OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

126-0052022-002

Agenda Item **No. 5 (d)**
Meeting of June 21, 2022

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Thor Kaslofsky, Executive Director

SUBJECT: Authorizing a Personal Services Contract with Parklab Open Space Management, a California Limited Liability Company, for the property management and maintenance of the Mission Bay Open Space system for a term of one year, from July 1, 2022 to June 30, 2023; authorizing a maximum contract amount not to exceed $2,386,281 including a maximum contractor compensation amount not to exceed $223,580; Mission Bay North And South Redevelopment Project Areas

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EXECUTIVE SUMMARY

Under the Mission Bay North and South Owner Participation Agreements ("OPAs"), the Office of Community Investment and Infrastructure ("OCII") is responsible for managing 41 acres of Mission Bay public open space being developed by FOCIL-MB, LLC ("FOCIL" or "Mission Bay Master Developer") on parcels owned by the City, acting through the Real Estate Division ("RED") and the Port of San Francisco ("Port"), and leased to OCII through the Agency Ground Lease ("Lease"). Funding for OCII's management of the open space comes from Mission Bay property owners through the Mello-Roos Community Facilities District No. 5 ("CFD No. 5"). To date 21.6 acres of public open space have been developed and opened to the public. Ten parks totaling 19.4 acres remain to be built.

Redevelopment Dissolution Law requires OCII to dispose of any fee interests or leasehold interests it has in real property. In December 2015, the California Department of Finance ("DOF") approved OCII's Long Range Property Management Plan ("PMP") that the Oversight Board had approved by Resolution No. 14-2015 (Nov. 23, 2015) and that provided, among other things, a disposition plan for the early termination of portions of OCII's Lease for the Mission Bay Open Space Parcels in phases as each phase is complete and for a transfer of responsibilities to the City as the owner of the property.

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The early termination dates in the Department of Finance approved Property Management Plan (“PMP”) are past due and OCII has been working with the Recreation and Parks Department (“RPD”) and the Port on a plan for a transfer of responsibility. After July 1, 2023, the Recreation and Park Department (“RPD”), on behalf of RED, and the Port would be responsible for the management of their respective open space in Mission Bay. However, OCII will remain the administrator of funds from CFD No. 5 until it terminates at the end of fiscal year 2043-44 and will provide funding for the maintenance of the open space. OCII will enter into an MOU with RPD and the Port that will define how the CFD funds will be provided to RPD and the Port.

In July of 2016 OCII entered into a Personal Services Contract (“MJM Contract”) with MJM Management Group (“MJM”), for property management of the Mission Bay Open Space System. The term of this contract ends on June 30, 2022 so there is a need for an entity to manage the Mission Bay Open Space for one year. OCII has identified Parklab Open Space Management (“POSM”) as the company to provide property management for the Mission Bay Open Space System until the Lease is terminated. Since this is a one-year contract, POSM, due to its familiarity with the Mission Bay Open Space, was sole sourced for the contract.

POSM is a new company formed by Cathy Hickey, the current General Manager of the Mission Bay Open Space for MJM. POSM is a State Department of General Services designated Small Business Enterprise (“SBE”). Seth Hamalian, whose company is the managing member of FOCIL-MB, is an investment partner in POSM, but he will not have any day-to-day role in POSM. POSM will retain the current MJM site staff at Mission Bay as well as the current MJM subcontractors. Two of the current subcontractors, Aim to Please Janitorial Services and Robert W. Poyas, are San Francisco-based minority-owned SBEs certified by the City’s Contract Monitor Department. The other two subcontractors are the Streetplus Company, which provides security during the swing shift on weekdays and the day and swing shifts on the weekends, and Patrol Special Services, which provides a roving security during the graveyard shift hours.

