CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: January 10, 2024 Budget and Finance Committee Meeting

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Item 5 **File 23-1128**	**Department:** Mayor's Office of Housing & Community Development

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would appropriate $1,540,000 from the issuance of Treasure Island Infrastructure and Revitalization Financing District Series 2023B Tax Increment Revenue Bonds to the Mayor's Office of Housing and Community Development for affordable housing and place the amount on Controller's Reserve in FY 2023-24.

Key Points

- Treasure Island Parcel 1C4.3 is owned by the Treasure Island Development Authority and will be developed into a 150-unit affordable housing development by Catholic Charities and the John Steward Company.
- In November 2023, the Board of Supervisors authorized the issuance of Treasure Island Infrastructure and Revitalization Financing District (IRFD) tax increment revenue bonds in an amount not to exceed $10.0 million with estimated proceeds of $6.9 million for facilities (Series 2023A) and $1.5 million for affordable housing (Series 2023B) for the proposed project (File 23-1131). A total of $1,350,239 of the Series 2023B Bond proceeds were deposited into the 2023B Project Account of the Housing Project Fund for the proposed project at closing.

Fiscal Impact

- The proposed funding will be used to partially fund a $4.5 million predevelopment loan to the John Stewart Company and Catholic Charities for the Treasure Island Parcel IC4.3 Project. Bond proceeds will be repaid by the IRFD with incremental property tax revenue generated by project areas within the IRFD.

Recommendations

- Amend the proposed ordinance to reduce the appropriation amount from $1,540,000 to $1,350,239.
- Approve the ordinance, as amended.

MANDATE STATEMENT

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

BACKGROUND

Affordable Housing on Treasure Island

The City is funding the fourth affordable housing development on Treasure Island as part of the Treasure Island/Yerba Buena Island Redevelopment Plan. The Treasure Island/Yerba Buena Development Project (Project) is part of the Treasure Island Development Authority's (TIDA) ongoing project to transition Treasure Island and a portion of Yerba Buena Island from a former military base to a residential and commercial development. In 2011, the Board of Supervisors approved the Development Agreement between the City and Treasure Island Community Development, LLC (TICD), the principal developer for the Treasure Island development project, and the Disposition and Development Agreement (DDA) between TIDA and TICD (Files 11-0226 and 11-0291).

The DDA's Housing Plan requires approximately 8,000 new residential units, including up to 2,173 units (27 percent) affordable to low and moderate-income households. According to the Housing Plan, up to 1,866 units are 100 percent affordable housing projects, and the balance (307 units) are below market rate inclusionary rental or ownership units; of the 1,866 affordable housing units, a minimum of 435 are reserved for homeless households, including 250 replacement units for current Treasure Island households who were formerly homeless and who will be displaced by the Treasure Island/Yerba Buena Development Project. The 250 replacement units must be developed before any new affordable units are developed.

Existing Residents of Market Rate Housing

Households residing in market rate housing on Treasure Island at the time the DDA was executed are entitled to transition benefits in the form of: (a) a Transition Unit in one of the affordable housing projects (regardless of income) and moving services; (b) a lump sum payment; or (c) down payment assistance. As of October 2023, TIDA estimated that 153 households were eligible for a Transition Unit. Transition Units are not income restricted at initial occupancy but become income restricted after all eligible households have received transition benefits. Transition Unit rents are based on tenants' current rents and annually adjusted according to allowable rent increases by the Rent Board. Once all legacy households have exercised their transition benefits and to not live in the Transition Units, rent will be based on 30 percent of income.

In addition, households residing in market rate housing who moved to Treasure Island after the DDA was executed (and before December 2019) receive preference for affordable housing lottery units if they qualify based on income.

Treasure Island Parcel IC4.3

The DDA allows the master developer and TIDA to select development partners for the Treasure Island/Yerba Buena Island Development Project. In 2018, four nonprofits,[1] who are all members of One Treasure Island,[2] were authorized to develop affordable housing projects, including selecting development partners.[3] Catholic Charities CYO of the Archdiocese of San Francisco and the John Stewart Company were selected by One Treasure Island, and approved by TIDA, to lease and develop parcel IC4.3.

