CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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October 4, 2024

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: October 9, 2024 Budget and Finance Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would retroactively approve a Second Amendment to the Predevelopment Agreement between Potrero Neighborhood Collective LLC and the San Francisco Municipal Transportation Agency (SFMTA) to increase the potential termination payment by $5,556,566 for a total potential payment not to exceed $15,546,566. If approved, the effective date of the amendment would be October 17, 2024.

Key Points

- The Potrero Yard Modernization Project (the Project) will replace the existing Potrero bus yard and two-story building with a four-story bus maintenance and storage facility and up to 465 affordable housing units, some of which would be constructed on top of the bus yard. The project is being developed by Potrero Neighborhood Collective (PNC), led by Plenary Americas US Holdings Inc.
- Under a November 2022 Predevelopment Agreement, PNC is responsible for funding predevelopment activities. The original agreement provides for a potential termination payment not to exceed $9,990,000 and continuation payment of $4,350,000 once the project has received necessary Planning entitlements and CEQA approvals, for a total potential cost of $14,340,000. In March 2024, the Board of Supervisors approved the predevelopment agreement to facilitate payment of the continuation payment.
- The amendment would extend the term of the Predevelopment Agreement by approximately 9.5 months from October 18, 2024 to July 31, 2025. The proposed amendment would increase the potential termination payment to account for an increase in expected costs for the Lead Developer to perform the required work due to the extension of the predevelopment period and additional costs associated with incorporating City proposed changes to the bus facility. This increases the maximum potential cost of the predevelopment agreement from $14,340,000 to $19,896,566.

Fiscal Impact

- If the agreement is terminated for any reason besides default of the Lead Developer, the termination payment would be funded by project funds, which are funded by required baseline contributions from the City's General Fund to MTA, transportation sales tax revenues, and bridge toll revenues for transportation projects. The amount of the termination payment depends on the project phase and may not exceed the developer's qualified costs of performing the work.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

Potrero Yard Modernization Project

Potrero Yard, a 4.4-acre site located at Bryant Street and Mariposa Street, is a 100-year-old facility that currently serves as a trolley bus storage yard and maintenance facility. The Potrero Yard Modernization Project (the Project) will replace the existing trolley bus yard and two-story building with a modern, four-story bus maintenance and storage facility (Bus Yard Component) to expand capacity, improve worker safety, enhance worksite efficiency, and align the worksite with City policy objectives related to environmental sustainability. The site is being developed through a "joint development" model, and the proposed Project would also add approximately 2,886 square feet of ground floor commercial space and housing adjacent to and above the Bus Yard Component to provide 465 units of housing (Housing and Commercial Component), all of which would be affordable to low- to moderate-income residents.[1] The proposed 465 housing units include 104 units of housing in a 13-story building along Bryant Street and 361 housing units to be constructed on top of the bus yard facility.

If construction of the 361 units above the bus yard is infeasible due to inadequate financing, an alternative proposal would extend the bus yard facility onto the fifth floor to house MTA's Paratransit division, including administrative and operation spaces and paratransit vehicle storage. The alternative proposal would still provide the low-income 104 units of housing along Bryant Street.

MTA selected Potrero Neighborhood Collective (PNC), led by Plenary Americas US Holdings Inc. [2] to be the Lead Developer of the project following a competitive solicitation process. The proposed Project is currently undergoing predevelopment and will be constructed in three phases. Phase 1 includes construction of the MTA bus maintenance and storage facility. Phase 2 includes construction of housing along Bryant Street, and Phase 3 includes construction of housing on top of the bus maintenance and storage facility. According to MTA staff, construction

[1] According to MTA, 465 housing units would be composed of 247 low-income (80% AMI or below) units and 218 moderate-income (81% - 120% AMI) units. Units range from studios to family-sized units (three bedrooms or more.

[2] According to its website, Plenary Americas is a long-term investor, manager, and developer of public and private infrastructure, with a focus on public-private partnerships. Plenary Americas is owned by CDPQ, an institutional investor that manages insurance programs and pension plans in Quebec.

of Phase 1, including the bus facility and common infrastructure is anticipated to begin in summer 2025.

Predevelopment Agreement

In November 2022, the MTA executed a predevelopment agreement with PNC, per authorization granted by the MTA Board of Directors. The predevelopment agreement covers the Project's predevelopment activities, including development of financing plans, schematic designs, and maintenance plans, project entitlements, and contractor procurement to design and build the bus yard and maintain the infrastructure. The agreement also provides the terms for the MTA and PNC negotiations to develop the terms for one or more project agreements to deliver the Bus Yard and Housing and Commercial Components. The project agreements will be subject to Board of Supervisors' approval. The original agreement provided for a maximum term of 568 days from November 2, 2022 to May 23, 2024 and a maximum potential payment of $14,340,000 to the Lead Developer, including a potential termination payment not to exceed $9,990,000 and potential continuation payment of $4,350,000 (described below).

In March 2024, the Board of Supervisors approved the predevelopment agreement to facilitate payment of the continuation payment (File 24-0136).

In May 2024, the SFMTA administratively approved the First Amendment to the predevelopment agreement to: (a) extend the predevelopment term by approximately four months through October 18, 2024; (b) extend the outside delivery date of the project by two years to November 30, 2029 and extend the timing for substantial completion of the housing and commercial component; (c) update the description and unit counts for the affordable housing projects; (d) specify terms related to the alternative paratransit component; and (e) make changes to the housing developers and affordable housing developers.

According to MTA staff, the affordable housing projects were changed to best align with potential affordable housing funding opportunities which favor family housing. Instead of delivering one senior housing project and two family housing projects with each containing between 80 and 110 units, the project will deliver two slightly larger family housing projects with each containing between 110 and 191 units. In addition, the project will also deliver one moderate income project with 218 units instead of 284 units under the original agreement. These changes resulted in an overall reduction in the number of housing units delivered by the project from 513 to 465 with no change in the total number of bedrooms due to the increase in family housing units.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a Second Amendment to the Predevelopment Agreement between Potrero Neighborhood Collective LLC and the SFMTA to increase the potential termination payment by $5,556,566 for a total potential payment not to exceed $15,546,566. If approved, the effective date of the amendment would be October 17, 2024.

The proposed amendment would extend the term of the Predevelopment Agreement by approximately 9.5 months from October 18, 2024 to July 31, 2025. According to MTA staff this extension will allow for completion of site due diligence including utility planning, additional review of financing strategy, including pursuit of potential federal funding, and design adjustments that will provide greater flexibility including the paratransit variant. Design adjustments are also needed to incorporate City requested changes to the bus facility. According to MTA staff, in August 2024, MTA requested a change in the share of 40-foot versus 60-foot electric trolley buses to allow for more electric trolley buses to be operated from and maintained at the Potrero Yard within the same footprint, with slight interior modifications

The amendment would also extend the date of financial close for the infrastructure by two months from May 31, 2025 to July 31, 2025. The amendment also requires the Lead Developer to: (a) obtain apply for a site permit for the Infrastructure Facility construction from the Department of Building Inspections before November 30, 2024 to ensure substantial completion of the infrastructure by November 30, 2029; and (b) complete certain activities related to additional environmental review associated with potential Federal funding for the Project, including procuring and paying consultants for environmental review and providing materials needed for the review.

Continuation and Termination Payments

PNC is responsible for funding predevelopment activities during the term of the predevelopment agreement. Predevelopment activities include design work, preparation of project schedules and negotiating the project agreements for the bus yard, housing, and commercial space development components of the project, developing financing plans for the project, obtaining permits and entitlements, and developing a plan to procure contractors, including local business enterprises, for project delivery. The agreement requires MTA to pay the Lead Developer a termination payment if the agreement is terminated for any reason except developer default. The termination payment amount depends on the project phase, and the amount may not exceed the Lead Developer's qualified costs of performing the work. The current agreement provides for a potential termination payment not to exceed $9,990,000 and potential continuation payment of $4,350,000 once the project has received necessary Planning entitlements and CEQA approvals, for a total potential cost of $14,340,000. According to MTA staff, MTA paid the continuation payment to PNC in August 2024.

The proposed amendment would increase the potential termination payment by $5,556,566 for a not to exceed amount of $15,546,566 to account for an increase in expected costs for the Lead Developer to perform the required work due to the extension of the predevelopment period and additional costs associated with incorporating City proposed changes to the bus facility. The proposed amendment similarly increases the termination payment for two interim milestones by $5,556,566. The termination payment would increase from $7,640,000 to $13,196,566 If the agreement is terminated after completion of predevelopment Phase 2 work, and the termination payment would increase from $8,640,000 to $14,196,566 if the agreement is terminated after completion of predevelopment Phase 3 work.

FISCAL IMPACT

The proposed resolution would increase the maximum potential termination payment by $5,556,566 for a not to exceed amount of $15,546,566. This increases the maximum potential cost of the predevelopment agreement from $14,340,000 to $19,896,566, including the continuation payment of $4,350,000. The proposed $5,556,566 increase in the maximum termination amount includes $2.84 million for internal costs of the Lead Developer over the extended predevelopment period, costs associated with the environmental review, a design consultant, City requested changes to the bus facility, and the site permit fee, as well as a five percent contingency and third-party financing costs.

If the agreement is terminated for any reason besides default of the Lead Developer, the termination payment would be funded by project funds, which are funded by required baseline contributions from the City's General Fund to MTA, transportation sales tax revenues, and bridge toll revenues for transportation projects. As noted above, the amount of the termination payment depends on the project phase and may not exceed the developer's qualified costs of performing the work.

