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FY2022-2031 Proposed Capital Plan Approval

February 22, 2021

CAPITAL PLANNING COMMITTEE

Agenda Item

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- **Action Item:** Recommendation to Mayor and Board of Supervisors to approve the Proposed FY2022 – FY2031 Capital Plan

PROPOSED CAPITAL PLAN

Funding Overview FY22-31

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Summary by Service Area FY 22-31

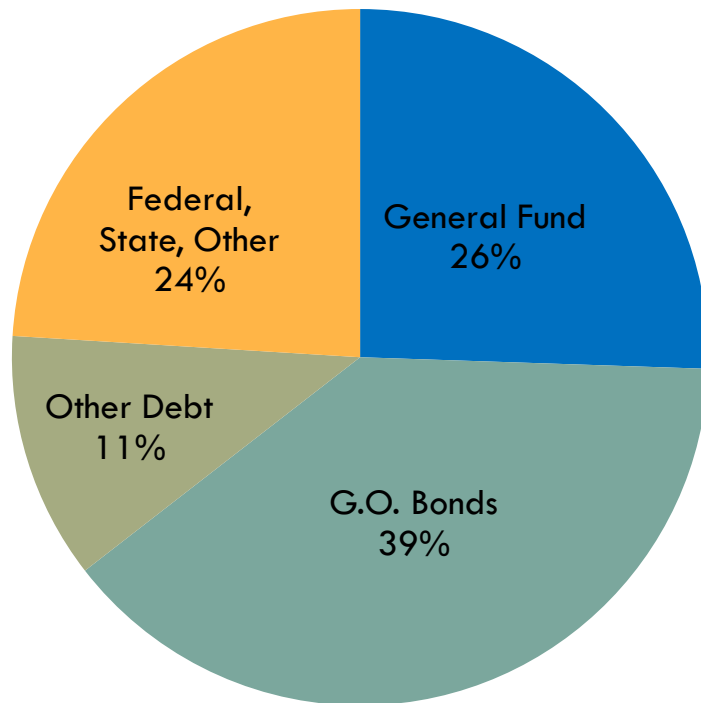
<i>(in \$millions – includes all funding sources)</i>	GENERAL FUND DEPTS	ENTERPRISE DEPTS	EXTERNAL AGENCIES	TOTAL	Change from Prior Plan
Affordable Housing	-	-	2,622	2,622	
Public Safety	1,268	-	-	1,268	-22%
Health and Human Services	832	-	-	832	35%
Infrastructure & Streets	1,486	9,066	-	10,553	9%
Recreation, Culture, and Education	861	-	3,113	3,974	89%
Economic & Neighborhood Development	-	2,465	3,151	5,616	-21%
Transportation	-	6,230	6,689	12,919	-27%
General Government	162	-	-	162	-50%
TOTAL	4,609	17,761	15,576	37,947	-3%

