

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: September 11, 2013 Budget and Finance Committee Meeting

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Item 1
File 13-0776

Department(s):
Recreation and Park Department (RPD)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would approve a new five-year lease for the Golden Gate Park Golf Course between the City and County of San Francisco, on behalf of RPD, as landlord, and Golden Gate Park Golf Foundation, as tenant, from November 1, 2013 through October 31, 2018, with one option to extend for an additional two years from November 1, 2018 through October 31, 2020.

Key Points

- Based on a Request for Proposal (RFP) process, RPD entered into a management agreement with Global Golf Management to manage and operate the Golden Gate Park Golf Course for 7 years from July 1, 2004 through June 30, 2011, in which Global Golf Management received \$300,000 annually. Although this agreement expired on June 30, 2011, Global Golf Management has continued to operate the Golden Gate Park Golf Course on a month-to-month extension. RPD retained maintenance responsibility for the Golden Gate Park Golf Course.
- Based on another RFP, the proposed resolution would approve a new five-year lease for the Golden Gate Park Golf Course between RPD and Golden Gate Park Golf Foundation, with one two-year option. The option to extend the proposed lease is contingent upon Golden Gate Park Golf Foundation expending at least \$150,000 in capital improvements prior to November 1, 2016.

Fiscal Impacts

- In FY 2012-13, RPD generated \$514,477 in revenues at Golden Gate Park Golf Course. RPD paid \$300,000 in management fees to Global Golf Management, and spent \$293,627 on maintenance, which resulted in a net loss to RPD of \$79,150 for the Golden Gate Park Golf Course.
- RPD's estimated revenues over the initial five-year term of the lease, which include annual base rent of \$225,000 and a percentage share of greens fee revenues, are \$1,720,000. These revenues are offset by RPD's estimated costs to maintain the golf course of \$1,605,673, resulting in net revenues over the five year term of \$114,327.

Policy Consideration

- A provision should be included in the proposed resolution to provide for rent increases based on the Consumer Price Index (CPI) in order for RPD to recover additional revenues for maintaining the Golden Gate Park Golf Course if the lease is extended for the additional two-year option period.

Recommendations

- Amend the proposed resolution to include annual rent increases based on CPI, if the one additional two-year option is exercised.
- Approve the proposed resolution, as amended.

MANDATE STATEMENT & BACKGROUND

Mandate Statement

According to San Francisco Charter Section 9.118, any lease with a term of ten or more years, including options to renew, or having anticipated revenue to the City and County of \$1,000,000 or more is subject to approval by the Board of Supervisors.

Background

Existing Management Agreement

According to Mr. Tom Hart, Property Manager for the Recreation and Park Department (RPD), RPD has historically contracted out management of the operations of the 9-hole public Golden Gate Park Golf Course to a third party. The Golden Gate Park Golf Course is located in Golden Gate Park near 46th Avenue and Fulton Street. Management of the operations includes taking reservations, registering players, collecting greens fees, providing golf instruction, operating a golf shop and driving range, providing building maintenance, providing food and beverage services and developing an annual Management Plan. RPD is responsible for maintenance of the Golden Gate Park Golf Course.

Based on a Request for Proposal (RFP) process, RPD entered into a management agreement with Global Golf Management to manage and operate the Golden Gate Park Golf Course, for the 7-year term from July 1, 2004 through June 30, 2011, in which Global Golf Management received \$300,000 annually (\$25,000 per month) along with the following incentive fees:

- Food/beverage—80% of all revenues above Annual Budget Figure (ABF)¹;
- Merchandise/equipment sales - 80% of all revenues above ABF;
- Practice/driving range - 20% of all revenues above ABF;
- Green fees - 10% of revenues above ABF; and
- Club and pull cart rentals - 5% of all revenues above ABF.

Although this agreement expired on June 30, 2011, Global Golf Management has continued to operate the Golden Gate Park Golf Course on the same terms as the management agreement, on a month-to-month extension basis because of delays due to (a) the need to re-bid the RFP because of nonresponsive initial proposals, (b) investigation of required Planning and California Environmental Quality Act (CEQA) approvals for placement of a temporary classroom in the parking lot at the Golden Gate Park Golf Course, and (c) obtaining those approvals.

As summarized in Table 1 below, in FY 2012-13, RPD generated \$411,852 in green fees and \$102,624 in all other rental and concession revenue or a total of \$514,477 in revenues. In FY

¹ The Annual Budget Figure is the projected base annual revenue target for each individual type of revenue (e.g. food and beverage, green fees, etc.), which was approved as part of the RPD's annual budget.

2012-13, RPD paid \$300,000 in management fees to Global Golf Management and expended \$293,627 on maintenance for the Golden Gate Park Golf Course or a total of \$593,627 in expenditures. As a result, as shown in Table 1 below, RPD incurred operating losses of \$79,150 in FY 2012-13 at the Golden Gate Park Golf Course.

Table 1: FY 2012-13 RPD Golden Gate Park Golf Course Revenues and Expenses

Direct Revenues for RPD	Amount
Greens Fees	\$411,852
Rental and Concession Revenues	102,625
Total Revenues	\$514,477
Direct Expenditures for RPD	
Global Golf Management Fees	\$300,000
Maintenance at Golden Gate Park Golf Course	293,627
Total Direct Expenditures	\$593,627
FY 2012-13 Net Direct Revenues Less Expenditures	(\$79,150)

Request for Proposal Process

Mr. Hart advises that an initial RFP was issued September 20, 2011 to operate Golden Gate Park Golf Course. However, the two proposals were deemed non-responsive. On December 16, 2011, RPD issued another RFP for an operator to lease the Golden Gate Park Golf Course. Mr. Hart advises that RPD staff made the decision to request a lease rather than another management agreement in order to create more incentives for the operator to increase business at the Golden Gate Park Golf Course and ultimately maximize revenues for RPD. On January 17, 2012, RPD received two responses to the RFP, from the existing operator, Global Golf Management and First Tee of San Francisco (First Tee). A three-member selection panel² evaluated the two proposals based on three major criteria as summarized in Table 2 below.

Table 2: Selection Criteria Used and Average Scores of the Two RFP Responses

Selection Criteria	Maximum Points	First Tee	Global Golf Management
Experience, Qualifications, and Financial Capability	40	39.3	28.3
Business and Marketing Plan	40	38.7	21.7
Proposed Financial Terms	20	18.3	11.7
Total	100	96.3	61.7

Based on the scored responses, the selection committee unanimously recommended First Tee. On February 16, 2012, the Recreation and Park Commission authorized RPD staff to enter into negotiation of a lease for operation of the Golden Gate Park Golf Course with First Tee. First

² The selection panel consisted of (1) Jennifer Browne, the then Assistant Director for the Office of Contract Administration, (2) Lisa Zahner, a RPD Property Manager, and (3) Rodney Fong, member of the San Francisco Planning Commission.

Tee subsequently created a separate nonprofit organization, the Golden Gate Park Golf Foundation, to be the operating entity for the Golden Gate Park Golf Course.

Prior to finalizing a lease between RPD and the Golden Gate Park Golf Foundation, RPD sought a General Plan referral and CEQA approval from the Planning Department for placement of a temporary classroom in the Golden Gate Park Golf Course parking lot. RPD received such approvals on April 23, 2013.

On July 18, 2013, the Recreation and Park Commission approved a new lease between RPD and the Golden Gate Park Golf Foundation (Resolution No. 1307-007).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new five-year lease for the Golden Gate Park Golf Course between the City and County of San Francisco, on behalf of RPD, as landlord, and Golden Gate Park Golf Foundation as tenant, from November 1, 2013 through October 31, 2018, with one option to extend the lease for an additional two years from November 1, 2018 through October 31, 2020. The option to extend the proposed lease is contingent upon Golden Gate Park Golf Foundation expending at least \$150,000 in capital improvements at their own expense prior to the third anniversary date of the initial lease term, November 1, 2016.

Under the proposed lease, Golden Gate Park Golf Foundation would operate Golden Gate Park Golf Course, including taking reservations, registering players, collecting greens fees, providing golf lessons, operating a golf shop, driving range and putting area, providing janitorial and minor building maintenance, providing food and beverage services and providing First Tee programming for youth golfers. RPD would continue to be responsible for plumbing, electrical and structural repairs to the buildings and maintenance of the Golden Gate Park Golf Course.

Annual Base Rent is \$225,000 and Does Not Increase For the Duration of the Proposed Five-Year Lease and Two-Year Extension

Under the proposed lease, the Golden Gate Park Golf Foundation would pay RPD a total of \$225,000 in annual base rent. This base rent would be paid monthly and would vary by time of year, as shown in Table 3 below, with the winter months of November through February rent being \$13,125 (\$23,125 less \$10,000) less than the remainder of the year. Rent would not increase during the initial five-year term of the proposed lease or during the additional two-year extension, if granted.

Table 3: Monthly Rent Under Proposed Lease

	Monthly Rent	Total Annual Rent
November – February (4 months)	\$10,000	\$40,000
March – October (8 months)	\$23,125	185,000
Total		\$225,000

Shared Greens Fee Revenues and Other Revenues Under the Proposed Lease

In addition to the \$225,000 in annual base rent paid to the RPD, RPD and Golden Gate Park Golf Foundation would receive the allocations of annual greens fee revenues shown below in Table 4, such that RPD would receive all greens fee revenues between \$350,000 and \$500,000 annually and one-half of annual greens fees greater than \$500,000.

Table 4: Allocation of Annual Greens Fee Revenues

	Recreation and Park Department	Golden Gate Park Golf Foundation
Less Than \$350,000	0%	100%
\$350,000 - \$500,000	100%	0%
More Than \$500,000	50%	50%

Therefore, under the proposed lease, the Golden Gate Park Golf Foundation would receive all revenue from annual greens fees less than \$350,000, one-half of annual greens fees greater than \$500,000 and all other revenues from golf shop sales, golf lessons and food and beverage sales at the Golden Gate Park Golf Course.

\$150,000 in Capital Improvements to be completed by the Golden Gate Park Golf Foundation

In order to qualify for the two-year option to extend the subject lease, the Golden Gate Park Golf Foundation is required to expend at least \$150,000 of capital improvements to Golden Gate Park Golf facilities within three years of the commencement of this lease or prior to November 1, 2016. Under the proposed five-year lease, Golden Gate Park Golf Foundation and the RPD General Manager would develop a list of minimum required capital improvements to be completed at Golden Gate Park Golf Foundation's sole expense within the first year of the lease. Examples of the types of improvements and upgrades include (a) renovation of the driving cage, (b) renovation of the restrooms, and (c) renovation of existing tee boxes. If the RPD General Manager and Golden Gate Park Golf Foundation cannot finalize a list of required capital improvements by November 1, 2014, the RPD General Manager may specify the list of required capital improvements. At the discretion of the RPD General Manager, the Golden Gate Park Golf Foundation may be required to obtain the approval of the Recreation and Park Commission prior to commencing work on such capital improvements.

In addition to the \$150,000 in minimum required capital improvements, Golden Gate Park Golf Foundation would also pay for the installation of a portable classroom in the northern end of lower parking lot of the Golden Gate Park Golf Course for First Tee youth instruction programs.

