CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

July 26, 2024

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: July 31, 2024 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Item 1 File 24-0723	Department: Recreation and Parks Department (REC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would authorize the sale of up to $29,000,000 of Certificates of Participation (COPs) in one more series on a tax or tax-exempt basis to finance the acquisition of the Music Concourse Garage and approve related documents and actions.

Key Points

- The Music Concourse Garage is an underground parking facility located in Golden Gate Park with 800 parking spaces. In 2004, the Recreation and Parks Department (REC) executed a 35-year ground lease with the Music Concourse Community Partnership (MCCP), a private nonprofit, for construction and operation of the garage. MCCP completed construction in 2005 with $36 million in private donations and $55 million in debt. Under the terms of the lease, ownership of the garage will transfer to REC when the debt is fully repaid.
- REC seeks to take ownership of the garage by using COPs to repay MCCP's construction debt to: (a) improve access to the park for low-income families and people with disabilities; (b) better coordinate management of the garage with park operations and events; and (c) standardize operations and policies with other REC-owned garages managed by the San Francisco Municipal Transportation Authority (SFMTA).
- Proceeds from the proposed COPs would be used to fund issuance costs, reserves, and a payment to MCCP equal to the outstanding balance of the construction loan with First Republic Bank ($21.47 million) plus accrued interest and $500,000 to repay a portion of loans to the DeYoung Museum and the California Academy of Sciences.

Fiscal Impact

- Estimated average annual debt service on the projected $24.36 million COPs issuance amount is approximately $1.74 million. Total debt service over the 25-year term is approximately $42.41 million, including $18.05 million in interest and a true interest cost of 4.67 percent. Debt service payments are expected to be paid by parking garage revenues.
- Revenues to the City would increase from $100,000 in base rent under the existing lease to an estimated $1.46 million in net revenue from garage operations, which may be needed to address capital needs.

Policy Consideration

- The proposed ordinance will effectively transfer ownership of the garage to the City using an appraisal from 2022, which estimated the value of the garage to be $36.15 million.

Recommendation

- Amend the proposed ordinance to state that it is the City's intention to use up to $500,000 in COPs proceeds to repay a portion of MCCP's loans from the DeYoung Museum and the California Academy of Sciences and approve the proposed ordinance, as amended.

MANDATE STATEMENT

City Administrative Code Section 10.62(b) states that the Board of Supervisors may authorize the issuance of Certificates of Participation (COPs) and other lease financing debt to fund capital projects provided the annual debt service cost of such outstanding general fund appropriation debt does not exceed 3.25 percent of discretionary revenue as determined by the Controller and Director of Public Finance. Administrative Code Section 10.62(c) states that the Director of Public Finance may issue tax-exempt and taxable commercial paper notes to provide interim funds to finance the acquisition, construction and rehabilitation of capital improvements and capital equipment, subject to the project's and financing plan's approval by the Board of Supervisors and Mayor.

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

Music Concourse Garage in Golden Gate Park

The Music Concourse Garage is an underground parking facility located in Golden Gate Park with 800 parking spaces. The facility serves visitors to the park and institutions located in the park, such as the De Young Museum and the California Academy of Sciences. Pursuant to Proposition J, approved by voters in June 1998, the City designated land in Golden Gate Park for construction of the garage and placed the land under the jurisdiction of a city-controlled non-profit organization, the Golden Gate Park Concourse Authority. Proposition J also required that the garage be built without public funds.

In 2004, the Recreation and Parks Department (REC) and the Golden Gate Park Concourse Authority executed a 35-year ground lease with the Music Concourse Community Partnership (MCCP), a private nonprofit, for construction and operation of the garage. MCCP completed construction in 2005 with $36 million in private donations and $55 million in debt, for a total of $91 million. MCCP uses garage revenues to pay operating costs, including debt service, and base rent of $100,000 per year to the City. Under the terms of the lease, ownership of the garage will transfer to REC when the construction debt is fully repaid. MCCP contracts with Imperial Parking, LLC to operate the facility. Finally, the lease limits the City's authority to manage parking rates in the garage, as they must be set to meet debt service and debt agreement covenants.

Proposed Transfer to the City

Proposition N, approved by voters in 2022, directed that the Golden Gate Park Concourse Authority should dissolve and allowed the City to use public funds to acquire and operate the garage. REC seeks to take ownership of the garage prior to MCCP repayment of the construction debt to: (a) improve access to the park for low-income families and people with disabilities; (b) better coordinate management of the garage with park operations and events; and (c) standardize operations and policies with other REC-owned garages managed by the San Francisco Municipal Transportation Authority (SFMTA). The transfer is an element of the Golden Gate Access and Safety Program, a joint REC and SFMTA project to improve equity, safety, and accessibility after JFK Drive was closed to car traffic (a decision ratified by voter approval of Proposition J in November 2022). The transfer would give the City greater flexibility to make rate changes to improve access, to change the operating hours for special events, and to make other changes in alignment with the Golden Gate Access and Safety Program priorities.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would:

- authorize sale of up to $29,000,000 of Certificates of Participation in one more series on a tax or tax-exempt basis to finance the acquisition of the Concourse Garage
- authorize the issuance of commercial paper as interim financing before the COPs are issued
- authorize the Director of Public Finance to select the Trustee and approve the form of the Trust Agreement between the City and U.S. Bank Trust Company, National Association, as Trustee
- approve the forms of the Property Lease and Lease Agreement between the City and U.S. Bank Trust Company National Association
- approve the forms of the preliminary and final Official Statement
- approve the form of the Official Notice of Sale and Notice of Intention to Sell the COPs
- approve the form of the Continuing Disclosure Certificate
- approve the form of a Purchase Contract for the COPs
- grant authority to City officials to take other necessary actions in connection with the transaction, including transfer of the property to the City and termination of the ground lease and modifications of the aforementioned documents in furtherance of the COPs sale.

Use of Proposed COPs

The proposed COPs would be used to pay down MCCP's debt and therefore terminate the lease with MCCP. Proceeds from the proposed COPs would be used to fund issuance costs, reserves, and a payment to MCCP equal to the outstanding balance of the construction loan with First Republic Bank ($21.47 million) plus accrued interest and $500,000 to repay a portion of loans to the DeYoung Museum and the California Academy of Sciences.[1] MCCP would pay the De Young Museum and the California Academy of Sciences $825,000 each (for a total of $1.65 million) to repay loans and interest using the payment with the City as well as MCCP funds. We recommend that the proposed ordinance be amended to state that it is the City's intention to use up to $500,000 in COPs proceeds to repay a portion of loans to the museums.

The Sources and uses of the proposed COPs are shown in Exhibit 1 below.

Exhibit 1: Estimated Sources and Uses of Concourse Garage COPs Proceeds

Sources	
Not to Exceed Par Amount	$29,000,000
Prior Bond Reserve Fund	1,100,000
Total Sources	**$30,100,000**
Uses	
Project Funds	25,550,000
First Republic Debt Payoff	*21,600,000*
Museum Loan Payoff	*500,000*
Capitalized Interest	*1,000,000*
Debt Service Reserve Fund	*2,450,000*
Delivery Date Expenses	1,290,000
Cost of Issuance	*1,050,000*
Underwriter's Discount	*240,000*
Subtotal, Projected Uses	26,840,000
Reserve for Market Uncertainty	3,260,000
Total Uses	**$30,100,000**

Source: Office of Public Finance

Garage Transfer and Operations

Following approval of the proposed ordinance, REC would execute an Acquisition and Transition Agreement with MCCP. The San Francisco Municipal Transportation Authority (SFMTA) would manage the garage on behalf of REC once it is acquired. Similar to other REC parking facilities managed by SFMTA, REC would receive net revenues from the garage operations and would reimburse SFMTA for administrative costs to oversee garage operations. However, SFMTA would waive reimbursement of administrative costs for the first two years of operations. SFMTA would apply the same policies to the Concourse Garage as other city-owned garages, including the demand-responsive pricing policy. SFMTA will seek approval from the Board of Supervisors to

[1] In 2007, MCCP borrowed $1,350,000 in private loans arranged directly with the Fine Arts Museum Foundation and the California Academy of Sciences to make construction payments to the contractor. This loan was necessary due to the parking garage's limited cash flow because of embezzlement by MCCP's former Chief Financial Officer. The loans carried an 8% interest rate, which was later reduced to 6%. The City negotiated with MCCP a final loan pay off of $1,650,000, which has an implied interest rate of 1.35%, assuming a repayment date of December 1, 2024. The remaining approximately $1.3 million of MCCP cash will be used to wind down the organization.

add the Music Concourse Garage to an existing contract with IMCO Parking, LLC, which operates all city-owned parking facilities. IMCO Parking is affiliated with Imperial Parking, the current operator, and no disruptions to garage operations are anticipated due to the transfer.

Facility Conditions

In 2023, Department of Public Works (DPW) staff completed a general condition assessment based on a visual inspection of the facility, 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 and in “fair” structural condition. DPW’s site assessment identified one required improvement (defined as an improvement needed to address life-safety concerns or failed systems or equipment) to add van accessible and standard accessible electric vehicle charging stalls. DPW made several recommendations, such as to correct striping and signage at accessible stalls and to address water intrusion. DPW did not estimate the costs of these recommendations.

The current lease requires the tenant to pay for regular maintenance using parking revenues and apply any insurance proceeds to restore damage from major events but allows MCCP to terminate the lease without repairing the garage if major damage is not covered by insurance. Due to these lease provisions, as a practical matter, the City assuming ownership of the garage will not increase the City’s liability for major rehabilitation work at the garage.

Certificates of Participation Series 2024A

The COPs could be structured for a term of up to 35 years depending on market conditions at an interest rate not to exceed 12 percent. According to the proposed ordinance, maximum annual debt service (or maximum annual base rent) is $3 million. The Office of Public Finance assumes the COPs will be tax-exempt based on projected uses of the proceeds and estimates that the COPs would be paid over 25 years with annual principal and interest payments of approximately $1.74 million and an estimated true interest cost of 4.67 percent. The COPs were sized such that annual debt service would be at or below the current annual debt service ($2.1 million).

