

**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 23, 2023

**TO:** Homelessness & Behavioral Health Select Committee

**FROM:** Budget and Legislative Analyst

**SUBJECT:** June 2, 2023 Homelessness & Behavioral Health Select Committee Meeting



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<b>Item 3</b> <b>File 23-0511</b>	<b>Department:</b> Department of Homelessness and Supportive Housing
<b>EXECUTIVE SUMMARY</b>	
<p><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would approve the First Amendment to the grant agreement between the Department of Homelessness and Supportive Housing (HSH) and Eviction Defense Collaborative (EDC) to provide homelessness preventions services, extending the grant term by three years through June 30, 2026, and increasing the not to exceed amount by \$14,947,500 for a total not to exceed amount of \$24,792,066.</li> </ul> <p><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• The existing agreement with EDC was procured under the Administrative Code Chapter 21B, which allows HSH to award homeless service contracts without competitive bidding. HSH entered into an agreement with EDC in July 2021 to provide homelessness prevention services through the San Francisco Emergency Rental Assistance Program (SF ERAP) for 370 households annually. This contract was for \$9,844,566 with a term of two years through June 30, 2023.</li> <li>• HSH-funded homelessness prevention is currently focused on SF ERAP, which is administered jointly with the Mayor’s Office of Housing and Community Development. SF ERAP provides emergency financial assistance for move in costs, future rent, and rent owed to eligible households. In September 2022, the program temporarily stopped accepting new applications to process a backlog. As of February 2023, the program re-opened with narrower eligibility criteria, and the backlog has been cleared. Between June 2021 and May 2023, ERAP disbursed \$51 million (across all providers) and served more than 7,000 households.</li> <li>• The extended term of the grant with EDC will serve up to 464 households, an increase from 370 households in the first two years, and funds approximately 16.74 full time equivalent positions. Households will be limited to receiving a maximum of \$10,000 per calendar year, with limited exceptions, so EDC will be able to serve a higher number of households with the same amount of direct client assistance funding.</li> </ul> <p><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• HSH projects annual expenditures of approximately \$4,599,740 in FY 2023-24. The grant includes a 15 percent contingency to account for cost escalation and/or fund expanded services.</li> <li>• The grant is funded by one-third City General Fund and two-thirds Proposition C dollars.</li> </ul> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

**MANDATE STATEMENT**

City Charter Section 9.118(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****Eviction Defense Collaborative and Procurement of Homelessness Prevention Assistance**

In September 2018, the City acting through the Department of Homelessness and Supportive Housing (HSH) retroactively entered into an agreement with Eviction Defense Collaborative (EDC) to provide Homelessness Prevention Assistance, through EDC's Rental Assistance Disbursement Component (RADCo) program, which provides one-time intervention to households that have recently experienced a housing loss or are at imminent risk of a housing loss. Interventions include engaging in problem solving conversations, providing flexible financial assistance to households, and offering housing-focused case management to help ensure housing stability and prevent entry into homelessness.

The 2018 grant was awarded through Request for Proposals (RFP) #111 which solicited proposals for homelessness prevention assistance and rapid rehousing services in April of 2018. According to HSH staff, five agencies submitted proposals for the homelessness prevention assistance service category and were awarded funding through RFP #111, including EDC as well as Catholic Charities, Compass Family Services, Hamilton Families, and the Homeless Prenatal Program.<sup>1</sup> This grant agreement expired at the end of June 2021.

**Current Agreement Procurement**

The existing agreement was procured under Chapter 21B of the Administrative Code, which allows the Department of Homelessness & Supportive Housing (HSH) to award homeless service contracts without a competitive procurement process to expeditiously address the homelessness crisis. This code section sunsets in March 2024 or if the Point-in-Time Count falls below 5,250.

