CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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July 19, 2024

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: July 24, 2024 Budget and Finance Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a new lease at 598 Portola Drive between the City, as landlord, and Twin Peaks Petroleum, as tenant, for a term of 20 years, commencing upon approval of the Board of Supervisors and Mayor, with initial annual base rent of $156,600 and three percent annual increases thereafter, and a five-year option to extend the lease.

Key Points

- A gasoline service station, with a convenience store and garage, has operated at 598 Portola Drive since 1972, when the Board of Supervisors originally approved a 15-year lease with Mobil Oil. Subsequent leases were also approved by the Board of Supervisors. In October 2020, the Board of Supervisors considered, but did not approve, a 25-year lease with the gas station owner (File 20-0965).
- The proposed lease has a 20-year initial term to allow the tenant to amortize the $1.5 million cost of installing new underground storage tanks, as required by State law. Under Section 24 of the proposed lease, Twin Peaks Petroleum will have to replace the underground storage tanks by the end of 2025, otherwise the lease automatically terminates. Under the existing lease, the tenant must remove the tanks and other improvements when the lease ends. The proposed lease adds a requirement that the tenant is responsible for remediating any hazardous materials following removal of the tanks at the end of the lease. The lease also allows the tenant to use the site for alternative fuel sales.

Fiscal Impact

- The proposed lease would increase the annual rent paid by Twin Peaks Petroleum to the City by $28,758 in the initial year, from $127,842 to $156,600. The rent would then increase by three percent annually. Over the initial 20-year term of the lease, the City would receive approximately $4.2 million in base rent.

Policy Consideration

- The 598 Portola Drive site contains the only privately-operated gasoline station located on City-owned property. The lease of City property has continued for the past 52 years, or since 1972, without any competitive bidding.
- If the lease is terminated, according to the Director of Property, it would take approximately two to four years to find a new tenant and redevelop the site, leaving it vacant for that time. During that time, the City may have to fund security at the site.

Recommendation

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

MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease of real property for a period of ten or more years, including options to renew, or having anticipated revenue to the City of $1,000,000 or more, is subject to Board of Supervisors approval.

Administrative Code Section 23.33 states that it is City policy that all leases of real property that are expected to produce more than $2,500 per month in revenue be awarded in accordance with competitive bidding procedures, unless the Board of Supervisors find such procedures are impractical or impossible.

BACKGROUND

The City originally acquired the property at 598 Portola Drive near Twin Peaks as part of the Laguna Honda site in the late 1800s. An approximately 15-acre portion of the Laguna Honda site was transferred to the Juvenile Probation Department in 1947 for development of the Youth Guidance Center, while the 598 Portola Drive property was retained by the Department of Public Health.

A gasoline service station, with a convenience store and garage, has operated at 598 Portola Drive since 1972, when the Board of Supervisors originally approved a 15-year lease with Mobil Oil (Resolution 466-72). In 1994, The Board of Supervisors approved a new 10-year lease with Twin Peaks Petroleum, Inc., the successor in interest to Mr. Michael Gharib, who had acquired the Mobil Oil franchise in 1985 (File 65-94-11).[1] The lease included a five-year option to extend, for a total term of 15 years through June 2009. In June 2004, the Board of Supervisors approved an amendment to the 1994 lease, increasing the option term to 10 years, and then exercised the 10-year extension through June 2014, to allow for the amortization of a State-mandated underground fuel tank replacement (File 04-0636). In October 2015, the Board of Supervisors approved a new five-year lease through October 2020, with a five-year option to extend through October 2025 (File 15-0895). In October 2020, the Board of Supervisors considered, but did not approve, a new 25-year lease with the gas station owner (File 20-0965). Other than the original 1972 lease, the leases were all awarded on a sole-source basis.

The Real Estate Division (RED) has negotiated a new 20-year lease with Twin Peaks Petroleum, with a five-year option to extend, detailed below.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new lease at 598 Portola Drive between the City, as landlord, and Twin Peaks Petroleum, as tenant, for a term of 20 years, commencing upon approval of the Board of Supervisors and Mayor, with initial annual base rent of $156,600 and three percent annual increases thereafter, and a five-year option to extend the lease. The proposed resolution would also (1) find the competitive bidding procedures required by Chapter

[1] Records could not be located to account for the seven-year period between expiration of the 1972 lease in 1987 and the authorization of a new lease in 1994.

23.33 of the Administrative Code are impractical, and (2) specifically approve the portion of the lease that would indemnify and hold the City harmless for claims and costs incurred by the tenant's use of the property as a gas station.

The proposed base rent is consistent with an independent appraisal that was completed in May 2024.[2] Of note, the proposed rent of $156,600 is less than the $200,200 lease that was not approved by the Board of Supervisors in October 2020. Since that time, commercial rents have declined citywide.

The key provisions of the existing lease and proposed lease are shown in Table 1 below.

Exhibit 1: Key Terms of Existing and Proposed Leases

	Existing Lease	Proposed New Lease
Lease Term	Ten years, from November 2015 through October 2025	20 years, following Board and Mayor approval
Premises	14,499 square feet	14,499 square feet
Options to Extend	No further options to extend	One five-year option
Initial Annual Base Rent	$110,920 (currently $127,842 or $8.85 per square foot)	$156,600 (or $10.80 per square foot)
Rent Adjustment	3% annually	3% annually, Base Rent Reset if Option to Extend is Exercised
Rent Waiver		Up to three months if business is closed during underground storage tank replacement
Tenant Improvement Allowance	None	None
Utilities and Services	Paid by tenant	Paid by tenant
Underground Storage Tanks	Tenant to remove tanks at lease end, as well as all other improvements	Tenant must replace tanks by December 31, 2025; Tenant to remove tanks at lease end as well as all other improvements; Tenant is responsible for hazardous material remediation following tank removal

Source: Existing and Proposed Leases

At the July 17, 2024 Budget & Finance Meeting, the Committee amended the resolution to reflect a change in the option to extend from ten years to five years. There are no other changes to the lease.

[2] An appraisal was not required by Administrative Code Section 23.30 because the Real Estate Division determined that the market rate of the site was less than $45 per square foot. The initial base rent in the proposed lease is $10.80 per square foot.

Underground Storage Tank Replacement

The proposed lease has a 20-year initial term to allow the tenant to amortize the cost of installing new underground storage tanks, as required by State law.[3] According to vendor quotes provided by the gas station owner to the City, the total cost to acquire and install the new tanks is approximately $1.5 million. Under Section 24 of the proposed lease, Twin Peaks Petroleum will have to replace the underground storage tanks by the end of 2025, otherwise the lease automatically terminates. The proposed lease adds a requirement that the tenant is responsible for remediating any hazardous materials following removal of the tanks at the end of the lease. Rent may be waived for up to three months during tank replacement.

The prior lease was amended in 2004 to provide for the tenant to replace the underground fuel tank as required by the State and to extend the lease term to amortize the costs of the underground fuel storage tank replacement. According to Real Estate's discussions with the tenant, the underground fuel tank replacement schedule was extended by the State and now must be replaced by December 31, 2025 in accordance with State requirements.

The site and underground storage tanks are inspected by the San Francisco Department of Public Health, Hazardous Materials and Waste Program. The most recent inspection was on July 18, 2023. The inspection found "minor" violations of State law and required the gas station owner to electronically submit documentation to the State Environmental Reporting System.

The lease also allows the tenant to repurpose the site for alternative fuel sales.

FISCAL IMPACT

The proposed lease would increase the annual rent paid by Twin Peaks Petroleum to the City by $28,758 in the initial year, from $127,842 to $156,600. The rent would then increase by three percent annually. Over the initial 20-year term of the lease, the City would receive approximately $4.2 million in base rent.

POLICY CONSIDERATION

Proposed Sole-Source Lease

The 598 Portola Drive site contains the only privately-operated gasoline station located on City-owned property. In addition, this lease of City property as a gasoline station, convenience store, and service garage has continued for the past 52 years, or since 1972, without any competitive bidding since the original establishment of the station in 1972 under an initial 15-year lease. Furthermore, the proposed new 20-year lease with one ten-year extension option would be awarded without undergoing a competitive bidding process.

In accordance with Administrative Code Section 23.33, all leases of City real property resulting in more than $2,500 per month in revenue must be awarded in accordance with competitive bidding procedures, unless such bidding procedures are impractical or impossible. According to

[3] Senate Bill (SB) 445 (Stats. 2014, Ch. 547)

the proposed resolution, a competitive bidding process is impractical because the tenant owns all of the equipment at the site.

Use of City Property

As noted in the Budget and Legislative Analyst's 2017 *Performance Audit of the City's Real Estate Division,* the City does not have an explicit policy for the use of public property for private purposes. As noted in the audit report, "The City does have a policy, codified in Administrative Code Section 23.A, to prioritize the use of surplus City property for development of affordable housing. However, the City has missed opportunities to use City property to better serve the City's policy priorities." The audit report noted that "At the time of the lease expiration (for 598 Portola Drive) in June 2014, the City missed the opportunity to reconsider the current property's use as a gas station and pursue a mixed-use development that would better conform to the City's housing goals."

Risk of Vacant Space

If the lease is terminated, according to the Director of Property, it would take approximately two to four years to find a new tenant and redevelop the site, leaving it vacant for that time. If the property is sold, the City would have to subdivide the property to create a new parcel. Since the Board last considered leasing this property in 2020, the city's population and commercial rents have both declined, which could make finding a new tenant more difficult at this time.

As we discuss in our report in File 24-0704, the City is funding 24-hour security at a vacant City-owned property at 1515 South Van Ness. The City may also need to do so at this property if it is vacant.

Policy Decision

Because the proposed lease was not award as part of a competitive process and other vendors and uses have not been fully considered for the property, the Budget and Legislative Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors.

RECOMMENDATION

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

Item 2 **File 24-0408**	**Department:** Municipal Transportation Agency, Public Health, Fire, Police, Entertainment Commission

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would amend Article 6 of the Transportation Code to provide fee waivers for night markets in the Sunset neighborhood.

Key Points

- Article 6 of Division I of the Transportation Code defines procedures and requirements for street closures for special events, which are reviewed and approved by the Interdepartmental Staff Committee on Traffic and Transportation (ISCOTT). Special events permitted via ISCOTT may require additional permitting and support by various city departments, for which fees and costs might be invoiced, including “no parking” signage, Fire Department permits, police officers retained through the 10-B program, and temporary food facility permits from Public Health.
- In June 2024, the Board of Supervisors amended the Transportation Code (File 24-0408) to provide fee waivers for certain street event sponsors. The proposed ordinance builds on that legislation and now includes night markets in the Sunset.

Fiscal Impact

- The Citywide revenue loss amounts to $2.2 million, or approximately $326,000 more than event fee waivers approved in June 2024. A portion of the change is due to revisions in revenue loss estimates that were included in our prior report.

Recommendation

- Approval of the proposed ordinance is 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

Article 6 of Division I of the Transportation Code defines procedures and requirements for street closures for special events, which are reviewed and approved by the Interdepartmental Staff Committee on Traffic and Transportation (ISCOTT). ISCOTT is administered and chaired by the Municipal Transportation Agency (MTA), and includes Police, Fire, Public Works, Public Health, Planning and Entertainment Commission as voting members. Special events permitted via ISCOTT may require additional permitting and support by various City departments, for which fees and costs might be invoiced, including "no parking" signage, Fire Department permits, police officers retained through the 10-B program, and temporary food facility permits from Public Health.