RECOMMENDATION

Approve the proposed resolution.

Item 5 File 24-0933	Department: Municipal Transportation Agency (MTA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve an agreement between the San Francisco Municipal Transportation Agency (SFMTA) and New Flyer of America, Inc. (New Flyer) to purchase 94 40-foot hybrid buses and accessories through a cooperative purchasing agreement by the State of Washington, for a term of five years and an amount not to exceed $117,751,398.

Key Points

- In March 2020, the Washington State Department of Enterprise Services issued a competitive solicitation for heavy duty transit buses, including 40-foot hybrid buses. The solicitation was intended to award master contracts through a cooperative purchasing agreement that may be used by other transit agencies. Four master contracts were awarded within the 40-foot hybrid bus category, including New Flyer. SFMTA utilized this procurement and decided to purchase buses from New Flyer due to satisfaction with previous New Flyer buses and operational and maintenance familiarity with the fleet.
- Under the proposed agreement, SFMTA would purchase 94 40-foot diesel electric hybrid buses at a cost of $1,118,845 per bus, which includes a telematics fleet tracking license for 12 years. The agreement also includes up to $3,000,000 in spare parts, $1,000,000 for training, $1,000,000 for special tools, and $1,000,000 for regulatory mandated changes, passenger enhancements, and system modifications. SFMTA anticipates that the "lead bus" would enter production in the second quarter of calendar year 2025 and be delivered to SFMTA for revenue service in late 2025. The remaining production vehicles would enter the production line in the fourth quarter of calendar year 2025. The buses would be delivered by the end of calendar year 2026, although SFMTA hopes that approximately 10 buses could be delivered by the end of 2025.

Fiscal Impact

- The proposed agreement with New Flyer would have an amount not to exceed $117,751,398. In total, SFMTA estimates that the total cost of the bus procurement is approximately $147,423,260, including sales tax, program support, inspections, and a contingency. The procurement is funded by a Federal Transit Administration (FTA) grant, Proposition L funds, Regional Measure 3 funds, Proposition B General Funds, SFMTA operating funds, and development impact fees.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

Administrative Code Section 21.16(b) allows City departments to utilize the competitive procurement process of any other public agency or non-profit made up of multiple public agencies to make purchases of commodities or services for the use of the City under the terms established in that agency's competitive procurement process and as agreed upon by the City and the procuring agency, upon making a determination that (i) the other agency's procurement process was competitive or the result of a sole-source award, and (ii) the use of the other agency's procurement would be in the City's best interests.

BACKGROUND

In March 2020, the Washington State Department of Enterprise Services issued a competitive solicitation for heavy duty transit buses. The solicitation was intended to award master contracts through a cooperative purchasing agreement that may be used by other transit agencies, as allowed by the Federal Transit Administration (FTA) under the 2015 Fixing America's Surface Transportation (FAST) Act. The solicitation included several categories of transit buses, including 40-foot hybrid buses. Within this category, four bids were received and scored, as shown in Exhibit 1 below.

Exhibit 1: Bidders and Scores, 40-Foot Hybrid Buses

Bidder	Cost Score (out of 300 Points)	Non-Cost Score (out of 650 Points)	Preferences (out of 50 Points)[1]	Total Score (out of 1000 Points)
Gillig	273	528	50	851
New Flyer	246	518	50	814
El Dorado	247	445	50	742
Nova	217	458	30	705

Source: SFMTA

All four bidders within the 40-foot hybrid bus category were awarded master contracts that could be used by other public entities that execute a Washington State Transit Bus Cooperative Purchasing Agreement. The San Francisco Municipal Transportation Agency (SFMTA) utilized this procurement to purchase new buses. Although Gillig was the highest scoring bidder, including with the highest scoring cost proposal, SFMTA decided to purchase buses from New Flyer. According to Gary Chang, SFMTA Transit Sr. Program Manager, at the time of the procurement, Gillig was not interested in selling buses to SFMTA due to concerns with the City's contracting

[1] Preferences include compliance with Washington Executive Order 18-03 (workers' rights to address workplace violations) and Oregon Revised Statute 279A.112 (policies preventing sexual harassment, sexual assault, and discrimination), emissions information, sustainability policy, and prompt payment.

requirements and some technical specifications.[2] SFMTA already had a large fleet of New Flyer buses which have been reliable, and operations and maintenance staff are familiar with the New Flyer fleet. In September 2024, the SFMTA Board approved a contract with New Flyer under the terms of the Washington Master Contract.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve an agreement between SFMTA and New Flyer of America, Inc. (New Flyer) to purchase 94 40-foot hybrid buses and accessories through a competitive purchasing agreement by the State of Washington, for a term of five years and an amount not to exceed $117,751,398. The resolution also allows SFMTA to enter into any further immaterial amendments to the agreement.

Under the proposed agreement, SFMTA would purchase 94 40-foot diesel electric hybrid buses at a cost of $1,118,845 per bus, which includes a telematics fleet tracking license for 12 years. The agreement also includes up to $3,000,000 in spare parts, $1,000,000 for training, $1,000,000 for special tools, and $1,000,000 for regulatory mandated changes, passenger enhancements, and system modifications. SFMTA's independent cost estimate for the buses in July 2023 was approximately $1,150,000 per bus. New Flyer's cost is approximately three percent less than this estimate.

Under the contract, buses are subject to SFMTA inspection prior to delivery. SFMTA makes progress payments on bus orders as they built and shipped, with final payment occurring after SFMTA acceptance of the vehicles. The contract also provides for liquidated damages ranging from $200 - $400 per day if New Flyer is late on bus and spare part deliveries.

Delivery Timeline

SFMTA anticipates that the "lead bus" would enter production in the second quarter of calendar year 2025 and be delivered to SFMTA for revenue service in late 2025. The performance of the lead bus would allow SFMTA and New Flyer to make changes to the specifications of the other vehicles, if needed. According to Transit Sr. Program Manager Chang, the anticipated changes are relatively straightforward and would not have a long lead time for materials, such as seating configurations, mirror placements, and camera adjustments. The remaining production vehicles would enter the production line in the fourth quarter of calendar year 2025. The buses would be delivered by the end of calendar year 2026, although SFMTA hopes that approximately 10 buses could be delivered by the end of 2025. The production timeline largely depends on suppliers' ability to provide component parts to New Flyer. The buses include a two-year warranty.

[2] According to Transit Sr. Program Manager Chang, Gillig's concerns include the liquidated damages clause, performance bonds, Fleet Defect language, and concern of production halt due to unresolved production or engineering design questions. SFMTA has been working with Gillig to resolve the differences, and there may be an opportunity to purchase electric buses from Gillig in 2025. The Airport is planning to purchase electric buses from Gillig, pending Board of Supervisors approval (File 24-0921). New Flyer's base price was approximately 1.3 percent higher than Gillig's base price in the solicitation.

Bus Replacement

The buses would replace 94 buses that were purchased in approximately 2013 and are nearing the end of useful life. SFMTA typically either auctions or donates buses retired from the fleet. If sold at auction, the buses typically have a resale value of less than $5,000.[3]

FISCAL IMPACT

The proposed agreement with New Flyer would have a total amount not to exceed $117,751,398. In total, SFMTA estimates that the total cost of the bus procurement is approximately $147,423,260, as shown in Exhibit 2 below.

Exhibit 2: Estimated Bus Procurement Costs

New Flyer Contract	Amount
Vehicles (with Telematics License)	$111,751,398
Spare Parts	3,000,000
Training and Training Kits	1,000,000
Allowance for Regulatory Changes, Vehicle Enhancements	1,000,000
Special Tools	1,000,000
New Flyer Contract Subtotal	*$117,751,398*
Other Associated Cost Items	**Amount**
Sales Tax (8.625%)	$10,156,058
Project Support (SFMTA Staff, Other Direct Costs)	5,096,868
Consultant Support and Vehicle Inspection at Plant	598,849
Contingency (10.3%)	13,820,087
Other Associated Cost Items Subtotal	*$29,671,862*
Total Cost	**$147,423,260**

Source: SFMTA

According to Transit Sr. Program Manager Chang, the training is primarily for SFMTA maintenance workers, but drivers would receive some training as well. The project support costs are mostly for SFMTA staff during the procurement and production phases. However, issues will likely arise after vehicle delivery, so some staff costs will be needed for warranty support, as well as for project closeout. SFMTA will have one full-time consultant inspector based at the New Flyer plant and will also send SFMTA staff to the plant to conduct random inspections. The contingency is included to cover raw materials or supply chain cost increases, configuration changes or component upgrades, and/or production delays that would incur additional soft costs.

The anticipated funding sources for the project are shown in Exhibit 3 below.

[3] A vehicle resale price of over $5,000 would require SFMTA to return a portion of proceeds to the FTA, which had provided funding for the buses.

