

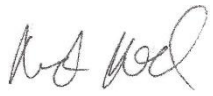
**CITY AND COUNTY OF SAN FRANCISCO**

**BOARD OF SUPERVISORS**

**BUDGET AND LEGISLATIVE ANALYST**

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May 9, 2025

**TO:** Budget and Finance Committee  
**FROM:** Budget and Legislative Analyst   
**SUBJECT:** May 14, 2025 Budget and Finance Committee Meeting

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<b>Item 1</b> <b>File 25-0350</b>	<b>Departments:</b> Children, Youth and Their Families (DCYF)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"><li>• The proposed ordinance de-appropriates \$250,000 from District 10 General City Responsibility and re-appropriates the funds to the Department of Children, Youth, and their Families in FY 2024-25.</li></ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"><li>• Through an ongoing community input process, the District 10 Office has prepared a Public Safety Plan, which outlines violence prevention strategies. The proposed ordinance funds youth projects consistent with that Plan.</li><li>• The funding will expand an existing grant agreement with Young Community Developers, a nonprofit. Specifically, the funding will support the School Site Mentoring program, which provides crisis intervention, implementation of prevention strategies, and responses to incidents of violence for youth in San Francisco middle and high school. The funding may also support the Black to the Future program which provides family service referrals, mental health, education support, workforce development, and violence prevention for youth.</li></ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"><li>• The proposed ordinance re-appropriates FY 2024-25 funding set-aside for District 10 projects.</li></ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"><li>• Approve the proposed ordinance.</li></ul>	

**MANDATE STATEMENT**

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

**BACKGROUND**

Through an ongoing community input process, the District 10 Office has prepared a Public Safety Plan, which outlines violence prevention strategies. The proposed ordinance funds youth projects consistent with that Plan according to the ordinance.

**DETAILS OF PROPOSED LEGISLATION**

The proposed ordinance de-appropriates \$250,000 from District 10 General City Responsibility and re-appropriates the funds to the Department of Children, Youth, and their Families in FY 2024-25.

According to DCYF staff, the funding will expand an existing grant agreement with Young Community Developers, a nonprofit, previously approved by the Board of Supervisors (File 25-0015). Specifically, the funding will support the School Site Mentoring program, which provides crisis intervention and other responses to incidents of violence for youth in San Francisco middle and high school. The funding may also support the Black to the Future program which provides family service referrals, mental health, education support, workforce development, and violence prevention for youth.

**FISCAL IMPACT**

The proposed ordinance re-appropriates FY 2024-25 funding set-aside for District 10 projects.

**RECOMMENDATION**

Approve the proposed ordinance.

<b>Item 5</b> <b>File 25-0383</b>	<b>Department:</b> Public Health (DPH)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>The proposed resolution would approve the fifth amendment to DPH’s contract with the Bayview Hunters Point Foundation. The proposed amendment extends the contract term three years from June 2025 to June 2028 and increases the contract value from \$16,800,000 to \$25,711,090.</li> </ul>	
<p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>The proposed agreement would continue to fund two outpatient mental health programs for adults and children. Other programs previously under the same agreement have moved to standalone contracts.</li> <li>Based on the most recent program monitoring report, the children outpatient program was not meeting units of services (therapy provided to clients) goals in FY 2022-23. However, the Children’s program has improved its delivery of services this year relative to prior years and is now meeting goals based on preliminary data according to DPH staff.</li> <li>Bayview Hunters Point Foundation is one of three non-profits on “Tier 3” status in the Controller’s Citywide Nonprofit Monitoring and Capacity Building Program Report FY 2023-24. A Tier 3 designation “identifies serious risk to public funds and client services.” The Controller’s Office, Department of Homelessness &amp; Supportive Housing, and Department of Public Health are each providing technical assistance to improve the organization’s financial condition and governance. We reviewed the Controller’s Office and DPH’s technical assistance documentation, which showed progress towards goals</li> </ul>	
<p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>Annual spending for the proposed contract extension is \$2.7 million, which is funded by federal funding (40 percent), state funding (19 percent), and the General Fund (40 percent).</li> </ul>	
<p style="text-align: center;"><b>Policy Consideration</b></p> <ul style="list-style-type: none"> <li>The organization has struggled to meet City standards for financial condition and governance. According to DPH, BVHPF has a new chief financial officer, who began work in January 2025, and the organization has made progress towards improving compliance with City standards for non-profits. The Board of Supervisors should consider either (a) requesting DPH proceed with a shorter extension of the contract (18 months rather than three years), so that the Board can monitor progress the non-profit is making to achieve compliance with City standards or (b) approving the proposed resolution and then holding a hearing at later date to obtain a status update on all non-profits that are on the Controller’s Tier 3 financial risk designation.</li> </ul>	
<p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Approval of the proposed resolution is a policy matter for the Board of Supervisors.</li> </ul>	

**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 to such contract is subject to Board of Supervisors approval.

**BACKGROUND****The Bayview Hunters Point Foundation**

The Bayview Hunters Point Foundation for Community Improvement (BHFP) provides mental health services, substance abuse treatment, preventative programs for youth, and other social services with a focus on residents of the Bayview and Hunters Point neighborhoods.

**Contract History**

In 2018, the City entered into a contract agreement with BVHPF to provide a range of mental health and other social services through June 2021. The agreement was for a total not-to-exceed amount of \$9,757,806, and the City retained two one-year options to extend the contract. In 2021, the City amended the contract, extending it for nine months through March 31, 2022 and raising the total not-to-exceed amount to \$9,800,113. Because neither the initial agreement nor the 2021 amendment carried a not-to-exceed amount over \$10 million, neither required Board approval.

In February 2022, the Board of Supervisors approved the second amendment to the contract agreement, increasing the not to exceed amount to \$13,489,343 and extending the term from March 2022 to June 2023 (File 21-1129).

In June 2023, the Board of Supervisors approved the third amendment to contract, extending the term one year through June 2024 and increasing the contract value to \$16,300,000 (File 23-0477). DPH originally planned on a two year extension but agreed to reduce the extension to one year due to low units of services in the contracted programs and the organization's lack of compliance with the City's financial and governance standards. The Departments of Public Health, Homelessness & Supportive Housing, and Controller's Office continue to provide BVHPF technical assistance to ensure the continuity of services.

In July 2024, DPH extended the agreement by one year, through June 2025 and increased the contract value by \$500,000 (under the threshold for Board approval).

DPH now proposes to extend the contract through June 2028.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would approve the fifth amendment to DPH's contract with the Bayview Hunters Point Foundation. The proposed amendment extends the contract term three years from June 2025 to June 2028 and increases the contract value from \$16,800,000 to \$25,711,090.

**Services Provided**

The proposed contract agreement would continue to fund two mental health services: (1) adult outpatient, and (2) children outpatient.

- **Adult Outpatient:** This program provides individual and group therapy, case management, and crisis intervention targeted at African American adults living in the southeast portion of the City with a history of poverty, homelessness, family conflict, and substance abuse. Services are provided at the Bayview Hunters Point Foundation at 1625 Carroll Avenue.
- 1. **Children's Outpatient:** This program provides individual and group therapy, case management, and crisis intervention to youth, including African American and Latino youth living in the southeast portion of the City with a history of poverty, homelessness, family conflict, and substance abuse. Services are provided primarily at multiple school sites across the City, and at Bayview Hunters Point Foundation at 1625 Carroll Avenue.

The proposed contract amendment reduces the annual client count in the Adult Outpatient program from 275 to 177 and reduces the annual client count in the Children's Outpatient program from 60 to 44. According to DPH, annual client counts were reduced to reflect a more realistic goal given a new State rate structure being implemented across BHS outpatient programs this year. However, the Department further advised that at the time of the report, the adult program has served 212 clients, and the youth program has served 101 clients in FY 2024-25. The Department anticipates that once this State rate structure transition year is complete, the annual client counts will be revised. The budget for the programs is not changing.

**Program Performance**

DPH completed FY 2022-23 program monitoring in May 2024, which included a site visit. The results are summarized in Exhibit 1 below.

**Exhibit 1: FY 2022-23 Program Monitoring**

<b>FY 2022-23 Program Monitoring</b>	<b>Adult Outpatient</b>	<b>Children Outpatient</b>
Overall Program Rating (1-4)	3	3
Performance Score	73%	90%
Actual/Budgeted Clients	71%	40%
Actual/Budgeted Units of Service	109%	60%
Compliance Score	100%	83%
Plan of Action	No	Yes - client data reporting to DPH
Client Satisfaction Score	80%	70%

Source: DPH

In FY 2022-23, each program received an overall rating of “3 – Acceptable/Meets Standards” (out of a possible 4). Though the programs had a low number of clients and units of services (therapy provided to clients) in FY 2021-22, performance improved in FY 2022-23. The Adult Outpatient program served 196/275 budgeted clients and delivered 94 percent of the budgeted units of service. The Children’s Outpatient Program served 24/60 budgeted clients and delivered 60 percent of the budgeted units of service. According to the monitoring report, the Children’s program’s staff vacancies resulted in the low client and service counts, however the provider has since filled the vacancies and was on track to meet client and services target in FY 2023-24, so no corrective action was required. According to DPH, performance has continued to improve since the monitoring report under a new clinical supervisor hired in August 2023.

DPH is meeting with the organization on a quarterly basis to improve intake and referral flow into the Children’s program. According to DPH, engaging youth and families in services is more complex than engaging adults, due to the need to obtain caregiver consent for treatment; the travel required to serve schools all over the City weekly; ensuring youth are present and engaged; and coordinating with caregivers and teachers. Although FY 2023-24 program monitoring is ongoing as of this writing, DPH reports that preliminary data shows that the Children’s program served 62 percent of units service in FY 2023-24 (similar to the 60 percent in FY 2022-23) and has provided 99 percent of units of service to date in FY 2024-25. In short, the Children’s program has improved its delivery of services this year relative to prior years.

**Fiscal and Compliance Monitoring**

In June 2024, HSH completed fiscal and compliance monitoring of Bayview Hunters Point Foundation and identified numerous standards with which the organization was out of compliance, including: supporting documentation for invoices, City authorization of subcontractors, timely submission of taxes, time card policies, agency budget organization, financial reports, and financial condition indicators. Many of the findings were due to BVHPF not delivering documentation requested by the City. The City requested a response to the review’s findings by July 15, 2024 but did not receive a response to the request. As described below, the



organization is now cooperating with a technical assistance plan to improve financial performance.

The organization has not completed a financial audit for the FY 2022-23 or FY 2023-24 periods. The City standard is to have financial audits completed within nine months after the close of the fiscal year, so both audits are behind schedule. DPH reports the most recent financial audit covered FY 2021-22. The FY 2022-23 financial audit is expected to be completed in June 2025 and the FY 2023-24 financial audit is expected to be completed in April 2026.

