Approve the proposed resolutions.

MANDATE STATEMENT

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

BACKGROUND

The City and County of San Francisco owns the SuperBay Hanger at the San Francisco International Airport (Airport), a hangar that is currently used by American Airlines and United Airlines for aircraft maintenance, and aircraft and employee parking. In October 2013, the Board of Supervisors approved a new lease between the Airport and American Airlines for a term of three years from approximately November 1, 2013 through October 31, 2016 with two one-year options extending the lease through approximately October 31, 2018 (File 13-0777). In April 2004, the Board of Supervisors approved an ordinance authorizing settlement between the Airport and United Airlines, as parties to the Cure Stipulation Agreement (File 04-0321), wherein United Airlines assumed a lease with the Airport for a term of nine years and one month from approximately June 1, 2004 through June 30, 2013 with one ten-year option to extend the lease through approximately June 30, 2023.

DETAILS OF PROPOSED LEGISLATION

File 18-0009: The proposed resolution would approve the second modification of the property lease between the Airport and American Airlines for the recapture by the Airport of land at Plot 40, the location of the SuperBay Hangar, to accommodate the demand for the Airport's construction contractors' parking at the Airport. Terms and conditions of the proposed second modification include the following:

1) Reduce the portion of land at Plot 40 used for American Airline's employee parking by approximately 1.19 acres, from approximately 6.18 acres to approximately 4.99 acres; and

2) Reduce the annual rent by $120,470.88 from $4,742,383.67 to $4,621,912.79 (retroactive to January 2017) with no change to the length of term, to commence on the first day of the month following Board of Supervisors approval.

File 18-0010: The proposed resolution would approve the second modification of the property lease between the Airport and United Airlines for the exchange of land at Plot 40, the location of the SuperBay Hangar, to accommodate the demand for the Airport's construction contractors' parking at the Airport. Terms and conditions of the proposed second modification include the following:

1) Recapture by the Airport of the portion of land at Plot 40 used for United Airline's employee parking comprised of approximately 1.48 acres and provide to United Airlines, in exchange, a parcel of land comprised of approximately 1.26 acres at Plot 40 for a reduction of 0.22 acres; and

2) Reduce the annual rent by $25,918.29 from $3,886,150.87 to $3,860,232.58 (retroactive to January 2017) with no change to the length of the term, to commence on the first day of the month following Board of Supervisors approval.

The Airport's Requirements for Increased Parking

The purpose of the proposed modifications to the respective leases between the Airport and American Airlines and United Airlines is for the Airport to increase parking space for the employees of the Airport's construction contractors. According to Ms. Diane Artz, Senior Property Manager at the Airport, the Airport is undertaking a Capital Improvement Plan that requires the Airport to enter into multiple construction contracts. In an effort to control the costs of the various Capital Improvement Plan projects, the Airport determined that by providing vehicle parking for the construction contractors, costs related to wages and off Airport parking may decrease by approximately $1,039,091 per year.[1] The future demand for contractor parking is projected to continue for the entirety of the 5-year Capital Improvement Plan implementation.

As part of the Airport's effort to increase parking space for construction contractors' employees, the Airport Commission approved the first modification to United Airlines' lease in September 2016, which would have modified the premises by an exchange of approximately 1.48 acres of land at Plot 40 of the SuperBay Hangar for approximately 1.3 acres of an adjacent parcel of land. The Commission also approved a related first modification to American Airlines' lease for the recapture by the Airport of approximately 1.69 acres of land at Plot 40 of the SuperBay Hangar used for American Airlines' employee parking.

In October 2016, due to the presence of high mast lighting in the American Airlines' parking lot which required relocation, the original recapture parcel was deemed unfeasible. In December 2016, a revised recapture parcel in the American Airlines' parking lot, comprised of approximately 1.19 acres at Plot 40, was identified, with the revision impacting the exchange parcel under the United Airlines' lease.[2] The first modifications to the American Airlines' and United Airlines' leases were subsequently rescinded by Airport Commission Resolution 17-0012 and adopted January 17, 2017.

According to Ms. Artz, United Airlines' exchange of land at Plot 40 is contingent on American Airlines relinquishing a portion of their leasehold per the second modification because the land United Airlines will occupy after the exchange is land American Airlines currently leases.

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[1] Ms. Artz states that the contractor parking lot created at Plot 41, which is contingent on the proposed lease modifications, can accommodate approximately 344 stalls, potentially saving the Airport approximately $1,039,091 per year.