Property Lease, Lease Agreement, and Trust Agreement

COPs are structured as a lease-lease back, in which the City-owned Concourse Garage serves as the leased properties to secure the City’s outstanding COPs. The City leases the City-owned property to the Trustee (under the Property Lease) and leases back the property (under the Lease Agreement). The City makes annual base rental payments to the Trustee in an amount required to repay the COPs. When the COPs are fully paid, the Property Lease is terminated. Annual base rental payments (in effect, debt service) are expected to be offset by garage parking revenues.

Under the Trust Agreement, the Trustee disburses payments for the COPs and enforces remedies in the event the City defaults on payments.

Commercial Paper

Under separate legislative approval, the City may issue commercial paper, a form of short-term debt, in advance of issuing COPs to fund project costs and then use COPs proceeds to repay related commercial debt obligations. According to the Office of Public Finance, of the $250 million in commercial paper authority, $55.1 million is currently unencumbered as of June 25, 2024.

Method of Sale

According to Office of Public Finance staff, the Office will work with their municipal finance advisor to determine the best method of sale of the COPs, whether competitive or negotiated, based on market conditions at that time. If the City chooses to pursue a negotiated sale, as authorized by the proposed ordinance, the Office of Public Finance will use the City's Underwriting Pool, which was selected via a competitive process. The proposed ordinance limits the underwriters' discount to no more than 1.5 percent of the principal amount of the COPs.

City Debt Policy

Administrative Code Section 10.62 limits debt service of COPs and other lease financing to 3.25 percent of discretionary General Fund revenues. However, according to the Office of Public Finance June 2024 memo to the Board of Supervisors on the proposed COPs issuance, the proposed COPs will not count towards the City's debt service limit because the debt service payments are expected to be offset by Concourse Garage operating revenues.

FISCAL IMPACT

Debt Service

According to the Office of Public Finance memo, estimated average annual debt service on the projected $24.36 million COPs issuance amount is approximately $1.74 million. Total debt service over the anticipated 25-year term is approximately $42.41 million, which includes approximately $24.36 million in principal and $18.05 million in interest and true interest cost of 4.67 percent. Debt service payments are expected to be offset by parking garage revenues. The Controller's Office of Public Finance will seek approval by the Board of Supervisors of a supplemental appropriation ordinance to appropriate the COP proceeds, garage revenues, and debt service expenditures.

Estimated Garage Net Revenues

REC anticipates that net revenues from garage operations will be sufficient to pay debt service for the proposed COPs. According to a five-year financial model prepared by the SFMTA, net revenues (revenues after payment of expenses, including SFMTA cost recovery) are projected to be at least $3.2 million per year over five-year period, which is greater than estimated annual debt service of $1.74 million. Remaining revenues following debt service payment could be used to fund a reserve for maintenance or capital needs. The model assumes parking revenues and expenses are consistent with FY 2023-24 levels. This reflects an increase of more than $1 million in revenues to the City from $100,000 in base rent under the existing lease to an estimated $1.46 million in net revenue from garage operations.

POLICY CONSIDERATION

Summary

The proposed Certificates of Participation would help pay down the Music Concourse Garage Partnership's construction debt, accelerating the transfer of the garage to City ownership from 2038 to 2024. Debt service would be paid from garage revenues. The benefits of City ownership include (a) an increase in revenues of more than $1 million from $100,000 in base rent in the current lease[2] to $1.46 million in net revenues from garage operations; and (b) ability to control operations of the garage (including ability to control rates, hours, and disability parking spaces) to align with park events/operations and REC policies and priorities. However, there are no assumed cost savings in garage operations per the MTA model. Given that balance of benefits for the City, we recommend approval of the proposed ordinance.

Garage Appraisal

The proposed ordinance will effectively transfer ownership of the garage to the City using an appraisal from 2022. The facility was appraised in October 2022 in advance of the proposed financing. The value of the facility based on a fee simple valuation (which assumes the leased fee and leasehold were merged) was appraised at $36.15 million in October 2022. Although Administrative Code Chapter 23 requires an appraisal no earlier than nine months prior to a proposed acquisition, an updated appraisal will not be required under the proposed ordinance because the property is being transferred under the terms of the existing lease (through repayment of the outstanding debt) rather than through a new purchase agreement. The Office of Public Finance finds the 2022 appraisal to be sufficient for debt issuance and Real Estate Division staff do not believe the value has changed significantly since October 2022.

RECOMMENDATION

1. Amend the proposed ordinance to state that it is the City's intention to use up to $500,000 in COPs proceeds to repay a portion of MCCP's loans from the DeYoung Museum and the California Academy of Sciences.
2. Approve the proposed ordinance as amended.

---

[2] The current lease provides for revenue sharing with the City if there are net revenues after all operating needs and bond covenants are met, however MCCP has never generated excess revenue for the City.