The total amount of the POSM budget for the upcoming Fiscal Year 2022-2023 (“FY 22-23”) is $2,386,281, which includes $2,311,281 for Operating Expenses, $75,000 for Capital Expenses, and Contractor Compensation of $223,580. Special Events is budgeted for $16,650 in expenses and $70,170 in revenue. Since the staffing to administer the special events is part of the operations budget there are minimal incremental expenses attributable to the special events. With minimal expenses to offset the revenue generated by the special events, we are budgeting $53,520 in excess revenue which will be added to fund balance to pay for future expenditures.

Staff recommends approval of the Personal Services Contract and FY 22-23 budget.

BACKGROUND

Mission Bay Open Space System

In November 1998, the former redevelopment agency (the "Former Agency") and the Mission Bay Master Developer entered into the Mission Bay North and South Owner Participation Agreements ("OPAs") authorizing a mixed-use, mixed-income transit-oriented development on 302 acres of land. Planning for the Mission Bay North and Mission Bay South projects is closely intertwined and the public's ability to realize the full benefits of each separate project depends on the successful development of both projects. Under the OPAs, the Mission Bay Master Developer is required, among other things, to develop Open Space Parcels on land owned by the City and County of San Francisco ("City"). Also in 1998, the Developer and the City, acting through RED and the Port, executed land transfer agreements to facilitate the appropriate land uses under the Redevelopment Plans ("Land Transfer Agreements"). The Land Transfer Agreements include the Amended and Restated Mission Bay City Land Transfer Agreement ("CLTA"), the Amended and Restated Mission Bay Port Land Transfer Agreement ("PLTA"), and the Amended and Restated Agreement Concerning the Public Trust, which included as a party the State of California ("Public Trust Agreement"). Together, the OPAs, the CLTA and the PLTA require the City and the Port to lease approximately 41 acres of City and Port-owned land designated as parks in the Mission Bay Redevelopment Plans to the SFRA ("Open Space Parcels"). OCII, as the Successor Agency, is required to lease, in phases, the Open Space Parcels from the City to develop the parks and maintain them using funds generated from CFD No. 5.

A 2001 Ground Lease with the City and Port, which terminates in 2046, implements OCII's obligation to lease and maintain the Mission Bay Open Space Parcels ("Agency Lease"). The Agency Lease currently covers Parks P1, NP1-5, P5, P6, P10, P11/11A, P16, P17, P18, P21, P23. P24 and P26 ("the Completed Parcels"). The OPAs and Agency Lease require OCII to add Future Parks to the leasehold after the City and the Agency have received the Mission Bay Master Developer's notice that an Open Space Parcel has been developed in accordance with the Plan documents.

In 2004 the Former Redevelopment Agency Commission approved Resolution 49-2004, which established Park Rules for the Mission Bay Open Space System ("Mission Bay Park Rules").

Seventeen segments of the Mission Bay open space system, totaling 21.6 acres, have been completed and transferred to OCII for management and operations under the Agency Lease. The segments are open to the public and managed under OCII's responsibility include the completed portions of Mission Creek Park, including the sports courts (Parks P1 and NP1-NP5). In addition, four parks along Terry François Boulevard (Parks P18, P21, P23 and P24), the first two segments of the Mission Bay Commons Park (Parks P16 and P17), Mariposa Park adjacent to the USCF Hospital (P26), the Kids Park (P6), dog park (P5) and Parks P10 and P11/11A, small open space parcels, located at the western gateway to Mission Bay along Mission Bay Drive. In FY 2022-23, Park P3, which is located along Mission Creek, will be open to the public and added to OCII's responsibility. Attachment 1 is the Mission Bay Open Space System Map depicting open parcels, parcels under construction and parcels yet to be built.

