

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 11, 2018 Budget and Finance Committee Meeting

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Item 2 File 17-1177	Department: Civil Service Commission (CSC) Office of Labor Standards Enforcement (OLSE)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would fix prevailing wage rates for employees of businesses having City contracts that (1) perform public works and improvement projects, (2) perform janitorial or window cleaning services, (3) work in public off-street parking lots, garages, or storage facilities for vehicles on property owned or leased by the City, (4) engage in theatrical or technical services related to the presentation of shows on property owned or leased by the City, (5) haul solid waste, (6) perform moving services at facilities owned or leased by the City, and (7) perform exhibit, display or trade show work at special events in the City, (8) work in broadcast services on City property, (9) drive, load, or unload commercial vehicles on City property in connection with shows or special events, (10) perform security guard services, and (11) perform motor bus services. <p>Key Points</p> <ul style="list-style-type: none"> • The proposed resolution would establish the following changes to prevailing wage rates: (1) construction employees would receive wage rates that vary by classification, from no change to an increase of \$2.80 per hour; (2) janitorial employees would receive a wage rate increase depending on classification ranging from \$1.15 to \$2.05 per hour, and window cleaners would receive a wage rate increase of \$0.65 per hour; (3) garage and parking lot employees would receive a wage rate increase depending on classification from \$1.00 to \$2.30 per hour; (4) theatrical employees would receive a wage rate increase depending on classification from \$0.88 to \$5.79 per hour; (5) solid waste haulers would receive a wage rate increase depending on classification ranging from \$1.18 to \$1.48 per hour; (6) employees performing moving services would receive a wage rate increase of \$0.30 per hour; (7) employees performing trade show work would receive a wage rate increase depending on classification ranging from \$0.44 to \$0.89 per hour; (8) broadcast employees would not receive a wage rate change, (9) loaders and unloaders would receive a wage rate increase depending on classification ranging from \$1.00 to \$1.15 per hour, and (10) security guards would not receive a wage rate increase. This is the first year the Board of Supervisors is setting prevailing wage rates for motor bus drivers. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • Potential increased costs to the City depend on future City contractor bids and the extent to which City contractors increase the bids submitted to the City to pay for the costs of the increased prevailing wages rates. <p>Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed resolution is a policy decision for the Board of Supervisors. 	

MANDATE STATEMENT

Charter Section A7.204 requires contractors that have public works or construction contracts with the City to pay employees the highest general prevailing rate of wages for similar work in private employment. The Charter allows the Board of Supervisors to exempt payment of the prevailing wage for wages paid under public works or construction contracts between the City and non-profit organizations that provide workforce development services.

Administrative Code Section 22(E)(3) requires the Board of Supervisors to annually set prevailing wage rates for employees of businesses having City contracts. Table 1 below identifies the (a) specific Administrative Code Sections, (b) the dates each Administrative Code Section was last amended by the Board of Supervisors, and (c) the types of City contracts, leases, and/or operating agreements in which the businesses are required to pay prevailing wages.

Table 1: List of City Contractors Required to pay the Annual Prevailing Wage

Administrative Code	Date of Most Recent Amendment	Type of Contract
Section 6.22 (E)	May 19, 2011	Public works or construction
Section 21C.1	January 7, 2011	Motor bus services
Section 21C.2	May 28, 2014	Janitorial and window cleaning services
Section 21C.3	May 28, 2014	Public off-street parking lots, garages and vehicle storage facilities
Section 21C.4	February 2, 2012	Theatrical performances
Section 21C.5	February 2, 2012	Solid waste hauling services
Section 21C.6	February 2, 2012	Moving services
Section 21C.8	June 19, 2014	Trade show and special event work
Section 21C.9	February 10, 2016	Broadcast service workers on City property
Section 21C.10	October 14, 2016	Loading, unloading and driving commercial vehicles on City property
Section 21C.11	October 18, 2016	Security guard services in City contracts and for events on City property

BACKGROUND

Each year, the Board of Supervisors is required to establish the prevailing wage rates that businesses having contracts with the City are required to pay in construction, janitorial, parking, theatrical, motor bus service, solid waste hauling service, moving, and trade show employees, broadcast service workers on City property, loading, unloading and driving commercial vehicles on City property, and security guard services.

To assist the Board of Supervisors in determining the prevailing wage rates, the Civil Service Commission is required to furnish the Board of Supervisors, on or before the first Monday of

November of each year, relevant prevailing wage rate data. The Civil Service Commission submitted the report to the Board of Supervisors on October 6, 2017.

Administrative Code Section 6.22(E) states that the Board of Supervisors is not limited to the data submitted by the Civil Service Commission to determine the prevailing wage rates for public works construction, but may consider other information on the subject as the Board of Supervisors deems appropriate. If the Board of Supervisors does not adopt the prevailing wage rates, the wage rates established by the California Department of Industrial Relations for the year will be adopted.

The Civil Service Commission's relevant prevailing wage rate data provided to the Board of Supervisors is based on a survey by the City's Office of Labor Standards Enforcement and includes collective bargaining agreements that have recently been negotiated.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would fix prevailing wage rates for employees of private businesses having the following contracts, leases, or operating agreements with the City:

- Public works and improvement project contracts,
- Janitorial services contracts,
- Public off-street parking lots, garages, or storage facilities for vehicles on property owned or leased by the City,
- Theatrical or technical services related for shows on property owned or leased by the City,
- Hauling of solid waste generated by the City in the course of City operations,
- Moving services under City contracts at facilities owned or leased by the City,
- Exhibit, display or trade work show services at a special event on City-owned property,
- Broadcast services on City property,
- Loading, unloading, and driving of commercial vehicles on City property in connection with shows or special events,
- Security guard services, and
- Motor bus services.¹

The Administrative Code requires that the Civil Service Commission provide prevailing wage data to the Board of Supervisors that includes both the basic hourly wage rate and the hourly rate of each fringe benefit, including medical and retirement benefits.

- Prevailing wage rates for various crafts and labor classifications under public works projects are established by the California Department of Industrial Relations, usually based on collective bargaining agreements that cover the employees performing the relevant craft or type of work in San Francisco.

¹ This is the first time the Board of Supervisors will be setting a prevailing wage rate for motor bus services. The Civil Service Commission made a recommendation regarding the rates in October 2017.

- Prevailing wage rates for contracts for other services and classifications covered by the Administrative Code, as recommended by the Civil Service Commission, are based on the collective bargaining agreements that cover work performed in San Francisco between employers and the respective labor unions.

Attachment I to this report provides an alphabetical list of all crafts covered by the City's prevailing wage rate requirements.

FISCAL IMPACT

Attachment II to this report, prepared by the Budget and Legislative Analyst, summarizes (a) the types of contracts, leases, or operating agreements required to pay prevailing wages, (b) the respective collective bargaining agreements and labor unions, (c) the amount of the hourly wage rate increases in 2018 as compared to 2017, (d) the amount of the hourly fringe benefit rate increases in 2018 as compared to 2017, and (e) the proposed prevailing hourly wage rates.

Potential impact on the costs of future contractor bids

Under the proposed resolution, private businesses that have contracts with the City, and perform public works construction, janitorial services, parking, theatrical, moving, solid waste hauling services, trade show work, broadcasting services, loading and unloading, security guard services, and motor bus services in San Francisco, would be required to pay their employees at least the prevailing wage rates as shown in Attachment II of the report. Increases in the prevailing wage rates could result in increased costs of future City contracts. However, any increased contract costs to the City as a result of the proposed prevailing wage rates are dependent on future City contractors' bids, and the extent to which such higher wage rates result in higher bids submitted by City contractors. Therefore, such potential increased costs to the City cannot be estimated at this time.

RECOMMENDATION

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

List of the Crafts Covered by Prevailing Wage Requirements

Asbestos Removal Worker (Laborer)	Parking Lot and Garage Workers
Asbestos Worker, Heat and Frost Insulator	Pile Driver (Carpenter)
Boilermaker-Blacksmith	Pile Driver (Operating Engineer - Building Construction)
Broadcast Services Workers	Pile Driver (Operating Engineer - Heavy and Highway Work)
Brick Tender	Plaster Tender
Bricklayer, Blocklayer	Plasterer
Building/Construction Inspector	Plumber
Carpenter and Related Trades	Roofer
Carpet, Linoleum	Security Guards
Cement Mason	Sheet Metal Worker (HVAC)
Dredger (Operating Engineer)	Slurry Seal Worker
Drywall Installer (Carpenter)	Solid Waste Hauling Workers
Electrical Utility Lineman	Stator Rewinder
Electrician	Steel Erector and Fabricator (Operating Engineer - Heavy & Highway Work)
Elevator Constructor	Steel Erector and Fabricator (Operating Engineer - Building Construction)
Field Surveyor	Teamster
Furniture Movers and Related Classifications	Telecommunications Technician
Glazier	Telephone Installation Worker
Iron Worker	Terrazzo Finisher
Janitorial Services Worker	Terrazzo Worker
Janitorial Window Cleaner Workers	Theatrical Workers
Laborer	Tile Finisher
Landscape Maintenance Laborer	Tile Setter
Light Fixture Maintenance	Trade Show and Special Event Workers
Loaders and Unloaders	Traffic Control/Lane Closure (Laborer)
Marble Finisher	Tree Maintenance (Laborer)
Marble Mason	Tree Trimmer (High Voltage Line Clearance)
Metal Roofing Systems Installer	Tree Trimmer (Line Clearance)
Modular Furniture Installer (Carpenter)	Tunnel Worker (Laborer)
Motor Bus Driver	Tunnel/Underground (Operating Engineer)
Operating Engineer	Water Well Driller
Operating Engineer (Building Construction)	
Operating Engineer (Heavy and Highway Work)	
Painter	
Parking and Highway Improvement Painter (Painter)	

Type of Contract, Lease, or Operating Agreement	Collective Bargaining Agreement and/or Labor Union	Hourly Wage Rate Increase/ Decrease in 2018 compared to 2017	Hourly Fringe Benefits Rate Increase/ Decrease in 2018 compared to 2017	Proposed Prevailing Wage Rates (Hourly Wage Rate + Hourly Fringe Benefit Rate)
Public Works and Construction	California Department of Industrial Relations	Varies by classification, ranging from no increase for certain marble finishers, marble masons, metal deck and siding workers, water well drillers, and pump installers to an increase of \$2.80 per hour for sprinkler fitters.	Varies by classification, ranging from a decrease of \$2.00 for certain plumbers, steamfitters, and air conditioning and refrigeration/HVAC service workers to an increase of \$2.20 for tile setters.	<p>Varies by classification:</p> <ul style="list-style-type: none"> The low wage rate increases from \$14.88 to \$15.00 per hour for water well driller helpers. The high wage is unchanged at \$113.94 per hour for plumbers, steamfitters, and air conditioning and refrigeration/HVAC service workers.
Janitorial Services Contract	Collective bargaining agreement between the San Francisco Maintenance Contractors Association and the Service Employees International Union, Building Services Employees Union, Local 1877, Division 87.	Varies by classification, from an increase of \$1.15 to an increase of 2.05.	Varies by classification, from a decrease of \$0.96 to an increase of \$1.90.	<p>Varies by classification:</p> <ul style="list-style-type: none"> The low wage increases from \$23.51 to \$24.09 per hour. The high wage increases from \$30.65 to \$34.09 per hour.
Window Services Contract	Collective bargaining agreement between the San Francisco Window Cleaning Contractors Association and Window Cleaners Union – Service Employees International Union Local 1877, AFL-CIO	An increase of \$0.65 per hour.	Increase of \$0.59 per hour.	<p>Varies by classification:</p> <ul style="list-style-type: none"> The low wage increases from \$36.14 per hour to \$37.38 per hour. The high wage increases from \$39.11 per hour to \$40.36 per hour.
Public Off-Street Garage Attendants	Collective Bargaining Agreement between the Parking and Garage Industry San Francisco and San Mateo Counties and Teamsters Automotive and Allied Workers, Local 665.	Varies by classification, from an increase of \$1.00 per hour to an increase of \$2.30 per hour.	Varies by classification, from a decrease of \$5.36 per hour to an increase of \$1.18 per hour. ¹	<p>Varies by classification:</p> <ul style="list-style-type: none"> The low wage decreases from \$23.32 per hour to \$19.96 per hour. The high wage increases from \$35.82 per hour to \$39.22 per hour.

¹ Decrease is due to new employees not receiving health benefits until completing six months of service. City contractors are required to provide benefits to employees in accordance with the Health Care Accountability Ordinance.

