CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: May 27, 2026 Budget and Finance Committee Meeting

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Item 3 File 26-0497	**Departments:** Real Estate Division (RED), Children, Youth & Families (DCYF), Human Rights Commission (HRC), Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Director of Property to execute a lease with Booker T. Washington Community Service Center, a non-profit tenant, for the Ella Hill Hutch Community Center at 1050 McAllister Street through June 2027 with one option to extend the term by six months through December 2027. The City would receive $1 per year in rent.

Key Points

- The Ella Hill Hutch Community center is located at 1050 McAllister Street in the Western Addition neighborhood. This City-owned site was previously rented to Collective Impact, a non-profit that ceased operations in Spring 2026. The site was used by Collective Impact to provide youth programming. According to the proposed resolution, the Administration is proposing a short-term lease while it undertakes a competitive procurement for a long-term tenant to provide similar programming.
- In order to ensure similar youth programming takes place in the neighborhood in the Summer 2026, the Departments of Children, Youth, & Families (DCYF), Human Rights Commission (HRC), and Public Health (DPH), are jointly funding another non-profit, Booker T. Washington Community Service Center, to provide summer programming for youth.
- The new DCYF and HRC programs will have an annual cost of approximately $2.14 million. The programs will serve 125 teens and youth during Summer 2026 and, if the lease option is exercised, during Summer 2027.

Fiscal Impact

- RED estimates that annual maintenance costs for the Ella Hill Hutch site are $108,000, which will be funded by the RED maintenance budget. Although the utility and operating expenses are the tenant responsibility in the lease, those costs will be funded by the DCYF and HRC grants.
- In addition, RED estimates that the cost of one-time repairs and landscaping to make the site ready for programming is $1.2 – 1.3 million, which will be funded from the RED maintenance budget.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code Section 23.30 states that any lease with a term of one year or longer and where the City is the landlord is subject to Board of Supervisors approval by resolution.

BACKGROUND

The Ella Hill Hutch Community center is located at 1050 McAllister Street in the Western Addition neighborhood. This City-owned site was previously rented to Collective Impact, a non-profit that ceased operations in Spring 2026 following City investigations which determined the chief executive of Collective Impact and the former Director of the Human Right Commission violated the City's conflict of interest laws. The site was used by Collective Impact to provide youth programming. According to the proposed resolution, the Administration is proposing a short-term lease while it undertakes a competitive procurement for a long-term tenant to provide similar programming.

In order to ensure similar youth programming takes place in the neighborhood in the Summer 2026, the Departments of Children, Youth, & Families (DCYF), Human Rights Commission (HRC), and Public Health (DPH), are jointly funding another non-profit, Booker T. Washington Community Service Center, to provide summer programming for youth.

In addition, the Public Defender's Office intends to contract with Booker to continue the MAGIC program, which was previously provided by Collective Impact. That grant has not yet been finalized. The MAGIC program also serves youth in the Western Addition.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Director of Property to execute a lease with Booker T. Washington Community Service Center, a non-profit tenant, for the Ella Hill Hutch Community Center at 1050 McAllister Street through June 2027 with one option to extend the term by six months through December 2027. The City would receive $1 per year in rent.

The proposed resolution also finds that the below market rate lease serves a public purpose and authorizes the Director of Property to enter into further amendments to the lease that do not increase the City's obligations.

The key terms of the proposed lease are shown in Exhibit 1 below.

Exhibit 1: Key Terms of Proposed Lease

Premises	21,322 square feet, including the Ella Hill Hutch Community Center building, adjacent structure, and grounds at 1050 McAllister Street
Term	Effective Date: Upon Board of Supervisors' and Mayoral Approval Expiration Date: June 30, 2027
Options to Extend	One six-month extension through December 2027
Annual Base Rent	$1 per year
Rent Escalation	None
Maintenance	City responsibility
Utility Costs	Tenant responsibility
Janitorial & Security Services	Tenant responsibility
Maintenance	City responsibility
Security Deposit	None

Source: Proposed Lease

The lease requires the City to complete certain repairs prior to the lease commencement. The repairs are specified in Exhibit B of the lease and include interior painting, floor and ceiling repairs, bathroom upgrades, window repairs, concrete repairs, landscaping, door, fence, and gate repairs, and HVAC repairs. The Real Estate Division (RED) intends to complete this work by June 2026, except for the HVAC repairs, which will take place through August 2026 but not impact programming.

Booker T Washington Programs

Exhibit C of the proposed leases includes five funding agreements for service: two DCYF grants, two HRC grants, and one DPH contract. Together, DCYF and HRC are jointly funding an expansion of Booker T. Washington's Black Legacy Builders and Freedom School programs, which provide academic support and enrichment activities for teens, youth, and their families. DCYF selected Booker T. Washington as the provider because they are already providing similar services in the area under an existing contract that was competitively awarded and have the programmatic and financial capacity to quickly expand services. According to the grant agreements included in the proposed lease, HRC awarded funding to Booker T. Washington following a 2025 Request for Proposals. DPH's $1.5 million contract with Booker T Washington is not increasing; the organization plans to re-allocate resources to the Western Addition site.

The new DCYF and HRC programs will have an annual cost of approximately $2.14 million. The programs will serve approximately 125 teens and youth during Summer 2026 and, if the lease option is exercised, during Summer 2027. DPH is funding Booker T. Washington to provide behavioral health services.

Existing Program Performance

Performance data from DCYF shows that Booker T. Washington's existing programs met the grant's goals: they served 133 youth (the budget was for 115 youth), with a plurality residing in District 5. DPH rated their program as "3 - Acceptable/Meets Standards" out of a four-point rating scale.

City staff reviewed Booker T Washington as part of the Citywide Non-Profit Fiscal and Compliance Monitoring Program in FY 2024-25 and found that the organization was in compliance with City standards for non-profit governance and financial condition.

FISCAL IMPACT

RED estimates that annual maintenance costs for the Ella Hill Hutch site are $108,000, which will be funded by the RED maintenance budget. Although the utility and operating expenses are the tenant responsibility in the lease, those costs will be funded by the DCYF and HRC grants.

In addition, RED estimates that the cost of the repairs and landscaping will cost $1.2 – 1.3 million, which will be funded from the RED maintenance budget.

RECOMMENDATION

Approve the proposed resolution.

Item 4 File 26-0442	Department: Sheriff

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Sheriff's Office to contract with the Pretrial Diversion Project (Pretrial). The contract has an initial term of three years, June 2026 through June 2029, and a not to exceed amount of $22,532,145 for that period. The contract has two one-year options to extend the agreement, however the cost of those years is not included in the not-to-exceed amount in the resolution.

Key Points

- The proposed agreement was awarded following a competitive solicitation in which Pretrial was the top scoring proposer of two firms. Under the proposed agreement, the Pretrial Diversion Project will continue providing pretrial risk assessment, pretrial supervision, and progress reporting to the courts.
- In FY 2025-26, Sheriff staff reviewed a sample of Pretrial's work product, which was found to be accurate. In CY 2025, Pretrial Diversion clients in diversion programs have appearance and safety rates above 97 percent. Clients under supervision also have safety rates above 92 percent. Clients in assertive case management (the highest level of supervision) have an average appearance rate of 81 percent. These statistics are virtually the same as when we reviewed this contract in 2024.
- Due to late financial audits and other findings, in FY 2024-25, Pretrial was placed on Tier 2 status under the City's Corrective Action Policy, which results in mandatory action planning and technical assistance from the City. The City has been funding an accounting firm to provide technical assistance to Pretrial to improve its financial practices, some of which are related to the level of City funding.

Fiscal Impact

- The proposed resolution approves a contract with a total value of $22,532,145 for the initial three-year term, or $7.5 million per year, funded by the General Fund. The budget for FY 2026-27 is one percent greater than the FY 2025-26 budget.

Policy Consideration

- At the request of the Superior Court, the Adult Probation Department's budget proposal to the Mayor for FY 2026-27 and FY 2027-28 includes funding to establish a new division of the Adult Probation Department to take over pretrial services. The proposal includes 54.4 new FTEs in FY 2026-27 with a new General Fund cost of approximately $11 million per year. This is $3.5 million more than the Sheriff is proposing to spend on the contract with Pretrial Diversion Project. Because of the pending proposal to transfer this service, approval of the proposed resolution is a policy matter for the Board of Supervisors.

Recommendation

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

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 Pretrial Diversion Project is a nonprofit that has provided pretrial services to the Sheriff's Department since the 1980s. The contract provides information to the Court for their consideration when determining whether arrested persons remain in custody or are released while their charges are pending. In addition, this contract provides supervision for released persons and progress reports for the Court on compliance with release conditions. Under a separate agreement with the Department of Homelessness and Supportive Housing, Pretrial Diversion also serves as an Access Point for the City's homeless response system.

Procurement

In February 2026, the City issued a Request for Proposals to procure a new contract for Sheriff's Office pretrial services. The minimum qualifications for submitting a proposal included having at least five years of experience providing similar services and being a non-profit. Written proposals were evaluated based on the following factors, providing ten points each: (1) Understanding of each component and the tasks to be performed, (2) Organizational structure, (3) Staffing plan, (4) Firm's information systems, and (5) Budget efficiency, for 50 possible points. Oral interviews were scored based on the following factors, providing five points each: (1) Program goals and objectives, (2) Staff qualifications and experience, and (3) Ability to track impact of services, for 15 possible points, or 85 total possible points for both the written and oral presentations. Two organizations submitted proposals: Pretrial Diversion Project and Felton Institute. Pretrial scored 45 points on their written proposal and Felton scored 28 points, which was below the minimum score of 35 points to proceed to oral interviews. Accordingly, Pretrial Diversion Project was awarded a new contract.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Sheriff's Office to contract with the Pretrial Diversion Project. The contract has an initial term of three years, June 2026 through June 2029 and a not to exceed amount of $22,532,145 for that period. The contract has two one-year options to extend the agreement, however the cost of those years is not included in the not to exceed amount in the resolution.

Services

Under the proposed amendment, the San Francisco Pretrial Diversion Project will continue providing pretrial risk assessment, pretrial supervision (minimal and assertive case management) for clients released on own recognizance prior to case disposition, pretrial diversion to treatment, caregiving and/or community service, and facilitating group therapy and skill building. Pretrial

releases, supervision levels, and diversion plans are court-ordered. Pretrial Diversion staff monitor clients within these programs and report their progress to the courts.

Performance Monitoring

Following our recommendation to do so, in 2025 the Sheriff's Office began formally evaluating the Pretrial contract. Previously the Sheriff's Office monitored performance through a monthly review of incoming data from Pretrial, but the review was not formally documented. In FY 2025-26, the Sheriff's Office conducted a site visit to review Pretrial's organizational changes, programmatic policies and procedures including ADA compliances, client grievances, and job descriptions. Sheriff staff noted that Pretrial provided requested materials without delay.

In addition, Sheriff staff reviewed a sample of 22 public safety assessments and determined that they are 98 percent accurate, which exceeded the goal of 85 percent. Sheriff staff also reviewed eight sample progress reports in 2026 for four clients. The Sheriff's review did not quantify the accuracy of the progress reports but found that they "clearly list all court requirements in contrast with client actions to determine compliance" and that one of the eight reports did not list all group attendance.

Safety and Appearances Rates

The current contract provides for quarterly reporting by the Pretrial Diversion Project to the Sheriff's Department on the number of pretrial risk assessments presented pre-arraignment and at arraignment, the number of pre-arraignment and at-arraignment releases, average daily count and number of new releases for each supervision level, appearance rate for each supervision level (including number of failures to appear), safety rate (percentage of supervised defendants not arraigned on a new offense, or held on parole/probation violation), number of clients referred post-arraignment for release and number released, and average length of stay on pretrial supervision. Six-month and twelve-month reports include the appearance rate for each supervision level (percentage of supervised defendants who do not have a bench warrant for failure to appear) and recidivism rate (referred to as the "safety rate" in the contract). Exhibit 1 below shows the appearance and safety rates.

Exhibit 1: Pretrial Diversion Project: Client Appearance and Safety Rates, CY 2025

	Active Clients	Appearance Rate	Safety Rate
Pretrial Diversion	48	93%	97%
Caregiver Diversion	73	97%	97%
Post-Conviction and Deferred Entry of Judgment	13	92%	97%
Own Recognizance, No Active Supervision	880	86%	95%
Own Recognizance, Minimum Supervision	360	85%	97%
Assertive Case Management	1,342	81%	92%
Weighted Average, All Programs		**84%**	**94%**

Source: Sheriff's Office

Notes: All values are an average of the periods data from the four quarters of CY 2025. Safety rates refer to the percentage of clients who are not arraigned on a new misdemeanor or felony charge, or a probation or parole violation. Appearance rates refer to the percentage of clients who make their court dates.

The data indicates that Pretrial Diversion clients in diversion programs have appearance and safety rates above 97 percent. Clients under supervision also have safety rates above 92 percent. However, clients in assertive case management (the highest level of supervision) have an average appearance rate of 81 percent. These statistics are virtually the same as when we reviewed this contract in 2024. According to the Sheriff's Office, clients experiencing homelessness are more likely to have lower appearance rates. To better monitor appearance rates, Pretrial began reporting to the Sheriff on how many persons that failed to appear were later contacted successfully and who successfully filed motions to recall bench warrants.

Pretrial Diversion Project's appearance and safety rates are higher than other California counties. In FY 2022-23, Santa Clara County's Pretrial Diversion Department reported appearance rates of 62 – 66 percent and safety rates of 96 – 97 percent, depending on the risk category. In 2019, the Judicial Council began operating a pretrial diversion pilot program with sixteen Superior Courts.[1] In July 2023, the Judicial Council provided an evaluation of the pilot program to the State Joint Legislative Budget Committee, which reviewed data from January 2019 through December 2021. During that period, safety rates ranged from 61 – 73 percent and appearance rates ranged from 68 to 75 percent, depending on the risk level.

[1] The Judicial Council's pretrial pilot includes the following counties: Alameda, Calaveras, Kings, Los Angeles, Modoc, Napa, Nevada-Sierra (as a two-part consortium), Sacramento, San Joaquin, San Mateo, Santa Barbara, Sonoma, Tulare, Tuolumne, Ventura, and Yuba.

