

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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May 20, 2022

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: May 25, 2022 Budget and Finance Committee Meeting

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<p>Item 1 File 22-0443 <i>(Continued from May 18, 2022)</i></p>	<p>Department: Public Health (DPH)</p>
<p>EXECUTIVE SUMMARY</p>	
<p>Legislative Objectives</p>	
<ul style="list-style-type: none"> • The proposed resolution would approve first amendment to the contract between DPH and Community Forward, extending the term by five years through June 2027 and increasing the not-to-exceed amount by \$20,248,030, for a total not to exceed \$29,832,138. 	
<p>Key Points</p>	
<ul style="list-style-type: none"> • Following a competitive procurement process, DPH entered into a contract with CATS (now Community Forward) with a term July 1, 2018 to June 30, 2022 and a total not to exceed amount of \$9,548,108. The contract provided four services: (1) Golden Gate for Seniors, a residential treatment program for seniors at 637 Golden Gate Avenue, (2) A Woman’s Place Shelter, a short-term (6-12 month) residential treatment facility for homeless women at 1049 Howard Street, (3) A Woman’s Place Drop-In, which provides outpatient substance abuse treatment services at 211 13th Street, and (4) A Woman’s Place Drop-In Mental Health, which provides mental health services at the same location. • During COVID, A Women’s Place Drop In closed and the Shelter was partially closed and staff were redeployed to operate Shelter in Place hotels. Golden Gate for Seniors closed at the end of FY 2019-20. The building owner sold the building, and as an old multi-floor, no elevator building for seniors, the contractor did not try to buy it. All clients were transitioned into appropriate settings to continue their treatment. • The contract budget includes funding for 55 clients at A Woman’s Place Shelter, 230 clients at A Women’s Place Drop-in, and 157 clients at A Women’s Place Drop-n Mental Health. 	
<p>Fiscal Impact</p>	
<ul style="list-style-type: none"> • The proposed amendment provides for \$18.1 million in new spending. Contract costs are primarily funded by the General Fund and approximately \$357,622 per year of federal funding. 	
<p>Policy Consideration</p>	
<ul style="list-style-type: none"> • The Drop In program site on Thirteenth Street has been sold to a new owner and the lease ends on June 30, 2022. According to DPH, some Drop-In program clients are served at the Shelter in Place hotel, though that program is scheduled to end in August 2022. After that, the Drop-in program may temporarily operate out of the shelter site on Howard Street, though the space may not be suitable for a permanent relocation of the Drop In program. Because the provider is still determining a permanent location for the Drop In program, the Department will request a one-year extension to this agreement for a total not to exceed amount of \$13.1 million. 	
<p>Recommendations</p>	
<ul style="list-style-type: none"> • Amend the resolution to reduce the not to exceed amount to \$13.1 million • 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

Procurement

Community Forward, formerly known as Community Awareness and Treatment Services Inc. (CATS), was selected to provide substance abuse treatment and mental health services through two Request for Proposals (RFP). RFP 26-2016¹ solicited proposals for outpatient, residential, and opioid treatment programs and RFP 8-2017 solicited proposals for outpatient mental health and supportive housing services. Panels of City staff and service providers evaluated the proposals.

Exhibit 1 below shows the CATS' proposals' scores for each service.

Exhibit 1: Proposal Scores

Solicitation	Service	Score (100)
RFP 26-2016	Residential	85.96
RFP 26-2016	Recovery Residence	76.00
RFP 8-2017	Mental Health Outpatient	83.09

Source: Procurement Documents

Current Contract

DPH entered into a contract with CATS with a term July 1, 2018 to June 30, 2022 and a total not to exceed amount of \$9,548,108. The contract provided four services: (1) Golden Gate for Seniors, a residential treatment program for seniors at 637 Golden Gate Avenue, (2) A Woman's Place Shelter, a short-term (6-12 month) residential treatment facility for homeless women at 1049 Howard Street, (3) A Woman's Place Drop-In, which provides outpatient substance abuse treatment services at 211 13th Street, and (4) A Woman's Place Drop-In Mental Health, which provides mental health services at the same location.

During COVID, A Women's Place Drop In closed and the Shelter was partially closed and staff were redeployed to operate Shelter in Place hotels. Golden Gate for Seniors closed at the end of FY 2019-20. The building owner sold the building, and as an old multi-floor, no elevator building for seniors, the contractor did not try to buy it. All clients were transitioned into appropriate settings to continue their treatment.

¹ RFP 26-2016 proposals were evaluated based on Drug Medi-Cal certification, comply with the City's Harm Reduction policy, cultural and linguistic competency, financial management capacity and fiscal integrity, prior performance, and service populations and geography. RFP 8-2017 proposals were evaluated based on contractor experience, programming, performance management, cost, and financial management capacity and fiscal integrity.

The contract budget for FY 2021-22 includes funding for 55 clients at A Woman’s Place Shelter, 230 clients at A Women’s Place Drop-in, and 157 clients at A Women’s Place Drop-in Mental Health.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve first amendment to the contract between DPH and Community Forward, extending the term by five years through June 2027 and increasing the not-to-exceed amount by \$20,248,030, for a total not to exceed \$29,832,138.

Performance Monitoring

DPH suspended scoring of contractors due to the COVID-19. However, the FY 2019-20 monitoring reports for the Community Forward contract generally show satisfactory performance accounting for partial closure of the shelter and drop-in center. According to Michelle Ruggels, DPH Business Office Director, monitoring reports for FY 2020-21 are in progress but have not yet been completed.

FISCAL IMPACT

Exhibit 2 below shows the proposed spending by program.

Exhibit 2: Proposed Spending

Service	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Total
A Woman's Place Shelter	475,054	475,054	475,054	475,054	475,054	2,375,270
A Woman's Place Drop-in	835,673	835,673	835,673	835,673	835,673	4,178,365
A Woman's Place Behavioral Mental Health Drop-In	1,035,017	1,035,017	1,035,017	1,035,017	1,035,017	5,175,085
COVID-19 Shelter in Place Hotels (SIP)	1,087,810	1,087,810	1,087,810	1,087,810	1,087,810	5,439,050
COBD/MCO to be allocated per allocation	39,322	110,874	184,573	260,482	338,676	933,927
Total	3,472,876	3,544,428	3,618,127	3,694,036	3,772,230	18,101,697

Source: DPH

Notes: COBD refers to cost of doing business increases and MCO refers to labor cost increases relating to the minimum compensation ordinance.

As shown above, \$18.1 million of new spending is proposed, including spending on the Shelter in Place Hotel (SIP) program which is scheduled to be wound down at the end of calendar year 2023. Contract costs are primarily funded by the General Fund and approximately \$357,622 per year of federal funding.

POLICY CONSIDERATION

As noted above, A Women’s Place Drop In closed and the Shelter was partially closed and staff were redeployed to operate a Shelter in Place hotel. The Drop In program site on Thirteenth Street has been sold to a new owner and the lease ends on June 30, 2022. According to DPH,

some Drop-In program clients are served at the Shelter in Place hotel, though that program is scheduled to end in August 2022. After that, the Drop-in program may temporarily operate out of the shelter site on Howard Street, though the space may not be suitable for a permanent relocation of the Drop In program. Because the provider is still determining a permanent location for the Drop In program, the Department will request a one-year extension to this agreement for a total not to exceed amount of \$13.1 million. We believe this is reasonable to ensure the program remains intact.

RECOMMENDATIONS

1. Amend the resolution to reduce the not to exceed amount to \$13.1 million.
2. Approve the resolution, as amended.

Item 4 File 22-0439	Department: Airport (AIR)
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the third modification to the Airport’s agreement with Dignity Health (dba St. Mary’s Medical Center) to exercise the option to extend the term of the current agreement two-years through June 30, 2024 and increase the contract amount by \$1,600,000 for a new contract amount not to exceed \$11,000,000.

Key Points

- The SFO Clinic provides urgent care, emergency medicine, occupational health services, travel care, diagnostic services and screen evaluations, and clinical care for City and Airport tenant employees, contractors, and airline travelers.

Fiscal Impact

- The agreement is structured to guarantee Dignity Health is reimbursed for all operating costs net of patient revenue plus a \$355,000 management fee, which was reduced to \$177,500 in FY 2020-21 and FY 2021-22.
- The original agreement assumed 90,992 patients over the five-year contract provided \$10,376,082 in patient revenues, resulting in a total Airport payment of \$9,506,131. Primarily due to COVID, total patients over the five-year term are now estimated to be 66,664, providing \$6,939,789 in revenues. Clinic staffing, advertising costs, and the management fees were reduced in FY 2020-21 and FY 2021-22.
- The total payment from FY 2019-20 – FY 2023-24 is \$ \$10,825,878, as shown above. Costs are funded by Airport operating revenues.

Policy Consideration

- Our analysis suggests that the contracted labor is less expensive than the civil service equivalent by approximately \$850,000 per year. If the City assumed responsibility for the clinic rather than contracting with Dignity Health, total Airport expenses net of patient revenues in FY 2021-22 would be \$2.8 million rather than \$2.2 million. Over the five-year term, total Airport costs would have been \$13.7 million rather than \$10.8 million.

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 Airport clinic opened in the 1970's and has been operated by Dignity Health – formerly Catholic Health Care West – since 2001. When the prior operating agreement with Dignity Health expired in 2018, the Airport issued a Request for Proposals (RFP) to gather proposals from qualified providers to assume operation of the clinic. According to Cynthia Avakian, Airport Director of Contracts, the Airport received only one response that came from Dignity Health. The Airport determined that Dignity met the minimum qualifications and entered into negotiations. A new operating agreement was reached, and on February 19, 2019, the Airport Commission awarded the Professional Services Contract No. 50118.02 to Dignity Health to operate the SFO Medical Clinic for a not to exceed amount of \$5,900,000. The contract ran for three years, ending on June 30, 2022, with a two-year extension option at the discretion of the Airport Commission. The contract did not require Board of Supervisors approval because it was less than \$10 million.

Prior Modifications

On May 28, 2020, the Airport Director approved Modification No. 1 to the Contract to amend the Scope of Services to include onsite COVID-19 testing for Airport Commission employees, and for employees of authorized tenants, service providers, licensees and other tenants of the Airport. A second modification took place on May 18, 2021 when the Airport Commission approved Modification No. 2 to increase the not to exceed amount to \$9,400,000 to provide additional revenue to cover operating revenue losses due to the significantly reduced airflight traffic volumes caused by the pandemic., and reduce the management fee from \$355,000 to \$177,500, or by 50 percent, for fiscal years 2020-2021 and 2021-2022.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the third modification to the Airport's agreement with Dignity Health (dba St. Mary's Medical Center) to exercise the option to extend the term of the current agreement two-years through June 30, 2024, and increase the contract amount by \$1,600,000 for a new contract amount not to exceed \$11,000,000.

