

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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May 2, 2025

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: May 7, 2025 Budget and Finance Committee Meeting

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Item 1 File 25-0338	Department: Airport
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution would approve the second modification to the contract between the Airport and Hallmark Aviation Services, L.P. (Hallmark) for Airport information and guest assistance services, extending the term for one year for a total two-year term from July 1, 2024 through June 30, 2026, and increasing the contract amount by \$10,701,990 to a new total amount of \$20,001,419. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> In February 2024, the Airport issued a Request for Proposals (RFP) to award a new contract for Airport information and guest assistance services. The Airport received one proposal from Hallmark, the existing provider, which met all minimum required qualifications and was awarded a contract. In June 2024, the Airport executed a contract with Hallmark for a one-year term, from July 1, 2024 through June 30, 2025, with three options to extend for one year each, and an amount not to exceed \$9,299,429. Services are provided by Hallmark, which assists the international arrivals passenger process through Federal Inspection Services, and Polaris, a Local Business Enterprise subcontractor that staffs the Airport information desks. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The proposed total not to exceed amount of \$20,001,419 includes a 17 percent contingency and is funded by Airport operating revenues. Projected FY 2025-26 expenditures of \$10.7 million are based on increased hourly rates for Hallmark staff, an increase of 8.41 budgeted FTE positions (or 8.5 percent) from a total of 98.62 budgeted FTEs in FY 2024-25 to 107.03 budgeted FTEs in FY 2025-26, and an increase in other direct costs. <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

In February 2024, the Airport issued a Request for Proposals (RFP) to award a new contract for Airport information and guest assistance services. The Airport received one proposal from Hallmark Aviation Services, L.P. (Hallmark), the existing provider, which was deemed to meet all minimum required qualifications outlined in the RFP and was awarded a contract. According to the RFP, proposers must meet the following required minimum qualifications: (1) At least three years of experience within the last ten years providing face-to-face customer assistance services on behalf of an airport, transportation hub, or major airline carrier with at least 15 million passengers, (2) At least three years of experience within the last eight years providing customer assistance to international arriving customers at an airport with at least two million annual international deplanements, (3) Provide an on-site manager with at least five years of experience managing a customer service program at an airport, transportation hub, or major airline carrier with a guest service staff of at least 25 full-time equivalent positions, and (4) At least one of the general partners or constituent members of a joint venture or partnership must possess the minimum qualifications outlined above (if a partnership or joint venture is submitted as part of the proposal). Because there was only one vendor who submitted a proposal and met all minimum required qualifications, the Airport stated that panelists were not required to evaluate and score the proposal.

Agreement History

In June 2024, the Airport executed a contract with Hallmark for a one-year term, from July 1, 2024 through June 30, 2025, with three options to extend for one year each, and an amount not to exceed \$9,299,429. Because the contract was less than \$10 million and less than 10 years, the contract did not require Board of Supervisors' approval.

In February 2025, the Airport approved the first modification to the contract, updating the labor rates, increasing the amount authorized for other direct costs, updating position titles and worker classifications, and updating standard contract provisions. There were no changes to the total contract amount or duration.

In April 2025, the Airport Commission approved the contract's second modification, which is now under consideration for approval by the Board of Supervisors.

Controller's Certification

Historically, the services have been certified by the Controller's Office and approved by the Board of Supervisors as work that can be contracted out at a lower cost than similar work performed

by City employees (per requirements under City Charter Section 10.104.15). In April 2024, the Controller's Office determined these services met Charter requirements. In June 2024, the Board of Supervisors approved a resolution concurring with the Controller's certification allowing the Airport to contract with private companies for information and guest services (File 24-0460).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the second modification to the contract between the Airport and Hallmark for Airport information and guest assistance services, extending the term for one year for a total two-year term from July 1, 2024 through June 30, 2026, and increasing the contract amount by \$10,701,990 to a new total amount of \$20,001,419. The proposed resolution would exercise the first of three one-year extension options under the original contract.

We note that the draft proposed second modification in the legislative file does not formally amend the term or not to exceed amount. We recommend that the Airport revise the proposed modification to update the term in Article 2 and the not to exceed amount in Article 3.3, consistent with the proposed resolution.

Services Provided

Under the proposed modification, Hallmark will continue to provide the following services to the Airport:

- **Airport Information Desk Program:** Provide information to the public on airport services, transportation options, visitor attractions, and other services at seven arrival level information desks and nine departure level desks in Airport Terminals 1, 2, 3 and the International Terminal. This includes selling public transit passes, administering lost and found services, administering a Travelers Information Volunteers Program to coordinate volunteer recruitment and support for departure level information desks, and responding to complaints, among other services. These services are performed by Polaris Research and Development, Inc. (Polaris), which is a Local Business Enterprise subcontracted by Hallmark. Polaris currently provides these services to the Airport under the existing contract which requires a Local Business Enterprise participation rate of 35 percent.
- **Federal Inspection Services and Terminal Area Support:** Assist the international arrivals passenger process through Federal Inspection Services with guest assistance, queue management, language interpretation, directional guidance, and other services.

