

CITY AND COUNTY OF SAN FRANCISCO


BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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May 16, 2013

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst 

SUBJECT: May 22, 2013 Budget and Finance Committee Meeting

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Files 13-0414 and 13-0417

Department:
 Airport

EXECUTIVE SUMMARY

Legislative Objectives

- File 13-0414 is an ordinance amending the Annual Appropriation Ordinance to appropriate \$1,697,907 in the Airport's FY 2013-14 budget to fund salaries and benefits for new and substituted positions (\$429,922) and transfer funds to the City's General Fund (\$1,267,985).
- File 13-0417 is an ordinance amending the Annual Salary Ordinance to (a) approve five new positions (3.85 FTEs in FY 2013-14) and substitution of six existing positions in the Airport's FY 2013-14 operating budget; and (b) approve 16 new positions (12.32 FTEs in FY 2013-14) and substitution of five existing positions in the Airport's FY 2013-14 capital budget.

Key Points

The Airport is requesting:

- Six position substitutions in the FY 2013-14 operating budget, including (a) upward substitution of three information technology positions in the Administration Division to support the Security Local Area Network infrastructure, and Airport business applications; (b) upward substitution of two positions in the Facilities Maintenance Division to provide management support to electrical workers, and oversee the Airport's preventative maintenance program; and (c) downward substitution of a position in the Operations and Security Division to serve as the Regulatory Compliance Manager;
- Five new positions in the FY 2013-14 operating budget, including (a) one new Parts Storekeeper in the Facilities Maintenance Division to manage electrical supplies; (b) one new Wastewater Control Inspector in the Facilities Maintenance Division to support regulatory compliance; and (c) three new Airport Safety Officers in the Operations and Security Division to respond to information requests from the Federal Transportation Security Administration;
- Five position substitutions in the FY 2013-14 capital budget (off-budget positions) to provide architect, engineering, and project management services for the Airport's Capital Plan; and
- 16 new positions in the FY 2013-14 capital budget (off-budget positions) to (a) provide information technology support to Capital Plan projects; (b) perform work related to flight information, security checkpoints, and other terminal improvements; and (c) oversee construction of the Airport Hotel and other Airport projects.

Fiscal Impact

- The Airport's original FY 2013-14 budget included transfer of \$35,683,000 to the City's General Fund, or 15% of estimated Airport Concession revenues. Based on revised concession revenue projections, the FY 2013-14 transfer to the City's General Fund is \$36,950,985, an increase of \$1,267,985.
- Because the Airport has a large projected salary surplus in FY 2012-13, the Budget and Legislative Analyst recommends increasing attrition savings by \$313,095, from \$139,909 in the proposed ordinance (File 13-0414) to \$453,004. This recommendation would result in a decrease in the proposed supplemental appropriation of \$429,922.

Recommendations

- Amend File 13-0414 to increase attrition savings by \$313,095, from \$139,909 to \$453,004, resulting in a reduction in the proposed supplemental appropriation by \$429,922, from \$1,697,907 to \$1,267,985.
- Approve Files 13-0414 and 13-0417 as amended.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Charter Section 9.105 requires Board of Supervisors' approval of Annual Appropriation Ordinance amendments, after the Controller certifies the availability of funds.

Charter Section 9.101 authorizes the Mayor and Board of Supervisors by resolution to determine in an even-numbered fiscal year that the upcoming budgetary cycle shall be a fixed budgetary cycle for some or all City Departments. In a fixed budgetary cycle, the Board of Supervisors does not adopt a new budget for the second fiscal year of the cycle, but may adjust the second-year budget if certain conditions are met.

Background

The Board of Supervisors approved a resolution in 2011 (Resolution 464-11), adopting a fixed two-year budget for the Airport, Port, and Public Utilities Commission. The Board of Supervisors approved the Airport's two-year fixed budget for FY 2012-13 and FY 2013-14 in July 2012. As shown in Table 1 below, the budget increased by 15%, and the number of full time equivalent positions (FTEs) increased by 6% in the two-year period from FY 2011-12 to FY 2013-14.

**Table 1: Airport Budget
FY 2011-12 through FY 2013-14**

Program	FY 2011-12	FY 2012-13	FY 2013-14	Increase FY 2011-12 to FY 2013-14	Percent Increase
ADMINISTRATION	\$36,899,762	\$42,001,587	\$44,571,534	\$7,671,772	21%
AIRPORT DIRECTOR	16,579,536	8,793,873	9,005,531	(7,574,005)	-46%
BUREAU OF DESIGN AND CONSTRUCTION	5,621,140	14,263,376	15,030,190	9,409,050	167%
BUSINESS & FINANCE	428,766,832	448,300,394	467,723,072	38,956,240	9%
CAPITAL PROJECTS AND GRANTS	39,498,903	86,498,209	76,229,491	36,730,588	93%
CHIEF OPERATING OFFICER	4,595,869	4,806,312	5,139,585	543,716	12%
COMMUNICATIONS & MARKETING	5,862,433	6,488,281	6,776,008	913,575	16%
CONTINUING PROJECTS, MAINT AND RENEWAL	7,075,000	10,500,000	9,310,000	2,235,000	32%
FACILITIES	148,844,080	154,682,430	163,551,499	14,707,419	10%
FIRE AIRPORT BUREAU NON-PERSONNEL COST	811,248	668,947	589,191	(222,057)	-27%
OPERATIONS AND SECURITY	55,098,535	59,421,756	61,928,562	6,830,027	12%
PLANNING DIVISION	4,019,107	3,547,012	3,844,127	(174,980)	-4%
POLICE AIRPORT BUREAU NON-PERSONNEL COST	2,472,777	3,552,285	3,162,982	690,205	28%
AIRPORT Total	\$756,145,222	\$843,524,462	\$866,861,772	\$110,716,550	15%
Full Time Equivalent Positions (FTE)	1,377.31	1,443.36	1,461.70	84.39	6%

DETAILS OF PROPOSED LEGISLATION

File 13-0414 is an ordinance amending the FY 2012-13 and FY 2013-14 Annual Appropriation Ordinance to appropriate \$1,697,907 in the Airport's FY 2013-14 budget, as shown in Table 2 below, increasing the FY 2013-14 budget by approximately 0.2% from \$866,861,772 to \$868,559,679.

