CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

May 31, 2024

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: June 5, 2024 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Item 7 **File 24-0476**	**Department:** Mayor's Office of Housing and Community Development

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize an amended and restated loan of up to $52,362,512 to Sunnydale Phase 3 Infrastructure, LLC, an affiliate of project sponsors Mercy Housing California and the Related Companies of California, LLC, for the third infrastructure construction phase of the Sunnydale HOPE SF project.

Key Points

- Sunnydale Infrastructure Phase 3 totals 14.67 acres and will ultimately include horizontal (i.e., ground-level) improvements to support four housing sites, as well as two open spaces, and a new right-of-way. It also includes construction of a temporary access road, West Access Road, and temporary connections between existing roads and the new right-of-way. Phase 3 construction is expected to begin in November 2024, and to be completed in December 2025.
- The proposed loan has a term of 57 years, does not accrue interest, and would be forgiven upon City acceptance of the improvements.

Fiscal Impact

- The City is funding 100 percent of infrastructure costs. The proposed loan amount of $52,362,512 is funded by 2019 General Obligation Bond funds ($43,887,512), the Low and Moderate Income Housing Asset Fund ($4,475,000), the Housing Trust Fund ($2,000,000), and the Citywide Affordable Housing Fund ($2,000,000).
- In August 2023, the California Department of Housing and Community Development (HCD) awarded $45 million in Infill Infrastructure Grant (IIG) funding to three development projects: Sunnydale HOPE SF, Potrero HOPE SF, and India Basin. Approximately $9 - $10 million of the award can be used for Sunnydale Phase 3 Infrastructure costs. The HCD grant terms indicate that infrastructure construction must be under way on all three projects by August 2025.

Recommendations

- Request that MOHCD provide a written update to the Board of Supervisors by December 31, 2024 on the status of the $45 million Infill Infrastructure Round 10 Grant, awarded in August 2023, to reimburse infrastructure spending at the Sunnydale HOPE SF, Potrero HOPE SF, and India Basin sites.
- 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 Sunnydale project is part of HOPE SF, the City's four-site initiative creating new mixed-income communities to replace aging public housing developments. HOPE SF's other three sites are Hunters View, Alice Griffith, and Potrero Terrace and Annex.

Over the course of 25 years, the City's Sunnydale HOPE SF project will replace the 775 units of public housing at the City's largest public housing community and create up to 995 additional market-rate and affordable units. Located at the Sunnydale-Velasco site in the Visitacion Valley neighborhood, the project also includes construction of a community center, street and sidewalk redesign, and development of new retail and parking space. Sunnydale Development Co., LLC., is the project developer and is affiliated with Mercy Housing California and the Related Companies of California, LLC, which were selected as the project sponsors after a 2007 request for qualifications. The project is governed by a development agreement, which was approved by the Board of Supervisors in January 2017 (File 16-1164).

Infrastructure Phase 3 (Phase 3) is the third infrastructure construction phase of the Sunnydale HOPE SF project. The largest construction phase to date, Phase 3 totals 14.67 acres and will ultimately include horizontal (i.e., ground-level) construction for four housing sites, two open spaces, and new roads and other rights-of-way. To date, Phase 3 demolition and abatement of 14 public housing buildings has been completed; demolition of Phase 3 commercial spaces will be completed after current tenants are relocated in the coming months. Phase 3 construction of horizontal improvements is expected to begin in November 2024, and to be completed in December 2025.

The Sunnydale project is part of HOPE SF, the City's four-site initiative creating new mixed-income communities to replace aging public housing developments. HOPE SF's other three sites are Hunters View, Alice Griffith, and Potrero Terrace and Annex.

Original Loan

In May 2021, MOCHD provided a $4,000,000 loan to Sunnydale Phase 3 Infrastructure, LLC for predevelopment work within the project's Phase 3 infrastructure site. In October 2022, MOHCD amended and restated the loan to increase the amount to $9,975,000 to provide initial funding for demolition and related infrastructure work. McGuire & Hester was selected by the project sponsor as the general contractor for Sunnydale Phase 3, the same firm that worked on the prior infrastructure Phase 1A3.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize an amended and restated loan of up to $52,362,512 to Sunnydale Phase 3 Infrastructure, LLC, an affiliate of project sponsors Mercy Housing California and the Related Companies of California, LLC, for the third infrastructure construction phase of the Sunnydale project. This would represent an increase of $42,387,512 over the loan's current not-to-exceed amount of $9,975,000.

The proposed resolution would also authorize MOHCD to approve non-material changes to the amended and restated loan agreement, and it would adopt findings that the loan agreement is consistent with the adopted Mitigation Monitoring and Reporting Program under the California Environmental Quality Act, the General Plan, and the priority policies of Planning Code Section 101.1.

The proposed loan has a term of 57 years, does not accrue interest, and would be forgiven, in full or part, upon City acceptance of the improvements, if the borrower obtains other funds to pay for all or a portion of infrastructure work, or the loan is assigned to another affordable housing developer.

Project Components

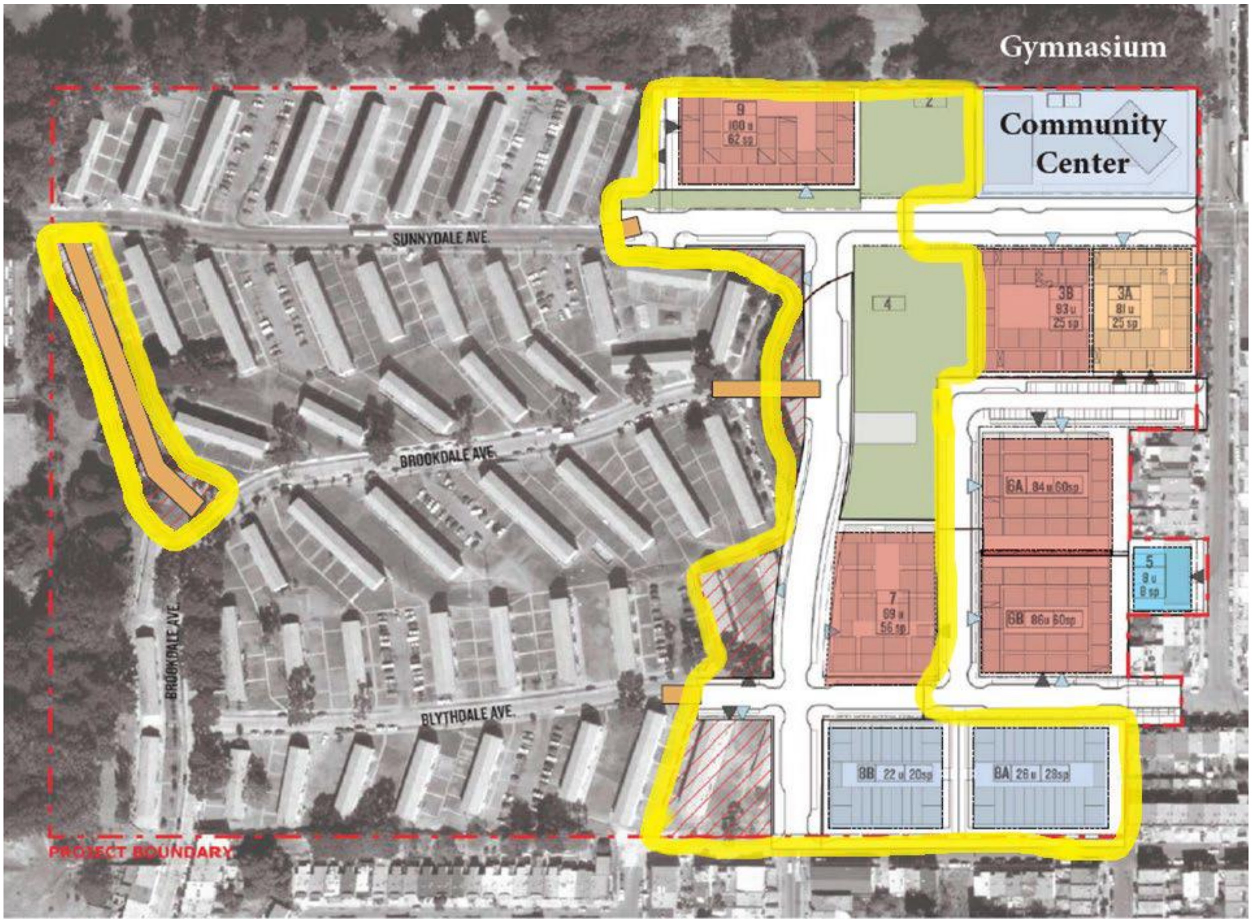
Infrastructure Phase 3 includes two sites that will ultimately be developed into affordable housing, two sites that will be developed into market-rate housing, two blocks of open space that will include a pavilion and neighborhood green, and a new right-of-way (redesigned Santos Street) including sidewalks, street trees, and benches. To meet transit and access needs during construction, it also includes construction of a temporary access road, West Access Road, and temporary connections between existing roads and the new right-of-way. Exhibit 1 below lists components of Phase 3, and Exhibit 2 below shows the Phase 3 area within the Sunnydale project site.

