

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

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
 FAX (415) 252-0461

July 8, 2019

TO: Budget and Finance Sub-Committee

FROM: Budget and Legislative Analyst



SUBJECT: July 10, 2019 Budget and Finance Sub-Committee Meeting

TABLE OF CONTENTS

Item	File		Page
1, 2 & 3	19-0356	Appropriation - General Obligation Bond Proceeds - San Francisco Seawall Earthquake Safety and Disaster Prevention Program - FY2018-2019 - \$50,000,000	
	19-0357	Issuance of General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018) - Not to Exceed \$425,000,000	
	19-0358	Sale of General Obligation Bonds - (Embarcadero Seawall Earthquake Safety, 2018), Series 2019B - Not to Exceed \$50,000,000	1
5	19-0514	Lease Agreement - China Airlines Limited - Cargo Facility Lease No. 19-0021 - \$1,004,467.02 Initial Annual Base Rent]	8
6	19-0515	2011 Airport Lease and Use Agreement - Iberia, Líneas Aéreas de España, S.A. Operadora, Sociedad Unipersonal	11
9	19-0650	Contract Amendment - URS Corporation - Power Transmission Project - URS Corporation - Total Not to Exceed \$11,500,000	14
10	19-0436	Authorizing Agreement - Retroactive - California Independent System Operator - Reliability Coordinator Services - Not to Exceed \$3,000,000	20

TABLE OF CONTENTS (continued)

Item	File		Page
12	19-0672	Agreement Amendment - Richmond Area Multi-Services, Inc. - Behavioral Health Services - Not to Exceed \$28,388,060.....	24
13	19-0579	Revenue Agreement - Retroactive - JC Decaux San Francisco, LLC. - Public Toilets and Public Service Kiosk Agreement - \$12,950,000	29
15	19-0709	Health Service System Plans and Contribution Rates - Calendar Year 2020.....	35
16	19-0733	Acquisition of Real Property - 1515 South Van Ness Avenue - LMC San Francisco I Holdings LLC - \$19,000,000.....	43
17	19-0734	Accept and Expend Grant - Retroactive - Metropolitan Transportation Commission - Affordable Housing Jumpstart Program Grant - \$5,000,000	47

<p>Items 1, 2 and 3 Files 19-0356, 19-0357, 19-0358</p>	<p>Department: Port and Office of Public Finance</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • File 19-0357: The proposed resolution would provide for the issuance of \$425,000,000 in Embarcadero Seawall Earthquake Safety General Obligation bonds to fund the first phase of reconstruction of the seawall. • File 19-0358: The proposed resolution would authorize the sale of \$50,000,000 in General Obligations Bonds Series 2019B, and declare the City’s intent to reimburse expenditures incurred prior to the issuance and sale of the Series 2019B Bonds. • File 19-0356: The proposed ordinance would appropriate \$50,000,000 of the Series 2019B Embarcadero Seawall Earthquake Safety General Obligation Bond proceeds to the Port for planning, geotechnical, and other pre-development work, and place these funds on Controller’s Reserve pending the sale of bonds. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • In November 2018, San Francisco voters approved Proposition A, authorizing the City and County of San Francisco to issue up to \$425 million in to fund repairs and improvements to the Embarcadero Seawall and Embarcadero infrastructure and utilities for earthquake and flood safety. Phase 1 of the Embarcadero Seawall Program will be for immediate seismic and flood protection upgrades. The Phase 1 budget, including the \$425 million in General Obligation Bonds, is \$500 million. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • Average annual debt service over 20 years on the Series 2019B GO Bonds is expected to be \$3,400,000. The estimated total principal and interest payment over the approximate 20-year life of the GO Bonds is \$68,300,000. • If the Series 2019B GO Bonds are approved, the debt ratio would increase by 0.02 percentage points to 0.99 percent – within the 3 percent legal limit. • Debt service payments will be recovered through increases in the annual Property Tax rate, which, according to the Controller’s Office, would \$1.32 per \$100,000 of assessed value. The owner of a residence with an assessed value of \$600,000, assuming a homeowner's exemption of \$7,000, would pay average additional property taxes to the City of approximately \$7.81 per year. 	
<p style="text-align: center;">Policy Consideration</p>	
<ul style="list-style-type: none"> • On June 19, 2019, the Superior Court dismissed litigation regarding the Embarcadero Seawall Earthquake Safety General Obligation Bonds. However, because the 60-day period to file an appeal does not end until August 19, 2019, the Office of Public Finance does not plan to sell the bonds until after that date. 	
<p style="text-align: center;">Recommendations</p>	
<ul style="list-style-type: none"> • Request the Office of Public Finance to submit a memorandum to the Board of Supervisors on the status of the potential appeal after the close of the 60-day period to appeal. • Approve the proposed ordinance and resolutions. 	

MANDATE STATEMENT

City Charter Section 9.105 provides that the issuance and sale of General Obligation (GO) bonds is subject to Board of Supervisors approval in accordance with State law or local procedures adopted by ordinance.

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 Embarcadero Seawall, which is over 100 years old, supports San Francisco’s piers, wharves, businesses, tourist destinations, recreational amenities, and key infrastructure, including Bay Area Rapid Transit, Muni Metro, and ferry networks. The Embarcadero Seawall is the foundation of three miles of the city’s waterfront, stretching from Mission Creek to Fisherman’s Wharf. The Seawall also provides flood protection to downtown San Francisco.

In November 2018, San Francisco voters approved Proposition A, authorizing the City and County of San Francisco to issue up to \$425 million in bonds at an estimated tax rate of \$0.013 per \$100 of assessed value to fund repairs and improvements to the Embarcadero Seawall and Embarcadero infrastructure and utilities for earthquake and flood safety.

The first bond sale is expected to occur in June 2019 upon approval of File 19-0358. Table 1 below shows the proposed timeline for the total \$425,000,000 in bond sales.

Table 1: Embarcadero Seawall and Infrastructure GO Bond Sale Schedule

	Date	Amount	Series
Proposed First Bond Issuance	FY 2018-19	50,000,000	Series 2019B
Future Second Bond Issuance	FY 2021-22	250,000,000	
Future Third Bond Issuance	FY 2023-24	125,000,000	
Total Bond Issuances		425,000,000	

DETAILS OF PROPOSED LEGISLATION

File 19-0357: The proposed resolution would (a) provide for the issuance of not to exceed \$425,000,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds; (b) authorize the issuance and sale of the bonds; (c) provide for the levy of a tax to pay the principal and interest of the bonds; (d) provide for the appointment of depositories and other agents; (e) adopt findings under the California Environmental Quality Act (CEQA), and San Francisco Administrative Code Chapter 31; (f) find that the proposed project is in conformity with the priority policies of Planning Code Section 101.1(8) and with the General Plan consistency requirement of Charter Section 4.105 and Administrative Code 2A.53; (g) ratify certain actions previously taken; and (h) grant general authority to City officials to take necessary actions in connection with the issuance and sale of said bonds.

File 19-0358: The proposed resolution would (a) authorize the issuance and sale of not to exceed \$50,000,000 aggregate principal amount of City and County of San Francisco General Obligations Bonds Series 2019B, (b) prescribe the form and term of such bonds; (c) provide for the appointment of depositories and other agents for the bonds; (d) provide for the establishment of accounts related to the bonds, (e) authorize the sale of the bonds by competitive or negotiated sale, (f) approve the forms of the Official Notice of Sale and Intention to Sell Bonds, (g) approve the purchase contract, (h) approve the form of Preliminary Official Statement and the execution of the Continuing Disclosure Certificate, (i) approve the form of the continuing disclosure certificate, (j) authorize and approve modifications to such documents, (k) ratify actions taken previously, and (l) grant general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of bonds.

In addition, the proposed resolution would declare the City's intent to reimburse expenditures incurred prior to the issuance and sale of the Series 2019B Bonds in connection with the project or portions thereof.

File 19-0356: The proposed ordinance would appropriate \$50,000,000 of the Series 2019B Embarcadero Sewall Earthquake Safety General Obligation Bond Proceeds to the Port of San Francisco in FY 2018-19 for planning, site, and geotechnical investigations, risk assessment, and other pre-development work, and placing these funds on Controller's Reserve pending the sale of bonds.

The proposed resolution (File 19-0358) ratifies all actions previously taken for the \$50 million in Series 2019B Embarcadero Sewall Earthquake Safety General Obligation Bond Proceeds. According to Mr. Mark Blake at the City Attorney's office, these actions include engaging bond counsel, the hiring of municipal advisors by the Controller's Office, and Port staff work.

Table 2 below outlines anticipated sources and uses for the bonds.

Table 2: Sources and Uses of Series 2019B Bond Proceeds

Sources	
Par Amount	\$47,010,000
Reserve Proceeds	2,990,000
Total Sources	\$50,000,000
Uses	
<i>Administrative Costs*</i>	
Costs of Issuance	\$601,290
Underwriter's Discount	470,100
Controller's Audit Fund (0.2%)	91,600
Citizens' GO Bond Oversight Committee	47,010
Reserve for Market Uncertainty	2,990,000
Administrative Costs Subtotal	\$4,200,000
<i>Projects</i>	
United States Corp of Engineers Flood Study	\$8,875,000
Planning	14,965,000
Preliminary Design and Approvals, Phase 1	15,070,000
Regulatory Approvals	983,000
Program Management	5,907,000
Projects Subtotal	\$45,800,000
Total Uses	\$50,000,000

*Numbers are based on estimate provided by Urban Future Inc., a municipal advisory firm registered with the municipal Securities Rulemaking Board (MSRB)

According to Mr. Trivedi, the Port has not yet allocated the \$375 million remaining bond proceeds. The first bond issuance will go towards planning, geotechnical investigations, and preliminary design and approvals. The Port plans to allocate the remaining bond proceeds based on the results from the initial planning, investigation, and preliminary design.

Phase 1 Project Costs

Phase 1 of the Embarcadero Seawall Program will be for immediate seismic and flood protection upgrades. The original budget for Phase 1, including the \$425 million in General Obligation Bonds, is \$500 million. As of April 18, 2019, the Port has secured \$446 million of the \$500 million, as shown in Table 3 below.

Table 3: Phase 1 Funding Sources

Funding Sources	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2021-22	FYs 2023-27	Total
Port Capital	\$2,900,000		\$1,100,000			10,000,000	\$14,000,000
City Revolving Fund	1,000,000	3,000,000	5,000,000	(6,000,000)	(3,000,000)		\$0
SFMTA Contribution	500,000	500,000					\$1,000,000
Planning Department	500,000	250,000	250,000				\$1,000,000
State Sources			5,000,000				\$5,000,000
2018 GO Bond (File 19-0356-8)			50,000,000		250,000,000	125,000,000	\$425,000,000
Gap						54,000,000	\$54,000,000
Total Planned Sources	\$4,900,000	\$3,750,000	\$61,350,000	(\$6,000,000)	\$247,000,000	\$189,000,000	\$500,000,000

The Port plans to fund the gap of \$54 million through a combination of State Resilience Bonds, state cap and trade revenue, state general fund budget requests, and development of a Mello-Roos District¹ along the waterfront. Phase 1 is expected to be completed by 2026.

The entire project consists of three phases, and will cost approximately \$5 billion in total.

FISCAL IMPACT

Annual Debt Service

As shown above in Table 2, the Office of Public Finance expects to sell \$47,010,000 in par value Series 2019B bonds.

The proposed resolution authorizes the Director of Public Finance to determine the sale date, interest rates, principal amount, and maturity dates of the bonds, subject to the following conditions: (1) the true interest cost shall not exceed 12 percent; and (2) the maturity date shall not be after thirty years of their date of issuance, approximately June 15, 2039.

The Office of Public Finance estimates that, based on a conservative estimate of 3.94 percent interest rate, that the average annual debt service over 20 years on the Series 2019B GO Bonds is \$3,400,000. The anticipated par value of \$47,010,000 is estimated to result in approximately \$21,700,000 in interest payments over the 20 year life of the bond. The estimated total principal and interest payment over the approximate 20-year life of the GO Bonds is \$68,300,000, of which \$21,700,000 is interest and \$47,010,000 is principal.

¹ Mello-Roos is a form of financing that can be used by cities, counties, and special districts (such as school districts). Mello-Roos Community Facilities Districts (CFDs) raise money through special taxes that must be approved by 2/3rds of the voters within the district. A CFD is formed to finance major improvements and services within the district which might include schools, roads, libraries, police and fire protection services, or ambulance services. The taxes are secured by a continuing lien and are levied annually against property within the district.