**Table 2: Requested Supplemental Appropriation
FY 2013-14**

Source of Funds	
Airport Fund Balance	\$1,697,907
Uses of Funds	
Salaries	313,095
Fringe Benefits	<u>116,827</u>
Subtotal Salaries and Fringe Benefits	429,922
Transfer to General Fund	<u>1,267,985</u>
Total Uses	\$1,697,907

File 13-0417 is an ordinance amending the FY 2012-13 and FY 2013-14 Annual Salary Ordinance to:

- Add 5 new positions (3.85 FTEs in FY 2013-14), and approve substitution of 6 exiting positions in the Airport's FY 2013-14 operating budget; and
- Add 16 new positions (12.32 FTEs in FY 2013-14), and approve substitution of 5 existing positions in the Airport's FY 2013-14 capital budget.

Requested New and Substituted Positions in the Airport's FY 2013-14 Operating Budget

Request for 5 New Positions in the Operating Budget

Table 3 below shows the 5 requested new positions in the operating budget (3.85 FTEs in FY 2013-14).

Table 3: 5 New Positions in the FY 2013-14 Operating Budget

Position	FY 2013-14 FTEs	Total Positions	Salaries
<u>Facilities Maintenance</u>			
1929 Parts Storekeeper	0.77	1.00	\$48,690
6115 Wastewater Control Inspector	0.77	1.00	70,705
<u>Operations and Security</u>			
9212 Airport Safety Officer	<u>2.31</u>	<u>3.00</u>	<u>194,617</u>
Subtotal, New Positions	3.85	5.00	\$314,012
One-Day Adjustment			1,227
Attrition Savings			(139,909)
Total New Positions	3.85	5.00	\$175,330

The Airport is requesting 5 new positions as follows:

- One new 1929 Parts Storekeeper in the Facilities Maintenance Division to order, receive, inspect and inventory large quantities of electrical supplies, which are currently performed by three different staff;
- One new 6115 Wastewater Control Inspector in the Facilities Maintenance Division to assist with the inspection, investigation and reporting of waste water discharges, ensuring compliance with local, state and federal environmental regulations, previously performed by engineering staff; and

Three new 9212 Airport Safety Officers in the Operations and Security Division to respond to requests from TSA for follow up enforcement activities and information and video footage related to incidents.

Requested Substitution of 6 Existing Positions in the Airport's Operating Budget

Table 4 below shows the requested substitution of 6 existing positions in the FY 2013-14 operating budget.

Table 4: Substitution of 6 Existing Positions in the FY 2013-14 Operating Budget

Position	FY 2013-14 FTEs	Total Positions	Salaries
Operating Budget (on-budget positions)			
<u>Administration</u>			
1. 1022 IS Administrator II	(1.00)	(1.00)	(\$83,675)
1044 IS Engineer Principal	<u>1.00</u>	<u>1.00</u>	<u>136,468</u>
	(1.00)	(1.00)	52,793
2. 1022 IS Administrator II	(1.00)	(1.00)	(83,675)
1054 IS Business Analyst - Principal	<u>1.00</u>	<u>1.00</u>	<u>123,792</u>
	0.00	0.00	40,117
3. 1023 IS Administrator III	(1.00)	(1.00)	(101,722)
1070 IS Project Director	<u>1.00</u>	<u>1.00</u>	<u>136,468</u>
	0.00	0.00	34,746
<u>Facilities Maintenance</u>			
4. 9242 Head Airport Electrician	(1.00)	(1.00)	(116,859)
0931 Manager III	<u>1.00</u>	<u>1.00</u>	<u>130,805</u>
	0.00	0.00	13,946
5. 7334 Stationary Engineer	(1.00)	(1.00)	(76,556)
7262 Maintenance Planner	<u>1.00</u>	<u>1.00</u>	<u>101,061</u>
	0.00	0.00	24,505
<u>Operations and Security</u>			
6. 0923 Manager II	(1.00)	(1.00)	(149,567)
5211 Engineer/Architect	<u>1.00</u>	<u>1.00</u>	<u>121,225</u>
	0.00	0.00	(28,342)
Subtotal, Substitutions	0.00	0.00	\$137,765

The Airport is requesting upward substitution of three information technology positions in Administration as follows:

- 1022 IS Administrator II to 1044 IS Engineer Principal to provide technical support for new Security Local Area Network infrastructure, and infrastructure engineering needs related to Cyber Security;
- 1022 IS Administrator II to 1054 IS Business Analyst Principal to serve as the Data Warehouse Developer to design and develop Data Warehouse applications; and
- 1023 IS Administrator III to 1070 IS Project Director to serve as the Application Architect to develop and maintain all Airport business applications, websites, kiosk applications, and mobile applications.