Rate and Staffing Level Changes

The contract establishes direct labor costs per employee and staffing levels for Quality Standard Program¹ (QSP) workers (Guest Services Agents and Guest Services Supervisors) and non-QSP

¹ According to the Airport, the QSP program applies to any firm, including airlines and service providers, which employs staff that perform services which directly impact safety and/or security at the Airport and require the

workers (Information Desk – Ambassadors, Information Desks – Lead, and Volunteer Coordinators).

Under the proposed modification, hourly rates and/or the number of full-time positions would change as follows:

- Guest Services Agents: Hourly rate will increase from a range of \$22.06 - \$25.04 to \$22.31 - \$25.29 for agents who do not waive health benefits and from \$25.04 - \$26.04 to \$25.29 - \$26.29 for agents who waive health benefits. The number of full-time positions would also increase from 38 to 46.
- Guest Services Supervisors: Hourly rate will increase from a range of \$25.06 - \$28.42 to \$28.06 - \$28.67 for supervisors who do not waive health benefits and from \$28.42 - \$29.42 to \$28.67 - \$29.67 for supervisors who waive health benefits. The number of full-time positions would also increase from five to nine.
- Information Desk Ambassadors: There is no change to the 32 existing full-time positions or hourly wage of \$21.21 - \$23.00.
- Volunteer Coordinators: Number of full-time positions would increase from two to three with no change to the hourly wage of \$43.32.
- Information Desks Lead: There is no change to the five existing positions or hourly wage of \$22.46 to \$28.50.

According to the Airport, the hourly rates for the QSP workers² (Guest Services Agents and Guest Services Supervisors) are increasing because of the need to provide competitive wages to attract and retain employees. In addition, the increase in staffing levels is needed to provide guest support for major construction projects at Terminal 3 West, as well as an anticipated increase in the number of international passengers in Federal Inspection Areas and passenger traffic through the terminals. The proposed rates for the QSP workers are above the QSP minimum rate of \$22.04 per hour (effective July 1, 2025).³

The Airport states that the increased staffing levels for non-QSP workers (Information Desk Ambassadors and Volunteer Coordinators) are driven by a need to support additional information desks at Terminals 1 and 3, as well as the ongoing increase in the number of volunteers participating in the Travelers Information Volunteers Program.

Other Direct Costs and Management Fee

In addition, the other direct costs⁴ are increasing by \$60,400 from \$208,749 to \$269,149 annually, with the largest increase in guest support supplies (from \$12,000 to \$70,000). According to the

issuance of an Airport badge with Airfield Operations Area access, as well as perform duties in and around the Airfield Operations Area.

² QSP workers are not unionized, while non-QSP workers are unionized.

³ The QSP rate changes every year, such that the minimum hourly wage is at all times \$0.50 an hour above the current San Francisco Minimum Wage.

⁴ Other direct costs include expenses such as communication devices and fees, guest support supplies, employee recognition and reward, staff uniforms, and printing, among other costs.

Airport, the increased amount is needed for the multiple efforts to address homelessness at the Airport, such as purchasing transportation tokens (e.g., BART, SamTrans) for staff engaging in homelessness outreach. Airport staff also state that this area has been historically underfunded.

The management fee remains fixed at \$1,429,056 annually, or \$119,088 per month.

Performance Monitoring

The contract does not require performance monitoring reports, though the vendor must submit any written reports if requested by the Airport Commission. In addition, per the contract, the vendor must provide an electronic weekly report to the Airport detailing the number of persons served and other information as requested on an hourly basis, by desk. The Airport states that in lieu of ongoing performance monitoring reports, staff meet regularly on a bi-weekly basis, as well as on an as-needed basis, with the vendor's leadership group to address any operational, staffing, or performance issues that may arise.

FISCAL IMPACT

The proposed second modification would increase the not-to-exceed amount of the Hallmark contract by \$10,701,990, for a total not to exceed \$20,001,419. Actual and projected contract expenditures from July 2024 through June 2025 are \$7,103,328, as shown in Exhibit 1 below.

Exhibit 1. Total Contract Expenditures from July 1, 2024 through June 30, 2026

Actual and Projected Expenditures	Management Fee	Hallmark Salaries and Benefits	Polaris Salaries and Benefits	Other Direct Costs	Total
FY 2024-25 (Actuals as of 3/31/25)	\$1,071,792	\$2,105,867	\$1,889,861	\$73,545	\$5,141,064
FY 2024-25 (Projected April through June)	357,264	810,000	750,000	45,000	1,962,264
Subtotal	\$1,429,056	\$2,915,867	\$2,639,861	\$118,545	\$7,103,328
Budgeted Expenditures					
FY 2025-26	\$1,429,056	\$5,260,528	\$3,743,257	\$269,149	\$10,701,990
Subtotal	\$2,858,112	\$8,176,395	\$6,383,118	\$387,694	\$17,805,318
Contingency (17% of projected & budgeted)					\$2,196,101
Total					\$20,001,419

Source: Airport

As shown above, the proposed one-year extension is budgeted at \$10,701,990, which is an increase of \$3,598,662 or 50.7 percent from the previous year projected expenditures of \$7,103,328. The Airport states that projected FY 2025-26 expenditures are based on increased

hourly rates⁵ for QSP workers (as described above), an increase of 8.41 budgeted FTE positions⁶ (or 8.5 percent) from a total of 98.62 budgeted FTEs in FY 2024-25 to 107.03 budgeted FTEs in FY 2025-26, and an increase in other direct costs.

