CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: September 4, 2024 Budget and Finance Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would de-appropriate $399,950 from District 7 General City Responsibility and $150,000 from SFMTA and re-appropriate the funds to the following Departments: Arts Commission ($50,000), Children Youth and Families ($125,000), Public Works ($162,850), Library ($13,200), Recreation & Parks ($49,000), and the Municipal Transportation Agency ($150,000).

Key Points

- The proposed ordinance appropriates funding for projects identified in the District 7 participatory budget process. For FY 2024-25, District 7 residents were invited to submit project proposals prior to March 29, 2024. A Review Committee composed of District residents and community members evaluated the proposals.

Fiscal Impact

- The proposed ordinance re-appropriates funding set-aside for District 7 projects.
- In the proposed ordinance, the General Fund uses total $400,050, or $100 more than General Fund sources of $399,950. The proposed ordinance should be amended to increase appropriations from General City Responsibility from $399,050 to $400,000 and decrease re-appropriations to the General Fund projects by $50. Which account to reduce is a policy matter for the Board of Supervisors.

Recommendations

- Amend the proposed ordinance to match the total General Fund sources and uses.
- Approve the proposed ordinance, as amended.

MANDATE STATEMENT

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

BACKGROUND

Participatory budgeting is a process that gives community members an opportunity to provide input on how to spend public funds. For FY 2024-25, District 7 residents were invited to submit project proposals prior to March 29, 2024. A Review Committee composed of District residents and community members evaluated the proposals.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would de-appropriate $399,950 from District 7 General City Responsibility and $150,000 from SFMTA and re-appropriate the funds to the Departments and projects shown below in Exhibit 1.

Exhibit 1: Summary of Appropriation Changes

Department	Amount	Project
Sources		
General City Responsibility	($399,950)	District 7 Projects
Municipal Transportation Agency	($150,000)	District 7 Vision Zero Projects
Total Sources	**($549,950)**	
Uses		
Art Commission	$50,000	West Portal Murals
Children, Youth & Families	$25,000	Picnic Tables, Commodore Slote Elementary
Children, Youth & Families	$50,000	Playground Improvements, Sunnyside Elementary
Children, Youth & Families	$50,000	New Playground, Jefferson Elementary
Public Works	$25,750	Westwood Park Maintenance
Public Works	$18,975	Benches at Monterey & Gennesee Streets
Public Works	$50,000	Parklet Planting Beds, Inner Sunset
Public Works	$18,125	Median Planting, Marietta Drive
Public Works	$50,000	Repair Fence on Edgehill Way
Library	$13,200	Digital Literacy Courses for Children & Seniors
Recreation & Parks	$49,000	Marview Way Trail Renovation
Municipal Transportation Agency	$50,000	Traffic Calming on Yerba Buena Street
Municipal Transportation Agency	$25,000	Traffic Calming at Ulloa St, Laguna Honda, and Rockaway
Municipal Transportation Agency	$50,000	Parklet on Heart Street
Municipal Transportation Agency	$25,000	Traffic Calming on Monterey Street
Total Uses	**$550,050**	

Source: Proposed Ordinance

FISCAL IMPACT

The proposed ordinance would de-appropriate $399,950 from District 7 General City Responsibility and $150,000 from SFMTA and re-appropriate the funds to the following Departments: Arts Commission ($50,000), Children Youth and Families ($125,000), Public Works ($162,850), Library ($13,200), Recreation & Parks ($49,000), and the Municipal Transportation Agency ($150,000).

Funding Source

The FY 2024-25 – FY 2025-26 Annual Appropriation Ordinance includes $400,000 for District 7 projects. The $150,000 in funding from MTA was appropriated in a prior budget.

In the proposed ordinance, the General Fund uses total $400,050 or $100 more than General Fund sources of $399,950. The proposed ordinance should be amended to increase appropriations from General City Responsibility from $399,050 to $400,000 and decrease re-appropriations to the General Fund projects by $50. Which account to reduce is a policy matter for the Board of Supervisors.

RECOMMENDATIONS

1. Amend the proposed ordinance to match the total General Fund sources and uses.
2. Approve the proposed ordinance, as amended.

Item 3 **File 24-0752**	**Department:** Children, Youth and Their Families (DCYF)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would retroactively approve a grant agreement between DCYF and SFUSD. The grant has a term from July 1, 2024 to June 30, 2025 for a total not-to-exceed amount of $26,519,360.

Key Points

- Proposition G, approved by San Francisco voters in November 2022, established a Student Success Fund in the City Charter to fund programs at SFUSD to improve academic achievement and emotional/social wellbeing.
- The proposed grant agreement funds two types of grants: (1) District Innovation Grants, for programs at multiple schools; and (2) Student Success Grants, for 52 specific schools. Grant funding is provided for development and implementation of new programs.

Fiscal Impact

- The proposed grant funds $14,419,360 for Student Success Grants, $11,050,000 for District Innovation Grants, and $1,050,000 for program administration.
- The FY 2024-25 budget included $35 million in appropriations from the Student Success Fund. Net of the proposed $26,519,360 grant, the remaining $8,480,640 will be retained by DCYF as for additional technical assistance to SFUSD, program administration, and hiring a program evaluator.

Policy Consideration

- The proposed grant does not have well defined services, outcomes, and performance metrics. According to DCYF, the School District is still in the process of developing programs that would be funded by the proposed grant.
- The District is in the process of developing a "resource alignment" plan to merge and close schools. The list of impacted schools is not known as of this writing but could include recipients of the proposed grant. The SFUSD staff proposal to the Board of Education is expected to be released in September or October 2024. The Board of Supervisors could postpone approval of this resolution until the District's resource alignment plan is finalized.

