CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: September 7, 2017 Budget and Finance Committee Meeting

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Item 1 File 17-0832	Department: Human Services Agency (HSA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would retroactively approve a grant between the Human Services Agency (HSA) and the Low Income Investment Fund (LIIF) for administration of the San Francisco Child Care Facilities Fund and provision of technical assistance to child care providers for the period of July 1, 2017, to June 30, 2020, in the amount of $25,377,250.

Key Points

- In 1998, the Mayor's Office, the Human Services Agency (HSA), and the Mayor's Office of Community Development, joined with private funders and the Low Income Housing Fund (LIHF) now the Low Income Investment Fund (LIIF), to launch the Child Care Facilities Fund (CCFF). The goal of the CCFF is to retain and increase the quantity of licensed care options and to enhance the quality of child care for families and children, especially in settings serving low-income families and children, by improving childcare facilities. LIIF provides one-on-one technical assistance to early care and education providers, which includes a broad range of information and advising related to the development of new and existing child care facilities. LIIF also administers loans, loan subsidies, recoverable grants, and grants to eligible child care providers for development of new and existing child care facilities.
- The Office of Early Care and Education selected LIIF after issuing a competitive request for proposals (RFP) in November 2016 to provide administration services to the San Francisco Child Care Facilities Fund and technical assistance to child care providers for development of new and existing child care facilities.

Fiscal Impact

- Payment for contract services is not-to-exceed $25,377,250 over three years. The total contract costs include payment for (1) salaries and benefits to partially fund six LIIF positions, (2) operating expenses for rent and utilities, office supplies and other expenses, consulting staff, and capital grants, and (3) indirect costs.
- Funding for the LIIF grant would come from Child Care Facilities Fund, and citywide and Interagency Plan Implementation Committee neighborhood area plan child care development impact fees, as well as the General Fund, subject to Board of Supervisors appropriation approval. Funding will also come from CalWORKS, which is federally-funded under the Temporary Assistance for Needy Families (TANF) program.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (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 1998, the Mayor's Office, the Human Services Agency (HSA)[1], and the Mayor's Office of Community Development, joined with private funders and the Low Income Housing Fund (LIHF) now the Low Income Investment Fund (LIIF), to launch the Child Care Facilities Fund (CCFF). The goal of the CCFF is to retain and increase the quantity of licensed care options and to enhance the quality of child care for families and children, especially in settings serving low-income families and children.

LIIF has administered the CCFF since its inception, providing technical assistance and affordable capital to early care and education providers. LIIF provides one-on-one technical assistance to early care and education providers, which includes a broad range of information and advising related to the development of new and existing child care facilities. LIIF also administers loans, loan subsidies, recoverable grants, and grants to eligible child care providers. The CCFF was first administered through a grant with the Department of Children, Youth and Families (DCYF). HSA's Office of Early Care and Education (OECE) has overseen the grant since 2013. The previous grant with LIIF was for $4,817,080 and had a term of three years from July 1, 2012 through June 30, 2015. OECE has amended the grant two times to increase the contract not-to-exceed amount by $4,820,440 from $4,817,080 to $9,637,520 and to increase the term through June 30, 2017.

HSA and OECE did not request Board of Supervisors approval for the previous grant and the two amendments because the total not-to-exceed amount did not surpass the $10 million threshold and the grant term was not for more than 10 years.

Competitive Process

OECE selected LIIF after issuing a competitive request for proposals (RFP) in November 2016 to provide administration services to the San Francisco Child Care Facilities Fund and technical assistance to child care providers. LIIF was the only vendor who submitted a proposal. The RFP selection panel consisted of individuals knowledgeable on the subject matter and included staff from HSA, OECE, and the Office of Community Investment and Infrastructure (OCII). LIIF scored 91 points out of a total of 100.

According to Ms. Elizabeth Leone, Contracts Manager at HSA, solicitations and outreach of the RFP were conducted through public-facing channels, as well as via targeted efforts designed to reach multiple vendors.

[1] HSA was formerly called the Department of Human Services (DHS) in 1998.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a grant between the Human Services Agency (HSA) and the Low Income Investment Fund (LIIF) for administration of the San Francisco Child Care Facilities Fund and provision of technical assistance to child care providers for the period of July 1, 2017, to June 30, 2020, in the amount of $25,377,250. According to Ms. Leone, the department is requesting retroactive approval of the grant because HSA was not able to prepare this contract in time due to staffing and implementation of the Financial System Project (F$P).

Under the proposed grant, LIIF will provide services in the following areas:

- Administration of facility grants (pre-development, capital development, start-up, move-in and renovation and repair grants) that increase and maintain licensed early care and education center and family child care capacity by developing new and improving existing facilities.
- Provision of loans and renovation and repair grants to centers and licensed family child care to improve facilities, buy equipment, and make emergency repairs.
- Trainings, workshops, resources linkages, and one-on-one technical assistance related to the facilities development process, including feasibility analysis, capital planning, design, development, permit process, start-up, and facility maintenance.
- Provision of technical assistance to all projects, directly and through consultation by architects and other specialists in areas related to feasibility, planning, architectural, and/or design services.
- Identification of new opportunities for leveraged financing and development strategies and financing to meet the capital needs of the early childhood education sector, including the acquisition of property.

Under the proposed grant, LIIF will also administer the Interagency Plan Implementation Committee (IPIC)[2] capital new development grants to increase access to early childhood education services within specific neighborhood area plans, and track fund expenditures and total project expenditures by project.

FISCAL IMPACT

Table 1 below shows the amount to be expended annually on each task category over the three year term of the proposed $25,377,250 grant. According to Mr. Graham Dobson, Administrative Analyst for Early Childhood Education Policy at OECE, the first year (FY 2017-18) amount of the proposed grant includes unspent funds carried forward from FY 2016-17 from the Child Care Facilities Fund citywide child care development impact fees and IPIC neighborhood area plan

[2] The Interagency Plan Implementation Committee (IPIC) is coordinated by the San Francisco Planning Department and is responsible for prioritizing projects and funding, and coordinating ongoing planning efforts for designated neighborhood zones of development.

child care development impact fees[3]. Mr. Dobson stated that several projects anticipated occurring in FY 2016-17 will receive grants in FY 2017-18 instead as a result of shifting facility development timelines. These projects include the South of Market Child Care in Transbay Block 7 and Portola/Excelsior Family Connections.

