

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

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September 24, 2021

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: September 29, 2021 Budget and Finance Committee Meeting

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Item 1 File 21-0908	Department: Adult Probation Department (ADP)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would retroactively approve the Fifth Amendment to the contract between the Adult Probation Department (ADP) and Northpointe Software, Inc. for maintenance and support of the Correctional Offender Management Profiling for Alternative Sanctions (COMPAS) system, extending the term by one year through March 7, 2022, with no change to the not-to-exceed amount of \$768,950. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Northpointe’s COMPAS system is a proprietary software and training system designed to measure a variety of criminogenic needs and criminal history information to provide risk and needs assessments for individuals with justice system involvement. • ADP has used COMPAS under a contract executed in 2011. The contract has been amended four times and was due to expire on March 7, 2021. ADP executed the Fifth Amendment to the Northpointe contract, extending the term by one year through March 7, 2022, with no change to the not-to-exceed amount. ADP intended to seek Board of Supervisors approval before the contract expired but was unable to do so due to administrative delays. • The scope of work under the proposed Fifth Amendment would continue to be the support and maintenance of the COMPAS web interface. Under the existing contract, in 2015 ADP purchased approximately 150 perpetual licenses to access and use the COMPAS system. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed Fifth Amendment states that payment to Northpointe for the one-year extension period is \$36,225. The contract is funded by the City’s General Fund. Because total contract expenditures are estimated to be \$294,586, the Budget and Legislative Analyst recommends amending the proposed resolution to reduce the contract not-to-exceed amount by \$468,950, from \$768,950 to \$300,000. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • ADP completed a validation study in 2016, which showed that the COMPAS scores are correlated with recidivism for ADP’s client population. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to reduce the not-to-exceed amount from \$768,950 to \$300,000 to reflect historical and projected expenditures. • Approve the resolution as amended. 	

MANDATE STATEMENT

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

BACKGROUND

Northpointe's Correctional Officer Management Profiling for Alternative Sentencing (COMPAS) system is a proprietary software and training system. The system is designed to measure a variety of criminogenic needs (i.e., dynamic factors that directly relate to a likelihood to reoffend) and criminal history information to provide risk and needs assessments for individuals with justice system involvement. COMPAS assessments are used by the San Francisco Adult Probation Department to inform comprehensive presentence investigation reports ordered by the Court and to recommend behavioral health and reentry services likely to reduce recidivism.

Contract History

In March 2011, the Adult Probation Department (ADP) entered into a contract with Northpointe for licensing, support, and maintenance of the COMPAS system for a term of five years, from March 7, 2011 through March 6, 2016, with one 4-year option to extend through March 6, 2020, and an amount not to exceed \$679,300. In August 2012 and January 2013, ADP executed the First and Second Amendments to the contract, amending the contract milestones and payment schedule, with no change to the contract term or not-to-exceed amount. In June 2013, ADP executed the Third Amendment to the contract, increasing the not-to-exceed amount to \$768,950, with no change to the contract term. In March 2016, ADP executed the Fourth Amendment to the contract, extending the term by five years through March 7, 2021, with no change to the not-to-exceed amount. Neither the original contract nor any amendments required Board of Supervisors approval because the contract did not exceed 10 years or \$10 million.

The original contract with Northpointe provided for the delivery of a Risk/Needs Assessment tools and Case Management System to the City. Northpointe successfully implemented the Risk/Needs Assessment tool but failed to deliver the Case Management System. In 2015, a settlement agreement was negotiated at the business level by both parties' legal teams. In July 2015, the Board of Supervisors approved the settlement with Northpointe, agreeing to receive alternative deliverables from Northpointe, valued at \$1,232,101, and extending the term by five years, as executed in the Fourth Amendment (File 15-0636).

On March 7, 2021, ADP executed the Fifth Amendment to the Northpointe contract, extending the term by one year through March 7, 2022, with no change to the not-to-exceed amount. The Fifth Amendment requires Board of Supervisors approval because it extends the total contract term beyond 10 years. According to ADP Acting Chief Financial Officer Verónica Martínez, the Department intended to seek Board of Supervisors approval before the contract expired, but was unable due to administrative delays, including required approvals from the Office of Contract Administration, Department of Technology, and City Attorney's Office.