Recommendations

- Request DCYF amend the proposed grant agreement to define the programs that will be funded, including the population to be served, operating period, activities, work of subcontractors, goals, and performance measures.
- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

Proposition G, approved by San Francisco voters in November 2022, established a Student Success Fund in Section 16.131 of the City Charter. The purpose of the Fund is to provide "additional resources to the San Francisco Unified School District (SFUSD) to accomplish grade-level success in core academic subjects and improve social/emotional wellness for all District students," according to the Charter. Section 16.131 establishes that the Fund is to be administered by the Department of Children, Youth and Their Families (DCYF). Annual appropriations to the Fund are provided by a portion of a fund source known as excess Educational Revenue Augmentation Fund (ERAF).[1]

The Charter amendment establishing the Student Success Fund provides for the following annual appropriations from excess ERAF:

- $11 million in FY 2023-24;
- $35 million in FY 2024-25;
- $45 million in FY 2025-26;
- $60 million in FY 2026-27;
- For FY 2027-28 onward, a formula is used to determine revenues to be appropriated to the Fund.

According to the Charter, the Student Succes Fund provides three types of grants, Student Success Grants (for individual schools), Technical Assistance Grants (to develop programs), and District Innovation Grants (funding programs across multiple schools). An open and competitive solicitation process to award this agreement is not required because grant funds are being awarded to a government entity, in this case the School District, for programs performed only by that entity, pursuant to Administrative Code Section 21G.3.

[1] Excess ERAF refers to the amount of property tax revenues initially diverted from the City to help the state meet its funding obligations for k-14 education. The amount that exceeds these entities' revenue limits is returned to the City as so-called "excess ERAF." The excess ERAF revenues are budgeted at a total of $365.1 million in FY 2023-24, $311.6 million in FY 2024-25, and $294.8 million in FY 2025-26, according to the Controller's Office Revenue Letter for FY 2024-25 and FY 2025-26.

Per the Charter, grant funds may not be used to pay for core school staffing and the District is required to hire one full-time (or full-time equivalent) School District Coordinator to manage and coordinate the community school framework district-wide, and provide training and support for each eligible school's Community School Coordinator. The City may allocate up to 3.5 percent of annual appropriations from the Fund for program administration.

FY 2023-24 Student Success Grant

In FY 2023-24, a DCYF provided a grant of $9,008,250 to the District. The FY 2023-24 grant was not subject to Board of Supervisors approval because it was less than $10 million.

According to the Department, the District had invoiced for $2,208,250 of the total $9,008,250 (or, 24 percent), as of July 29, 2024. The Department expects the District to invoice for additional expenditures but not the full amount of the grant. Unspent funds from FY 2023-24 may be reallocated among other allowable uses or returned to the Student Success Fund reserve, according to DCYF. The Department noted that FY 2023-24 was the first year of distributing Student Success Fund grants, and there was a delay in issuing the Request for Proposals by the District to schools and not all schools were able to submit timely proposals.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a grant agreement between DCYF and SFUSD. The grant has a term from July 1, 2024 to June 30, 2025 for a total not-to-exceed amount of $26,519,360.

Grant Award

DCYF and the School District established evaluation criteria to disburse Student Success Fund grants to District schools. Eligible schools scored at least 65 points out of 100 to be considered for a grant, based on the scoring rubric shown in Appendix 1 to this report. SFUSD and DCYF staff evaluated schools against the scoring criteria and made funding awards.[2] Appendix 2 to this report lists the schools that would receive funding.

DCYF and the School District have determined the total amount of grant funding for District Innovation grants but are still determining the evaluation criteria for grant proposals and evaluating proposals.

Services

According to DCYF, spending is split between the Department and the school district, and the contract only represents the School District portion for funding the following two types of grants:

- **District Innovation** grants to the School District for four programs—Innovation Grants, Rapid Response, Technical Assistance, and Workforce Pipeline—to fund programs to

[2] The scoring panel included the SFUSD Director of Community Schools; SFUSD Assistant Superintendent, Student and Family Services Division; SFUSD Director of Strategic Initiatives; DCYF Director of Programs, Planning and Grants; DCYF Manager of Community Schools; and DCYF Program and Planning Manager.

support students' academic achievement and social emotional well-being; these strategies also support schools with emerging needs or provides workforce support to SFUSD to help move towards academic achievement.

- **Student Success** grants to fund programs at individual schools to improve academic achievement and social/emotional wellness. Grants may also be award to help schools develop such programs ("Readiness Grants").

Unlike other DCYF grants, the proposed contract does not define the scope of services in any further detail nor define measurable outcomes and other performance metrics. DCYF grants typically detail the population to be served, operating period, activities, work of subcontractors, goals, and performance measures.

Performance

Charter Section 16.131(e)(7) requires DCYF and the District to clearly define goals and measurable outcomes for each grant. However, unlike other DCYF grants, neither this agreement nor the MOUs with the Schools specify the goals and measurable outcomes that would allow the City to measure performance.[3]

Charter Section 16.131(g) requires DCYF to submit an outcomes report to the Mayor and Board of Supervisors by May 1 each year based on student outcomes data reported by the District and eligible schools for both academic and social/emotional programs. The evaluation did not take place for the $9 million in funding allocated to the School District in FY 2023-24.

FISCAL IMPACT

The proposed agreement has a not-to-exceed amount of $26,519,360, including $1,050,000 for program administration, as shown in Exhibit 1.

[3] The proposed grant agreement has a generic requirement for the District to submit information for evaluation to DCYF. In addition, DCYF has entered into Memoranda of Understanding (MOU) with eligible schools and the District that include a requirement for implementation grant recipients to "identify and confirm" student outcomes, which are undefined, within 90 days of receiving a grant award letter.

