

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Sub-Committee

FROM: Budget and Legislative Analyst



SUBJECT: May 11, 2017 Budget and Finance Sub-Committee Meeting

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Item 2 File 17-0323	Department: Office of Labor Standards Enforcement (OLSE)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would fix prevailing wage rates for individuals engaged in security guard services at facilities or on property owned or leased by the City, and for events on City property. <p>Key Points</p> <ul style="list-style-type: none"> • Ordinance No. 211-16 was enacted on October 28, 2016 to amend the Administrative Code to require that prevailing wages be paid to employees of businesses having contracts and subcontracts with the City to provide security guard services and individuals providing security guard services as part of a contract, lease, franchise, permit or agreement to hold certain events on City property. • Section 21C.11 and Section 21C.7(c)(1) requires the Civil Service Commission to furnish the relevant data to aid the Board in the determination of the prevailing wage rates. On March 6, 2017, the Civil Service Commission considered the issue of the prevailing wages for security guards and certified and adopted a report on the subject prepared by the Office of Labor Standards Enforcement. • The proposed resolution would set a prevailing wage rate based on the current Service Employees International Union, United Service Workers West (SEIU-USWW) contract with security employers in effect from June 12, 2013 through May 31, 2017. The current base hourly rate in that contract is \$14.25 per hour. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • Paying prevailing wages to workers who provide security guard services in City contracts could result in increased costs to the City under future contracts for these services, depending on future City contractors' bids. • Paying prevailing wages to workers who provide security guard services at events on City property could increase the costs to put on such events in San Francisco, and potentially result in fewer events being held in San Francisco. <p>Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed resolution is a policy decision for the Board of Supervisors. 	

MANDATE STATEMENT

The City's Administrative Code requires certain contractors that have contracts with the City, including public works contracts, to pay employees the highest general prevailing rate of wages for similar work in private employment. These requirements are enforced by the City's Office of Labor Standards Enforcement.

BACKGROUND

The Board of Supervisors annually sets prevailing wage rates for employees of businesses with particular types of City contracts. The prevailing wage requirement for City contracts and events on City property requires that employees be paid not less than the prevailing wage rates, including fringe benefits or matching equivalents, paid in private employment for similar work in the area.

On October 28, 2016, Ordinance 211-16 was enacted revising Section 21C.7 and adding Section 21C.11 of the Administrative Code to require that prevailing wages be paid to:

- (1) employees of businesses having contracts and subcontracts with the City to provide security guard services; and
- (2) individuals providing security guard services as part of a contract, lease, franchise, permit or agreement to hold certain events on City property.

Section 21C.11 and Section 21C.7(c)(1) require the Civil Service Commission to furnish the relevant data to aid the Board in the determination of the prevailing wage rates. On March 6, 2017, the Civil Service Commission of San Francisco considered the issue of the prevailing wages for security guards along with a report on the subject prepared by the Office of Labor Standards Enforcement (OLSE). The report looked at the provisions of the collective bargaining agreement between the Service Employees International Union, United Service Workers West (SEIU-USWW) and various security companies in effect from June 12, 2013 through May 31, 2017. The report lists the prevailing rate of wages, including wages for holiday and overtime work, as well as fringe benefits or their equivalent amount. The Civil Service Commission certified and adopted the data in that report.

Section 21C.11 is to become operative upon the initial setting of a prevailing wage rate for security guards by the Board of Supervisors.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would fix prevailing wage rates for employees of businesses having contracts with the City and individuals performing security guard services at facilities or on property owned or leased by the City, and for events on City property.

The prevailing rate of wages, including wages for holiday and overtime work, and fringe benefits or an equivalent amount, paid in private employment for employees and individuals engaged in security guard services as set forth in Section 21C.11, are to be the prevailing wages identified in the aforementioned OLSE report—specifically, provisions of the collective

bargaining agreement between the Service Employees International Union, United Service Workers West (SEIU-USWW), and AMB Security Services; AlliedBarton Security Services; Cypress Security; G4S Secure Solutions (USA) Inc.; Securitas Security Services USA, Inc.; Universal Protection Services; Professional Technical Security Services, Inc.; and Guardsmark Security, in effect June 12, 2013 through May 31, 2017. The current base hourly rate in the contract is \$14.25 per hour.

Table 1, below, is a summary by the Office of Labor Standards and Enforcement of the hourly wage rate and fringe benefits for Security Officers required by the Collective Bargaining Agreement between these Security Employers and SEIU-USWW.

Table 1. - Summary of the hourly wage rate and fringe benefits for Security Officers required by the Collective Bargaining Agreement between Security Employers and Services Employees International Union, United Service Workers West¹ (in effect from June 12, 2013 through May 31, 2017)

Journey Level	Base Hourly Rate	Health & Welfare ²	Vacation (varies by length of service) ³	Total Standard Hourly Rate	Overtime Hourly Rate 1.5 x	Overtime Hourly Rate 2x
Security Officer at 90 days	\$14.25	\$3.15	\$0.55	\$17.95	\$25.08	\$32.20
Security Officer at 3 years +1 dependent	\$14.25	\$5.58	\$0.55	\$20.38	\$27.51	\$34.63
Security Officer at 3 years +2 or more dependents	\$14.25	\$7.60	\$0.55	\$22.40	\$29.53	\$36.65

Source: Office of Labor Standards and Enforcement

¹ The chart does NOT include all the information contained in the Collective Bargaining Agreement.