Sole Source Waiver

Administrative Code Section 21.1 requires competitive solicitation for commodities and services, and Administrative Code Section 21.5 allows for sole source procurements in accordance with the City Purchaser's regulations. Furthermore, Administrative Code Section 21.9 limits any contract to a term of no more than 10 years. In March 2021, the Office of Contract Administration approved a sole-source waiver for the contract due to the proprietary nature of the COMPAS system. ADP intends to procure a new risk assessment software system and award a contract before the proposed Amendment No. 5 expires on March 7, 2022.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve the Fifth Amendment to the contract between ADP and Northpointe, extending the term by one year through March 7, 2022. Other material terms of the contract would not change. The proposed resolution states the total not to exceed amount of the Northpointe contract is \$768,950; however, the proposed Fifth Amendment does not specify the total contract not-to-exceed amount but rather in Section 19 states that the guaranteed maximum price is \$36,225, which according to Appendix B of the proposed Fifth Amendment is for the period from March 8, 2021 through March 7, 2022. This replaces the Section 19 inserted in the Third Amendment, which had set the not-to-exceed amount as \$768,950.

The scope of work under the proposed Fifth Amendment would continue to be the support and maintenance of the COMPAS system. Under the existing contract, in 2015 ADP purchased approximately 150 perpetual licenses to access and use the COMPAS system. The proposed Fifth Amendment extends the system maintenance of the web interface through March 7, 2022.

FISCAL IMPACT

The proposed Fifth Amendment states that payment to Northpointe for the one-year extension period is \$36,225. The contract is funded by the City's General Fund.

According to Adult Probation staff, total expenditures are \$258,361 through the initial 10-year contract term. Therefore, total estimated contract expenditures are \$294,586, or approximately \$474,364 less than the not-to-exceed amount of \$768,950. According to ADP Acting Chief Financial Officer Martínez, contract underspending is due to Northpointe's failure to deliver the Case Management System. Because total contract expenditures are estimated to be \$294,586, the Budget and Legislative Analyst recommends amending the proposed resolution to reduce the contract not-to-exceed amount by \$468,950, from \$768,950 to \$300,000.

POLICY CONSIDERATION

COMPAS is widely used in the United States, including California. The California Department of Corrections and Rehabilitation (CDCR), the State agency that administers the prison system, uses COMPAS. In 2010, University of California, Los Angeles-affiliated researchers hired by the CDCR published an analysis that assessed the accuracy of COMPAS in predicting recidivism (whether parolees had been re-arrested within two-years of release). The analysis found that COMPAS

generally predicted recidivism accurately but did not achieve the accuracy threshold used in the study for predicting violent recidivism.¹ In January 2019, the California State Auditor published a performance audit that found CDCR had not validated COMPAS since 2010 and, given the changes to prison population since that time,² recommended that the CDCR revalidate the accuracy of COMPAS by January 2020 and every five years.³ As of this writing, the CDCR revalidation study of COMPAS is expected by end of 2021.

According to ADP Acting Chief Financial Officer Martínez, ADP completed a local validation study in 2016, which showed that the COMPAS scores are correlated with recidivism for ADP's client population. Given that ADP intends to procure a new risk and needs assessment system, the Department has not planned for an additional validation study of COMPAS.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the not-to-exceed amount from \$768,950 to \$300,000 to reflect historical and projected expenditures.
2. Approve the resolution, as amended.

¹ Farabe, Zhang, Roberts, & Yang, *COMPAS Validation Study*, August 15, 2010.

² To reduce the State's prison population, in 2011, Assembly Bill 109 (Public Safety Realignment) was passed, which reduced prison sentences and expanded local post-release supervision of offenders.

³ California State Auditor, "California Department of Corrections & Rehabilitation: Several Poor Administrative Practices Have Hindered Reductions in Recidivism and Denied Inmates Access to In-Prison Rehabilitation Programs", Report 2018-113. January 2019.