Exhibit 1: Student Success Fund FY 2024-25 Budget for San Francisco Unified School District

Category	Program	Scope of Work	Budget
District Innovation	District Innovation Grants	Support for creative and innovative programs/initiatives that are co-designed by school sites and SFUSD. Program to be implemented at multiple school sites.	$7,000,000
	Rapid Response	School sites identify scenarios defined as a crisis and/or emergency for which access to funding is needed. All scenarios are to be approved by the School Site Council.	3,300,000
	Technical Assistance	Support for implementing the community schools' model and preparation for long-term funding.	500,000
	Workforce Pipeline	Expand SFUSD educator and college pathways and address workforce shortages in paraprofessional, social worker, nurse, and after-school staffing.	250,000
Subtotal			$11,050,000
Student Success Grants	Implementation Grants	Designed for sites that have hired, or have identified their Community Schools Coordinator, or have completed their Community Schools Implementation Plan and are ready to expand or deepen their existing work.	$7,789,360
	Readiness Grants	Designed for sites that need support to meet the eligibility criteria for Student Success Fund Implementation Grants. At the end of the grant period, sites are expected to have a Community School Coordinator in place and to have completed an assessment and implementation plan.	$6,630,000
Subtotal			$14,419,360
Program Administration			$1,050,000
Total			**$26,519,360**

Source: DCYF

The FY 2024-25 – FY 2025-26 budget included $35 million from the Student Success Fund in FY 2024-25. The remaining $8,480,640 will be retained by DCYF for additional technical assistance to SFUSD, program administration, and hiring a program evaluator. The proposed $26.5 million is based on the number of schools that submitted proposals which met the minimum score necessary to receive funding.

POLICY CONSIDERATION

Grant Services, Outcomes, and Performance Not Defined

As noted above, the proposed grant does not have well defined services, outcomes, and performance metrics. According to DCYF, the School District is still in the process of developing programs that would be funded by the proposed grant. To promote transparency and accountability, we recommend that the proposed grant be revised to define all programs that will be funded, including the population to be served, operating period, activities, work of subcontractors, goals, and performance measures.

Annual Reporting to the Board of Supervisors

Further, the Department is tasked by the Charter to regularly assess outcomes of the grant programs to evaluate how they are meeting the goals of improving student academic and social/emotional wellness outcomes, and to submit an annual report to the Mayor and the Board of Supervisors no later than May 1. As noted above, this report was not produced for $9 million FY 2023-24 grant. DCYF should include results of the FY 2023-24 funding in its May 2025 report.

Potential School Closures

The District is in the process of developing a “resource alignment” plan to merge and close schools. The list of impacted schools is not known as of this writing but could include recipients of the proposed grant. The SFUSD staff proposal to the Board of Education is expected to be released in September or October 2024. The Board of Supervisors could postpone approval of this resolution until the District’s resource alignment plan is finalized.

RECOMMENDATIONS

1. Request DCYF amend the proposed grant agreement to define the programs that will be funded, including the population to be served, operating period, activities, work of subcontractors, goals, and performance measures.
2. Approve the proposed resolution.

Appendix 1: Scoring Rubric for Student Success Fund Grant Award Recipients (out of 100 points)

Criteria	Maximum Points
Implementation Grants	
How does your Community Schools/Implementation Plan align with the district's goal or guardrail?	5
Description of Goals Which district goal or guardrail does this goal align to? Briefly explain how this goal relates to your Hopes and Needs Assessment	50
Describe the school community engagement process for establishing the goals/priorities described above. How were students, families/caregivers, educators and other school staff and community partners included?	15
What new, deeper, or expanded work do you propose to do to advance these goals through this grant? Why did you choose those programs or interventions?	10
Please provide a budget for the requested funds. Please include a narrative of how these funds relate to your CCSPP funds [state funding for community school programs] or other existing community schools' budget if applicable.	10
What challenges do you anticipate with implementing your community schools plan and the work described above? How might you mitigate them?	10
Readiness Grants	
Why are you interested in becoming a community school and how will it help you align with the district goals and guardrails?	15
What do you hope will change for your students and for your school community as a result of becoming a community school?	15
How do you see becoming a community school changing the way you work with partners (e.g. CBOs, community members)?	15
Where are you in the process of identifying a Community School Coordinator? What role do you see them playing as part of your school leadership team and school community?	15
How will you engage your community in creating a community Schools/Implementation plan? Including how you will share leadership with community stakeholders.	15
What challenges do you anticipate in developing your plan and how might you mitigate them?	15
Please submit a budget for how you intend to use these funds. Please include a narrative of how these funds relate to your CCSP funds or other existing community schools' budget if applicable.	10

Source: DCYF

Appendix 2: SFUSD Schools Receiving Student Success Grants

School sites receiving readiness grants:

School Sites:

Aptos MS	Denman MS	Independence HS	SF Community School
Balboa HS	Dolores Huerta ES	Lick MS	Starr King ES
Carver ES	Flynn ES	Lincoln HS	Ulloa ES
Chavez ES	Glen Park ES	Malcolm X Academy	Webster ES
Cleveland ES	Grattan ES	Moscone ES	
Cobb ES	Hillcrest ES	O'Connell HS	
County Satellite	Ida B Wells HS	Rosa Parks ES	

School sites receiving implementation grants:

School Sites

Bret Harte ES	El Dorado ES	Marshall HS	Sutro ES
Buena Vista Horace Mann K-8	ER Taylor	Mission Education Center	Tenderloin CS
Burton HS	Francisco MS	Mission HS	Vis Valley ES
Carmichael PK-8	Guadalupe ES	Monroe ES	Vis Valley MS
Downtown HS	Jean Parker ES	Revere PreK-8	Willie Brown Jr MS
Dr. MLK MS	John Muir ES	Sanchez ES	Sheridan ES
Drew College Prep	Longfellow ES	SF International HS	Everett MS

Source: Proposed Grant

Item 5 File 24-0747	Department: Human Services Agency (HSA), Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Director of Property, on behalf of the Department of Disability and Aging Services, Human Services Agency (DAS-HSA), to execute a lease with The Kelsey Civic Center, LLC (Kelsey) for use of the ground floor commercial space at 240 Van Ness Avenue as a Disability Cultural Center, for a term of 15 years and three five-year options to extend, for annual base rent of $60,353 with two percent annual increases, authorizing the City's contribution of up to $1,167,500 for tenant improvements, and authorizing the Director of Property to execute the options to extend or any immaterial amendments to the lease.

Key Points

- In February 2023, the Board of Supervisors approved a ground lease with Kelsey to construct affordable housing on three adjacent, City-owned parcels at 240 Van Ness Avenue. The project consists of 112 units as well as a Disability Cultural Center (DCC) on the ground floor. Kelsey has agreed to sublease the ground floor space back to the City to operate the DCC.
- The proposed lease would have an initial term of 15 years with three five-year options to extend. The City would contribute up to $1,167,500 for tenant improvements, which are being completed by Kelsey. RED surveyed related commercial properties and found that the proposed initial annual rent of $34.10 per square foot is at or below fair market rent.

Fiscal Impact

- The proposed lease would have initial annual rent of $60,353 with two percent annual escalation. Over the initial 15-year term of the lease, the City would pay approximately $1,043,708 in rent. If the three five-year options to extend are exercised, the City would pay an additional $1,404,694 in rent, for a total of $2,448,402 over 30 years.
- Each month, the City would pay a Common Area Maintenance (CAM) estimate as an initial payment for the percentage share of the increase in the building's operating costs, as well as building insurance and special assessment property taxes. Over the initial 15-year term of the lease, the total CAM charge paid by the City would be $309,532. It the three five-year options to extend the lease are exercised, the City would pay an additional $643,496 in CAM charges, for a total of $953,028 over 30 years.
- Rent, CAM charges, and tenant improvements would be funded by the City's General Fund.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code Section 23.27 states that any lease with a term of one year or longer and where the City is the tenant is subject to Board of Supervisors approval by resolution.

BACKGROUND

In February 2023, the Board of Supervisors approved a ground lease with The Kelsey Civic Center, L.P. (Kelsey), as well as a gap loan of up to $24.7 million to construct affordable housing on three adjacent, City-owned parcels at 240 Van Ness Avenue (File 23-0063).[1] The project consists of 112 units, of which 80 are studios and 32 are two-bedroom units, as well as a Disability Cultural Center (DCC) on the ground floor. Twenty-eight of the affordable units are reserved for people with disabilities who receive In-Home Supportive Services (IHSS). According to Anne Romero, Mayor's Office of Housing and Community Development Senior Project Manager, construction is expected to be complete by February 2025 and the building will be fully occupied by June 2025.

The Disability Cultural Center will provide in-person and virtual community service programming and artistic, educational, and social networking opportunities to people with disabilities and their allies. Kelsey has agreed to sublease the ground floor space back to the City to operate the DCC per the terms established in a September 2022 Letter of Intent (LOI) between Kelsey and the Department of Disability and Aging Services, Human Services Agency (DAS-HSA). The Real Estate Division (RED) has negotiated a lease with the landlord, Kelsey LLC, on behalf of DAS-HSA.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Director of Property, on behalf of DAS-HSA, to execute a lease with Kelsey LLC, as landlord, for use of the ground floor commercial space at 240 Van Ness Avenue as the DCC, for a term of 15 years and three five-year options to extend. The lease has an initial annual base rent of $60,353 with two percent annual increases. The proposed resolution would also authorize the City's contribution of up to $1,167,500 for tenant improvements, which is included as an exhibit to the proposed lease. The resolution would also authorize the Director of Property to execute the options to extend or any immaterial amendments to the lease.

The key terms of the lease are shown in Exhibit 1 below.

[1] The project is sponsored by Mercy Housing, a non-profit affordable housing developer, and The Kelsey, a non-profit affordable housing developer with a focus on people with disabilities.

Exhibit 1: Lease Terms for 240 Van Ness

Premises	1,770 square feet, of which 1,324 square feet are indoor and 446 square feet are outdoor
Term	15 years
Options to Extend	Three 5-year options to extend
Annual Base Rent	$60,353 ($34.10 per square foot)
Rent Escalation	2% annually, including during option terms
Tenant Improvements	Built by landlord, City pays up to $1,167,500
Utilities	Paid by City
Janitorial/Refuse Services	Paid by City
Operating Costs	City pays percentage share (2.03%) of increase in building operating costs over base year (2025)

Source: Proposed lease

Rent would commence after the Department of Building Inspection issues a temporary certificate of occupancy for the building. Based on the construction schedule, the rent commencement date would be in approximately February 2025.

RED surveyed related commercial properties and found that the proposed initial annual rent of $34.10 per square foot is at or below fair market rent. An appraisal was not required under Administrative Code Section 23.27 because the proposed annual rent is less than $45 per square foot.

Service Provider

DAS-HSA has selected Haven of Hope to operate the Disability Cultural Center. According to MOHCD staff, DAS-HSA agreed to fund the tenant improvements and procure the service provider because the DCC will be the first of its kind and staff determined that potential providers would not have the real estate experience or funding to design and construct the space. The annual cost to DAS-HSA for Haven of Hope to operate the site is approximately $1 million.

