

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

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TO: Government Audit and Oversight Committee
FROM: Budget and Legislative Analyst 
SUBJECT: February 20, 2020 Government Audit and Oversight Committee Meeting

TABLE OF CONTENTS

Item	File	Page
1	19-0418 Administrative Code - Navigation Centers for the Homeless.....	1
2	20-0145 Authority to Award Grant - Edgewood Center for Children and Families - Maintenance of Financial Solvency - \$350,000.....	8

<p>Item 1 File 19-0418 <i>(Continued from February 6, 2020)</i></p>	<p>Department: Department of Homelessness and Supportive Housing</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would amend the Administrative Code to require the Department of Homelessness and Supportive Housing to open Navigation Centers, including: (a) two Navigation Centers in two supervisorial districts (one per district) that had no Navigation Centers as of April 16, 2019, within six months of the approval of the ordinance; and (b) at least one Navigation Center in each supervisorial district that had no Navigation Centers as of April 16, 2019, within 30 months of the approval of the ordinance and service specific population specified in proposed ordinance. The proposed ordinance would require the Department to develop a “fair sharing criteria” that will be used to inform the selection sites for new Navigation Centers. In addition, the proposed ordinance would revise certain operational standards for Navigation Centers. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Navigation Center model was first piloted in March 2015 to provide a low-barrier alternative to traditional homeless shelters. As of January 2020, seven Navigation Centers have been opened in three out of the eleven Supervisorial Districts (District 6, District 9, and District 10). <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The estimated annual operating cost for each Navigation Center established under the proposed ordinance, based on FY 2019-20 average operating costs for six centers operated by the Department of Homelessness and Supportive Housing, is \$4.3 million. • The estimated one-time capital cost for each Navigation Center established under the proposed ordinance, based on the capital costs for the six centers currently operated by the Department of Homelessness and Supportive Housing, is \$6.3 million . • Department staff state that the Department would need new positions to implement the ordinance. Any new expenditure and position authority in FY 2020-21 would be subject to Board of Supervisors’ approval. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • There are currently three proposed leases before the Board of Supervisors for three additional Navigation Centers sites at 888 Post Street (File 20-0043), 33 Gough Street (File 20-0044), and 1156 Valencia Street (File 20-0015). The proposed Navigation Center at 888 Post Street is in Supervisorial District 3 and the one at 1156 Valencia is in Supervisorial District 8, neither of which currently has a Navigation Center. However, both are expected to open in Fall 2020, which may be beyond the deadline to open two Navigation Centers in Districts currently without one within six months of enactment of the proposed ordinance. <p style="text-align: center;">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

The Navigation Center model was first piloted in March 2015 to provide a low-barrier alternative to traditional homeless shelters, including service provision, with the goal of transitioning people off the streets and into longer-term housing. Since then, the Department of Homelessness and Supportive Housing (“Homelessness and Supportive Housing”) has opened nine Navigation Centers, six of which are still in operation as of January 2020.

As of January 2020, seven¹ Navigation Centers have been opened in three out of the eleven Supervisorial Districts (District 6, District 9, and District 10). Table 1 below shows the current active Navigation Centers, where they are located, the nonprofit operator, and the number of beds at each center.

Table 1. Active Navigation Centers in San Francisco (as of January 2020)

Navigation Center	Operator	Beds	Location	District	Square Feet
<i>Homelessness and Supportive Housing</i>					
Bayshore	Five Keys Schools and Programs	128	125 Bayshore	10	31,200
Central Waterfront	Episcopal Community Services	64	600 25 th Street	10	13,715
Bryant	Episcopal Community Services	84	680 Bryant Street	6	15,000
Civic Center	Community Housing Partnership	113	20 12 th Street	6	N/A
Division Circle	St. Vincent De Paul Society	186	224 South Van Ness	9	78,000
Embarcadero SAFE ²	Five Keys Schools and Programs	200	555 Beale Street	6	46,659
<i>Public Health</i>					
Hummingbird	Baker Places, Inc.	29	Zuckerberg San Francisco General Hospital	10	8,746

Source: Department of Homelessness & Supportive Housing

¹ The Department of Homelessness and Supportive Housing funds and operates six Navigation Centers. The Department of Public Health funds and operates one Navigation Center (Hummingbird).

² This Navigation Center opened in December 2019.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the Administrative Code to require the Department of Homelessness and Supportive Housing to open Navigation Centers, including:

- (a) two Navigation Centers in two supervisorial districts (one per district) that had no Navigation Centers as of April 16, 2019, within six months of the approval of the ordinance; and
- (b) at least one Navigation Center in each supervisorial district that had no Navigation Centers as of April 16, 2019, within 30 months of the approval of the ordinance.

As noted above, as of January 2020, seven Navigation Centers were operating in three supervisorial districts. Therefore, under the proposed ordinance, Navigation Centers would be opened in eight additional supervisorial districts within 30 months.