Fiscal & Compliance Monitoring

In June 2025, DCYF completed fiscal and compliance monitoring of the Pretrial Diversion Project financial condition and governance. The assessment initially found that Pretrial was not in compliance with many of the City's financial condition standards for non-profits, including not submitting its federal return for FY 2023-24 and not having audited financial statements for FY 2023-24, which is also a requirement of its contract with the Sheriff's Office. Following that determination, Pretrial submitted documentation of its compliance with most, but not all of the standards. Because it was out of compliance with several standards for multiple years, in FY 2024-25, Pretrial was placed on Tier 2 status under the City's Corrective Action Policy, which results in mandatory action planning and technical assistance from the City. The City has been funding BDO, an accounting firm, to provide technical assistance to Pretrial to improve its financial practices. Pretrial has three remaining actions it needs to complete in its action plan: (1) complete its FY 2024-25 financial audit, (2) improve its working capital ratio so that current assets are greater than current liabilities, and (3) improve its budget and cash flow. Because Pretrial receives most of its funding from the City, the latter two items are related to the level City funding, though Pretrial could also bolster its fundraising. BDO estimated that Pretrial would need approximately $980,000 per year in additional funding in order to meet staffing standards recommended by the National Association of Pretrial Services Agencies.

Retirement Plan

According to media reports, Pretrial temporarily diverted retirement contributions from staff to pay for operating expenses in 2025. According to David Mauroff, Chief Executive Officer at Pretrial Diversion Project, those actions were taken by a former employee and all late contributions were restored to individual accounts, plus lost interest, as of May 2025. Mr. Mauroff also stated that the District Attorney investigated the matter and that Pretrial is no longer the subject of that investigation.

FISCAL IMPACT

The proposed resolution approves a contract with a total value of $22,532,145 for the initial three-year term, or $7.5 million per year, funded by the General Fund. The budget for FY 2026-27 is one percent greater than the FY 2025-26 budget. The detailed program budget is shown below.

Exhibit 2: Pretrial Diversion Project Contract Budget

Budget Line	FY 2026-27	FY 2027-28	FY 2028-29
Salaries & Benefits	$5,641,814	$5,641,814	$5,641,814
Operating Expenses	591,913	603,913	603,913
Subcontractors	130,625	130,625	130,625
Equipment	18,000	6,000	6,000
Overhead (20%)	1,128,363	1,128,363	1,128,363
Total	**$7,510,715**	**$7,510,715**	**$7,510,715**

Source: Proposed Contract

Other Funding

Other funding for pretrial services includes $1.3 million annually in State grants that are awarded by the Superior Court. The Pretrial Diversion Project also has $450,000 in State grant funds through May 2027 to fund a peer navigator and licensed clinical social workers, $480,000 per year from the San Francisco Health Plan for intensive case managers, and $3,500,000 from the Crankstart Foundation through June 2027 for a new health initiative. While these services are separate from the pretrial safety assessment and supervision, they benefit that population.

POLICY CONSIDERATION

At the request of the Superior Court, the Adult Probation Department's budget proposal to the Mayor for FY 2026-27 and FY 2027-28 includes funding to establish a new division of the Adult Probation Department to take over pretrial services. The proposal includes 54.4 new FTEs in FY 2026-27 with a new General Fund cost of approximately $11 million per year. This is $3.5 million more than the Sheriff is proposing to spend on the contract with Pretrial Diversion Project, which is $7.5 million per year in General Fund costs. Court staff have expressed concerns to our office about Pretrial Diversion Project's financial stability, transparency, management, and accuracy of the progress reports for people under pretrial supervision. For example, in June 2025, Pretrial Diversion Project declined an information request from the Court regarding the organization's financial and operating activities. Neither Pretrial Diversion nor the Court were able to provide our office documentation regarding the accuracy of progress reports, and, as noted above, the Sheriff reviewed a small sample (eight) of those reports and found one error in the sample.

The Mayor and Board of Supervisors will jointly decide in the FY 2026-27 budget process whether to transfer pretrial services to the Adult Probation Department. Because of the pending proposal to transfer this service, approval of the proposed resolution is a policy matter for the Board of Supervisors. The proposed agreement can be terminated without penalty if funds are not appropriate for it.

RECOMMENDATION

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

Item 5 Files 26-0517	Department: Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Director of Property, on behalf of multiple City departments, to execute the Second Amendment to the City's lease with Hudson at 1455 Market Street, expanding the leased premises by 502,082 square feet, and extending the 21-year term by four years terminating on April 30, 2049. The proposed lease amendment would also reset the rent to $40.00 per square foot beginning January 1, 2027, with 1% annual increases until 2032 and then 3% annually thereafter.

Key Points

- The proposed lease amendment would support Phase 3 relocation of City departments currently located at 1 South Van Ness Avenue, portions of 25 Van Ness Avenue, and 1390 Market Street. The relocation is intended to address operational constraints, deferred maintenance, seismic concerns, and expiring lease obligations at existing facilities.
- Under the proposed amendment, the City would lease a total of approximately 885,119 square feet at 1455 Market Street across Phases 1, 2, and 3. The amendment would also provide additional tenant improvement allowances, one-time building improvements paid for by the landlord, and a right of first refusal if the property is offered for sale.

Fiscal Impact

- The proposed amendment would increase annual rent costs beginning in FY 2027-28, with total projected lease costs of approximately $1.03 billion through FY 2048-49 for all phases. The rent reset and modified escalation structure is projected to generate approximately $56 million in savings for the City over the existing lease term for currently leased premises.
- The proposed amendment would authorize up to $10,760,600 in City-funded tenant improvement costs, including $8,781,414 for landlord-delivered tenant improvements and approximately $2 million for Department of Technology costs to network the building. The landlord would contribute $97,905,990 toward tenant improvements and moving costs.

Policy Consideration

- The proposed amendment would increase annual rent costs by approximately $14 million in FY 2027-28, increasing to $20.4 million in FY 2028-29 following full occupancy. The City currently spends $7 million to operate and maintain 1 South Van Ness, a City-owned building, which would increase to $17 million per year for those tenants under the proposed lease.
- Relocating from City-owned to leased space shifts certain operational and capital responsibilities from the City to the landlord. Over the term of the lease, the City Administrator determined that the proposed relocations would result in $26.1 million in savings through FY 2048-49.

Recommendation

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

MANDATE STATEMENT

City Administrative Code Section 23.27 states that any lease with a term of one year or longer and where the City is the tenant is subject to Board of Supervisors approval by resolution.

BACKGROUND

1455 Market Lease

In April 2024, the Board of Supervisors approved a lease with Hudson 1455 Market, LLC (Hudson) for approximately 157,154 square feet of office space, storage, and parking at 1455 Market Street (Phase 1), for a term of 21 years from May 2024 through April 2045, with two five-year options to extend through April 2055, and annual base rent of $6,286,100 ($40 per square foot) with three percent annual escalation (File 24-0312).

In April 2025, the Board of Supervisors authorized the Director of Property (on behalf of the Human Services Agency, County Transportation Authority and Library's Information Technology unit) to execute the First Amendment to the City's lease with Hudson at 1455 Market Street, expanding the leased premises by 225,883 square feet of office space and 6,279 square feet of basement storage, for total leased office space of 383,037 square feet (Phase 2) (File 25-0265). Most of the space was for HSA, which contributed approximately $15.5 million for tenant improvements for office space and a new service center.

The original lease included an option to expand to other spaces in the building under the same terms of the original lease through December 2027. For this latest amendment, the Real Estate Division (RED) has negotiated improved terms for existing and proposed tenants.

The proposed second lease amendment would relocate City staff from 1 South Van Ness, 25 Van Ness, and 1390 Market Street.

1 South Van Ness

1 South Van Ness is a City-owned office building that was purchased in 2006 for $96,355,000 using certificate of participation debt (File 06-1531). There is approximately $48 million in outstanding debt, which will be repaid in FY 2040-41. The following departments/divisions are located in this building: ADM Digital Services, ADM Committee on Information Technology, ADM 311, Police Accountability (DPA), Economic & Workforce Development (ECN), Human Resources (DHR), Municipal Transportation Agency (MTA), Mayor's Office of Housing & Community Development (MOHCD), Department of Technology (TIS), and Office of Community Investment and Infrastructure (OCII). The administration is proposing to relocate all offices, comprising 476,000 square feet, to 1455 Market Street. The Market & Octavia Area Plan calls for high-density mixed-use on the site; it could be redeveloped for another City use or sold for a market rate purpose.

25 Van Ness

25 Van Ness is a City-owned building and historic structure with no outstanding debt. The administration is proposing a partial relocation of the following tenants to 1455 Market Street: RED, Risk Management (ADM), Civil Service Commission (CSC), Public Works human resources

(DPW HR), Human Rights Commission (HRC), and Status of Women (WOM), which would vacate approximately 25,000 square feet of space. There are no immediate plans to fill this space; however, RED reports there are several known space needs in the Real Estate portfolio that could be supported with the vacated space.

1390 Market Street

The City Attorney leases approximately 75,000 square feet at 1390 Market Street. The lease expires in 2028. The administration is proposing to relocate the City Attorney to 1455 Market Street.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Director of Property (on behalf of the San Francisco Municipal Transportation Agency, Police Accountability, Human Resources, Office of the City Administrator, Mayor's Office of Housing and Community Development, Office of Community Investment and Infrastructure, Office of Economic and Workforce Development, Technology, Public Works, Civil Service Commission, Human Rights Commission, and City Attorney) to execute the Second Amendment to the City's lease with Hudson at 1455 Market Street, expanding the leased premises by 502,082 square feet of office space, extending the 21-year term by four years terminating on April 30, 2049, with two five-year options to extend the lease term. The proposed lease amendment would also reset the rent to $40.00 per square foot beginning January 1, 2027, with 1% annual increases until 2032 and then 3% annually thereafter.[1] Finally, the resolution authorizes the Director of Property to spend up to $10,760,600 for tenant improvements at the site.

The resolution also affirms the Planning Department's determination under the California Environmental Quality Act (CEQA), adopts the Planning Department's findings of consistency with the General Plan and Planning Code, and authorizes the Director of Property to make further amendments so long as they do not materially increase the liabilities to the City or materially decrease the benefits to the City.

Exhibit 1 summarizes the terms and conditions of the existing and proposed lease provisions.

Exhibit 1: Key Terms of Proposed Lease Amendment

Lease Terms	Current Lease	Proposed Lease Amendment
Premises	Phase 1 premises (157,154 square feet on Floors 7, 12, 13, 16, & 17) and Phase 2 premises (225,883 square feet on the sublevel floor and Floors 4, 8, 18, & 22), and 6,279 square feet of basement space	Phase 3 Premises (502,082 square feet on floors 2, 3, 5, 6, 7, 8, 10, 11, 19, 20, & 21)
Term	21 years, from approx. May 2024 through April 2045. Two five-year options to extend.	Extends initial term through April 2049.

[1] The proposed resolution states the additional new rent would be $14,487,462 in year two of Phase 3, however this is incorrect. The additional new rent is projected to be $14,037,393, assuming a Fall 2027 move-in date.

Lease Terms	Current Lease	Proposed Lease Amendment
Annual Base Rent	$42.44 per square foot (Lease Year 3)	$40 per square foot starting January 1, 2027
Basement Space Rent	$194,021 ($30.90 per square foot, Lease Year 2)	No change
Rent Escalation	3% annually	1% annually 2027-2031, then 3% annually
Rent Start	Phase 1: May 1, 2025 Phase 2: The earlier of the date when City first occupies Phase II space or tenant improvements are substantially complete	Phase 3: Fall 2027 for most departments; May 2028 for City Attorney.
Option to Expand	City may expand premises in the building under the same terms of the lease through December 2027	No change. Approximately 200,000 square feet remain.
Option to Purchase	City has the option to purchase the building at appraised fair market value if provided notice by March 1, 2027. City must close escrow 255 days after notice or by December 31, 2027.	No change to Option to Purchase. Adds City right of first refusal if building is offered for sale afterwards.
Parking	City may lease one parking space per 3,000 square feet at a rate of $350 per space per month (subject to adjustment based on market rates)	City may park 120 cars overnight at no additional cost beyond $350 monthly cost per space.
Tenant Improvement Allowance	$100 per square foot, or $22,588,300 for Phase II premises	Increase of TI Allowance from $100 to $180 per square foot for Phase 3 premises, providing $90,374,760 for Phase 3.
Moving Allowance	$15 per square foot, or $3,388,245 for Phase II premises	Remains $15 per square foot, providing $7,531,230 for moving costs for Phase 3. Now allows City to apply unused allowance to tenant improvement costs.
Electrical Costs	City pays Landlord as a passthrough cost without markup	No change
Operating Costs	City pays percentage share of increase in operating costs over base year, which starts in 2027 with Phase II. Operating costs include heat, water, HVAC, janitorial services, security, and property taxes.	Base Year shifted to 2028 and operating cost pass-through cannot grow more than five percent annually. Base Year resets in 2038.
Property Taxes	Pro-rated and included in operating costs.	If building is sold within three years of Second Amendment, resulting property tax increase is not passed-through to City.

Source: Proposed Lease Amendment

Under the proposed amendment, the annual base rent is reset to $40 per square foot beginning January 2027. Beginning in 2028, annual Base Rent escalations will decrease to 1% through the fifth anniversary of the Reset Date, after which annual escalations will increase to 3%.

Phase 3 Relocation and Space Plan

According to RED, the proposed amendment supports the Phase 3 relocation of departments from facilities facing significant operational, financial, and physical constraints, including: (1) a full exit from 1 South Van Ness Avenue, a City-owned building currently rated as Seismic Hazard Rating-3[2] with overcrowding, operational inefficiencies, security challenges, and substantial deferred capital needs due to aging building systems; (2) a partial exit from 25 Van Ness Avenue to enable consolidation into a more functional footprint at 1455 Market Street (3) a full exit from 1390 Market Street, a leased facility occupied by City Attorney staff that is subject to above-market rental rates under a lease expiring in 2028.

Departments proposed for relocation in Phase 3 include the San Francisco Municipal Transportation Agency, Department of Police Accountability, Department of Human Resources, Office of the City Administrator, Mayor's Office of Housing and Community Development, Office of Community Investment and Infrastructure, Office of Economic and Workforce Development, Department of Technology, Department of Public Works, Civil Service Commission, Human Rights Commission, and City Attorney's Office. Collectively, these departments occupy 576,588 square feet of City-owned and leased space now and would occupy 502,082 square feet of space in 1455 Market.

The departmental square footage allocations for the Phase 3 premises have not yet been finalized. The building floor plan is shown in Exhibit 2 below.