FISCAL IMPACT

Base Rent and Operating Costs

The proposed lease would have initial annual rent of $60,353, or $34.10 per square foot, with two percent annual escalation. Over the initial 15-year term of the lease, the City would pay approximately $1,043,708 in rent. If the three five-year options to extend are exercised, the City would pay an additional $1,404,694 in rent, for a total of $2,448,402 over 30 years.

Under the lease, the City would also pay its percentage share of the increase in the building's operating expenses over the base year, which is 2025. Based on the percentage of leased premises in the building, the percentage share of the lease is 2.03 percent. Each month, the City would pay a Common Area Maintenance (CAM) estimate as an initial payment for the operating costs, as well as building insurance and special assessment property taxes. The CAM estimate would be later reconciled with actual costs, on an annual basis. The initial estimated CAM charge is $14,344 annually, or $8.10 per square foot, with five percent annual escalation to the estimate based payments. Over the initial 15-year term of the lease, the total CAM charge paid by the City would be $309,532. It the three five-year options to extend the lease are exercised, the City would pay an additional $643,496 in CAM charges, for a total of $953,028 over 30 years.

In Year 1 of the lease, rent and CAM charges would total $74,697, or $42.20 per square foot. Between rent and estimated CAM charges, the total cost to the City would be approximately $1,353,241 over the initial 15-year term, or approximately $3,401,430 over 30 years, if the options are exercised.

Tenant Improvements

According to Andrico Penick, Director of Property, the $1,167,500 tenant improvement authorization is expected to be sufficient to cover tenant improvement costs, which include the buildout of meeting and event space, a kitchenette, restrooms, and sliding or folding doors to the courtyard. Tenant improvements would be completed by Kelsey to DAS-HSA's specifications. The proposed lease includes a Work Letter that details the planned tenant improvements and includes a detailed budget. Changes to the budget for tenant improvements must be approved by the City. Tenant improvements are expected to be completed by December 2024.

The rent and tenant improvements would be funded by the City's General Fund.

Kelsey Operating Budget

According to the November 2022 operating proforma for the Kelsey Civic Center affordable housing project, Kelsey will not make a profit from subleasing the ground floor to the City, and commercial rent from the proposed lease will not support the residential building. Base rent and CAM charges paid by the City will fund operating costs, maintenance and repair and commercial reserves, with net annual income of $1 accruing to Kelsey.

RECOMMENDATION

Approve the proposed resolution.

Item 8 **File 24-0753**	**Department:** Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Amendment No. 2 to the San Francisco Public Utilities Commission's (SFPUC) Lower Alemany Area Stormwater Improvement Project engineering services contract with McMillen Jacobs Associates (dba Delve Underground), extending the term by three years through January 17, 2031, and increasing the not-to-exceed amount by $8,300,000, for a total not to exceed $17,800,000.

Key Points

- SFPUC's Lower Alemany Area Stormwater Improvements Project seeks to improve stormwater management during wet weather events. The project involves constructing a 10-foot diameter sewer pipe underground for approximately 6,300 feet, as well as a 13-foot by 7-foot box sewer running approximately 1,000 feet. The total project budget is approximately $300 million and is expected to be complete in May 2028.
- In 2021, SFPUC awarded an engineering services contract to McMillen Jacobs Associates, which has been amended once. Prior to completing project design, Caltrans requires SFPUC to obtain an encroachment permit for crossing Caltrans right-of-way and to use the Caltrans right-of-way during construction. The encroachment permit requires SFPUC to submit technical analysis, including bridge structural impact analysis, ground stabilization and seismic analysis, technical support for permits and certifications, and a new temporary road design in the Caltrans right-of-way. The extent of the analysis needed was not known until the detailed designs were available and reviewed by Caltrans. To complete this work and to provide engineering support during construction, SFPUC and McMillen Jacobs Associates have agreed to increase the contract and extend the term by three years.

Fiscal Impact

- The proposed Amendment No. 2 would increase the not-to-exceed amount of the McMillen Jacobs Associates contract by $8,300,000, for a total not to exceed $17,800,000. The contract increase is driven by an increase of $2.3 million in engineering design, an increase of $2.2 million in environmental and permit support, and an increase of $3.0 million in engineering support during construction. The contract is funded by Wastewater Enterprise revenues.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

Lower Alemany Area Stormwater Improvements Project

The San Francisco Public Utilities Commission's (SFPUC) Lower Alemany Area Stormwater Improvements Project seeks to improve stormwater management in the Lower Alemany area during wet weather events. The project involves constructing a 10-foot diameter sewer pipe underground for approximately 6,300 feet from Stoneybrook Avenue to Industrial Street along Alemany Boulevard, Gaven Street, and Boutwell Street, as well as a 13-foot by 7-foot box sewer for approximately 1,000 feet along Boutwell Street and Industrial Street. The total project budget is approximately $300 million and is expected to be complete in May 2028.

