CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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September 6, 2019

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: September 11, 2019 Budget and Finance Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would find the Airport's proposed Shoreline Protection Program to be fiscally feasible and responsible, in accordance with Chapter 29 of the City's Administrative Code. Approval of this resolution would allow the Airport to proceed with environmental review.

Key Points

- In December 2015, the Board of Supervisors found the Airport's proposed Shoreline Protection Program to be fiscally feasible in accordance with Chapter 29. However, in March 2018, the State of California issued a report entitled "Sea-Level Rise Guidance," with updated estimates of sea level rise. The updated Shoreline Protection Program incorporates new design criteria from the State to address sea level rise, resulting in increased Shoreline Protection Program scope and estimated cost, which increased from $58 million to $587 million. The increase is due to constructing infrastructure to address sea level rise up to 36 inches rather than 11 inches in the 2015 plan.
- The City's Administrative Code defines the areas are to be considered by the Board of Supervisors for determination of fiscal feasibility. According to the March 2019 *Airport Shoreline Protection Project Fiscal Feasibility Study,* the Shoreline Protection Program is intended to maintain Airport operations and avoid reductions in passenger travel and associated reductions in Airport employment and revenue.

Fiscal Impact

- The estimated Shoreline Protection Program costs are $587.1 million. The Airport's Capital Improvement Plan (CIP) includes $15.7 million in Airport revenue bonds to fund initial costs. The remaining scope and estimated budget ($571.4 million) for construction costs and environmental mitigation will need to be added to the CIP at a future date.
- The Airport estimates that issuance of $587 million in revenue bonds to fund the Shoreline Protection Program would result in estimated annual average debt service of $50.8 million, or $1.5 billion of debt service payments over the projected 30-year term of the bonds, including approximately $937 million in interest and $578 million in principal. Debt service costs to repay Airport revenue bonds are paid from Airport operating revenues, received from the airlines doing business at the Airport through the various Airport rates and charges as well as from non-airline lease and concession revenues.
- As noted above, the finding of fiscal feasibility allows the Airport to proceed to environmental review for the Shoreline Protection Program. Issuance of Airport revenue bonds and appropriation of Airport funds for the Shoreline Protection Program are subject to future Board of Supervisors approval.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Chapter 29 of the City's Administrative Code requires projects[1] to be submitted to the Board of Supervisors to approve the fiscal feasibility and responsibility of the project prior to submitting the project to the Planning Department for environmental review if (a) the project is subject to environmental review under the California Environmental Quality Act (CEQA), (b) total project costs are estimated to exceed $25,000,000, and (c) predevelopment, planning and/or construction costs are estimated to exceed $1,000,000 of public monies. Chapter 29 specifies five areas for the Board of Supervisors to consider when reviewing the fiscal feasibility and responsibility of a project, including the (1) direct and indirect financial benefits to the City, including costs savings or new revenues, including tax revenues, (2) construction costs, (3) available funding, (4) long term operating and maintenance costs, and (5) debt load carried by the relevant City department. Chapter 29 also states that a finding of fiscal feasibility and responsibility means that a "project merits further evaluation and environmental review."

BACKGROUND

San Francisco International Airport (Airport) occupies approximately 5,171 acres of land, with approximately eight miles of shoreline along the west side of San Francisco Bay. Since the early 1980s, the Airport has constructed various types of seawalls, including earth berms, concrete dikes and vinyl sheet piles along portions of the shoreline to prevent water from entering the airfield. In 2013, the Airport contracted with Moffatt & Nichol + AGS Joint Venture, a consulting firm, after a competitive process to conduct an Airport Shoreline Protection Project Feasibility Study Evaluation and Recommendations Report. The report was finalized in 2015 and identified deficiencies in the existing shoreline protection system and provided recommendations on improvements needed to protect the Airport from a 100-year flood and 11 inches of sea level rise.

