

OFFICE OF THE
CITY ADMINISTRATOR

MEMORANDUM

Date: May 31, 2019
To: Sandra Fewer, Chair of the Budget and Finance Committee
Budget and Finance Committee Members
From: Naomi M. Kelly, City Administrator
RE: 49 South Van Ness Project release of reserve

Issue

In 2017, the Board of Supervisors (BOS) approved Ordinance 118-17 to hold \$28.4 million of Certificate of Participation (COP) funds devoted to the 49 South Van Ness (49 SVN) project on the Budget and Finance Committee Reserve pending additional information on departmental moves that would take place related to the project. This memo contains the requested information, and the City Administrator's Office respectfully requests the release of \$26.2 million of the reserve, which is \$2.2 million under the original COP budget request.

Background

The 49 SVN project, previously known as 1500 Mission, is a new civic office building to be completed in the summer of 2020. The building is a \$327 million project located on South Van Ness Avenue between Market and Mission Streets. The 16-story 430,845 rentable square foot City Office Building will provide a new centralized one-stop permit center for construction, special events and business permitting for our residents. 49 SVN will provide new office space for approximately 1,800 mostly permitting department employees. The City Administrator's Office has sought to maximize the number of employees moving into this new building to ensure as many permitting agency staff as possible are co-located together.

Co-locating and consolidating these permitting departments into one building and creating a one-stop permit center will greatly improve the permitting process for our residents and staff. Staff will have a greater opportunity to collaborate and make permitting in San Francisco more friendly, efficient and streamlined. In many cases this means updating antiquated information technology systems and reducing our use of paper and manual data entry. The 49 SVN project presents an excellent opportunity to review and revamp existing processes and ensure department staff have the tools and equipment they need to do their jobs well.

Furthermore, the building will be a modern, natural light filled space and LEED gold certified, amongst other sustainable features. It will feature an onsite childcare facility, shared conference, training and meeting rooms, parking for electric vehicles and bicycles, and shower facilities for staff.

49 SVN and Permit Center Project Source and Uses

The Budget and Finance Committee placed \$28.4 million of \$29.4 million of COP funds on Budget and Finance Committee Reserve. The City Administrator's Office requests release of \$26.2 million of these reserves, or \$2.2 million less than the original COP budget request.

Table 1: 49 SVN - Sources and Uses for One-time Project Costs

| FY 19-20 | | FY 19-20 | |
|-------------------------------|-------------|------------------------|-------------|
| One-time Sources: | \$ Millions | One-time Uses: | \$ Millions |
| Certificates of Participation | 26.2 | FF&E | 23.9 |
| Department sources | 9.7 | Information Technology | 11.5 |
| Capital / COIT | 2.2 | Move | 3.7 |
| DBI Reimbursement | 1.0 | | |
| Subtotal: | 39.1 | Subtotal: | 39.1 |

The 49 SVN project construction timeline has progressed as expected and move in is scheduled to begin in summer of 2020. The City Administrator’s Office requests the release of a total in \$26.2 million in COPs from reserves now and the upcoming budget contains sources to cash fund (rather than debt fund) the remaining \$12.9 million in one-time project costs. Most of the one-time costs funded through the budget are associated with the Department of Building Inspection, which previously budgeted a reserve specifically for one-time costs related to this project. The one-time costs also include approximately \$1 million to repay a loan received from the Department of Building Inspection at the initiation of the project to support site development costs as approved by the BOS with Ordinance 253-14.

The \$26.2 million in COP funds will fund a portion of the FF&E (furniture, fixtures and equipment), technology equipment and infrastructure, and move costs for the 49 SVN project. Furniture is for individual work stations, as well as for conference rooms and common spaces. The information technology expenditures include funding for the building’s IT infrastructure, including fiber connections, network and telephony.

The 49 SVN project will provide mostly new equipment and furnishings. To maximize the number of staff in the building, different furniture from the existing was needed. Additionally, this project will allow staff to have the tools to provide excellent customer service, communicate and collaborate with other permitting departments, and move into the digital age as we seek to go as paperless as possible as a city.

49 SVN Project Floor Plans

Table 2 lists departments moving into 49 SVN, including rentable area of office space by department both current day and after they move. It also includes the number of employees moving from each department:

Table 2: Office Space and FTE by Departments

| Depts | Existing Sq. Ft. | 49 SVN Sq. Ft.* | Change in Sq. Ft. | Existing Dept FTE | Projected 49 SVN FTE | Change in FTE |
|-------------------------------------|------------------|-----------------|-------------------|-------------------|----------------------|---------------|
| Department of Public Works | 182,330 | 182,941 | 611 | 959 | 959 | - |
| Department of Building Inspection | 54,332 | 56,006 | 1,674 | 260 | 280 | 20 |
| Planning Department | 48,886 | 52,213 | 3,327 | 259 | 262 | 3 |
| DPH - Environmental Health Division | 27,826 | 29,892 | 2,066 | 166 | 166 | - |
| Recreation and Parks Department | 7,028 | 12,021 | 4,993 | 59 | 61 | 2 |
| Fire Department | 4,841 | 4,683 | (158) | 32 | 32 | - |
| Public Utilities | 775 | 731 | (44) | 7 | 8 | 1 |
| Board of Appeals | 1,604 | 1,322 | (282) | 5 | 7 | 2 |
| Entertainment Commission** | 1,110 | 2,612 | 1,502 | 7 | 7 | - |
| Office of Cannabis | 1,035 | 1,078 | 43 | 7 | 7 | - |
| Permit Center | 20,056 | 38,960 | 18,904 | 24 | 24 | - |
| Total | 349,822 | 382,458 | 32,636 | 1,785 | 1,813 | 28 |

* Total sq ft of the building is 430,845. The building also includes a childcare center and conference rooms on the first floor (48,387 sq ft).

** The Entertainment Commission will share their space with a TBD future department.

- Ten + total permitting related departments are expected to move into office space in 49 SVN. These departments are currently located in 9 separate locations across the City.
- 49 SVN will house almost all permitting departments’ back office staff in one building, greatly increasing communication and collaboration, as well as ensuring a better customer experience.
- 49 SVN will also have conference rooms, a childcare center and parking.

Leases to be Terminated and Backfilled

The Real Estate division identified six potential leases the city could terminate and one potential backfill lease as a result of the 49 SVN project, resulting in approximately \$6.3 million in avoided lease costs per year. The 49 SVN building will also help keep related space costs fixed for the city into the future, as leases are inherently volatile and continually subject to market dynamics.

Summary

The 49 SVN and Permit Center project will move approximately 1,800 staff from ten separate permitting departments into one new office building and provide a one stop permit shop for residents. In 2017 when this project was still being developed, the BOS Budget and finance Committee put \$28.4 million in COP funds on reserve pending more details on which departments and number of employees would be moving into 49 SVN. The City Administrator's Office requests release of \$26.2 million of the reserve to allow the project to maintain its schedule by moving forward with purchasing furniture, fixtures, and equipment, as well as funding information technology equipment and infrastructure, and move costs.