

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: March 25, 2026 Budget and Finance Committee Meeting

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Item 1 File 26-0081	Department: Airport
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the third modification to the contract between the Airport and Hallmark Aviation Services, L.P. (Hallmark) for Airport information and guest assistance services, extending the term for one year for a total three-year term from July 1, 2024 through June 30, 2027, and increasing the contract amount by \$10,402,226 to a new total amount of \$30,403,645.

Key Points

- In June 2024, the Airport approved a new contract with Hallmark for a one-year term from July 1, 2024 through June 30, 2025, with three one-year extension options and total not to exceed amount of \$9,299,429 to provide Airport information and guest assistance services. Since then, the contract has been amended two times.
- Under the proposed amendment, services will continue to be provided by Hallmark, which assists the international arrivals passenger process through Federal Inspection Services, and Polaris, a Local Business Enterprise subcontractor that staffs the Airport information desks. The proposed amendment also expands staffing to support guest navigation during major construction projects, including the Terminal 3 West Modernization and Airport Integrated Operations Center, and to accommodate anticipated increases in passenger traffic.
- According to the Airport’s January 2026 performance report, the vendor received a score of 100, indicating excellent performance for the quarter.

Fiscal Impact

- The proposed total not to exceed amount of \$30,403,645 includes a 22.6 percent contingency and is funded by Airport operating revenues.
- Projected FY 2026-27 expenditures are based on increased hourly rates and fringe benefits for Hallmark and Polaris staff, an increase of 7.49 budgeted FTE positions (or approximately seven percent) from a total of 107.03 budgeted FTEs in FY 2025-26 to 114.52 budgeted FTEs in FY 2026-27, and other direct costs.

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

In June 2024, the Airport executed a contract with Hallmark Aviation Services, L.P. (Hallmark) for a one-year term from July 1, 2024 through June 30, 2025, with three one-year extension options and total not to exceed amount of \$9,299,429 to provide Airport information and guest assistance services, following a competitive bid process where Hallmark was deemed to meet all minimum required qualifications. Because the contract was less than \$10 million and less than 10 years, the contract did not require Board of Supervisors' approval. In February 2025, the Airport approved the first modification to the contract, updating the labor rates, increasing the amount authorized for other direct costs, updating position titles and worker classifications, and updating standard contract provisions. There were no changes to the total contract amount or duration. In May 2025, the Board of Supervisors approved the second modification to the contract, extending the term for one year for a total two-year term from July 1, 2024 through June 30, 2026, and increasing the contract amount by \$10,701,990 to a new total amount of \$20,001,419 (File 25-0338). In January 2026, the Airport Commission approved the contract's third modification, which is now under consideration for approval by the Board of Supervisors.

Controller's Certification

Historically, the services have been certified by the Controller's Office and approved by the Board of Supervisors as work that can be contracted out at a lower cost than similar work performed by City employees (per requirements under City Charter Section 10.104.15). In April 2024, the Controller's Office determined these services met Charter requirements. In June 2024, the Board of Supervisors approved a resolution concurring with the Controller's certification allowing the Airport to contract with private companies for information and guest services (File 24-0460).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the third modification to the contract between the Airport and Hallmark for Airport information and guest assistance services, extending the term for one year for a total three-year term from July 1, 2024 through June 30, 2027, and increasing the contract amount by \$10,402,226 to a new total amount of \$30,403,645. The proposed

resolution would exercise the second of three one-year extension options under the original contract.¹

Services

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

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

The proposed modification also expands staffing to assist guests in navigating the Airport during major construction projects, such as the Terminal 3 West Modernization and Airport Integrated Operations Center, and accommodate an anticipated increase in passenger traffic.

Rate and Staffing Level Changes

The contract establishes direct labor costs per employee and staffing levels for Quality Standard Program² (QSP) workers (Guest Services Agents and Guest Services Supervisors) and non-QSP workers (Information Desk – Ambassadors, Information Desks – Lead, and Volunteer Coordinators).

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

¹ The Airport reports it is not exercising the final option to extend this agreement at this time because two other ongoing capital projects, the Airport Integrated Operations Center and Lost and Found, will impact the need for staff from this contract however the scope of the contract needs are not yet clear.

² The QSP was established by the Airport Commission and sets requirements for Safety; Health; Hiring Practices; Training; Equipment Standards; and Compensation and Benefits. The QSP applies to any firm, including airlines and service providers, which employs staff that perform services which directly impact safety and/or security at the Airport.

- Guest Services Agents: Hourly rates will increase in January 2027 from a range of \$22.31 - \$25.29 to \$24.40 - \$26.30 for agents who do not waive health benefits. The number of full-time positions would also increase from 46 to 61.
- Guest Services Supervisors: Hourly rate will increase in January 2027 from a range of \$28.06 - \$28.67 to \$29.18 - \$29.81 for supervisors who do not waive health benefits. The number of full-time positions would remain at nine.
- Information Desk Ambassadors: Hourly rate will increase from a range of \$21.21 - \$23.00 to \$24.00 - \$25.86. The number of full-time positions would remain at 32.
- Volunteer Coordinators: Hourly rate will increase from \$43.32 to \$48.17. The number of full-time positions would increase from three to four.
- Information Desks Lead: Hourly rate will increase from a range of \$22.46 - \$28.50 to \$25.00 - \$29.64. The number of full-time positions would decrease from five to four.

According to the Airport, the hourly rates for the QSP workers³ (Guest Services Agents and Guest Services Supervisors) are increasing by approximately four percent⁴ to improve employee retention. In addition, as previously mentioned, the increase in staffing levels is needed to provide guest support for major construction projects, upcoming large events in the Bay Area (such as the FIFA World Cup in June 2026), and anticipated passenger traffic. The proposed rates for the QSP workers are above the projected QSP minimum rate of \$22.54 per hour (effective July 1, 2026).⁵ The proposed modification also increases the rates for some fringe benefits for QSP workers, notably in health care. The Airport states this is driven by increases in monthly health costs based on updates to the Healthy Airport Ordinance⁶ effective January 1, 2027 (File 25-0210).

The hourly rates for non-QSP workers are increasing by an average of approximately nine percent.⁷ In addition, the increase in Volunteer Coordinators is needed to manage the additional information desks at Terminal 1 and 3 and the growth in Travelers Information Volunteers Program participants. The proposed modification also increases the rates for most fringe benefits for non-QSP workers. The Airport states that increases to hourly rates and fringe benefits are based on projected wage and benefits adjustments required under an anticipated new union agreement.

³ QSP workers are not unionized, while non-QSP workers are unionized.

⁴ This is based on the highest pay rates for each position.

⁵ The QSP rate changes every year, such that the minimum hourly wage is at all times \$0.50 an hour above the current San Francisco Minimum Wage. According to the Airport, the Office of Labor and Standards Enforcement has not published the updated minimum compensation rate for FY 2026-27. The new rate is anticipated to be confirmed in March 2026.

⁶ For QSP workers, the Healthy Airport Ordinance requires employers to provide certain health benefits, make contributions, or make health care expenditures to or on behalf of employees.

⁷ This is based on the highest pay rates for each position.

Other Direct Costs and Management Fee

In addition, the other direct costs⁸ are decreasing by \$32,816 from \$269,149 to \$236,333 annually, with the largest decrease in guest support supplies (from \$70,000 to \$7,500). According to the Airport, these funds were used to address homelessness at the Airport, including purchasing transportation tokens (e.g., BART and SamTrans) for staff conducting outreach; however, the need for these supplies has decreased over the past year due to increased presence of community outreach personnel and assistance from the San Francisco Police Department’s Airport Bureau.

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

Performance Monitoring

The Airport conducts quarterly performance audits to ensure the vendor meets service standards and evaluates the vendor using a 100-point performance scoring system across several criteria, including staffing, reporting, complaint handling, language requirements, and uniform compliance. According to the Airport’s most recent January 2026 performance report for the period of October to December 2025, the vendor scored 100 points, indicating excellent performance for the quarter.

FISCAL IMPACT

The proposed third modification would increase the not-to-exceed amount of the Hallmark contract by \$10,402,226, for a total not to exceed \$30,403,645. Actual and projected contract expenditures from July 2024 through June 2026 are \$15,710,256, as shown in Exhibit 1 below.

