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

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: October 20, 2021 Budget and Finance Committee Meeting

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Item 1 File 21-0937	Department: Mayor's Office of Housing & Community Development

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would amend Article 12C of the City's Business Tax and Regulation Code to temporarily reduce the transfer tax on properties used for rent restricted affordable housing. The reduction in transfer taxes would apply to property transactions between January 2021 to July 2024.

Key Points

- Following the passage of Proposition I, the City's transfer tax for property transactions valued at more than $5 million increased in January 2021. The Business Tax and Regulations Code allows the Board of Supervisors to exempt rent restricted affordable housing from transfer taxes on property values of $5 million or more.
- The proposed ordinance generally defines rent restricted affordable housing as housing that is restricted to households making up to 120% of area median income and that has rent capped at 30% of tenant income. The affordability restrictions must be recorded for at least 55 years. Under the proposed ordinance, the Mayor's Office of Housing and Community Development (MOHCD) would certify that properties meet these requirements.

Fiscal Impact

- According to data provided by MOHCD, ten projects had or will have acquisition costs greater than $5 million between January 2021 and July 2024. The total reduction in transfer taxes for these projects under the proposed tax change is $8.1 million.
- For projects that have already paid the higher transfer tax amount, a portion of transfer taxes will be refunded to the Owner. In the case of affordable housing projects that were funded by MOHCD, the portion of refunded transfer taxes may be repaid to the City. For MOHCD projects that have yet to close their acquisition or pay any transfer tax, the project owners and MOHCD will benefit from reduced transfer tax amounts.

Recommendation

- Because the proposed ordinance would reduce General Fund revenues, we consider approval to be a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 2.105 states that all legislative acts shall be by ordinance, approved by a majority of the members of the Board of Supervisors.

BACKGROUND

Transfer Tax

Article 12C of the City's Business Tax and Regulations Code imposes a real property transfer tax on property acquisitions or leases of 35 years or more. The tax rate increases by the value of the property. Certain property transfers are exempt from this tax, including transfers of property between married couples, domestic partners, or parents and children, gifts and inheritances, or between individuals and their limited liability companies, limited partnerships, or trusts. The Board of Supervisors is authorized to exempt rent restricted affordable housing from transfer taxes on property values of $5 million or more.[1] According to the Controller's FY 2021-22 – FY 2022-23 Revenue Letter, real property transfer tax revenues are budgeted at $350.1 million in FY 2021-22 and $373.9 million in FY 2022-23.

Administrative Code Section 10.60(c) requires the maintenance of Budget Stabilization Reserve, which is funded, in part, by depositing 75% of real property transfer tax collections in excess of a rolling five-year average collection, adjusted for rate increases during that period. According to the Controller's FY 2021-22 – FY 2022-23 Revenue Letter, no deposits are expected in FY 2021-22 and FY 2022-23 as transfer taxes are expected to be below the prior five-year average.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend Article 12C of the City's Business Tax and Regulation Code to temporarily reduce the transfer tax on properties used for rent restricted affordable housing. The reduction in transfer taxes would apply to property transactions between January 2021 to July 2024. Exhibit 1 below shows the proposed change to the transfer taxes for the eligible property transactions.

[1] In November 2020, voters approved Proposition I, which increased the transfer tax on property transactions above $5 million. The tax became effective January 1, 2021.

Exhibit 1: Proposed Change in Transfer Tax for Rent Restricted Affordable Housing

Property Consideration or Value	Current Rate (per $500)	Proposed Rate (per $500)	Change (per $500)
$100 - <$250,000	$2.50	$2.50	No change
$250,000 - <$1,000,000	$3.40	$3.40	No change
$1,000,000 - <$5,000,000	$3.75	$3.75	No change
$5,000,000 - <$10,000,000	$11.25	$3.75	($7.50)
$10,000,000 - <$25,000,000	$27.50	$3.75	($23.75)
$25,000,000 or more	$30.00	$3.75	($26.25)

Source: Proposed Ordinance

Rent Restricted Affordable Housing

Rent restricted affordable housing is defined in the proposed ordinance as housing that is restricted to households making up to 120% of area median income with all units in the building having an average maximum income of up to 80% area median income and that limits rent to amounts determined by the San Francisco Housing Authority for Section 8 voucher households or to no more than 30% of the household income. The ordinance requires rent-restricted properties to have affordability restrictions recorded for at least 55 years, and for a government agency to monitor such restrictions. To qualify for the reduced transfer taxes, properties must either be vacant, used for commercial purposes prior to claiming eligibility, or have qualified for an exemption under Section 214 of the California Revenue and Taxation Code, which reduces property taxes for properties used exclusively as rental housing to low-income households.