Exhibit 1: Phase 3 Components

Phase 3 Area	Square Feet	Acres	Percent	Housing Units
Public Permanent Right-of-Way	177,657	4.079	27.80%	-
Temporary Road Connections to New Right-of-Way	127,943	2.9376	20.00%	-
Open Space Blocks 2 & 4	105,352	2.4189	16.50%	-
Block 8A/8B Development Site (Market-rate)	85,445	1.9618	13.40%	Up to 64
Block 9 Development Site (Affordable)	52,278	1.2003	8.20%	95
West Access Road	45,796	1.0515	7.20%	-
Block 7 Development Site (Affordable)	44,404	1.0195	7.00%	89
Total	**638,875**	**14.67**	**100.00%**	**Up to 248**

Source: MOHCD

Exhibit 2: Phase 3 Map



Source: MOHCD staff memo to HOPE SF Affordable Housing Loan Committee

Notes: The red dotted line shows the boundary of the Sunnydale HOPE SF project. The area highlighted in yellow at left will become West Access Road, while the area highlighted in yellow at right represents the rest of Phase 3.

Relocation of Residential and Commercial Tenants

Tenants previously living within the Phase 3 footprint were relocated to either 290 Malosi Street, a new building developed as part of the Sunnydale HOPE SF project, or to rehabilitated units on the Sunnydale site that will not be demolished until later in the project. Qualifying residents in the latter category will have the option to lease one of the new units ultimately built on the Phase 3 area, with move-in expected in 2027, or affordable Blocks 3A and 3B, which will be operating in January or February of 2025, according to MOHCD.

The following community-serving commercial tenants will also be relocated from their current locations inside the Phase 3 area: Wu Yee Children's Services, Boys and Girls Club, YMCA, Vis Valley Strong Families, Mercy Youth Center, and DPH Wellness Center.

Ownership of Open Space

Development Agreement between the City and Project Sponsor provides for the Project Sponsor to be responsible for maintaining open space but allows for potential public ownership and maintenance if mutually agreed upon.

Potential Assignment of Loan Obligation to Developers of Blocks 7 and 9

According to Section 3.2 of the proposed amended and restated loan agreement, the borrower may assign a portion of the obligation to repay the proposed loan to the Block 7 Developer and the Block 9 Developer through an Infrastructure Reimbursement and Assignment Agreement. Forms of the Assignment Agreement and the Assigned Promissory Note are included in the amended and restated loan agreement. The purpose of reassigning a portion of the loan would be to fund infrastructure costs that could be reimbursed by grants or other funding sources.

FISCAL IMPACT

Sources

The City is funding 100 percent of infrastructure costs. The proposed loan amount of $52,362,512 is funded by 2019 General Obligation Bond funds ($43,887,512), the Low and Moderate Income Housing Asset Fund ($4,475,000), the Housing Trust Fund ($2,000,000), and the Citywide Affordable Housing Fund ($2,000,000).

Possible Grant Funding

In August 2023, the California Department of Housing and Community Development (HCD) awarded $45 million in Infill Infrastructure Grant (IIG) funding to three development projects: Sunnydale HOPE SF, Potrero HOPE SF, and India Basin (subject a development agreement with the City). MOHCD intends to use the corresponding portion – approximately $9 - $10 million – to reimburse a portion of the MOHCD loan for Phase 3. The HCD grant terms indicate that infrastructure construction must be under way on all three projects by August 2025. In an April 19, 2024 memo to the Citywide HOPE SF Affordable Housing Loan Committee, MOHCD staff noted “serious concerns” about whether progress at other two sites (Potrero HOPE SF and India Basin) would be sufficient to draw on the grant award. However, as of May 17, 2024, MOHCD staff were actively working with all sponsors of the three projects to meet the August 2025 deadlines and keep the full award. MOHCD is planning to request the Board of Supervisors accept the HCD grant within the next 2 – 3 months, to coincide with the three projects’ need for funding. The Board of Supervisors should request that MOHCD provide a written update by December 31, 2024 on the status of the $45 million Infill Infrastructure Round 10 Grant, awarded in August 2023, to reimburse infrastructure spending at the Sunnydale HOPE SF, Potrero HOPE SF, and India Basin sites.

Uses

Hard costs account for most (66.0%) of the proposed budget, followed by soft costs (29.8%). The developer fee is 4.2%. Improvements make up 81.0% of these costs, while demolition and abatement make up 19.0%. Exhibit 3 below shows a breakdown of these costs.

Exhibit 3: Breakdown of Phase 3 Costs

	Demolition/Abatement	Improvements	Total
Hard Costs			
Demolition and Construction	$4,388,865	$22,941,019	$27,329,884
Contingency (15.0%)	622,564	3,441,153	4,063,717
Owner Allowances		2,000,000	2,000,000
Escalation (5.0%)		1,147,051	1,147,051
Subtotal Hard Costs	$5,011,429	$29,529,223	$34,540,652
Soft Costs			
Design/Engineering, Environmental, Permits, Relocation	4,438,894	9,973,670	14,412,564
Contingency (8.7%)	343,313	865,983	1,209,296
Subtotal Soft Costs	4,782,207	10,839,653	15,621,860
Developer Fee	181,364	2,018,636	2,200,000
Total Project Costs	$9,975,000	$42,387,512	$52,362,512

Source: MOHCD

Total infrastructure costs for Phase 3 are $211,139 per housing unit and $82 per square foot, including open space and right of way improvements. The developer fee is approximately $3 per square foot.

Demolition and Construction

As noted above, Sunnydale Phase 3 includes adding streets, temporary power connections, open space, as well as demolition and horizontal work to prepare subareas (blocks) for vertical development. This budget line also includes $944,713 for maintenance of infrastructure improvements completed in prior phases.

Developer Fee

Citing the staffing and expertise needed to manage the complexities of HOPE SF infrastructure phases, the project sponsor requested an increase to the developer fee for the phase, which is currently $1,209,090 per the terms of the HOPE SF Developer Fee Policy. MOHCD negotiated an increase in the developer fee of $990,910 to $2,200,000. According to MOHCD staff, a higher developer fee is appropriate to reflect the Phase 3's size, duration and complexity, including the coordination with multiple City agencies required.

MOHCD is currently in the process of updating its developer fee policy to provide for increased fees, in line with recent fee increases enacted by the State government, according to MOHCD staff.

Hard Cost Contingency, Escalation, and Allowances

The proposed budget includes higher than normal hard cost contingency and allowances based on lessons learned in prior infrastructure phases, which did not include allowances and included a lower hard cost contingency, according to the MOHCD loan evaluation memo of the proposed loan. Allowances together with the hard cost contingency reflect 24% of horizontal construction costs.

Hard Cost Contingency

The proposed loan includes a 15% hard cost contingency, which is higher than the 10% contingency that was included in the prior infrastructure phase. MOHCD's underwriting standards state that new construction projects should have a construction contingency of at least 5%, but there is no specific guideline for contingencies for infrastructure work. According to MOHCD, this higher contingency reflects the potential for cost overruns due to delays or other reasons.

The increased contingency following cost overruns during the prior infrastructure phase of the project, Infrastructure Phase 1A3, despite a 10% construction contingency, due to weather delays and unforeseen site conditions, among other reasons. As a result of those cost overruns, the Board of Supervisors in November of 2023 approved an increase of $1,495,294 to the City's loan agreement for Infrastructure Phase 3, increasing the not-to-exceed amount from $25,072,111 to $26,567,405 (see discussion in our report on File 23-1133).

Escalation

The proposed loan also includes a 5% escalation to account for potential cost increases for horizontal improvements prior to the anticipated start of the infrastructure work, making up the bulk of Phase 3. That work cannot begin until the completion of the temporary West Access Road, which is scheduled for November 2024, creating the potential for cost increases due to inflation and other changes in economic conditions.

