CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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July 5, 2024

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: July 10, 2024 Budget and Finance Committee Meeting

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Items 3 & 4 **Files 24-0497 and 24-0498** *(Continued from 6/26/24 meeting)*	**Department:** Public Works, Public Health, Municipal Transportation Agency, Homelessness & Supportive Housing, Recreation and Parks, City Administrator, Controller

EXECUTIVE SUMMARY

Legislative Objectives

- **File 24-0497**: is an ordinance that would provide for a special election on November 5, 2024, to request voter approval for a $390 million general obligation bond
- **File 24-0498**: is a resolution that would determine and declare that incurring the proposed debt is necessary and in the public interest.

Key Points

- The proposed bond would fund: $99.1 million for community health centers, $40 million for seismic upgrades at General Hospital, $56 million for repairs and General Hospital and Laguna Honda, $50 million for homeless shelters, $68.9 million for street safety and repaving, and $76 million for public space improvements.
- The proposed $390 Healthy, Safe, and Vibrant San Francisco general obligation bond is higher than the amount in the ten-year capital plan because it includes the $40 million originally planned for the March 2024 general obligation bond and $30 million in bond capacity identified by the Controller's Office.

Fiscal Impact

- According to the Office of Public Finance, the proposed bonds are projected to have an annual interest rate of 7.0 percent over approximately 20 years, with estimated total debt service payments of $737 million, including approximately $347 million in interest and $390 million in principal. Because the bonds will be sold in tranches, the Office of Public Finance estimates average annual debt service payments of $31 million.

Policy Consideration

- The proposed bonds are different in amount and scope from the ten-year capital plan the Board of Supervisors approved in May 2023. That capital plan does not include operating costs resulting from capital spending. The list of projects is not fully known at this time but includes work to address life safety and less urgent work to beautify public space.

Recommendations

(1) Approve the proposed resolution and ordinance. (2) Work with Work with the City Administrator and Chief Resilience Officer and Director to develop and approve a resolution to amend the FY 2024-2033 Capital Plan. (3) Request City Departments to report on operating cost impacts of capital projects when requesting Board approval of issuances from the proposed bond authorization. (4) Request City Departments report to the Board of Supervisors the criteria on how projects will be prioritized for bond funding, either at a Budget & Finance meeting or in a letter to be included in the legislative files for these items.

MANDATE STATEMENT

City Administrative Code Section 2.34 requires that a resolution determining the public interest and necessity for the acquisition, construction or completion of any municipal improvement funded by property taxes be adopted by the Board of Supervisors not less than 141 days before the election at which such proposal will be submitted to the voters. Approval of such resolutions requires a 2/3 vote by the Board of Supervisors.

City Charter Section 9.106 states that the Board of Supervisors is authorized to provide for the issuance of general obligation bonds in accordance with the Constitution of the State of California. There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County.

According to Article 16, Section 18(a) of the State of California Constitution, no county, city, town, township, board of education, or school district, shall incur any indebtedness or liability for any purpose exceeding in any year the income and revenue provided for such year, without the approval of two-thirds of the voters of the public entity voting at an election to be held for that purpose.

BACKGROUND

The FY 2024-2033 Capital Plan includes a schedule of planned debt and other capital financing and was approved by the Board of Supervisors in May 2023 (File 23-0265). The schedule shows a $340 million general obligation bond for Affordable Housing & Shelters in March 2024, a $320 million Public Health & Shelters general obligation bond in November 2024, and a $300 million Transportation general obligation bond in November 2026.

In November 2023, the Board of Supervisors approved legislation to add a $300 million Affordable Housing general obligation bond to the March 2024 ballot (Files 23-0971, 23-0972), which was approved by voters. The $300 million Affordable Housing bond spending plan did not include a shelter component, as originally intended in the ten-year capital plan.

In May 2024, the Controller's Office revised its general obligation bond model to incorporate more recent assessed valuations, recent bond sales, and the $300 million bond approved by voters in March 2024. The analysis determined that the City had an additional $30 million in general obligation bond debt capacity relative to the City's debt management policies.

The proposed $390 Healthy, Safe, and Vibrant San Francisco general obligation bond is higher than the $320 million amount in the FY 2024 – 2033 Ten Year Capital Plan because it includes the $40 million originally planned for the March 2024 general obligation bond and the additional $30 million in bond capacity identified by the Controller's Office. It includes funding for public health facilities, homeless shelters, and street improvement projects – elements that were originally planned for the March 2024, November 2024, and November 2026 general obligation bonds.

DETAILS OF PROPOSED LEGISLATION

File 24-0497: is an ordinance that would provide for a special election on November 5, 2024, to request voter approval for a $390 million general obligation bond to fund six programs listed below. The ordinance was amended at the June 26, 2024 Budget & Finance meeting to provide funding for the following capital programs, as shown below:

(1) $99.1 million for community health centers,

(2) $66 million for General Hospital and Laguna Honda repair projects,

(3) $40 million for seismic upgrades at General Hospital,

(4) $63.9 million for street safety improvements,

(5) $71 million for public space improvements

(6) $50 million for homeless shelters.

File 24-0498: is a resolution that would determine and declare that the public interest and necessity demand acquisition or improvement of real property, including: facilities to deliver primary healthcare services, emergency medical services, skilled nursing services, services for persons experiencing mental health challenges, and persons experiencing substance use disorders; acquire, improve, and seismically upgrade critical medical care and mental health facilities; emergency shelter facilities; and improvements for certain transportation, pedestrian, and street safety-related capital improvements, streetscape enhancements, and other public space improvements

The proposed legislation would also:

- Find that the estimated cost of $390 million for such proposed projects will be too great to be paid out of the ordinary annual income and revenue of the City and will require expenditures greater than the amount allowed by the annual tax levy;
- Find that the bond proposal is not subject to review under the California Environmental Quality Act (CEQA);
- Find that the proposed bonds are in conformity with the General Plan, and the eight priority policies of Planning Code, Section 101.1(b);
- Waive the time requirements for approving the resolution specified in Administrative Code Section 2.34;
- Authorize landlords to pass-through 50 percent of the resulting property tax increase to residential tenants under Administrative Code, Chapter 37; and,
- Declare the City's intention to use bond proceeds to reimburse capital expenses incurred prior to the issuance of the proposed bonds.

Proposed uses of the bond proceeds are shown in Exhibit 1 below, including projects that have been identified in the bond report associated with this request and projects that could be funded within each program.

Exhibit 1: Uses of Bond Funds

Project	Amount	Potential Projects
Community Health Centers (DPH)	$99,100,000	Chinatown Public Health Center renovation, new site for City Clinic (both confirmed)
General Hospital Seismic Upgrades (DPH)	$40,000,000	Building 3 retrofit (confirmed)
Critical Repairs at General Hospital and Laguna Honda (DPH)	$66,000,000	Replacing windows, HVAC systems, plumbing and waste systems, power systems
Homeless Shelters (HSH)	$50,000,000	Renovate seismically unsafe existing homeless shelters and/or acquire new shelter sites
Street Safety & Repaving (MTA, DPW)	$63,900,000	Sloat Boulevard improvements, other street projects to improve traffic flow, pedestrian and bicycle safety and accessibility, traffic signal upgrades, and street repaving.
Public Space Improvements (DPW, REC, MTA)	$71,000,000	Harvey Milk Plaza (confirmed), Powell Street enhancements, Hallidie Plaza improvements, and potentially others.

Sources: File 24-0497, 24-0498, 2024 Healthy, Safe and Vibrant San Francisco Bond Report

Approval of the proposed $390 general obligation bond would require approval by at least two-thirds of San Francisco voters. All issuances of the bonds and appropriations of the bond fund proceeds would be subject to Board of Supervisors approval. At that time, CEQA review and approval of the specific projects may be required, and the project costs would be identified.

FISCAL IMPACT

Debt Service

According to Vishal Trivedi, Financial Analyst in the Office of Public Finance, the proposed bonds are projected to have an annual interest rate of 7.0 percent over approximately 20 years, with estimated total debt service payments of $737 million, including approximately $347 million in interest and $390 million in principal. Because the bonds will be sold in tranches, the Office of Public Finance estimates average annual debt service payments of $31 million.

Property Taxes

Property tax revenue would be used to secure and pay for the proposed debt service. According to the Office of Public Finance, the average property tax rate for the proposed bonds would be $6.90 per $100,000 of assessed valuation, half of which could be passed through to tenants.

Debt Limit

According to the Controller's Office of Public Finance, the proposed bonds are consistent with the City's current debt management policy to maintain the property tax rate for City general obligation bonds below the FY 2005-06 rate of $0.12 per $100 of assessed value and is also consistent with the City Charter limit for outstanding general obligation bond indebtedness to stay below three percent of assessed property values.

POLICY CONSIDERATION

Capital Planning Process is Not Functioning as Legislatively Intended

Amending the Capital Plan

Administrative Code Section 3.20 states that the Mayor and Board of Supervisors should approve a ten-year capital by May 1 of each odd-numbered year and that the Mayor and Board may update the plan as appropriate. The Board approved the current ten-year capital plan in May 2023 (File 23-0265). However, as noted above in the Background Section of this report, the general obligation bond schedule for March 2024 and November 2024 is different than what is in the plan. The Board tacitly approved a change to the plan by placing a $300 million rather than a $340 million bond on the March 2024 ballot. However, it has not taken formal action to amend the capital plan to reflect that change or the increase in the proposed November 2024 bond from $320 million to $390 million.

In the past, consistent with Administrative Code 3.20, the Board has passed resolutions to memorialize changes to the ten-year capital plan. For example, in 2020, the Board of Supervisors approved a resolution amending the FY 2020-2029 Capital Plan to reflect changes to three bonds, including changing the $183.5 million 2020 Parks and Open Space bond to a $438.5 million Health and Recovery bond (File 20-0487). The Board of Supervisors should consider a similar action to reflect changes to the FY 2024-2033 capital plan. Such a resolution could be introduced by the City Administrator or by the Board of Supervisors.