Services Provided

The SFO Clinic provides urgent care, emergency medicine, occupational health services, travel care, diagnostic services and screen evaluations, and clinical care for City and Airport tenant employees, contractors, and airline travelers. A breakdown of visits by types of services received for FY 2018 show that the majority of visits were accounted for by health care related to worker

compensation (34.7%), drug screening (20.9%), physical therapy (14.5%), and occupational medicine/PT (9.1%). SFO employees account for the majority of clinic visits.

Contract Monitoring and Oversight

In response to our inquiry regarding performance monitoring and contact oversight, the Airport reported that Labor Distribution Reports are printed every pay period and reconciled with employee time cards. The Airport conducts regular reviews to confirm the Clinic is meeting all the required state and federal licensing and service standards. This includes ensuring that the Clinic is cost-efficient, that staffing is aligned to patient demand, assessing the short-, medium-, and long-term objectives for the Clinic, attending monthly meetings with Dignity Health to review the Clinic’s financial performance, and conducting regular on-site visits. AIR also requires the SFO Clinic is subject to an independent annual financial audit. Anwar Elgonemy, Airport Hotel & Special Projects Director, stated he is satisfied that Dignity Health is accurately reporting information on patient visits, services provided, staffing requirements, and patient revenue. Director Elgonemy also stated that he conducts a more extensive review of Clinic operations and finances with representatives from Dignity Health every three months as part of the financial reconciliation that occurs through the true-up process.

FISCAL IMPACT

The projected and actual expenditures are shown in Exhibit 1. The agreement is structured to guarantee Dignity Health is reimbursed for all operating costs net of patient revenue plus a \$355,000 management fee. The contract stipulates that the Airport will make monthly payments of \$150,000 to Dignity Health. If operating costs exceed patient revenues plus the base fixed \$150,000 payment in a given month, this amount is reimbursed by Airport through a “true up”, with settlement taking place every three months. Patient revenues are insurance reimbursements and applicable out of pocket expenses.

Exhibit 1: Actual and Proposed Budget for Airport Clinic

	Actual FY 2019-20	Actual FY 2020-21	Projected FY 2021-22	Proposed FY 2022-23	Proposed FY 2023-24	Total
Visit Volume	13,375	10,449	14,000	14,420	14,420	66,664
Revenue Per Visit	\$97	\$113	\$100	\$103	\$106	
Net Patient Revenue	\$1,302,015	\$1,176,802	\$1,400,000	\$1,485,260	\$1,575,712	\$6,939,789
Labor Costs	\$3,204,511	\$3,023,821	\$3,114,536	\$2,751,862	\$2,834,418	\$14,929,148
Non-Labor Expenses	\$313,937	\$263,547	\$271,453	\$279,597	\$287,985	\$1,416,519
Total Operating Expenses	\$3,518,448	\$3,287,368	\$3,385,989	\$3,031,459	\$3,122,403	\$16,345,667
Operating Shortfall	(\$2,216,433)	(\$2,110,566)	(\$1,985,989)	(\$1,546,199)	(\$1,546,691)	(\$9,405,878)
Management Fee	\$355,000	\$177,500	\$177,500	\$355,000	\$355,000	\$1,420,000
Airport Payments	(\$2,571,433)	(\$2,288,066)	(\$2,163,489)	(\$1,901,199)	(\$1,901,691)	(\$10,825,878)

Source: Appendix C-1 of Proposed Amendment

The original agreement assumed 90,992 patients over the five-year contract provided \$10,376,082 in patient revenues, resulting in a total Airport payment of \$9,506,131. Primarily due to COVID, total patients over the five-year term are now estimated to be 66,664, providing \$6,939,789 in revenues. Clinic staffing, advertising costs, and the management fees were reduced in FY 2020-21 and FY 2021-22. The total payment from FY 2019-20 – FY 2023-24 is \$ \$10,825,878, as shown above. Costs are funded by Airport operating revenues.

POLICY CONSIDERATION

Contracting Services

Our analysis suggests that the contracted labor is less expensive than the civil service equivalent by approximately \$850,000 per year. If the City assumed responsibility for the clinic rather than contracting with Dignity Health, total Airport expenses net of patient revenues in FY 2021-22 would be \$2.8 million rather than \$2.2 million. Over the five-year term, total Airport costs would have been \$13.7 million rather than \$10.8 million.

RECOMMENDATION

Approve the proposed resolution.

<p>Item 5 File 22-0413</p>	<p>Department: Public Utilities Commission (SFPUC)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the first amendment to the SFPUC’s agreement with McMillen Jacobs Associates, which increases the not to exceed amount of the contract from \$21,000,000 to \$28,780,000 and exercises the existing agreement’s three-year option to extend the term through February 2029. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Mountain Tunnel transports raw Hetch Hetchy Reservoir drinking water from Early Intake to Priest Reservoir. The tunnel was completed in 1925 and the lining is deteriorating. The scope of work for the original contract assumed the construction of a bypass tunnel and a total project cost of \$680 million. Since then, the SFPUC has decided to rehabilitate the existing tunnel for a lower project cost of \$238.2 million. Following a competitive solicitation, the SFPUC awarded a design contract with McMillen Jacobs Associates for a not to exceed amount of \$21 million (File 15-1169). • Although the total project cost has decreased, the SFPUC is requesting an amendment to the design contract to accommodate the increase in design work for unplanned tunnel repair and rehabilitation work, tunnel entry improvements, access road improvements, and installation of a new flow control facility at Priest Reservoir. • Construction of the flow control facility is underway as are other components of the rehabilitation project. Costs are funded by Water Enterprise capital revenues, which include water revenues, water bonds, and capacity fees. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Billing rates were established in the original agreement, which allowed for adjustments by regional inflation. Current rates range from \$115 to \$250 per hour, which include labor, overhead, and profit. Rates are capped at \$250 per hour. Subconsultant markups are capped at five percent. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • 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

Mountain Tunnel Project

The Mountain Tunnel transports raw Hetch Hetchy Reservoir drinking water from Early Intake to Priest Reservoir (see Appendix A of this report for a map of the SFPUC water system). The tunnel was completed in 1925 and the lining is deteriorating. The project’s scope of work includes tunnel repair and rehabilitation work, tunnel entry improvements, access road improvements, and installation of a new flow control facility at Priest Reservoir. Construction of the flow control facility is underway as are other components of the rehabilitation project.

Construction requires annual shutdowns of the tunnel, the first of which occurred from January 2022 to March 2022. The SFPUC will provide 4 additional shutdowns, one per year for the next 4 years, to support the project’s forecasted substantial completion on October 28, 2026. During shutdowns, the SFPUC relies on local storage to fulfill its water delivery services to its customers as no water is being delivered from Hetch Hetchy Reservoir during this time. The outages also impact Hetch Hetchy power generation operations. Power generation from Moccasin Powerhouse is not possible during the tunnel shutdowns and power generation at Kirkwood is significantly reduced. Local domestic water supply to Moccasin Camp is also interrupted and the SFPUC has installed a temporary water treatment facility to treat water during construction shutdowns.

The budget for the Mountain Tunnel Project is shown below.

Exhibit 1: Mountain Tunnel Project Budget

Phase	Approved	Spent	Remaining
Planning	5,914,671	5,914,671	0
Environmental	2,780,528	2,780,528	0
Design	15,467,745	15,467,745	0
Construction Management	52,658,685	7,991,985	44,666,700
Construction	161,397,322	28,680,228	132,717,094
Total	238,218,951	60,835,157	177,383,794

Source: Staff Presentation to SFPUC, April 12, 2022

As shown above, the planning, design, environmental, and design phases of the project are complete, but the majority of the construction work remains. Overall, the project is 25.5 percent

complete. The project is part of the Water Enterprise's capital improvement program, which is funded by water revenues, water bonds, and capacity fees.

Original Agreement

Following a competitive solicitation, the SFPUC awarded a design contract with McMillen Jacobs Associates for a not to exceed amount of \$21 million and a term January 2016 – January 2026, with options to extend through January 2029. The Board of Supervisors approved the contract in December 2015 (File 15-1169). The contract was executed in February 2016.

The scope of work for the original contract assumed the construction of a bypass tunnel and a total project cost of \$680 million. Since then, the SFPUC has decided to rehabilitate the existing tunnel for a lower project cost of \$238.2 million, as shown above. Although the total project cost has decreased, the SFPUC is requesting an amendment to the design contract, detailed below.

Social Impact Partnership

The original agreement included \$177,050 in community benefits commitment over the life of the agreement, detailed in Appendix B. For the first two years of the agreement, Contractor was to provide \$29,000 in direct financial contributions, \$44,800 in volunteer hours, and \$2,000 in in-kind contribution for a total of \$75,800 in community benefits commitments. For the remaining eight years of the agreement, Contractor was to provide \$40,000 in direct financial contributions and \$61,250 spent in volunteer hours for a total of \$101,050 of community benefits commitments. Appendix B shows the community benefits that were part of the original agreement. According to SFPUC, 87 percent of the commitments have been fulfilled.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to the SFPUC's agreement with McMillen Jacobs Associates, which increases the not to exceed amount of the contract from \$21,000,000 to \$28,780,000 and exercises the existing agreement's three-year option to extend the term through February 2029.

Expanded Work

According to PUC's contract modification memo dated September 10, 2021, although the total cost of the Mountain Tunnel project has decreased, changing the project's scope of work from constructing a bypass tunnel to restoring the existing tunnel requires additional design and construction support because of unplanned tunnel improvements, five miles of new roads, and the new flow control facility. The original contract assumed 70 design drawings, but 900 design drawings have been completed so far.

New work consists of Engineering Support During Construction, a task which includes design review of solicitations, drawings for change orders, field engineering (monitoring and documentation of field conditions, tunneling activities, water inflow, spoils characteristics, grouting), field engineering support (quality assurance and other analysis), and preparing drawings based on as-built construction.

Subcontractors

The McMillen Jacobs agreement includes several subcontractors, shown below. Those marked with an (*) are local business enterprises certified by the Contract Monitoring Division.

Exhibit 1: Subcontractors

Subcontractor	Scope of Work
Black & Veatch	Hydraulic/Power/Operation and Maintenance
Structus*	Structural support
Joe Hill*	Outage support
Gregg Korbin	Technical Advisor
GEI	Geotechnical Support

Source: Task Order 14, Rev X, CS-249 Mountain Tunnel Improvement Project

FISCAL IMPACT

Billing rates

Billing rates were established in the original agreement, which allowed for adjustments by regional inflation. Current rates range from \$115 to \$250 per hour, which include labor, overhead, and profit. Rates are capped at \$250 per hour. Subconsultant markups are capped at five percent.

Budget for New Spending

Exhibit 2 below shows the budget for the proposed \$7.8 million new spending.