Exhibit 3: Anticipated Funding Sources

Sources	Amount
FTA Grant	$72,770,654
San Francisco County Transportation Authority (SFCTA) Proposition L[4]	32,300,996
Regional Measure 3[5]	27,013,000
Proposition B General Fund[6]	12,330,996
SFMTA Operating Funds	2,165,279
Transit Sustainability Fund[7]	843,331
Total	**$147,423,260**

Source: SFMTA

According to SFMTA, approximately $59.6 million in funding is in hand, or 40 percent of the project budget. This includes Regional Measure 3, Proposition L, and prior year Proposition B funds. The remaining $87.8 million, or 60 percent, is anticipated to be received in FY 2025-26. This includes the FTA grant, other Proposition B funds, operating funds, and the Transit Sustainability Fund. According to Transit Sr. Program Manager Chang, the FTA grant would be distributed to SFMTA through the Metropolitan Transportation Commission (MTC) in FY 2025-26. The funding is formulaic and SFMTA is highly certain the funds will be received. SFMTA notes that given the projected FY 2026-27 deficit, the operating funds may not be available and other capital funds may be needed instead.

RECOMMENDATION

Approve the proposed resolution.

[4] Proposition L, approved by San Francisco voters in November 2022, extended an existing half-cent sales tax for transportation projects for 30 years.
[5] Regional Measure 3, approved by voters in the nine-county Bay Area in June 2018, increased bridge tolls by $3 over six years to fund regional transportation projects.
[6] Proposition B, approved by San Francisco voters in November 2014, increased the General Fund baseline provided to SFMTA based on the change in the daytime and nighttime population.
[7] The Transit Sustainability Fund is a revenue collected from development impact fees.

Items 6 & 7 **Files 24-0899 & 24-0900**	**Department:** Office of Contract Administration (OCA)

EXECUTIVE SUMMARY

Legislative Objectives

- **File 24-0899** is a proposed resolution that approves a first amendment to the City's contract with A1 Protective Services, Inc. for the provision of citywide security guard services. The amendment increases the contract amount by $26,017,000, resulting in a total not-to-exceed amount of $34,767,000, with no changes to the contract term of August 1, 2023, through July 31, 2028.
- **File 24-0900** is a proposed resolution that approves a second amendment to the City's contract with Treeline Security Services, Inc. for the provision of citywide security guard services. The amendment increases the contract amount by $30,227,000, leading to a total not-to-exceed amount of $38,977,000, again with no changes to the contract term of August 1, 2023, through July 31, 2028.

Key Points

- In August 2023, the OCA awarded five-year City-wide security guard contracts to A1 Protective Services and Treeline Security, each initially not-to-exceed $8.75 million with plans to adjust based on usage.
- Based on the contracts' average monthly encumbrances, both of the initial funds are projected to deplete by late 2024.
- Security guards perform duties such as emergency response and de-escalation. Contractors must handle training, meet performance standards, and comply with prevailing wage laws, with penalties for failing to meet specific performance thresholds. Existing contracts under these umbrella agreements staff SFPUC Wastewater facilities, vacant lots, Log Cabin Ranch, and City buildings at 1650 Mission, 1 South Van Ness, and 25 Van Ness.

Fiscal Impact

- The proposed amendments would raise A1's contract by $26 million and Treeline's by $30.227 million.
- Based on historical spending, the PUC Wastewater Enterprise would be the primary payor for the A1 contract and the General Fund would fund 85 percent of the Treeline contract.

Recommendations

- Approve the proposed resolutions.

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

On February 23, 2023, the Office of Contract Administration (OCA) issued a Request for Proposals (RFP) for as-needed citywide security guard services to be utilized by all City agencies, including the Real Estate Division, Juvenile Probation Department, Mayor's Office of Housing and Community Development, and the Public Utilities Commission. The RFP aimed to establish contracts with qualified security service providers to meet the diverse security needs of various City departments.

The RFP sought proposals from security guard firms for short and long-term contracts, including from micro/small locally-owned businesses.[1] The long-term contracts were designed as City-wide Umbrella Term Contracts, replacing the previous process of securing each department contract individually, under which all City departments requiring security guard services could issue individual departmental contracts for multi-year engagements through July 31, 2028.

In 2023, OCA awarded two firms, A1 Protective Services Inc., and Treeline Security for long-term contracts. The scoring panel—consisting of a CDD Division Manager from SFPUC, a Deputy Managing Director from the Real Estate Division, a Revenue Operations Manager from SFMTA, and a Nurse Manager/Program Director from ZSFG—provided average scores of 80.55 out of 100 for A1 Protective Services Inc. and 80.11 out of 100 for Treeline Security. These scores were based on their written proposal (70 points), including company experience, management approach, guard policies, and sample reports and price proposal (30 points). Bonus points could be awarded if proposers were certified LBEs. Both companies' proposals were among the three highest-ranked submissions for that Aggregate, as shown in Exhibit 1 below. A third contractor, American Guard Services Inc., was also offered a contract under Aggregate B1 but withdrew its proposal.

[1] The RFP included the following contract categories: Aggregates A-1 (Short Term Services Term Contracts to be awarded to the three highest ranked Proposers), A-2 (Short Term Services Micro LBE Set-Aside Term Contracts to be awarded to the two highest ranked Micro LBE Proposers), B-1 (Long Term Services Master Contracts to be awarded to the three highest ranked Proposers), and B-2 (Long Term Services Micro LBE Set-Aside Master Contracts to be awarded to the two highest ranked Micro LBE Proposers)

Exhibit 1: Proposers and Scores from RFP

Rank	Proposer	Price Evaluation (Out of 30 points)	Written Proposal Score (Out of 70 Points)	Total Score (Out of 100 Points)
1	A1	33.00	47.55	**80.55**
2	Treeline	26.80	50.63	**80.11**
3	American Guard	13.40	49.93	**63.33**
4	Black Bear	11.90	49.59	**56.63**
5	GSG	6.40	40.30	**52.20**

Source: OCA

Note: Scores include bonus points for LBE proposals.

The Original Agreements with A1 Protective Services and Treeline Security were executed on August 1, 2023. These agreements have five-year terms from August 1, 2023, through July 31, 2028, with an initial not-to-exceed amount of $8,750,000 for each contract. The RFP stated that the initial not-to-exceed amount of each awarded contract would be increased based on actual usage. The Local Business Enterprise (LBE) subcontracting participation requirement has been waived because the RFP included a separate procurement for micro LBE services.

On July 30, 2024, the OCA amended the Original Agreement with Treeline to retroactively add roving guard services effective from October 16, 2023, with no change to the not-to-exceed amount or duration of the agreement.

DETAILS OF PROPOSED LEGISLATION

File 24-0899: is a resolution that would approve a first amendment to the City's contract with A1 Protective Services, Inc. The amendment increases the contract amount by $26,017,000, resulting in a total not-to-exceed amount of $34,767,000, with no changes to the contract term of August 1, 2023, through July 31, 2028.

File 24-0900: is a resolution that would approve the second amendment to the City's contract with Treeline Security Services, Inc. This amendment increases the contract amount by $30,227,000, leading to a total not-to-exceed amount of $38,977,000, again with no changes to the contract term of August 1, 2023, through July 31, 2028.

Additionally, both resolutions authorize the Office of Contract Administration (OCA) to enter into amendments or modifications to the contracts that do not materially increase the obligations or liabilities to the City and are necessary to effectuate the purposes of the contracts or these resolutions.

The City retains the option, at its sole discretion, to terminate the Master Agreements and any associated Department Contracts at any time during the term, for convenience and without cause.

Scope of Services

Under the agreements, security guards are required to perform general security functions as outlined in Appendix A (Scope of Services), which serves as a model Scope of Work for departments to use when developing their own contracts. While Appendix A addresses all major issues and provides a standardized framework, individual departments have the flexibility to adjust the scopes of work based on their specific business needs. These duties generally include:

- Responding to security emergencies within the patrol location.
- Preserving order and ensuring compliance with departmental regulations for staff and clients.
- Assisting with physical and personal security measures for staff and visitors.
- Responding to incidents involving disturbances, security assistance, and workplace violence.
- Verbally de-escalating risk behaviors and following response protocols, including contacting local law enforcement when necessary.
- Investigating suspicious persons and activities without provoking confrontation (noting that race, gender, and religious affiliation are not considered suspicious criteria), and avoiding unwarranted pursuit.
- Communicating findings to the on-site supervisor and documenting incidents in reports.

To date, the SFPUC, Mayor's Office, Juvenile Probation Department, and Real Estate Division have executed contracts with the two security guard firms. The locations are shown below in Exhibit 2.

Exhibit 2: Security Guard Locations

Department	A1 Protective Services	Treeline Security
Real Estate Vision	Valencia/Stevenson Dog Park & Parking	HSA Headquarters (1650 Mission), Department of Human Resources (1 South Van Ness), Real Estate Division (25 Van Ness), Fulton Plaza, Alemany Boulevard
SFPUC Wastewater	Oceanside Treatment Plant, Southeast Community Center, Southeast Treatment Plant	
SFPUC Water		Priest Reservoir, Sunol Yard, Hetchy Yard, San Antonion Pump, 2000 Marin Street
Juvenile Probation		Log Cabin Ranch
Mayor's Office		967 Mission, 1979 Mission

Source: Security Guard Contracts

Prevailing Wage and Contractor Mark Up

The contract rates for security guard services under these agreements are determined by a formula that adds together the prevailing wage rate and the contractor's percentage markup. Prevailing Wage is approved by the Board of Supervisors each year, based on surveys of market compensation for various industries for a particular job classification. The markup is an additional percentage that contractors add over the base costs (wages and benefits) to cover their overhead expenses, administrative costs, and profit margins. For Treeline, the percentage markups are set at 31% for armed security guards and 26% for unarmed security guards and supervisor guards.[2] A1's markup is a flat 25% above prevailing wage.