The Airport requests upward substitution of two positions in the Facilities Maintenance Division as follows:

- 9242 Head Electrician to 0931 Manager III, based on the Department of Human Resources recommendation to reclassify the Head Electrician position, represented by the United Brotherhood of Electrical Workers Local 6, to a management position, which will manage a

staff of over 77 employees who perform a wide variety of skilled technical and electrical work and maintenance throughout the Airport facilities; and

- 7334 Stationary Engineer to 7262 Maintenance Planner to oversee the preventative maintenance program for the certification of the Fire Suppression System, Fire Alarm Systems, and Smoke Control Systems.

The Airport requests the downward substitution of a position in the Operations and Security Division as follows:

- 5211 Engineer/Architect/Landscape Architect to 0923 Manager II to serve as the Regulatory Compliance Manager, managing aviation security offers that are responsible for responding to Transportation Security Agency (TSA) requests for incident information, video footage, and employee personnel information.

Table 5 below summarizes the salary and fringe benefit costs of the requested 5 new and 6 substituted positions in the Airport’s FY 2013-14 operating budget.

Table 5: FY 2013-14 Salary and Fringe Benefit Costs

Salaries	
5 New Positions	\$314,012
One Day Adjustment	1,227
Attrition Savings	<u>(139,909)</u>
Subtotal, New Positions	175,330
6 Position Substitutions	137,765
Salaries (Total)	313,095
Fringe Benefits	116,827
Salaries and Fringe Benefits (Total)	\$429,922

Requested New and Substituted Positions in the Airport’s FY 2013-14 Capital Budget

Request for new positions in the capital budget

Table 6 below shows the 16 requested new positions in the Airport’s capital budget (12.32 FTEs in FY 2013-14). These are off-budget positions funded by capital project budgets.

Table 6: 16 New Positions in the FY 2013-14 Capital Budget

Position	FY 2013-14 FTEs	Total Positions
<u>Administration</u>		
1043 IS Engineer Senior	2.31	3.00
1054 IS Business Analyst - Principal	1.54	2.00
<u>Facilities Maintenance</u>		
7318 Electronic Maintenance Technician	2.31	3.00
7345 Electrician	2.31	3.00
5211 Engineer/Architect	0.77	1.00
6242 Plumbing Inspector	0.77	1.00
6331 Building Inspector	0.77	1.00
<u>Design and Construction</u>		
5207 Associate Engineer	0.77	1.00
5506 Project Manager III	0.77	1.00
Total Capital Budget	12.32	16.00

The Airport is requesting 16 new off-budget positions (12.32 FTEs), as shown in Table 5 above, including:

- Five information technology positions in the Administration Division to support the information technology components of the Airport's Capital Plan projects, including renovations to Terminal 3, Cyber Security project, and other projects included in the Airport's Capital Improvement Program.
- Nine positions in the Facilities Maintenance Division to perform work related to flight information and other electronic displays; in-house construction of security checkpoints and other modifications to existing facilities; plan review and inspections; and engineering work for treatment plant improvements.
- Two positions in the Design and Construction Division to oversee the construction of a new Airport Hotel and other Airport projects, such as the Runway Safety Area and Terminal 3 East projects.

Requested Substitution of 5 Existing Positions in the Airport's Capital Budget

Table 7 below shows the requested substitution of 5 existing positions in the Airport's FY 2013-14 capital budget. These are off-budget positions, funded by capital project budgets.

Table 7: Substitution of 5 Existing Positions in the FY 2013-14 Capital Budget

Position		FY 2013-14 FTEs	Total Positions
Capital Budget (off-budget positions)			
<u>Design and Construction</u>			
1.	5260 Architectural Assistant I	(1.00)	(1.00)
	5266 Architectural Associate II	1.00	1.00
2.	5212 Engineer/Architect Principal	(1.00)	(1.00)
	5506 Project Manager III	1.00	1.00
3.	5362 Engineering Assistant	(1.00)	(1.00)
	5504 Project Manager II	1.00	1.00
4.	5207 Associate Engineer	(1.00)	0.00
	5241 Engineer	1.00	1.00
5.	5362 Engineering Assistant	(1.00)	(1.00)
	5366 Engineering Associate	1.00	1.00
Subtotal, Substitutions		0.00	0.00

The Airport is requesting substitution of five off-budget positions in the Design and Construction Division, as shown in Table 7 above, to provide architect, engineering and project management services for projects in the Airport's Capital Plan, including Security Checkpoint expansion, Long-Term Parking Garage project, Terminal One expansion, and the Runway Safety Area program.

FISCAL IMPACT

Annual Service Payment

The proposed ordinance appropriates \$1,267,985 to the City's General Fund. Under the Airport's agreement with airlines, the Airport pays¹ an Annual Service Payment of 15% of concession revenues to the City's General Fund. The Airport's original FY 2013-14 budget, approved by the Board of Supervisors in July 2012, included an Annual Service Payment of \$35,683,000. Based on revised concession revenue projections, the Airport has revised the FY 2013-14 Annual Service Payment to \$36,950,985, which is an increase of \$1,267,985 and equal to 15% of projected FY 2013-14 concession revenues of \$246,339,900.

Airport's FY 2012-13 Salary Surplus

The proposed ordinance appropriates for \$429,922 for salaries and fringe benefits for the requested substituted and new positions in the operating budget, shown in Table 2 above. According to the Controller's Monthly Salary and Fringe Benefit Projection for March 2013, the Airport projects a FY 2012-13 salary surplus between \$4.7 million to \$5.2 million.

In order to utilize the Airport's projected salary surplus, the Budget and Legislative Analyst recommends increasing attrition savings by \$313,095, from \$139,909, as shown in Table 3

¹ The Federal Aviation Administration, which oversees airport agreements with airlines, authorized these payments.
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above, to \$453,004. This recommendation would result in a decrease in the proposed supplemental appropriation of \$429,922 (\$313,095 in salaries plus \$116,827 in associated fringe benefits).