Table 1: LIIF's Proposed Budget Expenditures per Grant Year

Proposed Expenditures	Year 1 (FY 17-18)	Year 2 (FY18-19)	Year 3 (FY19-20)	Total Cost
Salaries and Benefits [a]	$592,811	$613,560	$635,035	$1,841,406
Operating Expenses [b]	12,839,917	4,685,561	3,241,140	20,766,618
Indirect Costs [c]	152,277	154,050	155,876	462,203
Subtotal	*$13,585,005*	*$5,453,171*	*$4,032,051*	*$23,070,227*
			10% Contingency [d]	2,307,023
			Total Not-to-Exceed Amount	**$25,377,250**

[a] The allocation for salaries and benefits partially funds six LIIF positions, including the program director, three senior program officers, one program associate, and the vice president for strategic initiatives and programs (equivalent to 0.25 FTE).

[b] Operating expenses of $20,766,618 include LIIF's expenses for (a) rent and utilities, office supplies and other expenses ($616,150); (b) consulting staff, including architects, project managers, fiscal operations and other consultant services ($623,800); and (c) capital grants ($19,526,668).

[c] According to Ms. Leone, indirect/overhead costs include administrative, facility and other costs beyond what is recognized as ordinary operating expenses that would apply to the organization as a whole and do not necessarily tie directly to a specific program. For example, the salary of a clerk who processes payroll for the entire organization might be paid through indirect costs rather than a direct program cost.

[d] According to Ms. Leone, City grants and contracts typically include a 10% contingency as a buffer against unforeseen events. Contingency funding will only be incurred if expenditures exceed the three-year budgeted amount.

Funding for the LIIF grant would come from Child Care Facilities Fund citywide child care development impact fees and IPIC neighborhood area plan child care development impact fees, as well as the General Fund, subject to Board of Supervisors appropriation approval. Funding will also come from CalWORKS, which is federally-funded under the Temporary Assistance for Needy Families (TANF) program. Table 2 below details the proposed funding sources for the proposed grant from FY 2017-18 through FY 2019-20.

[3] Impact fees are imposed by San Francisco on new or proposed development projects to generate funding for the additional public infrastructure and facilities needed to serve new development. In accordance with San Francisco Planning Code Article 4, Section 414, office and hotel development adding 25,000 or more square feet are subject to child care impact fees of $1.65 per square foot of new or net area added. In accordance with San Francisco Planning Code Article 4, Section 414A, residential developments of ten or more units are subject to impact fees of $1.92 per square foot and of $0.96 per square foot for residential developments of up to nine units. Impact and in-lieu fees are paid to the Development Fee Collection Unit at the Department of Building Inspection and support the Child Care Capital Fund that is used to support the Child Care Facilities Fund.

Table 2. LIIF Grant Proposed Funding Sources from FY17-18 through FY19-20

Source	**Year 1** (FY 17-18)	**Year 2** (FY18-19)	**Year 3** (FY19-20)	**Total Amount**[4]	**Approximate Percentage**
Child Care Development Impact Fees	$12,433,954	$4,302,120	$2,881,000	$19,617,074	85%
CalWORKS (Federal TANF)	651,051	651,051	651,051	1,953,153	8.5%
General Fund	500,000	500,000	500,000	1,500,000	6.5%
Total	**$13,585,005**	**$5,453,171**	**$4,032,051**	**$23,070,227**	**100%**

RECOMMENDATION

Approve the proposed resolution.

[4] 10% contingency amount of $2,307,023 is not included in total amount.

Item 2 **File 17-0825**	**Department:** Treasure Island Development Authority (TIDA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a Professional Services Contract for housing benefit and relocation services between the Treasure Island Development Authority (TIDA) and Associated Right of Way Services, Inc. for a five year term to commence following Board approval through June 30, 2022 and two two-year options to extend, for an amount not-to-exceed $1,250,000 over the initial five year term.

Key Points

- Charter Section 9.118(b) requires the Board of Supervisors to approve any contract that is more than ten years or $10,000,000. However, the Treasure Island Conversion Act and the Treasure Island Development Authority (TIDA) Bylaws require the Board of Supervisors approve any TIDA contract that is more than ten years or $1,000,000.
- A Housing Plan included in the Disposition and Development Agreement (DDA) established the rights and obligations of TIDA and Treasure Island Community Development (TICD), the master developer to construct market rate and affordable housing units. The Housing Plan also established certain benefits for existing residents of affordable and market rate housing on Treasure Island. These housing benefits are extended to approximately 220 market rate households and 250 affordable households. An additional 205 market rate households are eligible for advisory services.
- TIDA selected Associated Right of Way Services, Inc. and related subcontractors to provide these housing benefit and relocation services through a competitive Request for Proposal (RFP) process in April and May of 2017.

Fiscal Impact

- In-Lieu payments to market rate households are tied to San Francisco Rent Board Schedule for No-Fault Evictions, which is currently $6,286 per adult tenant and an additional $4,191 for each elderly or disabled tenant or households with minors.
- The $1,250,000 cost for the proposed contract, moving expenses and In-Lieu payments will be funded through TIDA leasing revenues. $400,000 was included in TIDA's budget for advisory services and related moving expenses for each of FY 2017-18 and FY 2018-19, recently approved by the Board of Supervisors.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

However, the Treasure Island Conversion Act (AB699) from 1998 and the Treasure Island Development Authority (TIDA) Bylaws state that the Board of Supervisors of the City and County of San Francisco shall approve any contract to which TIDA is a party that is worth more than $1,000,000 or has a term of ten years or more.

BACKGROUND

Treasure Island and Yerba Buena Island Base Closure

The United States Navy previously owned and operated a military base on Treasure Island and Yerba Buena Island. As part of the 1993 Base Realignment and Closure Commission recommendations and subsequent federal actions, the Treasure Island and Yerba Buena Island Base (Base) was slated for closure and disposition. The City and County of San Francisco (City) was designated as the responsible entity for the conversion of the Base.

Treasure Island Development Authority

On May 2, 1997, the Board of Supervisors established a nonprofit public benefit corporation, the Treasure Island Development Authority (TIDA), to plan, develop, reconstruct, rehabilitate, reuse and convert Treasure Island and Yerba Buena Island for the public interest, convenience, welfare and common benefit for the City (File 244-97-3; Resolution No. 380-97). To date, the Navy has transferred approximately 60% of the agreed upon property to TIDA. The remaining Navy properties will be transferred over the next five years, as the Navy environmentally remediates these properties.