Allowances

The proposed loan separately includes $2,000,000 in allowances for horizontal improvements, reflecting 9% of horizontal construction costs. MOHCD Underwriting Guidelines do include guidelines for allowances. Exhibit 4 below shows a breakdown of allowances.

Exhibit 4: Owner Allowances

Allowance Number	Description	Amount
1	Temporary public pedestrian connection to Sunnydale Avenue	$62,100
2	Temporary bus stop	13,800
3	Offsite General Contractor Parking	44,900
4	Temporary driveway connection to Wu Yee Building parking lot	16,000
5	Temporary battery powered irrigation controllers if no adjacent block power is available at end of construction	15,000
6	DPT/SFMTA Permit Fees: Unused monies to be credited back to the project	50,000
7	Demolition and Paving at intersection of Santos Street and Geneva Avenue	98,200
8	Unforeseen buried obstructions	750,000
9	Northern perimeter communication realignment	150,000
10	Streetlight temporary connections	50,000
11	Sitewide signage	50,000
12	Block 7 shoofly (temporary power) relocation	550,000
13	Additional security measures at owner discretion	150,000
	Total	**$2,000,000**

Source: MOHCD

Relocation Costs

To assist with relocations of both residential and commercial tenants, the Phase 3 budget includes $1,343,838 in relocation expenses (under Soft Costs), including two years of relocation readiness staffing to provide support such as assistance with rental applications. Exhibit 5 below shows a breakdown of these expenses.

Exhibit 5: Relocation Services Budget

Description	Amount
Relocation Readiness Staffing	$622,308
Direct Residential Tenant Moving Costs	245,075
Temporary Velasco Resident Relocation Costs	4,255
Commercial Tenant Relocation Costs	240,000
Commercial Tenant Temporary Costs	232,200
Total	**$1,343,838**

Source: MOHCD

RECOMMENDATIONS

1. Request that MOHCD provide a written update to the Board of Supervisors by December 31, 2024 on the status of the $45 million Infill Infrastructure Round 10 Grant, awarded in August 2023, to reimburse infrastructure spending at the Sunnydale HOPE SF, Potrero HOPE SF, and India Basin sites.
2. Approve the proposed resolution.

Item 8 **File 24-0504**	**Department:** Treasure Island Development Authority

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the seventh amendment to the Treasure Island Development Authority's agreement with John Stewart company. The amendment would increase the term by ten years to July 1, 2034 and restrict marketing and leasing existing housing units to new tenants.

Key Points

- As part of the Treasure Island development program, portions of market rate housing on properties that were previously owned by the U.S. Navy are planned to be demolished and redeveloped into new housing and open space.
- In September 2014, the Board of Supervisors approved an agreement between TIDA and John Stewart Company (File 14-0754), which expires June 30, 2024. The purpose of the agreement is for John Stewart to provide property management and tenant relocation services for legacy market rate units on Treasure Island.
- According to TIDA staff, the proposed agreement is being extended in light of delays in the Navy's remediation efforts and in Treasure Island Community Development's redevelopment of Treasure Island.
- Under the agreement, John Stewart (a) receives a management fee of 3% of gross leasing revenues, (b) pays TIDA an annual base rent, estimated at $842,825 for FY 2023-24 and adjusted annually for inflation, and (c) shares in net revenues, with TIDA receiving 95% of the net revenues and John Stewart Company receiving 5% of the net leasing revenues.

Fiscal Impact

- Under the agreement, we estimate TIDA would receive $868,110 in base rent and $4.8 million in percentage rent in FY 2024-25. John Stewart would receive $309,156 in management fees and $253,288 in percentage rent in FY 2024-25. Rents are expected to decline during the remaining term of the agreement, as households are relocated to other permanent housing.

Policy Consideration

- The proposed agreement was awarded in 2014 for a ten-year term following a competitive solicitation in which John Stewart was the only proposer. The proposed resolution would approve an additional ten-year term for the agreement without a competitive solicitation.
- Because TIDA received only one bid in response to the 2014 solicitation and because of the planned demolition of all units under the agreement, TIDA did not expect a new solicitation to attract interest from other property management firms.

Recommendation

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

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

As part of the Treasure Island development program, market rate housing on properties that were previously owned by the U.S. Navy are planned to be demolished and redeveloped into new housing and open space.

In September 2014, the Board of Supervisors approved a Sublease and Property Management Agreement between the Treasure Island Development Authority and John Stewart Company (File 14-0754). The agreement provides for John Stewart to provide property management and tenant relocation services for market-rate units on Treasure Island. The agreement has since been amended six times to update John Stewart's services and document approved rental rates for the housing units under its management.

Under the 2014 agreement, John Stewart (a) receives a management fee of 3% of gross leasing revenues, (b) pays TIDA an annual base rent, estimated at $842,825 for FY 2023-24 and adjusted annually for inflation, and (c) shares in net revenues, with TIDA receiving 95% of the net revenues and John Stewart Company receiving 5% of the net leasing revenues. Net leasing revenues are defined as total leasing revenues minus base rent to TIDA, John Stewart's operating expenses for property management, John Stewart's management fee, and funding a replacement reserve.

John Stewart is managing 400 housing units, of which 330 are occupied. This is a decrease from the 556 housing units managed at the start of the 2014 agreement.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the seventh amendment to the Treasure Island Development Authority's agreement with John Stewart Company. The amendment would increase the term by ten years to July 1, 2034 and restrict marketing and leasing existing housing units to new tenants.

According to TIDA staff, the proposed agreement is being extended due to delays in the Navy's remediation efforts and in Treasure Island Community Development's redevelopment of Treasure Island.

FISCAL IMPACT

Under the agreement, we estimate TIDA would receive $868,110 in base rent and $4.8 million in percentage rent in FY 2024-25. John Stewart would receive $309,156 in management fees and

$253,288 in percentage rent in FY 2024-25. Rents are expected to decline during the remaining term of the agreement, as households are relocated to other permanent housing.

POLICY CONSIDERATION

The proposed agreement was awarded in 2014 for a ten-year term following a competitive solicitation in which John Stewart was the only proposer. The proposed resolution would approve an additional ten-year term for the agreement without a competitive solicitation. According to TIDA staff, John Stewart has performed well on the existing agreement. Because TIDA received only one bid in response to the 2014 solicitation and because of the planned demolition of all units under the agreement, TIDA did not expect a new solicitation to attract interest from other property management firms.

The TIDA Board of Directors approved the extension of the proposed agreement on February 14, 2024 however TIDA did not bring this agreement to the Board of Supervisors until May 14, 2024. The current agreement expires June 30, 2024, so now a competitive solicitation process is likely not feasible.

RECOMMENDATION

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

Item 9 File 24-0473	Department: Office of Contract Administration (OCA), Human Services Agency (HSA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Office of Contract Administration (OCA), on behalf of the Human Services Agency (HSA), to execute a security guard services contract with Good Guard Security, Inc., for an initial term of five years, from July 2024 through June 2029, with a two-year option to extend through June 2031, and an amount not to exceed $33,760,000.

Key Points

- HSA provides security services at 13 facilities. In June 2023, OCA issued a Request for Proposals (RFP) to solicit security guard services on behalf of HSA. OCA received 12 responsive proposals, and Good Guard Security was deemed to be the highest scoring proposer and was awarded a contract.
- Under the contract, Good Guard Security would provide unarmed security services at 13 HSA locations, generally Monday through Friday during daytime hours. Services would also be provided on holidays and night and weekend shifts as needed. Billing rates are based on the prevailing wage rates for security guard services (which currently range from $20 to $32.88 per hour for straight time, depending on benefits), with a markup of 30.84 percent for regular weekday shifts. HSA estimates that Good Guard Security would provide 60 full-time security shifts per week (including supervisors) and approximately 138,710 hours of service per year. The contract includes performance requirements, such as providing required service levels, incident reports, and background checks, drug and alcohol testing, and training requirements for guards. Failure to meet these requirements would result in monetary penalties for the contractor.

Fiscal Impact

- The proposed contract would have an amount not to exceed $33,760,000, which includes projected expenditures over both the initial five-year term and two-year option to extend. Projected expenditures are based on actual expenditures to date under the current contract with Allied Universal Security.
- HSA estimates that the contract would be funded approximately 75 percent by the City's General Fund, 13 percent by Federal funds, and 12 percent by State funds.

