


**CITY AND COUNTY OF SAN FRANCISCO**  
**BOARD OF SUPERVISORS**  
**BUDGET AND LEGISLATIVE ANALYST**

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**TO:** Budget and Finance Sub-Committee  
**FROM:** Budget and Legislative Analyst   
**SUBJECT:** July 24, 2019 Budget and Finance Sub-Committee Meeting

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<p><b>Item 1</b>  <b>File 19-0732</b>  <i>(Continued from July 17, 2019)</i></p>	<p><b>Department:</b>  Municipal Transportation Agency (MTA)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would retroactively approve a capital funding agreement between San Francisco Municipal Transportation Agency (SFMTA) and the San Francisco Bay Area Rapid Transit District (BART) for the BART/Muni Market Street Entrance Modernization Project (Canopy Project), for a term of seven years and 11 months, from February 2018 through December 2025, with SFMTA’s amount not to exceed \$45,000,000.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• BART is currently undertaking the Market Street Escalators Renovation Project (Escalator Project) to replace and install 41 escalators at the four BART/Muni stations (Civic Center, Powell Street, Montgomery Street, and Embarcadero) along Market Street in downtown San Francisco.</li> <li>• In conjunction with the Escalator Project, BART plans to install canopies above the Market Street BART/Muni station entrances, as required by State code to protect the new escalators from weather damage and to enhance safety. In November 2018, BART opened two canopies at Powell Street and Civic Center station entrances as a pilot project. Under the Canopy Project, BART would install 19 additional canopies over the Market Street station entrances.</li> <li>• The total estimated budget for the Canopy Project is \$91,300,000. The proposed resolution would retroactively approve a funding agreement between BART and SFMTA, with SFMTA’s amount not to exceed \$45,000,000, to fund approximately half the cost of the canopy project.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• Under the proposed funding agreement, SFMTA would contribute up to \$45,000,000 for approximately half the cost of the Canopy Project. SFMTA’s share would come from Proposition A funding, a 2014 voter-approved \$500 million general obligation bond for transportation infrastructure.</li> <li>• BART and SFMTA are considering three additional options to the Canopy Project, with an estimated combined budget of approximately \$15,400,000. The options are dependent on additional funding from both BART and SFMTA.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

## MANDATE STATEMENT

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

## BACKGROUND

The San Francisco Bay Area Transit District (BART) is currently undertaking the Market Street Escalators Renovation Project (Escalator Project) to replace and install 41 escalators at the four BART/Muni stations (Civic Center, Powell Street, Montgomery Street, and Embarcadero) along Market Street in downtown San Francisco. In March 2019, the BART Board of Directors approved a \$96.5 million contract for the Escalator Project. BART is expected to complete six escalators per year, with the first escalators delivered for installation in Spring 2020. Under an existing maintenance agreement<sup>1</sup>, the San Francisco Municipal Transportation Agency (SFMTA) will fund \$34 million for the Escalator Project, half of the cost of the escalators used for both BART and Muni access.

In conjunction with the Escalator Project, BART is also proceeding with the BART/Muni Market Street Entrance Modernization Project (Canopy Project). BART plans to install canopies above the Market Street BART/Muni station entrances, as required by State code to protect the new escalators from weather damage and to enhance safety. In November 2018, BART opened canopies at entrances of the Powell Street (north side of Market and Ellis Streets) and Civic Center (south side of Market and 7<sup>th</sup> Streets) stations as a pilot project.

The estimated cost for the Canopy Project is \$91,300,000, which is an increase over BART's previous estimate from 2017 of \$66,400,000. According to BART, cost increases are due to market conditions, such as Bay Area labor shortages, material tariffs, and price escalation. On June 18, 2019, the SFMTA Board of Directors approved a funding agreement for up to \$45,000,000, representing approximately half the cost of the Canopy Project.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a funding agreement between SFMTA and BART for the Canopy Project, for a term of seven years and 11 months, from February 2018 through December 2025, and SFMTA's amount not to exceed \$45,000,000. SFMTA and BART would each fund half of the estimated cost for the Canopy Project.

According to Mr. Jonathan Rewers, SFMTA Senior Manager of Budget, Financial Planning, and Analysis, the funding agreement is retroactive to February 2018 to correspond with Board of Supervisors approval to sell \$177 million in general obligation bonds for transportation improvements (File 17-1253, Resolution 17-18), as well as approving the appropriation of the

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<sup>1</sup> Under the maintenance agreement, which dates to 1976, SFMTA contributes to the maintenance and renewal of existing assets, such as shared station escalators.

bond proceeds (File 17-1248, Ordinance 19-18). The appropriation ordinance included \$3,000,000 for the two pilot project canopies at the Powell Street and Civic Center stations.<sup>2</sup>

Under the Canopy Project, BART would build 19 additional canopies over the Market Street station entrances. Along with protecting the new escalators from rain and debris, the canopies would add station security by using gates that would lock when the stations are closed. Canopies would also include a digital display showing real-time train arrival times, as well as LED lighting and security cameras.

## FISCAL IMPACT

Under the proposed funding agreement, SFMTA would contribute up to \$45,000,000 for approximately half the cost of the Canopy Project. SFMTA's share would come from Proposition A funding, a 2014 voter-approved \$500 million general obligation bond for transportation infrastructure. The project budget is shown in Table 1 below.

**Table 1: Canopy Project Budget**

<b>Sources</b>	<b>Amount</b>
BART	\$46,300,000
SFMTA (Proposition A Bonds)	45,000,000
<b>Total Sources</b>	<b>\$91,300,000</b>
<b>Uses</b>	<b>Amount</b>
Preliminary Design	\$1,000,000
Final Design Estimate	3,500,000
Canopy Construction <sup>3</sup>	56,400,000
Construction Contingency (10%)	5,600,000
Canopy Pilot Construction	4,500,000
<i>Construction Subtotal</i>	<i>\$66,500,000</i>
Pilot Construction Management (Including 10% Contingency)	2,000,000
Construction Management Estimate (Including 10% Contingency)	11,200,000
Design Services During Construction Estimate (Including 10% Contingency)	3,500,000
BART Labor (Including 10% Contingency)	3,600,000
<i>Construction Management Subtotal</i>	<i>\$20,300,000</i>
<b>Total Uses</b>	<b>\$91,300,000</b>

<sup>2</sup> Proposition A, approved by voters in 2014, authorizes \$500 million in general obligation bonds for transportation and street projects. Of the \$500 million, \$244 million have been sold (including the \$177 million noted above) and \$256 million have not yet been sold.

