

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: May 4, 2022 Budget and Finance Committee Meeting

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<p>Item 1 File 22-0199 <i>(Continued from 4/27/22)</i></p>	<p>Department: Department of the Environment</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would (1) prohibit the City from using small off-road equipment (up to 25 horsepower) starting January 1, 2024, allowing for temporary waivers for City departments under certain conditions, and (2) prohibit the use small off-road equipment (up to 25 horsepower) in the City starting January 1, 2026 and penalize property owners and business owners and managers that violate the prohibition. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • We surveyed City departments to obtain equipment inventories that would be regulated by the proposed ordinance. Our office also consulted administrative survey data to estimate the number of landscapers in San Francisco. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The total estimated upfront cost of replacement technology for REC, MTA, PUC, DPW and AIR is \$10.4 million, and the total annual ongoing cost for these departments is estimated to be \$1.1 million, or \$75,000 more than the current cost of the gas-powered equivalents. • Our estimated \$10.4 million in upfront costs in this report are lower than the \$16.5 million estimated in our prior report because the proposed legislation was amended to change the definition of equipment subject to the ban, which now excludes diesel powered equipment, such as certain ride-on mowers. • Electrical charging infrastructure would need to be upgraded in order to provide sufficient charging capacity for the replacement equipment. REC staff estimate that the cost of bringing new primary electrical service to a site could be as high as \$750,000 to \$1 million per site, if trenching, conduit, and new electric circuits need to be installed. • The conversion costs for the landscaping industry are between \$2.4 million and \$10.4 million, offset by a decrease in industry expenses of \$0.4 to \$1.9 million annually. The survey data may undercount the number of landscapers so the actual industry cost may be higher. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The proposed ordinance was amended in the April 27, 2022 Budget & Finance Committee meeting to continue to allow the City and the public to use gasoline powered equipment if the cost of new technology is more than 300 percent of existing technology costs, including upfront, infrastructure, and change in operating costs. Incorporating infrastructure costs may extend the transition from using gasoline powered equipment, but also reduces the financial impact on City users and the public. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

City Charter Section 2.105 states that all legislative acts shall be by ordinance, approved by a majority of the members of the Board of Supervisors.

BACKGROUND

Existing Local Regulations

Under Section 4.14 of the Administrative Code, City departments are prohibited from using polluting garden and utility equipment¹ on “Spare the Air Days” or other days in which the Bay Area Air Quality Management District notifies the public of unhealthy levels of air pollution and requests that the public refrain from engaging in polluting activities. Besides Section 4.14 of the Administrative Code, there are currently no City laws that restrict or prohibit City or public use of gas-powered landscaping equipment.

State Regulation

In November 2021, the State Legislature amended the Health and Safety Code to enable regulations to prohibit exhaust and evaporative emissions from new small off-road engines, including landscaping equipment, starting in January 2024 (AB 1346). Small off-road engines are defined by State code as 25.5 horsepower or less. The California Air Resources Board (CARB) is responsible for establishing the regulations, which are still under development. The State Budget Act of 2021 included \$30 million to offset transition costs for landscaping businesses, but the rules for awarding the funding have not been finalized as of this writing. In September 2021, CARB issued a Standardized Regulatory Impact Assessment for proposed small off-road engine exhaust and evaporative emission regulations, which estimated the cost to transition to zero emission alternatives.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would:

- amend the Administrative and Police Code to (1) prohibit the City from using small off-road equipment (up to 25 horsepower) starting January 1, 2024, allowing for temporary waivers for City departments under certain conditions, and (2) prohibit the use small off-road equipment (up to 25 horsepower) in the City starting January 1, 2026 and penalize property owners and business owners and managers that violate the prohibition;
- establish a buy-back program to offset the cost to City residents and businesses transitioning from the use of gas-powered landscaping equipment;

¹ "Polluting garden and utility equipment" means gasoline-powered equipment under 25 horsepower, including two-stroke and four-stroke models, such as, but not limited to, lawnmowers, leaf blowers, trimmers, weed whackers and jackhammers.

- require that the Department of the Environment (ENV) conduct a public education campaign;
- establish the Healthier, Cleaner, Quieter Communities Fund; and
- designate the Director of ENV with responsibility for enforcing the prohibitions in the ordinance, including penalties of up to \$1,000 per violation

Ban on Public Use of Gas-Powered Landscaping Equipment

Under the proposed ordinance, starting on January 1, 2026, use of small off-road equipment (up to 25 horsepower) would be banned within San Francisco. The ordinance would allow for fines on property owners who allow gas-powered equipment to be used on their property and on businesses whose staff or contractors use banned gas-powered equipment.

Waivers

The ban on City and public use of gasoline powered equipment may be waived by ENV if the replacement technology does not exist or if its costs are more than 300 percent of the existing equipment, including the cost of new equipment, infrastructure costs, and change in annual operating costs. ENV will maintain a list of gasoline powered equipment that is exempt from the ban. The ban on City contracts that require use of gasoline powered equipment may also be waived by the Office of Contract Administration under certain conditions.

Penalties and Enforcement

The proposed ordinance outlines enforcement procedures for non-compliance including administrative citations and penalties. Under the proposed ordinance, in setting the administrative penalty amount (which would not exceed \$1,000 per violation), ENV would need to consider any one or more circumstances presented, including but not limited to the following: the persistence of the violation, the willfulness of the violation, the length of time over which the violation occurred, and the assets, liabilities, and net worth of the violator.

Healthier, Cleaner, Quieter Communities Fund and Buy-Back Program

The proposed ordinance would establish the Healthier, Cleaner, Quieter Communities Fund in the Administrative Code to: (1) receive funds collected for penalties and fees assessed for violations of the ordinance and other funds appropriated or donated to the fund and (2) purchase equipment for City departments and the public to replace gas-powered equipment, the safe disposal of gas-powered equipment, and a public education campaign. Under the proposed ordinance, ENV is charged with developing criteria² for eligibility of individuals and businesses to participate in the buy-back program.

² Under the proposed ordinance, criteria would prioritize support for individuals and businesses that have demonstrated compliance with the ban on public use of gas-powered landscaping equipment, businesses with two or more employees that have average gross receipts in the prior five years that do not exceed \$2,500,000 and businesses and individuals that live, are based, or are operating primarily in San Francisco neighborhoods scoring 50 or higher on the CalEnviroScreen tool, compiled and maintained by the California Office of Environmental Health

Reporting Requirements

The proposed ordinance requires that ENV report annually to the Board of Supervisors on implementation of the program for City departments, the buy-back program, enforcement and education efforts, and uses of funds in the Healthier, Cleaner, Quieter Communities Fund.

FISCAL IMPACT

City Department Replacement Technology Cost Estimates

As shown in Exhibit 1 below, the estimated total upfront cost of replacement technology for REC, MTA, PUC, DPW and AIR is \$10.4 million, and the total annual ongoing cost for these departments is estimated to be \$1.1 million, or \$75,000 more than the current cost of the gas-powered equivalents. Our estimated upfront costs in this report are lower than the \$16.5 million estimated in our prior report because the proposed legislation was amended to change the definition of equipment subject to the ban, which now excludes diesel powered equipment, such as certain ride-on mowers.

Our cost estimates are based on each department's asset inventory. For MTA, DPW, and AIR, upfront and ongoing cost per unit of zero-emission equipment were estimated based on data in the CARB analysis.^{3,4} Our estimates for REC and PUC equipment were based upfront estimates in vendor quotes provided by staff for their existing equipment, historical maintenance costs, and estimated ongoing costs for battery powered replacements.⁵

Hazard Assessment and available on their website at www.oehha.gov/calenviroscreen, or equivalent tool approved by California state or local governments to identify communities disproportionately burdened by pollution.

³ Upfront and ongoing cost per unit of zero-emission equipment are detailed in Table C-23 of the CARB report. According to the report, the costs are based on the median price of popular models as an estimate of the cost of professional-grade equipment owned by landscapers, non-landscaping businesses, and government entities, collectively referred to as professional users. These professional-grade equipment costs include enough batteries for the zero-emission equipment to operate for the relevant portion of a full eight-hour workday. The professional-grade zero-emission equipment are assumed to be cordless. Ongoing costs include gasoline, electricity, and maintenance costs.

⁴ Other types of gas-powered landscaping equipment that could not be categorized such as a chainsaw, lawn mower, leaf blower/vacuum, pump, riding mower, or trimmer/edger/brush cutter were not included in our cost estimates. This includes equipment such as a cultivator, woodchipper, rototiller, aerator, and power rake. In addition, similar types of equipment were categorized together, such as a weed eater and a trimmer/edger/brush cutter.

⁵ The cost estimates provided by PUC and REC staff assumed more intensive equipment use than the CARB analysis, which require additional batteries and charging units, increasing upfront and ongoing costs. In addition, certain equipment quotes were substantially more expensive than the cost estimates included in the CARB analysis. For example, the REC electric ride-on mower was \$42,217, but the CARB cost estimate for a ride-on mower was \$20,879.