Planned Redevelopment of Treasure and Yerba Buena Islands

In 2011, TIDA entered into a Disposition and Development Agreement (DDA) with Treasure Island Community Development, LLC (TICD) as the master developer to redevelop Treasure Island and Yerba Buena Island. When fully developed, the project will include 8,000 new residential units, including approximately 2,173 various income levels of affordable housing units, accommodating 20,000 to 25,000 people. The plans also include up to 500 hotel rooms, up to 550,000 square feet of restaurants, retail, office and commercial space, a marina and 300 acres of parks and open space.

A Housing Plan included in the DDA established the rights and obligations of TIDA and TICD to construct market rate and affordable housing units. The Housing Plan and its attachments also established certain benefits for existing residents of affordable and market rate housing on Treasure Island. Specifically, the Transition Housing Rules and Regulations for the Villages at Treasure Island (THRR) specify the benefits available to residents of market rate housing. The

Treasure Island Homeless Development Initiative (TIHDI) Transition Housing Plan enumerates the specific benefits available to residents of the affordable housing units.

Treasure Island Household Eligibility and Benefits

Currently, there are approximately 675 households on Treasure Island, including 250 affordable households and 425 market rate households. Of the 425 market rate households, approximately 220 households existed prior to the DDA's approval, which would be eligible for the THRR benefits. The approximately 205 balance of market rate households were created after the DDA's approval and are only entitled to advisory services.

Qualifying market rate households are entitled to an In-Lieu cash payment or a choice of (a) a Transition Housing Unit that would be rented in a newly constructed TIDA building plus related moving expenses or (b) a down payment toward the purchase of a new unit through a pre-marketing home purchase. Eligible market rate households could also potentially qualify for affordable units, depending on their current household income.

All of the 250 affordable housing households are entitled to a Transition Housing Unit and related moving expenses, regardless of when those households became residents on Treasure Island. However, the affordable households are not entitled to In-Lieu cash payments.

As noted above, TIDA is responsible for providing these housing benefits to eligible households, including constructing the Transition Housing Units within the affordable housing buildings being developed. TIDA therefore needs to meet, discuss and engage with each of the existing eligible households to explain the available benefits to the household and determine the number, size, timing, financing and construction requirements for completion of the required Transition Housing Units. For the approximately 205 post-DDA market rate households, this will require explaining the limited advisory services benefits available to them and the length of time they can expect to continue to reside on Treasure Island. For the approximately 250 below market-rate affordable households, this will include addressing their questions regarding their transition and schedules for construction of their new affordable units.

Because of the potential complexity and intensity of these various communications with numerous different households, and the range of housing and financial benefits involved for each type of household, TIDA decided to hire a firm specializing in such professional services.

Selection of Contractor

On April 10, 2017, TIDA issued a Request for Proposal (RFP) for professional services to assist TIDA in the housing benefit programs, related relocation of eligible households for interim and long-term moves and advisory and consulting services for implementation of the THRR.

Three firms responded to the RFP by the deadline of May 3, 2017. Based on an initial screening by TIDA and the City's Contract Monitoring Division, two of the three firms (Associated Right of Way Services and AutoTemp) were deemed compliant with the RFP's minimum qualifications and references. A subsequent review panel selected Associated Right of Way Services as the preferred professional services contractor, based on their project approach, qualifications, past work and oral interviews.

Associated Right of Way Services will manage the main contract with TIDA, which includes several subcontractors. For example, Daniller Consulting Inc., a public affairs consulting firm, will help develop and review community engagement strategies and materials to engage residents in public meetings, drop-in sessions and door-to-door interactions. InterEthnical Inc. will provide translation services and multicultural and multilingual public engagement materials. Meyers Nave will provide specialized legal services, as may be authorized by the City Attorney's Office through TIDA.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a Professional Services Contract for housing benefit and relocation advisory services between the Treasure Island Development Authority (TIDA) and Associated Right of Way Services, Inc. for a five year term to commence following Board of Supervisors approval through June 30, 2022 and two two-year options to extend, for an amount not-to-exceed $1,250,000 over the initial five year term.

Under the proposed professional services contract, Associated Right of Way Services Inc. would:

- Conduct Household Needs Assessment to determine eligibility and needs;
- Develop and Implement Plan to Transition Household Interim Moves to advise TIDA and support and relocate households from existing units to other existing housing units;
- Develop and Implement Individual Site Plans for Long-Term Moves to advise TIDA to support and relocate households into newly constructed units;
- Moving Assistance, if requested by TIDA, to pack, unpack, transport and provide insurance coverage; and
- As-Needed Consulting Services, to implement the THRR, as requested.

As noted above, an estimated 220 households are eligible for market rate housing transition benefits, including a newly constructed Transition Housing Unit, a base monthly rent less than market rate on the transition unit, moving assistance, In-Lieu payments and an opportunity to qualify for a new for-sale housing unit. Approximately another 205 market rate households are eligible for transition advisory services. Under the proposed contract Associated Right of Way Services could potentially subcontract for moving services for the affordable households, if necessary, which is not anticipated until at least 2021.

FISCAL IMPACT

The In-Lieu payments to be made to market rate households are tied to the San Francisco Rent Board Schedule for No-Fault Evictions (Owner Move-In Evictions). Currently, the Rent Board Payment Schedule is $6,286 per adult tenant and an additional $4,191 for each elderly or disabled tenant or household with minors. For example, a household with three adults, one of who is over age 60 and with two minors would be entitled to an In-Lieu Payment of $27,240 (3 adults x $6,286 + $4,191 for one elderly tenant + $4,191 for minors in household). The In-Lieu payments would only apply to households that existed prior to the DDA's approval, or approximately 220 households.

Mr. Robert Beck, Director of TIDA advises that the $1,250,000 cost for the proposed contract, moving expenses and In-Lieu payments will be funded from TIDA leasing revenues. Currently, TIDA's annual lease revenues are approximately $10 million, which funds TIDA's entire annual budget. These lease revenues are anticipated to change as occupancy and space availability increases on Treasure Island.

According to Mr. Beck, $400,000 was included in TIDA's budget for advisory services and related moving expenses[1] for each of FY 2017-18 and FY 2018-19, recently approved by the Board of Supervisors.