Item 2 **File 24-0728**	**Department:** Office of the Assessor-Recorder

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would amend the Business and Tax Regulations Code to reduce the real property transfer tax rates for union pension fund-financed housing, newly constructed with union labor since June 3, 2014 with at least 12 percent rent-restricted affordable units. The transfer tax rates would be reduced from 5.5 percent to 3.0 percent for eligible properties of at least $10 million but less than $25 million. Transfer tax rates would be reduced from 6.0 percent to 3.0 percent for eligible properties with values equal to or greater than $25 million.

Key Points

- Since 2008, San Francisco voters have approved increases in transfer tax rates for property transfers exceeding $5.0 million in value from 0.75 percent to between 2.25 percent and 6.0 percent, depending on the property value. The Board of Supervisors is authorized to exempt rent restricted affordable housing from the increases in transfer taxes on property values of $5 million or more. Under an existing exemption, transfers of multifamily rental housing with at least 90 percent rent-restricted affordable units qualify for reduced transfer tax rates.
- Under the proposed ordinance, eligible properties must have at least $25 million in debt or equity investment from a qualified labor organization pension plan at least one year before and through the date of transfer. The exemption applies to transfers on or after the effective date of the ordinance and before the sunset date of January 1, 2034. For properties that received a Certificate of Final Completion between June 3, 2014 and the effective date, the sunset date is July 1, 2029.

Fiscal Impact

- According to estimates provided by Chief Economist Ted Egan, the proposed ordinance would reduce General Fund revenues by up to $5 million per year over the 11-year period based on a review of sales of all multifamily rental properties built since 2014 and projected new units built through 2034. However, this is an overestimate that assumes all multifamily rental properties built after 2014 would be eligible due to the lack of data on which properties qualified as union pension fund-owned.

Recommendation

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

MANDATE STATEMENT

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

BACKGROUND

Transfer Tax

Article 12C of the City's Business Tax and Regulations Code imposes a real property transfer tax on property acquisitions or leases of 35 years or more. The tax rate increases by the value of the property. Certain property transfers are exempt from this tax, including transfers of property between married couples, domestic partners, or parents and children, gifts and inheritances, or between individuals and their limited liability companies, limited partnerships, or trusts. According to the Controller's FY 2024-25 – FY 2025-26 Revenue Letter, real property transfer tax revenues are budgeted at $218.9 million in FY 2024-25 and $267.6 million in FY 2025-26, down from $222.0 million in FY 2023-24.

Administrative Code Section 10.60(c) requires the maintenance of a Budget Stabilization Reserve, which is funded, in part, by depositing 75 percent of real property transfer tax collections in excess of a rolling five-year average collection, adjusted for rate increases during that period. According to the Controller's Revenue Letter, no deposits are expected in FY 2024-25 and FY 2025-26 as transfer taxes are expected to be below the prior five-year average.

Exemptions for Affordable Housing

Since 2008, San Francisco voters have approved increases in transfer tax rates for property transfers exceeding $5.0 million in value from 0.75 percent to between 2.25 percent and 6.0 percent, depending on the property value. The Board of Supervisors is authorized to exempt rent restricted affordable housing from the increases in transfer taxes on property values of $5 million or more.[1]

In 2023, the Board of Supervisors broadened and extended existing exemptions for rent-restricted affordable housing from the increases in transfer taxes (File 23-1007). The ordinance broadened the definition of affordable housing to include projects with at least 90 percent units rent restricted (rather than 100 percent), to allow affordable housing projects that have site manager units or units for other program use besides rent-restricted affordable housing to qualify. Eligible rent-restricted affordable housing is defined as: (1) property transferred under the Community Opportunity to Purchase Act; or (2) residential rental property that either is vacant, has qualified for a welfare exemption under Section 214 of the California Revenue and

---

[1] In November 2020, voters approved Proposition I, which increased the transfer tax on property transactions above $5 million. The tax became effective January 1, 2021. Voters also approved increases in 2016 (Proposition W), 2010 (Proposition N), and 2008 (Proposition N).

Taxation Code for at least 90 percent of residential units, or was owned by one or more non-profit organizations prior to the time of transfer and is being transferred to one or more entities who intend to comply with the welfare exemption for at least 90 percent of residential units and certify to MOHCD than an application for the welfare exemption will be submitted to the County Assessor within nine months of the date of transfer.[2] This exemption applies to property transactions between January 2017 and December 2030.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the Business and Tax Regulations Code to reduce the real property transfer tax rates for union pension fund-financed housing, newly constructed with union labor since June 3, 2014 with at least 12 percent rent-restricted affordable units. The transfer tax rates would be reduced from 5.5 percent to 3.0 percent for eligible properties of at least $10 million but less than $25 million. Transfer tax rates would be reduced from 6.0 percent to 3.0 percent for eligible properties with values equal to or greater than $25 million.