Mission Bay Open Space

Park/Open Space	Approximate Acreage
Mission Bay North Complete	
NP1. NP2, NP3, NP4 & NP5	6.52
Mission Bay South Complete	
P1, P5, P6, P10, P11/11a, P16, P17, P18, P23/24 & P26	15.08
Mission Bay South FY 22-23	
P3	1.68
Mission Bay South Future	
P2/8, P7, P9, P12, P13, P15, P19, P22 & P27	17.76
Grand Total	**41.04**

Redevelopment Dissolution Law requires OCII to dispose of any fee interests or leasehold interests it has in real property. In light of the dissolution of redevelopment and the wind down of former redevelopment agency activities, OCII proposed to DOF in the Mission Bay chapter of OCII's PMP a disposition plan providing for the early termination of the OCII's Lease for the Open Space Parcels in phases as each phase is complete subject to the Mission Bay Master Developer's consent.

Current Open Space System Management

On July 19, 2016, the OCII Commission approved a Personal Services Contract ("2016 Contract") with MJM to provide overall management of the Mission Bay Open Space (Resolution No. 34-2016). The Contract was awarded through an Request For Qualifications ("RFQ") process that included extensive outreach. Only MJM responded to the RFQ. The 2016 Contract is for a three-year term with a three-year extension that was executed in 2019. The 2016 Contract with three-year extension ends on June 30, 2022, and MJM's owner is seeking to retire and close MJM's operations.

Funding for Open Space Management

In December 1999, as required by the OPA, the Former Redevelopment Agency Commission formed, by Former Agency Resolution No. 217-99, CFD No. 5 to collect special taxes for the purpose of operating, maintaining, and repairing the Open Space Parcels for 45 years. Under the CFD No. 5 formation documents, OCII administers the CFD until FY 2043-44. All funding for the operations of the Mission Bay Open Space Parcels, including the proposed contract, comes from special taxes paid by Mission Bay private property owners, including UCSF. OCII affordable housing sites are exempt from this assessment. OCII is the administrator of CFD No. 5 and annually adjusts the level of special taxes collected from CFD No. 5 according to the formula articulated in the Commission-approved Rate and Method of Apportionment.

DISCUSSION

Early Termination of the Ground Lease

The PMP approved by DOF required early termination of the Lease in three calendar year phases (2017, 2019, and 2022). To date OCII has not been able to terminate any portion of the Lease. The delay in terminating the Lease is mostly due to general construction and administrative delays, but also the need for OCII to work with RPD and the Port to draft a Memorandum of Understanding ("MOU"). The MOU will deal with the on-going maintenance of the Mission Bay Open Space and the administration and distribution of the CFD No. 5 funds to RPD and the Port to maintain the Mission Bay Open Space. The issue of park maintenance has been a topic of discussion and concern in the community and thus OCII, RPD and the Port have been meeting with a subgroup of the Mission Bay Citizens Advisory Committee("CAC") to discuss their concerns. During the continued wind-down, OCII will remain the administrator of CFD No.5 through FY 2043-44 (2044 is when the CFD sunsets). Also, OCII will remain the lead in working with FOCIL-MB to build the remaining parks.

Mission Bay Open Space Management Contract

As the current contract for parks management expires June 30, 2022, a new contract for park maintenance is required to bridge the gap between the expiration of the current contract and management of the Open Space by RPD and the Port. Staff has negotiated a personal services contract with POSM for Mission Bay open space management ("Contract") is consistent with the 2004 Mission Bay Park Rules. The major terms of the proposed Contract are outlined below.

Term

The Contract will be for one year from July 1, 2022 through June 30, 2023. OCII can terminate the Contract for any reason.

Scope of Services

POSM's responsibilities will include overall management of the parks, landscape gardening, janitorial and general maintenance, and security. All but one of the parcels that will be managed by POSM under the contract are Completed Parcels. An additional park, P3, will be completed by FOCIL during the term of the Contract. The Contract specifically provides for the addition of this "Phase-in Parcel".

The proposed Contract includes a detailed scope of services for all aspects of the open space management system. The scope describes the responsibilities of POSM and each of its subcontractors and includes specifications on the tasks to be committed by each firm and the frequency with which tasks are to be performed. The scope of work includes:

1. Management and General Operations: Oversight of Mission Bay park operations, including tasks such as coordinating and supervising all landscaping, janitorial, maintenance, and security services through subcontractors; providing an on-site property manager and engineer; maintaining all mechanical and constructed systems; coordinating and promoting special events; issuing permits for use of facilities; maintaining financial accounts; preparing annual budgets; and resolving day-to-day problems as they arise.