DETAILS OF PROPOSED LEGISLATION

In June 2024, the Board of Supervisors amended the Transportation Code (File 24-0408) to provide fee waivers for certain street event sponsors that meet one or more of the following criteria:

1. a non-profit arts and culture organization that provides programming in San Francisco;
2. a business with less than $5 million in gross receipts that has a place of business within the proposed event area;
3. a merchant or neighborhood association that represents the area; or
4. a property or business improvement district that represents the area.

Fees would only be waived for single-day events that are open to the public, occupy no more than three blocks, and that do not impact rail service or major streets. Events sponsors would be eligible for waivers for up to 12 recurring events. MTA would be responsible for determining whether event sponsors and events qualify for fee waivers.

In the findings of the proposed ordinance, the Board of Supervisors urges MTA to waive all MTA fees for qualifying events. According to MTA staff, the Mayor's Office has requested the MTA Board of Directors to waive the associated fees.

The File was duplicated at the June 5, 2024 Budget & Finance meeting to create this ordinance, File 24-0665. This proposed ordinance expands the fee waiver for night markets occupying up to six continuous blocks in the Sunset neighborhood.[1]

[1] The specified area is Irving Street between 19th Avenue and Great Highway, Noriega Street between 19th Avenue and Great Highway, or Taraval Street between 19th Avenue and Great Highway

FISCAL IMPACT

Exhibit 1 below shows the estimated costs of the proposed fee waivers for each department, including the Municipal Transportation Agency. The table shows the fiscal impact of the previously approved event fee waivers (File 24-0408) and the proposed expansion (File 24-0655) to include night markets in the Sunset. The table also includes estimates for the annual increase in events as well as increases in the size and number of events due to the fees for them being waived.

Exhibit 1: ISCOTT-Permitted Event Fee Waivers and Associated Costs

Department	File 24-0408	File 24-0655	Change
Municipal Transportation Agency	$770,000	$870,000	$100,000
Fire	$60,000	$65,000	$5,000
Police	$166,960	$175,308	$8,348
Public Health	$177,000	$281,000	$104,000
Entertainment Commission	$50,000	$50,000	$0
Subtotal, Known Costs	**$1,223,960**	**$1,441,308**	**$217,348**
Annual Increase in Events (20%)	$244,792	$288,262	$43,470
Increase in Events Due to Fee Waivers (20%)	$244,792	$288,262	$43,470
Change in Event Character (10%)	$122,396	$144,131	$21,735
Subtotal, Change in Events	**$611,980**	**$720,654**	**$108,674**
Total Estimated Costs	**$1,835,940**	**$2,161,962**	**$326,022**

Source: MTA, FIR, POL, DPH, BLA

Notes: MTA costs include fee revenue loss as well as staff and signage costs. Police costs only include street fair fee revenue losses, do not include 10B revenues, and may be higher due to more General Fund overtime needed to maintain public safety as the number events increases. DPH costs increased by $104,000 due to the proposed night market fee waiver and a revised estimate of the revenue loss from the previously approved fee waiver ordinance.

The total estimated cost of the proposed ordinance is $2.2 million, of which $857,000 would be a loss to the General Fund and $1.3 million would be a loss for the MTA operating fund. Due to uncertainty regarding the actual number of qualifying events and how event sponsors will respond to no longer having to pay fees, the estimates above are high-level.

RECOMMENDATION

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

Item 4 File 24-0576	Department: Sheriff

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Sheriff's Office to execute the fifth amendment to its contract with the Pretrial Diversion Project, increasing the contract's not to exceed amount from $19,763,114 to $34,668,237. The proposed amendment provides funding for contract through June 2026, after which there are no options to extend the term.

Key Points

- In January 2024, the Board of Supervisors approved the fourth amendment to the Pretrial Diversion Project contract, increasing the contract amount by an additional $499,342 for the cost of doing business allowance, to a total amount not to exceed $$19,763,114. At the time of our January 2024 report, the Pretrial Diversion Project had not been evaluated by the Citywide Non-Profit Monitoring and Capacity Building Program and Pretrial did not have audited financial statements for FY 2021-22 or FY 2022-23. Since that time, the Sheriff's Office completed fiscal and compliance monitoring, including a review of the audited financial statements. The assessment found that Pretrial was generally in compliance with City standards but recommended the City provide technical assistance to improve the organization's budget development, fiscal policies and procedures, and compliance with public access standards.
- Under the proposed amendment, the Pretrial Diversion Project will continue providing pretrial risk assessment, pretrial supervision and diversion programming. Pretrial Diversion Project's appearance and safety rates are higher than other California counties.

Fiscal Impact

- The proposed amendment funds the Pretrial contract through June 2026 and includes a 3.75% increase in FY 2023-24 and 3.0% increases in FY 2024-25 and in FY 2025-26. All costs are funded by the General Fund.

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 Pretrial Diversion Project is a nonprofit that has provided pretrial services to the Sheriff's Department since the 1980s. The contract provides information to the Court for their consideration when determining whether arrested persons remain in custody or are released while their charges are pending. In addition, this contract provides supervision for released persons and progress reports for the Court on compliance with release conditions. Under a separate agreement with the Department of Homelessness and Supportive Housing, Pretrial Diversion also serves as an Access Point for the City's homeless response system.

Vendor Selection and Contract History

On December 22, 2020, the Sherriff's Department issued a Request for Proposals for Pretrial Services. On April 1, 2021, the Sheriff's Department selected the one and only qualified scorer that responded, the San Francisco Pretrial Diversion Project, Inc (Pretrial Diversion Project). In June 2021, the Board of Supervisors approved a $18,764,430 contract with Pretrial, with a three-year term of July 2021 to June 2024 and two options to extend the term by one year through June 2026. The contract has been amended three times to add funding in FY 2022-23 for additional case managers, higher rent and utility expenses, and higher wages and benefits. Together, the first three amendments totaled $499,342, which was less than $500,000 trigger for Board of Supervisors approval. In January 2024, the Board of Supervisors approved the fourth amendment to the Pretrial Diversion Project contract, increasing the contract amount by an additional $499,342 for the cost of doing business (CODB) allowance, to a total amount not to exceed $$19,763,114. The agreement expired June 30, 2024 and has two one-year options to extend through June 2026.

During our review of the fourth amendment, we observed that although Pretrial reports performance data regularly to the Sheriff's Office, the Sheriff's Office does not document its program monitoring activities. We found that appearance rates for Pretrial clients in the highest level of supervision were less than other clients. At the time of our January 2024 report, the Pretrial Diversion Project had not been evaluated by the Citywide Non-Profit Monitoring and Capacity Building Program and Pretrial did not have audited financial statements for FY 2021-22 or FY 2022-23, which was not in compliance with the City's contract. We recommended approval of the fourth amendment with the following recommendations: (1) Request the Sheriff's Office and Controller's Office assess whether the Pretrial Diversion Project would benefit from technical assistance to ensure its financial condition and governance meet City guidance; (2) Request the Sheriff's Office to undertake an annual program monitoring process for this contract, including compliance with contract requirements and overall program performance; (3) Request the Sheriff's Office develop a plan to improve appearance rates for clients in assertive case management supervision. This report includes an overview of the proposed fifth amendment to the Pretrial contract and an update on the status of our recommendations.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Sheriff's Office to execute the fifth amendment to its contract with the Pretrial Diversion Project, increasing the contract's not to exceed amount from $19,763,114 to $34,668,237. The proposed amendment provides funding for contract through June 2026, after which there are no options to extend the term.

Services

Under the proposed amendment, the San Francisco Pretrial Diversion Project will continue providing pretrial risk assessment, pretrial supervision (minimal and assertive case management) for clients released on own recognizance prior to case disposition, pretrial diversion to treatment, caregiving and/or community service, and facilitating group therapy and skill building. Pretrial releases, supervision levels, and diversion plans are court-ordered. Pretrial Diversion staff monitor clients within these programs and report their progress to the courts.

Performance Monitoring

Pretrial Risk Assessment and Pretrial Supervision

The current contract provides for quarterly reporting by the Pretrial Diversion Project to the Sheriff's Department on the number of pretrial risk assessments presented pre-arraignment and at arraignment, the number of pre-arraignment and at-arraignment releases, average daily count and number of new releases for each supervision level, appearance rate for each supervision level, safety rate (percentage of supervised defendants not arraigned on a new offense, or held on parole/probation violation), number of clients referred post-arraignment for release and number released, and average length of stay on pretrial supervision. Six-month and twelve-month reports include the appearance rate for each supervision level (percentage of supervised defendants who do not have a bench warrant for failure to appear) and recidivism rate (referred to as the "safety rate" in the contract.

Pretrial Diversion

The current contract provides for quarterly reporting by the Pretrial Diversion Project to the Sheriff's Department on the average daily count and a number of new client interviews, appearance rate, and safety rate, and the average length of stay. Twelve-month reports include appearance rate and safety rate.

Group Facilitation Services

The current contract provides for daily reports on attendance at groups (such as substance abuse groups, anger management or harm reduction groups, Latino support groups, and others) and quarterly reports on average group attendance for the quarter. The contract requires Pretrial to provide at least ten hours per week of group facilitation.

Actual Outcomes

To assess compliance with the contract's reporting requirements and recent performance data, we reviewed a summary of quarterly program data for CY 2023 and the first quarter of CY 2024. The data show generally consistent performance between CY 2023 and CY 2024 Q1 and is summarized below.

Exhibit 1: Pretrial Diversion Project: Client Appearance and Safety Rates, CY 2023 and 2024 Q1

	Active Clients	Appearance Rate (%)	Safety Rate (%)
Pretrial Diversion	124	98	99
Caregiver Diversion	112	97	98
Post-Conviction and Deferred Entry of Judgment	56	96	98
Own Recognizance, No Active Supervision	902	91	95
Own Recognizance, Minimum Supervision	332	86	95
Assertive Case Management	868	82	97
Assertive Case Management, Intensive Needs	823	76	93
Weighted Average, All Programs		**85**	**95**

Source: Sheriff's Office

Notes: All values are an average of the periods CY 2023 and 2024 Q1. Safety rates refer to the percentage of clients who are not arraigned on a new misdemeanor or felony charge, or a probation or parole violation. Appearance rates refer to the percentage of clients who make their court dates.

The data indicates that Pretrial Diversion clients in diversion programs have appearance and safety rates above 97 percent. Clients under supervision also have safety rates above 93 percent. However, clients in assertive case management (the highest level of supervision) have an average appearance rate of 82 percent and those with "intensive needs" such as mental health diagnosis or homelessness, have an appearance rate of 76 percent. According to the Sheriff's Office, clients experiencing homelessness are more likely to have lower appearance rates.

Pretrial Diversion Project's appearance and safety rates are higher than other California counties. In FY 2022-23, Santa Clara County's Pretrial Diversion Department reported appearance rates of 62 – 66 percent and safety rates of 96 – 97 percent, depending on the risk category. In 2019, the

Judicial Council began operating a pretrial diversion pilot program with sixteen Superior Courts.[1] In July 2023, the Judicial Council provided an evaluation of the pilot program to the State Joint Legislative Budget Committee, which reviewed data from January 2019 through December 2021. During that period, safety rates ranged from 61 – 73 percent and appearance rates ranged from 68 to 75 percent, depending on the risk level.