The Office of Public Finance intends to sell the GO Bonds through a competitive sale process, but in the case of significant change in market conditions, reserves the option to seek a negotiated sale with underwriter(s) selected competitively.

Debt Limit

Section 9.106 of the City Charter limits the amount of GO bonds the City can have outstanding at any given time to 3 percent of the total assessed value of property in San Francisco. The City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's gross general obligation debt limit for FY 2018-19 is approximately \$7.78 billion, based on a net assessed valuation of approximately \$259.3 billion.

As of March 1, 2019, the City had outstanding approximately \$2.53 billion in aggregate principal amount of GO bonds, which equals approximately 0.97 percent of the net assessed valuation for FY 2018-19. If the Board of Supervisors approves the issuance of the Series 2019B GO Bonds, the debt ratio would increase by 0.02 percentage points to 0.99 percent – within the 3 percent legal limit. If all of the City's authorized and unissued bonds were issued, the total debt burden would be 1.40 percent of the net assessed value of property in the City.

Property Taxes

For Series 2019B, repayment of the annual debt service will be recovered through increases in the annual Property Tax rate, which, according to the Controller's Office, would be \$0.00132 per \$100 of assessed value or \$1.32 per \$100,000 of assessed value over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of \$600,000, assuming a homeowner's exemption of \$7,000, would pay average additional property taxes to the City of approximately \$7.81 per year if the anticipated \$47,010,000 Bonds are sold.

Capital Plan

Under financial constraints adopted by the City's Capital Planning Committee, debt service on approved and issued GO bonds may not increase property owners' long-term property tax rates above FY 2005-06 levels. The FY 2005-06 property tax rate for the GO bond fund was \$0.1201 per \$100 of assessed value. If the Board of Supervisors approves the issuance of the Series 2019B GO Bonds, the property tax rate for GO bonds for FY 2018-19 would remain below the FY 2005-06 rate and within the Capital Planning Committee's approved financial constraint.

POLICY CONSIDERATION

According to Mr. Vishal Trivedi, Financial Analyst in the Office of Public Finance, there has been a delay in hearing this legislation due to a court case challenging the validity of the bond measure. On June 19, 2019, the Superior Court of the State of California ruled in favor of the City and dismissed the suit. However, because the 60-day period to file an appeal does not end until August 19, 2019, the Office of Public Finance does not plan to sell the bonds until after that date.

RECOMMENDATIONS

1. Request the Office of Public Finance to submit a memorandum to the Board of Supervisors on the status of the potential appeal after the close of the 60-day period to appeal.
2. Approve the proposed ordinance and resolutions.

Item 5 File 19-0514	Department: San Francisco International Airport (Airport)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve a cargo lease between San Francisco International Airport (Airport) as landlord and China Airlines Limited (China Airlines) as tenant, for a term of one year, from approximately July 2019 through June 2020, with two one-year options to extend, and initial annual rent of \$1,033,790. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • China Airlines is a signatory airline under the Airport's 2011 Lease and Use Agreement, which allows China Airlines to operate at the Airport. In May 2016, the Board of Supervisors approved a cargo lease with China Airlines, from April 6, 2016 through April 8, 2019, with a three year option to extend to April 8, 2022. The lease comprises approximately 38,082 square feet of warehouse and office space in Airport Building 648 (Parcel A), as well as approximately 0.16 acres of ramp space adjacent to Airport Building 648 (Parcel B). • Airport cargo volumes have increased approximately 51 percent over the past five years, while the number of cargo facilities has decreased from 11 to seven, a reduction of approximately 181,308 square feet of space. Due to the pressure to accommodate growth, Airport staff decided not to exercise the option to extend the China Airlines lease. The Airport has instead negotiated a new lease with a one-year term, with two one-year options to extend, to allow the Airport to analyze its cargo facilities and demand. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • In the initial one-year term of the proposed new lease, the Airport would receive \$1,033,790 in rent. The initial annual rent of \$1,006,888 for Parcel A is based on 38,082 square feet of space and the rental rate of \$26.44 per square foot for FY 2019-20, which would be adjusted annually with the Airport Rates and Charges. The initial annual rent of \$26,902 for Parcel B is based .16 acre and the rental rate of \$168,138 per acre, which is adjusted annually on the lease anniversary based on the Consumer Price Index (CPI). • If the two one-year options to extend the lease are exercised, the Airport would receive approximately \$3,194,521 in rent over the total three-year term. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to state that the initial annual base rent is \$1,033,790 instead of \$1,004,467 as now stated (based on FY 2018-2019 rental rates rather than new rates for FY 2019-2020). • Approve the proposed resolution as amended. 	

MANDATE STATEMENT

City Charter Section 9.118(c) states that any modification, amendment or termination of a lease that had an initial term of ten years or more, including options to extend, or that had anticipated revenues of \$1 million or more is subject to Board of Supervisors approval.

BACKGROUND

China Airlines Limited (China Airlines) is a signatory airline under the San Francisco International Airport (Airport) 2011 Lease and Use Agreement, which allows China Airlines to operate at the Airport. In May 2016, the Board of Supervisors approved a cargo lease with China Airlines for a term of three years, from April 6, 2016 through April 8, 2019, with a three-year option to extend through April 8, 2022, and initial annual rent of \$921,204 (File 16-0311, Resolution 189-16). The lease comprises 38,082 square feet of warehouse and office space at Airport Building 648 (Parcel A), where it conducts receiving, delivery, dispatching, processing, handling, and storage of air cargo and mail. The lease also covers approximately 0.16 acres of ramp space adjacent to Airport Building 648 (Parcel B).

Due to increased Airport traffic and 15 new airlines added over the past five years, cargo volumes have increased approximately 51 percent. However, due to impacts of the Airport's Capital Improvement Plan (such as using cargo facilities to house contractor offices), the number of available cargo facilities has been reduced from 11 to seven, a reduction of approximately 181,308 square feet of space. As a result of this pressure to accommodate growth, the Airport decided not to exercise the option to extend the lease with China Airlines this year to provide flexibility for space planning purposes. Airport staff has instead negotiated a new one year lease with China Airlines, which was approved by the Airport Commission on February 5, 2019.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new cargo lease between the Airport as landlord and China Airlines as tenant, for a term of one year, from approximately July 2019 through June 2020, with two one-year options to extend through June 2022, and initial annual rent of \$1,033,790. According to Ms. Sandra Oberle, Airport Senior Property Manager, the lease was only set for one year to allow the Airport to analyze its cargo facilities and demand, and revisit the lease in 2020, if needed.

The initial rent of \$1,033,790 consists of \$1,006,888 for the 38,082 square foot Parcel A and \$26,902 for the .16 acre Parcel B. The initial annual rent of \$1,006,888 for Parcel A is based on the warehouse rate (including related office space) of \$26.44 per square foot per year in the FY 2019-20 Airport Rates and Charges, which are set annually by the Airport Commission. This amount would be adjusted annually in accordance with adjustments to the Airport Rates and Charges. The initial annual rent of \$26,902 for Parcel B is based on the rate of \$168,138 per acre applied to its .16 acre size. This would also be adjusted annually on the lease anniversary based on the Consumer Price Index (CPI). According to Ms. Oberle, this acreage rental rate has

been standardized across Airport ground leases. The key provisions to the lease are shown in Table 1 below.

Table 1: Key Provisions of Proposed Lease

Premises	Parcel A: 38,082 square feet of space in Airport Building 648 Parcel B: 0.16 acres of ramp space adjacent to Airport Building 648
Term	One year
Options to Extend	Two one-year options to extend
Initial Annual Rent	Parcel A: \$1,006,888 (\$26.44 per square foot) Parcel B: \$26,902 (\$168,138 per acre) Total: \$1,033,790
Rent Adjustments	Parcel A: Annually based on Airport Rates and Charges Parcel B: Annually based on CPI
Utilities	Paid by tenant

FISCAL IMPACT

In the initial one-year term of the lease, the Airport would receive \$1,033,790 in rent. Should the Airport exercise the options to extend, it would receive approximately \$3,194,521 in rent over the total three-year term. Projected rents prepared by SFO staff are shown in Table 2 below.¹

Table 2: Projected Rents Paid by China Airlines

Year	Square Feet	Rent Per Square Foot	Parcel A Rent Subtotal	Ramp Acreage	Rent Per Acre	Parcel B Rent Subtotal	Total Rent
FY 2019-20	38,082	\$26.44	\$1,006,888	0.16	\$168,138	\$26,902	\$1,033,790
FY 2020-21	38,082	\$27.23	1,037,095	0.16	\$171,501	27,440	1,064,535
FY 2021-22	38,082	\$28.05	1,068,208	0.16	\$174,931	27,989	1,096,196
Total			\$3,112,190			\$82,331	\$3,194,521

Source: SFO staff

The resolution states that the initial annual rent is \$1,004,467, which is based on the Parcel A rental rate of \$25.67 per square foot in the FY 2018-19 Airport Rates and Charges. As the lease would likely commence on or around July 1, 2019, the resolution should be updated to reflect the FY 2019-20 Airport Rates and Charges, or \$26.44 per square foot.

RECOMMENDATIONS

1. Amend the proposed resolution to state that the initial annual base rent is \$1,033,790.
2. Approve the proposed resolution as amended.

¹ Parcel A rents are projected to increase three percent annually, based on annual three percent increases to the cargo rental rate in the Airport Rates and Charges in each of the past three years. Parcel B rents are projected to increase two percent annually with CPI increases.

Item 6 File 19-0515	Department: San Francisco International Airport (Airport)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the terms of the San Francisco International Airport’s (Airport) 2011 Lease and Use Agreement with Iberia, Líneas Aéreas de España, S.A. Operadora, Sociedad Unipersonal (including Iberia when doing business as LEVEL Spain) (Iberia) to conduct flight operations at the Airport for a term of approximately two years, from approximately July 2019 through June 2021. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In 2011, the Airport negotiated a new Lease and Use Agreement (2011 Lease) with its domestic and international airlines. The 2011 Lease allows airlines to provide flight operations and rent terminal space at the Airport with a common set of provisions, including rent and landing fees, permitted uses, and use of common facilities. The 2011 Lease will expire June 30, 2021. • Iberia began conducting flight operations at the Airport under an Operating and Use Permit executed in April 2018. Iberia now wishes to sign onto the 2011 Lease. • International Terminal Joint Use Space rent is determined annually by formula, with 20 percent of total rent divided equally between all airlines, and 80 percent assessed proportionally based on the number of passengers traveling on each airline each year. Total rent is based on the Airport’s projected operating budget. • Landing Fees are determined annually as part of the Airport Rates and Charges. The current fees for FY 2019-20 are \$5.80 per 1,000 pounds for airlines that have signed the 2011 Lease, and \$7.25 per 1,000 pounds for airlines that have not. Iberia would receive a 20 percent fee reduction after signing the lease. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • In FY 2019-20, the Airport expects to receive approximately \$1,100,000 in Joint Use Space rent and \$218,654 in Landing Fees from Iberia, for a total of \$1,318,654. The airline will pay approximately \$54,664 less in landing fees under the proposed lease in FY 2019-2020 than it would have under its current permit, consistent with the rates charged to all airlines under the Airport’s Lease and Use Agreement. • As there are many variables that affect the Joint Use Space Rent and Landing Fees, Airport staff cannot provide project revenues in future years due to the uncertainty of certain variables. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(c) states that any modification, amendment or termination of a lease that had an initial term of ten years or more, including options to extend, or that had anticipated revenues of \$1 million or more is subject to Board of Supervisors approval.

BACKGROUND

In 2011, the San Francisco International Airport (Airport) negotiated a new Lease and Use Agreement (2011 Lease) with its domestic and international airlines. The 2011 Lease allows airlines to provide flight operations and rent terminal space at the Airport and provides a common set of lease provisions that are used for these airlines. Such provisions include rent and landing fees paid by the airlines to the Airport, permitted uses of the premises, use of common facilities, and numerous other provisions. The 2011 Lease will expire June 30, 2021.

Iberia, Líneas Aéreas de España, S.A. Operadora, Sociedad Unipersonal (including Iberia when doing business as LEVEL Spain) (Iberia) commenced flight operations at the Airport under an Operating and Space Permit executed in April 2018. Iberia now wishes to sign onto the 2011 Lease. By signing the 2011 Lease, Iberia would continue paying the same Shared Use Fees, but would receive a 20 percent discount on Landing Fees. The Airport Commission approved the 2011 Lease with Iberia on April 16, 2019.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the 2011 Lease with Iberia to conduct flight operations at the Airport, for a term of approximately two years from July 2019 through June 2021. The key provisions of the 2011 Lease are summarized in Table 1 below.