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 Human Services Agency (HSA) currently provides security services for 13 facilities.[1] In June 2023, the Office of Contract Administration (OCA) issued a Request for Proposals (RFP) to solicit contractors for security services on behalf of HSA. OCA received 17 proposals, of which two firms withdrew their proposals and three were deemed non-responsive. An evaluation panel reviewed the remaining 12 proposals and scored them, as shown in Exhibit 1 below.[2]

Exhibit 1: Proposers and Scores from RFP

Rank	Proposer	Price Evaluation (Out of 50 Points)	Written Proposal Score (Out of 150 Points)	Total Score (Out of 200 Points)
1	Good Guard Security, Inc.	43.83	99.95	143.78
2	ABA Protection, Inc.	49.58	85.23	134.81
3	Straight Edge Solutions Agency	44.51	81.03	125.53
4	Triton Global Services, Inc.	42.43	81.63	124.06
5	Blackstone Consulting, Inc.	50.00	73.85	123.85
6	Allied Universal Security Services	17.41	99.70	117.11
7	Patrol Solutions LLC	32.08	82.65	114.73
8	American Discount Security	26.58	83.48	110.06
9	American Guard Services, Inc.	15.85	89.18	105.03
10	Intercon Security Systems, Inc.	16.81	83.00	99.81
11	Blackbear Security Services	14.18	80.80	94.98
12	Security Services Northwest, Inc.	6.33	66.55	72.88

Source: OCA

Good Guard Security was deemed the highest scoring proposer and was awarded a contract. This would be a shift from HSA's current security guard contractor, Allied Universal.

[1] The facilities are: Main HSA Building (170 Otis Street), Service Center for CalFresh, County Adult Assistance Programs, and Medi-Cal (1235 Mission Street), Service Center for CalFresh and Medi-Cal (1440 Harrison Street), Mission Workforce Development Center (3120 Mission Street), Family and Children's Community Services Hub (3801 3rd Street), Visitacion Valley Job Center (1099 Sunnydale), Child Care Center (100 Whitney Young Circle), Disability and Adult Services (DAS) Benefits and Resources Hub (2 Gough Street), DAS Divisions (1650 Mission Street, Suite 101), HSA Program Integrity and Investigations Division (1650 Mission Street, 5th Floor), Department of Child Support Office (617 Mission Street), Training Annex for 3120 Mission (3127 Mission Street), and Episcopal Community Services' sites (ECS Headquarters at 705 Natoma and Canon Kip Senior Center at 165 8th Street).

[2] The evaluation panel included an HSA Privacy Officer, an HSA Personnel Analyst, an HSA Workforce Development Program Director, and a Subsidy Administration Manger from the Department of Homelessness and Supportive Housing (HSH).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize OCA, on behalf of HSA, to execute a security guard services contract with Good Guard Security, Inc., for an initial term of five years, from July 2024 through June 2029, with a two-year option to extend through June 2031, and an amount not to exceed $33,760,000.

Under the contract, Good Guard Security would provide unarmed security services at 13 HSA locations, generally Monday through Friday during daytime hours. Services would also be provided on holidays and night and weekend shifts as needed. Billing rates are based on the prevailing wage rates for security guard services (which currently range from $20 to $32.88 per hour for straight-time, depending on benefits), with a markup of 30.84 percent for regular weekday shifts.[3] Holidays and as-needed services would have markups ranging from 41.95 to 52.43 percent. HSA estimates that Good Guard Security would provide 60 full-time security shifts per week (including supervisors) and approximately 138,710 hours of service per year.

Good Guard Security would be required to provide an incident report within 24 hours of any reportable incident. Guards would be required to pass training requirements, background checks, and drug and alcohol tests. Failure to meet any of the performance requirements of the contract, such as providing required service levels or issuing timely incident reports, would result in monetary penalties ranging from $25 to $300 per performance failure, after the first offense for each type of performance failure each year. According to Taraneh Moayad, OCA Assistant Director, monetary penalties were added to this contract to ensure greater accountability from the contractor.

FISCAL IMPACT

The proposed contract would have an amount not to exceed $33,760,000, which includes projected expenditures over both the initial five-year term and two-year option to extend. Projected expenditures are based on actual expenditures to date under the current contract with Allied Universal Security, which began on July 1, 2018 and expires on June 30, 2024. Projected contract expenditures are shown in Exhibit 2 below.

[3] The rate billed to HSA would be specific to each security employee, depending on the benefit costs for each employee. Benefit costs vary based on the number of employee dependents receiving health benefits and vacation time earned due to years of employment. The maximum rate of $32.88 per hour would be billed for an employee with at least two dependents and 15 years of continuous employment.

Exhibit 2: Projected Contract Expenditures

Actual Contract Expenditures in Existing Contract (as of 4/23/2024)	$24,390,196
Months	70
Average Monthly Expenditures	$349,482
Months in New Contract (Including 2-Year Option)	84
Projected Expenditures	$29,356,488
Contingency (15%)	4,403,473
Total Not-to-Exceed (Rounded)	**$33,760,000**

Source: OCA. Totals may not add due to rounding.

The existing contract with Allied Universal Security services 18 locations, including three provided to other City departments through work orders, while the proposed contract services 13 locations.[4] However, hourly billing rates will be greater over the next seven years (through 2031) than over previous six years (since 2018) due to inflation. Therefore, OCA estimates that the average monthly spending will be comparable between the two contracts.

Alternatively, using an average hourly prevailing wage rate of $26.44 per hour,[5] with a 30.84 percent markup, and an estimated 138,710 hours per year, OCA estimates a similar total of expenditures over the total seven-year contract term, as shown in Exhibit 3 below.

Exhibit 3: Projected Contract Expenditures, Alternative Methodology

Average Hourly Prevailing Wage	$26.44
Average Hourly Billing Rate with Markup	34.59
Estimated Hours Billed (7 Years)	970,970
Total Projected Expenditures	**$33,589,829**

Source: OCA

HSA estimates that the contract would be funded approximately 75 percent by the City's General Fund, 13 percent by Federal funds, and 12 percent by State funds.

RECOMMENDATION

Approve the proposed resolution.

[4] The following locations were removed: 160 South Van Ness (HAS Investigations Unit, which moved to 1650 Mission Street); 1800 Oakdale Avenue (Economic Support and Self-Sufficiency (ESSS), which moved to 170 Otis Street) 1315 Evans Avenue (Adult Probation site, now contracts for its own services); 2681 28th Avenue (Edgewood Crisis Stabilization Unit, now contracts for its own services); 1522 Bush Street (Planned Parenthood, now contracts for its own services); and Brady/Colton/Colusa lots (closed due to housing development on site).

[5] This amount is the average between the low minimum prevailing wage rate of $20 per hour and the maximum rate of $32.88 per hour.

Items 10 & 11 **Files 24-0255, 24-0256**	**Department:** San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolutions would approve the COVID-19 Lease Extension Program for Rylo Management, LLC DBA Farley's Community Café (File 24-0255) and Joe & the Juice New York, LLC DBA Joe & the Juice (File 24-0256) at the San Francisco International Airport (Airport), extending the lease terms by up to three years and six months.

Key Points

- The COVID-19 pandemic and associated Shelter-in-Place order severely impacted the aviation industry and activity at the Airport. To support concession tenants impacted by the COVID-19 pandemic, Airport staff proposed extending concession lease terms by up to three years and six months, consistent with the period that the Airport as a whole experienced a "severe decline of enplanements" (March 2020 through August 2023). In April 2024, the Board of Supervisors approved the COVID-19 Lease Extension Program for 88 concession tenants at the Airport. However, Airport staff held off on extending the leases for two tenants that otherwise would qualify for the program, Rylo Management, LLC and Joe & the Juice New York, LLC, due to concerns raised regarding the Airport's Labor Peace/Card Check Rule. Airport staff have deemed the tenants to be in compliance and recommended extending their leases.
- Since Joe & the Juice was in operation at the start of the pandemic in March 2020, it would receive an extension of three years and six months. Since Rylo Management was not in operation at the start of the pandemic, it would receive an extension equal to the time it operated in the pandemic period (March 2020 through August 2023), which is two years and four months.

Fiscal Impact

- Airport concession tenants pay the greater of Minimum Annual Guaranteed (MAG) rent or percentage rent based on gross revenues. MAG rent was suspended due to the COVID-19 pandemic's impact on air travel in March 2020, but it was reinstated for the Rylo Management and Joe & the Juice leases in 2022. Over the terms of the proposed lease extensions, the total value of the MAG rent for the two tenants is $1,596,266.