Under the ordinance, eligible properties are defined as:

- Having at least **12 percent rent-restricted affordable housing units**, excluding any density bonus units. Qualifying rent-restricted housing must be restricted to households making up to 110 percent of area median income, and the property must have affordability restrictions recorded with a remaining term of at least 55 years from the date of transfer.
- Receiving a Certificate of Final Completion and Occupancy for a **newly constructed building on or after June 3, 2014.**
- **Constructed by workers represented by a labor organization**, paid at least the prevailing rate of wages, from the date of first construction document through the date of certificate of final completion and occupancy.
- With a **$25 million debt or equity investment from a qualified labor organization pension plan**[3] at least one year before and through the date of transfer.

To claim the exemption, the claimant must: (a) maintain records to prove they qualify for the exemption; (b) obtain a certificate from the Office of Labor Standards Enforcement confirming that the transfer qualifies for the exemption; and (c) submit the certificate and an affidavit stating any relevant information needed to determine the transfer tax to the County Recorder.

Effective Date and Sunset Date

The exemption applies to transfers on or after the effective date of the ordinance (i.e., 30 days after enactment) and before the sunset date of January 1, 2034. For properties that received a

[2] In addition, qualifying residential rental property must also have affordability restrictions recorded for at least 55 years, with at least 35 years remaining in the term from the date of transfer. Qualifying rent restricted housing must be restricted to households making up to 120 percent of area median income.

[3] Governmental pension plans do not meet the definition of a qualified pension plan under the proposed ordinance.

Certificate of Final Completion between June 3, 2014 and the effective date, the sunset date is July 1, 2029.

Proposed Transfer Tax Rates

Exhibit 1 below shows the proposed transfer tax rates for eligible property transactions. For properties greater than $5 million, the proposed rates are less than the rates for non-exempt properties, but greater than the rates for 90 percent to 100 percent rent restricted affordable housing (under an existing exemption).

Exhibit 1: Proposed Transfer Tax Rates for Rent Restricted Pension Fund-Financed Housing

Property Consideration or Value	Proposed Rates for Qualifying Rent Restricted Pension Fund-Financed Housing	Rates for Non-Exempt Properties	Difference	Existing Rates for 90-100% Rent Restricted Affordable Housing
$100 - <$250,000	0.50%	0.50%	-	0.50%
$250,000 - <$1,000,000	0.68%	0.68%	-	0.68%
$1,000,000 - <$5,000,000	0.75%	0.75%	-	0.75%
$5,000,000 - <$10,000,000	2.25%	2.25%	-	0.75%
$10,000,000 - <$25,000,000	3.00%	5.50%	-2.50%	0.75%
$25,000,000 or more	3.00%	6.00%	-3.00%	0.75%

Source: Proposed Ordinance

FISCAL IMPACT

The proposed ordinance would reduce transfer taxes paid on transfers of eligible properties between the effective date of the ordinance and January 1, 2034. For an eligible property valued at $50.0 million, the ordinance would reduce transfer taxes paid from $3.0 million to $1.5 million, a reduction of $1.5 million (50 percent).

According to estimates provided by Chief Economist Ted Egan, the proposed ordinance would reduce General Fund revenues by up to $5 million per year over the 11-year period based on a review of sales of all multifamily rental properties built since 2014 and projected new units built through 2034.[4] However, this is an overestimate that assumes all multifamily rental properties built after 2014 would be eligible due to the lack of data on which properties qualified as union pension fund-owned. The estimate also reflects an off-setting revenue gain from the reduced transfer tax rate and the provision that only allows properties built prior to the date of the ordinance to qualify for a five-year period that may encourage some sales to occur sooner than they otherwise would without the reduction.

[4] The projected number of new units built per year is based on the 2022 level and assumes the real estate market remains depressed through 2034.

Because the proposed ordinance would reduce General Fund revenues, we consider approval to be a policy matter for the Board of Supervisors.

RECOMMENDATION

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

Item 5 **File 24-0739**	**Department:** Office of Economic Workforce Development (OEWD)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Amendment No. 2 to the grant agreement between the Office of Economic and Workforce Development (OEWD) and Bay Area Community Resources, Inc. (BACR) for management of the COVID-Response Hub Coordinator grant, extending the term by one year through June 2025, and increasing the not-to-exceed amount by $4,780,000, for a total not to exceed $14,779,999.

Key Points

- In April 2022, OEWD issued a Request for Proposals (RFP) to award economic and workforce development grants, including a COVID-Response Resource Hub Coordinator contract. BACR was deemed the highest scoring proposer and was awarded a grant agreement, which has been amended once.
- Under the grant agreement, BACR operates the four Community Economic Recovery Hubs, which are each open two days per week. The resource hubs are intended to provide low-income, unemployed, underemployed, and dislocated workers with support and referral services. BACR provides assessment and intake services, workforce connection referral services (such as for job training and placement), essential resources and services referrals (such as for safety net programs), and supportive services (such as food assistance). Over the two-year period of FY 2023-24 and FY 2024-25, BACR has a goal of providing intake and assessments, enrollment and referral, and support services to 14,300 participants, or an average of 7,150 per fiscal year.