<sup>3</sup> According to Mr. Rewers, the \$56,400,000 construction estimate is based on an engineer's estimate in a scenario with 2-3 bidders. In a more competitive bidding environment with 4-5 bidders, the construction estimate is reduced to approximately \$49,500,000, not including contingencies.

BART is considering three options to the Canopy Project that are not included in the \$91,300,000 estimated project cost:

1. Two street level canopies at Powell Street Station;
2. One new street level canopy at the UN Plaza entry of Civic Center Station; and
3. Incorporation of patterned art along canopy ceilings.

According to Mr. Rewers, the total estimated cost of the three additional options is approximately \$15,400,000. The total includes estimates of \$13,000,000 for construction, \$2,200,000 for construction management, and \$200,000 for design services during construction. According to Mr. Rewers, the options would be determined based on available funding from BART and SFMTA.

### **RECOMMENDATION**

Approve the proposed resolution.

<b>Item 2</b> <b>File 19-0766</b>	<b>Department:</b> Public Utilities Commission (PUC)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would authorize San Francisco Public Utilities Commission (SFPUC) to accept and expend a grant from the California State Water Resources Control Board (State Water Board) for the Sewer System Improvement Program (SSIP) Baker Beach Green Street Early Implementation Project (Baker Beach Project), in an amount not to exceed \$3,759,822, for the period from November 4, 2017 through March 21, 2022.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• SSIP is a 20-year, multi-billion dollar investment to upgrade and replace aging and seismically unsafe sewer infrastructure. SSIP Phase 1 comprises 70 projects totaling \$2.9 billion, including treatment plant; pump station, flood resilience, and green infrastructure projects. The Baker Beach Project consists of installing permeable paving, bio-retention bulbouts, detention galleries, infiltration galleries, and rain gardens at locations on El Camino Del Mar and Sea Cliff Avenue in the Sea Cliff neighborhood. The project would manage approximately 2.6 million gallons of stormwater each year, reducing sewer discharge at Baker Beach, improving urban habitats, and providing traffic calming and enhanced bicycle and pedestrian safety.</li> <li>• In April 2016, SFPUC applied for a Proposition 50 grant with the State Water Board for the Baker Beach Project. In December 2016, the State Water Board awarded SFPUC a grant in the amount of \$3,759,822. The SFPUC Commission did not approve accepting the grant and providing matching funds until March 2019, or more than two years after it was awarded because of changes in the project scope and subsequent negotiations with the State's attorneys.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The total estimated budget for the Baker Beach Project is \$12,060,488, with \$3,759,822 funded by the State Water Board grant and \$8,300,666 funded by SFPUC.</li> <li>• The project budget does not include plant establishment, which is not grant eligible. The estimated cost to SFPUC is \$150,000 for the two year and six month period following construction.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

## MANDATE STATEMENT

City Administrative Code Section 10.170-1 states that accepting Federal, State, or third-party grant funds in the amount of \$100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval.

## BACKGROUND

The San Francisco Public Utilities Commission's (SFPUC) Sewer System Improvement Project (SSIP) is a 20-year, multi-billion dollar investment to upgrade and replace aging and seismically unsafe sewer infrastructure. SSIP Phase 1, as approved by the SFPUC Commission, comprises 70 projects totaling \$2.9 billion, including treatment plant, pump station, flood resilience, and green infrastructure projects.

The Baker Beach Green Streets Project (Baker Beach Project), a green infrastructure project included in SSIP Phase 1, would reduce sewage discharge at Baker Beach and decrease the volume of stormwater entering the three Sea Cliff Pump Stations.

In April 2016, SFPUC applied for a grant with the State Water Resources Control Board (State Water Board) for Proposition 50<sup>1</sup> funding for the Baker Beach Project. In December 2016, the State Water Board awarded SFPUC a grant in the amount of \$3,759,822, with SFPUC providing a match of \$3,759,937, for a total estimated project budget of \$7,519,759 at that time. In March 2019, the SFPUC Commission approved accepting the grant and providing matching funds. According to Ms. Mary Tienken, SFPUC Project Manager, the grant approval came to the Commission more than two years after it was awarded because of changes in the project scope and subsequent negotiations with the State's attorneys. Due to changes in the project scope, as well as escalation, the total estimated project budget has increased from \$7,519,759 to \$12,060,488. Grant funding has not been received to date.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize SFPUC to accept and expend a grant from the State Water Board in the amount not to exceed \$3,759,822 for the Baker Beach Project, for the period from November 4, 2017 through March 21, 2022. SFPUC would provide a match of \$8,300,666. The grant period began in November 2017 (or a delay of more than 20 months) because of changes in the project scope and subsequent negotiations with the State's attorneys. SFPUC has not yet received the grant funds.

The Baker Beach Project consists of installing permeable paving, bio-retention bulbouts, detention galleries, infiltration galleries, and rain gardens at locations on El Camino Del Mar and Sea Cliff Avenue in the Sea Cliff neighborhood. The project would manage approximately 2.6 million gallons of stormwater each year, reducing sewer discharge at Baker Beach, improving urban habitats, and providing traffic calming and enhanced bicycle and pedestrian safety. According to Ms. Tienken, construction began on January 10, 2019.

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<sup>1</sup> Proposition 50 was a \$3.44 billion water bond passed by California voters in 2002.

**FISCAL IMPACT**

The total estimated budget for the Baker Beach Project is \$12,060,488, with \$3,759,822 funded by the State Water Board grant and \$8,300,666 funded by SFPUC. According to Ms. Tienken, sufficient funding is available in the FY 2019-20 SFPUC Wastewater Enterprise capital budget. The Baker Beach Project budget is shown in Table 1 below.

