

<b>Item 7</b> <b>File 23-0771</b>	<b>Department:</b> Homelessness & Supportive Housing (HSH)
<b>EXECUTIVE SUMMARY</b>	
<p><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would retroactively approve an agreement with the San Francisco Housing Authority to provide fifty U.S. Department of Housing and Urban Development (HUD) Section 8 project-based vouchers at 333 12th Street. The agreement has a twenty year term that would begin June 15, 2023 and end June 15, 2043.</li> </ul> <p><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• In April 2022, the Board of Supervisors approved the purchase of 333 12th Street, a 200 unit building in the South of Market neighborhood that consists of two-, four-, and five-bedroom units (File 22-0344). The site was acquired by the City to be used as permanent supportive housing for families.</li> <li>• According to HSH staff, lease up of the site began in May 2023. Nine units are filled and 35 units are in the process of being filled. HSH is planning to fill the remaining housing units by October 28, 2023, consistent with the lease up deadline established by the State Homekey grant that partially offset the cost of the City’s purchase and initial operating costs.</li> <li>• Project based vouchers are rental subsidies assigned to specific units, which must be occupied by Housing Authority clients that are referred to permanent supportive housing through Coordinated Entry. The proposed agreement provides 50 project-based vouchers or for 25 percent of the 200 units at 333 12th Street, the maximum amount allowed under HUD regulations.</li> </ul> <p><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The proposed agreement would provide an estimated \$1,757,439 in revenue (maximum potential subsidy revenue discounted for vacancies/lease-up lead time) in FY 2023-24 for the 50 housing units at 333 12th Street, and up to \$2,434,252 once fully leased up. This source will, offset a portion of HSH’s cost of the lease and property management agreement, which would otherwise be funded by Homekey grant revenues and Proposition C Homelessness Gross Receipts Tax revenues. The site’s supportive service costs would still need to be funded by HSH.</li> </ul> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

## 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.

## BACKGROUND

### 333 12<sup>th</sup> Street

In April 2022, the Board of Supervisors approved the purchase of 333 12<sup>th</sup> Street, a 200 unit building in the South of Market neighborhood that consists of two-, four-, and five-bedroom units (File 22-0344). The site was acquired by the City to be used as permanent supportive housing for families. The \$147.5 million cost of the site was offset by a \$48.9 million State Homekey grant award, which was approved by the Board in December 2022, and also provided a \$7.8 million operating subsidy for the property. Also in December 2022, the Board approved a five-year lease and property management agreement with Housing for Independent People, Inc., (File 22-1171) which also is providing supportive services to the site under a separate agreement with the Department of Homelessness & Supportive Housing (HSH).

According to HSH staff, lease up of the site began in May 2023. Nine units are filled and 35 units are in the process of being filled. HSH is planning to fill the remaining housing units by October 28, 2023, consistent with the lease up deadline established by the Homekey grant.

### Housing Authority

The San Francisco Housing Authority is a public agency responsible for owning and managing public housing and administering housing vouchers. In 2019, the Board approved a Memorandum of Understanding with Housing Authority which allowed the City to assume control over its essential functions, including: executive management, oversight, and shared services, such as technology and finance (File 19-0767).<sup>1</sup> City staff provide executive management while certain administrative and programmatic functions, including the housing voucher program, are contracted out by the Housing Authority to third parties. The Housing Authority is still funded by U.S. Department of Housing and Urban Development (HUD).

---

<sup>1</sup> File 19-0767 also retroactively approved a \$20 million forgivable loan the City made to the Housing Authority to cover a shortfall in the housing choice voucher program. The Housing Authority has converted and plans to convert most of its public housing units to privately operated developments through HOPE VI, HOPE SF, Section 18, and the Rental Assistance Demonstration Programs.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve an agreement with the San Francisco Housing Authority to provide fifty HUD Section 8 project-based vouchers at 333 12<sup>th</sup> Street. The agreement has a twenty-year term that would begin June 15, 2023 and end June 15, 2043. The twenty-year term is the maximum amount allowed under HUD regulations.

The resolution is retroactive because contract negotiations extended into June 2023 and the Housing Authority then assigned an effective date for the agreement of June 15, 2023.

### Project Based Vouchers

Project based vouchers are rental subsidies assigned to specific units, which must be occupied by Housing Authority clients that are referred to permanent supportive housing through Coordinated Entry. Their value, which is determined and funded by HUD, is based on the difference between the “fair market rent”, set at the 44th percentile of the current rental market, and 30 percent of the household income of the voucher holder or the unit occupant, adjusted for allowable deductions.

According to Exhibit A of the proposed agreement, the initial monthly value for each voucher is \$3,188 for a two-bedroom unit, \$4,283 for a four-bedroom unit, and \$4,925 for a five-bedroom unit. No utility allowances are included in the proposed agreement because permanent supportive housing tenants do not pay utility costs, the housing provider (in this case, the City) does. The Housing Authority will make monthly subsidy payments to the City through the City’s contracted provider Housing for Independent People (HIP).

The proposed agreement provides 50 project-based vouchers or for 25 percent of the 200 units at 333 12<sup>th</sup> Street, the maximum amount allowed under HUD regulations.

### Eligibility

To occupy a unit funded by the proposed agreement, families must be eligible for supportive housing through HSH’s Coordinated Entry program and also a client of the Housing Authority.

## FISCAL IMPACT

The proposed agreement would provide an estimated \$1,757,439 in revenue (maximum potential subsidy revenue discounted for vacancies/lease-up lead time) in FY 2023-24 for the 50 housing units at 333 12<sup>th</sup> Street, and up to \$2,434,252 once fully leased up. This source will, offset a portion of HSH’s cost of the lease and property management agreement, which would otherwise be funded by Homekey grant revenues and Proposition C Homelessness Gross Receipts Tax revenues. The site’s supportive service costs would still need to be funded by HSH.

## RECOMMENDATION

Approve the proposed resolution.