The proposed ordinance states that the Department of Homelessness and Supportive Housing may operate any of the Navigation Centers to serve the following populations: (a) homeless persons with alcohol dependency; (b) homeless persons between the ages of 18 and 29; (c) homeless transgender and gender non-conforming persons; (d) individuals who live in cars and recreational vehicles, (e) persons aged 62 and above, and (f) a specific population to be determined by the Department of Homelessness & Supportive Housing. Under the proposed ordinance, prior to opening a new Navigation Center, the Department of Homelessness and Supportive Housing must coordinate with the Supervisor of the relevant district and conduct at least three community meetings.

The proposed ordinance would require the Department of Homelessness and Supportive Housing to develop a “fair sharing criteria” that will be used to inform the selection sites for the new Navigation Centers required by the proposed ordinance.

The proposed ordinance would also revise the operational standards for Navigation Centers in the following ways:

- 1) Requiring Navigation Centers to perform a comprehensive assessment of a resident’s needs within 72 hours of the resident’s admission to the Center
- 2) Requiring the preparation of an individualized plan (Care Plan) that lists the services and programs necessary to support stabilization and providing one on one intensive case management
- 3) Increasing the number beds allowed at a Navigation from 100 to 130, and requiring the City Administrator to include the reasons for exceeding the bed cap in documenting the need to do so
- 4) Requiring Navigation Centers to conduct regular wellness checks of residents and provide access to laundry facilities, transportation to programs and services required by a resident’s Care Plan, and daily activities related to wellness
- 5) Requiring Navigation Centers to have at least one staff person on-site at all times who is responsible for addressing resident concerns and responding to emergencies
- 6) Requiring Navigation Centers to allow residents to stay for an initial stay of not less than 90 days and to remain at the Center so long as the resident follows their Care Plan

- 7) Requiring Navigation Centers to establish written grievance policies and develop a “Good Neighbor Policy” and outreach plan
- 8) Requiring a community outreach process with neighboring residents and businesses, neighborhood associations and merchant associations on the site selection, consisting of no fewer than three community meetings
- 9) Allow members of the Shelter Monitoring Committee to visit and monitor conditions at Navigation Centers³
- 10) Accept referrals from the Departments of Public Works, Police, Homelessness & Supportive Housing, and service providers and require the City to transport such referrals to a Navigation Center.
- 11) Conduct an exit interview with residents and develop a plan for accessing services

The proposed ordinance would also affirm the Planning Department’s determination that the legislation does not require California Environmental Quality Act review.

FISCAL IMPACT

The proposed ordinance would require opening at least two new Navigation Centers within six months of the effective date of the proposed ordinance, or approximately Summer 2020. Based on average operating costs of \$4.3 million noted in Table 2 below, operating the two new Navigation Centers required by the proposed ordinance would cost approximately \$8.6 million annually. One-time capital costs to develop a site into a Navigation Center, which are summarized in Table 3 below, are \$6.3 million, on average, or approximately \$12.6 million for two centers. There could be additional capital costs incurred with the expedited timelines as proposed in this legislation.

Operating Costs

According to the Department of Homelessness and Supportive Housing, the total FY 2019-20 costs to operate each of the department’s six Navigation Centers range from \$6,557,583 at Division Circle to \$3,005,230 at Central Waterfront. The average cost across all six Homelessness and Supportive Housing-operated Navigation Centers is \$4,288,147. According to the Department of Public Health (DPH), the total FY 2019-2020 cost to operate the Hummingbird Navigation Center is \$3,267,500.

³ The powers and membership of the Shelter Monitoring Committee are defined in Sections 20.304 and 20.305 of the Administrative Code.

Table 2. FY 2019-20 Operating Costs for Existing Navigation Centers

Operating Costs	Civic Center	Central Waterfront ⁴	Division Circle	5th and Bryant (SOMA)	125 Bayshore	Embarcadero SAFE ⁵	Hummingbird (DPH)	Average ⁶
Salaries and Benefits	\$803,516	\$1,958,540	\$4,052,366	\$1,919,232	\$2,097,473	\$2,177,803	\$2,303,302	\$2,168,155
Operating Expense	2,682,898	911,093	874,171	349,747	1,044,491	330,334	538,001	\$1,032,122
Indirect Cost	401,633	344,357	460,350	272,278	389,794	376,221	426,197	\$374,106
Operating Cost Subtotal	3,888,047	3,213,990	5,386,887	2,541,257	3,531,758	2,884,358	3,267,500	\$3,574,383
Other Costs								
Rental of Property	408,000	75,707	2,012	2,012	518,780	442,327	0	\$241,473
Storage	0	0	0	501,948	0	0	0	\$83,658
Neighborhood Cleaning Program ⁷	190,000	190,000	176,585	190,000	190,000	190,000	0	\$187,764
Security ⁸	0	105,000	489,342	105,000	106,798	260,832	0	\$177,829
Other Cost Subtotal	598,000	370,707	667,939	798,960	815,578	893,159	0	\$690,724
Total Cost	\$4,486,047	\$3,584,697	\$6,054,826	\$3,340,217	\$4,347,336	\$3,777,517	\$3,267,500	\$4,265,107

Source: Department of Homelessness & Supportive Housing

In addition, the Department of Homelessness and Supportive Housing estimates the annual cost of meals across all six department-operated Navigation Centers to be approximately \$2,207,885⁹.