PROPOSED CAPITAL PLAN

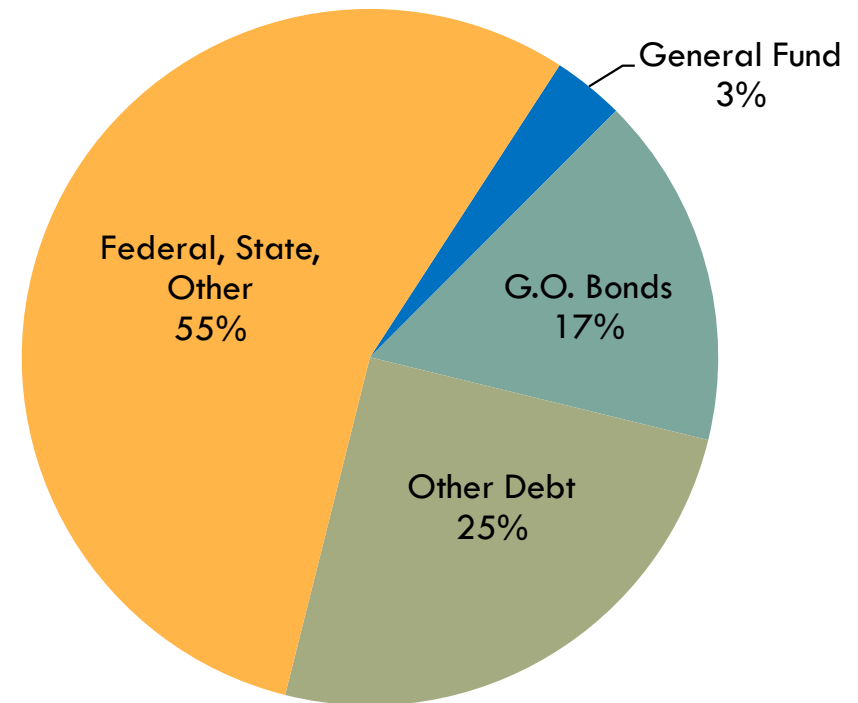
Sources FY22-31

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Funding Sources - GF Depts



Funding Sources - All Depts



PROPOSED CAPITAL PLAN

Policies and assumptions

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- Incorporated impact of COVID-19 on Pay-As-You-Go Program
 - Assumed \$46.3M in FY2022, growing at 10% until FY2024, increasing to \$110 million in FY2025, and growing by 10% thereafter.

- Maintained Street Resurfacing Pavement Condition Index (PCI) target at 75
 - PCI may drop to 74 at currently planned funding levels

- ADA-related policy continues to prioritize barrier access removal and the ongoing Curb Ramps right-of-way program

- Maintaining \$10M/yr for Enhancement projects not possible at current funding levels

Policies unchanged since Draft Capital Plan was presented to CPC on Jan 11, 2021

PROPOSED CAPITAL PLAN

Narrative Updates since Jan 11

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- Affordable Housing
 - Updated MOHCD narrative to clarify Preservation need, Jobs/Housing Linkage fee, and RHNA allocation
- Health and Human Services
 - Changed project title for Mental Health SF, Permanent Supportive Housing & Homeless Svcs
- Infrastructure and Streets
 - Updated numbers in Hetch Hetchy narrative to match tables
 - Added detail on project scope and funding for Better Market St.
- Public Safety
 - Included Lake Merced Range project under POL Facilities Retrofits/Improvements
- Recreation, Culture + Education
 - Split Branch Library Major Projects into separate projects for Chinatown & Ocean View
 - Text edits to some REC projects
- Transportation
 - Text edits to Transportation Recovery Plan

PROPOSED CAPITAL PLAN

Other Changes since Jan 11

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- Minor updates/corrections to department financial tables
 - FIR, LIB, MOHCD, PRT, PW, SFPUC, TIDA updated
 - Total change <1%

- Added pictures, maps, infographics

DEBT PROGRAMS

PROPOSED DEBT PROGRAM

General Obligation (G.O.) Bond Schedule

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G.O. Bond Debt Program

(in \$millions)