² Hourly amount based on premium amount less any payments by employee; contributions for single employee begin at 90 days of service; dependent benefits begin at 3 years of service.

³ Vacation calculated at 3 years seniority.

FISCAL IMPACT

Increased costs as a result of paying prevailing wages could result in increased costs of future City contracts. However, any increased contract costs to the City as a result of paying prevailing wage rates are dependent on future City contractors' bids and the extent to which higher wage rates may result in higher contractor bids.

RECOMMENDATION

Approval of the proposed resolution is a policy decision for the Board of Supervisors.

<p>Item 3 File 17-0488</p>	<p>Department: Mayor's Office of Housing and Community Development</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution authorizes the Mayor’s Office of Housing and Community Development (MOHCD) to expend SoMa Community Stabilization Fund monies in the amount of \$1,249,999 to fund 22 projects located in SoMa from July 1, 2017 to June 30, 2018 to address various impacts of destabilization on residents and businesses in SoMa. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Under the City’s Planning Code, developers constructing new residential development in the Rincon Hill Downtown Residential Mixed Use District pay development impact fees (South of Market Community Stabilization Fee) of \$10.95 per square foot. Fee revenues are deposited into the SoMa Community Stabilization Fund to be used for housing and economic and workforce development. The MOHCD administers the SoMa Community Stabilization Fund, and the Community Stabilization Fund Community Advisory Committee advises on the use of fees allocated to the SoMa Community Stabilization Fund revenues, subject to Board of Supervisors approval. • After issuing a Request for Proposals and receiving 39, the SoMa Community Stabilization Fund Community Advisory Committee is recommending \$1,249,999 in grants for 22 projects in FY 2017-18. Projects include art and cultural projects, financial literacy and college preparation, jobs skills, assistance to small businesses, eviction prevention and access to affordable housing, assistance to nonprofit organizations to improve administrative capacity, and other programs. MOHCD will recommend additional funding to the 22 projects in FY 2018-19 based on the projects meeting performance goals. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The SOMA Community Stabilization Fund currently has an available balance of \$16,338,998. If the Board of Supervisors approves the proposed \$1,249,999 in awards from this proposal as well as the \$10,000,000 for the Small Sites Program proposed in File No. 17-0489, the remaining balance in the SOMA Community Stabilization Fund will be \$5,138,999. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

In accordance with Planning Code Section 418.7, all monies in the South of Market Area (SoMa) Community Stabilization Fund are to be expended to address the effects of destabilization on residents and businesses in SoMa due to new residential development in the Rincon Hill Area. SoMa Community Stabilization Fund expenditures are administered by the Mayor's Office of Housing and Community Development (MOHCD), subject to approval by resolution of the Board of Supervisors.

BACKGROUND

The Board of Supervisors approved a new Section 418 in the City's Planning Code in 2005 which, among other provisions, (a) established the Rincon Hill Downtown Residential District¹, (b) imposed a Rincon Hill Community Infrastructure Fee, (c) created a Rincon Hill Community Improvement Fund for the deposit of the Rincon Hill Community Infrastructure Fees collected, (d) imposed a SoMa Community Stabilization Fee of \$14 per square foot (subsequently amended down to \$10.95 per square foot by the Board of Supervisors under Ordinance 270-10) on developers who build new residential development within the Rincon Hill Downtown Residential District, (e) created the SoMa Community Stabilization Fund for the deposit of SoMa Community Stabilization Fees collected, and (f) established a SoMa Community Stabilization Fund Community Advisory Committee (CAC) to advise the MOHCD and the Board of Supervisors on the uses of the SoMa Community Stabilization Fund (Ordinance 217-05).

The Planning Code stipulates that monies from the SoMa Community Stabilization Fund are to be expended to provide assistance to SoMa residents including affordable housing, community asset building, employment development, job growth and job placement, and other services to address impacts of destabilization.

The Board of Supervisors approved a resolution in 2008 (Resolution 0216-08) (a) approving the SoMa Community Stabilization Fund Strategic Plan, (b) authorizing MOHCD to administer the SoMa Community Stabilization Fund in accordance with this Strategic Plan, and (c) authorizing MOHCD to work with the SoMa Stabilization Fund Community Advisory Committee to issue Requests for Proposals (RFPs) for non-profit agencies to provide services addressing the effects of destabilization on residents and businesses in SoMa, consistent with the Community Stabilization Fund Strategic Plan.

The SoMa Stabilization Fund Community Advisory Committee revised the Community Stabilization Fund Strategic Plan in 2011 to articulate four goals, which include:

- 1) Strengthen community cohesion
- 2) Support economic and workforce development for low-income residents and businesses that serve the SOMA community
- 3) Increase access to perpetually affordable housing opportunities for existing SOMA residents

¹ The Rincon Hill Downtown Residential District is the area bounded by Folsom Street, The Embarcadero, Bryant Street, and Essex Street.