Section 106.2 of the Administrative Code, which sets operating requirements, states Navigation Centers may have between 40 and 100 beds, unless the City Administrator documents the need to exceed the cap. The proposed ordinance increases the cap on the number of beds to 130 and requires the City Administrator to include the reasons for exceeding the bed cap. The Navigation Centers at Embarcadero, Hummingbird, and Division Circle fall outside the current and proposed bed range. If those Navigation Centers' operating costs are excluded from the

⁴ Costs annualized to reflect the cost for whole year.

⁵ Costs reflect opening of Navigation Center in December 2019.

⁶ Average costs exclude Hummingbird as it is not operated by the Department of Homelessness and Supportive Housing.

⁷ The Department of Homelessness and Supportive Housing states that the contract for Neighborhood Cleaning Services is sub-contracted through the site's nonprofit provider. Neighborhood Cleaning Services support Navigation Center clients by offering a workforce component. Neighborhood Cleaning Services employ Navigation Center clients, providing clients an opportunity to earn income while providing essential services and engaging with the neighborhood.

⁸ Security hours and coverage varies by site based on Program needs.

⁹ The Department of Homelessness and Supportive Housing estimates meal cost is \$5.26 per person per meal. Each Navigation Centers is expected to serve two meals per client per day. The cost of two meals per day per client for all active Navigation Centers is covered by HSH's contract with Meals on Wheels.

average analysis, the average operating cost for the remaining four facilities is \$3.9 million annually.

Capital Costs

According to the Department of Homelessness and Supportive Housing, the one-time capital costs for the existing Navigation Centers vary by many factors, such as the location, condition of the sites, size of the facility, and need for tenant improvements. For example, the Civic Center Navigation Center was a building that had existing utilities and infrastructure on-site, whereas the Division Circle Navigation Center was a vacant lot with no permanent utilities (e.g., power, water). Table 3 below shows capital costs to develop the existing Navigation Centers.

Table 3. One-Time Capital Costs for Homelessness and Supportive Housing Navigation Centers

Navigation Center	Capital Costs	Year of Construction
Division Circle	\$9,764,145	FY 2018-19 and FY 2019-20 ¹⁰
5th and Bryant (SOMA)	6,124,177	FY 2018-19
125 Bayshore	4,727,672	FY 2018-19
Central Waterfront	3,129,444	FY 2016-17
Civic Center	1,416,740	FY 2016-17 and FY 2019-20 ¹¹
Embarcadero SAFE	12,460,000	FY 2019-20
Average	\$6,270,363	

Source: Department of Homelessness & Supportive Housing

Capital costs include scoping, design and construction work, as well as tenant improvements. According to the Department of Homelessness & Supportive Housing and as shown above, the total one-time capital costs to operate each of the department's six Navigation Centers range from \$12,460,000 at Embarcadero SAFE to \$1,416,740 at Civic Center. The average capital cost across all six HSH-operated Navigation Centers is \$6,270,363. If the Navigation Centers that are outside the current and proposed bed cap are excluded from analysis, average capital costs to open a Navigation Center are \$3.8 million.

Potential Changes to Department and Provider Operating Costs

Department of Homelessness and Supportive Housing staff state that the Department would need to add positions for real estate and facilities, contract, shelter programs staff, external affairs staff, and program staff to support the 72-hour time limit for the intake process and comprehensive assessment for each Navigation Center. In addition, the Department states that there would be additional costs for staffing and resources for the nonprofit operators per Navigation Center to meet the proposed change to operational requirements. The actual increase in Navigation Center operating costs will depend on the extent to which currently operating practices differ from the proposed operating requirements and cannot be quantified at this time. Any new expenditure and position authority in FY 2020-21 would be subject to Board of Supervisors' approval.

¹⁰ \$6,164,145 in FY 2018-19 and \$3,600,000 in FY 2019-20 for expansion

¹¹ \$1,078,065 in FY 2016-17, and \$338,675 in FY 2019-20 for expansion

POLICY CONSIDERATION**Timing of Opening Navigation Centers**

The Board of Supervisors approved an ordinance in March 2019 (File 19-0047, Ordinance 61-19) to streamline the process for entering into leases and contracts for homeless shelters in order to expedite the opening of shelters (including Navigation Centers). According to Ms. Dylan Rose Schneider, Manager of Policy and Legislative Affairs at the Department of Homelessness and Supportive Housing, if the Department is not able to locate a Navigation Center site in each of the Supervisorial districts, the Department may not be able to meet the timelines of the proposed ordinance.