Exhibit 1. Cost Estimates for Replacement Technology of Gas-Powered Landscaping Equipment for REC, MTA, DPW, PUC and AIR

Department	Upfront Costs	Current Ongoing Costs	Proposed Ongoing Costs	Change in Ongoing Costs
MTA	\$95,401	\$13,023	\$1,414	(\$11,609)
DPW	\$274,368	\$29,601	\$2,834	(\$26,767)
PUC	\$1,037,267	\$69,440	\$6,479	(\$62,961)
AIR	\$6,099	\$1,321	\$272	(\$1,048)
REC	\$8,971,312	\$960,043	\$1,136,977	\$176,934
Total Cost	\$10,384,446	\$1,073,429	\$1,147,977	\$74,549

Sources: BLA Analysis of asset inventory data provided by REC, MTA, DPW, PUC, AIR and CARB

For all departments included in our estimates except Recreation and Parks, higher upfront costs for zero emission equipment are offset by lower operating costs. REC estimates that actual lifetime costs of zero emission equipment are higher than some gasoline counterparts due to ongoing battery replacements.

The costs in Exhibit 1 includes estimates for landscaping equipment and utility carts. The City may incur additional costs if more zero emission equipment alternatives are developed, expanding the set equipment covered by the proposed ordinance.

Additional Infrastructure Costs

According to REC staff, electrical charging infrastructure would need to be upgraded in order to provide sufficient charging capacity for the replacement equipment. REC estimates that the cost of bringing new primary electrical service to a site could be as high as \$750,000 to \$1 million per site to trench, lay new conduit, and install new electric circuits.

Estimated Costs of Citywide Buyback Program

Under the proposed ordinance, the City would fund a “buy-back” program to offset the cost of transitioning to zero emission equipment. To estimate the potential costs of the buy-back program for landscaping businesses, we used CARB’s estimated costs for a one-person⁶ landscaping business converting to zero-emission equipment⁷ and the number of landscaping services business establishments in the City.⁸ According to Census survey data, there are 85 landscaping business in San Francisco with a total of 464 employees (or an average of 5.5 employees per business). According to the Bureau of Labor Statistics, there were 11,230 landscaping and groundskeeping workers in the San Francisco-Oakland-Hayward metropolitan region in May 2021. Based on San Francisco’s proportional population within the region, we

⁶ The costs assume a one-person landscaping business that has purchased a lawn mower, leaf blower, hedge trimmer, chainsaw, and string trimmer at 2023 prices.

⁷ Transition costs for landscapers are detailed in Table C-24 of the CARB report.

⁸ U.S. Census Bureau County Business Patterns data, 2019

estimate there are 2,021 landscaping workers in San Francisco. We use both data points to estimate a range of possible industry transition costs.

As shown in Exhibit 2 below, we estimated conversion costs to be between \$2.4 million and \$10.4 million and a decrease in industry expenses of \$0.4 to \$1.9 million annually. The survey data may undercount the number of landscapers so the actual industry conversion costs may be higher.

Exhibit 2. Landscaping Industry Economic Impact

	Low	High
Upfront Costs	\$2,389,359	\$10,409,159
Current Ongoing Costs	\$492,026	\$2,143,493
Proposed Ongoing Costs	\$50,706	\$220,899
Change in Ongoing Costs	(\$441,320)	(\$1,922,594)

Sources: BLA Analysis of CARB data, U.S. Census Bureau County Business Patterns data, and Bureau of Labor Statistics data

The \$30 million provided by the FY 2021 State Budget Act for landscaper transition costs is likely insufficient to cover actual transition costs for these businesses. Local funding is likely necessary to offset industry transition costs.

Under the proposed ordinance, City departments are prohibited from contracting with vendors that use gas-powered landscaping equipment unless a temporary waiver is granted. Cost estimates shown in Exhibit 2 include City landscaping businesses that contract with City departments.

Exhibit 2 does not include any personal gasoline powered equipment owned by residents for private use.

Staffing and Contractor Estimates for Proposed Ordinance

ENV staff report that additional staff and contractor resources will be needed to implement the proposed ordinance. As shown in Exhibit 3 below, for the first year of the program, this includes a new 5642 Senior Program Coordinator, starting in January 2023, to plan and manage implementation of the proposed ordinance for City departments, and \$200,000 for a contracted community-based organization (CBO) to conduct outreach to businesses and individuals impacted by the proposed ordinance.

Exhibit 3: ENV Staffing and Contractor Estimates, FY 2022-23 & FY 2023-24

	FY 2022-23	FY 2023-24
5642 Senior Program Coordinator	\$138,062	\$288,134
Outreach Contractors	\$100,000	\$100,000
Total	\$238,062	\$388,134

Source: BLA

In addition, ENV staff estimate that a 6120 Environmental Health Inspector would be necessary starting in 2026 once enforcement activities begin. Other enforcement costs include \$50,000 in

work orders to relevant City departments for running appeals hearings annually, to 311 for fielding complaints, and \$75,000 for continued outreach. In total, costs beyond FY 2024-25 may be \$875,000 annually. Actual program staffing and costs are subject to Board of Supervisors appropriations.

Disposal Costs

Under the proposed ordinance, the Healthier, Cleaner, Quieter Communities Fund will also fund the safe disposal of gas-powered landscaping equipment that is no longer in use by City departments or that is provided by individuals or businesses participating in the buy-back program. According to ENV, estimated safe disposal costs are \$207 per ton at Recology's Tunnel Road⁹ if the equipment can be handled as appliances. Based on the equipment inventories reported by departments, we estimate disposal costs of \$4,600 for City equipment. If the equipment is deemed hazardous waste, disposal costs would be higher.

POLICY CONSIDERATION

Amended Legislation

The proposed ordinance was amended in the April 27, 2022 Budget & Finance Committee to: (1) specify that the equipment subject to the ban is small off-road equipment, as defined in Title 13, Division 3, Chapter 9, Article 1 of the California Code of Regulations, (2) require ENV to maintain a list of gasoline powered equipment that may continue to be used by the public, (3) allow the Purchaser to provide a waiver for City contractors, (4) increases the waiver threshold for the City users and the list of allowable gasoline equipment from 120 percent to 300 percent of new costs, which now include upfront, infrastructure, and change in operating costs, and (5) at the recommendation of the Budget & Legislative Analyst, require annual reporting to the Board of Supervisors.

The new waiver provision, which now incorporates infrastructure costs in assessing the transition cost of ceasing use of small off-road equipment, may extend the transition from using gasoline powered equipment but also reduces the financial impact on City users and the public.

RECOMMENDATION

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

⁹ Recology's Tunnel Road is a recycling buyback facility.

<p>Item 2 File 22-0174</p>	<p>Department: Office of Contract Administration (OCA)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve Amendment No. 3 to the Office of Contract Administration’s (OCA) industrial supply purchasing contract with W.W. Grainger, Inc. (Grainger), increasing the not-to-exceed amount by \$2,200,000, for a total not to exceed \$12,100,000, with no change to the contract term. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In March 2019, the City of Tucson, Arizona, in partnership with OMNIA Partners, issued a Request for Proposals (RFP) to award an industrial supply purchasing contract. Grainger was deemed the highest ranking and lowest cost responsive and responsible proposer by the City of Tucson and OCA decided to award a contract using the Tucson RFP under the authority of Administrative Code Section 21.16(b). The contract, which has been amended twice by OCA, has a term of two years and five and a half months from July 15, 2020 through December 31, 2022, with an option to extend through December 31, 2024, and an amount not to exceed \$9,900,000. OCA anticipates that the \$9,900,000 contract expenditure authority is likely to be depleted by August 2022. • Under the contract, Grainger provides a wide range of industrial supplies that may be purchased by any City department. Products are offered at a discount ranging from five to 43 percent off the list price, varying by category. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed Amendment No. 3 would increase the not-to-exceed amount of the contract by \$2,200,000, for a total not to exceed amount of \$12,100,000. The proposed not-to-exceed amount of \$12,100,000 was estimated using average actual monthly expenditures through February 25, 2022. OCA included a 10 percent contingency in case expenditures exceed projections. • The contract is funded by the various City departments that make purchases through the contract. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

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

Administrative Code Section 21.16(b) allows City departments to utilize the competitive procurement process of any other public agency or non-profit made up of multiple public agencies to make purchases of commodities or services for the use of the City under the terms established in that agency’s competitive procurement process and as agreed upon by the City and the procuring agency, upon making a determination that (i) the other agency’s procurement process was competitive or the result of a sole-source award, and (ii) the use of the other agency’s procurement would be in the City’s best interests.

BACKGROUND

In March 2019, the City of Tucson, Arizona, in partnership with OMNIA Partners, issued a Request for Proposals (RFP) to award an industrial supply purchasing contract. OMNIA Partners is a national purchasing cooperative, and the RFP anticipated that the contract would be utilized by other public agencies. The City of Tucson received 10 proposals, and a five-member evaluation panel ranked them, as shown in Exhibit 1 below.