RECOMMENDATIONS

1. Amend File 13-0414 to increase attrition savings by \$313,095, from \$139,909 to \$453,004, resulting in a reduction in the proposed supplemental appropriation by \$429,922, from \$1,697,907 to \$1,267,985.
2. Approve Files 13-0414 and 13-0417 as amended.

Item 7 File 13-0341	Department: Recreation and Park Department Real Estate Division
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EXECUTIVE SUMMARY**Legislative Objective**

- The proposed resolution would approve the Purchase Agreement between Noe Valley Town Ministry PCUSA (Ministry) and the City and County of San Francisco on behalf of the Recreation and Park Department for the purchase of the surface parking lot at 3861 24th Street to convert into a park.

Key Points

- The Recreation and Park Department (RPD) determined that the proposed property was eligible for acquisition because it meets all three of RPD's Acquisition Policy goals. Ms. Holly Pearson, a Planner with the Recreation and Park Department Property who manages property acquisitions, explained that RPD staff decided to move forward with the acquisition of the proposed property at this time as opposed to the other eligible properties (see Attachment) because (1) there is an opportunity to receive grant funding for the park's development; (2) there is community support and fundraising efforts for the park's development; and (3) the Ministry would like to sell the property at this time and is interested in selling it to the City.
- A third-party environmental consulting firm, Northgate Environmental Management, Inc. (Northgate), conducted an environmental site assessment of the property, which was previously used as a gas station, and found a presence of residual petroleum hydrocarbons in the soil that must be removed prior to developing a park. The estimated environmental remediation costs are \$228,340. Northgate recommended including a 50% contingency as the full extent of the site's soil contamination has not yet been determined, for a total cost of \$342,510.
- There are several technical amendments to that resolution that are being recommended.

Fiscal Impact

- The purchase price for the proposed property is \$4,242,510, or approximately \$392 per square foot which is \$87,490 or 2% less than the appraised value of \$4,330,000. Open Space Acquisition Funds will be used to pay for the purchase of the property.
- The Noe Valley Ministry and City agreed that, as an alternative to the Ministry conducting the necessary environmental remediation work, the City would conduct the work instead and the Ministry would credit the City for this work against the purchase price in the amount of \$342,510. If the proposed property is acquired, Ms. Pearson advised that the estimated cost to develop the site into a park is \$1,660,754. If additional park amenities are constructed, such as a restroom and other park elements, estimated development costs increase by \$683,113 to \$2,343,866.
- According to Ms. Pearson, based on preliminary design plans, RPD estimates that the total first year maintenance costs to maintain the developed park with a restroom would be \$67,543, which includes one part-time Custodian and one part-time Apprentice Gardener.

Policy Considerations

- As of the writing of this report, none of the ten properties on the RPD Acquisition Roster, including the proposed property at 3861 24th Street, meet the criteria of being located in high needs areas. According to Ms. Pearson, staff is currently working on other potential property acquisitions in the India Basin, South of Market/Tenderloin, and Russian Hill neighborhoods and hope to complete acquisitions in these areas over the next two to three years. Ms. Pearson noted that RPD staff is working to more proactively identify potential sites for acquisition in high needs areas. For example, RPD staff are currently working to identify potential new park sites in District 6 (Tenderloin and South of Market), much of which is designated as a high needs area, and plan to identify one or more sites in District 6 to add to the RPD Acquisition Roster in the next few months.
- Acquisition of the subject property would result in additional development costs and ongoing maintenance costs to the City for which funding has not been fully secured. Potential sources for development of the park have been identified such as a grant from the State of California Urban Greening Grant program and pledges collected by the Residents for Noe Valley Town Square; however, such funding has not been confirmed as of writing this report. Ongoing maintenance costs of the park would pay for from RPD's operating budget, which would require either additional General Fund appropriation in the annual budget or re-allocation of existing resources.
- The final cost to the city for the environmental remediation work is not known as of the writing of this report. The City has been provided a third party estimate of \$342,510 that includes a 50% contingency; however, the final remediation costs will not be known until the remediation work is completed.

Recommendations

- Amend the proposed resolution to change the square footage of the proposed property from 10,289 square feet to 10,829 square feet to reflect the correct square footage of the property
- Amend the proposed resolution to specify that the funding for the proposed property would come from the Open Space Acquisition Fund and not the Park, Recreation and Open Space Fund.
- Amend the proposed resolution to specify that the Board of Supervisors should urge appropriate funding for maintenance of the proposed acquisition property at 3861 24th Street, instead of "any newly acquired park facilities".
- Approval of the proposed resolution, as amended, is a policy decision for the Board of Supervisors.

MANDATE STATEMENT

In accordance with Administrative Code Section 23.1, all resolutions and ordinances involving sales, leases, acceptances, and other real estate transactions must be conducted through the Director of Real Estate and approved by the Board of Supervisors.

In accordance with Administrative Code Section 23.4, the Director of Real Estate cannot accept deeds or other instruments granting real property to the City without Board of Supervisors approval.

According to City Charter Section 16.107 (b), the City must set aside from the annual property tax levy an amount equivalent to two and one-half cents (\$0.025) for each one hundred dollars (\$100) assessed property valuation which is to be deposited into the Park, Recreation and Open Space Fund. Charter Section 16.107(f)(3) states that an allocation of not less than 5% of the monies to be deposited in the Fund shall be dedicated to the acquisition of real property.