Table 1: Key Provisions of 2011 Lease for Iberia

Term	Approximately two years, from July 2019 through June 2021
International Terminal Joint Use Space	627,414 square feet
International Terminal Joint Use Space Rent	Determined annually by formula; 20% of total rent divided equally between all airlines, 80% assessed proportionally based on number of airline passengers
Landing Fees	Determined annually by Airport Rates and Charges, currently \$5.80 per 1,000 lbs. for FY 2019-20
Deposit	Two months of Terminal Area Rentals, Landing Fees, usage fees per rates and charges

FISCAL IMPACT

Under the 2011 Lease, Iberia would rent Joint Use Space in the International Terminal. Joint Use Space rent is determined annually by a formula, with 20 percent of the total rent assessed by the Airport equally to all airlines, and 80 percent assessed proportionally based on the number

of inbound and outbound passengers travelling on each airline each year. The Joint Use Space formula is used to determine rent for all airlines in service at the Airport, regardless of whether or not the airline has signed onto the 2011 Lease. According to Ms. Sandra Oberle, Airport Senior Property Manager, in FY 2019-20 Iberia is projected to pay approximately \$1,100,000 in Joint Use Space rent.

In addition to Joint Use Space rent, airlines also pay Landing Fees to the Airport, which are set annually as part of the Airport Rates and Charges. The Landing Fee for FY 2019-20 is \$5.80 per 1,000 pounds for airlines that have signed the 2011 Lease, and \$7.25 per 1,000 pounds for airlines that have not signed the 2011 Lease. By signing onto the 2011 Lease, Iberia would receive a 20 percent cost reduction in Landing Fees. According to Ms. Oberle, Iberia is expected to pay approximately \$218,654 in Landing Fees in FY 2019-20, representing a reduction of \$54,664 from landing fees paid under the airline’s permit.

A summary of projected rent and fees paid by Iberia is shown in Table 2 below. However, according to Ms. Oberle, landing fees are based on a schedule that is not finalized and will most likely change. As there are many variables that affect these rates, it is difficult for the Airport to confidently project revenues in future years. However, for FY 2019-20, the revenues represent a reduction in landing fees due to the airline being allowed to pay the lower \$5.80 per 1,000 pounds under the terms of the 2011 Lease as compared to \$7.25 per 1,000 pounds that the airline has been paying under its permit. SFO staff estimate that the loss due to this lower rate will be \$54,664. However, the 2011 Lease provides more certainty to the Airport that airlines will be operating at SFO long term, while the operating permits are issued on a month-to-month basis.

Table 2: Anticipated Rent and Fees Paid by Iberia in FY 2019-20

Joint Use Space Rent	\$1,100,000
Landing Fees	218,654
Total	\$1,318,654

RECOMMENDATION

Approve the proposed resolution.

Item 9 File 19-0650	Department: Public Utilities Commission (PUC)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the fourth amendment to the agreement between the San Francisco Public Utilities Commission (SFPUC) and URS Corporation Americas (URS) for design and technical support services for the Bay Corridor Transmission and Distribution project (BCTD), extending the contract term by two years and eight months beginning August 1, 2019 and ending April 1, 2022, making the total life of the agreement term 11 years, 8 months. The total not-to-exceed amount will increase by \$4 million from \$7.5 to \$11.5 million. The proposed agreement will also execute a name change from URS Corporation Americas to URS Corporation. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In 2010, the SFPUC selected URS to provide design and technical support services for the BCTD project through a competitive bid, for a contract term of two years and six months from August 1, 2010 to February 1, 2014 and fees not-to-exceed \$5,000,000. However, in the executed agreement, the contract term was extended by one month to March 1, 2014 to reflect a one-month delay in the issuance of the contract. This extension was not initially approved by the Commission though was later approved retroactively. • In January 2014, the SFPUC authorized Amendment No. 1 to the contract, extending the contract term by five years through March 1, 2019, with no change in the not-to-exceed amount. The SFPUC approved a second amendment increasing the not-to-exceed amount from \$5 to \$7.5 million in June 2016 with no change in the contract term, and a third amendment in January 2019 extending the contract term by six months through August 1, 2019. • All prior amendments to the contracts with URS reflected an expansion of services to cover subsequent phases of the BCTD project. Per SFPUC staff, URS has supported the BCTD project since its inception, and the proposed resolution would ensure consultant continuity through the construction phase of the BCTD project. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Actual contract expenditures from September 3, 2010 through August 1, 2019 are expected to be \$7,407,368.15 vs. budgeted expenditures of \$7,500,000. Budgeted expenditures under the proposed resolution are \$4,000,000, for a contract total of approximately \$11,500,000. • The BCTD is funded by Hetch Hetchy revenue funds and Hetch Hetchy revenue bonds. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • 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

The San Francisco Public Utilities Commission (SFPUC) entered into a contract with URS Corporation Americas (URS) in September 2010 following a competitive selection process. The agreement was originally set for a term of three years and six months from August 1, 2010 to February 1, 2014, with a not-to-exceed amount of \$5,000,000. However, due to a one-month delay in issuance of the notice to URS to begin work on the contract, the contract was executed to reflect a term of three years and seven months, to conclude on March 1, 2014 or one month later than the Commission-approved end date. This change was not approved by the Public Utilities Commission until a subsequent amendment to the contract in January 2019.

Under this contract, URS has provided design and technical support services for SFPUC's Bay Corridor Transmission and Distribution Project (BTCD). The BTCD is a City-owned transmission and distribution system that upon completion will use Hetch Hetchy hydropower to generate electricity in southeastern San Francisco. The project is expected to reduce the City's current reliance on PG&E's transmission infrastructure.

The contract has been amended three times by the SFPUC and a fourth amendment is now proposed for approval by the Board of Supervisors. Table 1 summarizes the previous and proposed amendments to the contract since 2010 as approved by the Commission and as executed in the agreement.

Table 1: Summary of Past and Proposed Amendments, 2010 – Present

Date	Action	Term as approved by Commission	Change	Amount	Change
9/10	Original	3y 6m: 8/1/10 – 2/1/14*	--	\$5 mn.	--
1/14	1 st amendment	8y 6m: 8/1/10 – 3/1/19**	+ 5 years	\$5 mn.	\$0
5/16	2 nd amendment	8y 6m: 8/1/10 – 3/1/19	No change	\$7.5 mn.	+\$2.5 mn.
1/19	3 rd amendment	9y: 8/1/10 – 8/1/19	+ 6 mos. (5 new months + 1 month retroactively approved to account for difference in agreement as executed in 2010)	\$7.5 mn.	\$0
7/19 (proposed)	4 th amendment	11y 8 m: 8/1/10 – 4/1/22	+ 3 years, 8mo.	\$11.5 mn.	+\$4 mn.

* SFPUC staff executed the agreement with URC with an end date of March 1, 2014 or one month later than the term approved by the Commission. This was later corrected when the Commission retroactively approved the additional month in the contract term as part of contract amendments approved in January 2019.

**By adding five years to the term of the agreement as originally approved by the Commission, the end date should have been 2/1/19 rather than 3/1/19 but the latter date was approved by the Commission, consistent with the term in the agreement with URS executed by staff. The term in the executed agreement provided for term of three years seven months and an end date of 3/1/14 rather than the three years six months term and end date of 2/1/14 approved by the Commission.

SFPUC staff report that they are proposing amendments to the proposed resolution that adds the information that the Commission approved an additional month to the contract term retroactively in January 2019, allowing the Commission-approved contract term extension approved at the same time to be nine years, consistent with the contract term in the executed agreements.

A description of each previous amendment to the URS contract is as follows. Details of the proposed amendments are provided below in the “Details of Proposed Legislation” section of this report.

In January 2014, the SFPUC approved the first amendment to the contract, which extended the contract duration by five years, for a revised contract term of August 1, 2010 to March 1, 2019¹.

¹ This end date was not consistent with the contract term initially approved by the Commission, which should have resulted in the five year extension ending February 1, 2019 rather than March 1, 2019. This was later corrected in

The purpose of this amendment was to ensure consultant continuity during subsequent phases of the project, as the original contract only covered earlier phases of the planned work.

In June 2016, the SFPUC approved the second amendment to the contract, which increased the agreement amount by \$2,500,000 from \$5,000,000 to \$7,500,000 with no change to the contract term. This amendment provided funding for planning and completing 35% of the design of the BTCD, which URS began performing in 2016 as a result of the contract extension approved in Amendment No. 1.

In January 2019, the SFPUC approved the third amendment to the contract, which extended the contract duration by five months, and approved an extra month to the term retroactively that should have been approved at the outset of the contract, for a revised contract term of nine years, from August 1, 2010 to August 1, 2019. The purpose of this amendment was to ensure consultant continuity during the construction phase of the project, which was not covered in full by the earlier contract extension according to SFPUC staff.

Under the existing contract, URS provides design and technical support services that include, but are not limited to:

- Attend and participate in technical coordination meetings with SFPUC, Design-Build teams, and other key stakeholders;
- Review and comment on design deliverables submitted by Design-Build teams;
- Review Design-Build Team's Requests for Information (RFIs) and provide input on Owner responses;
- Prepare Owner directed Potential Change Order (PCO) drawings (to 35% design level) for issuance to Design-Build teams;
- Review and evaluate Design-Build team's change order requests;
- Prepare independent construction cost estimates to support Owner directed change orders;
- Prepare independent construction cost estimates to evaluate Design-Build team's change order requests and claims;
- Prepare technical studies, calculations and evaluations;
- Review and comment on Design-Build team's construction schedule;
- Prepare construction schedule variations;
- Provide as-built survey of improvements constructed by Design-Build teams;
- Provide field inspections of constructed improvements.

the third amendment to the contract in which the Commission approved an extra month to the life of agreement term retroactively.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the fourth amendment to the contract between the SFPUC and URS for design and technical support services for the BTCD. This amendment would (1) increase the life of the agreement amount by \$4,000,000 from \$7,500,000 to a total not to exceed \$11,500,000, (2) extend the contract term by two years and eight months, from August 1, 2019 to April 1, 2022, making the life of agreement term 11 years and 8 months, and (3) execute a name change from URS Corporation Americas to URS Corporation. This is the first time this contract has come before the Board of Supervisors (BOS) for approval as it previously did not meet the minimum contract term length of 10 years or more or expenditure requirements of \$10 million or more for review by the Board of Supervisors.

SFPUC's motivation for the proposed contract extension is to preserve consultant continuity during the project's construction phase, which is not covered in full by the existing contract term. SFPUC staff state that URS is familiar with project requirements and has executed work that will support the project's construction, including preliminary site review for the substation and completion of design bases. Per SFPUC staff, URS is the only entity capable of providing clarification and site-specific information to the contractor responsible for the construction phase of the project. While a new, competitive contract could in theory be issued for this phase of the project, denial of the proposed resolution would create a significant knowledge gap that would delay the completion of the BTCD, according to SFPUC staff

Per SFPUC staff, this is the final amendment that will be made to the contract. Construction of the BCTD will be completed by August 2021 and no new RFPs will be issued.

FISCAL IMPACT

The BCTD is funded by Hetch Hetchy revenue funds and Hetch Hetchy revenue bonds.

Actual and estimated expenditures under the contract between SFPUC and URS from September 3, 2010 to August 1, 2019 are \$7,407,368.15. The existing agreement amount for this period is \$7,500,000.

**Table 2: Actual and Estimated Contract Expenditures,
September 3, 2010 - August 1, 2019**

Task Order No. and Date	Total
TO1 (2010-2012)	\$1,165,986.27
TO2 (2014-2015)	\$25,460.24
TO3 (2016)	\$699,989.03

TO4 (2016-2017)	\$2,848,562.81
TO5 (2017-2018)	\$296,546.80
TO6 (2018-2019) (estimated)	\$2,370,823.00
Total	\$7,407,368.15

Note: TO = Task Order

SFPUC anticipates contract expenditures of \$4,000,000 for the two year and one month extension from August 1, 2019 through August 30, 2021. These funds will be allocated toward program management, as-needed technical support, design base work, as-needed services in support of customer site development, and as-needed services to support PG&E Interconnect.

**Table 2: Projected Contract Expenditures over
Proposed August 1, 2019 – August 30, 2021 Extension**

Task Order No. and Date	Total
TO7 (Projected 2019 - 2020)	\$2,000,000.00
TO8 (Projected 2020 – 2021)	\$2,000,000.00
Total	\$4,000,000.00

RECOMMENDATION

Approve the proposed resolution.