Sheriff's Office Performance Monitoring Plan

To date, the Sheriff's Office monitors performance through a monthly review of incoming data from Pretrial but the review is not formally documented. The Sheriff's Office is in the process of developing a formal program monitoring process, which will include site visits. To better monitor appearance rates, Pretrial will report to the Sheriff on how many persons that failed to appear were later contacted successfully and who successfully filed motions to recall bench warrants.

According to Alissa Riker, Director of Programs at the Sheriff's Office, Pretrial consistently meets the timeline requirements for completing public safety assessment in compliance with the court timelines, including the *Buffin* settlement, which requires the Pretrial Diversion Project to complete public safety assessments within eight hours of booking persons not charged with serious or violent felonies.

Fiscal & Compliance Monitoring

In June 2024, the Sheriff's Office completed fiscal and compliance monitoring of the Pretrial Diversion Project financial condition and governance.[2] The review included an assessment of the organization's financial statements through June 2023. The assessment found that Pretrial was generally in compliance with City standards but recommended the City provide technical assistance to improve the organization's budget development, fiscal policies and procedures, and compliance with public access standards. In addition, the review found that Pretrial's cash balance was less than the recommended amount equal to thirty days of expenses (Pretrial's cash balance as of June 2023 was equal to six days of operating expenses). According to Patrick Leung, Chief Financial Officer of the Sheriff's Office, since June 2023, Pretrial cashed a $1.2 million tax credit, which brings the organization's cash balance above the thirty-day standard.

FISCAL IMPACT

The proposed fourth amendment adds $14,905,123 to the contract's not-to-exceed amount, increasing it from $19,763,114 to $34,668,237.

The funding includes a 3.75% increase in FY 2023-24 and 3.0% increases in FY 2024-25 and FY 2025-26.

[1] The Judicial Council's pretrial pilot includes the following counties: Alameda, Calaveras, Kings, Los Angeles, Modoc, Napa, Nevada-Sierra (as a two-part consortium), Sacramento, San Joaquin, San Mateo, Santa Barbara, Sonoma, Tulare, Tuolumne, Ventura, and Yuba.

[2] The Pretrial Diversion Project was not evaluated by the Citywide Non-Profit Monitoring and Capacity Building Program, which monitors the financial condition and governance of non-profits with which the City contracts, in FY 2021-22 or FY 2022-23 due to short staffing at the Sheriff's Office and turnover in Pretrial Diversion's Chief Financial Officer position.

Exhibit 2: Pretrial Diversion Project Contract Budget

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Salaries & Benefits	4,565,755	4,757,006	5,432,833	5,719,556	5,837,750	26,312,900
Operating Expenses	613,040	882,881	487,030	575,362	655,526	3,213,839
Subcontractors	155,614	155,614	150,000	122,000	123,625	706,853
Equipment	7,250	7,250	0	0	0	14,500
Overhead	913,151	951,401	937,570	800,738	817,285	4,420,145
Total	**6,254,810**	**6,754,152**	**7,007,433**	**7,217,656**	**7,434,186**	**34,668,237**

Source: Contract Documents

According to the Sheriff's Office, as of this writing, $19,730,038 million of the contract has been spent.

According to the Sheriff's Department, the contract is funded by the General Fund.

RECOMMENDATION

Approve the proposed resolution.

Item 5 File 24-0671	Department: Human Services Agency (HSA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would retroactively approve a grant agreement between the Human Services Agency's Department of Disability and Aging Services (DAS) and the Eviction Defense Collaborative Inc. (EDC), a nonprofit, to provide housing subsidies to adults with disabilities and seniors for four-year term beginning July 1, 2024, through June 30, 2028, and a not to exceed amount of $11,062,913.

Key Points

- In January 2024, DAS issued a Request for Proposals (RFP) soliciting nonprofit organizations to provide housing subsidies to adults with disabilities and seniors for an anticipated term of July 1, 2024 to June 30, 2028. EDC was selected to receive funding based on a review by a selection panel. Both Catholic Charities and Self-Help for the Elderly were also awarded $4.9 million contracts for the housing subsidies program. These three organizations had existing contracts to provide housing subsidies that were set to expire on June 30, 2024. Only the proposed EDC contract requires approval from the Board of Supervisors because the contract amount is greater than $10 million.
- Under the proposed agreement, EDC would continue to administer housing subsidies to adults with disabilities and older adults of up to $1,000 per household per month.
- Under its current housing subsidies contract, EDC met and exceeded all service and outcome objectives for FY 2023-24.

Fiscal Impact

- The proposed agreement has a not to exceed amount of $11,062,913, which includes a 10 percent contingency. The four-year grant agreement budget includes a three percent increase from FY 2024-25 to FY 2025-26 and two percent annual increases for the remainder of the term.
- The FY 2024-25 budget is approximately $2.4 million, which includes $1,796,161 for housing subsidies (74.2 percent), $435,989 for salaries and benefits for 4.4 FTE staff (18 percent), $108,331 for operating expenses (4.5 percent), and $81,648 for indirect costs (3.4 percent). The proposed agreement will be funded by the General Fund.

Recommendation

- Amend the proposed resolution to state that it is retroactive and 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

In January 2024, the Human Services Agency's Department of Disability and Aging Services (DAS) issued a Request for Proposals (RFP) soliciting nonprofit organizations to provide housing subsidies to adults with disabilities and seniors for an anticipated term of July 1, 2024 to June 30, 2028. Eviction Defense Collaborative Inc. (EDC) was selected to receive funding based on a review by a selection panel.[1] Proposals were evaluated based on organizational capacity (40 points), program approach (35 points), and fiscal capacity (25 points), for a total possible score of 100 points. EDC was one of three organizations to submit proposals in response to the RFP and received an average score of 91.7 out of 100 possible points, which was the second highest score compared to scores of 92.2 (Catholic Charities) and 87.0 (Self-Help for the Elderly) for the other two proposals. According to HSA, both Catholic Charities and Self-Help for the Elderly were also awarded $4.9 million contracts for the housing subsidies program. According to HSA, these three organizations also had existing contracts to provide housing subsidies that were set to expire on June 30, 2024. Only the proposed EDC contract requires approval from the Board of Supervisors because the contract amount is greater than $10 million.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a grant agreement between the Human Services Agency's Department of Disability and Aging Services and the EDC, a nonprofit, to provide housing subsidies to adults with disabilities and seniors for four-year term beginning July 1, 2024, through June 30, 2028, and a not to exceed amount of $11,062,913.

Services

Under the proposed agreement, EDC would administer housing subsidies to adults with disabilities and older adults of up to $1,000 per household per month. The subsidy amount is based on the household's rent to income ratio, with the goal of reaching a 30 percent rent to income ratio. If a $1,000 monthly subsidy is not enough to reach this ratio, the amount can be used to pay up to 50 percent of the client's income towards rent. If a $1,000 monthly subsidy is

[1] The selection panel consisted of a Legal Assistance to the Elderly Grants Coordinator, the Tenderloin Neighborhood Development Corporation Senior Project Manager and Openhouse SF Operations Specialist. The panelists reviewed and scored proposals based on the following criteria: organizational capacity, program approach, and fiscal capacity.

not enough to decrease the rent to income ratio to 50 percent, the amount can be increased up to $1,200 per month. For clients receiving more than $1,000 per month, their needs and eligibility must be documented, in addition to a plan to decrease the future subsidy to $1,000 or less.[2] Clients must also undergo a recertification process at least once a year. Subsidies will be continued if a client is deemed eligible by the recertification. There is no specific time limit for a client to remain in the program. Recertification will be conducted more frequently if there are compliance and/or sub-standard housing issues.

The program also includes payments to enrolled clients of up to three months of back rent, if needed. These payments are one-time only, capped at $5,000, and must be verified by a lease agreement and/or written communication from the landlord.

As part of the program, clients are required to participate in a case plan created to stabilize their housing and includes goals such as improving credit history, increasing income and access to other resources, and increasing access to more affordable housing.

To qualify for services, an individual must meet the following criteria: (1) A person who is 60 years of age or older (older adult) living in San Francisco; or (2) A person who is 18 to 59 with a disability living in San Francisco; and (3) Has an income level of 50 percent of Area Median Income (AMI) or lower, and (4) At risk for homelessness and eviction and lacks stable housing.

The program serves all populations and ethnicities; however, priority is given to individuals who are low-income, with limited or no English-speaking proficiency, socially isolated, from communities of color, LGBTQ+, or at risk of institutionalization.

Performance Monitoring

According to the proposed agreement, the grantee must meet the following service objectives, as shown in Exhibit 1 below. The targeted clients and number of subsidies are decreasing from the existing contract because the City's proposed funding is less than the cost of maintaining existing service levels.

Exhibit 1: Eviction Defense Collaborative Inc. Service Objectives

Measure	FY 24-25	FY 25-26	FY 26-27	FY 27-28
Number of unduplicated consumers who will receive housing subsidies	189	196	200	204
Minimum total number of months of housing subsidies to be provided by grantee[3]	1,817	1,886	1,921	1,956
Number of unduplicated consumers to be transitioned off the housing subsidy program	10	10	10	10

Source: Proposed agreement

[2] These clients must undergo a recertification process every six months.

[3] One unit of service is one month of subsidy payment.

Program performance will also be assessed based on the results of an annual client survey with a required client participation rate of 65 percent and the measurement of the following outcome objectives:

- At least 85% of consumers are stably housed for 6 months after subsidies began;
- At least 75% of consumers remain stably housed for 12 months after subsidies began;
- At least 75% of consumers indicate that they were treated in a respectful and professional manner by program staff; and
- At least 75% of consumers who received housing subsidies report that the subsidies have helped them keep stable housing

Performance of Current Contract

Under its current housing subsidies contract, EDC met and exceeded all service and outcome objectives for FY 2023-24[4], as detailed in Exhibit 2 below. HSA completed a site visit in July 2024 and found that EDC maintained accurate and detailed documentation.

Exhibit 2: FY 2023-24 Performance

Measure	Actual	Unit Target or Goal
Number of unduplicated consumers	211	205
Number of months of housing subsidies provided	2020	2000
Number of unduplicated consumers transitioned off housing subsidies	15	10
Consumers have remained stably housed 6 months after assistance begins.	98%	85%
Consumers have remained stably housed 12 months after assistance begins	98%	75%
Participants indicated excellent or good in rating the quality of services they received.	96%	75%
Consumers who received housing subsidy reported that the subsidy was able to help keep them housed	99%	75%
Percent of program participants completed and returned satisfaction surveys.	97%	65%

Source: Human Services Agency

Fiscal and Compliance Monitoring

The Department of Homelessness and Supportive Housing (in conjunction with other funding departments) completed fiscal and compliance monitoring of EDC for FY 2023-24. According to a June 2024 letter, the following findings were identified:

- Invoices were submitted late;

[4] Per FY 2023-24 Program Monitoring report conducted by DAAS on June 17, 2024

- Percentage of funding from non-City sources does not meet the required 15 percent threshold;
- EDC has not completed a required annual financial audit because of Executive Director turnover[5] and therefore was not able to be assessed for measures such as having at least 30 days of operating cash, positive change in cash, positive total unrestricted net income, and how the contractor will address and correct prior year findings, questioned costs and material weaknesses; and
- Board approval of an agency-wide budget was over six months late.