Training

Contractors are responsible for arranging and funding all necessary training for their security personnel. They must establish, implement, and execute a training program approved by the Department's Liaison Officer. If any guard fails to meet the required training standards, they cannot be billed to the contract. Such employees must be removed and replaced immediately by the contractor at no additional cost to the City. Furthermore, upon the City's request, contractors must submit all training materials, test results, completion certificates, and affidavits for review before providing services under a Department Contract Release.

Performance Monitoring

Contractors are required to submit annual usage reports, criminal record checks, and drug and alcohol tests annually for all security personnel providing services under a Department Contract Release. Additionally, for the first time, OCA will enforce specific performance thresholds for the security services provided. If a contractor exceeds any of these thresholds, the City is entitled to a monetary credit from the contractor ranging from $50 - $300 per day. The performance standards relate to staffing availability, attendance, and staff conduct. The performance standards are included in Appendix 1 to this report.

Compliance Monitoring

All services performed under these agreements must adhere to the prevailing wage requirements as monitored and enforced by the Office of Labor Standards Enforcement (OLSE). The contractors are required to comply with several conditions.

1.) OLSE reserves the right to conduct random inspections at job sites, which includes accessing employees, reviewing timesheets, inspection logs, payroll records, and paychecks.
2.) The contractors are responsible for maintaining sign-in and sign-out sheets to track which employees are present on site.
3.) Visible signs must also be posted at each job site, notifying employees that the project is subject to the City's prevailing wage requirements, as enforced by OLSE.

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[2] For the year 2024, the fully loaded prevailing wage rates for security guard services range from $20 to $32.88 per hour for straight time, $30 to $42.88 per hour for overtime, and $40 to $52.88 per hour for double overtime.

4.) OLSE retains the right to audit the contractors' records as deemed necessary.

Non-compliance with these provisions may result in penalties and forfeitures as outlined in Administrative Code Chapter 21C.

Actual Spending

Exhibit 3 below shows contract activity, by department, as of August 15, 2024. The contract values are counted against the $8,750,000 spending authority in each umbrella agreement with A1 Protective Services and Treeline Security. The remaining authority values are relative to the individual department contracts.

Exhibit 3: Actual Spending, By Department, As of August 15, 2024

Department	Contract Value	Encumbrances	Remaining Authority
A1 Protective Services			
PUC Wastewater	6,212,778	320,000	5,892,778
Real Estate Division	254,327	0	254,327
Total, A1 Protective Services	**6,467,105**	**320,000**	**6,147,105**
Treeline Security			
Real Estate Division	413,961	396,572	17,389
Real Estate Division	3,650,000	2,619,953	1,030,047
Juvenile Probation	695,000	602,411	92,589
Mayor's Office	1,387,873	397,754	990,119
PUC - City Distribution Division	114,524	114,524	0
PUC - City Distribution Division	312,799	252,119	60,680
PUC - Water Enterprise	354,000	204,600	149,400
PUC - Water Enterprise	321,984	283,569	38,415
Total, Treeline Security	**7,250,141**	**4,871,504**	**2,378,637**

Source: OCA

As shown above, enterprise departments are the primary users of these contracts. The PUC Wastewater Enterprise accounts for 96 percent of the current A1 Protective Services contracts and General Fund users accounts for 85 percent of the Treeline Security contract.

FISCAL IMPACT

The proposed resolutions increase the spending authority of the A1 Protective Services contract by $26 million and the Treeline Security contract by $30.2 million.

The proposed increase to the not-to-exceed amount for A1 Protective Services, Inc. is based on an estimated monthly need of $517,709. In the approximately twelve months since its commencement, two City agencies have encumbered approximately $6,500,000 in departmental contracts against this contract, representing 74% utilization. Based on the total departmental contracts released in the last twelve months, this contract is projected to be out of funds by December 2024.

Similarly, the increase to the not-to-exceed amount for the Treeline Security, Inc. contract is based on an estimated monthly need of $580,393 by multiple City departments for security guard services for the remainder of the contract term. In the twelve months since its commencement, four City agencies have encumbered approximately $7,250,000 in departmental contracts, representing 83% utilization. This contract is projected to be out of funds by November 2024.

To ensure both contracts have adequate capacity through their end date of July 31, 2028, Contract ID GRP0000005 with A1 Protective Services must be increased by $26,017,000, resulting in a revised not-to-exceed amount of $34,767,000. Contract ID GRP0000007 with Treeline Security must be increased by $30,227,000, resulting in a revised not-to-exceed amount of $38,977,000. These calculations are shown below in Exhibit 4.

Exhibit 4: Basis for Additional Spending Authority

	A1	**Treeline**
Total Contract Values	$6,467,105	$7,250,141
Average Monthly Allocation Since Contract Start Date	$517,709	$580,393
Number of Months to Contract End Date	48	48
Additional Funds Needed through Contract End Date	$24,609,036	27,588,695
Less Unused Contract Balance	($2,282,895)	($1,499,859)
Plus Contingency (15%)	$3,691,355	$4,138,304
Total Additional Funds Needed Through Contract End Date	$26,017,496	$30,227,140
Total Additional Funds Needed Through Contract End Date (Rounded)	$26,017,000	$30,227,000
Current Not-To-Exceed Amount	$8,750,000	$8,750,000
Total Amended Not-To-Exceed Amount	**$34,767,000**	**$38,977,000**

Source: OCA

Funding Sources

Based on historical spending, the PUC Wastewater Enterprise would be the primary payor for the A1 contract and the General Fund would fund 85 percent of the Treeline contract.

RECOMMENDATION

Approve the proposed resolutions.

Appendix 1: Performance Metrics for Contracts with A1 Protective Services and Treeline Security

Performance Failure	**Allowable Negative Performance Points Threshold**	**Credit to City When a Threshold is Exceeded**
Failure to provide required levels of personnel and hours of coverage for a shift as set forth in a Purchase Order.	1 per Purchase Order	$100
Failure to reassign, remove or replace a guard within 5 calendar days of a request by the City.	1 per Purchase Order	$50 per day that guard remains on same shift following the allowed time period
Failure to report to duty with all uniform elements required.	1 per Purchase Order	$25
Failure of a Guard to ensure coverage requirements are met for assigned site and duration. This includes tardiness (late for shift by more than 15 minutes), early departure before end of shift (departs before end of shift, by more than 5 minutes), and extended rest and meal breaks.	1 per Purchase Order	$50
Failure to provide services as instructed by Facility Manager or his/her designee.	1 per Purchase Order	$50
Failure of a Guard to respond to a situation while on duty.	1 per Purchase Order	$50
Failure of a Guard to appropriately respond to a situation while on duty.	1 per Purchase Order	$50
Inappropriate language used while on duty.	1 per Purchase Order	$50
Failure to adhere to professional and organizational codes of conduct. Prohibited behavior includes, but is not limited to, insubordination, violence, threats, involvement in a security breach, improper access to private information, use of Facility resources for personal use, participation in the commission of a crime.	1 per Purchase Order	$300
Failure to submit an Incident Report or Daily Report within the time stated in the Master Agreement.	1 per Purchase Order	$100 per day, following the allowed time period
Failure to provide proof of drug and alcohol testing, criminal background check, and/or training to City within the timeline requested by the City.	3 per Purchase Order	$100 per day, following the allowed time period
Failure to address Guard performance deficiencies.	1 per Purchase Order	$100 per day, following the allowed time period

Source: Original Agreements

Item 8 & 9 **Files 24-0848 & 24-0847**	**Department:** Homelessness and Supportive Housing

EXECUTIVE SUMMARY

Legislative Objectives

- **File 24-0848** is a proposed resolution that approves a grant agreement between HSH and Abode for property management services with a term of November 1, 2024, through June 30, 2029 (four years and nine months) and a not-to-exceed amount of $14,177,264.
- **File 24-0847** is a proposed resolution that approves a ground lease with Abode Property Management (Abode) for the City-owned property located at 1174-1178 Folsom Street and 663 Clementina Street for the purpose of operating the property as permanent supportive housing. The lease has a total rent of $1 and an initial term of five years, from approximately November 1, 2024, to October 31, 2029, and has ten automatic extensions of the lease term for an additional period of five years each, for a maximum term of 55 years.

Key Points

- In July 2023, the Board of Supervisors approved the purchase of property located at 1174-1178 Folsom Street and 663 Clementina Street for use as permanent supportive housing for a total amount of $27,225,000. In November 2023, the City acquired the 42-unit studio apartment building with Proposition C funds. Under the proposed grant agreement, Abode will be responsible for property management and a different vendor will provide supportive services.
- Ownership rights to the building are transferred to Abode during the lease term, and the City regains ownership upon expiration of the lease. This limits the City's liability and risk for the site and reduces the administrative burden for the Department of Homelessness and Supportive Housing (HSH) to monitor operations at the site. If Abode underperformed on the related grant agreement and the grant was terminated, HSH could terminate the proposed ground lease.

Fiscal Impact

- The total rent for the lease is set at $1, with Abode assuming responsibility for all operational, maintenance, and tax-related costs. The annual cost for property management and supportive services is estimated at $2.59 million, or approximately $63,284 per unit.
- The not to exceed grant amount of $14,177,264 includes $1,135,000 in reserves and a 20 percent contingency. The proposed grant agreement is funded by Proposition C revenues and the General Fund, which supports the SOMA ambassadors and additional security.