Exhibit 2: New Spending

New Spending	Cost
Engineering Support During Construction	\$3,429,762
Field Engineering Support	3,224,778
Record Drawings	457,596
Subconsultant Markups	105,413
Other Direct Costs	557,562
Total	\$7,775,110

Source: SFPUC

Note: Other Direct Costs are primarily travel costs.

Costs are funded by Water Enterprise capital revenues, which include water revenues, water bonds, and capacity fees.

RECOMMENDATION

Approve the proposed resolution.

Appendix: SFPC Water System



Appendix B: Community Benefits

Category	Partner	Outcome	Timeline	Financial Contribution	Volunteer Hours	Rate	Volunteer Hours Value	In-Kind Contribution	Total
Workforce Development	Columbia College, Sonora	Scholarships for continued higher education	2 years	\$8,000	16	\$175	\$2,800		\$10,800
Economic Development	Unspecified vendors in San Francisco, Tuolumne, and Mariposa Counties	Spend money in community	2 years	\$10,000	0	\$0	\$0	\$0	\$10,000
Environmental	Yosemite National Park	Presevation & maintenance	2 years	\$1,000	96	\$175	\$16,800	\$0	\$17,800
Environmental	Camp Mather	Clean up in Tuolumne County	2 years	\$0	64	\$175	\$11,200	\$2,000	\$13,200
Education	Mariposa Unified School District	Technology Donation	2 years	\$10,000	0	\$0	\$0	\$0	\$10,000
Corporate Social Responsi	Varies	Staff contribution and volunteering in affected areas	2 years	\$0	80	\$175		\$14,000	\$14,000
Subtotal, Years 1 & 2				\$29,000	256		\$30,800	\$16,000	\$75,800
Ongoing Commitments	Unspecified	Unspecified	8 years	\$40,000	350	\$175	\$61,250	\$0	\$101,250
Total				\$69,000	606		\$92,050	\$16,000	\$177,050

Source: Appendix A of Original Agreement

Item 12 File 22-0452	Department: Homelessness and Supportive Housing
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves the second amendment to the contract between HSH and Tides. The amendment: (1) increases the term of the contract by two years from June 2024 to June 2026; and (2) increases the contract’s not-to-exceed amount by \$23,918,575 for a total contract amount not-to-exceed amount of \$53,456,932.

Key Points

- Under the agreement, Tides serves as the fiscal sponsor and Delivering Innovation in Supportive Housing (DISH) provides the property management services at six sites with 450 units of supportive housing. DISH has private leases with building owners of each site. Services and building operations are funded by this grant agreement and tenant rents, which are capped at 30 percent of tenant income.

Fiscal Impact

- City funding is increasing in the proposed amendment to cover a decrease in tenants rents resulting from a recently enacted rent cap of 30 percent of tenant income. In addition, annual spending on the contract in the original agreement was \$5.5 million but is now approximately \$6.7 million, due to increases building costs and lower tenant revenues. Based on the actual and budgeted spending in the proposed grant agreement, the existing contract authority may not be sufficient to fully fund costs in FY 2022-23.
- The contingency amount is 23.2 percent of remaining spending. HSH plans to increase building staff and fund additional capital improvements that are not yet reflected in the grant agreement budget.

Policy Consideration

- The proposed amendment budget does not include capital expenditures. HSH has identified \$705,600 in additional capital needs at these sites that is not yet reflected in the grant budget.
- Due to COVID-19, HSH did not produce an onsite program monitoring report for FY 2020-21 and FY 2021-22, though it is expected in the Fall 2022. HSH completed a desk audit in April 2021 and has been receiving monthly reports regarding vacancies, move-outs, and intakes through March 2022, which show an 88 percent occupancy rate across all sites.

Recommendations

1. Request the 2022 program monitoring report and updated grant budget be submitted to the Board of Supervisors and included in the legislative file for this item.
2. 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

Contract Procurement

On November 8, 2018, the Department of Homelessness and Supportive Housing (HSH) issued a Request for Proposals (RFP) for property management services at six permanent supportive housing sites. Tides Center (Tides) submitted a proposal with Delivering Innovation in Supportive Housing (DISH) where Tides serves as the fiscal sponsor and DISH provides the property management services. The Tides/DISH proposal was the only proposal received by HSH. This proposal was reviewed and scored by one panelist, as is HSH's practice when only one proposal is received and was given a score of 91 points out of 100. The proposal received 44 out of 44 points available for Organizational Capacity and Experience, 37 out of 40 possible points for Proposed Plan, and 10 out of 16 possible points for Budget and Budget Narrative.

The RFP stipulated that the services were to begin July 1, 2019, with an estimated annual budget of \$5,033,000 but did not indicate a specific length of the initial contract term. The RFP stated that HSH may extend the agreement "for a total term not to exceed ten years" and increase the agreement budget depending on the services needs at the City's discretion and in accordance with City rules and regulations. The program services, requirements, and expectations defined in the RFP mirror those in the executed and amended contracts. The RFP also stated that HSH would develop service and outcome objectives but did not include the specific objectives in the RFP itself.

Original Contract Terms

On May 1, 2019, HSH and Tides entered into an initial one-year agreement to provide housing property management services. The agreement went through June 30, 2020 with a not to exceed amount of \$5,807,993. The Board did not review this initial contract because it did not meet the \$10 million threshold for approval and only had a term of one year. The original contract agreement included the following service and outcome objectives. The service objectives state that Tides/DISH shall:

- Provide property management services to the tenants in all the units at the locations listed in the agreement.
- Ensure that upon turnover, each unit is cleaned and/or repaired within 35 days, on average.
- Maintain an occupancy rate of at least 90 percent.
- Offer all tenants the opportunity to complete an annual anonymous tenant satisfaction survey, with a goal of 65 percent participation.

- Collect at least 90 percent of tenant portions of monthly rent from occupied units.

The outcome objectives state that Tides/DISH shall achieve:

- 90 percent of surviving tenants maintaining their housing for a minimum of 12 months.
- 75 percent of tenants who exit housing will move to other permanent housing or be provided a more appropriate placement.
- 85 percent of tenant lease violations are resolved without loss of housing to tenants.
- 85 percent of tenants who complete the annual survey are satisfied or very satisfied with Property Management services.

The agreement also required Tides/DISH to submit monthly, quarterly, annual, and ad hoc reports to HSH; and requires Tides/DISH to submit to program monitoring and fiscal compliance and contract monitoring.

First Amendment

The contract was amended on April 10, 2020 (File 20-0246) for a term of four years (from July 1, 2020 to June 30, 2024) and a not-to-exceed amount of \$29,538,537. This first amendment also included two optional extensions, which would allow the total maximum term of the contract to run through June 30, 2029, which aligns with Civil Service Commission authorization of this Personal Services Contract. The first agreement maintained the same service and outcome objectives and reporting requirements as in the original agreement.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves the second amendment to the contract between HSH and Tides to provide permanent supportive housing property management services at six buildings in San Francisco. The amendment: (1) increases the term of the contract by two years, which was initially from July 1, 2019 to June 30, 2024, and will extend the contract agreement until June 30, 2026; and (2) increases the contract's not-to-exceed amount by \$23,918,575 for a total contract amount not-to-exceed amount of \$53,456,932.

This second amendment removes the two optional extensions presented in the first contract amendment, mentioned above, and replaces it with a total maximum term of July 1, 2019 through June 30, 2026, aligned with the term approved by the Civil Service Commission.

Grant Agreement Services

DISH is responsible for providing property management services across six permanent supportive housing buildings and 450 units that serve formerly homeless and income-eligible adults ages 18 or older without the custody of minors under age 18. These locations are listed in Exhibit 1 below.

Exhibit 1: DISH Property Locations and Units Served

Program Site	Number of Units
Camelot: 124 Turk Street	55
Empress: 144 Eddy Street	89
LeNain: 730 Eddy Street	86
Pacific Bay Inn: 520 Jones Street	75
Star: 2176 Mission Street	54
Windsor: 238 Eddy Street	91
Total units	450

Source: HSH and Tides Center Agreement Draft Second Amendment, Appendix A

Property management services include: (1) Selecting program applicants; (2) Executing tenant leases; (3) Re-certifying tenant income annually; (4) Collecting rent and other housing-related payments; (5) Enforcing leases, which includes providing written notices and working to prevent evictions; (6) Payments for building services (i.e. utilities); (7) Building Maintenance, which includes maintaining the facilities in “sanitary and operable condition” and providing janitorial services in common areas, garbage removal, pest control, facility maintenance and repair, building security, and preparing units for move-in and move-out; (8) Coordinating with supportive services to prevent tenant housing loss; (9) Wellness checks and emergency safety checks; (10) Front desk coverage 24 hours a day, seven days a week; and (11) Exit planning, which requires alerting support services staff when tenants give notice to leave and maintaining a forwarding address when possible.

In addition, Tides/DISH are responsible for maintaining stewardship of the master lease and coordinating with the property’s owner on regular maintenance; and coordinating and conducting regular asset management meetings to address ongoing capital needs, property owner’s obligations, changes to the approved sublease and any other issues related to the master lease.

Performance Monitoring

According to the FY 2020-21 Annual Report provided to HSH by Tides/DISH and more recent data reports from HSH, Tides/DISH is currently meeting the performance goals for five of the seven service and outcome objectives. The two objectives that Tides/DISH are not meeting performance on are: (1) collecting 90 percent of tenant portions of monthly rent from occupied units and (2) maintaining an occupancy rate of 90 percent. In the most recent desk audit from April 2021, the contractor verified compliance with required policies and record keeping requirements for FY 2018-19 and FY 2019-20. Waivers were provided for intakes and service plan documentation due to the pandemic.

As of March 31, 2022, Tides/Dish reports that it has collected 84 percent of monthly rents and 88 percent of units are occupied. HSH staff report that under collection of rent was a common occurrence during the pandemic due to income loss and the eviction moratorium. In addition, HSH reports that the occupancy rates across its funded permanent supportive housing sites is generally 90 percent and is working with providers on strategies to increase the occupancy rate.

HSH made modifications to some of the service and outcome objectives in the second amendment to increase performance, such as reducing the unit turnover time between tenants.

No On-Site Monitoring for FY 2020-21 & FY 2021-22

Due to the COVID-19 pandemic, HSH suspended program monitoring in accordance with Citywide policy first issued by the Controller on August 6, 2020 and conducted monitoring via desk audits, which review program data submitted by providers. HSH staff report that onsite program monitoring will begin in July 2022 and go through the Fall 2022. HSH plans on conducting in person site visits annually going forward.

FISCAL IMPACT

As shown in Exhibit 2 below, the proposed amendment increases the not-to-exceed amount by \$23,918,575 from \$29,538,537 to \$53,456,932, an 81 percent increase. The not-to-exceed amount includes \$6,749,104 in contingency at a rate of approximately 14 percent. The not-to-exceed amount is lower than proposed expenditures because the other revenues received from tenant rental income and owner reimbursement offset total expenditures and reduces the HSH supported revenues funding this contract.