Type of Contract, Lease, or Operating Agreement	Collective Bargaining Agreement and/or Labor Union	Hourly Wage Rate Increase/ Decrease in 2018 compared to 2017	Hourly Fringe Benefits Rate Increase/ Decrease in 2018 compared to 2017	Proposed Prevailing Wage Rates (Hourly Wage Rate + Hourly Fringe Benefit Rate)
Theatrical Services	2016 Project Collective Bargaining Agreement - International Alliance of Theatrical Stage Employees, Local 16, and Moving Picture Technicians, Artists and Allied Crafts, and Canada Local 16	Varies by classification, from an increase of \$0.88 per hour to an increase of \$5.79 per hour.	Varies by classification, from an increase of \$0.38 per hour to an increase of \$2.43 per hour.	Varies by classification: -The low wage increases from \$50.40 per hour to \$51.66 per hour. -The high wage increases from \$328.92 per hour to \$337.14 per hour.
Solid Waste Hauling	Collective Bargaining Agreement between Recology Sunset & Recology Golden Gate and Sanitary Truck Drivers and Helpers Union Local 350, IBT	Varies by classification, from an increase of \$1.18 per hour to an increase of \$1.48 per hour.	Varies by classification from a decrease of \$0.95 to \$0.97 per hour. (Does not include vacation benefits which vary based on length of employment)	Varies by classification: -The low wage rate increases from \$63.83 to \$64.04 per hour. -The high wage rate increases from \$76.19 to \$76.81 per hour.
Moving Services	Collective Bargaining Agreement between the Northern California employers and the Northern California Regional Council of Carpenters and the Carpenters 46 Northern California Counties Conference Board.	An increase of \$0.30 per hour	An Increase of \$0.31 per hour.	Varies by classification: -The low wage rate increases from \$32.57 to \$33.18 per hour. -The high wage rate increases from \$32.84 to \$33.45 per hour
Trade Shows	Collective Bargaining Agreement, between the Convention Services Employer and Allied Trades District Council 36 on behalf of Sign Display and Allied Crafts Local Union 510	Varies by classification from an increase of \$0.44 per hour to an increase of \$0.89 per hour.	Varies by classification from an increase of \$0.10 per hour to an increase of \$0.66 per hour.	Varies by classification: -The low wage increases from \$34.47 to \$35.01 per hour. -The high wage increases from \$66.97 to \$68.52 per hour.
Broadcast service workers	Agreement between MIRA Mobile Television Inc. and KELLEYCORE d/b/a SAMMCO, and the International Alliance of Theatrical Stage Employees, Moving	No changes from 2017 to 2018. ²	No changes from 2017 to 2018.	Varies by classification: -The low total day rate (10 hour

² As of the writing of this report, the union has not provided a new agreement to the Office of Labor Standards.

	Picture Technicians, Artists, and Allied Crafts, AFL-CIO, CLC, and Local 119/ Bay Area Freelance Association				minimum call) is \$269.27 -The high total day rate (10 hour minimum call) is \$832.45
Type of Contract, Lease, or Operating Agreement	Collective Bargaining Agreement and/or Labor Union	Hourly Wage Rate Increase/ Decrease in 2018 compared to 2017	Hourly Fringe Benefits Rate Increase/ Decrease in 2018 compared to 2017	Proposed Prevailing Wage Rates (Hourly Wage Rate + Hourly Fringe Benefit Rate)	
Loaders and Unloaders	Collective Bargaining Agreement between Freeman Exposition Inc., GES/Global Experience Specialists, Curtin Convention & Exposition Services, Inc., and all other signatory employers within the greater San Francisco Bay Area and Teamsters Local 2785, Local 287 and Local 70	Varies by classification from an increase of \$1.00 per hour to an increase of \$1.15 per hour.	Varies by classification from an increase of \$0.30 per hour to an increase of \$0.32 per hour.	Varies by classification: -The low wage increases from \$59.72 to \$61.03 per hour. -The high wage increases from \$65.49 to \$66.96 per hour.	
Security Guard Services	Collective Bargaining Agreement between Security Employers and Services Employees International Union, United Services Workers West	No changes from 2017 to 2018. ³	No changes from 2017 to 2018.	Varies by classification: -The low wage is \$18.39 per hour. -The high wage is \$22.84 per hour.	
Motor Bus Services	Collective Bargaining Agreement between Bauer's Intelligent Transportation, Inc. and Teamsters Local Union No. 665	No change, as it is the first time the wage rate is set.	No change, as it is the first time the wage rate is set.	Varies by classification: -The low wage is \$25.20 per hour. -The high wage is \$34.00 per hour.	

³ As of the writing of this report, the union has not provided a new agreement to the Office of Labor Standards.

<p>Item 5 File 17-1282</p>	<p>Department: General Services Agency - Department of Public Works (DPW)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<p>The proposed ordinance appropriates \$300,000 of cigarette litter abatement fees to Public Works to fund a street cleaning program in FY 2017-18.</p>	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • The Street Environmental Services bureau of the Department of Public Works (Public Works) provides street cleaning services citywide. The department has zones that provide scheduled street sweeping, steam cleaning, manual cleaning, and litter control on pre-determined routes as well as based on service requests. There are six zones in the City; each zone generally covers two supervisor districts, with the exception of District 6, which is its own zone. There are also crews that focus on hot spots, encampments, alleys, and swing and night shift operations. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • The appropriation of \$300,000 would be drawn from the Cigarette Litter Abatement fund, which has a balance of \$4,945,357 as of January 4, 2018. • The funds would be used for temporary salaries for additional 9916 Public Service Aide – Public Works positions to conduct manual street cleaning throughout the City. The hourly rate for 9916 Public Service Aides, adjusted for mandatory fringe benefits and department overhead, is \$33.41. The appropriation of \$300,000 would fund 8,979 hours of manual street cleaning services on an as needed basis. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> • Approve the proposed ordinance. 	

MANDATE STATEMENT

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

BACKGROUND

The Street Environmental Services bureau of the Department of Public Works (Public Works) provides street cleaning services citywide. The department has zones that provide scheduled street sweeping, steam cleaning, manual cleaning, and litter control on pre-determined routes as well as based on service requests. There are six zones in the City; each zone generally covers two supervisor districts, with the exception of District 6, which is its own zone. There are also crews that focus on hot spots, encampments, alleys, and swing and night shift operations.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance appropriates \$300,000 of cigarette litter abatement fees to Public Works to fund a street cleaning program in FY 2017-18.

FISCAL IMPACT

The appropriation of \$300,000 would be drawn from the Cigarette Litter Abatement fund, which has a balance of \$4,945,357¹ as of January 4, 2018. The funds would be used for temporary salaries for additional 9916 Public Service Aide – Public Works positions to conduct manual street cleaning throughout the City. According to Mr. Bruce Robertson, Finance Manager of Public Works, the hourly rate for 9916 Public Service Aides, adjusted for mandatory fringe benefits and department overhead, is \$33.41. At this rate, the appropriation of \$300,000 would fund 8,979 hours of street cleaning services, as shown in Table 1 below.

Table 1: Sources and Uses of \$300,000 Appropriation

Sources		
Cigarette Litter Abatement Fund		\$300,000
Total Sources		\$300,000
Uses		
<i>Hourly Rate for 9916 Public Service Aide</i>	<i>Hours</i>	<i>Total</i>
\$33.41	8,979	\$299,985
Total Uses		\$299,985

¹ According to Mr. Joe Salem, Program Manager of Finance and Administration for the Department of the Environment, the budget for the Cigarette Litter Abatement Fund is comprised of work orders to Public Works and the Treasurer/Tax Collector's Office. The Department of the Environment does not have data on how much these departments have spent, but not billed, to date.

According to Mr. Robertson, the additional positions hired with the funds from the proposed appropriation would be assigned to the Public Works zone crews and would provide manual cleaning as needed and based on requests, such as 311 calls, or patrol in hot spots with demonstrated cleaning needs.

RECOMMENDATION

Approve the proposed ordinance.

Items 7 and 8**Files 17-1253 and 17-1248****Department:**

Municipal Transportation Agency (MTA)

EXECUTIVE SUMMARY**Legislative Objectives**

File 17-1253: The proposed resolution would authorize the sale of not-to-exceed \$177,000,000 aggregate principal amount of 2014 Transportation and Road Improvement Bonds (Series 2018B).

File 17-1248: The proposed ordinance would appropriate \$177,000,000 in Series 2018B bond proceeds to the San Francisco Municipal Transportation Agency for street and transit projects in FY 2017-18.

Key Points

- In November 2014, voters approved Proposition A, which authorizes the City to issue \$500 million in General Obligation (GO) bonds to implement various infrastructure repairs and improvements identified by the Transportation 2030 Task Force.
- In July 2015, \$67,005,000 of bonds were sold in the first issuance (Series 2015B). The second issuance of \$177,000,000 in bonds is anticipated for January 2018 (Series 2018B). The remaining \$255,995,000 will be issued in amounts to be determined at dates anticipated in summer 2019 and spring 2020.

Fiscal Impact

- The proposed ordinance would appropriate (a) \$4.3 million to bond issuance costs and reserves, and (b) \$172.7 million to transportation projects. The transportation projects consist of Muni Forward Rapid Network improvements (\$49.7 million), Muni facility upgrades (\$41.5 million), pedestrian safety (\$26.3 million), major transit corridors (\$21.6 million), Caltrain upgrades (\$20.0 million), and other improvements.
- Average annual debt service over 20 years on the Series 2018B GO Bonds is expected to be approximately \$12,574,600. The estimated total principal and interest payment over the approximate 20-year life of the GO Bonds is \$251,492,017, of which \$76,902,017 is interest and \$174,590,000 is principal.
- If the Series 2018B GO Bonds are approved, the debt ratio would increase by 0.08 percent to 0.96 percent—within the 3 percent legal debt limit.
- Debt service payments will be recovered through increases in the annual Property Tax rate, which would be \$0.00554 per \$100 or \$5.54 per \$100,000 of assessed valuation over the anticipated 20-year term of the bonds. If the Series 2018B GO Bonds are approved, the property tax rate for GO bonds for FY 2017-18 would increase from \$0.1074 to \$0.1129 per \$100 of assessed value, which would be below the FY 2005-06 rate of \$0.1201 and within the Capital Planning Committee's approved financial constraint.

Recommendation

- Approve the proposed resolution (File 17-1253) and the proposed ordinance (File 17-1248).

MANDATE STATEMENT

City Charter Section 9.105 provides that the issuance and sale of General Obligation (GO) bonds is subject to Board of Supervisors approval in accordance with State law or local procedures adopted by ordinance.

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

BACKGROUND

On November 4, 2014, a two-thirds majority of voters of the City approved Proposition A, the San Francisco Transportation and Road Improvement General Obligation (GO) Bond to finance the construction, acquisition, and improvement of various transportation and transit-related improvements, and other related costs. Proposition A authorizes the City to issue \$500 million in GO bonds to implement various infrastructure repairs and improvements identified by the Transportation 2030 Task Force.

The projects to be funded through the proposed second bond sale include: Muni Forward Rapid Network improvements, Caltrain upgrades, accessibility improvements, Muni facility upgrades, major transit corridor improvements, pedestrian safety improvements, traffic signal improvements, and street infrastructure improvements.

The second bond sale is expected to occur in January 2018 upon approval of File 17-1253. Table 1 below shows the details for the 2014 Bond sale schedule.

Table 1: Transportation and Road Improvement GO Bond Sale Schedule

	Date	Amount	Series
Total Authorization		\$500,000,000	
First Bond Issuance	July 2015	67,005,000	Series 2015B
Proposed Second Bond Issuance	January 2018	177,000,000	Series 2018B
Total Issued and Proposed		\$244,005,000	
Future Third Bond Issuance	Summer 2019	TBD	TBD
Future Fourth Bond Issuance	Spring 2020	TBD	TBD
Total Future Bond Issuances		\$255,995,000	

DETAILS OF PROPOSED LEGISLATION

File 17-1253: The proposed resolution would:

1. Authorize the sale of not-to-exceed \$177,000,000 aggregate principal amount of 2014 Transportation and Road Improvement Bonds (Series 2018B);
2. Prescribe the form and terms of the bonds;
3. Authorize the execution, authentication, and registration of the bonds;
4. Provide for the appointment of depositories and other agents for the bonds;
5. Provide for the establishment of accounts related to the bonds;

6. Provide for the manner of sale of the bonds by competitive or negotiated sale;
7. Approve the forms of Official Notice of Sale and Intention to Sell Bonds;
8. Direct the publication of the Notice of Intention to Sell Bonds;
9. Approve the form of the Preliminary Official Statement and the form and execution of the Official Statement relating to the sale of the bonds;
10. Approve the form of the Continuing Disclosure Certificate;
11. Authorize and approve modifications to documents declaring the City's intent to reimburse certain expenditures;
12. Waive the deadline for submission of Bond Accountability Reports;
13. Adopt findings under the California Environmental Quality Act (CEQA);
14. Ratify certain actions previously taken; and
15. Grant authority to City officials to take necessary actions for the authorization, issuance, sale, and delivery of the bonds.