4) Improve the infrastructure and physical environment

Request for Proposals Process

The SoMa CAC and MOHCD issued a Request for Proposals (RFP) on December 19, 2016, consistent with the Strategic Plan, for community-based organizations seeking grant assistance from the SoMa Community Stabilization Fund. The RFP allowed for project proposals in fourteen possible areas including: 1) Community Council; 2) Community Action Grants; 3) School Site Coordinator; 4) Neighborhood Arts and Culture Project; 5) College Preparatory Program; 6) Fund Development Consultant; 7) Nonprofit Leadership Development; 8) Organizational Capacity Building; 9) Access to Housing; 10) Eviction Defense and Housing Stabilization; 11) Financial Literacy; 12) Neighborhood and Business Coordination; 13) Event-Based Economic Development, and 14) Small Business Acceleration.

The RFP specified the following seven evaluation criteria to assess applicants for the grant awards:

- a. Successful history serving target population – 15%
- b. Meet objectives, activities and program description in RFP – 15%
- c. Measurable and realistic outcomes and best practices – 15%
- d. Robust evaluation methodology – 15%
- e. Staff experience and expertise – 15%
- f. Budget appropriate and feasible – 15%
- g. Leveraged and diversified funding – 10%

MOHCD received 39 proposals. To evaluate the proposals, MOHCD staff used the evaluation criteria specified in the RFP and made recommendations to the SoMa CAC. The CAC is recommending 22 proposals for funding.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the MOHCD to expend SoMa Community Stabilization Fund monies in the amount of \$1,249,999 to award 22 grants to non-profit organizations for projects located in SoMa from July 1, 2017 to June 30, 2018. The funding is for projects that contribute to the first three goals of the Strategic Plan, to 1) strengthen community cohesion, 2) support economic and workforce development for low-income residents and businesses that serve the SOMA community, and 3) to increase access to perpetually affordable housing opportunities for existing SOMA residents.

FISCAL IMPACT

The proposed resolution authorizes the MOHCD to expend SoMa Community Stabilization Fund monies in the amount of \$1,249,999 to award 22 grants to non-profit organizations for projects located in SoMa from July 1, 2017 to June 30, 2018.

Table 1 lists the non-profit organizations, project descriptions and funding levels recommended by the CAC.

Table 1: Funding Recommendations from SoMa Community Stabilization Fund

Non-profit organization	Project Description	1 Year Amount
Filipino American Development Foundation (FADF)*	SoMa Community Council	\$50,000
Rebuilding Together*	Community action grants	\$100,000
United Playaz*	School site coordination of services infrastructure at Bessie Carmichael School	\$50,000
Kularts	Neighborhood art and culture project	\$20,000
Bindlestiff Studio	Neighborhood art and culture project	\$20,000
Kearny Street Workshop	Neighborhood art and culture project	\$20,000
Pilipino Senior Resource Center	Neighborhood art and culture project	\$20,000
West Bay Pilipino Multi-Service Center	College preparatory program	\$50,000
Veterans Equity Center*	Services to increase access to affordable housing	\$74,999
Asian Pacific Islander Legal Outreach	Eviction prevention and housing stabilization (legal services)	\$75,000
FADF/South of Market Community Action Network (SOMCAN)	Eviction prevention and housing stabilization (tenant outreach)	\$75,000
Balance*	Financial literacy	\$50,000
United Playaz	Job skills and placement for transitional aged youth	\$50,000
Positive Resource Center*	Job skills and placement for disabled population	\$75,000
FADF/SOMCAN*	Outreach and job placement	\$75,000
Renaissance Entrepreneurship Center	Small business accelerator and incubation	\$75,000
Central Market Community Benefit District	Art walk on 6 th Street	\$40,000
FADF	Night market to promote SoMa Pilipinas and small businesses	\$75,000
Northern California Community Loan Fund	Organizational capacity building services	\$75,000
Rockwood	Organizational leadership development	\$50,000
SF Made	Fund development consulting	\$80,000
Kularts	Succession planning consultant	\$50,000
Total		\$1,249,999

Source: MOHCD

*Indicates awardees currently receiving SoMa Stabilization Funds for existing programs.

The MOHCD is expected to return to the Board of Supervisors in the future to request authorization for a second year of funding, from July 1, 2018 through June 30, 2019, for the same projects and the same non-profit organizations as long as they have met acceptable performance goals for year one.

The SOMA Community Stabilization Fund currently has an available balance of \$16,338,998. If the Board of Supervisors approves the proposed \$1,249,999 in awards from this proposal as well as the \$10,000,000 for the Small Sites Program proposed in File No. 17-0489, the remaining balance in the SOMA Community Stabilization Fund will be \$5,138,999 as shown in Table 2 below.

Table 2: SoMa Community Stabilization Fund – Current and Projected Balance

Item	Amount
Current balance	\$19,299,347
FY 10-17 Unspent Encumbered Funds	\$(1,462,779)
FY16-17 Expenditures Approved by BOS but Unencumbered	\$(1,447,570)
Balance available	\$16,338,998
Authorizing Resolutions	
22 projects, File No. 17-0488	(\$1,249,999)
Small Sites Program, File No. 17-0489	(\$10,000,000)
Remaining Balance	\$5,138,999

Source: MOHCD

RECOMMENDATION

Approve the proposed resolution.