Operating Costs Associated with Capital Projects

Administrative Code 3.20 also requires that the capital plan include a summary of operating costs resulting from capital investments. However, such estimates are typically not available until projects are fully designed and therefore not included in the ten-year capital plan. City Departments should prepare estimates of operating cost impacts when they request Board of Supervisors' approval of bond sales, which occur closer to the construction phase of capital projects.

The proposed bond may fund an expansion of the City's capital assets that adds operations costs. For example, this proposed bond includes $50 million for shelter, which could be used to renovate existing sites or to acquire new sites for shelter. Operating costs for shelter are $70,000 - $90,000 per bed, so an expansion of the City's shelter capacity will create new ongoing costs. Similarly, changes to streets and public space may require additional permanent staff and maintenance spending. Operating costs may decrease as well, such as replacing old building systems with more efficient ones.

List of Projects to Be Funded Not Yet Final

Because most projects that will be funded by the proposed bonds are still in the design phase and do not have environmental approval, we do not know the full set of projects that will be funded by the proposed bonds.[1] We also note the potential list of projects includes work to address life safety and less urgent work to beautify public space.

When departments return to the Board for approval of bond sales, the projects to be funded should be known. In the meantime, we recommend that the departments requesting approval of bond funding provide the Board of Supervisors with the criteria on how projects will be prioritized for bond funding, either at the June 26, 2024, Budget & Finance meeting or in a letter to be included in the legislative files for these items.

At the June 26, 2024 Budget & Finance meeting, the Chief Resilience Officer and Director, Brian Strong, agree with the above recommendations.

RECOMMENDATIONS

1. Approve the proposed resolution and ordinance.
2. Work with the City Administrator and Chief Resilience Officer and Director to develop and approve a resolution to amend the FY 2024-2033 Capital Plan.
3. Request the Departments of Public Works, Public Health, Municipal Transportation Agency, Homelessness & Supportive Housing, Recreation and Parks to report on operating cost impacts of capital projects when requesting Board approval of issuances from the proposed bond authorization.
4. Request the Departments of Public Works, Public Health, Municipal Transportation Agency, Homelessness & Supportive Housing, Recreation and Parks to report to the Board of Supervisors the criteria for how projects will be prioritized for bond funding, either at a meeting or in a letter to be included in the legislative files for these items.

[1] Per the bond report in the legislative file for these items, the following projects are confirmed for bond funding, up to the following amounts: $71.1 million for Chinatown Public Health Center, $28 million for a new building for City Clinic, $25 million for Harvey Milk plaza, and $40 million for General Hospital, Building 3.

Item 5 **File 24-0477** *(Continued from 6/5/24 meeting)*	**Department:** Real Estate Division (RED), Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a purchase and sale agreement with PACIFICA SFO LLC for an assisted living facility at 624 Laguna Street for a purchase price of $13,780,000 and approximately $20,000 in closing costs, for a total price of approximately $13,800,000.

Key Points

- DPH is seeking to expand assisted living facilities serving low-income seniors and adults with disabilities in San Francisco. DPH and the Real Estate Division (RED) searched assisted living facilities in San Francisco and determined that the building at 624 Laguna Street, which is licensed for up to 56 beds, would be a suitable location because of the building conditions and ability to meet DPH's needs. RED has negotiated a purchase and sale agreement with the property owner.
- Department of Public Works (DPW) staff completed a general condition assessment and determined that the building was generally in good condition. The report made several recommendations but did not identify required improvements to the building needed for life-safety concerns or failed equipment. An appraisal affirmed that the proposed purchase price of $13,780,000 was fair market value. DPH anticipates that services at the site will begin approximately 14 to 17 months after the sale closes. This timeline includes contracting for services, provider licensing, hiring, and community outreach.

Fiscal Impact

- The proposed Purchase and Sale Agreement would have a purchase price of $13,780,000 for the property. The City would also pay closing costs, estimated at $20,000, for a total cost of approximately $13,800,000. The purchase would be funded by Homelessness Gross Receipts Proposition C funds.
- DPH estimates that initial annual operating costs for the site would be approximately $3.9 million, or $69,643 per bed. At this time, DPH estimates that operating costs would be funded approximately 25 percent by Proposition C funds and 75 percent by the City's General Fund. Operating costs at 624 Laguna will eventually be offset as DPH spends less on contracted residential beds outside of San Francisco.

Policy Consideration

- There were approximately 3,548 assisted living beds in San Francisco in 2022. To maintain the current ratio of 216 assisted living beds for every 10,000 seniors, an additional 1,718 beds will be needed by 2042.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Administrative Code Section 23.3 states that the Board of Supervisors must approve acquisitions and conveyances of real property by resolution. An appraisal of the property is required if the Real Estate Division determines that the fair market value is greater than $10,000 and an appraisal review if the fair market value is greater than $200,000.

BACKGROUND

Less intensive than skilled nursing facilities, assisted living facilities are non-medical facilities licensed by the California Department of Social Services that provide personal care and safe housing for those who may need help with medication and assistance with activities of daily living. The Department of Public Health (DPH) is seeking to expand assisted living facilities serving low-income seniors and adults with disabilities in San Francisco. This expansion of 400 new beds is a component of DPH's Mental Health SF strategy for improving the behavioral health system for vulnerable residents. According to the February 12, 2024 DPH Behavioral Health Residential Treatment Expansion dashboard, 394 beds have been opened since 2020, of which 99 are out-of-county residential care facilities. DPH is seeking to fund sites in San Francisco to relocate out-of-county beds. DPH's behavioral health system of care includes 2,550 beds, including 600 residential care beds.

DPH and the Real Estate Division (RED) searched assisted living facilities in San Francisco and determined that the building at 624 Laguna Street, operating as The Village at Hayes Valley, would be a suitable location because of the building conditions and ability to meet DPH's needs.[1] The 17,700 square foot building has 28 dormitory-style units and is licensed for up to 56 beds.[2] The building has shared bathrooms and kitchenettes on every level, as well as indoor and outdoor communal spaces. RED has negotiated a purchase and sale agreement with the property owner.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would take the following actions:

1. Approve and authorize the Director of Property to acquire property at 624 Laguna Street;
2. Approve and authorize a Purchase and Sale Agreement for the property, for a purchase price of $13,780,000, plus approximately $20,000 for closing costs, for a total amount of approximately $13,800,000;

[1] According to Transaction Team Manager Suess, RED evaluates opportunities for assisted living facilities on an ongoing basis, although the marketplace for these facilities is fairly small. DPH evaluates each site for its potential specific use.

[2] The Purchase and Sale Agreement states that the building size is 9,849 square feet, which comes from the San Francisco Property Information Map (SFPIM) that is used by the Office of the Assessor-Recorder. However, DPW inspected the building and determined that this was inaccurate and that the correct size is approximately 17,700 square feet. The Colliers appraisal stated that the building size is 11,133 square feet and RED cannot determine how the source of that estimate.

3. Authorize the Director of Property to execute the agreement and make immaterial modifications to the agreement;
4. Affirm the Planning Department's determination under the California Environmental Quality Act (CEQA); and
5. Adopt the Planning Department's findings that the agreement is consistent with the General Plan and Planning Code.

Building Condition and Appraisal

In 2023, Department of Public Works (DPW) staff completed a general condition assessment based on a visual inspection of the building, a review of Department of Building Inspection records, and interviews with individuals about the facility. Based on the assessment, DPW determined that the building was generally in good condition. DPW's site assessment did not identify any required improvements to the building needed to address life-safety concerns or failed systems or equipment. DPW made several recommendations, such as to legalize an unpermitted penthouse structure, replace elements of the mechanical cooling systems, redesign the security system, and plan for the maintenance and eventual replacement of the roofing. According to Jeff Suess, RED Transaction Team Manager, a third-party engineer subsequently evaluated the property and determined that the penthouse structure was code compliant, and DPW staff changed the assessment. In addition, because the building will be publicly owned, it will be subject to higher accessibility building code standards, which may require capital work.

An appraisal conducted by Colliers International in December 2023 affirmed that the proposed purchase price of $13,780,000 was fair market value. An appraisal review conducted by R. Blum and Associates in March 2024 found that the appraisal was credible.

Plans for Current Residents and Future DPH Operations

According to Transaction Team Manager Suess, the seller would provide the property to the City vacant. There are approximately 10 residents remaining at the site, and the seller would offer them the ability to transfer to other assisted living facilities. RED anticipates that existing residents would be relocated within 30 days after the purchase is approved by the Board of Supervisors and Mayor. The sale would close escrow 10 days after the site is vacant.

According to Kelly Kirkpatrick, Director of Administration and Operations for Mental Health SF, DPH would likely issue a solicitation to select a provider to operate the site. However, DPH may utilize Administrative Code Chapter 21A.4, which authorizes DPH to procure behavioral health and public health residential care and treatment services without competitive solicitations through March 2029 (File 24-0015). DPH anticipates that services at the site will begin approximately 14 to 17 months after closing. This timeline includes contracting for services, provider licensing, hiring, and community outreach. The site would serve low-income clients who are experiencing or at risk of homelessness and have a behavioral health diagnosis and need assistance with daily living tasks.

FISCAL IMPACT

The proposed Purchase and Sale Agreement would have a purchase price of $13,780,000 for the property. The City would also pay closing costs, estimated at $20,000, for a total cost of approximately $13,800,000. The purchase would be funded by Proposition C funds (Homelessness Gross Receipts Tax).

