

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

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TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: December 8, 2021 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Item	File	Page
16	21-1204 Purchase of Real Property - Georgios Markoulakis and Crisula Markoulakis, as Trustees of the Markoulakis Family Trust, Dated November 6, 2008 - 822 Geary Street and 629 Hyde Street - \$6,320,000....	51

Item 16
File 21-1204

Department:
Public Health

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the purchase agreement with the Markoulakis Family Trust for 822 Geary Street and 629 Hyde Street.

Key Points

- The ordinance establishing Mental Health SF (File 19-1148) provided for a “Mental Health Urgent Care unit to offer clinical intervention to individuals who are experiencing “escalating psychiatric crisis and who require rapid engagement, assessment, and intervention to prevent further deterioration into an acute crisis or hospitalization.”
- DPH is considering two programs on the property starting in September 2022: a Crisis Diversion Unit and Safe Consumption Site. The Crisis Diversion Unit is expected to have up to 15 beds to treat mental health crisis and substance withdrawal, injury or overdose. A Safe Consumption Site would provide a space for drug users to safely consume substances under supervision of medical professionals and with access to social services.

Fiscal Impact

- Under the proposed purchase agreement, the cost of the site is \$6.32 million, including \$20,000 in closing costs. According to the proposed resolution, the \$6.32 million cost to purchase the site will be funded by Proposition C.
- Ongoing costs for the Crisis Diversion Unit are budgeted at \$4.5 million per year, but ongoing costs for the Safe Consumption program, and capital improvement costs for both properties are not yet known.

Policy Consideration

- The Budget and Legislative Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors because (a) the costs of property development and ongoing operations are not yet determined, and (b) whether the City can implement the Safe Consumption Program is not yet known.

Recommendations

- Approval of the proposed resolution is a policy matter for the Board of Supervisors.
- If the Board of Supervisors approves the resolution to purchase the properties, we recommend amending the resolution to request the Director of Health to report prior to the June 2022 Board review of the Department of Public Health budget on (1) details of proposed uses for the property including how the proposed use addresses Mental Health SF requirements, estimated property development and operating costs, and funding sources; and (2) the updated Bed Optimization Report and Department plans and funding sources to implement the report recommendations for additional mental health beds.

MANDATE STATEMENT

Administrative Code Section 23.3 states that the Board of Supervisors must approve acquisitions of real property by resolution. An appraisal of the property is required if the Real Estate Division determines that the fair market value is greater than \$10,000 and an appraisal review if the fair market value is greater than \$200,000.

BACKGROUND**Mental Health San Francisco**

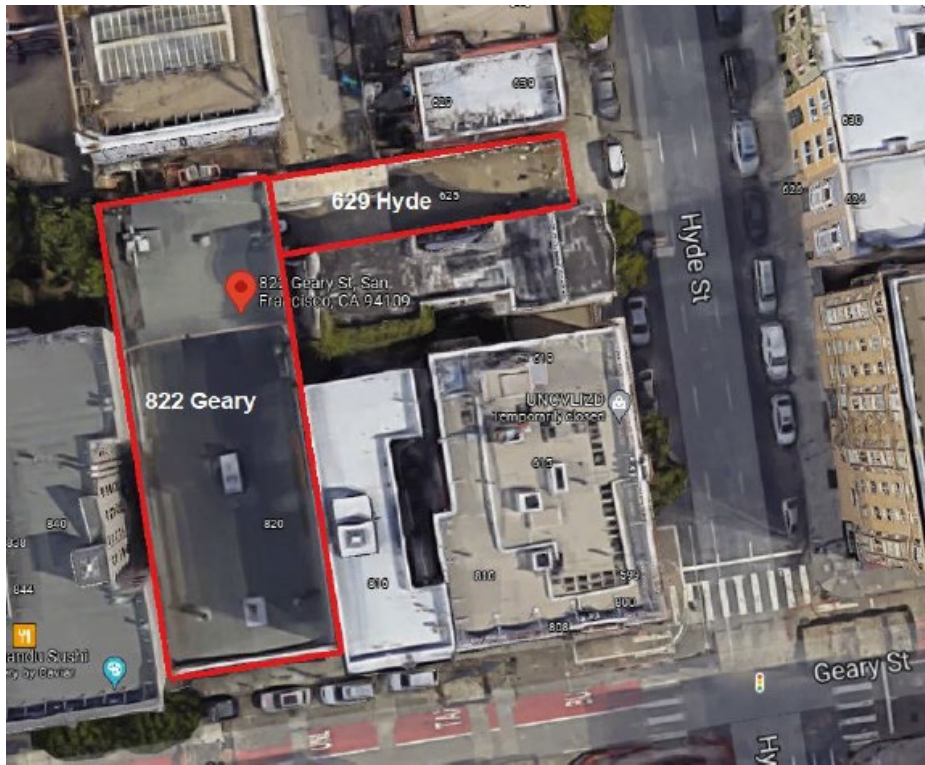
In December 2019, the Board of Supervisors approved a change to the Administrative Code to establish Mental Health SF (File 19-1148). The intent of the legislation was to expand behavioral health services, including transitional treatment beds for residents with mental health and substance issues.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve the purchase agreement with the Markoulakis Family Trust for 822 Geary Street and 629 Hyde Street, (2) authorize Real Estate Division and Public Health staff to take all necessary actions to purchase the site, and (3) affirm the Planning Department's determination that the purchase is not considered a project under the California Environmental Quality Act and is consistent with the City's General Plan. According to DPH, the site is intended to be used as for a Crisis Diversion Program and a Safe Consumption Program, described below.