Parcel IC4.3 is owned by TIDA and will be developed into an affordable housing development, which includes 150 units, including 30 transitional units for households relocating from housing that was previously owned by the Navy on Treasure Island, 60 replacement units for HomeRise One Treasure Island units for households that were previously homeless, 59 new affordable lottery units, and one staff unit.[4] The project will also include a childcare center. Construction is planned to begin in late 2026 and to be completed by mid-2028 according to TIDA staff in consultation with MOHCD.

Treasure Island Tax Increment Revenue Bonds Series 2023B

In November 2023, the Board of Supervisors authorized the issuance of Treasure Island Infrastructure and Revitalization Financing District (IRFD) tax increment revenue bonds in an amount not to exceed $10.0 million with estimated proceeds of $6.9 million for facilities (Series 2023A) and $1.5 million for affordable housing (Series 2023B) for the proposed project (File 23-1131). According to the Controller's Office of Public Finance staff, on December 14, 2023, the Treasure Island IRFD sold the tax increment revenue bonds totaling $9,210,000 in principal, including $7,615,000 for facilities (Series 2023A) and $1,595,000 for affordable housing (Series 2023B). A total of $1,350,239 of the Series 2023B Bond proceeds were deposited into the 2023B Project Account of the Housing Project Fund for the proposed project at closing.

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[1] The four non-profit supportive housing operators selected by the master developer were Swords to Plowshares, HomeRise (formerly Community Housing Partnership), Catholic Charities, and HealthRight360.

[2] One Treasure Island (One TI) (formerly known as the Treasure Island Homeless Development Initiative or TIHDI), is a California nonprofit public benefit corporation that was formed in June 1994 to provides pathways for economic advancement for lower-income and formerly homeless San Franciscans. One Treasure Island is a membership organization committed to fostering an equitable, inclusive, and thriving community for all Treasure Island residents, employees, businesses, and visitors emphasizing inclusion by lower-income households and those who have experienced homelessness.

[3] TIDA and TIHDI (now One Treasure Island, or One TI) entered into a Base Closure Homeless Assistance Agreement, commonly referred to as the TIHDI Agreement. The Agreement grants TIHDI Member Organizations the right to develop 435 new units on Treasure Island and promises to provide them with developable lots for that purpose. An exhibit to the TIHDI Agreement was TIHDI Transition Housing Plan which provides for the programs and residents of the One TI member organization operated existing housing that will be transitioned to the new buildings on TIDA ground-leased lots.

[4] The current project concept includes unit sizes ranging from studios to four bedrooms.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate $1,540,000 from the issuance of Treasure Island Infrastructure and Revitalization Financing District Series 2023B Tax Increment Revenue Bonds to the Mayor's Office of Housing and Community Development for affordable housing and place the amount on Controller's Reserve in FY 2023-24.

We recommend that the Board of Supervisors amend the ordinance to reduce the appropriation amount to $1,350,239 to reflect the amount of bond proceeds for the affordable housing project.

FISCAL IMPACT

The proceeds of the 2023B Housing Bonds are expected to be used by TIDA and MOHCD to finance a forgivable loan to the John Stewart Company and Catholic Charities for the Treasure Island Parcel IC4.3 Project. According to MOHCD staff, bond proceeds would fund architectural design (excluding the childcare center), California Debt Limit Allocation Committee (CDLAC) and California Debt and Investment Advisory Commission (CDIAC) fees, and predevelopment loan interest fees. Bond proceeds will be repaid by the IRFD with incremental property tax revenue generated by project areas within the IRFD.

The Affordable Housing Loan Committee approved a predevelopment loan of up to $4.5 million for the project in November 2023. The loan will be funded by $3.0 million from the Low Moderate Income Housing Asset Fund, with the remaining amount from 2023B Housing Bond proceeds. According to MOHCD staff, the predevelopment loan is currently being drafted.

Estimated Total Project Budget

According to MOHCD staff, the project is anticipated to close on the construction and gap funding in November 2026. According to the MOHCD loan evaluation for the predevelopment loan, the current estimated total budget is $158.4 million, or approximately $1.06 million per unit. However, the loan evaluation notes that the project budget is based on a conceptual design that is infeasible due to site constraints, which also has to accommodate the project's childcare center. The project sponsor will refine the conceptual design using predevelopment loan funds.