EDC provided a response to the findings on July 18, 2024 and submitted the required audited financial statement for FY 2022-23. The June 2023 financial statement showed that EDC had twenty days of cash and a decrease in net assets that year from $1.9 million to $1.6 million. The financial auditors found material weaknesses in EDC's accounting and observed that EDC lacked a fraud prevention policy and controls over cash receipts. According to the FY 2023 financial audit, turnover of financial management staff contributed to the weakness in financial reporting. EDC has since hired an accounting firm to improve financial reporting.

EDC noted in its response to the City's fiscal monitoring that the City had "quadrupled" EDC's funding during COVID and that the City did not executive a $4.4 million contract related to Tenants Right to Council for FY 2023-24 until seven months into the fiscal year.

FISCAL IMPACT

The proposed agreement has a not to exceed amount of $11,062,913, which includes a 10 percent contingency. The four-year grant agreement budget, which includes a three percent increase from FY 2024-25 to FY 2025-26 and two percent annual increases the remainder of the term, is provided in Exhibit 3 below.

Exhibit 3: Proposed Grant Agreement Budget

Year	Amount
FY 2024-25	$2,422,129
FY 2025-26	2,494,793
FY 2026-27	2,544,689
FY 2027-28	2,595,583
10% Contingency	1,005,719
Total	**$11,062,913**

Source: Proposed Agreement

[5] In May 2023, the Executive Director left after 4.5 years of service. The replacement left after one month due to personal reasons and EDC hired second replacement Executive Director in April 2024. According to HSA, Executive Director turnover postponed the data migration from Quickbooks to Financial Edge, which delayed the completion of the FY 2022-23 audit.

Note: totals may not add due to rounding

The FY 2024-25 budget is approximately $2.4 million, which includes $1,796,161 for housing subsidies (74.2 percent), $435,989 for salaries and benefits for 4.4 FTE staff (18 percent), $108,331 for operating expenses (4.5 percent), and $81,648 for indirect costs (3.4 percent). The FY 2024-25 budget is shown in Exhibit 4 below.

Exhibit 4: Proposed FY 2024-25 Budget

	Amount	**% of Total**
Staff (4.4 FTE)	$351,604	14.5%
Fringe Benefits	84,385	3.5%
Subtotal, Salaries & Benefits	*$435,989*	*18.0%*
Operating Expenses*	108,331	4.5%
Indirect Costs (15%)	81,648	3.4%
Direct Client Pass-Through (Subsidies)	1,796,161	74.2%
Total	$2,422,129	100%

Source: Proposed Agreement
*Operating expenses include $26,813 for database and IT costs, $25,031 for rent, $10,592 for utilities, and $45,896 for various other expenses such as office supplies, insurance, training, and accounting and audit services.

Source of Funding

The proposed agreement will be funded by the General Fund.

RECOMMENDATION

Amend the proposed resolution to state that it is retroactive and approve the resolution, as amended.

Item 6 File 24-0717	Department: Port Commission (Port)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the Second Amendment to the lease between the Port of San Francisco (Port) as landlord and Golden Gate National Parks Conservancy (Conservancy) as tenant to build and operate a public serving café and retail space at Piers 31 and 33 for a term of 30 years, with two 10-year options to extend, and to (i) establish the amount of unpaid base rent at $289,765; (ii) extend the Phase I Improvements completion date to December 31, 2025; (iii) increase the original construction rent credit from $554,000 to $800,000; (iv) provide a three-year extension of the lease term to June 30, 2052; and (v) establish a 50 percent share of any excess rents from food and beverage subtenants.

Key Points

- In September 2018, the Board of Supervisors approved a lease between the Port and the Conservancy to develop and operate visitor amenities on Piers 31 and 33 for a 30-year term with two 10-year options. Due to the COVID-19 pandemic, the project has been halted, and the Conservancy did not pay rent until October 2022, with an unpaid balance of $339,200. The Conservancy is now ready to move forward with the project.
- To facilitate moving the project forward, the Port has negotiated with the Conservancy to collect 85 percent of unpaid rent, for a total of $289,765. Due to project cost increases, the Port has increased its rent credit for construction from $554,000 to $800,000. The Port has also agreed to extend the term by three years through June 2052.

Fiscal Impact

- Under the lease, the Conservancy pays the greater of base rent or percentage rent, which is 7.5 percent of gross revenues. Over the remaining 28 years of the initial lease term, the total base rent paid to the Port is approximately $17.4 million. If the two 10-year options to extend the lease are exercised, the Port would receive approximately $24.5 million in base rent over those 20 years, for a total of approximately $41.9 million over 48 years.

Policy Consideration

- According to its 2023 financial statement, the Conservancy had $65.9 million in net assets, including $29.4 million in net assets without donor restrictions. The proposed amendment would increase the rent credit from the Port to the Conservancy by $246,000 and reduce the rent due to the Port by $49,435. The Conservancy has hired a commercial broker for the restaurant space and a design firm for the project but has otherwise not undertaken improvements to the Port property.

Recommendation

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

MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease of real property for a period of ten years or more or that has revenue to the City of $1 million or more is subject to Board of Supervisors approval.

BACKGROUND

Since 1972, the Port of San Francsico (Port) has served as the embarkation point for visitors to Alcatraz Island, which is part of the Golden Gate National Recreation Area managed by the National Park Service (NPS). NPS selects a ferry concessioner, which is currently Alcatraz Cruises, LLC, that negotiates a lease with Port for embarkation locations.

In September 2018, the Board of Supervisors approved a General Agreement between the Port and NPS for a 30-year term with two 10-year options allowing embarkation for Alcatraz Cruises on Piers 31 and 33 (File 18-0809). Additionally, the resolution approved a lease between the Port and Golden Gate National Parks Conservancy (Conservancy) to develop and operate visitor amenities on Piers 31 and 33 for a 30-year term with two 10-year options.

The Conservancy lease is for approximately 9,222 square feet, consisting of a restaurant space and storage on Pier 31 (Phase I) and a visitor contact station, and administrative office space or related interpretive exhibit space on Pier 33 (Phase II). In April 2019, the Conservancy selected Boudin Bakery as a subtenant for the restaurant space. In September 2019, the Port Commission approved the First Amendment to the lease, which established the Phase I Commencement Date as October 15, 2019 and the Phase I Rent Commencement Date as July 1, 2020. Due to the COVID-19 pandemic, the Conservancy did not begin paying rent or conducting tenant improvements, and the sublease with Boudin was halted. As of September 2022, the Conservancy had an unpaid rent balance of approximately $339,200, which accounts for rent abatement for Alcatraz closure days, phase-in discounts, and annual increases, but does not include late fees or interest. Following a demand to pay rent from the Port, the Conservancy has paid Phase I rent since October 2022, but has not paid the unpaid balance. The Conservancy is now ready to move forward with the project and has hired a retail broker to procure a new restaurant operator. In April 2024, the Port Commission approved the Second Amendment to the lease.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Second Amendment to the lease between the Port as landlord and Conservancy as tenant to build and operate a public serving café and retail space at Piers 31 and 33 for a term of 30 years, with two 10-year options to extend, and to (i) establish the amount of unpaid base rent at $289,765; (ii) extend the Phase I Improvements completion date to December 31, 2025; (iii) increase the original construction rent credit from $554,000 to $800,000; (iv) provide a three-year extension of the lease term to June 30, 2052; and (v) establish a 50 percent share of any excess rents from food and beverage subtenants.

Due to the Conservancy's payment of rent since October 2022 and to facilitate moving the project forward, the Port has negotiated with the Conservancy to collect 85 percent of unpaid rent without interest or penalty, for a total of $289,765. According to Port staff, the construction budget for Phases I and II has increased from approximately $3.7 million in 2019 to $5.1 million in April 2024. As a result, the Port has increased its rent credit for construction from $554,000 to $800,000, or approximately $87 per square foot. The key changes to the lease under Amendment No. 2 are as follows:

- The Conservancy will pay $289,765 in unpaid rent to the Port, or 85 percent of the unpaid rent amount of $339,200, and the Port will waive interest and late fees.
- Extend the completion date for Phase I improvements from October 15, 2020 to December 31, 2025.
- Increase the maximum rent credits from $554,000 to $800,000 ($440,000 for Phase I and $360,000 for Phase II, upon completion of improvements for each phase).
- Split the excess sublease rent[1] 50/50 between the Port and Conservancy, rather than pay 100 percent to the Port, as stated in the original lease. This is intended to incentivize the Conservancy to seek higher performing subtenants.
- Clarify that certain items, such as park passes and donations, are not included as gross revenues for calculating percentage rent.
- Extend the term of the lease by three years through June 30, 2052.
- Adds the following "upset events" to the lease: (a) the Conservancy fails to obtain NPS's consent to the restaurant sublease; (b) the Conservancy fails to execute a restaurant sublease by June 30, 2025; or (c) the Conservancy fails to open the restaurant by December 31, 2025. If an upset event occurs, the Port may declare the amendment null and void, impose a charge of $375 per day, or reduce the rent credit for tenant improvements by $10,000 per month.

Under Phase I, the Conservancy would build a "warm shell" of the restaurant space, which includes building envelope upgrades (such as window and door replacement), accessibility and ingress/egress upgrades, utility connections, fire and life safety systems, HVAC installation, and a commercial kitchen hood. The restaurant operator would provide fixtures, furniture, and equipment (FF&E) and perform interior finish carpentry, wall finishes, paint, kitchen equipment installation, and lighting.

According to Sandi Oberle, Port Senior Property Manager, the Conservancy is waiting for Alcatraz Cruises to complete warm shell improvements before beginning Phase II work on the visitor contact station and administrative office space. The Conservancy's Phase II improvements are anticipated to commence by November 2026. After the space is turned over to the Conservancy, base rent would be waived for 270 days and then phased in over two years, at 70 percent for one year and 85 percent for the next year, before it is fully charged.

[1] Excess rent is the difference between rent paid from subtenants to the Conservancy (minus subleasing expenses) and the rent paid from the Conservancy to the Port. The lease does not dictate the terms of the sublease between the Conservancy and subtenants, other than that the Conservancy must collect 7.5 percent of gross revenues from the subtenant and pay that amount to the Port as percentage rent.

FISCAL IMPACT

Under the lease, the Conservancy pays the greater of base rent or percentage rent, which is 7.5 percent of gross revenues. In addition, the Conservancy would pay the Port 50 percent of excess rent received from the subtenant (minus expenses) above percentage rent. The base rent is based on a rental rate per square foot for each of five parcels in the premises, with 2.5 percent annual escalation. The current annual base rent is $480,635, as shown in Exhibit 1 below.

Exhibit 1: Current Base Annual Rental Rates

Parcel	Square Footage	Annual Rent per SF	Total Annual Rent
A (Pier 31 Bulkhead)	2,760	$66.23	$182,791
B (Pier 31 Shed)	1,000	19.87	19,869
C (Pier 33 Bulkhead Building 1st Floor)	3,230	66.23	213,919
D (Pier 33 South Bulkhead Building Mezzanine)	992	39.74	39,419
E (Pier 33 Shed)	1,240	19.87	24,637
Total	**9,222**		**$480,635**

Over the remaining 28 years of the initial lease term (through June 30, 2052), the total base rent is approximately $19,158,015. The Port would provide $800,000 in rent credits and waive approximately $1 million in Phase II rent before it is fully phased in,[2] reducing the total base rent paid to the Port to approximately $17.4 million. If the two 10-year options to extend the lease are exercised, the Port would receive approximately $24.5 million in base rent over those 20 years, for a total of approximately $41.9 million over 48 years. Port revenues would exceed this amount if percentage rent and excess rent exceed the base rent.