Recommendation

- Approve the proposed resolutions.

MANDATE STATEMENT

City Charter Section 9.118(c) states that (1) any lease of real property for ten or more years, including options to renew, (2) have anticipated revenues to the City of $1,000,000, or (3) the modification, amendment or termination of these leases is subject to Board of Supervisors approval.

BACKGROUND

Current Airport Leases

In July 2016, the Board of Supervisors approved a concession lease with Joe & The Juice, LLC for a quick serve stand in the International Terminal (File 16-0451). In July 2019, the Board of Supervisors approved a concession lease with Rylo Management for a cafe in Terminal 3 (File 19-0606). Both leases were awarded by the Airport following competitive solicitations.

COVID Policies for Airport Concession Leases

The COVID-19 pandemic and associated Shelter-in-Place order severely impacted the aviation industry and activity at San Francisco International Airport (Airport). Due to reduced passenger activity and required closures, the number of operational food and beverage, retail, and passenger service businesses at the Airport declined from 149 locations to 27 in March 2020. In January 2021, the Board of Supervisors approved an ordinance delegating authority to the Airport to modify leases without further Board of Supervisors' approval, consistent with the Airport's COVID-19 Emergency Rent Relief Program, which allowed the Airport to waive certain rents and fees for eligible concession tenants during CY 2020 (File 20-1278). The Airport has received approximately $51.5 million in Federal COVID-19 stimulus funding to offset revenue losses from these waivers.

Airport enplanement activity has recovered but remained approximately 18.2 percent below FY 2018-19 levels in FY 2022-23. Airport concession leases typically contain a standard provision that suspends Minimum Annual Guaranteed (MAG) rents when enplanements drop below 80 percent of base year enplanements for three consecutive months, defined as a "severe decline in enplanements." Some MAGs are still suspended due to the severe decline in enplanements lease language. The language is specific to the boarding area where the concession is located and comparison periods vary by lease. MAG rents are then reinstated when enplanements recover to at least 80 percent of base year enplanements for two consecutive months. To support concession tenants impacted by the COVID-19 pandemic, Airport staff proposed extending concession lease terms by up to three years and six months, consistent with the period that the Airport as a whole experienced a "severe decline of enplanements" (March 2020 through August 2023). The lease extension would help concession tenants to amortize investment costs, achieve more favorable terms with lenders, and recoup business losses.

In April 2024, the Board of Supervisors approved the COVID-19 Lease Extension Program for 88 concession tenants at the Airport (File 24-0049). The extensions are based on the amount of time the lease was active during the period of March 2020 to August 2023. However, Airport staff held off on extending the leases for two tenants that otherwise would qualify for the program, Rylo

Management, LLC and Joe & the Juice New York, LLC, due to concerns raised regarding the Airport's Labor Peace/Card Check Rule. The Airport found that Joe & the Juice had not executed a collective bargaining agreement with the restaurant employees union (Local 2). Joe & the Juice has since signed the agreement. Rylo Management remains non-union, but was not found to be in violation. Airport staff have deemed the tenants to be in compliance and recommended extending their leases. In October 2023, the Airport Commission approved the COVID-19 Lease Extension Program for these tenants.

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would approve the COVID-19 Lease Extension Program for Rylo Management (File 24-0255) and Joe & the Juice (File 24-0256) at the Airport. The amendments would extend the Joe & the Juice lease from December 30, 2029 to June 30, 2032 and the Rylo Management lease from June 30, 2032 to October 31, 2034

Since Joe & the Juice was in operation at the start of the pandemic in March 2020, it would receive an extension of three years and six months. Since Rylo Management was not in operation at the start of the pandemic, it would receive an extension equal to the time it operated in the pandemic period (March 2020 through August 2023), which is two years and four months.

Food and beverage concession tenants are eligible for the COVID-19 Lease Extension Program if they are current with their deposits, insurance, and accounts receivable obligations, not operating under short-term leases or permits, and are not operating in areas that will be impacted by the Terminal 3 West and International Terminal Arrivals area renovations projects. As a condition for participating on the program, the amended leases require the tenants to comply with updated City contracting requirements, the Airport's revised Rule 12.3 (Prevailing Wage Requirements – Covered Tenant Construction), and the Airport's revised Rule 12.1 (Labor Peace/Card Check Rule).

FISCAL IMPACT

Airport concession tenants pay the greater of MAG rent or percentage rent based on gross revenues. MAG rent was suspended due to the COVID-19 pandemic's impact on air travel in March 2020, but it was reinstated for the Rylo Management and Joe & the Juice leases in 2022. Over the terms of the proposed lease extensions, the total value of the MAG rent for the two tenants is $1,596,266, as shown in Exhibit 1 below.

Exhibit 1: Projected MAG Rents Received by Airport

Tenant	MAG Rent	Extension Term	Total MAG Rent (Over Extension Term)
Rylo Management (File 24-0255)	$362,997	2 Years, 4 Months	$846,993
Joe & the Juice (File 24-0256)	214,078	3 Years, 6 Months	749,273
Total	**$577,075**		**$1,596,266**

Source: Proposed leases. Total MAG rent excludes escalation.

RECOMMENDATION

Approve the proposed resolutions.

Item 12 **File 24-0442**	**Department:** Homelessness and Supportive Housing

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a new grant agreement between Meals on Wheels and the Department of Homelessness and Supportive Housing (HSH) to provide meals at various shelter sites. The agreement has a term from July 1, 2024 through June 30, 2029 and a total amount not to exceed amount of $49,737,600.

Key Points

- HSH currently contracts with Meals on Wheels to provide frozen meals at 11 navigation center sites at a cost of $6.62 per frozen meal in FY 2023-24. This cost per frozen meal increases to $7.15 in the proposed agreement due to inflation.
- Under its current contract, Meals on Wheels did not meet its service and outcome objectives related to meal satisfaction in FY 2022-23. In order to address this deficiency, the new contract includes a second service objective to conduct a focus group twice per year to test meals and provide feedback.

Fiscal Impact

- The grant agreement is largely funded by the General Fund (87 percent of the total) and includes a 20 percent contingency for additional sites to be added in the future and/or to accommodate potential increases to usage rates.

Policy Consideration

- The Department may wish to further enhance the grant agreement's outcome objectives to ensure the provision of high-quality meals to shelter guests. In our review of grant agreements between the Human Services Agency and non-profit meal providers of congregate and home-delivered meals, we identified a number of objectives worthy of consideration, such as reporting on increased consumption of fruits, vegetables, and/or whole grains or feeling less worried about getting enough food to meet their needs.

Recommendations

- Request HSH consider additional performance objectives for this or future meal provider grants, consistent with the Human Services Agency.
- 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) currently contracts with Meals on Wheels of San Francisco to provide frozen meals at 11 navigation center sites, which may need up to 2,454 meals per day (two per day for up to 1,227 clients at a time). The existing contract has a two-year term, ending June 30, 2024 and a not-to-exceed amount of $9,800,309. The first navigation center opened in the Mission District in 2015, providing low-threshold shelter services to adults and youth experiencing homelessness. According to the Department's report to the Homelessness Oversight Commission, a component of the navigation center model is to provide meals on demand for shelter guests, instead of at specific mealtimes. The navigation center sites have the ability to store, heat, and serve frozen meals on demand.

2023 Request for Proposal (RFP) for Meals at Navigation Centers and Shelters

The Department issued a Request for Proposal (RFP) in August 2023 for shelter ancillary services, including expanded meal services at navigation centers and shelters and hot meals for alternative shelter sites that are not able to reheat frozen meals on demand.[1] The RFP evaluation panel for meal services consisted of:

- Three staff members from the San Francisco Human Services Agency (HSA), including a Program Coordinator, a Planning Manager, and a Welfare-to-Work Manager;
- Two staff members from HSH, including a Program Support Analyst, and a Shelters and Navigation Centers Program Specialist; and
- A Director of Shelter Health from the San Francisco Department of Public Health (DPH).

The panel scored proposals for (1) meals for shelters and navigation centers, and (2) hot meals for alternative shelter sites based on the following criteria: program plan (40 points), relevant experience (20 points), organization capacity and staffing (20 points), and budget (20 points). For meals for shelters and navigation centers, Meals on Wheels was one of two respondents and received a score of 87 out 100 possible points. The other respondent (Everytable PBC) received a score of 80.8 points. For hot meals for alternative shelter sites, Meals on Wheels was again one of two respondents and received a score of 87 out of 100 possible points. The other respondent (Farming Hope) received a score of 78 points.