Assuming no rehabilitation work, the proposed acquisition is $246,429 per licensed bed and $780 per square foot. This is $532 less per square foot than the City's recent acquisition and estimated rehabilitation of 333 7th Street from Baker Places (File 24-0192) and $1,434 per square foot less than the 2021 acquisition and rehabilitation of 822 Geary (File 21-1204). On a per bed basis, the proposed purchase is less than the 333 7th Street site ($623,125) and the 822 Geary site ($886,345), both of which required extensive rehabilitation work.

Operations Costs

According to Director Kirkpatrick, DPH estimates that initial annual operating costs for the site would be approximately $3.9 million, or $69,643 per bed. At this time, DPH estimates that operating costs would be funded approximately 25 percent by Proposition C Homelessness Gross Receipts revenue and 75 percent by the City's General Fund. According to Director Kirkpatrick, residential care facilities are typically not eligible for Medicare or Medi-Cal reimbursement. Clients would contribute a portion of their governmental assistance to fund operations as well, in addition to the City funding.

Operating costs at 624 Laguna will eventually be offset as DPH spends less on contracted residential beds outside of San Francisco.

POLICY CONSIDERATION

According to the Budget and Legislative Analyst's Office July 2022 policy analysis report *Options for Housing for Seniors and People with Disabilities*, there were 3,548 assisted living beds in San Francisco in 2022. To maintain the current ratio of 216 beds for every 10,000 seniors, an additional 1,718 beds will be needed by 2042. When assisted living services are available and affordable, they can negate, delay, or decrease the duration of skilled nursing facility stays in a less costly and restrictive setting.

RECOMMENDATION

Approve the proposed resolution.

Item 8 File 24-0730	Department: Mayor's Office of Housing and Community Development, Homelessness & Supportive Housing

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve an amended and restated loan of $71,125,575 to 1000 Sutter LLC (an affiliate of Episcopal Community Services) to provide permanent financing for the supportive housing project at 1000 Sutter Street.

Key Points

- Hotel Granada, located at 1000 Sutter Street, was acquired by Episcopal Community Services in 2020 for $46 million, using Homekey grant funds, a $10 million loan from MOHCD, and interim financing from the San Francisco Housing Accelerator Fund (HAF), to be repaid with permanent financing from the City. The site has 214 single room occupancy units.
- When the Board approved the Homekey funding in 2020, the rehabilitation work was estimated to cost $28 million and be complete by the end of CY 2021, with interim financing provided by the HAF. Rehabilitation work is now estimated at $66 million and expected to be complete in late 2024 or early 2025. Although construction is ongoing, MOHCD is proposing to pay off the HAF loan to (a) reduce interest costs for interim financing and (b) allow the HAF to increase lending to other housing projects.
- The primary driver of the increase in City funding is for new flooring, structural improvements, remediating dry rot, and replacing/upgrading building systems, the needs for which were identified after the purchase of the site.

Fiscal Impact

- The total cost to acquire and rehabilitate 1000 Sutter increased from $74 million estimated in 2020 to $113.5 million. Costs are offset by the $42.3 million Homekey grant. The proposed loan is funded by the General Fund ($10 million) and Proposition C Homelessness Gross Receipts funding ($61.1 million).

Policy Consideration

- Total costs for acquisition and rehabilitation are $39.4 million greater than what was estimated in November 2020, which could have been used to construct, acquire, or rehabilitate an estimated 40-160 permanent supportive housing units. The extensive rehabilitation work has delayed full lease of the site by at least three years.
- The City would benefit from a uniform and enhanced due diligence process for property transactions, including consistent parameters for property inspections, space planning, and capital need cost estimation. Additional funding should be considered so that the in-house expertise of Public Works and Building Inspection, as well as any necessary consultants, can be made available within the short timeframes required for property transactions.

Recommendation

- Because rejecting this resolution would imperil housing of current residents at 1000 Sutter, we recommend approval of 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

1000 Sutter

2020 Acquisition

Hotel Granada, located at 1000 Sutter Street, was one of the City's first Homekey projects.[1] The City and co-applicant, Episcopal Community Services (ECS), received an award of $49 million in Homekey funds to acquire the property ($42.3 million) and provide an operating subsidy ($5.6 million) for its use as supportive housing. In November 2020, the Board of Supervisors approved a Standard Agreement with the California Department of Housing and Community Development (HCD) for the Homekey grant and approved $33,000,000 in matching City funds to acquire and subsidize operations for five years (File 20-1268). In November 2020, ECS acquired Hotel Granada for $46 million, using Homekey grant funds, a $10 million MOHCD loan of General Funds administered by HSH, and interim financing from the San Francisco Housing Accelerator Fund (HAF), to be repaid with permanent financing from the City.[2]

Building Description

1000 Sutter includes 214 single room occupancy units, 212 of which will ultimately be used as permanent supportive housing for adults. When the site was acquired in 2020, 80 of the units were occupied and the City believed that building had 232 units. After acquisition, the City determined that the building had 214 units and required additional rehabilitation work to ensure compliance with building code requirements and habitability standards.

The building does not have any commercial space but rehabilitation work will ultimately result in a new community spaces, including a communal dining area, and offices for service providers and property management.

[1] Project Homekey was a State program that competitively awarded funding for localities to expand supportive housing.

[2] The HAF is a non-profit organization that provides bridge financing for preservation projects after MOHCD provides a soft commitment letter indicating that the City intends to repay the bridge loan.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would:

1. approve a not-to-exceed $71,125,575 amended and restated loan agreement for a term of 55 years between the City and 1000 Sutter LLC (an affiliate of Episcopal Community Services) to provide permanent financing for permanent supportive housing;
2. approve a loan purchase agreement of $63,191,071 for the City to purchase a loan made by the Housing Accelerator Fund to 1000 Sutter LLC
3. find that the loan is consistent with the City's General Plan and policy priorities in the Planning Code;
4. authorize the Mayor and the Director of MOHCD to execute the Loan Agreement; and
5. authorize the Director of MOHCD to amend the Loan Agreement provided amendments do not increase the obligations or liabilities to the City.

Rehabilitation and Conversion to Permanent Financing

When the Board approved the Homekey funding in 2020, the rehabilitation work was estimated to cost $28 million and be complete by the end of CY 2021, with interim financing provided by the Housing Accelerator Fund. Rehabilitation work is now estimated at $66 million and expected to be complete in late 2024 or early 2025. Although construction is ongoing, MOHCD is proposing to pay off the HAF loan to (a) reduce interest costs for interim financing, saving approximately $800,000 and (b) allow the HAF to increase lending to other housing projects.

The HAF's initial 2020 loan for acquisition and rehabilitation was $23,173,041. HSH and MOHCD have since committed to increase HAF loan by $40,018,303 to up to $63,191,071 to address unexpected rehabilitation needs.

The scope of the ongoing rehabilitation includes:

- upgrading fixtures residential units and common areas
- replacing flooring in basement, first floor, and common areas
- seismic improvements to comply with building code requirements
- remediating dry rot and installing new building frames
- upgrading electrical, heating, and plumbing system to comply with building code requirements and address water leaks within the building

The need for new flooring, structural improvements, remediating dry rot, and replacing/upgrading building systems were all identified after the purchase of the site.

Loan Agreement

Under the proposed loan agreement, the total loan amount to 1000 Sutter LLC would be up to $71,125,575. 1000 Sutter LLC must repay the zero-interest loan by the 55th anniversary date of the deed of trust. The loan can be repaid by residual project income, if any.

The Standard Agreement with HCD for the Homekey award requires ongoing affordability of the project for at least 55 years. Affordability restrictions to preserve the affordability of the housing units in the proposed development are included in the loan agreement between the City and the permanent supportive housing operator and in a declaration of restrictions. These agreements specify the affordability levels for each unit and require the operator to maintain these for the duration of the agreements unless agreed to by the City.

MOHCD is underwriting the project and will be responsible for asset monitoring because the site is owned by a non-profit, and HSH only manages sites that it owns.

Option to Purchase

MOHCD does not require City ownership for affordable housing preservation projects because non-profit developers often must move quickly to purchase buildings in the private market. Instead MOHCD places long-term affordability restrictions on the property, and for some projects has agreed to purchase options with the non-profit to provide the City with the right of first refusal in the event the property should be sold at a future date. The City and ECS have agreed to a purchase option agreement for 1000 Sutter, providing the City with an option and right of first refusal to acquire the property upon any proposed transfer. The purchase option agreement is final and ready for signature.

If ECS could no longer operate the site and the City were to exercise its option to purchase, the City would have to pay fair market value of the property. The City would receive credit for any outstanding balance of the MOHCD loan as part of the negotiation with the seller on the price. MOHCD staff report that the appraised value of a property with affordability restrictions is normally less than the principal amount of the MOHCD loan. City purchase of the property would require approval by the Board of Supervisors.

FISCAL IMPACT

Total Development Costs

The total acquisition and rehabilitation cost for the 214 units of housing is $113.5 million, as shown in Exhibit 1 below. Of the $113.5 million, $71.1 million (63%) are City funds and $42.3 million (37%) are State funds from the Homekey Grant. The proposed City loan is funded by Proposition C Homelessness Gross Receipts Tax Revenues ($63.1 million) and the General Fund ($10 million).

Exhibit 1: Total Development Sources and Uses of Funds

Financing Sources	Nov 2020 File 20-1268	July 2024 File 24-0730	Change
Homekey Grant	42,344,020	42,344,020	0
City Loan	31,678,041	71,125,575	39,447,534
Total Sources	**74,022,061**	**113,469,595**	**39,447,534**
Financing Uses			
Acquisition	46,000,000	47,461,813	1,461,813
Construction	18,717,610	53,651,042	34,933,432
Soft Costs	4,252,157	10,318,401	6,066,244
Reserves	2,000,000	1,028,339	(971,661)
Developer Fees	1,500,000	1,000,000	(500,000)
Contingency	1,552,294	0	(1,552,294)
Total Uses	**74,022,061**	**113,459,595**	**39,437,534**

Source: HSH and MOHCD

Note: The amounts for the City Loan include interim financing provided by the Housing Accelerator Fund. MOHCD provided an acquisition loan of up to $10 million in October 2020 which is now being proposed to increase to $71,125,575 to pay down interim financing and complete rehabilitation work.