Item 10 File 19-0436	Department: Public Utilities Commission (PUC)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would retroactively authorize the San Francisco Public Utilities Commission (SFPUC) to enter into an agreement with the California Independent System Operator (CAISO) for (1) Reliability Coordinator services, and (2) a Hosted Advanced Network Application services from January 7, 2019 through July 6, 2020, with automatic annual renewals for a projected total term of 20 years and a total not to exceed amount of \$3,000,000 for the twenty year term, or an average annual cost of \$150,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The SFPUC complies with some of the electric reliability standards mandated by the North American Electric Reliability Corporation (NERC) through services provided by Peak Reliability, a 501(c)4 social welfare organization created to provide utilities with Reliability Coordinator services after the Western Electric Coordinating Council reorganized in 2014. • Peak Reliability has provided Reliability Coordinator services since 2014 to SFPUC for an approximate cost of \$55,000 per year. Separately, SFPUC has a contract with Peak Reliability for Hosted Advanced Network Application services to fulfill requirements for real-time testing of its transmission system conditions, at a cost of \$90,000 per year. • In July 2018, Peak Reliability announced that it would cease operations in November 2019. In November 2018, the Federal Energy Regulatory Commission approved the California Independent System Operator (CAISO) to begin providing Reliability Coordinator services. CAISO is also able to provide Hosted Advanced Network Applications services, similar to what is now provided by Peak Reliability. • The SFPUC executed the contract with CAISO on January 7, 2019 in order to participate in the confidential training and data sharing available to the first wave of customers transitioning from Peak Reliability to CAISO. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • As of April 17th, 2019, the SFPUC estimates that it will pay CAISO \$150,000 per year, or approximately \$5,000 more per year than it has paid Peak Reliability for the same services. The rates associated with Reliability Coordinator services are set by the Federal Energy Regulatory Commission. The funds to pay CAISO will be coming from the Hetch Hetchy Water and Power Operating and Programmatic Budgets. There will be some overlap in costs between Peak Reliability and CAISO between July and November 2019. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance. 	

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.

Administrative Code Section 21.9(b) states that Departments are prohibited from entering into contracts involving expenditure of City funds with provisions that would automatically renew the contract term without further action by the City.

BACKGROUND

The City and County of San Francisco through its SFPUC Division owns and operates generation and transmission assets considered part of the Bulk Electric System (BES). The North American Electric Reliability Corporation (NERC) adopts mandatory electric reliability standards that apply to all electric utilities, including Hetch Hetchy Water and Power. NERC Reliability Standards define the specific NERC Reliability Requirements for planning and operating the City's BES generation and transmission assets.

Prior to 2014, the Western Electrical Coordinating Council (WECC) performed reliability oversight and Reliability Coordinator functions required for electric utilities in the western region to be in compliance with NERC standards. In 2014, WECC was bifurcated into a Regional Entity, responsible for compliance monitoring and enforcement, and a Reliability Coordinator, with the latter performed by a 501(c)4 organization¹, Peak Reliability. In 2014, Peak Reliability began providing Reliability Coordinator services to Hetch Hetchy Water and Power previously provided by WECC. The cost for Peak Reliability to provide these mandatory services through the present has been approximately \$55,000 per year.

In April 2017, the North American Electric Reliability Corporation (NERC)² began requiring all registered transmission operators, such as Hetch Hetchy Water and Power, to perform real-time assessments of their transmission systems. Separate from Reliability Coordinator services, SFPUC entered in to a contract with Peak Reliability for Hosted Advanced Network Application services in 2017 to address the new NERC requirements for ongoing real-time testing of the Hetch Hetchy Water and Power system. SFPUC has never had an agreement with Peak Reliability for Reliability Coordinator services.

SFPUC's agreement with Peak Reliability for Hosted Advanced Network Application services established fees not to exceed \$86,250 for the period from April 3, 2017 through December 31, 2017, later amended to extend the term through December 31, 2020 and increase the annual fees to \$90,000 per year. According to Administrative Code Section 21.04(a)(6), the

¹ 501c4 organizations are tax-exempt social welfare organizations described in Internal Revenue Code (IRC) section 501(c)(4), that must be operated exclusively to promote social welfare.

² The North American Electric Reliability Corporation, commonly called NERC, is a non-profit corporation that sets and enforces standards for the reliability and security of the electricity grid.

SFPUC General Manager may directly purchase ancillary services such as voltage control or load scheduling as required for assuring reliable services.

In July 2018, Peak Reliability announced that it would cease operations in November 2019. In November 2018, the Federal Energy Regulatory Commission approved the California Independent System Operator (CAISO), a nonprofit organization, to begin providing Reliability Coordinator services similar to those provided by Peak Reliability. Currently, CAISO is the only entity in California certified by the Federal Energy Regulatory Commission to provide Reliability Coordination. CAISO will also soon have the capability to provide Hosted Advanced Network Application services.

The SFPUC General Manager executed the reliability services agreement with CAISO on January 7, 2019. The San Francisco Public Utilities Commission retroactively approved the agreement on March 12, 2019. SFPUC reports that as of July 1, 2019 CAISO is now the Reliability Coordinator of record for the agency.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would retroactively authorize the San Francisco Public Utilities Commission (SFPUC) to enter into an agreement with the California Independent System Operator (CAISO) for services similar to those now provided by Peak Reliability: (1) Reliability Coordinator services, and (2) Hosted Advanced Network Application services³ for an initial term of 18 months from January 7, 2019 through July 6, 2020, with automatic annual renewals for a total projected term of 20 years and a total not to exceed amount of \$3,000,000 for the twenty year term, or an average cost of \$150,000 per year. This represents an increase of approximately \$5,000 per year compared to the cost of services now provided by Peak Reliability: \$90,000 per year Hosted Advanced Applications and approximately \$55,000 for Reliability Coordinator services, or a total of approximately \$145,000.

The proposed ordinance would also waive Administrative Code Section 21.9(b), which states that departments are prohibited from entering into contracts involving expenditure of City funds with provisions that would automatically renew the contract term without further action by the City. According to Mr. Christopher Whitmore, Local Policy Analyst for SFPUC, the agreement with CAISO includes a provision for automatic renewal that was non-negotiable according to the Federal Energy Regulatory Commission which establishes rates to be charged by CAISO.

Retroactive Approval

According to Ms. Cheryl Sperry, Administrative Services Manager, Hetch Hetchy Water and Power, the SFPUC executed the contract on January 7, 2019 in order to participate in the confidential training and data sharing available to the first wave of customers transitioning from Peak Reliability to CAISO. The second wave of transitions will occur in December 2019, one month after Peak Reliability ends service in November 2019. According to Ms. Sperry,

³ CAISO will support reliability coordination services through internet-based applications (rather than local software).

waiting until the second wave of transitions would have put the SFPUC out of compliance with federally mandated NERC electric reliability standards and subject to substantial fines by the Western Electricity Coordinating Council.

Parallel Service

As of July 1, 2019, CAISO became the SFPUC's Reliability Coordinator of record. However, according to Ms. Sperry, CAISO's real-time contingency analysis tool will not have the full functionality required for compliance with the Federal Energy Regulatory Commission's standards until after November 2019. Therefore, Hetch Hetchy Water and Power will continue to use Peak Reliability until the end of November 2019 and will engage and pay CAISO in full for services during the same five-month period. During this period of time, CAISO will be responsible for all reliability issues including operating instructions and approval of mitigation actions for exceedances of system operating limits, grid messaging, and outage coordination. Peak Reliability's services will be limited to the provision of the real-time contingency analysis tool.

FISCAL IMPACT

The SFPUC paid Peak Reliability \$90,000 on January 1, 2019 for Hosted Advanced Applications for the entire calendar year. Hosted Advanced Network Application services from Peak Reliability will continue until November 2019, when Peak Reliability will discontinue providing these services. The SFPUC anticipates a pro-rated refund for the month of December 2019 from Peak Reliability in the amount of \$7,500. In addition, the SFPUC is currently paying Peak Reliability approximately \$55,060 per year for Reliability Coordinator services through November 2019. These services are paid on an ongoing basis. Total costs of Peak Reliability's services are thus approximately \$145,000 per year, less \$7,500 for December.

As of April 17th, 2019, the SFPUC estimates that it will pay CAISO \$150,000 per year for Reliability Coordinator services and a Hosted Advanced Network Application services, or \$5,000 more per year than it is paying Peak Reliability for the same services. The rates associated with Reliability Coordinator services are set by the Federal Energy Regulatory Commission, and therefore cannot be negotiated. The estimated cost is composed of a Reliability Coordinator service charge (approximately \$24,000) and the hosted advanced network application (approximately \$126,000). The funds to pay CAISO will be coming from the Hetch Hetchy Water and Power Operating and Programmatic Budgets.

Because of overlap in contract terms, SFPUC will be paying both Peak Reliability and CAISO for some services for a portion of 2019. SFPUC staff report that waiting to engage CAISO until Peak Reliability has completed their term will result in the department being out of compliance with legally required NERC electric reliability requirements and subject to substantial fines.

RECOMMENDATION

Approve the proposed ordinance.

<p>Item 12 File 19-0672</p>	<p>Department: Department of Public Health (DPH)</p>
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the second amendment to the agreement between the Department of Public Health (DPH) and Richmond Area Multi-Services, Inc. (RAMS) for behavioral health services through peer-to-peer programs, extending the contract by one year beginning July 1, 2020 for a total agreement term of July 1, 2015 to June 30, 2021 and increasing the contract amount by \$9,340,596 from \$19,047,465 to a total amount not to exceed \$28,388,060.

Key Points

- Following a competitive bidding process, DPH entered into an agreement with RAMS for behavioral health services through peer-to-peer programs on June 23, 2015, for an original contract term of July 1, 2015 to December 31, 2017 and a total not-to-exceed amount of \$9,218,339.
- On January 9, 2018, the Board of Supervisors approved Amendment No. 1 to the contract to extend the contract term through June 30, 2020 and increase the total not-to-exceed amount to \$19,047,465. Subsequently, the Department modified the contract within the total not-to-exceed amount to add expanded programming. Funding was redirected from other contracts with RAMS to cover all peer to peer services under one contract.
- The proposed resolution would allow ongoing funding for the baseline and expanded services that RAMS is providing under its current contract and additional peer to peer services being provided by RAMS under separate contracts, including Peer Linkage, vocation-related services for Transitional Aged Youth, and a program to assist clients transitioning from Intensive Case Management.

Fiscal Impact

- Actual expenditures under the original contract were \$7,332,497 or approximately \$1.9 million less than the approved maximum of \$9,218,339. However, under the existing contract as amended in January 2018, actual and projected expenditures through June 30, 2020 will exceed the maximum amount approved and the carryover balance from the original contract by approximately \$2 million due to the expansion of services authorized by the Department after the first amendment to the contract had been approved by the Board of Supervisors. This resolution would authorize \$9,340,596 in increased funding and allow RAMS to continue spending at the projected rate for the current term through June 30, 2020 and for one additional year through June 30, 2021. The majority of contract expenditures are paid for by California’s Mental Health Services Act (MHSA) revenues. All services/programs that are and would be added to the contract through the proposed amendment are fully funded.

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

The Department of Public Health (DPH) provides health and behavioral services through approximately 151 Community-Based Organizations as well as civil service clinics. Included in these services are 10 peer-to-peer support programs, which DPH administers in partnership with six contracted independent agencies. DPH defines peers as individuals with personally-lived experience of mental illness who are either consumers of mental health and/or substance abuse treatment services, former consumers of mental health and/or substance abuse treatment services, or family members or significant others of consumers.

In 2014, DPH selected Richmond Area Multi-Services (RAMS) through a competitive bidding process to provide behavioral health services to adults and older adults in the Department's Behavioral Health programs and clinics through peer-to-peer programs, including, peer-to-peer outreach, peer counseling, peer internships, and peer specialist certificate programs. RAMS was evaluated and selected as the most qualified provider by a panel comprised of DPH staff and other City agency representatives with expertise in behavioral health. Following negotiations, DPH and RAMS entered into a contract for the term of July 1, 2015 to December 31, 2017 with a total not to exceed amount of \$9,218,339.

On January 9, 2018, the San Francisco Board of Supervisors retroactively approved the first amendment to the contract, which extended the original agreement by two years and six months, for a revised term of July 1, 2015 to June 30, 2020, and increased the total not to exceed amount by \$9,829,126, or from \$9,218,339 to \$19,047,465.