Exhibit 2: 1455 Market Street Floor Plan

Phase 1 Premises	City Department	Square Footage
Floor 7	SFMTA	51,789
Floor 12	Department of Human Resources (DHR)	16,507
	General Services Agency (GSA) Human Resources	8,719
	Floor 12 Subtotal (Includes 1,126 sf Shared Space)	*26,352*
Floor 13	Department of the Environment	22,074
	Mayor's Office of Disability	4,265
	Floor 13 Subtotal	*26,337*
Floor 16	Treasurer-Tax Collector (TTX)	17,565
	Contract Monitoring Division (CMD)	7,713
	Floor 16 Subtotal (Includes 1,059 sf Shared Space)	*26,337*
Floor 17	Assessor-Recorder	16,291
	Department of Children, Youth & their Families (DCYF)	10,046
	Floor 17 Subtotal	*26,637*
Phase 1 Subtotal		**157,154**

[2] A Seismic Hazard Rating (SHR) of 3 means that, during a major earthquake, a building would likely suffer substantial damage to such an extent that it would be unusable until repaired.

Phase 2 Premises	City Department	Square Footage
Sublevel Floor	HSA (Service Center)	66,056
Floor 4	HSA (Back-Office Eligibility Workers)	97,718
Floor 8	Library IT	7,660
Floor 18	HSA (Executive Team, Administrative and Operations Functions)	27,215
Floor 22	San Francisco County Transportation Authority (SFCTA)	27,234
Phase 2 Subtotal		**225,883**

Phase 3 Premises	City Department (to be finalized through design process)	Square Footage
Floor 2	SFMTA	TBD
Floor 3	SFMTA	TBD
Floor 5	Police Accountability, Human Resources, Public Works HR	TBD
Floor 6	311 Call Center, Digital Services/Data SF, MOHCD, OCII, Office of Economic Workforce Development, Department of Technology	TBD
Floor 7	SFMTA	TBD
Floor 8	SFMTA	TBD
Floor 10	SFMTA	TBD
Floor 11	Civil Service Commission, Committee on Information Technology, Real Estate Division, Risk Management	TBD
Floor 19	City Attorney	TBD
Floor 20	City Attorney	TBD
Floor 21	City Attorney	TBD
Phase 3 Subtotal		**502,082**
Total		**885,119**

Source: RED

Note: Under a separate lease, MTA leases 45,173 at 1455 Market Street.

According to RED, the proposed third phase would consolidate departments currently located within the Phase 1 premises, including the Department of Human Resources and the San Francisco Municipal Transportation Agency, freeing space for occupancy by the Human Rights Commission upon completion of the consolidation.

City Option to Purchase

The lease contains an option for the City to purchase the building if it has rented at least 400,000 square feet in the building, which would be met with the proposed amendment. The City must provide notice to Hudson by March 1, 2027, and close escrow within 255 days of notice, or by December 31, 2027. The purchase price would be determined by an appraisal conducted at that time by a firm mutually agreed upon by the City and Hudson, but for no less than $200 per square feet, or $225,000,000. The actual purchase price may be substantially higher given the tenant

improvements and occupancy of the building, as well as market conditions. The option window provides an opportunity for RED and the Capital Planning Committee to analyze the feasibility of purchasing the building and to incorporate the potential purchase into the Capital Plan, which currently does not provide any funding for this purpose during the ten-year planning horizon.

Under the proposed amendment, the City receives the Right of First Offer to Purchase for the full term of the lease. If the landlord elects to sell the property at any point during the lease term, the landlord must first provide the City with a written offer, after which the City has 60 days to accept. The parties would then negotiate a purchase and sale agreement, subject to Board of Supervisors approval. RED states there are currently no plans to exercise the purchase option.

FISCAL IMPACT

Rent

Exhibit 3 below shows the projected rent by fiscal year for the proposed lease amendment. Because initial move-ins would not occur until Fall 2027, there is no budget impact until FY 2027-28, when the City's rent costs would increase by $14 million.

Exhibit 3: Estimated Rent

	Proposed Phases 1 & 2	Proposed Phase 3	Total
FY 2027	16,046,827	-	16,046,827
FY 2028	15,650,503	14,037,393	29,687,896
FY 2029	15,807,008	20,385,533	36,192,542
FY 2030	15,965,078	20,589,389	36,554,467
FY 2031	16,124,729	20,795,283	36,920,012
FY 2032	16,448,026	21,212,223	37,660,249
FY 2033	16,941,467	21,848,590	38,790,056
FY 2034	17,449,711	22,504,047	39,953,758
FY 2035	17,973,202	23,179,169	41,152,371
FY 2036	18,512,398	23,874,544	42,386,942
FY 2037	19,067,770	24,590,780	43,658,550
FY 2038	19,639,803	25,328,503	44,968,306
FY 2039	20,228,997	26,088,358	46,317,356
FY 2040	20,835,867	26,871,009	47,706,876
FY 2041	21,460,943	27,677,140	49,138,083
FY 2042	22,104,771	28,507,454	50,612,225
FY 2043	22,767,915	29,362,677	52,130,592
FY 2044	23,450,952	30,243,558	53,694,510
FY 2045	24,154,481	31,150,864	55,305,345
FY 2046	24,879,115	32,085,390	56,964,505
FY 2047	25,625,488	33,047,952	58,673,440
FY 2048	26,394,253	34,039,391	60,433,644
FY 2049	22,655,067	29,217,144	51,872,211
Total	**460,184,372**	**566,636,389**	**1,026,820,761**

Source: City Administrator's Office

Under the proposed amendment, the base rent amount for all premises under the lease will be reset to $40 per square foot starting January 1, 2027, with 1% annual increases through December 2031 then 3% annually thereafter. The rent reset will result in approximately $56 million in savings beginning in FY 2026-27 for the Phase 1 & 2 areas already leased by the City through the initial term of the original lease.

Tenant Improvements

The overall tenant improvement budget is $213 per square foot, for which the City will contribute $17.49 per square foot or eight percent of the budget. These estimates are based on space plans developed by Hudson in coordination with RED and preliminary input from departments and reflect both historical pricing from Phases 1 and 2 and broader market construction cost trends. RED reports that the office design will standardize workstations, reusing existing layout as much as possible, and minimizing construction of new private offices.

The tenant improvement costs are within the range of recent office conversion projects. According to RED, the District Attorney office conversion for 350 Rhode Island cost $281 per square foot (in 2024 dollars). According to a report by Cushman and Wakefield, a real estate services firm, the average hard and soft costs for office tenant improvements in San Francisco in 2025 is $240 per square foot.

Under the proposed amendment, the landlord will increase the tenant improvement allowance from $100 to $180 per square foot, for a total estimated allowance of approximately $90,374,760, and provide a moving allowance of $15 per square foot, totaling approximately $7,531,230, for a total landlord contribution of $97,905,990. Under the proposed Second Amendment, any unused moving allowance may be applied toward tenant improvements.

The proposed resolution caps the City's contribution toward tenant improvements at $10,760,600, which includes a $8,781,414 City contribution for landlord-delivered tenant improvements at $17.49 per square foot plus approximately $2,000,000 in Department of Technology costs to network the building.

The tenant improvements are primarily to establish new office space within the building as well as a new service center for MTA. The landlord estimates that tenant improvements for the Phase 3 premises will be completed and ready for occupancy by Fall 2027, except for the City Attorney's office space, which is expected to be delivered by May 2028 when the existing lease expires. Tenant improvement work will be carried out by the landlord's contractors. According to RED, the moving allowances under the proposed amendment will be sufficient to cover all costs associated with the move.

Additional Improvements and Provisions

Under the proposed amendment, the landlord will complete one-time building improvements at no additional cost and no impact to the tenant improvement budget, including repairing the HVAC on the sixth floor, construction of a 9th-floor conference room and installation of 11 electric vehicle charging stations, with the final scope, specifications, and locations to be jointly determined by the landlord and the City. The estimated value of these improvements is $17.5 million, which is in addition to the tenant improvement contribution described above.

In addition, the City may park up to 120 fleet vehicles overnight in a landlord-designated area without incurring additional overnight parking charges beyond standard parking rates.

Operating Costs

Under the proposed amendment, the City's percentage share increases from 34.07 percent to 79.31 percent of the increase in the building's operating expenses over the base year. Under the proposed amendment, the Base Year for operating expenses and property tax obligations will shift from 2027 to 2028, delaying operating expense pass-throughs and reducing the City's operating costs by approximately $3 million.[3] In addition, the proposed amendment establishes a Base Year reset every ten years, beginning in 2038, providing additional ongoing savings of $4 million. The City will pay electricity costs for its leased space upon substantial completion.

[3] According to RED, marginal operating expenses are projected at $1.20 per square foot beginning January 1, 2029, and property tax costs are projected at $2.13 per square foot beginning on the same date.

According to RED, electricity costs for the proposed space are estimated at $1.15 per square foot beginning in Fall 2027, with annual escalations of 5% each July.

Under the proposed amendment, beginning in 2029, annual increases in operating costs payable by the City will be capped at 5% compounded annually over the prior year's cap. The cap excludes utilities, security, engineering, janitorial and union labor costs, insurance, code-compliance improvements, and real estate taxes. However, the City is protected from an increase in real estate taxes if the building is sold and re-assessed at a higher taxable value for the three years of the execution of the proposed Second Amendment.

Funding Sources

According to RED, rent and operating costs would be supported by the General Fund (64.7 percent), MTA (31.7 percent), and OCII (3.7 percent).

Similar proportions would apply to the City contribution to the tenant improvement budget: the City's tenant improvement costs of $10,760,600 would be funded as follows: $7,091,985 from the General Fund (66 percent), $3,300,457 from MTA (31 percent), and $368,158 (3 percent) from OCII.

POLICY CONSIDERATION

Increase in Short-Term Real Estate Expenses

As shown above, the proposed lease would result in new rent expenses of approximately $14 million starting in FY 2027-28, increasing to $20.4 million in FY 2028-29 once all tenants are relocated. 65 percent of these costs would be paid from the General Fund and most represent new outlays as tenants are relocating from City-owned space. The City currently spends $7 million to operate and maintain 1 South Van Ness, a City-owned building, which would increase to $17 million per year for those tenants under the proposed lease.

Moving from City-Owned to Leased Space

Relocating from City-owned to leased space shifts certain operational and capital responsibilities from the City to the landlord. Under City-owned facilities, the City is responsible for ongoing operating and maintenance costs, including janitorial, security, building maintenance, and major capital investments necessary to maintain the facility in good repair, including seismic upgrades and replacement of aging building systems. Under the proposed lease structure, many of these responsibilities and associated risks would be assumed by the landlord, reducing the City's direct exposure to future capital and facility maintenance costs. According to RED, the estimated cost to retrofit the 1 South Van Ness building will exceed $100 million and deferred maintenance on the building likewise exceeds $100 million. When factoring in these and other needs, the City Administrator determined that the proposed relocations will result in $26.1 million in savings through FY 2048-49.

In addition, vacating 1 South Van Ness would allow the City or a market rate developer to repurpose the site in alignment with the Market & Octavia Plan's call for high-density housing on the site, potentially providing one-time revenue to offset these new costs.

RECOMMENDATION

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

Item 6 File 26-0443	Department: Public Utilities Commission (SFPUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves the first amendment to a professional services contract between the San Francisco Public Utilities Commission (SFPUC) and LEE + RO and AGS Joint Venture for engineering support services for the Emergency Firefighting Water System (EFWS) and the City's Water Distribution System, to increase the not to exceed amount by $5,000,000 for a total not-to-exceed amount of $13,000,000, with no changes to the eight-year term from June 28, 2024, through June 27, 2032.

Key Points

- The SFPUC is expanding the City's Emergency Firefighting Water System (EFWS), a dedicated high pressure fire suppression system to fight large fires following an earthquake, on the westside of the City. In addition, the SFPUC is making improvements to San Francisco's drinking water pipelines through the Local Water Conveyance/Distribution System program, also known as the Linear Asset Management Program (LAMP).
- The SFPUC selected LEE + RO and AGS Joint Venture to provide engineering support for the projects, through a competitive solicitation process. LEE + RO and AGS Joint Venture was the only responsive proposer to the Request for Proposals.
- In FY 2024-25, SFPUC determined the joint venture largely met performance expectations, particularly those related to service quality, cost and scope management, and value but noted that there is room for improvement in coordination with subconsultants and timeliness of invoicing and proposals.

Fiscal Impact

- The proposed resolution would increase the contract amount by $5.0 million to provide $2.3 million in funding for new projects to improve drinking water pipelines not previously funded and to fund budget increases for Emergency Firefighting Water System projects due to the need for a greater seismic level of service, route adjustments to strengthen system reliability, unexpected geotechnical challenges, and reviews of potential cost-saving options in response to market conditions.
- The contract will be funded by the projects' budgets within SFPUC's Water Enterprise Local Water System Capital Improvement Program (Local Water CIP), and/or Earthquake Safety and Emergency Response (ESER) bonds for Emergency Firefighting Water System projects.

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.