Exhibit 1. Total Contract Expenditures from July 1, 2024 through June 30, 2027

Actual and Projected Expenditures	Management Fee	Hallmark Salaries and Benefits	Polaris Salaries and Benefits	Other Direct Costs	Total
FY 2024-25 (Actuals)	\$1,429,056	\$3,140,755	\$2,475,124	\$106,133	\$7,151,068
FY 2025-26 (Projected)	\$1,429,056	\$4,220,632	\$2,730,202	\$179,298	\$8,559,188
FY 2026-27 (Projected)	\$1,429,056	\$5,377,141	\$3,359,696	\$236,333	\$10,402,226
Subtotal	\$4,287,168	\$12,738,529	\$8,565,022	\$521,764	\$26,112,484
Contingency (23% of projected)					\$4,291,161
Total					\$30,403,645

Source: Airport

As shown above, the proposed one-year extension is budgeted at \$10,402,226, which is an increase of \$1,843,038 or 21.5 percent from the previous year’s projected expenditures of

⁸ Other direct costs include expenses such as communication devices and license fees, guest support supplies, employee recognition and reward, staff uniforms, and printing, among other costs.

\$8,559,190. The Airport states that projected FY 2026-27 expenditures are based on increased hourly rates⁹ and fringe benefits for QSP and non-QSP workers (as described above), an increase of 7.49 budgeted FTE positions¹⁰ (or approximately seven percent) from a total of 107.03 budgeted FTEs in FY 2025-26 to 114.52 budgeted FTEs in FY 2026-27, and other direct costs.

Contingency and Source of Funds

Actual and projected spending from FY 2024-25 through FY 2025-26 is \$4,291,161 less than the existing not to exceed amount (\$20,001,419). According to Airport staff, this is due to cost savings in salaries and benefits resulting from vendor staffing adjustments based on actual operational needs, as well as reductions in Other Direct Costs. The proposed amendment maintains these projected unspent funds as a contingency to accommodate potential increases in staffing beyond the currently budgeted amounts and the uncertainty of future labor and benefit costs. This contingency is equal to approximately 22.6 percent of projected expenditures through June 2027 and is in addition to savings that may be generated from paying employees less than the highest pay rate (which was the basis of the proposed budget).

According to Appendix B of the contract, the Airport will reimburse the vendor for actual costs, supported by documentation, with the exception of the management fee which is a fixed monthly payment.

The source of funds for the contract is Airport operating revenues.

RECOMMENDATION

Approve the proposed resolution.

⁹ The Airport accounted for the highest pay rates for the QSP and non-QSP workers to calculate the budgeted expenditures and determine the potential maximum cost impact. Individual pay rates may vary within the range based on experience, tenure, and shifts assignments.

¹⁰ The number of budgeted FTEs is greater than the number of full-time positions listed in Appendix B. According to Airport staff, budgeted FTE reflects total labor hours as a proportion of a full-time schedule and includes additional part-time staffing to meet operational needs.

<p>Item 2 File 26-0191</p>	<p>Department: Office of the Assessor-Recorder</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the second amendment between the Office of the Assessor-Recorder (ASR) and Sapiient Corporation (Sapiient) for ongoing support and maintenance of the System for Managing Assessments, Records and Transactions (SMART), extending the term from nine years and two months to 13 years and eight months, for a total term from November 1, 2018, through June 30, 2032, and increasing the amount by \$6,754,000 for a total not-to-exceed amount of \$33,912,702. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Under the Property Assessment and Tax System (PATS) project, the ASR, the Treasurer & Tax Collector and the Controller’s Office are replacing the City’s two legacy property tax systems. Through an existing contract with the Sapiient Corporation (Sapiient), ASR is replacing the Property Assessment System, which is now called the System for Managing Assessments, Records and Transactions (SMART). • Phase 2 of the SMART project experienced significant delays due to inaccurate vendor delivery assumptions and an underestimation of project complexity. A joint root cause analysis largely assigned responsibility for the delays to the vendor. Phase 2 went live in September 2025, and the system is largely implemented, with the vendor completing remaining requirements as it transitions to ongoing maintenance. • Under the proposed amendment, Sapiient will continue to provide maintenance and support services for SMART through June 30, 2032. Maintenance activities include defect and incident resolution, technical support and testing, completion of outstanding requirements, software upgrades, and implementation of enhancements. ASR intends to transition system support in-house in the future, but existing staff capacity is not currently sufficient. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed amendment increases the contract amount by \$6,754,000 for a total not-to-exceed amount of \$33,912,702. Maintenance costs are \$1.2 million in FY 2027-28 and increase by 4.5 percent annually. Costs are funded by the General Fund. • The City’s implementation costs under the Sapiient contract increased from approximately \$15.1 million to \$24.8 million, an increase of approximately \$9.7 million or 64.5 percent. In addition, Sapiient contributed \$15.3 million toward project implementation following negotiations and a joint root cause analysis, which assigned each party a percent responsibility for the project delays and increased costs. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

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

BACKGROUND

The City's Office of the Assessor-Recorder (ASR) is responsible for carrying out property assessment related functions, such as identifying property ownership and assessing the value of property. The Property Assessment and Tax System (PATS) project is a multi-phase initiative among ASR, the Treasurer & Tax Collector and the Controller's Office to modernize and replace the City's aging legacy property tax systems and was approved by the Committee on Information and Technology in FY 2015-16. In November 2018, the Board of Supervisors approved two contracts for the Assessor's implementation of the property assessment system replacement effort, including a contract with the Sapiant Corporation (Sapiant) for implementation services and ongoing support for a not-to-exceed amount of \$21,414,700 and 12-year term from November 1, 2018 through November 1, 2030 (File 18-1037). The contract included one five-year option to extend through November 1, 2035, for a total potential term of 17 years. In March 2023, the Board of Supervisors approved the first amendment to the contract with Sapiant, increasing the agreement by \$5,744,002 from \$21,414,700 to \$27,158,702, and reducing the initial term from 12 years to nine years and two months to expire on December 31, 2027 (File 23-0233). The amendment maintained the one five-year option to extend through December 2032 for a total potential term of 14 years and two months.

Project Status

ASR and Sapiant renamed the Property Assessment System to the System for Managing Assessments, Records and Transactions (SMART) and launched the project in January 2019 with an anticipated go-live date of November 2021. Phase 2 (Secured Property, Change in Ownership and Possessory Interest implementation) of the project experienced significant delays due to inaccurate vendor delivery assumptions and an underestimation of project complexity. In 2024, ASR identified a significant system design flaw and issued a change order. Following a joint root cause analysis, ASR reported that responsibility was attributed as follows: eight percent to ASR and 92 percent to Sapiant. As a result of the multiple delays and change order, Phase 2 went live in September 2025, though the vendor continues completion of phase 2.x requirements. According to ASR, the majority of SMART implementation is complete and the system is transitioning to ongoing operations and maintenance.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the second amendment between the Office of the Assessor-Recorder (ASR) and Sapiant Corporation (Sapiant) for ongoing support and

maintenance of the System for Managing Assessments, Records and Transactions (SMART), extending the term from nine years and two months to 13 years and eight months, for a total term from November 1, 2018, through June 30, 2032, and increasing the amount by \$6,754,000 for a total not-to-exceed amount of \$33,912,702. The second amendment would exercise the one five-year extension option but reduces the total term by six months.

We recommend that ASR amend the draft second amendment to clarify that there are no options to extend remaining.

Services

Under the proposed amendment, Sapient will continue to provide maintenance and support services for SMART through June 30, 2032. According to ASR, the five-year extension is needed to support post-implementation operations, including ongoing system maintenance, resolution of post-go-live issues, implementation of upgrades and security patches, and the transfer of knowledge to ensure effective system operation and troubleshooting. ASR states that vendor maintenance staffing of 10 FTE positions¹ has been confirmed for FY 2025-26, and maintenance needs will be negotiated annually. Maintenance activities generally include defect and incident resolution, technical support and testing, completion of outstanding system requirements and software upgrades, and implementation of enhancements.

ASR's long-term objective is to transition system support in-house and reduce reliance on vendors. However, current staffing capacity is insufficient to support this transition. ASR is developing a phased plan to assess and build internal capacity in future years. This effort is expected to include additional FTE, though staffing levels have not yet been determined. ASR states the department does not plan to competitively solicit vendors for system maintenance following the conclusion of the current Sapient contract.

Project Monitoring

According to ASR, there are multiple mechanisms in place for project monitoring. The project team from Sapient and the department meet weekly to review the status of upcoming software releases and assess risks and system issues. Sapient is also required to develop reports and dashboards to track and summarize support incidents and defects, as well as detail the status and proposed actions for unresolved issues.

The contract also includes a performance service credits provision that establishes financial penalties if the vendor fails to meet defined service level agreements for response and resolution times. According to ASR, no service credits have been assessed during the contract term.