Recommendation

- Approve the proposed resolutions.

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.

Administrative Code Section 23.1 authorizes the Director of Property to enter into leases of City-owned property for a term of one year or less. Longer term leases require Board of Supervisors approval.

Administrative Code Section 23.30 allows for leasing of City-owned property at less than market rate if doing so will serve a public purpose, subject to approval of the Board of Supervisors.

BACKGROUND

In November 2018, the voters of the City approved Proposition C, which created an additional tax on individuals and businesses that receive more than $50 million in gross income in San Francisco. This Homelessness Gross Receipts Tax revenue is deposited into the Our City, Our Home Fund (OCOH) to finance homelessness services and housing.

In April 2023, the San Francisco Department of Homelessness and Supportive Housing (HSH) released its citywide five-year strategic plan, *Home by the Bay*, in partnership with multiple departments. The plan establishes goals for the City and County of San Francisco including supporting at least 30,000 people to move from homelessness into permanent housing and to add 3,250 new units of housing, including site-based and scattered-site permanent supportive housing, rapid rehousing, and other subsidies, to the homelessness response system by 2028.

1174-1178 Folsom Street and 663 Clementina Street

In July 2023, the Board of Supervisors approved the purchase of property located at 1174-1178 Folsom Street and 663 Clementina Street for $27,150,000 plus an estimated $75,000 in closing cost for a total amount of $27,225,000 (File 23-0740). On November 30, 2023, the City acquired the 42-unit studio apartment building with office, commercial, and community spaces located in SOMA. Acquisition of the property was funded by Homelessness Gross Receipts Tax.

The Board of Supervisors previously authorized HSH to apply for a Homekey grant from the California Department of Housing and Community Development (HCD) to help fund the acquisition (File 23-0506). According to HSH staff, the grant application was submitted May 31, 2023, for the maximum amount allowed under Homekey ($14,720,000), but the property did not receive an award.

Selection of Provider: Abode Property Management

In November 2023, HSH began the procurement process by issuing a Request for Qualifications for master lease and property management services and supportive services for transitional-aged youth (TAY) ages 18 to 29 experiencing homelessness at the permanent supportive housing site.

However, HSH did not receive any responses to the solicitation for the master lease and property management component of the RFQ.

In February 2024, HSH selected Abode Property Management (Abode) property management services pursuant to the San Francisco Administrative Code Section 21.6, which authorizes the City to purchase services directly when there is a lack of responsive offers as there were no responses received to the solicitation.

Additionally, HSH selected a different vendor to provide TAY supportive services. However, since the total contract amount is less than $10 million, the contract does not require Board of Supervisors' approval.

Ground Lease Model Transition

The proposed long-term ground lease model represents a shift in how HSH administers City-owned permanent supportive housing to align with affordable housing ownership and operating structures used by the Mayor's Office of Housing and Community Development (MOHCD). For the City's initial PSH building acquisitions, HSH entered into a combined master lease and property management agreement with a maximum term of ten years. According to HSH staff, this short-term lease model is administratively burdensome for the City to serve as owner and landlord of residential property overseeing day-to-day operations, rather than HSH's defined role to fund and monitor performance at PSH sites. The proposed long-term (55 year) ground lease allows for automatic renewals every five years if the provider is not in default. The ground lease clarifies ownership rights for the nonprofit provider during the lease term, while the City regains ownership upon expiration of the lease. During the lease term, the nonprofit entity will own the building and improvements. This limits the City's liability and risk for the site but also enables the nonprofit entity to own an asset that, with the City's permission, could be used to finance future rehabilitation costs over the long-term. As a result, maintenance and repair work completed by the nonprofit provider are not considered a public work and are not subject to Administrative Code Chapter 6 requirements.

DETAILS OF PROPOSED LEGISLATION

File 24-0847 is a proposed resolution that would approve a ground lease with Abode Property Management for the City-owned property located at 1174-1178 Folsom Street and 663 Clementina Street for the purpose of operating the property as permanent supportive housing. The lease has a total rent of $1 and an initial term of five years, from approximately November 1, 2024, to October 31, 2029, and has ten automatic extensions of the lease term for an additional period of five years each, for a maximum term of 55 years. The resolution also:

- determines that the below market rent will serve a public purpose by providing permanent supportive housing for low-income and formerly homeless households in accordance with Administrative Code Section 23.33;

- adopts findings declaring that the property is “exempt surplus land” under the California Surplus Land Act;
- adopts the Planning Department’s determination under the California Environmental Quality Act and findings that the transaction is consistent with the General Plan and policy priorities of the Planning Code Section 101.1; and
- authorizes the Director of Property and the HSH Executive Director to make certain changes to the ground lease and take related actions.

File 24-0848 is a proposed resolution that approves a grant agreement between HSH and Abode for property management services with a term of November 1, 2024, through June 30, 2029 (four years and nine months) and a not-to-exceed amount of $14,177,264. The resolution also authorizes HSH to make immaterial changes to the agreement.

Ownership Structure

Under the proposed ground lease, ownership of the building will be transferred to Abode for the term of the agreement. When the agreement expires, ownership of the building will return to the City. The City maintains ownership of the land and leases the land to Abode during the term of the agreement.

Ground Lease Extensions

As mentioned above, the proposed ground lease provides for ten automatic five-year lease extensions. Abode may decline an extension by providing written notice to HSH no later than 180 days before the lease expiration date. If Abode does not decline the extension and is not in default under the terms of the lease, the lease will automatically continue for the extension term. Breach of material provisions of other agreements related to the property (including the proposed operations funding grant) is considered an event of default in addition to breach of terms under the proposed ground lease. If Abode underperformed on the related grant agreement and the grant was terminated, HSH could terminate the proposed ground lease.

Prevailing Wage Requirements

The property and any future maintenance and repair work completed by Abode will not be considered a public work or improvement. Therefore, contracts entered into by Abode to complete maintenance and repair work will not be subject to Administrative Code Chapter 6 requirements. The proposed ground lease requires Abode to comply with Administrative Code Chapter 23.6 requirements, including prevailing wage and apprenticeship and local hiring requirements.

Property Management Services

Under the proposed operating grant agreement and ground lease, Abode will be responsible for the ongoing management and maintenance for 41 units of permanent supportive housing for TAY and one additional unit dedicated to onsite property management. This includes the following activities: conducting wellness checks, managing tenant lease agreements, collecting rent from residents, maintaining the building’s common areas, turning over units, ensuring that translation and interpreter services are available to residents as needed, as well as preventive and general maintenance.

Predevelopment Services

Under the proposed grant agreement, Abode will also be responsible for predevelopment activities associated with tenant improvements at the permanent supportive housing site, including conversion of commercial space on the second floor to permanent supportive housing, property management and support services offices, and community areas for residents. Predevelopment activities include management and oversight of entitlements, design, and permitting, development of proposed scope of work and budget for tenant improvements for HSH approval, procurement of professional services related to predevelopment, oversight of predevelopment subcontractors, and development of tenant relocation plans (if needed) to be approved by HSH.

The predevelopment activities are to be completed within nine months of the effective date of the agreement. HSH anticipates entering into a separate agreement with Abode to complete and fund the tenant improvements.

Project Reserves

The proposed grant budget includes annual funding for project reserves. The City would hold any required project reserves and Abode must receive written approval from the City before incurring any costs against reserves listed. The City would approve uses of the reserves in two general categories: (1) operating reserve and (2) replacement reserve. The operating reserve may be used to alleviate cash shortages from inability to collect rent, increases to utility costs, unbudgeted maintenance expenses, abnormally high vacancies, and other project expenses. The replacement reserve may be used for relocation costs because of an unanticipated emergency, unusual replacement and repairs, or the replacement of furniture, fixtures, or equipment required.

HSH Good Neighbor Policy

Both agreements also require the Abode to maintain a good relationship with the neighborhood in accordance with HSH's Good Neighbor Policy. Abode must collaborate with neighbors and City agencies to ensure that neighborhood concerns, such as security and street cleaning, are heard and addressed.

Expansion of Public Safety Services

In addition to standard property management roles, the grant agreement provides funding for expanded safety services around the property. Specifically, HSH is funding an expansion of the SOMA West Community Benefits District (CBD) ambassador program through the agreement with $438,000 in annual funding to provide 24/7 public safety support in the area from 6th Street to 8th Street, and Howard to Harrison. This expanded coverage includes 1174-1178 Folsom Street, 663 Clementina Street, SOMA Rise, and the Sanctuary shelter. A subcontract with SOMA West CBD is currently being finalized, and HSH staff anticipate that the CBD will staff up within 30 days once the contract is completed. This initiative was funded with the General Fund by the

Mayor's Office in response to community and Board of Supervisors' concerns regarding the potential impact of new homeless services in the area.

Private security services have been in place at the property for 8 hours per day since April 2024 according to HSH. Initially, the plan was to scale back these services once the property is fully leased and operational in March 2025. However, based on further discussions, HSH has agreed to extend security services on an ongoing basis, with initial $150,000 in funding in year 1, which HSH will update based on usage for the remainder of the term.

Performance Monitoring

Established through the ground lease, Abode is required to ensure the physical and financial health of the premises. This includes providing an updated capital needs assessment for HSH review every five years following the agreement effective date. Additionally, Abode must implement any HSH-approved capital improvement plans for the premises, develop a preventative maintenance plan, and respond promptly to any property financial performance or compliance reports requested by the City under applicable agreements.