**Table 1: Baker Beach Project Budget**

Item	Grant Funding	SFPUC Funding	Total Amount
Project Management	-	\$1,105,217	\$1,105,217
Legal Project Support	-	30,000	30,000
<i>Direct Project Administration Subtotal</i>	-	<i>\$1,135,217</i>	<i>\$1,135,217</i>
Planning		\$969,484	\$969,484
Design	-	1,001,922	1,001,922
Environmental Review	-	3,081	3,081
<i>Planning/Design/Engineering/Environmental Subtotal</i>	-	<i>\$1,974,487</i>	<i>\$1,974,487</i>
Bid Advertisement and Award	\$76,842	\$41,376	\$118,218
Construction Management	515,260	905,340	1,420,600
Construction	3,161,982	4,196,957	7,358,939
Permitting	5,738	3,089	8,827
<i>Construction Subtotal</i>	<i>\$3,759,822</i>	<i>\$5,146,762</i>	<i>\$8,906,584</i>
Post-Construction Monitoring	-	\$42,000	\$42,000
Education and Outreach	-	2,200	2,200
<i>Other Subtotal</i>	-	<i>\$44,200</i>	<i>\$44,200</i>
<b>Total</b>	<b>\$3,759,822</b>	<b>\$8,300,666</b>	<b>\$12,060,488</b>

According to Ms. Tienken, the project budget does not include the cost of plant establishment, which is not grant eligible. The cost is estimated at \$150,000 for the two years and six months following construction.

**RECOMMENDATION**

Approve the proposed resolution.



<b>Item 3</b> <b>File 19-0761</b>	<b>Department:</b> General Services Agency - Department of Public Works (DPW)
<b>EXECUTIVE SUMMARY</b>	
<p><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would authorize the Department of Public Works (Public Works) to accept and expend up to \$2,340,000 in Senate Bill 1 (SB1) Local Partnership Program (LPP) funds in FY 2019-20 for the Sunset and Parkside Streets Pavement Renovation project, coupled with a match of \$2,632,000 from the General Fund.</li> </ul> <p><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• SB1 is a transportation funding package that provides over \$50 billion in increased funding for local streets and roads, multi-modal improvements and transportation operations over the next 10 years.</li> <li>• SB1 established the LPP, which allocates \$200 million in SB1 funding per year to local or regional agencies that have sought and received voter approval for taxes or imposed fees dedicated solely to transportation. 50 percent of annual LPP funds (\$100 million) are allocated through a Formulaic Program to local and regional transportation agencies that have specifically sought and received voter approval for transportation sales taxes, tolls or fees. The San Francisco County Transportation Authority (SFCTA) is eligible to receive LPP Formulaic Funds.</li> <li>• The SFCTA and Public Works submitted a joint request for FY 2019-20 LPP Formulaic Funds for the Sunset and Parkside Pavement Renovation project, which would repave and extend the useful life of 2.5 miles of residential streets in the Sunset and Parkside neighborhoods. The project is expected to begin in July 2019 and conclude in March 2023.</li> </ul> <p><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The total project budget is \$4,972,000, with \$2,340,000 provided in SB1 LPP Formulaic Funds and \$2,632,000 provided in matching funds by Public Works.</li> <li>• Public Works' General Fund contribution was appropriated in the Department's FY 2018-19 budget.</li> </ul> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

## MANDATE STATEMENT

City Administrative Code Section 10.170-1 states that accepting Federal, State, or third-party grant funds in the amount of \$100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval.

## BACKGROUND

The Governor of California signed Senate Bill 1 (SB1)<sup>1</sup> into law in April 2017. SB1 is a transportation funding package that provides over \$50 billion in increased funding for local streets and roads, multi-modal improvements and transit operations over the next 10 years.

SB1 established the Local Partnership Program (LPP), which appropriates \$200 million in SB1 funding per year. The California Transportation Commission (CTC) allocates LPP funds to local or regional agencies that have sought and received voter approval of taxes or imposed fees dedicated solely to transportation. 50 percent of LPP funds (\$100 million) are allocated annually through a Formulaic Program to local or regional transportation agencies that have specifically sought and received voter approval for transportation sales taxes, tolls or fees.

The San Francisco County Transportation Authority (SFCTA) is eligible to receive funding through the LPP Formulaic Program due to the fact that the agency administers Proposition K (Prop K), a half-cent local transportation sales tax program approved by San Francisco voters in November 2003, and Proposition AA (Prop AA), an additional \$10 vehicle registration fee approved by San Francisco voters in November 2010.

In August 2018, the SFCTA and the San Francisco Public Works Department (Public Works) submitted a joint request to the CTC for FY 2019-20 LPP Formulaic Funds for the Sunset and Parkside Streets Pavement Renovation project. In October 2018, the CTC approved the request and adopted and programmed \$2,340,000 in FY 2019-20 for the project, with the requirement that Public Works provide a 100% local match.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize Public Works to accept and expend up to \$2,340,000 in SB1 LPP Formulaic Funds in FY 2019-20 for the Sunset and Parkside Streets Pavement Renovation project, and commit \$2,632,000 in local matching funds.

### Project Description

The Sunset and Parkside Streets Pavement Renovation project would repave 2.5 miles of residential streets in the Sunset and Parkside neighborhoods. Key elements of the project scope include demolition and pavement renovation, new sidewalk construction, curb ramp construction and retrofit, and traffic control. The project is part of Public Works' larger Street

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<sup>1</sup> SB1 is also known as the Road Repair and Accountability Act of 2017.

Resurfacing Program, which seeks to minimize resurfacing costs and prolong the service life of City streets through routine, preventative maintenance.

Through the Street Resurfacing Program, Public Works assigns every City block a Pavement Condition Index (PCI) score every two years. PCI scores range from 0 (“Very Poor”) to 100 (“Excellent”). PCI scores in the Sunset and Parkside Pavement Renovation project area currently average in the mid-40s, which corresponds to an “At-Risk” rating. Upon completion of the project, Public Works expects the project area’s PCI score to rise to 100, thereby decreasing the lifetime maintenance and repair costs of the streets in the project area and improving road conditions for drivers, public transit riders, and bicyclists.