In December 2015, the Board of Supervisors found the Airport's proposed Shoreline Protection Program to be fiscally feasible and responsible, in accordance with Chapter 29 of the City's Administrative Code (File 15-1099). The $58 million program was expected to take four to six years to complete. Between 2015 and 2018, the Airport completed conceptual design development with final designs completed by December 2017.

However, in March 2018, the State of California issued a report entitled "Sea-Level Rise Guidance," with updated estimates of sea level rise. The updated Shoreline Protection Program incorporates new design criteria from the State of California to address sea level rise, resulting in increased Shoreline Protection Program scope and cost estimates, which increased from $58 million to $587 million.

[1] Chapter 29 excludes various types of projects from the fiscal feasibility requirement, including (a) any utilities improvement project by the Public Utilities Commission, (b) projects with more than 75 percent of funding from the San Francisco Transportation Authority, and (c) a project which was approved by the voters of San Francisco.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would find the Airport's proposed Shoreline Protection Program at San Francisco International Airport to be fiscally feasible and responsible, in accordance with Chapter 29 of the City's Administrative Code. Approval of this resolution would allow the Airport to proceed with environmental review.

Overview of Shoreline Protection Program

According to the March 2019 *Airport Shoreline Protection Project Fiscal Feasibility Study,* prepared by the Airport, the proposed updated Program would protect the Airport's assets and runways to approximately 2085 by adopting design criteria to reduce flood risks at the Airport by providing protection against a 100-year storm and 36 inches of sea level rise (compared to 11 inches of sea level rise in the 2015 study). The Airport has been collaborating with adjacent neighbors, such as San Bruno, South San Francisco, Millbrae, Burlingame, San Mateo County, and the California Department of Transportation (Caltrans).

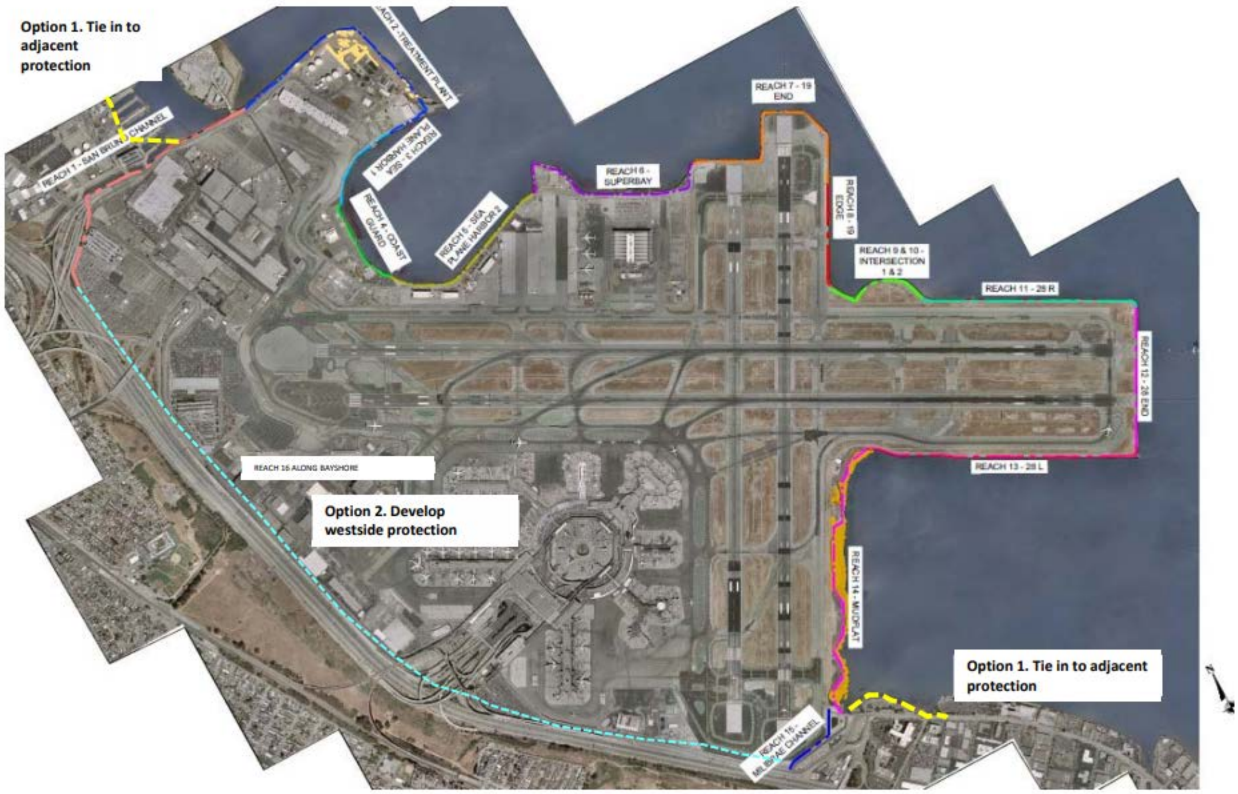
Major components of the Shoreline Protection Program in 2019, compared to 2015, are shown below:

- Construct 7.6 miles of new sheet pile walls at most of the reaches; new concrete walls at the San Bruno Channel and Millbrae Channel; and 2.7 miles of concrete wall on the Airport front side along Highway 101. According to Airport staff, the shoreline protection system will require addition of bay fill (such as rip-rap) to protect against wave action and erosion, and to meet Federal Aviation Administration (FAA) glide slope safety guidelines at the end of runways.
- Remove the existing embankment at the end Runway 19 Ends and Runway 28 to meet glide slope safety guidelines;
- Improve existing embankments including installation of riprap on the Bay side of the proposed seawall to attenuate wave energy along the Bay during storm events; and
- Include environmental mitigation, specifically for wetland and Bay fill.

As noted above, the estimated cost of the Shoreline Protection Program increased ten-fold, from $58 million in 2015 to $587 million in 2019. The increase is due to constructing infrastructure to address sea level rise up to 36 inches rather than 11 inches, as provided by the 2015 Shoreline Protection study. The 2019 Shoreline Protection Program provides for new sheet pile wall and concrete wall construction, and environmental mitigation not included in the 2015 Shoreline Protection study.

According to Mr. Rinaldi Wibowo, Project Manager at the Airport, the Airport will not begin construction until the completion of the environmental review and permitting, which may take three years or longer and could change the proposed work above. Pending the completion of environmental review and permitting, the Airport anticipates construction commencing in 2025 and completion in 2035.

Airport Shoreline Protection Project Overview



Fiscal Feasibility of the Airport Shoreline Protection Program

In accordance with Chapter 29 of the City's Administrative Code, the following five areas are to be considered by the Board of Supervisors for determination of fiscal feasibility: (1) direct and indirect financial benefits to the City, including cost savings or new revenues, including tax revenues, (2) construction cost, (3) available funding, (4) long term operating and maintenance costs, and (5) debt load carried by the relevant City department.

(1) <u>Direct and Indirect Financial Benefits</u>

According to the March 2019 *Airport Shoreline Protection Project Fiscal Feasibility Study,* the Shoreline Protection Program is intended to maintain Airport operations and avoid reductions in passenger travel and associated reductions in Airport employment and revenue. The new direct and indirect financial benefits primarily address the City revenue, employment benefits, and related economic benefits that would be created during construction.

Airport and City Revenue Benefits

In accordance with the Lease and Use Agreement between the Airport and the airlines, which extends through FY 2020-21, the Airport pays 15 percent of gross concession revenues as an annual service payment to the City's General Fund. Maintaining Airport operations and avoiding reductions in passenger travel will continue to generate these revenues to the General Fund. The annual service payments provided by the Airport to the City's General Fund over the previous five fiscal years totaled $212.5 million. In FY 2017-18, the Airport transferred $46.5

million in revenue to the City. The annual service payment from the Airport over the past five fiscal years is shown in Table 1 below.