Item 4 File 17-0489	Department: Mayor's Office of Housing and Community Development
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize MOHCD to expend \$10,000,000 from the SoMa Community Stabilization Fund for the Small Sites Program to provide acquisition and rehabilitation loans to affordable housing projects that meet the requirements of the Small Sites Program Underwriting Guidelines and are located within the boundaries of SoMa. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Small Sites Program is an acquisition and rehabilitation loan program administered by MOHCD for multi-family rental buildings of 5 to 25 dwelling units in San Francisco. The program provides loans to non-profit and for-profit entities to purchase and rehabilitate existing residential buildings whose tenants are at risk of displacement and restrict them for the long term as affordable housing. MOHCD proposes to use \$10,000,000 of SoMa Community Stabilization Funds to make loans to projects that comply with the Small Sites Program Underwriting Guidelines. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • MOHCD has not identified any affordable housing projects to receive loans funded by the requested \$10,000,000 from the SoMa Community Stabilization Fund. Therefore, MOHCD does not have any information on the proposed expenditures of \$10,000,000 in loans from the SoMa Community Stabilization Fund. • The SoMa Community Stabilization Fund currently has an available balance of \$16,388,998. The available balance would be reduced to \$5,138,999 should the Board of Supervisors approve the proposed allocation of \$10,000,000 for Small Sites Program loans, as well as the proposed allocation of \$1,249,999 for the service and capacity building projects proposed in File 17-0488 of this report. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • According to the Small Sites Program Underwriting Guidelines, qualified borrowers may receive residual receipts loans with a term of 30 years. Loan repayments are based on residual receipts generated by the project's rents and other revenues. • MOHCD has not identified any affordable housing projects to be funded by the requested \$10,000,000 in loan funds. The Budget and Legislative Analyst recommends that the Board of Supervisors approve the total requested \$10,000,000 from the SoMa Community Stabilization Fund and place these funds on Budget and Finance Committee Reserve pending identification of the nonprofit awarded the funds, the site to be purchased, and a description of the project. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to place the total requested \$10,000,000 from the SoMa Community Stabilization Fund on Budget and Finance Committee Reserve pending identification of the nonprofit awarded the funds, the site to be purchased, and a description of the project. • Approve the proposed resolution as amended. 	

MANDATE STATEMENT

In accordance with Planning Code Section 418.7, all monies in the South of Market Area (SoMa) Community Stabilization Fund are to be used to address the effects of destabilization on residents and businesses in SoMa due to new residential development in the Rincon Hill Area.

In accordance with Section 418.7(c) of the Planning Code, the SoMa Community Stabilization Fund expenditures are administered by the Mayor's Office of Housing and Community Development (MOHCD), subject to approval by the Board of Supervisors.

BACKGROUND

South of Market (SoMa) Community Stabilization Fund

The Board of Supervisors approved Section 318 in the City's Planning Code in 2005, which among other provisions, (a) established the Rincon Hill Downtown Residential District¹, (b) created a Rincon Hill Community Improvement Fund, (c) imposed a SoMa Community Stabilization Fee of \$14 per square foot (subsequently amended down to \$10.95 per square foot by the Board of Supervisors under Ordinance No. 270-10) on developers who build new residential development within the Rincon Hill Downtown Residential District, (d) created the SoMa Community Stabilization Fund, and (e) established a SoMa Community Stabilization Fund Community Advisory Committee (CAC) to advise the MOHCD and the Board of Supervisors on the uses of the SoMa Community Stabilization Fund (Ordinance No. 217-05).

In accordance with Section 418.7 of the Planning Code, monies in the SoMa Community Stabilization Fund are to be used for housing, economic and workforce development, and community cohesion to address the effects of destabilization on residents and businesses in SoMa due to new residential development in the Rincon Hill area.

In May 2008, the Board of Supervisors authorized MOHCD to administer the SoMa Community Stabilization Fund in accordance with the SoMa Community Stabilization Fund Strategic Plan (Resolution No. 216-08). One of the objectives set forth in the Strategic Plan is to increase access to perpetually affordable housing for existing residents of SoMa.

In January 2016, the Board of Supervisors authorized MOHCD to expend \$3,000,000 from the SoMa Community Stabilization Fund to provide acquisition and rehabilitation loans to projects that meet the requirements of the Small Sites Program Underwriting Guidelines (File 15-1234).

Small Sites Program

The Small Sites Program is an acquisition and rehabilitation loan program administered by MOHCD for multi-family rental buildings of 5 to 25 dwelling units in San Francisco. The program seeks to protect and establish permanent affordable housing in small properties throughout the city that are vulnerable to market pressure resulting in property sales, increased evictions, and rising tenant rents. The Small Sites Program provides loans to non-profit and for-profit entities

¹ The Rincon Hill Downtown Residential District is the area bounded by Folsom Street, The Embarcadero, Bryant Street, and Essex Street.

to purchase and rehabilitate existing residential buildings and restrict them for the long term as affordable housing. The program goals are to:

- 1) Protect and stabilize housing for current tenants at a range of income levels, as long as at least 66 percent of the building's tenants have an average income at or below 80 percent of the area median income (AMI)²;
- 2) Increase the supply of permanently affordable rental housing by restricting Small Sites Program properties to serve households with average incomes at 80 percent of the AMI;
- 3) Ensure that Small Sites Program properties operate with sufficient cash flow to adequately care for the property and repay debt obligations, including Small Sites Program loans, which the City will reinvest into future Small Sites Program properties.