Public Works expects to put contractual services for the project out to bid in Fall 2019 and begin construction in Spring/Summer 2020. The project is expected to reach completion by March 2023.

**FISCAL IMPACT**

The proposed resolution would authorize \$2,340,000 in SB1 LPP Formulaic Funds for the design and construction of the Sunset and Parkside Streets Pavement Renovation project, with Public Works providing an additional \$2,632,000 in local matching funds. The total project budget is \$4,972,000, as shown in Table 1 below.

**Table 1: Sunset and Parkside Streets Pavement Renovation Budget**

<b>Sources</b>	<b>Amount</b>
SB1 LPP Grant	\$ 2,340,000.00
General Fund	\$ 2,632,000.00
<b>Total</b>	<b>\$ 4,972,000.00</b>

<b>Uses</b>	<b>Amount</b>
Design	\$ 472,000.00
Construction (Hard Cost)	\$ 3,214,285.65
Construction Contingency (10% of Hard Cost)	\$ 321,428.57
Construction Management (30% of Hard Cost)	\$ 964,285.70
<b>Total</b>	<b>\$ 4,972,000.00</b>

Public Works’ \$2,632,000 General Fund contribution was appropriated in the Department’s FY 2018-19 budget.

Public Works does not expect to incur any ongoing costs following the expiration of the grant funds.

**RECOMMENDATION**

Approve the proposed resolution.

<b>Item 8</b> <b>File 19-0764</b>	<b>Department:</b> Mayor's Office
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <p>The proposed resolution would: (1) authorize the Director of the Mayor's Office of Housing and Community Development (MOHCD) to execute documents relating to loans for the acquisition, rehabilitation, or permanent financing of four project sites pursuant to the Small Sites Program, Preservation and Seismic Safety Program, and Downtown Neighborhoods Preservation Fund, for a total loan amount not to exceed \$37,544,000; (2) confirm the Planning Department's determination under the California Environmental Quality Act; and (3) find that the project loans are consistent with the City's General Plan and the priority policies of Planning Code Section 101.1.</p> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• Between August and November 2019, MOHCD expects to close loan transactions with Chinatown Community Development Center and Mission Economic Development Agency for their purchase of four small sites with a total of 100 residential units. Funding for the loans is available through the Small Sites Program, the Preservation and Seismic Safety Program, and the Downtown Neighborhoods Preservation Fund.</li> <li>• The loan documents restrict each project as affordable housing to low- and moderate-income households with annual maximum rent and income established by MOHCD for no less than 75 years.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The proposed sources and uses of funds for the acquisition, rehabilitation, and permanent financing of the four project sites total \$33,568,886.</li> <li>• Total development costs per residential unit range from \$215,520 to \$576,710, and the cost per residential square foot ranges from \$682 to \$1,250.</li> <li>• MOHCD is requesting authorization for up to \$37,493,000 in loans, which is \$3,924,114 greater than the proposed sources and uses of \$33,568,886, for project contingencies.</li> <li>• The requested authorization is \$51,000 less than the not to exceed authorization amount in the proposed resolution.</li> </ul> <p style="text-align: center;"><b>Policy Consideration</b></p> <ul style="list-style-type: none"> <li>• MOHCD records a deed restriction on each property that requires that the project be operated as affordable housing in perpetuity as a condition of financing, but the City does not own the properties.</li> </ul> <p style="text-align: center;"><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>1. Amend the proposed resolution to authorize the Director of MOHCD to execute loan documents for a total loan amount not to exceed \$37,493,000.</li> <li>2. Approve the proposed resolution, as amended.</li> </ol>	

## MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that has a term of more than ten years is subject to Board of Supervisors approval by resolution.

## BACKGROUND

### Small Sites Program

The Small Sites Program is an acquisition and rehabilitation loan program administered by the Mayor's Office of Housing and Community Development (MOHCD) for multi-family rental buildings of 5 to 25 dwelling units in San Francisco. The program seeks to protect and establish permanent affordable housing in small properties throughout the city that are vulnerable to market pressure resulting in property sales, increased evictions, and rising tenant rents. The Small Sites Program provides loans to non-profit and for-profit entities to purchase and rehabilitate existing residential buildings and restrict them for the long term as affordable housing. The program goals are to:

- 1) Protect and stabilize housing for current tenants at a range of income levels, as long as at least 75 percent of the building's tenants have an income at or below 80 percent of the area median income (AMI)<sup>1</sup>;
- 2) Increase the supply of permanently affordable rental housing by restricting Small Sites Program properties to serve households with average incomes at 80 percent of AMI;
- 3) Ensure that Small Sites Program properties operate with sufficient cash flow to adequately care for the property and repay debt obligations, including Small Sites Program loans, which the City will reinvest into future Small Sites Program properties.

The Program Guidelines for the Small Sites Program sets the maximum City subsidy including acquisition, rehabilitation, and permanent financing at:

- a. \$300,000 per unit for buildings with 10 to 25 units
- b. \$375,000 per unit for buildings with 3 to 9 units
- c. \$175,000 per bedroom for group or single room occupancy housing

Additional subsidy may be considered on a case-by-case basis, but may not exceed \$400,000 per unit in any case. To calculate the maximum per-unit subsidy, income generating commercial space may be counted as a unit.

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<sup>1</sup> The 2019 AMI in San Francisco for a family of four is \$123,150. Eighty percent of AMI for a family of four is \$98,500. The maximum monthly rent for a 1-bedroom unit for a household with 80 percent of AMI is \$1,970 with utilities.

### **Preservation and Seismic Safety Program**

The Preservation and Seismic Safety Program (PASS) provides low-cost and long-term financing to fund seismic retrofits, as well as the acquisition, rehabilitation, and preservation of affordable multi-family housing. PASS was created to complement the City's anti-displacement and preservation strategy, including the Small Sites Program. PASS is funded by repurposing \$260.7 million in underutilized bond authority from the 1992 Seismic Safety Loan Program. The initial round of PASS funding was issued in February 2019.