FISCAL IMPACT

Based on RPD's conservative projections of revenues, the total estimated greens fee revenues over the initial five-year term of the lease and an estimated breakdown of such revenues in accordance with the subject lease between the Golden Gate Park Golf Foundation and RPD are shown below in Table 5.

Table 5: Estimated Total Greens Fee Revenues and Distribution between Golden Gate Park Golf Foundation and RPD

	Total Estimated Annual Greens Fee Revenues	Estimated Golden Gate Park Golf Foundation Annual Greens Fee Revenues	Estimated RPD Annual Greens Fee Revenues
Year 1	\$385,000	\$350,000	\$35,000
Year 2	430,000	350,000	80,000
Year 3	480,000	350,000	130,000
Year 4	525,000	362,500	162,500
Year 5	575,000	387,500	187,500
Total	\$2,395,000	\$1,800,000	\$595,000

According to Mr. Hart, RPD is estimated to receive \$1,720,000 in gross revenues based on annual base rent and estimated greens fee revenues over the five-year initial term of the proposed lease, as shown in Table 6 below.

Table 6: Estimated Total 5-Year Lease Revenues to RPD

	Annual Base Rent to RPD	Estimated Annual Green Fee Revenues to RPD (see Table 5)	Total Annual Gross Revenue to RPD
Year 1	\$225,000	\$35,000	\$260,000
Year 2	225,000	80,000	305,000
Year 3	225,000	130,000	355,000
Year 4	225,000	162,500	387,500
Year 5	225,000	187,500	412,500
Total	\$1,125,000	\$595,000	\$1,720,000

Based on conservative estimates, as shown in the Attachment provided by Mr. Hart, the Golden Gate Park Golf Foundation's operational expenses are projected to exceed revenues to the Golden Gate Park Foundation in the initial two years. However, over the five-year initial term of the proposed lease, the Golden Gate Park Golf Foundation is projected to realize net revenues (revenues exceeding operational expenses) of \$81,588.

As noted in Table 1 above, in FY 2012-13 RPD spent \$293,627 on maintenance for the Golden Gate Park Golf Course. According to Mr. Hart, RPD would continue to be responsible for maintenance costs under the proposed lease. Using an average increase of 3% annually in

maintenance costs, RPD would incur a net loss in the first two years of the lease and a net gain over the five-year term of \$114,327, as shown in Table 7 below.

Table 7: Estimated Net Revenues RPD Would Receive Under Proposed Lease

	RPD's Maintenance Costs (Includes Overhead)	RPD's Annual Gross Revenue (see Table 6)	RPD's Net Gain (Loss) in Revenue
Year 1	\$302,436	\$260,000	(\$42,436)
Year 2	311,509	305,000	(6,509)
Year 3	320,854	355,000	34,146
Year 4	330,480	387,500	57,020
Year 5	340,394	412,500	72,106
Total	\$1,605,673	\$1,720,000	\$114,327

POLICY CONSIDERATIONS

As previously noted, the proposed five-year lease does not include any rent adjustments to be paid by the Golden Gate Park Golf Foundation to RPD. In addition, when considering the option to extend the proposed lease by an additional two years, for a total potential lease period of seven years, there would not be any rent adjustments payable to the RPD. Therefore, throughout this seven year period, the base rent paid to RPD would remain at \$225,000 annually.

According to Mr. Hart, rent increases were not included in the proposed lease because RPD would benefit from the growth of the business through participation in greens fee revenues. However, based on conservative estimates, in the first two years of the proposed lease, as shown in Table 7 above, the City will spend more on maintenance costs than are estimated to be received in total revenues. As shown in the Attachment, the Golden Gate Park Golf Foundation is estimated to incur losses the first two years of the proposed lease and then realize increasing net revenues in each of the latter three years of the proposed lease.

Therefore, a provision should be included in the subject lease to provide for rent increases payable to RPD based on the Consumer Price Index (CPI) in order for RPD to recover additional revenues for maintaining the Golden Gate Park Golf Course if the lease is extended for the additional two-year option period.

RECOMMENDATIONS

1. Amend the proposed resolution to include annual rent increases based on CPI, if the one additional two-year option is exercised.
2. Approve the proposed resolution, as amended.

H. Proposed Budget Fiscal Year

Green Fee Class	Rate	Year One		Year Two		Year Three		Year Four		Year Five	
		30,000 rds	33,500 rds	37,500 rds	41,000 rds	45,000 rds					
Junior Weekday	\$ 5.00	\$ 23,100.00	\$ 25,800.00	\$ 28,800.00	\$ 31,500.00	\$ 34,500.00					
Junior Weekend	\$ 7.00	\$ 11,550.00	\$ 12,900.00	\$ 14,400.00	\$ 15,750.00	\$ 17,250.00					
Non Resident Weekday	\$ 15.00	\$ 65,450.00	\$ 73,100.00	\$ 81,600.00	\$ 89,250.00	\$ 97,750.00					
Non Resident Weekend	\$ 19.00	\$ 111,650.00	\$ 124,700.00	\$ 139,200.00	\$ 152,250.00	\$ 166,750.00					
Resident Weekday	\$ 11.00	\$ 50,050.00	\$ 55,900.00	\$ 62,400.00	\$ 68,250.00	\$ 74,750.00					
Resident Weekend	\$ 13.00	\$ 65,450.00	\$ 73,100.00	\$ 81,600.00	\$ 89,250.00	\$ 97,750.00					
Senior Weekday	\$ 8.00	\$ 26,950.00	\$ 30,100.00	\$ 33,600.00	\$ 36,750.00	\$ 40,250.00					
Senior Weekend	\$ 11.00	\$ 11,550.00	\$ 12,900.00	\$ 14,400.00	\$ 15,750.00	\$ 17,250.00					
Tournament Weekday	\$ 18.00	\$ 3,850.00	\$ 4,300.00	\$ 4,800.00	\$ 5,250.00	\$ 5,750.00					
Tournament Weekend	\$ 26.00	\$ 7,700.00	\$ 8,600.00	\$ 9,600.00	\$ 10,500.00	\$ 11,500.00					
Twilight Weekday	\$ 8.00	\$ 3,850.00	\$ 4,300.00	\$ 4,800.00	\$ 5,250.00	\$ 5,750.00					
Twilight Weekend	\$ 9.00	\$ 3,850.00	\$ 4,300.00	\$ 4,800.00	\$ 5,250.00	\$ 5,750.00					
Total	\$ Per Round	\$ 385,000.00	\$ 430,000.00	\$ 480,000.00	\$ 525,000.00	\$ 575,000.00					
F & B Revenue	\$ 1.03	\$ 30,900.00	\$ 34,505.00	\$ 38,625.00	\$ 42,230.00	\$ 46,350.00					
Merchandise Revenue	\$ 0.69	\$ 20,700.00	\$ 23,115.00	\$ 25,875.00	\$ 28,290.00	\$ 31,050.00					
Range Revenue	\$ 0.65	\$ 19,500.00	\$ 21,775.00	\$ 24,735.00	\$ 26,650.00	\$ 29,250.00					
Rental Revenue	\$ 0.50	\$ 15,000.00	\$ 16,750.00	\$ 18,750.00	\$ 20,500.00	\$ 22,500.00					
Lesson Revenue	\$ 0.35	\$ 10,500.00	\$ 11,725.00	\$ 13,125.00	\$ 14,350.00	\$ 15,750.00					
Total		\$ 96,600.00	\$ 107,870.00	\$ 121,110.00	\$ 132,020.00	\$ 144,900.00					
Total Gross Income		\$ 481,600.00	\$ 537,870.00	\$ 601,110.00	\$ 657,020.00	\$ 719,900.00					
Expenses											
Lease to City		\$ 225,000.00	\$ 225,000.00	\$ 225,000.00	\$ 225,000.00	\$ 225,000.00					
Add.Green Fee Revenue to City		\$ 35,000.00	\$ 80,000.00	\$ 130,000.00	\$ 162,500.00	\$ 187,500.00					
GM's Salary		\$ 65,000.00	\$ 65,000.00	\$ 65,000.00	\$ 65,000.00	\$ 65,000.00					
Assistant Pro's Salary		\$ 47,500.00	\$ 47,500.00	\$ 47,500.00	\$ 47,500.00	\$ 47,500.00					
Part Time Labor		\$ 24,273.00	\$ 24,273.00	\$ 24,273.00	\$ 24,273.00	\$ 24,273.00					
Payroll Costs		\$ 25,369.00	\$ 25,369.00	\$ 25,369.00	\$ 25,369.00	\$ 25,369.00					
COGS Merchandise		\$ 12,420.00	\$ 13,869.00	\$ 15,525.00	\$ 16,974.00	\$ 18,630.00					
COGS F & B		\$ 9,270.00	\$ 10,352.00	\$ 11,588.00	\$ 12,669.00	\$ 13,905.00					
Operational Expenses		\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00					
Total Expenses		\$ 493,832.00	\$ 541,363.00	\$ 594,255.00	\$ 629,285.00	\$ 657,177.00					
Re-investment Income		\$ (12,232.00)	\$ (3,493.00)	\$ 6,855.00	\$ 27,735.00	\$ 62,723.00					

Item 2
File 13-0702

Departments:
Recreation and Park Department (RPD)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would approve the first lease amendment between the City and County of San Francisco, as landlord, on behalf of the Recreation and Park Department (RPD), and Gleneagles Golf Partners, LP, as tenant, for operation of the “Gleneagles” 9-hole golf course in McLaren Park, for a nine-year extended term from November 14, 2013 through November 13, 2022.

Key Points

- Based on a competitive Request for Proposal (RFP) process, the Board of Supervisors approved a lease between the Recreation and Park Department (RPD) and Gleneagles Golf Partners, LP, for management, maintenance and operation of the Gleneagles 9-hole golf course in McLaren Park, for a nine-year term from December 1, 2004 through November 30, 2013.
- The existing lease includes one nine-year option to extend under the provision that the Gleneagles Golf Partners operated the property and business in a satisfactory manner and completed the specified capital improvements at a minimum cost of \$250,000.
- Gleneagles Golf Partners completed the capital improvements at a cost of \$255,089 and also completed a greens renovation project with hard costs of \$137,323 and additional in-kind labor and equipment donations of \$91,500 for a total project cost of \$228,823, for a the total investment in the property to \$483,912 during the initial term of the lease.
- Both the proposed resolution and subject lease provide that this lease extension would extend from November 14, 2013 through November 13, 2022. However, the existing lease actually extends through November 30, 2013. Mr. Tom Hart, Property Manager at RPD, confirms that the proposed resolution and subject lease should extend from December 1, 2013 through November 30, 2022.

Fiscal Impacts

- Under the proposed nine-year lease extension, (a) the base rent would remain at 7% of annual gross revenues realized by the golf course operators, and (b) the participation rent would remain at 2% of annual gross revenues that exceed \$793,954 and 3% of annual gross revenues that exceed \$860,117, both rent amounts are the same as the existing lease.
- Gleneagles Golf Partners is estimated to earn total gross annual revenues of \$4,636,241 during the proposed nine-year term of the extended lease from FY 2013-14 through Fiscal Year 2021-22, which will result in an estimated \$324,537 (based on the annual base rent of 7 % of gross revenues) in rent being paid to RPD through Fiscal Year 2021-22 for the nine-year term of the extended lease.
- No participatory rent is expected under the proposed lease because the gross revenue thresholds are not expected to be met.

