Items 13 and 14 **Files 14-1117 and 14-1120**	**Departments:** Administrative Services, Real Estate Division Department of Building Inspection (DBI)

EXECUTIVE SUMMARY

Legislative Objectives

- File 14-1117: Ordinance appropriating $8,072,300 from the Department of Building Inspection reserves in FY 2014-15 for site development as a conditional loan for a City office project at 1500-1580 Mission Street.
- File 14-1120: Ordinance approving and authorizing the Director of Property to execute a Conditional Land Disposition and Acquisition Agreement with Goodwill SF Urban Development, LLC for the proposed City acquisition of a portion of 1500-1580 Mission Street, for approximately $30,296,640 plus approximately $25,884,132 in predevelopment costs, together with a construction Management Agreement for the completion of an approximately 466,400 gross square foot office building anticipated to cost $270,510,181 for a total anticipated project cost of $326,690,953; exempting the project from contracting requirements in Administrative Code, Chapter 6 and Chapter 14B; and approving the developer, architect and general contractor without competitive bidding, but requiring the payment of prevailing wages, implementation of a local business enterprise utilization program and compliance with the City's local hire policy and first source hiring ordinance.

Key Points

- On July 29, 2014, the Board of Supervisors approved a resolution (File 14-0838; Resolution No. 312-14) for the City to enter into an Exclusive Negotiation Agreement and Letter of Intent with Related California Urban Housing, LLC (Related) for the potential development and subsequent purchase by the City of part of a 2.5 acre site at 1500-1580 Mission Street for an estimated $253,000,000 and authorizing nonrefundable payments of $1,000,000 for land acquisition and $250,000 for initial schematic design. The site, currently a Goodwill Industries operations center, is located at Van Ness Avenue and Mission Streets and a portion of the site is proposed to be developed as a new City office building.
- Related will develop the Goodwill Site with an approximate 463,300 gross square foot City office building on the eastern portion and approximately 550 multifamily residential units on the western portion. If the Board of Supervisors approves the proposed Conditional Land Disposition and Acquisition Agreement, upon completion of environmental review and entitlements, the City will acquire fee title to the office parcel and building from Related, which is expected to occur in mid to late 2016.
- In accordance with the proposed ordinance, upon the City's acquisition of the land, Related and the City will enter into a Construction Management Agreement for the development and construction of the City office building. The City anticipates consolidating office space for the Departments of Public Works, Building Inspection and Planning, and the Retirement and Health Services System, among others into the new office building, including a one-stop permit center on the ground floor.

Fiscal Impact

- The City's total estimated cost to purchase the land and building is a maximum of $326,690,952, including $30,296,640 for the land, $25,884,132 for predevelopment expenses and $270,510,181 for the development and construction of the building. In addition, City furnishings, fixtures and equipment (FFE), moving and Department of Technology costs are estimated at $12,298,400 for a total project cost of $338,989,353.

- To help finance the purchase of the new building, the City will sell an existing City-owned office building at 30 Van Ness in 2015, with a leaseback to the City until late 2018. Sale of 30 Van Ness will be subject to Board of Supervisors approval. The City will also sell the City-owned 1660 Mission Street and the City-owned 1680 Mission Street at a time dependent on market conditions to maximize revenues. These three buildings have an aggregate net sales value of approximately $83,180,000.
- In addition to the building sales proceeds, the City would issue Certificates of Participation (COPs) totaling approximately $300,105,000, which includes the cost of issuance, underwriter's discount, debt service reserve fund and costs associated with using commercial paper as an interim funding source until the COPs could be issued in 2019, after the completion of the building. Assuming a 5.5% annual interest over 30 years on the COPs, results in annual debt service payments of approximately $20,877,000 per year, for a total COP cost to the City of $605,430,000. The General Fund impact to repay the COPS will depend on the precise mix of tenants in the new building, with the balance paid by non-General Fund tenant sources.

Policy Consideration

- The proposed transaction is complex and will be fully executed over several years. There are multiple points of approval required by the Board of Supervisors, including (a) approval of the proposed ordinances, (b) approval of the sale of the existing City-owned buildings, (c) approval of environmental documents, and (d) authorization of COPs or other mechanism to finance this project. At this time, there are several significant unknowns the City must contend with, including: (1) total potential equity contributions, including the final sales prices of the three existing City office buildings which would be sold in order to purchase 1500-1580 Mission Street; (2) the proceeds from COPs and additional debt service required by the City; (3) total General Fund and non-General Fund impacts; and (4) finalized design, occupancy mix and negotiated office lease.

Recommendations

1. Amend the proposed ordinance (File 14-1120) in various places to change the reference from 466,400 gross square feet to 463,300 gross square feet, the most recent estimated size of the City's office building.
2. Approval of the proposed ordinances, as amended, is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

Mandate Statement

City Charter Section 9.118(b) states that contracts or agreements entered into by a department, board or commission having a term in excess of ten years, or requiring anticipated expenditures by the City and County of ten million dollars, or the modification or amendments to such contract or agreement having an impact of more than $500,000 shall be subject to approval of the Board of Supervisors by resolution.

Administrative Code Chapter 29 requires findings of fiscal responsibility and feasibility by the Board of Supervisors for City projects that exceed $25,000,000 and require more than $1,000,000 of City funds, prior to the submittal to the Planning Department for environmental evaluation. In accordance with Chapter 29, a determination by the Board of Supervisors that the project is fiscally responsible and feasible does not necessarily approve the project, but determines that the proposed project merits further evaluation and environmental review.

BACKGROUND

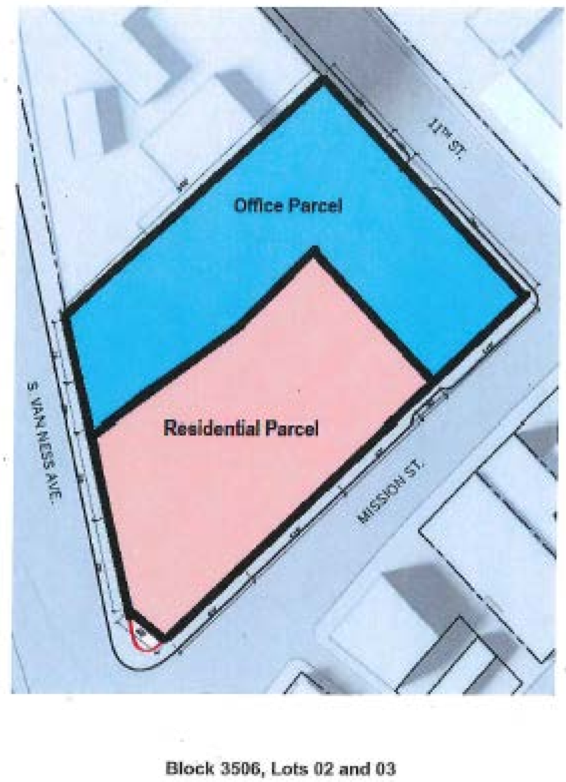
On July 29, 2014, the Board of Supervisors approved a resolution (File 14-0838; Resolution No. 312-14) for the City to enter into an Exclusive Negotiation Agreement and Letter of Intent with Related California Urban Housing, LLC (Related) for the development and subsequent purchase by the City of part of a 2.5 acre site at 1500-1580 Mission Street for an estimated $253,000,000. That previous resolution authorized nonrefundable payments by the City of $1,000,000 toward land acquisition and $250,000 for schematic design from the Department of Building Inspection's (DBI) FY 2014-15 capital budget. That resolution also recommended that the Director of Real Estate (a) provide details on the space requirements of the City departments and the proposed uses for occupying the new office building; (b) explain the options for backfilling the Health Service System's leased space at 1145 Market Street; (c) recommend potential project alternatives if the increase in space is not required by various City departments; and (d) describe the City's overall plan for Civic Center office space, prior to the Board of Supervisors approving a Purchase and Sale Agreement for this project. In response, Real Estate, working with the Controller's Office submitted Attachment I, which projects the full-time equivalent (FTE) staff and square footage space requirements, and Real Estate submitted a brief overview of the City's plan for Civic Center office space.