### **Downtown Neighborhood Preservation Fund**

The Downtown Neighborhoods Preservation Fund was established by the Board of Supervisors in 2016 as a result of the sale of City-owned property and approval of a street vacation necessary for the development of the Oceanwide Center located at 50 First Street. The Downtown Neighborhoods Preservation Fund may be used exclusively for the acquisition and preservation of housing within a one-mile radius of the Oceanwide Center. The funding goals include to:

- 1) Protect and stabilize housing for residents of the Downtown area at a range of income levels, so long as a majority of the building's tenants have an income at or below 80 percent of AMI;
- 2) Remove existing rental housing properties from the speculative market, while increasing the supply of permanently affordable rental housing;
- 3) Create financially stable, self-sustaining housing that serves multiple generations of low- to moderate-income households by ensuring that properties operate with sufficient cash flow to adequately care for the property and repay debt obligations; and
- 4) Complement the work under the Small Sites Program by giving priority to buildings with 26 or more residential units.

Downtown Neighborhoods Preservation Fund subsidies may not exceed \$250,000 per dwelling unit.

## **DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would: (1) authorize the Director of the Mayor's Office of Housing and Community Development (MOHCD) to execute documents relating to loans for the acquisition, rehabilitation, or permanent financing of four project sites pursuant to the Small Sites Program, Preservation and Seismic Safety Program, and Downtown Neighborhoods Preservation Fund, for a total loan amount not to exceed \$37,544,000; (2) confirm the Planning Department's determination under the California Environmental Quality Act; and (3) find that the project loans are consistent with the City's General Plan and the priority policies of Planning Code Section 101.1.

Between August and November 2019, MOHCD expects to close loan transactions with Chinatown Community Development Center and Mission Economic Development Agency for the following four sites:

- 1) 937 Clay Street, a 73-unit residential property with three ground floor commercial tenants
- 2) 305 Carlos Street, a 10-unit residential property with two ground floor commercial tenants, and two Accessory Dwelling Units
- 3) 3198 24<sup>th</sup> Street, an 8-unit residential property with five ground floor commercial tenants
- 4) 654 Capp Street, a 6-unit residential property

The loan documents will restrict each project as affordable housing to low- and moderate-income households with annual maximum rent and income established by MOHCD as long as all or any portion of the buildings remain on the property, but in no event less than 75 years.

**Loan Terms**

A summary of the key loan terms for the Small Sites Program, PASS, and the Downtown Neighborhoods Preservation Fund are shown in Table 1 below.

**Table 1: Key Loan Terms**

Loan Fund	Term	Interest Rate	Subsidy Limit
Small Sites Program	40 years	3% residual receipts <sup>a</sup>	\$300,000/unit (10-25 units) \$375,000/unit (3-9 units) \$175,000/BR (SRO or group)
PASS - Market Rate Loan	40 years	5.16725%	N/A
PASS - Below Market Rate Loan	40 years	1.38908%	N/A
PASS – Deferred Loan	40 years	1.38908%	N/A
Downtown Neighborhood Preservation Fund	40 years	3% residual receipts <sup>a</sup>	\$250,000/unit

<sup>a</sup> For any year when the replacement reserve balance is less than 1.5 times the original replacement reserve amount, 1/3 is retained by the sponsor, and the other 2/3 is deposited into the replacement reserve. In the event that the replacement reserve balance is greater than 1.5 the original amount, then the City would receive repayment on the loan.

Loan repayment obligations on the Small Sites Program and Downtown Neighborhood Preservation Fund loans are limited to the availability of residual receipts, or annual cash flow after operating costs have been paid. Interest not paid to the City each year due to lack of available residual receipts will be forgiven and will not accrue.

The PASS Market Rate and Below Market Rate loans must be repaid in monthly installments on a 40-year amortization schedule. The PASS Deferred loan is repayable as a balloon due at maturity.

**FISCAL IMPACT**

**Sources and Uses**

The proposed sources and uses of funds for the acquisition, rehabilitation, and permanent financing of the four project sites total \$33,568,886, as shown in Table 2 below.

**Table 2: Sources and Uses of Funds for Four Small Sites**

Sources	937 Clay	305 San Carlos	654 Capp	3198 24th	Total
Small Sites Program	\$0	\$3,696,040	\$1,989,677	\$3,794,227	<b>\$9,479,944</b>
PASS - Market Rate Loan	2,101,280	1,531,993	1,124,870	2,114,413	<b>6,872,556</b>
PASS - Below Market Rate Loan	1,357,920	990,027	726,930	1,366,407	<b>4,441,284</b>
PASS - Deferred	220,800	160,980	118,200	222,180	<b>722,160</b>
Downtown Neighborhoods Preservation Fund	12,052,942	0	0	0	<b>12,052,942</b>
<b>Total</b>	<b>\$15,732,942</b>	<b>\$6,379,040</b>	<b>\$3,959,677</b>	<b>\$7,497,227</b>	<b>\$33,568,886</b>
Uses					
Acquisition	\$10,397,500	\$4,040,000	\$3,010,622	\$5,626,842	<b>\$23,074,964</b>
Rehabilitation	1,855,788	818,968	483,000	1,353,484	<b>4,511,240</b>
Soft Costs	2,693,007	1,300,072	316,055	386,901	<b>4,696,035</b>
Developer Fee	786,647	220,000	150,000	130,000	<b>1,286,647</b>
<b>Total</b>	<b>\$15,732,942</b>	<b>\$6,379,040</b>	<b>\$3,959,677</b>	<b>\$7,497,227</b>	<b>\$33,568,886</b>

Three of the four sites have commercial tenants. The proposed loan financing would not be used to improve the commercial spaces or lower commercial lease payments.

#### Development Cost and Subsidy per Unit

Total development costs per residential unit<sup>2</sup> range from \$215,520 to \$576,710, and the cost per residential square foot ranges from \$682 to \$1,250, as shown in Table 2 below.