The current estimated MOHCD and TIDA subsidy is $50.5 million (including predevelopment), including an estimated $15.5 million from IRFD bond proceeds and other TIDA sources. Other funding sources are expected to be Low Income Housing Tax Credits, California Department of Housing and Community Development (HCD) programs, Federal Housing Loan Bank Affordable Housing Program grant funds, private loan funds, and developer equity. Preliminary analysis suggests that the project would not be competitive for the HCD's multifamily housing loan program, however the project sponsor will evaluate other state funding opportunities during predevelopment. If the project does not receive state funding, additional gap funding may be needed. Given the anticipated City funding for this project, the gap loan will likely require Board of Supervisors' approval.

RECOMMENDATIONS

1. Amend the proposed ordinance to reduce the appropriation amount from $1,540,000 to $1,350,239.
2. Approve the ordinance, as amended.

Item 6 **File 23-1202**	**Department:** Department of Public Works (DPW)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a Public Works' emergency declaration related to the failures of the cooling towers and chillers and General Hospital.
- Spending of more than $250,000 on contracts entered into under the proposed emergency procurement authority requires Board of Supervisors approval of this resolution.

Key Points

- Two buildings within the General Hospital complex are cooled by a series of cooling towers and chillers, which DPW and DPH have been planning since. According to DPH, since 2011, $26.6 million of General Fund monies have been appropriated to replace the two cooling towers and two chillers, of which $14.2 million has been spent on design work and rental equipment. In addition, in 2020, the Board approved $34.7 million in certificates of participation debt for the project.
- Originally expected to be completed in 2023, the project had a longer-than-expected design phase and is now expected to begin in February/March 2024 and finish in late 2026. In September, one of the cooling towers had a catastrophic failure, and Public Works declared an emergency.
- The proposed emergency declaration waives Administrative Code Chapter 6 contracting requirements, which shortens the procurement by six months. DPW has reached out to six contractors with expertise in cooling and chilling systems and solicited bids, which are due on January 19, 2024. DPW will evaluate bids based on cost and other factors, which include relevant project experience and project management approach.
- Any contracts entered into under the proposed emergency procurement authority are also exempt from 12A (Human Rights Commission), 12B (non-discrimination in contracts), 12C (non-discrimination in property contracts), and 14B (Local Business Enterprise utilization).

Fiscal Impact

- According to DPH, remaining project costs total approximately $47 million. Project costs will be funded by a combination of the General Fund ($12.3 million) and previously approved certificates of participation debt ($34.7 million).

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Administrative Code Section 6.60(d) states that emergency work that costs more than $250,000 is subject to Board of Supervisors approval. Prior to the commencement of emergency work above the $250,000 threshold, the Department must also secure approval in writing from the Mayor, the President of the Board, or the Commission. If the emergency does not permit approval of the emergency determination by the Board of Supervisors before work begins, the Department head must submit a resolution approving the emergency determination to the Board of Supervisors within 60 days.

BACKGROUND

Cooling Tower and Chiller Project

San Francisco General Hospital (SFGH) Building 3 contains a pathology lab, and Building 5 contains a number of inpatient units and outpatient services and clinics. According to DPH, Building 3 and Building 5 are cooled by two cooling towers and two chillers, installed in 1974, which provide cold air and water. The cooling towers are constructed with wood, and with proper maintenance, should function for 20-25 years. According to DPW, the chillers have a useful life of 15-20 years. One of the chillers is original, and the other was replaced in 2006. DPH has completed maintenance work on both the cooling towers and chillers, extending their useful life.

On September 6, 2023, one of the cooling towers' fans unexpectedly broke after 49 years of operation. One of the cooling tower fan blades was ejected into the air, damaging the surrounding safety fencing, but nothing else. The other cooling tower was taken offline and DPH has rented equipment to replace the work of the two cooling towers.

Prior to the cooling tower fan failure in September 2023, both chillers failed – one in 2019 and one in 2022, including the chiller that was replaced in 2006. Rental chillers are providing a temporary chilling solution, but at reduced capacity.

Planned Replacement

DPW and DPH have been planning since 2011 to replace these SFGH cooling towers and two chillers. According to DPH, since 2011, $26.6 million of General Fund monies have been appropriated to replace the two cooling towers and two chillers, of which $14.2 million has been spent on design work and rental equipment.