Contingency and Source of Funds

Actual and projected spending in FY 2024-25 is \$2,196,101 less than the existing not to exceed amount (\$9,299,429). According to Airport staff, this is due to a number of reasons: (1) cost savings in salaries and benefits as the contractor modified or reduced staffing as necessary depending on the forecasted operations such as total enplanements at Federal Inspection Areas and/or total number of passengers; and (2) the contractor also identified savings in Other Direct Costs. The proposed amendment maintains these projected unspent funds as a contingency to accommodate potential increases in staffing beyond the currently budgeted amounts. This contingency is equal to approximately 17.3 percent of projected expenditures from April 2025 through June 2026 and is in addition to savings that may be generated from paying employees less than the highest pay rate (which was the basis of the proposed budget).

According to Appendix B of the contract, the Airport will reimburse the vendor for actual costs, supported by documentation. The source of funds for the contract is Airport operating revenues.

RECOMMENDATION

Approve the proposed resolution.

⁵ The Airport accounted for the highest pay rates for the Guest Services Agent (with health insurance) and Guest Services Supervisor (with health insurance), as well as the highest pay rates for the other positions to calculate the budgeted expenditures and determine the potential maximum cost impact. Individual pay rates may vary within the range based on experience, tenure, and shifts assignments.

⁶ The number of budgeted FTEs is greater than the number of full-time positions listed in Appendix B. According to Airport staff, budgeted FTE reflects total labor hours as a proportion of a full time schedule and includes additional part-time staffing to meet operational needs.

Items 3 & 4 Files 25-0323, 25-0324	Department: Department of Public Health (DPH), Human Services Agency (HSA), Real Estate Division (RED)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolutions would approve the following new lease agreements in the Bayview Plaza (3801 Third Street): (1) File 25-0324 approves a new lease with DPH (as tenant) and Bayview Plaza, LLC (as landlord) for the 14,825 square foot premises at 3801 Third Street, Suite 400, for a five-year term through November 30, 2029, with two five-year options to extend the lease, and an annual base rent of \$489,225, or \$33.00 per square foot, with no annual rent increases, and (2) File 25-0323 approves a new lease with HSA (as tenant) and Bayview Plaza, LLC (as landlord) for the 15,947 square foot premises at 3801 Third Street, Suites 200, 205, 210, 220, 230, 235, 240 and 250, for a three-year term through November 30, 2027, with one five-year option to extend the lease, an annual base rent of \$526,251, or \$33.00 per square foot, with no annual rent increases. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> DPH would continue to use office space in the Bayview Plaza (3801 Third Street) to operate its Foster Care Mental Health Program and Comprehensive Crisis Response Team Program, while HSA would continue to use the space to operate its Family and Children’s Services program. The DPH lease has been on holdover status since June 30, 2022, and the HSA lease has been on holdover status since November 30, 2024. Preparation of the new leases was delayed due to negotiations of lease terms and Real Estate Division (RED) staff turnover. Under the proposed leases, the landlord will provide utilities, janitorial, and security services at no additional costs. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> Over the initial five-year term of the proposed lease with DPH, total rent to be paid is \$2,446,125. Over the initial three-year term of the proposed lease with HSA, total rent to be paid is \$1,578,753. Both leases provide for no annual rent increases. The cost for the DPH lease would be paid from the City’s General Fund. Approximately one-third of the total cost for the HSA lease will be paid from state and federal revenues, with the remaining cost to be paid from the City’s General Fund. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> The City is currently seeking to purchase a site in or near the Bayview neighborhood to relocate Human Service Agency operations from 170 Otis Street. HSA is planning to move the HSA programs that operate out of 3801 Third Street to this site, but there is no plan to include space in that site for the Public Health programs that operate out of this leased space. Moving to City-owned space would provide long-term savings to the City but comes with upfront capital and financing costs of acquiring property. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed resolutions. 	

MANDATE STATEMENT

Administrative Code Section 23.27 states that the Board of Supervisors shall approve all leases on behalf of the City as tenants by resolution for which the term is longer than a year and costs over \$15,000 per month.

BACKGROUND

The Department of Public Health (DPH) and the Human Services Agency (HSA) have leased office space in the Bayview Plaza (3801 Third Street) since 1998. DPH currently uses the space to operate its Foster Care Mental Health Program and Comprehensive Crisis Response Team Program, while HSA uses the space to operate its Family and Children's Services program.