Recommendations

- Amend the proposed resolution to correct the dates of the nine-year lease extension term from November 14, 2013 through November 13, 2022 to December 1, 2013 through November 30, 2022.
- Approve the proposed resolution as amended.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

In accordance with City Charter Section 9.118(c), any lease exceeding ten years and/or having anticipated revenue of \$1,000,000 or more is subject to approval by the Board of Supervisors.

Background

Based on a competitive Request for Proposal (RFP) process, on November 29, 2004 the Board of Supervisors approved a lease between the City and County of San Francisco, on behalf of the Recreation and Park Department (RPD), as landlord, and Gleneagles Golf Partners, LP, as tenant, for management, maintenance and operation of the Gleneagles 9-hole golf course in McLaren Park, for a nine-year term from December 1, 2004 through November 30, 2013. Under the existing lease, according to Mr. Tom Hart, Property Manager at RPD, Gleneagles Golf Partners is responsible for all ancillary activities connected directly to the management, maintenance and operation of the Gleneagles golf course, including:

- Taking reservations,
- Registering players,
- Collecting greens fees,
- Providing golf instruction,
- Operating a golf shop and driving range,
- Providing building maintenance,
- Providing food and beverage services, and
- Providing maintenance of the golf course.

The existing lease includes one nine-year option to extend under the provision that the Gleneagles Golf Partners operated the property and business in a satisfactory manner and completed the following specified capital improvements at a minimum cost of \$250,000:

- Renovations to the clubhouse, kitchen, restrooms and adjacent patio;
- Renovations to the maintenance building;
- Purchasing course maintenance equipment and 7 golf carts;
- Completing extensive fence repairs and installing a new front gate; and
- Performing extensive deferred tree work to eliminate safety hazards, to stem the spread of turf diseases and to bring needed sunlight and air to the playing surfaces.

According to Mr. Hart, such capital improvements were completed at a cost of \$255,089 by Gleneagles Golf Partners. Mr. Hart notes that Gleneagles Golf Partners also completed a greens renovation project with hard costs of \$137,323 and additional in-kind labor and equipment donations of \$91,500 for a total project cost of \$228,823. This brings the total investment in the property to \$483,912 during the initial term of the lease.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would exercise the one nine-year option under the existing lease and approve a first lease amendment between the City and County of San Francisco, on behalf of the Recreation and Park Department (RPD), as landlord, and Gleneagles Golf Partners, LP, as tenant, for the additional nine-year term from November 14, 2013 through November 13, 2022 for the management, maintenance and operation of the 9-hole Gleneagles Golf Course in McLaren Park by the Gleneagles Golf Partners.

The Budget and Legislative Analyst notes that both the proposed resolution and subject lease provide that this lease would extend from November 14, 2013 through November 13, 2022. However, as noted above, the existing lease actually extends through November 30, 2013. Mr. Hart confirms that the proposed resolution and subject lease should extend from December 1, 2013 through November 30, 2022. Therefore, both the proposed resolution and subject lease should be amended to reflect these correct lease dates.

Table 1 below provides a summary of the major lease extension terms.

Table 1: Summary of Proposed Nine-Year Lease Extension

Term	9 years (December 1, 2013 through November 30, 2022)
Base Rent	7% of annual gross revenues (same as the original lease)
Participation Rent	2% of annual gross revenues that exceed 20% over 2003 totals and 3% that exceed 30% (same as the original lease)
Utilities and services	Tenant Responsibility (same as the original lease)
Options to further extend	None

According to Mr. Hart, the base rent of 7% of annual gross revenues was based on the responses received pursuant to a competitively bid RFP for the Gleneagles Golf Course in 2004. Mr. Hart notes that prior to 2004, the previous operator of the Gleneagles Golf Course paid 6% of annual gross revenues to RPD. Mr. Hart states that the rents paid at Gleneagles Golf Course are not comparable to those paid at other City golf courses as the 9-hole Gleneagles Golf Course at McLaren Park is the only golf course that is entirely maintained by the golf course operator and not by City staff.

The participation rent shown in Table 1 of 2% of annual gross revenues that exceed \$793,954 (20% more than 2003 rent of \$661,628), and 3% of annual gross revenues that exceed \$860,117 (30% more than 2003 of \$661,628) is the same as the existing lease. However, Mr. Hart advises that under the existing lease, Gleneagles Golf Partners has not paid any participation rent to the RPD because the gross revenue thresholds were not met.

FISCAL IMPACTS

Under the proposed nine-year lease extension, the base rent would remain at 7% of annual gross revenues realized by the golf course operators, the same as the existing lease. As shown in Table 2 below, Gleneagles Golf Partners realized total gross revenues of \$4,899,587 and paid RPD total rent of \$342,971 over the nine-year term of the existing lease from FY 2004-05 through FY 2012-13.

**Table 2: Total Revenues of the Gleneagles Golf Course and total Base Rent Paid to RPD
Actuals December 1, 2004 through June 30, 2013**

Fiscal Year	Gross Annual Revenue	RPD Revenue (7% of Annual Gross Revenues)
2004-05	\$338,403	\$23,688
2005-06	672,942	47,106
2006-07	712,113	49,848
2007-08	642,831	44,998
2008-09	662,408	46,369
2009-10	562,949	39,406
2010-11	381,718	26,720
2011-12	483,154	33,821
2012-13	443,071	31,015
Total	\$4,899,587	\$342,971

According to Mr. Hart, all City golf courses have experienced a decrease in revenues since 2009 as the golf industry nationwide realized less revenue during the slower economic times.

As shown in Table 3 below, Gleneagles Golf Partners is estimated to earn total gross annual revenues of \$4,636,241 for the Gleneagles Golf Course during the proposed nine-year term of the extended lease from FY 2013-14 through Fiscal Year 2021-22. Based on the annual base rent of 7 % of gross revenues, this will result in an estimated \$324,537 in rent being paid to RPD for the nine-year term of the extended lease through Fiscal Year 2021-22, which ends on June 30, 2022. However, the proposed nine-year lease extension does not terminate until November 30, 2022 and additional revenues are expected in the last 5 months of the proposed lease extension. Such additional revenues have not yet been estimated by RPD.

Table 3: Estimated Total Revenues of the Gleneagles Golf Course and total Base Rent Paid to RPD for Fiscal Years FY 2013-14 through FY 2021-22

Fiscal Year	Gross Annual Revenue	RPD Revenue (7% of Annual Gross Revenues)
2013-14*	\$456,363	\$31,945
2014-15	470,054	32,904
2015-16	484,156	33,891
2016-17	498,680	34,908
2017-18	513,641	35,955
2018-19	529,050	37,034
2019-20	544,921	38,144
2020-21	561,269	39,289
2021-22**	578,107	40,467
Total	\$4,636,241	\$324,537

*Includes revenue from July 2013 through November 2013 of the existing lease

**FY 2021-22 ends on June 30, 2022 with five months remaining in the proposed lease; as such, additional revenue is expected in the last 5 months of the proposed lease that ends on December 1, 2022.

Mr. Hart reports that no participatory rent is expected under the proposed lease because the gross revenue thresholds are not expected to be met.

RECOMMENDATIONS

1. Amend the proposed resolution to correct the dates of the nine-year lease extension term from November 14, 2013 through November 13, 2022 to December 1, 2013 through November 30, 2022.
2. Approve the proposed resolution as amended.

Item 5 File 13-0671	Department: San Francisco International Airport (Airport)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <p>The proposed resolution would approve a new lease between the San Francisco International Airport (Airport) and Skyline Concessions (Skyline) to provide a newsstand in Boarding Area E of Terminal 3.</p> <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • On June 11, 2013 the Airport awarded a newsstand lease in Boarding Area E of Terminal 3 to Skyline Concessions, which will be a new vendor at the Airport. The lease was awarded as a small-business set-aside, which provides an opportunity for certified small businesses to compete for Airport concession leases of 1,000 square feet or less, which generate revenues of \$1 million or less • Boarding Area E of Terminal 3 is currently closed for seismic retrofitting and is expected to open on January 28, 2014. Skyline Concessions will not be able to operate during the renovations. The Airport will collect rent after the renovations are completed, beginning approximately February 1, 2014 after the space becomes available for tenants. • The lease term is for seven years beginning when the Airport collects rent, from approximately February 1, 2014 through January 31, 2021. • Rent will be the greater of the Minimum Annual Guarantee (MAG) of \$192,000 or the Airport's standard percentage rent based on gross revenues. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Based on gross revenues generated by comparable newsstands, the Airport estimates that Skyline will pay the Airport percentage rent each year, rather than the MAG, based on gross revenues in the first year of \$1,665,000. Over the seven-year term of the lease, Skyline Concessions will pay to the Airport an estimated \$1,770,493 in percentage rent. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT / BACKGROUND

Mandate Statement

City Charter Section 9.118(c) states that leases that would result in revenues to the City of \$1,000,000 or more are subject to Board of Supervisors approval.

Background

On June 11, 2013, the Airport awarded a newsstand lease, as a small business set-aside¹, to Skyline Concessions (Skyline) based on a competitive Request for Proposals (RFP) process. Skyline received the highest score among four proposers based on the proposed concept for the lease, design and capital investment, business plan, customer service and quality control, and proposed Minimum Annual Guarantee (MAG) rent.

The Skyline newsstand will operate in Boarding Area E of Terminal 3, which the Airport is currently renovating for seismic improvements. Ms. Clarissa Mamaril, Principal Property Manager at the Airport, estimates that, upon completion of renovations, Boarding Area E of Terminal 3 should become open to the public on January 28, 2014. Ms. Mamaril advises that if Boarding Area E of Terminal 3 opens on January 28, 2014 as is currently estimated, the Airport will begin collecting rent effective February 1, 2014.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the proposed lease between the Airport and Skyline, as a small business set-aside newsstand, as follows:

Lease Term	Seven years, commencing approximately February 1, 2014
Option to Extend	None
Premises	493 square feet located in Boarding Area E of Terminal 3
Rent	The greater amount of either the percentage rent or the MAG
MAG Amount	\$192,000 per year (\$16,000 per month), adjusted annually based on the standard Airport formula
Percent Rent	12 percent of gross revenue of \$500,000 or less 14 percent of gross revenue between \$500,000.01 and \$1,000,000 16 percent of gross revenue greater than \$1,000,000.01
Minimum Investment	\$172,550 (\$350 per square foot for 493 square feet)
Promotional Fee	\$493 based on \$1 per square foot (subject to annual adjustment)

¹ According to City policy, the small-business set-aside provides an opportunity for certified small businesses to compete for Airport concession leases of 1,000 square feet or less, which generate revenues of \$1 million or less.

FISCAL IMPACT

There are currently 21 newsstands operating in the Airport, each of which realized gross revenues between \$110,563 and \$2,954,219 in FY 2011-12, the most recent year for which data is available. Based on previous newsstands' revenues that had similar dimensions and locale, the Airport estimates that the Skyline newsstand will generate approximately \$1,665,000 in gross revenues in the first year of the proposed seven-year lease. Under the proposed lease, Skyline pays to the Airport the greater of percentage rent or the MAG.