Solicitation for Engineering Services

In February 2020, SFPUC issued a Request for Proposals (RFP) for engineering services for the Lower Alemany Area Stormwater Improvements Project. SFPUC received three proposals, and a scoring panel evaluated them, as shown in Exhibit 1 below.[1]

Exhibit 1: Proposals and Scores from RFP

Proposer	Written Proposal Score (Out of 550)	Oral Interview Score (Out of 350)	Community Benefits Proposal Score (Out of 50)	Overhead & Profit Rate Score (Out of 50)	LBE Bonus	Total Score
Stantec/AGS	470.40	281.41	42.19	50.00	63.30	907.31
McMillen Jacobs	496.00	299.98	39.89	50.00	0.00	885.87
Mott McDonald	451.55	287.88	41.35	50.00	0.00	830.78

Source: SFPUC

Stantec/AGS was deemed the highest scoring proposer. However, McMillen Jacobs Associates protested the proposal, alleging that a non-lead joint venture partner did not meet the minimum qualifications described in the RFP. SFPUC's Contract Administration Bureau, in consultation with the City Attorney's Office and Contract Monitoring Division, reviewed the protest and ultimately

[1] The panel that evaluated the written proposal and interview consisted of an SFPUC Senior Civil Engineer, an SFPUC Project Manager, a retired SFPUC Project Manager, and an SFMTA Principal Engineer. The panel that evaluated the community benefits proposal consisted of an SFPUC Site Steward and Educator, a Diversity Engagement Specialist from Facebook, a Chief Impact Officer from Amplify Impact, and an SFPUC Public Service Aide.

agreed, rejecting the Stantec/AGS proposal. SFPUC then awarded a contract to McMillen Jacobs Associates.

Original Contract and Amendments

In July 2021, the SFPUC Commission approved a contract with McMillen Jacobs Associates for a term of six years from January 18, 2022 through January 17, 2028 and an amount not to exceed $7,500,000. In January 2024, the SFPUC Commission approved Amendment No. 1 to the contract, increasing the contract amount by $2,000,000, for a total not to exceed $9,500,000 to address unforeseen conditions of the existing box sewer, design changes to the tunnel and sewer, changes to the upstream sewer connection, and to address traffic impacts.

Prior to completing project design, Caltrans requires SFPUC to obtain an encroachment permit for crossing Caltrans right-of-way and to use the Caltrans right-of-way during construction. The encroachment permit requires SFPUC to submit technical analysis, including bridge structural impact analysis, ground stabilization and seismic analysis, technical support for permits and certifications, and a new shoofly design in the Caltrans right-of-way.[2] To complete this work and to provide engineering support during construction, SFPUC and McMillen Jacobs Associates have agreed to increase the contract to $17,800,000 and extend the term by three years through January 17, 2031. In June 2024, the SFPUC Commission approved Amendment No. 2 to the contract.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 2 to SFPUC's Lower Alemany Area Stormwater Improvement Project engineering services contract with McMillen Jacobs Associates (dba Delve Underground), extending the term by three years through January 17, 2031, and increasing the not-to-exceed amount by $8,300,000, for a total not to exceed $17,800,000.

Scope Increase

To obtain a Caltrans encroachment permit for the Project to procced into construction, additional work that includes extensive detailed engineering analyses, assessment and reports are required, which was not anticipated during the initial contract award. According to Casey Chen, SFPUC Engineer, the project team was aware of the need for an encroachment permit, but not of the extent of analyses required. Caltrans review did not begin until a detailed design was available. The Lower Alemany project has six locations that interface with the Caltrans right-of-way, including U.S. Highway 101 and Interstate 280 and associated freeway shoulders. The project requires traffic along Alemany Boulevard to be diverted for three years for construction, hence an elevated shoofly within Caltrans right-of-way will need to be constructed. In addition, the tunnel length was extended by approximately 750 feet on the western end compared to the original design to avoid I-280 freeway off-ramp closure for the three-year construction duration as advised by Caltrans. This resulted in additional engineering work for the contract.

According to SFPUC, the scope of work for Amendment No. 2 includes engineering services for design documents for the shoofly, developing design submittals for Caltrans right-of-way and

[2] A shoofly is a temporary road built to bypass a construction site or obstruction.

public utility relocations, preparing a project study report, bridge structure modeling, seismic performance assessment and seismic hazard analysis, assessing bridge capacity and load rating calculations, geotechnical engineering and soil analysis, landscape restoration to construction area in the Caltrans right-of-way, developing pre-construction submittals with stormwater data report and construction site runoff control plans, and performing engineering support services during construction.

Contract Monitoring

SFPUC's performance evaluation for FY 2023-24 gave McMillen Jacobs Associates an overall score of "good."[3] The evaluation noted that there is room for improvement in cost management, including tracking service spending and monitoring progress and spending of subconsultants. The contractor received a rating of "fair" on cost management and a rating of "good" or "excellent" on the remaining six areas of contract performance on the evaluation. The Department did not complete performance evaluations for this contract in prior years.

Community Benefits Commitments

Under its community benefits proposal, McMillen Jacobs Associates committed to providing $75,000 in financial contributions, $3,500 in goods, and 398 volunteer hours. As of the writing of this report, McMillen Jacobs Associates has not begun providing its community benefits commitments. The contributions are due at the time that the contract expires.

FISCAL IMPACT

The proposed Amendment No. 2 would increase the not-to-exceed amount of the McMillen Jacobs Associates contract by $8,300,000, for a total not to exceed $17,800,000. As of the writing of this report, the total amount invoiced to SFPUC is approximately $8,420,076, and SFPUC anticipates spending the full $9,500,000 authorized to date on the existing scope of work. The estimated contract budget for the proposed $8,300,000 increase is shown in Exhibit 2 below.

Exhibit 2: Proposed Amendment No. 2 Contract Budget

Task	Amount
Project Management	$432,100
Engineering Design & Engineering Support During Bid and Award	2,278,000
Environmental and Permit Support	2,228,200
Communication and Public Outreach	150,000
Geotechnical Investigation, Seismic Analysis, Characterization, Soil Structure Interaction Analysis	211,700
Engineering Support During Construction	3,000,000
Amendment No. 2 Subtotal	*$8,300,000*
Previously Authorized Amount	9,500,000
Total Not to Exceed	**$17,800,000**

Source: SFPUC

The proposed $8.3 million increase in the contract budget is driven by:

[3] Possible ratings were Excellent, Good, Fair, and Unsatisfactory.