POLICY CONSIDERATION

The beneficiary and counter party of the proposed lease amendment is the Golden National Parks Conservancy, a non-profit membership organization. The purpose of the Conservancy is to preserve Golden Gate National Parks, including Alcatraz Island. According to its 2023 financial statement, as of September 30, 2023, the Conservancy had $65.9 million in net assets, including $29.4 million in net assets without donor restrictions. This was an increase from the prior year's net assets of $62.2 million. In the year ending September 30, 2023, the Conservancy had $57.4 million in revenue, which was a decrease from the $61.8 million in revenue in the prior year. Conservancy revenues include Alcatraz tours and other programs (69%), donors and special events (21%), and reimbursement agreements from governments (8%).

The proposed amendment would increase the rent credit from the Port to the Conservancy by $246,000 (from $554,000 to $800,000) and reduce the rent due to the Port by $49,435 (from $339,200 to $289,765). The Conservancy has hired a commercial broker for the restaurant space

[2] This includes approximately $562,900 in FY 2024-25 and FY 2025-26 before Phase II is turned over to the Conservancy, approximately $292,048 in FY 2026-27, which includes the initial 270 days that rent is waived after the property is turned over, approximately $89,805 in FY 2027-28 (a 30 percent rent reduction), and approximately $46,025 in FY 2027-28 (a 15 percent rent reduction), for a total of approximately $990,777.

and a design firm for the project, but has otherwise not undertaken improvements to the Port property.

RECOMMENDATION

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

Item 8 **File 24-0718**	**Department:** Public Utilities Commission (SFPUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Amendment No. 1 to the San Francisco Public Utilities Commission's (SFPUC) natural resources specialized and technical services contracts with (1) AECOM Technical Services, Inc., (2) Applied Technology and Science A-T-S, and (3) Avila and Associates Consulting Engineers Inc., increasing the not-to-exceed amount of each contract by $7,000,000, for a total not to exceed $21,000,000 for each contract, with no change to the contract terms.

Key Points

- The Water System Improvement Program (WSIP) is a $4.8 billion, multi-year capital program to upgrade SFPUC's regional and local water systems. For WSIP to comply with federal and state permits, SFPUC is required to conduct environmental monitoring for a minimum of 10- and 20-year periods. After a competitive process, SFPUC awarded contracts to AECOM, Applied Technology and Science, and Avila. In October 2018, the Board of Supervisors approved the contracts. Expenditures on the contract have exceeded initial projections because of biological monitoring for wildfire risk reduction work, construction projects, and response to emergencies, such as wildfires and winter storms.
- The scope of services for the contracts includes specialized and technical services to assist SFPUC to meet operational, maintenance, and environmental goals to comply with local, state, and federal environmental laws, regulations, permits, and requirements. The contractor staffing primarily includes biologists, ecologists, and regulatory specialists.

Fiscal Impact

- The proposed Amendment No. 1 would increase the not-to-exceed amount of each contract by $7,000,000, for a total increase of $21,000,000. The contracts are funded from the Water Enterprise revenues.
- SFPUC anticipates annual expenditures of approximately $7.5 million per year. Based on this projection, SFPUC would meet the expenditure authority in approximately November 2028, or about one month before the contracts expire.

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 or (2) requires expenditures of $10 million or more is subject to Board of Supervisors approval.

BACKGROUND

The Water System Improvement Program (WSIP) is a $4.8 billion, multi-year capital program to upgrade the San Francisco Public Utilities Commission's (SFPUC) regional and local water systems. The program consists of 87 projects, 35 local projects in San Francisco and 52 regional projects from the Sierra foothills to the Peninsula. As of March 2024, the San Francisco projects are all complete, and 48 of the 53 regional projects are complete.

For WSIP to comply with federal and state permits, SFPUC is required to conduct environmental monitoring for a minimum of 10- and 20-year periods. In May 2018, SFPUC issued a Request for Proposals (RFP) to select contractors for natural resources technical services and watershed management and monitoring. SFPUC awarded contracts to the three highest-scoring proposers: (1) AECOM Technical Services, Inc., (2) Avila and Associates Consulting Engineers, Inc., and (3) Applied Technology and Science. In October 2018, the Board of Supervisors approved contracts with the three contractors for 10-year terms through January 1, 2029 and amounts not to exceed $14,000,000 (File 18-0851).

According to Jeremy Spitz, SFPUC Local and Regional Policy and Government Affairs Manager, expenditures on the contract have exceeded initial projections because of biological monitoring for wildfire risk reduction work, construction projects, and response to emergencies, such as wildfires and winter storms. SFPUC and the three contractors have agreed to increase the not-to-exceed amounts of the contracts to $21,000,000 to fund projected needs. In June 2024, the SFPUC Commission approved Amendment No. 1 to the contracts.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 1 to SFPUC's natural resources specialized and technical services contracts with (1) AECOM Technical Services, Inc., (2) Applied Technology and Science A-T-S, and (3) Avila and Associates Consulting Engineers Inc., increasing the not-to-exceed amount of each contract by $7,000,000, for a total not to exceed $21,000,000 for each contract, with no change to the contract terms.

The scope of services for the contracts includes specialized and technical services to assist SFPUC to meet operational, maintenance, and environmental goals to comply with local, state, and federal environmental laws, regulations, permits, and requirements. The proposed Amendment No. 1 does not change the services provided. The contractor staffing primarily includes biologists, ecologists, and regulatory specialists.

According to Local and Regional Policy and Government Affairs Manager Spitz, SFPUC attempts to distribute work evenly between the three contractors. Although most tasks can be accomplished by any of the three contractors, SFPUC discusses contractor experience and strengths before assigning specialized tasks. SFPUC project managers monitor performance by communicating with each contractor frequently to ensure each project is going as planned. According to SFPUC staff, these contracts are held by the Natural Resources and Lands Management Division, not the Infrastructure Division. As a result, they are not subject to the Infrastructure Division's annual performance monitoring standard. Instead, every invoice includes a progress summary to document what has been accomplished through the invoice period.

Each contract included Social Impact Partnership Commitments, ranging from $142,500 to $218,500. According to SFPUC staff, the contractors have delivered between 11 and 64 percent of the commitments, depending on the contracts.

FISCAL IMPACT

The proposed Amendment No. 1 would increase the not-to-exceed amount of each contract by $7,000,000, for a total increase of $21,000,000. The contracts are funded from the Water Enterprise revenues.

As of May 10, 2024, total contract expenditures to date are $10,162,504 for AECOM, $9,484,034 for ATS, and $8,671,770 for Avila, for a total of $28,318,308 across the three contracts. Between the current available balance on the contracts and the proposed increase, the remaining expenditure authority after Amendment No. 1 would be approximately $34,681,692.

According to Local and Regional Policy and Government Affairs Manager Spitz, SFPUC anticipates annual expenditures of approximately $7.5 million per year. Based on this projection, SFPUC would meet the expenditure authority in approximately November 2028, or about one month before the contracts expire. SFPUC would issue a solicitation to award new contracts before the current contracts exceed the not-to-exceed amounts of $21,000,000 each.

RECOMMENDATION

Approve the proposed resolution.

Item 12 **File 24-0738**	**Department:** Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Amendment No. 3 to the emergency financial services contract between the Department of Public Health (DPH) and Positive Resource Center, extending the term by two years through February 2028, and increasing the not-to-exceed amount of the contract by $5,365,891, for a total not to exceed $15,359,513.

Key Points

- In November 2017, DPH issued a Request for Proposals (RFP) for HIV emergency financial assistance providers. Positive Resource Center was the only proposer and was deemed to meet the minimum requirements in the RFP and was awarded a contract. The contract has since been amended twice, for an amount not to exceed $9,993,622.
- Under the contract, Positive Resource Center provides emergency financial assistance grants to low-income individuals with HIV or AIDS. Grants may be used for housing, utility bills, and medical expenses and are typically limited to $700 per client per fiscal year. Clients facing imminent eviction may also receive Eviction Protection grants up to $1,100 per fiscal year. Positive Resource Center provides case management to clients, verifies program eligibility, and distributes grants to clients. The program serves approximately 724 unduplicated clients per year, and the contract funds approximately 2.4 full-time equivalent (FTE) employees.

Fiscal Impact

- The proposed Amendment No. 3 would increase the not-to-exceed amount of the Positive Resource Center contract by $5,365,891, for a total not to exceed $15,359,513.
- Expenditures over the remaining four years of the contract would be funded approximately 65 percent by Federal funds and 35 percent by the City's General Fund.

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 November 2017, the Department of Public Health (DPH) issued a Request for Proposals (RFP) for HIV emergency financial assistance providers. Positive Resource Center was the only proposer and was deemed to meet the minimum requirements in the RFP and was awarded a contract.

In March 2018, DPH executed a contract with Positive Resource Center for a term of four years from March 2018 through February 2022, with six 1-year terms to extend through February 2028, and an amount not to exceed $4,404,297. In April 2019, DPH executed Amendment No. 1 to the contract, increasing the not-to-exceed amount to $5,718,990, with no change to the contract term. In January 2022, DPH executed Amendment No. 2 to the contract, extending the term by four years through February 2026, and increasing the not-to-exceed amount to $9,993,622. DPH and Positive Resource Center have agreed to extend the contract through February 2028.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 3 to the emergency financial services contract between DPH and Positive Resource Center, extending the term by two years through February 2028, and increasing the not-to-exceed amount of the contract by $5,365,891, for a total not to exceed $15,359,513. The resolution also authorizes DPH to make further immaterial amendments to the lease.

Scope of Services

Under the contract, Positive Resource Center provides emergency financial assistance grants to low-income individuals with HIV or AIDS. Grants may be used for housing, utility bills, and medical expenses and are typically limited to $700 per client per fiscal year. Clients facing imminent eviction may also receive Eviction Protection grants up to $1,100 per fiscal year. Positive Resource Center provides case management to clients, verifies program eligibility, and distributes grants to clients. The program serves approximately 724 unduplicated clients per year, and the contract funds approximately 2.4 full-time equivalent (FTE) employees.[1]

Performance and Fiscal Monitoring

Program monitoring for the period of March 2022 through February 2023 found that Positive Resource Center met 80 percent of contracted performance objectives and 97 percent of units of service. No corrective action plans were identified. According to Michelle Ruggels, DPH

[1] The client count and grant budget information provided by DPH does not match the information in the draft amendment. We are attempting to obtain additional information from DPH in advance of the July 24, 2024 Budget and Finance Committee meeting.

Business Office Director, performance monitoring for the period of March 2023 through February 2024 is expected to be completed by August 31, 2024.

DPH staff reviewed Positive Resource Center's financial documents as part of the FY 2023-24 Citywide Fiscal and Compliance Monitoring program and identified no findings.

FISCAL IMPACT

The proposed Amendment No. 3 would increase the not-to-exceed amount of the Positive Resource Center contract by $5,365,891, for a total not to exceed $15,359,513. Actual and projected contract expenditures are shown in Exhibit 1 below.

Exhibit 1: Actual and Projected Contract Expenditures

Expenditures	Amount
Actual Expenditures (through FY 2023-24)	$9,182,504
FY 2024-25 (Projected)	1,396,530
FY 2025-26 (Projected)	1,408,312
FY 2026-27 (Projected)	1,420,447
FY 2027-28 (Projected)	1,269,898
Subtotal – Projected Expenditures	*$5,515,187*
Contingency (12% of Projected Expenditures)	661,822
Total Not to Exceed	**$15,359,513**

Source: DPH

A breakdown of FY 2024-25 contract expenditures is shown in Exhibit 2 below.