As shown in Table 1 below, the Airport expects to receive estimated percentage rent of \$1,770,493 over the seven-year term of the lease, which is \$343,111 or 24.0 percent more than the MAG based on \$1,665,000 gross revenues in the first year and increased by two percent annually.

Table 1: Estimated Revenues and Rent Payable by Skyline to the Airport

Lease Year	Annual Revenues	Percentage Rent	MAG	Estimated Difference of the Percentage Rent Over MAG
Year 1	\$1,665,000	\$236,400	\$192,000	\$44,400
Year 2	\$1,698,300	241,728	195,840	45,888
Year 3	\$1,732,266	247,163	199,757	47,406
Year 4	\$1,766,911	252,706	203,752	48,954
Year 5	\$1,802,250	258,360	207,827	50,533
Year 6	\$1,838,295	264,127	211,984	52,144
Year 7	\$1,875,060	270,010	216,223	53,786
Total	\$12,378,082	\$1,770,493	\$1,427,382	\$343,111

In addition to the percentage rent or MAG in Table 1, Skyline would pay an additional estimated \$3,665 in promotional fees to the Airport for total revenues of \$1,774,158 over the term of the lease.

RECOMMENDATION

Approve the proposed resolution.

Item 6
File 13-0701

Departments:
Department of Public Health (DPH) and
Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would retroactively approve the lease between the Department of Public Health (DPH), as tenant, and Bayview Plaza, LLC, as landlord, for office space at 3801 3rd Street, Suite 400, for a five-year term from July 1, 2013 through June 30, 2018 that includes one four-year option to extend.

Key Points

- In 1998, the Board of Supervisors approved an initial 10-year lease between the DPH and Bayview Plaza, LLC for 14,825 square feet of office space at 3801 3rd Street, Suite 400, from July 1, 1998 through June 30, 2008.
- On February 10, 2009, the Board of Supervisors retroactively approved a new five-year lease, at the same location, between the landlord, Bayview Plaza, LLC, and DPH from July 1, 2008 through June 30, 2013, with the existing base monthly rent of \$36,469.50 or \$2.46 per square foot. The lease did not provide for increases in the rent over the five-year term and did not include an option to extend.
- Under the lease, DPH operates its Comprehensive Crisis Services (CCS), Foster Care Mental Health Program (FCMHP) in the space.

Fiscal Impacts

- The proposed rent of \$38,545 per month (\$2.60 per square foot per month) is fair market value for Class B office space in southeast San Francisco. Under the proposed five-year lease agreement, the monthly rent of \$38,545 is \$2,075.50 or 5.7% more than the current monthly rent of \$36,469.50.
- The proposed five-year lease agreement includes an annual adjustment to the Consumer Price Index (CPI), at be no less than 2% and more than 5% of the previous year's rent. The total estimated cost for the rent of the proposed new five-year lease ranges between \$2,407,077 and \$2,555,825.
- In addition to the first year annual rent of \$462,540, DPH will incur an estimated \$25,000 in moving expenses, resulting in total first year costs of \$487,540, which are included in DPH's FY 2013-14 budget as previously approved by the Board of Supervisors.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Under Administrative Code Section 23.27, leases with a term of more than one year or rent of more than \$5,000 per month, in which the City is the tenant, are subject to the Board of Supervisors approval, by resolution.

Background

In 1998, the Board of Supervisors approved an initial 10-year lease between the Department of Public Health (DPH), as tenant, and Bayview Plaza, LLC, as landlord, for 14,825 square feet of office space at 3801 3rd Street, Suite 400, from July 1, 1998 through June 30, 2008.

On February 10, 2009, the Board of Supervisors retroactively approved a new five-year lease, at the same location, between the landlord, Bayview Plaza, LLC, and DPH from July 1, 2008 through June 30, 2013, with the existing base monthly rent of \$36,469.50 or \$2.46 per square foot. The lease did not provide for increases in the rent over the five-year term and did not include an option to extend. Under the lease, DPH operates its Comprehensive Crisis Services (CCS), Foster Care Mental Health Program (FCMHP) in the space.¹

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a new lease for the same 14,825 square feet of office space at 3801 3rd Street, Suite 400, between Bayview Plaza, LLC, the landlord, and DPH, for the DPH to continue to provide Comprehensive Crisis Services (CCS) and operate its Foster Care Mental Health Program (FCMHP), for five years from July 1, 2013 through June 30, 2018 as follows:

Table 1: Summary of Proposed Lease at 3801 Third Street, Suite 400

Term	5 years (July 1, 2013 through June 30, 2018)
Square feet (approximate)	14,825
Rent per square foot per month	Approximately \$2.60
Total rent per month	\$38,545
Total annual rent	\$462,540
Parking	1 vehicle in the parking lot between 8 am and 5 pm, and four vehicles in the parking lot between 5 pm and 8 am
Annual rent increases	Annual adjustment to Consumer Price Index (CPI), but no less than 2% and more than 5% of the previous year.
Utilities and services	The lease is fully serviced
Leasehold Improvements	\$60,000 paid by the Landlord for carpet and tile replacement
Options to further extend	One four-year option at 95% of fair market rent

¹ The Comprehensive Crisis Services (CCS) is comprised of four teams: (1) Mobile Crisis Treatment Team, (2) Child Crisis Team, (3) Crisis Response Team, and (4) the Multi-Systemic Therapy Team that provide in-the-field crisis assessments and interventions and short-term crisis case management available to San Francisco residents, individuals, families and community members affected by community violence and critical incidents. The Foster Care Mental Health Program (FCMHP) coordinates mental health services for children in the care of the City's child welfare system.

Ms. Claudine Venegas, Senior Real Property Officer of the Real Estate Division, reports that the monthly rent of \$38,545, or approximately \$2.60 per square foot, is comparable to the market rates of properties in the surrounding area of 3801 Third Street.²

The leased space would continue to be used to provide office space and mental health counseling services for DPH's Comprehensive Crisis Services (CCS), Foster Care Mental Health Program (FCMHP).

FISCAL IMPACTS

Under the proposed five-year lease agreement, the monthly base rent of \$38,545, or \$2.60 per square foot per month, is \$2,075.50 or 5.7% more than the current monthly rent of \$36,469.50 or \$2.46 per square foot.

As shown in Table 2 below, the first year total rent and moving expenses are \$487,540. Total General Fund monies of \$487,540 are included in DPH's FY 2013-14 budget as previously approved by the Board of Supervisors.

**Table 2: Total First Year Costs for the Proposed Lease
From July 1, 2013 through June 30, 2014**

Rent –\$ for 14,825 square feet (2.60 per square foot per month or \$31.20 annually)	\$462,540
Estimated Moving Expenses related to leasehold improvements provided by the Landlord	25,000
Total First Year Costs	\$487,540

The proposed new five-year lease agreement includes an annual adjustment to the Consumer Price Index (CPI), at be no less than 2% and more than 5% of the previous year's rent. As shown in Table 3 below, the total estimated cost for the rent of the proposed new five-year lease ranges between \$2,407,077 and \$2,555,825.

² According to Ms. Venegas, based on the mid-year CoStar Office Report for the San Francisco office market, the subject property falls within the San Francisco Southeast, Potrero East of 101 Freeway submarket cluster, and the CoStar report's quoted market rate for this area is \$33.79 annually or approximately \$2.82 per square foot monthly, fully serviced.

**Table 3: Estimated Range of Total Rent for the Proposed DPH Lease
From July 1, 2013 through June 30, 2018**

Lease Year	Minimum Monthly Rent (2% increase)	Minimum Annual Rent (2% increase)	Maximum Monthly Rent (5% increase)	Maximum Annual Rent (5% increase)
1	\$38,545	\$462,540	\$38,545	\$462,540
2	39,316	471,791	40,472	485,667
3	40,102	481,227	42,496	509,950
4	40,904	490,851	44,621	535,448
5	41,722	500,668	46,852	562,220
Total	\$200,590	\$2,407,077	\$212,985	\$2,555,825

RECOMMENDATION

Approve the proposed resolution.

Item 8 File 13-0729	Department: Human Services Agency (HSA)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <p>The proposed resolution would authorize HSA to renew the agreement with the California Association of Counties to (1) authorize HSA's continued membership in the 18 County CalWIN Consortium; and (2) increase HSA's expenditure authority for the CalWIN system for the two-year and one-month period from July 1, 2013 through August 1, 2015.</p> <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Board of Supervisors originally approved San Francisco's membership in the 18 County CalWIN Consortium in 1999. The Consortium has an agreement with the State and the California State Association of Counties for access to and maintenance of CalWIN, an information system mandated by the State to administer public benefit programs. Each of the 18 counties in the CalWIN Consortium pays (1) an annual fee to the Consortium for administrative and operating costs, and (2) the county's share of costs for a contract between the State and Electronic Data Systems to maintain and improve the CalWIN system. • Under the proposed resolution, San Francisco's share of costs from July 1, 2013 through August 1, 2015 would increase by \$10,489,771, from \$42,530,138 to \$53,019,909. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The expenditure of \$10,489,771 includes (1) \$10,163,161 to pay San Francisco's share of costs for the existing contract between the State and Electronic Data Systems to maintain and enhance the CalWIN system; (2) \$306,224 to pay San Francisco's share of the Consortium's administrative costs; and (3) \$20,386 to pay for the First Data contract costs to transfer HSA data to the State. • Of the \$10,489,771, 92 percent (\$9,631,834) is funded by the State and 8 percent (857,937) is funded by the City's General Fund. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution for retroactive approval to July 1, 2013. • Approve the proposed resolution as amended. 	

MANDATE STATEMENT / BACKGROUND

Mandate Statement

City Charter Section 9.118(b) states that contracts that would result in expenditures to the City of \$10,000,000 or more are subject to Board of Supervisors approval.

Background

Sections 10823 through 10824 of the California Welfare and Institutions Code require counties to use data systems to manage and administer public benefit programs (including CalWORKS, CalFRESH, Medi-CAL, foster care, the refugee program, and County medical services) and form and join consortia throughout the State and provide funding to maintain and operate the California Work Opportunity and Responsibility to Kids Information Network (CalWIN), which is a central State data management system that:

- Determines client eligibility for receiving public benefits,
- Calculates benefits, and
- Provides case management support in administering various social service programs including the Food Stamps, Medi-Cal, General Relief, Foster Care, and California Work Opportunities and Responsibility to Kids (CalWORKS) Programs.

The CalWIN data management system is collectively managed by the 18 County CalWIN Consortium (the Consortium) that shares costs associated with the continued development, implementation, maintenance, and operation of the CalWIN computer information system. These CalWIN computer information system support services are currently provided by Electronic Data Systems under a Statewide master agreement established by the Consortium in FY 1999-2000.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would:

- Authorize the Human Services Agency (HSA) to continue its membership in the 18 County CalWIN Consortium;
- Authorize the Director of the Human Services Agency to execute the necessary agreements for San Francisco to participate in the continued development, maintenance, and operation of the CalWIN computer information system that administers public benefit programs in accordance with State requirements; and
- Increase the Human Services Agency's existing expenditure authority for its participation in the CalWIN consortium by \$10,489,771 from \$42,530,138 to \$53,019,909. The proposed resolution would extend the expenditure authority and the City's participation by two years and one-month retroactive to July 1, 2013 and through August 1, 2015.