BACKGROUND

The Noe Valley Ministry PCUSA (Ministry), a California Corporation and non-profit organization, owns 10,829 square feet (.25 acre) of property at 3861 24th Street in Noe Valley. The property is located in the 24th Street neighborhood commercial corridor and is currently operated by the Ministry as an asphalt-paved pay parking lot with a parking attendant and a public seating area facing the street. The property is also used for operating the weekly Saturday morning Noe Valley Farmer's Market which has operated on the site for approximately ten years. In 2010, the Ministry announced their plans to sell the property in order to fund renovations to the Church.

According to Ms. Holly Pearson, Recreation and Park Department Planner, who manages property acquisitions, over the past three years Noe Valley community members have shown significant interest in converting the parking lot into a park and requested that the Recreation and Park Department (RPD) consider acquiring this property. Supporters of the project have created a non-profit organization, the Residents for Noe Valley Town Square who have fundraised to help provide money to develop the park.

On January 8, 2013, the members of the Park, Recreation and Open Space Advisory Committee (PROSAC) voted in support of acquiring the property at 3861 24th Street. On April 18, 2013 the Recreation and Park Commission voted to recommend that the Board of Supervisors approve the proposed Agreement for the Purchase of Real Property ("Purchase Agreement") between Noe Valley Ministry and the City and County of San Francisco at 3861 24th Street.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (a) approve the Purchase Agreement between Noe Valley Ministry PCUSA (Ministry) and the City and County of San Francisco on behalf of RPD for the purchase of the 10,829 square feet of land located at 3861 24th Street (Assessor's Block 6509, Lot 040) to convert into a park in the neighborhood of Noe Valley, for a purchase price of \$4,242,510 and authorizes staff to take all actions necessary to acquire the proposed property pursuant to the Purchase Agreement; (b) adopt findings that the acquisition is consistent with the

City's General Plan and Eight Priority Policies of City Planning Code Section 101.1 and is categorically exempt from the California Environmental Quality Act (CEQA); (c) authorize the Director of Property to work with the Director of Public Works to remediate the property from environmental health hazards; (d) urge that appropriate funding be provided to the RPD during the budget process to staff and service any newly acquired park facilities; (e) authorize the Director of Property to enter into any amendments to the Purchase Agreement that do not increase the obligations of the City; and (f) accept the deed to the property from the Noe Valley Ministry PCUSA pursuant to the Purchase Agreement, place the Property under the jurisdiction of RPD and take all steps necessary to purchase the property in accordance with the Purchase Agreement.

RPD's Acquisition Policy and Process

According to Ms. Pearson, anyone can recommend a potential property for acquisition to RPD staff for consideration; however, in practice, most properties are recommended by community members or RPD staff members who are familiar with the RPD park system and potentially available properties. After a property is recommended for consideration, RPD staff assesses the property based on the property's ability to meet the three policy goals set forth in RPD's Acquisition Policy:

- (1) Serve high needs areas and areas where there is a deficiency in open space;¹
- (2) Identify funding for the purchase, development and ongoing maintenance; and
- (3) Encourage a variety of potential recreational and open space uses.

After the property is assessed, RPD staff decides whether to add the property to the RPD Acquisition Roster which is shown in the Attachment to this report. The RPD Acquisition Roster contains the list of sites that RPD staff is actively considering acquiring and is used to track the details and status of properties as well as to compare the properties' relative characteristics and strengths. Once RPD staff adds a property to the Acquisition Roster, the Park, Recreation and Open Space Advisory Committee (PROSAC) may support its addition to the Acquisition Roster or recommend removing it.²

According to Ms. Pearson, inclusion on the RPD Acquisition Roster does not necessarily mean that a property will be acquired. There are a number of factors in addition to meeting the Acquisition Policy goals that determine whether and when a property may be acquired, including (a) the willingness of the owner to sell at a fair market price; (b) support by local neighborhood residents or other stakeholders; and (c) the availability of outside funding sources to assist with paying for the acquisition, development and maintenance of the property for park purposes.

¹ High needs area are areas with (1) a high population density; (2) a large percentage of children and/or seniors (3) areas where households are categorized as low-income; (4) and areas within an Area Plan pursuant to the City's General Plan.

² PROSAC is a citizen's advisory committee that advises and provides feedback to RPD on a number of issues including capital planning and property acquisition. It is composed of 23 members with one member appointed by each Supervisor from their supervisorial district and one member appointed by each Supervisor from a list of individuals nominated by organizations having a primary focus in park, environmental, recreational, cultural, sports, youth or senior citizen issues for a total of 22 members appointed by the Board of Supervisors and one member appointed by the Mayor.

According to the RPD General Manager in his April 18, 2013 memorandum to the Recreation and Park Commission, the proposed property at 3861 24th Street meets all three of RPD's Acquisition Policy goals:

- (1) It is located in an area of the City that is not within ¼ mile walking distance to a playground and is therefore located within a distribution deficiency gap as defined in the City's General Plan;
- (2) Outside funding has been leveraged by the community for development and possibly for maintenance; and
- (3) It would accommodate both passive and active recreation.

Although there are currently nine other properties on the Acquisition Roster (shown in the Attachment) that meet several or all of the Acquisition Policy goals, Ms. Pearson explained that RPD staff decided to move forward with the acquisition of 3861 24th Street as a result of three main factors which are further discussed below.

- (1) The opportunity to apply for and receive grant funding for the park's development;
- (2) A high level of community support and success in raising funds to contribute to the park's development; and
- (3) The property owner's desire and urgency to sell at this time, and specifically their interest in selling the property to the City.