Bayview Hunters Point Foundation is one of three non-profits on “Tier 3” status in the Controller’s Citywide Nonprofit Monitoring and Capacity Building Program Report FY 2023-24. Under the Controller’s recently adopted non-profit corrective action policy, a Tier 3 designation “identifies serious risk to public funds and client services” and results in mandatory technical assistance. Bayview Hunters Point has had financial challenges since FY 2018-19 and the Controller’s Office, Department of Homelessness & Supportive Housing, and Department of Public Health are each providing technical assistance to improve the organization’s financial condition and program performance.

We reviewed the Controller’s Office and DPH’s technical assistance documentation. The plan includes goals related to improving cash flow, submitting invoices with supporting documentation on a timely basis, the completion of financial audits, and ensuring the organization can fund all of its expenses. The document shows some progress towards those goals. According to DPH, invoices are now submitted on a timely basis and with better documentation and the organization is revising financial policies and procedures. City staff meet with BVHPF monthly to review cash flow to ensure the organization can meet its short term obligations.

#### **FISCAL IMPACT**

Exhibit 1 below shows the annual spending on the contract and basis for the \$25,711,090 total not to exceed amount.

In FY 2025-26, the Adult Outpatient program is budgeted at \$1.46 million and the Children’s Outpatient program is budgeted at \$1.19 million. The contract funds approximately 14 full-time equivalent positions across both programs.

**Exhibit 2: Contract Agreement Not To Exceed Amount**

<b>Current Contract</b>	
FY 2018-19	\$1,214,293
FY 2019-20	2,031,313
FY 2020-21	2,327,062
FY 2021-22	2,575,401
FY 2022-23	2,452,122
FY 2023-24	3,316,931
FY 2024-25	2,668,509
Subtotal, Actual and Projected	\$16,585,632
<b>Proposed Amendment</b>	
FY 2025-26	2,668,509
FY 2026-27	2,719,252
FY 2026-27	2,759,970
Subtotal, Proposed Spending	\$8,147,731
Contingency (12%)	977,728
<b>Not To Exceed Amount</b>	<b>\$25,711,090</b>

Source: DPH

Annual spending for the proposed contract extension is approximately \$2.7 million . This is lower than prior years because certain programs have moved to standalone contracts or DPH bringing the services in-house.<sup>1</sup>

**Funding Sources**

The contract is funded by federal funding (40 percent), state funding (19 percent), and the General Fund (40 percent).

**POLICY CONSIDERATION**

Bayview Hunters Point Foundation is a neighborhood-based non-profit that provides mental health services and is primarily funded by the City. The proposed contract funds two outpatient programs for adults and children, which, according to DPH program monitoring, are now on track to delivering the contracted units of service.

<sup>1</sup> In prior years, this contract funded three other programs. The Jelani Family Program, a transitional housing residential step-down program with 15-beds, which is now a standalone contract between DPH and BVHPF. This contract also provided funding for BVHPF to staff a public school mental health program at Balboa High school, which is also now a standalone contract. The solicitation authority expired for those programs and they needed to be re-procured. BVHPF previously provided one staff clinician for the Dimensions program, which is now provided by DPH civil service staff (as is the rest of the Dimensions program).

At the same time, the organization has struggled to meet City standards for financial condition and governance. According to DPH, BVHPF has a new chief financial officer, who began work in January 2025, and the organization has made progress towards improving compliance with City standards for non-profits. The Board of Supervisors should consider either (a) requesting DPH proceed with a shorter extension of the contract (18 months rather than three years), so that the Board can monitor progress the non-profit is making to achieve compliance with City standards or (b) approving the proposed resolution and then holding a hearing at later date to obtain a status update on all non-profits that are on the Controller's Tier 3 financial risk designation.

**RECOMMENDATION**

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

<b>Item 6</b> <b>File 25-0337</b>	<b>Department:</b> Human Services Agency
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>The proposed resolution approves a new agreement between HSA and the Glide Foundation for administration of the Free Meals program, for a total not to exceed amount of \$14,115,847 and four-year term from July 1, 2025 through June 30, 2029. The resolution also authorizes HSA to make further immaterial amendments to the agreement before its execution.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>In December 2024, the Human Services Agency (HSA) issued a Request for Proposals (RFP) soliciting vendors to provide the Free Meals program. HSA received one response to their RFP from the Glide Foundation (Glide), the existing provider, which met all minimum required qualifications and was awarded an agreement, subject to Board of Supervisors' approval.</li> <li>The purpose of the Free Meals program is to provide three meals a day in a for individuals who do not have access to healthy food. Services are provided at 330 Ellis Street and target individuals who live in the Tenderloin and South of Market neighborhoods, though meals are available to any individual who lives in San Francisco. Under the proposed agreement, Glide must provide at least 439,803 meals annually, which is approximately the same number of meals the vendor was contracted to provide in FY 2024-25 under the existing agreement.</li> <li>According to the FY 2023-24 Annual Report, Glide met or exceeded all of their service and outcome objectives.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>The proposed agreement has a not-to-exceed amount of \$14,115,847, including a ten percent contingency. The proposed annual budget of \$3,208,147 remains flat for the four-year grant period.</li> <li>Salaries and fringe benefits funded by the HSA grant are for a total of 19.82 FTE program staff. Operating expenses for each year reflect approximately 37 percent of the total budget. The total cost per free meal is \$7.31 per free meal and \$5.48 per to-go meal.</li> <li>Expenditures over the four-year contract term would be fully funded by the City's General Fund</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Approve the proposed resolution.</li> </ul>	

**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 December 2024, the Human Services Agency (HSA) issued a competitive Request for Proposals (RFP) soliciting vendors to provide the Free Meals program, which provides three free meals a day, seven days a week. The program targets services to low-income individuals in the Tenderloin and South of Market neighborhoods; however, the meals are available to every resident of the City. This grant is a part of HSA's overall strategy to provide low-barrier food security interventions to low-income San Franciscans. HSA's portfolio of food access programs include home delivered groceries and meals, neighborhood-based pantries, and locally produced meals.<sup>1</sup> The proposed term in the RFP was four years from July 1, 2025, to June 30, 2029.

HSA received one response to their RFP from the Glide Foundation (Glide), which is the existing provider. Glide's proposal was evaluated by a panel of three readers and scored an average of 87.7 out of a total of 100 points.<sup>2</sup> Out of the 100 points, the proposal was evaluated based on organizational capacity (40 points), program approach (35 points), and fiscal capacity (25 points). Because Glide was the only and highest-ranking proposer and deemed to meet the minimum qualifications, HSA awarded an agreement to the vendor for a not to exceed amount of \$14,115,847 for a four-year term from July 1, 2025 through June 30, 2029, subject to Board of Supervisors' approval. In March 2025, the Human Services Commission approved the proposed agreement with Glide.

According to HSA staff, meals (to-go lunches) served to participants of the County Adult Assistance Program (CAAP) during their job training shift will be included under the proposed agreement. These services are currently provided under a separate agreement with Glide that is ending June 30, 2025<sup>3</sup> and will be consolidated under the proposed agreement starting July 1, 2025.

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<sup>1</sup> The Free Meals program was first funded by HSA in 2017.

<sup>2</sup> Panelists included a Director of Community Organizing of a nonprofit organization, HSA Program Director, and an Administrator from the Office of Civic Engagement and Immigrant Affairs

<sup>3</sup> The current total grant amount is \$259,987 for the term of July 1, 2021 to June 30, 2025.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution approves a new agreement between HSA and the Glide Foundation for administration of the Free Meals program, for a total not to exceed amount of \$14,115,847 and four-year term from July 1, 2025 through June 30, 2029. The resolution also authorizes HSA to make further immaterial amendments to the agreement before its execution.

**Services**

The purpose of the Free Meals program is to provide three nutritious meals a day in a safe environment for individuals who do not have access to healthy food. Services are provided at 330 Ellis Street and target individuals who live in the Tenderloin and South of Market neighborhoods, though meals are available to any individual who lives in San Francisco.

Under the proposed agreement, Glide must provide at least 439,803 meals annually, which is approximately the same number of meals<sup>4</sup> the vendor was contracted to provide in FY 2024-25 under the existing agreement. This translates into serving approximately 400 people per day (assuming each person consumes three meals). According to Appendix B, 435,241 free meals and 4,562 CAAP bags/meals (for a total of 439,803 meals) are proposed to be served annually. Services include the following:

- Preparing and serving breakfast, lunch, and dinner to individuals seven days a week at 330 Ellis Street, which is accessible to individuals living in the Tenderloin and South of Market neighborhoods. This includes to-go meal options as appropriate and requested by HSA.
- Ensuring that services are accessible to non-English speakers through written translated signs or providing staff or volunteers who speak at least Spanish and Chinese.
- Ensuring that the three meals provided meet 100 percent of the daily Dietary Reference Intake for key nutrients and comply with national Dietary Guidelines for Americans.
- Providing a security team to maintain safety for staff and program participants at the program site.
- Ensuring a registered dietician provides analysis of the nutrient components of the planned menus, quarterly trainings for nutrition program staff, and conducts and documents on-site kitchen safety and sanitation monitoring.

**Performance and Fiscal Monitoring**FY 2023-24 Performance

As reflected in Exhibit 1 below, the FY 2023-24 Annual Report showed that Glide met or exceeded all of their service and outcome objectives. HSA staff completed program monitoring on the existing Glide contract for FY 2023-24 in May 2024. Based on the monitoring, Glide was found in compliance with the terms of the contract. While HSA found no major findings, the following

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<sup>4</sup> Under the existing contract, Glide was contracted to provide 439,887 meals in FY 2024-25.

areas were noted for improvement: (1) Ensuring that all client-facing materials are available in English, Chinese and Spanish, (2) Monitoring food temperatures and logs, (3) Monitoring the need for Chinese-speaking staff or translation services during the weekends, and (4) Submitting the Annual Report and Sexual Orientation and Gender Identity (SOGI) report by the due date.

**Exhibit 1: FY 2023-24 Service and Outcome Objective Performance**

<b>Objective</b>	<b>Target</b>	<b>FY 2023-24 Performance</b>
<i>Service Objective</i>		
Meals served	439,887	587,478
<i>Outcome Objectives<sup>5</sup></i>		
1. Clients report increased consumption of fruits, vegetables, and/or whole grains	75%	94%
2. Clients feel less worried about getting enough food to meet their needs	85%	92%
3. Clients rate the quality of meals received as excellent or good	85%	94%
4. Clients feel safe and welcomed by program staff	85%	95%
5. Relevant staff obtain and maintain their ServSafe Food Handler certification	100%	100%

Source: HSA

**Proposed Service and Outcome Objectives**

Under the proposed new agreement, Glide will be required to meet the service and outcome objectives described in Exhibit 2 below. To track the outcome objectives, program participants will be surveyed during one meal service, with a survey response rate requirement of at least 50 percent based on meal service attendance, which is greater than the survey response rate requirement of at least 25 percent under the existing agreement. Glide will also be required to survey participants once per fiscal year to collect aggregate demographic information (e.g., age, zip code).