¹ This includes one Product Manager, one Senior Architect, three Senior Developers, two Developers, two Senior Quality Assurance Engineers, and one Quality Assurance Engineer

FISCAL IMPACT

Exhibit 1 below shows the basis for the proposed \$33,912,702 total amount. Actual and encumbered expenditures since FY 2018-19 total \$25,758,702, which is 94.5 percent of the existing not to exceed amount. ASR expects to fully expend the existing contract not to exceed amount of \$27,158,702 in FY 2026-27. Maintenance costs for FY 2025-26 and FY 2026-27 are funded under the existing contract amount. \$739,950 of existing contingency was reallocated to offset maintenance costs during the extension period. According to ASR staff, \$885,304 remains in existing contingency funds, which is approximately 12 percent of the proposed budget less expenditures to date.

Exhibit 1: Contract Agreement Not to Exceed Amount

	Existing Agreement	Proposed Amendment	Change
Implementation	\$18,728,109	\$20,028,109	\$1,300,000
Phase 1 Maintenance During Implementation	1,861,476	2,546,426	684,950
Contingency	2,969,117	2,229,167	(739,950)
<i>Subtotal, Total Implementation Costs</i>	<i>\$23,558,702</i>	<i>\$24,803,702</i>	<i>\$1,245,000</i>
Maintenance After Go Live*	3,600,000	9,109,000	5,509,000
Total	\$27,158,702	\$33,912,702	\$6,754,000

Source: Proposed Amendment 2

*Amendment 1 included \$3.6 million for four years of maintenance after go live, and the proposed amendment includes approximately \$5.5 million for seven years of maintenance after go live

Exhibit 2 below shows the annual spending on the contract during the extension period.

Exhibit 2: Proposed System Maintenance Costs, FY 2027-28 to FY 2031-32

Year	Amount
FY 2027-28	\$1,234,000
FY 2028-29	1,290,000
FY 2029-30	1,348,000
FY 2030-31	1,409,000
FY 2031-32	1,473,000
Total	\$6,754,000

Source: ASR

Proposed maintenance costs for FY 2027-28 through FY 2031-32 increase by approximately 4.5 percent annually. ASR indicates the increases are consistent with salary and benefit cost-of-living adjustments. The department anticipates renegotiating costs downward in future years as the system stabilizes, incident volumes decline, and internal staffing capacity to maintain the system

is developed. Annual maintenance costs are based on the vendor's 2023 estimate of \$1.2 million (which excluded inflationary adjustments).

The source of funds for the contract is the General Fund.

Increase in Total Project Costs

According to ASR, the total project costs for the Property Assessment and Tax System, including the Treasurer and Tax Collector and Controller project are \$84.4 million. This amount includes ASR's SMART implementation costs under the Sapien contract but does not include ongoing maintenance costs. Total costs exceed the estimated costs at project approval in 2018 (\$72.4 million) by \$12.0 million, or 16.6 percent. The City's implementation costs under the Sapien contract have increased from approximately \$15.1 million to approximately \$24.8 million, an increase of approximately \$9.7 million or 64.5 percent. In addition to the City's implementation costs under the contract, Sapien contributed \$15.3 million towards project implementation following negotiations and a joint root cause analysis which assigned each party a percent responsibility for the project delays and increased costs.

Operational Savings

Section 26.1 of the Administrative Provisions of the Annual Appropriation Ordinances since FY 2017-18 and FY 2018-19 directs the Controller to apply operational savings from the offices of the Assessor, Controller, and Tax Collector to the property tax system replacement project, to minimize future General Fund appropriations required for the project. Section 26.1 requires a report on these savings to be provided to the Board of Supervisor's Budget & Finance Committee and its Budget & Legislative Analyst's Office. According to ASR, a total of \$28 million in operational savings has been applied to the project and the provision is still needed to complete Phase 2.x.

RECOMMENDATION

Approve the proposed resolution.

<p>Item 3 File 26-0211</p>	<p>Department: Human Services Agency</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would retroactively approve a contract between the Human Services Agency and the San Francisco Marin Food Bank (SFMFB) for the CalFresh Stoppag Emergency Gift Card Initiative for a two-month term from October 30, 2025, through December 31, 2025, and an amount not to exceed \$9,100,000. • The proposed resolution would also retroactively approve the amendment to add repayment instructions and revise reporting requirements, with these amendments effective January 30, 2026. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • According to HSA, approximately 82,000 San Francisco households accessed CalFresh benefits in October 2025, when a federal government shutdown caused a lapse in federal CalFresh benefit funding for the month of November. • Under San Francisco Administrative Code, Section 21.15(b)(1) Emergency Procurement Procedures, HSA entered into a sole-source contract with SFMFB to distribute \$18 million to CalFresh recipients—provided by a \$9 million donation from the Crankstart Foundation, matched by an appropriation of \$9 million in City funds from a State and Federal Revenue Risk Reserve (appropriated by File 25-1079), along with \$100,000 to cover the cost of physical gift cards. The SFMFB subcontracted with the for-profit company GiveCard to provide the prepaid gift cards (both digital and actual) of an amount similar to the average CalFresh benefit amount for households of a similar size. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • According to HSA, activation codes were issued to all 82,000 eligible households, and 65,500 cards were successfully activated, representing 80 percent of eligible households. As of January 8, 2026 (after the conclusion of the gift card activation period), a total of \$14.4 million in benefits had been claimed and clients had spent \$11.2 million (78 percent). • Any unspent funds from the advance payment for gift cards distributed but not activated prior to December 31, 2025, must be returned to HSA by January 31, 2026; the Department reports that \$1,791,503 was returned. Further, CalFresh clients have until March 31, 2026 to spend any remaining unspent funds, and any unspent funds for cards activated but not fully spent must be returned to HSA by April 30, 2026. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

San Francisco Administrative Code Section 21.15(b)(4) states that for any emergency contract in excess of the minimum competitive amount (defined, in this case, as \$230,000), the department must obtain the approval of the Board of Supervisors as soon as feasible.

BACKGROUND

Approximately 112,000 San Francisco residents are enrolled in the federal Supplemental Nutrition Assistance Program (SNAP), known in California as CalFresh. According to the Human Services Agency (HSA), approximately 82,000 San Francisco households accessed CalFresh benefits in October 2025, when a federal government shutdown caused a lapse in CalFresh benefit funding for the month of November. The November lapse in federal funding of approximately \$20 million led HSA to engage the philanthropic community, which ultimately led to a \$9 million donation from the Crankstart Foundation—matched by an appropriation of \$9 million in City funds from a State and Federal Revenue Risk Reserve (appropriated by File 25-1079). The total of \$18 million enabled HSA to contract with the San Francisco-Marin Food Bank (SFMFB), which—in turn—subcontracted with the for-profit company GiveCard to provide prepaid gift cards (both digital and actual) of an amount similar to the average CalFresh benefit amount for households of a similar size. (An additional \$100,000 was provided by the City to fund the cost of the physical gift cards.) Pursuant to Administrative Code, Section 21.15(a)(1), the lapse in federal CalFresh funding constituted a “sudden, unforeseeable, and unexpected event,” which necessitated immediate action to maintain “public health or welfare.”

Procurement

Under San Francisco Administrative Code, Section 21.15(b)(1) Emergency Procurement Procedures, HSA entered into a sole-source contract with SFMFB for the CalFresh Stopgap Emergency Gift Card Initiative. This administrative code section allows a department to purchase commodities or services in the “most expeditious manner necessary” to meet the emergency circumstances. The President of the Human Services Commission provided written approval for the emergency contract on October 29, 2025, and the Civil Service Commission approved the emergency contract on November 3, 2025—confirming that the federal lapse in CalFresh funding constituted an emergency that justified using an outside vendor rather than civil service personnel. Further, the agreement with SFMFB was deemed exempt from Chapter 14B Local Business Enterprise subcontracting participation requirements due to the emergency. Departments relying on this procurement authority are required to seek Board of Supervisors approval for the emergency contracts as soon as possible.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve a contract between HSA and San Francisco Marin Food Bank (SFMFB) for the CalFresh Stopgap Emergency Gift Card Initiative for a two-month term from October 30, 2025, through December 31, 2025, and an amount not to exceed

\$9,100,000. The proposed resolution would also retroactively approve the amendment to add repayment instructions and revise reporting requirements, with these amendments effective January 30, 2026.

The company GiveCard was subcontracted by SFMFB to issue the prepaid digital and physical gift cards and to manage a dedicated Sutton Bank custodial account holding the funds. On November 3, 2025, HSA mailed notifications (translated into five languages) to 82,000 households eligible for CalFresh with instructions to activate their prepaid gift card using one of two methods:

- 1) Activate a virtual card online by entering a unique, single-use activation code onto a website
- 2) Request a physical card by mail by entering the unique, single-use activation code onto a website or by calling GiveCard, which provided client support in multiple languages. Using this option, cards arrived in 5-7 business days.

Clients were required to activate or request their card by December 31, 2025, and benefits must be spent by March 31, 2026. The process involved identity verification, and individuals using General Delivery or PO boxes could pick up physical cards directly from one of two HSA office locations with valid identification.