FISCAL IMPACT

Under the proposed resolution, HSA's estimated expenditures for participation in the CalWIN Consortium for the two-year and one-month period from July 1, 2013 through August 1, 2015 are \$10,489,771, which includes the City's share of the Electronic Data Systems contract costs, Consortium administrative costs, and First Data contract costs¹ as shown in Table 1 below.

Table 1: Costs by Vendor for Continued Participation in the CalWIN Consortium

	FY 2013-14	FY 2014-15	Total
<u>Electronic Data Systems Contract</u>			
Operations and Telecommunications	\$2,120,456	\$2,119,191	\$4,239,647
Application Modification	1,009,401	1,009,401	2,018,802
Legislative Change - AB6 Low-Income Home Energy Assistance Program	4,433		4,433
Legislative Change - AB6 Semiannual Reporting Requirements	125,767		125,767
Legislative Change - AB12 Kinship Guardianship Assistance Program	197,496		197,496
Legislative Change - SB1041 California Work Opportunity and Responsibility to Kids Refocus	45,919		45,919
WINS	114,585		114,585
CALHEERS	947,484	947,484	1,894,968
CALHEERS Call Center	510,772	510,772	1,021,544
Health Care Reform	100,000	100,000	200,000
County-Specific Modifications	150,000	150,000	300,000
Electronic Data Systems	5,326,313	4,836,848	10,163,161
Consortium Administration	153,112	153,112	306,224
First Data	10,193	10,193	20,386
Total	\$5,489,618	\$5,000,153	\$10,489,771

State and Federal funds pay for approximately 92 percent, or \$9,631,834, with the General Fund providing the remaining approximately 8 percent, or \$857,937. City funds to pay for its share of these costs are included in the HSA's FY 2013-14 and FY 2014-15 budgets as previously appropriated by the Board of Supervisors.

Per agreement among the members of the CalWIN Consortium, the Consortium administration costs are allocated to counties based on the caseloads. Counties are sorted into three groups (small, medium and large) each of which pays a different rate, as shown in Table 2 below.

¹ The contract costs for First Data support the maintenance of a single server used to transfer CalWIN data to the State.

Table 2: FY 2013-14 CalWIN Consortium Participants and Allocations

County	Percent Share
Alameda	6.79%
Contra Costa	6.79%
Fresno	6.79%
Orange	6.79%
Placer	2.78%
Sacramento	6.79%
San Diego	6.79%
San Francisco	6.79%
San Luis Obispo	2.78%
San Mateo	5.56%
Santa Barbara	5.56%
Santa Clara	6.79%
Santa Cruz	2.78%
Solano	5.56%
Sonoma	5.56%
Tulare	6.79%
Ventura	5.56%
Yolo	2.78%
Total	100.00%

As shown in Table 3 below, San Francisco caseload increased between FY 2009-10 and FY 2012-13 by approximately 12 percent.

Table 3: San Francisco Caseloads by Program

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Increase/ (Decrease) FY 2009-10 to FY 2012-13	Percent Change
County Adult Assistance Program	89,362	90,175	86,201	80,051	(9,311)	-10%
CalWORKS	57,536	58,883	56,751	53,614	(3,922)	-7%
CalFresh	249,112	304,719	332,121	329,220	80,108	32%
Medi-Cal	578,214	605,229	630,276	637,003	58,789	10%
Foster Care	16,560	15,009	13,412	13,032	(3,528)	-21%
Cash Assistance Program for Immigrants	7,769	8,186	8,619	8,439	670	9%
Kinship Guardian Assistance Payment Program	3,305	3,330	3,425	3,927	622	19%
Refugee Cash Assistance	783	804	760	733	(50)	-6%
Total	1,002,641	1,086,335	1,131,565	1,126,019	123,378	12%

RECOMMENDATIONS

1. Amend the proposed resolution for retroactive approval to July 1, 2013.
2. Approve the proposed resolution as amended.

Item 9 File 13-0730	Department: Human Services Agency (HSA)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <p>The proposed resolution would approve a new contract between Human Services Agency (HSA) and the In-Home Supportive Services Consortium (IHSS Consortium) to provide in-home supportive services from July 1, 2013 to June 30, 2017.</p> <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In-Home Supportive Services (IHSS) is a federally-, state-, and locally-funded program administered by each county. IHSS provides funding for eligible low-income seniors (over the age of 65) and disabled persons to receive non-medical personal care and other household assistance in their home. Each eligible IHSS client is allocated a specified number of monthly IHSS service hours based on an annual needs assessment conducted by HSA. In San Francisco, IHSS service hours are provided to clients either by an independent provider hired directly by the IHSS client or by contract providers through the subject contract with HSA. • HSA previously contracted with the IHSS Consortium to provide in-home supportive services, which expired on June 30, 2013. HSA selected IHSS Consortium to provide in-home supportive services for the four year term from July 1, 2013 through June 30, 2017 based on a competitive Request for Proposals (RFP). <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed resolution provides for a contract amount of \$87,321,540 over the four year term. This contract amount of \$87,321,540 assumes an annual 5 percent Cost of Living Adjustment (COLA), although the actual annual increase will be based on the annual State and Federal funding allocation for in-home supportive services contractors and Board of Supervisors' annual appropriation of a COLA for non-profit organizations. • The budget in the first year of the contract (FY 2013-14) is \$20,259,631, which is \$1,194,169 or 6.3 percent more than the FY 2012-13 budget of \$19,065,462, due largely to increases in IHSS providers' salaries and benefits. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to (a) retroactively approve the contract as of July 1, 2013; and (b) clarify that the contract amount of \$87,321,540 is a not-to-exceed amount. • Approve the proposed resolution as amended. 	

MANDATE STATEMENT / BACKGROUND

Mandate Statement

City Charter Section 9.118(b) requires the Board of Supervisors to approve by resolution all contracts and leases that either (1) have a term of more than ten years, (2) require the City to expend \$10,000,000 or more; or (3) modify an existing agreement in a way that will have a fiscal impact of more than \$500,000.

Background

In-Home Supportive Services (IHSS) is a federally-, state-, and locally-funded program administered by each county. IHSS provides funding for eligible low-income seniors (over the age of 65) and disabled persons to receive non-medical personal care and other household assistance in their home. IHSS care allows seniors and disabled persons to remain in their own homes and thereby avoid unnecessary and expensive hospitalization or institutionalization.

Each eligible IHSS client is allocated a specified number of monthly IHSS service hours based on an annual needs assessment conducted by the Human Services Agency (HSA). In San Francisco, IHSS service hours are provided to clients via two modes of service delivery: the independent provider mode and the contract mode.

Independent Provider Mode

Clients who can manage their own non-medical personal care and other household needs may hire, at their own discretion, pre-screened independent providers who then provide home care and are often family members. The client, who is an IHSS recipient, is responsible for hiring, firing, and supervising the independent providers. The San Francisco IHSS Public Authority¹ (Public Authority) serves as the employer of record for the independent providers and payroll checks are issued by the State Controller's Office².

Contract Provider Mode

Clients who cannot manage their own non-medical personal care and other household needs receive services from contracted providers who are employees of a third-party organization under contract with HSA. The third-party agency is the employer of record.

Most IHSS services are provided by independent providers. In FY 2012-13, 21,000,000 of the 21,630,000 budgeted service hours, or 97.1 percent, were provided by independent providers while 630,000 budgeted service hours or 2.9 percent were provided through the IHSS Consortium contract.

¹ The San Francisco IHSS Public Authority was established by Ordinance No. 195-85 of the Board of Supervisors, as authorized by State law, to provide for the delivery of IHSS services. As required by State law, the San Francisco IHSS Public Authority is a separate legal entity from the City and County of San Francisco.

² HSA enters client verified independent provider timesheet hours into the State's electronic IHSS Case Management Information and Payrolling System (CMIPs). According to Mr. Curto, HSA must reimburse the State for the local share of costs of IHSS services provided by independent providers.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new contract between HSA and the In-Home Supportive Services Consortium of San Francisco (IHSS Consortium), a non-profit organization, to continue to provide in-home supportive services.

The HSA had an existing four-year contract for in-home supportive services with the IHSS Consortium that expired on June 30, 2013. In the existing contract, the IHSS Consortium provided two levels of service: (a) intensive supervision and (b) regular supervision. Intensive supervision includes case management, which requires the contract providers to assess client needs that fall outside the scope of approved IHSS services and to refer clients to appropriate resources.

On April 2, 2013, the HSA issued a competitive Request for Proposals (RFP) to provide in-home supportive services for the four year period from July 1, 2013 through June 30, 2017. HSA received three responses to the proposal and awarded the IHSS Consortium the contract based on the highest score for (a) program approach, (b) organization and staffing, and (c) fiscal capacity.

The proposed contract between HSA and IHSS Consortium is for a period of four years retroactive to July 1, 2013 and through June 30, 2017 for an amount not to exceed \$87,321,540.

The IHSS will provide a maximum of 630,000 service hours annually to eligible service-recipients to:

- Clean the homes,
- Plan meals,
- Provide non-medical personal services (e.g. bed baths, dressing, bowel and bladder care),
- Provide transportation as necessary and appropriate,
- Perform light yard work if the yard or conditions around the home pose a hazard,
- Provide protective supervision as necessary and authorized, and
- Provide paramedical support if ordered to do so by a licensed medical professional.

Estimated Hours

As shown in Table 1 below, HSA estimates that the combined number of service hours provided by independent providers, which is not the subject of the proposed resolution, and by the IHSS Consortium, the proposed contractor and subject of the proposed resolution, over the next four years will be 90,922,119. Of this total, 97.2 percent, or 88,385,119 hours, will be provided by independent providers and 2.8 percent, or 2,537,000 hours, will be provided by IHSS Consortium.

Table 1: IHSS Hours by Fiscal Year and Mode of Service Delivery

Year	Estimated Independent Provider Hours	Percent of Services Provided by Independent Contactors	Estimated IHSS Consortium Hours	Percent of Services Provided by IHSS Consortium	Total Hours
FY 2013-14	21,308,072	97.1%	630,000	2.9%	21,938,072
FY 2014-15	21,825,128	97.2%	630,000	2.8%	22,455,128
FY 2015-16	22,354,732	97.2%	638,500	2.8%	22,993,232
FY 2016-17	22,897,187	97.3%	638,500	2.7%	23,535,687
Total	88,385,119	97.2%	2,537,000	2.8%	90,922,119

FISCAL IMPACT

As shown in Table 2 below, the IHSS Consortium budget over the four-year term of the contract from July 1, 2013 through June 30, 2017 is \$87,321,540, which includes \$81,168,109 in direct provider costs and \$6,153,430 in administrative costs (7 percent of total contract costs).