Property

822 Geary Street includes a two-story building that was formerly a Goodwill retail store. 629 Hyde is an adjacent vacant parking lot with a small storage building. Exhibit 1 below shows the properties.

Exhibit 1: Aerial View of Properties

Source: General Plan Referral

Site selection

Staff from Real Estate and DPH surveyed available properties in the Tenderloin to identify suitable sites for the Mental Health SF programs described below to provide services to residents of that neighborhood. According to Kathy Jung, DPH Director of Facilities & Planning, the Department does not have any vacant or underutilized sites in the Tenderloin. According to Andrico Penick, Director of Real Estate, the proposed property was selected for purchase because it has wide-open interior space, which provides for flexible development options; an outdoor space for client respite; was accessible to public transportation; a well trafficked location; good street frontage; and easy access. An appraisal completed by the Dore Group confirms that the proposed purchase price is at or below market value, which was confirmed by an appraisal review completed by Colliers International.

Inspections

Capital Improvements

According to DPH staff, the Department of Public Works is completing a design analysis to improve the site. The scope of the improvements includes a clinic reception area and waiting room; staff bathrooms, break, and work areas; private consultation rooms; injection stations; a negative pressure room; a quiet space for clients that includes access to outdoors; and bathrooms and storage areas for clients.

Construction of the capital improvements is expected to be complete by August 2022. However, cost estimates for the improvements are not yet known because the project is still in the design phase.

Programs

DPH is considering two programs on the property starting in September 2022: a Crisis Diversion Unit and Safe Consumption Site. The total cost to deliver both programs is not yet known and the final Mental Health SF programs delivered at the property are subject to change.

Crisis Diversion

According to DPH, the Crisis Diversion Unit is expected to have up to 15 beds to treat mental health crisis and mild to moderate substance withdrawal, injury or overdose. DPH plans to convert the ground floor of the building on 822 Geary for this purpose.

Safe Consumption

A Safe Consumption Site would provide a space for drug users to safely consume substances under supervision of medical professionals and with access to social services. DPH plans to convert the mezzanine of the building on 822 Geary to individuals stalls for this purpose, however the number of stalls has not been determined yet.

Space Analysis

The ground floor of 822 Geary is 6,873 square feet, which would provide approximately 458 square feet per Crisis Diversion treatment beds including common space and space for staff. This is similar to the approximate 400 square foot per bed for the 20-bed drug crisis response center being developed in the 8,000 square foot ground floor of 1076 Howard Street.

As of this writing, Safe Consumption serves are intended to be located primarily on the 2,187 square foot lot on 629 Hyde Street. The 2,092 square foot mezzanine of the building on 822 Geary would be used for administrative and support services. Assuming 400 square feet per treatment area, the combined area could support approximately ten safe consumption stalls.

FISCAL IMPACT

Under the proposed purchase agreement, the cost of the site is \$6.32 million, including \$20,000 in closing costs. According to the proposed resolution, the \$6.32 million cost to purchase the site will be funded by Proposition C expenditures authorized in the FY 2021-22 DPH budget.

Ongoing costs for the Crisis Diversion Unit are budgeted at \$4.5 million per year, with the \$1.5 million expected in MediCal reimbursements and approximately \$3 million funded by Proposition C.

According to DPH staff, capital improvement costs for both properties, and ongoing operating costs for the Safe Consumption program are not yet known but could be funded by Proposition C revenues or other operating and capital funds depending on the specific design of the final program.

POLICY CONSIDERATION

The ordinance establishing Mental Health SF (File 19-1148) provided for a Mental Health Urgent Care unit to offer clinical intervention to individuals who are experiencing “escalating psychiatric crisis and who require rapid engagement, assessment, and intervention to prevent further deterioration into an acute crisis or hospitalization.”