Exhibit 2: Fiscal Impact of Proposed Resolution

	Original Agreement (7/1/2019- 6/30/2020)	First Amendment (7/1/2019- 6/30/2024)	Proposed Second Amendment (7/1/2019-6/30/2026)	Changes from First to Proposed Second Amendment
Expenditures				
Salaries & Benefits	\$4,265,879	\$21,329,396	\$28,429,089	\$7,099,693
Operating Expenses	1,896,443	10,449,395	19,778,210	9,328,815
Indirect Cost (15%)	924,348	4,769,144	7,112,253	2,343,109
Other Expenses	43,322	111,025	814,558	703,533
Capital Expenditure	-	220,610	202,171	(18,439)
Admin Cost (HUD Only) ¹	-	-	155,435	155,435
Total Expenditures	\$7,129,993	\$36,879,570	\$56,491,716	\$19,612,146
Revenues				
City Funding ²	5,279,993	27,629,570	46,707,829	19,078,259
Other Revenues ³	1,850,000	9,250,000	9,783,887	533,887
Total Revenues	\$7,129,993	\$36,879,570	\$56,491,716	\$19,612,146
Not-to-Exceed Contract Amount				
Agreement Funding Sources (HSH Revenues)	5,279,993	27,629,570	46,707,828	19,078,258
Contingency	527,999	1,908,787	6,749,104	4,840,317
Total Not-to-Exceed Amount	\$5,807,993	\$29,538,357	\$53,456,932	\$23,918,575

¹These costs apply to the site that receives funding through a HUD subrecipient grant from HSH.

²HSH Revenues are primarily comprised of General Fund, Mental Health Services Act (work order funds from the Department of Public Health), and HUD revenues. There are additional one-time funds provided in certain budget years from Proposition C, ERAF, and COVID-19 time-limited funding.

³Other Revenues are comprised of tenant income and owner reimbursement.

Change in Budget

Annual City costs for FY 2022-23 were budgeted at \$5.5 million in the first amendment but the proposed second amendment budgets \$6.7 million in City funding for FY 2022-23. This is in part due to increases in utilities and building maintenance. In addition, tenant rents were budgeted at \$9 million for the period July 2019 to June 2024 but are now budgeted at \$8.9 million for the period July 2019 to June 2026. According to HSH, tenant rents are budgeted at a lower amount each year because they are now capped at 30% of tenant income, per File 20-1185. In addition, rents, which are a function of income, have been impacted by the pandemic. The increase in annual costs and decrease in revenue from tenant rents require additional City funding, in addition to funding the proposed two-year extension.

Actual Spending

As of March 2022, Tides/DISH has spent \$18,355,971 of its HSH funding, 62 percent of the current agreement's not-to-exceed amount of \$29,538,357. Tides/Dish is approximately 53 percent of the way through the grant agreement period covered under the first amendment. Based on the

actual and budgeted spending in the proposed grant agreement, the existing contract authority may not be sufficient to fully fund costs in FY 2022-23.¹

Contingency

Contingency in the proposed amendment is funded at 23.2 percent of remaining expenditures, which is higher than the 12 to 15 percent contingency amounts we typically see in contracts. HSH reports that this additional funding is needed to accommodate anticipated growth that is not yet reflected in the grant budget, including hiring additional building staff (discussed below), one-time building repairs (discussed below), annual cost of doing business increases, and minimum compensation ordinance increases for low-wage staff.

Staffing

The contract funds 54.91 full-time equivalent (FTE) positions in years three through seven (July 1, 2021 through June 30, 2026), but in years one and two (July 1, 2019 through June 30, 2021) the contract funded approximately 59 FTEs. HSH reports that the costs of staffing and operating the program have grown faster than the budget, and while Tides/DISH have requested additional funding for staff positions and salary increases, HSH has not had available funding to meet these requests but has requested additional funding in the FY 2022-23 budget for these needs. In response, Tides/DISH have consolidated and reorganized positions to account for this need. HSH also reports that some staffing has changed due to changes in need, such as one-time increases in janitorial staffing during the start of the pandemic.

Sources of Funding

Of total contract revenues, 83 percent come from “HSH Revenue,” which includes General Fund, California State Mental Health Services Act (MHSA) funding, federal Department of Housing and Urban Development (HUD) funding, and various one-time sources. Of these HSH revenues, over the seven-year contract, 86 percent are General Fund revenues, six percent are MHSA revenues, and six percent are HUD revenues. The remaining two percent of revenue comes from one-time funding provided from Proposition C bonus pay, Education Revenue Augmentation Fund (ERAF) funding, and time-limited COVID-19 funding.

POLICY CONSIDERATION

Capital Improvement Needs

The current proposed budget does not include funding for capital expenditures. HSH staff report that historically the Department has addressed capital needs with one-time budget modifications. According to HSH staff, Tides/DISH recently completed a capital needs assessment that indicated the need for \$705,600 in building repairs. HSH staff report that they are unable to increase the budget to address the needs until this amendment is executed. However, not

¹ Actual spending was \$18.4 million March 2022 and monthly spending of 0.6 million is budgeted in the proposed grant amendment. Total spending through FY 2022-23 is \$27.4 million; the current agreement is for \$29.6 million.

including anticipated capital need costs in the proposed budget amendment does not provide a complete picture of what this contract will fund. HSH also reports that it is working with other City departments, including the Department of Building Inspection, Department of Public Health, Mayors Office of Housing and Community Development, and City Attorney's Office to increase transparency around permanent supportive housing buildings with code violations and partner to address these violations as they arise. We recommend that HSH update the budget to reflect the capital expenditures anticipated and report back to the Board with additional detail on its plans to monitor and respond to capital need requests going forward.

Program Monitoring

In our August 2020 performance audit, we found that the Department did not sufficiently monitor provider contracts to ensure the delivery of service goals, and we recommended that the HSH Executive Director ensure that all contracts included specific performance metrics and that those metrics be monitored at least annually. During the pandemic, monitoring has been limited.

HSH completed a desk audit in April 2021 and has been receiving monthly reports regarding vacancies, move-outs, and intakes through March 2022, which show an 88 percent occupancy rate across all sites. As noted above, due to COVID-19, HSH did not conduct on-site monitoring of this program in FY 2020-21 and FY 2021-22. Onsite program monitoring will begin in July 2022 and go through Fall 2022. HSH plans on conducting in person site visits annually going forward. We recommend that the pending 2022 program monitoring report, which will include on-site assessments of programming, be submitted to the Board of Supervisors once it is complete and included in the legislative file for this item.

RECOMMENDATION

1. Request the 2022 program monitoring report and updated grant budget be submitted to the Board of Supervisors and included in the legislative file for this item.
2. Approve the proposed resolution.

Item 13 File 22-0453	Department: Homelessness and Supportive Housing
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the first amendment to the grant agreement between the City and Tenderloin Housing Clinic. The amendment (1) increases the grant agreement by \$43,503,365 for a new total not-to-exceed amount of \$132,903,851 and (2) extends the term of the grant by four months through June 30, 2024.

Key Points

- Tenderloin Housing Clinic provides property management, support services, and lease services for 16 supportive housing properties, totaling 1,544 units. Tenderloin Housing Clinic enters into private leases with the landlord. Building operations and services are funded by this grant agreement and by tenant rents, which are capped at 30 percent of tenant income.

Fiscal Impact

- City funding is increasing in the proposed amendment to cover a decrease in tenants rents resulting from a recently enacted rent cap of 30 percent of tenant income. In addition, annual spending on the contract in the original agreement was \$21.8 million but is now approximately \$31 million, due to increases master lease costs. Based on the actual and budgeted spending in the proposed grant agreement, the existing contract authority may not be sufficient to fully fund FY 2022-23 costs.
- The contingency amount of \$13,846,607 is 19.4 percent of remaining spending. HSH plans to increase case managers and fund additional capital improvements that are not yet reflected in the grant agreement budget.

Policy Consideration

- The proposed amendment budget includes \$109,600 for capital expenditures in FY 2021-22. HSH has identified \$836,556 in additional capital needs across 14 sites.
- By the time this agreement expires in 2024, 10 years will have passed since a competitive solicitation. HSH reports it is planning to re-procure its entire housing portfolio as solicitation authorities expire, though the process for selecting new master lease providers is complicated by the fact the buildings are privately owned and leased to Tenderloin Housing Clinic. HSH should report to the Board on its plan for continuing these services with Tenderloin Housing Clinic or switching providers after this agreement expires.
- Due to COVID-19, HSH did not provide an onsite program monitoring report for FY 2020-21 and FY 2021-22, though it is expected in the Fall 2022. HSH completed a desk audit in April 2021 and has been receiving monthly reports regarding vacancies, move-outs, and intakes through April 2022, which show an 89 percent occupancy rate across all sites.

Recommendations

1. Request the 2022 program monitoring report and updated grant budget be submitted to the Board of Supervisors and included in the legislative file for this item.
2. 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

Procurement

Tenderloin Housing Clinic, a nonprofit organization, was initially selected to provide support services and rental assistance through a 2015 Notice of Funding Availability issued by the Human Services Agency. HSH selected Tenderloin Housing Clinic to continue providing services under Chapter 21B of the Administrative Code, which was unanimously approved by the Board of Supervisors in 2019 to allow HSH to award service contracts without a competitive process to expeditiously address homelessness crisis. This code section sunsets in March 2024. According to the preliminary results from the 2022 Point in Time Count, the unsheltered population has decreased by 15 percent since 2019, from 5,180 to 4,397

Current Agreement

The current grant agreement was retroactively approved by the Board on July 23, 2020 (File 20-0705) for a term of July 1, 2020 through February 29, 2024 with a total not-to-exceed amount of \$89,400,486. The grant agreement includes service and outcome objectives for both the support services and property management services provided by Tenderloin Housing Clinic.

For service objectives, Tenderloin Housing Clinic shall:

- Obtain feedback on the type and quality of services from at least 50 percent of tenants.
- Actively outreach to 95 percent of tenants once every 30 days.
- Contact every tenant at least three times during their first 60 days following housing placement.
- Develop service plans for 100 percent of tenants
- Follow-up at least annually to ensure tenants are receiving and maintaining mainstream benefits.
- Create and maintain files for 100 percent of tenants regardless of services type in HSH’s ONE System and maintain hard copies of eligibility verification documentation.

For outcome objectives, Tenderloin Housing Clinic shall meet the following targets:

- 90 percent of households remain housed for at least 12 months, move to other permanent housing, or will exit the program in good standing.
- 75 percent of all households that show housing instability remain in housing.