DPH Lease

In September 2013, the Board of Supervisors retroactively approved a new lease with DPH (as tenant) and Bayview Plaza, LLC (as landlord) for the 14,825 square foot premises at 3801 Third Street, Suite 400, for a term from July 1, 2013 through June 30, 2018, with one four-year option to extend the lease, and an annual base rent at \$462,540, or \$31.20 per square foot (File 13-0701). The lease provided for annual adjustments between two percent and five percent based on the Consumer Price Index (CPI). In January 2018, the Director of Property (on behalf of the City) and Landlord agreed to exercise the one four-year option to extend the lease at a base annual rent of \$519,090 (\$35.01 per square foot), for an extended term from July 1, 2018 through June 30, 2022. According to the Real Estate Division (RED) staff, the lease has been on holdover status since June 30, 2022 due to staff turnover, continuance of a proposed new lease that was ultimately not approved, and efforts to identify an alternative site.

In November 2023, a proposed resolution to execute a new lease for a five-year term, with two five-year options to extend, between Bayview Plaza, LLC and DPH, for 14,825 square feet within Suite 400 at 3801 Third Street, with a total annual base rent of \$554,347 (\$37.39 per square foot) and three percent annual increases, was continued to call of the Chair (File 23-0998). According to the March 21, 2025 letter from RED, DPH staff investigated whether the Foster Care Mental Health Program and Comprehensive Crisis Response Team Program could relocate to the South East Community Center (SECC). However, based on a site visit in January 2024 and a review of SECC floor plans, DPH and RED determined that relocation for either program would be infeasible.¹ DPH and RED investigated other locations, but was unable to find a viable, cost-effective space due to the lack of office space in the Bayview/3rd Street area. Consequently, with the decline in office rental rates citywide, RED negotiated a proposed new lease at a reduced rental rate and no annual rent increases, which is now under consideration for approval by the Board of Supervisors.

¹ DPH states the relocation would be infeasible for the following reasons: (1) The second and third floors of the SECC's approximately 10,000 square foot premises are currently occupied by community groups, nonprofit organization tenants, and City agencies. (2) The size of the space is smaller and not currently configured to serve as a public-facing health facility.

HSA Lease

In November 2019, the Board of Supervisors approved a five-year extension of a lease between HSA (as tenant) and Bayview Plaza, LLC (as landlord) for the 15,083 square foot premises at 3801 Third Street, Suites 200, 205, 210, 220, 230, 235, and 240 for a total term of December 1, 2014 through November 30, 2024 (File 19-1050). HSA had leased the space since at least 2009. The initial monthly base rent was \$45,325 for a total annual base rent of \$543,902 (\$36.06 per square foot). The lease provided for annual adjustments between three percent and five percent based on the CPI. According to RED staff, the lease has been on holdover status since November 30, 2024 due to staff turnover.

The proposed new lease with HSA also includes the addition of 864 square foot premises at Suite 250, which is currently being leased by HSA for an annual base rent of \$35,176 (\$40.71 per square foot) under a separate lease. The lease commenced on December 1, 2016 with a one-year term through November 30, 2017 and continuing on a year-to-year basis until November 30, 2024.² The two aforementioned leases are being combined into the proposed new lease.

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would approve the following new lease agreements in the Bayview Plaza (3801 Third Street):

1. **File 25-0324** approves a new lease with DPH (as tenant) and Bayview Plaza, LLC (as landlord) for the 14,825 square foot premises at 3801 Third Street, Suite 400, for a five-year term through November 30, 2029, with two five-year options to extend the lease, and an annual base rent of \$489,225, or \$33.00 per square foot. The term would commence upon Board of Supervisors' approval. The proposed lease provides for no annual rent increases.
2. **File 25-0323** approves a new lease with HSA (as tenant) and Bayview Plaza, LLC (as landlord) for the 15,947 square foot premises at 3801 Third Street, Suites 200, 205, 210, 220, 230, 235, 240 and 250, for a three-year term through November 30, 2027, with one five-year option to extend the lease, an annual base rent of \$526,251, or \$33.00 per square foot. The term would commence upon Board of Supervisors' approval. The proposed lease provides for no annual rent increases.

Both resolutions also authorize RED to make further immaterial amendments to the leases. The draft leases currently state December 1, 2024 as the estimated commencement date, but RED noted the term would commence upon Board approval and will revise the dates on the leases upon execution.

Exhibit 1 below summarizes the terms and conditions of the provisions for each of the proposed leases.

² The lease was authorized under the Director of Property's Administrative Authority per Administrative Code Section 23.26, which allows the Director of Property to enter into leases on behalf of the City as tenant on a year-to-year or shorter tenancy where the rent to be paid for the lease is \$15,000 or less per month. The initial monthly rent on the lease was \$2,445 per month.