Properties acquired under Chapter 41B of the City's Administrative Code (the Community Opportunity to Purchase Act), which provides non-profits with the right of first offer and refusal to purchase residential buildings with three or more units, are already subject to the transfer tax rates of the proposed ordinance.

Under the proposed ordinance, the Mayor's Office of Housing and Community Development (MOHCD) would certify that properties meet the above requirements.

FISCAL IMPACT

To project the fiscal impact of the proposed ordinance, we reviewed MOCHD's pipeline of affordable housing projects and the associated estimated acquisition costs. As shown in Exhibit 2 below, according to MOHCD, ten projects would qualify for the proposed reductions in transfer taxes, resulting in a $8.1 million reduction over the 3.5-year period during which the reduced taxes rates would be in effect.

Exhibit 2: Estimated Transfer Tax Reductions

Project Name	Address	Acquisition Price (est.)	Change in Transfer Tax
Knox Hotel	241 6th Street	$11,550,000	($548,625)
Yosemite Apartments	480 Eddy Street	$6,000,000	($90,000)
4200 Geary	4200 Geary	$11,000,000	($522,500)
2550 Irving	2550 Irving	$9,000,000	($135,000)
Ambassador Ritz	55 Mason St, 216 Eddy St	$41,108,750	($2,158,209)
Hayes Valley South	401 Rose Street	$29,526,921	($1,550,163)
936 Geary	936 Geary	$6,150,000	($92,250)
Throughline Apartments	777 Broadway, 1204 Mason, 1525-1529 Washington	$20,819,568	($988,929)
Fillmore Marketplace	1223 Webster	$20,000,000	($950,000)
SFHA Scattered Sites	4101 Noriega St, 200 Randolph St, 2206-2268 Great Highway, 363 Noe St, 343 Jules Ave	$23,000,000	($1,092,500)
Total		**$178,155,239**	**($8,128,177)**

Source: BLA Analysis of MOHCD Pipeline

For projects that have already paid the higher transfer tax amount, a portion of transfer taxes will be refunded to the Owner. In the case of projects that were funded by MOHCD and paid the higher transfer tax amount, the portion of refunded transfer taxes may be repaid to the City, as the City's Promissory Notes require that excess proceeds (that is, development funding remaining after payment of actual project costs) originally funded by the City be returned to MOHCD. For MOHCD projects that have yet to close their acquisition or pay any transfer tax, the projects and MOHCD will benefit from reduced transfer tax amounts. Other property transactions not included in the MOHCD pipeline may also qualify for the proposed reduction in transfer taxes, which would result in a General Fund revenue loss.

Because the proposed ordinance would reduce General Fund revenues, we consider approval to be a policy matter for the Board of Supervisors.

RECOMMENDATION

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

Item 2 **File 21-0999**	**Department:** Human Services Agency (HSA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the Second Amendment to the grant agreement between the Human Services Agency (HSA) and San Francisco-Marin Food Bank (SFMFB) for the COVID-19 Food Assistance Program, extending the grant term by six months through June 2022, and increasing the not-to-exceed amount by $8,977,683, for a total not to exceed $24,504,508.

Key Points

- In July 2020, HSA entered into an agreement with SFMFB to provide COVID-19 Food Assistance for a term of 8.5 months, from July 1, 2020 through March 15, 2021, for an amount not to exceed $9,900,000. In March 2021, the Board of Supervisors approved the First Amendment to the grant agreement, extending the term through December 2021 and increasing the not-to-exceed amount by $5,626,825, for a total not to exceed $15,526,825. Due to the ongoing need of the program, HSA and SFMFB have agreed to extend the agreement through June 2022.
- Under the grant agreement, SFMFB provides two main services: pop-up food pantries at 20 locations throughout San Francisco, as well as grocery delivery to client homes via the Pantry at Home Program. The proposed Second Amendment would expand eligibility for the Pantry at Home Program as well as provide funding for a drive-through service to pop-up pantries. HSA estimates that the program would distribute approximately 374,195 grocery bags to 24,500 unduplicated clients over the period of October 16, 2021 through June 30, 2022. The average cost to HSA is approximately $13.90 per bag, which is consistent with the average cost in the First Amendment.

Fiscal Impact

- HSA projects actual expenditures of $15,526,825 through October 15, 2021. The Second Amendment budget of $6,750,000 would pay for food pantry and grocery delivery services through June 30, 2022.
- The Budget and Legislative Analyst recommends reducing the contingency from $2,227,683 to $675,000, which is 10 percent of the projected expenditures for the remaining term of the grant agreement.