This current agreement began on July 1, 2021 for a term of two years, through June 30, 2023 for a not-to-exceed amount of \$9,844,566. This funding provided support for homelessness prevention interventions through the San Francisco Emergency Rental Assistance Program (SF ERAP) for 370 households annually.

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<sup>1</sup> Proposals were reviewed by three panelists, an Integrated Intake Director at the Human Services Agency, a Senior Community Development Specialist at the Mayor's Office of Housing and Community Development, and a Family Permanent Supportive Housing Program Manager at HSH. With an average score of 90 out of 100 points possible, EDC scored the lowest average of the five agencies who submitted proposals for homelessness prevention assistance.

## System of Care

HSH-funded homelessness prevention services are currently focused on SF ERAP, which distributes emergency financial assistance for move in costs, future rent, and rent owed to eligible households. HSH administers SF ERAP in partnership with the Mayor's Office of Housing and Community Development (MOHCD). This EDC agreement is one of HSH's seven homelessness prevention agreements to implement the SF ERAP program.

SF ERAP opened as a COVID-19 relief program in May 2021 and served people who were ineligible to receive help from the State's COVID-19-related rental assistance programs. In April 2022 when the State's rental assistance program closed, SF ERAP started serving San Francisco residents with a household income at or below 80 percent of the Area Median Income (AMI) who were at risk of homelessness or housing instability. In September 2022, the program temporarily stopped accepting new applications to process a backlog. In 2021 and 2022, the SF ERAP program received 15,400 applications. The City issued 5,557 checks with an average assistance amount of \$6,876, for a total of \$38 million disbursed through December 2022. Of those who received assistance, 98 percent were at or below 50 percent AMI and 36 percent had experienced homelessness.

The program reopened and began accepting new applicants in February 2023 with updated eligibility criteria. Households must have an income at or below 50 percent AMI, be at high risk of experiencing homelessness or housing instability and have experienced a financial hardship in the last six months that resulted in unpaid rent or be unable to afford move-in costs to a unit they are planning to lease.

### *Rental Assistance Disbursed to Date*

Between June 2021 and May 2023, ERAP disbursed \$51 million and served more than 7,000 households. According to the California COVID-19 Rent Relief Program Dashboard, the State's rental assistance program disbursed \$182.6 million and served more than 15,000 households.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the First Amendment to the grant agreement between HSH and EDC to continue providing homelessness prevention services through the RADCo program, extending the term of the grant by three years through June 30, 2026, and increasing the not to exceed amount by \$14,947,500 for a total new not to exceed amount of \$24,792,066. The resolution also authorizes HSH to enter into further immaterial amendments to the grant agreements.

### Services

Services funded under this contract are currently focused on distributing emergency financial assistance for move in costs, future rent, and rent owed to eligible households through SF ERAP. The program utilizes the Homelessness Prevention Platform to help screen and identify households at high risk of homelessness and deliver services. Appendix A of the contract describes additional homelessness prevention services that EDC will provide, including problem solving conversations to help households explore and identify safe housing options outside the

homelessness response system and offer housing-focused referrals to help ensure housing stability and prevent entry into homelessness, such as legal services. According to HSH staff, EDC is not currently offering these homelessness prevention services and is focusing on administering financial assistance. Once the program develops, EDC will also provide these other homelessness prevention services. Services are provided Monday through Fridays from 9am to 5pm in San Francisco at EDC's offices and virtually by phone or email.

The extended term of the grant will serve up to 464 households, an increase from 370 households in the first two years, and funds approximately 16.74 full time equivalent positions. Starting in February 2023, HSH instituted a maximum assistance limit of \$10,000 per household per calendar year, with limited exceptions for households with an unlawful detainer. This allows EDC to serve a higher number of clients with the same amount of direct assistance.

### **Population Served and Prioritization**

Under the agreement, the grantee serves households who are at the highest risk of becoming homeless or experiencing homelessness based on ERAP's vulnerability assessment questionnaire. Households may be referred for services by HSH Coordinated Entry Access Points or may self-refer. The grantee is responsible for verifying that a household meets the criteria for services and determining eligibility.