Subsequent to the Board of Supervisors approval of the first amendment to the contract, RAMS was awarded funding through competitive bidding processes for two additional solicitations for peer-to-peer services (RFQs 15-2017 and 22-2018). Instead of separate agreements, these new services were added to the current contract, expanding the scope of services provided to Transitional Aged Youth by RAMS beyond what was included in the amended contract approved by the Board of Supervisors in 2018. Approximately \$3.2 million in funding authorized for these new services under new Requests for Qualifications --- will contribute be used to pay RAMS for these new services. In addition, \$342,443- in funding from a separate DPH contract with RAMS was transferred to the subject contract to further consolidate peer-to-peer programming provided by RAMS in one contract. The resulting contract increase was not subject to approval by the Board of Supervisors because the contract remained within the approved not-to-exceed contract value of \$19,047,465. The existing contract with RAMS covering Vocational services being transferred to the subject contract has not been terminated.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the second amendment to the contract between DPH and RAMS for behavioral health services through peer-to-peer programs. This amendment would (1) increase the contract amount by \$9,340,596 from \$19,047,465 to a total amount not to exceed \$28,388,060 for a two year period, and (2) extend the term by one year beginning July 1, 2020, for a total agreement term of July 1, 2015 through June 30, 2021. Table 1 summarizes the history of the contract and its past and proposed amendments.

Table 1: Summary of Past and Proposed Amendments, 2015 - Present

Date	Item	Term	Change	Amount	Change
06/2015	Original contract	7/1/15 – 12/31/17	--	\$9,218,339	--
12/2017	1 st amendment	7/1/15 – 6/31/20	+ 3 years	\$19,047,465	+ \$9,829,126
07/2019 (proposed)	2 nd amendment	7/1/15 – 6/30/21	+ 1 year	\$28,388,060	+ \$9,340,595

The proposed amendment would support the continuation of the baseline and expanded scope of peer-to-peer programming by authorizing additional expenditure authority for FY 2019-2020 and a proposed one year contract extension in FY 2020-2021. Without the additional funding, the Department reports it would not be able to maintain its current service level through FY 2020-2021.

The specific services that are new and being provided by RAMS since the Board of Supervisors previously approved Amendment #1 to this contract include:

- A Transitional Aged Youth (TAY) Leaders Certificate Program, which prepares participants with the basic skills and knowledge necessary to obtain entry-level employment in the behavioral health field through training, supervision support, job coaching, retention services and peer-based support. Funding for this program began in FY 2018-19, as a result of a funding award under RFQ 15-2017.
- A TAY Leaders Employment Program, which provides a job pipeline for individuals who complete the TAY Leaders Certificate by helping them identify behavioral health service employment opportunities across TAY System of Care partner sites. Funding for this program began in FY 2018-19 as the result of a funding award under RFQ 15-2017
- An Intensive Case Management/Full-Service Partnership to Outpatient Transition program, which will support behavioral health clients transitioning from intensive case management programs to an appointment-based outpatient clinic with the support of a peer-based transition team. Funding for this program began in FY 2018-19 as a result of a funding award under RFQ22-2018

- A Peer-to-Peer Linkage program, awarded under RFQ 18-2014, was transferred to the subject contract from a separate RAMS Vocational Services contract, approved by the Board of Supervisors in FY 2017-18

Prior to the proposed expiration of the contract on June 30, 2021, DPH will issue a new competitive RFQ for all expiring services covered under the existing contract and the proposed resolution. If RAMS is not selected to continue providing services under the new RFQ, then a separate, smaller contract with RAMS covering only the TAY Leaders Certificate Program, the TAY Leaders Employment Program, and the Intensive Case Management/Full Service Partnership to Outpatient Transition program will be issued, based on the existing solicitation authority governing each of these programs.

FISCAL IMPACT

Less than 1% of contract expenditures in the existing contract and the proposed resolution are paid for by the General Fund. The majority of contract expenditures are paid for by California's Mental Health Services Act (MHSA).

As shown in Table 2 below, actual expenditures as of June 30, 2018 are \$9,164,623.00 and projected expenditures under the existing contract and proposed extension (including 12% contingency) are \$19,223,436.88, for a combined total of \$28,388,060.00. As can be seen in Table 1, average spending per year increased in FY 2018-2019 and will continue at a higher level through the end of the term in June 2021. This reflects increased services provided starting in FY 2018-2019 under the existing contract.

Table 2: Actual and Projected Expenditures

Actual Expenditures	Amount	Average per Year
July 1, 2015 - October 31, 2017	\$ 6,809,735.00	
November 1, 2017 - December 31, 2017	\$ 577,782	
January 1, 2018 - June 30, 2018	\$ 1,831,676.00	
Subtotal Actual Expenditures	\$ 9,164,623.00	
Projected Expenditures		
July 1, 2018 - June 30, 2019 (estimate, existing contract)	\$ 5,920,386.00	
July 1, 2019 - June 30, 2020 (estimate, existing contract)	\$ 5,932,695.00	
July 1, 2020 - June 30, 2021 (estimate, proposed amendment)	\$ 5,945,029.00	
12% Contingency*	\$ 1,425,326.88	
Subtotal Projected Expenditures	\$ 19,223,436.88	\$6,407,812
Total Actual and Projected Expenditures	\$ 28,388,060.00	

* 12% of FY 2019-20 and FY 2020-21 summed amount

As shown in Table 3 below, through the original contract term ending December 31, 2017, actual expenditures were less than anticipated and allowed for in the original contract. However, under the first amended contract, between January 2018 and projected through June 30, 2020, the period when services were enhanced, actual and anticipated expenditures will exceed the amount approved and the unspent balance from the first contract term. Approval of

the proposed resolution will provide funding to cover all anticipated FY 2019-2020 expenditures as well as one additional year, FY 2020-2021.

Table 3: Actual and Projected Expenditures versus Approved Expenditures

Time Period	Contract	Amount Approved	Actual/Projected	End Balance/Carry-over
7/1/15 - 12-/31/17	Original	\$9,218,339	\$7,332,497	\$1,885,842
1/1/18 - 6/30/20	Amendment #1	\$9,829,126	\$13,684,757	(\$1,969,789)
7/1/19 - 6/30/21	Amendment #2	\$9,340,596	\$7,370,807	-

Increased expenditures reflect the addition of programs/services to the contract and the cost of the one year contract extension. As stated above, the additional programs and services added in FY 2018-19 have already been provided.

All programs/services that would be transferred to subject contract under the proposed resolution and maintained through the one year contract extension are fully funded.

RECOMMENDATION

Approve the proposed resolution.

<p>Item 13 File 19-0579</p>	<p>Department: General Services Agency - Department of Public Works (DPW)</p>
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EXECUTIVE SUMMARY

Legislative Objectives

The proposed resolution (1) approves a revenue agreement between Public Works and JC Decaux for an automatic public toilet and public service kiosk program with anticipated revenues of over \$12,950,000 over a term of 21.5 years commencing July 1, 2019; and (2) affirms the Planning Department’s determination under the California Environmental Quality Act.

Key Points

- Since 1994, JC Decaux has owned and maintained 25 public toilets and 114 advertising kiosks under an agreement with Public Works.
- Public Works is seeking to replace the public toilets, which have been in place since the 1990s, and to expand potential lease options for the kiosks.
- In mid-2015, Public Works issued an RFP for the program and received three bids, but the bids could not be evaluated due to a lack of clarity in the RFP. In April 2016, Public Works re-issued a revised RFP and JC Decaux was the only responsive bidder.

Fiscal Impact

- In 2018, Public Works received a total of \$599,263 in fees and revenues from JC Decaux under the existing agreement. In 2019, the City will incur General Fund costs of \$2,402,223 for service attendants to monitor activities at 12 of the 25 public toilets. As a result, Public Works’ net revenues from the current arrangement are negative amounts.
- Public Works is projected to receive approximately \$13,480,000 in revenues and fees over the 21.5-year term of the agreement. Since the City would provide attendant services for 12 public toilets in the first year of the agreement at a cost of approximately \$2.4 million and at 1 public toilet for the remainder of the term at a cost of approximately \$200,000 per year, the City’s net revenues would total approximately \$6,980,000 or an average of \$324,419 per year.

Recommendation

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

MANDATE STATEMENT

City Charter Section 9.118(a) states that contracts entered into by a department, board, or commission that (i) have anticipated revenues of \$1 million or more, or (ii) have anticipated revenues of \$1 million or more and require modifications, are subject to Board of Supervisors approval.

BACKGROUND

In 1994, San Francisco Public Works (Public Works) and JC Decaux San Francisco, LLC (JC Decaux) entered into an agreement for a public toilet and public service kiosk pilot program. Under the agreement, JC Decaux installs, owns, and maintains the toilets and kiosks, in exchange for the right to sell advertisements. In December 1998, the Board of Supervisors approved an expansion of the agreement (File No. 98-1599) beyond the pilot phase, extending the term through October 17, 2016. The Board of Supervisors subsequently approved four additional amendments to the agreement¹, extending the term through January 25, 2019.

Public Works issued a Request for Proposals (RFP) in mid-2015 for vendors to continue the program and received three bids: JC Decaux, Intersection, and Clear Channel. However, because the RFP lacked clarity, the bids could not be evaluated. As a result, Public Works rejected all bids. On April 29, 2016, Public Works re-advertised the revised RFP, and JC Decaux was the only responsive bidder.

According to Ms. Julia Dawson, Deputy Director of Finance and Administration at Public Works, Public Works is seeking to replace the public toilets, which have been in place since the 1990s, and to expand potential lease options for the kiosks. According to Ms. Dawson, currently the kiosks can only be leased as newsstands, which have decreased in use substantially over the term of the existing agreement.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (1) approves a revenue agreement between Public Works and JC Decaux for an automatic public toilet and public service kiosk program with anticipated revenues of over \$12,950,000 over a term of 21.5 years commencing July 1, 2019; and (2) affirms the Planning Department's determination under the California Environmental Quality Act.

Under the proposed agreement, JC Decaux will maintain and operate automatic public toilets free of charge for the public on public right of ways and public land, replace and upgrade all 25 existing and approved automatic public toilets with a new design, compensate the City in the form of guaranteed fee payments and potential payments tied to gross advertising revenue, display public service messages, and provide 48,180 hours of attendant services annually in exchange for the right to operate up to 114 advertising kiosks on public right of ways, replace

¹ Second Amendment (File 16-1019; Resolution No. 447-16); Third Amendment (File 17-0994; Resolution No. 409-17); Fourth Amendment (File 18-0135; Resolution No. 106-18); Fifth Amendment (File 18-0964; Resolution No. 386-18).

and upgrade 114 existing advertising kiosks, and add digital screens to its current advertising program over the course of a 21.5 year term.

FISCAL IMPACT

Under the existing agreement with JC Decaux, Public Works receives both an annual base fee and 7 percent of advertising revenue each calendar year. The base fee was \$25,000 at the beginning of the agreement in 1998 and has been adjusted annually based on the Consumer Price Index (CPI), to the most recent amount of \$45,460 in 2019. In 2018, the total advertising revenue was \$7,911,475, and the revenue share paid to Public Works was approximately \$553,803. Between the base fee and the revenue share, Public Works received \$599,263 in total in 2018. Public Works currently pays for service attendants to monitor activities at 12 of the 25 public toilets using General Fund monies at a General Fund cost to the City of \$2,402,223 in calendar year 2019. JC Decaux currently provides maintenance services for the public toilets and would continue to provide maintenance services under the proposed agreement. As a result, Public Works' net revenues from the current arrangement are negative amounts since the attendant costs exceed the base fee and advertising revenue share.

Under the proposed agreement, there would be a 1.5-year transition period during which time JC Decaux would build out the new public toilets and kiosks at an estimated cost to JC Decaux of approximately \$28.3 million. During this period, Public Works would receive (1) a one-time payment of \$1,500,000; (2) a non-advertising percentage fee of 50 percent of non-advertising revenue², if any, from leasing space on or inside the public service kiosk or public toilet; (3) an annual administrative fee of \$275,000 beginning on the first anniversary of the start date; and (4) an advertising revenue percentage fee of 50 percent on revenue earned by JC Decaux above the threshold amount of \$16,000,000 per year. As shown in Table 1 below, Public Works is projected to receive \$1,775,000 during the 1.5-year transition period, since the gross advertising revenue is projected to be below the threshold amount of \$16,000,000 and any non-advertising revenue would be generated after the new public toilets and kiosks are installed.