The site, currently a Goodwill Industries operations center, is located at Van Ness Avenue and Mission Streets. See Figure 1 below for a map of the proposed site. Related intends to fully develop this site to include an approximate 463,300[1] gross square foot 17 or 18 story City office

[1] The initial City office building estimates from May 2014 totaled 462,354 square feet. Based on more detailed renderings, the City office building then totaled approximately 466,400 square feet, as specified in the proposed ordinance. However, Mr. John Updike, Director of Real Estate advises that the design has recently changed to reflect the developer retaining the existing historical clock tower, which slightly reduces the office building to the current estimated 463,300 square feet. Over the next 18-24 months, as the design and environmental review process are completed, Mr. Updike notes that the actual total square footage may increase or decrease slightly, although the developer cannot materially change the size without the Director of Property's consent.

building on the eastern portion (along 11th street) which represents approximately 48% of the site. In addition, Related intends to develop an approximate 38 story, 550 multifamily residential unit[2] development on the western portion (along Van Ness Avenue), with ground level retail, which represents approximately 52% of the site.

Figure 1: Map of 1500-1580 Mission Street



Source: Real Estate Division

On October 21, 2014, Goodwill SF Urban Development LLC, a subsidiary of Related[3], purchased the subject site, including closing costs, from Goodwill Industries for a total of $65,946,090, which includes $30,448,123 for the City's office site, as summarized in Table 1 below.

Table 1: Total Acquisition Costs

	Office Site	Residential Site	Total
Total Acquisition Costs	$30,448,123	$35,497,967	$65,946,090

[2] According to Mr. Updike, approximately 110 of the total 550 units, or 20%, will be classified as affordable. The Mayor's Office of Housing and Community Development is also further targeting middle-income residents, or those classified as earning between 80-120% of Area Median Income, for some of the remaining units.

[3] Prior to its acquisition of the 1500-1580 Mission Street parcel on October 21, 2014, Related created the subsidiary "Goodwill SF Urban Development, LLC" to acquire the parcel. Mr. Updike notes that this is standard practice in property acquisition and development as it limits the liability of the parent company. This report references Related, as the developer and primary parent company.

The City anticipates consolidating office space for five major departments into this new City-owned office building, including the (a) Department of Public Works (DPW), (b) Department of Building Inspection (DBI), (c) City Planning Commission (CPC), (d) Retirement (RET) and (e) Health Services Systems (HSS), which are currently in City-owned space or leasing office space in the Civic Center. Attachment I, prepared by the Office of the Controller, City Services Auditor staff, provides an analysis of the existing full-time equivalent (FTE) employees in the FY 2014-15 budget and existing square footage for these five City departments, plus projections of staffing and gross square foot area needed by 2018, when the new City office building would likely be completed. As shown in Attachment I, the proposed new office building would contain a total of 463,300 square feet, including a new 30,738 square foot permit center on the ground floor, which would be staffed by various City departments. This new City office building will add approximately 100,000 square feet of new City office space.

DETAILS OF PROPOSED LEGISLATION

File 14-1117: The proposed ordinance would appropriate $8,072,300 from the Department of Building Inspection Capital Project and One-Time Expenditure Reserves in FY 2014-15 for preliminary site development as a conditional loan for the City office project at 1500-1580 Mission Street.

File 14-1120: The proposed ordinance would:

(a) approve and authorize the Director of Property to execute a Conditional Land Disposition and Acquisition Agreement with Goodwill SF Urban Development, LLC for the proposed City acquisition of a portion of 1500-1580 Mission Street, for approximately $30,296,640[4] plus approximately $25,884,132 in predevelopment costs, together with a Construction Management Agreement for the completion of an approximately 466,400[5] gross square foot office building anticipated to cost $270,510,181 for a total anticipated project cost of $326,690,953;

(b) exempt the project from contracting requirements in Administrative Code, Chapter 6 and Chapter 14B; and

(c) approve the developer, architect and general contractor without competitive bidding, but require payment of prevailing wages, implementation of a local business enterprise program and compliance with the City's local hire policy and first source hiring ordinance.

Conditional Land Disposition and Acquisition and Construction Management Agreements

Under the proposed Conditional Land Disposition and Acquisition Agreement, Related, the developer, who has recently purchased the site at 1500-1580 Mission Street, would sell the City the land for $30,448,123 to construct a new City office building, and would be committing to design the City's office project, and pay for the required environmental review, while seeking

[4] The actual cost of the land to the City is $30,296,640. However, the amount the City will pay to actually acquire the property is $31,009,931, with the additional $713,291 reflecting the closing costs and real estate commissions.

[5] The proposed ordinance (File 14-1120) references an approximately 466,400 gross square foot size, although the current estimate is 463,300 square feet. Therefore, the proposed ordinance should be amended to change all references to the square footage to 463,300 square feet.

the necessary project entitlements. Under this Agreement, Related would be obligated to pay upfront for these environmental review and project entitlement costs as they are incurred. The City would then reimburse Related for these costs upon the City's acquisition of the land.

Under this Agreement, Related, as the construction manager, would also be agreeing to enter into a Construction Management Agreement with the City at the time the City acquires the land. The City can only proceed with acquiring the land and entering into the Construction Management Agreement upon subsequent approval by the Board of Supervisors of the required environmental documents and financing of the City office project.

Under the proposed Conditional Land Disposition and Acquisition Agreement, the City would be committing to purchase the fully-entitled property from Related for $30,296,640 plus approximately $25,884,132 for predevelopment costs, or a total of $56,180,772, after the mitigated environmental review is completed and approved by the Board of Supervisors, including approval of the necessary financing, to complete the construction of the City's office building for a maximum total project cost of $326,690,953.

Environmental Review and Entitlements

The City has not completed the required environmental review of the proposed office project, as required under the California Environmental Quality Act (CEQA) or the City's Administrative Code Chapter 31. Under the proposed Conditional Purchase Agreement, the developer (Related) would be required to complete the necessary environmental review documents in accordance with state and local law, which is estimated to be completed in mid to late 2016. The City's obligation to purchase the subject office site and proceed with construction of the office building is conditioned on the completion of such environmental review in compliance with state and local law.

In accordance with the proposed Agreement, Mr. Updike advises that the Board of Supervisors could only decide not to proceed with the City's acquisition of the subject office parcel if the environmental impacts of the proposed office project that are disclosed in the environmental review documents are not adequately avoided, mitigated or overridden under CEQA. According to Mr. Updike, the Board of Supervisors could not elect to reject the purchase agreement after completion of the environmental documents on the basis of any other terms, as long as the conditions and economic provisions as drafted in the proposed Agreements remain the same.