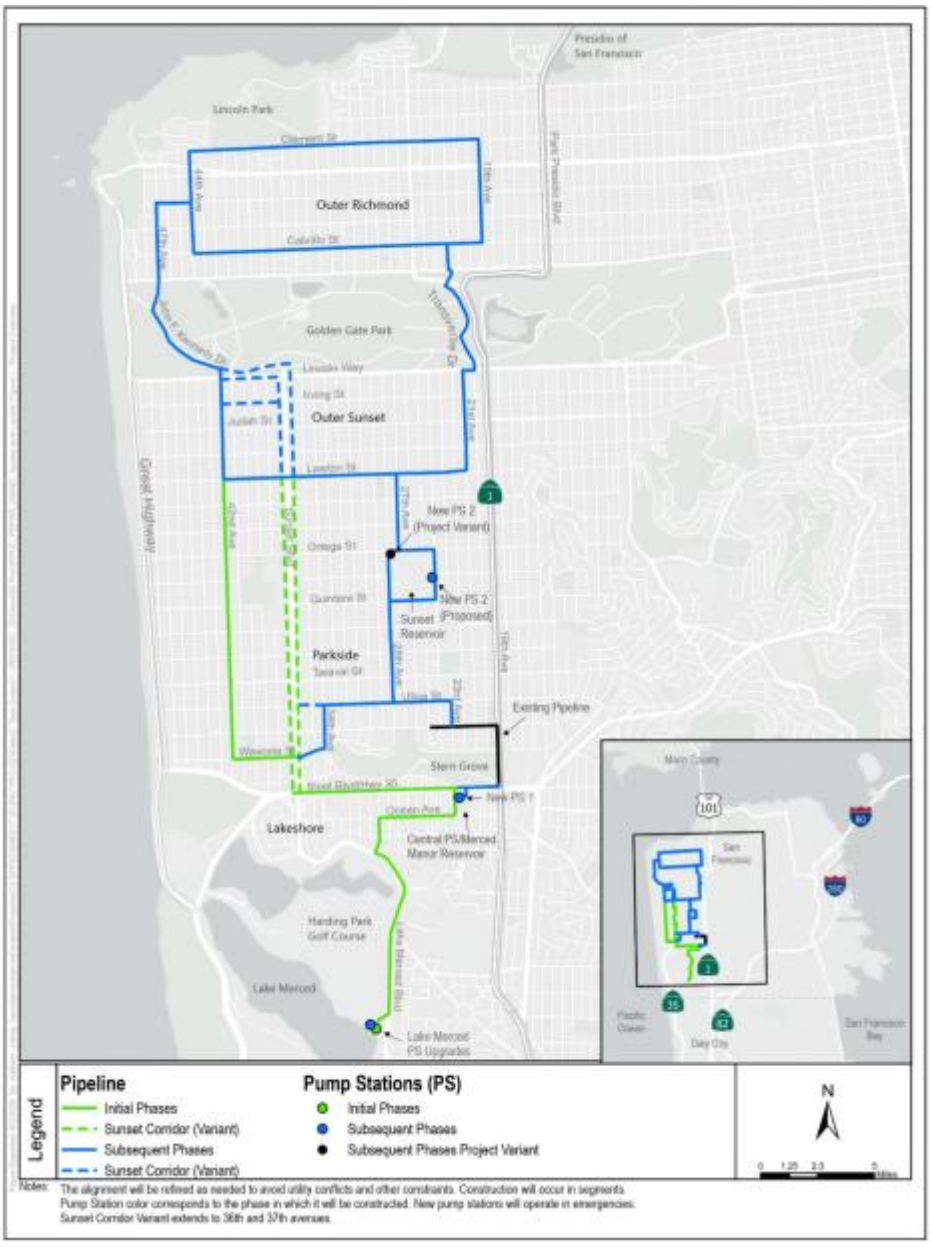
BACKGROUND

The Potable Emergency Firefighting Water System (PEFWS)

The City's Emergency Firefighting Water System (EFWS) is a dedicated high pressure fire suppression system to fight large fires and fires following an earthquake. The EFWS consists of roughly 130 miles of pipelines, 229 cisterns, seawater pump stations, fireboat manifolds, and storage assets that collectively provide unique, redundant fire suppression capability for the City. However, system coverage remains insufficient in large portions of the westside and southern neighborhoods, including the Sunset, Richmond, Excelsior, Visitacion Valley, and Bayview.

To address these deficiencies and improve fire suppression coverage, the San Francisco Public Utilities Commission (SFPUC) is undertaking a multiphase expansion of the system in the westside of the City, named the Potable Emergency Firefighting Water System (PEFWS). The PEFWS provides dual use potable water and high-pressure fire suppression capacity, designed to meet firefighting demand following a scenario earthquake of magnitude 8.05 and supply drinking water to the west side during non-fire situations. Development of the PEFWS now consists of seven major pipeline contracts (A–G) and separate pump station and fireboat manifold projects. Exhibit 1 shows the conceptual plan for the project.

Exhibit 1: Revised Potable Emergency Firefighting Water System Conceptual Plan



Source: SFPUC. SFPUC notes that the alignment is subject to change.

Linear Asset Management Program (LAMP)

The Local Water Conveyance/Distribution System program, also known as the Linear Asset Management Program (LAMP), is funded by the San Francisco Public Utilities Commission (SFPUC) Water Enterprise Local Water System Capital Improvement Program (Local Water CIP) to make improvements to San Francisco's drinking water pipelines. The SFPUC aims to replace 10 to 15 miles of pipe per year subject to funding availability. The Local Water CIP is a ten-year schedule of projects designed to upgrade system assets and support service level goals.

Engineering Services Contract

Contract No. PRO.0163(R), Engineering Services for the EFWS and the City's Water Distribution System, awarded by the SFPUC Commission in February 2024, provides engineering design and technical support for these pipeline improvements. Since its initiation, this contract has primarily supported four main efforts: 1) system performance evaluation of EFWS; 2) planning for EFWS Central Pump Station; 3) planning and design for EFWS Pipeline Contracts A and B; and 4) support for various LAMP Projects.

The contract was originally authorized for a not to exceed amount of $8,000,000 and with a contract duration of eight years from June 28, 2024 to June 27, 2032. Additional engineering scope is now required to support ongoing design refinement, expanded project requirements, and coordination for PEFWS pipeline segments and associated system upgrades.

Procurement

The SFPUC issued a Request for Proposals for Engineering Services for the Emergency Firefighting Water System (EFWS) and the City's Water Distribution System in April 2022 but did not receive any responses. After conducting outreach, the SFPUC learned that firms were deterred primarily by concerns about liability risk and difficulty meeting certain minimum qualifications, particularly the experience requirements. In response, the SFPUC revised the subconsultant qualification requirements and added more detail to project descriptions and re-advertised the solicitation in July 2023. According to SFPUC staff, key changes to the solicitation included lowering minimum experience requirements and reducing the commitment percentage for the on-site mechanical engineer; adding a Lead Team Member role; increasing the maximum billing rate for Lead Team Members; modifying qualifications to rely on clearer, more quantifiable parameters; and introducing a general aggregate limitation for professional liability insurance. LEE + RO and AGS Joint Venture was the only respondent to the solicitation. The proposal was scored based on their technical written proposal (695 points), diversity, equity, and inclusion (DEI) submittal (5 points), and optional social impact partnership (SIP) proposal (50 points), for a total maximum score of 750 points. The proposal received a score of 633 points out of 750 points possible.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves and authorizes the General Manager of the San Francisco Public Utilities Commission to execute Amendment No. 1 to Contract No. PRO.0163(R), Engineering Services for the Emergency Firefighting Water System (EFWS) and the City's Water Distribution System, with LEE + RO and AGS Joint Venture. Amendment No. 1 increases the contract amount by $5,000,000, raising the total not to exceed value from $8,000,000 to $13,000,000, while making no changes to the contract term of June 28, 2024, through June 27, 2032.

Services and Resources

The additional funding would provide expanded engineering services that support ongoing Emergency Firefighting Water System and Potable Emergency Firefighting Water System pipeline improvements. These services include additional design refinement, hydraulic modeling,

geotechnical analysis, corrosion protection engineering, and engineering support during construction as several pipeline segments advance toward bid and award.

During the EFWS planning and design phases, several issues drove the budget higher, including the need for a greater seismic level of service, route adjustments to strengthen system reliability, unexpected geotechnical challenges, and reviews of potential cost-saving options in response to market conditions.

Subcontractors and Local Business Enterprise Requirements

Approximately 21 percent of the work would be performed by subcontractors, including 10 percent by Local Business Enterprises (LBEs) and 11 percent by non-LBE firms. The RFP required at least 10 percent LBE participation. The contractor committed to 10 percent. Planned LBE subconsultants are detailed in Exhibit 2.

Exhibit 2: Local Business Enterprise Subconsultants, Tasks, and Estimated Participation

LBE Firm	Service	Estimated Participation
Saylor Consulting Group	Cost Estimating	2.0%
Meridian Surveying Engineering Inc.	Survey	2.0
RES Engineers, Inc.	Materials Testing	2.0
Joe Hill Consulting & Engineering Corporation	Standard Operating Procedures	4.0
Total		**10.0%**

Source: SFPUC Memo, Proposed Amendment, March 2026.

Planned non-LBE firms are shown in Exhibit 3. These firms chose to be subconsultants rather than submit their own proposals in response to the RFP.

Exhibit 3: Non-LBE Subconsultants, Tasks, and Estimated Participation

Firm	Service	Projected Participation
CHS Consulting Group	Traffic Control	1.0%
Delve Underground	Tunnel Design	3.0
Exaro	Utilities Investigation	1.0
Towill, Inc.	Right of Way and Photogrammetry	1.0
V&A Consulting Engineers, Inc.	Corrosion Engineering	1.0
Charles Scawthorn	Technical Advisor (Risk Analysis)	2.0
Scott Foster Engineering	Surge Analysis	1.0
Tom O'Rourke	Technical Advisor (Seismic Resiliency)	1.0
Total		**11.0%**

Source: Appendix B, Contract No. PRO.0163(R), SFPUC.

Social Impact Partnership (SIP)

The Firm is obligated to deliver the Social Impact Partnership (SIP) Commitments, a deliverable, listed in Exhibit 4 below, to the communities that intend to benefit in a transparent and accountable manner. As detailed in Amendment No. 1, the Firm will provide $24,375 in direct financial contributions and $60,937 in volunteer hours, a 62.5 percent increase from the original combined total SIP Commitment of $52,500. The Firm commits to providing the minimum total contribution of $85,312 over the term of the agreement as stated in the Firm's SIP Proposal Response Form and Exhibit 4 below. As of FY 2024-25, the firm has provided $9,188 in benefits to Young Community Developers.

Exhibit 4. Amendment No. 1 Social Impact Partnership Commitments Table

SIP Program Area	Direct Financial Contributions	Volunteer Hours	Volunteer Hour (Fixed rate $150)	Value of Volunteer Hours	**Total Contribution**
Public Education	$24,375	406.25	$150	$60,937	**$85,312**

Source: Amendment No. 1, Contract No. PRO.0163(R), SFPUC.

Performance Monitoring

SFPUC conducts annual performance evaluations of the contractor, consistent with department policy. The performance evaluation rates performance as "Excellent," "Good," "Fair,", or "Unsatisfactory" for various categories. In November 2025, SFPUC staff completed the performance evaluation of the joint venture for FY 2024-25. The joint venture received an overall rating of "Good" and ratings of "Good" for the following sub-categories: (1) Quality of Service; (2) Cost Management; (3) Scope Management; (4) Value of Services; (5) Administrative Functions. The joint venture received ratings of "Fair" for: (1) schedule management and (2) staff and resources. The evaluation noted that the engineering deliverables and analysis have been of high quality but there is room for improvement in coordination with subconsultants and timeliness of invoicing and proposals.

FISCAL IMPACT

Approval of Amendment No. 1 increases the not to exceed amount of Contract No. PRO.0163(R) to $13,000,000, representing a $5,000,000 increase over the original contract amount of $8,000,000. All contract expenditures will continue to be funded through the San Francisco Public Utilities Commission's Water Enterprise capital budget, supported by project budgets within the Water Enterprise Local Capital Improvement Program and/or Earthquake Safety and Emergency Response (ESER) bonds, for Emergency Firefighting Water System projects. Exhibit 5 below provides a breakdown of the contract budget.

Exhibit 5: Contract Budget

Project Name	Current Planned Budget	Proposed Increase	Total Proposed
EFWS Pipelines Contracts A through C	$4,169,441	$4,590,000	$8,759,441
EFWS Pump Station(s) Central Pump Station	417,319	300,000	717,319
City's Distribution System Active LAMP Projects (WD-2923, WD-2921, WD-2918, WD-2885)	802,345	400,000	1,202,345
City's Distribution System Starting Calendar Year 2026 LAMP Projects (TBD)	0	2,300,000	2,300,000
Training Sessions	0	20,895	20,895
Unassigned	2,610,895	(2,610,895)	$0
Total	**$8,000,000**	**$5,000,000**	**$13,000,000**

Source: Amendment No. 1, Contract No. PRO.0163(R), SFPUC.

The increased amount includes $2.3 million in funding for new LAMP projects and budget increases for existing projects. During the planning and design phases of the EFWS projects, several factors contributed to the overall budget increase for existing projects. First, the seismic performance criteria for the facility were upgraded to ensure the system can operate immediately following a major earthquake. The project team also made alignment changes to strengthen system robustness, including relocating the pipeline from 42nd Avenue to 37th Avenue to support the Fire Department's firebreak concept for emergency operations, as well as adjusting the route from the Central Pump Station to Sunset Boulevard via Sloat Boulevard. In addition, site-specific investigations near Lake Merced revealed more extensive geotechnical hazards than initially anticipated, such as permanent ground deformation, requiring the development of additional mitigation measures. Finally, in response to rising material costs, a milestone review panel recommended evaluating potential cost-reduction options, including assessing alternatives such as welded steel pipe versus ductile iron pipe.

To date, $5,389,104 of the original total not-to-exceed amount of $8,000,000 has been encumbered for 23,640 budgeted hours at a cost of approximately $228 per hour. The remaining contract amount of $2,610,895 is unencumbered.

Labor Rates

Per the terms of the contract, the Effective Overhead and Profit Rate may not exceed 3.20, and the billing rates range from $77 to $300 per hour. The Firm is only allowed to escalate billing rates based on the annual change of the Consumer Price Index (CPI) for the San Francisco Bay Area for Urban Wage Earners and Clerical Workers. No increases are permitted to billing rates exceeding $300 per hour unless the SFPUC Bureau Manager and Contract Manager authorize the increase in writing.

RECOMMENDATION

Approve the proposed resolution.

Item 11 File 26-0418	Department: Public Health

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Amendment No. 1 to the agreement between the Department of Public Health (DPH), and Crestwood Behavioral Health Inc. (Crestwood), for operation of a Crisis Stabilization Unit at 822 Geary to extend the term by two years from June 30, 2026 through June 30, 2028, and to increase the amount by $17,192,029 for a new total not to exceed amount of $26,255,566.

Key Points

- Under an existing contract with DPH, Crestwood operates a Crisis Stabilization Unit (CSU) at 822 Geary, a 24/7 voluntary crisis care alternative to emergency departments and locked psychiatric facilities. The CSU accepts referrals from first responders, emergency departments, and behavioral health providers. DPH selected Crestwood pursuant to Administrative Code Section 21.A.4, which allows DPH to procure residential care and behavioral health treatment services without a competitive solicitation.
- 822 Geary maintains capacity to serve up to 16 clients at a time. In FY 2026-27, the program is contracted to provide 22,500 service hours to 1,500 unduplicated clients. The 22,500 service hours represents 16 percent of maximum available space capacity but is adequate to meet current demand according to DPH staff.
- Based on preliminary data, the CSU has served 686 unduplicated clients for 1,288 admissions in FY 2025-26 as of May 2026. Of the 1,288 admissions, there were 74 instances, or six percent, of clients being transferred to an emergency department due to psychiatric need. In addition, DPH projects the CSU will provide approximately 20,000 service hours in FY 2025-26, which is 89 percent of contracted hours due to restrictions on patient census in the first three months of the year while the contractor staffed up the program.