Following the transition period, for the remaining 20 years of the agreement term, Public Works would receive (1) an annual administrative fee of \$275,000, adjusted annually by CPI; (2) in-kind attendant services of up to \$2,125,000 per year³, adjusted annually by CPI, which is the equivalent of 11 locations; (3) an advertising revenue percentage fee of 50 percent on revenue generated above the threshold amount of \$16,000,000 per year, adjusted by CPI annually beginning in the sixth contract year; and (4) a non-advertising percentage fee of 50 percent of non-advertising revenue from leasing space on or inside the public service kiosk or public toilet.

² According to Ms. Dawson, the options for non-advertising revenue under the proposed agreement are broader than under the existing agreement. For example, Ms. Dawson reports that JC Decaux has been approached by telecommunications carriers interested in placing repeater devices on the public toilets and kiosks, which is not allowed under the existing agreement and would be allowed under the proposed agreement.

³ The proposed agreement provides an option for the City to receive a service fee in cash if the City determines that a decreased amount of attendant services are needed at the public toilets, with the amount determined by mutual agreement between JC Decaux and Public Works.

As shown in Table 1 below, Public Works is projected to receive approximately \$13,480,000 in revenues and fees over the 21.5-year term of the agreement. Since the City would provide attendant services for 12 public toilets in the first year of the agreement at a cost of approximately \$2.4 million and at 1 public toilet for the remainder of the term at a cost of approximately \$200,000 per year, the City's net revenues would total approximately \$6,980,000 or an average of \$324,419 per year. If the assumptions shown in Table 1 are realized, Public Works would begin receiving positive net revenues for the program in Year 2, unlike the current arrangement which is costing the department more than it is receiving in revenues.

Table 1: Projected Annual Revenues Less Service Costs (\$ in millions)

Description	Baseline ^a	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22 (half)	Total
Gross Advertising Revenue	8.50	8.93	9.80	10.98	12.29	13.65	15.01	16.21	17.22	17.90	18.44	18.99	19.56	20.15	20.76	21.38	22.02	22.68	23.36	24.06	24.78	25.53	12.77	
Year-over-year % change		5%	10%	12%	12%	11%	10%	8%	6%	4%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%		
City Revenues and Fees																								
City Advertising Revenue Share ^b	0.60								0.12	0.21	0.22	0.22	0.23	0.24	0.24	0.25	0.26	0.27	0.27	0.28	0.29	0.30	0.15	3.55
City Non-Advertising Revenue ^c			0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.52
Administrative Fee ^d	0.04	0.28	0.28	0.28	0.29	0.30	0.31	0.32	0.33	0.34	0.35	0.36	0.37	0.38	0.39	0.40	0.42	0.43	0.44	0.45	0.47	0.48	0.24	7.91
One-Time Payment		1.50																						1.50
Total City Revenue and Fees	0.64	1.78	0.30	0.30	0.31	0.32	0.33	0.34	0.47	0.57	0.59	0.60	0.63	0.65	0.66	0.68	0.71	0.73	0.74	0.76	0.79	0.81	0.41	13.48
City Expenditures																								
Attendant Services ^d	(2.40)	(2.40)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)	(6.50)
City Net Revenue	(1.76)	(0.62)	0.30	0.30	0.31	0.32	0.33	0.34	0.47	0.57	0.59	0.60	0.63	0.65	0.66	0.68	0.71	0.73	0.74	0.76	0.79	0.81	0.41	6.98

^a Represents the current calendar year revenues, fees, and expenditures under the existing agreement.
^b Assumes that the threshold amount of \$16,000,000 will increase by 3 percent each year beginning in Year 6. Actual CPI adjustments to the threshold amount will vary.
^c Assumes that non-advertising revenues will be generated after the transition period and will increase by 3 percent each year. Actual annual non-advertising revenue changes will vary.
^d Assumes that the administrative fee of \$275,000 will increase by 3 percent each year. Actual CPI adjustments to the administrative fee will vary.
^d Subject to future Board of Supervisors appropriation approval.

RECOMMENDATION

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

Item 15 File 19-0709	Department: Health Service System (HSS)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would approve the Health Service System’s health, vision, and dental plans as well as life insurance and long-term disability insurance plans and contribution rates for calendar year 2020. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The SFHSS administers non-pension benefits, including health, vision, dental and other benefits, such as life and long-term disability insurance. The Health Service Board adopts the annual health, vision, dental and other insurance plans, and the respective plan premiums and premium equivalents to be paid by SFHSS employers and members. • The Health Service Board is required to conduct a survey of the 10 most populous California counties each year to determine the average of the health premium contributions made by these counties. Based on this survey, the average employer contribution for calendar year 2020 is \$705.92 per member per month, which is \$33.84 or approximately five percent more than the 10-county average monthly contribution of \$672.08 in 2019. • Compared to 2019 rates, the total 2020 City health premium amounts are proposed to (a) increase by \$21.3 million or 6.5 percent for Kaiser, (b) increase by \$5.4 million or 1.9 percent for Blue Shield, and (c) increase by \$12.1 million or 13.2 percent for UnitedHealthcare (includes City Plan and Medicare Advantage PPO). <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The total estimated cost for the City as employer and total cost of active and retired City employees for health, vision, and dental plans, as well as long-term disability and life insurance, will be \$802,119,041 in 2020, which is a \$35,239,842 or 4.6 percent increase from \$766,879,199 in 2019. • The total estimated costs for the health, vision, and dental plans, as well as long-term disability and life insurance for the City as employer in 2020 is \$709,615,111 which is a \$31,220,973 or 4.6 percent increase from \$678,394,138 in 2019. • The balance of the estimated total cost for 2020 that will be paid by employees and retirees is \$92,503,930 or 4.5 percent more than the 2019 costs of \$88,485,061. According to SFHSS, average contributions for members and retirees for medical will be \$129.66 per member per month in 2020. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance. 	

MANDATE STATEMENT

City Charter Section A8.423 states that the Health Service Board is required to conduct a survey of the 10 most populous California counties, excluding San Francisco, to determine the average contribution made by each county toward health plan premiums for employees, excluding dental plan premiums. The Health Service Board is then required to certify to the Board of Supervisors the average contribution as determined by this survey. City Charter Section A8.428 also requires the City to contribute to the Health Service System Trust Fund to pay the costs of health plan premiums.

BACKGROUND

The Health Service Board oversees the San Francisco Health Service System (SFHSS). The SFHSS administers non-pension benefits, including health, vision, dental and other benefits, such as life and long-term disability insurance. The Health Service Board adopts the annual health, vision, dental and other insurance plans, and the respective plan premiums and premium equivalents to be paid by SFHSS employers and members.

- SFHSS employers consist of the City and County of San Francisco (City), the San Francisco Unified School District (SFUSD), the San Francisco Community College District (SFCCD), and the San Francisco Superior Court (Superior Court).
- SFHSS members are active and retired employees of the above noted employers, their dependents, and members of eligible boards and commissions. Dependents include children, spouses, domestic partners, surviving spouses of deceased members, and other legal dependents.

City and Employee Contribution Models

Most contribution formulas for City employees negotiated as part of their labor agreements fall into the following two percentage-based employee premium contribution models:

- Under the '93/93/83 Contribution Model', the City contributes up to 93 percent of the total health insurance premium for employee-only and employee plus one dependent coverage, capped at 93 percent of the second-highest cost plan. The City also contributes up to 83 percent of the total health insurance premium for employees with two or more dependents, capped at 83 percent of the second-highest cost plan. According to SFHSS, there are 16,767 members (excluding dependents) who are covered by this contribution model.
- Under the '100/96/83 Contribution Model', the City contributes 100 percent of total health insurance premiums for employee-only coverage. The City contributes up to 96 percent of the total health insurance premiums for employees with one dependent, capped at 96 percent of the second-highest cost plan. The City also contributes up to 83 percent of the total health insurance premium for employees with two or more dependents, capped at 83 percent of the second-highest cost plan. According to SFHSS,

there are 12,317 members (excluding dependents) who are covered by this contribution model.

10-County Survey Average

- The 10-county survey average is used as a basis for calculating the employer contribution to the monthly health plan premium for all retirees. Based on the survey, the 10-county average employer contribution for calendar year 2020 is \$705.92 per member per month. In June 2014, the impact of the “average contribution” on rates was eliminated in the calculation of premiums for almost all active employees represented by most unions, in exchange for a percentage-based employee premium contribution model. Presently, SFHSS utilizes the 10-County Survey amount as one of the elements that determine SFHSS employer contributions for retirees. In the event the premium is higher than the 10-county “average contribution”, the City will pay the “average contribution” amount up to the maximum percentage of premium cost stipulated in the employee agreements and described above. In the event the premium is less than the “average contribution,” the City will pay one hundred percent (100%) of the premium. The \$705.92 average contribution per month paid by the City is \$33.84 or approximately five percent more than the average monthly contribution of \$672.08 in 2019.

Health Service System Trust Fund

- Under Charter Section A8.428, employer and SFHSS member contributions to health plan premiums are deposited in the Health Service System Trust Fund. As of June 2018, the Health Service System Trust Fund balance was \$77,448,823.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would approve the San Francisco Health Service System’s health, vision, and dental plans as well as life insurance and long-term disability insurance plans and contribution rates for calendar year 2020. The total cost of the plans would be \$802,119,041, or 4.6 percent more than the \$766,879,199 costs in 2019. Of the total, the City’s costs would be \$709,615,111, with the balance of \$92,503,930 paid by employees and retirees. Table 1 below provides a summary of health insurance costs for 2020.

On June 13, 2019, the Health Service Board concluded the approval of the following health, vision, dental, life and long-term disability insurance plans and premiums for the period from January 1, 2020 through December 31, 2020.

Health Plans and Premiums

Kaiser Permanente HMO¹

Kaiser Permanente (Kaiser) covers active, early retirees and Medicare retirees. The total Kaiser HMO premium amounts paid by the City as employer and active and retired City employees are

¹ A HMO (Health Maintenance Organization) offers care through a closed panel of providers, in which members select a primary care physician, who manages their care. The HMOs pay the medical groups on a per capita basis.

\$21.3 million, or 6.5 percent more in CY 2020 than in CY 2019. These amounts are shown in Table 1 below. There is one Kaiser plan design change approved by the Health Service Board for active employees and early retirees for 2020. The subset of current infertility related services that are covered for a \$20 copay in 2019 will move to a 50 percent coinsurance member cost-share in 2020. This aligns the benefit coverage level for all plans for infertility related services, and is a change mandated by Kaiser.

The Kaiser Medicare plan has one plan enhancement that was approved by the Health Service Board for 2020. A new transportation benefit of up to 24 one-way rides per year (50 miles maximum per ride) will be offered in 2020 to support member health care appointment and facility post-discharge transportation needs. This is currently scheduled to take effect January 1, 2020, though could be delayed depending on vendor set-up status through Kaiser.

Blue Shield California HMOs

The total Blue Shield of California (Blue Shield) Access+ and Trio flex-funded plan premium amounts paid by the City as employer and active and retired City employees are \$5.4 million, or 1.9 percent, more in CY 2020 than in CY 2019. These amounts are shown in Table 1 below. There are two plan design changes approved for the Blue Shield Access+ and Trio plans by the Health Service Board for 2020. In 2020, members will be able to receive (1) an expanded array of vaccines at participating pharmacies, and (2) access for all covered members to a maximum of four nutritional counseling visits annually without a specific diagnosis.

UnitedHealthcare (UHC) City Plan PPO for Active Employees and Early Retirees and UHC Medicare Advantage (MA) PPO²

The City contracts with UnitedHealthcare (UHC) to administer a self-funded health plan for active employees and early retirees³ (the City Plan PPO) and a fully funded plan for Medicare-eligible retirees (UHC Medicare Advantage PPO).

The UHC City Plan PPO is a self-funded plan⁴ administered by UnitedHealthcare (UHC) for active employees and early retirees. One plan design change was approved by the Health Service Board for 2020. The in-network out-of-pocket maximum for families will be reduced from a current amount of \$12,700 to \$7,500. This is expected to have minimal financial impact on the plan's costs, estimated to be only a \$40,000 cost increase by SFHSS staff,⁵ but will benefit families using high levels of care across multiple family members.

² Under a PPO (Preferred Provider Organization), physicians, hospitals, and other providers are in network and paid by the purchaser (through a third party administrator) on a fee for service basis based on negotiated contracts.

³ Retired employees of less than 65 years of age and therefore not eligible for Medicare.

⁴ According to SFHSS, a self-funded plan is where the plan sponsor (SFHSS) pays the claims and takes the risk if the claims are greater than the expectation of what the claims estimates will be.

⁵ This amount represents the incremental costs if the in-network out-of-pocket maximum is \$12,700 instead of \$7,500.