As shown above, the total cost to acquire and rehabilitate 1000 Sutter increased from $74 million at the time the Board of Supervisors approved the Homekey grant in 2020 to $113.5 million. The primary driver of the increase is the additional construction and soft costs for rehabilitation work described above. Acquisition costs increased by $1.5 million in the project budget to account for transfer taxes and legal fees, offset by reduced budgets for project reserves, developer fees, and development contingencies.

Unit Costs

Total development costs are $113.5 million or $530,185 per unit. The City's total subsidy for the housing development costs is $71.1 million, or $332,363 per unit, as shown in Exhibit 2 below.

Exhibit 2: Costs Per Unit and Per Square Foot

Number of Units	214
Total residential area (sq. ft.)	68,540
Development Cost	$113,459,595
Total City subsidy	$71,125,575
Development cost per unit	$530,185
Development cost per sq. ft.	$1,655
City Subsidy per unit	$332,363
City Subsidy per sq. ft.	$961

Source: MOHCD

Total development costs of $530,185 are higher than the $408,67 per unit originally anticipated. However, the City funding per unit ($332,363) is within the range of MOHCD's Small Sites Preservation program guidelines, which recommends funding of $275,000 to $390,000 per unit,

depending on whether the units have bathrooms and how well the project scores on the Small Site criteria for household demographics and location.

Operating Revenues and Expenses

Project revenues consist of tenant rents and rental subsidies from the City's Local Operating Subsidy (LOSP) program, which is sized to cover operating expenses, net of tenant rents. The project does not have any debt to repay, aside from the proposed City loan. However, the project is not expected to generate net income to make payments on the City loan.

POLICY CONSIDERATION

$39.4 Million Increase in City Subsidy

Total costs for acquisition and rehabilitation are $39.4 million greater than what was estimated in November 2020 when the Board of Supervisors approved the Standard Agreement for Homekey funding. The $39.4 million could have been used to construct, acquire, or rehabilitate an estimated 40-160 permanent supportive housing units. The extensive rehabilitation work has delayed full lease by at least three years.

The proposed increase in City funding is pay for rehabilitation work that was not originally anticipated. There was minimal due diligence prior to acquisition to meet the short timeline of the acquisition under Homekey, as discussed below. In particular, the City did not complete a full assessment of capital needs for the site until after it had been acquired.

We recommend approval because the rehabilitation work is ongoing and interest is accruing to the HAF loan. Failure to approve the proposed loan would put the property at risk of foreclosure and put the housing of residents in jeopardy.

Due Diligence for Property Transactions

According to MOHCD staff, the project had less due diligence than what is typical for City funded affordable housing projects due to the short timeline of the acquisition under Homekey.[3] Public Works could not assist with the due diligence within Homekey deadlines.

To improve the due diligence process, in February 2022, HSH entered into a contract with the San Francisco Housing Accelerator Fund to provide affordable housing consultants with experience in overseeing occupied residential rehabilitations and the City's multi-unit residential housing to conduct due diligence on all acquisitions.

In addition to MOHCD, HSH and DPH lease and own buildings for residential services. Based on a preliminary review of leasing and acquisition transactions, all three departments have different approaches to due diligence. Given the $300 million general obligation bond for affordable housing approved by voters in March 2024 and the pending request to voters for $50 million in

[3] The 2020 Homekey Round 1 Notice of Funding Availability was issued on July 16, 2020 and accepted applications on a rolling basis. The expenditure deadline was December 30, 2020.

general obligation bonds proceeds for homeless shelters, we believe the City would benefit from a uniform and enhanced due diligence process for property transactions. There do not appear to be consistent parameters on property inspection scope, including on building code compliance, mechanical/electrical/plumbing systems, structural and seismic assessments, hazardous materials, space planning, and capital need cost estimation. Additional funding should be considered so that the in-house expertise of Public Works and Building Inspection, as well as any necessary consultants, can be made available within the short timeframes required for property transactions.

Use of Interim Financing for Rehabilitation

Because the process of purchasing a building needs to move quickly due to market conditions, many affordable housing preservation projects utilize interim private financing to close on a project before permanent City funding is available. The Housing Accelerator Fund is the most common lender for City acquisition and preservation projects and provides bridge financing to this and other preservation projects. This model assisted with meeting the deadlines of the Homekey grant. The City repays interim loans typically after rehabilitation work has been completed. If the loan exceeds $10 million, the City's permanent loan must be approved by the Affordable Housing Loan Committee and the Board of Supervisors.[4]

MOHCD's commitment to repay the initial and amended HAF loans did not require Board of Supervisors' approval because doing so was conditioned on project completion. Historically, the HAF has assisted mostly with acquisitions of small sites, often with loans that fall below the $10 million threshold for Board of Supervisors' approval. However, the City is now funding preservation projects for larger sites that cost more.

Private interim financing has benefits and costs. This project has incurred $2.4 million in interest costs on the HAF loan. However, because the construction work has not been funded by the City, it has not been subject to City procurement regulations that add to project costs, according to MOHCD staff.

The Board of Supervisors could consider amending Chapter 120 of the Administrative Code to place limits on commitments to repay bridge financing prior to Board of Supervisors' approval, such as specifying that soft commitments of City funding in excess of a certain threshold require Board of Supervisors' approval and/or that interim financing may be used to fund acquisition and predevelopment for larger preservation projects, but not for rehabilitation, to provide for review by the Board of Supervisors earlier in the process and ensure that rehabilitation adheres to City procurement processes for larger projects.

RECOMMENDATION

Approve the proposed resolution.

[4] Chapter 120 of the City's Administrative Code delegates the authority to approve loans and grants that do not exceed $10 million for multifamily housing development and acquisition programs to the MOHCD Director.

Items 9 & 10 Files 24-0472, 24-0625	Department: Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolutions would approve the following San Francisco Public Utilities Commission (SFPUC) contract amendments for the New Headworks Facility project: (1) Amendment No. 3 to the planning and engineering contract with Carollo Engineering, Inc., increasing the amount by $3,000,000, for a total not to exceed $57,500,000, with no change to the contract term (File 24-0472); and (2) Amendment No. 3 to the construction management staff augmentation services contract with HDR Engineering Inc., increasing the amount by $4,680,626, for a total not to exceed $31,680,626, and extending the term by one year through December 14, 2025 (File 24-0625).

Key Points

- SFPUC's New Headworks Facility project will consolidate two existing headworks facilities, modify the pump station, and construct a new odor control structure at the Southeast Treatment Plant. To support the New Headworks Project, SFPUC awarded a planning and engineering services contract with Carollo Engineering in 2014 and a construction management staff augmentation services contract with HDR Engineering in 2017. Each contract was awarded through a competitive process and has been amended twice. Due to the extended project schedule and need for additional services, SFPUC has negotiated contract amendments with Carollo Engineering and HDR Engineering.
- The increases to the Carollo contract are largely due to construction resequencing efforts related to the complexity of the New Headworks Facility project, new process control software that had to be customized to SFPUC's specifications, seismic retrofitting needs for old concrete that was in worse condition than anticipated, and supply chain issues. The increases to the HDR contract are largely due to the extension of the overall project timeline, value engineering changes to the project scope to rehabilitate the existing lift station and relocate the odor control structure, and use of portable generators for testing due to delays in power delivery to the site.

Fiscal Impact

- The proposed contract amendments would increase the not-to-exceed amounts of the Carollo contract by $3,000,000, for a total not to exceed $57,500,000, and the HDR contract by $4,680,626, for a total not to exceed $31,680,626. The total increased cost to SFPUC between the two contracts is $7,680,626. The contracts are funded by the SFPUC Wastewater Capital Budget.

Recommendation

- Approve the proposed resolutions.

MANDATE STATEMENT

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

BACKGROUND

The San Francisco Public Utilities Commission's (SFPUC) Sewer System Improvement Project (SSIP) is a 20-year citywide investment to upgrade aging wastewater infrastructure. SSIP Phase 1 is comprised of 70 projects totaling approximately $4.7 billion. SSIP Phase 1 includes several facilities upgrades at the Southeast Treatment Plant, including the replacement of the headworks facilities, which is the first step in the wastewater treatment process, removing debris from wastewater. The New Headworks Facility project will consolidate two existing headworks facilities, modify the pump station, and construct a new odor control structure. The project is intended to improve treatment process efficiency and resilience against earthquakes and sea level rise.

To support the New Headworks Project, SFPUC awarded a planning and engineering services contract with Carollo Engineering in 2014 and a construction management staff augmentation services contract with HDR Engineering in 2017. Each contract was awarded through a competitive process and has been amended twice, as shown in Exhibit 1 below.

Exhibit 1: Previous Contract Amendments

Carollo Engineering (File 24-0472)

Amendment	Approval	Description
Original Contract	Board of Supervisors (File 14-1151), November 2014	Amount not to exceed $14,000,000 and term of 6 years through November 2020
1	Board of Supervisors (File 16-1185), December 2016	Increased not-to-exceed amount to $33,500,000 and extended term through December 19, 2023
2	Board of Supervisors (File 20-0564), July 2020	Increased not-to-exceed amount to $54,500,000 and extended term through November 2025

HDR Engineering (File 24-0625)

Amendment	Approval	Description
Original Contract	Board of Supervisors (File 17-0343), May 2017	Amount not to exceed $17,000,000 and term of 6 years through June 14, 2023
1	Board of Supervisors (File 20-0934), March 2021	Increased not-to-exceed amount to $27,000,000 and extended term through June 14, 2024
2	SFPUC General Manager, May 2024	Extended term through December 14, 2024, with no change to not-to-exceed amount

According to the March 2024 SSIP Quarterly Report, the forecasted Headworks Facility Project budget is $716.7 million, which exceeds the approved budget of $689.0 million due to scope changes and project delays discussed below. SFPUC staff anticipates that the project will be substantially complete by December 31, 2024 and finally complete by May 31, 2025. Due to the

extended project schedule and need for additional services, SFPUC has negotiated contract amendments with Carollo Engineering and HDR Engineering.