Fiscal Impact

- The proposed resolution would increase the not to exceed amount by $17,192,029 to $26,255,566 to fund the program for two more years and provide a 12 percent contingency.
- In FY 2026-27, the CSU program has an annual cost of $7.6 million, or approximately $467,000 per bed, which is approximately half the cost of emergency psychiatric care. Funding is from Proposition C revenues.

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

Under Administrative Code Section 21A.4, the Department of Public Health (DPH) may procure residential care and behavioral health treatment services directly from qualified providers without a competitive solicitation.

Using this authority, DPH selected Crestwood Behavioral Health, Inc. (Crestwood) to operate the 822 Geary Crisis Stabilization Unit (CSU), a 24/7 voluntary crisis care alternative to emergency departments and locked psychiatric facilities. The CSU accepts referrals from San Francisco Emergency Medical Services (EMS), San Francisco Police Department (SFPD), San Francisco Fire Department (SFFD), DPH Street Crisis Response Team (SCRT), and community providers, and provides behavioral health assessment, stabilization, medical screening, withdrawal management, crisis medication, and linkage to follow-up care.

DPH initially conducted a competitive solicitation process in 2024 for the subject crisis stabilization services. There were four respondents, and Crestwood was selected as the highest scoring respondent.[1] Subsequently, DPH opted to utilize their authority under the Administrative Code Section 21A.4 to select Crestwood rather selecting based on the solicitation results because it resulted in a shorter timeline to certify the final contract and allowed the CSU to open sooner.

In March 2025, DPH entered into an original contract with an initial term from March 1, 2025, to June 30, 2026, with options to extend for a maximum term of 10 years and a not to exceed amount of $9,063,537. The original contract provided for the start-up and initial operation of the 822 Geary CSU, which opened in April 2025. DPH now seeks approval of Amendment No. 1 to extend the contract.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a contract amendment between the Department of Public Health and Crestwood Behavioral Health Inc., to operate the 822 Geary Crisis Stabilization Unit, to extend the term by two years from June 30, 2026 for a new term of March 1, 2025, through June 30, 2028 and increases the total not-to-exceed amount by $17,192,029 to

[1] The other respondents were Community Bridges, Inc. Felton Institute, and Grace of Devotion Mission Chapel.

$26,255,566. The proposed amendment includes options to extend through February 28, 2035 for a maximum term of 10 years.

Services Provided

Under the amended agreement, Crestwood will provide full-scale operation of the 822 Geary Crisis Stabilization Unit as a 24-hour, voluntary care site offering short-term (< 24-hour) crisis intervention. The CSU will maintain a bed capacity of 16 and prioritize adults experiencing behavioral health or substance use crises, particularly those who are unsheltered, medically vulnerable, or frequent utilizers of emergency services. Clients may be referred by EMS, SFPD, SFFD, SCRT, HOT teams, community providers, or may walk in.

In FY 2026-27, the program is contracted to provide 22,500 service hours to 1,500 unduplicated clients, which is the same as FY 2025-26 contracted levels. The 22,500 service hours represents 16 percent of maximum available space capacity but is adequate to meet current demand according to DPH staff. Demand has grown consistently throughout FY 2025-26, and future budgets will be adjusted to optimize service capacity to meet demand.

Clinically, the CSU will conduct comprehensive crisis assessments, mental health evaluations, medical screenings, crisis counseling, medication administration, and substance use withdrawal services including motivational interviewing and medication assisted treatment. Staff must include an on-call physician, an on-site registered nurse/licensed vocational nurse (RN/LVN) or psychiatric technician at all times, and a ratio of at least one licensed or registered behavioral health professional per four clients. The unit also provides social service assessments, including housing referrals and referrals for case management and other resources, light meals and snacks, and peer counseling.

Program Monitoring, and Outcomes

Because the CSU opened late in FY 2024-25, DPH has not yet completed program monitoring for that year or begun monitoring for FY 2025-26. Program monitoring will assess performance against program-wide outcome objectives, including the goal that 70 percent of clients are discharged to a service other than Psychiatric Emergency Services or inpatient psychiatric units. Based on preliminary data provided by DPH staff, the CSU has served 686 unduplicated clients for 1,288 admissions in FY 2025-26 as of May 2026. Of the 1,288 admissions, there were 74 instances, or six percent, of clients being transferred to an emergency department due to psychiatric need. In addition, DPH projects the CSU will provide approximately 20,000 service hours in FY 2025-26, which is approximately 89 percent of contracted hours due to restrictions on patient census in the first three months of the year while the contractor staffed up the program. DPH staff report that the program is now fully staffed. DPH will continue to promote this service to first responders, emergency departments, and behavioral health providers.

FISCAL IMPACT

The proposed contract amendment would have a new total not-to-exceed-amount of $26,255,566 and would extend the term by two years. The proposed amendment budget is shown in Exhibit 1 below.

Exhibit 1. Amendment 1 Proposed Budget and Not to Exceed Amount

Year	Budget
March 1, 2025 to June 30, 2025	$1,558,920
July 1, 2025 to June 30, 2026	7,471,537
July 1, 2026 to June 30, 2027	7,576,139
July 1, 2027 to June 30, 2028	7,803,423
Total Budget	**$24,410,019**
Contingency (12%)	1,845,547
Total Not-to-Exceed Amount	**$26,255,566**

Source: Crestwood Behavioral Health Inc., Amendment 1.

Funding for the contract is fully sourced from Proposition C revenues. DPH is projecting the program will almost fully spend the original contract's not to exceed amount of $9,063,537 by the end of FY 2025-26, with a projected remaining balance of $33,080. The amendment adds funding for two fiscal years and includes a 12 percent contingency.

As shown in Exhibit 2 below, the proposed annual budget of approximately $7.5 million in FY 2026-27 includes approximately $5.3 million for salaries and benefits to fund 45.55 full-time equivalent positions. The budget also includes $1,045,000 for consultants and contractors, including Carrizosa and MacMorran, a medical group to provide psychiatrist services, and Almazar Service Consultant to serve as interim director of program services for the CSU.

Exhibit 2. FY 2025-26 Annual Budget

	Total
Salaries & Benefits	$5,348,973
Operating Expenses	1,443,333
Indirect Costs (10%)	679,231
Total	**$7,471,537**
Beds	16
Total Cost per Bed	$466,971

Source: Crestwood Behavioral Health Inc., Appendix B.

Cost Comparison

The CSU program has an annual cost of approximately $467,000 per bed, which is approximately half the cost of emergency psychiatric care. The annual cost per bed for emergency care at Psychiatric Emergency Services (PES) is approximately $915,900, inclusive of beds within PES and clinical staffing for evaluation and treatment in the emergency department.

RECOMMENDATION

Approve the proposed resolution.

Items 11 & 12 Files 26-0446 & 26-0447	Department: Department of Public Health

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolutions would approve amendments to two existing contracts between the Department of Public Health (DPH) and Medline Industries, Inc. for medical, surgical, and laboratory supplies distribution and required associated services to extend the terms by four years through June 2030. The proposed fourth amendment to the contract for bulk purchases would increase the not to exceed amount by $70,835,221, for a total amount not to exceed $165,038,293 (File 26-0447). The proposed third amendment to the contract for low unit of measure purchases would increase the not to exceed amount by $156,250,791, for a total amount not to exceed $301,562,341 (File 26-0446).

Key Points

- Medline Industries provides supplies to San Francisco General Hospital, Laguna Honda Hospital, and various neighborhood clinics under an agreement for bulk purchases (which are purchases made in whole units of measures, such as a case or box) and an agreement for low unit of measure purchases (which are purchases made by the "each"). DPH pays the cost of the products plus a mark-up based on the product category. The contracts include incentives for using Medline brand products, such as lower mark-ups and rebates. The product prices reflect discounts negotiated by Vizient, a Group Purchasing Organization.
- In 2025, Medline exceeded all performance objectives for the contracts, including measures related to filling all orders, delivering products on-time, and pricing accuracy.

Fiscal Impact

- The Third Amendment to the low unit of measure contract increases the total contract not to-exceed amount by $156,250,791 to $301,562,340. The Fourth Amendment to the bulk purchase contract increases the total contract not to exceed amount to by $70,835,221 to $165,038,293. Both agreements include $5.0 million for emergency surge capacity and a 12 percent contingency. The contracts are funded by the General Fund.
- In FY 2026-27, the projected spending is approximately $13.4 million for bulk purchases and $29.8 million for low unit of measure purchases, for a total of $43.2 million.

Recommendation

- Approve the proposed resolutions.

MANDATE STATEMENT

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

BACKGROUND

Administrative Code Section 21A.2 authorizes the Department of Public Health (DPH) to procure certain goods and services at discounted rates through a Group Purchasing Organization (GPO). Since 1997, DPH has been a member of the GPO Vizient, which serves 97 percent of academic medical centers and 67 percent of acute acre health systems in the United States. Based on a competitive solicitation process conducted by Vizient, DPH selected Medline Industries, Inc. to provide medical, surgical, and laboratory supplies.

In July 2021, the Board of Supervisors approved two five-year agreements with Medline Industries for medical supplies for San Francisco General Hospital, Laguna Honda Hospital, and various neighborhood clinics, including an agreement for bulk purchases and an agreement for low unit of measure purchases (Files 21-0413 and 21-0414). Bulk purchases are defined as purchases made in whole unit of measures, such as a case or box. Bulk orders are predominantly for the central supplies of the hospitals and allow for the decreased risk of shortages and quick replenishment when demand can fluctuate. Low unit of measure purchases are purchases made by the "each." These purchases allow for cost avoidance and the sustained and continual replenishment of stock.

Low-Unit of Measure Agreement & Amendments

The Board of Supervisors approved an agreement between DPH and Medline Industries, Inc. for low unit of measure (LUM) distribution of medical, surgical, and laboratory supplies, with an effective date of April 5, 2021, for an amount not to exceed $145,311,550, commencing on July 1, 2021 and expiring on June 30, 2026. The agreement included an option to extend for four years through June 2030 and a holdover provision that allows the agreement to remain in effect for one year following expiration of the agreement while the City negotiates a new contract.

The First Amendment, effective July 29, 2021, updated the supply agreement and calculation of charges with no change to the term or contract amount. The Second Amendment, effective December 1, 2023, added True Price program requirements and a Purge Certification form. DPH and Medline now seek to further amend the agreement to extend the term by four years, through June 30, 2030; increase the not to exceed amount by $156,250,791 to a total of $301,562,341.

Bulk Purchase Agreement & Amendments

The Board of Supervisors approved an agreement between DPH and Medline Industries, Inc. for bulk medical, surgical, and laboratory supplies and services, with an effective date of April 5, 2021, for $94,203,072, commencing on July 1, 2021, and expiring on June 30, 2026.

The First Amendment, effective July 29, 2021, updated the supply agreement and calculation of charges with no change to the term or contract amount. The Second Amendment, effective October 12, 2021, inserted an Emergency Use Authorization Acknowledgement and Order Form. Under the Third Amendment, with an effective date of November 17, 2023, added True Price program requirements and a Purge Certification form. DPH and Medline now seek to further amend the Agreement to extend the term by four years, through June 30, 2030; increase the not to exceed amount by $70,835,221 from $94,203,072 to $165,038,293.

DETAILS OF PROPOSED LEGISLATION

File 26-0446

The proposed resolution would approve the Third Amendment to the agreement between DPH and Medline Industries Inc., for Low Unit Measure (LUM) distribution of medical, surgical, and laboratory supplies, to extend the term by four years from June 30, 2026, for a total term of July 1, 2021, through June 30, 3030, and to increase the amount by $156,250,791 for a new total not to exceed amount of $301,562,341.

File 26-0447

The proposed resolution would approve the Fourth Amendment to the agreement between DPH and Medline Industries Inc., for bulk medical, surgical, and laboratory supplies and services, to extend the term by four years from June 30, 2026, for a total term of July 1, 2021, through June 30, 3030, and to increase the amount by $70,835,221, for a new total not to exceed amount of $165,038,293.

Options to Holdover through June 2031

The agreements include an option to extend the term of the agreements by one year through June 2031 to give the City time to execute new agreements, with the contracts in “holdover” status. According to the proposed contracts, the City must begin the process to replace the contracts one year prior to the end date in June 2030, and if the City does not replace the contract, the 12-month holdover period would apply. The contract budgets do not provide funding for a holdover year.

Products and Prices

Under the agreements, DPH will have access to Medline Industries GPO pricing for medical, surgical, and laboratory supplies such as bandages and wound care products, medical gloves, syringes, and safety apparel. DPH pays the cost of the products plus a mark-up based on the product category. The contracts include incentives for using Medline brand products, such as

lower mark-ups and rebates when purchasing a greater proportion of Medline brand products compared to non-Medline brand products.

Vendor Performance

Under both contracts, DPH is entitled to liquidated damages if product fill rates are below 99 percent in any month. DPH staff also monitor on-time delivery rates relative to a standard of 96 percent, picking accuracy relative to a standard of 99 percent, and price accuracy relative to a standard of 95 percent.

DPH reports that Medline has consistently met or exceeded performance expectations under the contracts. For calendar year 2025, the internal fill rate averaged 99.24 percent, increasing to 99.5 percent during the first four months of 2026, demonstrating highly reliable fulfillment of ordered items. Ontime delivery performance was similarly strong, averaging 99.77 percent in 2025. While backorders do occur, DPH indicates that they are few in number and typically addressed through established alternative product options arranged in coordination with Medline. Weekly reviews between Materials Management and Medline support proactive backorder mitigation and communication to clinical teams. DPH also notes that off contract emergency purchasing has rarely been necessary, even during broader supply chain disruptions such as the 2024 IV solution shortage following Hurricane Helene. Additionally, Medline demonstrated strong picking accuracy and pricing accuracy, with a picking accuracy rate of 99.87 percent and pricing accuracy rate of 98.63 percent in 2025.

FISCAL IMPACT

The Third Amendment to the low unit of measure contract increases the total contract not to exceed amount by $156,250,791 to $301,562,340. The Fourth Amendment to the bulk purchase contract increases the total contract not to exceed amount to by $70,835,221 to $165,038,293. Both agreements include $5,000,000 for emergency surge capacity and a 12 percent contingency. The contract budgets are shown in Exhibits 1 and 2 below.