Exhibit 2: Breakdown of FY 2024-25 Contract Expenditures

Expenditures	Amount
Salaries	$195,198
Employee Benefits	45,052
Operating Expenses	1,022,172
Subtotal – Direct Costs	*$1,262,422*
Indirect Costs (9.6%)	134,108
Total Expenditures	**$1,396,530**

Source: Proposed Contract Amendment

Of the $1,022,172 in Operating Costs, approximately $900,836 in expenditures are pass-through grants for clients. Of the total FY 2024-25 expenditures, approximately 65 percent are pass-through grants for clients and approximately 35 percent are for Positive Resource Center costs, such as salaries, benefits, rent, and administrative overhead costs.

Expenditures over the remaining four years of the contract would be funded approximately 65 percent by Federal funds and 35 percent by the City's General Fund.

RECOMMENDATION

Approve the proposed resolution.

Item 13 **File 24-0646**	**Department:** Children, Youth and Their Families

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a new grant agreement between the Department of Children, Youth and Their Families (DCYF) and the Boys and Girls Clubs of San Francisco (BGCSF) for three programs: (1) George Washington Carver Beacon Community School, (2) Malcolm X Academy Beacon Community School, and (3) Comprehensive Year-Round Learning.
- The three programs provide school day support (at the two schools only) as well as after school and summer enrichment programs. The grant has a five-year term starting July 1, 2024 through June 30, 2029 and a not-to-exceed amount of $30,222,500.

Key Points

- All three programs were previously funded. Performance metrics for FY 2022-23 show that Malcolm X Academy underperformed relative to the performance target and relative to George Washington Carver. According to DCYF, this is due to a high rate of chronic absenteeism at the school that affected attendance for the BGCSF program, as well as challenges with leadership turnover and hiring at BGCSF. Both school programs failed to meet four out of the six performance targets, though performance on several measures was close to target. The Comprehensive Year-Round Learning Program was subject to a slightly different set of six performance measures; it too failed to meet four of the six metrics, though performance on several measures was close to target.
- The Department reports that it will offer technical assistance and capacity-building resources to improve program engagement. For Malcolm X Academy, DCYF reported that it planned to work with the school district to address chronic absenteeism.

Fiscal Impact

- The proposed agreement has a not-to-exceed amount of $30,222,500, including a ten percent contingency, and a three percent annual increase to the FY 2024-25 annual budget of $5,175,000.
- The agreement funds a total of 41.0 full-time equivalent adult staff. The source of funding will be finalized following approval of the proposed agreement and would likely be funded by the General Fund and/or the Children and Youth Fund.

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 Boys and Girls Clubs of San Francisco

According to its 2023 Annual Report, the Boys and Girls Clubs of San Francisco (BGCSF) has provided "high-quality, community-based youth development services" to at-risk youth in San Francisco since 1891. Clubs are located in neighborhoods with the fewest resources for youth and are open after school, on most school holidays, and all day during the summer, according to the report. Clubs primarily serve children ages six to 18 and focus on academic success, healthy lifestyles, good character and community engagement, and job readiness with earning potential. The BGCSF operates 14 clubs: three in the Mission, three in Bayview-Hunters Point, three in Fillmore, two in Excelsior, and one each in Tenderloin, Sunnydale, and Visitacion Valley.

Procurement

In August 2023, the Department of Children, Youth, and Their Families (DCYF) issued a Request for Proposals (RFP) for the 2024 through 2029 funding cycle. The BGCSF submitted a total of 14 proposals, including three proposals for the RFP Result Area, "All Children and Youth are Ready to Learn and Succeed in School." According to the RFP, the Result Area is associated with programs, resources, supports, and activities that provide opportunities for youth to learn, gain social-emotional learning (SEL) skills, engage educationally, and have access to needed support for children and youth in pre-kindergarten through 12th grade. In their RFP response, BGCSF lists their four "essential program areas," including Academic Success, Healthy Lifestyles, Good Character and Community Engagement, and Job Readiness with Earning Potential. The three funded programs are George Washington Carver Beacon Community School, Malcolm X Academy Beacon Community School, and Comprehensive Year-Round Learning.

The BGCSF currently provides these programs under three separate agreements, which expired June 30, 2024. The RFP scoring and other procurement information is summarized in Exhibit 1 below. Proposals were evaluated in three phases. In Phase 1, proposals were evaluated based on target population (10 points), program overview (25 points), program design and implementation (55 points), and program impact (10 points), for a total possible score of 100 points. In Phase 2, proposers were evaluated based on strategy alignment, target population, past performance, and fiscal health. In Phase 3, DCYF determined the funding allocations for the non-profit providers.

Exhibit 1: Procurement Summary

Program	George Washington Carver Beacon Community School	Malcolm X Academy Beacon Community School	Comprehensive Year-Round Learning
Selection Panel	Deputy Director of Programs, Planning & Grants (DCYF); Strategic Planning Coordinator (MTA); Childcare Coordinator (Sacramento Co.)	Principal Analyst (DCYF); Strategic Planning Coordinator (MTA); Childcare Coordinator (Sacramento Co.)	Executive Director of Programs & Special Projects (DA); Deputy Director of Programs, Planning & Grants (DCYF); Community Development Program Coordinator (Oakland)
Total Number of Proposals	28	28	74
Number of Proposals Awarded Funding	26	26	41
BGCSF Average Score (out of 100)	87.6	94.0	85.9
BGCSF Rank out of Total Number of Proposals	12 out of 28	2 out of 28	25 out of 74

Source: DCYF

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new grant agreement between DCYF and the BCGSF for three programs: (1) George Washington Carver Beacon Community School, (2) Malcolm X Academy Beacon Community School, and (3) Comprehensive Year-Round Learning. The grant has a five-year term starting July 1, 2024 through June 30, 2029 and a not-to-exceed amount of $30,222,500.

Scope of Services

George Washington Carver Beacon Community School

The George Washington Carver Beacon Community School is a year-round program providing high-quality school day activities as well as after school and summer programs that serve 85 participants (83 five- to ten-year-olds and two 11- to 13-year-olds). The program subcontracts with organizations[1] providing various forms of enrichment, including academic tutoring, after

[1] The subcontracted organizations are: Aspire Education; Friends of SCRAP, Inc.; Nitty Dupree Thomas (Studio 121); Bayshore Elite Mobile Gymnastics; San Francisco Girls Chorus; and LearnUp Centers.

school arts programs, group dance and gymnastics instruction, group chorus practice and instruction, and literacy programming.

Malcolm X Academy Beacon Community School

The Malcolm X Academy Beacon Community School is a year-round program providing high-quality school day supports as well as after school and summer programs that serve 85 participants (82 five- to ten-year-olds and three 11- to 13-year-olds). The program subcontracts with organizations[2] providing various forms of enrichment, including a computer programming course, after school arts programs, academic tutoring, a science camp, and group gymnastics classes.

Comprehensive Year-Round Learning

The Comprehensive Year-Round Learning Program provides high-quality after school and summer programs at 12 BGCSF clubhouses serving a total of 3,050 k-12 youth: 1,411 five- to 10-year-olds, 865 11- to 13-year-olds, and 774 14- to 17-year-olds. The program subcontracts with organizations[3] providing various forms of enrichment, including academic tutoring, a science camp, after school arts programs and moviemaking, group gymnastics classes, multimedia and music lessons, literacy programming, group chorus practice and instruction, gardening and cooking classes, and theater classes and performance workshops.

Performance

Pursuant to the grant agreement, George Washington Carver Beacon Community School, Malcom X Academy Beacon Community School, and Comprehensive Year-Round Leaning are required to report on seven performance measures described in Exhibit 2. Each grantee is required to administer participant surveys or other evaluation instruments to ensure compliance with performance measure targets, per the agreement. The Department will provide a performance improvement plan if a grantee is found to not meet one or more performance standards, which may include participation in technical assistance, performance measure amendment, or other supportive measures.

[2] The subcontracted organizations are: Learn2Code.Live; Friends of SCRAP, Inc.; Aspire Education; Mission Science Workshop; and Bayshore Elite Mobile Gymnastics.

[3] The subcontracted organizations are: Aspire Education; Mission Science Workshop; Friends of SCRAP, Inc.; Bayshore Elite Mobile Gymnastics; Notes for Notes, Inc.; LearnUp Centers; San Francisco Girls Chorus; Dragonspunk GRO; Smart Cooking; San Francisco Youth Theatre; Youth Cooking Services, DBA: Kids Cooking For Life; Sirron Norris, Inc.; and Air Tutors.

Exhibit 2: Performance Measures in Proposed Grant Agreement

Timeframe	Name	Performance Measure	Target
FY 2024-29	Youth Actuals vs. Projections	Number of participants served as a percentage of the program's projected number of participants	90%+
FY 2024-29	Program Quality Assessment (PQA)	Grantee participates in Program Quality Assessment (PQA) process*	Yes – participated in PQA Process
FY 2024-25	Social-Emotional Learning (SEL) Plan	Grantee participates in SEL trainings	Yes – participated in trainings
FY 2025-29	Social-Emotional Learning (SEL) Plan	Grantee identifies a plan for incorporating SEL into their programs and practices	Yes – has an SEL plan
FY 2024-29	Average Daily Attendance	Average daily attendance as a percentage of program's projected average daily attendance	85%+
FY 2024-29	Caring Adult	Percent of surveyed participants or caregivers who report that participants have an adult in the program who understood and really cared about them	75%+
FY 2024-29	Agency Health	Fiscal health of grantee agency based on DCYF's Fiscal and Compliance Monitoring efforts	Strong

Source: Grant Agreement, Appendix B-1

*Note: The Youth and School-Aged Program Quality Assessment Tool is a validated instrument that evaluates the quality of youth programs and identifies staff training needs. According to DCYF, the tool has been used in community organizations, schools, camps, and other sites to measure a young person's access to key developmental experiences through a set of scored items that can be used for comparison and assessment of progress over time.

Performance metrics for FY 2022-23 show that Malcolm X Academy Beacon Community School underperformed relative to the performance target and relative to George Washington Carver Beacon Community School. According to DCYF, this is due to a high rate of chronic absenteeism at the school that affects attendance for the BGCSF program, as well as challenges with leadership turnover and hiring at BGCSF. Both programs failed to meet four out of the six targets, as shown in Exhibit 3, though performance on several measures was close to target. The Comprehensive Year-Round Learning Program was subject to a slightly different set of six performance measures; it too failed to meet four of the six metrics for the Tenderloin location (one of four locations with performance outcomes for FY 2022-23), though performance was close to target on several measures. The Department reports that it will offer technical assistance and capacity-building resources to improve program engagement. Specifically, for Malcolm X

Academy, DCYF reported that it planned to work with the school district to troubleshoot and identify solutions to address chronic absenteeism. Performance measures and results for FY 2022-23 are shown in Exhibit 3 below.