File 17-1248: The proposed ordinance would appropriate \$177,000,000 in Series 2018B bond proceeds to the San Francisco Municipal Transportation Agency for street and transit projects in FY 2017-18. The \$177,000,000 appropriation would be placed on Controller's Reserve pending receipt of proceeds of indebtedness.

The proposed resolution (File 17-1253) waives the deadline for submission of accountability reports required under Administrative Code Section 2.71(a). According to Mr. Vishal Trivedi, Financial Analyst in the Office of Public Finance, the waiver was to ensure that the sale would not be delayed if the bond accountability report was not submitted 60 days prior to appropriation of the bond proceeds. However, the bond accountability report was published on September 14, 2017, and the appropriation of bond proceeds will occur no earlier than January 16, 2018, or more than 60 days after completion of the bond accountability report.

Table 2 below outlines anticipated sources and uses for the bonds.

Table 2: Sources and Uses of Series 2018B Bond Proceeds

Sources	
Par Amount	\$174,590,000
Reserve Proceeds	2,410,000
Total Sources	\$177,000,000
Uses	
<i>Administrative Costs</i>	
Costs of Issuance	\$453,977
Underwriter's Discount	872,947
Controller's Audit Fund	345,486
Citizens' GO Bond Oversight Committee	174,590
Reserve for Market Uncertainty	2,410,000
Administrative Costs Subtotal	\$4,257,000
<i>Projects</i>	
Muni Forward Rapid Network Improvements	\$49,736,011
Pedestrian Safety Improvements	26,268,525
Caltrain Upgrades	20,020,000
Accessibility Improvements	3,000,000
Muni Facility Upgrades	41,522,343
Major Transit Corridor Improvements	21,588,937
Traffic Signal Improvements	6,000,000
Complete Streets Improvements	4,607,184
Projects Subtotal	\$172,743,000
Total Uses	\$177,000,000

As shown in Table 3 below, with the proposed appropriation of \$177,000,000 in Series 2018B GO bond proceeds to SFMTA and Public Works, the sale and appropriation of 2014 Transportation and Road Improvement GO Bonds would total \$244,540,000. The Attachment shows the specific projects funded by the Series 2015B and proposed Series 2018B bond issuances.

As noted above, of the \$500,000,000 in 2014 Transportation and Road Improvement GO Bonds, \$255,995,000 will be issued in amounts to be determined at dates anticipated in summer 2019 and spring 2020.

Table 3: 2014 Transportation and Road Improvement Funds Allocation

	1 st Sale (Series 2015B)	Series 2018B Bond Sale (File 17-1253)	Remainder to be Allocated	Total
SFMTA				
Muni Forward Rapid Network Improvements	\$22,551,965	\$49,736,011	\$112,497,273	\$184,785,249
Caltrain Upgrades	7,760,000	20,020,000	11,220,000	39,000,000
Accessibility Improvements	0	3,000,000	26,023,861	29,023,861
Muni Facility Upgrades	26,200,000	41,522,343	0	67,722,343
Pedestrian Safety Improvements	3,989,567	26,268,525	35,529,327	65,787,419
Traffic Signal Improvements	0	6,000,000	15,284,165	21,284,165
Complete Streets Improvements	0	4,607,184	45,700,842	50,308,026
SFMTA Subtotal	\$60,501,533	\$151,154,063	\$246,255,468	\$457,911,063
Public Works				
Major Transit Corridor Improvements	\$5,500,000	\$21,588,937	\$0	\$27,088,937
Program Subtotal	\$66,001,533	\$172,743,000	\$246,255,468	\$485,000,000
Cost of Issuance	\$503,606	\$453,977	TBD	TBD
Underwriter's Discount	300,853	872,947	TBD	TBD
Controller's Audit Fund	132,003	345,486	TBD	TBD
Citizens' GO Bond Oversight Committee	67,005	174,590	TBD	TBD
Issuance and Oversight Subtotal	\$1,003,468	\$1,847,000	\$9,739,532	\$15,000,000
Reserve		\$2,410,000		
Total	\$67,005,000^a	\$177,000,000	\$255,995,000	\$500,000,000

^a May not add due to rounding error

FISCAL IMPACT

Annual Debt Service

As shown above in Table 2, the Office of Public Finance expects to sell \$174,590,000 in par value Series 2018B bonds.

The proposed resolution authorizes the Director of Public Finance to determine the sale date, interest rates, principal amount, and maturity dates of the bonds, subject to the following conditions: (1) the true interest cost shall not exceed 12 percent; and (2) the maturity date shall not be after June 15, 2043.

The Office of Public Finance estimates that, based on a conservative estimate of 3.99 percent interest rate, that average annual debt service over 20 years on the Series 2018B GO Bonds is \$12,574,600. The anticipated par value of \$174,590,000 is estimated to result in approximately \$76,902,017 in interest payments over the 20-year life of the GO Bonds. The estimated total principal and interest payment over the approximate 20-year life of the GO Bonds is \$251,492,017, of which \$76,902,017 is interest and \$174,590,000 is principal.

The Office of Public Finance intends to sell the GO Bonds through a competitive sale process, but in the case of significant change in market conditions, reserves the option to seek a negotiated sale with underwriter(s) selected competitively.

Debt Limit

Section 9.106 of the City Charter limits the amount of GO bonds the City can have outstanding at any given time to 3 percent of the total assessed value of property in San Francisco. The City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's gross general obligation debt limit for FY 2017-18 is approximately \$7.02 billion, based on a net assessed valuation of approximately \$234.1 billion. This net assessed valuation is based on the Controller's Certificate of Assessed Valuation, as of August 1, 2017.

As of October 1, 2017, the City had outstanding approximately \$2.07 billion in aggregate principal amount of GO bonds, which equals approximately 0.88 percent of the net assessed valuation for FY 2017-18. If the Board of Supervisors approves the issuance of the Series 2018B GO Bonds, the debt ratio would increase by 0.08 percent to 0.96 percent—within the 3 percent legal debt limit. If all of the City's authorized and unissued bonds were issued, the total debt burden would be 1.47 percent of the net assessed value of property in the City.

Property Tax Rates

For Series 2018B, repayment of the annual debt service will be recovered through increases in the annual Property Tax rate, which, according to the Controller's Office, would be \$0.00554 per \$100 or \$5.54 per \$100,000 of assessed valuation over the anticipated 20-year term of the bonds based on current valuations. The owner of a residence with an assessed value of \$600,000, assuming a homeowner's exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$32.85 per year if the \$174,590,000 Series 2018B Bonds are sold.

Capital Plan

Under financial constraints adopted by the City's Capital Planning Committee, debt service on approved and issued GO bonds may not increase property owners' long-term property tax rates above FY 2005-06 levels. The FY 2005-06 property tax rate for the GO bond fund was \$0.1201 per \$100 of assessed value. If the Board of Supervisors approves the issuance of the Series 2018B GO Bonds, the property tax rate for GO bonds for FY 2017-18 would increase from \$0.1074 to \$0.1129, which would be below the FY 2005-06 rate and within the Capital Planning Committee's approved financial constraint.

RECOMMENDATION

Approve the proposed resolution (File 17-1253) and the proposed ordinance (File 17-1248).

Projects	1st Bond Issuance ^a	Total Expenditures and Encumbrances as of August 2017 ^b	Remaining Balance	2nd Bond Issuance	Total 1st and 2nd Bond Issuance
Muni Forward Rapid Network Improvements					
1) 7 Haight-Noriega: Haight Street Rapid Project	\$891,978	\$3,788,041	(\$2,896,063)	\$6,766,975	\$7,658,953
2) 5 Fulton: East of 6th Ave (Inner) Rapid Project	2,582,424	2,621,961	(39,537)	1,254,218	3,836,642
3) N Judah: Arguello to 9th Ave Rapid Project	684,330	176,582	507,748	2,633,194	3,317,524
4) 30 Stockton: East of Van Ness Avenue Transit Priority Project	331,461	266,698	64,763	675,000	1,006,461
5) 30 Stockton: Chestnut St (W of VN) Transit Priority Project	3,003,687	3,362,411	(358,724)	3,576,648	6,580,335
6) 14 Mission: Division to Randall (Inner) Rapid Project	1,580,582	3,213,553	(1,632,971)	3,254,301	4,834,883
7) 28 19th Avenue: 19th Ave Rapid Project	13,631	13,631	0	3,900,000	3,913,631
8) 22 Fillmore Extension to Mission Bay	3,675,633	2,569,780	1,105,853	20,008,259	23,683,892
9) L-Taraval Transit Improvement Project	4,335,627	1,126,199	3,209,428	3,100,000	7,435,627
10) 10 Townsend: Sansome Contraflow Signals	1,814,036	1,586,277	227,759	0	1,814,036
11) 9 San Bruno: 11th St and Bayshore Blvd Rapid Project	2,157,632	2,126,624	31,008	0	2,157,632
12) 22 Fillmore: Overhead lines on Church/Duboce	90,944	0	90,944	0	90,944
13) 14 Mission: Mission & S Van Ness Transit Priority Project	1,390,000	1,051,594	338,406	0	1,390,000
14) 8 Bayshore - Geneva Transit Priority Project	0	0	0	1,000,000	1,000,000
15) 1 California: Laurel Village	0	0	0	1,200,000	1,200,000
16) 19 Polk: Polk Street Transit Priority Project	0	0	0	74,000	74,000
17) Lombard Street Streetscape	0	0	0	2,293,416	2,293,416
Total Muni Forward Rapid Network Improvements	22,551,965	21,903,351	648,614	49,736,011	72,287,976

Projects	1st Bond Issuance ^a	Total Expenditures and Encumbrances as of August 2017 ^b	Remaining Balance	2nd Bond Issuance	Total 1st and 2nd Bond Issuance
Pedestrian Safety Improvements					
1) New Signals on High Injury Corridors (10 intersections)	596,620	2,984,789	(2,388,169)	1,349,194	1,945,814
2) Add PCS to High Injury Corridors (18 locations)	492,076	478,659	13,417	1,725,442	2,217,518
3) Potrero Avenue Roadway Improvements	306,209	336,186	(29,977)	713,000	1,019,209
4) 8th & Market Street Transit Boarding Island	335,800	0	335,800	186,000	521,800
5) Mission Street & Trumbull Street Intersection Upgrade	201,246	168,799	32,447	69,000	270,246
6) Arguello Boulevard Traffic Signals Upgrade	6,111	12,392	(6,281)	243,889	250,000
7) Geary Pedestrian Improvements	2,051,506	1,168,899	882,607		2,051,506
5) Geary Bus Rapid Transit Phase I: Near-Term Improvements				7,400,000	7,400,000
6) Lombard Street Streetscape				4,250,000	4,250,000
7) 4th St - I-80 Vision Zero Improvements				1,400,000	1,400,000
8) Permanent Painted Safety Zone Conversion				575,000	575,000
9) 11th Street Safety Improvements				435,000	435,000
10) 6th Street Streetscape				2,590,000	2,590,000
11) Western Addition Area - Traffic Signal Upgrades				1,100,000	1,100,000
12) Contract 35 - Traffic Signal Modifications				4,232,000	4,232,000
Total Pedestrian Safety Improvements	3,989,568	5,149,724	(1,160,156)	26,268,525	30,258,093
Muni Facility Upgrades^a					
1) Burke Facility Renovation	9,900,000	0	9,900,000	32,400,000	42,300,000
2) Muni Metro East Facility	4,200,000	0	4,200,000	9,122,343	13,322,343
3) Islais Creek Phase II	11,100,000	0	11,100,000		11,100,000
4) Underground Storage Tanks	1,000,000	0	1,000,000		1,000,000
Total Muni Facility Upgrades	26,200,000	0	26,200,000	41,522,343	67,722,343