The proposed grant agreement for property management services includes the following service objectives for Abode:

- Ensure that each unit is clean and/or repaired within 21 days of turnover
- Ensure that move-ins of new tenants occur within 30 days of referral
- Collect at least 90 percent of tenant portions of monthly rent
- Maintain an occupancy rate of at least 93 percent
- Submit a preventative maintenance schedule to HSH for review and approval annually
- Provide a property management plan within 90 days of the agreement start date
- Submit required asset management reports to HSH and external funders, timely

Outcome objectives include the following:

- At least 90 percent of tenants will maintain housing for at least 12 months, move to other permanent housing or be provided with more appropriate placements
- At least 85 percent of tenant lease violations will be resolved without loss of housing to residents
- At least 65 percent of tenants will complete an annual satisfaction survey, of which 80 percent will be satisfied or very satisfied with property management services

Fiscal and Compliance Monitoring

HSH completed fiscal and compliance monitoring of Abode Services for FY 2023-24 and identified no findings. Abode Services will be doing business as Abode Property Management under the proposed agreements.

FISCAL IMPACT

Ground Lease

Total rent under the proposed ground lease will be $1. Abode will be responsible for all costs, charges, taxes, and other obligations related to the property.

Operating Funding Agreement

File 24-0848 would approve a total not to exceed amount of $14,177,264, which includes $1,135,000 in reserves and $2,362,877 in contingency funding at a rate of approximately 20 percent of the term budget and the reserves. Exhibit 1 below shows the proposed budget for the five-year period.

Exhibit 1: Proposed Grant Budget and Not to Exceed Amount

Sources and Uses	FY 2024-25 (8 months)	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
Sources						
Prop C	$1,124,254	$1,675,422	$1,720,350	$1,766,629	$1,814,296	$8,100,951
Prop C (One-time)	1,519,436					1,519,436
General Fund	442,000	438,000	438,000	438,000	438,000	2,194,000
Subtotal, City Sources	*3,085,690*	*2,113,422*	*2,158,350*	*2,204,629*	*2,252,296*	*11,814,387*
Tenant Income	13,250	53,000	53,000	53,000	53,000	225,250
Total Sources	**$3,098,940**	**$2,166,422**	**$2,211,350**	**$2,257,629**	**$2,305,296**	**$12,039,637**
Uses						
Salaries & Benefits	285,233	545,628	561,997	578,857	596,222	2,567,936
Operating Expense	493,051	595,178	612,283	629,901	648,049	2,978,462
Indirect Cost (15%)	116,742	171,121	176,142	181,314	186,641	831,960
Other Expenses (Not subject to indirect %)	596,864	619,049	625,229	631,597	638,155	3,110,894
Capital Expenditure	1,380,050	8,446	8,699	8,960	9,229	1,415,384
Total Uses	2,871,940	1,939,422	1,984,350	2,030,629	2,078,296	10,904,635
Reserves	227,000	227,000	227,000	227,000	227,000	1,135,000
Total Uses & Reserves	**$3,098,940**	**$2,166,422**	**$2,211,350**	**$2,257,629**	**$2,305,296**	**$12,039,635**
City Sources						11,814,387
Contingency (20%)						2,362,877
Total Not to Exceed Amount						**$14,177,264**

Source: Proposed Grant Agreement

The proposed grant agreement funds 6.25 full-time equivalent (FTE) positions. The staff will consist of a Property Supervisor (0.25 FTE), a Property Manager, an Assistant Property Manager, two rotating Desk Clerks, a Maintenance Technician II, and a Janitor. In addition, the agreement provides funding for contracted security desk services, bookkeeping/accounting services, asset management, and audit services. There are also budgeted expenditures for multiple SOMA Ambassadors ($2,044,000 for 5 years).

The FY 2024-25 budget includes one-time funding of $1,375,950 for capital expenditures, including $376,800 for temporary office setup and $300,000 for predevelopment associated with tenant improvements. Other capital expenditures include camera installation, furniture, fixtures and equipment for unit turnovers, IT setup, repair of guard rails and replacement of balcony fencing, and ADA unit expenditures.

Sources of Funds

The 5-year term budget (not including contingency funds) for the Grant Agreement, including both Prop C (Homelessness Gross Receipts Tax) and General Fund monies, totals $11,814,387. Prop C generates $9,620,387 of that funding, while $2,194,000 comes from the General Fund to support the SOMA ambassadors and additional security in Year 1 of the agreement with additional funding years to be allocated after the first year of operations subject to budget appropriations.

Annual Operating and Supportive Services Costs

The total annual cost for property management and supportive services, which is under a separate contract, is $2,594,662, or approximately $63,284 per unit in FY 2025-26, excluding reserves and contingencies. This is approximately 95 percent greater than the $32,381 per unit per year estimated by HSH and reported by the Budget and Legislative Analyst at the time of the acquisition in July 2023. According to HSH, the estimate from July was based on an average PSH building and services model. This final budget included the addition of public safety services, reflects the increased costs for property insurance for PSH operators, and additional services for the PSH TAY population including on-site health and wellness, on-site behavioral health and other medical care services.

RECOMMENDATION

Approve the proposed resolutions.

Item 10 File 24-0907	Department: Homelessness and Supportive Housing

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would: (a) authorize the Department of Homelessness and Supportive Housing (HSH) to execute a Standard Agreement with the California Department of Housing and Community Development to receive $18,226,702 of Project Homekey grant funds for the acquisition and initial operations of 685 Ellis Street as interim housing, with plans to convert to permanent supportive housing; and (b) authorize HSH to contribute a minimum of fifteen years of operating costs and $4,114,702 in Proposition C matching funds for acquisition of the property; and (c) make other related findings and determinations.

Key Points

- In May 2022, the Board of Supervisors authorized the acquisition of the property located at 681-687 Ellis Street (685 Ellis Street) and authorized HSH to apply for Homekey grant funding to offset the cost of the purchase and provide a partial operating subsidy for five years. In November 2023, HCD awarded HSH $18,226,702 in Homekey grant funding, including $15,814,702 for acquisition and $2,412,000 towards operating costs.
- The proposed grant agreement has a fifteen-year term and requires HSH to use 685 Ellis as interim housing, with possible conversion to permanent supportive housing. The grant agreement requires 67 of the 74 and the remaining seven rooms are designated for operational use.
- HSH anticipates issuance of a Notice of Funding Availability (NOFA) in 2025 to select a development team to rehabilitate the site starting in Spring 2027. The total cost of the rehabilitation may exceed the $6.6 million estimated at the time of purchase. HSH will need approval from HCD to convert the site to permanent supportive housing within the first five years.

Fiscal Impact

- HSH is required to fund the remaining acquisition costs of $4,114,702 and to fund operating and service costs for fifteen years. City annual operating costs in the first year are estimated to be $6.1 million ($45,469 per slot). HSH estimates annual costs will be approximately $2.5 million ($33,330 per unit) in 2028 when the site is expected to convert to permanent housing. HSH anticipates rehabilitation costs will exceed the initial estimate of $6.6 million.

Policy Consideration

- If the site is converted from semi-congregate shelter to permanent supportive housing, HSH will need to identify additional shelter capacity at an alternate site.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(a) states that contracts entered into by a department, board, or commission that (i) have anticipated revenues of $1 million or more, or (ii) have anticipated revenues of $1 million or more and require modifications, are 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.

City Administrative Code Section 10.170-1 states that accepting and expending Federal, State, or third-party grant funds in the amount of $100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval.

BACKGROUND

In November 2018, the voters of the City approved Proposition C, which created an additional tax on individuals and businesses that receive more than $50 million in gross income in San Francisco to fund homeless services. This Homelessness Gross Receipt Tax revenue is deposited into the Our City, Our Home Fund (OCOH) to finance homelessness services and housing.

In 2020, the State of California launched Project Homekey, an initiative aimed at expanding housing for individuals experiencing or at risk of homelessness impacted by COVID-19. Funding is provided jointly by the federal and state governments, and the program requires the grant recipient to provide matching funds. Under this program, HSH has secured significant funding across multiple rounds: $76.9 million for two properties in Round 1, $132.1 million for four properties in Round 2, and $26.5 million for two properties, including 685 Ellis Street, in Round 3. The California Department of Housing and Community Development (HCD) issued a Notice of Funding Availability (NOFA) on March 29, 2023, for Round 3 of the Homekey Grant Program.

685 Ellis Street

The property at 685 Ellis Street was previously a tourist hotel, constructed in 1927. During the COVID-19 pandemic, it was opened as a shelter-in-place (SIP) hotel operated by Five Keys Schools and Programs (Five Keys) and transitioned to a semi-congregate shelter in December 2022. On May 3, 2022, the Board of Supervisors authorized the acquisition of the property located at 681-687 Ellis Street (685 Ellis Street) and authorized HSH to apply for Homekey grant funding to offset the cost of the purchase and provide a partial operating subsidy for five years (File 22-0345). Following this, HSH applied for Round 3 funding on June 15, 2023. In a letter dated November 1, 2023, HCD awarded HSH $18,226,702 in Homekey grant funding, including a Capital Award of $15,814,702 and an Operating Award of $2,412,000.