The SoMa Community Stabilization Fund is one of multiple sources of funding for the Small Sites Program. Other sources of funding include, but are not limited to: (1) affordable housing fees charged to residential developers under the Inclusionary Affordable Housing Program; (2) condominium conversion impact fees; (3) the Affordable Housing Trust Fund; and (4) the 2015 General Obligation Housing Bond.

Notice of Funding Availability Process

MOHCD first issued a Notice of Funding Availability (NOFA) in July 2014 for \$3,000,000 of Small Sites Program funds on a first-come, first-serve basis for projects that meet the requirements of the Small Sites Program Underwriting Guidelines. Any deviation from the Small Sites Program Underwriting Guidelines is made at the discretion of the Director of MOHCD. The NOFA has a rolling deadline and accepts applications on an ongoing basis as more Small Sites Program funds become available in the future.

The NOFA originally announced that eligible projects must be 100 percent residential buildings with 5 to 25 dwelling units in San Francisco. Since then, MOHCD has revised its Small Sites Program Underwriting Guidelines to include mixed-use buildings and buildings with fewer than 5 units on a case-by-case basis. Applicants may be non-profit or for-profit entities that control the property and that demonstrate: (1) capability to enter into contracts with the City and (2) the technical capacity and experience to successfully acquire, rehabilitate, own, and manage affordable housing. Applicants that have initiated Ellis Act eviction proceedings within the past three years are not eligible for program funding.

Loans awarded through the NOFA, which are anticipated to be paid back to the City in 30 years, may be used to support a variety of housing development activities, including but not limited to property acquisition and holding costs, architectural and engineering expenses, environmental assessments, appraisals, legal costs, construction costs, and project management.

All Small Sites Program loans include the following terms:

- 30-year term

² The 2017 AMI in San Francisco is \$115,300 for a family of four. 80 percent of the AMI for a family of four is \$92,250. The maximum monthly rent for a 1-bedroom unit for a household with 80 percent of the AMI is \$1,790 without utilities.

- 3 percent simple interest
- Residual receipts split payments³
- Commercial debt recorded in the first position (paid ahead of residual receipts split payments)

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize MOHCD to expend \$10,000,000 from the SoMa Community Stabilization Fund for the Small Sites Program to provide acquisition and rehabilitation loans to affordable housing projects that meet the requirements of the Small Sites Program Underwriting Guidelines and are located within the boundaries of SoMa.

According to Ms. Amy Chan, MOHCD Director of Policy and Legislative Affairs, MOHCD has not identified any affordable housing projects to be funded by the requested \$10,000,000 in SoMa Community Stabilization Funds. Ms. Chan states that one potential project sponsor has identified a building that could be considered for a Small Sites Program project. However, MOHCD has not yet committed funds to the project.

MOHCD needs authority from the Board of Supervisors to expend the proposed \$10,000,000 in SoMa Community Stabilization Funds prior to funding Small Sites Program loans. Loan documents for the property acquisitions that will be funded by the Small Sites Program are not finalized until approximately 15 days prior to closing. However, all Small Sites Program loans are issued with the same set of terms, as outlined above.

FISCAL IMPACT

As discussed above, MOHCD has not identified any affordable housing projects to receive loans funded by the requested \$10,000,000 from the SoMa Community Stabilization Fund. Therefore, MOHCD does not have any information on the proposed expenditures of \$10,000,000 in loans from the SoMa Community Stabilization Fund. According to Ms. Chan, MOHCD determined the \$10,000,000 amount because the office would like to fund two to five new projects in SoMa, and the typical Small Sites Program project requires approximately \$2,000,000 in loans depending on the size of the site.

SoMa Community Stabilization Fund Balance

The SoMa Community Stabilization Fund currently has an available balance of \$16,388,998. If the Board of Supervisors approves the requested \$10,000,000 in the proposed resolution as well as the requested \$1,249,999 for the service and capacity building projects proposed in File 17-0488 of this report, the available balance in the SOMA Community Stabilization Fund will be reduced to \$5,138,999 as shown in Table 1 below.

³ "Residual receipts" is the remaining annual cash flow after all project expenses, commercial debt, and other fees have been paid. Under the residual receipts split, two-thirds of each project's annual residual receipts are paid to the City as payment on the loan and one-third of the residual receipts remain with the project sponsor.

Table 1: SoMa Community Stabilization Fund – Current and Projected Balance

Item	Amount
Current balance	\$19,299,347
FY10-17 Unspent Encumbered Funds	\$(1,462,779)
FY16-17 Expenditures Approved by BOS but Unencumbered	\$(1,447,570)
Subtotal	\$16,388,998
Proposed Resolutions	
Small Sites Program (File 17-0489)	(\$10,000,000)
22 Service and Capacity Building Projects (File 17-0488)	(\$1,249,999)
Available Fund Balance	\$5,138,999

Source: MOHCD

POLICY CONSIDERATION**Loan Repayment Based on Residual Receipts**

According to the Small Sites Program Underwriting Guidelines, qualified borrowers may receive residual receipts loans with terms of 30 years. Loan repayments are based on residual receipts generated by the project's rents and other revenues. Although residual receipts payments may result in slow loan repayment, the borrowers must ensure the continuing affordability of the housing units.