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<sup>5</sup> According to HSA, the outcome objectives reflect survey responses from 140 unique meal recipients in FY 2023-24, which is an estimated 33 percent of meal recipients accessing the program at the time the survey was administered.

**Exhibit 2: Service and Outcome Objectives in Proposed Agreement**

<b>Objective</b>	<b>Annual Target</b>
<i>Service Objective</i>	
Meals served	439,803
<i>Outcome Objectives</i>	
1. Clients report satisfaction with available food choices.	85%
2. Clients report satisfaction with the quality of the food.	90%
3. Clients feel welcomed and respected when accessing services.	95%
4. Clients report that the food was culturally relevant.	85%
5. Clients report they were less hungry as a result of the program	85%

Source: Appendix A of Proposed Agreement

**Fiscal and Compliance Monitoring**

Department of Children, Youth & Their Families (DCYF) staff reviewed Glide's financial documents in May 2024 as part of the FY 2023-24 Citywide Fiscal and Compliance Monitoring program and identified no findings.

As of May 1, 2025, Glide Foundation is reported as "Current – Awaiting Reporting" in submitting their charity renewal form on the State Attorney General's Charity Registration Search tool. Their renewal expired November 15, 2024. According to HSA, Glide plans to submit their FY 2023-24 renewal form by the filing deadline of May 15, 2025. According to the California Attorney General's website, "Current – Awaiting Reporting" is assigned "to charity registrants that have not submitted their filing by the renewal due date, but are still within the IRS extension period."

**FISCAL IMPACT**

The proposed agreement has a not-to-exceed amount of \$14,115,847, including a ten percent contingency. The proposed annual budget of \$3,208,147 remains flat for the four-year grant period. Sources and uses of the proposed contract spending from FY 2025-26 through FY 2028-29 are summarized in Exhibit 2 below.



**Exhibit 2: Projected Sources and Uses of Funds for Proposed Grant Agreement**

	<b>FY 2025-26</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>FY 2028-29</b>	<b>Total</b>
<b>Sources</b>					
City General Fund	\$3,208,147	\$3,208,147	\$3,208,147	\$3,208,147	\$12,832,588
<b>Total Sources</b>	<b>\$3,208,147</b>	<b>\$3,208,147</b>	<b>\$3,208,147</b>	<b>\$3,208,147</b>	<b>\$12,832,588</b>
<b>Expenditures</b>					
Salaries & Benefits	1,590,637	1,590,637	1,590,637	1,590,637	6,362,548
Operating Expenses	1,199,055	1,199,055	1,199,055	1,199,055	4,796,220
Indirect Cost Rate (15%)	418,455	418,455	418,455	418,455	1,673,820
<b>Total Expenditures</b>	<b>\$3,208,147</b>	<b>\$3,208,147</b>	<b>\$3,208,147</b>	<b>\$3,208,147</b>	<b>\$12,832,588</b>
Contingency (10%)					1,283,259
<b>Not to Exceed Amount</b>					<b>\$14,115,847</b>

Source: Appendix B of Proposed Agreement

Salaries and fringe benefits funded by the HSA grant are for a total of 19.82 FTE program staff. Operating expenses for each year reflect approximately 37 percent of the total budget and include expenses such as free meals and CAAP to-go meal costs, utilities, janitorial services, registered dietitian/nutritionist services, and staff training.

**Cost per Meal**

The total cost per free meal is \$7.31 per free meal and \$5.48 per CAAP to-go meal. The city reimbursement rate per free meal is \$7.32 under the existing agreement.

**Funding Sources**

Expenditures over the four-year contract term would be fully funded by the City's General Fund. In addition to City funding, Glide anticipates that it will provide \$3,008,733 annually in program funding through in-kind donations (such as food and volunteers), and contributions through private fundraising efforts. This non-City funding helps Glide exceed its meals served under the contract (as noted above, in FY 2023-24 Glide served 587,478 meals, or more than the 439,887 required by the existing grant). If Glide does not meet its fundraising goals, it will not be able to serve more meals than those funded by the City. According to HSA, Glide has always adequately fundraised to support the non-City contribution to this program.

**RECOMMENDATION**

Approve the proposed resolution.

<b>Item 7</b> <b>File 25-0379</b>	<b>Department:</b> Human Services Agency
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>The proposed resolution approves a new agreement between HSA and the SF-Marin Food Bank to deliver groceries to food pantries and households, for a total not to exceed amount of \$12,604,048 and four-year term from July 1, 2025 through June 30, 2029.</li> </ul>	
<p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>In November 2024, the Human Services Agency (HSA)'s Department of Disability and Aging Services (DAS) issued a Request for Proposals (RFP) soliciting vendors to provide a citywide food assistance program for older adults and adults with disabilities. HSA received one response to their RFP from the San Francisco-Marin (SF-Marin) Food Bank, the existing provider, which met all minimum required qualifications and was awarded an agreement, subject to Board of Supervisors' approval.</li> <li>The purpose of the grant is to provide free grocery bags to eligible older adults and adults with disabilities. Services are provided at food pantry sites and through home delivery and target low-income older adults and adults with disabilities citywide. Services are available to anyone who lives in San Francisco and is over 60 years old or aged 18 – 59 with a disability. Under the proposed agreement, SF-Marin Food Bank must serve at least 2,404 unduplicated clients and provide at least 310,000 grocery bags annually.</li> <li>According to the FY 2023-24 program monitoring report, SF-Marin Bank exceeded or nearly met all their service and outcome objectives.</li> </ul>	
<p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>The proposed agreement has a not-to-exceed amount of \$12,604,048, including a ten percent contingency. The proposed annual budget of \$2,864,556 remains flat for the four-year grant period. Salaries and fringe benefits funded by the grant are for a total of 5.34 FTE program staff. Expenditures over the four-year contract term would be fully funded by the City's General Fund.</li> </ul>	
<p style="text-align: center;"><b>Policy Consideration</b></p> <ul style="list-style-type: none"> <li>The contracted number of unduplicated clients served by this grant is decreasing by 33 percent under the proposed agreement (2,404) compared to the existing agreement (3,600) because clients are increasing their use of the program. DAS is proposing to maintain funding levels for food assistance in the FY 2025-26 budget; however this translates into fewer clients due to inflation. Beyond this food pantry grant, fewer clients will also be served through DAS' Home Delivered Groceries Program, from 5,622 in FY 2024-25 to 3,631 in FY 2025-26.</li> </ul>	
<p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Approve the proposed resolution.</li> </ul>	

**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 November 2024, the Human Services Agency (HSA)'s Department of Disability and Aging Services (DAS) issued a competitive Request for Proposals (RFP) soliciting vendors to provide a citywide food assistance program for older adults and adults with disabilities with a focus on high-need neighborhoods. The proposed term in the RFP was four years from July 1, 2025, to June 30, 2029.

HSA received one response to their RFP from the San Francisco-Marín (SF-Marín) Food Bank, which is the existing provider. SF-Marín Food Bank's proposal was evaluated by a panel of three readers and scored an average of 94 out of a total of 100 points.<sup>1</sup> Out of the 100 points, the proposal was evaluated based on organizational capacity (40 points), program approach (35 points), and fiscal capacity (25 points). Because SF-Marín Food Bank was the only and highest-ranking proposer and deemed to meet the minimum qualifications, HSA awarded an agreement to the vendor for a not to exceed amount of \$12,604,048 for a four-year term from July 1, 2025 through June 30, 2029, subject to Board of Supervisors' approval. In March 2025, the Disability and Aging Services Commission approved the proposed agreement with the SF-Marín Food Bank.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution approves a new agreement between HSA and the SF-Marín Food Bank to deliver groceries to food pantries and households, for a total not to exceed amount of \$12,604,048 and four-year term from July 1, 2025 through June 30, 2029. The resolution also authorizes HSA to make further immaterial amendments to the contract.

**Services**

The purpose of the Food Assistance program is to provide free, nutritious grocery bags to eligible older adults and adults with disabilities who do not have access to healthy food. Services are provided at food pantry sites and through home delivery and target low-income older adults and

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<sup>1</sup> Panelists included an HSA Director of Nutrition Services, Executive Director of a health nonprofit, and a retired community member who serves on the Boards of the Community Music Center and Ploughshares Fund

adults with disabilities citywide, though services are available to anyone who lives in San Francisco and is over 60 years old or aged 18 – 59 with a disability<sup>2</sup>.

Under the proposed agreement, SF-Marin Food Bank must serve at least 2,404 unduplicated clients and provide at least 310,000 service units annually, which is the same number of units the vendor was contracted to provide in FY 2024-25 under the existing agreement. This includes 125,000 grocery bags distributed annually at food pantry sites and 185,000 grocery bags provided annually to organizations funded by HSA that provide home delivery of groceries to eligible clients.<sup>3</sup> SF-Marin Food Bank is responsible for procuring all food and packaging and administering and managing weekly scheduled grocery distributions across 112 food pantry sites citywide and available in each Supervisorial District, as well as screening and enrolling all clients into the program. The vendor is also responsible for coordinating with and providing grocery bags to home-delivery contractors. Grocery bags distributed to residents must include enough food for at least seven meals and feature a variety of fresh and seasonal produce, protein, and grains.

As previously mentioned, the proposed number of unduplicated clients to be served annually by the SF-Marin Food Bank is 2,404, which is 1,196 less than the 3,600 required in the existing contract. According to HSA staff, the modification reflects increased demand from repeat clients accessing food pantries more frequently and decreased client attrition, in which participants are remaining enrolled longer in the program due to ongoing need.

## **Performance and Fiscal Monitoring**

### FY 2023-24 Performance

As reflected in Exhibit 1 below, the FY 2023-24 program monitoring report showed that SF-Marin Bank exceeded almost all their service and outcome objectives, except for the outcome objective on food quality. HSA staff completed program monitoring on the existing SF-Marin Food Bank contract for FY 2023-24 in August 2024. Based on the monitoring, SF-Marin Food Bank was found in compliance with the terms of the contract. While there was no plan of correction, HSA noted that the client survey response rate was only nine percent, which may have contributed to the lower percentage for the outcome objective on food quality. According to the program monitoring report, this response rate is consistent with the rate in FY 2022-23. However, the existing agreement stipulates a survey response rate requirement of at least 25 percent of unduplicated clients enrolled in the program, though this was not noted in the program monitoring report. According to HSA, the low survey response rate has been addressed with SF-Marin Food Bank; the organization is refining its outreach strategies to improve participation. This includes exploring alternative options for survey collection to better engage clients, such as

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<sup>2</sup> The SF-Marin Food Bank is responsible for eligibility screening upon enrollment. The eligibility criteria are determined by DAS.