2. Landscape Maintenance: Maintenance of all landscaped and planted areas including lawn areas, trees, shrubs, plantings, and ground cover, in a healthy, attractive, and safe condition.

3. Janitorial: Daily trash removal, sweeping, and janitorial services, as well as graffiti abatement and general maintenance services for all hardscape and constructed areas, including pathways, and all site furnishings, as well as of park structures.

4. Security: A combination of onsite and roving security will be provided 24-hour-a-day. Additional security may be provided as needed for special events.

Fiscal Year 2022-23 Budget

The proposed POSM Budget for FY 2022-23 is broken into three parts, see below:

1. Operations
2. Capital
3. Special Events

Refer to **Table 1** for an overview of the FY 2022-23 proposed POSM Operations Budget vs. the final adopted FY 2021-22 MJM Operations Budget. Additionally, Attachment B of the Contract, which is Exhibit A to the Resolution, is a detailed FY 2022-23 budget including a comparison to the FY 2021-22 MJM budget.

Table 1: FY 2022-23 Proposed POSM Operating Budget vs. FY 2021-22 Adopted MJM Operating Budget

Expenditure Type	FY 2022-23 Proposed	FY 2021-22 Approved	Change	% Change
Personnel services	560,110	516,028	44,082.00	8.5%
Materials and supplies	52,526	46,506	6,020.00	12.9%
Contractual services	980,215	927,260	52,955.00	5.7%
Landscape	*459,960*	*423,960*	36,000.00	8.5%
Security	*247,955*	*240,000*	7,955.00	3.3%
Janitorial	*262,800*	*255,000*	7,800.00	3.1%
Supplies/Extra	*9,500*	*8,300*	1,200.00	14.5%
Repairs and maintenance	36,230	32,380	3,850.00	11.9%
Utilities	377,100	319,920	57,180.00	17.9%
Admin (mgt fees, contingency, etc.)	305,100	315,855	(10,755.00)	-3.4%
Mngt Fee	191,220	159,120	32,100.00	20.2%
Closeout Fee	5,000	-	5,000.00	100.0%
Insurance	45,000	102,935	(57,935.00)	-56.3%
Gen Admin	51,880	41,800	10,080.00	24.1%
Contingency	12,000	12,000	0.00	0.0%
Subtotal:	**2,311,281**	**2,157,949**	153,332.00	**7.1%**

Operations budget: The overall operations budget increased from $2,157,949 to $2,311,281 representing a 7.1% increase, or $153,332 from FY 2021-22 to FY 2022-23, respectively (more on this below). The operations budget assumes the addition of Park P3 on July 1st even though it may not be open to the public until late summer/early fall. Major changes to the operations budget are outlined below:

Personnel services increased from $516,028 to $560,110 representing an 8.5% increase, or $44,082, over the prior year. This is largely due to a 5.0% salary increase for non-union administrative employees to compensate for inflation and to incentivize the employees to remain at POSM for the one-year contract term, as well as a 4.5% union-mandated cost of living adjustment to salary for maintenance employees and higher health costs for maintenance employees. The increase is also driven by and assumed payouts for paid time off at contract end and an additional pay period in FY 22-23 vs. FY 21-22.

Materials and supplies increased from $46,506 to $52,526 representing a 12.9% increase, or $6,020. This increase is mostly due to higher shipping costs for materials to deal with pet waste and higher material and supply costs due to inflation.

Contractual services increased overall from $927,260 to $980,215 representing a 5.7% increase, or $52,955, from the prior year. A breakdown of Contractual Services is provided below.

- **Landscaping contract** increased from $423,960 to $459,960 representing an 8.5% increase, or $36,000 over the prior year amount due to the addition of Park P3.