The developer would also be required to seek the necessary project entitlements for the proposed City office project, including amendments to the City's General Plan, Planning Code and Zoning Map to adjust height and bulk restrictions. The proposed ordinance specifies that the City's Director of Property will work with the developer to seek such project entitlements; however, there is nothing in the Conditional Purchase Agreement that requires the City's Planning Commission or Board of Supervisors to approve any of the requested project entitlements. If the developer is not able to secure the necessary entitlements, the Conditional Purchase Agreement would terminate.

When the approval of the environmental documents is requested from the Board of Supervisors, the Director of Property working with the City's Director of Public Finance will also be required to request approval of the necessary Certificates of Participation (COPs) and/or other financing mechanisms to pay for the total costs of the project. As noted above, the land acquisition, development and total construction costs are $326,690,953. In addition, City furnishings, fixtures and equipment (FFE), moving and Department of Technology costs are estimated at $12,298,400 for a total project cost of $338,989,353.

Construction Manager, Architect and General Contractor

The proposed ordinance would approve (a) Related as the developer and construction manager, (b) Skidmore, Owings and Merrill (SOM) as the architect and (c) Swinerton Builders Inc. as the general contractor without competitive bidding. Mr. Updike advises that the developer, Related, was selected by the City because Related was already in negotiations to purchase and develop the entire site. Related selected SOM as their primary architect due to their familiarity and past experience with this firm and is considering using Swinerton as its general contractor. Mr. Updike notes that although neither contract has been formally awarded by Related to SOM or Swinerton, the proposed ordinance would approve each of these firms without competitive bidding, if selected by Related. Mr. Updike further notes that the architect and general contractor will be designing and constructing both the City office building and the residential portion of the site, to realize economies of scale.

Under the proposed ordinance, Related, the developer would negotiate and enter into contracts with the architect and general contractor for the design and construction of the City's office building, with assistance from the Director of Property and the Director of Public Works. As the construction manager, Related would also enter into a Construction Management Agreement with the City, which would be approved under the proposed ordinance, to manage, monitor and oversee all contracts required to complete the City office building project. As noted above, this Construction Management Agreement would not become effective until after the Board of Supervisors approves the CEQA documents and the financing for the entire project, and acquires the site.

Administrative Code Exemptions

The proposed ordinance would exempt the design and construction of this City office building project from the City's contracting requirements under Administrative Code, Chapter 6 (Public Works Contracting Policies and Procedures) and Chapter 14B (Local Business Enterprise and Non-Discrimination in Contracting). Although the developer, architect and general contractor would be exempt from these requirements, all other contractors and subcontractors on the project would not be exempt from these provisions. In addition, the subject Construction Management Agreement specifies that the payment of prevailing wages, implementation of a local business enterprise utilization program and compliance with the City's local hire policy and first source hiring ordinance under Administrative Code Chapter 83 will apply.

FISCAL IMPACT

As noted above, on July 29, 2014, the Board of Supervisors authorized nonrefundable payments of $1,000,000 toward land acquisition and up to $250,000 for schematic design from the DBI's FY 2014-15 capital budget. On October 21, 2014, the City paid Related $1,000,000 toward the purchase of the site. Mr. Joshua Keene of the Real Estate Division advises that the schematic design is being conducted currently, but the City has not yet been billed or paid for this work. If the project is completed as anticipated, the total $1,250,000 will be credited back to the City against (a) the purchase price when the City actually acquires the land; and (b) to reduce the design development costs. However, if the contract terminates as a result of default, the $1,250,000 will not be refunded by Related to the City.

$8,072,300 Supplemental Appropriation

The proposed ordinance (File 14-1117) would appropriate $8,072,300 from the Department of Building Inspection Capital Project and One-Time Expenditure Reserves in FY 2014-15 to pay for the preliminary design and entitlement budget shown in Table 2 below, as a conditional loan for this City office building project. DBI's Capital Project and One-Time Expenditure Reserve are funded by developer fees and have a current balance of $14,738,163. Approval of the proposed $8,072,300 supplemental appropriation ordinance would leave a remaining balance of $6,665,863. As noted above, DBI is one of the primary five City departments that would occupy the proposed new City office building.

Table 2: Preliminary Design and Entitlement Budget

Architectural & Engineering (geotechnical, design, environmental, electrical, civil, etc.)	$5,494,802
Consultants (Code, IT, Leed, Utility, EIR, etc.)	1,133,353
Professional Fees (lighting, planning, testing, etc.)	978,394
Permits and Fees	465,751
Supplemental Appropriation Request	**$8,072,300**

With the proposed supplemental appropriation ordinance, the Board of Supervisors would authorize a conditional loan of up to $8,072,300 with the subject DBI appropriated funds. If these funds are used, the City would be required to repay the borrowed funds to DBI's Building Inspection Fund within five years of the date of borrowing, with interest based on the Treasurer's Pooled Funds, calculated by the Controller, likely from the City's General Fund.

The requested $8,072,300 supplemental appropriation plus the previously authorized $1,250,000 total $9,322,300 of City funds for design and entitlement costs for this project.

Potential Financial Obligations

Table 3 below summarizes alternative financial obligations if the developer defaults, the City defaults, and/or both mutually decide to terminate at three major decision points. As shown in Table 3, up until now, the City could forfeit a total of $1,250,000. The City would not be required to expend any additional funds prior to the acquisition of the property, once the developer completes the environmental documents and the land is fully entitled for development. However, if the Agreement terminates prior to the City's acquisition of the site, the City could be liable for the amounts shown in Table 3 below.

If the proposed ordinances are approved and the developer is not able to secure the necessary project entitlements, the Conditional Purchase Agreement would terminate and the City could be liable for up to $3,036,150, in addition to the $1,250,000 previously approved. This is the City's contractual requirement to reimburse the developer for 50% of the design and entitlement costs. If the Board of Supervisors does not authorize the issuance of the COPs on the CEQA approval date, or the sale of the COPs does not occur, or alternative funding is not provided, the City would be required to reimburse the developer 100% of the design and entitlement costs, unless the developer is able to secure an exemption to construct the office despite the City no longer being the tenant. In that scenario, the City would only reimburse 50% of the design and entitlement costs.

Table 3: Financial Obligations under the Proposed Purchase and Sale Agreement

Date of Termination	Developer Default	City Default	Mutually Decide to Terminate	Comments
After Letter of Intent (10/21/2014)	$1,250,000 returned to City	City forfeits $1,250,000	City forfeits $1,250,000	
After subject ordinances approved (Est 12/16/14)	Owes City damages up to $8,322,000	Owes Developer damages up to $8,322,000	City pays Developer additional $2,911,150 or $3,036,150*	City also forfeits $1,250,000
After future Ratification Date (Est 10/1/16)	Owes City damages up to $8,322,000	Owes Developer damages up to $8,322,000	City pays Developer additional $3,036,150 (50%), $5,054,225 (75%) or $7,072,300 (100%) depending on conditions**	City also forfeits $1,250,000

*After approval of the proposed ordinances, if the agreement terminates not because outside CEQA date passing, City would owe developer $2,911,150; if agreement terminates because outside CEQA date passing, City would owe developer $3,036,150.