Table 1: Annual Service Payment FY 2013-14 to FY 2017-18 (in millions)

Fiscal Year	Annual Service Payment
FY 2013-14	$38.0
FY 2014-15	40.5
FY 2015-16	42.5
FY 2016-17	45.0
FY 2017-18	46.5
Total	**$212.5**

Employment Benefits

According to the *2017 Economic Impact Study Update* report by the Economic Development Research Group, Inc., 42,828 jobs are directly dependent on the activity of the Airport. The jobs include those directly working for passenger airlines, airport retail, and general aviation professions, as well as transportation, on-airport construction, security firms, and the Transportation Security Administration and other federal jobs.

Based on the construction costs of the Shoreline Protection Program, approximately 2,272 new one-time jobs would be created. These would be limited-term jobs during the duration of the program. In addition, the Airport estimates that the indirect impact of jobs resulting from the economic activity of the Airport would create between 14,000 to 35,000 additional jobs.

Economic and Tax Benefits

The Airport generated approximately $8.4 billion of direct business activity and $62.5 billion of indirect economic activity in FY 2015-16 for San Francisco and the Bay Area.[2] State and local tax revenue in FY 2015-16 generated by Airport activity was $2.9 billion.

(2) <u>Construction Costs</u>

The fiscal feasibility of a project must be determined, pursuant to Administrative Code Chapter 29, for projects with (a) total costs over $25,000,000, and (b) predevelopment, planning or construction costs over $1,000,000 of public monies. The proposed Airport Shoreline Protection Program is estimated to cost $548,118,558 for Shoreline Protection Program infrastructure, and $39,000,000 for environmental mitigation, for a total of $587,118,558, as shown in Table 2 below.

[2] Economic Development Research Group, Inc., "2014 Economic Impact Study Update San Francisco International Airport", prepared for San Francisco Airport Commission, December 2014.

Table 2: Estimated Non-Construction and Construction Costs

Construction Costs	$383,400,000
Design and build contingencies and fees	85,114,800
Soft Costs	79,603,758
Subtotal Infrastructure	$548,118,558
Environmental Mitigation	39,000,000
Total	**$587,118,558**

(3) Available Funding

The Airport anticipates having sufficient funding for the Shoreline Protection Program to fund with internal sources. The Airport anticipates utilizing debt financing through General Aviation Revenue Bonds to fund the project.

The Airport's approved Capital Improvement Plan (CIP) includes $15,751,437 for the Airport Shoreline Protection Program for design and planning, environmental review, project permitting, and public outreach. According to Mr. Wibowo, $3,200,000 in bonds have been issued or will soon be issued to support the project, and an additional $12,551,437 in bonds will need to be issued to complete this phase of the project.

The remaining scope and estimated budget ($571,367,121), which includes all construction costs and environmental mitigation, is not currently in the Airport's CIP, and will need to be added to the CIP at a future date.

(4) Long Term Operating and Maintenance Costs

The Airport estimates the long-term operating and maintenance costs from the proposed project would not be significantly different from current practices. Maintenance activities will be performed by Airport Maintenance staff and include the ongoing costs to perform routine inspections of the seawalls, recording findings and preparing repair recommendations in accordance with Federal Emergency Management Agency (FEMA) certification guidelines.

(5) Debt Load of the Airport

The Airport intends to finance the proposed Airport Shoreline Protection Program with the issuance of Airport General Aviation Revenue Bonds, thus incurring additional Airport debt. The Airport has issued $7.5 billion of revenue bonds, previously authorized by the Board of Supervisors, and has $2.5 billion in authorized and unissued bonds.