In October 2020, the Board of Supervisors approved the issuance of $157 million in Certificates of Participation, including $34.7 million for the cooling tower and chiller replacement project, plus an additional $8.3 million for reserves and financing costs (Files 20-1006 & 20-1007).[1] As of November 2023, none of that debt has been issued, and the Controller's Office of Public Finance expects to issue the debt starting in FY 2024-25.

[1] The 2020 COPs also provide funding for the following projects: Homeless Services Center, Laguna Honda Hospital Wings Reuse Project, and the AITC Immunization & Travel Clinic Relocation.

Project Timeline

The project timeline presented to the Board of Supervisors as part of the 2020 debt request indicated that a Request for Proposals for construction work was to be issued in Q3 2021, with construction starting in Q1 2022, and a project completion date of Q2 2023.

DPH now estimates that the total project will take three years, with construction beginning in February/March 2024 and finishing in late 2026, though the exact timeline will be determined once construction contractors are selected. According to Jason Zooks, DPH Executive Project Manager, the delay in the project timeline was due to a change in priorities during the height of the pandemic, additional design work, negotiations with PG&E regarding electrical connections to the new tower and chillers, and a longer than expected process to obtain a permit from the California Health Care Access and Information Department (formerly known as the Office of Statewide Health Planning and Development), which regulates hospitals and other health facilities. State permits were originally expected in Q4 2021, however they were issued in Q3 2022 for the chiller plans and in Q3 2023 for the cooling tower plans. After the state approved the cooling tower replacement plans, one of the cooling towers failed.

Emergency Declaration Timelines

In September 2023, Interim Director of Public Works Carla Short declared an emergency for the failure of the cooling towers at San Francisco General Hospital that occurred on September 6, 2023. The emergency declaration was approved on September 13, 2023 by Public Works Commission Chair Lauren Post. Administrative Code Section 6.60(b) states that departments must provide "immediate" notice of an emergency declaration to the Board of Supervisors, Mayor, and Controller, which occurred on September 14, 2023. A resolution approving this emergency declaration was submitted to the Board of Supervisors on November 14, 2023, within the sixty-day timeframe required by Administrative Code Section 6.60(d).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a Public Works' emergency declaration related to the failures of the cooling towers and chillers and General Hospital.

Spending of more than $250,000 on contracts entered into under the proposed emergency procurement authority requires Board of Supervisors approval of this resolution. Any contracts entered into under the proposed emergency procurement authority are exempt from Administrative Code Chapters 6 (public works contracting policies and procedures), 12A (Human Rights Commission), 12B (non-discrimination in contracts), 12C (non-discrimination in property contracts), and 14B (Local Business Enterprise utilization).

The Planning Department has determined both projects to be exempt under the California Environmental Quality Act (CEQA) because they are replacing existing facilities. The proposed resolution would affirm that determination.

Contractor Selection Process

Because of the emergency declaration, selection of contractors is not governed by a typical Chapter 6 procurement process. According to Terry Saltz, DPH Facility Services and Capital Planning Administrator, the proposed emergency declaration will reduce the time to procure contractors by six months, due to waiving advertising timelines, approvals from the Contract Monitoring Division, and evaluating all proposals from an open solicitation.

DPW has reached out to six contractors with expertise in cooling and chilling systems and solicited bids. Bids were originally due on December 8, 2023; however, the deadline was extended until January 19, 2024, to allow DPH to respond to design-related questions regarding the cooling systems. Bids will be evaluated by DPW based on cost (50 percent of possible bid points) and non-cost factors (50 percent of possible bid points), which include relevant project experience and project management approach.

Although the proposed emergency declaration waives all of Administrative Code Chapter 6, DPW emergency contracting procedures established in May 2023 require emergency work be overseen by a project manager, independent cost estimates, attempting to solicit quotes for at least three contractors, working with the Contract Monitoring Division to conduct vendor outreach, and posting a list of selected contractors on the DPW website.

Project Detail

Cooling Tower Replacement Project

The project will demolish the two existing dysfunctional cooling towers behind San Francisco General Hospital's Building 2 Power Plant and replace them with one new cooling tower. A transformer would also be installed on a concrete pad behind the fence. Temporary power connections would be created for the site during construction, and existing electric infrastructure would be replaced.