Exhibit 1: Low Unit of Measure Contract Budget

Year	General Hospital	Laguna Honda	Central / Clinics	Total
FY 2021-22	$15,620,000	$4,785,000	$27,500	$20,432,500
FY 2022-23	17,182,000	5,263,500	30,250	22,475,750
FY 2023-24	18,900,200	5,789,850	33,275	24,723,325
FY 2024-25	20,790,220	6,368,835	36,603	27,195,658
FY 2025-26	22,869,242	7,005,719	40,263	29,915,224
FY 2026-27	24,635,733	4,672,780	470,983	29,779,496
FY 2027-28	27,555,807	5,228,058	529,081	33,312,946
FY 2028-29	30,311,387	5,750,864	581,989	36,644,240
FY 2029-30	33,342,526	6,325,951	640,188	40,308,665
Total	**$211,207,115**	**$51,190,557**	**$2,390,132**	**$264,787,804**
Emergency Surge				5,000,000
12% Contingency				31,774,537
Not to Exceed Amount				**$301,562,341**

Source: Proposed Amended Agreement

Exhibit 2: Bulk Contract Budget

Year	General Hospital	Laguna Honda	Central / Clinics	Total
FY 2021-22	$7,975,000	$4,950,000	$33,000	$12,958,000
FY 2022-23	8,772,500	5,445,000	36,300	14,253,800
FY 2023-24	9,649,750	5,989,500	39,930	15,679,180
FY 2024-25	10,614,725	6,588,450	43,923	17,247,098
FY 2025-26	11,676,198	7,247,295	48,315	18,971,808
FY 2026-27	10,399,733	2,429,323	521,719	13,350,775
FY 2027-28	11,868,707	2,771,256	595,890	15,235,853
FY 2028-29	13,055,577	3,048,381	655,480	16,759,438
FY 2029-30	14,361,135	3,353,219	721,027	18,435,381
Total	**$98,373,324**	**$41,822,424**	**$2,695,584**	**$142,891,333**
Emergency Surge				5,000,000
12% Contingency				17,146,960
Not to Exceed Amount				**$165,038,293**

Source: Proposed Amended Agreement

DPH is projecting that the low unit of measure contract budget will remain flat in FY 2026-27 followed by annual increases between 10 and 12 percent in the subsequent years. DPH is

projecting that the bulk contract budget will decline by 30 percent in FY 2026-27 followed by annual increases between 10 and 14 percent in subsequent years.

According to DPH, these changes reflect a shift from the original five-year budget, which was based on estimated spending, to a new budget that incorporates the actual spending trends from the past five years. The updated projections also align the budget with the appropriate ratio between LUM and bulk purchasing, anticipated inflation and cost increases, and identified savings opportunities introduced during the review of recent spending patterns.

The contracts are funded by the General Fund.

RECOMMENDATION

Approve the proposed resolutions.

Item 15 File 26-0457	Department: Homelessness and Supportive Housing (HSH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the first amendment to the contract between Delivering Innovation in Support of Housing SF (DISH) and HSH for property management services at six permanent supportive housing (PSH) buildings. The amendment extends the contract term by 18 months from June 30, 2026, through December 31, 2027, and increases the agreement amount by $15,365,212 for a new total not-to-exceed amount of $25,361,109.

Key Points

- DISH provides property management and master lease stewardship services at six PSH buildings, totaling 450 units. This includes the Camelot, Empress, LeNain, Pacific Bay Inn, Star, and Windsor.
- FY 2024-25 program monitoring report showed that DISH met 5 of 7 service and outcome objectives. The two areas they did not meet were in relation to tenant nonpayment of rent and occupancy rate. According to HSH, nonpayment of rent has been a challenge across the PSH portfolio since the COVID-19 pandemic and HSH is ramping up its money management programming as a result. The other missed objective, relating to occupancy rate, was due in part because some of these buildings serve tenants with higher acuity and health needs, which take longer to identify when units become available.

Fiscal Impact

- The annual cost of the program in the extension period is $9.97 million, which is approximately $22,000 per unit. The contract does not include funding for support services or rent payments under the master lease because the City pays the landlord directly.
- Annual City funding of $8.1 million is funded by $7.4 million from the General Fund and $0.7 million from Proposition C revenues. Remaining program funding is from tenant rents ($904,000), the Continuum of Care grant ($419,086), and the Mental Health Services Act (MHSA) state grant ($397,579).

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

Procurement

HSH selected the nonprofit grantee, Delivering Innovation in Support of Housing SF (DISH), to provide property management services pursuant to Chapter 21B of the Administrative Code. The Administrative Code allows the Department of Homelessness & Supportive Housing (HSH) to award homeless service contracts without a competitive process to expeditiously address the homelessness crisis. In 2025, HSH selected DISH to provide property management services at six permanent supportive housing sites based on the organization's experience and ability to begin services in a timely manner.

Current Agreement

Since 2006, DISH has provided property management services for City-lease permanent supportive housing (PSH) sites for individual adults who have experienced long term homelessness. Originally, DISH was fiscally sponsored by the TIDES Center. In July 2025, DISH transitioned out of their partnership with the TIDES Center to become DISH SF, an independent nonprofit organization. In July 2025, HSH entered into an agreement with DISH for property management services at six permanent supportive housing sites with a one-year term from July 2025 through June 2026 with a total not-to-exceed amount of $9,995,897.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to the contract between DISH and HSH for property management services at six permanent supportive housing (PSH) buildings. The amendment extends the contract term by 18 months from June 30, 2026, through December 31, 2027, and increases the agreement amount by $15,365,212 for a new total not-to-exceed amount of $25,361,109. According to HSH staff, HSH is proposing an 18-month extension rather than a three-year extension to allow for greater accountability as DISH continues to operate as an independent nonprofit following its separation from Tides Center.

Grant Agreement Services

DISH provides property management and master lease stewardship services, including:

- **Property Management:** Includes application selection and intake; lease set-up and enforcement; annual re-certification of tenant income; and collecting rent.

- **Building Maintenance:** Includes janitorial services; maintenance and repairs of facility; responding to tenant maintenance requests; building security; and preparing apartments for tenants move-in and move-out.
- **Front Desk:** Includes front desk coverage 24 hours per day, seven days a week.
- **Supportive Services Coordination:** Includes coordination with Supportive Services staff to prevent housing loss for tenants. Under a separate agreement, UCSF Citywide provides supportive services at all six sites. Services include, but are not limited to, housing retention support, assistance accessing resources such as cash aid, CalFresh benefits, and medical services, and monthly tenant activities such as coffee hours.
- **Lease Stewardship**: Includes stewardship of the master lease, coordination of regular maintenance with the property owner, and conducting assets meetings with the City to address capital needs.

In addition, DISH is responsible for project managing the completion of elevator modernization projects, including electrical, fire and safety upgrades, at four of the six sites.

DISH provides these services at six supportive housing properties, totaling 450 units. This includes the Camelot (55), Empress (89), LeNain (86), Pacific Bay Inn (75), Star (54), and Windsor (91). These supportive housing units serve formerly homeless and income-eligible adults. Additional eligibility criteria by funding source for specific sites include serving adults who are 55 or older (at the LeNain), chronically homeless (for units funded by Continuum of Care funding), and/or have a mental health diagnosis (for units funded by Mental Health Services Act funding). Exhibit 1 below lists the six buildings DISH oversees under this grant agreement.

Exhibit 1: Location and Population Served

Site	Address	Units	Elevator Project
Camelot	124 Turk	55	Yes
Empress	144 Eddy	89	
LeNain	730 Eddy	86	Yes
Pacific Bay Inn	520 Jones	75	Yes
Star	2176 Mission	54	
Windsor	238 Eddy	91	Yes
Total		**450**	**4 projects**

Source: Appendix B of Proposed Amendment

Performance Monitoring

HSH completed FY 2024-25 program monitoring at the six sites in December 2025. Program monitoring included site visits and a review of program policies and procedures, participant/client/tenant files, monthly and quarterly reports, and progress in meeting the service and outcome objectives. As shown in Exhibit 2 below, DISH met 5 of 7 service and outcome objectives. The two areas they did not meet were in relation to tenant nonpayment of rent and occupancy rate. According to HSH, nonpayment of rent has been a challenge across the PSH portfolio since the COVID-19 pandemic. In response, HSH is ramping up its money

management programming. According to HSH, the other missed objective, relating to occupancy rate, was due in part because some of these buildings serve tenants with higher acuity and health needs. It can take slightly longer to identify such a tenant, which contributes to slightly longer vacancies. Specifically, HSH prioritizes clients who require nursing support for placement at the Empress, Windsor, and Le Nain. However, poor data entry has also contributed to deflated reported occupancy.

HSH also identified pest issues at two of the buildings (LeNain and Camelot) and facility condition issues at one of the buildings (Windsor), such as shower rooms under construction and floor wear and damage. DISH provided a response to program monitoring findings and committed to addressing all findings. DISH plans to develop a training plan for managers to address data accuracy issues, including procedures for quality control. DISH also stated that DISH would address pest control issues with targeted treatments and ongoing monitoring in partnership with a pest control vendor and that facility condition deficiencies identified at the Windsor were being addressed with an estimated completion by the end of March 2026.

Exhibit 2: Services and Outcome Objectives, FY 2024-25

Objective	Goal	Actual	Achieved
Ensure that each unit, upon turnover, is clean and/or repaired within 35 days on average.	100%	100%	Y
Collect at least 90 percent of tenant portions of monthly rent from occupied units.	90%	62%	N
Maintain an occupancy rate of at least 97 percent.	97%	87%	N
Offer all tenants the opportunity to complete an annual anonymous Tenant Satisfaction Survey, with the goal of at least sixty-five percent participation.	65%	87%	Y
Ninety percent of surviving tenants will maintain their housing for a minimum of 12 months.	90%	97%	Y
Eighty percent of tenants completing an annual Tenant Satisfaction Survey will be satisfied or very satisfied with Property Management services.	80%	84%[1]	Y
Eighty-five percent of tenant lease violations will be resolved without loss of housing to tenants.	85%	91%	Y

Source: HSH Program Monitoring FY 24-25

Note: (1) This is the average satisfaction rate for the 6 sites in this contract. The Windsor Hotel is the only site with an overall satisfaction rate below 80% (74%).

Fiscal Monitoring

DISH has not previously participated in the Citywide Fiscal and Compliance Monitoring process, because it became a new nonprofit entity on July 1, 2025. DISH is currently undergoing fiscal monitoring as part of the FY 2025-26 cycle, which the City expects to complete by the end of the fiscal year.

FISCAL IMPACT

Annual Budget

As shown in Exhibit 3 below, the annual cost of the program in the extension period is $9.97 million. This includes $5.3 million in salary and benefits for 64.28 full-time equivalent (FTE) positions, equivalent to the number of FTE positions in the current budget. The current year's budget had a higher 'other expenses' budget due to elevator modernization projects at various sites. The contract does not include funding for support services or rent payments under the master lease because while DISH is responsible for master lease stewardship, the City pays the landlord directly.

Of the $9.97 million in annual expenditures, $8.1 million is funded by the City and the remaining $1.9 million is primarily funded by tenant rents ($904,000), the Continuum of Care federal grant ($419,086), and the Mental Health Services Act (MHSA) state grant ($397,579). Annual City funding of $8.1 million is funded by $7.4 million from the General Fund and $0.7 million from Proposition C revenues. The proposed not-to-exceed amount is $25,361,109, which includes $22,687,048 for the program budget and a 20 percent contingency of $2,674,061.

Exhibit 3: Current and Proposed Operations Budget

	Current	Proposed	Proposed	Total
Operating Expenses	**7/1/2025 - 6/30/2026**	**7/1/2026 - 6/30/2027**	**7/1/2027 - 12/31/2027**	
Salaries & Benefits	$5,248,857	$5,319,898	$2,659,949	$13,228,704
Operating Expense	3,366,394	3,208,397	1,604,199	8,178,990
Indirect Cost	1,270,083	1,257,039	628,520	3,155,642
Other Expenses	563,200*	160,000	80,000	803,200
Admin Cost (HUD Only)	22,205	22,205	11,103	55,513
Total Expenditures	**$10,470,739**	**$9,967,539**	**$4,983,770**	**$25,422,048**
Contract Funding				
General Fund	7,395,577	7,395,577	3,697,788	18,488,942
Prop C	701,298	701,298	350,649	1,753,245
Certificates of Participation (COP)	403,200			403,200
Subtotal, City Funding	*8,500,075*	*8,096,874*	*4,048,437*	20,645,387
State Mental Health Service Act (MHSA)	397,579	397,579	198,790	993,948
Continuum of Care (CoC) Grant	419,086	419,086	209,543	1,047,715
Subtotal, Contract Funding	**$9,316,740**	**$8,913,540**	**$4,456,770**	**$22,687,048**
Other Funding				
Tenant Rental Income	904,000	904,000	452,000	2,260,000
Landlord Reimbursement	250,000	150,000	75,000	475,000
Subtotal, Other Funding	*$1,154,000*	*$1,054,000*	*$527,000*	$2,735,000
Total Funding	***$10,470,739***	***$9,967,539***	***$4,983,770***	**$25,422,048**

Source: Appendix B of Proposed Amendment

*Includes $403,200 in one-time capital costs for elevator modernization at the Camelot, Windsor, LeNain, and Pacific Bay Inn funded by Certificates of Participation

RECOMMENDATION

Approve the proposed resolution.

Item 16 File 26-0458	Department: Homelessness and Supportive Housing

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the first amendment to the contract between the Department of Homelessness and Supportive Housing (HSH) and St. Vincent de Paul Society of San Francisco (St. Vincent de Paul) for operations of the Division Circle Navigation Center to extend the term by three years through June 2029 and to increase the not to exceed amount by $27,545,286 for a new total of $37,091,971.

Key Points

- Under an existing agreement, St. Vincent de Paul provides 24/7 emergency shelter operations, support services and housing-focused case management services at the Division Circle Navigation Center. The navigation center is located at 224 South Van Ness Avenue in the Mission and has a capacity of 186 guests.
- The City leases the property from the California Department of Transportation under an existing lease that expires in February 2028. HSH intends to enter into a new lease agreement when the lease expires to continue the program.
- In FY 2024-25, the contractor met two out of five service and outcome objectives, including objectives related to intake and referrals. The contractor did not meet objectives related to required service plans or guest satisfaction surveys. The contractor stated they would complete service plans, begin tracking survey distribution to guests, and work with guests to improve satisfaction ratings.

Fiscal Impact

- The proposed amendment would increase the agreement's not to exceed amount by $27,545,286 to fund the three-year extension for the navigation center plus a 20 percent contingency. The agreement is largely funded by the General Fund (92 percent) as well as Proposition C funding (8 percent).
- The annual budget is approximately $8.0 million per year, or $43,000 per bed.