Additional Agreement Details

According to the Purchase Agreement between the Ministry and the City, the City will be responsible for environmental remediation as there is still a presence of residual petroleum hydrocarbons in the soil from when the site was operated as a gas station prior to the Ministry's ownership. The Ministry and the City have agreed to a reduction to the purchase price of the property in a form of a credit to the City for \$342,510 to perform anticipated remediation to the property as discussed further below.

In the General Plan Referral Letter dated February 25, 2013, the Director of Planning determined that the proposed acquisition and future improvements to convert the property into a park conformed to the General Plan and found that the proposed acquisition was categorically exempt pursuant to the California Environmental Quality Act. Once the development plans for the proposed park are finalized, RPD will have to submit to the San Francisco Planning Department another Environmental Review Application for the project.

The proposed Purchase Agreement would also indemnify the City from all liabilities resulting from any prior occupants' relocation which includes tenants who rent parking spaces on a monthly basis, the Goodwill mobile donation station, and any food trucks or vendors that have occasionally operated on the property. Ms. Pearson noted if the Board of Supervisors approves the proposed resolution, RPD plans to enter into an agreement with the Noe Valley Farmer's Market to continue the Market's weekly operations.

Square Footage Error

Due to an administrative error the resolution states that the proposed property is 10,289 square feet; however; the actual square footage of the property is 10,829. The Budget and Legislative Analyst recommends amending the resolution to reflect the accurate square footage consisting of 10,829 square feet.

FISCAL IMPACT

On April 17, 2013, the 10,829 square-foot property located at 3861 24th Street was appraised by a third-party appraiser, Mr. Lawrence Mansbach of Mansbach Associates, Inc., who was retained by the City’s Division of Real Estate. The property was appraised at approximately \$4,330,000 based on an average price of \$400 per square foot.

Pursuant to the proposed Purchase Agreement, Noe Valley Ministry has agreed to sell the property to the City for \$4,242,510, or approximately \$392 per square foot, as shown in Table 1 below, which is \$87,490 or 2% less than the appraised value.

**Table 1
Total Cost to Purchase the Property**

Terms	Amount
Total Square Footage	10,829
Proposed Price Per Square Foot	x \$391.77
Proposed Purchase Price	4,242,510
Escrow, Recording and Policy Fees ³	1,500
Total Cost to Acquire Property	\$4,244,010

Environmental Remediation

As part of the acquisition process, a third-party environmental consulting firm retained by RPD, Northgate Environmental Management, Inc. (Northgate), conducted an environmental site assessment for the property and found a presence of residual petroleum hydrocarbons in the soil that must be removed before it could be developed into a park.

The Noe Valley Ministry (Ministry) and City agreed that, as an alternative to the Ministry conducting the necessary environmental remediation work, the City would conduct the work instead and the Ministry would reimburse the City back for this work as a credit against the purchase price in the amount of \$342,510, as explained below.

Northgate estimated that the remediation costs for the proposed park would be \$228,340 and recommended including an additional 50% contingency since the full extent of the site’s soil contamination has not yet been determined, for a total credit of \$342,510, which represents the total estimated remediation costs. The \$342,510 is included in the \$4,244,010 acquisition cost shown in Table 1 above.

³ According to Mr. John Updike, Director of Real Estate, this is an estimate based on similar valued transaction as closing statements are provided by the title company a week before closing. Mr. Updike noted 90% of the \$1,500 is title insurance cost which is based on the value of the transaction.

Northgate's environmental site assessment was submitted to the San Francisco Department of Public Health (DPH), who reviewed and concurred with Northgate's assessment of the remediation work that had to be conducted. Six weeks prior to remediation work, RPD must submit a Site Mitigation Plan that describes how the site mitigation will be implemented. According to Mr. Scott Nakamura, DPH Program Manager for the Site Assessment and Mitigation Program, the final cost of the remediation is not known until the remediation work is completed.

RPD plans to pay for the remediation costs from the Open Space Acquisition Fund, which according to Mr. Charles Sullivan, Deputy City Attorney, is a qualified acquisition-related expense and can be paid for by using Open Space Acquisition Fund monies.

If the environmental remediation costs exceed the \$342,510 credit, RPD staff must return to the Recreation and Park Commission and Board of Supervisors for appropriation approval of additional funds.

Open Space Acquisition Fund

According to the proposed resolution, the acquisition of the subject property, including the remediation costs, would be funded with monies from the Park, Recreation and Open Space Fund ("Open Space Fund") which, pursuant to Charter Section 16.107, receives an annual property tax set aside equal to two and one-half cents (\$.025) for each one hundred dollars (\$100) in assessed property value.

Monies from the Open Space Fund are used to provide enhanced park and recreational services and facilities. City Charter Section 16.107 (f)(3) mandates that an allocation of no less than 5% of the monies deposited into the Open Space Fund must be dedicated to property acquisitions for conversion into park and open space. The RPD separates the 5% allocation into the Open Space Acquisition Fund.

According to Mr. Katharine Petrucione, RPD's Director of Administration and Finance, funding for the proposed property would come from the Open Space Acquisition Fund and not from the Open Space Fund as stated in the proposed resolution. Additionally, the resolution states that the Recreation and Park Commission recommended approval for the purchase and remediation of the proposed property using Open Space Funds at their April 18, 2013 meeting; however, the Recreation and Park Commission actually recommended that the property should be paid for from the Open Space Acquisition Fund. Therefore, the resolution should be amended to reflect the correct source of funding.

As of the writing this report, the balance in the Open Space Acquisition Fund is \$11,283,684. If the proposed property is acquired for \$4,244,010 (see Table 2 below), the remaining Open Space Acquisition Fund balance would be \$7,039,674 as of June 30, 2013.