<sup>3</sup> According to HSA, these nonprofit organizations have been tentatively awarded grants for the Home Delivered Groceries (HDG) Program and are currently in negotiations to finalize the awards: Chinatown Community Development Center, Community Living Campaign, Golden Gate Senior Services, San Francisco-Marin Food Bank.

administering pulse surveys at pantry sites, which are more frequent, shorter surveys conducted throughout the year to capture feedback.

### Exhibit 1: FY 2023-24 Service and Outcome Objective Performance

Objective	Target	FY 2023-24 Performance
<i>Service Objective</i>		
Number of unduplicated clients	3,600	3,798
Number of supplemental bags of food for DAS home delivered grocery (HDG) partners	185,000	313,521
Number of supplemental bags of food for pantry sites	125,000	125,519
Number of pass-through bags to Groceries for Seniors (GFS) and Richmond Neighborhood Center (RNC) <sup>4</sup>	66,400	68,846
<i>Outcome Objectives</i>		
1. Clients report increased consumption of fruits, vegetables, and/or whole grains	75%	98%
2. Clients feel less worried about getting enough food to meet their needs	75%	94%
3. Clients rate the quality of meals received as excellent or good	85%	79% <sup>5</sup>
4. Clients feel safe and welcomed by program staff	75%	99%

Source: HSA

### Proposed Service and Outcome Objectives

Under the proposed new agreement, SF-Marin Food Bank will be required to meet the service and outcome objectives described in Exhibit 2 below. To track the outcome objectives, an annual client satisfaction survey will be conducted with a response rate requirement of at least 20 percent of unduplicated clients enrolled in the program, which is lower than the response rate requirement of at least 25 percent of unduplicated clients under the existing agreement.

<sup>4</sup> RNC and GFS are subcontractors on the existing agreement. In the budget for the existing agreement, SF Marin-Food Bank allocates City funding to both subcontractors to deliver groceries using distribution methods that differ from the Home-Delivered Groceries (HDG) program model. Consequently, these were labeled as “pass-through bags.” Under the proposed agreement, however, SF-Marin Food Bank will support these subcontractors using its own funding sources. DAS transitioned to a new data reporting platform at the end of FY 2022-23, which enabled the vendor to report the pass-through bags in the reporting system. As a result, the service objective on pass-through bags were first included in the FY 2023-24 program monitoring report.

<sup>5</sup> This is the combined rating of excellent and good for quality and variety of food received

**Exhibit 2: Service and Outcome Objectives in Proposed Agreement**

<b>Objective</b>	<b>Annual Target</b>
<i>Service Objective</i>	
Number of unduplicated clients	2,404
Number of grocery bags distributed at food pantry sites	125,000
Number of grocery bags provided to DAS-funded HDG contractors	185,000
<i>Outcome Objectives</i>	
1. Clients rate the quality of meals received as excellent or good.	85%
2. Clients feel less worried about getting enough food to meet their needs	85%
3. Clients report increased consumption of fruits, vegetables, and/or whole grains	75%
4. Clients report the food support they receive helps them live stably in the community	85%

Source: Appendix A of Proposed Agreement

**Fiscal and Compliance Monitoring**

HSA staff reviewed SF-Marin Food Bank's financial documents in April 2025 as part of the FY 2024-25 Citywide Fiscal and Compliance Monitoring program and identified no findings.

**FISCAL IMPACT**

The proposed agreement has a not-to-exceed amount of \$12,604,048, including a ten percent contingency. The proposed annual budget of \$2,864,556 remains flat for the four-year grant period. Sources and uses of the proposed contract spending from FY 2025-26 through FY 2028-29 are summarized in Exhibit 3 below.

**Exhibit 3: Projected Sources and Uses of Funds for Proposed Grant Agreement**

	<b>FY 2025-26</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>FY 2028-29</b>	<b>Total</b>
<b>Sources</b>					
City General Fund	\$2,864,556	\$2,864,556	\$2,864,556	\$2,864,556	\$11,458,225
<b>Total Sources</b>	<b>\$2,864,556</b>	<b>\$2,864,556</b>	<b>\$2,864,556</b>	<b>\$2,864,556</b>	<b>\$11,458,225</b>
<b>Expenditures</b>					
Salaries & Benefits	\$560,800	\$560,800	\$560,800	\$560,800	2,243,200
Operating Expenses	1,930,118	1,930,118	1,930,118	1,930,118	7,720,473
Indirect Cost Rate (15%)	373,638	373,638	373,638	373,638	1,494,552
<b>Total Expenditures</b>	<b>\$2,864,556</b>	<b>\$2,864,556</b>	<b>\$2,864,556</b>	<b>\$2,864,556</b>	<b>\$11,458,225</b>
Contingency (10%)					1,145,823
<b>Not to Exceed Amount</b>					<b>\$12,604,048</b>

Source: Appendix B of Proposed Agreement

Salaries and fringe benefits funded by the grant are for a total of 5.34 FTE program staff. Operating expenses for each year reflect approximately 67 percent of the total budget and

include expenses such as food for grocery bags, equipment/transportation, food storage and distribution, utilities, rent, building maintenance supplies and repair, insurance, and staff training.

### **Cost per Grocery Bag**

The total cost per grocery bag is \$73.48; City funding would subsidize costs by approximately \$9.24 per bag.<sup>6</sup> Compared to the existing agreement, the total cost of food is increasing by \$31.44 per bag primarily due to volunteer hours at a higher rate<sup>7</sup> and bag size<sup>8</sup> and the City subsidy per bag is increasing by \$0.83 per bag. The City share of program costs is decreasing from 20 percent to 13 percent due to additional non-HSA revenues, such as in-kind donations and private fundraising.

### **Funding Sources**

Expenditures over the four-year contract term would be fully funded by the City's General Fund. In addition to City funding, SF-Marin Food Bank anticipates that it will provide approximately \$19,915,527 annually in program funding through in-kind donations (such as food and volunteers) and private fundraising efforts. If the provider does not meet its fundraising goals, it will not be able to distribute more grocery bags than the City is paying for (as it did in FY 2023-24, when it provided 439,040 grocery bags versus a grant goal of 310,000 grocery bags).

## **POLICY CONSIDERATION**

### **Reduction in Number of Clients**

According to HSA, the department is proposing to maintain the level funding for nutrition support for older adults in FY 2025-26; however, service levels will not be maintained due to the increased cost of food support driven by inflation and higher labor costs.

As noted above, the contracted number of unduplicated clients served in this grant for food pantries is decreasing by 33 percent under the proposed agreement (2,404) compared to the existing agreement (3,600). This is due to high demand for the program and low attrition rates (i.e., greater number of grocery bags per client) not due to reduced need. According to HSA staff, there are currently 998 individuals on the waiting list for home delivered grocery services, and individuals typically spend 34 weeks on the waiting list before receiving services. This includes individuals served through home delivery by the SF-Marin Food Bank as well as other non-profit organizations under contract with HSA to provide grocery home delivery services. According to

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<sup>6</sup> The remaining \$64.24 per grocery bag would be subsidized by SF-Marin Food Bank and non-City revenues.

<sup>7</sup> The existing agreement calculated in-kind volunteer hours at \$17.34 per hour, and the proposed agreement calculated in-kind volunteer hours at \$20.25 per hour.

<sup>8</sup> The existing agreement calculated in-kind food at \$1.74 per pound for an 18-pound bag. The proposed agreement calculated in-kind food at \$1.97 per pound for a 27-pound bag.

HSA, fewer clients will also be served through DAS's Home Delivered Groceries Program grants, from 5,622 in FY 2024-25 to 3,631 in FY 2025-26.

According to the Department of Public Health's 2023 Biennial Food Security and Equity Report, two-thirds of low-income<sup>9</sup> adults in San Francisco were food insecure in 2022 based on data from the California Health Interview Survey.

#### **RECOMMENDATION**

Approve the proposed resolution.

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<sup>9</sup> Defined as earning less than 200 percent of the Federal Poverty Level



<b>Items 8-10</b> <b>Files 25-0349, 25-0351, 25-0352</b>	<b>Department:</b> Office of Public Finance, Public Works, Municipal Transportation Agency, Department of Public Health
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>The proposed resolutions provide for the (1) issuance of \$390 million of 2024 Healthy, Safe and Vibrant San Francisco General Obligation Bonds, and (2) authorize the first sale of those bonds, up to \$218 million (Series 2025F).</li> <li>The proposed ordinance would appropriate \$218 million of bond proceeds to the Department of Public Health, Department of Public Works, and the Municipal Transportation Agency for capital projects.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>In November 2024, San Francisco voters approved Proposition B, the 2024 Healthy, Safe and Vibrant San Francisco General Obligation Bond. Proposition B authorizes the City to issue up to \$390 million in general obligation bonds</li> <li>DPH is using bond proceeds to fund a seismic retrofit and renovation of the Chinatown Public Health Center, the relocation of the City Clinic to a new building, and critical repairs and renovations at the General Hospital and Laguna Honda Hospital. DPW and MTA are using bond proceeds to fund street safety and streetscape improvements on four street corridors and improve traffic signals at 17 intersections citywide. DPW is also using bond proceeds to fund the renovation of Harvey Milk Plaza.</li> <li>The administration will request a reduction in the bond sale resolution and appropriation from \$218 million to \$194 million to reflect delays in starting the Harvey Milk Plaza project.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>The Office of Public Finance estimates that the proposed debt would result in an average annual debt service cost of \$15.2 million. Over the anticipated 20-year life of the bonds, the total debt service is estimated at \$304.6 million.</li> <li>Bonds are repaid by special property taxes. The proposed transactions comply with the City's debt limit policy and property tax rate policy, which limits property taxes for general obligation bond debt to no more than \$0.1201 per \$100 of assessed value.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Approve the proposed resolutions and ordinance.</li> </ul>	

**MANDATE STATEMENT**

City Charter Section 9.106 states that the Board of Supervisors approves the issuance of general obligation bonds. Section 9.106 also limits outstanding general obligation bond indebtedness to three percent of the assessed value of all taxable real and personal property located within the City.

City Charter Section 9.105 states that amendments to the Annual Appropriation Ordinance are subject to Board of Supervisors approval by ordinance after the Controller certifies the availability of funds.

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) any modification of such contracts of more than \$500,000 is subject to Board of Supervisors approval.

**BACKGROUND**

In November 2024, San Francisco voters approved Proposition B, the 2024 Healthy, Safe and Vibrant San Francisco General Obligation Bond. Proposition B authorizes the City to issue up to \$390 million in general obligation bonds for the following uses:

- \$99.1 million for community health centers,
- \$66 million for General Hospital and Laguna Honda Hospital repair projects,
- \$40 million for seismic upgrades at General Hospital,
- \$63.9 million for street safety improvements,
- \$71 million for public space improvements, and
- \$50 million for homeless shelters.

According to the Office of Public Finance, the proposed first bond sale of up to \$218 million of the total \$390 million is expected to occur in August 2025 upon Board of Supervisors approval of the bond issuance (File 25-0352).