- An increase of $2.3 million in engineering design is to prepare four additional design submittals for work located at Caltrans right-of-way including plans, specifications, estimates and technical reports; a new elevated shoofly road design; and the additional construction documents (plans and specifications) that will also need to comply with Caltrans requirements, including landscape and construction standards.
- An increase of $2.2 million in environmental and permit support is for technical analyses and reports associated with the encroachment permit that includes Caltrans Project Study Report; bridge structure crossing assessment and analysis; prepare pre-construction submittals such as stormwater reports and construction site runoff control plans; and utility and right-of-way certifications.
- An increase of $3.0 million in engineering support during construction for work associated with construction request for information, review and respond to construction submittals, and provide engineering field services that will include monitoring tunneling excavation.

The contract is funded by Wastewater Enterprise revenues.

RECOMMENDATION

Approve the proposed resolution.

Item 9 **File 24-0189**	**Department:** Recreation and Parks (REC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would amend Section 12.11 of the Park Code to increase Yacht Harbor fees, retroactive to July 1, 2024 and again on July 1, 2025. The proposed ordinance also provides a 15 percent discount for berthing fees if the boat owner is a San Francisco resident. Following FY 2025-26, fees would continue to automatically escalate by the Consumer Price Index without further Board of Supervisors action.

Key Points

- The Recreation and Parks Department operates a Yacht Harbor in the Marina neighborhood. The fees have never covered the full cost of the Yacht Harbor's operations, which has therefore required a General Fund subsidy. As we discuss in our January 2024 report, "Marina Yacht Harbor Fee Analysis," to eliminate the General Fund subsidy to the Yacht Harbor, the City needs to expand the number of revenue generating slips or increase fees.
- The proposed ordinance increases fees for berthing and harbor services by 10.2 percent, on average, in FY 2024-25 and by 14.6, on average, in FY 2025-26. As an example, a forty-foot berth in the West Harbor currently costs $9,758 per year. The proposed ordinance would increase that fee to $10,891 in FY 2024-25 and $12,600 in FY 2025-26. For San Francisco residents, the new fees for the same berth would be $9,258 in FY 2024-25 and $10,710 in FY 2025-26.

Fiscal Impact

- The FY 2024-25 – FY 2025-26 budget removed the direct General Fund subsidy from the Yacht Harbor budget and assumed passage of this fee ordinance. The proposed fee increases are sized to backfill the direct General Fund subsidy for Yacht Harbor operations. The additional revenue generated amounts to $723,000 in FY 2025-26.

Policy Consideration

- As we noted in our January 2024 report on Marina revenues, the City's Yacht Harbor had the highest berthing fees among the 36 other marinas in the Bay Area but also had a long waitlist. We do not know how the proposed fee increases will impact the Yacht Harbor's utilization.
- The City may use up to $190 million from PG&E to remediate and rebuild the Yacht Harbor. The project could expand the number of slips or reduce operating costs of the Yacht Harbor but will take 5-10 years to complete.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT

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

BACKGROUND

Section 12.11 of the Park Code sets berthing and services fees for the Recreation and Park Department's Yacht Harbor, which includes boat slips to the east and west of Marina Green Park. Because the fees automatically escalate each year by the Consumer Price Index, the fees in the Park Code do not reflect current rates, which are published separately by the Recreation and Parks Department (REC). The fees have never covered the full cost of the Yacht Harbor's operations, which has therefore required a General Fund subsidy. In FY 2023-24, the General Fund provided a $592,921 direct subsidy to the REC Yacht Harbor and also funded approximately $278,000 in maintenance and gardening expenses in the Yacht Harbor area.

As we discuss in our January 2024 report, "Marina Yacht Harbor Fee Analysis," to eliminate the General Fund subsidy to the Yacht Harbor, the City needs to expand the number of revenue generating slips or increase fees.[1] The Recreation and Parks Department planned to renovate the East Harbor and expand the West Harbor to increase the number of slips however in February 2024, the Board of Supervisors and the Mayor approved an ordinance prohibiting the expansion of the West Harbor by more than 150 feet from its current eastern boundary (File 23-1191). Following approval of that project control ordinance, in February 2024 REC introduced this ordinance to increase fees at the Yacht Harbor.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend Section 12.11 of the Park Code to increase Yacht Harbor fees, retroactive to July 1, 2024 and again on July 1, 2025. Exhibit 1 summarizes the average increase in each fee category. Following FY 2025-26, fees would continue to automatically escalate by the Consumer Price Index without further Board of Supervisors action.

The proposed ordinance also provides a 15 percent discount for berthing fees if the boat owner is a San Francisco resident. According to REC staff, approximately half of boat owners that berth at the Yacht Harbor are San Francisco residents. This is not reflected in Exhibit 1 below.

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[1] Our report on the Marina Yacht Harbor's revenues may be accessed at: https://sfbos.org/sites/default/files/BLA_Marina_Yacht_Harbor_Fee_Analysis_012624.pdf

Exhibit 1: Average Proposed Yacht Harbor Fee Increases, FY 2024-25 & FY 2025-26

Fee Category	FY 2024-25	FY 2025-26
West Harbor Berthing	11.6%	15.7%
East Harbor Berthing	11.6%	15.7%
Deposits	11.2%	16.1%
Guest Docking	0.0%	3.0%
Guest Parking	13.7%	14.3%
Key Purchase	13.5%	16.7%
Services	6.5%	16.1%
Transfer License	11.3%	16.0%
Storage	11.3%	16.3%
Wait List	11.5%	15.9%

Source: Proposed Ordinance

A detailed list of fee changes is included in an Appendix to this report. As an example, a forty-foot berth in the West Harbor currently costs $9,758 per year. The proposed ordinance would increase that fee to $10,891 in FY 2024-25 and $12,600 in FY 2025-26. For San Francisco residents, the new fees for the same berth would be $9,258 in FY 2024-25 and $10,710 in FY 2025-26.