The Small Sites Program/Downtown Neighborhoods Preservation Fund subsidy for the four projects ranges from \$165,109 to \$291,864, as shown in Table 3 below. Therefore, the proposed subsidies are within the program limits set forth in the Notice of Funding Availability for the Small Sites Program and the Downtown Neighborhoods Preservation Fund.

**Table 3: Cost and Subsidy per Unit**

	937 Clay	305 San Carlos	654 Capp	3198 24 <sup>th</sup>
Residential Units	73	12	7	8
Residential & Commercial Units	74	14	7	13
Residential Square Footage (SF)	17,350	7,661	5,804	5,999
Total Development Cost	\$15,732,942	\$6,379,040	\$3,959,677	\$7,497,227
Cost per Residential Unit	\$215,520	\$531,587	\$565,668	\$576,710
Cost per Residential SF	\$907	\$833	\$682	\$1,250
Small Sites Program Subsidy	\$0	\$3,696,040	\$1,989,677	\$3,794,227
Downtown Neighborhoods Preservation Fund	\$12,052,942	\$0	\$0	\$0
Subsidy per unit	\$165,109	\$264,003	\$284,240	\$291,864

<sup>2</sup> Total development cost per unit does not include commercial units, which are not eligible for subsidies, although commercial lease payments contribute to the property's cash flow used for loan repayments.



### Request for Approval

The proposed resolution would authorize a total loan amount not to exceed \$37,544,000, which is \$3,975,114 greater than the proposed sources and uses of \$33,568,886. According to Ms. Viviana Lopez, Project Manager at MOHCD, the requested loan authorization amounts are based on the maximum subsidy amount allowed by the Small Sites Program guidelines<sup>3</sup>.

As shown in Table 4 below, MOHCD is requesting authorization for up to \$37,493,000 in loans, which is \$51,000 less than the not to exceed authorization amount in the proposed resolution. MOHCD's requested authorization for the Small Sites Program and Downtown Neighborhoods Preservation Fund subsidies do not exceed the programmatic guidelines.

**Table 4: Requested Subsidy Amounts**

	937 Clay	305 San Carlos	654 Capp	3198 24 <sup>th</sup>	Total
Small Sites Program/Downtown Neighborhoods Preservation Fund (SSP/DNFP) Subsidy up-to Amount	\$12,925,000	\$4,200,000	\$2,625,000	\$3,900,000	<b>\$23,650,000</b>
PASS up-to Amount	4,232,000	3,086,000	2,266,000	4,259,000	<b>\$13,843,000</b>
<b>Total</b>	<b>\$17,157,000</b>	<b>\$7,286,000</b>	<b>\$4,891,000</b>	<b>\$8,159,000</b>	<b>\$37,493,000</b>
Maximum SSP/DNFP Subsidy per Unit	\$175,000	\$300,000	\$375,000	\$300,000	--
SSP/DNFP Requested up-to Subsidy per Residential Unit	\$174,662	\$300,000	\$375,000	\$300,000	--

### Fund Balances

The proposed loan amounts represent 16 to 36 percent of the current fund balance for the funding sources, as shown in Table 5 below.

**Table 5: Program Fund Balances**

Fund	Current Balance	Proposed Loan Amount	Percent of Fund	Final Balance
Small Sites Program	\$60,396,737	\$9,479,944	16%	\$50,916,793
2019A PASS - Market Rate Loan	\$29,606,003	\$6,872,556	23%	\$22,733,447
2019A PASS - Below Market Rate Loan	\$19,094,488	\$4,441,284	23%	\$14,653,204
2019A PASS - Deferred	\$3,113,635	\$722,160	23%	\$2,391,475
Downtown Neighborhood Preservation Fund	\$33,725,169	\$12,052,942	36%	\$21,672,227
<b>Total</b>	<b>\$145,936,032</b>	<b>\$33,568,886</b>	<b>23%</b>	<b>\$112,367,146</b>

<sup>3</sup> The maximum Small Sites Program subsidy per unit is \$300,000 for buildings with 10 to 25 units, \$375,000 for buildings with 3 to 9 units, and \$175,000 for group or SRO housing units.

**POLICY CONSIDERATION****City Loans for Privately-Owned Sites**

To preserve affordability long term, the City typically ground leases a City-owned property to a non-profit entity to develop, maintain, and manage the site. Under the Small Sites Program, the City provides permanent financing for the acquisition and rehabilitation of sites that are not owned by the City. As a condition of receiving the City's Small Sites Program financing, MOHCD records a deed restriction on each property that requires that the project be operated as affordable housing in perpetuity.

**RECOMMENDATIONS**

1. Amend the proposed resolution to authorize the Director of MOHCD to execute loan documents for a total loan amount not to exceed \$37,493,000.
2. Approve the proposed resolution, as amended.