**DETAILS OF PROPOSED LEGISLATION**

**File 25-0351:** The proposed resolution would:

1. Provide for the issuance of not-to-exceed \$390 million aggregate principal amount of 2024 Healthy, Safe and Vibrant San Francisco General Obligation Bonds,
2. Authorize the issuance and sale of the bonds,
3. Provide for the levy of a property tax to pay the principal and interest,
4. Provide for the appointment of depositories and other agents for the bonds,
5. Provide for the establishment of accounts related to the bonds,

6. Reaffirm findings under the California Environmental Quality Act (CEQA), the CEQA Guidelines and Administrative Code, Chapter 31 previously adopted by the Board of Supervisors related to the projects,
7. Find that the proposed project is in conformity with the priority policies of Planning Code, Section 101.1 and with the General Plan consistency requirement of Charter, Section 4.105, and Administrative Code, Section 2A.53,
8. Ratify certain actions previously taken; and
9. Grant general authority to City officials to take necessary actions related to the issuance and sale of the bonds.

**File 25-0352:** The proposed resolution would:

1. Authorize the sale of not-to-exceed \$218 million aggregate principal amount of 2024 Healthy, Safe and Vibrant San Francisco General Obligation Bonds (Series 2025F),
2. Prescribe the form and terms of the bond,
3. Provide for the appointment of depositories and other agents for the bonds,
4. Provide for the establishment of accounts related to the bonds,
5. Provide for the manner of sale of the bonds by competitive or negotiated sale or private placement,
6. Approve the forms of Official Notice of Sale and Notice of Intention to Sell Bonds,
7. Direct the publication of the Notice of Intention to Sell Bonds,
8. Approve the form of the Bond Purchase Contract,
9. Approve the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of the bonds,
10. Approve the form of the Continuing Disclosure Certificate,
11. Authorize and approve modifications to documents,
12. Ratify certain actions previously taken, and
13. Grant authority to City officials to take necessary actions for the authorization, issuance, sale, and delivery of the bonds.

**File 25-0349:** The proposed ordinance would appropriate \$218 million of the Series 2025F Healthy, Safe, and Vibrant San Francisco General Obligation Bond proceeds to the Department of Public Health (DPH), Department of Public Works (DPW), and the Municipal Transportation Agency (MTA) for upgrades, improvement, and expansion of public health facilities, pedestrian and street safety improvements, enhancement of streetscapes and public space improvements. The \$218 million appropriation would be placed on Controller's Reserve pending receipt of bond funds.

### **Amendments to Proposed Bond Sale & Appropriation**

The Controller's Office will propose amendments to the bond sale resolution and appropriation to (1) reallocate \$1.5 million of the project fund appropriation from the ZSFG Chiller and Cooler Tower project to ZSFG Building 3 Retrofit project, and (2) reduce the allocation of \$24,792,279 for the Harvey Milk Plaza project to \$894,856, reducing the bond sale amount from \$218 million to \$194 million.

**Bond Characteristics**

The proposed resolutions authorize the Director of Public Finance (or Controller or their designee) to determine the sale date, interest rates, principal amount, and maturity dates of the bonds, subject to the following conditions: (1) the true interest cost shall not exceed 12 percent; and (2) the bonds have a maximum maturity date no later than 30 years after the date of issuance.

The proposed bonds will be structured as either tax-exempt and/or taxable depending on eligibility of project expenditures for tax exemption and/or market conditions.

Finally, the Office of Public Finance intends to pursue a competitive sale of the proposed bonds. However, a negotiated sale may be pursued if the bond structure or market conditions make a negotiated sale preferable. For that reason, the proposed resolution includes a form bond purchase contract.

**Proposed Sources and Uses of Bond Funds**

Exhibit 1 below summarizes the anticipated sources and uses of the proposed bond proceeds. The appropriation ordinance provides spending authority for the bond proceeds and transaction costs; it is not controlled at the project level, which is shown in the table below for context.

Exhibit 1 below reflects the amendments proposed by the Controller's office noted above.

**Exhibit 1: Proposed Sources and Uses of Series 2025F Bond Proceeds**

<b>Estimated Sources</b>	<b>Total</b>
Par Amount	\$189,850,000
Reserve for Market Uncertainty	4,150,000
<b>Total Sources</b>	<b>\$194,000,000</b>
<b>Estimated Uses</b>	
<i>Public Health (DPH)</i>	
Chinatown Public Health Center Retrofit & Renovation	\$70,509,241
City Clinic Relocation	27,767,353
ZSFG Building 3 Retrofit	2,967,703
LHH NPC <sup>1</sup> Sewage Containment	2,236,263 <sup>2</sup>
LHH Pot Washer	2,677,566
LHH HVAC Replacements	1,274,323
LHH Kitchen Floor Replacement	12,396,139
ZSFG Building 5 Fire Alarm Replacements - Phase 3	1,021,442
ZSFG NPC 4 Compliance	1,483,382
ZSFG NPC 5 Compliance	500,000
ZSFG Chiller & Cooling Tower Replacements	8,416,912
ZSFG Psychiatric Emergency Services (PES)	12,495,309
<i>Pedestrian &amp; Roadway Improvements (DPW, MTA)</i>	
11th Street Safety Improvement Project (DPW)	9,817,742
Howard Streetscape (DPW)	3,570,088
5th Street Streetscape (DPW)	6,768,292
Traffic Signal Modifications (DPW)	6,098,901
Central Embarcadero (DPW)	5,950,147
11th Street Safety Improvement Project (MTA)	1,090,860
Howard Streetscape (MTA)	396,676
5th Street Streetscape (MTA)	2,256,097
Traffic Signal Modifications (MTA)	6,098,901
Central Embarcadero (MTA)	1,487,537
<i>Public Spaces (DPW)</i>	
Harvey Milk Plaza	894,856
<b>Subtotal, Bond Proceeds for Projects</b>	<b>\$188,175,730</b>
CON Audit	376,352
Oversight Committee	189,850
Cost of Issuance	918,218
Underwriters Discount	189,850
Reserve for Market Uncertainty	4,150,000
<b>Total Uses</b>	<b>\$194,000,000</b>

Source: Appropriation Ordinance (File 25-0349), Office of Public Finance, DPW, DPH, and SFMTA

<sup>a</sup> Costs of issuance include bond counsel, auditor, regulator, and other costs.

<sup>b</sup> Underwriters discount is the difference in the price paid to the issuer and the prices at which the bonds are initially offered to investors.

## **Bond Projects**

As shown in Exhibit 1 above, DPH, DPW and MTA are requesting \$188,175,730 in the first bond issuance to fund projects in the following bond categories: public health, pedestrian and roadway safety, and public spaces, which are described below. Further details about all the bond projects are included as an attachment to this report. Non-construction contracts that exceed \$10 million or ten years will be subject to Board of Supervisors approval. According to the Office of Public Finance, if any projects are not ready to move forward for implementation, the bond issuance will be sized down accordingly before sale.

### Public Health

The first bond issuance would fund a total of \$143,745,633 in public health projects. DPH intends to use these bond proceeds to fund a seismic retrofit and renovation of the Chinatown Public Health Center, as well as the relocation of the City Clinic<sup>3</sup> to a new building<sup>4</sup>. In addition, DPH plans to fund critical repairs and renovations at the Zuckerberg San Francisco General Hospital (ZSFG) and Laguna Honda Hospital (LHH), including a seismic retrofit of ZSFG Building 3 and multiple infrastructure projects (e.g., LHH kitchen floor replacement and sewage containment, ZSFG fire alarm system replacement in Building 5) to ensure the hospitals remain compliant with federal and state regulations.

### Pedestrian & Roadway Improvements

The first bond issuance would fund a total of \$43,535,241 in pedestrian and roadway improvement projects. DPW and MTA intends to use these bond proceeds to fund street safety and streetscape improvements on 11<sup>th</sup> Street between Market and Bryant Street, Howard Street between 4<sup>th</sup> and 11<sup>th</sup> Streets, 5<sup>th</sup> Street between Market and Townsend Streets, and Embarcadero between Folsom and Brannan Streets. In addition, DPW and MTA plan to fund traffic signal improvements at 17 intersections citywide.

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<sup>1</sup> NPC stands for Non-Structural Performance Category which measures the probable seismic performance of building contents (such as pipes, sewage, water, electrical systems), equipment, and systems critical to patient care.

<sup>2</sup> The NPC sewage containment project amount is \$247,925. According to DPH, the contingency amount of \$1,988,338 was consolidated with this project because the City's financial system was not set up to hold contingency; these funds will be re-allocated to other projects once received but will be used for the Public Health Critical Repairs & Renovations projects as needed.

<sup>3</sup> City Clinic provides sexual health services and resources to residents

<sup>4</sup> According to DPH, a site has not been identified yet. DPH is currently reviewing sites with the Real Estate Division, and a timeline is unclear. DPH states if one of the sites under consideration now moves forward, the department would introduce legislation to the Board in approximately October 2025.

Public Spaces

The first bond issuance would fund a total of \$894,856 in public spaces projects. DPW intends to use these bond proceeds to fund the renovation of Harvey Milk Plaza, which includes street improvements, public enhancements such as landscaping and lighting, and accessibility improvements to ensure ADA compliance. The original plan for the bond sale was to include \$24,792,279 for this project, however the project is behind schedule and only \$894,856 is being requested. As of this writing, DPW could explain why the project was behind schedule.

**Bond Accountability Report Waived**

The proposed bond resolution waives the deadline for submission of the Bond Accountability reports under Admin Code Section 2.71(a) and 2.71(b), which states that such reports should be submitted to the Board of Supervisors 60 days prior to the approval of the relevant bond appropriation and/or sale. Bond Accountability reports include details of the projects proposed to be funded with new bond sales, as well as spending on previously approved bond sales.

However, the departments have submitted a draft of the Bond Accountability report to the Office of Public Finance on May 2, 2025 prior to the May 14, 2025 Budget & Finance Committee meeting.

**FISCAL IMPACT****Annual Debt Service**

Based on an estimated true interest rate of 5.12 percent, the Office of Public Finance estimates that the proposed general obligation bond debt would result in an average annual debt service cost of approximately \$15.2 million, paid for by special property taxes. Over the anticipated 20-year life of the bonds, the total debt service is estimated at \$304.6 million. The estimated debt service is comprised of approximately \$114.8 million in interest payments and \$189.8 of principal repayments.

**Debt Limit**

The proposed bond sale complies with the City's debt limit policy. Section 9.106 of the City Charter limits the amount of GO bonds the City can have outstanding at any given time to three percent of the total assessed value of property in San Francisco. The City's general obligation debt limit for FY 2024-25 is approximately \$10.54 billion, based on a total assessed valuation of approximately \$351.3 billion.

According to the Controller's Office of Public Finance, as of April 1, 2025, the City had outstanding general obligation bond debt of approximately \$2.8 billion, which equals approximately 0.8 percent of the City's assessed valuation. If the Board of Supervisors approves the proposed bonds, the debt ratio would increase to 0.86 percent, which is under the three percent debt limit.