Exhibit 1: Proposers and Rankings from RFP¹

Proposer	Average Ranking	Overall Ranking
W.W. Grainger	1.0	1
Copper State Bolt & Nut	1.8	2
AGS Safety & Supply	4.0	3
Best Plumbing Specialties	4.4	4
Arizona Commercial Lighting	5.6	5
Partsmaster NCH Corporation	5.6	5
United Laboratories	5.6	5
Graybar	6.8	8
Supply One	8.0	9
NCS/Single Source	9.2	10

Source: OCA

W.W. Grainger (Grainger) was deemed the highest ranking and lowest cost responsive and responsible proposer by the City of Tucson and the Office of Contract Administration (OCA) decided to award a contract using the Tucson RFP under the authority of Administrative Code Section 21.16(b). In July 2020, OCA executed a contract with Grainger for a term of approximately

¹ Panelists scored each proposal out of a maximum 100 points using the criteria of method of approach (50 points), price proposal (25 points), and qualifications and experience (25 points), then converted the scores into rankings of 1 through 10. Grainger was given the highest score by four panelists and in a tie for the highest score by the fifth panelist.

two years and five and a half months from July 15, 2020 through December 31, 2022, with an amount not to exceed \$5,000,000, and two one-year options to extend through December 31, 2024. In February 2021, OCA executed Amendment No. 1 to the contract, adding a new category of supplies and increasing the product discounts for most categories, with no change to the contract term or not-to-exceed amount. In August 2021, OCA executed Amendment No. 2 to the contract, increasing the not-to-exceed amount by \$4,900,000, for a total not to exceed amount of \$9,900,000, with no change to the contract term. According to OCA, contract expenditures have increased due to the COVID-19 pandemic and the \$9,900,000 contract expenditure authority is likely to be depleted by August 2022.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 3 to OCA’s industrial supplies purchasing contract with Grainger, increasing the contract amount by \$2,200,000, for a total not to exceed amount of \$12,100,000. Other contract terms would not change.

Under the contract, Grainger provides a wide range of industrial supplies, including abrasives, adhesives, sealants, tape, cleaning supplies, electrical supplies, electronics, appliances, batteries, fasteners, fleet and vehicle maintenance supplies, hospitality and food service supplies, hand tools, hardware, HVAC and refrigeration, lab supplies, lighting, lubrication, machining supplies, material handling, motors, outdoor equipment, paint supplies, plumbing supplies, pneumatics, power tools, power transmission, pumps, safety supplies, security, test instruments, HVAC filters, and emergency preparedness supplies. Products are offered at a discount ranging from five to 43 percent off the list price, varying by category. The contract may be used by all City departments, but it is most heavily used by the San Francisco Public Utilities Commission (SFPUC), Airport, City Administrator’s Office, Department of Emergency Management (DEM), and San Francisco Fire Department (SFFD).

FISCAL IMPACT

The proposed Amendment No. 3 would increase the not-to-exceed amount of the contract by \$2,200,000, for a total not to exceed amount of \$12,100,000. The proposed not-to-exceed amount of \$12,100,000 was estimated using average actual monthly expenditures through February 25, 2022. Actual and projected expenditures are shown in Exhibit 2 below.

Exhibit 2: Actual and Projected Expenditures

Actual Expenditures (through 2/25/22)	\$7,801,204
Actual Expenditures per Month	390,060
Projected Expenditures (10 Months) ²	3,900,600
<i>Actual and Projected Expenditures</i>	<i>\$11,701,807</i>
Contingency (10% of Projected Expenditures)	390,060
Total Not-to-Exceed (Rounded)	\$12,100,000

² OCA approximated that the time period of July 15, 2020 through February 25, 2022 was 20 months and that the remaining term from February 26, 2022 through December 31, 2022 would be 10 months.

OCA included a 10 percent contingency in case expenditures exceed projections. The contract is funded by the various City departments that make purchases through the contract.

RECOMMENDATION

Approve the proposed resolution.

Item 4 File 22-0270	Department: Public Utilities Commission (PUC)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize the San Francisco Public Utilities Commission (PUC) to accept and expend \$1,000,000 in grant funding from the Metropolitan Transportation Commission. The funding would support the design and construction of the Southern Skyline Boulevard Ridge Trail Extension Project with the requirement that PUC provide \$3 million in matching funds (matching ratio amount of three to one). <p>Key Points</p> <ul style="list-style-type: none"> • The purpose of the Southern Skyline Boulevard Ridge Trail Extension Project is to complete construction of an approximately six-mile (31,500 linear feet) trail segment located on land managed and owned by the PUC in the Peninsula Watershed in San Mateo County. The new multi-modal trail segment would extend the 10-mile Fifield-Cahill Ridge Trail, forming a new link along the Bay Area Ridge Trail that would provide public access to currently restricted land. • In December 2013, the PUC was awarded a \$1,000,000 Priority Conservation Area Grant from the State Coastal Conservancy for the Southern Skyline Blvd. Ridge Trail Extension Project following a competitive application process. In April 2014, the PUC approved a resolution authorizing the project and committing the requisite \$3,000,000 (matching ratio amount of three to one). While the project schedule originally anticipated a trail opening date of December 2016, the PUC reports that there have been significant delays in the permitting process. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The total estimated project cost is \$25,574,000, or approximately \$812 per linear foot. The project is fully funded with \$1 million in Federal Highway Administration Priority Conservation Area grant funds administered by Caltrans as the pass-through agency, and \$24,574,000 in matching funds from the PUC's Water Enterprise Capital Improvement Project budget. Federal grant funds would be used for the North Section trail construction only. The trail is being built on a hillside, necessitating retaining walls and a pedestrian bridge. <p>Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution text Line No. 11 regarding construction term to reflect the updated timeline: "... for a term period of January 2023 through August 2025". • Approve the proposed resolution. 	

MANDATE STATEMENT

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

BACKGROUND

In 1987, the Golden Gate National Recreation Area, the National Park Service, the Greenbelt Alliance and citizen advocates came together to form the non-profit organization, the Bay Area Ridge Trail Council, with the goal of building the Bay Area Ridge Trail. The Bay Area Ridge Trail is an approximately 550-mile continuous trail for hikers, mountain bicyclists, and equestrians along the ridgelines overlooking the San Francisco Bay. As of April 2022, nearly 400 miles have been constructed.

Project Timeline

Creating the Bay Area Ridge Trail has been done incrementally in segments, as public access, especially on the Peninsula Watershed, involves numerous stakeholders and is a controversial issue: the Watershed contains the highest concentration of rare, threatened, and endangered species in the Bay Area. The original concept for the proposed section of Bay Area Ridge Trail called the Skyline Ridge Trail Extension Project, was formalized via PUC resolution (No. 02-0265) in December 2002. The resolution directed staff to seek additional funding opportunities from outside sources to fund the project.

Grant Award History

In July 2008, following a competitive grant application process, the PUC was awarded \$185,000 in grant funds from the State Coastal Conservancy for the planning, design, and permitting necessary for construction of the Southern Skyline Blvd Alignment of the Ridge Trail. In October 2008, the Board of Supervisors approved the PUC request to accept and expend the grant funds, along with required local matching funds of \$207,500 from the PUC's FY 2008-09 Water Enterprise Operating Budget (File No. 081280). PUC reports that the total amount of \$392,500 has since been fully expended on project design and permitting.

In December 2013, the PUC was awarded following a competitive application process, a \$1,000,000 Priority Conservation Area Grant from the State Coastal Conservancy for the Southern Skyline Blvd. Ridge Trail Extension Project. In April 2014, the PUC approved a resolution (No. 14-0060) authorizing the project and committing the requisite \$3,000,000 (matching ratio amount of three to one). While the project schedule originally anticipated a trail opening date of December 2016, the PUC reports that there have been significant delays in the permitting process throughout. Nearly a decade after the funds were awarded, today the Board of Supervisors is being asked to consider the proposed project.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the San Francisco Public Utilities Commission (PUC) to accept and expend \$1,000,000 in grant funding from the Metropolitan Transportation Commission. The funding would support the design and construction of the Southern Skyline Boulevard Ridge Trail Extension Project with the requirement that PUC provide \$3 million in matching funds (matching ratio amount of three to one). The construction term is approximately two years. Following Board of Supervisors approval, the PUC expects construction to commence in early 2023.¹

Project Scope

The purpose of the Southern Skyline Boulevard Ridge Trail Extension Project is to complete construction of an approximately six-mile (31,500 linear feet) trail segment located on land managed and owned by the PUC in the Peninsula Watershed in San Mateo County. The new multi-modal trail segment would supplement the 10-mile Fifield-Cahill Ridge Trail, forming a new link along the Bay Area Ridge Trail that would provide public access to currently restricted land. This portion of the watershed is currently restricted due to steep terrain and dense vegetation. The project would also provide new trail support facilities and it would construct a half-mile ADA compliant universal access loop adjacent to the Fifield-Cahill Ridge Trail. See maps in Attachment 1 and Attachment 2 for details. According to PUC staff, a construction contract for the project will be competitively bid. Construction Management services may be provided as well, by a combination of in-house personnel and consultants, based on a future evaluation of qualifications.