Projects	1st Bond Issuance ^a	Total Expenditures and Encumbrances as of August 2017 ^b	Remaining Balance	2nd Bond Issuance	Total 1st and 2nd Bond Issuance
Major Transit Corridor Improvements					
1) Better Market Street	5,500,000	5,082,147	417,853	6,593,275	12,093,275
2) L-Taraval Transit Improvements				14,995,662	14,995,662
Total Major Transit Corridor Improvements	5,500,000	5,082,147	417,853	21,588,937	27,088,937
Transit Signal Improvements					
1) Better Market Street				6,000,000	6,000,000
Total Transit Signal Improvements	0	0	0	6,000,000	6,000,000
Caltrain Upgrades - San Francisco Contribution					
1) Caltrain Communications Based Overlay Signal System Positive Train Control	7,760,000	7,760,000	0		7,760,000
2) Caltrain Electrification				20,020,000	20,020,000
Total Caltrain Upgrades	7,760,000	7,760,000	0	20,020,000	27,780,000
Complete Streets Improvements					
1) Townsend Street Bicycle Strategy				2,700,000	2,700,000
2) 7th Street Streetscape				1,907,184	1,907,184
Total Complete Streets Improvements	0	0	0	4,607,184	4,607,184
Accessibility Improvements					
1) BART Canopies				3,000,000	3,000,000
Total Accessibility Improvements	0	0	0	3,000,000	3,000,000
Total	\$66,001,533	\$39,895,222	\$26,106,311	\$172,743,000	\$238,744,533

^a In July 2017, the Board of Supervisors re-appropriated \$26.2 million in 2014 Transportation and Road Improvements GO Bonds Series 2015A from Muni Forward Rapid Network Improvements and Pedestrian Safety Improvements to the Muni Facility Upgrades shown in the Table above (File 17-0673). According to the Budget and Legislative Analyst's report to the June 15, 2017 Budget and Finance Committee, the Muni Forward Rapid Network Improvements and Pedestrian Safety Improvements projects were to be funded with proceeds from future bond issuances or other capital program funds. According to the September 2017 Bond Accountability Report, the \$26.2 million re-appropriation had not been fully processed as of August 31, 2017

^b Expenditure and encumbrance figures will be adjusted as part of the \$26.2 million re-appropriation

Items 9 and 10 Files 17-1254 and 17-1249	Department: Recreation and Parks Department (RPD)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <p>File 17-1254: The proposed resolution would authorize the sale of not-to-exceed \$76,710,000 aggregate principal amount of 2012 Clean and Safe Neighborhood Parks Bonds (Series 2018A).</p> <p>File 17-1249: The proposed ordinance would appropriate \$76,710,000 in Series 2018A bond proceeds to the Recreation and Park Department to support the renovation, repair, and construction of parks and open spaces.</p> <p>Key Points</p> <ul style="list-style-type: none"> • In November 2012, voters approved Proposition B, which authorizes the City to issue \$195 million in General Obligation (GO) bonds to finance the construction, reconstruction, purchase and/or improvements for various neighborhood parks and citywide parks under the Recreation and Parks Department (RPD) and waterfront parks under the Port. • In two prior issuances, \$115,190,000 in bonds has been issued to date. The third issuance of \$76,710,000 in bonds is anticipated for January 2018 (Series 2018A). The remaining \$3,100,000 will be issued at a later date. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed ordinance would appropriate (a) \$35.0 million to neighborhood park projects, (b) \$40.9 million to citywide parks and programs, and (c) \$0.8 million to bond issuance costs. • Average annual debt service over 20 years on the Series 2018A GO Bonds is expected to be approximately \$5,524,879. The estimated total principal and interest payment over the approximate 20-year life of the GO Bonds is \$110,497,588, of which \$33,787,588 is interest and \$76,710,000 is principal. • If the Series 2018A GO Bonds are approved, the debt ratio would increase by 0.03 percent to 0.91 percent—within the 3 percent legal debt limit. • Debt service payments will be recovered through increases in the annual Property Tax rate, which would be \$0.00243 per \$100 or \$2.43 per \$100,000 of assessed valuation over the anticipated 20-year term of the bonds. If the Series 2018A GO Bonds are approved, the property tax rate for GO bonds for FY 2017-18 would increase from \$0.1074 to \$0.1098 per \$100 of assessed value, which would be below the FY 2005-06 rate of \$0.1201 and within the Capital Planning Committee’s approved financial constraint. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution (File 17-1254) and the proposed ordinance (File 17-1249). 	

MANDATE STATEMENT

City Charter Section 9.105 provides that the issuance and sale of General Obligation (GO) bonds is subject to Board of Supervisors approval in accordance with State law or local procedures adopted by ordinance.

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

BACKGROUND

In November 2012, San Francisco voters approved \$195 million of Clean and Safe Neighborhood Parks GO Bonds (2012 Proposition B) to finance the construction, reconstruction, purchase and/or improvements for various neighborhood parks and citywide parks under the Recreation and Parks Department (RPD) and waterfront parks under the Port.

Of the total \$195,000,000 authorization, \$115,190,000 has been issued to date, leaving \$79,810,000 remaining in 2012 Proposition B funds, as shown in Table 1 below.

Table 1: 2012 Clean and Safe Neighborhood Parks Bond Issuances

Bond	Date	RPD	Port	Other^a	Total
1st Sale	June 2013	\$53,187,500	\$18,200,000	\$582,500	\$71,970,000
2nd Sale	October 2015	29,152,430	13,200,000	867,570	43,220,000
<i>Subtotal To Date</i>					<i>\$115,190,000</i>
3rd Sale ^b	Expected January 2018	75,899,527	--	810,473	\$76,710,000
4 th Sale ^c	TBD	--	3,100,000	--	3,100,000
<i>Subtotal Remaining</i>					<i>\$79,810,000</i>
Total		\$158,239,457	\$34,500,000	\$2,260,543	\$195,000,000

^a Other costs are for bond issuance and audit costs including: Controller's Audit Fund, Cost of Issuance, Underwriter's Discount, and Citizens' General Bond Obligation Oversight Committee. The original budget for the \$195,000,000 in GO Bonds included \$2,000,000 for bond issuance and audit costs; however because the these costs for the 1st and 2nd sales exceeded projections, total bond issuance and oversight costs are estimated to be \$2,260,543, an increase of \$260,543. To offset the increase of \$260,543, the total budget for Recreation and Park Department projects has been reduced from the original amount of \$158,500,000 to the proposed amount of \$158,239,457. According to Mr. Vishal Trivedi, Financial Analyst in the Office of Public Finance, the increase of \$260,543 in bond issuance and audit costs is due to an underestimate of future issuance costs. Mr. Trivedi notes that the actual cost excess may be less than \$260,543, as the Office of Public Finance is using a conservative estimate for issuance costs.

^b Upon approval of File 17-1254

^c Subject to future Board of Supervisors approval.

DETAILS OF PROPOSED LEGISLATION

File 17-1254: The proposed resolution would:

1. Authorize the sale of not-to-exceed \$76,710,000 aggregate principal amount of 2012 Clean and Safe Neighborhood Parks Bonds (Series 2018A);
2. Prescribe the form and terms of the bonds;
3. Provide for the appointment of depositories and other agents for the bonds;
4. Provide for the manner of sale of the bonds by competitive or negotiated sale;
5. Approve the forms of Official Notice of Sale and Intention to Sell Bonds;
6. Direct the publication of the Notice of Intention to Sell Bonds;
7. Approve the form of the Preliminary Official Statement and the form and execution of the Official Statement relating to the sale of the bonds;
8. Approve the form of the Continuing Disclosure Certificate;
9. Authorize and approve modifications to documents declaring the City's intent to reimburse certain expenditures;
10. Waive the deadline for submission of Bond Accountability Reports;
11. Adopt findings under the California Environmental Quality Act (CEQA);
12. Ratify certain actions previously taken; and
13. Grant authority to City officials to take necessary actions for the authorization, issuance, sale, and delivery of the bonds.

File 17-1249: The proposed ordinance would appropriate \$76,710,000 in Series 2018A bond proceeds to the Recreation and Park Department to support the renovation, repair, and construction of parks and open spaces. The \$76,710,000 appropriation would be placed on Controller's Reserve pending receipt of proceeds of indebtedness in FY 2017-18.

The proposed resolution (File 17-1249) waives the deadline for submission of accountability reports required under Administrative Code Section 2.71(a). According to Mr. Vishal Trivedi, Financial Analyst in the Office of Public Finance, the waiver was to ensure that the sale would not be delayed if the bond accountability report was not submitted 60 days prior to appropriation of the bond proceeds. However, the bond accountability report was published on November 7, 2017, and the appropriation of bond proceeds will occur no earlier than January 16, 2018, or more than 60 days after completion of the bond accountability report.

Table 2 below outlines anticipated sources and uses for the bond proceeds.

Table 2: Sources and Uses of Series 2018A Bond Proceeds

Sources	
Par Amount	\$76,710,000
Total Not-To-Exceed Amount	\$76,710,000
Uses	
<i>Administrative Costs</i>	
Citizens' GO Bond Oversight Committee	\$76,710
Costs of Issuance	198,414
Underwriter's Discount	383,550
Controller's Audit Fund	151,799
Administrative Costs Subtotal	\$810,473
<i>Projects</i>	
Angelo J. Rossi Playground	\$6,150,000
Garfield Square Pool Building	8,021,000
George Christopher Playground	2,010,000
Hyde & Turk Mini Park	850,000
Margaret S. Hayward Playground	10,150,000
Moscone Recreation Center	97,500
Potrero Hill Recreation Center	2,900,000
Willie "Woo Woo" Wong Playground	3,850,000
Program Contingency	990,000
Citywide Parks & Programs	40,881,027
Projects Subtotal	\$75,899,527
Total Uses	\$76,710,000

As shown in Table 3 below, with the proposed appropriation of \$76,710,000 in Series 2018A GO bond proceeds to RPD, the sale and appropriation of 2012 Clean and Safe Neighborhood Parks GO Bonds would total \$191,900,000, or \$3,100,000 less than the limit approved by voters in 2012. A fourth bond sale to allocate the remaining \$3,100,000 to Port waterfront parks projects is expected to occur at a later date, to be determined, and will be subject to Board of Supervisors approval.

Allocation of Bond Proceeds

The 2012 Clean and Safe Neighborhood Parks Bond approved by the voters allocated \$195,000,000 in bond proceeds as follows:

- \$98,805,000 to Neighborhood Projects
- \$21,000,000 to Citywide Park Projects
- \$12,000,000 to the Community Opportunity Fund
- \$15,500,000 to rehabilitate facility playgrounds
- \$4,000,000 to trails
- \$4,000,000 to forestry projects
- \$5,000,000 to water conservation
- \$34,500,000 to Port projects

- \$195,000 (0.1 percent) to the Citizens' Oversight Committee audits

These allocations are shown in Table 3 below.

Table 3: 2012 Clean and Safe Parks Funds Allocation

	2012 Bond Program Budget	Prior Appropriations ^a	Proposed Appropriation (File 17-1254)	Total	Difference in Budget to Actual
Recreation and Park					
<u>Neighborhood Projects</u>					
Angelo J. Rossi Playground	\$8,200,000	\$2,050,000	\$6,150,000	\$8,200,000	\$0
Balboa Pool Renovation Project	7,000,000	8,860,000	0	8,860,000	1,860,000
Garfield Square Pool Building	11,000,000	2,979,000	8,021,000	11,000,000	0
George Christopher Playground	2,800,000	790,000	2,010,000	2,800,000	0
Gilman Playground	1,800,000	1,800,000	0	1,800,000	0
Glen Canyon Park Recreation Center	12,000,000	13,900,000	0	13,900,000	1,900,000
Hyde & Turk Mini Park	1,000,000	150,000	850,000	1,000,000	0
Joe DiMaggio Playground	5,500,000	6,120,000	0	6,120,000	620,000
Margaret S. Hayward Playground	14,000,000	3,850,000	10,150,000	14,000,000	0
Moscone Recreation Center	1,500,000	1,402,500	97,500	1,500,000	0
Mountain Lake	2,000,000	2,180,000		2,180,000	180,000
Potrero Hill Recreation Center	4,000,000	1,100,000	2,900,000	4,000,000	0
South Park	1,000,000	1,000,000		1,000,000	0
West Sunset Playground	13,200,000	13,600,000		13,600,000	400,000
Willie "Woo Woo" Wong Playground	6,000,000	2,150,000	3,850,000	6,000,000	0
Project Contingency	<u>6,000,000</u>	<u>50,000</u>	<u>990,000</u>	<u>1,040,000</u>	<u>(4,960,000)</u>
Neighborhood Projects Total	\$97,000,000	\$61,981,500	\$35,018,500	\$97,000,000	\$0
<u>Citywide Parks and Programs</u>					
Community Opportunity Fund	\$12,000,000	\$2,966,181	\$9,033,819	\$12,000,000	\$0
Failing Playgrounds	15,500,000	4,800,000	10,700,000	15,500,000	0
Forestry ^b	4,000,000	716,974	3,022,483	3,739,457	(260,543)
Trails	4,000,000	300,000	3,700,000	4,000,000	0
Water Conservation	<u>5,000,000</u>	<u>4,134,345</u>	<u>865,655</u>	<u>5,000,000</u>	<u>0</u>
Citywide Programs Subtotal	40,500,000	12,917,500	36,033,227	40,239,457	(260,543)
Citywide Park Projects Subtotal	<u>21,000,000</u>	<u>7,440,930</u>	<u>4,847,800</u>	<u>21,000,000</u>	<u>0</u>
Citywide Parks and Programs Total	\$61,500,000	\$20,358,430	\$40,881,027	\$61,239,457	(\$260,543)
Recreation and Park Total	\$158,500,000	\$82,339,930	\$75,899,527	\$158,239,457	(\$260,543)
Port Projects					
Issuance and Oversight ^c	2,000,000	1,450,070	810,473	2,260,543	260,543
Total^d	\$195,000,000	\$115,190,000	\$76,710,000	\$191,900,000	(\$3,100,000)

^a The Board of Supervisors previously appropriated proceeds from the first and second sales of 2012 Clean and Safe Parks GO bonds (Files 13-0371, 15-0219, and 15-1002) and Annual Appropriation Ordinance reallocations.