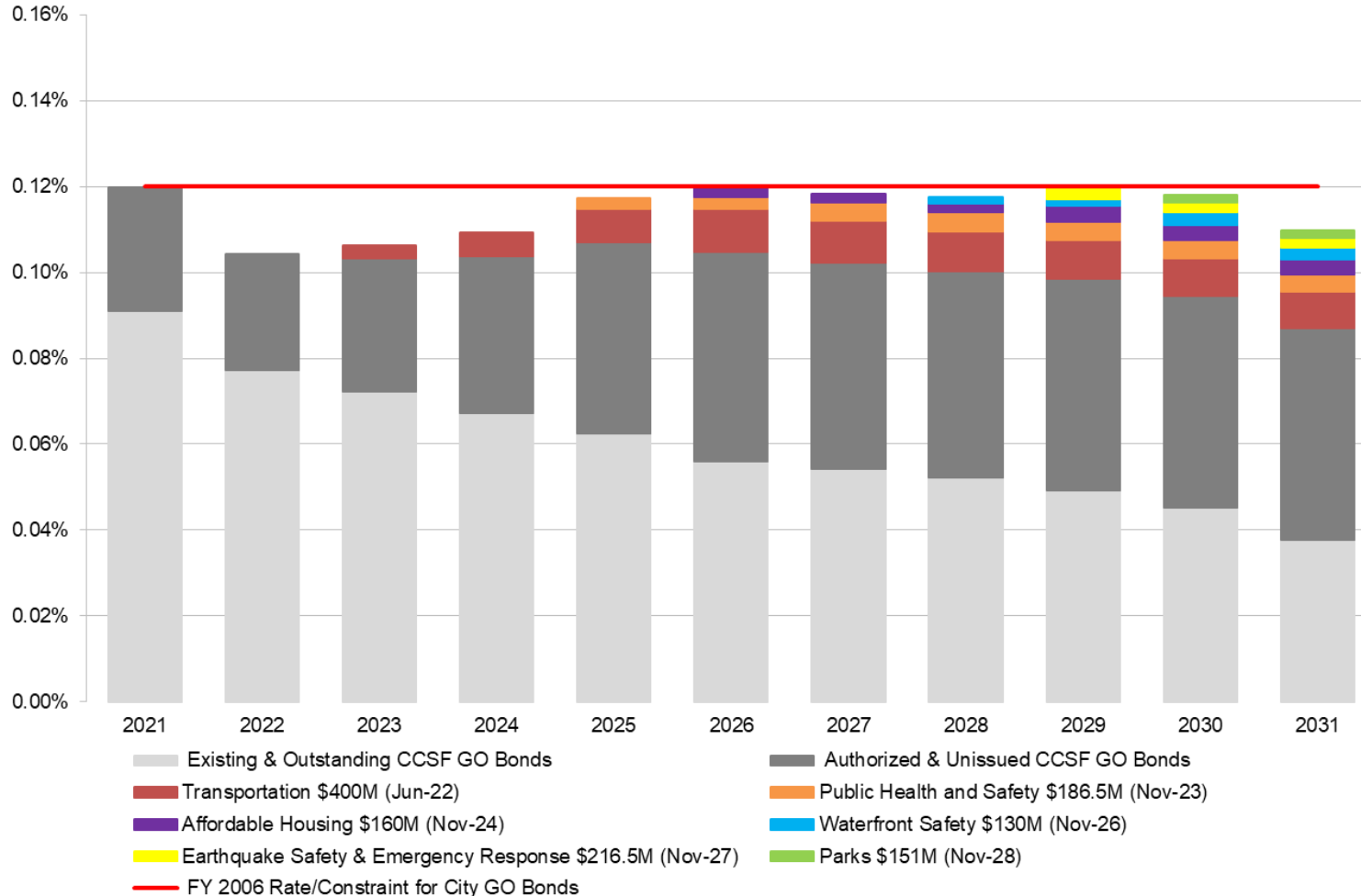
Election	Proposed Program	Amount
Jun 2022	Transportation	400
Nov 2023	Public Health	188
Nov 2024	Affordable Housing	160
Nov 2026	Waterfront Safety	130
Nov 2027	Earthquake Safety & Emergency Response	217
Nov 2028	Parks and Open Space	151
Nov 2031	Public Health	TBD
TOTAL		1,245

Table unchanged since Draft Capital Plan was presented to CPC on Jan 11, 2021

PROPOSED DEBT PROGRAM

General Obligation (G.O.) Bond Capacity

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Revised 11-17-2020

Chart unchanged since Draft Capital Plan was presented to CPC on Jan 11, 2021

PROPOSED DEBT PROGRAM

General Fund (GF) Debt Schedule

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General Fund Debt Program <i>(in \$millions)</i>		
Issuance	Proposed Project	Amount
FY2022	Critical Repairs	61
FY2022	Recovery Stimulus	50
FY2023	Relocation of HSA Headquarters	70
FY2023	Critical Repairs	50
FY2023	Recovery Stimulus	75
FY2023	Street Resurfacing	30
FY2024	Street Resurfacing	30
FY2025	HOJ Consolidation Project	367
FY2031	Public Works Yard Consolidation	32
TOTAL		765