Recommendations

- Amend the proposed resolution to reduce the not-to-exceed amount of the grant agreement by $1,552,863, for a total not to exceed $22,951,645.
- 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

Food insecurity in San Francisco has increased as a result of the COVID-19 pandemic. The City, led by the Human Services Agency (HSA), is responding by providing a COVID-19 Food Assistance Program, which funds grants to community food programs. The Food Assistance Program is intended to help clients remain sheltering in place during COVID-19 and get enough food to meet their needs.

In July 2020, HSA entered an agreement with the non-profit San Francisco-Marin Food Bank (SFMFB) to provide COVID-19 Food Assistance in the form of supplemental groceries to San Francisco residents affected by COVID-19. The original term of the agreement was from July 1, 2020 through March 15, 2021, for a total amount not to exceed $9,900,000.[1] SFMFB was awarded the grant through a sole-source waiver because, according to HSA staff, it is the only food bank serving San Francisco and is uniquely able to collect and distribute food at the volume and rate required by the COVID-19 Food Assistance Program. In March 2021, the Board of Supervisors approved the First Amendment to the agreement with SFMFB, extending the term by 9.5 months through December 2021, and increasing the not-to-exceed amount by $5,626,825, for a total not to exceed $15,526,825 (File 21-0162).

The grant agreement with SFMFB expires on December 31, 2021. According to Rocio Duenas, HSA Senior Administrative Analyst, food insecurity continues because many families have not recovered financially from the pandemic. Due to the ongoing need of the program, HSA and SFMFB have agreed to extend the agreement through June 2022.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Second Amendment to HSA's grant agreement with SFMFB, extending the grant term by six months through June 2022, and increasing the not-to-exceed amount by $8,977,683, for a total not to exceed $24,504,508.

Under the grant agreement, SFMFB provides two main services: pop-up food pantries at 20 venues located throughout San Francisco, as well as grocery delivery to client homes via the Pantry at Home Program. The proposed Second Amendment would expand eligibility for the Pantry at Home Program to include families with a child under the age of two.[2] This program

[1] The original agreement did not require Board of Supervisors approval because it did not exceed $10 million.

[2] Previously, the Pantry at Home Program was only available to San Francisco residents who are 65 years or older, have an underlying health condition that puts them at greater risk for complications from COVID-19, or have difficulty attending a food pantry due to a physical or cognitive disability. All San Francisco residents are eligible to obtain food from the pop-up pantries.

expansion, as well as the introduction of a drive-through service to pop-up pantries[3], would increase the unduplicated client count from approximately 20,000 to 24,500. Approximately 374,195 grocery bags would be distributed over the period from October 16, 2021 through June 30, 2022, as shown in Exhibit 1 below.

Exhibit 1: Unduplicated Clients and Units of Service

Program	Unduplicated Clients	Grocery Bags
Pop-Up Pantries	13,000	203,484
Pop-Up Pantry Drive-Through	1,000	36,105
Pantry at Home	7,000	66,881
Pantry at Home Expansion for Families	3,500	67,725
Total	**24,500**	**374,195**

Source: Proposed Second Amendment

The average cost to HSA is approximately $13.90 per bag, which is consistent with the average cost in the First Amendment.

Under the grant agreement, SFMFB is required to administer a client satisfaction survey, which was administered in June 2021. The three targets for the survey are that 80 percent of clients rate the quality of groceries as excellent or good, 80 percent of clients are able to shelter in place during COVID-19 more easily because of the groceries they receive, and that 80 percent of clients feel less worried about getting enough food to meet their needs. The survey did not ask respondents to rate the quality of groceries, but 97 percent agreed with the statement that they "like the food I get from the program." 98 percent of respondents agreed that they are able to shelter in place more easily because of the program. However, only 52 percent of respondents agreed that they feel less worried about getting enough food, which is below the 80 percent target. According to HSA Senior Administrative Analyst Duenas, HSA hopes that by supporting the program with additional resources and extending the service period, more clients will "agree" with this measure.

FISCAL IMPACT

The proposed Second Amendment would increase the not-to-exceed amount of the grant agreement by $8,977,683, for a total not to exceed $24,504,508. According to HSA Senior Administrative Analyst Duenas, actual and projected expenditures through October 15, 2021 are approximately $15,625,825. Actual and projected expenditures for the total grant agreement term are shown in Exhibit 2 below.

[3] The drive-through was previously in operation and HSA is now financially supporting that component of the program.