### **Service and Outcome Objectives**

The proposed First Amendment to the grant agreement lists eight service objectives, stating that EDC shall:

- A. Hold initial Problem-Solving conversations with 100 percent of households seeking services.
- B. Complete a vulnerability assessment with a minimum of 464 households. This is an increase from 370 households in the original agreement.
- C. Provide targeted Homelessness Prevention Assistance to a minimum of 357 households. This is an increase from 290 households in the original agreement.
- D. Refer 100 percent of households not eligible for targeted Homelessness Prevention Assistance to an Access Point or other type of financial or housing assistance, as appropriate.
- E. Refer and connect 100 percent of households in need of mediation or legal services and advocacy to relevant services, as appropriate.
- F. Issue 100 percent of Flexible Financial Assistance within five business days from application approval and in accordance with HSH Homelessness Prevention Guide.
- G. Provide Housing Focused Case Management to 100 percent of eligible and interested households.
- H. Complete a Housing Stability plan, including a basic household budget, for 100 percent of households receiving Housing Focused Case Management services.

There are also five outcome objectives, which include: (1) 65 percent of households remain stably housed from program enrollment to program exit; (2) 75 percent of households who received targeted Homelessness Prevention Assistance did not access services from the Homelessness

Response System six months after assistance ends; (3) 60 percent of households who received targeted Homelessness Prevention Assistance did not access services from the Homelessness Response System 12 months after assistance ends; (4) at least 30 percent of households who received Housing Focused Case Management will increase their monthly income (earned and/or unearned income) from program enrollment to program exit; and (5) at least 65 percent of households who received Housing Focused Case Management will have a successful connection to one or more community resources like legal services, mediation, public benefits, and/or behavioral health services from program enrollment to program exit.

### **Performance and Fiscal Monitoring**

FY 2021-22 performance monitoring included a site visit in August 2022. The monitoring report shows that EDC met and exceeded contract goals for the number of households assessed (749 assessed out of a goal of 370) and served (328 served out of a goal of 290). HSH also found that out of a random sample of clients served during the first quarter of FY 2021-22, 94 percent did not return for other homelessness services within the City's response system six months after assistance ended.

However, HSH identified areas that needed improvement and requested follow-up action from EDC. The action steps included having EDC complete a training log for all staff; improving data quality by re-training staff on data quality and timeliness; training all staff on de-duplication procedures as HSH found two clients had received duplicative funds from EDC and another emergency rental assistance program agency; implementing the client survey; and keeping more detailed notes on clients who are ineligible or not prioritized for other resources as well as clients that receive legal referrals. In addition, HSH found that it took an average of 5.5 days for clients to receive financial assistance whereas the target is 5 days. HSH reports that since resuming normal operations in February 2023, program performance is currently at 5.6 days, still exceeding the target of 5 days. HSH will continue to monitor target timelines and if needed revisit the 5-day target in the future if unrealistic for providers to meet. A letter from October 24, 2022 indicates that HSH received EDC's responses to the monitoring report and the findings raised and determined the actions proposed as satisfactory, closing the findings for FY 2021-22.

HSH's monitoring report also found that EDC did not spend its full annual budget the last fiscal year, spending down only 77 percent of Proposition C dollars and 91 percent of City General Funds. HSH staff report that this was because the State of California was also operating a rental assistance program and the City did not want to duplicate efforts, so most San Francisco households seeking rental assistance were served by the State program rather than the local rental assistance program. In addition, HSH reports that EDC also had federal funds through the Mayor's Office of Housing and Community Development that were prioritized for spending down because otherwise they would have been lost. HSH reports that with the State's rental assistance program no longer operating, the City's ERAP program has fully reopened, and EDC is able to spend more of their City funds. HSH also met with EDC at the end of FY 2021-22 to discuss underspending.