Table unchanged since Draft Capital Plan was presented to CPC on Jan 11, 2021

PROPOSED DEBT PROGRAM

General Fund Debt Capacity

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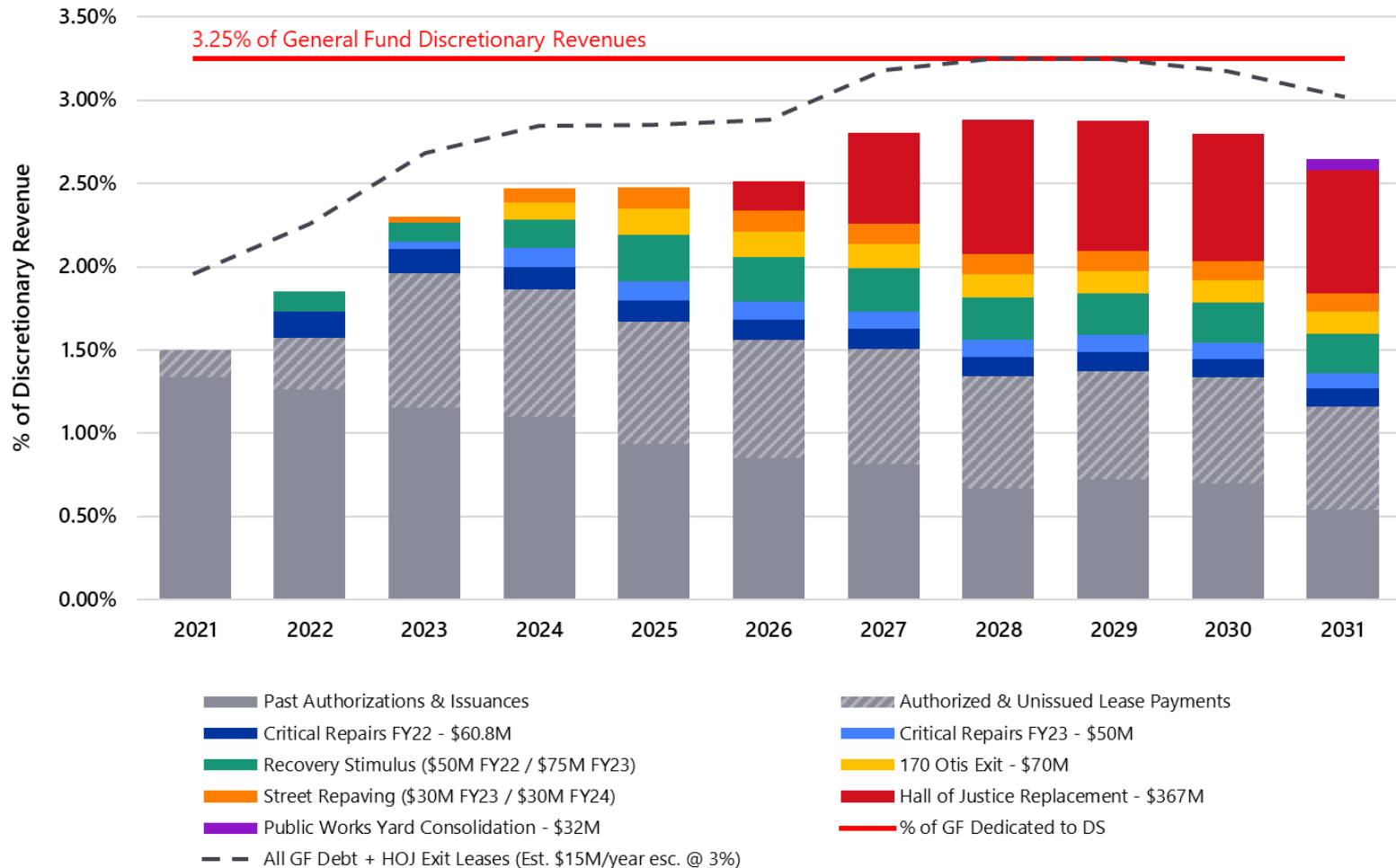