Exhibit 2: Actual and Projected Expenditures

Expenditure	Amount
Expenditures through 10/15/21	$15,526,825
Expenditures 10/15/21 – 6/30/22	
Salaries and Benefits	$1,361,793
Operating Expense[4]	3,161,078
Subtotal	*$4,522,871*
Indirect Cost (15% of Subtotal)[5]	678,430
Other Expenditure[6]	1,548,700
Projected Expenditures, 10/16/21 – 6/30/22	*$6,750,000*
Total Projected Expenditures	$22,276,825
Contingency (10% of Total Projected Expenditures)	2,227,683
Total Not-to-Exceed Amount	**$24,504,508**

Source: Proposed Second Amendment, HSA

The contract includes a contingency of 10 percent of all projected expenditures, equal to $2,227,683. However, this amount accounts for expenditures of $15,526,825 through October 15, 2021, for which use of contingency funds was not needed. Therefore, the Budget and Legislative Analyst recommends reducing the contingency to $675,000, which is 10 percent of the projected contract expenditures for the remaining term of the contract from October 16, 2021, through June 30, 2022. This reduction would reduce the total not-to-exceed amount of the grant agreement by $1,552,863, for a total not to exceed $22,951,825.

The current not-to-exceed amount of $15,526,825 was intended to provide sufficient expenditure authority for the grant agreement through December 31, 2021, but HSA now anticipates that the amount will be fully expended by October 15, 2021. According to HSA Senior Administrative Analyst Duenas, this is because HSA had anticipated a decline in program participants, which did not occur.

Of the projected $6,750,000 in expenditures from October 16, 2021, through June 30, 2022, HSA Senior Administrative Analyst Duenas anticipates that approximately $6,500,000 would be funded by the City's General Fund and approximately $250,000 would be reimbursed by the Federal Emergency Management Agency (FEMA).

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the not-to-exceed amount of the grant agreement by $1,552,863, for a total not to exceed $22,951,645.
2. Approve the resolution as amended.

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[4] Operating Expenses include food costs, subcontractor labor costs for bag packing and delivery, property rental, utilities, office supplies, building maintenance, food storage and distribution, equipment, program support, insurance, and staff training and travel.

[5] Indirect Costs consist of SFMFB's personnel expenses that can't be attributed directly to the program. This includes costs for human resources, information technology, and facilities.

[6] Other Expenditures include $1.2 million for food boxes for drive-thru distribution and a $303,100 culturally-responsive menu pilot.

Item 3 File 21-1002	Department: Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the Second Amendment to the Planning Coordinator Agreement between the San Francisco Public Utilities Commission (SFPUC) and the California Independent System Operator (CAISO), extending the agreement by 10 years through November 10, 2031, and increasing the not-to-exceed amount by $250,000, for a total amount not to exceed $500,000.

Key Points

- The SFPUC Power Enterprise owns transmission facilities and generation units that are part of the Bulk Electric System (BES) power grid. SFPUC is required to have a Planning Coordinator for its BES facilities. CAISO is the only entity authorized to provide this service for the CAISO Balancing Authority Area in which SFPUC's BES facilities are located.
- In 2015, SFPUC entered into a Planning Coordinator agreement with CAISO for a term of three years, from November 10, 2015 through November 4, 2018, and an amount not to exceed $250,000. In 2018, SFPUC executed the First Amendment to the agreement, extending the term by three years through November 4, 2021. SFPUC and CAISO have agreed to extend the agreement for an additional 10 years through November 4, 2031.
- The proposed resolution would not change the scope of the agreement, which consists of CAISO providing Planning Coordinator Services for SFPUC transmission facilities and generation units. Under the agreement, CAISO performs these Planning Coordinator services, and the cost for services is based upon the number of transmission circuits owned by SFPUC, which is currently six transmission circuits.

Fiscal Impact

- The proposed Second Amendment would increase the not-to-exceed amount of the Planning Coordinator Agreement by $250,000, for a total not to exceed $500,000.
- Based on CAISO's most recent rate study, CAISO's annual charge per transmission circuit is approximately $4,221, or $25,328 total for the six circuits owned by SFPUC. The not-to-exceed amount of $500,000 accounts for potential cost increases based on future cost of service studies, as well potential increases in cost of services based on additional transmission circuits.

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 San Francisco Public Utilities Commission (SFPUC) Power Enterprise owns transmission facilities and generation units that are part of the Bulk Electric System (BES) power grid. SFPUC must comply with applicable reliability standards developed by the North American Electric Reliability Corporation, including having a Planning Coordinator for its BES facilities. The California Independent System Operator (CAISO) is the only entity authorized to provide this service for the CAISO Balancing Authority Area in which SFPUC's BES facilities are located.