- **Security contract** increased from $240,000 to $247,955 representing a 3.3% increase, or $7,955 over the prior year due to a 5.0% COLA for in-house security personnel and 3.0% increase for swing shift security vendor.

- **Janitorial contract** increased from $255,000 to $262,800, representing a 3.1% increase, or $7,800 over the prior year. The change is due to a salary increase for janitorial staff from $50.00 to $51.50 per hour.

Repairs & Maintenance increased from $32,380 to $36,230 representing a 11.9% increase, or $3,850 due to increased costs for pest control.

Utilities increased from $319,920 to $377,100 representing a 17.9% increase, or $57,180. Higher utility costs are expected in electricity, water and sewer, and garbage. Water and sewer are increasing due to the drought and the addition of Park P3. Garbage is increasing as more people use the parks.

Management Fee increased from $159,120 to $191,220 representing a 20.2% increase, or $32,100. This fee proposal is at a premium above the current management fee because it is only a one-year contract. A premium is justified because short term contracts lack the stability which management businesses rely upon for long term success. While the current MJM FY21-22 management fee should be a guide, MJM's fee was only increased once by 3% at the beginning of year 4 of the 6-year contract period that started in 2016. To further justify a substantial increase from the current fee, last year's inflation rate was 4.7% and this year's rate is trending to be above 8%. Lastly, this fee accounts for the additional management work required due the addition of Park P3.

Insurance Decreased from $102,935 to $45,000 representing a 56.3% decrease, or $57,935. Last year insurance rates increased significantly due to a large insurance provider leaving the market. As the markets have settled rates are stabilizing at a lower rate.

Administration (information technology, accounting, etc.) increased from $41,800 to $51,800 a 24.1% increase, or $10,080. The increase is driven by higher equipment costs and a new accounting fee.

Closeout Fee is a new $5,000 fee that covers the additional work associated with the closeout of the contract and supporting the transition of management of the Open Space from OCII to RPD and the Port.

The capital budget is presented separate from the operations budget to facilitate tracking of capital expenditure. Similar to operations work, capital expenditure is managed by POSM and funded by special tax.

Capital budget: The FY 2022-23 proposed capital budget decreased from $80,000 to $75,000 representing a 6.3% decrease or $5,000. This decrease is due to the completion of LED conversion in the prior year, as well the need to repair fewer pavers than prior year. The upcoming capital budget request covers:

- **Capital equipment purchases** including 10 UA bollards and Poulsen pole light bases at a cost of $30,000. This request is consistent with prior years.

- **Capital professional services,** including $45,000 of professional services to address larger scale hardscape and landscape issues throughout park parcels that cannot be adequately improved by the park engineer such as paver repair to address trip and fall hazards, plant and tree replacement, and annual repair to Willow huts. In FY 21-22, pavers were repaired at NP2, Pavilion, P16, 17&18, all of which are large areas. Planned areas of repair are smaller this year, resulting in a decrease in planned expenditure.

The special events budget is presented separate from the operations budget to facilitate tracking of special event revenue and expenditure. Special event revenue is generated by charging Permit the Gather and Space Rental Fees. All other fees are cost recovery of expenditure required to produce special events.

Special Events Budget: In FY 2022-23 special events fee revenue is projected to increase from $30,450 to $70,170, representing a 130.4% increase or $39,720 over prior year. The projected increase assumes that, as COVID related restrictions on gathering subside, Kids' Park parties and some low-level sporting leagues will continue to return. Revenue assumptions do not include large-scale public events. Special event expenditures are projected to decrease from $29,505 to $16,650, representing a 43.6% decrease or $12,855. The reduction in expenses is due to not scheduling any performances which reduced marketing expenses. Revenues are anticipated to exceed expenditure by $53,520. In keeping with previous years, POSM will continue to use projected income to cover expenses related to producing free public events. Any unexpended funds will accrue to the special events fund balance.