According to Ms. Ruby Harris, MOHCD Project Manager for the Small Sites Program, affordable housing developments are often unable to repay their entire City loan by the end of the term, in which case the repayment term may be extended at a minimum for an additional 30 year term. If the loan term is extended, the housing development must maintain affordability for very low-income households during the term of the loan extension. In the case of the Small Sites Program, where the rental income received will be at a higher AMI level than traditional multifamily affordable housing (80 percent of AMI versus 50 percent of AMI, respectively), the Small Sites Program projects are projected to repay a larger portion of their loans within the 30 year term. Still, it is possible that the projects to be funded by the SoMa Community Stabilization Fund would not generate sufficient rental income to pay down the entire loan principal and accrued interest within 30 years, and the repayment term would need to be extended.

According to Ms. Harris, although slow repayment of Small Sites loans may occur, default is very rare. MOHCD conducts annual monitoring of each project's cash flow and each project sponsor's finances to ensure that the sponsor is capable of maintaining the property as permanently affordable housing. When MOHCD identifies a project that is at risk of default, MOHCD works with the project sponsor on a mitigation plan that could include transferring the project to another owner.

Requested Expenditure of \$10,000,000 Has Not Been Identified or Awarded

As previously discussed, MOHCD has not identified any affordable housing projects to receive loans funded by the requested \$10,000,000 in SoMa Community Stabilization Funds. According to Ms. Chan, MOHCD is requesting authorization to expend the \$10,000,000 for Small Sites Program loans before identifying eligible projects in order to give MOHCD the flexibility to act quickly within established Small Sites Program Underwriting Guidelines and SoMa Community Stabilization Fund allowable uses, without further Board of Supervisors approval when a property becomes available for acquisition.

As noted above, in January 2016, the Board of Supervisors authorized MOHCD to expend a total of \$3,000,000 from the SoMa Community Stabilization Fund to provide acquisition and rehabilitation loans to two identified projects for \$2,600,003 and at least one unidentified project for \$399,997 that meet the requirements of the Small Sites Program Underwriting Guidelines (File 15-1234). According to Ms. Chan, an affordable housing project has still not yet been identified for the authorized amount of \$399,997, but \$35,000 was used in April 2016 to fund an existing project at 568 Natoma Street.

Therefore, given that MOHCD has not identified any affordable housing projects to be funded by the requested \$10,000,000 and there is usually a 90-day period before loan closing, the Budget and Legislative Analyst recommends that the Board of Supervisors approve the total requested \$10,000,000 from the SoMa Community Stabilization Fund and place these funds on Budget and Finance Committee Reserve pending identification of the nonprofit awarded the funds, the site to be purchased, and a description of the project.

RECOMMENDATIONS

1. Amend the proposed resolution to place the total requested \$10,000,000 from the SoMa Community Stabilization Fund on Budget and Finance Committee Reserve pending identification of the nonprofit awarded the funds, the site to be purchased, and a description of the project.
2. Approve the proposed resolution as amended.

Item 5 File 17-0321	Department: Department of Public Health (DPH)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the third amendment to the existing contract between Department of Public Health (DPH) and Positive Resource Center (PRC), a nonprofit agency, to increase the contract not-to-exceed amount by \$2,649,515 from \$8,094,932 to \$10,744,447. The proposed resolution does not change the current contract end date of June 30, 2018. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In October 2013, the Department of Public Health (DPH) entered into a contract with the Positive Resource Center, a nonprofit agency, based on a competitive Request for Proposals (RFP) process to provide behavioral health services, benefits counseling, benefits advocacy and legal assistance to people living with HIV or a mental health disability, as well as assistance with enrollment in the AIDS Drug Assistance Program (ADAP) and State Office of AIDS Health Insurance Premium Payment Program. • DPH has amended the contract two times to increase the contract not-to-exceed amount by \$5,170,282 from \$2,924,650 to \$8,094,932 and to increase the term through June 30, 2018. The contract budget of \$8,094,932 was for the term from October 1, 2013 through June 30, 2017. The existing contract does not provide a budget for the July 1, 2017 through June 30, 2018 contract term. • The Board of Supervisors previously appropriated \$350,000 in the FY 2016-17 and FY 2017-18 DPH budgets to support the merger of the nonprofit Baker Places' clinically-based residential treatment programs and AIDS Emergency Fund's Emergency Financial Assistance Program¹ with the Positive Resource Center. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The FY 2017-18 contract budget is \$2,649,515 and allocates funds to benefits counseling, advocacy for Supplemental Security Income (SSI)/Medi-Cal advocacy, and support of the proposed merger. The contract is funded by the City's General Fund, federal Ryan White grant, and the State Office of AIDS. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

¹ Baker Places provides residential treatment services to people with mental health, substance use and HIV/AIDS-related issues. AIDS Emergency Fund is an emergency financial assistance provider for low-income residents disabled by HIV/AIDS.