- 80 percent of those responding to the annual survey will report being satisfied or very satisfied with program services.
- An average unit turnover rate of seven days.
- Report vacancies in a timely fashion to HSH.
- 97 percent occupancy rate.

The original agreement also requested monthly, quarterly, and annual reports from Tenderloin Housing Clinic to HSH.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to the grant agreement between the Tenderloin Housing Clinic and HSH for master lease stewardship, property management, and supportive services in 16 permanent supportive housing buildings. The amendment: (1) increases the grant agreement by \$43,503,365 for a new total not-to-exceed amount of \$132,903,851 and (2) extends the term of the grant by four months through June 30, 2024.

Grant Agreement Services

Tenderloin Housing Clinic provides property management, support services, and lease services for 16 supportive housing properties, totaling 1,544 units. These supportive housing units serve formerly homeless and income eligible adults ages 18 or older without dependents under the age of 18. Exhibit 1 below lists the 16 buildings Tenderloin Housing Clinic oversees under this grant agreement. Some buildings in this agreement are funded by the HSH Fund, or what was formerly referred to as the Care Not Cash program. The Care Not Cash program was approved by San Francisco voters in 2002 and transfers some of the City's General Fund cash assistance to unhoused individuals into supportive housing. Care Not Cash specifically funds housing for individuals receiving support through the County Adult Assistance Program (CAAP), for which only low-income adults are eligible. The buildings supported through the HSH fund are denoted in Exhibit 1 below. General Fund properties provide housing for families or tenants not eligible for CAAP. Tenants in both programs pay 30 percent of their income as rent and the agreement funds the cost of building operations and supportive services, discussed below. The number of sites managed by Tenderloin Housing Clinic is not changing in the proposed amendment.

Exhibit 1: Tenderloin Housing Clinic Property Locations and Units Served

Program Site	Category	No. Units
All Star Hotel: 2791 16th Street	HSH Fund	84
Boyd Hotel: 41 Jones Street	HSH Fund	79
Caldrake Hotel: 1541 California Street	HSH Fund	49
Edgeworth Hotel: 770 O'Farrell Street	General Fund	43
Elk Hotel: 670 Eddy Street	HSH Fund	86
Graystone Hotel: 66 Geary Street	HSH Fund	73
Hartland Hotel: 909 Geary Street	General Fund	132
Jefferson Hotel: 440 Eddy Street	General Fund	108
Mayfair Hotel: 626 Polk Street	General Fund	54
Mission Hotel: 520 S Van Ness Avenue	General Fund	244
Pierre Hotel: 540 Jones Street	HSH Fund	85
Raman Hotel: 1011 Howard Street	General Fund	84
Royan Hotel: 405 Valencia Street	HSH Fund	68
Seneca Hotel: 34 Sixth Street	General Fund	197
Union Hotel: 811 Geary	HSH Fund	60
Vincent Hotel: 459 Turk Street	General Fund	98
Total Units		1,544

Source: Grant Agreement First Amendment, Appendix A

Support Services

The grant agreement includes voluntary support services that Tenderloin Housing Clinic must make available to all tenants. These services must include but are not limited to: (1) Outreach to tenants about available services; (2) Intake and assessment in coordination with property management; (3) Case management, including referral to resources to ensure they are food secure and can live independently; (4) Housing stability support to help tenants stay securely housed; (5) Facilitate communication and coordination with property management; (6) Wellness and emergency safety checks; (7) Support groups, social events, and organized activities; and (8) Exit planning if a tenant is moving out.

Property Management and Lease Services

Property management services include: (1) Selecting program applicants; (2) Executing tenant leases; (3) Re-certifying tenant income annually; (4) Collecting rent and other housing-related payments; (5) Enforcing leases, which includes providing written notices and working to prevent evictions; (6) Payments for building services (i.e. utilities); (7) Building Maintenance, which includes maintaining the facilities in "sanitary and operable condition" and providing janitorial services in common areas, garbage removal, pest control, facility maintenance and repair, building security, and preparing units for mov-in and move-out; (8) Coordinating with supportive services to prevent tenant housing loss; (9) Wellness checks and emergency safety checks; (10) Front desk coverage 24 hours a day, seven days a week; and (11) Exit planning, which requires

alerting support services staff when tenants give notice to leave and maintaining a forwarding address when possible.

In addition, Tenderloin Housing Clinic is responsible for maintaining stewardship of the master lease and coordinating with the property's owner on regular maintenance; and, coordinating and conducting regular assess management meetings to address ongoing capital needs, property owner's obligations, changes to the approved sublease and any other issues related to the master lease.

Performance Monitoring

The proposed grant agreement includes service and outcome objectives similar to those in the initial agreement described above. The FY 2020-21 annual report submitted by Tenderloin Housing Clinic to HSH indicates that Tenderloin Housing Clinic is meeting some of the objectives, including helping at least 90 percent of tenants maintain their housing through the year and meeting the anonymous survey feedback targets.

In the most recent desk audit from April 2021, Tenderloin Housing Clinic verified compliance with required policies and record keeping requirements for FY 2018-19 and FY 2019-20. According to data submitted by Tenderloin Housing Clinic, the average occupancy rate across all buildings was 89 percent as of April 2022.

However, Tenderloin Housing Clinic did not meet all service requirements in FY 2020-21. In particular, case manager engagement with tenants during the pandemic was limited and on-site activities were minimized. In addition, tenant service plans were not consistently updated. HSH states that THC plans to resume those activities in FY 2022-23.

No On-Site Monitoring for FY 2020-21 & FY 2021-22

Due to the COVID-19 pandemic, HSH suspended program monitoring in accordance with a citywide policy first issued by the Controller on August 6, 2020 and conducted monitoring via desk audits, which review program data submitted by providers. HSH staff report that onsite program monitoring will begin in July 2022 and go through the Fall 2022. HSH plans on conducting in person site visits annually going forward.

Proposed Performance Changes

The proposed agreement modifies and consolidates some of the objectives to refine performance targets, including updating the average turnover of units from seven to 21 days on average (consistent with the pending Tides/DISH contract amendment File 22-0452). In addition, the proposed amendment requires a case management ratio of 1 staff to 25 units, which is not required under the current agreement. According to HSH, this ratio reflects funding HSH has proposed as part of the FY 2022-24 budget process to bring Tenderloin Housing Clinic sites (and other legacy supportive housing sites) up to this staffing level.

FISCAL IMPACT

As shown in Exhibit 2 below, the proposed amendment increases the not-to-exceed amount by \$43,503,365 from \$89,400,486 to \$132,903,851, an increase of 49 percent. A contingency of \$13,846,607 is also included, which is approximately 12 percent of City funding of \$119,057,244. The not-to-exceed amount is lower than proposed expenditures because the other revenues received from tenant rental income and building income offset total expenditures, reducing the HSH supported revenues funding this agreement.

Exhibit 2: Fiscal Impact of Proposed Resolution

	Original Agreement (7/1/20-2/29/24)	Proposed First Amendment (7/1/20-6/30/24)	Changes from Original to Proposed First Amendment
Expenditures			
Salaries & Benefits	\$53,388,822	\$55,784,518	\$2,395,696
Operating Expenses	17,965,777	26,346,284	8,380,507
Indirect Cost (11.5%)	8,205,779	9,445,042	1,239,263
Other Expenses	33,385,049	52,429,924	19,044,875
Capital Expenditures		109,600	109,600
<i>Total Expenditures</i>	<i>\$112,945,427</i>	<i>\$144,115,369</i>	<i>\$31,169,942</i>
Revenues			
City Funds ¹	79,821,864	119,057,244	39,235,380
Other Revenues ²	33,123,563	25,058,125	(8,065,438)
<i>Total Revenues</i>	<i>\$112,945,427</i>	<i>\$144,115,369</i>	<i>\$31,169,942</i>
Not-to-Exceed Agreement Amount			
Agreement Funding Sources (HSH Revenues)	79,821,864	119,057,244	39,235,380
Contingency	9,578,622	13,846,607	4,267,985
Total Not-to-Exceed Amount	\$89,400,486	\$132,903,851	\$43,503,365

¹City Funds consist of General Fund, HSH Fund (Care Not Cash program), Proposition C tenant rent relief and one-time bonus pay, and other General Fund supplements and transfers.

²Other Revenues consists of tenant income and building income from laundry.

Changes to Budget

Other revenues, which consist primarily of tenant rents, are decreasing in the proposed amendment. City funding is increasing in the proposed amendment to cover these revenue losses resulting from implementing the Board's ordinance to limit tenant rent to 30 percent of tenant

income (File 20-1185). In addition, annual spending on the contract in the original agreement was \$21.8 million but is now approximately \$31 million, due to increases master lease costs.¹

Actual Spending

Between July 2020 and the end of March 2022, Tenderloin Housing Clinic spent \$47,633,389 of the funds from HSH provided under this agreement. This represents 53 percent of the original agreement's not-to-exceed amount of \$89,400,486 at approximately 45 percent of the way through the original grant period. Based on the actual and budgeted spending in the proposed grant agreement, the existing contract authority may not be sufficient to fully fund costs in FY 2022-23.²

Contingency

The contingency amount of \$13,846,607 is 19.4 percent of remaining spending (total City spending of \$119,057,244 minus actual spending of \$47,633,389). The contingency is higher than the 12 to 15 percent we typically see on contracts because HSH plans to increase case managers and fund additional capital improvements that are not yet reflected in the grant agreement budget.

Sources of City Funding

Funding for this grant agreement is primarily supported through the General Fund and the "HSH Fund," which is funding transfer from the General Fund supported CAAP program to permanent supportive housing through Care Not Cash. Of total \$119.1 million in City funding, \$70.5 million is General Fund, \$14.7 million is Proposition C funding, and \$33.9 million is Care Not Cash funding. In addition, the proposed amendment includes a \$13.9 million contingency for a total not to exceed amount of \$132.9 million.

POLICY CONSIDERATION

Capital Improvement Needs

The proposed amendment budget includes \$109,600 for capital expenditures in FY 2021-22 but does not include additional funding for other repairs and upgrades HSH reports that it has reached out to its contracted providers that operate master lease supportive housing sites to submit information on building improvement needs. Through this process, HSH worked with

¹ Tenderloin Housing Clinic enters into private leases with the landlord of the property. HSH and the City Attorney's Office reviews these third-party agreements but do not directly negotiate the lease. The Human Services Agency entered into most of these leases after Care Not Cash was passed in 2002. Those leases have a built-in escalator (typically 2% to 6% and tied to the City's Rent Board rates). Many of the lease have expired in recent years, giving landlords the opportunity to renegotiate the lease costs, which are generally based on a cost per unit. For example, the Mission hotel unit costs have increased from \$427 per unit per month to \$687 base rate of per unit per month plus annual escalation.

² Actual spending was \$47.7 million March 2022 and monthly spending of \$2.6 million is budgeted in the proposed grant amendment. Total spending through FY 2022-23 is \$88.6 million.