^b The proposed ordinance allocates \$260,543 from Forestry projects to issuance costs, as noted above, thus reducing the appropriation to Forestry from \$4,000,000 to \$3,739,457.

^c Issuance and audit costs include \$195,000 for Citizens' Oversight Committee audits.

^d As noted above, the unissued amount of \$3,100,000 will be issued at a later date for Port projects.

According to Mr. Guerra, the project allocations for Balboa Pool, Glen Canyon Park Recreation Center, Joe DiMaggio Playground, Mountain Lake, and West Sunset Playground exceeded their budgets due to a competitive bid environment that resulted in higher than expected construction costs. The project contingency was used to cover the excess project costs.

FISCAL IMPACT

Annual Debt Service

As shown above in Table 2, the Office of Public Finance expects to sell \$76,710,000 in par value Series 2018A bonds.

The proposed resolution authorizes the Director of Public Finance to determine the sale date, interest rates, principal amount, and maturity dates of the bonds, subject to the following conditions: (1) the true interest cost shall not exceed 12 percent; and (2) the maturity date shall not be after June 15, 2043.

The Office of Public Finance estimates that, based on a conservative estimate of 3.99 percent interest rate, that average annual debt service over 20 years on the Series 2018A GO Bonds will be approximately \$5,524,879. The anticipated par value of \$76,710,000 is estimated to result in approximately \$33,787,588 in interest payments over the 20-year life of the GO Bonds. The estimated total principal and interest payment over the approximate 20-year life of the GO Bonds is \$110,497,588, of which \$33,787,588 is interest and \$76,710,000 is principal.

The Office of Public Finance intends to sell the GO Bonds through a competitive sale process, but in the case of significant change in market conditions, reserves the option to seek a negotiated sale with underwriter(s) selected competitively.

Debt Limit

Section 9.106 of the City Charter limits the amount of GO bonds the City can have outstanding at any given time to 3 percent of the total assessed value of property in San Francisco. The City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's gross general obligation debt limit for FY 2017-18 is approximately \$7.02 billion, based on a net assessed valuation of approximately \$234.1 billion. This net assessed valuation is based on the Controller's Certificate of Assessed Valuation, as of August 1, 2017.

As of October 1, 2017, the City had outstanding approximately \$2.07 billion in aggregate principal amount of GO bonds, which equals approximately 0.88 percent of the net assessed valuation for FY 2017-18. If the Board of Supervisors approves the issuance of the Series 2018A GO Bonds, the debt ratio would increase by 0.03 percent to 0.91 percent—within the 3 percent legal debt limit. If all of the City's authorized and unissued bonds were issued, the total debt burden would be 1.47 percent of the net assessed value of property in the City.

Property Tax Rates

For Series 2018A, repayment of the annual debt service will be recovered through increases in the annual Property Tax rate, which, according to the Controller's Office, would be \$0.00243 per \$100 or \$2.43 per \$100,000 of assessed valuation over the anticipated 20-year term of the

bonds based on current valuations. The owner of a residence with an assessed value of \$600,000, assuming a homeowner's exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$14.44 per year if the \$76,710,000 Series 2018A Bonds are sold.

Capital Plan

Under financial constraints adopted by the City's Capital Planning Committee, debt service on approved and issued GO bonds may not increase property owners' long-term property tax rates above FY 2005-06 levels. The FY 2005-06 property tax rate for the GO bond fund was \$0.1201 per \$100 of assessed value. If the Board of Supervisors approves the issuance of the Series 2018A GO Bonds, the property tax rate for GO bonds for FY 2017-18 would increase from \$0.1074 to \$0.1098, which would be below the FY 2005-06 rate and within the Capital Planning Committee's approved financial constraint.

RECOMMENDATION

Approve the proposed resolution (File 17-1254) and the proposed ordinance (File 17-1249).

<p>Item 11 File 17-1319</p>	<p>Departments: Real Estate Division Mayor’s Office of Housing and Community Development (MOHCD)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> The proposed resolution would (1) approve and authorize the Real Estate Division, on behalf of the Mayor’s Office of Housing and Community Development (MOHCD), to acquire real property at 700-730 Stanyan Street from McDonald’s Corporation, for \$15,500,000; (2) place the property under the jurisdiction of MOHCD for use in constructing affordable housing for San Franciscans; (3) adopt findings that the conveyance is consistent with the City’s General Plan and Eight Priority Policies of City Planning Code Section 101.1; and (4) authorize the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of the purchase agreement and this resolution. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> 700-730 Stanyan Street is currently occupied by a McDonald’s fast food restaurant. The Mayor’s Office of Housing and Community Development (MOHCD) determined that this site could be developed into an affordable multifamily housing development. An estimated 186 housing units could be constructed on the site. Once MOHCD has determined the type of affordable housing to be developed, MOHCD will issue a solicitation for proposals to developers to construct the site. Purchase of 700-730 Stanyan Street will require payment of relocation benefits of an estimated \$400,000 to the current occupant, which is a requirement of the U.S. Department of Housing and Urban Development (HUD), and potential remediation of soil contaminants, which according to Real Estate, would be a minor cost. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> An appraisal in March 2017, found the subject property fair market rate value between \$18,500,000 and \$19,700,000, based on alternative affordable housing requirements. Total estimated costs of purchase are at least \$16,110,000, which is \$2,390,000 to \$3,590,000 less than the appraised value. Estimated costs of purchase include the purchase price (\$15,500,000), closing costs (\$10,000), demolition of the McDonald’s restaurant (\$200,000), relocation benefits (\$400,000), and costs of soil remediation (which, as noted above, Real Estate expects to be minor). Sources of funds to pay these costs include Community Development Block Grant funds and the Affordable Housing Inclusionary Fund. According to MOHCD, if the estimated costs of purchase are more than \$16,110,000, the Affordable Housing Inclusionary Fund has sufficient funds to pay any increases to the associated costs of purchase. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> Approve the proposed resolution. 	

MANDATE STATEMENT

City Administrative Code Section 23.3 provides that, before the Board of Supervisors approves acquisition of real property, the Director of Real Estate will determine the fair market value of such property based on a review of available and relevant data. Section 23.3 also requires the Director of Real Estate to obtain (1) an appraisal for the purchase of property exceeding \$10,000 in fair market value and (2) an appraisal review for the purchase of property exceeding \$200,000 in fair market value.

BACKGROUND

A McDonald's fast food restaurant has been operating at the 700-730 Stanyan Street location at the corner of Stanyan and Haight Streets and across the street from Golden Gate Park since 1978, or almost 40 years. Over the years, this site has been the source of neighborhood complaints and litigation by the City Attorney's Office regarding the property as a nuisance. The site encompasses 37,813 square feet of land, including a 3,463 square foot one-story commercial restaurant.

The Mayor's Office of Housing and Community Development (MOHCD) conducted preliminary analysis to determine if this site could be developed into an affordable multifamily housing development with community and resident serving uses on the ground floor. As a result, in July 2017 MOHCD staff, working with the Real Estate Division, approached the McDonald's Corporation about selling this property to the City to be used for affordable housing. Negotiations between the City and McDonald's Corporation began in July 2017.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would

(1) Approve and authorize the Real Estate Division, on behalf of the Mayor's Office of Housing and Community Development (MOHCD), to acquire real property at 700-730 Stanyan Street from the McDonald's Corporation, for \$15,500,000;

(2) Place the property under the jurisdiction of MOHCD for use in constructing affordable housing for San Franciscans;

(3) Adopt findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; and

(4) Authorize the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of the purchase agreement and this resolution.

Under the proposed resolution, if the Board of Supervisors approves acquisition of 700-730 Stanyan Street, the subject property would be placed under the jurisdiction of MOHCD to construct affordable housing. However, currently there is not a specific affordable housing development plan for this site. According to Mr. John Updike, the Director of Real Estate, federal environmental clearance is required prior to creating any development plan. Mr. Updike

notes that federal environmental clearance parameters limit any building on this site to a maximum of seven stories and 186 housing units.

If the proposed resolution is approved, MOHCD will complete the prerequisite federal environmental clearance documents and work with the neighborhood community to gather feedback and undertake a collaborative process for affordable housing preferences for this site. Such affordable housing preferences could include housing for families, homeless, transitional age youth and/or seniors. According to Ms. Joan McNamara, Senior Project Manager at MOHCD, once an affordable housing program and parameters have been decided, MOHCD will issue a solicitation for proposals to developers to construct the site. The development responses will be subject to review and approval by the Citywide Affordable Housing Loan Committee.

According to Mr. Updike, the Planning Department is expected to release their findings prior to the January 11, 2018 Budget and Finance Committee meeting that the purchase of 700-730 Stanyan Street by the City is categorically exempt from CEQA and is consistent with the City's General Plan and Eight Priority Policies of Planning Code Section 101.1.

FISCAL IMPACT

Cost to Acquire Property

As noted above, the City will pay \$15,500,000 to acquire the property at 700-730 Stanyan Street from the McDonald's Corporation. On December 21, 2017, the City deposited \$1,550,000, or ten percent of the purchase price, into an interest bearing escrow account, based on the negotiated purchase and sale agreement. The property is projected to close escrow in the spring of 2018, at which time the balance of \$13,950,000 would be paid.

According to Mr. Updike, if the Board of Supervisors does not approve the subject resolution, the deposit is fully refundable. In addition, Mr. Updike estimates the City will also incur approximately \$10,000 in closing costs. As it is a public purchase, Mr. Updike notes that no transfer taxes will be paid to the City on this transaction.

Loss of Annual Property Taxes

MOHCD plans to retain ownership of the site and enter into a long term lease with an affordable housing development team, which will be subject to future Board of Supervisors approval. After the proposed public purchase is completed, the City will no longer receive annual property tax revenues. Currently, the McDonald's Corporation pays the City \$11,243 in annual property taxes for this site, which is credited to the City's General Fund.

Demolition of McDonald's Restaurant

Under the proposed purchase and sale agreement, the McDonald's franchisee may remove any personal property from the site at their own expense, prior to the closing. In addition, the City will be required to immediately demolish the existing McDonald's restaurant on the site, which Mr. Updike hopes to complete within 90 days of the closing of escrow. Mr. Updike estimates that the cost for such demolition is approximately \$200,000.

Environmental Remediation

Prior to the McDonald's restaurant on this site, the 700-730 Stanyan Street site was operated as a dry cleaner and gas station. Although the site could potentially contain an underground storage tank, which would need to be removed prior to future development of the site for affordable housing, soil testing of the site was conducted by Rincon Consultants, which, according to Mr. Updike, did not find evidence of an underground tank. Any soil contaminants identified by Rincon Consultants appeared to be at depths below the foundations of any new building on the site, so that remediation would be to cap the site rather than haul off contaminated soil. According to Mr. Updike, remediation costs would be minor.

Relocation Benefits

The U.S. Department of Housing and Urban Development (HUD) requires that, for properties that will receive HUD funding, the property purchaser must pay relocation costs to the property occupant in accordance with the Uniform Relocation Act.¹ According to Mr. Updike, the current McDonald's franchisee at the 700-730 Stanyan Street location will be offered full relocation benefits. Real Estate's relocation consultant, Associated Right of Way Services Company (ARWS), is currently working with the McDonald's franchisee to determine the provisions and amount of such relocation costs. According to Mr. Updike, the estimate of relocation costs is approximately \$400,000.

Appraisal and Appraisal Review

An appraisal conducted by R. Blum & Associates for the City's Real Estate Division in March 2017, found the subject property fair market rate value between \$18,500,000 and \$19,700,000, based on alternative affordable housing requirements.² An appraisal review by David Tattersal & Co., dated January 3, 2018, confirmed the original appraisal.