MANDATE STATEMENT

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

BACKGROUND

In October 2013, the Department of Public Health (DPH) entered into a contract with the Positive Resource Center, a nonprofit agency, based on a competitive Request for Proposals (RFP) process to provide behavioral health services, benefits counseling, benefits advocacy and legal assistance to people living with HIV or a mental health disability, as well as assistance with enrollment in the AIDS Drug Assistance Program (ADAP)² and State Office of AIDS Health Insurance Premium Payment Program.³ The original contract was for \$2,924,650 and had a term of one year and nine months from October 1, 2013 through June 30, 2015 with six one-year options to extend the term from July 1, 2015 through June 30, 2021 at the City's discretion.

DPH has amended the contract two times to increase the contract not-to-exceed amount by \$5,170,282 from \$2,924,650 to \$8,094,932 and to increase the term through June 30, 2018. The contract budget of \$8,094,932 was for the term from October 1, 2013 through June 30, 2017. The existing contract does not provide a budget for the July 1, 2017 through June 30, 2018 contract term.

DPH did not request Board of Supervisors approval for the original contract and the two amendments because the total not-to-exceed amount did not surpass the \$10 million threshold and the contract term was not for more than 10 years.

Merger with Baker Places and AIDS Emergency Fund

The Board of Supervisors appropriated \$350,000 in the FY 2016-17 and FY 2017-18 DPH budgets to support the merger of the nonprofit Baker Places' clinically-based residential treatment programs and AIDS Emergency Fund's Emergency Financial Assistance Program⁴ with the Positive Resource Center. According to Ms. Michelle Ruggels, DPH Business Office Director, the merger will allow the Positive Resource Center to integrate and consolidate these services.

² The AIDS Drug Assistance Program (ADAP) is a State and territory-administered program authorized under the federal Ryan White HIV/AIDS Treatment Extension Act of 2009 that provides Federal Drug Administration (FDA) approved medications to low-income people living with HIV who have limited or no health coverage from private insurance, Medicaid, or Medicare. ADAP funds may also be used to purchase health insurance for eligible clients and for services that enhance access to, adherence to, and monitoring of drug treatments.

³ The State Office of AIDS Health Insurance Premium Payment Program (OA-HIPP) assists HIV-positive Californians in establishing and maintaining health insurance by subsidizing their monthly health insurance premium payments.

⁴ Baker Places provides residential treatment services to people with mental health, substance use and HIV/AIDS-related issues. AIDS Emergency Fund is an emergency financial assistance provider for low-income residents disabled by HIV/AIDS.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the third amendment to the existing contract between Department of Public Health (DPH) and Positive Resource Center (PRC), a nonprofit agency, to include the FY 2017-18 budget of \$2,649,515. Therefore, the contract not-to-exceed amount increases by \$2,649,515 from \$8,094,932 to \$10,744,447. The contract end date of June 30, 2018 does not change.

FISCAL IMPACT

Table 1 below shows the FY 2017-18 budget of \$2,649,515 for the contract between DPH and the Positive Resource Center.

Table 1: Projected Expenditures for FY 2017-18 for Positive Resource Center Contract

Category	Expenditure
Benefits Counseling Program	\$972,596
Supplemental Security Income (SSI)/Medi-Cal Advocacy Services	466,152
Benefits Counseling/Equal Access to Healthcare Program	576,890
Organizational Support for Potential Mergers	350,000
Contingency (12 percent of contract expenditures)	283,877
Total FY 2017-18 Contract Budget	\$2,649,515

Funding for the FY 2017-18 Positive Resource Center contract would come from the General Fund in the amount of \$1,333,966, as previously appropriated by the Board of Supervisors in DPH's FY 2017-18 budget. Funding will also come from the Ryan White Federal grant and State Office of AIDS. Table 2 below details the proposed funding sources of the FY 2017-18 budget.

Table 2. Positive Resource Center Contract Proposed Funding Sources in FY 2017-18

Source	Amount	Approximate Percentage
General Fund ⁵	\$1,333,966	56.4%
Ryan White Federal Grant	576,890	24.4%
State Office of AIDS	<u>454,782</u>	<u>19.2%</u>
Subtotal	\$2,365,638	100%
Contingency (12 Percent of Contract Funding)	<u>283,877</u>	
Total	\$2,649,515	

⁵ This includes the \$350,000 appropriated by the Board of Supervisors in the FY 2016-17 and FY 2017-18 DPH budgets.

Contract Budget

From October 1, 2013 through June 30, 2017, Positive Resource Center will have expended \$8,094,932, as shown in Table 3 below. Positive Resource Center projects expenditures of \$2,649,515 from July 1 2017 through June 30, 2018, resulting in total contract expenditures of approximately \$10,744,447, as shown in Table 3 below.

Table 3. Positive Resource Center Contract Budget
(July 1, 2013 through June 30, 2018)

Contract	Actual Contract Expenditures (July 2013 through June 2017)	Projected Expenditures (July 2017 through June 2018)	Total Actual and Projected Expenditures (July 2013 through June 2018)
Total	\$8,094,932	\$2,649,515	\$10,744,447

RECOMMENDATION

Approve the proposed resolution.