Tenderloin Housing Clinic and identified projects totaling \$836,556 across 14 sites to move forward with immediate funding. These projects include improvements to electrical work, flooring, carpeting, bathroom upgrades and ventilation, and door replacements. HSH reports that this funding will be added to the grant budget from contingency once the overall contract authority increase is approved by the Board. However, not including anticipated capital need costs in the proposed budget amendment does not provide a complete picture of what this contract will fund in future years. HSH also reports it requested additional funding as part of the FY 2022-23 budget process for master lease capital needs and that it is working with other City departments, including the Department of Building Inspection, Department of Public Health, Mayors Office of Housing and Community Development, and City Attorney's Office, to increase transparency around permanent supportive housing buildings with code violations and partner to address these violations as they arise. We recommend that HSH update the budget to reflect the capital expenditures anticipated and report back to the Board with additional detail on its plans to monitor and respond to capital need requests going forward.

Procurement

Tenderloin Housing Clinic was initially chosen to provide these services under a 2015 solicitation issued by HSA. They were selected by HSH to continue providing these services under Chapter 21B of the Administrative Code, which allowed HSH to award service contracts without a competitive process due to the homelessness crisis. This agreement terminates on June 30, 2024, and Chapter 21B of the Administrative Code sunsets in March 2024. HSH reports it is planning to re-procure its entire housing portfolio as solicitation authorities expire. We note that the competitive process for selecting new master lease providers is complicated by the fact the buildings are privately owned and leased (in this case to Tenderloin Housing Clinic), which is then funded by the City. HSH should report to the Board on its plan for continuing these services with Tenderloin Housing Clinic or switching providers after this agreement expires.

Program Monitoring

In our August 2020 performance audit, we found that the Department did not sufficiently monitor provider contracts to ensure the delivery of service goals, and we recommended that the HSH Executive Director ensure that all contracts included specific performance metrics and that those metrics be monitored at least annually. During the pandemic, monitoring has been limited.

HSH completed a desk audit in April 2021 and has been receiving monthly reports regarding vacancies, move-outs, and intakes through April 2022, which show an 89 percent occupancy rate across all sites. As noted above, due to COVID-19, HSH did not conduct on-site monitoring of this program in FY 2020-21 and FY 2021-22. Onsite program monitoring will begin in July 2022 and go through the Fall 2022. HSH plans on conducting in person site visits annually going forward. We recommend that the pending 2022 program monitoring report, which will include on-site

assessments of programming, be submitted to the Board of Supervisors once it is complete and included in the legislative file for this item.

RECOMMENDATIONS

1. Request the 2022 program monitoring report and updated grant budget be submitted to the Board of Supervisors and included in the legislative file for this item.
2. Approve the proposed resolution.

Item 14 File 22-0517	Department: Homelessness & Supportive Housing
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the first amendment to the grant agreement between Brilliant Corners and the Department of Homelessness and Supportive Housing (HSH) to administer the Flexible Housing Subsidy Pool program, extending the term by two years through June 2024, and increasing the not-to-exceed amount by \$30,261,603, from \$9,900,000 to \$40,161,603.

Key Points

- The City provides scattered site permanent supportive housing in vacant private market apartments for people exiting homelessness through the Flexible Housing Subsidy Pool program (the Program), launched in 2020. In 2021, HSH entered into an original grant agreement with Brilliant Corners to administer the Program in an amount not to exceed \$9.9 million for the term February 15, 2021 through June 30, 2022. The original agreement did not require Board of Supervisors’ approval because the grant amount was less than \$10 million.
- Under the existing agreement, Brilliant Corners provides housing location, housing coordination, subsidy administration, and landlord liaison services to support permanent supportive housing placements for 200 adults. The proposed amendment would increase the number of adults served by the Program from 200 to 500. According to HSH staff, 303 adults have been referred to housing slots provided under the proposed amendment and 240 have been placed (79 percent).
- HSH selected Brilliant Corners based on authorities outline in Ordinance No. 61-19, which was approved by the Board of Supervisors in April 2019 and authorizes HSH to enter into and amend contracts and grants without competitive bidding for professional and other services for sites and programs for people experiencing homelessness.

Fiscal Impact

- The amended grant agreement budget of \$40,161,603 for the term February 15, 2021 through June 30, 2024 is funded by Proposition C revenues.
- The FY 2022-23 annual budget is \$14.8 million, which includes \$10.8 million for direct client costs (73 percent). The FY 2022-23 budget also includes \$3.1 million for salaries and benefits associated with 18.28 full time equivalent (FTE) positions funded by the grant.

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

Flexible Housing Subsidy Pool Program

The City provides scattered site permanent supportive housing in vacant private market apartments for people exiting homelessness through the Flexible Housing Subsidy Pool program (the Program), launched in 2020. In 2021, the Department of Homelessness and Supportive Housing (HSH) entered into an original grant agreement with Brilliant Corners to administer the Program in an amount not to exceed \$9.9 million for the term February 15, 2021 through June 30, 2022. The original agreement did not require Board of Supervisors’ approval because the grant amount was less than \$10 million.

Under the existing agreement, Brilliant Corners provides housing location, housing coordination, subsidy administration, and landlord liaison services to support permanent supportive housing placements for 200 adults. The proposed amendment would increase the number of adults served by the Program from 200 to 500.¹ According to HSH staff, 303 adults have been referred to housing slots provided under the proposed amendment and 240 have been placed (79 percent). Similar to site-based permanent supportive housing, tenants pay rent equal to 30 percent of their income, and the remaining rent is subsidized by the Program. Housing-focused case management services provided to tenants in the Program are provided by other non-profit providers through separate grant agreements with HSH.

According to HSH staff, new tenants are referred by HSH through the Coordinated Entry System, which organizes the Homelessness Response System, with a population specific assessment, centralized data system, and prioritization method. The Coordinated Entry assessment measures chronicity of homelessness, vulnerability, and barriers to housing. Clients who are “Housing Referral Status” based on the assessment are referred to appropriate site-based or scattered site supportive housing programs based on their unique needs.

Selection of Provider

HSH selected Brilliant Corners based on authorities outline in Ordinance No. 61-19, which was approved by the Board of Supervisors in April 2019 and authorizes HSH to enter into and amend contracts and grants without competitive bidding for professional and other services for sites and

¹ An additional 200 placements are provided under separate grant agreements with two other providers for a total of 700 placements.

programs for people experiencing homelessness (File 19-0047). According to HSH staff, Brilliant Corners was selected as the grantee due to its experience and track record providing housing locator and stabilization services to families and adults exiting homelessness and administering rental subsidies with private landlords. Brilliant Corners was selected to provide these services previously under competitive procurements.² HSH also used its Chapter 21 waiver authority to facilitate the implementation of Proposition C funds and the exit of clients from the temporary Shelter-in-Place hotels, according to HSH staff.

According to Appendix D of the proposed amendment, Brilliant Corners currently has four grants (including the proposed amended grant) with the City and County of San Francisco, totaling \$45.7 million. If the proposed amendment is approved, the four grants will total \$76.0 million. At the time of the original agreement in April 2021, 13 months ago, Brilliant Corners had three City grants, totaling \$26.9 million.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to the grant agreement between Brilliant Corners and HSH to administer the Flexible Housing Subsidy Pool program, extending the term by two years through June 2024, and increasing the not-to-exceed amount by \$30,261,603, from \$9,900,000 to \$40,161,603.

Under the amended grant agreement, Brilliant Corners would provide the following services to support permanent supportive housing placements for 500 adults per year:

- Housing Location Services to identify and secure housing units that meet the needs of the served population.
- Housing Coordination Services to match tenants to housing opportunities and eliminate barriers to housing placement (such as outstanding utility debt or poor credit), including lease negotiation and review on behalf of tenants, support to prospective tenants to secure units and to move into housing, payment for items needed during housing search and move-in (such as application fees, security deposit, furniture, and moving costs), income verification and rent calculation upon move-in and annually thereafter, and other services.
- Subsidy Administration Services to issue and document timely and accurate subsidy payments to landlords and property management and other types of financial assistance.

² In 2016, Brilliant Corners was selected through a Request for Proposals (RFP) to provide housing locator services to families and adults exiting homelessness. Brilliant Corners was selected to provide housing locator services to adults and the other respondent was selected to provide services to families. In addition, in 2018, Brilliant Corners responded to a Request for Qualifications (RFQ) to administer a new flexible housing pool for adults and was selected to start the Department's Flexible Housing Subsidy Pool program for adults, including housing location and stabilization services as well as administering the rental subsidy with private landlords. Brilliant Corners was the sole applicant for that service component as part of the RFQ.

- Landlord Liaison Services between landlords and tenants to support ongoing housing stability, including monthly home visits for the first three months of a tenant's tenure in housing and quarterly thereafter and quarterly check-ins with landlords, collaboration with case managers to ensure tenants are able to pay rent on time and resolve any tenancy issues, response to lease violation or other complaints, and ensuring landlords conduct repairs and fulfil their legal responsibilities.

The agreement requires that the grantee maintain a 1:50 ratio of housing coordinator to HSH adult units. In addition, the agreement also requires that the grantee provide translation and interpretation services and provide a means for the population served to provide feedback and submit complaints.

Performance Monitoring

According to the FY 2021-22 program monitoring report, the provider met both service objectives and one out of three outcome objectives. Detail on the two objectives not met by the provider is provided below:

- 82 percent of the 330 tenants enrolled in the program successfully moved into housing compared to the outcome objective of at least 90 percent. However, an additional 12% were in housing search.
- Tenants are homeless an average of 90 days between date of referral and housing move-in date compared to the outcome objective of 75 days or less. According to HSH staff, the extended timeframe is due in part to challenges hiring and maintaining staff during the COVID-19 pandemic. As of May 2022, staffing is sufficient to support the objectives of the grant agreement according to HSH staff.

FISCAL IMPACT

The proposed resolution would approve the amended grant agreement between HSH and Brilliant Corners for a total not-to-exceed amount of \$40,161,603, including a 10 percent contingency of \$3,614,727, as shown in Exhibit 1 below. The grant is funded by Proposition C revenues. Underspensing in FY 2020-21 was due to delays in the ramp-up of the Program, including non-profit staffing capacity as mentioned above according to HSH staff.

Exhibit 1: Proposed Grant Budget

	FY 2020-21 (Feb 15 - June 30)	FY 2021-22	FY 2022-23	FY 2023-24	Total
Salaries & Benefits	\$0	\$1,571,375	\$2,833,152	\$3,145,427	\$7,549,954
Operating Expense	1,980	382,310	678,831	753,653	1,816,775
Indirect Cost (15%)*	297	293,053	526,797	584,862	1,405,009
Client Pass-Through**		4,175,138	10,800,000	10,800,000	25,775,138
Total Expenses	\$2,277	\$6,421,876	\$14,838,780	\$15,283,943	\$36,546,876
Contingency (10%)					3,614,727
Total Not to Exceed Amount					\$40,161,603

Source: Proposed Amended Grant Agreement

* According to HSH, indirect costs are organizational costs that are necessary for agency operations but are not directly implementing the specific grant program, such as human resources, payroll, executive leadership salaries, information technology staff, office supplies, etc. HSH grant agreements allow grantees to allocate indirect costs as a percentage (typically 15%) of direct costs.