Item 3 File 21-0941	Department: Department of Homelessness and Supportive Housing (HSH), Real Estate Division
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize the Director of Property, on behalf of the Department of Homelessness and Supportive Housing (HSH), to purchase the 52-room Mission Inn located at 5630-5638 Mission Street from Jamna Investments, LLC, for an amount of \$17,000,000, plus an estimated \$340,000 for typical closing costs, for a total amount of \$17,340,000, and to authorize HSH to apply to the California Department of Housing and Community Development (HCD) for 2021 Homekey Program grants to purchase the property. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In January 2021, HSH issued a Request for Information (RFI) to identify suitable properties for possible acquisition as permanent supportive housing sites. HSH prioritized acquisition of the Mission Inn because of its condition, location, price, and ability to meet the needs of homeless individuals and identified it as a candidate for a Homekey grant from HCD. • HSH and the Real Estate Division (RED) have negotiated a purchase and sale agreement with the owners of the Mission Inn for an amount of \$17,000,000, plus typical closing costs. HSH would select a third-party non-profit contractor to operate the building. HSH estimates annual operating costs to be \$19,800 per unit, or \$1,009,800 for the 51-unit building. HSH estimates improvement costs to the building to be approximately \$5 - \$6 million. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The total cost to purchase the property, including closing costs, is \$17,340,000. Including an estimated \$6,000,000 in tenant improvement costs, the total acquisition and improvement cost is approximately \$23,340,000, or approximately \$457,647 per unit. • HSH estimates that initial annual operating costs are \$19,800 per unit, or \$1,009,800 for the 51-unit building. Assuming three percent annual escalation, total operating costs over three years would be approximately \$3,121,191. • Homekey grants could potentially offset the City's cost for acquisition of the building and for the first three years of operations. The property contains three cell tower leases, generating \$90,159 in annual revenue to offset operating costs. All acquisition, rehabilitation, and operating costs not funded by Homekey would be funded by Proposition C funds. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

Administrative Code Section 23.3 states that the Board of Supervisors must approve acquisitions and conveyances of real property by resolution. An appraisal of the property is required if the Real Estate Division determines that the fair market value is greater than \$10,000 and an appraisal review if the fair market value is greater than \$200,000.

BACKGROUND

In November 2018, San Francisco voters approved Proposition C, a gross receipts tax to fund homeless services and housing. In July 2020, Mayor London Breed announced her Homelessness Recovery Plan, with the goal of acquiring and operating 1,500 new units of permanent supportive housing over the next two years. According to the proposed resolution, as of August 2021, the City has acquired or contracted for over 700 new units of permanent supportive housing.

In July 2020, the California Department of Housing and Community Development (HCD) announced the Homekey Program, providing grants to sustain and expand housing for people experiencing homelessness and impacted by COVID-19. In 2020, the City received two Homekey grant awards totaling approximately \$74.1 million to purchase two hotels, adding approximately 362 permanent supportive housing units to the City’s existing inventory.¹ On September 9, 2021, HCD announced a second round of Homekey grant funding. The application is anticipated to be released on September 30, 2021.

In January 2021, the Department of Homelessness and Supportive Housing (HSH) issued a Request for Information (RFI) to identify suitable properties for possible acquisition as permanent supportive housing sites and received 85 responses. The Department considered two properties for acquisition: the Eula Hotel (see File 21-0940 of this report) and the Mission Inn. HSH prioritized these two properties for acquisition because of its fitness with the criteria considered as part of the RFI, including the condition, location, price, and ability to meet the needs of homeless individuals. HSH identified the Mission Inn purchase as a candidate for a Homekey grant and plans to submit a grant application. HSH and the Real Estate Division (RED) have negotiated a purchase and sale agreement with the owners of the Mission Inn for an amount of \$17,000,000, plus typical closing costs.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would make the following actions:

1. Approve and authorize the Director of Property, on behalf of HSH, to acquire the Mission Inn property located at 5630-5638 Mission Street;
2. Approve and authorize HSH, on behalf of the City, to apply for HCD’s 2021 Homekey Grant Program to purchase the property;

¹ In 2020, the Board of Supervisors approved Standard Agreements with HCD for Homekey grant funds for amounts up to \$30,000,000 to purchase the 130-room Hotel Diva at 440 Geary Street (File 20-1193) and up to \$49,000,000 to purchase the 232-room Hotel Granada at 1000 Sutter Street (File 20-1268).

3. Approve and authorize an Agreement of Purchase and Sale for Real Estate for acquisition of the property, for \$17,000,000 plus an estimated \$340,000 for typical closing costs,² for a total amount of \$17,340,000 from Jamna Investments, LLC;
4. Authorize the Director of Property, HSH Director, and City Attorney's Office to execute the purchase and sale agreement, make certain modifications, and take certain actions in furtherance of the resolution and the purchase and sale agreement that do not increase the liabilities of the City;
5. Affirm the Planning Department's determination that the purchase is not considered a project under the California Environmental Quality Act (CEQA); and
6. Adopt the Planning Department's findings that the purchase and sale agreement is consistent with the General Plan and Planning Code Section 101.1.