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would approve the following contract amendments for the New Headworks Facility project: (1) Amendment No. 3 to the planning and engineering contract with Carollo Engineering, Inc., increasing the amount by $3,000,000, for a total not to exceed $57,500,000, with no change to the contract term (File 24-0472); and (2) Amendment No. 3 to the construction management staff augmentation services contract with HDR Engineering Inc., increasing the amount by $4,680,626, for a total not to exceed $31,680,626, and extending the term by one year through December 14, 2025 (File 24-0625).

According to SFPUC staff, the increases to the Carollo contract are largely due to construction resequencing efforts related to the complexity of the New Headworks Facility project. For example, SFPUC had to amend designs to allow for access in certain areas, which is challenging because the treatment plant remains operational during construction. Additionally, costs increased due to new process control software that had to be customized to SFPUC's specifications, seismic retrofitting needs for old concrete that was in worse condition than anticipated, and supply chain issues that required evaluations of alternative parts and suppliers.

The increases to the HDR contract are largely due to the extension of the overall project timeline, value engineering changes to the project scope to rehabilitate the existing lift station and relocate the odor control structure, and use of portable generators for testing due to delays in power delivery to the site. According to Jim Wang, SFPUC Project Construction Manager, the project timeline requires power delivery to the site by July 2024 to meet substantial completion by December 2024. The proposed amendments do not change the scopes of services of the contracts.

Contract Monitoring

According to Jeremy Spitz, SFPUC Local and Regional Policy and Government Affairs Manager, the contractors submit monthly reports that include budget status and updates on tasks completed and meetings held. SFPUC staff reviews monthly timesheets and completes an annual performance evaluation. The most recent performance evaluations gave Carollo an overall score of "Good" for the period of November 2022 through December 2023 and HDR an overall score of "Excellent" for the period of July 2022 through June 2023.

Community Benefits Commitments

The original contracts required Carollo and HDR to provide community benefits. Carollo has committed to provide at least $239,200 in direct financial commitments and $304,000 in volunteer commitments, for a total commitment of $543,200. HDR has committed to direct financial contributions, volunteer hours, and in-kind contributions for a total value of approximately $288,500. According to SFPUC's Social Impact Partnership dashboard, Carollo has fully met its commitment and HDR has met 85 percent of its commitment. HDR has confirmed that it will meet its commitments by December 31, 2024. The proposed contract amendments do not increase the commitments.

FISCAL IMPACT

The proposed contract amendments would increase the not-to-exceed amounts of the Carollo contract by $3,000,000, for a total not to exceed $57,500,000, and the HDR contract by $4,680,626, for a total not to exceed $31,680,626. The total increased cost to SFPUC between the two contracts is $7,680,626.

Actual and projected expenditures for the Carollo contract are shown in Exhibit 2 below. The proposed increase of $3.0 million will increase the budget for "Engineering Support During Construction, Start-Up and Closeout" (Task 15) from $19,325,176 to $22,325,176, an increase of 15.5 percent.

Exhibit 2: Actual and Projected Expenditures of Carollo Contract

Expenditures	Amount
Actual Expenditures (through March 2024)	$53,390,964
Projected Expenditures	
Engineering Support During Bid and Award	40,441
Engineering Support During Construction, Start-Up and Closeout	2,754,408
Training and Technology Transfer	15,000
Assistance during BFS Improvements and Engineering Support During Bid and Award	75,819
Influent Pumping/Odor/Actuators Redesign	955,387
Other Direct Costs and Subconsultant Markup	267,981
Subtotal – Projected Expenditures	*$4,109,036*
Total Not-to-Exceed	**$57,500,000**

Source: SFPUC

Actual and projected expenditures for the HDR contract are shown in Exhibit 3 below. The proposed increase of $4,680,626 (17.6 percent) would fund projected expenditures as the existing contract of $27.0 million is fully expended as of June 2024. The proposed increase primarily funds increase for construction contract administration ($1.9 million), construction inspections ($1.2 million), and construction contract administration during closeout ($0.7 million) associated with project delays and scope changes.

Exhibit 3: Actual and Projected Expenditures of HDR Contract

Expenditures	Amount
Actual Expenditures (through June 2024, Rounded)	$27,000,000
Projected Expenditures	
Construction Contract Administration	1,917,912
Construction Contract Administration During Closeout	719,293
Construction Inspection	1,194,521
Construction Contract Management	512,460
Construction Project Controls	254,398
Subcontractor Markup	82,042
Subtotal – Projected Expenditures	*$4,680,626*
Total Not-to-Exceed (Rounded)	**$31,680,626**

Source: SFPUC

The contracts are funded by the SFPUC Wastewater Capital Budget.

RECOMMENDATION

Approve the proposed resolutions.

Items 12-14 Files 24-0632, 24-0633, 24-0634	Department: Homelessness & Supportive Housing (HSH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinances would: (a) approve amendments to three hotel booking agreements, including agreements with the owners of the Adante Hotel (File 24-0633), the Cova Hotel (File 24-0632), and The Monarch (File 24-0634), extending the terms by seven months through March 31, 2025 and increasing the not to exceed amounts.

Key Points

- The Department of Homelessness & Supportive Housing (HSH) is using three hotels as non-congregate shelters. These sites serve adults experiencing homelessness regardless of COVID-19 vulnerability. There are 288 units across all three sites. The proposed ordinances are extending the booking agreements by seven months because the Real Estate Division is still negotiating leases with the hotel owners for long-term use. The negotiations are taking longer than expected in part due to a decrease in commercial rents since the pandemic.
- HSH has separate grant agreements with service providers for programming at the sites. Following program monitoring in FY 2022-23, all three providers required corrective action plans to improve services, including case management, well checks, and administering client satisfaction surveys. The Department plans to continue to use the same service providers during the proposed extension.

Fiscal Impact

- The proposed ordinances would increase the not to exceed amounts by $2.4 million (Adante), $1.7 million (Cova), and $2.5 million (Monarch), all funded by the General Fund.
- The room rates are increasing in the proposed agreements by ten percent at the Adante and Monarch (from $70 to $77.02 per night) and by three percent at the Cova (from $73 to $74.97 per night). In addition, food service at the Adante and Monarch are increasing by 20 percent (from $25 to $30 per night). These costs are higher than market rent for studios and higher than City costs for food service.
- We recommend approval of these ordinances because they provide a short-term extension of shelter while the City negotiates longer-term leases with the property owners.

Recommendations

- Amend the proposed ordinances to correctly state the increase in the not to exceed amounts: (a) in File 24-0632, delete $3,414,393 and replace with $1,728,190; (b) in File 23-0633, delete $3,985,432 and replace with $2,371,068, and (c) in File 24-0634, delete $4,189,900 and replace with $2,533,540.
- Approve the ordinances, as amended.

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

Hotels Used as Non-Congregate Shelter

The Department of Homelessness & Supportive Housing (HSH) is using three hotels that were previously Shelter in Place Hotels as non-congregate shelters, including the Monarch (100 rooms), the Cova Hotel (95 rooms), and the Adante Hotel (93 rooms). These sites serve adults experiencing homelessness regardless of COVID-19 vulnerability. There are 288 units across all three sites, which have served 884 unique guests, as shown in Exhibit 1 below. HSH staff report that units are filled through the City's centralized shelter placement process. According to HSH staff, 96 percent of the rooms were occupied as of June 2024.

Exhibit 1: Three Hotels Used as Non-Congregate Shelter

	Adante Hotel	Cova Hotel	The Monarch	Total
Address	610 Geary Street	655 Ellis Street	1015 Geary Street	
Date Opened as Non-Congregate Shelter	3/7/22	12/27/21	9/26/22	
Number of Rooms	93 rooms	95 rooms	100 rooms	288 rooms
Unique Guests Served (as of May 31, 2024)	375 guests	306 guests	203 guests	884 guests
Current Use (units)	87 shelter units; 6 operations units	91 shelter units; 4 operations units	95 shelter units; 5 operations units	273 shelters; 15 operations
Occupancy (as of June 2024)	97%	95%	95%	96%
Hotel Operator	Sayana Corporation	Shin International, Inc.	Lombard Hotel Group	
Service Provider	Five Keys Schools and Programs	Episcopal Community Services	WeHope	

Source: HSH

Hotel Booking Agreements for Three Hotels

The Human Services Agency (HSA) entered into the original booking agreements with the three hotels between May and July 2020 and subsequently amended the agreements twice to extend the term and increase the not-to-exceed amounts. In July 2022, the Board of Supervisors approved the third amendment to the hotel booking agreements for the Cova Hotel, the Adante Hotel, and the Monarch, extending the terms through August 31, 2023 and increasing the not-to-exceed amounts (File 22-0703). HSA subsequently entered into the fourth amendment for the

Cova Hotel to add a surcharge of $2.83 per room per night to be paid from the contingency beginning September 1, 2022 with no change to the not to exceed amount or term. In July 2023, the Board of Supervisors approved ordinances extending the booking agreements through August 2024 (Files 23-0761, 23-0762, 23-0763).