**After project entitlements are granted, if the agreement terminates and the (a) Developer has City Exemption[6] and Proposition M Allocation[7], City would owe the Developer 50% or $3,036,150; (b) Developer has City Exemption and no Prop M Allocation, City would owe the Developer 75% or $5,054,225; and (c) Developer has no City Exemption, City would owe Developer 100% or $7,072,300.

[6] If the agreement terminates, the developer would need a City Exemption because the Market and Octavia Plan only permits construction of office building for City purposes.

[7] If the agreement terminates, the developer would potentially need a Proposition M allocation to allow for the office construction on this site.

Project Timeline

As noted above, under the proposed Agreement, the City would be committing to purchase the fully-entitled property from Related for $30,296,640 plus estimated predevelopment costs of $25,884,132 and construction costs of $270,510,181 for a total anticipated project cost of $326,690,953. Table 4 below summarizes the current proposed project timeline and key payments to be made by the City.

Table 4: Proposed Project Timeline and City Costs

Project Milestone	Date	Financial Action	City Cash Outflow	Cumulative City Obligation
Board Approves LOI Resolution	7/29/14	Related pays schematic design costs	$0	N/a
Closing Date	10/21/14	$1m Availability Payment City reimburses $250k in schematic design costs (if/as incurred)	$1,250,000	$1,250,000
Endorsement of the Purchase and Sale Agreement*	Est. 12/9/14	City incurs design development and construction document costs	0	$4,286,150
CEQA**	10/1/16	City increases obligation for design costs (50%/75%/100%)	0	Up to $8,072,300
Final Purchase and Sale Agreement**	10/1/16	N/A	0	Up to $8,072,300
City Acquires Land	12/1/16	City purchases land ($30,296,640) and pays predevelopment costs (Est $25,884,132); City receives credit of $1,250,000	$54,930,772	$56,180,772
Construction Begins	12/1/16	City funds construction and development	270,510,181	$326,690,953
Project Completion	2018/Early 2019	N/A	$0	$326,690,953

*Subject of the proposed legislation. **Will require Board of Supervisors approval
Source: Real Estate Division

Project Budget

When the Board of Supervisors approved the related resolution in July 2014, the estimated total project cost was $253,285,080, or $548 per square foot for 462,354 square feet. The proposed ordinance now estimates a total anticipated project cost of $326,690,953, or $705 per square foot, based on the current estimated 463,300 square feet. The current estimated $326,690,953 is $73,405,873 or 29% more than the $253,285,080 estimate provided four months ago.

The costs increased by $73,405,873 primarily due to (a) $4.2 million increased design costs from more refined bids for architectural and design scope of work, (b) $21 million for additional City building permits and fees previously not estimated, (c) $40 million for comprehensive bidding based on schematic drawings and specifications instead of general assumptions, such as increased seismic work, technology infrastructure and LEED Gold standard; (d) $10 million for a 5% design and construction contingency, and (e) $1.1 million for 4% carrying cost of land acquisition, offset by some reductions in costs, as itemized in Attachment II, provided by Mr. Updike. The $326,690,953 total project cost is now a maximum not to exceed amount specified in the proposed Agreement. Therefore, Mr. Updike notes that this maximum amount cannot be exceeded without subsequent approval by the Board of Supervisors.

As shown in Attachment II, the developer, Related, would be paid a fixed fee of $26,500,000 for management, financing and profit, including (a) $7,250,000 on the effective date of the Construction Management Agreement, (b) $12,000,000 in equal installments over the 26-month construction period, and (c) $7,250,000 upon project completion. These developer fees represent 8.1% of the $326,690,952 total project costs.

Estimated Total Project Costs and Sources of Project Funds

In addition to the $326,690,953 project cost, the Office of Public Finance notes that there would be additional furniture, fixture and equipment (FF&E), moving and Department of Technology costs to complete and occupy this City-owned building, or total City project costs of $338,989,353. As shown in Table 5 below, the sources of funding would be the $1,250,000 previously approved, $83,180,000 net sales revenue from existing City-owned buildings and an estimated $254,559,353 from the issuance of Certificates of Participation (COPs).

Table 5: Total Project Costs and Sources of Funding

	Amount
Total City Project Costs	
Total Development Costs	$326,690,953
Estimated FF&E and Moving	9,500,000
Department of Technology	2,798,400
Total City Project Costs	$338,989,353
Sources of Funding	
Sales Proceeds of City-owned Buildings	122,000,000
Less bond defeasance	(35,160,000)
Less sales costs	(3,660,000)
Subtotal from Sale of City Buildings	$83,180,000
Funds Previously Approved	$1,250,000
Subtotal Available Funds	$84,430,000
Estimated Certificates of Participation (COPs)*	254,559,353
Total	**$338,989,353**

* Excludes commercial paper interest and fees during construction that are funded through the issuance of COPs described below.
Source: Office of Public Finance.

Proposed Sale of Existing City Office Buildings

To help finance the purchase of the new building, the City anticipates offering the existing City-owned office building at 30 Van Ness for sale in 2015, with a leaseback to the City until late 2018. Sale of 30 Van Ness would be subject to Board of Supervisors approval.

The City will also offer for sale, at a time dependent on market conditions to maximize revenue, the City-owned 1660 Mission Street, the current location of the Department of Building Inspection, and the City-owned 1680 Mission Street, the current location of some staff in the Department of Public Works.

As shown in Table 5 above, these three City-owned properties have an aggregate potential net sales value of $83,180,000 depending on market conditions and future negotiations with potential buyers, according to Mr. Updike.

Certificates of Participation (COPs)

According to Ms. Nadia Sesay, Director of Public Finance, and as shown in Table 5 above, the $254,559,353 source of funding for the new City office building would be realized from the City issuing COPs. Mr. Anthony Ababon of the Office of Public Finance advises that in order to receive an estimated $254,559,353 in funding for this project, an estimated $300,105,000 of COPs would need to be issued. The $300,105,000 includes the cost of issuance, underwriter's discount, debt service reserve fund and costs associated with using commercial paper as an interim funding source until the COPs could be issued in 2019, after the completion of the building. Assuming a 5.5% annual interest over 30 years on the COPs, results in annual debt service payments of approximately $20,877,000 per year, for a total COP cost to the City of $605,430,000. Ms. Sesay notes that the General Fund impact to repay the COPS will depend on the precise mix of tenants in the new building, with the balance paid by non-General Fund tenant sources.

Fiscal Feasibility

Although not mentioned in the title of the proposed ordinance, page 7, lines 13-15 state that based upon the information provided by the Office of Public Finance and the Real Estate Director, the Board of Supervisors finds that the proposed office project is financially feasible consistent with Administrative Code Chapter 29.

Administrative Code Chapter 29 requires findings of fiscal responsibility and feasibility by the Board of Supervisors for City projects that exceed $25,000,000 and require more than $1,000,000 of City funds, prior to the submittal to the Planning Department for environmental evaluation. In accordance with Chapter 29, the project sponsor is responsible for submitting project and financial information to the Board of Supervisors. The Board of Supervisors is required to consider the fiscal feasibility of a project, based on the following evaluation criteria: (1) direct and indirect financial benefits of the project to the City, including to the extent applicable costs savings or new revenues, including tax revenues, generated by the proposed project; (2) cost of construction; (3) available funding for the project; (4) long term operating and maintenance costs of the project; and (5) debt load to be carried by the City department or agency.