Fiscal Impact

- The proposed Amendment No. 2 would increase the not-to-exceed amount of the grant agreement by $4,780,000, for a total not to exceed $14,779,999. Of the $4,780,000 grant increase, $3,100,000 is for services in FY 2024-25, and $1,680,000 is back funding for services in FY 2023-24, due to Board of Supervisors add-back funding in the FY 2023-24 budget. The grant agreement is funded by the City's General Fund.

Policy Consideration

- The Budget and Legislative Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors because OEWD is now seeking back funding for FY 2023-24 expenditures prior to receiving Board of Supervisors approval.

Recommendations

- Amend the proposed resolution to state that approval is retroactive.
- Approval of the resolution, as amended, is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

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

BACKGROUND

In April 2022, the Office of Economic and Workforce Development (OEWD) issued a Request for Proposals (RFP) to award economic and workforce development grants. The RFP had 24 grant program categories, including for awarding a COVID-Response Resource Hub Coordinator contract. OEWD received two proposals within this category and an evaluation panel scored them, as shown in Exhibit 1 below.[1]

Exhibit 1: Proposals and Scores from RFP

Proposer	Score (Out of 100 Points)
Bay Area Community Resources	91.88
FACES SF	61.25

Source: OEWD. Proposals were scored on applicant qualifications and staff assignments (30 points), approach, activities and outcomes (40 points), performance measurement and reporting (15 points), and financial management and budgeting (15 points).

Bay Area Community Resources (BACR) was deemed the highest scoring proposer and was awarded a contract. In November 2022, OEWD retroactively executed a grant agreement with BACR for a term of one year, from July 2022 through June 2023, and an amount not to exceed $8,250,000. In October 2023, OEWD retroactively executed the First Amendment to the grant agreement, extending the term by one year through June 2024, and increasing the not-to-exceed amount of the grant to $9,999,999. OEWD and BACR have agreed to continue the grant agreement for another year.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 2 to the grant agreement between OEWD and BACR for management of the COVID-Response Hub Coordinator grant, extending the term by one year through June 2025, and increasing the not-to-exceed amount by $4,780,000, for a total not to exceed $14,779,999. The resolution also authorizes the OEWD Executive Director to make further immaterial amendments to the grant agreement.

Because the grant agreement expired on June 30, 2024, the Budget and Legislative Analyst recommends amending the proposed resolution to state that approval is retroactive.

Scope of Services

Under the grant agreement, BACR operates the following four Community Economic Recovery Hubs, which are each open two days per week:

[1] The evaluation panel included two Program Specialists from OEWD, a Data and Community Development Analyst from the Human Rights Commission, and the San Francsico Bay Area Director of Development from Juma Ventures.

- Mission Hub, located at 701 Alabama Street;
- Bayview Hub, located at 1706 Yosemite Avenue;
- Excelsior Hub, located at 4834 Mission Street; and
- Visitacion Valley Hub, located at 150 Executive Park Boulevard.

The resource hubs are intended to provide low-income, unemployed, underemployed, and dislocated workers with support and referral services. BACR provides assessment and intake services for each new participant to determine program eligibility and needs. Workforce connection referral services include referrals to general employment and job placement assistance, sector trainings, job readiness services, and subsidized and boot camp programming (for young adults). Essential resources and services referrals include referrals to housing, unemployment insurance, public benefits, transportation assistance, and educational services. Supportive services are providing food vouchers or gift cards for participants with immediate essential needs.

Over the two-year period of FY 2023-24 and FY 2024-25, BACR has a goal of providing intake and assessments, enrollment and referral, and support services to 14,300 participants, or an average of 7,150 per fiscal year. This is a reduction from the initial goals to provide these services to 12,000 participants annually in the original grant agreement because the funding level was reduced by $1.5 million in FY 2022-23, which necessitated a reduction in service level. The contract funds approximately 10.73 full-time equivalent (FTE) employees.

OEWD intends to issue a new RFP for workforce development services in Fall 2025, with new contracts to be in place on July 1, 2026. At that time, OEWD will determine whether to continue the recovery hub program.

Performance and Fiscal Monitoring

Program monitoring for the period of FY 2023-24 included interviews with BACR staff, a review of policies and procedures, and a site visit. No corrective actions were identified. Program monitoring was for BACR programs in general and not specific to this grant agreement. In addition to annual monitoring reports, OEWD also performs quarterly review to track program outcomes and follows up with underperforming grantees. According to Merrick Pascual, OEWD Chief Financial Officer, BACR had enrolled, referred, and provided supportive services to approximately 7,523 participants as of April 2024, which is greater than the goal of 6,375 for each metric for all of FY 2023-24.

OEWD staff reviewed BACR's financial documents as part of the FY 2023-24 Citywide Fiscal and Compliance Monitoring program and identified no findings.

FISCAL IMPACT

The proposed Amendment No. 2 would increase the not-to-exceed amount of the grant agreement by $4,780,000, for a total not to exceed $14,779,999.