[2] According to Ms. Artz, the original reconfiguration per the first modification required the relocation of 1-2 high mast light poles in the American Airlines parking lot in order to accommodate the required turning radius of large trucks that deliver goods to American Airlines. Based on the field inspection by the SFO electric shop, it was determined that relocation of these poles would be difficult and might trigger a larger scope of work due to unforeseen conditions, given the age of the infrastructure.

Modified Lease Terms

According to Ms. Artz, the second modification for the American Airlines and United Airlines leases are retroactive to January 2017 because of a delay due to negotiations with the airlines, legal review, and the holiday season after the Airport Commission rescission of the first modification and approval of the second modification in January 2017.

Table 1 below summarizes the major terms and provisions of the proposed American Airlines (File 18-0009) and United Airlines (File 18-0010) leases.

Table 1: Summary of Proposed American Airlines and United Airlines Lease Provisions

	American Airlines (File 18-0009)	United Airlines (File 18-0010)
Existing End Date	October 31, 2018	June 30, 2023
Change to Lease Terms	4.99 acres reduced from 6.18 acres for employee vehicle parking	18.4 acres reduced from 18.62 acres for aircraft parking and maintenance and employee parking (1.26 acres reduced from 1.48 acres for employee vehicle parking included in this acreage)
Annual Rent	Reduction in rent by $120,470.88, from $4,742,383.67 to $4,621,912.79 retroactive to January 2017	Reduction in rent by $25,918.29 from $3,886,150.87 to $3,860,232.58 retroactive to January 2017
Annual Rent Increase	Based on CPI	Based on CPI

FISCAL IMPACT

The proposed second modification of the property lease between the Airport and American Airlines for the recapture of 1.19 acres would reduce the annual rent by $120,470.88 from $4,742,383.67 to $4,621,912.79 effective January 2017 (File 18-0009).

The proposed second modification of the property lease between the Airport and United Airlines for the recapture of 1.48 acres in exchange for 1.26 acres would reduce the annual rent by $25,918.29 from $3,886,150.87 to $3,860,232.58 effective January 2017 (File 18-0010).

According to Ms. Artz, the rent reductions for both of the leases were calculated based on a rate times quantity calculation. For the American Airlines lease, a rate of $101,236.03/acre/year[3] was multiplied by 6.18 acres (before the proposed modification) and 4.99 acres (after the proposed modification). For the United Airlines lease, a rate of

[3] This is based on the 2013 appraised fair market value rate adjusted by CPI annually to arrive at the November 2016 rate of $101,236.03/acre/year.

$2.70/square foot/year[4] was multiplied by 811,087 square feet (before the proposed modification) and 801,504 square feet (after the proposed modification).

Table 2 below shows the estimated amount of revenue loss to the Airport as a result of the rent reduction of $120,470.88 over the remaining term of the American Airlines lease through October 2018.

Table 2. Total Revenue Loss for American Airlines Lease (File 18-0009).

Lease Year	Rent Reduction Amount[5]
November 2016 to October 2017	$120,470.88
November 2017 to October 2018	$124,085.01
Total Amount	**$244,555.89**

Table 3 below shows the estimated amount of revenue loss to the Airport as a result of the rent reduction amount of $25,918.29 over the remaining term of the United Airlines lease through June 2023.

Table 3. Total Revenue Loss for United Airlines Lease (File 18-0010)

Lease Year	Rent Reduction Amount[6]
FY 2017-18	$25,918.29
FY 2018-19	$26,695.84
FY 2019-20	$27,496.71
FY 2020-21	$28,321.62
FY 2021-22	$29,171.26
FY 2022-23	$30,046.40
Total Amount	**$141,731.83**

Total estimated revenue loss to the Airport is $386,287.72 over the remaining terms of the two leases. As noted above, the Airport estimates savings of $1,039,091 per year through the recapture of leased space by the Airport to be used by construction contractors' employees for parking, which exceed the estimated revenue loss. According to Ms. Artz, no further rent reductions are expected for the American Airlines and United Airlines leases.

RECOMMENDATION

Approve the proposed resolutions.

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[4] This is based on the 2012 appraised fair market value rate adjusted by CPI annually to arrive at the July 2016 rate of $2.70/square foot/year.

[5] Assumes a 3% CPI annual increase

[6] Assumes a 3% CPI annual increase but disregards the 5-year reappraisal of fair market value not yet available