Call Center Support

Because GiveCard did not have capacity to serve all 82,000 CalFresh households on Day 1, HSA staff established a call center support function utilizing hundreds of front-line program staff to assist clients experiencing challenges with card activation. HSA reported receiving up to 10,000 calls some weeks, with approximately 80 percent of callers waiting less than five minutes and 4 percent of callers abandoning the call. HSA staff helped approximately 11,000 participating households (17 percent) activate their prepaid gift cards, including a total of 8,940 households who activated their prepaid gift cards by phone and another 1,907 households who activated their gift cards in person, according to HSA.¹

Performance Monitoring

The program's service objective was to issue 100 percent of gift cards to eligible San Francisco residents. According to HSA, activation codes were issued to all 82,000 eligible households, and 65,500 cards were successfully activated, representing 80 percent of eligible households. The Department believes that the remaining 20 percent that did not access the gift cards may be unstably housed or face other barriers.

As of January 8, 2026 (after the conclusion of the activation period), a total of \$14.4 million in benefits had been claimed and clients had spent \$11.2 million (78 percent), as shown in Exhibit 1. (See Appendix 1 for claim rate by zip code.)

¹ Prepaid gift cards were available at HSA sites located at 1235 Mission Street and 170 Otis Street.

Exhibit 1: Emergency Gift Card Spending by Household Type

Household Type	Eligible	Claimed (%)	Spending
Households with Children	10,331	8,719 (84%)	\$2,370,067
Households with seniors and/or adults with disabilities	46,596	38,130 (82%)	\$5,971,587
Households with working-age adults	26,126	18,649 (71%)	\$2,893,282
Total	83,053	65,498 (79%)	\$11,234,936

Source: HSA

SFMFB and the subcontracted company GiveCard are required to provide HSA with periodic transaction data, daily tracking of activation rates during the first week, and weekly reconciliation reports detailing activated gift card serial numbers and remaining balances. An end-of-program report outlining participation rates, distributed funds, spent funds, and unspent balances is due to HSA no later than April 30, 2026.

FISCAL IMPACT

The proposed contract establishes a not-to-exceed amount of \$9,100,000 for the initial two-month term from October 30, 2025, to December 31, 2025. Of this total, \$9 million covers the cost of direct cash assistance and \$100,000 was set aside for the cost of physical gift cards for clients who preferred this method over a digital card. The \$9,100,000 is funded by an appropriation from the State and Federal Revenue Risk Reserve, approved by the Board of Supervisors on November 10, 2025 (File 25-1079). The Crankstart Foundation co-funded the initiative, providing \$9,000,000 directly to SFMFB for a total of \$18,000,000 made available for direct food assistance to CalFresh clients.² The amount made available to clients was based on the average CalFresh benefit amount for households of similar size (not necessarily the same as what the household typically receives from CalFresh).

Of the total City contribution, \$100,000 was allocated to cover the cost of approximately 20,000 physical gift cards at \$5 per card. According to HSA, 31 percent of the 65,500 households that accessed the benefit used a digital prepaid card, and 69 percent received a physical gift card—which exceeded the \$100,000 budget by approximately \$126,000, which will be covered by underspending resulting from 20 percent of CalFresh recipients not claiming the gift card benefit. The Department reports that GiveCard donated its labor associated with distributing the digital and physical prepaid gift cards for this initiative.

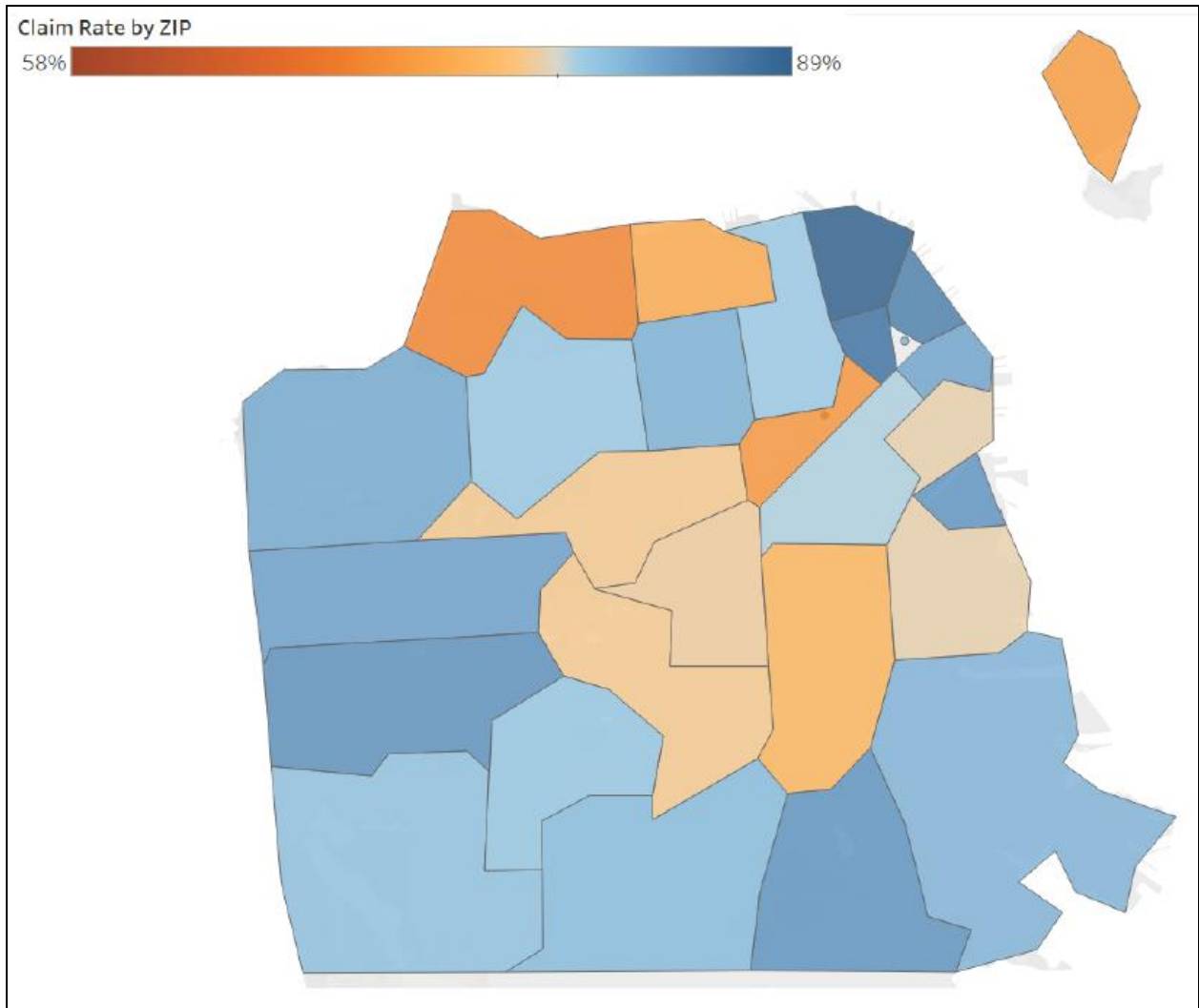
² In the event that less than \$18 million is spent, then the City and Crankstart will split costs 50-50, including the cost of the physical gift cards.

The proposed amendment outlines specific repayment requirements for unspent funds. Any unspent funds from the advance payment for gift cards distributed but not activated prior to December 31, 2025, must be returned to HSA by January 31, 2026; the Department reports that \$1,791,503 was returned. Further, CalFresh clients have until March 31, 2026 to spend any remaining unspent activated gift cards, and any unspent funds for cards activated but not fully spent must be returned to HSA by April 30, 2026. HAS may receive up to approximately \$1.5 million in additional refunds, depending on whether clients fully spend down the \$14.4 million of activated gifts (having already spent \$11.2 million).

RECOMMENDATION

Approve the proposed resolution.