Table 2: IHSS Consortium Proposed Contract Budget

	Direct Provider Costs	Administrative Costs	Total
FY 2013-14	\$18,831,962	\$1,427,669	\$20,259,631
FY 2014-15	19,773,560	1,499,052	21,272,612
FY 2015-16	20,762,238	1,574,004	22,336,242
FY 2016-17	21,800,349	1,652,705	23,453,054
Total	\$81,168,109	\$6,153,430	\$87,321,539

The total proposed FY 2013-14 contract budget of \$20,259,631 is \$1,194,169 or 6.3 percent more than the FY 2012-13 budget of \$19,065,462 due mostly to increases in provider salaries and benefits.

Funding for the proposed contract with the IHSS Consortium is included in HSA's FY 2013-14 and FY 2014-15 budgets, of which approximately 76 percent is funded by Federal and State funds and 24 percent, is funded by the City's General Fund. The proposed contract budget includes a Cost of Living Adjustment (COLA) of 5 percent per year. According to Mr. David

Curto, HSA Director of Contracts and Facilities, the actual COLA will be based on the annual State and Federal funding allocation for in-home supportive services contractors and Board of Supervisors’ annual appropriation of a COLA for non-profit organizations.

Table 3 shows the hourly rates of pay for contract and independent providers.

Table 3: Independent and Contract Hourly Rates by Fiscal Year

Fiscal Year	IHSS Consortium Hourly Rate (Subject of the Resolution)	Independent Provider Hourly Rate	Difference	Consortium Overage Compared to Independent Provider Rate
FY 2013-14	\$32.16	\$15.54	\$16.62	106.9%

According to Mr. Curto, the IHSS consortium contract hourly rate is higher than the independent provider hourly rate due to the costs of overhead and intensive supervision, which are not included in the independent provider rate.

RECOMMENDATIONS

1. Amend the proposed resolution to (a) retroactively approve the contract as of July 1, 2013; and (b) clarify that the contract amount of \$87,321,540 is a not-to-exceed amount.
2. Approve the proposed resolution as amended.

Item 10
File 13-0732

Departments:
Port of San Francisco

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would approve a new lease with one five-year option to extend between the City and County of San Francisco, as landlord, on behalf of the Port of San Francisco and East Street Ventures, LLC, as tenant, for restaurant space located at 295 Terry Francois Boulevard, for 15 years from October 1, 2013 through September 30, 2028.

Key Points

- The restaurant space located on Port property at 295 Terry Francois Boulevard, is located near the Giants Ballpark and China Basin at Pier 50, was most recently operated as Jelly's-a Dance Cafe restaurant by Corzac, Inc. under a Port lease which terminated on November 7, 2011.
- On August 14, 2012, the Port Commission approved the issuance of a Request for Proposal (RFP) for a restaurant operator to develop and operate a high quality casual dining restaurant at 295 Terry Francois Boulevard and following the competitive RFP process, and failed negotiations with the most qualified respondent, the Port entered into negotiations East Street San Francisco, which subsequently formed a separate entity, East Street Ventures, LLC, for the execution of this subject lease.
- The proposed new 15-year lease is for 3,389 square feet of interior space and 6,824 square feet of exterior space. Under the proposed new lease, East Street Ventures is required to complete tenant improvements estimated to cost \$2,000,000 and is provided (a) a 270-day rent abatement or approximately nine months to complete the improvements and (b) \$380,000 rent credit for certain core and shell improvements. The capital investment of \$2,000,000 would be amortized over the new 15-year lease term.
- Under the proposed new lease, East Street Ventures is required to pay the Port the greater of (a) base rent of \$10,011.81 per month in the first year (following an initial 270 day rent abatement for renovations, see below), increasing by approximately 3% annually throughout the 15-year lease term, or (b) 7% of monthly gross revenues.
- Rent payments to the Port would commence on July 1, 2014, and the Port anticipates that it will receive percentage rent in every month of the proposed lease except for the month of July 2014, which is the first month following the 270-day rent abatement and preceding the expected opening of the restaurant on August 1, 2014.

Fiscal Impact

- The Port expects East Street Ventures to pay percentage, rather than base rent, rent based on annual gross revenues of \$2,300,000 in the first full year of operations. Over the initial 15-year term of the lease, estimated rent revenues to the Port, net of the 270-day rent abatement and \$380,000 rent credit, are \$2,598,883.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

In accordance with City Charter Section 9.118(c), any lease for a period of ten years or more and/or having anticipated revenue of \$1,000,000 or more is subject to approval by the Board of Supervisors.

Background

The restaurant space located on Port property at 295 Terry Francois Boulevard was most recently operated as Jelly's-a Dance Cafe restaurant by Corzac, Inc. under a Port lease which terminated on November 7, 2011. Since this prior Port lease terminated, the space has not been occupied. 295 Terry Francois Boulevard is located near the Giants Ballpark and China Basin at Pier 50 (see Attachment).

On August 14, 2012, the Port Commission (Resolution No. 12-63) approved the issuance of a Request for Proposal (RFP) for a restaurant operator to develop, including design and renovation of the existing building, and operate a high quality casual dining restaurant with on-premises dining at 295 Terry Francois Boulevard. According to Mr. Jeff Bauer, Senior Commercial Leasing Manager for the Port, the Port received four responses to the RFP: (1) Bo's BBQ of SF, LLC (Bo's BBQ); (2) East Street San Francisco, LLC; (3) Stripes Tavern; and (4) Rocks & Brews San Francisco, LLC (Rocks and Brews). After the Port's initial negotiations with Bo's BBQ, the most qualified respondent, failed, the Port Commission directed Port staff to negotiate with the second most qualified respondent, East Street San Francisco, LLC.

Mr. Bauer advises that the principals of East Street San Francisco are the same principals of the Hi Dive Restaurant located at Pier 28 ½, which currently pays percentage rent per square foot of \$67.81 which is in the top 5 percent of rent per square foot paid to the Port¹. Mr. Bauer states that Hi Dive has been a Port tenant since 2002 and is a tenant in good standing.

Mr. Bauer notes that East Street San Francisco, LLC, subsequently formed a separate entity, East Street Ventures, LLC, for the execution of this subject lease for restaurant space located at 295 Terry Francois Boulevard.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new lease between the City and County of San Francisco, as landlord, on behalf of the Port of San Francisco and East Street Ventures, LLC, as tenant, for 15 years from October 1, 2013 through September 30, 2028, with one five-year option to extend, as summarized in Table 1 below:

¹ Under the lease between the Port and Hi Dive Restaurant, Hi Dive Restaurant pays the greater of percentage rent equal to 7 percent of gross revenues or base rent of \$2.41 per square foot. Currently, Hi Dive Restaurant pays percentage rent equivalent to \$5.65 per square foot per month (\$67.81 per square foot per year).

Table 1: Summary of Proposed Lease at 295 Terry Francois Boulevard

Term	15 years (October 1, 2013 through September 30, 2028)
Square Feet (approximate)	3,389 square feet of interior space 6,824 ² square feet of exterior space
Rent Structure	Greater of Base Rent or Percentage Rent
Initial Monthly Base Rent per Square Foot	Approximately \$2.33 for interior space Approximately \$0.31 for exterior space
Initial Total Monthly Base Rent	\$10,011.81
Percentage Monthly Rent	\$7% of gross revenues
Rent Abatement	270 days (approximately 9 months – see below)
Annual Rent Increases	3%
Security Deposit	\$29,497.92
Utilities and Services	Tenant Responsibility
Leasehold Improvements	Estimated \$2,000,000 paid by the Tenant
One-Time Tenant Improvement Rent Credit	\$380,000 for Core and Shell Improvements
Options to Further Extend	One five-year option, the minimum base rent will be adjusted by the greater amount of either 3% or the average of the three prior years' gross revenues, multiplied by the percentage rent of 7% then multiplied by 85% and divided by 12 months.

Rent and Rent Abatement

Under the proposed new lease, East Street Ventures is required to pay the Port the greater of (a) base rent of \$10,011.81 per month in the first year (following an initial 270 day rent abatement for renovations, see below), increasing 3% annually throughout the 15-year lease term, or (b) 7% of monthly gross revenues.

From the expected commencement date of the lease on October 1, 2013 through June 30, 2014, a period of nine months or 270 days, East Street Ventures will be completing renovations and upgrades at the tenant's expense and will not be subject to rent payments. Rent payments to the Port would commence on July 1, 2014.

²Under the proposed lease, the 6,824 for square feet of exterior space includes 3,570 square feet of revocable exterior space along Terry Francois Boulevard that may be realigned to the City as part of the potential Terry Francois Boulevard street improvements to become a pedestrian side walk. If 3,570 square feet of exterior space is realigned as part of the potential Terry Francois Boulevard street improvements. Subsequently, of the initial 6,824 square feet of exterior space, 3,254 square feet of exterior space will remain in the East Street Ventures restaurant proposed lease.

Tenant Improvements

Under the proposed new lease, East Street Ventures is required to make improvements at an estimated cost of \$2,000,000, beginning on the expected commencement date of October 1, 2013. The proposed lease requires East Street Ventures to post a performance bond equal to at least 100 percent of the costs of the tenant improvements. According to Mr. Bauer, the proposed 15-year lease will provide East Street Ventures sufficient time to amortize the estimated \$2,000,000 investment cost for the proposed restaurant at 295 Terry Francois Boulevard. The restaurant has a target date of opening on August 1, 2014.

The renovations and upgrade improvements are to include:

- Installation of new electrical service;
- Plumbing upgrades;
- Installation of new mechanical systems;
- Seismic bracing upgrades;
- Life safety upgrades, such as a fire suppression sprinkler system;
- Accessibility improvements required by the Americans with Disabilities Act (ADA) including the installation of an elevator lift, accessible bathrooms on the first and second floors, accessible paths of travel, accessible counter and bar heights; and
- Construction of ground level and second floor outdoor dining areas.

The \$2,000,000 in estimated tenant improvement costs include a \$380,000 one-time rent credit from the Port to East Street Ventures to partially offset the costs of the building core and shell improvements, such as the new electrical service and seismic bracing upgrades. Under the proposed lease, upon completion of the tenant improvements and following the commencement of rent expected to be on July 1, 2014, East Street Ventures may deduct up to 75% of the monthly base rent payable to the Port up to a total of a \$380,000 one-time rent credit. The Budget and Legislative Analyst notes that although the rent commencement date is expected to be on July 1, 2014, the restaurant has a target date of opening on August 1, 2014, which will result in the minimum base rent payable to the Port for the month of July 2014 and the percentage rent expected to begin following the opening of the restaurant on August 1, 2014.

FISCAL IMPACT

As shown in Table 2 below, under the proposed 15-year lease agreement, rent is the greater of (a) base rent of \$10,011.81 per month in the first year (following the 270 day rent abatement), increasing 3% annually over the 15-year lease term, or (b) 7% of monthly gross revenues.

