

While Nonprofit Contractors Suffer, Other Contractors and Vendors Receive Annual Increases

City-wide appropriations for Professional and Contractual services will amount to 13.4% increase from FY2012-13.¹ This is in part due to the fact that City contractors receive annual increases, even during challenging economic times. But until last year, Nonprofit Contractors had not received a CODB since FY2007-2008. In the bay area, CPI increased 10.2% from April 2008 to April 2013.² Even while factoring in the 1.9% CODB, nonprofits are still underwater by at least 8.3% over a five year period.

- UCSF, through its contract with the Department of Public Health, received an average annual increase of 3.2% over a six year period - from FY07-08 to FY12-13. These increases exceeded CPI in five of those years, and amounted to a cumulative increase of 16.4% from FY07-08 to FY11-12.³
- Property owners leasing space to the City of San Francisco or its Nonprofit Contractors, receive annual increases. According to an analysis of individual leases, these landlords receive an average increase of 10% to 15% over a five year period.
 - A twenty year master lease between the City of San Francisco and Caltrans contains an annual rent escalation of 2%. The lease expires in July 2033 and has a base rent of \$120,000 annually.⁴
 - A ten year master lease between the Health Service System and 1145 Market Street LP guarantees an annual increase of 3%. The lease expires in August 2023 and has a base rent of \$743,280 annually.⁵
 - A ten year master lease between the Department of Public Health and Redwood Mortgage Investors VIII guarantees annual CPI increases of no less than 3% and no more than 5%. The lease, with an annual base rent of \$768,000, was extended in March 2012.⁶
 - A ten year master lease between the Department of Public Health and Sonali Holdings guarantees annual CPI adjustments of no less than 3% and no more than 6% annually. The lease, with an annual base rent of \$388,356, was extended in November 2012.⁷
 - A ten year master lease between various city departments and 1155 SF Partners LLC guarantees a fixed 3% annual increase. The lease expires in January 2023 and has a base rent of \$3,278,193.⁸
- Construction contracts with the City of San Francisco include an annual cost escalation factor based on the annual increase in McGraw Hill's Construction Cost Index for the San Francisco Bay Area.⁹
- Contract Price Escalation Clauses are included in contract bids for private vendors providing goods and/or services for the City. Vendors may request price increases from the Office of Contract Administration, granted that the price increases are supported by the appropriate Producer Price Increase as published by the Bureau of Labor Statistics.¹⁰
- Fees levied by the Planning Department and the Department of Recreation and Parks are adjusted to reflect increases in CPI. The Controller's Office calculates changes in CPI annually, and submits the information to each city department in January.¹¹

¹ Mayor's 2013-2014 & 2014-2015 Proposed Budget, pg. 59

² Ibid.

³ Human Services Network – Cost-of-Doing-Business, Consumer Price Index, and Parity Numbers

⁴ File No. 130384 – Skate Park – Duboce Street between Otis and Stevenson

⁵ File No. 130466 – Real Property Lease 1145 Market Street

⁶ File No. 120140 – Real Property Lease – 2712 Mission Street

⁷ File No. 121006 – Master Lease Extension – Real Property Lease – 2176-78 Mission Street

⁸ File No. 12104 - Real Property Lease – 1155 Market Street

⁹ <http://www.sfoconstruction.com/viewDetail?contractNumber=9249>

¹⁰ http://mission.sfgov.org/OCA_BID_ATTACHMENTS/FA27812.pdf

¹¹ Master Fee Schedule for FY2013-14 & 2014-15