Table 2
Open Space Acquisition Fund Balance

Open Space Acquisition Fund	Amount
Total Fund Balance	11,283,684
Less Proposed Acquisition	(4,244,010)
Fund Balance After Proposed Acquisition⁴	\$7,039,674

Development Costs

If the proposed property is acquired, Ms. Pearson advised that the estimated cost to develop the site into a park is \$1,660,754, as shown in Table 3 below. If additional park amenities are constructed, such as a restroom and other amenities as shown in Table 3, the estimated development costs increase by \$683,113 to \$2,343,867.

Table 3
Estimated Development Costs for 3861 24th Street

Item	Amount
Site Clearing and Demolition	\$64,100
Drainage, Electrical, Irrigation and Planting	58,360
Earthwork, Soil Preparation and Paving	338,168
Site Furniture and Park Elements	94,550
Pervious Paving	85,051
<i>Subtotal Construction Costs</i>	<i>\$640,229</i>
Bonding Cost, General Conditions, Contractors Overhead and Fees, Mobilization - 40% Total Cost of Construction (TCC)	394,092
Construction Contingency - 15% TCC	147,784
Escalation (Start of Construction February 2015) - 15% TCC	147,784
Design Contingency - 20% TCC	197,046
Testing & Inspection - 2% TCC	19,705
Project Management/Construction Management - 6% TCC	59,114
Permits and Labor Compliance Program	55,000
<i>Subtotal Other Costs</i>	<i>1,020,525</i>
Total Estimated Development Costs for Base Project	\$ 1,660,754
Restroom	131,750
Arbor Structure	180,000
Stage Canopy	137,550
<i>Subtotal Additional Park Amenities</i>	<i>\$683,113</i>
Total Estimated Base Project and Additional Amenities Costs	\$2,343,867

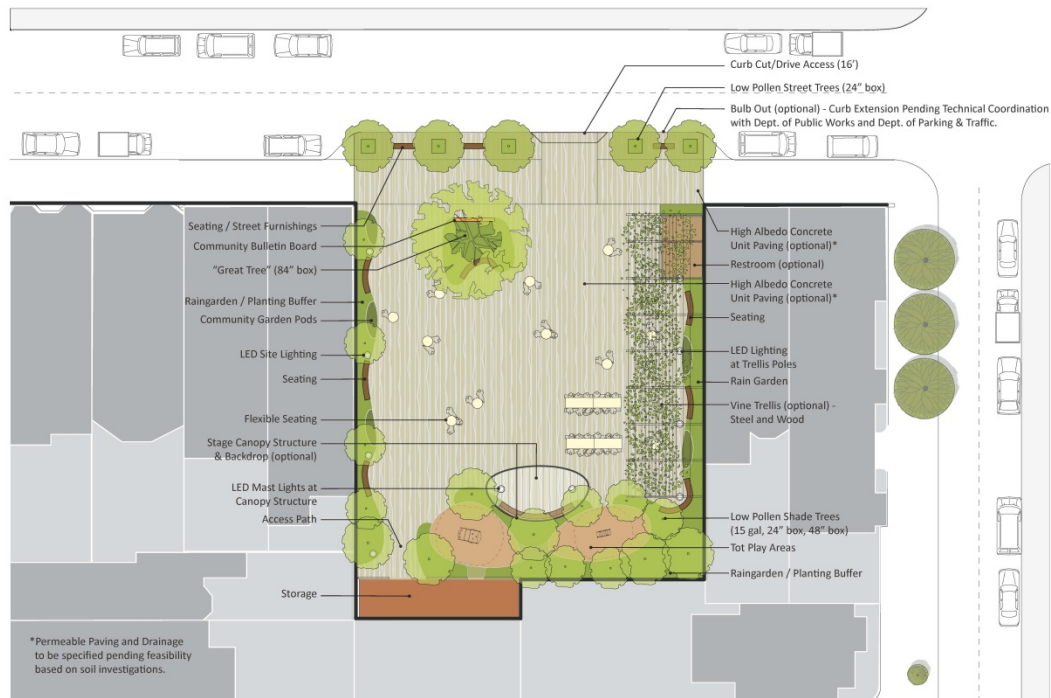
Figure 1 below is one of four concept design plans developed for the proposed park by CMG, a landscape architecture firm, in collaboration with the Residents for Noe Valley Town Square and the community. According to Ms. Pearson, RPD has not yet approved or endorsed a development plan for the property as the project is still in the preliminary stages of planning;

⁴ RPD staff expect to receive an additional allotment of \$2,028,000 deposit in FY 2013-14 as part of the annual tax-set aside which would increase the Open Space Acquisition Fund balance to approximately \$9,067,674 if the proposed property is acquired.

however, Ms. Pearson noted that the concept designs created through the community’s outreach process are generally consistent with what the City would like to develop at the site

Figure 1
Proposed Development Plan for 3861 24th Street

CONCEPT PLAN



A portion of the development costs for the property are proposed to be paid by the Residents for Noe Valley Town Square who have secured pledges of \$484,000 as of writing this report, or approximately 20.6% of the property’s preliminary estimation of the development costs of \$2,343,867 including potential additional park amenities. According to Todd David, Residents for Noe Valley Town Square Board Member, pledges will begin to be collected once it is certain that the City will purchase the property. Mr. David further noted that the organization plans to raise additional funds for the proposed park’s development.