Exhibit 1. Summary of Proposed Leases

	DPH Lease	HSA Lease
Premises	14,825 square feet at 3801 Third Street, Suite 400	15,947 square feet at 3801 Third Street, Suites 200, 205, 210, 220, 230, 235, 240 and 250
Base Rent (annual)	\$489,225 (\$33.00 per square foot)	\$526,251 (\$33.00 per square foot)
Services and Utilities	Landlord will provide utilities, janitorial services, and security services.	Landlord will provide utilities, janitorial services, and security services.
Term	Five years	Three years
Options to extend	Two options to extend for five years each (with base rent at 95% of prevailing market rent)	One option to extend for five years (with base rent at 95% of prevailing market rent)
Base Rent Adjustment Amount	None	None
Tenant Improvements	Landlord to complete installation of new entry door at building entrance within six months after lease commencement	Landlord to complete installation of new entry door at building entrance within six months after lease commencement

Source: Lease Agreements

Full Service Leases

Under both proposed lease agreements, the landlord will provide utilities and building system services at no additional cost, including electricity, water, ventilation, and elevator services. The landlord will also provide, under contract, janitorial services and security services. There is one security guard on the property from 12pm to 8pm, seven days a week, and the property is patrolled from 9pm to 6am seven days a week.

Lease Terms

According to Celia Pedroza, HSA Budget Director, HSA is proposing an initial lease term of three years (and one option to extend) to coincide with the planned purchase of a building in the southeast area of the City to house HSA services. The moving plan does not include the DPH staff utilizing the space covered by DPH's Bayview Plaza lease because there is not sufficient space. For this reason, the DPH lease has an initial term of five years with two five-year options to extend.

Parking

Under the proposed lease agreement with DPH, the City also has the right to park one vehicle in the parking lot during normal business hours, for more than the 2-hour posted limit. Four additional cars may park in the lot outside of business hours.

Under the proposed lease agreement with HSA, the City has the right to park six vehicles in the parking lot during normal business hours, for more than the 2-hour posted limit. Four additional cars may park in the lot outside of business hours.

Building Usage

DPH would continue to use Suite 400 in 3801 Third Street for the Foster Care Mental Health Program and Comprehensive Crisis Services. According to the Department of Public Health, as of

April 2025, there are 64 work stations on the premises across both programs (and a total of 96 budgeted staff for the site, including 13 vacant positions). DPH staff report that Comprehensive Crisis Services serves over 1,000 clients annually. Foster Care Mental Health Program maintains a client load of 50 and will see 10 to 12 clients per month on-site but mostly conducts outreach. DPH's leased premises include nine interview rooms, one family meeting room, four crisis team meeting rooms, and one large conference room that is shared by both programs.

HSA would continue to use Suites 200, 205, 210, 220, 230, 235, 240, 250 in 3801 Third Street for operating its Family and Children's Services program, which provides child welfare services such as counseling, child visitation, foster care, parent education, case management, and other activities. The premises are in the same plaza as HSA's partners at DPH, who provide mental health services to clients in conjunction with the Family and Children's Services program. According to HSA staff, there are 113 FTE on the premises. In addition to HSA staff, there are two contractors that work on the premises for Family Builders By Adoption, a nonprofit organization, and provides services that promote permanency (adoption, reunification, or guardianship) for children and youth involved in the San Francisco child welfare system. According to the most recent FY 2023-24 program monitoring report, the organization is meeting objectives for the contract. HSA states that the Family and Children's Services program serves approximately 400 cases throughout a calendar year for an estimated client load of 1,200 annually, including 400 children and their parents/caretakers. HSA's leased space includes 12 offices, cubicles, and hoteling stations³ for HSA staff and DPH staff, three conference rooms, staff and client training/classrooms, client meeting rooms, and a child visitation room (playroom).

Base Rent

Because the proposed rent is less than \$45 per square foot, the leases do not require appraisals under Administrative Code Chapter 23. RED staff determined that the proposed base rent rate of \$33.00 per square foot under both proposed leases is at or below the market rate based on a review in October/November 2024 of comparable leases in the Bayview Hunters Point area executed in the last two years. As previously mentioned, RED states the location has a lack of office inventory, which made identifying comparable properties with similar uses challenging.

The proposed rent for each lease is \$5.29 - \$9.91 less per square foot than current rent, depending on the space.

FISCAL IMPACT

DPH Lease (File 25-0324)

As shown in Exhibit 2 below, over the initial five-year term of the proposed lease, total rent to be paid by DPH is \$2,446,125. As previously mentioned, the lease provides for no annual rent increases. Under the proposed five-year lease agreement, the annual base rent of \$489,225, or \$33.00 per square foot, is \$78,420 or 14 percent less than the current annual base rent of \$567,645, or \$38.29 per square foot due to declining office rental rates. In addition, the proposed

³ Hoteling is reservation-based unassigned seating; employees reserve a workspace before they come to work in an office.

rent over the initial five-year term is \$496,979 or 17 percent less than the rent over the initial term in 2023 proposed lease (\$2,943,104), which was not approved. As mentioned previously, the annual rent in the 2023 proposed lease was \$37.39 per square foot, with three percent annual escalation.

Exhibit 2. Total Costs by Year Under Proposed DPH Lease

Lease Year	Monthly Rent	Annual Rent
Year 1	\$40,769	\$489,225
Year 2	40,769	489,225
Year 3	40,769	489,225
Year 4	40,769	489,225
Year 5	40,769	489,225
Total		\$2,446,125

Source: Lease Agreement

The total cost would be paid from the City's General Fund, subject to Board of Supervisors' appropriation approval in DPH's annual budget.