In 2015, SFPUC entered into a Planning Coordinator Agreement with CAISO for a term of approximately three years, from November 10, 2015 through November 4, 2018, and an amount not to exceed $250,000. SFPUC obtained a sole-source waiver from the Office of Contract Administration because CAISO is the only authorized provider of Planning Coordinator services. In 2018, SFPUC executed the First Amendment to the Planning Coordinator Agreement, extending the term by three years through November 10, 2021, with no change to the not-to-exceed amount. SFPUC and CAISO have agreed to extend the agreement for an additional 10 years through November 10, 2031, for a total contract term of 16 years. In September 2021, the SFPUC Commission approved the Second Amendment to the Planning Coordinator Agreement with CAISO.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Second Amendment to the Planning Coordinator Agreement with CAISO, extending the term by 10 years through November 10, 2031, and increasing the not-to-exceed amount by $250,000, for a total not to exceed $500,000.

The proposed resolution would not change the scope of the agreement, which consists of CAISO providing Planning Coordinator Services for SFPUC transmission facilities and generation units. Under the agreement, CAISO performs these Planning Coordinator services, and the cost for services is based upon the number of transmission circuits owned by SFPUC. SFPUC currently has six transmission circuits. If SFPUC undertakes transmission projects that increase the number of circuits, that could potentially increase CAISO's cost of services.

FISCAL IMPACT

The proposed Second Amendment would increase the not-to-exceed amount of the Planning Coordinator Agreement by $250,000, for a total not to exceed $500,000. Actual expenditures to date on the agreement total $155,956.

According to Cheryl Sperry, SFPUC Hetch Hetchy Water Administrative Services Manager, CAISO is required to conduct a rate study every three years to determine its Planning Coordinator service charges. Based on the most recent study, CAISO's annual charge per transmission circuit is approximately $4,221, or $25,328 total for the six circuits owned by SFPUC. The not-to-exceed amount of $500,000 accounts for potential cost increases based on future cost of service studies, as well potential increases in cost of services based on additional transmission circuits.

RECOMMENDATION

Approve the proposed resolution.

Item 5 **File 21-0960**	**Department:** Children, Youth and Their Families (DCYF)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution retroactively approves the second amendment to the grant agreement between the Japanese Community Youth Council and the Department of Children Youth and Their Families (DCYF) to extend the grant term by one year for a total term of July 1, 2018 through June 30, 2024, and to increase the grant amount by $6,993,652 to a total not to exceed amount of $37,705,052.
- The proposed second amendment is under consideration for retroactive approval because the Department did not bring the original grant agreement or first amendment to Board of Supervisors for approval.

Key Points

- The Japanese Community Youth Council, a non-profit grantee, manages the Mayor's Youth Employment and Education Program, which places high schoolers in jobs and provides related training and enrichment programming during the schoolyear and summer.

Fiscal Impact

- The total grant agreement amount through June 30, 2023, not including the budget contingency, is $30,711,400, and as of September 30, 2021, grant agreement expenditures are $18,132,925, leaving a balance of $12,578,475. If the grant agreement is increased to $37,705,052 through June 2024, the remaining grant agreement authority increases to $19,572,127 over 33 months. The proposed grant agreement budget for FY 2023-24 is $6,993,652 is based on pre-COVID cost escalations; DCYF has not yet prepared a budget for grant expenses for FY 2023-24.

Policy Consideration

- The proposed second amendment is retroactive because the Department did not bring the original grant agreement or first amendment to Board of Supervisors for approval. The Budget and Legislative Analyst's Office reviewed other large DCYF grant agreements and determined that the January 2020 grant agreement with Young Community Developers for the Black to the Future Program has a not to exceed amount of $11.5 million but was not submitted to the Board of Supervisors for approval, per City Charter Section 9.118(b).

Recommendations

- Request that DCYF to (a) submit the January 2020 grant agreement with Young Community Developers for Board of Supervisors approval, (b) request DCYF and the City Attorney's Office review all current DCYF contracts to identify any other active contracts that require Board of Supervisors approval.
- Amend the proposed resolution to retroactively approve the original grant agreement and first amendment.
- 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 to such contract is subject to Board of Supervisors approval.

BACKGROUND

The Japanese Community Youth Council

The Japanese Community Youth Council is a non-profit community organization established in 1970 and headquartered in Japantown, San Francisco. The organization serves young people from all socio-economic and ethnic backgrounds through various youth employment and training programs in San Francisco, including the Mayor's Youth Employment and Education Program, SF YouthWorks, SF STEM Academy, and Opportunities for All.