(1) Direct and Indirect Financial Benefits of the Project to the City

As detailed in Attachment III provided by Mr. Ababon, the rents and expenses on existing owned and leased City buildings for the next 33 years, including $30 million of capital improvements at 30 Van Ness, and expansion of City space to reflect a total of 466,000 square feet to be comparable to the proposed new City office building, would cost a total of $759,040,000. In comparison, Attachment III shows the total projected costs for the new City office building, including offsetting revenues from the sale of the three existing buildings at 30 Van Ness and 1660 and 1680 Mission Street, and COPs debt service payments and operating expenses for the new office building over the next 33 years, for a total cost of $884,870,000. Based on the estimated cash flows, the proposed new City office building would have a net financial cost of $105,830,000 to the City.

However, the sale of 30 Van Ness, and 1660 and 1680 Van Ness will result in new transfer taxes and annual property taxes to the City. In addition, the construction of the new residential units on the Goodwill site, adjacent to the City office building, will generate additional annual property taxes, beginning in 2019. Together, over the next 33 years, these properties are projected to generate a total of $150,300,000 of transfer and property taxes for the City. Comparing the net financial cost of $105,830,000 from the new City office building to the $150,300,000 revenues to be realized from new transfer and property taxes results in net positive $44,470,000 revenues to the City over the next 33 years.

In addition, the City will receive an estimated $34 million of fees, permits and tax revenues from the construction of this office building and Real Estate estimates that more than $30 million of contract and subcontract work will be awarded to local business enterprises (LBEs) to complete the City's office building. When complete the City will have a new Class A office building in the Civic Center, with an improved one-stop permit center, adding over 100,000 net square feet of space, to replace with older City buildings that would otherwise require significant capital improvements to upgrade and maintain.

(2) Cost of Construction

Attachment II provided by Mr. Updike, shows the updated value of $326,690,952 for the total project budget, including $30,296,640 for the land, $25,884,132 for predevelopment costs and the remaining $270,510,181 attributed to the cost to complete the development and construction of the City office building.

(3) Available Funding for the Project

As shown in Table 5 above, based on information provided by the Office of Public Finance, the sale of three City-owned office buildings is estimated to generate net revenues after bond defeasance of approximately $83,180,000 to partially offset the cost of the City office project. In addition, the proposed new City office building will require approximately $300,105,000 of COPs, which would likely be issued in 2019 after the completion of the building, resulting in total costs of $605,430,000 to the City.

(4) Long Term Operating and Maintenance Costs of the Project

As shown in Attachment III, the new City office building is estimated to cost $4,720,000 to operate in 2019, when the building is completed, and a total of $224,450,000 over 30 years, or an average of $7,481,667 per year. According to Mr. Keene, the newly constructed, LEED Gold certified office building should provide substantial operational expense reductions and will have significantly lower capital project replacement costs compared to the existing, older City-owned buildings.

(5) Debt Load to be Carried by City Departments

Attachment III identifies the debt service payments from the COPs issued in 2019, which are anticipated to be approximately $20,877,000 per year over 30 years assuming a 5.5% annual interest rate, for a total cost of $605,430,000. The annual debt service payments of approximately $20,877,000 over 33 years would be allocated to the City departments that occupy the new City office building, most notably DBI, Planning, DPW, Retirement and HSS as well as other City departments in the permit center. The specific allocation would be determined based on the actual occupancy of the building, once completed in 2019.

POLICY CONSIDERATION

According to Mr. Updike, the Real Estate Division is proposing the purchase the property located at 1500-1580 Mission Street in order to address several long-term City priorities, particularly in the Civic Center area. These priorities include:

1) Developing more consolidated space for departments currently housed in multiple locations;
2) Making available underutilized City sites for more intense mixed-use developments where possible;
3) Addressing the lack of space for growth, as the City-owned buildings in Civic Center are currently over 99 percent occupied;
4) Allowing core City functions to be centralized in a facility specifically built to meet City needs; and
5) Allowing the City to purchase new Class A office building at a fair market price[8].

As noted above, the proposed transaction is complex and will be executed over several years. The proposed Agreement will authorize the City to move forward with the environmental review and entitlement phase, and authorize a future Construction Management Agreement,

[8] According to the Q1 and Q2 2014 office market reports from real estate services firm Avison Young, the top sales of Class A office space in San Francisco have seen prices ranging from $447 to $765 per square foot. In addition, Mr. Updike noted that the recent sale of 50 Fremont Street, which was constructed in the 1980s, to Salesforce for $640 million reflects a $780 per square foot rate and the Public Utilities Commission (PUC) building on Golden Gate which was completed approximately three years ago had costs totaling $1,000 per square foot. As noted above, the proposed purchase price of 1500-1580 Mission Street by the City would total $705 per square foot.

which will lead to subsequent approvals required by the Board of Supervisors. In addition, there are several significant unknowns the City must contend with, including:

- Total potential equity contributions, including the final sales prices of the three existing City office buildings;
- The necessary proceeds from COPs and additional debt service required by the City;
- Total General Fund and non-General Fund impacts; and
- Final design, occupancy mix, and negotiated office leases.

If the Board of Supervisors and Mayor do not approve the proposed ordinances, then either the City or the developer may terminate negotiations and the City would forfeit $1,250,000. Because of the future commitment of significant City funds, the Budget and Legislative Analyst considers approval of the proposed ordinance authorizing the Conditional Land Disposition and Acquisition Agreement to be a policy matter for the Board of Supervisors. According to Mr. Updike, if the Board of Supervisors does not approve the proposed ordinances, the City will likely lose the opportunity to purchase 1500-1580 Mission Street.

RECOMMENDATIONS

1. Amend the proposed ordinance (File 14-1120) in various places to change the reference from 466,400 gross square feet to 463,300 gross square feet, the most recent estimated size of the City's office building.
2. Approval of the proposed ordinances, as amended, are policy matters for the Board of Supervisors.

Table 3: Project Budget

Development Costs to Related	Original Value	Updated Value	Difference	Notes
Land Price	$30,000,000	$ 30,296,640	$ 296,640	**Actual land price increased from $65M to $65.6M
Real Estate Commissions	2,412,239	2,000,000	(412,239)	**Reduced once City acquires land in advance of construction
Closing Costs	N/a	151,483	151,483	**Not previously included in estimate
Soft Costs	8,322,300	12,552,500	4,230,200	**Increased costs for architecture and design after bids received and consultant scope refined
Fees, Permits Taxes	13,167,471	34,191,861	21,024,390	**Increased estimate of imposed Development / Building Fees imposed by City
Core and Shell	139,263,450	179,258,112	39,994,662	**Needed to bring interiors from a "Cold Shell" to a "Warm Shell"; increased seismic, LEED Gold, etc.
Tenant Improvements	23,117,500	21,568,318	(1,549,182)	**Some tenant improvements on lower levels were picked up in Core and Shell. Still remains $50 psf
Owner's Contingency (5%)	N/a	10,041,322	10,041,322	**Added increased contingency for construction
Finance Costs	14,352,821	8,633,333	(5,719,488)	**Saved by issuing our own financing
Soft Costs Cont.	644,693	376,575	(268,118)	**Reduced contingency as bids were received
Developer Cost of Equity	N/a	1,120,808	1,120,808	**Per LOI, must reimburse Developer carrying costs of land
Subtotal, Development Costs	$231,280,474	300,190,952	68,910,478	
Related Development Fee (Management)	7,954,729	Fixed Fee		
Related Development Fee (Financing)	1,988,682			
5% Profit	12,061,194			
Fee Subtotal	22,004,605	26,500,000	4,495,395	**Negotiated fee reduction during PSA negotiations. LOI stated 10% of total project Costs
Total	**$253,285,080**	**$ 326,690,952**	**$ 73,405,872**	