DETAILS OF PROPOSED LEGISLATION

The proposed ordinances would: (a) approve amendments to three hotel booking agreements, including agreements with the owners of the Adante Hotel (File 24-0633), the Cova Hotel (File 24-0632), and The Monarch (File 24-0634), extending the terms by seven months through March 31, 2025 and increasing the not to exceed amounts; and (b) waive certain requirements of the Administrative and Environment Codes for the agreements.

All three proposed ordinances misstate the amounts by which the agreements are increasing and should be amended to be consistent with Exhibit 2 below.

Details for the proposed amendments to the booking agreements are shown in Exhibit 2 below.

Exhibit 2: Proposed Amendments to Three Hotel Booking Agreements

	Adante Hotel (5th Amendment, File 24-0633)	Cova Hotel (6th Amendment, File 24-0632)	The Monarch (5th Amendment, File 24-0634)
Address	610 Geary Street	655 Ellis Street	1015 Geary Street
Number of Rooms	93 rooms	95 rooms	100 rooms
Term Begin Date	5/14/2020	5/26/2020	8/4/2020
Current End Date	8/31/2024	8/31/2024	8/31/2024
Proposed End Date	3/31/2025	3/31/2025	3/31/2025
Current Not to Exceed Amount	$18,499,439	$14,304,253	$19,127,760
Proposed Not to Exceed Amount	$20,870,507	$16,032,443	$21,661,300
Change in Term Length	Seven months	Seven months	Seven months
Change in Not to Exceed Amount	$2,371,068	$1,728,190	$2,533,540

Source: Proposed amended agreements

Exemptions from the Administrative Code and the Environment Code

Under the proposed ordinances, the hotel booking agreements would continue to be exempt from the following requirements of the Administrative, Environment Codes, and Labor & Employment Codes:

- Salary History Ordinance (Labor & Employment Article 141)
- Minimum Compensation Ordinance (Labor & Employment Article 111)
- Consideration of Criminal History in Hiring and Employment Decisions (Labor & Employment Article 142)

- Consideration of Criminal History in Hiring and Employment Decisions (Admin. Code Chapter 12T)
- Slavery Era Disclosure Ordinance (Admin. Code Chapter 12Y)
- Local Business Enterprise and Non-Discrimination in Contracting Ordinance (Admin. Code Chapter 14B)
- First Source Hiring Program (Admin. Code Chapter 83)
- Sugar-Sweetened Beverage Funding Ban Ordinance (Admin. Code Chapter 101)
- Tropical Hardwood and Virgin Redwood Ban (Environ. Code Chapter 8)
- Arsenic and Treated Wood Products (Environ. Code Chapter 13)
- Food Service and Packaging Waste Reduction Ordinance (Environ. Code Chapter 16)
- Bottled Water Ordinance (Environ. Code Chapter 24)

Long Term Shelter Plan

HSH issued a Request for Information in February 2024 to identify properties available for long-term use as non-congregate shelters. The proposed ordinances are extending the booking agreements by seven months because the Real Estate Division is still negotiating leases with the hotel owners for long-term use. The negotiations are taking longer than expected in part due to a decrease in commercial rents since the pandemic.

According to HSH staff, the Department is transitioning from a booking agreement to a lease in order to reduce costs. For example, standard City leases include pre-negotiated rent escalations, maintenance cost sharing, and insurance requirements.

Service Providers

As indicated in Exhibit 1, HSH has separate grant agreements with service providers for programming at the sites. HSH completed program monitoring in FY 2022-23 and all three providers required correction action plans to improve services, including case management, well checks, and administering client satisfaction surveys. HSH reports it conducted mid-year informal site visits in January 2024 to check on progress and FY 2023-24 program monitoring is scheduled for July 2024 for all three programs. The Department plans to continue to use the same service providers during the proposed extension.

None of the providers had unresolved findings from their FY 2022-23 fiscal and compliance monitoring.

FISCAL IMPACT

The proposed ordinances would increase the not to exceed amounts by $2.4 million (Adante), $1.7 million (Cova), and $2.5 million (Monarch) as shown in Exhibit 2 above. The contract not to exceed amounts include a 15 percent contingency for reimbursable expenses above the monthly room rate. The contingency amount is for use at the City's discretion and is primarily intended for repair costs at contract close-out. According to the agreements, the City may be responsible for all repair costs associated with restoring the hotel to its previous condition, even if they exceed the contingency amount.

The proposed booking agreement extensions are funded by the General Fund.

Cost Per Room is Increasing

In FY 2023-24, the total budgeted costs per unit per night for the hotels (including property rental costs, programming, food, and security) ranges from $187 for the Monarch up to $238 for the Cova Hotel, as shown in Exhibit 3 below.

Exhibit 3: Total Cost Per Unit, FY 2023-24 (Current Agreement)

Site (shelter units)	Booking Agreement (excl. meals)	Meals*	Service Agreement	Total	Unit/Night
Adante (93 units)	$2,545,875	$1,018,350	$4,188,697	$7,752,922	$228
Cova (95 units)	$2,538,210	$954,840	$4,772,100	$8,265,150	$238
Monarch (100 units)	$2,745,000	$1,098,000	$2,966,736	$6,809,736	$187

Source: HSH

*Meals at the Adante Hotel and The Monarch are provided through the hotel booking agreement, and meals at the Cova Hotel are provided by a separate agreement.

The per unit cost for The Monarch is lower than for the other two hotels because of lower service agreement costs. According to HSH staff, this is due to lower salaries and fewer program monitor staff compared to the other two hotels.

However, the room rates are increasing in the proposed agreements by ten percent at the Adante and Monarch (from $70 to $77.02 per night) and by three percent at the Cova (from $73 to $74.97 per night). According to HSH, the Adante and Monarch rates are increasing by ten percent to cover increased operating costs at those hotels and to cover taxes, which are paid by the City but not included in the rates. The costs – approximately $2,250 - $2,310 per month per room – are higher than market rent for studio apartments.

In addition, food service at the Adante and Monarch are increasing by 20 percent (from $25 to $30 per night). This is more than the Department's Meals on Wheels grant agreement rates, which are $8 per hot meal and $7.15 per frozen meal, or $21.45 - $24 per day in FY 2024-25 (File 24-0442).

However, because service costs are the largest component of this non-congregate shelter program and HSH service agreements typically escalate by three to four percent per year, we estimate the total cost per unit per night will similarly increase by two to four percent, detailed below.

Exhibit 4: Total Cost Per Unit, Proposed Agreement

FY 2024-25 Total Cost Per Unit	Booking	Meals	Service	Total	Unit/Night	Change from Current Agmt.
Adante (93 units)	$1,511,363	$588,690	$2,516,709	$4,616,762	$235	3%
Cova (95 units)	$1,502,774	$579,270	$2,867,237	$4,949,280	$247	4%
Monarch (100 units)	$1,625,122	$633,000	$1,782,514	$4,040,636	$191	2%

Source: BLA estimate

Actual Spending

As of April 2024, all three booking agreements had spent between 87 and 90 percent of the existing contract budgets.

RECOMMENDATIONS

1. Amend the proposed ordinances to correctly state the increase in the not to exceed amounts: (a) in File 24-0632, delete $3,414,393 and replace with $1,728,190; (b) in File 23-0633, delete $3,985,432 and replace with $2,371,068, and (c) in File 24-0634, delete $4,189,900 and replace with $2,533,540.
2. Approve the ordinances, as amended.

Item 15 & 16 Files 24-0410 & 24-0681	Department: Office of Economic and Workforce Development (OEWD)

EXECUTIVE SUMMARY

Legislative Objectives

- **File 24-0410** is an ordinance that would approve a development agreement between the City and Brookfield Properties' affiliates—Stonestown NW Parcel LLC, Stonestown Shopping Center, L.P., and Stonestown Anchor Acquisition, L.P.—for the Stonestown Project.
- **File 24-0681** is a resolution of intention to establish San Francisco Enhanced Infrastructure Financing District No. 2 (Stonestown) to finance public infrastructure and affordable housing for the Stonestown Project.

Key Points

- Brookfield Properties is the property owner and master developer of the Stonestown Development project, which will redevelop the surface parking lots surrounding the Stonestown Galleria shopping mall into a residential community with commercial uses.
- Under the development agreement, the developer would provide up to 698 units of affordable housing (20 percent), six acres of publicly accessible open space, street improvements, childcare facilities, a replacement senior center, and other benefits.
- The resolution of intention to form the EIFD provides that incremental property tax revenue generated within the EIFD may be used to finance public infrastructure and affordable housing subject to establishment of the EIFD by the public financing authority and approval of the infrastructure financing plan by the Board of Supervisors.

Fiscal Impact

- The EIFD diverts a portion of incremental property tax revenue that would otherwise accrue to the General Fund. Per City policy, the Developer could receive up to 50 percent of available tax increment revenues from the EIFD for reimbursement of eligible costs.

Policy Consideration

- Because the proposed ordinance and resolution are consistent with City policy to use tax increment financing to advance housing production and prior Board of Supervisors' actions, including approval of the Power Station EIFD and amended Power Station development agreement, we recommend approval. However, even with this public financing, the project is not financially feasible under current market conditions, which will likely change over the term of the development agreement.

Recommendations

- Amend the resolution in File 24-0410 to state that City policy is to restrict the property tax revenue that is allocated to the Stonestown Enhanced Infrastructure Financing District to no more than 50 percent of incremental revenue.
- Approve the proposed ordinance and resolution, as amended.

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 Chapter 56 provides for the City to enter into development agreements with private developers for housing and mixed-use developments to reduce risk for the developer while requiring public benefits that exceed existing requirements. Section 56.14 provides for Board of Supervisors approval of such development agreements.