An appraisal conducted by Colliers International confirmed that the proposed sale price of \$17,000,000 is approximately fair market value. An appraisal review by R. Blum and Associates affirmed the appraised value.

One of the Mission Inn's rooms is rented by AT&T to store cell tower equipment, so 51 rooms could be used for permanent supportive housing.

Homekey Grant Application

HSH will evaluate the competitiveness of the project to compete for Homekey funding once a program and scope of work has been finalized for the property. HSH intends to prioritize the most competitive properties for application for Homekey grants once the application is released. The grant is competitive, and it is anticipated that successful applicants will be notified within 45 days of application. Projects are eligible for up to \$200,000 in funding per unit, or \$300,000 per unit if the applicant provides at least \$100,000 per unit in matching funds. Operating subsidies are available for up to \$1,400 per unit per month for two years, or for three years if a match is provided. Per unit subsidies vary based on unit size and population served.

If the grant application is successful, HSH would seek Board of Supervisors approval to accept and expend the Homekey and approve a Standard Agreement with HCD. According to HSH Policy and Legislative Affairs Manager Schneider, the City would purchase the property with Proposition C funds if the Homekey grant is not awarded.

Ongoing Costs

After the purchase is complete, the property will be operated by a third-party non-profit contractor. HSH is currently finalizing a Solicitation of Information (SOI) to select an operator for the property. At this time, HSH estimates annual operating and services costs of \$19,800 per unit, or \$1,009,800 for the 51-unit building.

² Closing costs include escrow fee, title insurance, property inspection fee, and recording fees. Specific amounts of each fee were not provided by HSH.

Rehabilitation Costs

Saida + Sullivan Design Partners Inc. and ZFA Structural Engineers assessed the general interior condition of the building and site accessibility on behalf of the City. According to HSH Policy and Legislative Affairs Manager Schneider, anticipated improvements to the property include accessibility improvements to ground floor rooms, exterior siding and roof repair, upgrades to fire suppression systems, replacement of interior finishes in certain rooms, installation of kitchenettes in certain rooms, and repurposing a portion of the parking lot to serve as a community outdoor space. The scope and budget for improvements would be determined in coordination with the selected operator. At this time, HSH estimates the costs to be approximately \$5 - \$6 million. According to HSH Policy and Legislative Affairs Manager Schneider, following selection of the operator, a scope and budget will be determined for improvements to the property. Based on that scope, a timeline for implementation of the improvements and subsequent lease up will be developed.

FISCAL IMPACT

The total cost to purchase the property, including closing costs, is \$17,340,000. Including an estimated \$6,000,000 in tenant improvement costs, the total acquisition and improvement cost is approximately \$23,340,000, or approximately \$457,647 per unit. Costs to the City could be offset if the City were awarded the Homekey grant; if the Homekey grant is not awarded, then the full \$23,340,000 amount would be funded by Proposition C funds. The estimated acquisition and improvement costs are shown in Exhibit 1 below.

Exhibit 1: Estimated Acquisition and Improvement Costs

Item	Amount
Purchase Price	\$17,000,000
Closing Costs	340,000
Improvement Cost	6,000,000
Total Cost	\$23,340,000
Units	51
Cost Per Unit	\$457,647

Transfer Taxes

Because the City is purchasing the property, the property sale does not generate real estate transfer taxes, estimated to be \$935,000. According to Andrico Penick, Director of Real Estate, the Real Estate Division does not reduce the purchase price by the amount of the waived transfer tax for a number of reasons: (1) the transfer tax is waived by statute to induce owners to sell their property to government entities and reducing the price would take away that statutory incentive; (2) allocation of closing costs is a negotiated item between seller and buyer, thus the seller could require a private entity buyer to pay the transfer fee and still obtain the full appraised value; and (3) it is the practice of RED to get the best deal possible for the City and often gets other concessions from the seller in recognition that there is no transfer fee and thus increasing their net profit.

Tenant Improvement and Operating Costs

HSH estimates that initial annual operating costs are \$19,800 per unit, or \$1,009,800 for the 51-unit building. Assuming three percent annual escalation, total operating costs over three years would be approximately \$3,121,191. These costs to the City over the first three years would be offset by Homekey grant funds if the City is awarded the Homekey grant but would otherwise be funded by Proposition C funds. All operating costs beyond three years would be funded by Proposition C funds. Estimated annual Proposition C revenues are approximately \$266 million in FY 2022-23.