Goodwill Site Development Estimated Cash Flow -- 5.5% Interest Rate; No COPs for 1660, 1680 Mission Improvements; FY 2015 a partial year

	Rents & Expenses on Existing Buildings & Expansion (466k Gross sqft)				Goodwill Site Development & related costs (466k Gross sqft)				Net Impact			GF & NGF - Net Impact			
	(1) Existing Buildings	(2) Existing Building Improvements	(3) Growth (108k Gross sqft)		(4) Lease Back of 30 VN and 1660 & 1680 Mission	Debt Service & Operating Expenses				(7) GF Property Taxes		Before Property Taxes		(8) After Property Taxes	
FY	City Tenants	DS Payments	City Tenants Expansion	Total	City Tenants (Lease Back)	(5) DS Payments	(6) Oper Exp (F&V)	Total	Net Impact (before Prop Taxes)	1660 & 1680 Mission; 30 VN; Goodwill	Net Impact (after Prop Taxes)	General Fund	Non-General Fund	General Fund	Non-General Fund
Jun-15	1,650,000	-	-	1,650,000	1,000,000	-	-	1,000,000	650,000	4,200,000	4,850,000	220,000	430,000	4,420,000	430,000
Jun-16	6,810,000	-	-	6,810,000	4,110,000	-	-	4,110,000	2,700,000	900,000	3,600,000	930,000	1,770,000	1,830,000	1,770,000
Jun-17	7,020,000	-	-	7,020,000	7,040,000	-	-	7,040,000	(20,000)	1,900,000	1,880,000	(10,000)	(10,000)	1,890,000	(10,000)
Jun-18	7,230,000	-	6,650,000	13,880,000	11,420,000	-	-	11,420,000	2,460,000	1,100,000	3,560,000	850,000	1,610,000	1,950,000	1,610,000
Jun-19	7,440,000	2,300,000	6,850,000	16,590,000	11,420,000	-	4,720,000	16,140,000	450,000	4,600,000	5,050,000	150,000	300,000	4,750,000	300,000
Jun-20	7,670,000	3,900,000	7,060,000	18,630,000	-	21,010,000	4,860,000	25,870,000	(7,240,000)	3,100,000	(4,140,000)	(2,490,000)	(4,750,000)	610,000	(4,750,000)
Jun-21	7,900,000	3,900,000	7,270,000	19,070,000	-	21,000,000	5,000,000	26,000,000	(6,930,000)	3,200,000	(3,730,000)	(2,380,000)	(4,550,000)	820,000	(4,550,000)
Jun-22	8,140,000	3,900,000	7,490,000	19,530,000	-	20,990,000	5,150,000	26,140,000	(6,610,000)	3,200,000	(3,410,000)	(2,270,000)	(4,340,000)	930,000	(4,340,000)
Jun-23	8,380,000	3,900,000	7,710,000	19,990,000	-	20,990,000	5,310,000	26,300,000	(6,310,000)	3,300,000	(3,010,000)	(2,170,000)	(4,140,000)	1,130,000	(4,140,000)
Jun-24	8,630,000	3,900,000	7,940,000	20,470,000	-	20,980,000	5,470,000	26,450,000	(5,980,000)	3,400,000	(2,580,000)	(2,060,000)	(3,920,000)	1,340,000	(3,920,000)
Jun-25	8,890,000	3,900,000	8,180,000	20,970,000	-	20,970,000	5,630,000	26,600,000	(5,630,000)	3,500,000	(2,130,000)	(1,940,000)	(3,690,000)	1,560,000	(3,690,000)
Jun-26	9,160,000	3,900,000	8,430,000	21,490,000	-	20,970,000	5,800,000	26,770,000	(5,280,000)	3,600,000	(1,680,000)	(1,820,000)	(3,460,000)	1,780,000	(3,460,000)
Jun-27	9,430,000	3,900,000	8,680,000	22,010,000	-	20,960,000	5,980,000	26,940,000	(4,930,000)	3,700,000	(1,230,000)	(1,690,000)	(3,240,000)	2,010,000	(3,240,000)
Jun-28	9,710,000	3,900,000	8,940,000	22,550,000	-	20,950,000	6,160,000	27,110,000	(4,560,000)	3,800,000	(760,000)	(1,570,000)	(2,990,000)	2,230,000	(2,990,000)
Jun-29	10,010,000	3,900,000	9,210,000	23,120,000	-	20,950,000	6,340,000	27,290,000	(4,170,000)	4,000,000	(170,000)	(1,430,000)	(2,740,000)	2,570,000	(2,740,000)
Jun-30	10,310,000	3,900,000	9,490,000	23,700,000	-	20,930,000	6,530,000	27,460,000	(3,760,000)	4,100,000	340,000	(1,290,000)	(2,470,000)	2,810,000	(2,470,000)
Jun-31	10,610,000	3,900,000	9,770,000	24,280,000	-	20,930,000	6,730,000	27,660,000	(3,380,000)	4,200,000	820,000	(1,160,000)	(2,220,000)	3,040,000	(2,220,000)
Jun-32	10,930,000	500,000	10,060,000	21,490,000	-	20,920,000	6,930,000	27,850,000	(6,360,000)	4,300,000	(2,060,000)	(2,190,000)	(4,170,000)	2,110,000	(4,170,000)
Jun-33	11,260,000	-	10,360,000	21,620,000	-	20,910,000	7,140,000	28,050,000	(6,430,000)	4,500,000	(1,930,000)	(2,210,000)	(4,220,000)	2,290,000	(4,220,000)
Jun-34	11,600,000	-	10,670,000	22,270,000	-	20,900,000	7,350,000	28,250,000	(5,980,000)	4,600,000	(1,380,000)	(2,060,000)	(3,920,000)	2,540,000	(3,920,000)
Jun-35	11,950,000	-	10,990,000	22,940,000	-	20,890,000	7,570,000	28,460,000	(5,520,000)	4,700,000	(820,000)	(1,900,000)	(3,620,000)	2,800,000	(3,620,000)
Jun-36	12,310,000	-	11,320,000	23,630,000	-	20,870,000	7,800,000	28,670,000	(5,040,000)	4,900,000	(140,000)	(1,730,000)	(3,310,000)	3,170,000	(3,310,000)
Jun-37	12,670,000	-	11,660,000	24,330,000	-	20,860,000	8,030,000	28,890,000	(4,560,000)	5,000,000	440,000	(1,570,000)	(2,990,000)	3,430,000	(2,990,000)
Jun-38	13,050,000	-	12,010,000	25,060,000	-	20,850,000	8,270,000	29,120,000	(4,060,000)	5,200,000	1,140,000	(1,400,000)	(2,660,000)	3,800,000	(2,660,000)
Jun-39	13,450,000	-	12,370,000	25,820,000	-	20,840,000	8,520,000	29,360,000	(3,540,000)	5,300,000	1,760,000	(1,220,000)	(2,320,000)	4,080,000	(2,320,000)
Jun-40	13,850,000	-	12,740,000	26,590,000	-	20,820,000	8,780,000	29,600,000	(3,010,000)	5,500,000	2,490,000	(1,030,000)	(1,980,000)	4,470,000	(1,980,000)
Jun-41	14,270,000	-	13,120,000	27,390,000	-	20,810,000	9,040,000	29,850,000	(2,460,000)	5,600,000	3,140,000	(850,000)	(1,610,000)	4,750,000	(1,610,000)
Jun-42	14,690,000	-	13,510,000	28,200,000	-	20,790,000	9,310,000	30,100,000	(1,900,000)	5,900,000	4,000,000	(650,000)	(1,250,000)	5,250,000	(1,250,000)
Jun-43	15,130,000	-	13,920,000	29,050,000	-	20,770,000	9,590,000	30,360,000	(1,310,000)	6,000,000	4,690,000	(450,000)	(860,000)	5,550,000	(860,000)
Jun-44	15,590,000	-	14,340,000	29,930,000	-	20,750,000	9,880,000	30,630,000	(700,000)	6,200,000	5,500,000	(240,000)	(460,000)	5,960,000	(460,000)
Jun-45	16,060,000	-	14,770,000	30,830,000	-	20,740,000	10,170,000	30,910,000	(80,000)	6,400,000	6,320,000	(30,000)	(50,000)	6,370,000	(50,000)
Jun-46	16,540,000	-	15,210,000	31,750,000	-	20,720,000	10,480,000	31,200,000	550,000	6,600,000	7,150,000	190,000	360,000	6,790,000	360,000
Jun-47	17,030,000	-	15,670,000	32,700,000	-	20,690,000	10,790,000	31,480,000	1,220,000	6,800,000	8,020,000	420,000	800,000	7,220,000	800,000
Jun-48	17,540,000	-	16,140,000	33,680,000	-	20,670,000	11,120,000	31,790,000	1,890,000	7,000,000	8,890,000	650,000	1,240,000	7,650,000	1,240,000
Total	376,910,000	49,600,000	332,530,000	759,040,000	34,990,000	605,430,000	224,450,000	864,870,000	(105,830,000)	150,300,000	44,470,000	(36,400,000)	(69,430,000)	113,900,000	(69,430,000)
	(A)	(B)	(C)	(A) + (B) + (C) = (D)	(E)	(F)	(G)	(E + F + G) = (H)	(D - H) = (I)	(J)	(I) + (J) = (K)				