According to Mr. Beck, under the proposed contract with Associated Right of Way Services, much of the initial household interviews and information will need to be developed and collected during the first year or two of the contract, such that more contract funds will be expended in the earlier years of this five-year initial contract term. During the fourth and fifth years of this contract, TIDA will require additional professional services consultant services as TIDA anticipates being able to transition eligible market rate households into the first newly constructed building.

Financing of Affordable Housing Units

The Transition Housing Units will be financed and constructed through the Developer Housing Subsidy[2], project-generated housing funds and outside affordable housing funding sources. However, as previously reported to the Board of Supervisors, there is a current projected shortfall of $381,427,000 in the affordable housing program as summarized in the Table below.

Table: Financing for TIDA Affordable Housing [3]

Source of Funds	Amount
Affordable housing funding need	($519,000,000)
Project-generated revenue	
Property Tax Increment	70,905,000
TICD Subsidy (per Disposition and Development Agreement)	65,484,000
Job Housing Linkage Fee	1,184,000
Subtotal: Project-generated revenue	$137,573,000
Funding Shortfall	**($381,427,000)**

Source: Office of Public Finance

[1] As no households will be required to move in the next two years, it is unlikely that any In-Lieu payments or moving expenses will be incurred during the next two fiscal years.

[2] The Developer Housing Subsidy is payments the master developer is required to make to support the development of affordable housing. The developer pays $17,500 into a fund for each market rate unit constructed. The fund is then used to help finance TIDA's construction of affordable housing units.

[3] Estimates in the Table are based on the *present* value of costs and revenues (i.e., costs and revenues in future years are discounted to determine the value in the present year).

This $381 million housing shortfall was previously discussed with the Board of Supervisors during the formation of the Treasure Island Infrastructure Financing and Revitalization District, which will leverage local property tax increment to help finance the public infrastructure and affordable housing on Treasure Island. Mr. Beck advises that TIDA is continuing to work with the Mayor's Office of Housing and Community Development (MOHCD) to identify additional sources of revenues and develop strategies to finance and construct affordable housing units. MOHCD has included pre-development funding for the first two Treasure Island projects---to be constructed by (1) Swords to Plowshares in partnership with the Chinatown Community Development Center, and (2) Catholic Charities in partnership with Mercy Housing.

The proposed $1,250,000 contract with Associated Right of Way Services will not contribute to nor mitigate the projected $381 million shortfall. Rather, the information that will be collected from the resident interviews under the subject contract should ensure that the housing projects developed by TIDA and TIHDI are appropriately planned and programed to provide the right number and size of transition units.

RECOMMENDATION

Approve the proposed resolution.

Item 3 **File 17-0862**	**Department:** Controller's Office (Controller)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed ordinance sets the property tax rate for FY 2017-18 for taxing entities within the City and County of San Francisco including (a) the City and County of San Francisco (City); (b) the San Francisco Unified School District (SFUSD); (c) the San Francisco Community College District (SFCCD); (d) the Bay Area Rapid Transit District (BART); and (e) the Bay Area Air Quality Management District (BAAQMD)

Key Points

- The Board of Supervisors annually sets the combined property tax rate that provides revenues for: (1) general operations, (2) specific Charter-required activities such as acquiring open space or constructing, maintaining, and operating the public library; and (3) paying debt service on voter-approved General Obligation bonds that were issued by the City, SFUSD, SFCCD, and BART.
- The proposed ordinance also would set the property tax pass-through rate that landlords can pass-through to tenants in FY 2017-18, as allowed under the City Administrative Code.

Fiscal Impact

- The proposed ordinance would set the combined property tax rate (comprised of the property tax rates levied for all of the taxing jurisdictions within the city) for FY 2017-18 at $1.1723 per $100 of assessed value. The FY 2017-18 property tax rate of $1.1723 is $0.0069, or 0.59 percent, less than the FY 2016-17 property tax rate of $1.1792 per $100 of assessed value.
- The proposed FY 2017-18 property tax rate of $1.1723 would increase property taxes by $83.21 on a single-family residence that has an assessed value of $510,000 in FY 2017-18

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT

California Revenue and Taxation Code Section 2151 requires the Board of Supervisors to fix the rates of county taxes and to collect the taxes for the City, County, and State.

San Francisco Administrative Code Section 3.3(h) requires the Board of Supervisors to adopt the property tax rate for the City and County of San Francisco before the last working day in September.

City Charter Section 16.107-109 requires that portions of the City's annual property tax levy be set aside for specific uses including: $0.0250 for the Library Preservation Fund; $0.0375 for the Children's Fund; and $0.0250 for the Open Space Acquisition Fund.

San Francisco Administrative Code Section 37.3(a)(6)(A-D), the Residential Rent Stabilization and Arbitration Ordinance, allows landlords to pass through to tenants one-half of property tax increases that result from certain voter-approved General Obligation bonds.

BACKGROUND

The Board of Supervisors annually sets the combined property tax rate that provides revenues for: (1) general operations, (2) specific Charter-required activities such as acquiring open space or constructing, maintaining, and operating the public library; and (3) paying debt service on voter-approved General Obligation bonds that were issued by the City and County of San Francisco (City), the San Francisco Unified School District (SFUSD), the San Francisco Community College District (SFCCD), and the Bay Area Rapid Transit District (BART).

Under the California Revenue and Taxation Code, the base property tax rate that the City can levy on property owners is one percent and can be used for general purposes. Any amount over the base one percent is used to pay for debt service on voter-approved General Obligation bonds.

DETAILS OF THE PROPOSED LEGISLATION

The proposed ordinance sets the property tax rate for FY 2017-18 for taxing entities[1] within the City and County of San Francisco including (a) the City; (b) the San Francisco Unified School District; (c) San Francisco Community College District; (d) BART; and (e) the Bay Area Air Quality Management District (BAAQMD).

The proposed ordinance also would set the property tax pass-through rate that landlords can pass-through to tenants in FY 2017-18, as allowed under the City Administrative Code. The pass through to tenants may only be imposed on a tenant's anniversary date and shall not become part of a tenant's base rent. The allowable tenant pass-through rate is based on the portion of

[1] Taxing entities are agencies or organizations located within the City and County of San Francisco that have taxing authority but may not be part of the City government. The $0.8117 General City Operations factor includes $0.2533 to be shifted to the Educational Revenue Augmentation Fund for the benefit of San Francisco Unified School District, the County Office of Education, and the San Francisco Community College District.

the landlord's property tax liability that comes from General Obligation bond debt service for certain periods, as shown in Table 1 below.