Table 2: Base Rent under the Proposed Lease at 295 Terry Francois Boulevard

Base Rent	Square Feet	Rent per Square	
		Foot Per Month	Rent per Month
Interior	3,389	\$2.33	\$7,896.37
Exterior	6,824	0.31	2,115.44
Total	10,213		\$10,011.81

According to Mr. Bauer, the initial base rent of \$10,011.81, or approximately \$2.33 for 3,389 square feet of interior space and approximately \$0.31 for 6,824 square feet of exterior space, is comparable to the market rates of similar Port restaurant properties. As shown in Table 3 below, comparable existing Port property restaurant leases have (a) an average base rent of \$2.53 per square foot (interior space), ranging between \$1.54 per square feet for Red's Java House to \$3.52 per square feet for the Pier 23 Café, and (b) an average percentage rent of 7.33% of gross revenues, ranging between 6.34% for Red's Java House and 10.0% for Boudin Bakery & Café.

Table 3: Comparison of Existing Port Property Restaurant Leases and the Proposed East Street Ventures Lease at 295 Terry Francois Boulevard

Tenant	Base Rent per Square Feet (Interior Space)	Percentage Rent ³
Pier 23 Café	\$3.52	7.00%
Boudin Bakery & Café	3.13	10.00
Lou's Pier 47	2.79	6.75
Pompi's	2.62	6.75
Hi Dive	2.41	7.00
Java House	1.69	7.50
Red's Java House	1.54	6.34
Average	\$2.53	7.33%
East Street Ventures	\$2.33	7.00%

As shown in Table 4 below, the Port projects that East Street Ventures will pay percentage rent based on annual gross revenues of \$2,300,000 in the first full year of operations. Over the initial 15-year term of the lease, estimated rental revenues payable to the Port, net of the 270-day rent abatement and \$380,000 rent credit, are \$2,598,883.

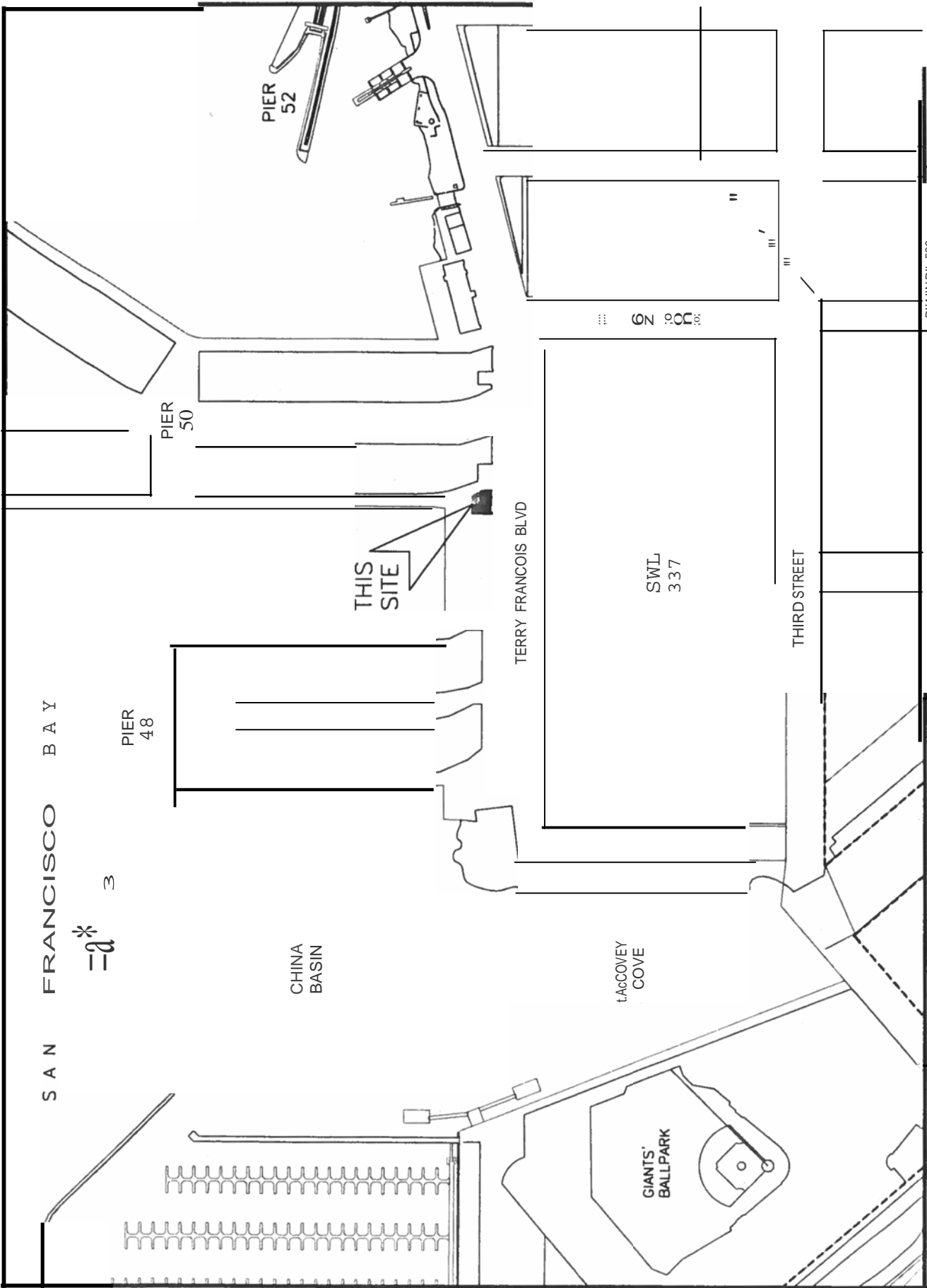
³ Mr. Bauer states that participation rent in retail leases with the Port are determine by level of service provided For example, the participation rent at a restaurant that (a) serves fast food by untrained counter staff is typically around 10-12%; (b) provides casual dining with table service and food prepared by a chef is 7%; and (c) provides white table cloth dinning service is 5-6% due to the highest level of service available.

Table 4: Total Estimated Rent under the Proposed Lease at 295 Terry Francois Boulevard

Years	Estimated Gross Sales (Based on Annual 3% to 5% Increase)	Minimum Base Rent (Based on Approximately 3% Annual Increase)	Percentage Rent (7% of Gross Sales)	Rent Credit	Total Estimated Rental Revenues
Month 1-9	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Month 10	0	10,012	0	(7,509)	2,503
Month 11-12	450,000	20,024	31,500	(15,018)	16,482
2	2,300,000	123,396	161,000	(92,551)	68,449
3	2,415,000	127,056	169,050	(95,300)	73,750
4	2,535,750	130,728	177,503	(105,991)	71,512
5	2,662,538	134,388	186,378	(63,633)	122,745
6	2,795,664	138,060	195,697		195,697
7	2,879,534	142,128	201,567		201,567
8	2,965,920	146,196	207,614		207,614
9	3,054,898	150,276	213,843		213,843
10	3,146,545	154,344	220,258		220,258
11	3,240,941	158,424	226,866		226,866
12	3,338,169	162,900	233,672		233,672
13	3,438,315	167,376	240,682		240,682
14	3,541,464	171,852	247,902		247,902
15	3,647,708	176,976	255,340		255,340
Total	\$42,412,446	\$2,114,135	\$2,968,871	(\$380,000)	\$2,598,883

RECOMMENDATION

Approve the proposed resolution.



DATE: ANY DAY
 CHECKED BY: J. J. J. J. J.
 SCALE: ANY SCALE
 SHEET NO. 1485-BL001
 OF 06 SHEETS

SAN FRANCISCO PORT COMMISSION
 PORT OF SAN FRANCISCO
 DEPARTMENT OF ENGINEERING

DATE: ANY DAY
 CHECKED BY: J. J. J. J. J.
 SCALE: ANY SCALE
 SHEET NO. 1485-BL001
 OF 06 SHEETS

Item 12 File 13-0780	Department: Controller
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <p>The proposed ordinance would establish Property Tax rates in FY 2013-14 to provide revenues for (a) the City and County of San Francisco, including the rate that is passed on to residential tenants pursuant to Administrative Code Chapter 37, (b) the San Francisco Unified School District, (c) the San Francisco Community College District, (d) the Bay Area Rapid Transit District, and (e) the Bay Area Air Quality Management District.</p> <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The FY 2013-14 proposed total combined Property Tax rate of \$1.1880 per \$100 of assessed home value is an increase of \$0.0189 or 1.62 percent from the existing FY 2012-13 Property Tax rate of \$1.1691. Property Tax rate increases allocated for debt service for the City and County of San Francisco and the San Francisco Unified School District general obligation bonds were partially offset by a small decrease in debt service for the San Francisco Community College District's general obligation bonds. • In accordance with California Constitution Article 13A Section 2, individual property assessments increase only by a State authorized inflation factor, unless the property is sold, transferred, or improved. For FY 2013-14, the State has authorized the maximum allowable adjustment of 2.0 percent. Therefore, a single-family residence with an assessed value in FY 2012-13 of \$720,000 would have a FY 2013-14 assessed value of \$734,400, a \$14,400 increase. • The proposed FY 2013-14 total combined Property Tax rates would result in a \$305.83 increase in Property Tax, from \$8,335.68 in FY 2012-13 for a single-family residence with an assessed value of \$720,000 to \$8,641.51 in FY 2013-14 for a single-family residence with an assessed value of \$734,400. The increased Property Tax payment reflects (a) the increase in the Property Tax rate in the proposed ordinance, (b) the 2.0 percent cost of living adjustment in assessed values, and (c) the \$,7000 homeowner's exemption. • The proposed FY 2013-14 property tax pass-through rate of \$0.088 for residential tenants is \$0.007 or 8.6 percent higher than the FY 2012-013 pass-through rate of \$0.081. Under the proposed Property Tax pass-through rate, tenants in a home worth \$734,400 after the 2 percent cost of living increase would pay \$63.07 more. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance. 	

MANDATE STATEMENT**Property Tax Rate and Pass-Through Rate**

California Revenue and Taxation Code Section 2151 require the Board of Supervisors to establish county and district tax rates.

The City's Administrative Code Section 37.3 (the Residential Rent Stabilization and Arbitration Ordinance) allows landlords to pass through to tenants one-half of Property Taxes increases allocated for debt service on the General Obligation bonds approved by the voter for the City, San Francisco Unified School District, and San Francisco Community College District.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would establish the combined Property Tax rate for FY 2013-14 at \$1.1880 per \$100 of assessed value. The Property Tax rates and revenues are derived from and apportioned to taxing entities¹ within the City and County of San Francisco including (a) the City and County of San Francisco; (b) the San Francisco Unified School District (SFUSD); (c) the San Francisco Community College District (SFCCD); (d) the Bay Area Rapid Transit District (BART); and (e) the Bay Area Air Quality Management District. Table 1 below shows the combined property tax rate for FY 2013-14 as calculated by the Controller.