Project Permits and Requirements*Environmental Impact Review (EIR)*

In order to comply with the California Environmental Quality Act (CEQA), the project underwent an Environmental Impact Review (EIR). The EIR process began with a Notice of Preparation in December 2016. A draft EIR was circulated for public comment from June 25-August 10, 2020, and a public hearing was held on July 23, 2020. In response to stakeholder input, the PUC made minor modifications including wildlife friendly barbed-wire fencing and additional educational signage. The revisions to the project did not substantially modify previously proposed project elements. The Planning Commission certified the final EIR on April 29, 2021. In June 2021, PUC filed the Notice of Determination in San Francisco, San Mateo, and at the State Clearinghouse.

¹ The current resolution text should be amended so that the construction term reflects the six-month delay that the PUC has experienced in receiving National Environmental Policy Act (NEPA) approval.

Disadvantaged Business Enterprises (DBE)

Because the proposed project would receive federal funding (administered by Caltrans), it must meet DBE program requirements.² PUC reports that it will adhere to Caltrans' DBE program and match Caltrans' annual DBE participation goal.

National Environmental Policy Act (NEPA)

Because the proposed project is federally funded, the PUC is required to undergo NEPA compliance. NEPA approval is still pending, causing a delay in the previously anticipated May 2022 construction commencement.

FISCAL IMPACT

The total project cost is \$25,574,000, which includes \$1 million in Federal Highway Administration Priority Conservation Area grant funds administered by Caltrans as the pass-through agency through the Priority Conservation Area Grant, and \$24,574,000 from the PUC's Water Enterprise Capital Improvement Project budget. The project budget is summarized in Exhibit 1 below. The PUC's contribution to the project far exceeds the \$3 million required by the grant's three to one matching fund stipulations.

Exhibit 1: Source for Skyline Ridge Trail Extension Project

Source	Amount
MTC ^a	\$1,000,000
Proposed Grant Subtotal	\$1,000,000
City Grant Matching Amount ^b	\$24,574,000
Total Project Funds	\$25,574,000

Source: PUC

^a The Priority Conservation Area Grant monies consist of \$1,000,000 provided through a Master Funding Agreement between the Conservancy and the Bay Area Metropolitan Transportation Commission.

^b The grant matching amount will come from the PUC's Water Enterprise Capital Improvement budget.

According to the PUC grant budget, project trail construction and site work will be split into three sections: North Section, Middle Section and South Section, totaling 31,500 linear feet or approximately \$812 per linear foot. The federal grant funds would be used for the North Section trail construction only. According to PUC, construction costs are high because the trail is being built on a hillside, necessitating extensive retaining walls and a pedestrian bridge. The engineer's

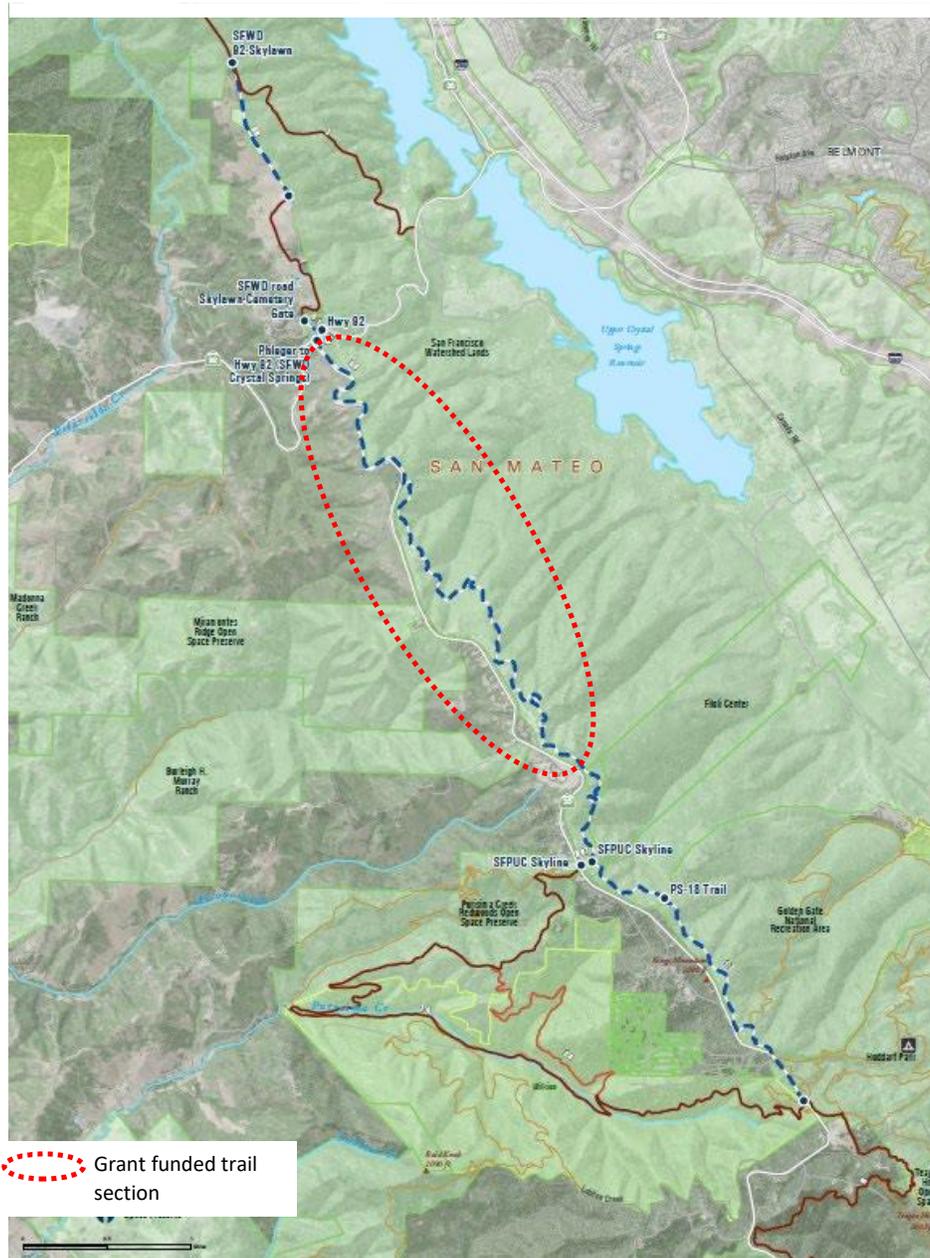
² The DBE Program is designed to ensure nondiscrimination in the award and administration of DOT-assisted contracts in the Department's highway, transit, and airport financial assistance programs. See <https://www.transportation.gov/civil-rights/disadvantaged-business-enterprise>.

estimate for the project construction costs also includes restrooms, fencing, tree removal, and parking lots.

RECOMMENDATIONS

1. Amend the proposed resolution text Line No. 11 regarding construction term to reflect the updated timeline: "... for a term period of January 2023 through August 2025".
2. Approve the proposed resolution as amended.

Attachment 1. Southern Skyline Boulevard Ridge Trail Extension Project Location Map



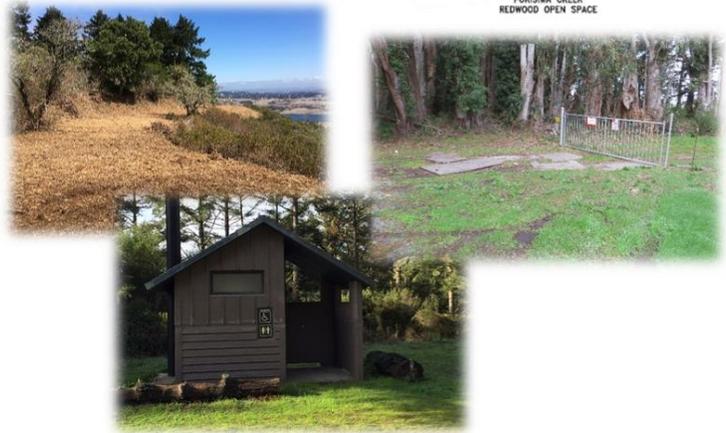
Source: PUC

Attachment 2. Southern Skyline Boulevard Ridge Trail Extension Project Design



KEY DESIGN FEATURES

- Trail
- Parking Lot
- Retaining Walls
- Fencing
- Driveways
- Pre-Fabricated Restrooms
- Pedestrian Bridge