Cell Tower Lease

The Mission Inn property has three existing leases for cell towers on the roof that would be acquired by the City as part of the property acquisition. The appraised value of \$17 million includes projected revenues from these leases. AT&T's lease includes use of one guestroom, as described above. Annual revenue from the leases is \$90,519, with three percent annual escalation. Revenue from the leases would offset Proposition C funds to operate the building. The proposed purchase and sale agreement notes that "associated leases" would be included with the property acquisition, but the document does not specify what these leases are.

RECOMMENDATION

Approve the proposed resolution.

Item 4 File 21-0940	Department: Department of Homelessness and Supportive Housing (HSH), Real Estate Division (RED)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize the Director of Property, on behalf of the Department of Homelessness and Supportive Housing (HSH), to purchase the 25-room Eula Hotel located at 3055-3061 16th Street from Mahadeva, LLC, for an amount of \$5,600,000, plus an estimated \$115,000 for closing costs, for a total amount of \$5,715,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In January 2021, HSH issued a Request for Information (RFI) to identify suitable properties for possible acquisition as permanent supportive housing sites. The owners of 3055-3061 16th Street, which contains the Eula Hotel with 20 single residential occupancy units, five tourist rooms, and a ground floor liquor store, responded to the RFI. HSH prioritized acquisition of the Eula Hotel because of its condition, location, price, and ability to meet the needs of the transitional-aged youth population. • HSH and the Real Estate Division (RED) have negotiated a purchase and sale agreement with the owners of the Eula Hotel for an amount of \$5,600,000, plus typical closing costs. HSH would select a third-party non-profit contractor to operate the building. HSH estimates annual operating costs to be \$19,800 per unit, or \$495,000 for the 25-unit building. HSH estimates improvement costs to the building to be approximately \$1-1.5 million. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The total cost to purchase the building, including closing costs, is \$5,715,000. Including an estimated \$1,500,000 improvement cost, the total acquisition and improvement cost is approximately \$7,215,000, or approximately \$288,600 per unit. • HSH estimates that initial annual operating costs are \$19,800 per unit, or \$495,000 for the 25-unit building. Assuming three percent annual escalation, total operating costs over five years would be approximately \$2,628,022. Over 10 years, total operating costs would be approximately \$5,674,620. All acquisition, improvement, and operating costs would be funded by Proposition C funds. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

Administrative Code Section 23.3 states that the Board of Supervisors must approve acquisitions and conveyances of real property by resolution. An appraisal of the property is required if the Real Estate Division determines that the fair market value is greater than \$10,000 and an appraisal review if the fair market value is greater than \$200,000.

BACKGROUND

In November 2018, San Francisco voters approved Proposition C, a gross receipts tax to fund homeless services and housing. In July 2020, Mayor London Breed announced her Homelessness Recovery Plan with the goal of acquiring and operating 1,500 new units of permanent supportive housing over the next two years. According to the proposed resolution, as of August 2021, the City has acquired or contracted for over 700 new units of permanent supportive housing.

In January 2021, the Department of Homelessness and Supportive Housing (HSH) issued a Request for Information (RFI) to identify suitable properties for possible acquisition as permanent supportive housing sites and received 85 responses. The owners of 3055-3061 16th Street, which currently contains the Eula Hotel with 20 single residential occupancy units, five tourist rooms, and a ground floor liquor store, responded to the RFI. According to Dylan Schneider, HSH Manager of Policy and Legislative Affairs, HSH prioritized the Eula Hotel for acquisition because of its fitness with the criteria considered as part of the RFI, including the condition, location, price, and ability to meet the needs of the transitional-aged youth population. Although the RFI stated a preferred minimum of 30 rooms and preferred range of 50 to 150 rooms, HSH determined that the Eula Hotel, with 25 rooms, could viably serve its target population. HSH and the Real Estate Division (RED) have negotiated a purchase and sale agreement with the owners of the Eula Hotel for an amount of \$5,600,000, plus typical closing costs.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would make the following actions:

1. Approve and authorize the Director of Property, on behalf of HSH, to acquire the Eula Hotel property located at 3055-3061 16th Street;
2. Approve an Agreement of Purchase and Sale for Real Estate for acquisition of the property, for \$5,600,000 plus an estimated \$115,000 for typical closing costs,¹ for a total amount of \$5,715,000 from Mahadeva, LLC;
3. Authorize the Director of Property, HSH Director, and City Attorney's Office to make certain modifications, and take certain actions in furtherance of the resolution and the purchase and sale agreement that do not increase the liabilities of the City;

¹ Closing costs include escrow fee, title insurance, property inspection fee, and recording fees. Specific amounts of each fee were not provided by HSH.