The Mayor's Youth Employment and Education Program

The Mayor's Youth Employment and Education Program provides San Francisco high school students with work experience through after school and summer employment at nonprofit, public sector organizations, and local businesses. The program serves 1,000 unduplicated San Francisco youth annually.

Original Agreement

On April 27, 2018, the Department of Children, Youth and Their Families (DCYF) entered into a grant agreement with the Japanese Community Youth Council to provide services under the Mayor's Youth Employment and Education Program. The grant agreement was for a total not to exceed amount of $24,750,000, over a term of five years from July 1, 2018 to June 30, 2023. Because the grant agreement was valued at over $10, according to City Charter Section 9.118(b), this agreement should have been submitted to the Board of Supervisors for approval but was not.

Procurement

The grant for the Mayor's Youth Employment and Education Program was procured through the Department's FY 2018-2023 Request for Proposals & Qualifications (RFP) process in which the Japanese Community Youth Council was the sole applicant for the Mayor's Youth Employment & Education Program component, receiving an average score of 82 from the five-member scoring panel. The panel was comprised of two DCYF staff, two City staff from other Departments, and one subject matter expert.

First Amendment

On October 23, 2020, the Department amended the original grant agreement to increase funding by a total amount of $9,032,540, from $24,750,000 to $33,782,540, including a ten percent contingency amount, with no change to the original term length of five years. The increase in funding under the first amendment provided for additional adult staff positions and other program expenses. This modification to the grant agreement should also have been reviewed by the Board of Supervisors, according to City Charter Section 9.118(b), however it was not.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution retroactively approves the second amendment to the grant agreement between the Japanese Community Youth Council and the City for the Mayor's Youth Employment and Education Program to extend the grant term by one year for a total term of July 1, 2018 through June 30, 2024, and to increase the grant amount from $30,711,400 to $37,705,052.

As noted above, the proposed second amendment is under consideration for retroactive approval because the Department did not bring the original grant agreement or first amendment to Board of Supervisors for approval. The proposed resolution, which retroactively approves the second amendment, should be amended to retroactively approve the original grant agreement and the first amendment.

Scope of Services

During the school year, the program provides primarily freshman and sophomores with 40 hours of job readiness training and ten hours per week of employment. During the summer, the program is open to all high school students, and includes ten hours of job readiness training and 136 hours of employment, per participant. Remote services are being offered due to pandemic social distancing guidelines, including zoom workshops. The Japanese Community Youth Council subcontracts with the community-based organizations[1] to provide job readiness training, career exploration, and other programming.

FISCAL IMPACT

Actual Spending

The total grant agreement amount through June 30, 2023, not including the budget contingency, is $30,711,400, and as of September 30, 2021, grant agreement expenditures are $18,132,925, leaving a balance of $12,578,475.

[1] The Bernal Heights Neighborhood Center, Buchanan YMCA, APA Family Services, Horizons Unlimited, Southeast Asian Development Center, the Community Youth Center Richmond, Sunset, & Chinatown, Young Community Developers, Visitacion Valley Strong, and Mayor's Youth Education and Employment OMIE & Workshop Space

Exhibit: Actual Expenditures July 1, 2018 through September 30, 2021

	2018/19	2019/20	2020/21	2021/22	Total
Adult Staff	$582,051	$612,355	$746,900	$52,160	$1,993,467
Youth Staff	2,552,826	2,370,845	426,893	39,277	5,389,841
Fringe Benefits	357,355	340,575	253,720	17,695	969,344
Subcontractors	855,964	883,093	948,195	0	2,687,252
Materials & Supplies	23,757	22,633	25,064	2,013	73,467
Other Program Expenses	369,132	963,193	3,108,476	334,649	4,775,449
Administrative	671,334	745,708	778,211	48,852	2,244,105
TOTAL	**$5,412,419**	**$5,938,403**	**$6,287,459**	**$494,645**	**$18,132,925**

Source: DCYF

Note: According to DCYF Grant Manager Brett Conner, expenditures of $3.1 million for "Other Program Expenses" in FY 2020-21 were for participant incentives to youth staff due to the onset of COVID-19. Youth staff expenditures were only $426,893 in FY 2020-21 because the program shifted away from youth staff wages earned through traditional job placements, and to a model focused on the economic stability of program participants and their families.