If all of the City's voter-authorized and unissued general obligation bonds were issued, the total debt burden would be 1.19 percent of the net assessed value of property in the City.

**Property Tax Rates**

General obligation bond debt service is paid for through an increase in the annual Property Tax rate. According to the Controller's Office of Public Finance, if the Board of Supervisors approves the issuance of the bonds, the total increase in the Property Tax rate is estimated to average \$0.00485 per \$100 of assessed value over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of \$600,000, assuming a homeowner's exemption of \$7,000, would pay average additional property taxes to the City of approximately \$25.71 per year if the anticipated amount of \$194,000,000 of bonds are sold.

**Capital Plan**

The Capital Planning Committee approved a financial constraint regarding the City's planned use of general obligation bonds such that debt service on approved and issued general obligation bonds would not increase property owners' long-term property tax rates above FY 2005-06 levels, or \$0.1201 per \$100 of assessed value. The FY 2024-25 property tax rate, including debt service on the proposed bonds, is \$0.1060 per \$100 of assessed value, which is below that constraint. The Board of Supervisors approved the FY 2024-25 property tax rate in September 2024 (File 24-0851)

**RECOMMENDATION**

Approve the proposed resolutions and ordinance.



Project	Description	Estimated Project Completion Date	Proposed Series 2025F GO Bond Amount	Total Estimated Project Budget
<b>Public Health (DPH)</b>				
Chinatown Public Health Center Retrofit & Renovation	Seismically retrofit and renovate the Chinatown Public Health Center, adding primary care, behavioral health care, and dental care capacity. The renovation will also co-locate Chinatown Child Development Center from their current leased site into the newly renovated center	November 2027	\$70,509,241	\$76,100,000
City Clinic	Relocation of City Clinic. Funds will be used to purchase and modify a site for City Clinic's use, providing a larger lab space, greater privacy in patient care areas, and improved accessibility. A new site is not yet identified.	Timeline undetermined until a site is identified	\$27,767,353	\$28,000,000
ZSFG Building 3 Retrofit	Seismic bracing of Building 3, renovation of Anatomic Pathology, and the renovation of upper floors for hospital administrative and provider use.	May 2028	\$2,967,703	\$40,000,000
LHH HVAC Replacements	Commission of study to evaluate salt air damage (corrosion) and overworking of the HVAC units serving LHH. Replacement of HVAC packaged units would follow, with most critical units being replaced first.	November 2028	\$1,274,323	\$10,600,000
LHH Kitchen Floor Replacement	Replace the kitchen floor to address breaking floor tiles and to correct faulty drains. The floor replacement will be a contiguous, liquid applied thermal shock resistant system. A temporary kitchen will also be constructed to continue food production during construction	April 2026	\$12,396,139	\$16,949,720

<b>Project</b>	<b>Description</b>	<b>Estimated Project Completion Date</b>	<b>Proposed Series 2025F GO Bond Amount</b>	<b>Total Estimated Project Budget</b>
LHH NPC Sewage Containment	Install a sewage system capable of containing 72 hours' worth of waste during an emergency where the existing sewage system is unusable. This work is a Department of Health Care Access and Information (HCAI) regulatory requirement.	October 2028	\$2,236,263	\$6,400,000
LHH Pot Washer	Replace the kitchen pot washer; it has reached end of life and has recurring maintenance issues.	August 2026	\$2,677,566	\$2,854,695
ZSFG Building Fire Alarm System Replacement	Replace aging and failing fire alarm system with a new fire alarm system throughout building 5.	December 2028	\$1,021,442	\$8,500,000
ZSFG NPC 4 Compliance	Demolish selective walls within ZSFG's service building to enable the anchoring of equipment to achieve an NPC rating of 4.	July 2026	\$1,483,382	\$2,000,000
ZSFG NPC 5 Compliance	Fund DPW services to produce a report documenting ZSFG water and sewer storage capacity for emergency services and required changes to water and sewage capacity	July 2026	\$500,000	\$500,000
Psychiatric Emergency Services (PES) Renovation	Relocation and expansion of the Psychiatric Emergency Services (PES) unit within Building 5 to accommodate an increasing census.	August 2026	\$12,495,309	\$32,300,000
ZSFG Chiller & Cooling Tower	Replacement of a chiller and cooling towers that failed in 2023	December 2028	\$8,416,912	\$67,647,094

Project	Description	Estimated Project Completion Date	Proposed Series 2025F GO Bond Amount	Total Estimated Project Budget
<b>Pedestrian &amp; Roadway Improvements (DPW and MTA)</b>				
11th Street Safety Improvement Project	Pedestrian, bicycle, and traffic safety improvements, including safety/accessibility upgrades (e.g., parking protected bike lanes, bulbouts), sidewalk improvements, daylighting, landscaping, water/sewer utilities upgrades, pavement base repair, among other work.	Fall 2027	\$10,908,602	\$17,000,000
Howard Streetscape	Safety, accessibility and infrastructure upgrades, including raised crosswalks, protected two-way bike lanes, curb ramps, sidewalk widening and repairs, utility and pavement work, among other upgrades.	Summer 2027	\$3,966,764	\$48,744,000
5th Street Streetscape	Safety, accessibility and infrastructure upgrades, including raised crosswalks, protected bikeways, transit boarding islands, and signal timing adjustments	Summer 2027	\$9,024,389	\$14,000,000
Contract 35 Signal Mod	Traffic signal improvements for 17 intersections based on collision analysis and operational review	Fall 2027	\$12,197,802	\$20,300,000
Central Embarcadero	Safety and accessibility upgrades, including protected bikeways, pedestrian enhancements, and public space upgrades.	Summer 2027	\$7,437,684	\$11,500,000
<b>Public Spaces (DPW)</b>				
Harvey Milk Plaza	Enhancement of Harvey Milk Plaza, including accessibility improvements to ensure ADA compliance, memorial/cultural installations, landscaping, lighting, native plantings.	Summer 2028	\$894,856	\$27,100,000

Sources: DPH, DPW, MTA, OPF

<b>Item 11</b> <b>File 25-0461</b>	<b>Department:</b> Mayor's Office of Housing and Community Development (MOHCD)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>The proposed resolution would: (1) approve a ground lease between the Mayor's Office of Housing and Community Development (MOHCD) and 160 Freelon Housing Partners, L.P. for property at 160 Freelon Street for a lease term of 75 years with a 24-year option to extend, and annual base rent of \$15,000 to construct affordable housing; (2) approve an amended and restated loan agreement for an amount not to exceed \$22,577,900 for a minimum term of 57 years to finance the project; and (3) approve certain agreements and adopt certain findings in support of the project.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>160 Freelon Street is a parcel of land that was conveyed to the City to develop affordable housing to satisfy inclusionary housing requirements for a nearby commercial development. After a competitive process, MOHCD selected Related Companies of California and San Francisco Housing Development Corporation to develop the site. In 2023, the Citywide Affordable Housing Loan Committee approved gap financing commitments for the project, which enabled the project to receive tax credits and California Affordable Housing and Sustainable Communities (AHSC) financing.</li> <li>The 160 Freelon project consists of 85 affordable housing units, including 22 units for the chronically homeless or at risk of homelessness through the City's Local Operating Subsidy Program (LOSP), five units for HIV-positive residents, through the Plus Housing program, 57 general affordable units, and one manager's unit. The City has agreed to a ground lease with the Developer and various easements to facilitate the development.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>Under the ground lease, the City would receive \$1,125,000 in rent over the initial 75-year term, or \$1,485,000 over 99 years if the option to extend is exercised. The proposed loan would provide up to \$22,577,900 to the Developer for construction of the project. The loan is soft debt repaid based on residual income in the project.</li> <li>The loan amount is equal to \$265,622 per unit. Total development costs are approximately \$1.2 million per unit. According to the 20-year cash flow analysis for the project, the project's revenues are sufficient to cover operating expenses, reserves, and hard debt service for the first 18 years of the project, but the project is cash flow negative afterwards. MOHCD may have to forgive its loan and/or provide additional subsidies to continue providing affordable housing at this site.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Because of the cash flow issues with the project, approval of the proposed resolution is a policy matter for the Board of Supervisors.</li> </ul>	

## MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease of real property for a period of ten years or more or that has revenue to the City of \$1 million or more is subject to Board of Supervisors approval.

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

Brannan Square is an entitled development by Tishman Speyer that would include approximately 1 million square feet of office and commercial spaces at 5<sup>th</sup> and Brannan Streets, with three buildings built in two phases. To satisfy inclusionary housing requirements, Tishman Speyer agreed to convey an approximately 12,800-square foot parcel at 160 Freelon Street to the City to develop affordable housing. The Board of Supervisors approved the property conveyance in March 2023 (File 23-0263), and the site was dedicated to the City in February 2025.

In November 2020, the Mayor's Office of Housing and Community Development (MOHCD) issued a Request for Qualifications (RFQ) to select developers for nine affordable housing sites, including 160 Freelon Street. MOHCD received three responses for the Freelon site, and an evaluation panel scored them, as shown in Exhibit 1 below.<sup>1</sup>

### Exhibit 1: Responses and Scores from RFQ for 160 Freelon Site

Respondent	Score (out of 100 Points)
Related Companies of California/San Francisco Development Corp.	92
Jonathan Rose Companies/Young Community Developers	89
Tabernacle Community Development Corp./The Pacific Companies	82

Source: MOHCD

MOHCD selected Related Companies of California (Related) and San Francisco Housing Development Corporation (SFHDC) to develop the 160 Freelon site as the highest scoring team. In the RFQ, the Freelon site was intended to be used for affordable family housing, including 25 percent of units reserved for formerly homeless households and subsidized by the City's Local Operating Subsidy Program and 5 Plus Housing units for low-income people living with HIV. The

<sup>1</sup> The evaluation panel consisted of a Pastor from Church Without Walls, a Member of the Dignity Fund Oversight and Advisory Committee, a Housing Program Manager for the Office of Community Investment and Infrastructure, a Director of Construction Services at MOHCD, an HIV Housing Programs Manager from MOHCD, a Marketing and Lottery Program Manager from MOHCD, a Business Development Manager from the Office of Economic and Workforce Development (OEWD), a Project Manager from OEWD, a Director of Real Estate and Facilities from the Department of Homelessness and Supportive Housing (HSH), a Family Housing Program Manager from HSH, a Subsidy Administration Manager from HSH, a Director of In-Home Supportive Services from the Human Services Agency (HSA), and a Director of Construction Services from MOHCD.

City subsidy for development costs was to be limited to \$250,000 per unit. Proposals were scored based on developer experience (40 points) and project concept (60 points).