The Airport estimates that authorization and issuance of $587 million in revenue bonds to fund the Shoreline Protection Program would result in an estimated annual average debt service payment of $50.8 million, or $1.5 billion of debt service payments over the projected 30-year term of the bonds, including approximately $937 million in interest and $578 million in principal.[3] Debt service costs to repay Airport revenue bonds are paid from Airport operating revenues, received from the airlines doing business at the Airport through the various Airport

[3] Debt service estimates are based on an estimated interest rate of six percent per year, and 36 months of capitalized interest which accrues prior to completion of construction and payment of annual debt service.

rates and charges as well as from non-airline lease and concession revenues. Issuance of any additional Airport revenue bonds would be subject to approval and appropriation by the Board of Supervisors.

FISCAL IMPACT

As discussed above, funding of the Airport Shoreline Protection Program would be contingent on issuance of future Airport revenue bonds, and appropriation of the bond proceeds for this project by the Board of Supervisors. Annual debt service on the proposed bonds would be paid from annual Airport operating revenues, which include annual payments to the Airport by the airlines under their landing fee and other lease agreements as well as from concession and other non-airline revenues.

As a result of the Airport's residual rate setting methodology used by the Airport to determine rental rates, landing fees, and related fees for all airlines, increases in the Airport's operating costs due to increased debt service will be primarily funded by increased annual payments by the airlines to the Airport under their landing fee and other lease agreements with the Airport.

Finding of Fiscal Feasibility

As noted above, the finding of fiscal feasibility allows the Airport to proceed to environmental review for the Shoreline Protection Program. Issuance of Airport revenue bonds and appropriation of Airport funds for the Shoreline Protection Program are subject to future Board of Supervisors approval.

RECOMMENDATION

Approve the proposed resolution.

Item 3 **File 19-0850**	**Department:** Real Estate Division (RED), War Memorial (WAR)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Director of Property to sell up to 550,000 square feet of remaining transferable development rights (TDR) previously authorized from the War Memorial Complex at fair market value.

Key Points

- The Transfer of Development Rights program allows the sale of unused development potential from preservation properties to development properties, generating income for the maintenance and preservation of historic buildings while allowing new developments to build higher. Each TDR unit is equal to one square foot of gross floor area.
- In January 2014, the Board of Supervisors approved the sale of up to 1,100,000 square feet of TDR from the War Memorial Complex, at a price of no less than $25 per square foot. The approved resolution required the Director of Property to submit enabling legislation to the Board of Supervisors to reauthorize TDR sales immediately upon reaching sales of 550,000 square feet, and with such legislation to adjust the minimum sale price if necessary. The Real Estate Division (RED) has sold 529,642 square feet of TDR, and two potential buyers have committed to purchase the remaining TDR at $30 per square foot, upon approval of the proposed resolution.

Fiscal Impact

- The TDR sale authorized by the proposed resolution would provide one-time gross revenues of approximately $16,500,000.
- The revenues would be used to pay debt service on Certificates of Participation (COPs) issued for the War Memorial renovations completed in 2015. The City issued $150,450,000 in COPs, incurring $246,183,824 in debt. To date, the City has paid $35,466,053 in debt service from the Capital Plan General Fund Debt Service, with a remaining payment balance of $210,717,771.

Policy Consideration

- The proposed resolution authorizes the Director of Real Estate to sell up to 550,000 gross square feet of remaining TDR at fair market value. The proposed resolution should be amended to affirm the minimum TDR sale price of $25 per square foot set by the original legislation in 2014 (File 13-1193, Resolution 016-14)

Recommendations

- Amend the proposed legislation to (a) affirm the minimum TDR sale price of $25 per square foot set by the original legislation in 2014; and (b) require an annual written report to the Board of Supervisors detailing the sale of TDRs.
- Approve the proposed resolution as amended.

MANDATE STATEMENT

City Charter Section 9.118(c) states that any sale of real property owned by the City and County of San Francisco is subject to Board of Supervisors approval. In addition, Planning Code Section 128 specifies the definitions, requirements, and procedures for determining and cancelling Transfer of Development Rights (TDR) as well as the preservation, rehabilitation, and maintenance requirements.