Appendix 1: Claim Rate by Zip Code



Source: HSA

<p>Items 4 - 6 Files 26-0209, 26-0174, 26-0170</p>	<p>Department: Public Health (DPH)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolutions would approve the second amendment to the Department of Public Health’s (DPH) contracts with the following organizations: (1) Instituto Familiar de la Raza (Instituto), extending the term by three years from June 30, 2027, for a new term of January 1, 2023, through June 30, 2030, and increasing the amount by \$9,242,130 for a total not to exceed amount of \$17,087,730 (File 26-0209); (2) San Francisco AIDS Foundation (SFAF), extending the term by four years from June 30, 2026, for a new term of January 1, 2023, through June 30, 2030, and increasing the amount by \$11,946,338 for a total not to exceed amount of \$23,832,933 (File 26-0170); and (3) Rafiki Coalition for Health & Wellness (Rafiki), extending the term by three years from June 30, 2027, for a new term of January 1, 2023, through June 30, 2030, and increasing the amount by \$10,670,270 for a total not to exceed amount of \$20,083,870 (File 26-0174). <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In September 2019, DPH issued a Request for Proposals (RFP) to select providers for the administration of Health Access Point (HAP) programs. Instituto, SFAF, and Rafiki were the highest-scoring respondents in their respective service categories and were selected to receive funding. • Under the proposed amendment, all three organizations will continue to provide HAP services (e.g., HIV, HCV, and STD testing, STD treatment, case management) tailored to their priority populations (Latinx, gay men/MSM, and Black/African American). • The FY 2024-25 program monitoring reports showed that Instituto and all five of SFAF’s programs had an overall rating of “4 – Commendable/Exceeds Standards”. Rafiki had an overall rating of “2 – Below Standards” and did not meet service levels due to efforts needed to establish its new HAP service location and ramping up operations. According to more recent FY 2024–25 service data provided by DPH, Rafiki has met most contracted units of service. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The annual budget for Instituto (\$2.3 million) and Rafiki (\$2.6 million) remains flat from FY 2025-26 to FY 2029-30. The annual budget for SFAF decreases by \$0.4 million from FY 2025-26 (\$3.1 million) to FY 2026-27 (\$2.6 million) due to the elimination of the Black/African American HAP Capacity Building Program Support for Rafiki and remains flat from FY 2026-27 to FY 2029-30. All three contracts are fully funded by the General Fund from FY 2025-26 to FY 2029-30. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • 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 to such contract is subject to Board of Supervisors approval.

BACKGROUND

In September 2019, the Department of Public Health (DPH) issued a Request for Proposals (RFP) to select providers for the administration of Health Access Point (HAP)¹ programs, which integrates services such as testing, treatment for substance use and mental health conditions, counseling, and support groups to address HIV, Hepatitis C (HCV), and sexually transmitted diseases (STDs) for vulnerable populations. The RFP was divided into seven HAP service categories: (1) Latinx; (2) Trans women; (3) People who use drugs, including injecting drugs; (4) Men who have sex with men (MSM), with a focus on gay men; (5) Asians and Pacific Islanders; (6) Young adults (ages 18 to 24); and (7) training and capacity building for Black/African Americans.² Proposals for Service Categories #1 and #4 (Latinx and MSM/Gay Men) were evaluated based on Population of Focus (10 points), Program Design and Effectiveness (67 Points), Data Collection, Evaluation, and Quality Assurance (8 Points), and Organizational and Fiscal Capacity (15 Points), for a total possible score of 100 points. Proposals for Service Category #7 (Training and Capacity Building for Black/African Americans) were evaluated based on Population of Focus (35 points), Health Access Point model (30 points), and Organizational and Fiscal Capacity (35 points), for a total possible score of 100 points. The RFP specified a maximum contract term of ten years.

Four evaluation panelists scored the proposals for each of the service categories.³ Instituto Familiar de la Raza (Instituto), San Francisco AIDS Foundation (SFAF), and the Rafiki Coalition for

¹ DPH defines a HAP as a “population specific, one-stop shop or network of agencies/programs with a lead agency that provides equity-focused, stigma-free, and low barrier access to person-centered, standard of care services regardless of HIV, HCV, or STD status.”

² According to DPH, the department funds contracts for all seven HAP service categories. Contracts for the other four service categories (not included as part of the proposed resolutions discussed in this report) do not require Board of Supervisors approval at this time.

³ Panelists that evaluated Service Category #1 (Latinx) include an HIV Program Coordinator from Pima County, Program Manager at the Office of AIDS Alameda County Public Health, Director of Communications and External Affairs at the San Francisco Office of Transgender Initiatives, and a Medical Doctor. Panelists that evaluated Service Category #4 (MSM/Gay Men) include a National Minority AIDS Council Director, Community Member, City of Los Angeles AIDS Coordinator, and HIV Prevention Director at Alameda County. Panelists that evaluated Service Category #7 (Black/African Americans) include a National Minority AIDS Council Director, Retired Nurse, Office of Urban Male Health Director at Alameda County, and the CEO of the Black AIDS Institute.

Health & Wellness (Rafiki) were the highest-scoring respondents in their respective service categories, as shown in Exhibit 1 below.⁴

Exhibit 1. Highest Ranking Proposers by Service Category

Proposer	Score (100 Possible Points)	Service Category
Instituto Familiar de la Raza	90.25	Health Access Point for Latinx
San Francisco AIDS Foundation	88.75	Health Access Point for Males who have sex with males (MSM), with a focus on Gay males (Gay/MSM)
Rafiki Coalition for Health & Wellness	81.2	Training and Capacity Building for a Health Access Point for Black/African Americans

Source: DPH

In January 2023, DPH executed new contracts for HAP services with the following organizations: (1) Instituto for a term from January 1, 2023, through June 30, 2027 and an amount not to exceed \$7,845,600, (2) SFAF for a term from January 1, 2023 through June 30, 2026 and an amount not to exceed \$11,886,595 (File 22-1194), and (3) Rafiki for a term from January 1, 2023, through June 30, 2027 and an amount not to exceed \$9,413,600. The contracts for Instituto and Rafiki included six one-year extension options, and the SFAF contract included seven one-year extension options. In January, March and April 2025, DPH amended all three contracts to update standard contractual clauses with no changes to the amount and term. The contracts and amendments for Instituto and Rafiki did not require Board of Supervisors' approval because the total amount was less than \$10 million and the total term was less than 10 years. The SFAF contract was approved by the Board of Supervisors in January 2023.

DPH now proposes to extend each of the contracts through June 2030.

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would approve the second amendment to DPH's contracts with the following organizations to provide Health Access Points and capacity building services:

1. **Instituto Familiar de la Raza**, extending the term by three years from June 30, 2027, for a new term of January 1, 2023, through June 30, 2030, and increasing the amount by \$9,242,130 for a total not to exceed amount of \$17,087,730 (File 26-0209);

⁴ There was a total of two proposers each for Service Categories #1 and #7. SFAF was the only proposer for Service Category #4.

2. **San Francisco AIDS Foundation**, extending the term by four years from June 30, 2026, for a new term of January 1, 2023, through June 30, 2030, and increasing the amount by \$11,946,338 for a total not to exceed amount of \$23,832,933 (File 26-0170);
3. **Rafiki Coalition for Health & Wellness**, extending the term by three years from June 30, 2027, for a new term of January 1, 2023, through June 30, 2030, and increasing the amount by \$10,670,270 for a total not to exceed amount of \$20,083,870 (File 26-0174).

According to DPH, the proposed resolution for the AIDS Foundation contract (File 26-0170) no longer reflects the contract budget. The Department will request that the resolution be amended to reflect a \$21,889,643 contract.

The proposed resolutions would also authorize DPH to make further immaterial amendments to all three contracts. The second amendment would exercise two one-year extension options for Instituto and Rafiki and three one-year extension options for SFAF.

Services

Under the proposed amendment, all three organizations (Instituto, SFAF and Rafiki) will continue to provide the following Health Access Point services with a focus on their respective service category populations (Latinx, Gay Men/MSM, Black/African Americans): HIV, HCV, and STD testing, STD treatment medication, case management, support groups, linkage and navigation to necessary medical and social services, distribution of condoms, syringe distribution and disposal, community engagement events, overdose prevention, health education and prevention counseling, and mental health services, among others.

In addition, SFAF will continue to administer the following three programs:

- Clinical Assistant Program: This supports a workforce development pipeline for the HAP network with ongoing professional development, paid internship opportunities, and a trained applicant pool of clinical assistants.
- Clinical Services Sustainability Program: This provides funding for nurses and director of clinical services at STRUT (a SFAF program).
- HAP Capacity Building Activities (HIV/STI/HEP C Infrastructure) Program: This provides technical assistance and capacity building support (e.g., program and policy development, licensing and certification support, training) to the HAP Network, with an emphasis on the Youth HAP (LYRIC).

The proposed modification would eliminate SFAF's Black/African American Health Access Point (HAP) Capacity Building Program, which provided \$0.4 million annually for organizational capacity building support (e.g., program planning and design, training) to Rafiki, the lead organization for the Black/African American HAP. According to a March 2026 DPH memo, Rafiki utilized this fiscal and operational support while the agency's finance team was in transition and is now fully staffed. Consequently, funding for this program is no longer necessary. The reduction is part of a \$17 million reduction in DPH's non-profit portfolio for capacity building funding starting in FY 2026-27.