FISCAL IMPACT

The FY 2024-25 – FY 2025-26 budget removed the direct General Fund subsidy from the Yacht Harbor budget and assumed passage of this fee ordinance. The proposed fee increases are sized to backfill the direct General Fund subsidy for Yacht Harbor operations. The additional revenue generated amounts to $723,000 in FY 2025-26.

POLICY CONSIDERATION

As we noted in our January 2024 report on Marina revenues, the City's Yacht Harbor had the highest berthing fees among the 36 other marinas in the Bay Area but also had a long waitlist. We do not know how the proposed fee increases will impact the Yacht Harbor's utilization.

As also discussed in that report, the City may use up to $190 million from PG&E to remediate and rebuild the Yacht Harbor. The Department is in the process of re-designing the Yacht Harbor renovation project. Expanding the West Harbor would require legislative action. However, there may be other project designs that expand the number of slips, reduce operating costs of the Yacht Harbor, or align with the policy priorities of the Board of Supervisors. The harbor renovation project could take 5-10 years to complete.

Finally, the proposed increases for berthing fees are the same for all slip sizes. The Board could consider higher increases for larger berths to generate additional revenue for Yacht Harbor maintenance needs. REC intends to propose an amendment to the ordinance to increase fees on berths of 70 feet and above, which would increase revenues by approximately $40,000 in FY 2025-26.

RECOMMENDATION

Approve the proposed ordinance.

Current			Proposed		
	FY 2024-25	FY 2025-26		FY 2024-25	FY 2025-26
West Harbor			**West Harbor**		
25'	$16.53	$17.03	25'	$18.45	$21.35
30'	$16.77	$17.27	30'	$18.75	$21.66
35'	$16.77	$17.27	35'	$18.72	$21.66
40'	$20.33	$20.94	40'	$22.69	$26.25
45'	$20.33	$20.94	45'	$22.69	$26.25
50'	$20.79	$21.41	50'	$23.20	$26.84
60'	$20.79	$21.41	60'	$23.20	$26.84
70'	$21.23	$21.87	70'	$23.68	$27.40
80'	$21.23	$21.87	80'	$23.68	$27.40
90'	$21.23	$21.87	90'	$23.68	$27.40
East Harbor			**East Harbor**		
20'	$12.37	$12.74	20'	$13.80	$15.97
25'	$12.37	$12.74	25'	$13.80	$15.97
30'	$12.55	$12.93	30'	$14.00	$16.20
35'	$12.55	$12.93	35'	$14.00	$16.20
Deposits			**Deposits**		
Electrical Adapter	$525.00	$540.75	Electrical Adapter	$585.00	$677.00
Hazardous Material	$226.00	$232.78	Hazardous Material	$252.00	$292.00
Visitor Key	$76.00	$78.28	Visitor Key	$84.00	$98.00
Guest Dock			**Guest Dock**		
Short Term	$2.00	$2.06	Short Term	$2.00	$2.06
Pick Up/Drop Off	$5.00	$5.15	Pick Up/Drop Off	$5.00	$5.15
Parking			**Parking**		
Crew, per day	$13.00	$13.39	Crew, per day	$14.00	$16.00
Special Event	$12.00	$12.36	Special Event	$14.00	$16.00
Trailer/Dingy Parking	$12.00	$12.36	Trailer/Dingy Parking	$14.00	$16.00
Purchase Fees			**Purchase Fees**		
Key Purchase	$37.00	$38.11	Key Purchase	$42.00	$49.00
Services			**Services**		
Chain Fee	$78.00	$80.34	Chain Fee	$87.00	$101.00
Dock Box Cleaning	$78.00	$80.34	Dock Box Cleaning	$87.00	$101.00
Impound	$233.00	$239.99	Impound	$260.00	$302.00
Harbor Line Installation	$46.00	$47.38	Harbor Line Installation	$51.00	$59.00
Labor, per incident	$87.00	$89.61	Labor, per incident	$87.00	$101.00

Current			Proposed		
	FY 2024-25	FY 2025-26		FY 2024-25	FY 2025-26
Water Pump Out, First Incident	$130.00	$133.90	Water Pump Out, First Incident	$130.00	$151.00
Water Pump Out, Subsequent Incidents	$218.00	$224.54	Water Pump Out, Subsequent Incidents	$218.00	$254.00
Transfer Fees			**Transfer Fees**		
Administrative Fee	$76.00	$78.28	Administrative Fee	$84.00	$98.00
35'	$227.00	$233.81	35'	$253.00	$293.00
45'	$304.00	$313.12	45'	$339.00	$392.00
>50'	$491.00	$505.73	>50'	$548.00	$635.00
Storage			**Storage**		
Dock Box (additional)	$22.00	$22.66	Dock Box (additional)	$24.00	$28.00
Small Boat Rack	$115.00	$118.45	Small Boat Rack	$128.00	$149.00
Skiff	$521.00	$536.63	Skiff	$582.00	$675.00
Storage Lockers	$38.00	$39.14	Storage Lockers	$43.00	$50.00
Wait List Fees			**Wait List Fees**		
Per Year	$113.00	$116.39	Per Year	$126.00	$146.00