California Government Code Section 53398.50 et seq. authorizes the Board of Supervisors to initiate the establishment of an enhanced infrastructure financing district (EIFD) and approve an infrastructure financing plan that allocates tax revenues to the EIFD. While the Board of Supervisors directly serves as the governing body for the City's IFDs and IRFDs, under state law, the Board of Supervisors must establish a public financing authority to act as legislative body of EIFDs.

BACKGROUND

Stonestown Development Project

Brookfield Properties is the property owner and master developer of the Stonestown Development project, which will redevelop the area surrounding the Stonestown Galleria shopping mall into a residential community with commercial uses. The 30-acre project site currently consists of 27 acres of surface parking lots and three acres of privately-owned streets that are accessible to the public. The site is located in the Lakeshore neighborhood, immediately northeast of San Francisco State University.

The existing Stonestown Galleria will remain operational during development. At completion, the project will generate up to 3,491 residential units (20 percent of which will be affordable housing units), 160,000 square feet of new retail, restaurant, or similar commercial use, 96,000 square feet of office, life-science, or other commercial non-retail use, up to 63,000 square feet of cultural, institutional, or educational uses, up to 4,861 parking spaces, and six acres of new public open space that will be privately owned.

DETAILS OF PROPOSED LEGISLATION

File 24-0410 is an ordinance that would approve a development agreement between the City and Brookfield Properties' affiliates—Stonestown NW Parcel LLC, Stonestown Shopping Center, L.P., and Stonestown Anchor Acquisition, L.P.—for the Stonestown Development Project. The ordinance would also waive certain provisions of the Administrative Code, Planning Code, Subdivision Code, Public Works Code and Campaign and Governmental Conduct Code and make: (a) findings of public convenience, necessity, and welfare under Planning Code Section 302; (b)

findings under the California Environmental Quality; and (c) findings of conformity with the General Plan and priority policies of the Planning Code.

File 24-0681 is a resolution of intention to establish San Francisco Enhanced Infrastructure Financing District No. 2 (Stonestown) to finance public infrastructure and affordable housing for the Stonestown Project.

In addition to this legislation, the Office of Economic and Workforce Development (OEWD) is concurrently seeking Board of Supervisors' approval of General Plan amendments (File 24-0575) and amendments to the Planning Code and Zoning Map (File 24-0409) to facilitate the project.

Development Agreement (File 24-0410)

The proposed Development Agreement between the City and the developer (Brookfield Properties) grants the master developer entitlement to develop the project in exchange for providing public benefits that exceed those required under existing City policies and regulations, consistent with Chapter 56 of the City's Administrative Code. According to the proposed agreement, these benefits include: (a) conversion of parking lots into new market rate and affordable housing; (b) six acres of publicly accessible open space; (c) street and infrastructure improvements; (d) transportation demand management measures in excess of requirements; (e) childcare facilities; (f) a replacement senior center; (g) workforce obligations; and (h) a cash contribution of $1.0 million to the Recreation and Parks Department for improvements to nearby Rolph Nicol Jr. Playground.

The proposed Development Agreement has an initial 25-year term and two five-year options to extend. The agreement "runs with the land" and transfers to new parties if Brookfield Properties sells the land in the future. The agreement includes a Housing Plan, an Infrastructure Plan, a Phasing Plan, Design Standards and Guidelines, a Workforce Agreement, a Financing Plan, Street Vacations and Dedications, a Child Care Facility and Senior Center Plan, a Variant Sub-Area Joinder[1], as well as other plans and exhibits to specify and facilitate development of the project and community benefits. The Financing Plan, Housing Plan, Child Care Facility and Senior Center Plan, and Phasing Plan are described further below.

Financing Plan (Exhibit N)

The proposed Financing Plan specifies the terms for formation of a Community Facilities District (CFD) to levy special taxes and an Enhanced Infrastructure Financing District (EIFD) to use tax increment financing for the project. Per City policy, the Developer could receive up to 50 percent of available tax increment revenues and vehicle license fees from the EIFD to reimburse eligible costs. The establishment of the CFD is subject to Board of Supervisors' approval. Through a resolution of intention to establish the EIFD (described below), the Board of Supervisors will

[1] The Development Agreement allows for an adjacent, 0.8-acre parcel currently owned by Temple Baptist Church (referred to as the "variant sub-area") to be added to the project area under the agreement if the owner executes a joinder to the agreement.

initiate establishment of the EIFD. Issuance of CFD bonds and EIFD bonds will be subject to Board of Supervisors' approval.

Housing Plan (Exhibit B)

The proposed Housing Plan specifies the Developer's obligation to provide affordable housing. At least 20 percent of all residential units must be affordable, including inclusionary units of at least five percent of all residential units. The Developer may satisfy this obligation through a combination of the following options: (a) conveying up to three parcels to the Mayor's Office of Housing and Community Development (MOHCD) or an affordable housing developer for development of 100 percent affordable housing projects; (b) constructing on-site inclusionary housing units within market-rate housing projects; or (c) paying an in-lieu fee for up to 390 units. MOHCD will prioritize use of any in-lieu fee for the creation of affordable housing at a nearby educator housing project proposed by San Francisco State University (Educator Village)[2] and then for 100 percent affordable units on-site or within two miles of the project site. The Housing Plan establishes interim milestones that the Developer must meet for the percentage of affordable units and inclusionary units based on the number of residential units receiving temporary certificates of occupancy.

Child Care Facility & Senior Center Plan (Exhibit Q)

The Developer must provide either one or two new childcare facilities onsite for a total capacity of 100 children (across both sites, if applicable). The developer must deliver the facility/facilities in "cold shell" condition. The Developer must lease each facility to a provider at no charge for rent for the first five years of operation and 75 percent of prevailing market rent or less thereafter. If the facilities remain vacant for more than two years despite commercially reasonable efforts to lease the sites, the Developer may pay a fee to the City to be released from the obligation to lease the sites to childcare providers.

The developer will demolish the Stonestown YMCA annex building located on the project site and must provide a replacement senior center with at least 7,000 square feet of net leasable area and deliver the facility in "warm shell" condition. The Developer must lease the space to a senior center entity for the life of the project for nominal rent ($1). If the facility remains vacant for 12 months despite leasing efforts, the Developer must offer the lease to the City for the same terms for senior community facilities use or similar community uses. A Notice of Special Restrictions must be executed to dedicate the space for senior community facilities use.

Phasing Plan (Exhibit F)

The proposed Phasing Plan ensures that the Developer delivers community benefits proportionately with market-rate housing and commercial uses by project phase.

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[2] Educator Village is a proposed project to be built on land that is owned by the California State University and is currently used as an overflow parking lot. According to the Housing Plan, the first phase of the project will include 250 units to be rented to faculty and staff of San Francisco State University, San Francisco Unified School District, and City College of San Francisco with household income between 40% and 120% of area median income.

The project will be developed in six phases according to the proposed phasing map in Exhibit 1 below. The linkages schedule, provided in Attachment 1, specifies delivery of open space, street improvements, the childcare facilities, replacement senior center, cash contribution for improvements to Rolph Nicol Jr. Playground, and Emergency Firefighting In-Lieu Fee[3] based on completion of certain market-rate and commercial elements.

[3] The Developer must make a cash contribution totaling $2,690,000 to the Fire Department to buy emergency firefighting equipment for a portable water supply system. The Fire Department determined that a portable water supply system is needed (per San Francisco Subdivision Regulations) due to the distance from the site to the closest connection to the City's auxiliary water supply system.

Exhibit 1: Proposed Project Phasing Map

Source: Exhibit F, Proposed Development Agreement

Impact Fees

The proposed Development Agreement makes the following adjustments to otherwise applicable impact fees:

- The **Transportation Sustainability Fee** is temporarily reduced by 33 percent for buildings that receive first approval by November 1, 2026 and a First Construction Document within 30 months after that date. The project would be eligible for this fee deferral without a development agreement.
- **Affordable Housing In-Lieu Fee** and **Jobs Housing Linkage Program Fee** are replaced by affordable housing requirements under the Housing Plan (described above).
- **Child Care** requirements are replaced by childcare facility requirements under the Child Care Facility and Senior Center Plan, which does not allow the Developer to pay a fee in-lieu of the onsite requirement.

Reimbursement of City Costs

Per the terms of a Memorandum of Understanding between OEWD and the Developer, the Developer will reimburse OEWD for costs associated with preparing, negotiating, and adopting documents for the Project.

Stonestown EIFD (File 24-0681)

As mentioned above, the proposed resolution is a resolution of intention to establish San Francisco Enhanced Infrastructure Financing District No. 2 (Stonestown). The proposed resolution would designate the EIFD Public Financing Authority No. 1 (the "PFA"), previously established by the Board of Supervisors, to act as the governing body of the Stonestown EIFD.[4] At the July 10, 2024 meeting, the Budget & Finance Committee will also consider an ordinance that would allow the PFA to serve as the governing body of multiple EIFDs (File 24-0638). The PFA would establish the Stonestown EIFD and initiate preparation of the infrastructure financing plan (the "IFP"), which would be subject to Board of Supervisors' approval and would specify the eligible project costs which could be reimbursed from incremental property tax revenue generated by the project areas within the EIFD.

The EIFD boundaries would include the developer-owned property and City-owned rights of way but would not include the Stonestown Galleria shopping mall. The EIFD will be divided into three project areas at formation, but after subdividing the parcels, the EIFD will be divided into nine project areas. Each project area within the EIFD can have a different start date and extend for 45 years from the start date. Each project area can generate property tax increment and debt can be issued against the property tax increment at different times. The infrastructure financing plan

[4] The Board of Supervisors passed an ordinance to establish the EIFD Public Financing Authority No. 1 as the governing body of the EIFD No. 1 (Power Station) (File 23-0160) in April 2023 and approved the appointments in June 2023 (File 23-0698, 23-0699, 23-0700). The public financing authority consists of three members of the Board of Supervisors (plus an alternate member of the Board of Supervisors that can serve in place of one of the three members) and two members of the public to be nominated by the President of the Board of Supervisors and appointed by the Board of Supervisors.

will establish a process for the public financing authority to amend the EIFD boundaries and project areas without further approval by the Board of Supervisors.