The UHC Medicare Advantage PPO Plan, covers all non-Kaiser Medicare eligible retirees. No plan changes were approved by the Health Service Board for 2020.

In aggregate, the increase in the total UHC Plan premium payments paid by the City as employer and active and retired City employees is \$12.1 million, or 13.2 percent more in CY 2020 than in CY 2019. Active and retired City employees will pay \$1.4 million of the \$12.1 million increase, representing an increase of 9.4 percent in CY 2020 compared to CY 2019, as shown in Table 1 below.

The 13.2 percent aggregate increase for the UHC Plan as a whole costs is higher than the 6.5 and 1.9 percent increases for 2020 for the Kaiser and Blue Shield HMO plans, respectively. According to SFHSS, the UHC City Plan PPO's rate of increase is 10 percent and is more costly due to high utilization of services that cost more, members with a higher risk score, and a smaller number of enrollees (members) compared to the Kaiser and Blue Shield plans. The rate of increase for the UHC Medicare Advantage PPO is 16.5 percent mostly due to Affordable Care Act Health Insurance Tax returning in 2020 after being suspended in 2019. This is the cause of over half of the 16.5% increase in the UHC Medicare Advantage PPO.

According to the City's actuarial consultant, Aon, a factor in the UHC City Plan PPO total premium increase for CY 2020 is the change in the City Plan rate stabilization reserve available to support City Plan total costs. In 2019, the entire rate stabilization reserve balance of \$1,661,000 was applied to 2019 rates to keep them lower than they otherwise would have been. In 2020, the rate stabilization reserve is in a modest deficit position and thus cannot be used to keep rates lower. A \$117,000 rate stabilization deficit buy-up is being applied to 2020 City Plan rates.

Vision Plan

Members enrolled in any of the health plans receive vision benefits through Vision Service Plan (VSP), a third party insurer and a fully-funded plan. The cost of the Basic Plan vision benefit is included in the cost of the medical plan for all monthly health plan premiums.

In 2020, Basic Plan rates will remain at 2019 levels. Consequently, there is no change to the employer cost for VSP vision rates from 2019 to 2020. For 2020, Premier Plan total premium rates are increasing by 4.3 percent from 2019 rate levels. Employees and retirees pay the full premium difference between Premier Plan rates and Basic Plan rates, in the form of member contributions.

For 2020, the projected cost to the City, San Francisco Unified School District (SFUSD), San Francisco Community College District (SFCCD), and the Superior Court for the VSP vision plan is \$5,187,496 of which \$4,158,162 is the City's cost as the employer. The employer portion of vision plan costs will remain constant from 2019 to 2020, as the Basic Plan premiums are not changing from 2019 to 2020.

Dental Plans

SFHSS offers three dental plans, including one PPO (Delta Dental PPO) and two HMOs (Delta Care USA and UnitedHealthcare Dental). The City pays part of the cost of dental benefits for

active employees enrolled in the Delta Dental PPO and the full cost of the dental HMOs for active employees, while retirees pay the full cost of their dental plans.

There were no plan design changes to the active employee Delta Dental PPO plan, and the two dental HMOs for active employees and retirees, from 2019 to 2020. The following design changes were approved by the Health Service Board for the 2020 Delta Dental Retiree PPO plan:

- PPO network design: increase plan-paid coinsurance for services provided by PPO providers currently covered at 50 percent, to 60 percent—including crown, denture, pontic⁶, bridge, and endodontic/root canal services (coinsurance for these services would remain at 50 percent for services provided by Premier and out-of-network providers)
- Premier network and out-of-network design: increase the individual member deductible paid for services (other than diagnostic and preventive care) delivered by a Premier provider or out-of-network provider from \$50 to \$75 annually. There is no change to the family maximum deductible of \$150.

For plan year 2020, the City will contribute: (1) the total premium toward each of the dental HMO plans for active employees, and (2) the monthly premium minus employee contributions ranging from \$5.00 to \$15.00 per month for the self-funded Dental PPO plan. Member contributions for the three dental plans remain unchanged from the 2019 plan year.

The City's employer and member premium contributions for the dental PPO plan are expected to decrease by \$2.4 million, or 5.2 percent, to \$43.5 million in plan year 2020, as shown in Table 1 below. The decrease is due to a combination of recent favorable experience for active employees and the availability of \$7.0 million in dental PPO rate stabilization reserve balance funds to be applied towards the premiums.

Life and Long-Term Disability Insurance

In late 2017, The Hartford Life and Accident Insurance Company acquired the group life and disability business of Aetna Group Insurance. Consequently, Hartford is the insuring entity for the SFHSS life and disability insurance plans starting in 2020 and thereafter. SFHSS will continue to contract with The Hartford Life and Accident Insurance Company for life and long-term disability insurance in 2020.

In aggregate, the rates decreased by approximately 12 percent from 2019 to 2020. Basic life insurance (employer paid) increased by 42.5 percent, supplemental life insurance (member paid) decreased by 15 percent, and long-term disability insurance (employer paid) premiums decreased by 20 percent. Rates are now locked for three years, from January 1, 2020 through December 31, 2022.

Second Opinion Benefit

An external second opinion service was implemented by SFHSS effective January 1, 2017. Upon review by SFHSS and the Health Service Board, this external second opinion services will be

⁶ The artificial tooth that replaces a missing natural tooth.

discontinued for the 2020 plan year, upon expiration of the current three-year agreement on December 31, 2019. SFHSS will promote information from each health plan to support members in seeking second medical opinions within the health plans.

Federal Affordable Care Act Requirements

In 2010, the Patient Protection and Affordable Care Act (also known as the Affordable Care Act) created a Health Insurance Tax (HIT) and two direct fees were passed through to employers – the Transitional Reinsurance Fee (TRF) and the Patient Centered Outcomes Research Institute (PCORI) Fee. The TRF and PCORI fees have now expired, and as of June 2019 will not apply in 2020 or future years. The TRF expired after the 2016 plan year, and SFHSS will be making its final PCORI payment (for the UHC City Plan) by July 31, 2019.

The Health Insurance Tax (HIT) impacts most fully insured health plans offered through SFHSS, including dental and vision plans. This tax has applied most years since the Affordable Care Act became law, though the federal government waived this fee for the 2017 and 2019 plan years. As of June 2019, the HIT is scheduled to return for the 2020 plan year for most SFHSS fully insured health plans. HIT does not apply to the BSC plans⁷ (based on a prior California Department of Managed Health Care ruling). The HIT also applies to the Kaiser Permanente (Kaiser) Senior Advantage (KPSA) Medicare HMO plan but Kaiser reports to SFHSS staff that it does not pass this fee on in its Kaiser Permanente Senior Advantage rates.

FISCAL IMPACT

2020 Total City Costs

As shown in Table 1 below, the total estimated cost for the City as employer and total cost of active and retired City employees for health, vision, and dental plans, as well as long-term disability and life insurance, will be \$802,119,041 in 2020, which is a \$35,239,842 or a 4.6 percent increase from \$766,879,199 in 2019. The total estimated costs for the health, vision, and dental plans, as well as long-term disability and life insurance, for the City as employer in 2020 is \$709,615,111 which is a \$31,220,973 or 4.6 percent increase from \$678,394,138 in 2019. The estimated total cost for medical for 2020 that will be paid by employees and retirees is \$88,050,190, or 4.93 percent more than the 2019 costs of \$83,912,325. According to SFHSS, average contributions for members and retirees for medical will be \$129.66 per member per month in 2020. SFHSS staff cautions that there is great variation in member contributions based on the plans selected, status, and characteristics of each member.

⁷ Blue Shield plans include Access+ and Trio flex-funded plans which includes the following for 2019: No annual deductible, \$200 copay (per admission) for the hospital (inpatient), \$100 copay (waived if admitted) for the emergency room, \$50 copay for ambulance services, \$25 copay for office visits, \$25 copay (in-network) for urgent care, retail prescriptions (30-day supply) - \$10 (generic), \$25 (brand), \$50 (non-formulary), mail order prescriptions (90-day supply) - \$20 (generic), \$50 (brand), \$100 (non-formulary), 50% (in-network) infertility treatment, \$15 copay (limit 30 visits per year) for acupuncture, \$15 copay (limit 30 visits per year) for chiropractic needs.

Table 1: Total Plan Costs for the City, Employees and Retirees in 2020 Compared to 2019 Current Membership⁸

	2019	2020	Increase / (Decrease)	Percent Change
City Costs Only				
Kaiser HMO	\$294,853,098	\$313,794,243	\$18,941,146	6.42%
Blue Shield HMO	\$256,365,928	\$261,480,408	\$5,114,480	1.99%
City Plan	\$76,097,757	\$86,704,703	\$10,606,946	13.94%
Subtotal Health and Vision Plan	\$627,316,783	\$661,979,355	\$34,662,571	5.53%
Dental	\$42,167,554	\$39,776,717	(\$2,390,837)	-5.67%
Long Term Disability and Life Insurance	\$8,909,800	\$7,859,039	(\$1,050,761)	-11.79%
Total City Costs	\$678,394,138	\$709,615,111	\$31,220,973	4.60%
Employee and Retiree Costs Only				
Kaiser HMO	\$35,532,645	\$37,903,587	\$2,370,942	6.67%
Blue Shield HMO	\$32,955,304	\$33,276,992	\$321,688	0.98%
City Plan	\$15,424,377	\$16,869,611	\$1,445,234	9.37%
Subtotal Health and Vision Plan	\$83,912,325	\$88,050,190	\$4,137,865	4.93%
Dental	\$3,696,780	\$3,696,780	\$0	0.00%
Long Term Disability and Life Insurance	\$875,956	\$756,960	(\$118,996)	-13.58%
Total Employee and Retiree Costs	\$88,485,061	\$92,503,930	\$4,018,869	4.54%
Total Costs				
Kaiser HMO	\$330,385,743	\$351,697,830	\$21,312,088	6.45%
Blue Shield HMO	\$289,321,232	\$294,757,400	\$5,436,168	1.88%
City Plan	\$91,522,134	\$103,574,314	\$12,052,180	13.17%
Subtotal Health and Vision Plans	\$711,229,109	\$750,029,544	\$38,800,436	5.46%
Dental	\$45,864,334	\$43,473,497	(\$2,390,837)	-5.21%
Long Term Disability and Life Insurance	\$9,785,756	\$8,615,999	(\$1,169,357)	-11.95%
Total Costs	\$766,879,199	\$802,119,041	\$35,239,842	4.60%

Source: San Francisco Health Service System

The employer contribution amounts shown in Table 1 above are included in the FY 2019-20 and FY 2020-21 budgets currently pending before the Board of Supervisors.

RECOMMENDATION

Approve the proposed ordinance.

⁸ According to SFHSS, both 2019 and 2020 forecasted costs are based on the May 2019 headcount.

Item 16 File 19-0733	Department: Mayor's Office of Housing and Community Development
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • Resolution approving and authorizing the Director of Property, on behalf of the Mayor's Office of Housing and Community Development, to acquire real property located at 1515 South Van Ness Avenue from LMC San Francisco I Holdings LLC, for \$19,000,000, inclusive of a deposit in the amount of \$500,000; placing the property under the jurisdiction of the Mayor's Office of Housing and Community Development for use in constructing affordable housing for San Franciscans; adopting findings that the conveyance is consistent with the General Plan, and the eight priority policies of Planning Code Section 101.1; authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of the purchase agreement and this Resolution, as defined herein; assuming a lease and certain service contracts; and affirming the Planning Department's determination under the California Environmental Quality Act. <p>Key Points</p> <ul style="list-style-type: none"> • The Mayor's Office of Housing and Community Development (MOHCD) intends to construct a 100% affordable housing project at 1515 South Van Ness Avenue if purchase of the property is approved by the Board of Supervisors through this proposed resolution. MOHCD staff estimates that the site can accommodate over 150 units of affordable housing, as well as ground floor commercial and/or community space. MOHCD expects to complete the purchase by September 30, 2019, begin construction in Fiscal Year 2022-2023, and complete the project two years after start of construction. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The total purchase price for the 35,714 square foot property at 1515 South Van Ness Avenue is \$19,000,000 for a total purchase price of \$532 per square foot. • MOHCD proposes to use the entirety of a \$5,000,000 grant from the Metropolitan Transportation Commission Affordable Housing Jumpstart Grant Program towards the purchase of 1515 South Van Ness Avenue. MOHCD proposes to fund the remainder of the purchase with \$14,000,000 in General Funds received from the FY 2018-19 Educational Revenue Augmentation Fund (ERAF). • Development costs and funding sources for the proposed housing units are not known at this time. Though an appraisal has been conducted of the property, MOHCD has not provided information on whether they have had an independent appraisal review conducted, as required by the Administrative Code. <p>Recommendation</p> <p>Pending receipt of the required appraisal review for the subject property, approval of the proposed resolution is a policy matter for the Board of Supervisors.</p>	

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 Mayor's Office of Housing and Community Development (MOHCD) is responsible for the funding and development of affordable housing in the City and County of San Francisco. MOHCD has evaluated the property at 1515 South Van Ness Avenue and confirms that it can utilize the property to construct a 100% affordable housing project on the site. The property is located in the Mission Street Neighborhood Commercial Transit zoning district and has been entitled for up to 157 units of housing and 1,074 square feet of retail for the current owner. MOHCD is conducting further analysis to refine a project for the site.