Subcontractors

Each of the contracts also provides funding to the following subcontractors in FY 2026-27, as outlined below:

- Instituto: Mission Neighborhood Health Center(\$583,442) and SFAF (\$365,412)
- SFAF: Glide Foundation (\$52,000), Shanti (\$104,000), and the San Francisco Community Health Center (\$52,000)
- Rafiki: SFAF (\$260,000), 3rd Street Youth Center (\$200,000), UCSF Alliance Health Project (\$200,000), Glide Foundation (\$170,000), and Positive Resource Center (\$233,000)

According to DPH, an agency (such as SFAF) may serve as a lead for one Health Access Point while subcontracting under another, enabling programs to leverage specialized expertise and expand services beyond each HAP’s primary clinic. The subcontractors operate satellite, mobile, and/or pop-up HAP services.

Program Performance

In 2025, DPH completed FY 2024-25 program monitoring, which included a site visit, for all three organizations. The results are summarized in Exhibit 2 below.

Exhibit 2: Program Monitoring Scores for FY 2023-24

	Instituto	SFAF	Rafiki
Overall Program Rating (1-4)	4 – Exceeds Standards	4 – Exceeds Standards (All Programs)	2 – Below Standards
Performance Score	100%	100% (All Programs except for Clinical Services Sustainability, which is exempt) ⁵	100%
Actual/Budgeted Units of Service	100%	100% (All Programs)	0%
Compliance Score	100%	100% (All Programs)	100%
Plan of Action	No	No (All Programs)	Yes – Invoice Submission, Units of Service Monitoring, Technical Assistance
Client Satisfaction Score	100%	100% (All Programs)	100%

Source: DPH

⁵ The Clinical Services Sustainability Program was exempt of contracted performance objectives. According to DPH, this program’s performance is monitored via the clinical data that SFAF submits to the department on an annual basis.

As reflected in Exhibit 2 above, the FY 2024-25 program monitoring reports showed that Instituto and all five of SFAF's programs had an overall rating of "4 – Commendable/Exceeds Standards." Both organizations met service levels and performance objectives, receiving a 100 percent score.

Rafiki had an overall rating of "2 – Below Standards" and did not meet service levels. DPH states that Rafiki prioritized establishing its new HAP service location at 5000 3rd Street, ramping up operations and onboarding new staff in FY 2024-25, which led to lower service levels. According to more recent data provided by DPH on actual units of service in FY 2024-25, Rafiki has met most contracted units of service, such as condom distribution, HIV/HCV/STD health education and prevention, linkage and navigation, and substance use treatment. DPH required a Plan of Action for Rafiki in the following areas: timely submission of invoices, staff training on proper tracking of contracted units of service, and technical assistance/capacity building on fiscal and accounting needs. DPH states that as of January 2026, Rafiki has hired a Senior Finance Manager and Senior Director of Finance to address program monitoring deficiencies by improving invoice accuracy and timeliness, strengthening contract management and enhancing overall fiscal controls and documentation.

Fiscal and Compliance Monitoring

San Francisco AIDS Foundation

DPH staff reviewed SFAF financial documents in May 2025 as part of the FY 2024-25 Citywide Fiscal and Compliance Monitoring program; the final status letter found they were in conformance with all findings⁶ after corrective action was taken. According to a February 2026 memo, DPH's Business Office of Contract Compliance rated SFAF a "moderate risk" agency due to operating losses incurred in FY 2022-23 and FY 2023-24. According to our review of SFAF's audited financial statements, the operating losses were primarily due to a decrease in corporate and foundation revenues, which partially recovered in FY 2024-25. According to their audited financial statement for FY 2024-25, SFAF closed the year ending June 2025 with small operating surplus and positive cash flow. The non-profit also purchased its primary office building in FY 2024-25, reducing lease costs with a lower debt service obligation.

Instituto Familiar de la Raza

DPH staff reviewed Instituto financial documents in July 2025 as part of the FY 2024-25 Citywide Fiscal and Compliance Monitoring program; the final status letter found they were in conformance with two findings after corrective action was taken but not yet in conformance with the finding on completing audited financial statements within nine months of the close of the fiscal year. To address this, Instituto engaged an auditing firm to complete the audit within the required timeframe. DPH states Instituto's audited financial statements were completed in December 2025. According to a February 2026 memo, DPH's Business Office of Contract

⁶ SFAF was found to be in conformance with the standard on positive total unrestricted net income; the agency anticipates a break-even result in FY 2024-25 which is confirmed by April 2025 year-to-date results. SFAF was also found to be in conformance with the standard on positive year-to-date net income and submitted an April 2025 Profit & Loss Statement which shows an almost break-even net income

Compliance rated Instituto a “low risk” agency. According to the memo, agencies with this rating have solid financial positions, enabling them to absorb losses during economic volatility and to support new programs and expansion.

Rafiki

DPH staff reviewed Rafiki financial documents in July 2025 as part of the FY 2024-25 Citywide Fiscal and Compliance Monitoring program; the final status letter found they were in conformance with nine findings after corrective action was taken but not yet in conformance with the findings on (1) positive cash flow and (2) Board approval of the agency budget within three months. According to the letter, to address this, Rafiki has (1) established a planning period to mitigate delays in receiving billing templates and improve cash flow management, and (2) will ensure Board approval of the budget occurs within the required timeframe in future years after failing to do so in FY 2024-25. According to a February 2026 memo, DPH’s Business Office of Contract Compliance rated Rafiki a “low risk” agency.

FISCAL IMPACT

Exhibit 3 below shows the annual spending on each contract and basis for the following total not to exceed amounts: \$17,087,730 for Instituto, \$21,889,643 for SFAF and \$20,083,870 for Rafiki.

Exhibit 3: Contract Agreements Not to Exceed Amount

Current Contracts	Instituto	SFAF	Rafiki
FY 2022-23 (partial year)	\$750,042	\$1,257,415	\$698,158
FY 2023-24	1,907,892	2,735,520	2,399,273
FY 2024-25	1,790,473	2,670,146	2,411,773
FY 2025-26 ⁷	2,257,022	3,066,045	2,602,619
Subtotal, Actual and Projected	\$6,705,429	\$9,729,126	\$8,111,823
Proposed Amendment			
FY 2026-27	2,257,022	2,632,275	2,602,619
FY 2027-28	2,257,022	2,632,275	2,602,619
FY 2028-29	2,257,022	2,632,275	2,602,619
FY 2029-30	2,257,022	2,632,275	2,602,619
Subtotal, Proposed Budget	\$9,028,088	\$10,529,100	\$10,410,476
Contingency (12%) ⁸	1,354,213	1,631,417	1,561,571
Proposed Not To Exceed Amount	\$17,087,730	\$21,889,643	\$20,083,870

Source: DPH

⁷ A one percent CODB was authorized in September 2025 and added to the FY 2025-26 budget for all contracts.

⁸ Contingency reflects 12 percent of the FY 2025-26 through FY 2029-30 projected amounts.

The annual budget for Instituto and Rafiki remains flat from FY 2025-26 to FY 2029-30. The annual budget for SFAF decreases by \$433,770 (14.2 percent) from FY 2025-26 to FY 2026-27 due to the elimination of the Black/African American HAP Capacity Building Program Support for Rafiki (as previously mentioned) and remains flat from FY 2026-27 to FY 2029-30. The contingency budgets may be used to fund cost of doing business increases in future years.

In FY 2026-27, the contracts fund the following number of staff: 9.66 FTE at Instituto, 15.61 FTE at SFAF and 4.20 FTE at Rafiki. The FY 2026-27 budget for each contract is shown in Exhibit 4 below.

Exhibit 4: FY 2026-27 Budget by Contract

	Instituto	SFAF	Rafiki
Salaries & Benefits	\$840,325	\$1,883,513	\$520,805
Operating Expenses	1,216,034	432,549	1,742,343
<i>Subcontractors</i>	<i>957,190</i>	<i>208,000</i>	<i>1,063,000</i>
Indirect Costs ⁹	200,663	316,213	339,471
Total	\$2,257,022	\$2,632,275	\$2,602,619

Source: Proposed Amendments

Underspending

Actual expenditures on the contracts from FY 2022-23 to FY 2024-25 were approximately 19 percent less than the amount budgeted for Instituto, 13 percent less for Rafiki and 14 percent less for SFAF. According to DPH, the primary drivers for this were staff turnover and retention challenges, delays in contract certification, and ongoing recovery from pandemic-related operational impacts.

Funding Sources

From FY 2025-26 to FY 2029-30, all three contracts are fully funded by the General Fund.

RECOMMENDATION

Approve the proposed resolutions.

⁹ Indirect costs are 9.76 percent for Instituto and 15 percent for Rafiki and SFAF.