Source: PUC

<p>Item 5 File 22-0285</p>	<p>Department: Public Utility Commission (PUC)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would authorize the San Francisco Public Utilities Commission (SFPUC) to enter into a \$27,800,000 agreement with Mark Cavagnero Associates for design services. The proposed agreement has a term of five years, which the City may extend by up to four years. The proposed ordinance would also exempt the agreement from the City’s prohibition on behested payments <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • SFPUC is building a new headquarters for the Water Enterprise’s City Distribution Division at 2000 Marin Street. The SFPUC estimates the entire project will cost approximately \$393,600,000 and be completed in early 2028. Costs are paid for by Water Enterprise capital funds, which include water revenues, water bonds, general obligation bonds, and fees. • The proposed agreement would provide design development, preparation of construction documents, and construction administration for the 2000 Marin facility. • After proposals were submitted in October 2021, the Board of Supervisors approved changes to the Campaign and Governmental Conduct Code which prohibit the SFPUC’s staff from participating in and soliciting proposals for the SFPUC Social Impact Partnership (SIP) program. The proposal submitted by Mark Cavagnero included a SIP proposal, valued at \$223,950. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The agreement’s not to exceed amount is \$27,800,000. Base labor rates range from \$24.00 to \$111.60 per hour, or \$75.84 to \$249.99 per hour after accounting for overhead and inflation. Labor rates are fixed for the first two years of the contract, after which they may be adjusted by regional inflation. Costs will be funded by Water Enterprise capital revenues. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • SFPUC completed two Requests for Proposals processes in 2021 to procure a design services contractor for the 2000 Marin facility. In both cases, only one bidder was deemed responsive. The 2.84 overhead and profit labor rate multiplier for the proposed agreement is higher than two other recent SFPUC design agreements, which were 2.5 and 2.54. • The proposed agreement’s “Total Project Costs” are \$20.1 million, or \$7.7 million less than the agreement’s not to exceed amount, which was based on 12 percent of estimated construction costs. • The Board could request SFPUC remove the SIP from the agreement, which would deprive community members of the SIP’s potential benefits but is consistent with the current prohibition on behested payments. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

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

BACKGROUND

City Distribution Division

Through the Water Enterprise, the San Francisco Public Utilities Commission (SFPUC) provides drinking water to San Francisco residents, auxiliary services such as emergency water supply for firefighting, and wholesale water delivery to agencies in three nearby counties. Within the Water Enterprise, the City Distribution Division (CDD) is responsible for providing retail water distribution across the City, operating the Emergency Firefighting Water System, managing recycled water and groundwater across the City, and maintaining the City’s drinking water infrastructure.

Planned New Headquarters

CDD currently operates out of a headquarters located at 1990 Newcomb Avenue. The SFPUC has determined the Division now needs a new headquarters, to address challenges that include:

- Overcrowding due to the growth of San Francisco’s population and new service demands
- Code violations and safety issues due to aging infrastructure
- Limited efficiency due to obsolete facilities

The new headquarters will be located at 2000 Marin Street. The SFPUC’s goals for the new facility include energy efficient facilities, shared spaces that promote community within CDD, state-of-the-art maintenance and warehouse facilities, and appealing design, including public art. Staff have identified the need for an approximately 400,000 gross square foot campus, as shown in Exhibit 1 below.

Exhibit 1: Projected Usage Needs

Use	Square Foot Area
Administration Offices & Field Crew Facilities	38,100
Shops	86,100
Warehouse	24,200
Parking Garage	216,000
Fuel Station	4,000
Covered Storage	11,620
Total	380,020

Source: SFPUC

According to SFPUC staff, 428 Full-Time Equivalent staff will be relocating to the facility, including staff from Customer Service Bureau and the Water Quality Division in addition to the CDD. Staff project that headcount will eventually increase to 490 employees during the facility's intended 50-year lifespan. The SFPUC estimates the entire project will cost approximately \$393,600,000 and be completed in early 2028. Costs are paid for by Water Enterprise capital funds, which include water revenues, water bonds, general obligation bonds, and fees. A site plan is shown as Appendix I to this report.

First Solicitation

On March 31, 2021, SFPUC staff issued a Request for Proposals (RFP) seeking proposals to lead the design portion of construction of a new CDD headquarters, with a not-to-exceed amount of \$20,200,000. The solicitation also invited bidders to propose a Social Impact Partnership (SIP) with a local group serving residents of the City's Southeast sector, where the project and headquarters will be based. Although SIPs are technically voluntary, choosing not to submit one decreases the number of points a proposal can receive during bid scoring.

In response to the solicitation, the SFPUC received four proposals, only one of which was deemed responsive. The SFPUC did not issue an award and opted to issue a new solicitation in hopes of receiving a higher number of responsive proposals, according to staff.

Second Solicitation

On September 17, 2021, the SFPUC issued a second RFP for design services for the project that included several modifications from the initial solicitation. With the goal of increasing the number of responsive proposals, the SFPUC provided time for proposers to ask questions, and it also modified the initial RFP to increase clarity and remove optional tasks, according to staff.

The SFPUC also added to the scope of work the design of an additional building, which City staff had decided to contract out instead of designing internally, which increased the not-to-exceed amount from \$20,200,000 to \$27,800,000.

Responses

In October 2021, three firms responded to the solicitation. SFPUC staff determined that two of these firms, KMD Architects and Dreyfuss and Blackford Architecture, had failed to follow the RFP's instructions when completing their Overhead and Profit Schedules forms because these firms listed more than one overhead and profit labor rate multiplier for a single firm, according to SFPUC staff. As a result, the SFPUC deemed these proposals non-responsive.

SFPUC staff determined that the third proposal, submitted by Mark Cavagnero Associates, was responsive.

Mark Cavagnero Associates

Mark Cavagnero Associates is an architectural design firm based in San Francisco. The firm's past design and architectural projects in San Francisco include the San Francisco Public Safety Campus, the SFJAZZ Center, and the SFO Consolidated Administration Campus. Mark Cavagnero Associates has not previously provided the SFPUC with design professional services.

Review Panel

Two review panels scored the proposal from Mark Cavagnero Associates. A **technical evaluation panel** consisted of four panelists, one each from the Department of Public Works, Bureau of Architecture; Department of Public Works, Project Management; San Francisco International Airport, Project Management; and SFPUC, City Distribution Division Engineering. A **Social Impact Partnership panel** consisted of three panelists, one each from the Treasurer and Tax Collector's Office, Project Rubicon Inc., and the SFPUC.

Bid Scoring

According to Department staff, a proposer with a written proposal score of lower than 330 would not have advanced to the interview round. The review panel scored Mark Cavagnero Associates' written proposal 435.2125 out of 500, advancing the proposal to the interview round, where it scored 303.325 out of 350. The firm's Social Impact Partnership scored 34.167 out of 50, and its Overhead and Profit Schedule scored 46 out of 100. In total, the review panel scored the proposal 818.70 out of 1,000.

Behested Payments

On December 14, 2021, the Board of Supervisors passed an ordinance that amended the Campaign and Governmental Conduct Code related to behested (File 20-1132). The ordinance took effect January 23, 2022. According to a January 2022 public memorandum from the City Attorney's Office, the changes prohibit SFPUC's staff from participating and soliciting proposals for the SFPUC Social Impact Partnership program.

The SFPUC is asking the Board to approve an exemption to the recently enacted behested payment prohibitions that (1) authorizes SFPUC to include the proposed SIP in the agreement with Mark Cavagnero Associates and (2) authorizes the involvement of City employees in the SIP proposed by the firm.

The SFPUC reports it plans to introduce an ordinance to authorize the SIP program to continue.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would authorize SFPUC to enter into a \$27,800,000 agreement with Mark Cavagnero Associates for design services. The proposed agreement has a term of five years, and it gives the city options to extend the agreement for a total term of nine years.

The proposed ordinance would exempt the agreement from the City's prohibition on behested payments, in order to (1) allow the SFPUC to include in the agreement the Social Impact Partnership proposed by Mark Cavagnero Associates and (2) allow City employees to conduct work related to the Social Impact Partnership. Mark Cavagnero Associates' proposal was submitted prior to the City's new behested payment prohibition, which was adopted in December of 2021 and took effect in January of 2022.

Major Tasks

The scope of services in the proposed agreement includes:

- 1) **Design development**, including floor plans, interior design plans, pedestrian and vehicle access planning, 3D-modeling, and documentation for LEED Gold certification;
- 2) **Preparation of construction documents**, including collaboration with City staff on regulatory approvals; and
- 3) **Construction administration**, including responding to requests from construction firms during bidding and construction and conducting inspections during construction

In addition, the proposed agreement requires the completion of the proposed Social Impact Partnership.

Subcontractors

The proposed contract includes seven contractors. Exhibit 2 below shows the contracts and their scopes of work.