Acute Diversion Unit

The 822 Geary property would have up to 15 acute diversion (or “crisis receiving”) beds in addition to the existing 12 acute diversion beds at Dore Urgent Care Clinic.¹ The June 2020 “Behavioral Health Bed Optimization Report”, prepared by the Director and Program Coordinator of San Francisco Mental Health Reform, recommended investing in additional capacity in locked subacute treatment beds, psychiatric skilled nursing beds, mental health residential treatment beds, and board and care beds. According to the report, three types of mental health beds – acute diversion, substance use treatment, and withdrawal management – were highlighted by the bed optimization model to have “utilization levels and capacity that sufficiently accommodate flow in current operations.”

Subsequently, the Mental Health San Francisco Implementation Working Group issued a report in October 2021 recommending adding 15 to 30 acute diversion beds, based on San Francisco population.² According to DPH, best practices show that the City should have 42 “crisis receiving beds” but the Dore Urgent Care Clinic has a maximum capacity of 12 beds. The proposed Crisis Diversion Unit would provide 15 additional “crisis receiving beds” for residents who are suffering from a mental health and substance use crisis. The Crisis Diversion Unit would be a destination for paramedic and Street Crisis Response Team clients that do not meet the acuity criteria for

¹ “Acute diversion” is defined in the June 2020 “Behavioral Health Bed Optimization Report” as a component of crisis services, which are a continuum of services provided to individuals experiencing a psychiatric emergency. The primary goal of these services is to stabilize and improve psychological symptoms of distress and to engage individuals in an appropriate treatment. These services consist of psychiatric emergency and urgent care services, and acute diversion units.

² Both the 2020 Behavioral Health Bed Optimization Report and 2021 Mental Health San Francisco Implementation Working Group report counted 74 crisis services beds, including 18 beds at Psychiatric Emergency Services located at San Francisco General Hospital, 12 beds at Dore Urgent Care Clinic, and 44 acute diversion beds at other locations.

being admitted to Psychiatric Emergency Services. Clients will remain on-site for three to five days.

Safe Consumption Program

According to DPH, a Safe Consumption program is an evidence-based strategy will lower the risk of overdose, disease transmission, and infections through education and links to treatment for substance use, mental health, primary care, and other services.

Assembly Bill 187, which would have allowed San Francisco to operate such a program, was vetoed by Governor Brown in 2018. According to the Governor's veto message, "although this bill creates immunity under state law, it can't create such immunity under federal law. In fact, the United States Attorney General has already threatened prosecution and it would be irresponsible to expose local officials and health care professionals to potential federal criminal charges". A similar bill, Senate Bill 57, is pending in the California legislature. According to media reports, the Trump administration sued to stop a safe consumption site in Philadelphia from opening. Despite the legal uncertainty, according to media reports, a non-profit funded by New York City began operating two safe consumption sites in November 2021 and the U.S. Department of Justice declined to comment on whether it would intervene.

DPH staff did not provide any information related to how the City was managing these risks or what milestones and policy issues need to be resolved before establishing that the Safe Consumption Program was viable or the timeline for doing so. DPH staff did report that the Department may implement a different Mental Health SF or Proposition C funded program if it determines that a Safe Consumption Program is not viable but did not provide a criteria or timeline for that determination.

Lack of Definition of Programming and Costs

As noted above, the final uses of the site, the cost for the Safe Consumption Program, and the capital costs to improve the proposed properties is not yet known. This is in contrast to a similar behavioral health property transaction in March 2020, when the Board of Supervisors approved a lease for 1156 Valencia Street for a temporary Hummingbird program (File 20-0115). In that case, the program design, operating costs, and capital costs for the program on that site were provided to the Board of Supervisors. DPH staff have communicated that the Department will go through a community process to finalize use of the space.

Policy Consideration

The Budget and Legislative Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors because (a) the costs of property development and ongoing operations are not yet determined, and (b) whether the City can implement the Safe Consumption Program is not yet known.

If the Board of Supervisors approves the proposed resolution authorizing the purchase of 822 Geary Street and 629 Hyde Street, the Board should request the Director of Health to report prior to the June 2022 Board review of the Department of Public Health budget on (1) details of proposed uses for the property including how the proposed use addresses Mental Health SF

requirements, estimated property development and operating costs, and funding sources; and (2) the updated Bed Optimization Report and Department plans and funding sources to implement the report recommendations for additional mental health beds.

RECOMMENDATIONS

1. Approval of the proposed resolution is a policy matter for the Board of Supervisors.
2. If the Board of Supervisors approves the resolution to purchase the properties, we recommend amending the resolution to request the Director of Health to report prior to the June 2022 Board review of the Department of Public Health budget on (1) details of proposed uses for the property including how the proposed use addresses Mental Health SF requirements, estimated property development and operating costs, and funding sources; and (2) the updated Bed Optimization Report and Department plans and funding sources to implement the report recommendations for additional mental health beds.