As of February 2022, the CFD No. 5 special events fund balance being held by MJM was approximately $277,000. This fund balance is separate and in addition to the CFD 5 special tax fund balance held by OCII and can be used for any expenditures. Do we need to include this?

The total proposed contract amount to operate the Mission Bay Open Space system and perform capital repairs is $2,386,281, which is 6.4% more than the prior year budget of $2,237,949. This increase is largely due to higher costs for utilities and contractual services, as well as salary increases for administrative and maintenance personnel and a higher management fee, offset by a decrease in the cost of insurance.

This budget has been extensively negotiated by staff based on prior experience of managing the Open Space, and staff has determined it is an appropriate budget for the scope of work. In addition, RPD and the Port have reviewed the budget and have no major concerns. Any adjustments to this budget will be subject to approval by the OCII Executive Director. In no event will the budget exceed the funding available from CFD No. 5. Staff also reviewed the Fee Schedule and the private event programming assumptions that inform the Special Events budget.
At Contract execution, OCII will make an Initial Disbursement of two hundred thousand dollars ($200,000) to establish an initial operating fund for operating expenses. This amount is approximately one month of the Approved Operations Amount. POSM will use the funds in accordance with the contract to pay actual expenses incurred for operating and maintaining the Mission Bay Open Space System.

CITIZENS ADVISORY COMMITTEE

At its January 13, 2022 meeting, CAC recommended to the Commission that it authorize the Executive Director to enter into a Contract with POSM. The issue of park maintenance has been a topic of discussion and concern in the community and thus OCII, RPD and the Port have been meeting with a subgroup of the Mission Bay Citizens Advisory Committee(“CAC”) to discuss their concerns. OCII, RPD and the Port will continue to reach out to the CAC and greater community as it works towards complying with the PMP.

SMALL BUSINESS ENTERPRISE PROGRAM COMPLIANCE

Contracting teams must reflect a commitment and ability to successfully adhere to OCII policies regarding Small Business Enterprises ("SBEs"), nondiscrimination in contracts and benefits, minimum compensation and prevailing wage labor standards, and health care accountability. POSM, as the selected contractor, has performed sufficient good faith efforts to include SBEs in the performance of the contract.

The POSM team meets the OCII's equal opportunity program goals for Mission Bay. POSM, the prime contractor, is a San Francisco-based woman-owned business with a State of California SBE designation. Two of its subcontractors Robert W. Poyas DBA RWP Landscaping Inc. and Aim to Please Janitorial Services, are minority-owned San Francisco-based SBE firms. POSM and its subcontractors have achieved 88.7% SBE participation (88.7% SF-SBE, 41.9% Minority-Owned Business Enterprise and 58.1% Woman-Owned Business Enterprise).

CALIFORNIA ENVIRONMENTAL QUALITY ACT

Under the Contract, the ongoing maintenance of the Mission Bay Open Space system will provide quality active and passive recreational opportunities for residents of the Mission Bay North and South Redevelopment Project Areas and the general public. Approval of the Contract with POSM is categorically exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Section 15301 and 15304 because it authorizes the operation, repair, maintenance or minor alteration of existing open space facilities or topographical features with negligible or no expansion of existing uses and minor alterations to land.

STAFF RECOMMENDATION

Staff recommends the Commission approve and authorize the Executive Director to execute a Personal Services Contract with Parklab Open Space Management, a California Limited Liability Company, for property management of the Mission Bay Open Space System in the Mission Bay North and South Redevelopment Project Areas for a one-year term and approval of the FY 2022-23 budget.