Sources and Uses of Funding

According to Mr. Benjamin McCloskey, Deputy Director for Finance and Administration for MOHCD, \$16,000,000 in Community Development Block Grant (CDBG) and Affordable Housing Inclusionary Fund monies, previously appropriated by the Board of Supervisors, are available as a source of funds for the purchase of 700-730 Stanyan Street. Estimated purchase costs are at least \$16,110,000, as shown in the Table below.. According to Mr. McCloskey, the Affordable Housing Inclusionary Fund has sufficient funds to pay for the additional relocation benefit and potential environmental remediation costs.

¹ According to the Uniform Relocation Act, the purpose of the Act is to provide "uniform, fair, and equitable treatment of persons whose real property is acquired". The Act requires the purchaser of the property to (a) provide relocation advisory services, (b) provide a minimum of 90 days to vacate the premises, and (c) reimburse for moving and reestablishment expenses.

² The \$18,500,000 value assumes the June 2016 Proposition C requirements of 25 percent on-site affordable housing. The \$19,700,000 value assumes a lower 18 percent -20 percent requirement for on-site affordable housing.

Table: Sources of Funding

Sources of Funding	Amount
Community Development Block Grant (CDBG)	\$12,000,000
Affordable Housing Inclusionary Fund	<u>4,000,000</u>
Total	\$16,000,000
Uses of Funding	
Acquisition of 700-730 Stanyan	\$15,500,000
Closing Costs	10,000
Demolition of McDonald's Restaurant	200,000
Environmental Remediation	To be determined
Relocation Benefits	<u>400,000</u>
Total	\$16,110,000

Funding for construction loans to develop the subject property will need to come from future year's MOHCD affordable housing development budgets, subject to appropriation approval by the Board of Supervisors.

Comparison of Appraised Value to Total Purchase Costs

The appraised value of 700-730 Stanyan Street ranges from \$18,500,000 to \$19,700,000, or \$2,390,000 to \$3,590,000 more than the estimated purchase costs of at least \$16,110,000. While environmental remediation, relocation benefits, and other costs could potentially increase the estimated purchase costs to more than \$16,110,000, the additional costs are unlikely to increase the cost of purchase to more than the appraised value based on information provided by Real Estate. As noted above, the Affordable Housing Inclusionary Fund has sufficient funds to pay any increases to the associated costs of purchase.

RECOMMENDATION

Approve the proposed resolution.

Item 12 File 17-1311	Department: Department of Public Health (DPH)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would amend Section 8A.5 of the City’s Health Code to impose an annual license fee of \$1,200 for a third category of cannabis consumption permits that would allow the on-site smoking of cannabis. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In June 2017, the State passed SB 94, which consolidates provisions of the State’s regulatory framework for medical cannabis and the Adult Use of Marijuana Act (Proposition 64) approved by California voters in November 2016. • In December 2017, the Board of Supervisors approved an ordinance establishing a new Article 8A of the Health Code, authorizing the DPH to issue cannabis consumption permits to cannabis businesses that allow the consumption of cannabis on-site (File 17-1042). • In December 2017, the Board of Supervisors approved an ordinance amending the Health Codes to impose the following annual license fees on two categories of cannabis consumption permits: (1) an \$800 annual license fee that would allow the on-site consumption of prepackaged cannabis products; and (2) a \$1,000 annual license fee that would allow the on-site consumption of cannabis products that require limited preparation (File 17-1153). <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • According to DPH, the \$1,200 smoking consumption permit fee amount reflects estimated costs for permitting on-site smoking at cannabis businesses. The \$1,200 fee amount is based on adding an additional amount of \$200 to the existing \$1,000 annual license fee that would allow the on-site consumption of cannabis products that require limited preparation. DPH states that the \$200 reflects the approximate costs required for review of ventilation standards for smoking consumption rooms and is based on the hourly rate of \$191 for additional work as needed for inspections of cannabis businesses for all permit categories as set pursuant to Article 16 of the Police Code (File 17-1153).The additional \$200 amount is calculated as a blended rate of staff time, primarily the 6122 Senior Environmental Health Inspector classification and related supervision time from the 6124 Principal Environmental Health Inspector classification. The rate is further adjusted to reflect productive time, departmental overhead, and city administrative overhead as calculated in the County Wide Cost Allocation Plan. • DPH anticipates reviewing nine applications for on-site smoking permits for nine cannabis storefront retail businesses in the first year (FY 2017-18). Revenues for year one (FY 2017-18) from the smoking consumption permit fee are estimated to be \$5,400 based on the nine cannabis businesses seeking permits for six months (January 1, 2018 through June 30, 2018). <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

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

Changes to California Law

On November 8, 2016, California voters approved Proposition 64, the Adult Use of Marijuana Act (AUMA), which allows adults 21 years of age or older to legally grow, possess, transport, purchase, and use cannabis for non-medical purposes, with certain restrictions. Under Proposition 64, the State is responsible for creating a regulatory and licensing system to govern the commercial cultivation, manufacture, testing, distribution, taxation and sale of non-medical cannabis and related products. In accordance with Proposition 64, cities and counties can also regulate non-medical cannabis businesses, including imposing restrictions on where such businesses can be located, requiring local licenses or permits to operate and allowing restricted taxation and fee structures. Under Proposition 64, cities and counties may begin issuing licenses for such businesses on January 1, 2018.

In 2015, Governor Brown signed legislation that established California's first regulatory framework for the medical cannabis industry. Under the Medical Cannabis Regulation and Safety Act (MCRSA), all commercial medical cannabis activity requires both a state license and local approval through a license, permit, or other authorization. Local approval will be authorized by local governments. Under MCRSA, cities and counties would begin issuing local permits for such businesses on January 1, 2018. While AUMA and MCRSA had similar requirements, they established different license types and procedures at the State and local level. In order to address these differences, on June 27, 2017, Governor Brown signed SB 94 into law. This bill repealed MCRSA and included certain provisions of MCRSA in the licensing provisions of AUMA. Under the bill, these consolidated provisions are now known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA). Under MAUCRSA, businesses that engage in commercial cannabis activities will be required to obtain a state cannabis license and comply with strict operating conditions. MAUCRSA requires that state agencies begin issuing state cannabis business licenses by January 1, 2018. Under MAUCRSA, local jurisdictions may adopt and enforce ordinances to further regulate cannabis businesses, including but not limited to zoning and permitting requirements.

Current Local Regulations

Since 2005, medical cannabis has been regulated under Article 33 of the City's Health and Safety Code, which authorizes the Department of Public Health (DPH) to oversee the permitting of medical cannabis dispensaries, which operate as collectives or cooperatives¹.

¹ Medical cannabis dispensaries are cooperatives or collectives of ten or more qualified patients or caregivers that facilitate the lawful cultivation and distribution of cannabis for medical purposes. Medical cannabis dispensaries may not sell cannabis to individuals who are not members of the collective, and may not sell or cultivate non-medical cannabis.

In July 2017, the Board of Supervisors approved an ordinance amending Chapter 2A, Article XXVI of the City's Administrative Code entitled "Cannabis Regulation" to establish an Office of Cannabis under the direction of the City Administrator and authorized the Director of the Office of Cannabis to issue permits to cannabis-related businesses, and to collect permit application and annual license fees following the enactment of a subsequent ordinance establishing the amounts of those fees (File 17-0275).

In December 2017, the Board of Supervisors approved an ordinance amending the Administrative, Business and Tax Regulations, Health and Police Codes to comprehensively regulate commercial activities relating to the cultivation, manufacture, distribution, testing, sale, and delivery of medicinal and adult use cannabis (File 17-1042). The new regulatory scheme would complement and then replace Article 33 of the Health Code, which would sunset on December 31, 2018. The ordinance established a new Article 8A of the Health Code, authorizing the DPH to issue cannabis consumption permits to cannabis businesses that allow the consumption of cannabis on-site.

In December 2017, the Board of Supervisors approved an ordinance amending the Business and Tax Regulations and Health Codes to (1) require the Office of Cannabis to collect permit application fees of \$2,000 and annual license fees of \$5,000 for cannabis business permits; (2) authorize DPH to impose fees relating to the inspection of cannabis businesses; (3) establish annual license fees for cannabis consumption permits; and (4) require the Office of Cannabis and DPH to waive certain fees for Equity Applicants (File 17-1153). The ordinance imposed the following annual license fees on two categories of cannabis consumption permits: (1) an \$800 annual license fee that would allow the on-site consumption of prepackaged cannabis products; and (2) a \$1,000 annual license fee that would allow the on-site consumption of cannabis products that require limited preparation.²

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend Section 8A.5 of the City's Health Code to impose an annual license fee of \$1,200 for a third category of cannabis consumption permits that would allow the on-site smoking of cannabis.

According to Mr. Drew Murrell, Finance Manager at DPH, the smoking consumption permit is different than the other cannabis consumption permits because businesses may include either prepackaged cannabis products or limited preparation of cannabis products in addition to the designated smoking consumption rooms. The permit also requires review of ventilation standards³ and operation of ventilation equipment inside and outside of the designated smoking consumption area.

² According to Mr. Drew Murrell, Finance Manager at DPH, the annual license fee amounts are based on comparable work done permitting bars and taverns with and without food preparation as set pursuant to Business and Tax Regulations Code 249.1

³ According to Mr. Patrick Fosdahl, Environmental Health Branch Assistant Director at DPH, a designated smoking room must meet the following ventilation standards: (1) the designated smoking room must have a separate heating, ventilation, and air-conditioning (HVAC) system such that none of the air in the designated smoking room

According to Mr. Patrick Fosdahl, Environmental Health Branch Assistant Director at DPH, the department is in the process of developing regulatory standards for smoking consumption rooms. These standards will include items related to ventilation, air volume per person in the room, filtration, negative air pressure standards and odor/smoke controls. All of these items will need to be verified both at the time of the initial permit and during any annual inspections or in response to complaints.

FISCAL IMPACT

Proposed On Site Smoking Consumption Permit Fee

According to Mr. Murrell, the \$1,200 smoking consumption permit fee amount reflects estimated costs for permitting on-site smoking at cannabis businesses. The \$1,200 fee amount is based on adding an additional amount of \$200 to the existing \$1,000 annual license fee that would allow the on-site consumption of cannabis products that require limited preparation. Mr. Murrell states that the \$200 reflects the approximate costs required for review of ventilation standards for smoking consumption rooms and is based on the hourly rate of \$191 for additional work as needed for inspections of cannabis businesses for all permit categories as set pursuant to Article 16 of the Police Code (File 17-1153). Mr. Murrell states that the additional \$200 amount is calculated as a blended rate of staff time, primarily the 6122 Senior Environmental Health Inspector classification and related supervision time from the 6124 Principal Environmental Health Inspector classification. The rate is further adjusted to reflect productive time, departmental overhead, and city administrative overhead as calculated in the County Wide Cost Allocation Plan.

According to Mr. Murrell, DPH anticipates reviewing nine applications for on-site smoking permits for nine cannabis storefront retail businesses⁴ in the first year (FY 2017-18). Revenues for year one (FY 2017-18) from the smoking consumption permit fee are estimated to be \$5,400 based on the nine cannabis businesses seeking permits for six months (January 1, 2018 through June 30, 2018). Beginning in FY 2018-19, the Office of the Treasurer and Tax Collector (TTX) will collect renewal permits as part of the department's consolidated permit and license fee collection process⁵. Mr. Murrell states that revenues for the second year (FY 2018-19) are

will be recirculated into other parts of the cannabis business' premises; (2) the air from a designated smoking room must be directly exhausted to the outdoors by a filtration system that, at a minimum, eliminates all odor and smoke; (3) from the designated smoking room, odor and smoke must not drift to other portions of the premises, (4) the designated smoking room must be completely separated from the remainder of the premises by solid partitions or glazing without openings other than doors, and all doors leading to the designated smoking room must be self-closing, and must be installed with a gasket to provide a seal where the door meets the stop; and (5) the designated smoking room must meet other health and safety standards as adopted by the Director under Article 8.

⁴ The nine locations include the following: Barbary Coast Collective, Harvest Off Mission, Bloom Room, Harvest on Geary, Love Shack, Re-leaf Herbal Cooperative, Inc., SPARC, Urban Pharm, and the Vapor Room Cooperative (provisional permit)

⁵ The annual license fee payment is due March 31 each year in accordance with Article 2, Section 76.1 of the Business and Tax Regulations Code.

currently unknown because the on-site smoking consumption permit is optional for cannabis businesses with a brick and mortar retail location⁶.