In December 2021, the Citywide Affordable Housing Loan Committee approved a \$4,000,000 predevelopment loan for the project. The loan was executed and did not require Board approval because it was less than \$10 million and ten years. At that time, the project was proposed as 72 units on seven floors, with an estimated development budget of approximately \$69.3 million. The project was subsequently expanded to 85 units on nine floors, with an estimated budget of \$98.6 million. In January 2023, the Loan Committee approved a gap financing request of \$22,577,951, which served as a City commitment for the project to apply for funding from the Affordable Housing and Sustainable Communities (AHSC) program from the California Department of Housing and Community Development (HCD).<sup>2</sup> After an unsuccessful application in 2023, the project was awarded an AHSC loan of \$29,000,000 and grant of \$12,162,574 in March 2024.<sup>3</sup> In December 2024, the California Tax Credit Allocation Committee (TCAC) and California Debt Limit Allocation Committee (CDLAC) awarded the project four percent tax credits and up to \$48,900,000 in tax-exempt bonds to fund construction.

#### DETAILS OF PROPOSED LEGISLATION

The proposed resolution would:

1. Approve and authorize the Director of Property and MOHCD Director to enter into a ground lease at 160 Freelon Street with 160 Freelon Housing Partners, L.P. (the Developer, a partnership of Related and SFHDC), for a lease term of 75 years with a 24-year option to extend, and annual base rent of \$15,000, to construct an 85-unit affordable housing building;
2. Approve and authorize an amended and restated loan agreement with the developer to finance the project, in an amount not to exceed \$22,577,900, for a minimum loan term of 57 years;
3. Approve and authorize easement agreements between the City, 598 Brannan Street Phase 1, LLC (an affiliate of Tishman Speyer), and the Developer, to benefit the project and maintain compliance with the Building and Fire Codes;
4. Determine that the below market rent payable under the ground lease will serve a public purpose, in accordance with Administrative Code Section 23.30;
5. Adopt findings that the property is “exempt surplus land” pursuant to the California Surplus Lands Act;
6. Adopt findings that the project and proposed transactions are consistent with the General Plan and Planning Code; and

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<sup>2</sup> The California Affordable Housing and Sustainable Communities (AHSC) program uses state Cap-and-Trade funds to provide loans and grants to affordable housing developments that seek to reduce carbon emissions by being located close to employment centers and public transit and encouraging active transportation.

<sup>3</sup> The grant is for transportation improvements and does not contribute to the development budget.

7. Authorize the Director of Property and/or MOHCD Director to execute the ground lease, loan agreement, easement agreements, and make further immaterial amendments to these agreements.

The documents approved as part of this resolution include: (1) a Ground Lease between the City and the Developer; (2) a Loan Agreement between the City and the Developer; (3) a Declaration of Restrictions for Affordable Housing; (4) a Promissory Note; (5) a Deed of Trust; and (6) Easement Agreements.

### **Ground Lease**

The proposed ground lease provides for the Developer to pay the City annual base rent of \$15,000, without escalation, for a term of 75 years, with a 24-year option to extend. In the event that the MOHCD loan is fully repaid (which is unlikely for several decades), the Developer would also pay annual residual rent of \$1,398,026, which is adjusted every 15 years to 10 percent of the appraised fair market value of the land. Unpaid residual rent would not accrue. The Developer is responsible for paying any costs, taxes, or obligations related to the premises, obtaining the utility connections necessary to develop the project, and maintaining and insuring the site. The Developer would also assume liability for any claims of personal injury or property damage related to the premises.

To conform with ground lease, the Developer must commence demolition, rehabilitation, or construction by August 31, 2025, complete construction by December 31, 2027, and achieve 95 percent occupancy of the units by December 31, 2028.

### **Loan Agreement and Repayment**

The proposed loan agreement provides for a loan amount not to exceed \$22,577,900. The loan has zero to three percent basic interest, to be determined by the MOHCD Director before closing, with repayments based on two-thirds of residual receipts from the project. The loan matures on the later of 57 years after the recording of the deed of trust or 55 years after the conversion date.<sup>4</sup>

### ***Required Rents***

The Declaration of Restrictions outlines required rents for all units in the project. Income restrictions are as follows:

- 22 units must be made available to the chronically homeless or at risk of homelessness through the City's Local Operating Subsidy Program (LOSP) and are restricted to households with up to 50 percent of Area Median Income (AMI). These units are comprised of 11 one-bedrooms, six two-bedrooms, and five three-bedroom units.
- Five units must be made available to HIV-positive residents through the Plus Housing program and are restricted to households with up to 50 percent of AMI. These are comprised of three one-bedrooms and two 2-bedroom units.

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<sup>4</sup> The conversion date is the date when construction financing is converted to permanent financing, which is anticipated to occur approximately one year after the project receives a temporary certificate of occupancy.

- 57 units are generally affordable units. 25 units (comprised of 12 studios, seven one-bedrooms, two 2-bedrooms, and four three-bedrooms) are restricted to households with up to 60 percent of AMI, 14 units (comprised of three studios, three one-bedrooms, four two-bedrooms, and four three-bedrooms) are restricted to households with up to 70 percent of AMI, and 18 units (comprised of eight two-bedrooms and 10 three-bedrooms) are restricted to households with up to 80 percent of AMI.
- One two-bedroom unit is a manager's unit.

### **Project Description**

As mentioned above, the project would include 85 residential units across nine floors. The building would also include a residential lobby, mail room, parcel room, bike room with one bike parking space per unit, property management offices with a break room, conference room, multipurpose room with a kitchen, laundry room, resident services and case management rooms, and an exterior play yard and courtyard. The project does not include vehicular parking.

To facilitate the development, MOHCD is requesting Board of Supervisors approval of easements for temporary and permanent emergency vehicle access, public access and trash pickup, light, air, maintenance, and access, trenching, and door swing and cornice encroachment.

### **FISCAL IMPACT**

#### **Ground Lease**

The proposed ground lease would have annual base rent of \$15,000, without adjustment. Over the initial 75-year term of the lease, the City would receive \$1,125,000 in rent. If the 24-year option to extend is exercised, the City would receive an additional \$360,000 in rent, for total rent of \$1,485,000 over 99 years.

In the event that the MOHCD loan is fully repaid, the Developer would also pay annual residual rent of \$1,398,026, which is adjusted every 15 years to 10 percent of the appraised fair market value of the land. Given that MOHCD's 20-year cash flow pro forma only projects \$69,764 in debt service paid to MOHCD over 20 years, compared to a \$22,577,900 principal loan amount, it is unlikely that MOHCD would receive residual rent for several decades, if ever.

#### **MOHCD Loan**

The proposed loan would provide up to \$22,577,900 to finance the development and construction of 160 Freelon Street. The sources and uses of funding are shown in Exhibit 2 below.



**Exhibit 2: Sources and Uses of Funds for 160 Freelon Project**

<b>Sources</b>	<b>Amount</b>
MOHCD Loan	\$22,577,900
MOHCD Deferred Interest <sup>5</sup>	1,784,000
Tax Credits	44,282,000
Bank Loan	2,770,000
AHSC Loan	29,000,000
GP Equity	100
<b>Total Sources</b>	<b>\$100,414,000</b>

<b>Uses</b>	<b>Amount</b>
Acquisition (Legal/Closing/Broker Costs)	\$20,001
Construction (Includes 7.1% Contingency)	72,158,534
Soft Costs (Includes 7.5% Contingency)	21,316,466
Reserves	919,000
Developer Fee	6,000,000
<b>Total Uses</b>	<b>\$100,414,000</b>

Source: Proposed Loan Agreement

Construction costs include a 7.1 percent hard cost contingency and 7.5 percent soft cost contingency. Operating reserves total \$919,000 to support unanticipated operating costs for at least 20 years. Total costs include \$6,000,000 in developer fees and \$21,316,466 in soft costs.

**Loan Funding Sources and City Subsidy**

The proposed loan is funded by:

- \$4,000,000 from the Affordable Housing Fund: Inclusionary Affordable Housing Program
- \$4,395,328 from the Affordable Housing Fund: Jobs-Housing Linkage
- \$2,500,000 from the Affordable Housing Fund: Jobs-Housing Linkage Permanent Supportive Housing
- \$17,320 from the Eastern Neighborhoods Urban Mixed Use funds
- \$3,840,930 from the Eastern Neighborhoods Alternative funds
- \$5,582,988 from the Downtown Neighborhoods Preservation Fund
- \$2,241,334 from the Low and Moderate Income Housing Asset Fund

The City subsidy per unit is \$265,622. Total development costs per unit are approximately \$1.2 million. The high cost is attributable, in part, to the number of family-sized units in the building, work to connect the site to power, and a contingency for the impact of tariffs on the cost of building materials.

<sup>5</sup> MOHCD Deferred Interest is counted as both a source and use of project funds.

**Operating Revenues and Expenditures**

According to the 20-year cash flow analysis for the project, the project's revenues are sufficient to cover operating expenses, reserves, and debt service for the 14 of the first 18 years. Project revenues consist of tenant rents, LOSP rental assistance (approximately \$0.5 million initially in General Fund costs, with 3.5 percent increase annually over the 15-year contract period), and laundry and vending machine revenue. The budget assumes annual rental income loss of five percent due to vacancies. Two-thirds of residual receipts (net project income) would be used to pay debt service on the proposed loan, and one-third would go to the developer. Of the residual debt service, 56.23 percent would repay HCD and 43.77 percent would repay MOHCD. In addition, HSH will provide approximately \$300,000 in annual spending on supportive housing services for the LOSP units.

However, operating expenses are projected to escalate faster than project revenues, and the project has a negative \$10,000 annual cash flow in year 20 of its pro forma. MOHCD may have to forgive its loan, recapitalize the project, and/or subsidize operating expenses and debt service to continue providing affordable housing at this site. Alternatively, MOHCD could work with the developer to re-design the project to improve cash flow. Because of these cash flow issues, approval of the proposed resolution is a policy matter for the Board of Supervisors.

**RECOMMENDATION**

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

<b>Item 13</b> <b>File 25-0460</b>	<b>Department:</b> Mayor's Office of Housing and Community Development (MOHCD)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>The proposed resolution would authorize the Mayor's Office of Housing and Community Development (MOHCD) to expend South of Market (SOMA) Community Stabilization Fund dollars in the amount of \$2,405,548 to address various impacts of destabilization on residents and businesses in SOMA in FY 2025-26 and 2026-27.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>The SOMA Community Stabilization Fund accounts for certain development impact fee revenue in SOMA and requires the Board of Supervisors to approve spending. MOHCD administers the fund, including managing competitive solicitations to allocate spending. In January 2025, MOHCD issued a Request for Proposals (RFP) to award funding, and the top eight proposals, regardless of funding priority area, were selected for funding.</li> <li>The organizations receiving funds are: Eviction Defense Collaborative, Filipino Education Center Galing Bata, United Playaz, SOMA Pilipinas Filipino Cultural Heritage District, Filipino Mental Health Initiative of San Francisco, Mission Graduates, San Francisco Parks Alliance, and Tenderloin Neighborhood Development Corporation. Projects include housing and tenant protections, youth empowerment, collaborative placemaking and community building, and community safety. The programs would be funded for two years, with a one-year option to extend based on funding availability, achievement of outcomes and deliverables, and community needs.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>If the proposed resolution is approved, the SOMA Community Stabilization Fund balance will be reduced from \$3,849,699 to \$1,444,151.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Approve the proposed resolution.</li> </ul>	

**MANDATE STATEMENT**

In accordance with Planning Code Section 418.7, all funds in the South of Market Area (SOMA) Community Stabilization Fund are to be expended to address the effects of destabilization on residents and businesses in SOMA due to new residential development in the Rincon Hill Area. SOMA Community Stabilization Fund expenditures are administered by the Mayor's Office of Housing and Community Development (MOHCD), subject to approval by resolution of the Board of Supervisors.