	Before Property Taxes	After Property Taxes
Net Present Value @ 6%	(42,870,000)	9,590,000

Notes:

(1) - Revenues include City Tenant Revenues or Rents from 30 VN, 1660 & 1680 Mission at $22.56 psf (2014) and 3% annual growth; FY 2015 is a partial year

(2) - 30 VN Improvements total $30.0million starting 2018, debt service over 15 year term.

(3) - Current market rents estimated at $54 psf (2014) and 3% annual growth for incremental 108k sf growth

(4) - 30 VN sale in 2015 and lease back at $22.56 psf (2015), adjusted to $40 psf in 2017 thru occupancy of Goodwill in 2019; FY 2015 is a partial year

- 1660, 1680 Mission sales in 2017 and lease back at $40 psf in 2017 thru occupancy of Goodwill in 2019

- Sale proceeds total $122mm, of which $35.2mm is applied to COPs defeasance and $83.2mm is applied towards Goodwill development costs

(5) - Gross development costs to City total $339.0mm, before application of net sale proceeds

- COPs issued in Jun 2019 of $300.1mm towards $254.6mm in development costs, etc. (after defeasances) and $22.0mm in CP interest & fees; net sale proceeds of $83.2mm applied as equity towards development costs

(6) - Operating expenses at $8.64 psf (G)

(7) - 30 VN property taxes include transfer tax in 2015 and annual property tax thru occupancy of Goodwill in 2019; FY 2015 is partial year

- 30 VN conversion (with another infusion of transfer tax) to residential (300 Units) assumed in 2019 thru 2048

- 1660, 1680 Mission property taxes include transfer taxes in 2017 and annual property tax thru occupancy of Goodwill in 2019

- 1660, 1680 Mission maintained as office from 2019 (with another infusion of transfer tax) thru 2048

- Goodwill site property taxes include Related acquisition at $65mm in 2015 and Residential (550 Units) in 2019 thru 2048

(8) - General Fund property taxes revenues accrue to General Fund departments / tenants.