[1] Currently, Navigation Centers and emergency shelters receive meals via Meals on Wheels, while other site operators have subcontracts for meals or provide on-site food services.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new grant agreement between Meals on Wheels and HSH to provide frozen meals for navigation centers and shelters as well as hot meals for alternative shelter sites from July 1, 2024 through June 30, 2029 for a total amount not to exceed $49,737,600.

Services Provided

The funding will provide two meals daily for up to 2,327 guests across a total of 15 temporary shelter programs. Under the contract, Meals on Wheels is required to meet the following meal standards:

- Meals shall be individually portioned, packaged, and delivered either frozen or hot and ready to eat, depending on the site;
- Condiments and dinnerware shall be included;
- Meals shall meet the DPH *Shelter Health Menu Pattern for Adults*, including: four ounces of protein or protein equivalent, one cup fruit/vegetable serving, one-and-a-half cup grain or starchy vegetable serving, and one cup of 1 percent milk;
- Provision of special meals, including vegetarian, diabetic/low sodium/low fat, and mechanical soft entrees; and
- A two-week cycle for each breakfast and dinner meal (including special meals) shall be developed listing meals, menu items, and portion sizes, including a nutrient analysis of calories, protein, carbohydrates, total fat, and sodium.

Shelter Sites and Number of Meals Served

The proposed agreement specifies 15 temporary shelter programs to receive meals for up to 2,327 clients at a time depending on shelter occupancy rates, as shown in Exhibit 1. Three of the sites will receive hot meals, and the remaining 12 sites will receive frozen meals. The agreement assumes utilization rates of 96 percent for hot meals and 68 percent for frozen meals based on past utilization data. The utilization rate accounts for shelter vacancies as well as guests that do not eat meals twice daily at the program. Hot meals have a much higher utilization rate because they are provided to alternative shelter sites that cannot support storage, heating, and serving of frozen meals. The Department reports that the majority of hot meals are consumed by shelter guests.

Exhibit 1: 15 Temporary Shelter Programs Expected to Receive a Total of 1,171,398 Meals in FY 2024-25

	Total Number of Guests	Daily Meals Per Guest	Usage Rate (%)	Total Number of Meals Annually
Hot Meals for Alternative Shelter Sites				
33 Gough Street	73	2	96%	51,158
Bayview Vehicle Triage Center	85	2	70	43,435
Mission Cabins	68	2	96	47,654
Subtotal, Hot Meals	226	2		142,248
Frozen Meals for Navigation Centers and Shelters				
Baldwin SAFE Navigation Center	180	2	68%	89,352
Bayshore Navigation Center	128	2	68	63,539
Bayview SAFE Navigation Center	203	2	68	100,769
Central Waterfront Navigation Center	64	2	68	31,770
Embarcadero SAFE Navigation Center	200	2	68	99,280
Division Circle Navigation Center	186	2	68	92,330
Taimon Booten Navigation Center	84	2	68	41,698
711 Post Semi-Congregate Shelter	250	2	68	124,100
Next Door Shelter	334	2	68	165,798
Hospitality House Shelter	30	2	68	14,892
Ellis Semi-Congregate Shelter	115	2	68	57,086
Mult-Service Center-South*	327	2	68	148,536
Subtotal, Frozen Meals	2,101	2		1,029,150
Total	2,327	2		1,171,398

Source: Appendix B of grant agreement

*Multi-Service Center-South will be served by the program in FY 2024-25 and for part of FY 2025-26 while their kitchen is being rehabilitated.

Under the existing agreement, Meals on Wheels has provided 580,354 meals in FY 2023-24 through April, and is projected to provide a total of 633,224 meals through the end of the fiscal year in June to 11 sites, which include all the frozen meal sites listed above except for Multi-Service Center-South. The number of frozen meals provided is increasing by approximately 63 percent (from 633,224 in FY 2023-24 to 1,029,150 in FY 2024-25) because of the 148,536 meals for Multi-Service Center-South as well as increased shelter capacity across multiple sites post-COVID. The three alternative shelter site operators currently each subcontract with the non-profit provider Farming Hope to provide a total of 58,636 hot meals in FY 2023-24.

Performance Monitoring

Under its current navigation center contract, Meals on Wheels did not meet its service and outcome objectives related to meal satisfaction in FY 2022-23, as shown in Exhibit 2. In order to address this deficiency, the new contract includes a second service objective to conduct a focus group twice per year comprised of eight to ten current shelter guests to test meals and provide feedback. The Department believes that the focus group will support increased satisfaction with meals, which are required to meet the City's Shelter Standards of Care[2] as well as the Department's goal to provide "culturally competent and diverse menus" to meet the preferences of the diverse populations served in temporary shelter. Further, the proposed grant requires the provider to meet with a DPH dietician twice per year to monitor food safety/sanitation, meal preparation/service, and menu documentation.

Exhibit 2: Meals on Wheels Objectives (Goals and Actuals) For FY 2022-23

Service Objective	Goal	Actual	Achieved (Y/N)
Serve meals that attain a high satisfaction level from participants, per results of satisfaction surveys administered by the navigation center service providers[1]	Unspecified	Q1: N/A Q2: 196 Q3: 277 Q4: 830	N[2]
Outcome Objective			
A minimum of 75 percent of the guests responding to the Quarterly Satisfaction Survey issued by the navigation center service providers will rate the overall quality of meals as Good or Excellent	75%	Q1: N/A Q2: 53% Q3: 31% Q4: 55%	N

Source: HSH

[1]Note: The Department reported that it did not track how many total surveys were distributed by Meals on Wheels. The amounts shown for each quarter reflect the total number of completed surveys, not necessarily those returned with a "high satisfaction level." The Department reported that this objective seeks to measure the survey response rate and they intend to clarify the objective language for the new agreement and better track the total number of surveys distributed.

[2]Note: Provider did not meet this objective because no survey was conducted in the first quarter.

Fiscal and Compliance Monitoring

In August 2023, the Human Services Agency conducted fiscal and compliance monitoring of Meals on Wheels, and there were no findings.

FISCAL IMPACT

The grant agreement is largely funded by the General Fund (87 percent of the total), with additional support from Homelessness Gross Receipts Tax Proposition C (5 percent) as well as two sources of state funding: a total of $730,000 from Encampment Resolution Fund (Round 2) to fund meals at Mission Cabins as well as a total of $2,738,574 in Homeless Housing, Assistance and Prevention (HHAP) funds, as shown in Exhibit 3.[3] The proposed not to exceed amount is

[2] The City's Shelter Standards of Care require shelter operators to engage a nutritionist to develop meal plans and post daily menus, as well as make dietary modifications to accommodate clients' religious beliefs and practices, health or disability.

[3] The City has received more than $143 million through four rounds of Homeless Housing, Assistance and Prevention funds, and has applied for the fifth round of funding.

$49,737,600, inclusive of a 20 percent contingency, which is standard for new programs, according to HSH. The contingency amount provides flexibility for additional sites to be added in the future and/or to accommodate potential increases to usage rates. In our review of the proposed contract budget, we found an inconsistency of $28,872 between the sources and uses of funds for FY 2025-26, which HSH will correct in the final version of the contract.

Exhibit 3: Sources and Uses of Funds

	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
SOURCES						
Local						
General Fund	$5,762,118	$5,410,701	$8,140,702	$8,303,516	$8,303,516	$35,920,553
Proposition C	1,000,000	1,030,000				$2,030,000
Local Subtotal	$6,762,118	$6,440,701	$8,140,702	$8,303,516	$8,303,516	$37,950,553
State						
Homeless Housing, Assistance and Prevention	$1,369,287	$1,369,287				$2,738,574
Encampment Resolution Fund	365,000	365,000				$730,000
State Subtotal	$1,734,287	$1,734,287				$3,468,574
Subtotal	$8,496,405	$8,174,988	$8,140,702	$8,303,516	$8,303,516	$41,419,127
Contingency (20% of total)						$8,283,825
Total Sources						$49,702,952
USES						
Hot Meals	$1,137,982	$1,305,058	$1,331,159	$1,357,782	$1,357,782	$6,489,763
Frozen Meals	$7,358,423	$6,869,930	$6,809,543	$6,945,734	$6,945,734	$34,929,364
Subtotal	$8,496,405	$8,174,988	$8,140,702	$8,303,516	$8,303,516	$41,419,127
Contingency (20% of total)						$8,283,825
Total Uses						$49,702,952

Source: Appendix B of the proposed agreement

Cost Per Meal

The FY 2024-25 budget of $8,496,405 assumes a cost of $7.15 per frozen meal and $8.00 per hot meal. Hot meals cost more due to higher delivery costs as they are delivered twice daily, according to the Department. The three alternative shelter sites serving hot meals are 33 Gough Street, Bayview Vehicle Triage Center, and Mission Cabins, while all other sites will receive frozen meals. In Years 2, 3, and 4 of the contract, these per unit meal costs grow by two to three percent due to annual cost of doing business (CODB) increases; year 5 does not include a CODB increase because the amount has not yet been established. Compared to the existing contract, the cost of frozen meals is increasing from $6.62 in FY 2023-24 to $7.15 proposed in FY 2024-25, an increase of 8 percent. According to HSH staff, this increase is due to increased food costs resulting from inflation.