HSA Lease (File 25-0323)

As shown in Exhibit 3 below, over the initial three-year term of the proposed lease, total rent to be paid by HSA is \$1,578,753, and the lease provides for no annual rent increases. Under the proposed three-year lease agreement, the annual base rent of \$526,251, or \$33.00 per square foot, is \$156,127 or 23 percent less than the current annual base rent of \$682,378, or \$42.79 per square foot⁴ due to declining office rental rates.

Exhibit 3. Total Costs by Year Under Proposed HSA Lease

Lease Year	Monthly Rent	Annual Rent
Year 1	\$43,854	\$526,251
Year 2	43,854	526,251
Year 3	43,854	526,251
Total		\$1,578,753

Source: Lease Agreement

According to HSA staff, approximately one-third of the total cost will be paid from state and federal revenues, while the remaining cost will be paid from the City's General Fund, subject to Board of Supervisors' appropriation approval in HSA's annual budget.

⁴ This is the combined annual rent for the two existing HSA leases, including \$647,202 (\$42.91 per square foot for the larger space (15,083 square feet) and \$35,176 annually (\$40.71 per square foot) for the smaller space (864 sf).

POLICY CONSIDERATION**Moving to City Owned Property**

The City is currently seeking to purchase a site in or near the Bayview neighborhood as part of HSA's plans to relocate Human Service Agency operations from 170 Otis Street. HSA is planning to move the HSA programs that operate out of 3801 Third Street to this site. There is no plan to include space in that site for the Public Health programs that operate out of this leased space. HSA staff state this is due to a lack of space, as the remaining square footage of the site is reserved to house Economic Support and Self-Sufficiency and Department of Disability and Aging Services (DAS) programs. Moving to City-owned space would provide long-term savings to the City but comes with upfront capital and financing costs of acquiring property.

RECOMMENDATION

Approve the proposed resolutions.

Item 6 File 25-0395	Department: Homelessness & Supportive Housing
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the second amendment to the agreement between the Homeless Prenatal Program and the Department of Homelessness and Supportive Housing (HSH) for family rapid rehousing (RRH) subsidies through the Supportive Housing Assistance and Readiness Efforts (SHARE) program and adds new one-time subsidy slots funded by the Safer Families Plan. • The amendment extends the grant term by four years, from June 30, 2025 to June 30, 2029, and increases the not-to-exceed amount by \$13,826,617 for a total amount not to exceed \$22,627,326. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The proposed amendment maintains existing SHARE program RRH services for a minimum of 32 families annually, and it adds 28 one-time funded subsidy slots as part of the City's Safer Families Plan. The SHARE program provides rental subsidies for three to four years, and the Safer Families Plan provides one-time funded rental subsidies for up to five years. Rapid rehousing services include housing-focused case management, housing location and coordination services, subsidy administration, landlord liaison services, and workforce development services. • According to program monitoring results for FY 2023-24, Homeless Prenatal Program met all service and outcome objectives except one related to the average length of time that tenants spend homeless, from referral to housing. Homeless Prenatal Program took an average of 92.6 days compared to the goal of 75 days or less. The Department said it is identifying strategies to reduce the placement timeline. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The \$2.3 million in direct client assistance budgeted for FY 2025-26 is equal to approximately \$38,000 per client served. The FY 2025-26 budget also includes \$1 million in salaries and benefits associated with 11.43 full-time equivalent (FTE) positions. • The annual grant budget is proposed to increase from approximately \$2.8 million in FY 2024-25 to approximately \$3.7 million in FY 2025-26 to accommodate additional clients and one-time move-in assistance for households, and then decrease over the next three fiscal years as families exit RRH slots funded through the Safer Families Plan. <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

Rapid rehousing (RRH) supports households to exit homelessness through a time-limited rental subsidy in the private market, with access to wraparound support services. According to the Department of Homelessness and Supportive Housing (HSH), the program's objective is to "empower households to assume full financial responsibility for their monthly rent and maintain housing stability through a combination of financial support and wrap-around services."

Homeless Prenatal Program operates the Supportive Housing Assistance and Readiness Efforts (SHARE) RRH program, which offers housing location and coordination services, landlord liaison services, case management and subsidy administration for a "medium-term" of three years with the possibility for a 12-month extension.¹ The SHARE program is intended for family households (with minor children) earning at or below 50 percent of the Area Median Income who have a documented need to reside in San Francisco.

Relatedly, the City's Safer Families Plan announced in May 2024 intends to address the increase in family homelessness driven both by post-COVID economic hardships and by new families arriving in San Francisco. Safer Families provided funding for new emergency shelter and RRH slots for families for up to five years (2024-2029).

Selection & Current Grant

The grant agreement with the Homeless Prenatal Program was procured pursuant to Administrative Code Chapter 21B, which allows selection of homeless service providers without competitive solicitations. The original agreement had a term of July 1, 2021 through June 30, 2024, with a not-to-exceed amount of \$8,911,828. The first amendment extended the term by one year from June 30, 2024 for a total term of July 1, 2021 through June 30, 2025, and decreased the not-to-exceed amount by \$111,119 for a total amount not to exceed \$8,800,709. Department staff report that HSH was able to extend the grant term while decreasing the not-to-exceed amount by \$111,119 due to underspending in years one and two of the agreement as well as the inclusion of a 35 percent contingency budget under the original agreement for new funding that was ultimately not received.