BACKGROUND

In the mid-1980s, the City established the Transfer of Development Rights program to allow the sale of unused development potential from historic preservation properties to development properties. The goal was to generate income for the maintenance and preservation of historic buildings, while allowing new developments to build higher. Under Planning Code Section 128, owners of historic buildings located in C-3 Zoning Districts[1] may ask the Planning Department to certify their unused potential, known as transferable development rights (TDR).

Once certified, the TDR units may then be transferred via a sale to another property in any other C-3 district. As of 2007, TDRs may also be transferred from any lot zoned P (public), provided that the other conditions for transfer outlined in Section 128(a)(4) are met. The revenue generated from the TDR sale must be used to rehabilitate the historic building according to the U.S. Secretary of the Interior's Standards for Treatment of Historic Properties.

Each TDR unit is equal to one square foot of gross floor area. To calculate TDR available from an historic preservation property, the difference between the building's existing floor area ratio (FAR) and that allowed under zoning limits is determined. Development properties may obtain TDR to build beyond what is allowed under FAR limits and up to zoned height limits. They may not, however, use TDR to exceed or disregard height, bulk, and setback limits, sunlight access requirements, or other restrictions.

In January 2014, the Board of Supervisors approved the sale of up to 1,100,000 square feet of TDR from the War Memorial Complex, at a price of no less than $25 per square foot (File 13-1193, Resolution 016-14). The approved resolution required the Director of Real Estate to submit enabling legislation to the Board of Supervisors to reauthorize TDR sales immediately upon reaching sales of 550,000 square feet. According to Mr. Andrico Penick, Director of Real Estate, the Real Estate Division (RED) has sold 529,642 square feet of TDR. Two potential buyers have committed to purchasing the remaining TDR, upon approval of the proposed resolution.

[1] C-3 Zoning Districts are identified as downtown commercial districts and include Support (S), General (G), Office (O), or Retail (R) uses. In accordance with Section 128 of the Planning Code, any C-3 District parcel may be the recipient parcels for a TDR transaction.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Director of Property (“Director of Real Estate”) to sell up to 550,000 square feet of TDR from the War Memorial Complex at fair market value.[2] According to Mr. Penick, two buyers have committed to buying the TDR at a price of $30 per square foot. Once a buyer has executed a purchase and sale agreement and placed a nonrefundable deposit, the price is held for the buyer for 18 months. The buyer then completes the purchase once their ensuing development is approved. In the event that the sale of TDR does not close, the future pricing schedule is shown in Table 1 below.

Table 1: TDR Pricing Schedule

Start Date	End Date	Price (Per Square Foot)
1/1/2019	6/30/2019	$30.00
7/1/2019	12/31/2019	$32.50
1/1/2020	6/30/2020	$35.00
7/1/2020	12/31/2020	$37.50
1/1/2021	6/30/2021	$40.00
7/1/2021	12/31/2021	$42.50
1/1/2022	6/30/2022	$45.00

According to Mr. Penick, the potential buyers agreed to the price of $30 per square foot before July 1, 2019, when the price increased to $32.50.

An appraisal conducted by Runde and Partners determined $30 per square foot to be fair market value of the TDR.

The TDR sale proceeds would be used to pay debt service for the rehabilitation and restoration of the War Memorial Complex. According to Mr. John Caldon, War Memorial Managing Director, the project was completed in 2015 and had a budget of approximately $177,424,002.[3] The project consisted of seismically retrofitting the Veterans Building, replacing and upgrading the mechanical plant, replacing and rehabilitating elevators, expanding restroom facilities, HVAC improvements, ADA upgrades, renovating the lobbies and other public spaces, renovating the Green Room and adding a new catering kitchen, renovating the Memorial Court driveway and sidewalks, new Herbst Theatre backstage dressing rooms and performers’ lounges, renovating office spaces on the first and third floors, and renovating veterans’ meeting rooms and offices on the second floor.

[2] 529,642 square feet of TDR have been sold to date, leaving a balance of 20,358 square feet of available TDR authorized for sale by the previous resolution. According to Mr. Penick, the agreements with the two potential buyers include flexibility in the square footage, so this remaining balance may be sold as well.