Chart unchanged since Draft Capital Plan was presented to CPC on Jan 11, 2021

PAY-AS-YOU-GO PROGRAM

PROPOSED PAY-AS-YOU-GO PROGRAM

Funding Outcomes FY22-31

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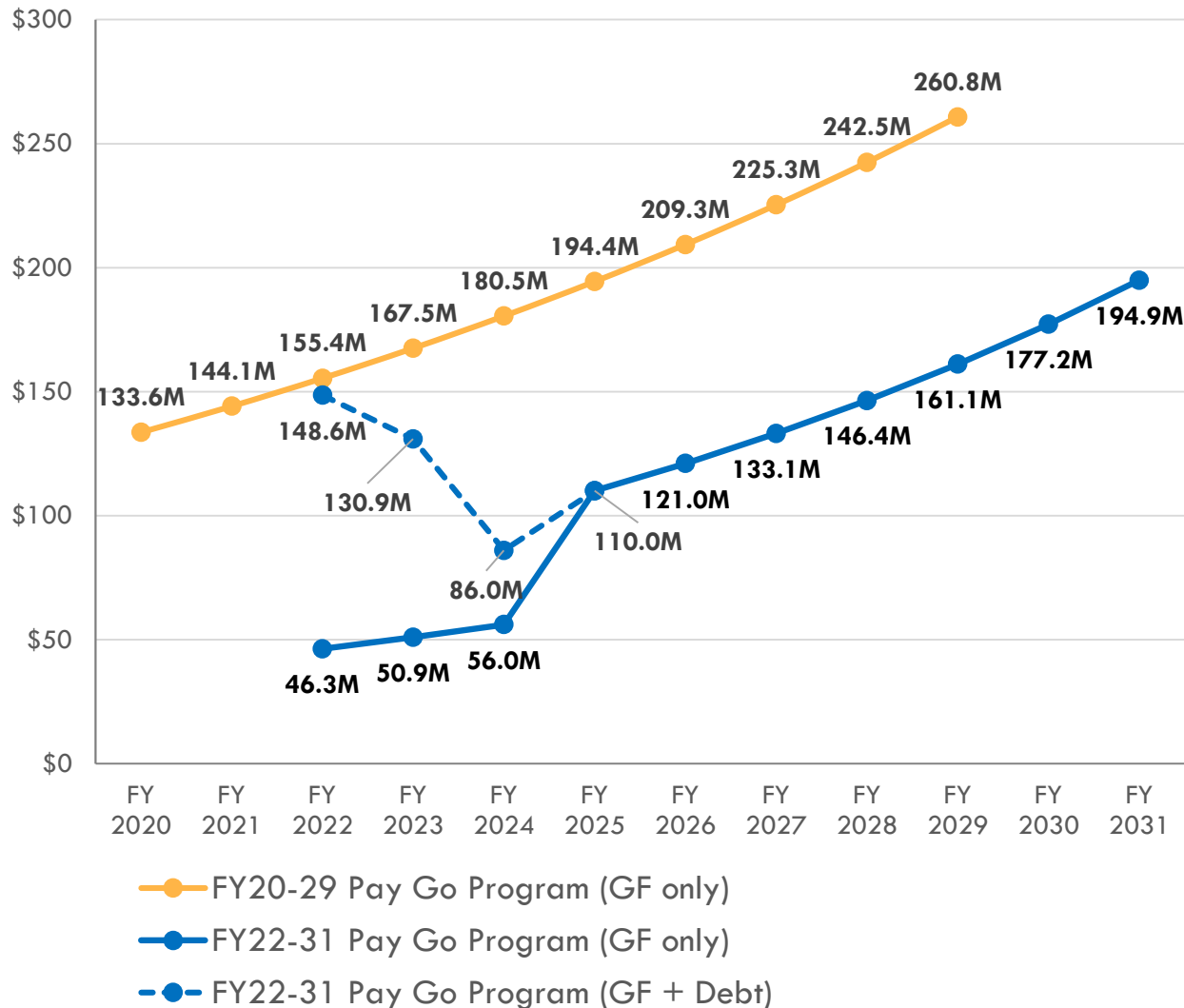
Pay-as-you-go Program Funding				
<i>(in \$millions)</i>				
	FY 22-26	FY 27-31	Plan Total	Change from Prior Plan
Routine Maintenance	82	104	186	10%
ADA: Facilities	8	8	16	-
ADA: Public Right-of-Way	23	33	56	-43%
Street Resurfacing	65	192	256	-68%
Enhancements	0	0	0	-100%
Recreation and Parks Base Commitment	72	72	144	-
Capital Contribution to Street Tree	31	39	70	10%
ROW Infrastructure Renewal	10	40	50	-61%
Facility Renewal	94	324	418	-36%
TOTAL	384	813	1,197	-45%