Exhibit 3: FY 2022-23 Performance Measures

Measure	George Washington Carver Beacon Community School[1]	Malcolm X Academy Beacon Community School[1]	Target
Number of participants served during the summer as a percentage of the number of participants the program was designated to serve.	92%	51%	90%+
Number of participants served during after school as a percentage of the number of participants the program was designated to serve.	147%	379%	90%+
Percent of participants who participated in the program for 112+ hours during the summer.	75%	0%	85%+
Percent of participants who participated in the program for 240+ hours during the school year.	81%	16%	85%+
Average daily attendance during the summer as a percentage of program's designated average daily attendance.	59%	38%	85%+
Average daily attendance during the school year as a percentage of the program's designated average daily attendance.	72%	54%	85%+

	Comprehensive Year-Round Learning (Tenderloin Program)[1,2]	Target
Number of participants served as a percentage of the program's projected number of participants.	167%	90%+
Percent of participants who participated in the program for 128+ hours during the summer.	79%	85%+
Percent of participants who participated in the program for 240+ hours during the school year.	55%	85%+
Average daily attendance during the school year as a percentage of program's projected average daily attendance.	69%	85%+
Average daily attendance during the summer as a percentage of program's projected average daily attendance.	94%	85%+
Percent of surveyed participants who report that an adult in the program understood and really cared about them.	74%	75%+

Source: DCYF

[1]Note: Gray shading indicates result did not meet performance target.

[2]Note: There are a total of four Comprehensive Year-Round Learning programs for FY 2022-23, including the D10 Program, Excelsior and Mission Program, Western Addition, and Tenderloin Program. We have displayed performance for only the Tenderloin Program.

Fiscal and Compliance Monitoring

The Department conducted fiscal and compliance monitoring for these three programs in February 2024, and no findings were identified.

FISCAL IMPACT

The proposed agreement has a not-to-exceed amount of $30,222,500, including a ten percent contingency. The grant agreement budget, which includes a three percent annual increase, by fiscal year and program is shown in Exhibit 4 below.

Exhibit 4: Grant Agreement Not to Exceed Amount

	George Washington Carver Beacon Community School	Malcolm X Academy Beacon Community School	Comprehensive Year-Round Learning	Total
FY 2024-25	$375,000	$400,000	$4,400,000	$5,175,000
FY 2025-26	386,300	412,000	4,532,000	5,330,300
FY 2026-27	397,900	424,400	4,668,000	5,490,300
FY 2027-28	409,800	437,100	4,808,000	5,654,900
FY 2028-29	422,100	450,200	4,952,200	5,824,500
Total	1,991,100	2,123,700	23,360,200	27,475,000
Contingency (10%)	199,110	212,370	2,336,020	2,747,500
Not-to-Exceed Amount	**$2,190,210**	**$2,336,070**	**$25,696,220**	**$30,222,500**

Source: Grant Agreement, Appendix B-1

The FY 2024-25 budget is approximately $5.2 million, as shown in Exhibit 5 below.

Exhibit 5: FY 2024-25 Budget

	George Washington Carver Beacon Community School	Malcolm X Academy Beacon Community School	Comprehensive Year-Round Learning	Total	% of Total
Salary and Fringe Benefits	$281,240	$306,200	$2,119,480	**$2,706,920**	52%
Subcontractors	14,500	13,000	115,000	**142,500**	3%
Materials & Supplies	8,500	7,200	85,054	**100,754**	2%
Other Program Expenses	14,510	13,600	1,420,467	**1,448,577**	28%
Administrative	56,250	60,000	660,000	**776,250**	15%
Total	**$375,000**	**$400,000**	**$4,400,000**	**$5,175,000**	**100%**

Source: DCYF

According to DCYF, the agreement funds a total of 41.0 full-time equivalent (FTE) adult staff, with the vast majority for the Comprehensive Year-Round Learning Program (32.8 FTE), 4.2 FTE for Malcolm X Academy Beacon Community School, and 4.0 FTE for George Washington Carver Beacon Community School.

Source of Funding

According to DCYF staff, the source of funding will be finalized following approval of the proposed agreement and the proposed budget. The proposed agreement would likely be funded by the General Fund and/or the Children and Youth Fund.

RECOMMENDATION

Approve the proposed resolution.

Item 14 File 24-0694	Department: Children, Youth and Their Families (DCYF)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a new grant agreement between the Department of Children, Youth and Their Families (DCYF) and The Centers for Equity and Success, Inc.—a workforce development non-profit—for four programs under the Request For Proposal (RFP) Result Area, All Youth Are Ready for College, Work and Productive Adulthood, for a five-year term starting July 1, 2024 through June 30, 2029 and a not-to-exceed amount of $10,804,000.

Key Points

- The four programs proposed to be funded are: Early Morning Study Academy, Credible Messengers, Inside/Out Pathways, and TAY/A Workforce Development. Except for TAY/A Workforce Development, the other three programs were previously funded.
- Early Morning Study Academy will provide GED instruction and other skills development to 40 participants. Credible Messengers are staff with similar lived experience as justice-involved youth that are staffed in detention 12 hours per day, seven days per week, serving 20 participants. Inside/Out Pathways will provide classes, such as arts programming, construction training, and digital literacy, for 80 youth in custody year-round. TAY/A Workforce Development will provide workforce development skills and training to 100 participants.
- The Office of Economic and Workforce Development conducted fiscal and compliance monitoring for the Early Morning Study Academy, identifying a number of issues that were reported to be resolved in an August 2023 letter to the Centers for Equity and Success.

Fiscal Impact

- The five-year not-to-exceed amount of $10,804,000 includes a ten percent contingency, and a three percent annual increase to the FY 2024-25 annual budget of $1,850,000.
- According to DCYF, the agreement funds a total of 13.1 full-time equivalent adult staff across the four programs. The source of funding will be finalized following approval of the proposed agreement and the proposed budget. The proposed agreement would likely be funded by the General Fund and/or the Children and Youth Fund.

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

Centers for Equity and Success, Inc.

The Centers for Equity and Success, Inc. (CES) is a workforce development non-profit service provider. According to their website, CES helps people obtain employment, complete their education, and tap into their creative power.

Procurement

In August 2023, the Department of Children, Youth, and Their Families (DCYF) issued a request for proposals (RFP) for the 2024 through 2029 funding cycle. The CES submitted four proposals for the RFP Result Area, "All Youth Are Ready for College, Work and Productive Adulthood." According to the RFP, the Result Area is associated with programs, resources, supports, and activities that help youth and TAY/A (transitional age youth) gain exposure, skills, and abilities that prepare them for successful transitions into adulthood. The four funded programs include: Early Morning Study Academy, Credible Messengers, Inside/Out Pathways, and TAY/A Workforce Development.

The CES currently provides three of these programs under separate agreements, which expire June 30, 2024.[1] Proposals were evaluated in three phases. In Phase 1, proposals were evaluated based on target population (10 points), program overview (25 points), program design and implementation (55 points), and program impact (10 points), for a total possible score of 100 points. In Phase 2, proposers were evaluated based on strategy alignment, target population, past performance, and fiscal health. In Phase 3, DCYF determined the funding allocations for the non-profit providers.

Phase 1 of the RFP scoring and other procurement information is summarized in Exhibit 1 below.

[1] The TAY/A Workforce Development program is new in FY 2024-25 and was not previously funded.

Exhibit 1: Procurement Summary

Program	Early Morning Study Academy	Credible Messengers	Inside/Out Pathways	TAY/A Workforce Development
Selection Panel	Senior Administrative Analyst (DCYF); Creative Campus and College Events Manager (UF College of the Arts); Senior Community Development Specialist I (DCYF)	Senior Community Development Specialist II (DCYF); Manager II (JPD); Attorney, Civil/Criminal (DAT)	Jail Population Manager (Camden Co.); Senior Community Development Specialist II (DCYF); Paralegal (PDO)	Former Work-Based Learning Coordinator (SFUSD); Senior Administrative Analyst (DCYF); Principal Administrative Analyst (JPD)
Total Number of Proposals	10	10	24	44
Number of Proposals Awarded Funding	5	4	14	9
CES Average Score (out of 100)	84.0	86.4	89.3	89.4
CES Rank out of Total Number of Proposals	6 out of 10	6 out of 10	6 out of 24	6 out of 44

Source: DCYF

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new grant agreement between DCYF and CES for four programs under the RFP Result Area, All Youth Are Ready for College, Work and Productive Adulthood, for a five-year term starting July 1, 2024 through June 30, 2029 and a not-to-exceed amount of $10,804,000.

Scope of Services

Early Morning Study Academy

Classes meet Monday through Thursday from 8 a.m. to 2 p.m. at the agency location and from 8 a.m. to 2 p.m. on Fridays at Five Keys Charter School locations year-round. The program will serve a total of 40 participants (four 14- to 17-year-olds and 36 18- to 24-year-olds) with group and individual activities. Group activities include GED instruction, life skills instruction to help students apply academic concepts to real-world situations, and basic computer literacy; individual activities include GED individual tutoring, academic counseling, and case management.

Credible Messengers

Credible Messengers (CMs) are staff with similar lived experience as justice-involved youth that are staffed in detention 12 hours per day, seven days per week, per the grant agreement. The program will serve a total of 20 participants (five 14- to 17-year-olds and 15 18- to 24-year-olds) with group and individual activities, including life skills coaching and mentoring.

Inside/Out Pathways

The Pathways curriculum supports youth in custody year-round. The program will serve a total of 80 participants (20 14- to 17-year-olds and 60 18- to 24-year-olds) with arts programming, construction training, digital literacy, specialized services to support and enhance participation in training and support programs, and service learning opportunities.

TAY/A Workforce Development

Per the agreement, a TAY HUB will provide a "One Stop Shop" for Youth Employment, Development and Alternative Education Resources year-round. The program will serve a total of 100 participants ages 18 to 24 and provide a range of group and individual activities. Group activities include: outreach and recruitment to engage TAY/A youth; job readiness training, financial literacy, work maturity, and computer literacy training; and follow-up services to ensure youth maintain gains achieved. Individual activities include: career assessment, referrals to job training and wraparound supports, paid internship and job placements, and other workforce development opportunities.

Performance

Pursuant to the grant agreement, Early Morning Study Academy, Credible Messengers, Inside/Out Pathways, and TAY/A Workforce Development are each required to report on unique performance measures, such as service levels provided, grantee financial health, participation in various trainings, and survey responses of program participants (for programs that are not detention based), such as the percent of respondents that report developing a stronger sense of belonging, education or career goals, or having a caring adult in the program. Each grantee is required to administer participant surveys or other evaluation instruments to ensure compliance with performance measure targets, per the agreement. The Department will provide a performance improvement plan if a grantee is found to not meet one or more performance standards, which may include participation in technical assistance, performance measure amendment, or other supportive measures.

For the Early Morning Study Academy, key performance indicators for FY 2022-23 are shown in Exhibit 2. The program did not meet the performance target for three of the four performance measures, underperforming significantly on the measure of participants partaking in the program for 288 hours or more. The Department reported that the number of hours needed to complete a GED may vary. Moving forward, the number of hours will no longer be used as a performance measure, and the Department reports that it will provide technical assistance and capacity building to support program engagement. The other two programs funded in FY 2022-23, Credible Messengers and Inside/Out Pathways, do not have past performance measures available. According to the Department, Credible Messengers was a new strategy established in the middle of FY 2022-23 and performance measures were not yet established. For Inside/Out Pathways, the program was not required to collect and report personally identifiable information as a detention-based program. Both Credible Messengers and Inside/Out Pathways were monitored based on narrative reports and monthly invoices.