- 4. Affirm the Planning Department’s determinations that the purchase is not considered a project under the California Environmental Quality Act (CEQA); and
- 5. Adopt the Planning Department’s findings that the purchase and sale agreement is consistent with the General Plan and Planning Code Section 101.1.

An appraisal conducted by Watts, Cohn, and Partners, Inc. confirmed that the proposed sale price of \$5,600,000 is fair market value. An appraisal review by R. Blum and Associates affirmed the appraised value.

Ongoing Costs

After the purchase is complete, the property will be operated by a third-party non-profit contractor. HSH is currently finalizing a Solicitation of Information (SOI) to select an operator for the property. At this time, HSH estimates annual operating and services costs of \$19,800 per unit, or \$495,000 in total for the 25-unit building.

Rehabilitation Costs

Saida + Sullivan Design Partners Inc. and ZFA Structural Engineers assessed the general interior condition of the building and site accessibility on behalf of the City. According to HSH Policy and Legislative Affairs Manager Schneider, the residential portion of the building was recently renovated and requires no improvements for occupancy. The ground floor would be converted from its current liquor store use to support spaces for residents, including offices, counseling rooms, and a resident lounge. The scope and budget for the commercial space would be determined in coordination with the selected operator. At this time, HSH estimates the costs to be approximately \$1.0 - 1.5 million. According to HSH Policy and Legislative Affairs Manager Schneider, following selection of the operator, a scope and budget will be determined for the commercial space. Based on that scope, a timeline for implementation of the improvements and subsequent lease-up will be developed.

FISCAL IMPACT

The total cost to purchase the property, including closing costs, is \$5,715,000. Including an estimated \$1,500,000 improvement cost, the total acquisition and improvement cost is approximately \$7,215,000, or approximately \$288,600 per unit. Details are shown in Exhibit 1 below.

Exhibit 1: Estimated Acquisition and Improvement Costs

Item	Amount
Purchase Price	\$5,600,000
Closing Costs	115,000
Improvement Cost	1,500,000
Total Cost	\$7,215,000
Units	25
Cost Per Unit	\$288,600

Transfer Taxes

Because the City is purchasing the property, the property sale does not generate real estate transfer taxes, estimated to be \$126,000. According to Andrico Penick, Director of Real Estate, the Real Estate Division does not reduce the purchase price by the amount of the waived transfer tax for a number of reasons: (1) the transfer tax is waived by statute to induce owners to sell their property to government entities and reducing the price would take away that statutory incentive; (2) allocation of closing costs is a negotiated item between seller and buyer, thus the seller could require a private entity buyer to pay the transfer fee and still obtain the full appraised value; and (3) it is the practice of RED to get the best deal possible for the City and often gets other concessions from the seller in recognition that there is no transfer fee and thus increasing their net profit.

Tenant Improvement and Operating Costs

HSH estimates that initial annual operating costs are \$19,800 per unit, or \$495,000 for the 25-unit building. Assuming three percent annual escalation, total operating costs over five years would be approximately \$2,628,022. Over 10 years, total operating costs would be approximately \$5,674,620.

According to the HSH Policy and Legislative Affairs Manager, all acquisition, improvement, and operating costs would be funded by Proposition C funds. Acquisition costs are included in HSH's FY 2021-22 budget. Estimated annual Proposition C revenues are approximately \$266 million.

Project Homekey Grants

An additional round of Project Homekey grant funding was recently announced by the California Department of Housing and Community Development (HCD). According to HSH Policy and Legislative Affairs Manager Schneider, HSH will not apply for Homekey grant funding for the Eula Hotel purchase due to its small size relative to other properties under consideration for purchase. HSH has prioritized larger properties for Homekey grant applications to maximize leveraging of grant funds.

RECOMMENDATION

Approve the proposed resolution.