Beginning in FY 2018-19, the annual license fee of \$1,200 for a smoking consumption permit may be adjusted each year on July 1, without further action by the Board of Supervisors. Not later than April 1 of each year, the Controller will determine whether the current fees have produced or are projected to produce revenues sufficient to support the costs of licensing-related activities, and that the fees will not produce revenue that is significantly more than the costs of providing such services. The Controller will, if necessary, adjust the fees upward or downward for the upcoming fiscal year as appropriate to ensure that the program recovers the costs of operations without producing revenue that is significantly more than such costs⁷.

Estimated Annual License Fee Revenues for Cannabis Business Permits

The annual license fee would allow DPH to recover costs associated with consumption permitting for cannabis smoking.⁸ According to Mr. Murrell, DPH is projected to recover approximately \$392,881 or costs equal to 6 months of recreational cannabis operations in the first year (FY 2017-18)⁹ given that fees cannot be collected until after January 1, 2018. DPH is required to report on license fee amounts annually during the budget process and work with the Controller's Office to adjust fees to be revenue neutral.

RECOMMENDATION

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

⁶ According to Mr. Fosdahl, in order to provide the on-site smoking of cannabis, the cannabis retailer would (1) have to identify a location large enough to have a designated smoking room, (2) have the landlord agree to a designated smoking room, and (3) not have the neighbors protest the smoking room.

⁷ The adjusted rates will become operative on July 1.

⁸ The majority of cost recovery for DPH will come from fees relating to the inspection of cannabis businesses pursuant to the fee structure approved in File 17-1153.

⁹ As appropriated by the Board of Supervisors in DPH's budget for FY 2017-18.

Item 13 File 17-1245	Department: Recreation and Park Department (RPD)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance appropriates \$11,048,767 in reimbursements by CAST Powerhouse LLC to the Recreation and Park Department to pay for the Department's costs to develop the Powerhouse Project, and places these funds on Controller's reserve. • The appropriation of \$11,048,767 is necessary to allow the Department to receive reimbursements from CAST Powerhouse, LLC, for costs incurred by the Department to develop the Powerhouse Project in accordance with the Funding Agreement and Development Services Agreement. <p>Key Points</p> <ul style="list-style-type: none"> • The Geneva Car Barn and Powerhouse are two vacant buildings located at Geneva and San Jose Avenues across from the Balboa Park BART Station. In October 2015, the Recreation and Park Department recommended a two stand-alone phases Geneva Car Barn and Powerhouse Project, managed by the Department. The first phase is the Powerhouse Project to restore the Powerhouse building. • The City will fund and develop the Powerhouse Project with assistance from the nonprofit Community Arts Stabilization Trust (CAST). In order to qualify for federal tax credits, CAST created a taxable entity, the CAST Powerhouse LLC. • The Board of Supervisors approved several documents in December 2017 to implement the Powerhouse Project and allow for the project to be eligible for federal tax credit financing, including a Funding Agreement and a Development Services Agreement. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The sources of \$11,048,767 in CAST Powerhouse LLC reimbursements to the Recreation and Park Department consist of (a) \$6,200,000 in City funds granted to CAST under the terms of the Funding Agreement, and (b) \$4,848,767 in CAST contribution and New Market and Historic Rehabilitation Tax Credits. • The total project budget for the Powerhouse Project is \$13,993,079. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance 	

MANDATE STATEMENT

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

BACKGROUND

The Geneva Car Barn and Powerhouse are two buildings located at Geneva and San Jose Avenues across from the Balboa Park BART Station, adjacent to a vehicle storage facility owned by the San Francisco Municipal Transportation Agency (SFMTA). In 2004, the SFMTA transferred jurisdiction of the vacant Geneva Car Barn and Powerhouse to the Recreation and Park Department (Department) (File No. 04-0320). Between 2004 and 2015, the Department and the Friends of the Geneva Car Barn, a local non-profit, spent \$3,983,000 on the Car Barn from various sources, for roof repairs, preliminary seismic stabilization, planning, design, program administration, historic preservation architect and environmental testing.

In October 2015, the Recreation and Park Department recommended a two stand-alone phases Geneva Car Barn and Powerhouse Project, managed by the Department. The first phase is the Powerhouse Project to restore the Powerhouse building.

Powerhouse Project

The City will fund and develop the Powerhouse Project with assistance from the nonprofit Community Arts Stabilization Trust (CAST). In order to qualify for federal tax credits, CAST created a taxable entity, the CAST Powerhouse LLC. The CAST Powerhouse LLC will be the managing member of a qualified low-income business in order for the Powerhouse Project to qualify for federal New Market and Historic Rehabilitation Tax Credits.

The Board of Supervisors approved several documents in December 2017 to implement the Powerhouse Project and allow for the project to be eligible for federal tax credit financing. The documents included:

- A 55-year lease (File 17-1208) between the City and the CAST Powerhouse LLC for the Powerhouse, in which the City will construct the Powerhouse Project subject to reimbursement from CAST Powerhouse LLC;
- A Funding Agreement (File 17-1207) between the City and CAST, in which the City invests \$6.2 million¹ in the Powerhouse Project and CAST invests \$1 million; and
- A Development Services Agreement (File 17-1206) between the City and CAST Powerhouse LLC that provides for the City to (1) service as the Powerhouse Project developer, and (2) be paid a developer fee and for all project costs.

¹ The original draft of the Funding Agreement, on which the Budget and Legislative Analyst report for File 17-1207 was written, stated that the City will invest \$6,800,000. According to Mr. Antonio Guerra, Capital Finance Manager at Recreation and Park, a proposed draft revision states that the City will invest \$6,200,000.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance appropriates \$11,048,767 in reimbursements by CAST Powerhouse LLC to the Recreation and Park Department to pay for the Department's costs to develop the Powerhouse Project, and places these funds on Controller's reserve pending receipt of these funds. The appropriation of \$11,048,767 is necessary to allow the Department to receive reimbursements from CAST Powerhouse, LLC for costs incurred by the Department to develop the Powerhouse Project in accordance with the Funding Agreement and Development Services Agreement.

FISCAL IMPACT

The total project budget for the Powerhouse Project is \$13,993,079, which includes the proposed appropriation of \$11,048,767, as shown in Table 1 below.

Table 1: Powerhouse Project Budget**Sources of Funds**

CAST Powerhouse LLC reimbursement to Recreation and Park Department	\$11,048,767
2000 Neighborhood Park General Obligation Bonds	838,000
Community Opportunity Funds	1,589,700
Recreation and Park Department FY 2015-16 Capital Budget	210,612
Neighborhood Asset Activation	<u>306,000</u>
Total Sources	\$13,993,079

Uses of Funds

Construction	\$9,935,880
Other Miscellaneous Construction	1,662,313
Planning, Permitting, Design, Engineering, Environmental	1,752,270
Other Consultant Fees	638,098
Project Management Team Contingency	<u>4,518</u>
Total Uses	\$13,993,079

The sources of \$11,048,767 in CAST Powerhouse LLC reimbursements to the Recreation and Park Department consist of (a) \$6,200,000 in City funds granted to CAST under the terms of the Funding Agreement, and (b) \$4,848,767 in CAST contribution and New Market and Historic Rehabilitation Tax Credits, shown in Table 2 below.

City Grant to CAST of \$6,200,000

Under the Funding Agreement between the City and CAST, the City (a) grants \$6,200,000 to CAST that will be used to leverage federal tax credit financing, and (b) enters into a Development Services Agreement with the qualified low income business (of which the CAST Powerhouse LLC is the managing member). The Development Services Agreement provides for the Recreation and Park Department to be reimbursed by CAST Powerhouse LLC for the Department's costs to develop the Powerhouse Project.

CAST Contribution and Tax Credits of \$4,848,767

Under the Funding Agreement between the City and CAST, CAST (a) contributes \$1,000,000 to the Powerhouse Project, and (b) takes all reasonable steps to obtain federal tax credit financing for the Project. The Powerhouse Project has been awarded an allocation of New Market Tax Credits by the San Francisco Community Investment Fund²; estimated New Market Tax Credit funds to the Project are \$2,022,000. The Powerhouse is on the National Register of Historic Places and therefore the Powerhouse Project qualifies for Historic Rehabilitation Tax Credits; estimated Historic Rehabilitation Tax Credit funds to the Project are \$1,826,767.

Reimbursement to the Recreation and Park Department for Costs to Develop the Powerhouse Project

In accordance with the Development Services Agreement, CAST Powerhouse LLC will reimburse the Recreation and Park Department for the Department’s costs to develop the Powerhouse Project. CAST Powerhouse LLC will use the \$6,200,000 (previously granted by the City to CAST) as one source of funds to reimburse the City for the City’s costs to develop the Powerhouse Project. The other sources of funds for CAST Powerhouse LLC to reimburse the City are \$1,000,000 in CAST contributions, \$2,022,000 in New Market Tax Credit funds, and \$1,826,767 in Historic Rehabilitation Tax Credits, totaling \$4,848,767.

Table 2: Source of CAST Powerhouse LLC Funds to Reimburse the Recreation and Park Department

City Grant to CAST

California Department of Parks and Recreation Grant (File 17-1205)	\$3,500,000
General Fund Reserve (File 17-0817)	2,500,000
Recreation and Park Department FY 2017-18 Budget	<u>200,000</u>
Subtotal City Grant to CAST	\$6,200,000

CAST Powerhouse LLC Contribution

CAST Contribution to Powerhouse Project	\$1,000,000
Net Historic Preservation Tax Credits	1,826,767
Net New Market Tax Credits	<u>2,022,000</u>
Subtotal CAST Powerhouse LLC Contribution	\$4,848,767

Total Reimbursement **\$11,048,767**

The Board of Supervisors must appropriate the \$11,048,767 in order for the City to receive the reimbursement from CAST Powerhouse LLC.

RECOMMENDATION

Approve the proposed ordinance

² The San Francisco Community Investment Fund is a Community Development Entity that serves as the intermediary vehicle for allocation of New Market Tax Credits.

Item 14 File 17-1278	Department: Public Utilities Commission (PUC)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve an emergency declaration by the San Francisco Public Utilities Commission pursuant to Administrative Code section 6.60 for the repair and servicing of the Hetch Hetchy Regional Water System’s Tesla Treatment Facility Flywheel Uninterruptible Power Supply Units, with an estimated total cost of \$500,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The San Francisco Public Utilities Commission’s (SFPUC) Tesla Treatment Facility has three Flywheel Uninterruptible Power Supply Units (Flywheel Unit) that provide power to the ultraviolet reactors in order to disinfect the Hetch Hetchy Regional Water System water and ensure the delivery of clean water to San Francisco. The three Flywheel Units provide power to the treatment units if there is a utility power outage. • In April 2017, a senior stationary engineer discovered a failure of one of the three Flywheel Units. On December 1, 2017, the SFPUC General Manager issued a revised declaration of the emergency. • SFPUC requested bids from the only two certified contractors: A&A Electronic Testing based in Alabama and Holt of California. SFPUC selected Holt of California to repair the bearings on the Flywheel Units because Holt is based in California. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed resolution states that the emergency work will cost approximately \$500,000, and should be amended to correctly state that the emergency work will cost approximately \$322,548. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • More than six months passed between the discovery of the Flywheel Unit failure in April 2017 and the revised emergency declaration in December 2017. According to SFPUC, delays were due to the fact that SFPUC staff first tried to assess and remedy the problem. After it was determined that outside help was needed, the SFPUC obtained quotes for maintenance work. • SFPUC had initially budgeted for the replacement of the bearings in the operating funds, and identified the original maintenance contract with Bay Cities for renewal. However, the maintenance contract lapsed and is still currently lapsed. The Budget and Legislative Analyst considers approval of the emergency declaration to be a policy matter for the Board of Supervisors because the declaration of emergency could potentially have been avoided through regular maintenance and more immediate response to the initial Flywheel Unit failure. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to correctly state that the emergency work will cost approximately \$322,548 rather than \$500,000. • Approval of the proposed resolution as amended is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

Administrative Code Section 6.60(d) states that contracts entered into for emergency work that are more than \$250,000 are subject to Board of Supervisors approval. The proposed resolution approving the emergency determination shall be submitted to the Board of Supervisors within 60 days of the department's emergency declaration.

BACKGROUND

The San Francisco Public Utilities Commission's (SFPUC) Tesla Treatment Facility is located in Tracy, California, and is one of the largest ultraviolet water treatment facilities in California. The Tesla Treatment Facility has three Flywheel Uninterruptible Power Supply Units that provide continuous power to the ultraviolet reactors in order to disinfect the Hetch Hetchy Regional Water System water and ensure the delivery of clean water to San Francisco Public Utilities Commission water customers. The three Flywheel Uninterruptible Power Supply Units (Flywheel Unit) operate continuously, but only provide power to the treatment units if there is a utility power outage and during the time it takes for the backup generators to start up and come online. According to Mr. Steve Ritchie, Assistant General Manager of the Water Enterprise, utility power outages occur on average one to two times per year. Failure to disinfect the water supply would be a violation of the SFPUC's drinking water permit.