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 St. Vincent de Paul Society of San Francisco (St. Vincent de Paul) has operated the Division Circle Navigation Center located at 224 South Van Ness Avenue in the Mission since it opened in 2018. St. Vincent de Paul provides 24/7 emergency shelter operations, support services and housing-focused case management to people experiencing homelessness. The Division Circle Navigation Center has a capacity of 186 guests.

In July 2025, HSH entered into a new agreement with St. Vincent de Paul for operations of the navigation center with an initial one-year term from July 1, 2025 through June 30, 2026 with options to extend for nine years through June 2035 and a not to exceed amount of $9,546,685. HSH selected St. Vincent de Paul to continue to operate the navigation center under its streamlined procurement authority provided in Administrative Code Chapter 21B. HSH is proposing to extend the agreement by up to three years through June 2029.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to the contract between HSH and St. Vincent de Paul Society of San Francisco for operations of the Division Circle Navigation Center to extend the term by three years through June 2029 and to increase the not to exceed amount by $27,545,286 for a new total of $37,091,971. The resolution authorizes HSH to make immaterial amendments to the agreement.

The City leases the property from the California Department of Transportation under an existing lease that expires in February 2028. According to HSH staff, HSH intends to enter into a new lease agreement when the existing lease expires to continue the program. The term of the proposed amended contract ends on June 30, 2029, or earlier if the lease agreement between the City and the California Department of Transportation expires or terminates.

Services

Services outlined in the contract include 24/7 access to the site, wellness checks, showers, storage, laundry, social activities and support groups, housing-focused case management and exit planning. Through a separate agreement with Meals on Wheels, guests are provided with two meals per day.

Performance Monitoring

HSH conducted a site visit on December 11, 2025 as part of its FY 2024-25 program monitoring. According to HSH staff, the average occupancy rate was 98 percent in FY 2024-25. The contractor met two out of five service and outcome objectives, as shown in Exhibit 1 below. Although the contractor is required to create a service plan for 90 percent of guests, the contractor did not complete service plans for guests. In addition, on average 57.5 percent of guests completing quarterly surveys reported they were satisfied were services, which is lower than the goal of 75 percent. The contractor also could not demonstrate that they achieved a 50 percent response rate for the quarterly surveys because the contractor did not track the number of surveys distributed. In the contractor's response to HSH, the contractor stated they would complete service plans and track survey distribution to guests. The contractor also stated they would work with guests to improve satisfaction ratings during community meetings. HSH determined that the contractor's proposed actions to address findings were satisfactory and closed out program monitoring for the year.

Exhibit 1: Service and Outcome Objectives, FY 2024-25 Program Monitoring Results

Service Objective	Goal	Actual
Contractor shall provide intake and program orientation to 100 percent of all initial guests and updates for returning guests in a new stay.*	100%	100%
Contractor shall utilize intake and assessment information with partnering service providers to identify options and create a service plan for 90 percent of guests.	90%	0%
90% of guests with referral needs shall be provided referrals related to benefits, employment, health, and related transportation support if needed*	90%	90%
50% of participants shall complete a satisfaction survey each quarter*	50%	Not Tracked
Outcome Objective		
75 percent of those completing the quarterly satisfaction survey will Strongly Agree or Agree that they are satisfied with the services.*	75%	Avg.: 57.5% Q1: 47% Q2: 67% Q3: 55% Q4: 61%

Source: HSH

Note: Gray shading indicates objective was not met; Service objectives do not include results for two objectives related to time-limited stays which were outdated measures according to HSH

*Measure removed in proposed amended agreement

The proposed amendment removes the two measures related to the guest survey and adds the following service and outcome objectives:

- Contractor will maintain an occupancy rate of 90 percent on average
- Within 60 days of enrollment, 90 percent of guests will have a Coordinated Entry assessment and/or Housing Referral Status
- At least 40 percent of guests will exit to shelter or other housing destinations

- Within six months, 75 percent of Housing Referral Status guests will have required housing documents uploaded into the ONE system
- At least 60 percent of guests will maintain or gain total cash income.
- At least 80 percent of guests will maintain or gain health insurance.

Fiscal and Compliance Monitoring

The Department on the Status of Women staff reviewed St. Vincent de Paul's financial documents as part of the FY 2024-25 Citywide Fiscal and Compliance Monitoring Program and identified no findings. St. Vincent de Paul received a one-year waiver from Citywide Fiscal and Compliance Monitoring in FY 2025-26 based on good performance in the prior year and other criteria.

FISCAL IMPACT

The proposed amendment would increase the agreement's not to exceed amount by $27,545,286 to fund the three-year extension for the navigation center plus a 20 percent contingency. The agreement is largely funded by the General Fund (92 percent) as well as Proposition C funding (8 percent). The proposed grant budget is shown in Exhibit 2 below.

Exhibit 2: Proposed Budget and Not to Exceed Amount for Division Circle Navigation Center

	FY 2025-26 *Existing*	**FY 2026-27** *Proposed*	**FY 2027-28** *Proposed*	**FY 2028-29** *Proposed*	**Total Proposed**
Salaries & Benefits	$6,136,611	$6,136,611	$6,136,611	$6,136,611	$24,546,444
Operating Expenses	850,456	850,456	850,456	850,456	3,401,824
Indirect Cost (15%)	1,048,060	1,048,060	1,048,060	1,048,060	4,192,240
Other Expenses	130,387				130,387
Total Budget	8,165,514	8,035,127	8,035,127	8,035,127	32,270,895
Contingency (20%)					4,821,076
Not to Exceed Amount					**$37,091,971**

Source: Proposed Contract

As shown above, the proposed program would cost $8.0 million per year, or approximately $43,000 per bed. According to HSH staff, the overall cost of the program, including meals which are funded separately, is comparable to other navigation centers. The annual budget supports salaries and benefits for 78.70 full-time equivalent positions.

According to HSH staff, the proposed amendment includes a 20 percent contingency, rather than HSH's standard 15 percent contingency to allow the program to accommodate potential service enhancements under consideration and additional expenses beyond the standard increases for HSH agreements (such as cost of doing business increases).

RECOMMENDATION

Approve the proposed resolution.

Item 17 File 26-0459	Department: Homelessness and Supportive Housing

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve an agreement between the St. Vincent de Paul Society of San Francisco (St. Vincent de Paul) and the Department of Homelessness and Supportive Housing (HSH) for emergency shelter and support services at Multi-Service Center South (MSC South) for a three-year term from July 1, 2026 through June 30, 2029 and a total amount not to exceed $35,507,789.

Key Points

- Under an existing agreement with HSH, St. Vincent de Paul provides emergency congregate shelter and support services at MSC South. The current agreement expires on June 30, 2026. HSH selected St. Vincent de Paul to continue to operate MSC South under its streamlined procurement authority provided in Administrative Code Chapter 21B.
- HSH is currently renovating the MSC South facility with completion anticipated by August 31, 2026. The project includes remodeling the men's restrooms on the second floor, women's and men's restrooms on the first floor, and minor updates to staff restrooms to meet Americans with Disability Act requirements. The shelter has a capacity of up to 329 guests, but capacity is currently reduced by 30 beds to 299 due to construction.
- In FY 2024-25, the provider met most of the program's service and outcome objectives including objectives related to intake, referrals, training, and quarterly client satisfaction surveys. The shelter had an average occupancy rate of 87 percent, which is less than the goal of 90 percent.

Fiscal Impact

- The proposed not to exceed amount of $35,507,789 funds the program for three-years and includes a 15 percent contingency. The annual budget is approximately $10.3 million, or approximately $31,000 per bed, and is funded by the General Fund.

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 St. Vincent de Paul Society of San Francisco (St. Vincent de Paul) has operated the Multi Service Center South (MSC South) site at 525 5th Street since 1989. The site provides emergency congregate shelter and support and case management services to people experiencing homelessness. The current agreement between St. Vincent de Paul and the Department Homelessness and Supportive Housing expires June 30, 2026. HSH selected St. Vincent de Paul to continue to operate MSC South under its streamlined procurement authority provided in Administrative Code Chapter 21B and is proposing to enter into a new three-year agreement with the non-profit.

In January 2025, HSH began renovating the MSC South facility with completion anticipated by August 31, 2026. The project includes remodeling the men's restrooms on the second floor, women's and men's restrooms on the first floor, and minor updates to staff restrooms to meet Americans with Disability Act (ADA) requirements. The construction budget is approximately $12.7 million and is funded by 2016 Health and Safety General Obligation Bonds and the City's General Fund.

The shelter has a capacity of up to 329 guests, but capacity is currently reduced by 30 beds to 299 due to construction. Shelter capacity has been temporarily increased by 30 beds at 711 Post Street to offset the reduction at MSC South during construction.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve an agreement between the St. Vincent de Paul Society of San Francisco and HSH for emergency shelter and support services at Multi-Service Center South for a three-year term from July 1, 2026 through June 30, 2029 and a total amount not to exceed $35,507,789. The resolution also authorizes HSH to enter into immaterial amendments to the agreement.

Services

Under the agreement, St. Vincent de Paul provides shelter operations and support services at MSC South. Shelter operations include facility maintenance (in partnership with HSH), referrals and reservations, meals, pet accommodations to the extent possible, storage, and entry and exit monitoring. Support services include intake, assessment and individual service plans, engagement, housing focused case management, wellness checks, support groups, social events, and activities, referrals and coordination of services, and exit planning. Shelter operations are

provided 24 hours per day, seven days per week, and support services are provided Monday through Friday.

The budget includes funding for two subcontractors. Defense Logistics would provide security services, and Pacific Coast Staffing would provide temporary staffing, which the provider uses to fill program vacancies until permanent staff can be hired according to HSH staff.

Performance Monitoring

HSH conducted a site visit on September 30, 2025 as part of its FY 2024-25 program monitoring. The contractor met or nearly met eight out of nine service and outcome objectives, including objectives related to intake, referrals, training, and quarterly client satisfaction surveys. According to program monitoring results, five percent of participants attended monthly in-house community meetings, which is lower than the goal of 60 percent of participants. We note that this measure is not included in the proposed agreement. In addition, the shelter had an average occupancy rate of 87 percent, which is less than the goal of 90 percent.

According to the contractor's response to program monitoring results, the contractor plans to incentivize guest attendance for community meetings by providing food and raffle prizes and by recognizing case managers that bring the highest number of guests. The contractor stated that referral timelines for vacancies are partially outside of the control of the contractor, as the shelter receives bed referrals from HSH and the County Adult Assistance Program office. However, the contractor committed to communicating daily with the County Adult Assistance Program and HSH placement teams to help fill available beds quickly and reduce vacancy periods.

HSH also made recommendations to improve documentation of client files (including ensuring intake forms are completed, releases of information forms are updated and signed, case plans are documented and reviewed by supervisors), to ensure compliance with the City's threshold languages, and to ensure client services and case management activities are tracked in the ONE system. The contractor committed to implementing these recommendations. HSH determined that the contractor's proposed actions to address findings were satisfactory and closed out program monitoring for the year.

Exhibit 1: Service and Outcome Objectives, FY 2024-25 Program Monitoring Results

Occupancy	Goal	Actual
Contractor will maintain an average occupancy rate of 90%	90%	87%
Service Objective		
1. Contractor shall provide intake and program orientation to 100 percent of all initial guests and updates for returning guests in a new stay within 24 hours of arrival to the site.*	100%	100%
2. Contractor shall utilize intake and assessment information with partnering service providers to identify options and create a housing-focused service plan for 95 percent of participants.	95%	95%
3. 90 percent of participants shall be offered referral for problem-solving and/or assessment via Adult Coordinated Entry within one week of placement.*	90%	100%
4. 90% of participants with referral needs shall be provided referrals related to benefits, employment, health, and related transportation support if needed*	90%	90%
5. 100% of shelter staff shall be trained using the Homeless Shelter Training Guide*	100%	100%
6. 60% of participants shall attend monthly in-house community meetings*	60%	5%
7. 50% of participants shall complete a satisfaction survey each quarter	50%	49%
Outcome Objective		
1. 80 percent of Housing Referral Status participants will meet document readiness standards within six months of initial intake.	80%	100%
2. 75 percent of those completing the quarterly satisfaction survey will rate services as good or excellent.*	75%	82%

Source: HSH

Note: Gray shading indicates objective was not met

*Measure removed in proposed amended agreement

The proposed agreement does not include the two measures related to the guest survey and adds the following service and outcome objectives:

- Contractor will maintain an occupancy rate of 90 percent on average
- Within 60 days of enrollment, 90 percent of guests will have a Coordinated Entry assessment and/or Housing Referral Status
- At least 40 percent of guests will exit to shelter or other housing destinations
- Within six months, 75 percent of Housing Referral Status guests will have required housing documents uploaded into the ONE system
- At least 60 percent of guests will maintain or gain total cash income, which includes earned income as well as income from public benefits.
- At least 80 percent of guests will maintain or gain health insurance.

Fiscal Monitoring

Department on the Status of Women staff reviewed St. Vincent de Paul's financial documents as part of the FY 2024-25 Citywide Fiscal and Compliance Monitoring Program and identified no findings. St. Vincent de Paul received a one-year waiver from Citywide Fiscal and Compliance Monitoring in FY 2025-26 based on good performance in the prior year and other criteria.

FISCAL IMPACT

The proposed agreement has a not to exceed amount of $35,507,789, which funds the program for three-years and includes a 15 percent contingency. The agreement is funded by the General Fund. The proposed grant budget is shown in Exhibit 2 below.

Exhibit 2: Proposed Budget and Not to Exceed Amount for Division Circle Navigation Center

	FY 2026-27	FY 2027-28	FY 2028-29	Total
Salaries & Benefits	$6,925,578	$6,960,983	$6,960,983	$20,847,544
Operating Expenses	1,175,177	1,260,177	1,260,177	3,695,531
Indirect Cost (15%)	1,215,113	1,233,174	1,233,174	3,681,461
Other Expenses	883,933	883,933	883,933	2,651,799
Total Budget	$10,199,802	$10,338,268	$10,338,268	$30,876,338
Contingency (15%)				4,631,451
Not to Exceed Amount				**$35,507,789**

Source: Proposed Contract

As shown above, the proposed program would cost approximately $10.3 million annually, or approximately $31,000 per bed, which is lower than other shelters because the program operates on a City-owned site according to HSH staff. The annual budget supports salaries and benefits for 99.70 full-time equivalent positions, including case managers, cooks, laundry staff, maintenance workers, program aides, supervisors, and administrative support staff. The annual operating budget of $1.3 million includes $0.6 million for client supplies and food as well as funding for cleaning supplies, insurance, building maintenance, and other expenses. The annual budget also includes $1.1 million for subcontractors, including $0.9 million for security services provided by Defense Logistics, and $0.2 million for temporary staffing from Pacific Coast Staffing.