[3] According to Mr. Chris Muyo, War Memorial Chief Financial Officer, the San Francisco Opera contributed $21,000,000, leaving the City’s contribution at $156,424,002.

FISCAL IMPACT

The proposed resolution would allow the sale of up to 550,000 square feet of TDR at fair market value. At the agreed upon price of $30 per square foot, the City would receive one-time gross revenues of $16,500,000.

The TDR sale revenues would be used to pay debt service on the Certificates of Participation (COPs) issued for War Memorial renovations. According to Mr. Chris Muyo, War Memorial Chief Financial Officer, the City issued $150,450,000 in COPs for the project, with total debt service payments over 30 years between 2016 and 2045 of $246,183,824. The City has paid debt service of $35,466,053 from the Capital Plan General Fund Debt Program, of which $11,099,011 is attributed to past War Memorial TDR sales. The remaining payment balance is $210,717,771.

POLICY CONSIDERATION

The proposed resolution authorizes the Director of Real Estate to sell up to 550,000 gross square feet of remaining TDR at fair market value. The proposed resolution should be amended to affirm the minimum TDR sale price of $25 per square foot set by the original legislation in 2014 (File 13-1193, Resolution 016-14).

According to Mr. Penick, the potential buyers have agreed to a TDR sale price of $30 per square foot. The pricing schedule shows an increase to $32.50 per square foot on July 1, 2019, with subsequent increases of $2.50 per square foot every six months through June 2022. According to Mr. Penick, the potential buyers could not execute a purchase and sale agreement or place a deposit because the TDR sale cannot be authorized until the proposed resolution is approved; therefore, the Real Estate Division has agreed to honor the agreed upon sale price of $30 per square foot, even though the scheduled price has since increased to $32.50.

RECOMMENDATIONS

1. Amend the proposed legislation to (a) affirm the minimum TDR sale price of $25 per square foot set by the original legislation in 2014**;** and (b) require an annual written report to the Board of Supervisors detailing the sale of TDRs.
2. Approve the proposed resolution as amended.

Item 4 **File 19-0886**	**Department:** Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed hearing is to request the release of $3,000,000 on Budget and Finance Committee reserve for the San Francisco Public Utilities Commission (SFPUC) GoSolarSF program.

Key Points

- SFPUC's GoSolarSF program provides monetary incentives for residential and commercial property owners to install solar panels. Additional incentives are provided to low-income residents and non-profits, as well as for installations completed by San Francisco installers.
- In June 2014, the Board of Supervisors placed $3,000,000 on Budget and Finance Committee reserve for the GoSolarSF program, pending implementation of the Clean Power SF program. SFPUC is now requesting to release the funding from reserve to fund the program through June 2020.
- In addition to the solar panel incentives, GoSolarSF is also developing the Low Income Inverter Replacement Program, which would help low-income residents replace solar inverters that are reaching the ends of their useful lives.

Fiscal Impact

- The proposed hearing would release $3,000,000 from Budget and Finance Committee reserve for the GoSolarSF program. The funding originates from the Hetch Hetchy Power Enterprise FY 2015-16 operating budget.
- Of the requested $3,000,000 release of reserves, approximately $1,800,000 is budgeted for solar panel incentives, approximately $800,000 is budgeted for inverter replacement incentives, and approximately $400,000 is budgeted for administrative costs.

Recommendation

- Approve the requested release of reserves.

MANDATE STATEMENT

City Administrative Code Section 3.3(e) states that the Budget and Finance Committee of the Board of Supervisors has jurisdiction over the City's budget and may reserve proposed expenditures to be released at a later date subject to Board of Supervisors approval.