Item 7 File 26-0242	Department: Mayor's Office of Housing and Community Development
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution would approve an amended and restated loan agreement between the City and Balboa Lee Avenue, L.P. in an amount not to exceed \$29,280,757 for a minimum loan term of 57 years to provide gap financing for Building A—the second affordable building of the Balboa Reservoir Project—and approve a long-term ground lease with Balboa Lee Avenue, L.P. <p>Key Points</p> <ul style="list-style-type: none"> Under a development agreement, the Balboa Reservoir Project will provide 1,100 housing units, including 550 affordable units through Reservoir Community Partners—a private joint venture made up of non-profit BRIDGE Housing and Avalon Bay Communities. Market conditions caused the market-rate developer Avalon to pause their portion of the project in January 2023. This pause prompted the City and developer to rephase infrastructure work associated with the project to prioritize the affordable housing parcels, Buildings A and E, in order to avoid losing state funding for the affordable buildings. In September 2025, the Board of Supervisors approved MOHCD loans for Phase 1A infrastructure and Building E. Building A is the second affordable housing parcel to be developed and will be a six-story building with 158 family units affordable to households earning between 40 and 80 percent of the Area Median Income and one manager's unit. <p>Fiscal Impact</p> <ul style="list-style-type: none"> Of the \$188.4 million in permanent funding sources for the project, \$54.6 million (29 percent) are City funds (including a portion of the infrastructure loan), \$33.0 million (17.5 percent) are State funds, and \$100.8 million (53.5 percent) are private funds (which benefit from tax credits awarded to the project). The total development cost of \$188.4 million, including infrastructure and acquisition costs, equates to \$1.2 million per unit. The City's total subsidy of \$54.6 million equates to \$343,265 per unit, which is greater than other affordable housing projects due to City funding for infrastructure. <p>Policy Consideration</p> <ul style="list-style-type: none"> MOHCD's total contribution to infrastructure, Building E, and Building A is projected to be \$87 million, which is \$36.3 million more than what is required under the development agreement with additional affordable housing parcels still to be built. <p>Recommendation</p> <ul style="list-style-type: none"> Approve the proposed resolution. 	

MANDATE STATEMENT

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

BACKGROUND

Balboa Reservoir

The Balboa Reservoir is a 17-acre site formerly owned by the San Francisco Public Utilities Commission (SFPUC) and located across from City College. Following a Request for Proposals in 2016, Reservoir Community Partners, LLC (Reservoir Community Partners), a private joint venture made up of non-profit BRIDGE Housing and Avalon Bay Communities, was selected to lead the development of a master plan for the site. In 2020, the Board of Supervisors approved: (a) a development agreement between the City and the developer for the Balboa Reservoir Project (File 20-0423); and (b) a purchase and sale agreement between the SFPUC and Reservoir Community Partners for sale of the Balboa Reservoir from the SFPUC to the developer for \$11.4 million (File 20-0740).¹ In September 2025, the Board of Supervisors approved: (a) an amended and restated loan Agreement with BHC Balboa Builders, LLC for a total loan amount not to exceed \$56,425,904 to finance Phase 1 infrastructure improvements for the Balboa Reservoir Project (File 25-0829); and (b) an amended and restated loan agreement between the City and Balboa Lee Avenue, L.P. in an amount not to exceed \$28,000,000, for a minimum loan term of 57 years to provide gap financing for Building E (the first of two parcels slated for development of affordable housing) (File 25-0830). The second parcel to be developed for affordable housing is known as Building A. The Balboa Reservoir was previously vacant and used for surface public parking.

Development Agreement

Under the development agreement, the Balboa Reservoir Project will provide 1,100 units of housing, including 550 affordable housing units (50 percent), transportation and infrastructure improvements, public open space, and a childcare facility and community room. The development plan does not include any retail or commercial space. The development agreement specifies that parcels C, D, and G are for market-rate residential development as rental units and parcels TH1 and TH2 as market-rate residential ownership units (townhomes). Parcels A, B, E, and F are set aside for affordable rental housing development and Parcel H will be used for moderate-income residential condominiums. The development agreement provides for the

¹ The SFPUC retained one acre of the site and sold approximately 16 acres to Reservoir Community Partners.

transfer of market-rate parcels to vertical developers, as well as the transfer of affordable housing parcels to the City for a nominal amount.

As part of the development agreement and pursuant to the City's request for proposals, the Developer agreed to provide gap funding for two-thirds of the affordable housing units (367) to meet its 33 percent affordable housing commitment while the City agreed to provide gap funding for the remaining one-third of the affordable housing units (183) to reach the 50 percent overall affordable housing commitment. The Agreement specifies that the City's gap funding contribution would be capped at \$239,000 per unit (adjusted annually for inflation based on the Consumer Price Index) but allows for an adjustment to the City's funding share or affordability levels if there is not sufficient available financing for the affordable housing parcels. According to MOHCD, the CPI increased by 18.6 percent in the Bay Area between 2020 and 2025, which means the amount per unit is \$283,454 or \$51.9 million for the 183 affordable units.

Project Delays

As initially noted in the June 2025 MOHCD Memo to the Affordable Housing Loan Committee on gap financing for Building E, market conditions caused the market-rate developer Avalon Bay Communities to pause their portion of the project in January 2023. This pause prompted the City and developer to rephase infrastructure work associated with the project to prioritize the affordable housing parcels, Buildings A and E, by moving Building A into Phase 1A (the first of two subphases for Phase 1 shown in Exhibit 1) in order to avoid losing state funding for the affordable buildings.² According to MOHCD staff, the start dates for Phases 1B and 2 are unknown.

Despite the rephasing, the project faces ongoing delays and schedule risks, according to the November 2025 MOHCD Memo to the Affordable Housing Loan Committee. The start of infrastructure work shifted from October 2025 to November 5, 2025, delaying "pad readiness" infrastructure to enable vertical construction of Building A to April 2026. Because vertical construction cannot begin without this infrastructure, any further delays in grading or utility installations along Lee Avenue and Wisteria Lane will directly jeopardize the June 2026 tax credit deadline for construction start. Additionally, the project continues to experience extensive delays from PG&E in issuing temporary and permanent power approvals, which threatens to further extend the timeline and increase the project budget. According to MOHCD, the Building A project team is working closely with MOHCD and PG&E to escalate issues; the start of construction for Building A is not currently at risk from PG&E delays.

² According to MOHCD, the state approved this revised rephasing of the infrastructure plan; however, this reprioritization resulted in a reduced state Infill Infrastructure Grant (IIG) award of \$20 million, down from the originally anticipated \$26 million.

Exhibit 1: Balboa Reservoir Project Phasing

Phase	Market Rate	Affordable
Phase 1A (Nov. 2025 to June 2028)		
Building A (Affordable)		159
Building E (Affordable)		128
Private Streets		
Public Right of Way		
Subtotal, Phase 1A	0	287
Phase 1B (Start and End Date TBD)*		
Parcel J (Reservoir Park)		
Buildings C&D (Market)	260	
Building F (Affordable / Educator)		154
Townhomes (Market)	100	
Subtotal, Phase 1B	360*	154*
Phase 2 (Start and End Date TBD)*		
Building B (Affordable)		70
Building G (Market)	190	
Building H (Affordable)		20
SFPUC Open Space & Parcel O		
Gateway Landscape		
Parcel K (Brighton Paseo)		
Private Streets		
Child Care Facility		
Community Room		
Subtotal, Phase 2	190*	90*
Total	550*	531*

Source: MOHCD and development agreement, Schedule 1-A

*Phase 1B and Phase 2 unit counts are estimates from the development agreement and have not been updated; the Development agreement contemplated 1,110 housing units, including 550 affordable units.

Phase 1 Infrastructure

Phase 1 infrastructure improvements will transform the existing surface parking lot into a new network of streets and upgraded utilities to enable the construction of the first two affordable housing buildings, Buildings E and A, as shown in Exhibit 2 below. The scope of work includes:

- Demolition and Grading: Site preparation to deliver pad readiness for both buildings.
- Public Right-of-Way Improvements: Construction of five new public streets and two private drives to establish site access and public rights-of-way.

- Utility Upgrades and Stormwater Management: Installation of new water, sewer, and storm drain systems, PG&E mainline power, and joint trench utilities.
- Street Lighting: Installation of street lighting and traffic signals.

Exhibit 2: Balboa Reservoir Project Site Map Depicting Street Network



Source: Building A Loan Evaluation Memo, November 2025

Phase 1 infrastructure construction began in November 2025, with delivery of a pad-ready site for Building A construction expected by April 2026—with full completion of infrastructure construction expected by March 2027. Construction of Building A is expected to begin in April 2026 and to be completed by January 2028.