¹ RRH programs for adults provide rental subsidies for up to two years.

HSH plans to reprocore RRH services as part of its Multi-Year Procurement Plan in Spring 2025. For the one-time funding associated with the Safer Families Plan, HSH is proposing to extend the existing agreement through June 2029 to align with the Safer Families one-time program budget. Subsidies administered through the SHARE program will be reprocored through the Multi-Year Procurement Plan.²

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the second amendment to the agreement between the Homeless Prenatal Program and HSH for family RRH through the SHARE program and adds new one-time RRH subsidy slots funded by the Safer Families Plan. The amendment extends the grant term by four years, from June 30, 2025 to June 30, 2029, and increases the not-to-exceed amount by \$13,826,617 for a total amount not to exceed \$22,627,326.

The amendment maintains existing SHARE program RRH services for a minimum of 32 families annually, and it adds 28 one-time funded subsidy slots as part of the City's Safer Families Plan. Combined, Homeless Prenatal Program will serve a total of 60 families in FY 2025-26. In outyears, the total served via the Safer Families Plan will ramp down to 11 by FY 2028-29 as families exit the one-time funded slots, while a minimum of 32 families will continue to be funded via the SHARE program. The amendment also lowers the case management ratio from one case manager per 20 clients to one case manager per 14 clients.³

Services Provided

Under the amended agreement, Homeless Prenatal Program would continue serving family households through the SHARE program who are (1) formerly homeless or (2) at-risk of homelessness *and* income-eligible family households with an adult and at least one child below the age of 18.⁴ Participants under SHARE must also have a documented need to reside in San Francisco.⁵ Participants under the Safer Families Plan expansion do not need to have a documented need to reside in the City. Per the grant agreement, services include:

² If SHARE subsidies are awarded to a new provider when the program is reprocored, then the SHARE component of this agreement would sunset prior to 2029 to be administered under a new agreement with the awarded provider.

³ According to the Department, 1:14 is the new standard ratio for family programs. Homeless Prenatal Program has implemented this ratio since 2023.

⁴ Participants must be at or below 50 percent Area Median Income. Children may be from birth parents, adopted, or fostered.

⁵ Reasons for residing in San Francisco include: (1) Civil or criminal court stipulations that require San Francisco residency; (2) Family Court Services involvement with service or visitation needs specifically in San Francisco; (3) Undocumented family members with verifiable path to permanent residency such as a pending U or T-visa, or political asylum application; (4) Children living with disabilities who are receiving specific, ongoing services in San Francisco; or (5) Household or family members who are living with disabilities who are receiving specific, ongoing services in San Francisco.

- **Housing-Focused Case Management Services** to support transition to permanent housing, including assisting clients with obtaining required documents to move into housing, referrals to resources, and coordinating with RRH administrators to ensure that clients are connected to appropriate services based on their needs prior to housing placement.
- **Housing Location Services** to identify and secure housing units that meet the needs of the served population.
- **Housing Coordination Services** to connect clients to units and eliminate barriers to housing placement (such as utility arrears, poor credit, and no renter history). Includes lease negotiation tenant support during housing search and move-in, and payment for related costs such as application fees, security deposit, furniture, and moving costs. Conduct monthly home visits for the first three months, then move to quarterly home visits. Collaborate with case managers to support rent payments and tenancy stability. Perform income verification and rent calculation upon move-in and quarterly 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.
- **Landlord Liaison Services** between landlords and tenants to support ongoing housing stability, including quarterly check-ins with landlords, respond to lease violation or other complaints, and ensuring landlords conduct repairs and fulfill their legal responsibilities.
- **Workforce Development Services**, including an initial employment assessment and ongoing workforce development planning, as well as referrals to workforce development services specifically designed for RRH referrals, training and support to ensure job retention after placement.

Performance Monitoring

According to program monitoring results for FY 2023-24, Homeless Prenatal Program met all service objectives of the grant and met three of the four outcome objectives, as shown in Exhibit 1 below. According to the results, it took an average of 92.6 days (more than the goal of 75 days) for participants to go from program enrollment to housing placement. One finding was also identified regarding missing enrollment data in the Homeless Management Information System (HMIS). HSH staff note that the Department has partnered with Homeless Prenatal Program to address HMIS data quality findings (with Homeless Prenatal Program incorporating the requirement for full enrollment page completion), as well as to identify strategies to reduce the housing placement timeline for client households.