Exhibit 4 below shows the proposed cost per meal and number of meals in each year of the agreement. The cost per meal covers all costs, including food, packaging, labor, delivery, and indirect costs.

Exhibit 4: Proposed Cost per Meal and Number of Meals by Year

	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Cost per Meal					
Hot	$8.00	$8.24	$8.40	$8.57	$8.57
Frozen	$7.15	$7.36	$7.51	$7.66	$7.66
Number of Meals					
Hot	142,248	158,381	158,381	158,381	158,381
Frozen	1,029,150	932,844	906,514	906,514	906,514
Total Meals	**1,171,398**	**1,091,225**	**1,064,895**	**1,064,895**	**1,064,895**

Source: Proposed Agreement

The number of hot meals per year increases in FY 2025-26 from 142,248 to 158,381 due to an estimated increase in the utilization rate for the Bayview Vehicle Triage Center from 70 percent to 96 percent. The number of frozen meals per year decreases from 1,029,150 in FY 2024-25 to 906,514 in FY 2026-27 largely due to no utilization of the program for Multi-Service Center-South starting in FY 2026-27.

POLICY CONSIDERATION

The Department may wish to further enhance the grant agreement's outcome objectives in order to ensure the provision of high-quality meals to shelter guests. In our review of grant agreements between HSA and non-profit meal providers of congregate and home-delivered meals, we identified the following outcome objectives worthy of consideration:

- Consumers report increased consumption of fruits, vegetables, and/or whole grains. Target: 75 percent.
- Consumers feel less worried about getting enough food to meet their needs. Target: 85 percent.
- Consumers rate the quality of meals they receive as excellent or good. Target: 85 percent. (We note that this objective is already included by HSH, but at a target of 75 percent.)

The outcome measures for HSA are based on a consumer survey and a sample size equal to or greater than the average number of daily meals served by the grantee.

RECOMMENDATIONS

1. Request HSH consider additional performance objectives for this or future meal provider grants, consistent with the Human Services Agency.
2. Approve the proposed resolution.

Item 17 **File 24-0477**	**Department:** Real Estate Division (RED), Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a purchase and sale agreement with PACIFICA SFO LLC for an assisted living facility at 624 Laguna Street for a purchase price of $13,780,000 and approximately $20,000 in closing costs, for a total price of approximately $13,800,000.

Key Points

- DPH is seeking to expand assisted living facilities serving low-income seniors and adults with disabilities in San Francisco. DPH and the Real Estate Division (RED) searched assisted living facilities in San Francisco and determined that the building at 624 Laguna Street, which is licensed for up to 56 beds, would be a suitable location because of the building conditions and ability to meet DPH's needs. RED has negotiated a purchase and sale agreement with the property owner.
- Department of Public Works (DPW) staff completed a general condition assessment and determined that the building was generally in good condition. The report made several recommendations but did not identify required improvements to the building needed for life-safety concerns or failed equipment. An appraisal affirmed that the proposed purchase price of $13,780,000 was fair market value. DPH anticipates that services at the site will begin approximately 14 to 17 months after the sale closes. This timeline includes contracting for services, provider licensing, hiring, and community outreach.

Fiscal Impact

- The proposed Purchase and Sale Agreement would have a purchase price of $13,780,000 for the property. The City would also pay closing costs, estimated at $20,000, for a total cost of approximately $13,800,000. The purchase would be funded by Homelessness Gross Receipts Proposition C funds.
- DPH estimates that initial annual operating costs for the site would be approximately $3.9 million, or $69,643 per bed. At this time, DPH estimates that operating costs would be funded approximately 25 percent by Proposition C funds and 75 percent by the City's General Fund. Operating costs at 624 Laguna will eventually be offset as DPH spends less on contracted residential beds outside of San Francisco.

Policy Consideration

- There were approximately 3,548 assisted living beds in San Francisco in 2022. To maintain the current ratio of 216 assisted living beds for every 10,000 seniors, an additional 1,718 beds will be needed by 2042.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Administrative Code Section 23.3 states that the Board of Supervisors must approve acquisitions and conveyances of real property by resolution. An appraisal of the property is required if the Real Estate Division determines that the fair market value is greater than $10,000 and an appraisal review if the fair market value is greater than $200,000.

BACKGROUND

Less intensive than skilled nursing facilities, assisted living facilities are non-medical facilities licensed by the California Department of Social Services that provide personal care and safe housing for those who may need help with medication and assistance with activities of daily living. The Department of Public Health (DPH) is seeking to expand assisted living facilities serving low-income seniors and adults with disabilities in San Francisco. This expansion of 400 new beds is a component of DPH's Mental Health SF strategy for improving the behavioral health system for vulnerable residents. According to the February 12, 2024 DPH Behavioral Health Residential Treatment Expansion dashboard, 394 beds have been opened since 2020, of which 99 are out-of-county residential care facilities. DPH is seeking to fund sites in San Francisco to relocate out-of-county beds. DPH's behavioral health system of care includes 2,550 beds, including 600 residential care beds.

DPH and the Real Estate Division (RED) searched assisted living facilities in San Francisco and determined that the building at 624 Laguna Street, operating as The Village at Hayes Valley, would be a suitable location because of the building conditions and ability to meet DPH's needs.[1] The 17,700 square foot building has 28 dormitory-style units and is licensed for up to 56 beds.[2] The building has shared bathrooms and kitchenettes on every level, as well as indoor and outdoor communal spaces. RED has negotiated a purchase and sale agreement with the property owner.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would take the following actions:

1. Approve and authorize the Director of Property to acquire property at 624 Laguna Street;
2. Approve and authorize a Purchase and Sale Agreement for the property, for a purchase price of $13,780,000, plus approximately $20,000 for closing costs, for a total amount of approximately $13,800,000;

[1] According to Transaction Team Manager Suess, RED evaluates opportunities for assisted living facilities on an ongoing basis, although the marketplace for these facilities is fairly small. DPH evaluates each site for its potential specific use.

[2] The Purchase and Sale Agreement states that the building size is 9,849 square feet, which comes from the San Francisco Property Information Map (SFPIM) that is used by the Office of the Assessor-Recorder. However, DPW inspected the building and determined that this was inaccurate and that the correct size is approximately 17,700 square feet. The Colliers appraisal stated that the building size is 11,133 square feet and RED cannot determine how the source of that estimate.

3. Authorize the Director of Property to execute the agreement and make immaterial modifications to the agreement;
4. Affirm the Planning Department's determination under the California Environmental Quality Act (CEQA); and
5. Adopt the Planning Department's findings that the agreement is consistent with the General Plan and Planning Code.

Building Condition and Appraisal

In 2023, Department of Public Works (DPW) staff completed a general condition assessment based on a visual inspection of the building, a review of Department of Building Inspection records, and interviews with individuals about the facility. Based on the assessment, DPW determined that the building was generally in good condition. DPW's site assessment did not identify any required improvements to the building needed to address life-safety concerns or failed systems or equipment. DPW made several recommendations, such as to legalize an unpermitted penthouse structure, replace elements of the mechanical cooling systems, redesign the security system, and plan for the maintenance and eventual replacement of the roofing. According to Jeff Suess, RED Transaction Team Manager, a third-party engineer subsequently evaluated the property and determined that the penthouse structure was code compliant, and DPW staff changed the assessment. In addition, because the building will be publicly owned, it will be subject to higher accessibility building code standards, which may require capital work.

An appraisal conducted by Colliers International in December 2023 affirmed that the proposed purchase price of $13,780,000 was fair market value. An appraisal review conducted by R. Blum and Associates in March 2024 found that the appraisal was credible.