Exhibit 2: Prime and Subcontractors

Firm	Role
Mark Cavagnero Associates	Prime
Stantec MEP, Industrial	Industrial, MEP Engineering, and Interiors
BFK	Civil Engineer
Giancalone Design Services	Dry Utilities
SJ Engineers	Plumbing and Fire Engineer
Miyamoto International, Inc.	Structural Engineer
HRA Engineers	Low Voltage Consultant
Salter Associates	Acoustical Engineer
Syska Hennessey	Elevator Consultant
Stok	LEED & Commissioning Consultant
Banks Landl Lighting Design	Lighting Design Consultant
Watry Design	Parking Consultant
RDH	Waterproofing Consultant
Emily Borland	Specifications
REAX Engineering	Code Consultant
Clearstory	Signage Consultant

Source: SFPUC and Proposed Agreement

Proposed Social Impact Partnership (SIP)

As part of its proposal, Mark Cavagnero Associates proposed a SIP that includes providing volunteer assistance to the community nonprofit organization Bayview-Hunters Point Advocates, sponsoring paid internships for residents of southeast San Francisco in engineering and architectural design, and raising awareness about environmental issues and careers in building construction, as shown in Exhibit 3 below.

Exhibit 3: Social Impact Partnership Proposal

Description	Category	Value
Office renovation support for Bayview-Hunters Point Advocates	Volunteer time	\$151,950
Architectural planning support for future community-owned grocery store, with Bayview-Hunters Point Advocates	Volunteer time	\$12,000
Paid engineering internships with BFK Engineers	Internship wages	\$11,000
Paid architecture internships with Watry Designs	Internship wages	\$40,000
Partner with local schools and nonprofit organizations to increase awareness of engineering careers and of environmental issues	Volunteer time	\$9,000
Total		\$223,950

Source: SFPUC

FISCAL IMPACT

The SFPUC projects spending \$27,800,000 on design services covered by this agreement through Fiscal Year 2025-26. Costs are paid for by Water Enterprise capital funds, which include water revenues, water bonds, general obligation bonds, and fees.

Labor Rates

According to Appendix B of the proposed agreement, base labor rates range from \$24.00 to \$111.60 per hour, or \$75.84 to \$249.99 per hour after accounting for overhead and inflation. Labor rates are fixed for the first two years of the contract, after which they may be adjusted by regional inflation. Based rates may not exceed \$250 per hour, unless approved by the SFPUC.

Not-to-Exceed Amount

To determine the agreement's not-to-exceed amount, SFPUC staff estimated that design costs will be 12 percent of estimated construction costs (approximately \$263,800,000), based on past project costs, private sector industry standards, and current project details. Staff then subtracted the cost of schematics (approximately \$3.9 million), which the SFPUC has already completed, to determine the not-to-exceed total of \$27,800,000.

POLICY CONSIDERATION**Single Responsive Bidder**

After its first solicitation, the SFPUC decided to re-bid this contract in hopes of increasing competition for the award. However, the second solicitation resulted in fewer total proposals

(three as opposed to four), only one of which was deemed responsive, because the other two firms had listed more than one overhead and profit labor rate multiplier for a single firm, according to SFPUC staff.

The SFPUC provided two other professional services agreements in response to our questions, both of which had lower Effective Overhead and Profit Rate (EOPR) than the proposed agreement's rate of 2.84. PRO.0068, A contract management agreement related to the SFPUC's Biosolids Digester Facilities Project, had an EOPR of 2.54; and PRO.0096, a construction management agreement related to mountain tunnel improvements, had an EPOR of 2.5.

The Board could consider asking the SFPUC to re-bid this contract again, with additional modifications designed to elicit multiple responsive proposals. The potential benefits (such as a lower overhead and profit rate) of such a re-bid must be weighed against the costs of further delay, including the possibility that Mark Cavagnero Associates might choose not to bid again.

Not-To-Exceed Amount

Appendix B-1 of the proposed agreement lists projected "Total Project Costs" of \$20,107,211, or \$7,692,789 less than the agreement's not to exceed amount. SFPUC staff describe this "Total Project Costs" figure as a high-level hours estimate, not a final cost estimate. According to SFPUC staff, the "Total Project Costs" is based on SFPUC's initial estimate of the hours required to complete the design tasks, which is subject to change. Staff believe the not-to-exceed amount (\$27,800,000), which is 12 percent of construction costs, to be a better estimate of final design costs.

However, the difference between the not-to-exceed amount and the costs detailed in Appendix B-1 far exceeds the difference between these figures in two other recent SFPUC design services agreements. In each of the two recent professional services agreements SPUC provided during the reporting process, the not-to-exceed amount was less than \$4,000 higher than the total cost estimated in that agreement's fees.

Requested Exemption to the Behested Payment Ordinance

The proposed ordinance would approve a design services agreement and grant an exemption for that agreement to the City's probation on behested payments in order to allow for the contractor to fulfill its Social Impact Partnership (SIP) proposal. The Board of Supervisors may either:

1. **Approve the ordinance**, which would ensure the project design moves forward and that community members receive the benefits of the SIP. The SFPUC believes this is appropriate since the Board passed the behested payment legislation after the SFPUC issued this solicitation and after Mark Cavagnero Associates submitted its proposal.
2. **Request SFPUC remove the SIP from the agreement**. This would deprive community members of the SIP's potential benefits but is consistent with the current prohibition on behested payments.

RECOMMENDATION

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

Appendix I: 2000 Marin Site Plan



Source: SFPUC

<p>Item 6 File 22-0331</p>	<p>Department: Public Utilities Commission (PUC)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution authorizes the San Francisco Public Utilities Commission (SFPUC) to purchase long duration energy storage from Goal Line Battery Energy Storage System 1, LLC (Goal Line) through California Community Power (CC Power). This authorization covers three agreements between CC Power, CleanPowerSF, and participating community choice aggregators, including the (1) Buyer Liability Pass Through Agreement, (2) Energy Storage Project Participation Share Agreement, and (3) Coordinated Operations Agreement. The three agreements are for an amount not to exceed \$60,000,000 over 15 years. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • CleanPowerSF joined CC Power in April 2021. CC Power selected Goal Line to provide long duration energy storage (LDS) to participating members following a Request for Offers and to comply with a California Public Utilities Commission (CPUC) order to procure such energy storage capacity by June 2026. LDS is a storage system that can discharge its stored electricity at its rated capacity to support system reliability. • The Goal Line Project meets approximately 39.1 megawatts (MW) of LDS, of which CleanPowerSF’s share is approximately 8.4 MW. Between the Tumbleweed and Goal Line Projects, CleanPowerSF would procure approximately 17.1 MW of LDS, or approximately 1.6 MW more than the 15.5 MW CleanPowerSF is required to procure by the CPUC. • The Energy Storage Service Agreement is between CC Power and Goal Line for LDS for 15 years from the date of completion of the project in approximately June 2025 to approximately May 2040. The Project Participation Share Agreement is between CC Power and participating members and authorizes CC Power to purchase storage capacity and electricity from Goal Line on behalf of the participating members. The Buyer Liability Pass-Through Agreement is between Goal Line, CC Power, and CleanPowerSF, and defines CleanPowerSF’s obligation to make its share of the monthly payment owed to Goal Line. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • CleanPowerSF will make quarterly payments to CC Power, who is responsible for payments to Goal Line on behalf of its participating members. Annual payments are not to exceed \$4 million, which includes a contingency and step-up payment in case other participating members fall through, and total payments over 15 years are not to exceed \$60 million. CleanPowerSF’s payments to CC Power for LDS have been accounted for in CleanPowerSF’s 10-year financial plan and will be incorporated into CleanPowerSF’s rates in future years. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

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

BACKGROUND

CleanPowerSF, operated by the San Francisco Public Utilities Commission (SFPUC) Power Enterprise, provides electricity generated from renewable sources to approximately 380,000 San Francisco customers. CleanPowerSF began serving customers in 2016 following enactment of California Public Utilities Code Section 331.1(c) and 366.2 in 2002 authorizing local governments to create community choice aggregators to provide electricity to participating customers using the existing investor-owned utility's billing, transmission, and distribution infrastructure. The Board of Supervisors approved a series of legislation between 2004 and 2015 supporting implementation of CleanPowerSF as the City's community choice aggregator.¹

In February 2021, the Board of Supervisors authorized CleanPowerSF to join a 10 member Joint Powers Authority (JPA) with other community choice aggregators in Northern and Central California (File 20-1344). The JPA, called California Community Power or "CC Power," was formed in April 2021.²

Long Duration Energy Storage and Request for Offers

In June 2021, the California Public Utilities Commission (CPUC) issued a new rule to increase electricity system reliability by requiring electricity retailers to procure an additional 11,500 megawatts of electricity generated from renewable sources between 2023 and 2026 to meet grid reliability needs, including 1,000 megawatts of long duration energy storage (LDS). LDS is a technology that can store energy and then discharge it for at least eight hours. LDS would allow CleanPowerSF to store energy when it is abundant (such as the middle of the day when solar is available) and discharge it when demand for electricity is high. Under the rule, CleanPowerSF is required to procure 15.5 megawatts of Net Qualifying Capacity (NQC) of LDS resources by 2026.³

In June 2020, CleanPowerSF, along with 10 other community choice aggregators, issued a Request for Information (RFI) from LDS technology providers and technology developers. The information received was used to develop a Request for Offers (RFO), which was issued in

¹ See Ordinance Nos. 86-04, 147-07, 232-09, 45-10, 200-12, and 78-14; and Resolution Nos. 348-12, 331-13, and 75-15.