Item 6 File 17-0411	Department: San Francisco Public Utilities Commission (SFPUC)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would appropriate \$5,000,000 from the San Francisco Public Utilities Commission (SFPUC) Wastewater Enterprise's fund designated for general reserve to pay for additional claims settlements, legal expenses and related costs arising from the 2016-17 winter storms. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The SFPUC Wastewater Enterprise operates a combined storm water and sewer system. This past winters' 2016-17 storms in San Francisco caused flooding and damage to various private properties. Property owners who suffered damage as a result of these storms can file claims against the City for compensation. • The City Attorney's Office advises that they provided a confidential memorandum to the Board of Supervisors on April 13, 2017 explaining the Wastewater Enterprises' liability exposure from this past winter's storms. • As of May 1, 2017 the City Attorney had responded to incidents at 23 properties and received 20 claims related to the 2016-17 winter storms. There are additional properties affected by the winter storms, which may result in additional claims. Individuals filing claims have up to six months to file a claim from the time of damage for personal property, and up to one year to file a claim from the time of damage for real property. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The requested \$5,000,000 amount is based on the total SFPUC expenses and liability exposure related to the 2014 flooding claims. SFPUC's Wastewater Enterprises' FY 2016-17 budgeted \$160,000 for claims have already been fully expended. • To date, the SFPUC has incurred approximately \$637,000 to mitigate water damage and paid or received claims totaling approximately \$422,000, or a total of \$1,059,000. • Given that the total amount of claims and related costs are not fully known, the Board of Supervisors should approve the requested \$5 million, making \$2 million immediately available and placing \$3 million on Budget and Finance Committee reserve, pending receipt of a SFPUC report detailing the total actual costs incurred. • The Wastewater Enterprises' Fund designated for general reserve currently has a balance of \$23.9 million, which would be reduced to \$18.9 million, if the proposed supplemental appropriation of \$5 million is approved. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed ordinance appropriating \$5 million as requested, placing \$3 million of the requested \$5 million on Budget and Finance Committee reserve. • Request the SFPUC submit a report to the Budget and Finance Committee of the Board of Supervisors showing the actual costs of the claims, legal expenses and related costs arising from the 2016-17 winter storms. 	

MANDATE STATEMENT

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

BACKGROUND

The San Francisco Public Utilities Commission (SFPUC) Wastewater Enterprise operates a combined storm water and sewer system. The storms during this past 2016-17 winter caused flooding and damage to various private properties. Property owners who suffered damage as a result of these storms filed claims against the City for compensation. These claims are handled by the City Attorney's Office and paid from the operating budget of the SFPUC Wastewater Enterprise. Claims of \$25,000 or more require Board of Supervisors approval.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$5,000,000 from the SFPUC Wastewater Enterprise's fund designated for general reserve to pay for claims settlements, legal expenses and related costs from the claims arising from the winter 2016-17 storms.

The City Attorney's Office advises that they provided a confidential memorandum to the Board of Supervisors on April 13, 2017 explaining the Wastewater Enterprises' liability exposure from this past winter's storms.

As of May 1, 2017, the City Attorney had responded to incidents at 23 properties and received 20 claims related to the 2016-17 winter storms. Ms. Noreen Ambrose of the City Attorney's Office advises that there are additional properties affected by the winter storms, which may result in additional claims. Individuals filing claims have up to six months to file a claim from the time of damage for personal property, and up to one year to file a claim from the time of damage for real property. Litigation can be filed on claims not approved for settlement.

FISCAL IMPACT

The requested appropriation of \$5,000,000 would be used to pay for the additional claims settlements, legal expenses, litigation, judgments and other related expenses arising from the 2016-17 winter storms. The total number and amount of such claims are not yet known. The requested \$5,000,000 amount is based on the total expenses and liability exposure related to the 2014 claims received by the SFPUC related to flooding in San Francisco. According to Mr. Carlos Jacobo, SFPUC Budget Manager, SFPUC's Wastewater Enterprises' FY 2016-17 budgeted amount of \$160,000 for such claims has already been fully expended.

To date, the SFPUC has incurred approximately \$637,000 to immediately mitigate water damage to personal and real property by dispatching approved City vendors to remove water, dry and sanitize interiors to prevent mold and mildew and inventory and document damaged

personal and real property. In addition, the City has paid or received claims totaling approximately \$422,000. Together, these costs reflect a current total of \$1,059,000.

The SFPUC has only incurred total costs of \$1,059,000, although the proposed request is for \$5,000,000. However, as noted above, individuals have up to six months to file a claim from the time of damage to personal property and up to one year to file a claim from the time of damage to real property. Given that the total amount of such claims and related costs are not fully known, the Budget and Legislative Analyst recommends that the Board of Supervisors approve the requested \$5 million, making \$2 million immediately available and placing \$3 million on Budget and Finance Committee reserve. The SFPUC should submit a report to the Budget and Finance Committee of the Board of Supervisors showing the total actual costs of the claims, legal expenses and related costs arising from the 2016-17 winter storms.

The SFPUC Wastewater Enterprises' Fund designated for general reserve is the source of funding for this appropriation. If approved, the requested appropriation of \$5,000,000 would decrease the Wastewater Enterprises' Fund Designated for General Reserve by \$5 million from \$23.9 million to \$18.9 million.

RECOMMENDATIONS

1. Amend the proposed ordinance appropriating \$5 million as requested, placing \$3 million of the requested \$5 million on Budget and Finance Committee reserve.
2. Request the SFPUC submit a report to the Budget and Finance Committee of the Board of Supervisors showing the actual costs of the claims, legal expenses and related costs arising from the 2016-17 winter storms.