<p><b>Item 10</b> <b>File 19-0774</b></p>	<p><b>Department:</b> Real Estate Division (RED) San Francisco Police Department (SFPD)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p>	
<ul style="list-style-type: none"> <li>The proposed resolution would authorize the Real Estate Division to acquire real property located at 1828 Egbert Avenue, from San Francisco Self Storage III, LLC, doing business as 1828 Egbert Avenue, LLC, for a purchase price of \$67.3 million subject to future authorization of Certificates of Participation.</li> </ul>	
<p style="text-align: center;"><b>Key Points</b></p>	
<ul style="list-style-type: none"> <li>The Police Department’s evidence storage unit is currently located in the Hall of Justice. The City’s Capital Plan provides for an expedited exit of City departments from the Hall of Justice due to the deficiencies in the building. The Police Department’s evidence storage unit would relocate from the Hall of Justice to 1828 Egbert Avenue.</li> </ul>	
<p style="text-align: center;"><b>Fiscal Impact</b></p>	
<ul style="list-style-type: none"> <li>The purchase price of \$67.3 million for 1828 Egbert Avenue is consistent with the fair market price determined by the appraisal; the appraisal review confirmed the reasonableness of the appraisal’s price determination.</li> <li>The Capital Plan calls for \$131 million in Certificates of Participation to fund the relocation of City departments from the Hall of Justice. The Office of Public Finance will submit legislation to the Board of Supervisors in approximately September 2019 to approve the issuance of approximately \$84.9 million in Certificates of Participation, which includes the \$67.3 million purchase price, reserves, and issuance costs.</li> </ul>	
<p style="text-align: center;"><b>Policy Consideration</b></p>	
<ul style="list-style-type: none"> <li>The Board of Supervisors previously approved a ten-year lease from July 2018 through June 2028 at 777 Brannan Street for the Police Department’s evidence storage to relocate from the Hall of Justice. Subsequent to the lease approval, the Department of Public Works and Real Estate Division determined that 777 Brannan Street would require significant improvements to meet the Police Department’s security and other requirements for evidence storage, at an estimated cost of \$17 million. The Real Estate Division determined that the purchase of 1828 Egbert Avenue for the Police Department’s evidence storage unit was preferred because it meets the Department’s seismic and other standards.</li> <li>The Real Estate Division and Public Works are evaluating alternative use for 777 Brannan for departments that still need to be relocated from the Hall of Justice.</li> <li>The Budget and Legislative Analyst recommends approval of the proposed resolution because the purchase of 1828 Egbert Avenue for use by the Police Department’s evidence storage is consistent with Board of Supervisors policy for the City to own the facilities that house necessary and permanent City functions.</li> </ul>	
<p style="text-align: center;"><b>Recommendations</b></p>	
<ul style="list-style-type: none"> <li>Amend the proposed resolution to request the Director of Real Estate to report back in January 2020 on the plan for the City’s use of 777 Brannan Street.</li> <li>Approve the proposed resolution as amended.</li> </ul>	

## MANDATE STATEMENT

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

## BACKGROUND

The City's Hall of Justice, located at 850 Bryant Street, was constructed in 1958, and is seismically deficient. In January 2017, given the serious concerns about the safety and working conditions in the building, the City Administrator declared that the offices and jail located at the Hall of Justice be closed as quickly as possible. As a result, the Capital Plan was updated in 2017 to target an expedited exit in 2019 from the Hall of Justice for all staff and inmates. The building currently houses four remaining City departments,<sup>1</sup> and the last Department is expected to move out of the building in 2021.

### 10-Year Capital Plan

In June 2019, the Board of Supervisors adopted the Ten-Year Capital Plan for FY 2020-21 through FY 2029-30. The Capital Plan calls for \$131 million in certificates of participation for the Hall of Justice Relocation Projects to relocate the District Attorney's Office, Adult Probation Department, Police Department Investigations Unit, Medical Examiner, and other administrative offices from the Hall of Justice.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve and authorize the Real Estate Division to acquire real property located at 1828 Egbert Avenue, from San Francisco Self Storage III, LLC, doing business as 1828 Egbert Avenue, LLC, for a purchase price of \$67,300,000 subject to future authorization of Certificates of Participation.

In addition, the proposed resolution would place the real property under the jurisdiction of the Real Estate Division for use of storing evidence and moving property from the Hall of Justice and other locations and would adopt findings that the acquisition is consistent with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

Finally, the proposed resolution would authorize the Director of Property to (1) execute documents, (2) enter into a lease back of the property to the seller at the nominal lease rate of \$1,000 per month, for up to six (6) months, for the sole purpose of relocating the self-storage clients and terminating all self-storage agreements, and (3) make certain modifications and take certain actions in furtherance of the purchase agreement and this proposed resolution.

The proposed property located at 1828 Egbert Avenue is shown in the map below.

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<sup>1</sup> The four Departments are the District Attorney's Office, Adult Probation, various offices of the Police Department, and the Sheriff's Department (County Jails #3 and #4).



### **Existing and Proposed Use of Property**

The property at 1828 Egbert Avenue is currently used as a self-storage business with approximately 900 month-to-month self-storage clients. The property is a four-story, reinforced concrete building approximately 126,988 square feet. Each floor is approximately 31,747 square feet plus approximately 63,300 square feet of mostly paved lot. Together the building and lot sit on approximately 2.188 acres of land.

The Real Estate Division proposes using the property for the San Francisco Police Department's (SFPD) Property and Evidence Storage Facility. Currently, the SFPD occupies two separate facilities for storing evidence and property. One facility is located at the Hall of Justice (HOJ) and the other in a leased facility at 606 Manseau in the Hunters Point Naval Shipyard (Building 606). The Justice Facilities Improvement Program (JFIP) proposes the vacation, demolition and reconstruction of the HOJ requiring SFPD Evidence to relocate to a new facility. SFPD's other facility at Building 606 must also move out of its leased facility located at the Hunter's Point Naval Shipyard due to future planned development. The proposed property would house all SFPD evidence and property under one roof.

According to the Real Estate Division, the building will primarily be used for securing police evidence and property and not for office space. SFPD plans to utilize the existing office space and any additional offices for the five officers who will be on site, as well as for any evidence viewing rooms and/or workstations for evidence cataloging. The Real Estate Division also states that the proposed property may also serve other City departments requiring a secured storage facility such as the San Francisco Fire Department. For example, the surface parking lot which is

part of the proposed property will be used by both SFPD and SFFD for secure storage of vehicles.

### **Environmental and Planning Code Provisions**

On May 17, 2019, the Environmental Planning Division of the Planning Department determined that the acquisition is not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it would not result in a direct or indirect physical change in the environment. In addition, the Planning Department verified that the proposed acquisition of 1828 Egbert Avenue is consistent with the City's General Plan and the eight priority policies in Section 101.1 of the Planning Code.

## **FISCAL IMPACT**

### **Appraisal and Purchase Price**

In April 2019, the Real Estate Division contracted with Runde & Partners, Inc. to conduct an appraisal of the 1828 Egbert property, which determined that the market value is consistent with the proposed negotiated price of \$67,300,000, in accordance with Administrative Code 23.3. The appraisal defines market value as the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale.