² The JPA members include CleanPowerSF, Central Coast Community Power (Monterey, San Benito, Santa Cruz, San Luis Obispo, and Santa Barbara Counties); East Bay Community Energy Authority (Alameda County); Marin Clean Energy Authority (Contra Costa, Marin, Napa, and Solano Counties); San Jose Clean Energy (City of San Jose); Redwood Coast Clean Energy Authority (Humboldt County); Silicon Valley Clean Energy Authority (Santa Clara County); Sonoma Clean Power Authority (Sonoma and Mendocino Counties); and Valley Clean Energy (Yolo County).

³ Net Qualifying Capacity (NQC) refers to the amount of power an electric resource can provide to the grid when it is most constrained and that can be counted towards meeting the CPUC's Resource Adequacy requirements. According to Deputy Assistant General Manager Hyams, the NQC value of a plant is less than the nameplate capacity because of energy losses and time redundancy issues. NQC values are calculated by the CPUC and may change.

October 2020. CC Power assumed management of the RFO process after formation in February 2021. Of the 51 respondents to the RFO, 15 were selected for a second round of evaluation. The project oversight committee then selected and entered into negotiations with a short list of project developers. In January 2022, the CC Power Board approved the first LDS contract with the Tumbleweed LDS Project. The Board of Supervisors approved CleanPowerSF's participation in this project in March 2022 (File 22-0145). In February 2022, the CC Power Board approved the second LDS project with Goal Line Battery Energy Storage System 1, LLC (Goal Line). In April 2022, the SFPUC Commission approved CleanPowerSF's participation in the Goal Line Project.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize SFPUC to purchase LDS from Goal Line as a member of CC Power. This authorization covers three agreements between CC Power, CleanPowerSF, and five other members of CC Power, including the (1) Buyer Liability Pass Through Agreement, (2) Goal Line Storage Project Participation Agreement, and (3) Goal Line Storage Coordinated Operations Agreement. The three agreements are for an amount not to exceed \$60,000,000 over 15 years.

LDS Project Agreements

Participation in the project is voluntary for CC Power Members. Participating members include CleanPowerSF, Redwood Coast Energy Authority, San Jose Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power Authority, and Valley Clean Energy. The Goal Line NQC capacity of 39.1 megawatts covers approximately 50 percent of CPUC's capacity requirement of 77.5 megawatts, as shown in Exhibit 1 below.

Exhibit 1: CPUC LDS Requirements and Goal Line Capacity

	CPUC Requirement (MW)	Goal Line NQC Capacity (MW)	Percent of Requirement
CleanPowerSF	15.5	8.41	54.3%
Redwood Coast Energy Authority	3.5	1.56	44.6%
San Jose Clean Energy	21.5	9.49	44.1%
Silicon Valley Clean Energy	20.5	11.10	54.1%
Sonoma Clean Energy	12.5	6.79	54.3%
Valley Clean Energy	4.0	1.76	44.0%
Total	77.5	39.11	50.5%

Source: SFPUC

Between the Tumbleweed and Goal Line LDS Projects, CleanPowerSF would procure approximately 17.1 megawatts of NQC energy, or approximately 1.6 megawatts more than the 15.5 megawatts CleanPowerSF is required to procure by the CPUC. According to Michael Hyams, SFPUC Deputy Assistant General Manager, the 10 percent additional NQC would give CleanPowerSF an appropriate buffer to protect against future regulatory changes that might reduce the NQC value of these projects and risk CleanPowerSF's compliance with CPUC obligations.

The Goal Line LDS Project, located near Escondido, California, consists of lithium-ion battery storage and eight hours of discharge capacity. Project development is expected to be completed and operational by June 2025, which complies with CPUC requirements. The system would pull electricity from the grid when it is abundant and discharge it when demand is high.

Energy Storage Service Agreement

The Energy Storage Service Agreement is between CC Power and Goal Line and is for 15 years from the date of completion and commercial operation of the project in approximately June 2025. The agreement:

- Provides for guaranteed 50 megawatts (approximately 39.1 NQC megawatts) installed capacity at eight hours of continuous discharge and dedicated interconnection capacity of 50 megawatts;
- Is for a fixed price per kilowatt per month and no escalation over the agreement term;
- Gives CC Power exclusive rights to purchase Goal Line capacity and to resell the purchased capacity; and
- Sets performance standards, progress reporting requirements, and requirements for project completion and electricity availability.

CC Power, as the buyer, makes a monthly payment to Goal Line based on a formula defined in Exhibit C of the agreement.

Project Participation Share Agreement

The Project Participation Share Agreement is between CC Power and the six participating members shown in Exhibit 1 above and is for the term of the Energy Storage Service Agreement. This agreement authorizes CC Power to purchase storage capacity and electricity from Goal Line on behalf of the participating members. Under the Project Participation Share Agreement, each participating member is entitled to the following share of project capacity:

Exhibit 2: Entitlement Share of Total Project Capacity

	Entitlement Share	NQC Share (MW)
CleanPowerSF	21.5%	8.41
Redwood Coast Energy Authority	4.0%	1.56
San Jose Clean Energy	24.3%	9.49
Silicon Valley Clean Energy	28.4%	11.10
Sonoma Clean Energy	17.4%	6.79
Valley Clean Energy	4.5%	1.76
Total	100%	39.11

Source: Project Participation Share Agreement

Under the Project Participation Share Agreement, CC Power prepares the annual budget for the Goal Line Project, maintains financial records, and provides annual financial reports. CC Power is also responsible for scheduling of energy on the electricity grid, and resale of electricity on behalf of a participating member. The CC Power Board of Directors have oversight of the Energy Storage Service Agreement with Goal Line, and has authority to review, modify, and approve, as

appropriate, all amendments, modifications, and supplements to the Energy Storage Service Agreement. The Project Participation Share Agreement provides for a project committee, made up of representatives from the participating members, to coordinate information and make recommendations to the CC Power Board of Directors on the Energy Storage Service Agreement.

The Project Participation Share Agreement defines the terms by which each participating member makes their monthly share of payments to the project. The agreement specifically states that San Francisco payment obligations are limited to CleanPowerSF and are not obligations of SFPUC or the City. Payments require that the Controller certifies the availability of funds and are limited to those payments agreed upon in the project scope.

Participating members can be required to make a “step-up” payment that fully covers monthly payments in the event of a default by another participating member. The step-up payment is capped at 25 percent of the participating member’s share; CleanPowerSF’s step-up payment obligation, therefore, would not exceed 125 percent of CleanPowerSF’s total share of the Goal Line Project monthly payment.

Coordinated Operations Agreement

The Project Participation Share Agreement provides for a Coordinated Operations Agreement between CC Power and the six participating members for operating the project. The Coordinated Operations Agreement sets the terms by which CC Power will (i) provide for delivery of project electricity to each participant, including any revenues, credits, or other account requirements associated with the electricity; and (ii) coordinate scheduling of electricity on the power grid. The CC Power Board of Directors is to establish a Project Committee for oversight of project operations.

Buyer Liability Pass-Through Agreement

The Buyer Liability Pass-Through Agreement is between Goal Line as the energy seller, CC Power as the energy buyer, and CleanPowerSF as the participant. Each participant in the Goal Line Project is required to enter into a Buyer Liability Pass-Through Agreement. The agreement defines CleanPowerSF’s obligation to make its share of the monthly payment to Goal Line and incorporates the City’s standard Administrative Code contracting requirements.

FISCAL IMPACT

CleanPowerSF payments for the Goal Line Project will begin prior to project completion and operation in approximately June 2025. CleanPowerSF will make quarterly payments to CC Power, who is responsible to pay Goal Line on behalf of the community choice aggregators. Annual payments are not to exceed \$4 million, which includes a contingency and step-up payment in case other participating members fall through, and total payments over 15 years are not to exceed \$60 million. According to Deputy Assistant General Manager Hyams, actual payments from CleanPowerSF are likely to be lower than the not-to-exceed amount because the project will generate revenues that would offset costs.

CleanPowerSF’s 10-year financial plan for FY 2022-23 through FY 2031-32 projects an annual fund balance ranging from 37 percent of operating expenses in FY 2022-23 to 38 percent of operating

expenses in FY 2031-32, which is compliant with SFPUC's minimum fund balance requirement of 25 percent. Historically, CleanPowerSF's rates have been pegged to Pacific Gas and Electric (PG&E) rates. SFPUC is conducting a CleanPowerSF rate study that will set CleanPowerSF rates based on operating and capital requirements rather than PG&E rates. The new rates will be implemented on July 1, 2022. CleanPowerSF's payments to CC Power for LDS will be incorporated into CleanPowerSF's rates in future years.