RPD has also submitted a preliminary grant application to the State for a California Urban Greening Grant for \$720,000 to partially fund the park development costs. According to Ms. Toni Moran, the Grants Manager for RPD’s Capital and Planning Division, the proposed park development is a competitive project for this grant because 1) the park is located in area that has less than .19 acres of open space per 1,000 residents; 2) the grant’s program goal to reduce climate change impacts by slowing down storm water and adding carbon sequestering trees and planting in urban areas is consistent with the proposed project design; 3) the project was initiated

by the community and has pledges of funding for development; and 4) the farmers' market which operates on the site is considered an additional public benefit.

Ms. Pearson advised that if RPD is not awarded the Urban Greening Grant funding, RPD will look to other external grant funding sources (state, federal, private foundation, etc.) as well as City grant programs such as the Community Opportunity Fund (part of the 2012 Clean & Safe Neighborhood Parks Bond) or the Community Challenge Grant program.

Maintenance Costs

According to Ms. Pearson, based on preliminary design plans, RPD estimates that the total first year maintenance costs to maintain the developed park, including a restroom, would be \$67,543, which includes one part-time Custodian and one part-time Apprentice Gardener.⁵

Approval of the proposed resolution would urge that appropriate funding be provided to RPD through the budget process to adequately maintain any newly acquired park facilities. If additional resources are not provided for maintenance of the proposed park through the budget process, then existing RPD staff would be responsible for maintaining the property.

Because the subject of the proposed resolution is specifically for the acquisition of property at 3861 24th Street, the proposed resolution should be amended to "urge appropriate funding to staff and service" this specific property located on 3861 24th Street instead of "any newly acquired park facilities."

POLICY CONSIDERATION

RPD Plans to Acquire Properties in Addition to 3861 24th Street

The proposed property acquisition of 3861 24th Street is to be paid for with funds from the Open Space Acquisition Fund. The Open Space Acquisition Fund currently has a balance of \$11,283,684 as shown in Table 2 above. This balance would be reduced to \$7,039,674 upon acquisition of the property.

RPD staff is currently working on other potential property acquisitions in the India Basin, South of Market/Tenderloin, and Russian Hill neighborhoods and hope to complete acquisitions in these areas over the next two to three years. According to Ms. Pearson, development impact fees may partially fund acquisition of these properties, but it is likely that these future acquisitions will require monies from the Open Space Acquisition Fund.

As shown in Attachment I, RPD lists two criteria as "most desirable" when considering acquiring a property: (1) located within or serves a high needs area; and (2) located within a distribution deficiency gap.

None of the ten properties on the RPD Acquisition Roster, including the proposed property at 3861 24th Street, meet the criteria of being located in high needs areas⁶. According to Ms.

⁵ Staff needs are based on the frequency of landscape maintenance tasks and grounds maintenance task, the size of the property and the park facilities. Estimates for the developed park include 0.70 FTE Custodian and 0.30 FTE Apprentice Gardener and includes benefits.

Pearson, this is because RPD's acquisition process is highly community-driven and in most cases, properties that are included on the RPD Acquisition Roster are recommended by community members; therefore, the RPD Acquisition Roster reflects the areas of the City where residents have requested that RPD consider a particular property. Ms. Pearson noted that RPD staff is working to more proactively identify potential sites for acquisition in high needs areas. For example, RPD staff are currently working to identify potential new park sites in District 6 (Tenderloin and South of Market), much of which is designated as a high needs area, and plan to identify one or more sites in District 6 to add to the RPD Acquisition Roster in the next few months.

Six of the ten properties, including the subject 3861 24th Street, meet the criteria of being located within a distribution deficiency gap area. As noted above, 3861 24th Street is located in an area of the City that is not within ¼ mile walking distance to a playground and is therefore located within a distribution deficiency gap as defined in the City's General Plan.

The Proposed Property Acquisition Creates New and Ongoing Costs to the City

The Final Cost to the City for the Environmental Remediation Work Are Not Known as of the Writing of This Report

Acquisition of the subject property would result in additional development costs and ongoing maintenance costs to the City for which funding has not been fully secured. The total cost to the City to purchase the property would be \$4,244,010, including the environmental remediation costs, which will be paid with funds from the Open Space Acquisition Fund. The Ministry would credit the City back in an amount of \$342,510 for the estimated remediation costs. As noted above, the estimated remediation costs of \$342,510 include a 50% contingency, since the full extent of the site's soil contamination has not yet been determined, and the final remediation costs will not be known until the remediation work is completed.

As shown in Table 3 above, the development costs to convert the property into a park are estimated to be \$2,343,866 for base improvements and potential additional park amenities. Potential funding sources for development of the park include a grant from the State of California Urban Greening Grant program and \$484,000 in pledges to the Residents for Noe Valley Town Square. However, such funding has not been confirmed as of writing this report. Ongoing maintenance costs of the park after it is developed would cost approximately \$67,543 for the first year and would be paid for from RPD's operating budget, which would require either an additional General Fund appropriation in the annual budget or re-allocation of existing resources.

⁶ As noted above, a high needs area is defined as an area with (1) a high population density; (2) a large percentage of children and/or seniors (3) areas where households are categorized as low-income; (4) and areas within an Area Plan pursuant to the City's General Plan.

RECOMMENDATIONS

1. Amend the proposed resolution to change the square footage of the proposed property from 10,289 square feet to 10,829 square feet to reflect the correct square footage of the property
2. Amend the proposed resolution to specify that the funding for the proposed property would come from the Open Space Acquisition Fund and not the Park, Recreation and Open Space Fund.
3. Amend the proposed resolution to specify that the Board of Supervisors should urge appropriate funding for maintenance of the proposed acquisition property at 3861 24th Street, instead of “any newly acquired park facilities”.
4. Approval of the proposed resolution, as amended, is a policy decision for the Board of Supervisors.