As noted above, the remaining grant agreement authority is $12,578,475. If the grant agreement is increased to $37,705,052 through June 2024, the remaining grant agreement authority increases to $19,572,127 over 33 months. The proposed grant agreement budget for FY 2023-24 is $6,993,652 is based on pre-COVID cost escalations; DCYF has not yet prepared a budget for grant expenses for FY 2023-24.[2]

Source of funding

The proposed second amendment would be funded by the Children and Youth Fund, as well as Minimum Compensation Ordinance funds of $283,241, Cities for Financial Empowerment Fund of $260,000, and a Human Services Agency Work Order in the amount of $535,000. DCYF Grant Manager Brett Conner expects these external investments to continue through the end of the grant term, but that has not yet been confirmed.

POLICY CONSIDERATION

The Budget and Legislative Analyst's Office reviewed other large DCYF grant agreements to identify any others that require Board of Supervisors approval. The January 2020 DCYF grant agreement with Young Community Developers for the Black to the Future Program has a not to exceed amount of $11.5 million but was not submitted to the Board of Supervisors for approval, per City Charter Section 9.118(b). We recommend the Board of Supervisors request DCYF to (a) submit the grant agreement with Young Community Developers for Board of Supervisors approval, (b) request DCYF and the City Attorney's Office review all current DCYF contracts to identify any other active contracts that require Board of Supervisors approval.

[2] The not-to-exceed amount of $37,705,052 does not include the 10 percent contingency contained the second amendment. According to the second amendment, the contingency is $3,770,505, which covers FY 2018-19 and FY 2019-20, for which the contingency amount was not needed, and future years. Any increase in the grant agreement of $500,000 or more above the proposed resolution not-to $36,990,870 will require Board of Supervisors approval.

Extension of Grant Term Beyond Original RFP

As noted above, the original grant agreement was procured through a competitive solicitation for services through FY 2022-23. The proposed second amendment extends the grant agreement term through FY 2023-24, one year beyond the term contemplated by the solicitation. According to DCYF, the Department is extending all grant agreements from that solicitation because the pandemic delayed their preparations for a new procurement cycle.

RECOMMENDATIONS

1. Request that DCYF to (a) submit the January 2020 grant agreement with Young Community Developers for Board of Supervisors approval, (b) request DCYF and the City Attorney's Office review all current DCYF contracts to identify any other active contracts that require Board of Supervisors approval.
2. Amend the proposed resolution to retroactively approve the original grant agreement and first amendment.
3. Approve the proposed resolution, as amended.

Item 7 File 21-0959	Department: Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the First Amendment to the power purchase agreement between San Francisco Public Utilities Commission's (SFPUC) CleanPowerSF and Blythe Solar IV, LLC (Blythe Solar), to add energy storage capacity to the existing solar energy facility and increase the not-to-exceed amount by $83,096,000, for a total not to exceed $220,280,744, with no change to the contract term.

Key Points

- State law requires all electric service providers, including CleanPowerSF, to maintain certain quantities of Resource Adequacy (RA) capacity to ensure sufficient electric generation resources are available on the grid to meet unusually high levels of customer demand.
- In January 2018, the Board of Supervisors approved an ordinance that authorized the SFPUC General Manager to enter into standardized power purchase agreements of $10 million or more, up to $175 million, and SFPUC issued a solicitation for offers of renewable energy supply under this authority. Blythe Solar responded to the solicitation and entered into a power purchase agreement with SFPUC for a term of 20 years, from September 11, 2020 through September 10, 2040, and an amount not to exceed $137,184,744.
- Under the proposed First Amendment, Blythe Solar would add battery storage to the power purchase agreement. The addition of battery storage would provide for a more reliable supply of energy from the Blythe Solar facility because excess solar power produced by the facility could be stored at times when solar production volumes are high throughout the state and then released to the grid when solar is not available and power supplies are lower. According to the SFPUC, the battery storage added by the proposed amendment would increase the RA capacity value of the Blythe project and allow CleanPowerSF to meet approximately eight percent of its RA capacity obligations.

Fiscal Impact

- The proposed amendment would increase the not-to-exceed amount of the power purchase agreement by $83,096,000, for a total not to exceed $220,280,744. To date, actual contract expenditures total $5,144,340. SFPUC anticipates annual expenditures of $7,301,773 under the existing agreement scope and $4,794,000 in additional expenditures under the proposed amendment.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

In May 2016, the San Francisco Public Utilities Commission (SFPUC) launched the CleanPowerSF Community Choice Aggregation (CCA) program to provide cleaner and more sustainable electricity at comparable rates to those offered by Pacific Gas & Electric Company (PG&E). CleanPowerSF uses clean and renewable energy purchased from various sources, including SFPUC's Hetch Hetchy Power.