The site is currently occupied by a one-story, vacant commercial property that is 34 feet tall and 31,680 square feet, and was constructed in 1948. An electrical contractor business, McMillan Electric, previously occupied the building. The business has since moved to a new location at 1950 Cesar Chavez Street in San Francisco. The site's zoning will accommodate residential and commercial uses.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would:

(1) Approve and authorize the Director of Property, on behalf of the Mayor's Office of Housing and Community Development, to acquire real property, located at 1515 South Van Ness Avenue from LMC San Francisco I Holdings LLC, for a purchase price of \$19,000,000 inclusive of a deposit in the amount of \$500,000;

(2) Place the property under the jurisdiction of MOHCD for use in constructing affordable housing for San Franciscans;

(3) Adopt findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1;

(4) Authorize the Director of Property to execute documents, make certain modifications, and take certain actions in furtherance of the purchase agreement and this resolution;

(5) Authorize MOHCD to assume a lease and certain service contracts associated with the property; and

(6) Affirm the Planning Department's determination under the California Environmental Quality Act.

MOHCD does not currently have a funding source in place for development of the site but is exploring programming options and anticipates that the site will be developed as family housing. Once the site is acquired, MOHCD will refine programmatic goals as it develops its Request for Qualifications (RFQ) for the site. MOHCD expects to complete the purchase by September 30, 2019, begin construction in FY 2022-2023, and complete the project two years after start of construction.

CEQA and Planning Approvals

On June 18, 2019, the Planning Department determined that the purchase of 1515 South Van Ness Avenue is categorically exempt from the California Environmental Quality Act (CEQA) and is consistent with the City's General Plan and the eight priority policies of Planning Code Section 101.1. Under the proposed resolution the Board of Supervisors would adopt the findings contained in the June 18, 2019 Planning Department documents regarding CEQA, the City's General Plan and Planning Code Section 101.1.

Assumption of Lease

MOHCD may elect to assume an existing lease between Gannett Outdoor Company, Inc. of Northern California ("Gannett") and McMillan Electric Co, Inc. Gannett maintains a three-panel sign structure for outdoor advertisements at 1515 South Van Ness Avenue. The lease was originally executed on June 15, 1993 between Gannett and McMillan Electric. If MOHCD assumes this lease, it would be paid an annual rent of \$1,200 by Gannett.

FISCAL IMPACT

Appraisal Value of Property

Administrative Code Section 23.3 requires an appraisal of the fair market value prior to the Board of Supervisors approval of the City's purchase of real property. If the fair market value is greater than \$200,000, the Administrative Code requires an appraisal review. An appraisal has been conducted and provided to our office but we have not received an appraisal review.

Source of Funding for Acquisition of Property

The total purchase price for the 35,714 square foot parcel at 1515 South Van Ness Avenue is \$19,000,000, inclusive of a deposit in the amount of \$500,000, for a total purchase price of \$532 per square foot. MOHCD is concurrently submitting a Resolution to the Board of Supervisors (File No. 19-0734) for authorization to accept a grant from the Metropolitan Transportation Commission Affordable Housing Jumpstart Grant Program to authorize expending the grant on the purchase of 1515 South Van Ness Avenue. MOHCD proposes using the entirety of the grant of \$5,000,000 to acquire the site, with the remainder of the purchase price of \$14,000,000 covered by the General Fund, specifically using funds received from the FY 2018-2019 Educational Revenue Augmentation Fund (ERAF).

Table 1. Site Acquisition of 1515 South Van Ness Avenue Budget

Sources	
Affordable Housing Jumpstart Program Grant	\$5,000,000
Educational Revenue Augmentation Fund (ERAF)	14,000,000
Total Sources	\$19,000,000
Uses	
Acquisition of Site	\$19,000,000
Total Uses	\$19,000,000

According to Mr. Jonathan Gagen, Project Manager, MOHCD will incur carrying costs to maintain the site until an interim site developer is selected. MOHCD is currently working with the existing owner to develop an estimate of monthly expenses.

According to Mr. Benjamin McCloskey, Deputy Director of Finance and Administration, MOHCD will likely need to provide \$45,000,000 of gap financing to develop affordable housing at 1515 South Van Ness Avenue to meet Jumpstart’s grant requirement that recipients provide a minimum leverage toward total development costs a rate of 9:1. A potential funding source for development of the site could be the proposed Affordable Housing Bond. In addition, MOHCD will also consider inclusionary housing in-lieu fees or Housing Trust Fund sources.

RECOMMENDATION

Pending receipt of the required appraisal review for the subject property, approval of the proposed resolution is a policy matter for the Board of Supervisors.

Item 17 File 19-0734	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"> • Resolution retroactively authorizing the Mayor's Office of Housing and Community Development to accept and expend a grant in the amount of \$5,000,000 from the Metropolitan Transportation Commission for the Affordable Housing Jumpstart Grant Program for the anticipated term of July 1, 2019, through June 30, 2029. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Through its own assessment process, the Metropolitan Transportation Commission (MTC) identified the City and County of San Francisco as a recipient of the Affordable Housing Jumpstart Grant Program in the amount of \$5 million. Jumpstart grants can be used to secure sites for affordable housing projects or help bridge funding gaps for affordable projects where site control is already in place. • The Mayor's Office of Housing and Community Development (MOHCD) proposes to use the Jumpstart grant funds to acquire land in the Mission District for the construction of new affordable housing units. • MOHCD has identified the 35,714 square foot parcel at 1515 South Van Ness Avenue to purchase for affordable housing development. MOHCD prioritized this site because it meets MTC's goals to create new affordable housing in transit-accessible neighborhoods experiencing a high level of displacement. MOHCD estimates that the property can accommodate over 150 units of affordable housing, as well as ground floor commercial and/or community space. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • MOHCD will use the entirety of the Jumpstart grant funds of \$5,000,000 to purchase the 35,714 square foot parcel at 1515 South Van Ness Avenue which is available for a total purchase price of \$19,000,000, or \$532 per square foot. MOHCD is proposing to fund the remainder of the purchase (\$14,000,000) with General Funds received from the FY 2018-19 Educational Revenue Augmentation Fund (ERAF). • MOHCD has not identified a funding source or developer yet for this site but anticipated doing so after the site is acquired. • An appraisal has been conducted of the property but MOHCD has not provided information on whether they have had an independent appraisal review conducted as require by the Administrative Code. <p style="text-align: center;">Recommendation</p> <p>Pending receipt of the required appraisal review for the subject property, approval of the proposed resolution is a policy matter for the Board of Supervisors.</p>	

MANDATE STATEMENT

City Administrative Code Section 10.170-1 states that accepting Federal, State, or third-party grant funds in the amount of \$100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval.

BACKGROUND

Through its own assessment process, the Metropolitan Transportation Commission (MTC) identified the City and County of San Francisco to receive a \$ 5million grant as part of MTC's Affordable Housing Jumpstart Grant Program ("Jumpstart"), as authorized under MTC Resolution No. 4260. The City was not required to apply for this funding. The purpose of this program is to provide grant funds to eligible cities and counties for the purpose of supporting creation of Transit Oriented Affordable Housing.

In December 2016, MTC created the grant program to complement recently approved housing bonds to support new affordable housing projects. MTC has allocated a total of \$10 million to the following jurisdictions: \$5 million to the City and County of San Francisco, \$2 million to Alameda County, and \$3 million to Santa Clara County.

Jumpstart grants can be used to secure sites for affordable housing projects or help bridge funding gaps for affordable projects where site control is already in place. The program requires the following conditions, among others: (1) that the "Governing Board" of the recipient provide a resolution approving the acceptance for funding; (2) that there is a minimum leverage toward total development costs of 9:1; and (3) that the grant target communities undergoing the most pronounced change as defined by the density of census tracts designated as Communities of Concern (COC)¹ by MTC.

The Mayor's Office of Housing and Community Development (MOHCD) will use the Jumpstart funds to acquire land for the construction of new affordable housing units as stipulated in the award letter from the MTC dated April 27th, 2017. The MTC specifically recommends that the funding support development in the Mission District, home to several census tracts that historically have been considered COCs by MTC. . More recently, these census tracts have not met COC thresholds, but MOHCD reports that the site is in an area at risk of displacement consistent with MTC Resolution No. 4260. Funds will be used to cover a portion of the purchase price and associated closing costs for the site. These funds will be expended at the time of closing. MOHCD has sole discretion over selection of the site.

¹ The definition of Community of Concern (COC) is intended to represent a diverse cross-section of populations and communities that could be considered disadvantaged or vulnerable in terms of both current conditions and potential impacts of future growth. Under MTC Resolution No. 4217, the definition of Communities of Concern will include all census tracts that have a concentration of both minority and low-income households at specified thresholds of significance, or that have a concentration of three or more of six additional factors if they also have a concentration of low-income households. Among the additional factors are people with disabilities, seniors 75 years and over, and cost-burdened renters.

Site Selection

MOHCD has identified the site located at 1515 South Van Ness Avenue for purchase after a proposed market rate multi-family project on the site by the current owner, LMC San Francisco I Holdings LLC, fell through. MOHCD prioritized this site because it meets MTC’s goals to create new affordable housing in transit-accessible neighborhoods experiencing a high level of displacement. MOHCD estimates that the property can accommodate over 150 units of affordable housing, as well as ground floor commercial and/or community space. MOHCD is currently exploring programming options but anticipates that the site will be developed as family housing by a non-profit housing developer. Once the site is acquired, MOHCD will refine programmatic goals as it develops its Request for Qualifications (RFQ) for developers for the site. MOHCD expects to complete the purchase by September 30, 2019, or the end of the third quarter of the year, begin construction in FY 2022-2023, and complete the project two years after start of construction.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution retroactively authorizes the Mayor’s Office of Housing and Community Development to accept and expend a grant in the amount of \$5,000,000 from the Metropolitan Transportation Commission Affordable Housing Jumpstart Grant Program for the anticipated term of July 1, 2019 through June 30, 2029. The funds would support the creation, acquisition, and/or rehabilitation of affordable housing in the Mission neighborhood, which includes six census tracts that have experienced rapid community change. MOHCD proposes to maximize use of available grant funds on project expenditures by not including indirect costs in the grant budget.

FISCAL IMPACT

The Mayor’s Office of Housing and Community Development will use the entirety of the Jumpstart grant funds of \$5,000,000 to purchase 1515 South Van Ness Avenue. The total purchase price is \$19,000,000; MOHCD proposes funding the remainder of the purchase (\$14,000,000) with General Funds received from the FY 2018-19 Educational Revenue Augmentation Fund (ERAF). Table 1 outlines the budget for the acquisition of the site.

Table 1. Site Acquisition of 1515 South Van Ness Avenue Budget

Sources	
Affordable Housing Jumpstart Program Grant	\$5,000,000
General Fund (Educational Revenue Augmentation Fund (ERAF))	14,000,000
Total Sources	\$19,000,000
Uses	
Acquisition of Site	\$19,000,000
Total Uses	\$19,000,000

Administrative Code Section 23.3 requires an appraisal of the fair market value prior to the Board of Supervisors approval of the City's purchase of real property. If the fair market value is greater than \$200,000, the Administrative Code requires an appraisal review. An appraisal has been conducted and provided to our office but we have not received an appraisal review.

According to Mr. Benjamin McCloskey, Deputy Director of Finance and Administration, MOHCD will likely need to provide \$45,000,000 of gap financing to develop affordable housing at 1515 South Van Ness Avenue to meet Jumpstart's requirement that there is a minimum leverage toward total development costs of 9:1. A potential funding source for development of the site could be the proposed Affordable Housing Bond. In addition, MOHCD will also consider inclusionary housing in-lieu fees or Housing Trust Fund sources.

RECOMMENDATION

Pending receipt of the required appraisal review for the subject property, approval of the proposed resolution is a policy matter for the Board of Supervisors.