HSH selected Five Keys to operate the site as semi-congregate shelter and to provide supportive services under Administrative Code Chapter 21B, which permits waiving competitive procurement processes for homeless services. In November 2023, the Board of Supervisors approved the first amendment to the Five Keys agreement for a term of approximately three-and-a-half years through June 2026 and a not to exceed amount of $27,296,994 (File 23-1026).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would:

- Authorize HSH to execute a 15-year Standard Agreement with HCD for a total not-to-exceed amount of $18,226,702 in anticipated revenues from Project Homekey grant funds;
- Accept and expend those funds for the acquisition of 685 Ellis Street for future permanent supportive housing and to support interim housing operations through June 2026;
- Authorize HSH to contribute a minimum of fifteen years of operating costs and approximately $4,114,702 in Proposition C matching funds for acquisition of the property;
- Affirm the Planning Department's determination under the California Environmental Quality Act;
- Adopt the Planning Department's findings of consistency with the General Plan and Planning Code Section 101.1; and
- Waive the inclusion of indirect costs in the Homekey Program grant budget to maximize use of grant funds on direct services; and
- Authorize HSH to make changes to the Standard Agreement and Homekey documents that do not materially increase the obligations or liabilities of the City or materially decrease benefits to the City.

Homekey Program Regulations

The proposed grant agreement has a fifteen-year term and requires HSH to use 685 Ellis as interim housing, with possible conversion to permanent supportive housing. In particular, 67 of the 74 units in the building will be occupied by Homekey-eligible households defined as individuals who are homeless or at risk of becoming homeless and are impacted by COVID-19 or other communicable diseases. According to HSH staff, the remaining seven rooms are designated for operational use, including four rooms for offices for Five Keys staff, one room in use as a DPH clinic, and two buffer rooms[1].

HSH applied for Round 3 funding for 685 Ellis Street as an interim housing project with the intention of converting the project to permanent supportive housing in the future. Under the proposed Standard Agreement, the property must operate as interim housing for a minimum of

[1] Buffer rooms ensure that providers are able to quickly relocate guests between units in the event that there is significant property damage in an occupied unit or some other emergency event.

five years, unless a shorter period is approved by HCD. Future plans to convert the site into permanent supportive housing will also require approval from the HCD.

Additionally, the project is subject to a 30-year affordability covenant for the interim housing project. When the project converts to permanent supportive housing, it will be subject to a 55-year affordability covenant.

Conversion to Permanent Supportive Housing

Currently, the property functions as semi-congregate shelter, serving up to 134 adults experiencing homelessness. The Mayor's Office of Housing and Community Development (MOHCD) and HSH are currently assessing the site to develop the rehabilitation scope of work for conversion to permanent supportive housing. During this period, interim shelter services will continue until pre-development activities are complete, ensuring no disruption of services for current guests until construction begins. HSH anticipates that MOHCD will issue a Notice of Funding Availability (NOFA) in 2025, to select a development team and begin predevelopment, with construction anticipated to begin in Spring 2027. As noted above, HSH will need approval from HCD to convert the site to permanent supportive housing within the first five years of the Standard Agreement period.

Expenditure Deadlines

HSH must expend the award for capital expenditures by February 3, 2025, and complete construction and rehabilitation activities funded by the Homekey grant by November 1, 2024. However, according to HSH staff, the capital award will be expended on acquisition costs and not on any construction and rehabilitation activities, which may be funded by bond funds, tax credits or other financing. Homekey operating funds must be fully expended by June 30, 2026. Because the site has already been acquired by HSH and is used as a City-funded interim housing, HSH expects no issues with complying with the Homekey expenditure deadlines.

FISCAL IMPACT

Acquisition and Operating Costs

The total award of $18,226,702 includes $15,814,702 towards acquisition costs and $2,412,000 towards operating costs for the property for three years. The agreement requires HSH to fund the remaining acquisition costs of $4,114,702 and to fund operating and service costs for fifteen years. The proposed standard agreement includes an estimated City operating cost of $130,666,926 for the first fifteen years of operations. However, this assumes the site is operated as interim housing for the entire fifteen-year period.

HSH's plan is to have an unoccupied rehabilitation project when the property is converted to permanent supportive housing, which means there would be no operating cost during this period. According to HSH, the estimated total annual operating cost[2] for a 74-unit permanent supportive housing site, escalated to 2028 costs, would be approximately $2,466,420 ($33,330 per unit), which is more than 60 percent less than the costs to operate the site as interim housing due to lower operating costs for permanent supportive housing and fewer individuals served by permanent supportive housing site than the semi-congregate shelter. This includes $590,520 annual cost for support services and $1,875,900 annual cost for operations, escalated to 2028 costs.

Rehabilitation Costs

The predevelopment and due diligence phase for the rehabilitation project has not started and updated cost estimates are not yet available. As reported in the April 2022 Budget and Legislative Analyst report on the property purchase, there was a visual inspection of the property's conditions and building drawings conducted by a licensed consultant prior to the City purchasing the property, which was in use as Shelter-in-Place hotel. The March 2021 inspection found that the building was in fair-to-good condition, with immediate capital improvements/repairs costing approximately $6.6 million at the time. HSH and MOHCD will evaluate the rehabilitation scope necessary for the long-term preservation of the asset as permanent supportive housing. Given the wear and tear on the building for its use as interim housing (emergency shelter) and new City requirements for unreinforced masonry buildings, additional renovations are likely needed according to HSH staff.

Funding Sources

Local matching funds will be provided by Proposition C revenues for acquisition and California's Homeless Housing Assistance and Prevention grant program for site operations as semi-congregate interim housing. Funds for ongoing site operations as permanent supportive housing is anticipated to be provided by Our City, Our Home Funds. Rehabilitation financing has not been finalized but could include a variety of housing sources including bond funds, tax credits and other financing for housing rehabilitation.

POLICY CONSIDERATION

According to HSH's Five-Year Strategic Plan *Home by the Bay*, the City needs to add 1,075 shelter beds and 1,525 permanent supportive housing units (including units already in the pipeline) by June 2028 to meet strategic plan goals. If the site is converted from semi-congregate shelter to permanent supportive housing, HSH will need to identify additional shelter capacity at an alternate site.

[2] Cost estimates are based on 2024 projections for similarly sized PSH sites serving adults without any specific subpopulation or special needs and escalated to 2028 costs. Projected operating and services costs may vary if the City determines that the site will serve a specialized target population or include enhanced services.

RECOMMENDATION

Approve the proposed resolution.

Item 11 File 24-0881	Department: Homelessness and Supportive Housing

EXECUTIVE SUMMARY

Legislative Objectives

- The non-profit Mission Neighborhood Centers (MNC) was first selected through a request for proposal for the San Francisco Emergency Rental Assistance Program (SF ERAP) in April 2021 to provide back rent, future rent, and move-in assistance to households at high risk of experiencing homelessness. The Department of Homelessness and Supportive Housing (HSH) entered into a grant agreement with MNC for homelessness prevention services beginning August 1, 2022 (through June 30, 2025), and a total amount not to exceed $7,529,338.
- The proposed resolution would approve the first amendment to the grant agreement between HSH and MNC, which extends the grant term by three years, from June 30, 2025 through June 30, 2028, and increases the not-to-exceed amount by $13,104,262 for a total amount not to exceed $20,633,600.

Key Points

- According to the amended agreement, the funding is intended to serve *at least* 225 households annually through June 30, 2026, and then ramp down to *at least* 120 households annually. The MNC is expected to serve households in the Excelsior, Richmond, Bayview, and Mission neighborhoods that are at the highest risk of becoming homeless, as determined by the Department's vulnerability assessment.
- The Department estimates that 685 households in permanent supportive housing (PSH) are behind on rent due to the COVID-19 pandemic, and $1,280,000 in one-time funding in FY 2024-25 will be made available on a first-come, first-served basis in this agreement.

Fiscal Impact

- The proposed amendment increases the annual grant budget in FY 2024-25 from $2,142,493 to $4,453,071 and provides spending authority for a three-year extension term. The budget for FY 2025-26 declines to $3,173,072 and then again to $2,173,072 in FY 2026-27 and FY 2027-28.
- Based on the Department's expectation for the average amount of rental assistance needed by PSH households, an estimated 365 PSH households could be served by the one-time assistance of $1,280,000 in FY 2024-25, and the remaining eligible households may apply for the general SF ERAP administered by MNC. Through its general SF ERAP budget, we estimate MNC can help an estimated 372 households in FY 2024-25 and FY 2025-26, ramping down to 191 in FY 2026-27 and FY 2027-28.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

The Department of Homelessness and Supportive Housing (HSH), in partnership with the Mayor's Office of Housing and Community Development (MOHCD), provides homelessness prevention services via the San Francisco Emergency Rental Assistance Program (SF ERAP) to prevent households from becoming homeless. According to HSH's memo to the Homelessness Oversight Commission for this proposed amended grant agreement, these services are further intended to address racial disparities in the City's homeless population by providing services upstream in order to stabilize low-income households before they become homeless.

Current Agreement Procurement

The non-profit Mission Neighborhood Centers (MNC) was initially selected through a request for proposals for the Emergency Rental Assistance Program issued by MOHCD in April 2021. MOHCD executed a $9.85 million ERAP grant, with a term from April 2022 to June 2023.

