



San Francisco Department of Public Health

Grant Colfax, MD
Director of Health

City and County of San Francisco
London N. Breed
Mayor

March 4, 2024

Angela Calvillo, Clerk of the Board
Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

DPH is requesting that the Board approve a resolution supporting (1) a Repayment Agreement; and (2) a Purchase and Sale Agreement between Baker Places, Inc. (Baker) and the City.

The repayment agreement allows Baker, a subsidiary of PRC ("Parent") to repay \$7.67 million (Debt) owed to the City as a result of (1) a Compliance Audit conducted by the Department of Public Health (DPH); and (2) unrecovered initial payments¹ issued by DPH pursuant to contract terms.

The Purchase and Sale Agreement credits a portion of the Debt equal to the assessed value of 333 7th Street (\$3.0 million), a property owned by Baker, in exchange for transferring title of the property to the City. If approved by the Board, Baker will repay the balance of \$4.7 million plus interest over the course of 23 years.

Baker Places DPH Debt through March 31st, 2024.

The following details Baker's Debt to the City:

FY2021-22 Unrecovered Initial Payment	1,904,987
FY2022-23 Unrecovered Initial Payment	4,641,376
FY15-16 Baker Places Compliance Audit	1,304,352
Proposed Sale of 333 7th St	(3,000,000)
Repayments July 2023 through March 2024	(180,900)
Baker Debt as of April 1, 2024	4,669,814

Baker's DPH Contracts FY2021-22 through FY2023-24.

Baker contracts with DPH to provide essential behavioral health services for the most vulnerable San Franciscans. Combined, these contracts serve nearly 2,000 clients annually and offer more than 200 treatment beds that are critical for DPH's behavioral health system of care.

¹ Initial Payments are advance payments of up to 25% of contract value according to funds eligibility made to Community Based Organizations (CBO) and recovered over the course of 6 months from invoicing between October and March.



San Francisco Department of Public Health

Grant Colfax, MD
Director of Health

City and County of San Francisco
London N. Breed
Mayor

DPH holds four (4) active contracts with Baker for mental health residential treatment and outpatient services:

Program	Beds	Clients	FY 2021-22	Contract Funding	
				FY 2022-23	FY 2023-24
Hummingbird Portrero	29	505	3,261,247	3,698,436	3,848,281
Hummingbird Valencia	30	644	2,515,316	2,855,017	2,990,630
Ferguson Place	12	6	1,600,674	2,212,046	2,010,013
Baker Regular (Residential & Housing)	144	821	12,839,463	12,971,463	9,173,338
Total	215	1976			18,022,262

Repayment Agreement Terms.

The Repayment Agreement terms are summarized as follows:

- Term.** The term starts on April 1, 2024, and expires on January 31, 2046, unless Baker repays the Debt earlier.
- Property Transfer (333 7th Street - \$3,000,000).** Baker will transfer title to 333 7th Street to the City and DPH will credit the amount of the sale proceeds against the outstanding Debt.
- Parent Guarantee.** PRC has executed a Parent Guaranty, pursuant to which Parent has guaranteed Baker's performance and repayment of the Debt (defined below).
- DPH Debt Repayment Schedule.** Baker will repay the Debt balance due at the rate of \$20,100 monthly over the term of the agreement, which amount includes 1.12% per annum interest, until there is no outstanding balance.
- Initial Payments.** Baker agrees to the elimination of initial payments by the City to Baker on all contracts awarded by the City, either currently in place or in the future for the duration of the repayment agreement.
- Annual Assessment of Available Funds.** Baker will complete an annual assessment, by August 31 each year, of available unrestricted cash compared to its six-month operating reserve target.
- Non-assignment/Performance Deed of Trust/Declaration of Restrictions.** Baker has agreed for the City to record a Performance Deed of Trust against two of Baker's properties, including a Declaration of Restrictions limiting use of the properties to City contracted behavioral health and ancillary services during the repayment period.
- Termination for Default; Remedies.** In the event that Baker defaults under the Repayment Agreement, PRC will have an opportunity to cure under the Parent Guarantee. Should both Baker and PRC fail to cure the default, the City may terminate the Agreement. In that event, Baker will submit to voluntary debarment from City contracting for a period of three years, and PRC will also submit to voluntary debarment from City contracting pursuant to the Parent Guarantee.
- Baker's Release.** Baker has agreed to fully and forever release from all actions, causes of action, damages and claims that arise from the DPH Debt and/or this Agreement.



San Francisco Department of Public Health

Grant Colfax, MD
Director of Health

City and County of San Francisco
London N. Breed
Mayor

Debt Repayment Agreement Notes

In February 2023, Baker and PRC with technical assistance from Community Vision submitted a Financial Sustainability Plan (Plan). Pursuant to the City's review and feedback, Baker and PRC further revised and finalized the Plan in June 2023. The Plan prioritizes establishment of an operating reserve for Baker, restructuring operations by transferring under-utilized programs, establishment of a path to repay debt to the City, and mitigations of previously identified financial audit findings.

The proposed Repayment Agreement resolves repayment of City Debt as prioritized in the Plan. It is important to note that the Plan prioritizes repayment of Baker's and PRC's higher interest rate, non-City debt in order to make available sufficient cash necessary to maintain services and operations on an ongoing basis. Accordingly, the Plan recommended that other categories of debt, including mortgages with maturity dates in May 2024 and a \$1.4 million loan made to PRC by Community Vision, be repaid before fully repaying Baker's \$7.7 million Debt owed to the City. In August 2023, PRC re-paid the \$1.4 million loan to Community Vision.

The Plan also suggested a legal merger of PRC and Baker Places to simplify operations and create organizational efficiency. Whether the merger will occur is unclear and subject to a business decision by Baker and PRC as the two entities have achieved significant efficiencies over the course of the past year. PRC has agreed to guarantee repayment of Baker's City Debt under a parent guarantee.

Sincerely,

DocuSigned by:

Naveena Bobba

52BC36E46CB9439...

Naveena Bobba
Deputy Director of Health
San Francisco Department of Public Health