Exhibit 1: Homeless Prenatal Program Outcome Objectives (Goals and Actuals) for FY 2023-24

	Goal	FY 23-24 Actual
At least 90 percent of tenants referred to the program will successfully move into housing as verified via their housing move-in date.	90%	97% 39/40 successfully moved into housing
The average length of time that tenants spend homeless, from referral to housing, shall be less than or equal to 75 days.	75 days	92.6 days average / 89.5 days median
Eighty percent of households will maintain their housing for a minimum of 12 months, move to other permanent housing, or be provided with more appropriate placements.	80%	96%
Eighty percent of households completing an annual tenant satisfaction survey will be satisfied or very satisfied with program services (based on a four-point scale from 1 being 'very dissatisfied' to 4 being 'very satisfied')	80%	81%

Source: HSH

Changes to Performance Objectives

The first amendment to the agreement made changes to the outcome objectives that are maintained under the proposed second amendment. The amended agreement increases the objective related to the percentage of households that maintain housing for at least 12 months from at least 80 percent to at least 90 percent of households and adds three new outcome objectives: (1) at least 80 percent of households will maintain housing for 24 months or exit to permanent housing; (2) at least 75 percent of participants will be referred to community resources; and (3) at least 75 percent of clients will obtain employment or increase their income by the first annual tenant assessment compared to program enrollment.

The second amendment still requires an annual client survey but removes the related service and outcome objectives which required a 50 percent response rate and at least 80 percent of clients being satisfied with program services. HSH staff report that these changes were made to align the agreement's objectives with the agreements for similar services funded by the Department. HSH staff also noted that the annual client survey is voluntary and response rates can vary.

Fiscal and Compliance Monitoring

The Homeless Prenatal Program received a waiver from fiscal and compliance monitoring for FY 2023-24 based on all of the following criteria being met in the FY 2022-23 monitoring assessment:

- The contractor had no significant findings from the prior year.
- The contractor had no major areas of concern identified by funding departments.
- The contractor had no Executive Director and/or Chief Financial Officer turnover within the last year.
- The contractor had at last two years of City funding.
- The contractor has had expanded monitoring within the last four years.

- The contractor does not receive funding from a source that mandates site visits.

FISCAL IMPACT

As shown in Exhibit 2 below, the proposed resolution would increase the not-to-exceed amount of the grant by \$13,826,617 to \$22,627,326. The annual grant budget is proposed to increase from approximately \$2.8 million in FY 2024-25 to approximately \$3.7 million in FY 2025-26 to accommodate additional clients and one-time move-in assistance for households, and then decrease over the next three fiscal years as families exit RRH slots funded through the Safer Families Plan.

Exhibit 2: Homeless Prenatal Program Expenditures for Rapid Rehousing Subsidies

Expenditure Category	FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Actual	FY 24-25 Budget	FY 25-26 Proposed	FY 26-27 Proposed	FY 27-28 Proposed	FY 28-29 Proposed	Total
Salaries & Benefits	\$425,653	\$511,843	\$638,442	\$869,766	\$1,084,331	\$976,303	\$860,539	\$887,547	\$6,254,424
Operating Expense	2,765	2,800	38,844	131,111	123,611	114,511	95,847	92,397	601,886
Indirect Cost (15%)	64,263	77,197	101,593	150,124	181,184	163,615	143,450	146,984	1,028,410
Other Expenses	861,090	999,824	1,331,313	1,687,985	2,278,308	2,147,808	1,772,006	1,713,916	12,792,250
Capital			5,000	5,000	5,000	5,000	5,000	5,000	30,000
Total Expenditures	1,353,771	1,591,664	2,115,192	2,843,986	3,672,434	3,407,237	2,876,842	2,845,844	20,706,970
Contingency (15%)*									1,920,354
Total Not to Exceed									\$22,627,326

*Note: Contingency is on FY 2025-26 through FY 2028-29 amounts, totaling \$12,802,357; totals may not add due to rounding.

Source: HSH

The FY 2025-26 annual budget of \$3.7 million includes \$2.3 million in direct client assistance and landlord incentives (under other expenses) such as rental subsidy payments, security deposits, and other client costs. The \$2.3 million in direct client assistance is equal to approximately \$38,000 per client served in FY 2025-26. The FY 2025-26 budget also includes \$1 million in salaries and benefits associated with 11.43 full-time equivalent (FTE) positions funded by the grant for client support services, landlord engagement, and monthly subsidy administration.

Funding Source

The program is fully funded by Homelessness Gross Receipts (Proposition C) funds.

Actual Spending

Spending was below budget in FY 2021-22 and FY 2022-23. Specifically, Homeless Prenatal Program spent 61 percent of its total budget of \$2.2 million in FY 2021-22, and then spent 75 percent of its total budget of \$2.1 million in FY 2022-23. According to HSH staff, Homeless

Prenatal Program implemented an “over-leasing” strategy to enroll more families than the program’s required annual minimum of 32 households due to lower than anticipated program costs. As a result, the number of actively housed families has increased from 28 in FY 2021-22 to 35 in FY 2022-23 to 40 in FY 2023-24. These increases resulted in less underspending compared to prior years. By FY 2023-24, Homeless Prenatal Program spent 96 percent of its total budget of \$2.2 million. In the current year, Homeless Prenatal Program is on track to fully expend its total budget of \$2,843,986 according to HSH staff.

RECOMMENDATION

Approve the proposed resolution.