<p>Item 5 File 21-0936</p>	<p>Department: District 7 – Various Departments</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would de-appropriate \$229,630 from District 7 General City Responsibility and appropriate \$39,250 to the Arts Commission, \$45,000 to the Department of Public Works, \$43,380 to the Recreation and Park Department, \$32,000 to the City Administrator’s Office, and \$70,000 to the Department of Children, Youth, and their Families to support the District 7 Community Grants Initiative under Participatory Budgeting projects in FY 2021-22. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Participatory Budgeting allows community members to provide direct input on how to spend a portion of the City budget. Due to the COVID-19 pandemic, District 7 was unable to engage in the traditional participatory budgeting process for FY 2021-22. District 7 considered previous or existing participatory budgeting projects but did not accept new applications. A committee of community stakeholders reviewed 26 proposals and scored them. The 11 highest scoring projects were awarded grants. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed ordinance appropriates funds to the: Arts Commission for utility box art projects around Ocean Avenue (\$39,250); Department of Public Works for Triangle Park safety and beautification projects and Detroit Street steps fence replacement (\$45,000); Recreation and Park Department for Aptos and Golden Gate Park improvements (\$43,380); City Administrator’s Office for West Portal block parties and purchase of emergency supplies (\$32,000); and Department of Children, Youth and their Families for school site improvements at Commodore Sloat, Sunnyside Elementary, and Aptos Middle Schools. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance. 	

MANDATE STATEMENT

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

BACKGROUND

Participatory Budgeting allows community members to provide direct input on how to spend a portion of the City budget. In prior years, Supervisorial District 7 has participated in the participatory budgeting process with projects ranging in cost from \$5,000 to \$25,000.

Due to the COVID-19 pandemic, District 7 was unable to engage in the traditional participatory budgeting process for FY 2021-22. District 7 considered previous or existing participatory budgeting projects but did not accept new applications. A committee of community stakeholders reviewed 26 proposals and scored them. The 11 highest scoring projects were awarded grants.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would de-appropriate \$229,630 from District 7 General City Responsibility and appropriate \$39,250 to the Arts Commission, \$45,000 to the Department of Public Works, \$43,380 to the Recreation and Park Department, \$32,000 to the City Administrator's Office, and \$70,000 to the Department of Children, Youth, and their Families to support the District 7 Community Grants Initiative under Participatory Budgeting projects in FY 2021-22.

A list of projects receiving grants are shown in Exhibit 1 below.

Exhibit 1: Projects Awarded Grants

Project Name	Grant Award	Project Description
Expanded Art on Ocean	\$14,300	Ocean Avenue utility box painting with an “Under the Sea” theme
Ocean Ave. Youth-Driven Utility Box Mural Installation & Repair	24,950	An artist would work with high school students to design digital print artwork to be installed on utility boxes on and around Ocean Avenue
Triangle Park Safety & Beautification Project	20,000	Crosswalks, lighting, and signage would be added around Triangle Park to aid pedestrian safety. Benches would be installed with tiling as a functional art installation
Aptos Park Improvements & Beautification	25,000	Tennis court repair and resurfacing, baseball field repair, and installation of water bottle filling fountain
Resilient West Portal Neighborfest	15,000	Funding for up to 15 block parties to build community connectedness, promote disaster resilience, and combat violence and hate crimes
Resilient MET Emergency Supplies	17,000	Purchase of emergency supplies for Merced Extension Triangle (MET) neighborhood
Detroit Steps Project: Chain Link Fence Replacement (Upper Steps)	25,000	Removal and replacement of collapsing chain link fence along the Detroit Street steps
Community Recovery at Commodore Sloat	25,000	Restoration of communal outdoor spaces, installation of sensory paths, and maintenance of existing green spaces at Commodore Sloat School
Golden Gate Heights Park Renovation	18,380	Pavement repairs at Golden Gate Heights Park
Green Schoolyard for COVID Recovery	20,000	Installation of outdoor seating and shade structures at Sunnyside Elementary School
Beautifying and Socializing at Aptos Outdoor Spaces	25,000	Basketball backboard repairs, seating installation, and mural at Aptos Middle School
Total	\$229,630	

Source: District 7 Staff

FISCAL IMPACT

The proposed ordinance would de-appropriate \$229,630 from District 7 General City Responsibility and appropriate funds to various departments, as shown in Exhibit 2 below.