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PROPOSED PAY-AS-YOU-GO PROGRAM

Comparison to previous Capital Plan

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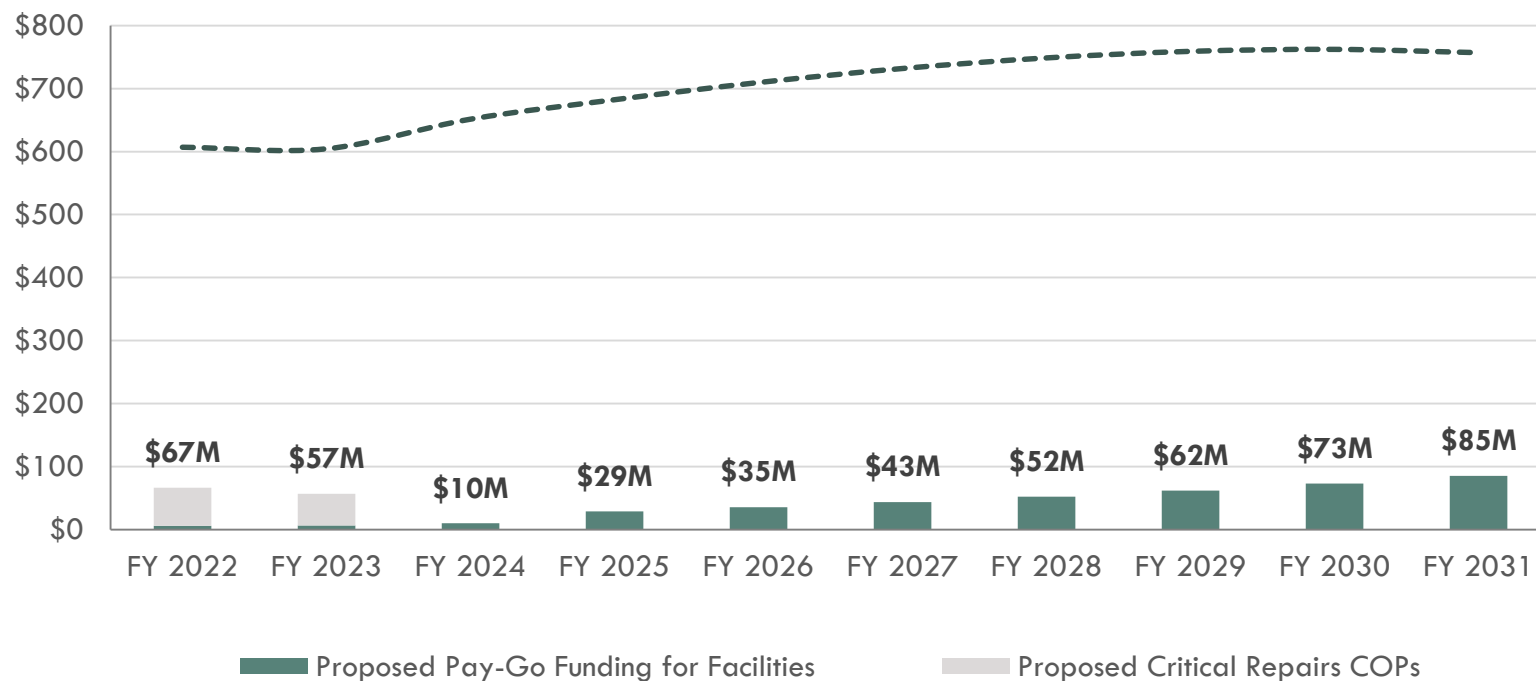


- ▣ The GF Pay Go Program is 37% lower than the previous Plan
- ▣ Debt is being used to supplement the Pay Go Program
 - ▣ FY22: \$41.5M in G.O. Bonds for Streets & ROW, \$60.8M in Critical Repairs COPs
 - ▣ FY23: \$30M in Streets COPs, \$50M in Critical Repairs COPs
 - ▣ FY24: \$30M in Streets COPs