Table 1: Percent of Property Tax Increases for General Obligation Bond Debt Service Allowed for Pass-Through to Tenants

Taxing Entity	Date of General Obligation Bond Approval by Voters	Pass-Through Rate
City and County of San Francisco	November 1, 1996 – November 30, 1998	100%
City and County of San Francisco	November 14, 2002 – Present	50%
San Francisco Unified School District San Francisco Community College District	November 1, 2006 – Present	50%

FISCAL IMPACT

Combined Property Tax Rate

The proposed ordinance would set the combined property tax rate (comprised of the property tax rates levied for all of the taxing jurisdictions within the city) for FY 2017-18 at $1.1723 per $100 of assessed value. The FY 2017-18 property tax rate of $1.1723 is $0.0069, or 0.59 percent, less than the FY 2016-17 property tax rate of $1.1792 per $100 of assessed value. Table 2 below shows the proposed property tax rates for all taxing jurisdictions within the City, as calculated by the Controller.

Table 2: Current and Proposed Property Tax Rates per $100 of Assessed Value*

Tax	FY 2015-16	Proposed FY 2016-17	Increase (Decrease)
General Fund	$0.8142	$0.8117	($0.0025)
Library Preservation Fund	0.0250	0.0250	-
Children's Fund	0.0350	0.0375	0.0025
Open Space Acquisition Fund	0.0250	0.0250	-
County Superintendent of School	0.0010	0.0010	-
General Obligation Bond Fund	0.1189	0.1074	(0.0115)
City Subtotal	**$1.0191**	**$1.0076**	**($0.0115)**
General Operations	$0.0770	$0.0770	-
General Obligation Bond Debt Service	0.0398	0.0452	0.0054
SFUSD Subtotal	**$0.1168**	**$0.1222**	**$0.0054**
General Operations	$0.0144	$0.0144	-
General Obligation Bond Debt Service	0.0125	0.0114	($0.0011)
SFCCD Subtotal	**$0.0269**	**$0.0258**	**($0.0011)**
General Operations	$0.0063	$0.0063	-
General Obligation Bond Debt Service	0.0080	0.0084	0.0004
BART Subtotal	**$0.0143**	**$0.0147**	**$0.0004**
Bay Area Air Quality Management District Operations	**$0.0021**	**$0.0021**	**-**
Total Property Tax Rate	**$1.1792**	**$1.1723**	**($0.0069)**

** Totals may not add due to rounding.*

The proposed combined property tax rate shown in Table 2 above includes a 0.25 percent administrative allowance charged on the City's voter-approved General Obligation bonds to reimburse the City for the costs of collecting property taxes. This 0.25 percent administrative allowance is charged to the total property tax collection attributable to the General Obligation bonds, rather than to the assessed value.

Allowable Tenant Pass-Through Property Tax Rate

The proposed ordinance also would set the allowable property tax rate that landlords can pass through to tenants at $0.0890 per $100 of assessed value in FY 2017-18. The allowable tenant pass-through rate is $0.0050 greater than the rate of $0.0840 in FY 2016-17.

Impacts of the Combined Property Tax Rate and Allowable Pass-Through

Under Proposition 13, the City may annually increase the assessed value of a property by a State-determined inflation factor of up to 2.00 percent. For FY 2016-17, the State Board of Equalization determined that the allowable inflation factor is 2.00 percent. Therefore, a single-family residence in San Francisco with an assessed value of $500,000 in FY 2016-17 has an assessed value of $510,000 in FY 2017-18.[2]

Table 3 below shows the impact of the proposed property taxes payable by owners and tenants. As shown in Table 3 below, the proposed FY 2017-18 property tax rate of $1.1723 would increase property taxes by $83.21 on a single-family residence that has an assessed value of $510,000 in FY 2017-18.

Table 3: Impact on Property Tax Payments

Fiscal Year 2016-17	**Single Family Residence**	**Allowable Tenant Pass-Through**
Assessed Value	$500,000	$500,000
Less Homeowners Exemption	-7,000	0
Total Taxable Assessed Value	**493,000**	**500,000**
Tax Rate per $100 of Assessed Value	1.1792	0.084
Property Taxes Payable in 2016-17	**$5,813.46**	**$420.00**
Proposed Fiscal Year 2017-18		
Prior Year Assessed Value	$500,000	$500,000
Plus Cost of Living Increase (2.000 percent)	10,000	10,000
Subtotal	510,000	510,000
Less Homeowners Exemption	-7,000	0
Total Taxable Assessed Value	**503,000**	**510,000**
Tax Rate per $100 of assessed value	1.1723	0.089
Property Taxes Payable in FY 2017-18	**$5,896.67**	**$453.97**
Total Increase / (Decrease) in Property Taxes Payable in FY 2017-18 as Compared to FY 2016-17 for a Single-Family Residence with a Prior Year Assessed Value of $500,000	**$83.21**	**$33.97**

RECOMMENDATION

Approve the proposed ordinance.

[2] The State calculates the allowable inflation factor based on the California Consumer Price Index (CCPI) using a weighted equation that combines the metropolitan areas of San Francisco, Los Angeles, San Diego, and the national average.

Item 10 **File 17-0864**	**Department:** Port

EXECUTIVE SUMMARY

Legislative Objective

- Resolution authorizing the Executive Director of the Port of San Francisco to execute a professional services agreement with CH2M Hill Engineers, Inc. for planning, engineering and environmental services for the Seawall Resiliency Project, for an amount not to exceed $39,984,714 and a term of ten years to commence on the later of October 2, 2017, or the effect date through October 1, 2027, with one one-year option to extend.

Key Points

- The City's current seawall was constructed over 100 years ago between 1879 and 1916. The seawall has eroded and deteriorated and needs to be upgraded to protect critical infrastructure from both sea level rise and seismic vulnerabilities.
- Initiated in 2015, the Port Commission approved the Seawall Resiliency Project, to initially focus on planning, program development, designing and constructing the most critical seismic and flood protection improvements by 2026, at an estimated cost of $500 million.
- Based on a recent Request for Proposal (RFP) process conducted by the Port, CH2M HILL Engineers, Inc. was the highest ranked team to provide planning, engineering and environmental services for the Seawall Resiliency Project.