Plans for Current Residents and Future DPH Operations

According to Transaction Team Manager Suess, the seller would provide the property to the City vacant. There are approximately 10 residents remaining at the site, and the seller would offer them the ability to transfer to other assisted living facilities. RED anticipates that existing residents would be relocated within 30 days after the purchase is approved by the Board of Supervisors and Mayor. The sale would close escrow 10 days after the site is vacant.

According to Kelly Kirkpatrick, Director of Administration and Operations for Mental Health SF, DPH would likely issue a solicitation to select a provider to operate the site. However, DPH may utilize Administrative Code Chapter 21A.4, which authorizes DPH to procure behavioral health and public health residential care and treatment services without competitive solicitations through March 2029 (File 24-0015). DPH anticipates that services at the site will begin approximately 14 to 17 months after closing. This timeline includes contracting for services, provider licensing, hiring, and community outreach. The site would serve low-income clients who are experiencing or at risk of homelessness and have a behavioral health diagnosis and need assistance with daily living tasks.

FISCAL IMPACT

The proposed Purchase and Sale Agreement would have a purchase price of $13,780,000 for the property. The City would also pay closing costs, estimated at $20,000, for a total cost of approximately $13,800,000. The purchase would be funded by Proposition C funds (Homelessness Gross Receipts Tax).

Assuming no rehabilitation work, the proposed acquisition is $246,429 per licensed bed and $780 per square foot. This is $532 less per square foot than the City's recent acquisition and estimated rehabilitation of 333 7th Street from Baker Places (File 24-0192) and $1,434 per square foot less than the 2021 acquisition and rehabilitation of 822 Geary (File 21-1204). On a per bed basis, the proposed purchase is less than the 333 7th Street site ($623,125) and the 822 Geary site ($886,345), both of which required extensive rehabilitation work.

Operations Costs

According to Director Kirkpatrick, DPH estimates that initial annual operating costs for the site would be approximately $3.9 million, or $69,643 per bed. At this time, DPH estimates that operating costs would be funded approximately 25 percent by Proposition C funds and 75 percent by the City's General Fund. According to Director Kirkpatrick, residential care facilities are typically not eligible for Medicare or Medi-Cal reimbursement. Clients would contribute a portion of their governmental assistance to fund operations as well, in addition to the City funding.

Operating costs at 624 Laguna will eventually be offset as DPH spends less on contracted residential beds outside of San Francisco.

POLICY CONSIDERATION

According to the Budget and Legislative Analyst's Office July 2022 policy analysis report *Options for Housing for Seniors and People with Disabilities*, there were 3,548 assisted living beds in San Francisco in 2022. To maintain the current ratio of 216 beds for every 10,000 seniors, an additional 1,718 beds will be needed by 2042. When assisted living services are available and affordable, they can negate, delay, or decrease the duration of skilled nursing facility stays in a less costly and restrictive setting.

RECOMMENDATION

Approve the proposed resolution.

Item 20 **File 24-0408**	**Department:** Municipal Transportation Agency, Public Health, Fire, Police, Entertainment Commission

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would amend Article 6 of the Transportation Code to provide fee waivers for certain street event sponsors. Fees would only be waived for single-day events that are open to the public, occupy no more than three blocks, and that do not impact rail service or major streets. MTA would be responsible for determining whether event sponsors and events qualify for fee waivers.

Key Points

- Article 6 of Division I of the Transportation Code defines procedures and requirements for street closures for special events, which are reviewed and approved by the Interdepartmental Staff Committee on Traffic and Transportation (ISCOTT). Special events permitted via ISCOTT may require additional permitting and support by various city departments, for which fees and costs might be invoiced, including "no parking" signage, Fire Department permits, police officers retained through the 10-B program, and temporary food facility permits from Public Health.
- According to MTA, there were 535 events permitted via ISCOTT in CY 2023, of which at least 292 (or 55 percent) would likely be eligible for fee waivers.

Fiscal Impact

- The Citywide revenue loss amounts to $1.3 million or approximately $4,500 per event. However, the size and number of events may increase due to the proposed fee waivers, which could increase Citywide revenue loss to $1.98 million. Of that amount, $830,000 would be a loss to the General Fund and $1.15 million would be a loss for the MTA operating fund.

Policy Consideration

- According to the findings of the proposed ordinance, reducing event fees will "foster a sense of belonging" and stimulate economic growth. The Board could consider limiting the scope of the ordinance by adding a sunset date for the fee waivers, limiting the number of fee waivers per sponsor or block per year, or limiting the neighborhoods that are eligible for fee waivers. According to the City's Sales Tax Economic Recovery Dashboard, neighborhoods have experienced a range of sales tax changes between 2019 and 2023, from -63 percent to +92 percent.

Recommendation

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

MANDATE STATEMENT

City Charter Section 2.105 states that all legislative acts shall be by ordinance, approved by a majority of the members of the Board of Supervisors.

BACKGROUND

Article 6 of Division I of the Transportation Code defines procedures and requirements for street closures for special events, which are reviewed and approved by the Interdepartmental Staff Committee on Traffic and Transportation (ISCOTT). ISCOTT is administered and chaired by the Municipal Transportation Agency (MTA), and includes Police, Fire, Public Works, Public Health, Planning and Entertainment Commission as voting members. Special events permitted via ISCOTT may require additional permitting and support by various City departments, for which fees and costs might be invoiced, including "no parking" signage, Fire Department permits, police officers retained through the 10-B program, and temporary food facility permits from Public Health.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend Article 6 of the Transportation Code to provide fee waivers for certain street event sponsors that meet one or more of the following criteria:

1. a non-profit arts and culture organization that provides programming in San Francisco;
2. a business with less than $5 million in gross receipts that has a place of business within the proposed event area;
3. a merchant or neighborhood association that represents the area; or
4. a property or business improvement district that represents the area.

Fees would only be waived for single-day events that are open to the public, occupy no more than three blocks, and that do not impact rail service or major streets. MTA would be responsible for determining whether event sponsors and events qualify for fee waivers.

In the findings of the proposed ordinance, the Board of Supervisors urges MTA to waive all MTA fees for qualifying events. According to MTA staff, the Mayor's Office has requested the MTA Board of Directors to waive the associated fees.

According to MTA, there were 535 events permitted via ISCOTT in CY 2023, of which at least 292 (or 55 percent) would likely be eligible for fee waivers.

FISCAL IMPACT

Exhibit 1 below shows the estimated costs of the proposed fee waivers for each department, including the Municipal Transportation Agency. The Citywide revenue loss amounts to $1.3 million or approximately $4,500 per event. The table also includes estimates for the annual increase in events as well as increases in the size and number of events due to the fees for them being waived, all of which total an additional $661,980 in Citywide costs.

Exhibit 1: ISCOTT-Permitted Event Fee Waivers and Associated Costs

Department	Estimated Revenue Loss
Municipal Transportation Agency	$770,000
Fire	$60,000
Police	$166,960
Public Health	$177,000
Entertainment Commission	$150,000
Subtotal, Known Costs	**$1,323,960**
Annual Increase in Events (20%)	$264,792
Increase in Events Due to Fee Waivers (20%)	$264,792
Change in Event Characteristics (10%)	$132,396
Subtotal, Change in Events	**$661,980**
Total Estimated Costs	**$1,985,940**

Source: MTA, FIR, POL, DPH, BLA

Notes: MTA costs include $280,000 in fee revenue loss and $490,000 in staff and signage costs. Police costs only include street fair fee revenue losses, do not include 10B revenues, and may be higher due to more General Fund overtime needed to maintain public safety as the number events increases.

The total estimated cost of the proposed ordinance is $1.98 million, of which $830,000 would be a loss to the General Fund and $1.15 million would be a loss for the MTA operating fund. Due to uncertainty regarding the actual number of qualifying events and how event sponsors will respond to no longer having to pay fees, the estimates above are high-level and subject to change.

POLICY CONSIDERATION

According to the findings of the proposed ordinance, reducing event fees will "foster a sense of belonging" and stimulate economic growth. The Board could consider limiting the scope of the ordinance by adding a sunset date for the fee waivers, limiting the number of fee waivers per sponsor or block per year, or limiting the neighborhoods that are eligible for fee waivers. According to the City's Sales Tax Economic Recovery Dashboard, neighborhoods have experienced a range of sales tax changes between 2019 and 2023, from -63 percent to +92 percent.[1]

RECOMMENDATION

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

[1] https://www.sf.gov/data/san-francisco-sales-tax