PROPOSED PAY-AS-YOU-GO PROGRAM

Impact of Funding Level on Backlog

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Facilities Backlog estimation methodology

- Current backlog is defined as total current renewal need (i.e. deferred maintenance + immediate need) less the amount funded in the first year of the Plan
- The chart above does not include REC facilities since REC has a GF set-aside to address these needs
- At planned funding levels, the facilities backlog is expected to start reducing in FY2031

Chart unchanged since Draft Capital Plan was presented to CPC on Jan 11, 2021

Questions & Comments

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Renewal Program / Preservation

Acquisition/Rehabilitation

MOHCD's planned preservation includes the acquisition and rehabilitation of at-risk housing for households between 0-120% AMI to prevent the displacement of existing residents and loss of affordability from Ellis Act and Owner Move-In evictions, condominium conversions, and demolitions. Based on the Housing Balance Report, an average of 400 units per year have been removed from protected status.

An example of an acquisition and rehabilitation project in the pipeline is 3254-3264 23rd Street. This project consists of 6 residential units serving households at an average of less than 80% AMI, and 5 commercial spaces. The sponsor acquired the site with conventional bridge financing in March 2020. The rehabilitation is expected to be completed in the Summer of 2021, when it will convert to permanent financing from the City through the PASS and SSP programs.

Sources eligible for this purpose include 10% of Inclusionary and Jobs/Housing Linkage Fees, 25% of condominium conversion fees, 40% of excess ERAF allocated to MOHCD, and the Housing Trust Fund. Additionally, the City makes below-market loans available for eligible projects through the Preservation and Seismic Safety (PASS) Program, which had capacity for up to \$260 million in below-market loans when voters approved the modification of the Seismic Safety Loan Program in November 2016.

The estimated need to acquire and rehabilitate 400 units annually is approximately \$1.9 billion through FY2031.

MOHCD-Subsidized Housing

MOHCD's planned preservation includes the recapitalization of existing 100% affordable housing that is owned and managed by private developers and monitored by MOHCD. About 15,500 units in MOHCD's portfolio do not have

any project-based rental or building operating subsidies to leverage additional debt, so they will need City capital subsidy to recapitalize.

An example of an existing MOHCD subsidized project in the pipeline for recapitalization is Throughline Apartments. This scattered site project consists of three buildings totaling 88 units serving households at an average of less than 30% AMI. Pending an award of competitive financing sources, construction is expected to begin in 2021 with completion in 2022.

Sources eligible for this purpose include the Housing Trust Fund and 40% of excess ERAF allocated to MOHCD.

The estimated need to recapitalize 15,500 units of existing MOHCD-subsidized housing is approximately \$1.2 billion through FY2031.

HUD-Subsidized Housing

MOHCD's planned preservation includes the recapitalization of federally

subsidized affordable housing that is owned and managed by non-profit or for-profit developers and monitored by the HUD. About 1,000 units of HUD subsidized housing are high-risk for loss of affordability over the next 10 years because these projects have either opted out of their HUD contracts or have year-to-year or soon-to-expire contracts and can convert to market-rate rents after the expiration of their affordability restrictions.

An example of a HUD-subsidized project in the pipeline for recapitalization is Frederick Douglas Haynes Apartments. This project consists of 104 units serving households at an average of less than 50% AMI. Construction began in August 2020 with an anticipated completion in January 2022.

Sources eligible for this purpose include the Housing Trust Fund and 40% of excess ERAF allocated to MOHCD.

The estimated need to recapitalize 1,000 units of existing HUD-subsidized housing is approximately \$146 million through FY2031.

Renewal Projects

Project Name	Description
SFHA – San Francisco Housing Authority	With extensive support from the City, over 4,000 public housing and HOPE VI units have been preserved and rehabilitated under the Rental Assistance Demonstration (RAD) program. The remaining 1,500 public housing units are slated for rehabilitation, replacement, and/or conversion to the Section 8 platform. In the interim, funding for maintenance, including annual federal operating subsidies, have been and are expected to continue to be inadequate, making deterioration of these units a continual challenge.



OCH Hunters View Phase 2a,
Photo Credit: John Stewart Company