Chiller Replacement Project

The project will replace two existing boilers with one new boiler, and two existing chillers with three new electrical chillers. The room housing the boilers and chillers will be renovated, including additional electrical controls, new walls, and a new exit.

FISCAL IMPACT

According to DPH, remaining project costs total approximately $47 million. This includes $28.8 million for construction, $6.5 million for soft costs (design, permitting), $7.6 million in enabling work such as electrical upgrades and site renovations, and $4 million in rental costs for temporary chillers and cooling equipment. The $14.2 million of prior General Fund spending on design work and rental equipment is not included in the figures presented below.

Exhibit 1: Sources and Uses for Remaining Project Costs

Sources	
General Fund	$12,356,137
Certificates of Participation	$34,700,000
Total Sources	**$47,056,137**
Uses	
Soft Costs	$6,522,000
Chiller Construction	$18,800,000
Cooling Tower Construction	$10,000,000
Enabling Work	$7,600,000
Rental Equipment	$4,000,000
Total Uses	**$46,922,000**

Sources: DPH and DPW

Sources of Funding

As described above, the Cooling Tower and Chiller Replacement projects are funded from the previously appropriated General Fund monies and previously appropriated Certificate of Participation funds. The General Fund will be used to fund a portion of the soft costs, equipment rentals, and enabling work. The Certificates of Participation will be used to fund construction work and related soft costs.

RECOMMENDATION

Approve the proposed resolution.

Item 8 **File 23-0862**	**Department:** Department of Building Inspection (DBI)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would retroactively amend the Building Code to temporarily suspend the annual registration requirement and registration fee for vacant or abandoned commercial storefronts from January 1, 2024 through December 31, 2024, as well as suspend the requirements for property owners of a vacant or abandoned storefront to submit an annual report, for DBI to maintain a registry of vacant or abandoned commercial storefronts, and for the DBI Director to submit a Notice of Violation when there is probable cause that a commercial storefront is vacant or abandoned (Building Code Sections 103A.5.2 through 103A.5.5).

Key Points

- The City's Building Code requires the owner of a vacant or abandoned commercial storefront (generally defined as vacant for over 30 days) to register with DBI within 30 days of vacancy and pay an annual registration fee, which is currently $818.19. The Building Code also requires the property owner to provide an annual report to DBI documenting that the storefront's interior and exterior have been maintained, DBI to maintain a registry of all vacant or abandoned commercial storefronts in the city and provide a copy of the registry to the Office of Economic and Workforce Development (OEWD) once per fiscal quarter, and the DBI Director to serve a Notice of Violation to the owner of a property when there is probable cause to believe that a commercial storefront is vacant or abandoned. The proposed ordinance would suspend these requirements for the 2024 calendar year.
- According to DBI, DBI staff would still need to inspect vacant properties to respond to complaints and ensure safety, even if inspection fees and registration requirements are suspended by the proposed ordinance. DBI would still be able to issue Notices of Violation as enforcement against a public nuisance or for failure to comply with sign posting, maintenance, security, and insurance requirements.

Fiscal Impact

- In FY 2022-23, DBI received approximately $364,000 in registration fees for the 513 storefronts that registered. This amount equates to approximately $419,000 per year under the new fee schedule, which would be spread between FY 2023-24 and FY 2024-25. To make up for potential revenue reductions, DBI would have to reduce expenditures, exceed projected revenues in other areas, or utilize its reserve funds.
- Since the Treasurer-Tax Collector's Office uses its own database to make Commercial Vacancy Tax assessments, the proposed ordinance likely would not impact tax revenues.