Table 1: Current and Proposed Property Tax Rates per \$100 of Assessed Value

Jurisdiction	FY 2012-13	FY 2013-14 Proposed	Increase (Decrease)
General City Operations ¹	\$0.8192	\$0.8192	0.0000
Library Preservation Fund	0.0250	0.0250	0.0000
SF Children's Fund	0.0300	0.0300	0.0000
Open Space Acquisition Fund	0.0250	0.0250	0.0000
County Superintendent of School	0.0010	0.0010	0.0000
General Obligation Bond Fund	0.1083	0.1195	0.0112
City and County of San Francisco	1.0085	1.0197	0.0112
General Operations	0.0770	0.0770	0.0000
General Obligation Bond Debt Service	0.0375	0.0429	0.0054
San Francisco Unified School District	0.1145	0.1199	0.2187
General Operations	0.0144	0.0144	0.0000
General Obligation Bond Debt Service	0.0190	0.0181	(0.0009)
San Francisco Community College District	0.0334	0.0325	(0.0009)
General Operations	0.0063	0.0063	0.0000
General Obligation Bond Debt Service	0.0043	0.0075	0.0032
Bay Area Rapid Transit District	0.0106	0.0138	0.0032
Bay Area Air Quality Management District	0.0021	0.0021	0.0000
Total Property Tax Rate	\$1.1691	\$1.1880	\$0.0189

¹ Includes \$0.2533 for the Education Revenue Augmentation Fund transferred to SFUSD and Community College.

¹ Taxing entities are agencies or organizations located within the City of San Francisco and that have taxing authority but that may not be a part of the City government.

The proposed Property Tax rates shown in Table 1 include a 0.25 percent administrative allowance charged on the City's voter-approved General Obligation bonds to reimburse the City for the costs of collecting Property Taxes. This 0.25 percent administrative allowance is charged to the total Property Tax collection, rather than to the home's assessed value.

The proposed ordinance would also approve a pass-through rate of \$0.088 per \$100 of assessed value. Per the City Administrative Code, landlords are allowed to pass through to tenants one-half of the Property Tax rate increase allocated to debt service for the City's General Obligation bonds approved by the voters after November 14, 2002 and SFUSD and Community College District General Obligation bonds approved by the voters after November 1, 2006. The FY 2013-14 pass-through rate of \$0.088 per \$100 of assessed value is an increase of \$0.007 from the FY 2012-13 pass-thru rate of \$0.081 per \$100 of assessed value.

FISCAL IMPACT

The FY 2013-14 total proposed combined Property Tax rate of \$1.1880 per \$100 of assessed value, as calculated by the Controller, is an increase of \$0.0189 or 1.62 percent from the existing FY 2012-13 Property Tax rate of \$1.1691. As is shown in Table 1 above, increases in debt service for the City and SFUSD General Obligation bonds were partially offset by a slight decrease in debt service for the SFCCD General Obligation bonds.

In accordance with California Constitution Article 13A Section 2, individual property assessments increase only by a State authorized inflation factor, unless the property is sold, transferred, or improved. For FY 2013-14, the State has authorized the maximum allowable inflation factor of 2.0 percent. Therefore, a single family residence with an assessed value in FY 2012-13 of \$720,000 would have a FY 2013-14 assessed value of \$734,400 a \$14,400 increase.

In addition, homeowners who live in their residences are eligible for a homeowner exemption that lowers the taxable value of the residence by \$7,000. Table 2 shows that, compared with the FY 2012-13 Property Tax rate of \$1.1691, the proposed FY 2013-14 Property Tax rate of \$1.1880 would result in an increase in Property Taxes of \$305.83 for a homeowner living in a single family residence assessed at \$734,400 in FY 2013-14 after the 2.0 percent cost of living increase.

Table 2 also shows that the proposed Property Tax rate passed through by a landlord to a tenant based on a \$734,000 annual value will increase by \$63.07.

Table 2: Impact on Property Tax Payments

Fiscal Year 2012-13	Single Family Residence	Allowable Tenant Pass-Through
Assessed Value	\$720,000	\$720,000
Less Homeowners Exemption	(7,000)	0
Total Taxable Assessed Value	713,000	720,000
Tax Rate per \$100 of Assessed Value	1.1691	0.0810
Property Taxes Payable in 2011-12	\$8,335.68	\$583.20
Proposed Fiscal Year 2013-14		
Prior Year Assessed Value	\$720,000	\$720,000
Plus Cost of Living Increase (2.00 percent)	14,400	14,400
Subtotal	734,400	734,400
Less Homeowners Exemption	(7,000)	0
Total Taxable Assessed Value	727,400	734,400
Tax Rate per \$100 of assessed value	1.1880	0.0880
Property Taxes Payable in FY 2010-11	\$8,641.51	\$646.27
Total Increase in Property Taxes Payable in FY 2013-14, as Compared to FY 2012-13, for a Single Family Home with a Prior Year Assessed Value of \$720,000	\$305.83	\$63.07

RECOMMENDATION

Approve the proposed ordinance.

Item 6
File 13-0701

Departments:
Department of Public Health (DPH) and
Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would retroactively approve the lease between the Department of Public Health (DPH), as tenant, and Bayview Plaza, LLC, as landlord, for office space at 3801 3rd Street, Suite 400, for a five-year term from July 1, 2013 through June 30, 2018 that includes one four-year option to extend.

Key Points

- In 1998, the Board of Supervisors approved an initial 10-year lease between the DPH and Bayview Plaza, LLC for 14,825 square feet of office space at 3801 3rd Street, Suite 400, from July 1, 1998 through June 30, 2008.
- On February 10, 2009, the Board of Supervisors retroactively approved a new five-year lease, at the same location, between the landlord, Bayview Plaza, LLC, and DPH from July 1, 2008 through June 30, 2013, with the existing base monthly rent of \$36,469.50 or \$2.46 per square foot. The lease did not provide for increases in the rent over the five-year term and did not include an option to extend.
- Under the lease, DPH operates its Comprehensive Crisis Services (CCS), Foster Care Mental Health Program (FCMHP) in the space.

Fiscal Impacts

- The proposed rent of \$38,545 per month (\$2.60 per square foot per month) is fair market value for Class B office space in southeast San Francisco. Under the proposed five-year lease agreement, the monthly rent of \$38,545 is \$2,075.50 or 5.7% more than the current monthly rent of \$36,469.50.
- The proposed five-year lease agreement includes an annual adjustment to the Consumer Price Index (CPI), at be no less than 2% and more than 5% of the previous year's rent. The total estimated cost for the rent of the proposed new five-year lease ranges between \$2,407,077 and \$2,555,825.
- In addition to the first year annual rent of \$462,540, DPH will incur an estimated \$25,000 in moving expenses, resulting in total first year costs of \$487,540, which are included in DPH's FY 2013-14 budget as previously approved by the Board of Supervisors.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Under Administrative Code Section 23.27, leases with a term of more than one year or rent of more than \$5,000 per month, in which the City is the tenant, are subject to the Board of Supervisors approval, by resolution.

Background

In 1998, the Board of Supervisors approved an initial 10-year lease between the Department of Public Health (DPH), as tenant, and Bayview Plaza, LLC, as landlord, for 14,825 square feet of office space at 3801 3rd Street, Suite 400, from July 1, 1998 through June 30, 2008.

On February 10, 2009, the Board of Supervisors retroactively approved a new five-year lease, at the same location, between the landlord, Bayview Plaza, LLC, and DPH from July 1, 2008 through June 30, 2013, with the existing base monthly rent of \$36,469.50 or \$2.46 per square foot. The lease did not provide for increases in the rent over the five-year term and did not include an option to extend. Under the lease, DPH operates its Comprehensive Crisis Services (CCS), Foster Care Mental Health Program (FCMHP) in the space.¹

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a new lease for the same 14,825 square feet of office space at 3801 3rd Street, Suite 400, between Bayview Plaza, LLC, the landlord, and DPH, for the DPH to continue to provide Comprehensive Crisis Services (CCS) and operate its Foster Care Mental Health Program (FCMHP), for five years from July 1, 2013 through June 30, 2018 as follows:

Table 1: Summary of Proposed Lease at 3801 Third Street, Suite 400

Term	5 years (July 1, 2013 through June 30, 2018)
Square feet (approximate)	14,825
Rent per square foot per month	Approximately \$2.60
Total rent per month	\$38,545
Total annual rent	\$462,540
Parking	1 vehicle in the parking lot between 8 am and 5 pm, and four vehicles in the parking lot between 5 pm and 8 am
Annual rent increases	Annual adjustment to Consumer Price Index (CPI), but no less than 2% and more than 5% of the previous year.
Utilities and services	The lease is fully serviced
Leasehold Improvements	\$60,000 paid by the Landlord for carpet and tile replacement
Options to further extend	One four-year option at 95% of fair market rent

¹ The Comprehensive Crisis Services (CCS) is comprised of four teams: (1) Mobile Crisis Treatment Team, (2) Child Crisis Team, (3) Crisis Response Team, and (4) the Multi-Systemic Therapy Team that provide in-the-field crisis assessments and interventions and short-term crisis case management available to San Francisco residents, individuals, families and community members affected by community violence and critical incidents. The Foster Care Mental Health Program (FCMHP) coordinates mental health services for children in the care of the City's child welfare system.

Ms. Claudine Venegas, Senior Real Property Officer of the Real Estate Division, reports that the monthly rent of \$38,545, or approximately \$2.60 per square foot, is comparable to the market rates of properties in the surrounding area of 3801 Third Street.²

The leased space would continue to be used to provide office space and mental health counseling services for DPH's Comprehensive Crisis Services (CCS), Foster Care Mental Health Program (FCMHP).

FISCAL IMPACTS

Under the proposed five-year lease agreement, the monthly base rent of \$38,545, or \$2.60 per square foot per month, is \$2,075.50 or 5.7% more than the current monthly rent of \$36,469.50 or \$2.46 per square foot.

As shown in Table 2 below, the first year total rent and moving expenses are \$487,540. Total General Fund monies of \$487,540 are included in DPH's FY 2013-14 budget as previously approved by the Board of Supervisors.

**Table 2: Total First Year Costs for the Proposed Lease
From July 1, 2013 through June 30, 2014**

Rent –\$ for 14,825 square feet (2.60 per square foot per month or \$31.20 annually)	\$462,540
Estimated Moving Expenses related to leasehold improvements provided by the Landlord	25,000
Total First Year Costs	\$487,540

The proposed new five-year lease agreement includes an annual adjustment to the Consumer Price Index (CPI), at be no less than 2% and more than 5% of the previous year's rent. As shown in Table 3 below, the total estimated cost for the rent of the proposed new five-year lease ranges between \$2,407,077 and \$2,555,825.

² According to Ms. Venegas, based on the mid-year CoStar Office Report for the San Francisco office market, the subject property falls within the San Francisco Southeast, Potrero East of 101 Freeway submarket cluster, and the CoStar report's quoted market rate for this area is \$33.79 annually or approximately \$2.82 per square foot monthly, fully serviced.

**Table 3: Estimated Range of Total Rent for the Proposed DPH Lease
From July 1, 2013 through June 30, 2018**

Lease Year	Minimum Monthly Rent (2% increase)	Minimum Annual Rent (2% increase)	Maximum Monthly Rent (5% increase)	Maximum Annual Rent (5% increase)
1	\$38,545	\$462,540	\$38,545	\$462,540
2	39,316	471,791	40,472	485,667
3	40,102	481,227	42,496	509,950
4	40,904	490,851	44,621	535,448
5	41,722	500,668	46,852	562,220
Total	\$200,590	\$2,407,077	\$212,985	\$2,555,825

RECOMMENDATION

Approve the proposed resolution.