RECOMMENDATION

Approve the proposed resolution.

<p>Item 7 File 22-0431</p>	<p>Department: Mayor’s Office of Housing & Community Development</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve a \$13.95 million amended and restated loan agreement with 180 Jones Street Associates, L.P. and a 99-year ground lease with a base rent of \$15,000 per year. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The 180 Jones Street project will include a combination of affordable housing and supportive housing units: 34 affordable housing units, 35 permanent supportive housing units, and 1 manager unit (70 units total). • The site, owned by the City, is a parking lot that was used as a Safe Sleeping Site until mid-March 2022. Ownership of the site was transferred to the City in 2019 by the developer of a market rate housing project at 950-974 Market Street, which will also pay \$13,950,000 to the 180 Jones Street project fund. The land transfer and payment were made pursuant to Ordinance 49-17, which waived the Jobs-Housing Linkage Fee and Inclusionary Affordable Housing requirements, and other requirements for the 950-974 Market Street project. • Construction on the 180 Jones Street project is expected to take place from June 2022 to December 2023 and lease-up is anticipated to be complete in March 2024. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Total development costs are \$53.6 million, \$765,232 per unit, and \$1,483 per square foot. The City’s total subsidy for the housing development costs is \$13.5 million, or 26.0 percent of the total development costs. • The Local Operating Subsidy Program will subsidize the 35 units reserved for formerly homeless adults. The cost of the LOSP subsidy starts at \$468,393 in year one of the project. Supportive services for these residents are estimated at \$188,405 in year one. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

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

BACKGROUND

Project

The 180 Jones Street project will include a combination of affordable housing and supportive housing units: 34 affordable housing units, 35 permanent supportive housing units, and 1 manager unit (70 units total).¹ All units will be studios except for the one-bedroom manager's unit. The project will be a nine-story building with ground floor space for supportive services, building management, and a courtyard. The final building will include public art, still under design, which will be funded by the developer at an estimated cost of \$100,000.

The site, owned by the City, is a parking lot that was used as a Safe Sleeping Site until mid-March 2022. Ownership of the site was transferred to the City in 2019 by the developer of a market rate housing project at 950-974 Market Street, which will also pay \$13,950,000 to the 180 Jones Street project fund. The land transfer and payment were made pursuant to Ordinance 49-17, which waived the Jobs-Housing Linkage Fee and Inclusionary Affordable Housing requirements, and other requirements for the 950-974 Market Street project.

Construction on the 180 Jones Street project is expected to take place from June 2022 to December 2023 and lease-up is anticipated to be complete in March 2024.

Developer Selection and Predevelopment Funding

The Mayor's Office of Housing and Community Development (MOHCD) issued a Request for Qualifications (RFQ) to develop 180 Jones Street in March 2019. The RFQ required the successful candidate to develop the site, provide on-site supportive housing services, conduct community outreach, secure financing, and limit City funding to \$13,950,000. The RFQ did not specify the affordability mix of the units. A project submitted by Tenderloin Neighborhood Development Corporation (TNDC) (developer and housing operator) was deemed to meet the minimum qualifications in the RFQ and selected for funding.² No other proposals were received.

¹ Of the affordable housing units, 35 units will be restricted to 25% area median income (AMI), 13 units at 40% AMI, and 21 units at 85% AMI. Rents will be 30% of each unit's maximum AMI. The 35 supportive housing units' rent will be set at 25% AMI. The manager's unit will not be income restricted.

² The RFP selection panel was appointed by the MOHCD Director and composed of three staff from MOHCD, one from OCII, one from HSH, and two community members.

In November 2019, MOCHD provided a \$2,500,000 predevelopment loan to TNDC, to fund architectural, entitlement, developer fees, and other predevelopment costs. That City loan was funded by \$1,500,000 in 180 Jones Street Project Funds and \$1,000,000 in Affordable Housing Funds (the Department’s local funding for affordable housing). As of March 2022, \$2,010,174 had been spent from this loan. MOHCD plans to refund the Affordable Housing Funds with 180 Jones Street Project Funds.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would:

- (1) approve a \$13,950,000 amended and restated loan agreement for a term of 57 years between the City and 180 Jones Associates, L.P.;³
- (2) approve a ground lease for a term of 75 years, with a 24-year option to extend and an annual base rent of \$15,000;
- (3) find that the loan and ground lease are consistent with the City’s General Plan and policy priorities in the Planning Code;
- (4) find that the property is exempt from the California Surplus Lands Act because it is being developed as affordable housing; and
- (5) determine that the below market rate rent of the ground lease serves a public purpose.

Ground Lease & Affordability Restrictions

Affordability restrictions to preserve the affordability of the housing units in the proposed development are included in the loan agreement, a declaration of restrictions, and in the ground lease between the City and the affordable housing operator. These agreements specify the affordability levels for each unit and require the non-profit housing operator to maintain these for the duration of the agreements unless agreed to by the City.

The ground lease is for a term of 75 years with an option to extend for an additional 24 years and restricts the lessee to operating the housing development as affordable housing only. The ground lease includes a base rent of \$15,000 per year, plus residual rent up to 10 percent of the site’s appraised value, which will be paid by residual receipts – that is, up to two-thirds of net income after operating costs, ground lease base rent, and replenishing operating reserves, consistent with MOHCD’s Residual Receipts policy.

³ Under Internal Revenue Service (IRS) regulations and for the purpose of eligibility for low-income housing tax credits, the non-profit (tax exempt) partner in the limited partnership serves as the general manager and retains a nominal percentage interest, and the investors (which are not tax exempt) serve as limited partners, obtaining the majority financial interest, including profits, losses, deductions, and credits. 180 Jones Associates, L.P. is composed of Taylor Family Housing Inc., the initial limited partner that will be replaced by a tax-credit investor, and 180 Jones GP LLC, a general partnership managed by Tenderloin Neighborhood Development Corporation (TNDC).

FISCAL IMPACT

The proposed \$13,950,000 million loan agreement includes the original \$2.5 million predevelopment loan provided by MOHCD. The total estimated cost to develop the 70-unit project is \$53.6 million. Exhibit 1 below shows the permanent financing sources and uses of funding.

Exhibit 1: Sources and Uses of Development Financing

Sources	
MOHCD Gap Loan	13,950,000
HCD Multifamily Housing Program	15,395,000
HCD Housing Accelerator	23,787,786
MOHCD Accrued Interest	433,719
Development Sources	53,566,205
Uses	
Acquisition	10,000
Construction	38,726,000
Soft Costs	9,738,966
Reserves	2,631,820
Developer Costs	2,459,419
Development Uses	53,566,205

Source: MOHCD

As shown above, the proposed \$13.5 million MOHCD loan will be combined with State Housing & Community Development Multifamily Housing Program funding and State Housing Accelerator Funding. The source of funding for new MOHCD loan funding is the 180 Jones Street Project fund. There will be no 180 Jones Street funds remaining after the contingency is used. According to the promissory note associated with the City’s loan, the City loan will have a three percent interest rate, 57-year term, and residual receipt payments.

According to MOHCD’s cash flow projections, the project will not generate sufficient income to make residual receipts payments on the City loan or ground lease.

City’s Subsidy of Housing Development Costs

Total development costs are \$53.6 million, \$765,232 per unit, and \$1,483 per square foot. The City’s total subsidy for the housing development costs is \$13.5 million, or 26.0 percent of the total development costs. This is equal to a per unit City subsidy of \$199,286, as shown in Exhibit 2 below.

Exhibit 2: Unit Costs

Units	70
Residential Square Feet	36,116
Development Cost	\$53,566,205
City Funding	\$13,950,000
Development Cost / Unit	\$765,232
City Subsidy / Unit	\$199,286
Cost per square foot	\$1,483

Source: MOCHD

Operating Sources

According to MOHCD, the Local Operating Subsidy Program (LOSP), which is a locally funded program that subsidizes housing costs for the formerly homeless, will be used to provide subsidies for the 35 units reserved for homeless and formerly homeless adults. The cost of the LOSP subsidy starts at \$468,393 in year one of the project. These households will pay rent sized at 30 percent of their income, estimated to be 25 percent of area median income (AMI). The LOSP agreement will not be subject to Board of Supervisors approval per Chapter 120.4 of the Administrative Code, which allows MOHCD to enter into LOSP agreements, subject to Board of Supervisors appropriation approval. The 35 LOSP units will receive social services on site starting at a cost of \$188,405 per year.

Other operating income includes tenant rents for the 34 non-LOSP units, which is capped at 30 percent of the income level for each unit (as noted above, income levels for affordable housing units project will range from 40 percent to 85 percent of AMI). The project financing includes capitalized operating subsidy reserves to reduce the rent for 19 of the 21 85 percent AMI units to 60 percent of AMI.

RECOMMENDATION

Approve the proposed resolution.