HSH relied on Administrative Code Chapter 21B, which allows the department to procure homeless service providers without a competitive solicitation, to enter into a separate grant agreement for rental assistance. The Department first entered into a grant agreement with MNC for homelessness prevention services beginning August 1, 2022 (through June 30, 2025), and a total amount not to exceed $7,529,338. The agreement did not require Board of Supervisors approval because it was less than $10 million and had a term less than ten years.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to HSH's grant agreement with MNC, which extends the grant term by three years, from June 30, 2025 through June 30, 2028, and increases the not-to-exceed amount by $13,104,262 for a total amount not to exceed $20,633,600. The proposed resolution would also authorize HSH to enter into immaterial amendments to the contract.

Population Served and Prioritization

According to the amended grant agreement, the funding is intended to serve at least 225 households annually through June 30, 2026, and then ramp down to at least 120 households annually due to less funding being available. The MNC is expected to serve households in the Excelsior, Richmond, Bayview, and Mission neighborhoods that are at the highest risk of becoming homeless, as determined by the Department's vulnerability assessment questionnaire.

Further, the grant requires MNC to focus on vulnerable sub-populations, including but not limited to seniors, youth, Black, and immigrant populations (Chinese-, Russian-, and Spanish-speaking). Households may self-refer or be referred by Coordinated Entry Access Points. The grant amendment also includes one-time funds to serve PSH tenants citywide with rent arrears as discussed below.

Services

Per the agreement, MNC is required to use the web-based Homelessness Prevention Platform, in which the vulnerability assessment questionnaire is embedded, to screen and identify households at high risk of homelessness. The Grantee is required to provide the following services to eligible households:

- *Flexible Financial Assistance*. The Grantee is required to issue financial assistance to clients to prevent eviction. Assistance must comply with the SF ERAP Desk Guide, which specifies allowable expenses and payment methods. Assistance primarily consists of back or future rent, up to $7,500.
- *Housing-Focused Referrals*. The Grantee is required to arrange/or deliver services that will ensure housing stability and prevent homelessness.[1] The housing-focused referrals include but are not limited to: (1) budgeting and money management assistance and/or connection to related services that support housing stabilization, and (2) referrals and linkages to community resources, such as legal services, mediation, public benefits, behavioral health services, health care, domestic violence advocacy/support, substance use treatment, and/or others, as appropriate.

Per the amended agreement, MNC will also process SF ERAP applications for a target population of up to 685 households (adults and transitional-aged youth) in FY 2024-25 that are behind on their rent in PSH.

Service and Outcome Objectives

The proposed amended agreement lists four service objectives and one outcome objective, stating that MNC shall meet the following objectives annually:

A. Complete a vulnerability assessment with a minimum of 350 households.
B. Provide targeted Homelessness Prevention Assistance to a minimum of 225 households in FY 2024-25 and FY 2025-26; and to a minimum of 120 households in FY 2026-27 and FY 2027-28.
C. Refer 100 percent of households in need of mediation or legal services and advocacy to relevant services, as appropriate.
D. Issue 100 percent of Flexible Financial Assistance within five business days from application approval and in accordance with program guidelines and procedures.

[1] Housing-focused referrals are not a requirement to receive flexible financial assistance or vice vera.

The grant's outcome objective requires that at least 90 percent of applications will have a resolution (i.e., denial or check issued) within 45 days of receipt of application by the Agency.

The grant also requires that MNC report operating data to HSH on a quarterly and annual basis.

The original agreement required MNC to provide housing-focused case management services and included outcome objectives related to clients remaining in housing and not requiring additional homeless assistance from the City and connecting to other benefits/services, however the proposed grant amendment removes these requirements. According to HSH, the removed outcome objectives were difficult to track.

Program Monitoring

Program monitoring during FY 2022-23 found that MNC generally met or exceeded the service objectives in the grant agreement. HSH required MHC to better document staff trainings, ensure demographic information on clients was accurate, and improve its client satisfaction survey. According to HSH, MHC developed a plan to address those recommendations.

According to the Department, the service and outcome objectives for FY 2022-23, shown in Exhibit 1, were updated from the original grant agreement to ensure they are measurable, appropriate for HSH and the Homelessness Response System, and aligned with other HSH-funded SF ERAP agreements. The grantee MNC met or exceeded nearly all service and outcome objectives, with the exception of (1) administering all financial assistance within five business days from application approval, and (2) fully spending down the annual budget (the agency spent down 96 percent of the total annual budget). In the first instance, MNC took an average of 10.9 business days to issue financial assistance due to the need for executive level staff to approve each check. In response, the Department requested and received a plan from MNC to shorten the timeline for providing financial assistance.

Exhibit 1: Mission Neighborhood Centers (Goals and Actuals) for FY 2022-23

	Goal	Actual
Service Objective		
Completed a vulnerability assessment with at least 160 households[2]	100% 160 households	556% 889 households
Provided homelessness prevention assistance (i.e. financial assistance) to at least 120 households	100% 120 households	350% 420 households
Administered all financial assistance within five business days from application approval (i.e., manager approval) and in accordance with program policy	100% 5 business days	Not achieved 10.9 business days
Referred all non-eligible households to an Access Point and/or other type of assistance as available	100%	100%
Grantee referred and connected all households in need of mediation or legal services and advocacy to relevant services, as appropriate	100%	100%
All direct client assistance expenditures were distributed and recorded in accordance with Appendix C and Updated HSH Policy Documents and include all appropriate program documentation (including Tenancy Documentation, Documentation of Rental Arrears, W-9s)	100%	100%
Outcome Objective		
Percent of households who received targeted Homelessness Prevention Assistance and did not access services from the Homelessness Response System six months after assistance ended	75%	98%
Spent down annual budget	100%	96%

Source: HSH

MNC was able to serve more clients than required in the grant agreement by spending more on the grant than originally budgeted (approximately $3.1 million in each year during FY 2022-23 and FY 2023-24, compared to the original budgets for those years of approximately $2 million).

Fiscal and Compliance Monitoring

There were no findings in the FY 2023-24 fiscal monitoring report for MNC.

FISCAL IMPACT

The proposed amendment increases the annual grant budget in FY 2024-25 from $2,142,493 to $4,453,071 and provides spending authority for a three-year extension term. The budget for FY

[2] This includes all applications submitted in FY 2022-23 that were marked as Complete, No Contact/No Documents, In Progress, Initial Outreach, Ineligible, Not Prioritized, Assistance Request Withdrawn, or Confirmed Fraud.

2025-26 declines to $3,173,072 and then again to $2,173,072 in FY 2026-27 and FY 2027-28. The basis for the grant's not to exceed spending amount is summarized below in Exhibit 2.

Exhibit 2: Actual and Budgeted Expenditures

	Actual	Budgeted					
Expenditures	**Aug. 2022-June 2023**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**FY 2026-27**	**FY 2027-28**	**Total**
Salaries & Benefits	$695,159	$786,658	$858,012	$858,012	$858,012	$858,012	$4,913,865
Operating Expense	116,684	118,308	117,700	117,700	117,700	117,700	705,792
Indirect Cost	121,777	135,745	146,357	146,357	146,357	146,357	842,949
Other Expenses	2,160,165	2,132,362	3,331,003	2,051,003	1,051,003	1,051,003	11,776,539
Total	**$3,093,784**	**$3,173,072**	**$4,453,072**	**$3,173,072**	**$2,173,072**	**$2,173,072**	**$18,239,144**
Contingency (20% on FY24-25 through FY27-28)							**$2,394,457**
Total Not-To-Exceed Amount							**$20,633,601**

Source: Proposed amendment and HSH

The largest expenditure line in Exhibit 2—"Other Expenses"—provides funding for rental assistance. The grant budget for FY 2024-25 provides $2,051,003 for homelessness prevention assistance and $1,280,000 for one-time emergency rental assistance available on a first-come, first-served basis to an estimated 685 PSH households who are behind on their rent.

PSH Rental Assistance

PSH providers estimate the average back rent for those in PSH is $3,500, so the $1,280,000 would provide assistance to approximately 365 of the 685 estimated PSH residents who are behind on rent. Eligible PSH households that are not able to access these one-time limited funds may still apply for assistance via the general SF ERAP administered by MNC.

Citywide Rental Assistance

Homeless prevention assistance remains $2,051,003 in FY 2025-26 and then is $1,051,003 in FY 2026-27 and FY 2027-28. According to the Department, flexible financial assistance via SF ERAP provides up to $7,500 per household, which is most often used to cover back rent to prevent eviction.[3] Households typically receive between $5,000 to $6,000 in assistance. Assuming an average annual client assistance payment of $5,500, we estimate MNC can help an estimated 372 households in FY 2024-25, as shown in Exhibit 3. The number of households that can receive assistance drops to 191 in FY 2026-27 due to a decrease in the grant's rental assistance budget. These estimates of the number of households to be served by fiscal year align with the amended agreement's service objective that MNC will serve at least 225 households annually, ramping down to at least 120 households annually in the final two years due to less funding.

[3] A household could be granted up to $10,000 in assistance with a waiver.

Exhibit 3: Estimated Number of Households To Receive Financial Assistance

	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Households	372	372	191	191

Source: BLA calculation

The current contract is staffed by 8.77 full-time equivalent (FTE) positions in FY 2024-25, and this staffing level is proposed to continue through the end of the amended grant term. The staffing includes 4.0 FTE homelessness prevention specialists, including 1.0 FTE each who speaks Spanish, Russian, as well as Mandarin, Vietnamese, and Cantonese.

Funding Source

The proposed extension is funded by Proposition C Homelessness Gross Receipts Tax.

RECOMMENDATION

Approve the proposed resolution.