Fiscal Impact

- The total 180,938 hours and $36,349,740 cost of the CH2M contract reflects an average rate of $201 per hour. An additional ten percent contingency of $3,634,974 results in a total not to exceed contract of $39,984,714. Detailed tasks are shown in the Attachment.
- Funding sources for the $39,984,714 contract include General Fund, Port capital budget, San Francisco Municipal Transportation Agency, Planning Department and other sources. To date, the project has received $9,600,000. This leaves a remaining unfunded balance of $30,384,714. A Seawall Finance Work Group is currently pursuing various funding strategies to fully fund the Seawall Resiliency Project, estimated to cost $500 million.

Policy Consideration

- CH2M Hill Engineers may merge with Jacobs Engineering, which is based in Texas. Section 12X of the City's Administrative Code restricts City departments from entering into contracts with firms based in states that have anti-LGBTQ laws, such as Texas. The City Attorney has determined that Section 12X does not apply to the subject contract as CH2M HILL is based in Colorado, which does not have anti-LGBTQ laws.

Recommendations

- Amend the proposed resolution to delete the language on page 1, lines 7 and 8 regarding one one-year option to extend the term of the proposed agreement.
- Approve the proposed resolution as amended.

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

The City's current seawall, which extends for more than three miles on the Port's waterfront from Fisherman's Wharf to Mission Creek, was constructed over 100 years ago between 1879 and 1916. The current seawall has eroded and deteriorated and needs to be upgraded and improved to protect critical infrastructure from both sea level rise and seismic vulnerabilities. The Port is the lead agency for the restoration of the City's seawall.

Initiated in 2015, the Port's Seawall Resiliency Project is a major City and Port effort to improve the earthquake safety and performance of the City's seawall, provide near-term flood protection and plan for long-term resilience and adaptation of the northern waterfront. The northern waterfront extends from Fisherman's Wharf to Mission Creek/AT&T Park. The Port Commission has approved two major phases to this Project: (a) Phase I focuses on master planning, program development, designing and constructing the most critical seismic and flood protection improvements by 2026, which is anticipated to cost approximately $500 million; and (b) Phase II would complete improvements and/or replacement of the remainder of the seawall, including all seismic and sea level rise adaptation measures addressing infrastructure, wharves, buildings, open space, utilities, and multi-modal transportation, estimated to take more than 20 years to complete and cost $2 billion to $5 billion.

Professional Services Contract

On March 14, 2017, the Port Commission authorized a Request for Proposals (RFP) to solicit and select a multi-disciplinary architecture and engineering team to provide planning, engineering and environmental services for the Seawall Resiliency Project for a not to exceed $40,000,000. On April 24, 2017, Port staff issued the RFP. On June 2, 2017, the Port received five proposals from (1) AECOM Technical Services, Inc., (2) CH2M HILL Engineers, Inc., (3) Parsons Transportation Group, Inc., (4) Seawall Innovations (A Tetra Tech/GHD, Inc. Joint Venture), and (5) Stantec Consulting, Inc.

An evaluation panel scored the proposals and held oral interviews and found CH2M HILL Engineers, Inc. to be the highest ranked team based on their qualifications and proposal, which included a 21% commitment for Local Business Enterprise (LBE) subcontractor participation[1].

[1] The CH2M HILL Engineers LBE subcontractors include Telamon Engineering for civil engineering and surveying, Structus Inc. for structural engineering, Hollins Consulting Inc. for construction management, Geotechnical Consultants Inc. for geotechnical engineering, Civic Edge Consulting for community relations, Saylor Consulting Group for value/quality engineering, AGS Inc. for environmental advisory services, RDJ Enterprises for strategic advising and community outreach, BAYCAT for arts and technology, Sedway Consulting Inc. for real estate appraisals and Square One Productions for architectural illustrations.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve and authorize the Executive Director of the Port of San Francisco to execute a professional services agreement with CH2M Hill Engineers, Inc. for planning, engineering and environmental services for the Seawall Resiliency Project, for an amount not to exceed $39,984,714 and a term of ten years to commence on the later of October 2, 2017 or the effective date of the agreement through October 1, 2027, with one one-year option to extend.

Mr. Carlos Colon, Seawall Project Administrator for the Port, advises that the Port intends to remove the option to extend the term of the proposed agreement for one year. Therefore, the proposed resolution should be amended to delete this language on page 1, lines 7 and 8.

Under the proposed professional services agreement, CH2M Hill Engineers and their subcontractors will:

- Complete planning studies,
- Develop and assess alternatives,
- Select and define a preferred alternative,
- Complete engineering and design to 35 percent,
- Complete California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA) approvals,
- Advance environmental and other permitting documents for construction,
- Develop and recommend final design and construction project delivery methods, and
- Assist with managing and reviewing final design and construction of the project.

The actual final design, construction and construction management of the seawall project will be handled under separate contracts.

On August 8, 2017, the Port Commission approved a resolution (Port Resolution No. 17-36) authorizing the Port Executive Director to execute an agreement with CH2M HILL Engineers, Inc. for planning, engineering and environmental services for the Seawall Resiliency Project for a not to exceed $39,984,714, which includes a 10% contingency, for ten years, subject to Board of Supervisors approval.

FISCAL IMPACT

Table 1 below shows the total projected 180,938 hours and budget of $36,349,740 for the CH2M HILL contract, divided into three phases of work. These costs reflect an overall average rate of $201 per hour. In addition, the Port is requesting a ten percent contingency equal to $3,634,974 for this contract, for a total not to exceed amount of $39,984,714. The Attachment to this report provides the detailed tasks for each phase of the contract work.

Table 1: CH2M HILL Contract

Phases	Number of Hours	Proposed Budget
Phase 1-Planning	46,626	$10,239,424
Phase 2-Design/Entitlements	99,849	18,505,154
Phase 3- Construction Management	34,463	7,605,162
Subtotal Contract	180,938	$36,349,740
Contingency (10%)		3,634,974
Total Not to Exceed Contract		**$39,984,714**

Project Funding

Funds for the total not to exceed $39,984,714 contract between the Port and CH2M Hill are anticipated to come from a combination of General Fund, Port capital budget and contributions from the San Francisco Municipal Transportation Agency (SFMTA) and the Planning Department as well as other sources. To date, the project has received $9,600,000 of funding from these sources, as shown in Table 2 below.

Table 2: Funding Sources Available (millions)

Sources	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	Total
Port Capital	$1.60	$2.00	-	-	$3.60
City General Fund	-	1.00	$3.00	-	4.00
SFMTA Contributions	-	0.50	0.50	-	1.00
Planning Contributions	-	0.50	0.25	$0.25	1.00
Total	**$1.60**	**$4.00**	**$4.00**	**$0.25**	**$9.60**

Given that the Port has budgeted $9,600,000 of the total $39,984,714 not to exceed contract amount, there is a remaining unfunded balance of $30,384,714.