BACKGROUND

San Francisco Public Utilities Commission's (SFPUC) GoSolarSF program provides monetary incentives for residential and commercial property owners to install solar panels. Incentives start at $200 per kilowatt for residential customers with a cap of four kilowatts per meter,[1] with additional incentives and/or caps for low-income residents, businesses, non-profits, and multi-unit housing. Residential customers may also receive an additional $250 per kilowatt for installations completed by San Francisco installers. Solar panels may be either owned or leased. Property owners must select authorized solar installers, who are required to participate in a workforce development program. After the panels are installed, the property owner receives the incentive as a rebate.

In June 2014, the Board of Supervisors placed $3,000,000 on Budget and Finance Committee reserve for the GoSolarSF program. According to Ms. Angela Patane, SFPUC Customer Programs Manager, the funding was placed on reserve until the CleanPowerSF community choice aggregation program was implemented. Sufficient funding from the SFPUC Hetch Hetchy Power enterprise has been available to fund the program to date. From July 2014 through June 2019, the GoSolarSF program has provided approximately $7,691,000 in monetary incentives. According to Ms. Patane, SFPUC is now requesting the $3,000,000 to fund the program through June 2020.

DETAILS OF PROPOSED LEGISLATION

The proposed hearing would release $3,000,000 from Budget and Finance Committee reserve for the GoSolar SF program. According to Ms. Patane, the funding is necessary to fund the program through June 2020.

From July 2014 through June 2019, the GoSolarSF program has provided approximately $7,691,000 in monetary incentives, an average of approximately $1,538,200 per year. According to Ms. Patane, $3,000,000 is needed for the program in FY 2019-20 because GoSolarSF is expecting a surge in applications before the end of the year due to the reduction in the federal tax credit and the reduction of the incentive.[2] In addition, GoSolarSF is also developing the Low Income Inverter Replacement Program.[3] According to Ms. Patane, many inverters that were installed in the early years of the program are reaching the end of their

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[1] According to Ms. Patane, residential solar panel systems are typically four kilowatt systems.

[2] Beginning January 1, 2020, the basic residential and business incentive will be reduced to $100 per kilowatt.

[3] An inverter is a necessary component of a solar power generation system that converts direct current (DC) output from the solar panels into alternating current (AC) for an electrical grid or local network.

useful life. The program would provide incentives of approximately $3,000 to low-income residents needing replacement inverters.

FISCAL IMPACT

The proposed hearing would release $3,000,000 from Budget and Finance Committee reserve for the GoSolarSF program. The funding derives from the Hetch Hetchy Power Enterprise FY 2015-16 operating budget. The program budget is shown in Table 1 below.

Table 1: GoSolarSF FY 2019-20 Program Budget

GoSolarSF Program	**Amount**
Incentives	$1,800,000
Staffing Costs	226,775
Consultant	40,810
Database Subscription	46,750
Administrative Subtotal	$314,335
GoSolarSF Total	*$2,114,335*
Low Income Inverter Replacement Program	**Amount**
Incentives	$800,000
Staffing Costs	91,958
Low Income Inverter Replacement Program Total	*$891,958*
Total Budget	**$3,006,293**

As the incentive structure varies, and will change in 2020, it is unknown how many incentives will be provided with the $1,800,000 solar panel incentive budget. Using application data from the past three fiscal years, and anticipating a surge before the end of 2019, GoSolarSF projects it will provide approximately 462 basic residential incentives, 80 residential low-income incentives, 19 business incentives, and eight non-profit incentives. The GoSolarSF incentive budget is shown in Table 2 below.

Table 2: GoSolarSF Incentive Budget

Category	Number of Incentives	Average Incentive	Total
Basic Residential	462	$1,168	$539,831
Low-Income Residential	80	8,071	645,641
Business	19	2,063	39,194
Non-Profit	8	50,000	400,000
Subtotal			$1,625,155
Contingency (12%)			195,019
Total			**$1,820,174**

According to Ms. Patane, a contingency of 12 percent is included to ensure that the program does not run out of funding, which had happened early in the GoSolarSF program.

RECOMMENDATION

Approve the requested release of reserves.