*Fiscal Monitoring*

EDC has not had full fiscal and compliance monitoring by the City since FY 2018-19. HSH reports that fiscal monitoring for FY 2019-20 and FY 2021-22 was waived and monitoring in FY 2020-21 was deferred due to COVID-19. HSH reports that they anticipate full fiscal monitoring to take place in FY 2022-23. The FY 2018-19 fiscal monitoring report did not have any findings. HSH provided our office with EDC's FY 2021-22 audited financial statement, which showed that the organization generally met the financial statement performance standards monitored as part of the Citywide process, except that the agency's cash position was three weeks of operating expenses, rather than the recommended eight weeks.

**FISCAL IMPACT**

The proposed First Amendment would increase the not-to-exceed amount of the grant between HSH and EDC by \$14,947,500, for a total not-to-exceed of \$24,792,066. HSH projects annual expenditures of \$4,599,740 in FY 2023-24, as shown in Exhibit 1 below.

**Exhibit 1: FY 2023-24 Projected Grant Agreement Expenditures**

<b>Expenditures</b>	<b>Amount</b>
Salaries & Benefits	\$1,497,229
Operating Expense <sup>2</sup>	363,049
<i>Subtotal</i>	\$1,860,278
Indirect Percentage (18%)	\$334,462
Other Expenses <sup>3</sup>	2,405,000
<b>Total</b>	<b>\$4,599,740</b>

Source: Proposed grant agreement amendment

The \$4,599,740 budget for FY 2023-24 in Exhibit 1 is four percent greater than the FY 2022-23 grant budget of \$4,437,857 of the original agreement. This increase is largely due to an increase in operating expenses, specifically staff training, recruitment fees, and database costs. In addition, the annual indirect percentage increased from 15 percent in the original agreement to 18 percent in the proposed First Amendment.

Actual and budgeted expenditures by year are shown in Exhibit 2 below.

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<sup>2</sup> Operating Expenses include rent, utilities, office supplies, building maintenance supplies and repair, printing, insurance, staff training, rental equipment, staff recruitment fees, program expenses, IT services, and database services.

<sup>3</sup> Other Expenses include Rental Assistance (RADCo) and other direct assistance.



**Exhibit 2: Actual and Budgeted Expenditures by Year**

<b>Year</b>	<b>Amount</b>
Year 1 (FY 2021-22) Actual	\$4,323,223
Year 2 (FY 2022-23) Budgeted	4,599,740
<i>Subtotal, Years 1-2</i>	<i>\$8,922,963</i>
Year 3 (FY 2023-24)	\$4,599,740
Year 4 (FY 2024-25)	4,599,740
Year 5 (FY 2025-26)	4,599,740
<i>Subtotal, Years 3-5</i>	<i>\$13,799,220</i>
Contingency (15% of Years 3-5 Amount)	\$2,069,883
Total Not-to-Exceed	\$24,792,066

Source: Proposed grant agreement amendment

The grant agreement includes a 15 percent contingency to account for cost escalation and/or fund expanded services.

**Actual Spending**

As of March 2023, EDC has spent 57 percent of its projected FY 2022-23 budget (\$2,626,943 out of \$4,559,740). According to HSH, underspending is due to the program closure from September 2022 until February 2023, and the decision of City leadership to prioritize spending of federal funds through the Mayor's Office of Housing and Community Development, as discussed above. In addition, there was a change in the data platform used by San Francisco ERAP providers, which led to additional delays.

**Funding Sources**

The grant is funded by one-third of the City General Fund and two-thirds of Proposition C dollars. The first year of the grant, EDC received one-time General Fund dollars for a one-time carry forward of \$772,507 from FY 2021-22 to FY 2022-23 to add unused funding from post-COVID services ramp-up to direct client assistance as well as to cover a move of the program to a new building that better suited the program.

**RECOMMENDATION**

Approve the proposed resolution.