Attachment I

Space Standard	FTE Actual 2014 [1]	FTE Budget 2014-15	GSF Area 2014 [2]	FTE Actual 2018 [3]	FTE Budget 2018-19	GSF Area 2018 [4]	Remarks
	Project Chess Site Total						
TENANT FLOORS 3-18 [5]							
CPC	175.80	192.95	51,685	183.42	201.31	52,926	Gross square feet for all 1650 Mission office space. FTE counts include permitting personnel.
DBI	210.74	265.56	54,598	264.86	322.06	67,351	Gross square feet for 1660 Mission and 1650 Mission office space. FTE Count 2018 includes allocation for 45 unfilled DBI positions, in addition to expected average rate of increase applied to all departments. (Space for 45 unfilled positions accounts for about 12,000 GSF increase.) FTE counts include permitting personnel.
DPW	668.58	816.51	188,727	697.53	851.87	193,257	Gross square feet for 30 Van Ness, 1155 Market, and 1680 Mission. FTE counts include permitting personnel. Conference rooms for RPD division and 3rd floor of 30 Van Ness not captured.
HSS [6]	45.84	53.44	19,478	47.83	55.75	19,945	Gross square feet for 1145 Market. Roughly 3,000 SF Wellness Center located to lower floors in GSF Area 2014 baseline.
RET [7]	86.63	106.40	36,866	90.38	111.01	37,751	Gross square feet for 1145 Market. Roughly 3,800 SF Board Room and Presentation Room located to lower floors in GSF Area 2014 baseline.
ADDITIONAL SPACE AVAILABLE (OR DISCREPANCY IF IN PARENTHESES)	N/A	N/A	N/A	N/A	N/A	5,770	Potentially: If space available, DEM to locate from 30 Van Ness, plus Misc. Department Space of approximately 10,000 square feet TBD.
TENANT FLOORS 3-18 TOTAL	**1,187.58**	**1,434.86**	**351,354**	**1,284.02**	**1,542.00**	**377,000**	Building is currently allocated 377,000 SF for floors 3-18. Tenant GSF Area 2018 programming assumes reallocation of 30% of departmental conference and training room space to Common Use Space in floors 1-2. Reallocation projects total GSF Area 2018 for conference and training by holding current departmental conference-to-space ratios constant from 2014; thus, the reallocated conference area simply assumes that a portion of the tenant space will be moved to another part of the building (a tenant does not lose space due to consolidation, but the likelihood of increased space utilization improves by introducing a shared conference center). See assumptions below.[8]
COMMON USE FLOORS 1-2							
PERMIT CENTER							
CPC	N/A		1364	N/A		1,423	Includes CPC permitting at 1650 and 1660 Mission
DBI	N/A		21,448	N/A		22,377	Includes DBI permitting at 1660 Mission, including ground floor and fifth floor intake, support, and common use functions. Only public counter and lobby/waiting area included for all other 1660 Mission floors with permitting functions.
DPH	N/A		104	N/A		1,000	DPH has one permit station at 78 SF in the current 1660 Mission permitting center. Because DPH Environmental Health Unit, which handles DPH's permits (over 20 permits), is planned to relocate to Laguna Honda, it would make sense to relocate at least a collection and processing arm for permits in the Permit Center
DPW	N/A		1,085	N/A		1,132	Includes DPW permitting at 1155 Market and 1660 Mission
FIR	N/A		660	N/A		689	Includes FIR permitting at 1660 Mission
PUC	N/A		208	N/A		217	Includes PUC permitting at 1660 Mission
ENT (non-1660 Mission)	N/A		0	TBD		1,000	0 SF allocated in current 1660 Mission permitting center. Because ENT only has 3 FTE total reported, this may involve shifting the entire unit.
OEWD (Small Business, non-1660 Mission)	N/A		0	TBD		900	0 SF allocated in current 1660 Mission permitting center. Currently located at City Hall.
POL (non-1660 Mission)	N/A		0	TBD		1,000	0 SF allocated in current 1660 Mission permitting center. Currently located at Hall of Justice. POL has anywhere between 5-8 FTE staffed at a given time.
TTX (non-1680 Mission)	N/A		0	TBD		1,000	0 SF allocated in current 1660 Mission permitting center. Currently located at City Hall. TTX is being allocated space to accommodate for a centralized payment function for all permitting deparments located at the Chess Permit Center.
PERMIT CENTER TOTAL	N/A		24,869	N/A		30,738	A) GSF Area 2014 values are based on space currently present at permitting areas at 1650 Mission, 1660 Mission, and 1155 Market. For programs that are not currently located at 1660 Mission, the GSF value does not reflect the existing size of their program, which may be located in other areas. B) The proposal is to include a permit intake and information arm for departments not already included in 1660 Mission, as relocating these programs' entire staff would require significantly more space and, potentially, a study of how to streamline each permitting process. Intake stations may include anywhere from 1-5 FTE.
COMMON USE SPACE							
MISC. COMMON USE SPACE AVAILABLE (Unassigned Conference Center, Childcare, Cafeteria, Other Circulation/Lobby, etc.) [9]	N/A		N/A	N/A		32,817	A) Remainder from 86,300 GSF allocated to Floors 1-2 after accounting for Permit Center and Concourse. Important to note that Floors 3-18 programming takes current departmental programs as departmental program standard and does not reallocate space to common use functions, unless explicitly noted. After programming for more efficient office space, departmental number may shrink slightly and be reallocated to Miscellaneous Common Use Space. B) Includes Hearing Room, meeting rooms and 11,000 SF training from Cesar Chavez. May be repositioned to include Wellness. May include childcare facility of approximately 5,000 SF, as mandated by City (however, childcare may be built on the developer's side of the site).
CONFERENCE AND TRAINING CENTER (Minimum Size) [10]	N/A		3,830	N/A		6,999	Baseline Conference and Training Center sizing based on RET Board and Presentation Room reallocation. Projected 2018 sizing based on 30% reallocation of conference and training room space from Tenant Space on floors 3-18. This is only a minimum size, based on 30% reallocation rate from tenant floors, and would change based on reallocation rate. (To note, if 100% of large conference rooms, i.e. those measuring greater than 500 SF, were reallocated, the minimum Conference and Training Center size would be 18,985 SF. This would free up space in Tenant Space and take space from Misc. Common Use.)
WELLNESS CENTER	N/A		3,016	N/A		3,147	HSS Wellness Center removed from HSS office space footprint
EXTERIOR USE	N/A		N/A	N/A		12,600	Concourse is open to the Public
SHARED SPACE TOTAL (Permit + Common Use)	**N/A**		**31,715**	**N/A**		**86,300**	Shared Space Total 2018 based on estimates of 82,400 total GSF on Floors 1-2, as well as an additional 12,200 GSF allocation for the Concourse
SITE TOTAL: FTE	1,187.58	1,434.86		1,284.02	1,542.00		
SITE TOTAL: GSF			383,069			463,300	

Notes:

(1) FTE Actual 2014 based on eMerge data for FY2014-15, for period 07/01/2013 - 10/24/2014 (last pay period in October 2014). FTE Budget 2014-15 is based on the FY2014-15 budget. Permit Center FTE's for 1600 Mission departments (CPC, DBI) captured in tenant floors 3-18 FTE counts. For non-1660 Mission permitting departments, FTE values are excluded because no existing centralized permitting location exists for them that is comparable to what would be present at the Chess Permit Center; organizational re-programming may be needed. See comment B under Permit Center Total.

(2) GSF Area is Gross Square Footage. The initial 2014 number based on Real Estate Department (RED) and departmental reporting. Numbers were supplemented with measurements estimated from departmental floor plans, where necessary. Where GSF data was not available, Usable Square Footage (USF) was determined from floor plans and GSF was calculated by summing USF with Estimated Circulation Factor (circulation calculated at 33% of USF).

(3) FTE Actual and Budget 2018-19 based on 1.06556% average FTE growth rate per year applied to all departments, unless otherwise noted. FTE growth rate based on 20-year average growth rate. Determined from CA Dept. of Finance local government labor historical values and projections, for period 1997-2018.

(4) GSF Area 2018 based on projected actual FTE growth, keeping GSF-to-FTE space ratio for 2014 constant for 2018. Budgeted FTE presented for reference, but we should expect attrition to remain relatively constant - so projecting space based on actual FTE's is more reliable than projecting based on budgeted FTE's.

(5) Tenant space calculations include back-office functions and existing conference rooms. Only where noted has common use space been taken out of the department's footprint. Public permit-related space has been taken out for all departments and included in Permit Center section.

(6/7) Only Rentable Square Footage (RSF) known for HSS and RET. 15% core factor assumed for areas where only RSF known, in order to determine GSF.

(8) 30% allocation of conference and training room space from Tenant Space floors 3-18 to Common Use Space on floors 1-2 based on:

A) On average, conference and training room space takes up roughly 6.17% of total tenant GSF for each of the five main tenant departments. The average estimated Conference Area-to-Total GSF ratios for all departments are: 4.25% (CPC), 3.90% (DBI), 11.81% (DPW), 4.62% (HSS), and 6.27% (RET). An average was used under the assumption that all departments would be equally impacted by common room reallocation;

B) Large conference and training rooms (over 500 SF) take up, on average, roughly 47.78% of each of these departments' total conference and training room area. Conference rooms larger than 500 SF generally have lower utilization rates and are more conducive to sharing. Thus, it is a conservative estimate that only 30% of this space would be reallocated from Tenant Space to Common Use Space - the remaining 17.78% of conference and training space could still be programmed on tenant floors. Even if the reallocated conference and training space is 100% utilized by a given department from which the space was transferred, an additional 32,817 SF is available for Miscellaneous Common Use programming. (Common space is not lost, only transffered - and additional space is available.);

C) 33% circulation factor assumed for areas where only Usable Square Footage (USF) known, in order to determine GSF.

(9) Misc. Common Use Space is currently unprogrammed space, but could be allocated to the Conference and Training Center, Permit Center, or other Common Use functions.

(10) Conference and Training Center sizing is based on the existing program of each tenant department being "right-sized." Where a minimum Conference and Training Center size is provided, based on space which was reallocated from tenant floors 3-18 in this scenario, it is probable that additional space savings could be attained both on tenant floors and in common use areas through more