Given the current shortfall in available funding, Mr. Colon advises that cost controls will be implemented during the ten-year term of this contract to insure that specific contract project tasks and task order scopes of work will not be authorized in excess of available funding.

Future Potential Funding Sources

The proposed resolution states that the remaining funding is subject to future funding sources that the Port is currently pursuing, including a potential 2018 Seawall General Obligation Bond. According to Mr. Colon, a Seawall Finance Work Group was formed, which recently issued a report[2] and is currently pursuing various potential funding strategies.

[2] Fortifying San Francisco's Great Seawall: Strategies for Funding the Seawall Resiliency Project. A report to the Capital Planning Committee and the Seawall Executive Steering Committee by the Seawall Finance Work Group, July 2017.

Future primary funding strategies include:

(a) a $350 million Seawall Fortification General Obligation Bond in the City's 10-Year Capital Plan,

(b) a Community Facilities District (CFD),

(c) local Property Tax Increment revenue generated from an Infrastructure Finance District (IFD),

(d) State Property Tax Increment revenue generated from an IFD through State legislation,

(e) State General Obligation bond through State legislation, and

(f) Federal U.S. Army Corps of Engineers Funding Program.

Secondary funding strategies include:

(g) $6-$9 million Port Capital over next ten years,

(h) local Sales Tax Increase revenues, and

(i) additional tourism and hotel funding sources, such as a Hotel Assessment District or Transient Occupancy Tax.

These strategies would be used to fully fund this contract as well as the Port's overall Phase 1 of the Seawall Resiliency Project, estimated to cost approximately $500 million.

POLICY CONSIDERATION

CH2M HILL has notified the Port that the firm may merge with Jacobs Engineering Group Inc., which is based in Texas. Texas is a state that is currently prohibited by Section 12X of the City's Administrative Code, which restricts City departments from entering into agreements with firms that are based in states that have approved anti-LGBTQ laws. However, the City Attorney has determined that CH2M HILL, as the firm the Port is entering into the proposed contract which is based in Colorado, which has not approved anti-LGBTQ laws. Therefore, the City Attorney has determined that Section 12X does not apply to the subject contract. CH2M HILL has also agreed to incorporate in the subject contract language with the Port to preclude CH2M HILL staff located in 12X prohibited states from working on this project, to ensure that this Port contract does not result in new jobs being created in discriminatory states.

RECOMMENDATIONS

1. Amend the proposed resolution to delete the language on page 1, lines 7 and 8 regarding one one-year option to extend the term of the proposed agreement.
2. Approve the proposed resolution as amended.

Task		Task Name	Total Hours	Total Price
Phase 1	1.01.00	Management and Coordination of Services, Phase 1	10,020	$ 2,307,635
	1.02.00	Stakeholder Engagement, Phase 1	3,186	$ 548,308
	1.03.01	Data Collection and Review	1,795	$ 343,786
	1.03.02	Additional Investigations	940	$ 244,205
	1.03.03	Existing Conditions Report	642	$ 156,906
	1.04.01	Earthquake Risk Assessment	3,692	$ 719,683
	1.04.02	Flood Risk Assessment and Adaptation Plan	3,144	$ 587,903
	1.04.03	Utility Risk Assessment	1,370	$ 210,852
	1.04.04	Transportation Risk Assessment	388	$ 66,542
	1.04.05	Land Use Planning and Regulatory Assessment	840	$ 208,421
	1.04.06	Urban Design Assessment	1,799	$ 373,364
	1.04.07	Disaster Response and Recovery Assessment	756	$ 193,476
	1.04.08	Environmental Conditions and Opportunities	2,858	$ 433,022
	1.04.09	Economic Impact Assessment	1,040	$ 263,038
	1.04.10	MHRA Report	3,598	$ 901,407
	1.05.01	Design Criteria	1,102	$ 276,911
	1.05.02	Needs, Risks, and Aspirations	768	$ 188,852
	1.05.03	Alternative Formulation	2,450	$ 616,599
	1.05.04	Alternative Comparison and Ranking	2,018	$ 485,892
	1.05.05	Refine Design & Engineering of Highest Ranked Alternatives	1,482	$ 377,219
	1.05.06	Final Evaluation, Selection and Preferred Program	1,588	$ 435,925
	1.06.00	City Staff Training, Phase 1	200	$ 35,460
	1.07.00	Seismic Peer Review Panel, Phase 1	950	$ 264,017
		Subtotal Phase 1	46,626	$ 10,239,424
Phase 2	2.01.00	Management and Coordination of Services, Phase 2	14,867	$ 3,429,455
	2.02.00	Stakeholder Engagement, Phase 2	4,110	$ 700,414
	2.03.01	Design Basis Document (Initial Projects)	377	$ 86,049
	2.03.02	Detailed Investigations, Design Level (Initial Projects)	6,116	$ 1,140,997
	2.03.03	Preliminary Design, Engineering & Cost Est, General Plan (Initial Pro	6,860	$ 1,373,706
	2.03.04	Preliminary Design, Engineering & Cost Est, 15% (Initial Projects)	3,505	$ 640,929
	2.03.05	Preliminary Design, Engineering & Cost Est, 35% (Initial Projects)	2,600	$ 511,262
	2.03.06	Design/Build Contract Packages (Initial Projects)	1,880	$ 345,366
	2.04.00	Pilot Projects	3,396	$ 604,939
	2.05.00	Emergency Projects	20,384	$ 4,396,914
	2.06.01	CEQA	14,616	$ 2,136,042
	2.06.02	NEPA	14,208	$ 2,094,653
	2.06.03	Permitting	6,504	$ 956,295
	2.07.00	City Staff Training, Phase 2	300	$ 53,190
	2.08.00	Seismic Peer Review Panel, Phase 2	126	$ 34,944
		Subtotal Phase 2	99,849	$ 18,505,154
Phase 3	3.01.00	Management and Coordination of Services, Phase 3	31,980	$ 7,072,754
	3.02.00	Stakeholder Management, Phase 3	715	$ 161,440
	3.03.00	Value Engineering	1,008	$ 215,049
	3.04.00	Independent Design Review	760	$ 155,920
		Subtotal Phase 3	34,463	$ 7,605,162
Grand Total			180,938	$ 36,349,740

Item 11 File 17-0833	Department: Department of Public Health (DPH) Real Estate Division

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution authorizes and approves a lease for a portion of the equipment room at Zuckerberg San Francisco General Hospital (ZSFGH) and Trauma Center, Building 25 at 1001 Potrero Avenue with T-Mobile West, LLC, a Delaware limited liability company, at a monthly base rent of $5,000, which is waived while participating in the Distributed Antenna System and providing enhanced cellular services to staff, patients and visitors.