Building A

Building A is the second affordable housing parcel to be developed and will be a six-story building with 158 family units affordable to households earning between 40 and 80 percent of MOHCD Area Median Income (AMI) and one manager’s unit.

DETAILS OF PROPOSED LEGISLATION

File 26-0242 is a proposed resolution that would:

- 1) Approve a ground lease for the City-owned property located at 105 Wisteria Lane (Balboa Reservoir Building A) with Balboa Lee Avenue, L.P. for a lease term of 75 years and one 24-year option to extend, with an annual base rent of \$15,000;
- 2) Approve an amended and restated loan agreement in an amount not to exceed \$29,280,757 for a minimum loan term of 57 years to finance the development and construction of the Project;
- 3) Find that the project and related transactions are consistent with the General Plan and the eight priority policies of the Planning Code (Section 101.1); and
- 4) Authorize the Director of Property and Director of MOHCD to execute the ground lease and loan agreement, provided they do not materially increase the obligations or liabilities of the City.

Building A Gap Loan Agreement

The original loan agreement provided by MOHCD in 2023 included \$3 million for predevelopment costs. MOHCD proposes to amend the loan agreement to increase the loan amount by an additional \$26.3 million to complete development and construction, including permanent financing. Under the proposed loan agreement, the total loan amount would be up to \$29,280,757.

The project sponsor must repay the loan by the later of: (a) the 57th anniversary date of the deed of trust or (b) the 55th anniversary of the date on which construction financing is converted into permanent financing, but in all cases no later than December 31, 2083. The interest rate is reduced from three percent under the original loan agreement to zero percent under the amended and restated loan agreement to maximize tax credit equity in the project.

The loan is secured by a deed of trust recorded against the borrower’s leasehold interest in the property.

Ground Lease & Affordability Restrictions

As provided in the development agreement, the developer will transfer ownership of the Building A parcel to the City for a nominal (\$1) fee. The City in turn will enter into a long-term ground lease with the affordable housing sponsor (an affiliate of BRIDGE).

The proposed ground lease has a term of 75 years and gives the developer one 24-year extension option, for a maximum term of 99 years. During the initial lease term, proposed base rent is \$15,000 per year and increased by \$5,000 every 15 years, plus residual rent payable from residual receipts after full repayment of the MOHCD loan, up to a total rent of 10 percent of appraised fair market value. (Consistent with MOHCD’s Residual Receipts policy, the term “residual receipts” refers to up to two-thirds of net income after operating costs, ground lease base rent, and replenishing operating reserves.) Annual rent during the extension period would be negotiated between the developer and the City and would have to be at least the annual rent of the initial lease term.

Affordability restrictions to preserve the affordability of the housing units in the proposed development are included in the loan agreement between the City and the affordable housing operator and recorded against the property as a Declaration of Restrictions. The unit mix by maximum income level is shown in Exhibit 3 below.

Exhibit 3: Building A Unit Mix and Maximum Income Level

Maximum Income Level	Studio	1-Bedroom	2-Bedroom	3-Bedroom	Total
40% of AMI	11	19	7	4	41
70% of AMI	2	0	0	36	38
80% of AMI	0	46	33	0	79
Unrestricted (Manager's Unit)				1	1
Total	13	65	40	41	159

Source: Proposed Building A Amended and Restated Loan Agreement

Sponsor Performance

According to the MOHCD loan evaluation memo for the proposed loan, BRIDGE has experienced significant staff turnover, including the director overseeing the project, which has contributed to overall delays for the Balboa Reservoir Project. In Spring 2024, BRIDGE hired two senior project managers and two associate project managers to support the project; however, according to the November 2025 loan evaluation, one of the two senior project managers subsequently left the project in April 2025.

FISCAL IMPACT

Building A Total Development Costs

The total development costs for Building A are \$188.4 million, including acquisition costs and infrastructure costs allocated to the project. Of the \$188.4 million in permanent funding sources for the project, \$54.6 million (29 percent) are City funds, \$33.0 million (17.5 percent) are State funds, and \$100.8 million (53.5 percent) are private funds (which benefit from tax credits awarded to the project). Exhibit 5 below shows the total development sources and uses for Building A.

The MOHCD loan not to exceed amount of \$29,280,757 exceeds the amount in the budget by approximately \$1.0 million, or 3.7 percent. According to MOHCD staff, this additional amount will allow for potential changes in the construction loan interest rate prior to financial close, as well as changes in construction costs, as final pricing is still being negotiated with the General Contractor.

Exhibit 5: Building A Total Development Costs

Sources and Uses	Amount
<u>Sources</u>	
MOHCD Loan	\$28,249,232
MOHCD Infrastructure Loan Allocated to Building A	26,329,846
Permanent Loan	18,096,000
HCD Affordable Housing and Sustainable Communities (AHSC) Loan	33,000,000
Deferred Developer Fee	3,265,127
General Partner Equity	16,838,036
Limited Partner Equity	62,619,494
Total Sources	\$188,397,735
<u>Uses</u>	
Acquisition	\$2,002,059
Hard Costs (incl 5% contingency)	134,391,214
Soft Costs (incl 10% contingency)	28,584,806
Reserves	816,493
Developer Fee	22,603,163
Total Uses	\$188,397,735

Source: MOHCD

According to MOHCD staff, the acquisition costs reflect a portion of the costs to purchase the land from the SFPUC; the acquisition costs of \$2 million were allocated to Building A based on the number of housing units.

The developer fee of approximately \$22.6 million includes a cash fee of \$2.5 million, a deferred fee of approximately \$3.3 million to be repaid from future operating cash flow, and approximately \$16.8 million contributed as General Partner equity to maximize tax credit equity for the project.

Building A City Subsidy per Housing Unit

Total development costs are \$188.4 million, \$1.2 million per unit, or approximately \$678,000 per bedroom. The City’s total subsidy for the housing development costs, inclusive of acquisition and infrastructure costs, is \$54.6 million, or \$343,265 per unit, as shown in Exhibit 6 below.

Exhibit 6: City Subsidy for Building E Affordable Housing Units

Units and Residential Area			
Number of Units		159	
Total residential area (sq. ft.)		192,800	

Cost and City Subsidy	Building A Offsite Infrastructure	Building A Development	Building A Total Costs
Development Cost	\$26,329,846	\$162,067,889	\$188,397,735
Total City subsidy	26,329,846	28,249,232	54,579,078
Development cost per unit	165,597	1,019,295	1,184,892
Development cost per sq. ft.	137	841	978
City Subsidy per unit	165,597	177,668	343,265
City Subsidy per sq. ft.	137	147	283

Source: MOHCD

Based on a comparison of similar projects, MOHCD staff found the total development cost per unit, excluding general partner equity, to be slightly above average according to the November 2025 MOHCD loan evaluation of the Building A gap loan. MOHCD staff found the subsidy per unit excluding infrastructure was 34 percent less than comparable projects. Including the City loan for infrastructure, the City subsidy per unit is approximately 27 percent greater than comparable projects.

Operating Budget

According to the 20-year cash flow analysis for the project, the project will have sufficient revenues to cover operating expenses, reserves, management fees, and debt service on the bank loan, as well as the California Department of Housing and Community Development (HCD) Affordable Housing and Sustainable Communities (AHSC) loan (a portion of which is structured as hard debt). Project revenues consist of tenant rents as well as related laundry and vending. A portion of net income after operating expenses (residual receipts) will be used to repay the MOHCD gap loan and HCD loans. The Project is not expected to generate sufficient net revenues to make residual rent payments under the proposed Ground Lease.

Funding Sources for City Loans

Sources for the proposed loan are shown in Exhibit 7 below.

Exhibit 7: Sources for MOHCD Loans

Source	Building A Gap
2024 GO Bonds	\$18,000,000
Housing Trust Fund	4,964,522
Housing Trust Fund Advance	3,316,235
Affordable Housing Fund – Jobs Housing Linkage Fee	3,000,000
Total	\$29,280,757

Source: Proposed amended and restated loan agreement

POLICY CONSIDERATION

As noted above, the development agreement requires the city to contribute \$50.7 million for affordable housing development but allows for an adjustment to the City’s funding share or affordability levels if there is not sufficient available financing for the affordable housing parcels. Based on the not to exceed amounts of the MOHCD loan agreements, MOHCD’s total contribution to infrastructure, Building E, and Building A is projected to be \$87 million, which is \$36.3 million more than what is required with additional affordable housing parcels still to be built with City funding. According to the MOHCD loan evaluation memo on the proposed gap loan for Building A, MOHCD has instituted an \$87 million funding cap across the Balboa Reservoir infrastructure, Building E, and Building A components, and is requiring the project sponsor to cover any future funding gaps without additional City resources.

RECOMMENDATION

Approve the proposed resolution.