Exhibit 2: Proposed Appropriation Uses

Uses	Project Amount	Department Total
Expanded Art on Ocean	\$14,300	
Ocean Ave. Youth-Driven Utility Box Mural Installation & Repair	24,950	
<i>Subtotal Arts Commission</i>		<i>\$39,250</i>
Triangle Park Safety & Beautification Project	\$20,000	
Detroit Steps Project: Chain Link Fence Replacement (Upper Steps)	25,000	
<i>Subtotal Department of Public Works</i>		<i>\$45,000</i>
Aptos Park Improvements and Beautification	\$25,000	
Golden Gate Heights Park Renovation	18,380	
<i>Subtotal Recreation and Park Department</i>		<i>\$43,380</i>
Resilient West Portal Neighborhood	\$15,000	
Resilient MET Emergency Supplies	17,000	
<i>Subtotal City Administrator's Office</i>		<i>\$32,000</i>
Community Recovery at Commodore Sloat	\$25,000	
Green Schoolyard for COVID Recovery	20,000	
Beautifying and Socializing at Aptos Outdoor Spaces	25,000	
<i>Subtotal Department of Children, Youth, and their Families</i>		<i>\$70,000</i>
Total Uses		\$229,630

Source: Proposed Ordinance

RECOMMENDATION

Approve the proposed ordinance.

<p>Item 9 File 21-0936</p>	<p>Department: District 10 – Various Departments</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would de-appropriate \$850,000 from District 10 General City Responsibility and appropriate funds to the Department of Children, Youth and their Families, Office of Economic and Workforce Development, and Human Services Agency. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The FY 2021-22 budget included funding for various projects in Supervisorial District 10. District 10 staff conducted community outreach for district needs and identified five projects totaling \$850,000 as candidates for funding. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed ordinance appropriates funds to the: Department of Children, Youth, and their Families for safety plan implementation and trauma services for youth (\$350,000); Office of Economic and Workforce Development for additional funding to the Bayview COVID resource hub and installation of security cameras in Visitation Valley (\$450,000); and the Human Services Agency to support English for Speakers of Other Languages (ESOL) classes for older and disabled adults in Visitation Valley (\$50,000). <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance. 	

MANDATE STATEMENT

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

BACKGROUND

The FY 2021-22 budget included funding for various projects in District 10. District 10 staff conducted community outreach for district needs and identified five projects totaling \$850,000 as candidates for funding.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would de-appropriate \$850,000 from District 10 General City Responsibility and appropriate \$250,000 to the Department of Children, Youth, and their Families for safety plan implementation in District 10, \$100,000 to the Department of Children, Youth, and their Families for trauma informed services in District 10, \$200,000 to the Office of Economic and Workforce Development for an essential services in the Bayview Hub, \$250,000 to the Office of Economic and Workforce Development for cameras in Visitation Valley, and \$50,000 to the Human Services Agency for services for seniors in Visitation Valley in FY 2021-22.

A list of projects receiving funding are shown in Exhibit 1 below.

Exhibit 1: Projects Awarded Funding

Project Name	Amount	Project Description
Safety Plan Implementation in District 10	\$250,000	Reimburse DCYF for hiring of Safety Coordinator, writing of District 10 Safety Plan, and community meetings to discuss solutions to neighborhood violence
Trauma Informed Services for Youth in District 10	100,000	Reimburse DCYF for technical assistance and hiring therapist through Safe and Sound contract
Essential Services in the Bayview Hub	200,000	Additional funding to the COVID resource hub in the Bayview, which connects residents with services, such as relief funds, COVID testing, employment and training, personal protective equipment, housing, unemployment insurance, public aide assistance, mental wellness, legal services, transportation assistance, and post-secondary education information
Cameras in Visitation Valley	250,000	Installation of public safety security cameras by San Francisco SAFE in Visitation Valley
Services for Seniors in Visitation Valley	50,000	Funding to support English for Speakers of Other Languages (ESOL) classes for older and disabled adults in Visitation Valley
Total	\$850,000	

Sources: DCYF, OEWD, HSA

FISCAL IMPACT

The proposed ordinance would de-appropriate \$850,000 from District 10 General City Responsibility and appropriate funds to the Department of Children, Youth and their Families, Office of Economic and Workforce Development, and Human Services Agency, as shown in Exhibit 2 below.

Exhibit 2: Proposed Appropriation Uses

Uses	Project Amount	Department Total
Safety Plan Implementation in District 10	\$250,000	
Trauma Informed Services for Youth in District 10	100,000	
<i>Subtotal Department of Children, Youth, and their Families</i>		<i>\$350,000</i>
Essential Services in the Bayview Hub	\$200,000	
Cameras in Visitation Valley	250,000	
<i>Subtotal Office of Economic and Workforce Development</i>		<i>\$450,000</i>
Services for Seniors in Visitation Valley	\$50,000	
<i>Subtotal Human Services Agency</i>		<i>\$50,000</i>
Total Uses		\$850,000

Source: Proposed Ordinance

RECOMMENDATION

Approve the proposed ordinance.