In May 2019, the Real Estate Division contracted with Mateo Advisors, LLC to conduct an appraisal review of the 1828 Egbert Avenue appraisal. Mateo Advisors, LLC concluded that the appraiser's work and approaches to value supported the credibility and reasonableness of the concluded opinion of value.

According to the terms of the proposed purchase, the Real Estate Division will allow a lease back of the property to the seller at the nominal lease rate of \$1,000 per month<sup>2</sup>, for up to six months, for the sole purpose of relocating the self-storage clients and terminating all self-storage agreements. The City will take possession of the property once it is cleared of all tenancies.

In addition, \$5,000,000 will be held back in escrow to ensure that the seller clears the property of its self-storage clients and all personal property within the six months period. If the seller fails to clear the property within this timeframe, the City will retain the \$5,000,000 as liquidation damages. The proposed date for close of escrow is 45 days following approval by the Board of Supervisors and Mayor of the Certificates of Participation.

### **Use of Certificates of Participation**

The adopted Ten-Year Capital Plan for FY 2020-21 through FY 2029-30 calls for \$131 million in certificates of participation for the Hall of Justice Relocation Projects<sup>3</sup>. The City would pay approximately \$67,365,000 for the total project cost of 1828 Egbert

<sup>2</sup> According to the Real Estate Division, the \$1,000 per month is a nominal rent which approximates fair market rent since the only use permitted under the lease is vacating existing self-storage tenants and no other purpose.

<sup>3</sup> According to the Real Estate Division, this amount was based on an anticipated need of \$69 million for the 1828 Egbert site acquisition, \$12 million to reimburse the interim financing for the McDonald's site acquisition and demolition approximately \$50 million for various tenant improvements located at the Hall of Justice.

Avenue, including \$67,300,000 for site acquisition, as shown in Table 1 below. In addition, the City's estimated costs to issue the certificates of participation are \$17,510,000, including the audit fee, debt service reserve fund, capitalized interest fund, cost of issuance and underwriter's discount. \$2,625,000 would be reserved for market uncertainty.

**Table 1: Certificates of Participation Budget for 1828 Egbert Avenue Acquisition**

Site Acquisition	\$67,300,000
Title Insurance	45,000
Title Endorsement, Escrow Fees and Other Fees	20,000
<b>Subtotal Estimated Project Cost</b>	<b>67,365,000</b>
Audit Fee	134,730
Debt Service Reserve Fund	7,705,350
Capitalized Interest Fund	8,275,313
Cost of Issuance	800,483
Underwriter's Discount	594,125
<b>Subtotal Costs of Issuance (rounded)</b>	<b>17,510,000</b>
<b>Total Estimated Costs (rounded)</b>	<b>84,875,000</b>
Reserve for Market Uncertainty	2,625,000
<b>Total Not to Exceed (rounded)</b>	<b>\$87,500,000</b>

According to the Real Estate Division, it is currently anticipated that the Office of Public Finance will introduce legislation authorizing the certificates of participation in September 2019.

If the proposed resolution is approved, the Real Estate Division also anticipates that SFPD will be able to move Police Property and Evidence into the Egbert building no later than July 2020. The department states that the majority of the tenants in the West Wing of the Hall of Justice are expected to be vacated by December 2020.

## POLICY CONSIDERATION

### Existing 777 Brannan Street Lease

In May 2018, the Board of Supervisors approved the lease between the City (as tenant) and LCL Global (as landlord) for 777 Brannan Street for the Police Department to use as evidence storage and office space for 30 Department employees. The lease is for ten years, from July 1, 2018 through June 30, 2028, with two five-year options for renewal through June 30, 2038. Pursuant to the lease at 777 Brannan Street, the City cannot legally terminate the lease prior to the initial expiration date of June 30, 2028.

The leased site at 777 Brannan Street has been vacant since the lease initiation on July 1, 2018. Over the past year, the City has paid \$1,049,340 in base rent and common area maintenance charges for this site but has not yet determined an alternative use for the site. According to Ivan Romero, Department of Public Works (DPW) Project Architect, space planning and

programmatic assessment – including seismic engineering evaluation, cost estimating, and value engineering – began in the summer of 2018. Public Works determined that the security and other requirements for the Police Department’s evidence storage would require extensive work at an estimated cost of approximately \$17 million.

The Real Estate Division determined that purchase of 1828 Egbert Avenue for use by the Police Department’s evidence storage was preferred because the 1828 Egbert Avenue building meets seismic strength requirements<sup>4</sup>, allowing the City to avoid costs associated with constructing a new, or upgrading a comparable facility, up to the same structural integrity. The Real Estate Division estimates that the tenant improvements at 1828 Egbert Avenue are in the range of approximately \$5 million.

According to the Real Estate Division, the Real Estate Division and Public Works are evaluating alternative use for 777 Brannan for departments that still need to be relocated from the Hall of Justice. However, a specific plan has not yet been developed or approved.

The Budget and Legislative Analyst recommends approval of the proposed resolution because the purchase of 1828 Egbert Avenue for use by the Police Department’s evidence storage is consistent with Board of Supervisors policy for the City to own the facilities that house necessary and permanent City functions. If the Board of Supervisors approves the proposed resolution, the Board should request the Director of Real Estate to report back in January 2020 on the plan for the City’s use of 777 Brannan Street.

## RECOMMENDATIONS

- Amend the proposed resolution to request the Director of Real Estate to report back in January 2020 on the plan for the City’s use of 777 Brannan Street.
- Approve the proposed resolution as amended.

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<sup>4</sup> Two ratings are generally used to classify the seismic strength of a building: the seismic importance factor and the Occupancy Category rating. The seismic importance factor is either 1 or 1.5. Factor 1.5 is used when additional strength for risk critical facilities is required. All other non-critical facilities have a factor of 1. The Occupancy Category is a rating from 1 – 4 with 4 being the most resilient and best able to withstand seismic/earthquake activity. Examples of uses that require an Occupancy Category 4 are fire rescue, emergency preparedness and hospitals. The building at 1828 Egbert Avenue has a seismic importance factor of 1.5 and an Occupancy Category rating of 4.