In April 2017, a senior stationary engineer discovered a failure of one of the three Flywheel Units during the daily inspections. The Flywheel Unit was experiencing a high bearing temperature, and shut itself off. Within a few days, the other two Flywheel Units were also experiencing high bearing temperatures but did not turn themselves off.

Following the failure of one of the units, as well as the warnings on the other two, SFPUC's internal staff of engineers, operators, machinists, and electronic maintenance technicians tried to diagnose and fix the problem. In September 2017, SFPUC staff called on a manufacturer's representative to provide an assessment. The representative inspected the Flywheel Unit and determined that the moving parts of all three Flywheel Units would be a safety issue if they were not serviced and recommended that they all should be shut down until serviced.

On October 17, 2017, the SFPUC General Manager declared an emergency for the immediate repair of the Flywheel Units at the Tesla Treatment Facility. On December 1, 2017, the SFPUC General Manager issued a revised declaration of the emergency clarifying that the repair work should proceed under Chapter 6 of the Administrative Code.

SFPUC contacted the manufacturer of the Flywheel Units, Caterpillar, and obtained contact information for certified trained contractors. SFPUC requested bids from the only two contractors: A&A Electronic Testing based in Alabama and Holt of California. SFPUC selected Holt of California to repair the bearings on the Flywheel Units. According to Mr. Ritchie, because Holt of California is based in California, SFPUC will not have to pay for staff travel.

The agreement between SFPUC and Holt of California to repair the Flywheel Units has not yet been executed.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve an emergency declaration by the San Francisco Public Utilities Commission pursuant to Administrative Code section 6.60 for the repair and servicing of the Hetch Hetchy Regional Water System's Tesla Treatment Facility Flywheel Uninterruptible Power Supply Units, with an estimated total not to exceed cost of \$500,000.

In accordance with the City Administrative Code, because the project was declared an emergency, the SFPUC awarded the emergency contract to Holt of California without undergoing a formal competitive bidding process because the SFPUC determined that there was insufficient time to go through such a competitive selection process (see Policy Considerations below).

FISCAL IMPACT

The emergency service work includes replacing a number of components including bearings and capacitors. A&A Electronic Testing submitted a quote of \$294,775 for the work, while Holt of California only submitted a partial quote to SFPUC. As noted above, SFPUC selected Holt of California rather than A&A Electronic Testing for the work because Holt is located in-state. According to Mr. Ritchie, SFPUC believes that although Holt of California only submitted a partial bid, Holt will have substantially the same costs as A&A Electronic Testing. This is based on the conversation with the manufacturer, which stated that the cost differences between the two firms would be in travel for repair staff, which A&A Electronic Testing estimated would cost \$1,550.

The estimated cost of repairs is therefore \$293,225, as seen in Table 1 below.

Table 1: Estimated Costs for Three Flywheel Unit Replacements

Clean Flywheel Unit	\$6,840
AC/DC Adapters	68,980
Removal, Disposal and Installation of Caps	10,560
36 Month Service for bearings	144,880
Removal, disposal, and installation of bearings	14,400
Annual Preventative Maintenance	6,290
Vacuum pump rebuild kits	4,400
Disassemble, rebuild and reinstall	1,440
New replacement vacuum pumps	25,600
Remove old pumps, purge lines, install new pumps	7,920
Remove and repair main circuit board	1,195
Troubleshoot, pack, ship and reinstallation labor	720
<u>Contingency (ten percent)¹</u>	<u>29,323</u>
Total	\$322,548

The proposed resolution states that the emergency work will cost approximately \$500,000, and should be amended to correctly state that the emergency work will cost approximately \$322,548.

SFPUC anticipates procuring the parts in four weeks, and spending six weeks on installation, for a total of ten weeks. The project is expected to be completed by the end of March.

The SFPUC plans to transfer funds from the Treatment Chemicals Budget to the Transmission System Budget in order to pay for the emergency work. The current available balance of the Treatment Chemicals Budget is \$3,090,531, and if the amended resolution is approved, the remainder of the fund will be \$2,767,984.

POLICY CONSIDERATION

More than five months passed between the discovery of the original Flywheel Unit failure in April 2017 and the initial declaration of an emergency by the president of the Public Utilities Commission on October 17, 2017. An additional six weeks passed between the original declaration on October 17, 2017 and the revised declaration on December 1, 2017, resulting in more than six months between the discovery of the Flywheel Unit failure and the revised emergency declaration.²

According to Mr. Ritchie, the delay of more than four months between the identification of the problem in April 2017 and the inspection in September 2017 was due to the fact the SFPUC staff first tried to assess and remedy the problem. After it was determined that outside help

¹ Per Administrative Code Section 6.22(h)(1). For any increase in price in excess of 10 percent of the original contract price or scope, the Department Head shall obtain the approval of the Mayor or Mayor's designee or the board or commission as appropriate and also the approval of the Controller.

² The original declaration declared the emergency under Administrative Code Section 21.15(c), which applies to goods and services, and the revised declaration declared the emergency under Administrative Code Section 6.60(d), which applies to public works.

was needed, the SFPUC obtained quotes for maintenance work. The normal contractor selection process is between three and five months in duration, which would have delayed contractor selection until February or March 2018.

The declaration of emergency could have been avoided had SFPUC conducted regular maintenance on the Flywheel UPS units. SFPUC had initially budgeted for the replacement of the bearings in the operating funds, and identified the original maintenance contract with Bay Cities for renewal. However, after the retirement of two successive Operations Superintendents, the maintenance contract lapsed. The contract is still currently lapsed. According to Mr. Ritchie, the lapse in contracting for the Flywheel Units was due to SFPUC staff misunderstanding the scope and critical nature of the maintenance services. SFPUC currently views the Flywheel Units maintenance contracting as its highest priority, and will review the recent \$4.8 billion design and construction program in order to identify and prioritize any other mission-critical maintenance items to avoid the necessity of future emergency responses.

The Budget and Legislative Analyst considers approval of the emergency declaration to be a policy matter for the Board of Supervisors because the declaration of emergency could potentially have been avoided through regular maintenance and more immediate response to the initial Flywheel Unit failure.

RECOMMENDATIONS

1. Amend the proposed resolution to correctly state that the emergency work will cost approximately \$322,548 rather than \$500,000.
2. Approval of the proposed resolution as amended is a policy matter for the Board of Supervisors.

Item 15 File1 17-1279	Department: Homelessness and Supportive Housing (HSH)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The Department of Homelessness and Supportive Housing requests 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. <p>Key Points</p> <ul style="list-style-type: none"> • The Board of Supervisors approved the purchase of 440 Turk Street from the San Francisco Housing Authority in 2016. The Department of Homelessness and Supportive Housing proposes to use the 440 Turk Street property as both an access point for homeless persons on the first floor and as HSH administrative offices on the second floor. The first floor access point would include offices for 7-10 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. The second floor of 440 Turk Street is proposed to be the administrative offices for 95 staff and three shared workstations. • The Board of Supervisors continued a resolution, declaring an emergency and authorizing the construction of the access point at 440 Turk Street, to the January 9, 2018 Board meeting. The City will purchase 440 Turk Street from the San Francisco Housing Authority once the emergency declaration has been resolved and the timing of the renovation of 440 Turk Street is known. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The Department of Homelessness and Supportive Housing's budget is \$1,718,000 for furniture, fixtures and equipment; the Budget and Legislative Analyst recommends a budget 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 furniture, fixtures, and equipment for the Office of the Medical Examiner. <p>Recommendation</p> <ul style="list-style-type: none"> • Reduce the requested release of \$1,700,000 on reserve by \$390,225 to \$1,309,775 and approve the release of \$1,309,775. 	

MANDATE STATEMENT

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

In July 2016, the Board of Supervisors authorized the purchase of the building at 440 Turk Street from the San Francisco Housing Authority for \$5,000,000 to serve as an office building for the Department of Homelessness and Supportive Housing (HSH) (File 16-0652). 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 storage¹.

The Board of Supervisors appropriated \$1,700,000 in HSH's FY 2017-18 budget to purchase furniture, fixtures, and equipment for 440 Turk Street, and placed these funds 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.

DETAILS OF PROPOSED LEGISLATION

The Department of Homelessness and Supportive Housing requests 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 proposes to use the 440 Turk Street property as both an access point for homeless persons on the first floor and as HSH administrative offices on the second floor.

According to Ms. Gigi Whitley, HSH Deputy Director for Administration and Finance, HSH will launch 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

¹ 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.

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, seven Homeless Outreach staff will continue to be located at 50 Ivy Street and 2712 Mission Street and three Housing Access Team staff will continue to be located with the Human Services Agency (HSA) at 1235 Mission Street.

Purchase and Renovation of 440 Turk Street

The Board of Supervisors continued a resolution, declaring an emergency and authorizing the construction of the access point at 440 Turk Street pursuant to Administrative Code Section 6.60(d) (File 17-1157), to the January 9, 2018 Board meeting. According to Mr. John Updike, Director of Real Estate, the City will purchase 440 Turk Street from the San Francisco Housing Authority once the emergency declaration has been resolved and the timing of the renovation of 440 Turk Street is known.

If the Board approves the emergency declaration, Public Works will oversee the design, construction and management of the proposed renovations to 440 Turk Street on behalf of HSH. According to Mr. Edgar Lopez, Public Works Deputy Director, 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.

Sources of Funds for Purchase and Renovation of 440 Turk Street

The budget for the purchase and renovation and 440 Turk Street, and for the purchase of furniture, fixture, and equipment is \$12,868,100. Sources of funds include Public Health General Obligation Bond proceeds and General Fund, as shown in Table 1 below.

Table 1: 440 Turk Street Purchase and Renovation Budget**Sources**

2016 Public Health General Obligation Bonds (previously appropriated)	\$4,850,000
Future Sale of Public Health General Obligation Bonds	2,225,000
General Fund Appropriation (File 17-1154)	4,093,100
General Fund Release of Reserves (File 17-1279)	<u>1,700,000</u>
Total Sources	\$12,868,100

Uses

Purchase of 440 Turk Street	\$5,000,000
Renovation and Construction	6,168,100
Furniture, Fixtures and Equipment	<u>1,700,000</u>
Total Uses	\$12,868,100

General Obligation Bonds

Because the first floor of 440 Turk Street will be used as an access point for homeless individuals, Public Works determined that 55 percent of the purchase and renovation costs could be funded by proceeds from the Public Health General Obligation bonds. Previously appropriated bond proceeds (\$4,850,000) and proceeds from bonds proposed to be issued in 2018 (\$2,225,000) are eligible as a source of funds.

General Fund

The Board of Supervisors previously appropriated General Fund monies to fund a lease for HSH administrative offices on 9th Street. Because HSH will now occupy 440 Turk Street rather than 9th Street for administrative offices, the Department has requested re-appropriation of \$4,093,100 to fund the purchase and renovation of 440 Turk Street. An ordinance approving the re-appropriation of \$4,093,100 is pending before the Board of Supervisors (File 17-1154).

FISCAL IMPACT

The Board of Supervisors appropriated \$1,700,000 in HSH's FY 2017-18 budget and placed these funds on Budget and Finance Committee Reserve, pending details on the use of these funds for furniture, fixtures, and equipment for 440 Turk Street.

Table 2 below details HSH's budget of \$1,718,000 for furniture, fixtures and equipment, and the Budget and Legislative Analyst's proposed recommended budget 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 furniture, fixtures, and equipment for the Office of the Medical Examiner.

Table 2: Furniture, Fixtures and Equipment Costs for 440 Turk Street

	Requested	Recommended	Savings
Workstations	\$413,000	\$413,000	\$0
Telephone / data wiring & installation	144,550	144,550	0
Computers and telephones	413,000	153,600	259,400
Commercial grade washers and dryers in laundry	50,000	50,000	0
Meeting rooms (with audio/visual)	120,000	95,000	25,000
Access Point furniture (with audio visual)	225,000	225,000	0
Server, data room racks, network equipment	200,000	150,000	50,000
Moving and relocation costs	55,200	30,000	25,200
Subtotal	\$1,620,750	\$1,261,150	\$359,600
Escalation (6%)	97,250	48,625	48,625
Total	\$1,718,000	\$1,309,775	\$408,225

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.

RECOMMENDATION

Reduce the requested release of \$1,700,000 on reserve by \$390,225 to \$1,309,775 and approve the release of \$1,309,775.