**Direct Client Pass Through expenditures are funds that are paid directly by the grantee on behalf of clients of the program. This includes rental subsidy payments, security deposits, furniture costs, relocation costs, damage mitigation funds, vacant unit costs, and miscellaneous client costs. These funds are not included in the indirect calculation.

According to HSH staff, the proposed budget is based on the estimated cost per household to cover rental subsidies for a studio apartment according to fair market rates established by the U.S. Department of Housing and Urban Development (and adjusted for the San Francisco Bay Area) and Brilliant Corner's staffing model for housing stabilization and locator services based on the number of households served. The FY 2022-23 annual budget is \$14.8 million, which includes \$10.8 million for direct client costs (73 percent). The FY 2022-23 budget also includes \$3.1 million for salaries and benefits associated with 18.28 full time equivalent (FTE) positions funded by the grant.

RECOMMENDATION

Approve the proposed resolution.

Item 15 File 22-0444	Department: Human Services Agency (HSA)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the first amendment to the grant agreement between the City and Self-Help for the Elderly to provide the Congregate Nutrition Services for Older Adults program. The proposed amendment does not change the term but does increase the not to exceed amount from \$9,514,190 to \$10,665,010. <p>Key Points</p> <ul style="list-style-type: none"> • The purpose of this grant is to provide congregate nutrition services for older adults living in San Francisco. Self-Help is contracted to provide on-site meals, nutrition education, and assessment of nutritional risks. The target population is older adults that are low income and have limited command of English. • The grant states that Self-Help will provide meals in a congregate setting. However, due to COVID-19, most of the meals served to date have been pick-up. According to HSA, as COVID-19 health precautions wane, Self-Help will shift towards providing meals in congregate settings. • The original grant agreement was budgeted to provide 1,104,502 meals. The proposed amendment would provide for 1,156,792 meals, or 52,290 more meals over the four-year term, including congregate and pick-up meals. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed amendment adds \$1,046,200 to the grant budget, funded Board of Supervisor’s addbacks, State Area Plan Amendment funding, Minimum Compensation Ordinance and Cost of Doing Business increases from the City, and savings in the Dignity Fund. <p>Policy Consideration</p> <ul style="list-style-type: none"> • According to Appendix B of the proposed amendment, Self-Help is expected to provide 392,290 meals in FY 2021-22 and then 254,834 annually thereafter. However, Self-Help has already served 345,758 meals as of April 2022, suggesting a total 426,412 meals will be provided in FY 2021-22. If the pace of food distribution remains at the current level, the grant amount will not be sufficient to meet demand over the grant term. The Department reports increased demand across its nutrition assistance programs, which it attributes to rising food costs. • According to the Bureau of Labor Statistics, food costs have risen by 10.2 percent over the last twelve months in the San Francisco metropolitan area. If this trend continues, it will increase meal costs and could strain Self-Help’s service capacity. <p>Recommendation</p> <ul style="list-style-type: none"> • 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

Self-Help for the Elderly is a non-profit organization established in 1966 and selected by the Human Service Agency to provide congregate meal services, as well as nutrition counseling and advice, for elderly San Francisco residents. According to Appendix D of the existing congregate meal agreement, Self-Help for the Elderly holds four other City contracts with a total value of \$10.9 million.

Procurement

The current agreement between the City and Self-Help commenced on July 1, 2021 with a four-year term ending on June 30, 2025. The contract was procured through a Request for Proposals (RFP) issued in March 2021. Exhibit 1 shows the RFP respondents and their respective ranking by review panel members. A total of nine non-profit organizations submitted proposals to HSA. Proposals were reviewed and evaluated by subject matter experts who were not City staff. Self-Help received the highest score of all respondents from Readers A and B, and our review concludes the process was in accordance with the requirements of the Administrative Code (need citation of codes re/ competitive RPF procurement).

Exhibit 1: Procurement Process and Scoring of Respondents

Provider	Average Score
Bayview Senior Services	74.0
Centro Latino de SF	70.0
Episcopal Community Services	74.7
Glide Foundation	77.3
Kimochi	71.3
On Lok Day Services	78.7
Project Open Hand	80.0
Russian American Community	75.3
Self-Help for the Elderly	80.3

Source: HSA

Summary of Contract Terms

The original grant was for \$9,514,190 including contingency over the four-year term from July 1, 2021, through June 30, 2025. According to HSA, the initial funding amount was limited by the funds that at that time were available in the HSA budget. A combination the high demand for meal services and food rising costs due to inflation have resulted the need to find additional sources of financial support. Tahir Shaikh, HSA Contract Manager informed our office that additional funds have become available within the HSA budget, and they are seeking approval of the requested funding authorization before the Board.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to the grant agreement between the City and Self-Help for the Elderly to provide the Congregate Nutrition Services for Older Adults program. The proposed amendment does not change the term but does increase the not to exceed amount from \$9,514,190 to \$10,665,010.

Services Provided

The purpose of this grant is to provide congregate nutrition services for older adults living in San Francisco. Self-Help is contracted to provide on-site meals, nutrition education, and assessment of nutritional risks. The target population is older adults that are low income and have limited command of English. To be eligible for services, individuals must be 60 years of age or older. Exceptions are cases of individuals under 60 who have disabilities and reside in a congregate elderly care center. Family members that live with and provide care for elderly relatives are also eligible. The services are oriented towards supporting individuals to be able to live independently in the community to support autonomy, improve nutrition, reduce social isolation, and for linking participating seniors to other support services.

The grant states that Self-Help will provide meals in a congregate setting. However, due to COVID-19, most of the meals served to date have been pick-up. According to HSA, as COVID-19 health precautions wane, Self-Help will shift towards providing meals in congregate settings.

Performance monitoring

Because the program has been in effect for less than one full year, HSA has not yet conducted the annual performance review. Self-Help for the Elderly currently reports units of service to the Department of Disability and Aging Services (DAS), a component of the Human Service Agency, on a monthly basis and submits performance reports with monthly billings. DAS then reviews those reports, ensuring Self-Help is on track to meet service deliverables. Should performance levels be less than expected, DAS will investigate the cause, provide technical assistance and work with Self-Help to resolve the problem. Staff at HSA have provided our office with evidence of review of monthly billing reports submitted by Self-Help and have shared year-to-date summary

reports on number of person’s enrolled and numbers of meals served to date.¹ Oversight process currently appears sufficient to ensure compliance with the terms of the contract.

FISCAL IMPACT

Exhibit 2 shows the revised increase in requested funding authorization that is the basis of the proposed contract amendment. When HSA issued Self Help’s congregate nutrition grant in July of 2021, the total allocation of \$8,649,264 was based on available funding identified by the Department at that time.

Exhibit 2: Initial and Proposed Funding Request

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Total
Original Funding	\$2,657,343	\$1,997,307	\$1,997,307	\$1,997,307	\$8,649,264
Proposed Funding	\$3,269,053	\$2,142,137	\$2,142,137	\$2,142,137	\$9,695,464
Change	\$611,710	\$144,830	\$144,830	\$144,830	\$1,046,200

Source: Current and Proposed Grant Agreement

The amounts above do not include the agreement’s contingency, which is increasing from \$864,926 to \$969,546 and remaining at ten percent of total projected expenditures. As noted above, the total not to exceed amount of the grant, including contingency, is increasing from \$9,514,190 to \$10,665,010.

The original grant agreement was budgeted to provide 1,104,502 meals. The proposed amendment would provide for 1,156,792 meals, or 52,290 more meals over the four-year term, including congregate and pick-up meals.

Sources of New Funding

Additional funding has recently become available dedicated to enhancing nutrition assistance. Sources of funds include the Board of Supervisor’s addbacks, State Area Plan Amendment funding, Minimum Compensation Ordinance and Cost of Doing Business increases from the City, and savings in the Dignity Fund.

POLICY CONSIDERATION

Funding Sufficiency

According to Appendix B of the proposed amendment, Self-Help is expected to provide 392,290 meals in FY 2021-22 and then 254,834 annually thereafter. However, Self-Help has already served 345,758 meals as of April 2022, suggesting a total 426,412 meals will be provided in FY 2021-22.

¹ Performance objectives used in the annual assessment include: 75% of participants reporting higher consumption of fruits, vegetables, and whole grains; 85% reporting reduced anxiety about meeting daily nutritional requirements, 85 % stating food quality is good or excellent; 85% reporting reduced isolation and more community involvement; and 85% reporting they feel safe and welcomed by staff.

If the pace of food distribution remains at the current level, the grant amount will not be sufficient to meet demand over the grant term.

HSA believes some of the increased demand is due to the non-congregate nature of the COVID-19 meal delivery system, which presently involves meal pick-up at site, but no, or limited, congregate dining. In addition, the Department reports increased demand across its nutrition assistance programs, which it attributes to rising food costs.

Increasing Food Costs

We have concerns that the increase in funding may not be sustainable due to reliance on one-time savings in the Dignity Fund and money made available through the add-back process. HSA has not adjusted spending projections to account for the impact of inflation. According to the Bureau of Labor Statistics, food costs have risen by 10.2 percent over the last twelve months in the San Francisco metropolitan area. If this trend continues, it will increase meal costs and could strain Self-Help's service capacity. HSA has indicated that no additional funding sources have been identified at present and that Self-Help is engaged in fundraising efforts.

RECOMMENDATION

Approve the proposed resolution.