Recommendation

- 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

Section 103A.5.2 of the City's Building Code requires the owner of a vacant or abandoned commercial storefront (generally defined as vacant for over 30 days) to register with the Department of Building Inspection (DBI) within 30 days of vacancy and pay an annual registration fee. The registration fee is charged at the standard inspection hourly rate, which is currently $181.82 per hour, with a minimum of 4.5 hours (total fee of $818.19).[1] The registration form requires the owner to describe how the storefront is secured against unauthorized entry, provide a contact phone number for the party responsible for maintenance, state the most recent legal use of the storefront, state the square footage of the storefront, declare any future plans of the storefront, state whether there is fire and liability insurance coverage, and provide other required information. If the storefront is occupied before the annual registration renewal date, the owner is refunded up to half of the registration fee based on the remaining days before the renewal date. Section 103A.5.3 requires the owner of a registered vacant or abandoned commercial storefront to provide an annual report to DBI from a licensed professional confirming that the storefront's interior and exterior have been maintained. Section 103A.5.4 requires DBI to maintain a registry of all vacant or abandoned commercial storefronts in the city and provide a copy of the registry to the Office of Economic and Workforce Development (OEWD) once per fiscal quarter. Section 103A.5.5 requires the DBI Director to serve a Notice of Violation to the owner of a property when there is probable cause to believe that a commercial storefront is vacant or abandoned.

In March 2020, San Francisco Voters approved Proposition D, which authorized a Commercial Vacancy Tax in certain commercial corridors. In June 2020, the Board of Supervisors approved an ordinance suspending the tax on vacancies through calendar year 2021 due to the COVID-19 pandemic (File 20-0420). The tax is imposed on properties with commercial storefronts that are vacant for at least 182 days in a calendar year. The tax rate begins at $250 per linear foot of storefront per year and increases to $500 and $1,000 per linear foot per year for the next two years if the property remains vacant.[2] According to DBI staff, the Treasurer-Tax Collector (TTX) staff has access to DBI's registry of vacant commercial storefronts to assess the tax.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would retroactively amend the Building Code to temporarily suspend the annual registration requirement and registration fee for vacant or abandoned commercial storefronts from January 1, 2024 through December 31, 2024, as well as suspend the

[1] The inspection fee increased by 15 percent on August 28, 2023. Prior to August 28, 2023, the inspection fee was $158.10 per hour, or a total annual registration fee of $711.45 (for 4.5 hours).

[2] The tax remains at $1,000 per linear foot of storefront per year if the property remains vacant more than three consecutive years.

requirements for a property owner of a vacant or abandoned storefront to submit an annual report, for DBI to maintain a registry of vacant or abandoned commercial storefronts, and for the DBI Director to submit a Notice of Violation when there is probable cause that a commercial storefront is vacant or abandoned (Building Code Sections 103A.5.2 through 103A.5.5). The proposed ordinance would also approve the Planning Department's determinations under the California Environmental Quality Act (CEQA). Approval of the proposed ordinance would be retroactive to January 1, 2024, regardless of the date of Board of Supervisors and Mayoral approval.

According to Carl Nicita, DBI Legislative Affairs Manager, the purpose of the proposed fee waiver is to provide temporary relief to property owners struggling to fill commercial storefront space given the current economic environment. DBI staff would still need to inspect vacant properties to respond to complaints and ensure safety, even if inspection fees and registration requirements are suspended by the proposed ordinance. Vacant properties are typically either self-reported by property owners or referred to DBI by complaints. DBI would still be able to issue Notices of Violation as enforcement against a public nuisance or for failure to comply with sign posting, maintenance, security, and insurance requirements that are not suspended by the proposed ordinance.

FISCAL IMPACT

As stated above, the current vacant or abandoned commercial storefront annual registration fee is $818.19. In FY 2022-23, DBI received approximately $364,000 in registration fees for the 513 storefronts that registered. This amount equates to approximately $419,000 per year under the new fee schedule, which would be spread between FY 2023-24 and FY 2024-25.

According to Alex Lewis-Koskinen, DBI Deputy Director of Administrative Services, the DBI FY 2023-24 budget did not contemplate the proposed fee waiver. To make up for potential revenue reductions, the department would have to reduce expenditures, exceed projected revenues in other areas, or utilize its reserve funds. Despite introduction of this ordinance in July 2023, DBI has not finalized a funding plan for the proposed reduction in revenue.

The proposed ordinance also suspends registration requirements for vacant or abandoned commercial storefronts and for DBI to maintain a vacant storefront registry. According to Treasure & Tax Collector (TTX) staff, TTX maintains its own commercial storefront database. Therefore, the proposed ordinance will likely not result in less commercial vacancy tax revenue.

RECOMMENDATION

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