Proposed Leases on Navigation Center Sites

There are currently three proposed leases before by the Board of Supervisors for three additional Navigation Centers sites at 888 Post Street (File 20-0043), 33 Gough Street (File 20-0044), and 1156 Valencia Street (File 20-0015), the latter of which will be operated by the Department of Public Health. The proposed Navigation Center at 888 Post Street is in Supervisorial District 3 and the one at 1156 Valencia is in Supervisorial District 8, neither of which currently has a Navigation Center. However, both are expected to open in Fall 2020, which may be beyond the deadline to open two Navigation Centers in Districts currently without one within six months of enactment of the proposed ordinance. The Department of Homelessness and Supportive Housing states that opening any additional Navigation Centers in CY 2020 would require additional appropriation approval from the Board of Supervisors.

RECOMMENDATION

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

Item 2 File 20-0145	Department: Public Health
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution authorizes the Department of Public Health to enter into a grant agreement to provide Edgewood Center for Children and Family Services (“Edgewood”) \$350,000 for a term of no more than 90 days. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In September 2018, the Board of Supervisors approved a new contract between the Department of Public Health and Edgewood for a term from July 2018 through July 2021 and a total not to exceed amount of \$24,224,508. Under the contract, Edgewood provides behavioral health services for children and adolescents, including counseling, residentially based treatment, outpatient behavioral health, wraparound services, school-based behavioral services, and maintains a crisis and triage assessment center. • Due to allegations of misconduct and child abuse by Edgewood staff, the City has ceased referring patients to Edgewood’s residential programs. In April 2019, Edgewood provided a letter to the Department stating that it was experiencing a cash flow crisis and at risk of ceasing operations. • The purpose of the grant is to provide gap financing for the 90-day period so that Edgewood can continue to operate. The grant would require Edgewood to implement several corrective actions required for the City to resume placements into its residential programs, and to work with the City on a plan to achieve long-term financial and operational stability. The grant will be awarded without having undergone a competitive process. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The source of funds for the \$350,000 grant is funds that were originally appropriated to pay for Edgewood services under its professional services contract. According to Appendix B of the draft agreement, payment of the grant to Edgewood would occur over the 90-day period. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed resolution is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

City Charter Section 2.105 states that the Board of Supervisors shall only act by ordinance or by resolution.

BACKGROUND

In September 2018, the Board of Supervisors approved a new contract between the Department of Public Health and Edgewood Center for Children and Family Services (“Edgewood”) for a term from July 2018 through July 2021 and a total not to exceed amount of \$24,224,508. Under the contract, Edgewood provides behavioral health services for children and adolescents, including counseling, residentially based treatment, outpatient behavioral health, wraparound services, school-based behavioral services, and maintains a crisis and triage assessment center. According to the Department of Public Health, the services that Edgewood provides are unique and difficult to replicate.

According to Mr. Greg Wagner, Chief Financial Officer at the Department of Public Health, between June 2019 and December 2019, the City became aware of allegations of misconduct and child abuse by Edgewood staff, some of whom are now being criminally prosecuted. According to Mr. Wagner, the City has ceased referring patients to Edgewood’s residential programs and as a result is not currently paying Edgewood for those services. Mr. Wagner states that in April 2019, Edgewood provided a letter to the Department stating that it was experiencing a cash flow crisis and at risk of ceasing operations.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the Department of Public Health to enter into a grant agreement to provide Edgewood \$350,000 for a term of no more than 90 days. The purpose of the grant is to provide gap financing for the 90-day period so that Edgewood can continue to operate. The grant would require Edgewood to implement several corrective actions required for the City to resume placements into its residential programs, and to work with the City on a plan to achieve long-term financial and operational stability. The grant will be awarded without having undergone a competitive process.

Although no action is legally required by the Board of Supervisors for the Department to issue this grant, the Department has requested Board of Supervisors’ approval to issue the grant because the Department typically does not issue grants for this purpose.

The grant agreement requires that Edgewood submit for Department of Public Health approval a corrective action plan to address staff misconduct and identify any other victims, as well as business and financial sustainability plans that document the plan for Edgewood’s operational stability.

FISCAL IMPACT

According to Mr. Wagner, the source of funds for the \$350,000 grant is funds that were originally appropriated to pay for Edgewood services under its professional services contract. According to

Appendix B of the draft agreement, payment of the grant to Edgewood would occur over the 90-day period.

RECOMMENDATION

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