Of the $4,780,000 grant increase, $3,100,000 is for services in FY 2024-25, and $1,680,000 is back funding for services in FY 2023-24, which would increase the FY 2023-24 program budget from

$3,399,999 to $5,079,999. According to Marissa Bloom, OEWD Director of Contracts and Grants, this back funding is needed because to incorporate Board of Supervisors add-back funding that was included in the FY 2023-24 budget. Through May 2024, FY 2023-24 grant expenditures total $2,846,912. OEWD anticipates receiving an invoice for June 2024 for approximately $1.7 million, which includes subcontractor payments. This would leave a balance of approximately $530,000, which OEWD intends to roll over for additional services in FY 2024-25.

The program budget for FY 2024-25 is shown in Exhibit 2 below.

Exhibit 2: FY 2024-25 BACR Program Budget

Expenditures	Amount
Employee Salaries	$1,545,170
Fringe Benefits	386,293
Staff Development/Travel	19,488
Operating Costs[2]	1,029,050
Supportive Services[3]	120,000
Total	**$3,100,000**

Source: Proposed Amendment. Totals may not add due to rounding.

The program is funded by the City's General Fund.

POLICY CONSIDERATION

OEWD is requesting funding for FY 2023-24 expenditures because of add-back funding that was included in the FY 2023-24 budget. OEWD did not seek Board of Supervisors approval to increase the grant agreement before authorizing these expenditures because of delays in finalizing the amendment with BACR. Because OEWD is now seeking back funding for FY 2023-24 expenditures prior to receiving Board of Supervisors approval, the Budget and Legislative Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors.

RECOMMENDATIONS

1. Amend the proposed resolution to state that approval is retroactive.
2. Approval of the resolution, as amended, is a policy matter for the Board of Supervisors.

[2] Operating costs include equipment costs, rent, indirect costs (such as administrative overhead costs), office supplies, program supplies, consultant services, food, and utilities. Consultant services include programming space, internship programming, outreach staff, engagement services, tax preparation, small business support, legal advice, and design and accessibility improvements to the Visitacion Valley Hub.

[3] Supportive services include stipends, wages, incentives, and "other barrier removal costs," such as uniforms, tools, interview attire, and other necessary expenses to help a participant secure or retain employment.

Item 7 File 24-0642	Department: Recreation and Parks Department (REC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would retroactively authorize the Department of Recreation and Parks (REC) to accept and expend a grant from the federal National Park Service, with the California Department of Parks and Recreation as the pass-through agency, in the amount of up to $8,124,800. The resolution also authorizes REC to enter into the associated grant contract. The grant requires that the City match the federal funds at an equal dollar-for-dollar basis from non-federal sources during the grant period. The grant performance period is July 1, 2022 through January 31, 2027, with pre-award costs up to $380,000 incurred on or after July 1, 2022 also eligible for reimbursement. The proposed resolution also authorizes REC to amend the grant agreement so long as the amendments do not increase liabilities of the City.

Key Points

- The Buchanan Street Mall is a linear park located in the Western Addition neighborhood of San Francisco that runs through a five-block section of Buchannan Street from Eddy Street to Grove Street. Planning for the Buchanan Street Mall Renovation Project began in January 2015. The proposed grant will fund the renovation of three of the five blocks of the project. The renovation would include constructing new pathways and seating, rain gardens, native plant irrigation and landscaping, lighting, picnic and barbecue areas, a multi-sport court, play areas, communal gardens, a small stage with overhead canopy, and plazas, as well as installation of a "memory walk" that will connect all five blocks of the park with decorative paving.
- The Outdoor Recreation Legacy Partnership Program (ORLP) is a nationally competitive grant program that was established by Congress in 2014 and is administered by the National Park Service. In March 2023, REC applied for Round 6B ORLP funding for the Buchanan Street Mall Renovation Project for renovation work. In March 2024, the Department was notified that the Project had been selected for ORLP funding.

Fiscal Impact

- The proposed grant provides $8,124,800 in funding and requires the City to provide an equal amount of matching funds. No indirect costs are included in the grant budget because they are not allowed by the granting agency. The City will initially finance grant-eligible costs with $8,124,800 in General Funds and recover the monies through the grant reimbursement process.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

City Charter Section 9.118(a) states that contracts entered into by a department, board, or commission that (i) have anticipated revenues of $1 million or more, or (ii) have anticipated revenues of $1 million or more and require modifications, are subject to Board of Supervisors approval.

BACKGROUND

Buchanan Street Mall Renovation Project

The Buchanan Street Mall is a linear park located in the Western Addition neighborhood of San Francisco that runs through a five-block section of Buchannan Street from Eddy Street to Grove Street. According to the Recreation and Park Department (REC), the park serves as the primary open space for the approximately 400 adjacent residential units. Planning for the Buchanan Street Mall Renovation Project began in January 2015. The Project aims to revitalize the park, which includes improving lighting, safety, sewer and water infrastructure, beautification, and urban greening. As of July 2024, the estimated completion date for the project is June 2026, and the total estimated budget is approximately $34,572,859.