Key Points

- Building 25, the new trauma center at ZSFGH that opened in May 2016, is built with materials that block radio and cellular signals from reaching portions of the building including basement surgical and exam areas, elevators, stairwells, etc. To address this issue, the Department of Public Health (DPH) installed a Distributed Antenna System that enhances coverage through a series of in-building repeaters. The Distributed Antenna System supports a wide range of wireless, cellular, public safety, radio, and paging service providers. Various cellular and paging service providers were invited to install and maintain their own equipment under individual leases to enhance the coverage in ZSFGH.
- Under the proposed lease, T-Mobile West would install and maintain one 19" rack, a router, batteries and associated fiber cables and connections in the basement of Building 25 at ZSFGH.
- The lease is for five years with three five-year options to extend, or a total of 20 years.
- This lease was not competitively bid because DPH asked cellular companies to participate in the Distributed Antenna System in order to enhance cellular coverage for all users in ZSFGH. T-Mobile West will be required to install and maintain their own equipment which will directly benefit the City, staff, patients and visitors of ZSFGH.

Fiscal Impact

- Base rent is $5,000 per month or $60,000 annually, with three percent annual increases. However, rent payments are waived during the term of the respective lease to provide enhanced cellular service at ZSFGH for staff, vendors, patients and visitors. The City will also pay for janitorial, utilities and related services, estimated to cost approximately $3,708 per year, while the lease agreement is in effect.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code 23.27 states that lease agreements with a term of one year or longer or with rent of $5,000 or more and where the City is the landlord is subject to Board of Supervisors approval.

BACKGROUND

Building 25, the new trauma center at Zuckerberg San Francisco General Hospital (ZSFGH) that opened in May 2016, was constructed with materials that block radio and cellular signals from reaching portions of the building including basement exam and surgical areas, elevators, stairwells, restrooms and the building's middle core. To address this issue, DPH installed a Distributed Antenna System that enhances coverage through a series of in-building repeaters and boosters. The Distributed Antenna System supports a wide range of wireless, cellular, public safety, radio, and paging services for fire, police and first responders as well as ZSFGH staff, patients, vendors and visitors.

The Department of Public Health (DPH) has invited various paging and cellular companies to enter into individual leases with DPH to install and maintain their own equipment in ZSFGH in order to join the Distributed Antenna System to improve the cellular coverage within the building. On April 18, 2017, the Board of Supervisors approved leases with (1) American Messaging Services (File 17-0099; Resolution No. 128-17) to install two antennae and a satellite dish on the roof and power supply equipment in Building 25's equipment room; and (2) SPOK, Inc. (File 17-0100; Resolution No. 129-17) to install one antenna on the roof and power supply equipment in Building 25's equipment room to connect to the building's Distributed Antenna System. Ms. Claudia Gorham, Assistant Director of Real Estate advises that similar leases with other cellular service companies, such as Verizon and AT&T, are currently being negotiated to further improve cellular and paging services in ZSFGH.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes and approves a new lease between DPH and T-Mobile West, LLC, a Delaware limited liability company, to lease a portion of the equipment room at ZSFGH to install one 19" rack, a router, batteries and associated fiber cables and connections for T-Mobile West to connect to the Distributed Antenna System to improve cellular coverage.

The terms of the lease are shown in Table 1 below.

Table 1: Summary of Lease Terms

Lease Period	Five years From approximately October 1, 2017 to September 30, 2022
Location and Size of Property	Building 25 basement Approximately four square feet
Options to Extend Lease	Three 5-year options to extend through 2037 at then minimum base rent plus annual escalations Total lease term if options to extend are exercised is 20 years
Base Rent Paid by T-Mobile West to DPH	$5,000 per month $60,000 per year
Annual Adjustments to Base Rent	3 percent
Janitorial, Utilities and Debris	To be paid by T-Mobile West Estimated at $3,708 per year
Rent and Other Exemptions	T-Mobile West is exempt from paying rent, janitorial, utilities and other services while T-Mobile continues participation in Distributed Antenna System (see Fiscal Impact Section below)

On August 24, 2016, the Planning Department determined that the subject lease is not subject to the California Environmental Quality Act (CEQA). On September 8, 2016, the Planning Department found that the subject lease is consistent with the City's General Plan and Planning Code Section 101.1(b). Therefore, the proposed resolution includes a Board of Supervisors finding that the lease is consistent with the City's General Plan and Planning Code.

According to Ms. Gorham, the proposed lease was not competitively bid because DPH asked cellular companies to participate in the Distributed Antenna System in order to enhance cellular coverage for all users in ZSFGH. The proposed resolution states that competitive bidding procedures would be impractical given the City's invitation to numerous cellular companies to participate in the Distributed Antenna System at the cellular companies' own expense to install and maintain their own equipment and to benefit the City, staff, patients and visitors of ZSFGH who use T-Mobile West's services. Ms. Gorham also advises that the Board of Supervisors recently approved two leases with American Messaging Services and SPOK (Files 17-0100 and 17-0099) to install paging and radio equipment on buildings at the ZSFGH campus with comparable provisions without undergoing a competitive bidding process.

FISCAL IMPACT

According to Ms. Gorham, the base rent amount is based on the City's minimum charge of $5,000 per month or $60,000 annually at other locations for a cellular antenna on City property. However, as noted above, rent and utilities and other service payments would be waived as long as T-Mobile West is providing paging and cellular services to hospital users under the respective lease agreement. Ms. Gorham advises that the cost to T-Mobile West to install, maintain and repair their own equipment plus the value of the enhanced cellular services for public safety employees, ZSFGH staff, patients, vendors and visitors at ZSFGH is equal to or greater than the basic rental rate plus utilities. As noted above, the City will pay for utilities, janitorial and other services estimated to be approximately $3,708 per year, while the subject lease agreement is in effect.

RECOMMENDATION

Approve the proposed resolution.