Appendix A: Self Help Budget Information

City Funded Expenditures	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Total
Salaries & Benefits	\$866,855	\$690,034	\$690,034	\$690,034	\$2,936,957
Operating Expenses	\$2,048,609	\$1,237,052	\$1,237,052	\$1,237,052	\$5,759,765
Subtotal	\$2,915,464	\$1,927,086	\$1,927,086	\$1,927,086	\$8,696,722
Indirect Cost	\$291,546	\$192,708	\$192,708	\$192,708	\$869,670
Other expenses	\$62,043	\$22,343	\$22,343	\$22,343	\$129,072
Total City Expenditures	\$3,269,053	\$2,142,137	\$2,142,137	\$2,142,137	\$9,695,464
Non-City Funded Expenditures					
Salaries & Benefits	\$113,147	\$283,411	\$283,411	\$283,411	\$963,380
Operating Expenses	\$340,000	\$323,422	\$323,422	\$323,422	\$1,310,266
Total Non-City Expenditures	\$453,147	\$606,833	\$606,833	\$606,833	\$2,273,646
Total Expenditures	\$3,722,200	\$2,748,970	\$2,748,970	\$2,748,970	\$11,969,110
City Funding					
	\$3,269,053	\$2,142,137	\$2,142,137	\$2,142,137	\$9,695,464
Non-City Funding					
Project Income	\$141,224	\$254,834	\$254,834	\$254,834	\$905,726
Fundraising, volunteer	\$839,859	\$879,935	\$879,935	\$879,935	\$3,479,664
Total Revenue	\$981,083	\$1,134,769	\$1,134,769	\$1,134,769	\$4,385,390
Total Revenue, all sources	\$4,250,136	\$3,276,906	\$3,276,906	\$3,276,906	\$14,080,854

<p>Item 16 File 22-0286 <i>(Continued from May 11, 2022)</i></p>	<p>Department: Homelessness & Supportive Housing (HSH)</p>
<p>EXECUTIVE SUMMARY</p>	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would require HSH to acquire or lease for 10 years at least 20 dwelling units in the Haight-Ashbury neighborhood and provide onsite supportive services to transitional age youth in a Transitional Housing program. The acquisitions must be completed by March 31, 2023. <p>Key Points</p> <ul style="list-style-type: none"> • Transitional Housing provides people with a place to temporarily stay while engaging with social services for up to two years. Transitional Housing is considered temporary shelter. • The Real Estate Division did a preliminary search of properties within the Haight-Ashbury neighborhood. There are currently 11 properties (13 spaces) on the market available for lease and none for sale. The lease sites were not the entire building. No hotels were available for lease and no vacant land was available for lease or purchase. HSH intends to continue to seek out properties to acquire for TAY permanent supportive housing. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • Based on the range of costs from property acquisitions since July 2020, purchasing 20 units could range from approximately \$5.7 million to \$9 million. Ongoing operating costs are estimated to be \$400,000 per year. • Using current HSH contracts as a baseline, leasing, operating, and support service costs for a site-based transitional housing could range from approximately \$715,000 to \$860,000 per year for 20 beds. <p>Policy Consideration</p> <ul style="list-style-type: none"> • According to HSH, expansion of the Department’s housing portfolio has been driven by the availability of properties on the market, rather than specific geographic areas. At the recommendation of the Budget & Legislative Analyst, HSH committed to provide an update on policies to govern its property acquisition process by June 2022. Such policies would clarify for the Board of Supervisors and the public how HSH assesses and prioritizes properties for purchase. • According to the Our City, Our Home 6-Month Projection Report for FY 2021-22, HSH budgeted \$89.1 million for TAY housing, \$30.7 million of which is expected to have been expended by the end of FY 2021-22, leaving \$58.4 million available in FY 2022-23. Because Transitional Housing is considered shelter, to use this \$58.4 million in TAY funding, the proposed ordinance would need to be amended to change the programming requirement from transitional housing to permanent supportive housing. <p>Recommendation</p> <ul style="list-style-type: none"> • 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**Transitional Housing Program**

Transitional Housing provides people with a place to temporarily stay while engaging with social services for up to two years. HSH has a portfolio of approximately 220 Transitional Housing beds across the City as of February 2022. Transitional Housing is considered to be part of HSH's Temporary Shelter portfolio as clients accessing the services are guests and do not have a lease.

Transitional Aged Youth (TAY) Housing Programs*Transitional Housing*

As of February 2022, HSH provides over 150 beds of dedicated Transitional Housing to serve Transitional Aged Youth (TAY) across six programs. Four of these programs are site-based, while two are scattered site programs. The site-based programs serve an average of 27 guests per site. The site-based program facilities are typically leased by the operating non-profit provider. One of the TAY transitional housing sites, 1020 Haight Street, is located in the Haight-Ashbury neighborhood and provides transitional housing for up to 15 TAY guests. Another transitional housing program, Hamilton Transitional Housing, serves families, which can include parenting TAY. Hamilton Housing is located directly above the Panhandle and is adjacent to the Haight-Ashbury neighborhood. The City does not currently own any of the properties providing Transitional Housing.

Site-Based Permanent Supportive Housing

The City has a total portfolio of 264 units of site-based Permanent Supportive Housing for Transitional Age Youth, with another 77 units anticipated to come online in calendar year 2022. There are currently no site-based Permanent Supportive Housing units in the Haight-Ashbury neighborhood.

Scattered Site Supportive Housing

In addition, there is a variety of scattered-site supportive housing resources available for TAY. As of May 1, 2022, there are up to 400 slots of Rapid Rehousing subsidies for TAY, which provide time-limited rental assistance and support services. There are also 176 HUD Emergency Housing Vouchers designated for Transitional Age Youth and an additional 53 slots of Flexible Housing Subsidy Pool housing for TAY that are currently under contract and expected to come online by Fall 2022.

Permanent Supportive Housing (PSH) Expansion

The City has prioritized acquisitions of properties to support long-term supportive housing which provides a permanent solution to homelessness. Since July 2020, the Department of Homelessness & Supportive Housing (HSH) has received approval to acquire eight properties that provide 987 units (1,485 bedrooms) for new permanent supportive housing. Unlike guests in transitional housing, tenants in Permanent Supportive Housing have a lease. Excluding the one-family property with multi-bedroom units, the average cost per unit has been \$388,852 including improvement costs estimated at the time of purchase. The properties have been located in the Lower Nob Hill, Tenderloin, South of Market, Western Addition, Crocker-Amazon, and Mission neighborhoods. A recently acquired property at 5630 Mission Street will provide up to 52 units of supportive housing for TAY.

The Department identified the properties through a request for information in 2021, which received approximately 100 responses, including two in the Haight-Ashbury neighborhood. However, one was acquired by a separate entity and one was not a residential building.

HSH plans to re-open RFI 100-A with narrowed criteria for properties best suited to provide permanent supportive housing for TAY. HSH plans to include geographic preference in this updated RFI to include key geographic areas within the City including the Haight-Ashbury neighborhood.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would require HSH to acquire or lease for 10 years at least 20 dwelling units in the Haight-Ashbury neighborhood¹ and provide onsite supportive services to transitional age youth in a Transitional Housing program for a period of two years or less. The acquisitions must be completed by March 31, 2023.

The proposed ordinance would also affirm the Planning Department's determination that the acquisitions are not considered a project under the California Environmental Quality Act (CEQA) and are consistent with the policy priorities of the Planning Code. The ordinance sunsets at the end of December 2023.

Real Estate Division Survey of Properties

The Real Estate Division did a preliminary search of properties within Haight-Ashbury. According to the Director of Property, there are currently 11 properties (13 spaces) on the market available for lease and none for sale. None of the offerings were for lease of the entire building. No hotel or hospitality sites are currently available for lease. No vacant land was available for lease or purchase.

¹ The Haight-Ashbury neighborhood is defined in the ordinance as the area bound by Oak, Baker, Stanyan, and Frederick Streets and the northern border of Buena Vista Park.

Real Estate and HSH estimate that 7,500 square feet would be necessary for a 20-unit TAY facility. The available spaces within the area designated by this ordinance as of May 3, 2022 ranged from 448 square feet to 5,050 square feet, so multiple spaces would have to be leased in order to meet the requirements of the proposed ordinance.

The Director of Property also noted that offerings were predominately multi-tenant commercial or retail spaces with a few offices over retail. It may be difficult to convert these spaces to residential use unless the City could control the entire property. Lease of an entire building would likely only be possible if a landlord had a single tenant that was prepared to leave a suitable building and the City was prepared to step in and lease the entire building. The asking rents ranged from \$41.52 per square foot to \$58.20 per square foot (although there was one outlier at over \$100 per square foot). The outlier aside, the expected annual base rent would range from \$311,400 to \$436,500.

FISCAL IMPACT

Property Acquisition

Based on the range of costs from property acquisitions since July 2020, purchasing 20 units could range from approximately \$5.7 million to \$9 million depending on the characteristics, location, and condition of the building. This acquisition estimate does not include capital costs that may be required for immediate building improvements. Ongoing operating costs are estimated to be \$400,000 per year.

Leasing

Using current HSH contracts as a baseline, leasing, operating, and support service costs for a site-based transitional housing could range from approximately \$715,000 to \$860,000 per year for 20 beds.

POLICY CONSIDERATION

Strategic Considerations

According to HSH, expansion of the Department's housing portfolio has been driven by the availability of properties on the market, rather than specific geographic areas. According to the Director of Property, the proposed ordinance may reduce the City's ability to negotiate on any properties that meet the geographic requirements of the proposed ordinance. We note however, that the City has often has a geographic preference in leasing, for example, when negotiating to continue using community-serving space such as the lease for 2712 Mission Street (22-0171).

At the October 6, 2021 Budget & Finance meeting and at the recommendation of the Budget & Legislative Analyst, HSH committed to provide an update on policies to govern its property acquisition process by June 2022. Such policies would clarify for the Board of Supervisors and the public how HSH assesses and prioritizes properties for purchase.

Point in Time Count

According to the 2019 Point in Time Count, there were 1,145 unaccompanied youth under the age of 25 experiencing homelessness. The five largest counts were in the following Supervisorial Districts: District 6 (439), District 10 (253), District 8 (129), District 9 (67), and District 5 (66). In addition, there were 36 homeless youth in Golden Gate Park. HSH expects to have the preliminary results of the 2022 Point in Time Count in June 2022.

Funding Availability

Proposition C

According to the Our City, Our Home (OCOH) 6-Month Projection Report for FY 2021-22, HSH budgeted \$89.1 million for TAY housing acquisitions, \$30.7 million of which is expected to have been expended by the end of FY 2021-22, leaving \$58.4 million available in FY 2022-23. Additional funding may be available for TAY acquisitions in FY 2022-23 if the City receives a Homekey Award for 5630 Mission Street (estimated up to \$15.3 million).

Proposition C funding allocated for acquisitions must be used for acquisition of long-term housing where tenants have leases. As the Transitional Housing model does not traditionally provide leases to tenants, HSH does not believe there is funding available from Proposition C to support the acquisition of a site to fund a Transitional Housing Program required by the proposed ordinance. To use this \$58.4 million in TAY funding, the proposed ordinance would need to be amended to change the programming requirement from transitional housing to permanent supportive housing. The spending plan for FY 2022-23 & FY 2023-24 Proposition C funds will be included in the HSH's June 2022 budget request.

Homekey

According to HSH, it is possible the City could pursue a future State Homekey Grant to support the acquisition of a property to support an interim housing usage. Without an identified property, it is not possible to speculate on the probability of the City submitting and receiving a Homekey Award for a program fulfilling the requirements of this legislation. HSH anticipates a Notice of Funding Availability for the third round of Homekey funding to be released in October 2022.

RECOMMENDATION

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