**BACKGROUND****SOMA Community Stabilization Fund**

In August 2005, the Board of Supervisors approved a new Section 418 to the City's Planning Code which, among other provisions: (a) established the Rincon Hill Downtown Residential District,<sup>1</sup> (b) imposed a Rincon Hill Community Infrastructure Impact Fee (\$16.48 per gross square foot of new residential development in the District), (c) created a Rincon Hill Community Improvement Fund for the deposit of the Rincon Hill Community Infrastructure Fees collected, (d) imposed a SOMA Community Stabilization Fee (\$20.96 per gross square foot on new residential development within the District), (e) created the SOMA Community Stabilization Fund for the deposit of SOMA Community Stabilization Fees collected, and (f) established a SOMA Community Stabilization Fund Community Advisory Committee (CAC) to advise MOHCD and the Board of Supervisors on the uses of the Community Stabilization Fund (Ordinance 217-05).<sup>2</sup>

The legislation specifies that all funds collected in the SOMA Community Stabilization Fund are to be used to mitigate the impacts of destabilization on residents and businesses in SOMA.

**Legislative History**

In May 2008, the Board of Supervisors approved a resolution (File 08-0544): (a) approving the SOMA Community Stabilization Fund Strategic Plan, (b) authorizing MOHCD to administer the SOMA Community Stabilization Fund in accordance with this strategic plan, and (c) authorizing MOHCD to work with the SOMA Stabilization Fund Community Advisory Committee (CAC) to issue Requests for Proposals (RFPs) for non-profit agencies to provide services addressing the effects of destabilization on residents and businesses in SOMA, consistent with the Community Stabilization Fund Strategic Plan.

**RFP Process**

In January 2025, MOHCD issued an RFP for community-based organizations to apply for funding from the SOMA Community Stabilization Fund to provide SOMA services in FY 2025-26 and FY 2026-27, with a one-year option to extend based on funding availability, achievement of outcomes and deliverables, and community needs. The five priority funding areas in the RFP were: (1) Community Safety, (2) Youth Empowerment, (3) Collaborative Placemaking and

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<sup>1</sup> The Rincon Hill Downtown Residential District is defined as the area bounded by Folsom Street, the Bay Bridge, the Embarcadero, and Essex Street.

<sup>2</sup> San Francisco Citywide Development Fee Register, effective January 1, 2025.

Community Building, (4) Housing and Tenant Protection, and (5) Small Business and Local Economic Development. MOHCD received 45 eligible proposals and an evaluation panel reviewed and scored them.<sup>3</sup> The top eight scoring proposals, regardless of funding priority, were awarded grants. These proposals are shown in Exhibit 1 below.

### Exhibit 1: Top Scoring Proposals from RFP

Proposer	Funding Priority Area	Average Score (out of 100 Points) <sup>4</sup>
Eviction Defense Collaborative	Housing and Tenant Protections	98.0
Filipino Education Center (FEC) Galing Bata	Youth Empowerment	97.0
United Playaz	Youth Empowerment	96.5
SOMA Pilipinas Filipino Cultural Heritage District	Collaborative Placemaking and Community Building	96.0
Filipino Mental Health Initiative of San Francisco	Community Safety	95.5
Mission Graduates	Youth Empowerment	95.5
San Francisco Parks Alliance	Collaborative Placemaking and Community Building	95.5
Tenderloin Neighborhood Development Corporation	Collaborative Placemaking and Community Building	95.5

Source: MOHCD

A full list of the 45 proposers and scores is included as an attachment to this report. No small business/economic development proposals received funding.

### DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes MOHCD to spend up to \$2,405,548 from the SOMA Community Fund in FY 2025-26 and FY 2026-27. Exhibit 2 below summarizes the projects and annual grant awards for each recipient.

<sup>3</sup> The evaluation panel consisted of a Community Partnerships Liaison from the Mayor's Office, a Public Services Manager from MOHCD, a Cultural Districts Coordinator from MOHCD, a Community Partnerships Director from MOHCD, a HOPE SF Policy Director from MOHCD, two Senior Community Development Specialists from MOHCD, a Senior Advisor from MOHCD, a Gender-Based Violence Prevention Program Manager from MOHCD, a Capital Program Manager from San Francisco Arts Commission, a Digital Equity Manager from MOHCD, a Senior Program Manager from the Office of Economic and Workforce Development (OEWD), a Housing Stabilization Program Officer from MOHCD, and a Senior Community Development Specialist from the Planning Department.

<sup>4</sup> Proposals were scored based on target population (15 points), program design (20 points), experience (10 points), staffing (5 points), advancing equity (15 points), partnerships (5 points), impact and evaluation (15 points), and project budget (15 points).

**Exhibit 2: Proposed SOMA Funding Recipients (One Year)**

<b>Organization</b>	<b>Project/Program Description</b>	<b>Annual Amount</b>
Eviction Defense Collaborative	Expands legal services, tenant counseling, and housing rights education	\$200,000
Filipino Education Center (FEC) Galing Bata	Provides enrichment activities, academic support, and engagement for kindergarten through 8 <sup>th</sup> grade students and their families	150,000
United Playaz	Summer program for K-12 youth that integrates social emotional learning, enrichment, physical activity/recreation, and project-based learning/STEAM activities	125,000
SOMA Pilipinas Filipino Cultural Heritage District	Advances in safety, community stability, and resilience through targeted workshops and cultural events	200,000
Filipino Mental Health Initiative of San Francisco	Promotes mental health and community safety through education, peer mentorship, direct services, and advocacy	100,000
Mission Graduates	Literacy program for K-8 youth providing school-day literacy support, after-school literacy blocks, and targeted individual interventions	200,000
San Francisco Parks Alliance	Sundown Cinema, a free, family-friendly outdoor film series with local vendors	40,000
Tenderloin Neighborhood Development Corporation	Trains local leaders' capacity to align to sustain SOMA unity and advocate for the neighborhood	187,774
<b>Total Annual Amount</b>		<b>\$1,202,774</b>

Source: MOHCD

**FISCAL IMPACT**

Exhibit 3 below summarizes the current and projected balance of the SOMA Community Stabilization Fund if the proposed spending resolution is approved.

**Exhibit 3: SOMA Community Stabilization Fund, Current and Projected Balance**

	<b>Amount</b>
Unallocated Balance (as of 3/27/2025)	\$3,849,699
Proposed Resolution	(2,405,548)
<b>Remaining Balance</b>	<b>\$1,444,151</b>

Source: MOHCD

As noted above, the source of funding for the proposed spending is development impact fees assessed in the South of Market neighborhood.

**RECOMMENDATION**

Approve the proposed resolution.

**Attachment 1: Full List of Proposers and Scores from RFP**

Proposer	Funding Priority	Score (out of 100 Points)
Eviction Defense Collaborative	Housing and Tenant Protections	98.0
Filipino Education Center (FEC) Galing Bata	Youth Empowerment	97.0
United Playaz	Youth Empowerment	96.5
SOMA Pilipinas Filipino Cultural Heritage District	Collaborative Placemaking and Community-Building	96.0
Filipino Mental Health Initiative of San Francisco	Community Safety	95.5
Mission Graduates	Youth Empowerment	95.5
San Francisco Parks Alliance	Collaborative Placemaking and Community-Building	95.5
Tenderloin Neighborhood Development Corporation	Collaborative Placemaking and Community-Building	95.5
Kearny Street Workshop Inc (KSW)	Collaborative Placemaking and Community-Building	95.0
Eviction Defense Collaborative	Housing and Tenant Protections	95.0
United Playaz	Collaborative Placemaking and Community-Building	94.5
PRC	Collaborative Placemaking and Community-Building	94.5
Kultivate Labs	Small Business and Local Economic Development	94.0
SOMArts Cultural Center	Collaborative Placemaking and Community-Building	93.5
West Bay Pilipino Multi Service Center	Youth Empowerment	93.0
Bayanihan Equity Center	Housing and Tenant Protections	93.0
Renaissance Entrepreneurship Center	Small Business and Local Economic Development	93.0
Yerba Buena Community Benefit District dba Yerba Buena Partnership	Community Safety	92.5
Project Commotion	Youth Empowerment	91.0
Community Tech Network	Collaborative Placemaking and Community-Building	90.5
Filipino Community Development Corporation (FCDC)	Housing and Tenant Protections	90.5
Children's Creativity Museum	Youth Empowerment	89.5
Litquake Foundation	Collaborative Placemaking and Community-Building	89.5
Bindlestiff Studios	Collaborative Placemaking and Community-Building	89.0
United Playaz	Community Safety	88.5
SOMA West Community Benefit District	Community Safety	88.5
Bay Area Video Coalition Inc (BAVC)	Youth Empowerment	88.5
Embarcadero YMCA of San Francisco	Youth Empowerment	87.0
Mid-Market Community Benefit District	Collaborative Placemaking and Community-Building	85.5
The Transgender District	Small Business and Local Economic Development	85.5
Women's Audio Mission (WAM)	Youth Empowerment	84.5
Dev/Mission	Youth Empowerment	84.5
Bill Sorro Housing Program	Housing and Tenant Protections	83.5
Lavender Youth Recreation and Information Center (LYRIC)	Youth Empowerment	83.0
ASIAN, Inc.	Community Safety	82.5
The Arc San Francisco	Small Business and Local Economic Development	81.5
San Francisco AIDS Foundation	Housing and Tenant Protections	81.0
LEATHER & LGBTQ Cultural District	Small Business and Local Economic Development	81.0

Oasis for Girls	Youth Empowerment	80.0
LEATHER & LGBTQ Cultural District	Collaborative Placemaking and Community-Building	80.0
LEATHER & LGBTQ Cultural District	Small Business and Local Economic Development	80.0
LEATHER & LGBTQ Cultural District	Small Business and Local Economic Development	78.5
LEATHER & LGBTQ Cultural District	Community Safety	75.0
Filipino Community Development Corporation (FCDC)	Collaborative Placemaking and Community-Building	72.5
South of Market Business Association (SOMBA)	Small Business and Local Economic Development	72.0

Source: MOHCD