(Originated by Marc Slutzkin, Project Manager and Nikki Henry, Assistant Development Specialist)

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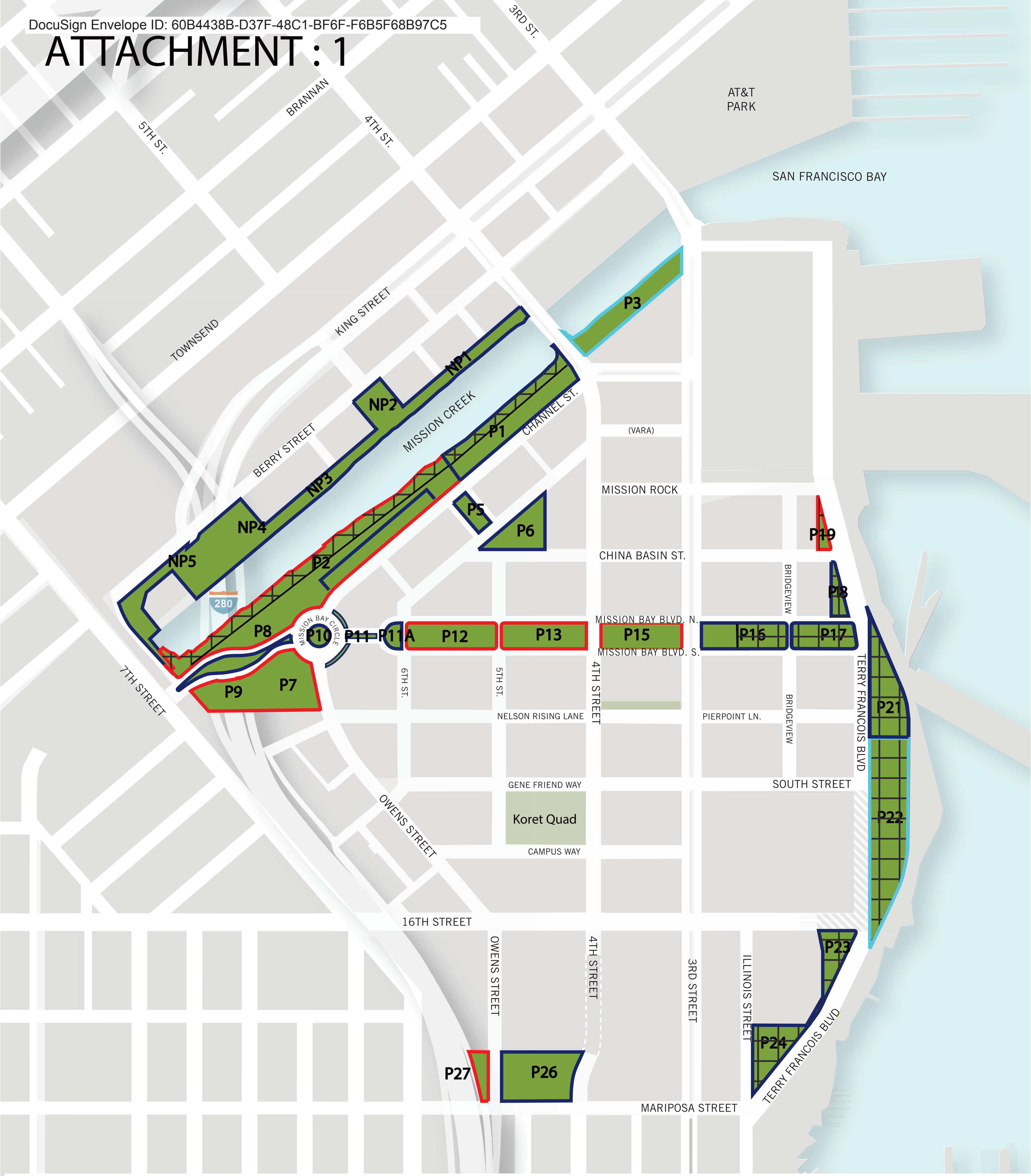
Executive Director

Attachment 1: Mission Bay Open Space System Map

ATTACHMENT : 1



Construction Started

Complete

Future

Port Owned

* All other Open Space Parcels owned by City

MISSION BAY OPEN SPACE SYSTEM

June 2022

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100 400