Outdoor Recreation Legacy Partnership Grant Program

The Outdoor Recreation Legacy Partnership Program (ORLP) is a nationally competitive grant program that was established by Congress in 2014 and is administered by the National Park Service. The goal of the program is to support outdoor recreation projects in urban areas, particularly in disadvantaged communities, that improve existing parks or create new outdoor recreation spaces. As of July 2024, ORLP has issued seven rounds of competitive funding. In November 2023, the Board of Supervisors approved a resolution authorizing REC to accept and expend a $3.9 million ORLP grant from the fifth round of ORLP funding for the Buchanan Mall project (File 23-1009).

New Grant Award

In March 2023, REC applied for Round 6B ORLP funding for the Buchanan Street Mall Renovation Project for renovation work on the other three blocks of the Buchanan Street Mall Park. In March 2024, the Department was notified that the Project had been selected for ORLP funding. San Francisco's Buchanan Street Mall Project was one of 14 ORLP selected projects nationwide to receive funding in Round 6B.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively authorize REC to accept and expend a grant from the federal National Park Service, with the California Department of Parks and Recreation as the pass-through agency, in the amount of up to $8,124,800. The resolution also authorizes REC to enter into the associated grant contract.

The grant requires that the City match the federal funds at an equal dollar-for-dollar basis from non-federal sources during the grant period. The grant performance period is July 1, 2022 through January 31, 2027, with pre-award costs up to $380,000 incurred on or after July 1, 2022 also eligible for reimbursement. According to REC staff, the resolution is retroactive because the grant program allows pre-award costs to be used as a source of grant match. The funding would be used to finance the Buchanan Street Mall Renovation Project. The proposed resolution also authorizes REC to amend the grant agreement so long as the amendments do not increase liabilities of the City.

Use of Funds

The proposed grant will fund the renovation of three of the five blocks of the Buchanan Street Mall Renovation Project, which includes Eddy Street to Turk Street, Turk Street to Golden Gate Avenue, and McAllister Street to Fulton Street sections of the park. The renovation would include constructing new pathways and seating, rain gardens, native plant irrigation and landscaping, lighting, picnic and barbecue areas, a multi-sport court, play areas, communal gardens, a small stage with overhead canopy, and plazas, as well as installation of a "memory walk" that will connect all five blocks of the park with decorative paving. The grant project is expected to be completed by June 2026. Construction services will be selected by competitive bid.

The grant agreement between the City's Department of Recreation and Parks and California Department of Parks and Recreation (as pass-through agency) is still being finalized, but according to the Department, the contract will be back dated to July 1, 2022. The contract in the legislative file for this item is a template contract from the State Department of Parks and Recreation and requires REC to maintain the area as outdoor recreation. According to REC, the Department submits requests for reimbursement of funds on a quarterly basis once the project is under construction.

FISCAL IMPACT

The proposed grant provides $8,124,800 in funding and requires the City to provide an equal amount of matching funds.[1] No indirect costs are included in the grant budget because they are not allowed by the granting agency. The City will initially finance grant-eligible costs with $8,124,800 in General Funds and recover the monies through the grant reimbursement process.

Exhibit 1 below shows the total cost of the Buchannan Mall Project, including the proposed grant.

[1] Matching funds include $4,076,650 from the Trust for Public Land Proposition 68 Statewide Parks grant, $1,730,000 from the SFPUC, $1,183,150 from a non-competitive grant from the California State Department of Parks and Recreation specifically for the Buchanan Street Mall Project, $400,000 from Market-Octavia Development Impact Fees, $335,000 from the San Francisco Parks Alliance's Let'sPlaySF! program, $200,000 from the 2020 Health and Recovery Bond, and $200,000 from the General Fund.

Exhibit 1. Buchanan Street Mall Renovation Project Budget

Sources	Total
ORLP Round 6B (Proposed Grant)	$8,124,800
ORLP Round 5	$3,900,000
Specified Grant, CA State Budget - Senator Wiener	$4,800,000
Trust for Public Land, Prop 68 Statewide Parks Grant	$4,146,650
San Francisco Public Utilities Commission	$5,430,000
Development Impact Fees, Market Octavia Plan Area	$3,560,934
2020 Health and Recovery Bond	$2,000,000
San Francisco General Fund	$1,025,000
Let'sPlaySF! Grant from San Francisco Parks Alliance	$835,000
SFPUC Green Infrastructure Grant	$750,475
Total Sources	**$34,572,859**
Expenditures	
Architecture & Engineering	$1,424,000
Construction Management	$683,600
Overhead for City Staff	$3,298,607
Project Permitting and Inspection Fees	$80,000
Demolition & Removal	$1,266,427
Site Work	$3,646,261
Construction - Park	$14,570,235
Construction - Green Infrastructure	$2,602,455
Construction - Sewer	$1,830,000
Construction - Ella Hill Hutch	$450,475
Construction - in the Right of Way	$550,000
Construction Contingency	$2,400,000
Workforce Development	$725,800
Other Soft Costs	$1,045,000
Total Expenditures	**$34,572,859**

Source: Recreation and Park

RECOMMENDATION

Approve the proposed resolution.