Exhibit 2: FY 2022-23 Performance Measures for Early Morning Study Academy

Measure	Result*	Target
Number of participants served as a percentage of the program's projected number of participants	103%	90%
Percent of participants who participated in the program for 288+ hours	32%	85%+
Percent of surveyed participants who report than an adult in the program understood and really cared about them	74%	75%+
Percent of surveyed participants who report developing education or career goals and understanding the steps needed to achieve their goals as a result of the program	68%	75%+

Source: DCYF
*Note: Gray shading indicates result did not meet performance target.

Fiscal and Compliance Monitoring

The Office of Economic and Workforce Development (OEWD) conducted fiscal and compliance monitoring for the Early Morning Study Academy, identifying a number of issues that were reported to be resolved in an August 2023 letter to CES. The Department was not able to provide the original OEWD monitoring letter and agency response to enable our full review of the specific issues.

FISCAL IMPACT

The proposed agreement has a not-to-exceed amount of $10,804,000, including a ten percent contingency. The grant agreement budget, which includes a three percent annual increase, by fiscal year and program is shown in Exhibit 3 below.

Exhibit 3: Grant Agreement Not-to-Exceed Amount

	Early Morning Study Academy	Credible Messengers	Inside/Out Pathways	TAY/A Workforce Development	Total
FY 2024-25	$300,000	$700,000	$350,000	$500,000	$1,850,000
FY 2025-26	309,000	721,000	360,500	515,000	1,905,500
FY 2026-27	318,300	742,600	371,300	530,500	1,962,700
FY 2027-28	327,800	764,900	382,400	546,400	2,021,500
FY 2028-29	337,600	787,800	393,900	562,800	2,082,100
Total	$1,592,700	$3,716,300	$1,858,100	$2,654,700	$9,821,800
Contingency (10%)	159,270	371,630	185,810	265,470	982,180
Not-to-Exceed Amount	**$1,751,970**	**$4,087,930**	**$2,043,910**	**$2,920,170**	**$10,803,980**

Source: Grant Agreement, Appendix B-1

The FY 2024-25 budget is approximately $1.9 million, as shown in Exhibit 4 below.

Exhibit 4: FY 2024-25 Budget

	Early Morning Study Academy	Credible Messengers	Inside/Out Pathways	TAY/A Workforce Development	Total	% of Total
Salary and Fringe Benefits	$176,473	$520,330	$237,192	$244,890	$1,178,885	64%
Materials & Supplies	4,500	2,235	6,313	8,761	21,809	1%
Other Program Expenses	59,027	37,435	36,495	146,349	279,306	15%
Administrative	60,000	140,000	70,000	100,000	370,000	20%
Total	**$300,000**	**$700,000**	**$350,000**	**$500,000**	**$1,850,000**	**100%**

Source: DCYF

According to DCYF, the agreement funds a total of 13.1 full-time equivalent (FTE) adult staff as shown in Exhibit 5.

Exhibit 5: Full-Time Equivalent (FTE) Adult Staff by Program

Program	Number of FTE
Credible Messengers	5.9
TAY/A Workforce Development	2.7
Inside/Out Pathways	2.6
Early Morning Study Academy	1.9
Total	**13.1**

Source: DCYF

Source of Funding

According to DCYF staff, the source of funding will be finalized following approval of the proposed agreement and the proposed budget. The proposed agreement would likely be funded by the General Fund and/or the Children and Youth Fund.

RECOMMENDATION

Approve the proposed resolution.

Item 15 **File 24-0755**	**Department:** Mayor's Office of Housing and Community Development

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves a loan of up to $30,000,000 from MOHCD to MEDA Small Properties, LLC (an affiliate of Mission Economic Development Agency) for the acquisition and rehabilitation of 2901 16th Street.

Key Points

- 2901 16th Street is a four-story building that includes 63 residential units and eight commercial units. The proposed $30,000,000 loan will be used to fund MEDA's acquisition and rehabilitation of 2901 16th Street. The loan has a 40-year term and has a three-percent simple interest rate. Loan payments are due if the project generates residual income.
- The rehabilitation work will be undertaken by MEDA and overseen by MOHCD. The rehabilitation scope includes seismic retrofit, unit interior upgrades, building exterior upgrades, electrical upgrades, and replacing the fire alarm and sprinkler system. MOHCD is preparing a Preservation and Seismic Safety (PASS) loan to fund rehabilitation work, as the total rehabilitation costs exceed the maximum size of this loan allowable under MOHCD's Small Site Program Guidelines.

Fiscal Impact

- The proposed loan is funded by the Housing Trust Fund, Housing Stability Fund, and development impact fees.
- Acquisition costs of $20.4 million are supported by an appraisal completed in May 2024. Rehabilitation work totaled $7.7 million and includes $420,000 for residential tenant relocation and $769,030 for commercial tenant relocation during construction. The cost per unit (63 residential units and 8 commercial units) is $422,535.

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

Small Sites Program

The Small Sites Program (SSP), administered by the Mayor's Office of Housing and Community Development (MOHCD), was created in 2014 to provide loans for acquiring and rehabilitating multi-family rental buildings of five to 25 units. The Program has issued two Notices of Funding Availability (NOFA), one in 2014 and an updated one in 2019. MOHCD issued updated guidelines in September 2022. The new guidelines prioritize sites that have between five and 40 units but allow funding for larger sites. Applications for Small Site funding are scored based on demographic characteristics of existing residents (35 possible points), geographic equity (27 possible points), and housing affordability (35 possible points), and then a multiplier depending on the base score. The proposed project, sponsored by Mission Economic Development Agency (MEDA), achieved a base score of 92 points and a multiplier of 25 percent, resulting in a score of 115 points.

2901 16th Street

2901 16th Street is a four-story building that includes 63 residential units and eight commercial units. The 63 units includes 6 one-bedrooms, 55 studios, and 2 single-room occupancy (SROs). Approximately eighty percent of the residential units are vacant. Seven of eight commercial spaces are occupied. The commercial tenants include Irma's Pampanga Filipino Restaurant, Vanysol Hair, El Yucateco Bakery, Cocina Maya Restaurant, ewaste SF, Electronics Recycling and Paper Shredding, City Club Bar, and Don Rafa's Cyclery.

MEDA became aware of the site in 2021 when the building was listed sale through the Community Opportunity to Purchase Act, which requires multifamily residential building owners to notify certain non-profits and provide them the right of first refusal when listing their properties for sale. The site of one of two buildings that the owner is selling to MEDA – the owner was not interested in selling them individually. The proposed loan would fund MEDA's acquisition and rehabilitation of 2901 16th Street. The Housing Accelerator Fund is financing the acquisition and rehabilitation of 2059 Mission Street (which has the same building owner as 2901 16th Street) at an approximately cost of $23.8 million and for which MOHCD has committed to provide permanent financing, subject to satisfactory completion of the rehabilitation work and Board of Supervisors approval of the loan.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (1) approves and authorizes the Director of the Mayor's Office of Housing and Community Development to execute documents for a loan amount not to exceed $30,000,000 for the acquisition and rehabilitation of 2901 16th Street; (2) confirms the Planning Department's determination under the California Environmental Quality Act; and, (3) finds the project loan is consistent with the General Plan and the eight priority policies of the Planning Code, Section 101.1.

The documents approved as part of the resolution include the (1) Loan Agreement between the City and MEDA Small Properties LLC (an affiliate of Mission Economic Development Agency); (2) Secured Promissory Note; (3) Deed of Trust; (4) Declaration of Restrictions, and (5) a Purchase Option Agreement.

Loan Terms

The proposed $30,000,000 loan will be used to fund MEDA's acquisition and rehabilitation of 2901 16th Street. The loan has a 40-year term and has a three-percent simple interest rate. Loan payments are due if the project generates residual income (revenue net of operating expenses and debt service).

Section 3.7 of the proposed loan includes the following covenants: the borrower must seek and accept rental subsidies, such as Section 8 vouchers, the borrower should maximum occupancy of the units, develop a plan to manage lead-based hazards, apply for historic tax credits, seek Legacy Business designations for commercial tenants, complete a rent study, in addition to the typical provisions to control use of the site as affordable housing.

Rehabilitation Scope

The proposed loan funds rehabilitation work that will be undertaken by MEDA and overseen by MOHCD. MOHCD is funding construction work upfront, rather than partnering with the Housing Accelerator Fund, to reduce interim financing costs. The resulting savings are partially offset by City procurement and labor requirements that follow with City funding, including prevailing wage and local business enterprise requirements.

The rehabilitation scope includes seismic retrofit, unit interior upgrades, building exterior upgrades, electrical upgrades, and replacing the fire alarm and sprinkler system. No work is planned on the commercial spaces, consistent with SSP Program Guidelines. Total estimated costs for the rehabilitation work are $14.2 million. Construction is expected to start December 2025 and lease up is expected to be complete in July 2027.

The proposed loan is sized at $30 million, based on the scoring criteria for bedrooms in the Small Sites Program Guidelines, including using the funding for one-bedrooms for each commercial space, based on the rent generated from the commercial tenants. However, as indicated in Fiscal Impact Section below, after acquisition costs and developer fees, this leaves $7.7 million of the proposed loan for rehabilitation work. Because the rehabilitation work is expected to cost $14.2 million, MOHCD is preparing a Preservation and Seismic Safety (PASS) loan, which is expected to be executed in late 2024 or early 2025. The project can support between $9-$12 million of PASS debt, depending on the prevailing interest rates (and related debt service for PASS debt) when the next tranche of PASS bonds are sold later this year. The project's pro-forma currently assumes $9.5 million in PASS debt. If the project can assume additional PASS debt, the proposed SSP loan would be reduced commensurately. The PASS loan will require Board of Supervisors approval if it exceeds $10 million.

Unit Mix

The final unit mix has not been determined, however MOHCD Small Site Guidelines indicate that the income of all tenants should average no more than 80 percent of area median income. In addition, MOHCD and the project sponsor are in conversation with the Department of Homelessness & Supportive Housing to set aside 20 units for formerly homeless households, with accompanying subsidies for those units, though no agreement has been reached as of this writing. The rent study noted above will inform the rent mix.

FISCAL IMPACT

The proposed loan provides up to $30,000,000 to MEDA for the acquisition and rehabilitation of 2901 16th Street. Exhibit 1 summarizes the sources and uses of loan funding.

Exhibit 1: Funding for Acquisition and Rehab of 2901 16th Street

Loan Sources	
Housing Trust Fund	$8,390,218
Jobs-Housing Linkage Fees	851,305
Condo Conversion Fees	1,500,000
Housing Stability Fund	17,358,477
Eastern Neighborhood - Mission Infrastructure Impact Fee	1,900,000
Total Loan Sources	**$30,000,000**
Loan Uses	
Acquisition	$20,400,000
Construction	4,453,774
Soft Costs	3,208,205
Developer Fees	105,000
Reserves	1,832,435
Total	**$29,999,414**

Source: MOHCD

Acquisition costs of $20.4 million are supported by an appraisal completed in May 2024. Construction and soft costs pertain to rehabilitation work, described above, and also includes $420,000 for residential tenant relocation and $769,030 for commercial tenant relocation during construction. The cost per unit (63 residential units and 8 commercial units) is $422,535.

The project's pro-forma indicates the project will generate approximately $100,000 in annual residual income once the project is fully leased, two-thirds of which will be used to pay the proposed Small Site Program loan. The pro-forma assumes a PASS loan of $9.5 million.

RECOMMENDATION

Approve the proposed resolution.