State law requires all electric service providers, including CleanPowerSF, to maintain certain quantities of Resource Adequacy (RA) capacity to ensure sufficient electric generation resources are available on the grid to meet unusually high levels of customer demand. RA requirements for each electric service provider are determined by state energy regulatory agencies and the California Independent System Operator using demand forecasts. Electric service providers must also procure different types of RA capacity products with different operating attributes and from different geographical areas.

In January 2018, the Board of Supervisors approved an ordinance that authorized the SFPUC General Manager to enter into standardized power purchase agreements of $10 million or more and waived certain Administrative and Environment Code contracting provisions and delegated authority for up to $175 million in power supply contracts (File 17-1172). In 2018, SFPUC issued a solicitation for offers of renewable energy supply under this authority. Blythe Solar IV, LLC, a subsidiary of NextEra Energy Resources Acquisitions, LLC (Blythe Solar), responded to the solicitation. In July 2019, SFPUC entered into a long-term power purchase agreement with Blythe Solar to purchase solar energy from a facility in Blythe, California for a term of 20 years, from September 11, 2020 through September 10, 2040, and an amount not to exceed $137,184,744.

SFPUC and Blythe Solar have agreed to amend the agreement to include energy storage for the Blythe Solar facility. On September 28, 2021, the SFPUC Commission approved the amendment to the agreement.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the First Amendment to the power purchase agreement between SFPUC and Blythe Solar, increasing the not-to-exceed amount by $83,096,000, for a total not to exceed $220,280,744, with no change to the agreement term. The energy storage component is planned to commence operations in October 2022 and under the agreement CleanPowerSF would purchase product from the energy storage through the approximately 17 years and 11 months remaining in the agreement term. The proposed amendment requires

Board of Supervisors approval because the value of the amendment exceeds the delegated authority for energy supply purchases authorized by the 2018 ordinance.

According to the SFPUC, the addition of battery storage would provide for a more efficient and reliable supply of energy from the Blythe Solar facility. Solar power produced by the facility could be stored at times when solar production volumes are high throughout the state and then released to the grid when solar is not available and power supplies are lower. According to Erin Mulberg, SFPUC Origination and Power Supply, energy generated by solar facilities typically has a lower value in the energy market as well as reduced RA capacity value because it is generated in the middle of the day when electricity is now abundant on the grid. Adding battery storage increases this value because energy can be stored and discharged at times when energy is more scarce and costly to procure, such as in the early evening when demand on the grid begins to peak. By adding the dispatchability of a battery, CleanPowerSF can also help reduce the grid's reliance on fossil fuels to supply electricity demand when for example, energy from solar and wind may not be available.

While RA capacity was included in the existing contract for the solar project, according to the SFPUC, solar resources provide less RA capacity than battery storage resources as determined by state regulations. The battery storage added by the proposed amendment would increase the RA capacity value of the Blythe project and allow CleanPowerSF to meet approximately eight percent of its RA capacity obligations.

Community Benefits

Blythe Solar's power purchase agreement required a community benefits program. Blythe Solar is providing contributions to support programs that advance engineering and science education through providing mentorship, tutoring, and scholarship opportunities, as well as supporting programs that develop small, local businesses and provide economic assistance. Blythe Solar has provided financial contributions to the City of Blythe, Lift to Rise, the Riverside Latino Commission Counseling Center, Palo Verde College, and KidWind as part of this program. These contributions will last five years, until approximately September 2025. The proposed amendment would not change this community benefits program.

FISCAL IMPACT

The proposed amendment would increase the not-to-exceed amount of the power purchase agreement by $83,096,000, for a total not to exceed $220,280,744. The amount is based on the bid price per kilowatt (kW) per month and price per megawatt-hour (MWh) multiplied by the total MW of capacity or MWh of renewable energy. The actual bid price varies by the type of electricity-related product. SFPUC determined that the price of the amendment to add battery storage to the Blythe Solar project is competitive as compared to prices seen by the SFPUC in recent RA capacity solicitations. SFPUC staff stated that the addition of energy storage to this contract will help the program stabilize near and long-term energy supply costs for the CleanPowerSF program.

To date, actual contract expenditures total $5,144,340. SFPUC anticipates annual expenditures of $7,301,773 under the existing agreement scope and $4,794,000 in additional expenditures under the proposed amendment.

SFPUC states that RA capacity contracts are contracts that commit power plants to be available to the state's grid operator, the California Independent System Operator (CAISO), when the demand for electricity in California is at its highest levels. Under these contracts, CleanPowerSF receives a commitment from the plant to make its power producing capability available to CAISO if the state needs to ensure electric system reliability.

RECOMMENDATION

Approve the proposed resolution.