Facilities to be Financed

According to Exhibit A attached to the resolution of intention to form the EIFD, at formation, the EIFD will be authorized to finance all or a portion of the costs to construct, rehabilitate, replace, or maintain the public capital facilities or "other projects of communitywide significance" as permitted under State EIFD law and required under the proposed Development Agreement. The facilities may be publicly or privately owned and may be located within or outside the EIFD boundaries, provided facilities located outside the boundaries have a "tangible connection" to the Stonestown EIFD work. Facilities may include but are not limited to the following: (a) infrastructure; (b) public improvements; (c) privately-owned community improvements (excluding project open space); (d) affordable housing; and (e) transportation demand management measures.

Deposit and Reimbursement Agreement

The proposed resolution also approves a deposit and reimbursement agreement between the City and the Developer that allows the Developer to deposit funds to pay for the City's costs for forming and managing the EIFD and any CFDs for the Stonestown Project. The Developer may be reimbursed for these advances from CFD bond proceeds and tax increment from the EIFD for costs associated with the respective districts, provided EIFD formation costs are eligible for reimbursement under the EIFD infrastructure financing plan.

FISCAL IMPACT

Diversion of Incremental Property Tax Revenues to Stonestown EIFD

The resolution of intention to form the EIFD provides that incremental property tax revenue generated within the EIFD may be used to finance public infrastructure and affordable housing subject to establishment of the EIFD by the public financing authority and approval of the infrastructure financing plan by the Board of Supervisors. The EIFD diverts a portion of incremental property tax revenue that would otherwise accrue to the General Fund. However, if the project does not proceed, the area may remain an underused parking lot, which would not generate any additional property tax revenue to the General Fund.

City policy[5] limits the amount of allocated incremental property tax revenue to infrastructure financing districts to no more than 50 percent of the City share and require that the district have a projected positive net fiscal benefit to the General Fund net of baseline allocations and additional spending for services. However, this is not reflected in the proposed resolution to

[5] As stated in Capital Planning Committee's 2/27/23 Interpretative Supplement to the Board of Supervisors Guidelines for the Establishment and Use of Infrastructure Financing Districts. The policy has not been submitted to the Board of Supervisors for endorsement or approval, but is consistent with EIFD and IFP approved by the Board of Supervisors and PFA for Potrero Power Station (Files 23-0168, 23-1274, 24-0139).

begin forming an EIFD for Stonestown. We recommend File 24-0681 be amended to reflect City policy to restrict the maximum incremental property tax revenue that is allocated to the Stonestown EIFD be no more than 50% of the annual incremental property tax revenue.

The actual amount of property tax revenue that will be available for the EIFD will be known when the Infrastructure Financing Plan associated with this development agreement is submitted for Board of Supervisors approval.

Net Fiscal Impact

A draft analysis prepared by Economic & Planning Systems (dated June 6, 2024) indicates that the net General Fund impact of the proposed development at build-out is estimated to be $4.1 million per year, net of baseline funding requirements and net of additional spending on services to support new residents and businesses. The projected impact on the General Fund is subject to change as the analysis is finalized.

Economic Impact

Based on the March 8, 2024 Draft Economic Impact Analysis prepared by Economic & Planning Systems, Inc. for the Developer, development of the project over 25 years would have a one-time economic impact of $3.85 billion in the San Francisco economy by supporting an estimated 20,000 job years in the City, including direct and multiplier effects.[6] At full build out, the analysis estimates a recurring economic impact of $450 million per year by supporting 1,400 jobs annually, including 775 on-site jobs through the new commercial space.

Construction Budget

According to the draft memorandum, total estimated construction costs for the project are $2.89 billion, including approximately $200 million for horizontal construction. Total soft costs are estimated to be $723 million for a total estimated development budget of $3.61 billion.

POLICY CONSIDERATION

Because the proposed resolution and ordinance are consistent with City policy to use tax increment financing to advance housing production and prior Board of Supervisors' actions, including approval of the Power Station EIFD and amended Power Station development agreement, we recommend approval. However, we note that we did not review the underlying analysis used to determine the need for public financing and while the project may be infeasible under current market conditions without public financing, current market conditions may be temporary.

[6] The analysis distinguishes direct effect that result from developer spending, on-site jobs, and increased household spending due to the project from multiplier effects that result from that spending recirculating in the local economy.

Need for Public Financing

According to OEWD staff, to assess the Project's need for public financing, OEWD engaged Century Urban, a financial consultant. Century Urban provided a methodological summary of their efforts to OEWD, which was shared with our office.

Neither OEWD nor Century Urban reviewed the developer's financials directly, however Century Urban reviewed the project program and pro forma underwriting assumptions and developed a separate horizontal pro forma model. Based on this separate model, Century Urban found that the project was not feasible without public financing and evaluated the impact of public financing through formation of an EIFD to the project. Century Urban found that the project still does not achieve a market rate return by utilizing tax increment financing under current market conditions but that it will allow the project to achieve feasibility sooner if market conditions improve.

Uncertainty of Market Conditions

The proposed legislation contemplates tax increment financing to ensure delivery of horizontal infrastructure for the Stonestown project that is necessary to support market rate and affordable housing and commercial uses. The project is not financially feasible with private sources alone under current market conditions, including higher interest rates and construction costs. However, current market conditions may be temporary. For example, interest rates could decrease to such an extent that the project is feasible without tax increment financing. On the other hand, the developer may not obtain sufficient private investment to advance vertical development within the estimated 25-year development timeline, even with the completion of horizontal infrastructure.

RECOMMENDATIONS

1. Amend the resolution in File 24-0410 to state that City policy is to restrict the property tax revenue that is allocated to the Stonestown Enhanced Infrastructure Financing District to no more than 50 percent of incremental revenue.
2. Approve the proposed ordinance and resolution, as amended.

Attachment 1: Proposed Development Agreement Linkages Schedule

EXHIBIT F-1 LINKAGES SCHEDULE

In the event of a conflict between this Linkages Schedule and the Phasing Plan or applicable Plan Document, the Phasing Plan and the applicable Plan Document shall prevail.

Phase	Associated Community Benefit	Schedule of Performance
Project Open Spaces		
1A	Greenway Park West	Prior to TCO for first Building on NW1 or opening of Street C (whichever occurs first)
1A	Open Space (OS) -1	Prior to TCO for first Building on NW1
1A	OS -2	Prior to TCO for first Building on NW1
1A	OS -3	Prior to TCO for first Building on NW1
1A	Greenway Park East	Prior to TCO for first Building on NW2
1A	OS -4	Prior to TCO for final Building on NW3
1C	Mid-Block Passage (MBP) - W1	Prior to TCO for first Building on W1
2A	Town Square	Prior to TCO for first Building on W3
2A	Linear Park	Prior to TCO for first Building on W3
2A/2B	The Gallery	Prior to TCO for first Building on W3 or W4 (last to be developed)
3	OS -5	Prior to TCO for first Building on E1 adjacent to OS-5
3	MBP - E5	Prior to TCO for first Building on E5
3	OS-6	Prior to TCO for first Building on E1 or opening of Street A (whichever occurs first)
4	The Landing	Prior to TCO for first Building on E2
4	OS -7	Prior to TCO for first Building on E2
4	The Commons	Prior to TCO for first Building on either E2 or E6
4	OS -8	Prior to TCO for first Building on E3 or opening of Street B (whichever occurs first)
4	OS -9	Prior to TCO for first Building on E4
5	MBP - S1	Prior to TCO for first Building on S1
5	OS -10	Prior to TCO for first Building on S1
6	OS -11	Prior to TCO for first Building on S3 (if provided per DSG)
6	MBP - S3	Prior to TCO for first Building on S3
Other Associated Community Benefits		
1A	RNP Accessible Paths and RNP Landscaping Improvements	Opening of Street C and the timing set forth in the PIA
1A, 1C, 2A or 2B	East / West Connections	Prior to TCO for first Building on W3 or W4, or prior to TCO for the Building that includes the 1,100th residential unit in the Project (whichever occurs first)

Attachment 1: Proposed Development Agreement Linkages Schedule

Phase	Associated Community Benefit	Schedule of Performance
5	Replacement SFMTA restroom and SamTrans Restroom	90 days after issuance of TCO for first Building on S2 or as required pursuant to SIP for Buckingham Way South, depending on location of the restroom per Transportation Exhibit.
	Senior Center	Prior to demolition of existing YMCA annex, or as otherwise specified in Exhibit Q
	Child Care Facility	Either 1) prior to TCO for Building that includes the 1,200th residential unit in the Project or 2) if two Child Care Facilities are provided then the first Child Care Facility prior to TCO for Building that includes the 1,000th residential unit in the Project and the second Child Care Facility prior to TCO for Building that includes the 1,800th residential unit in the Project.
	Rolph Nichol Playground (RNP) Cash Contribution ($1 million to REC)	Prior to First Construction Document for Building that includes the 1,750th residential unit in the Project.
	Emergency Firefighting In Lieu Fee	(i) $1,000,000 prior to the issuance of the First Construction Document for the first Building in Phase 1A, (ii) $430,000 prior to the City's issuance of the First Construction Document for the Building that includes the 1,000th residential unit in the Project, (iii) $630,000 prior to the City's issuance of the First Construction Document for the Building that includes the 1,200th residential unit in the Project, and (iv) $630,000 prior to the City's issuance of the First Construction Document for the Building that includes the 1,500th residential unit in the Project.

Source: Proposed Development Agreement