RECOMMENDATION

Approve the proposed resolution.

Item 18 File 26-0460	Department: Homelessness and Supportive Housing

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the second amendment to the grant agreement between HSH and Tenderloin Housing Clinic (THC) for property management and support services at the Crown Hotel, Winton Hotel, and National Hotel. The amendment increases the grant agreement's not-to-exceed amount by $8,206,214 to $42,532,462 and extends the term of the grant by 18 months from June 30, 2026 through December 31, 2027.

Key Points

- THC provides support services, property management, and master lease services at three supportive housing properties, totaling 233 single room occupancy units.
- FY 2024-25 program monitoring report showed that THC met or nearly met objectives related to timeliness of new tenant move-ins following referrals, occupancy rate, service plans, and housing stability. THC missed two core property management objectives including cleaning and repairing units within 21 days following vacancies, and collection of at least 90 percent tenant rent. In addition, THC received findings related to incomplete documentation of client files. Most client file documentation findings at the Winton and the National were repeat findings from FY 2023–24 program monitoring. HSH will establish a corrective action plan for THC due to repeat program monitoring findings.

Fiscal Impact

- The annual cost of the program in the extension period is $9.96 million, which is approximately $43,000 per unit.
- Annual City funding of $7.0 million includes $6.4 million from the General Fund and $0.6 million from Proposition C revenues. Remaining program funding is funded by Continuum of Care funding ($2.31 million), tenant rents ($416,300), and a Veterans Affairs Supportive Housing (VASH) grant ($197,000).

Recommendation

- Approved 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

Procurement

Tenderloin Housing Clinic (THC) is a nonprofit organization selected to provide supportive housing under Chapter 21B of the Administrative Code. The Administrative Code allows the Department of Homelessness and Supportive Housing (HSH) to award homeless service contracts without a competitive process to expeditiously address the homelessness crisis. THC was selected based on the organization's experience and ability to begin services in a timely manner.

Current Agreement

In July 2021, HSH entered into a grant agreement with Tenderloin Housing Clinic for a two-year term from July 2021 through June 2023 with a total not-to-exceed amount of $9,990,000. In June 2023, the Board of Supervisors approved the first amendment to the grant agreement, extending the term of the grant by three years, from July 2023 through June 30, 2026 and increasing the not-to-exceed amount to $34,326,248 (File 23-0452).

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would approve the second amendment to the grant agreement between the City and Tenderloin Housing Clinic. The amendment (1) increases the grant agreement's not-to-exceed amount by $8,206,214 from $34,326,248 to $42,532,462; and (2) extends the term of the grant by 18 months from June 30, 2026 through December 31, 2027.

Grant Agreement Services

Tenderloin Housing Clinic provides support services, property management, and master lease services at three supportive housing properties. The properties include a total of 233 single room occupancy (SRO) units, a decrease from 236 in prior years due to the conversion of three units into case manager offices. The 233 units are located at the Crown Hotel (47), Winton Hotel (100), and National Hotel (86). These supportive housing units serve formerly homeless and income-eligible adults, including 19 units for veterans. Exhibit 1 below lists the three buildings Tenderloin Housing Clinic oversees under this grant agreement.

Exhibit 1: Tenderloin Housing Clinic Supportive Housing Properties

Program Site	Address	Units
Crown Hotel	528 Valencia	47
Winton Hotel	445 O'Farrell	100
National Hotel	1139 Market	86
Total		**233**

Source: Appendix B of Proposed Amendment

At these three sites, the Tenderloin Housing Clinic provides support services, property management, and master lease services described below:

- **Supportive Services:** The grant agreement includes voluntary support services that Tenderloin Housing Clinic must make available to all tenants. These services must include but are not limited to: (1) Outreach to tenants about available supportive services; (2) Intake and assessment in coordination with property management; (3) Money management services to assist with maintaining benefits and budget coaching; (4) Case management, including referral to resources to ensure they are food secure and can live independently; (5) Housing stability support to help tenants stay securely housed; (6) Facilitate communication and coordination with property management; (7) Wellness and emergency safety checks; (8) Support groups, social events, and organized activities; and (9) Exit planning if a tenant is moving out.
- **Property Management:** this includes: (1) Selecting program applicants; (2) Executing tenant leases; (3) Re-certifying tenant income annually; (4) Collecting rent and other housing-related payments; (5) Enforcing leases, which includes providing written notices and working to prevent evictions; (6) Payments for building services (i.e. utilities); (7) Building Maintenance, which includes maintaining the facilities in "sanitary and operable condition" and providing janitorial services in common areas, garbage removal, pest control, facility maintenance and repair, building security, and preparing units for move-in and move-out; (8) Coordinating with supportive services to prevent tenant housing loss; (9) Wellness checks and emergency safety checks; (10) Front desk coverage 24 hours a day, seven days a week; and (11) Exit planning, which requires alerting support services staff when tenants give notice to leave and maintaining a forwarding address when possible.
- **Stewardship of Master Lease:** Lastly, the Tenderloin Housing Clinic is responsible for maintaining stewardship of the master lease and coordinating with the property's owner on regular maintenance; and, coordinating and conducting regular asset management meetings to address ongoing capital needs, property owner's obligations, changes to the approved sublease and any other issues related to the master lease.

Program Monitoring

HSH completed FY 2024-25 program monitoring for the three THC sites in May 2026. Program monitoring included site visits and a review of property management files and supportive services files.

As shown in Exhibit 2 below, the review identified a total of 27 findings across the three sites: ten at the Winton, eight at the Crown, and nine at the National. This included 16 property management file findings related to missing eligibility verifications, missing Housing Quality Standards (HQS) inspection documentation, and missing documentation of rent and security deposit amounts, among other issues. Supportive Services files had eight findings, including incomplete case notes documenting outreach attempts and services provided, as well as missing evidence of supervisor review. The site walk-through identified three findings related to minor maintenance issues, such as chipped paint. A majority of findings at the Winton and the National were repeat findings from FY 2023–24 program monitoring. THC did not implement corrective actions outlined in its prior year response plan. According to HSH staff, HSH will be following its Corrective Action Policy that includes issuing a Corrective Action Plan for repeat program monitoring findings.

Exhibit 2: Findings by Site and Monitoring Area

Monitoring Area	The Winton	The Crown	The National	Total
Property Management Files	6	3	7	16
Supportive Services Files	3	4	1	8
Site Walk-Through	1	1	1	3
Total	**10**	**8**	**9**	**27**

Source: FY 2024-25 Program Year Annual Monitoring Results, HSH

THC met or nearly met most service objectives for support services. We show outcome objectives for support services and service and outcome objectives for property management services below in Exhibit 3. THC met or nearly met objectives related to timeliness of new tenant move-ins following referrals, occupancy rate, service plans, and housing stability. THC narrowly missed the tenant satisfaction target, achieving 77 percent in both categories compared to a goal of 80 percent.

THC missed two core property management objectives: 1) unit turnover repair timeline, and 2) collection of tenant of rent. According to HSH, THC did not meet its goal for timely unit turnover, as it took THC longer than 21 days to complete necessary janitorial work and maintenance. According to HSH, nonpayment of rent has been a challenge across PSH portfolio since the COVID-19 pandemic. In response, HSH is ramping up its money management programming.

Exhibit 3: Service and Outcomes Objectives, FY 2024-25

Objectives	Goal	Actual	Achieved (Y/N)
Grantee shall ensure that each unit, upon turnover, is clean and/or repaired within 21 days, on average.	<21 days	Average of 69 days	N
Grantee shall ensure that new tenant move-ins occur within 30 days of referral.	<30 days	Average of 15 days	Y
Grantee shall collect at least 90 percent of tenant portions of monthly rent from occupied units.	90%	61%	N
Grantee shall maintain an occupancy rate of at least 93 percent.	93%	92%	N
80 percent of individualized service plans will be reviewed at least once every six months and updated as appropriate at this time.	80%	100%	Y
At least 65 percent of tenants shall complete an annual Tenant Satisfaction Survey.	65%	68%	Y
80 percent of households completing an annual tenant satisfaction survey will be satisfied or very satisfied with support and property management services.	80%	77%	N
Ninety percent of tenants will maintain their housing for a minimum of 12 months, move to other permanent housing, or be provided with more appropriate placements.	90%	92%	Y
Eighty-five percent of tenant lease violations will be resolved without loss of housing to tenants.	85%	97%	Y

Source: HSH Program Monitoring FY 2024-25

Fiscal Monitoring

The City completed fiscal and compliance monitoring of the grantee for FY 2024-25 in April 2025, and the review did not have any findings. In FY 2025-26, the grantee was awarded a one-year waiver from citywide fiscal and compliance monitoring due to good performance.

FISCAL IMPACT

Annual Budget

As shown in Exhibit 3 below, the amendment extends the agreement term at current ongoing funding levels. The annual cost of the program in the extension period is $9.96 million, which is approximately $43,000 per unit. This includes $4.1 million in salary and benefits for 48.28 full

time equivalent (FTE) positions, including 12.07 FTEs at the Crown, 17.94 FTEs at the National, and 18.27 FTEs at the Winton.

Of the $9.96 million in annual expenditures, $7 million is funded by the City and the remaining $2.9 million is funded by a federal Continuum of Care grant ($2.31 million), tenant rents ($416,300), and a Veterans Affairs Supportive Housing (VASH) grant ($197,000). The proposed not-to-exceed amount is $42,532,462, which includes a 20 percent contingency of $2,111,653, as shown in Exhibit 4. Annual City funding of $7 million includes $6.4 million from the General Fund and $0.6 million from Proposition C revenues.

Exhibit 4: Budget for Current and Proposed Term

	Current	Proposed	Proposed
Funding	**7/1/2025 - 6/30/2026**	**7/1/2026 – 6/30/2027**	**7/1/2027 - 12/31/2027**
City Funding			
General Fund	$6,389,818	$6,389,818	$3,194,909
Prop C	649,025	649,025	324,513
Subtotal, City Funding	*$7,038,843*	*$7,038,843*	*$3,519,422*
Other Funding			
Tenant Rents	416,300	416,300	208,150
Veterans Affairs (VA) Grant	197,000	197,000	98,500
Continuum of Care (CoC) Grant	2,309,300	2,309,300	1,154,650
Subtotal, Other Funding	*2,922,600*	*2,922,600*	*1,461,300*
Total Funding	**$9,961,443**	**$9,961,443**	**$4,980,722**
Operating Expenses			
Salaries & Benefits	3,910,324	4,098,324	2,049,162
Operating Expenses	1,208,057	1,020,057	510,029
Indirect Costs (12%)	588,614	588,614	294,307
Other Expenses	4,254,448	4,254,448	2,127,224
Total Expenditures	**$9,961,443**	**$9,961,443**	**$4,980,722**

Source: Appendix B of Proposed Amendment

Actual Spending and Not to Exceed Amount

During FY 2021-22, the provider spent less than 60 percent of its original budget because the National Hotel was closed for repairs due to fire damage. National tenants returned to their units in December 2022 and the provider's spending rate increased as a result. From FY 2023-24 to FY 2024-25, the provider spent an average of 94 percent of its ongoing budget amount. In the current fiscal year, the provider has spent 60 percent ($4,215,050) of its FY 2025-26 budget through January 2026. HSH projects that the provider will spend down its full budget amount over the remaining term due to increases in operating costs, including updates in minimum compensation ordinance (MCO) rates, rising insurance premiums and annual master lease adjustments. Exhibit 5 below shows the original budget, actual spending, and proposed budget by fiscal year.

Exhibit 5: Actual Spending and Not to Exceed Amount

Fiscal Year	Original Budget	Actual Spent	Proposed Budget
2021-22	$5,880,295	$3,517,607	3,517,607
2022-23	6,649,347	5,793,386	5,793,386
2023-24	7,068,001	6,764,129	6,764,129
2024-25	7,309,184	6,748,579	6,748,579
2025-26	7,038,843	4,215,050*	7,038,843
2026-27			7,038,843
2027-28			3,519,422
Total	**$33,945,670**	**$27,038,751**	**$40,420,809**
Contingency (20%)			2,111,653
Not to Exceed Amount			**$42,532,462**

Source: HSH Homeless Oversight Commission Memo dated May 7, 2026
*Reflects actual spending as of January 2026

RECOMMENDATION

Approve the proposed resolution.

Item 19 File 26-0461	Department: Homelessness and Supportive Housing

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution authorizes the third amendment to the grant agreement between the Tenderloin Housing Clinic, Inc. and the Department of Homelessness and Supportive Housing (HSH) to continue providing permanent supportive housing at 16 master-leased hotels. The proposed amendment extends the current grant agreement term by 18 months through December 2027 and increases the not-to-exceed amount $241,657,513 to $303,609,319.

Key Points

- Tenderloin Housing Clinic provides property management, support services, and lease services for 16 supportive housing properties, totaling 1,519 units. Tenderloin Housing Clinic enters into private leases with the landlords for the sites. Building operations and services are funded by this grant agreement and by tenant rents, which are capped at 30 percent of tenant income.
- HSH completed FY 2024-25 Program Monitoring for Tenderloin Clinic's Master Lease Hotels, including site visits at all sixteen sites between September 2025 and December 2025. The report noted an improvement in the quality of common areas, which were findings in prior years. HSH's review noted THC needed to improve its outreach to tenants to offer, update plans for supportive services, and reduce its room turnover time, which was 73 days (greater than the goal of 21 days). The data also shows that tenants were largely satisfied with support and property management services and that, collectively, all sites exceeded the 93 percent occupancy rate.

Fiscal Impact

- The City's funding for FY 2026-27 is approximately $44.7 million, which is virtually the same as this year's budget.
- Of the total proposed FY 2026-27 HSH funding for the contract, the General Fund provides $30 million, the HSH Fund (formerly the Care Not Cash Program) provides $10 million, and Proposition C Homelessness Gross Receipts Tax revenues provides $4.6 million. Total program expenditures of $50.6 million also account for an estimated $5.9 million in tenant rental income.

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

Procurement

In 2015, Tenderloin Housing Clinic, a nonprofit organization, was selected by the Human Services Agency to provide permanent supportive housing services at master leased hotels through a Notice of Funding Availability process. In July 2020, the Department of Homelessness and Supportive Housing (HSH) entered into a new grant agreement with Tenderloin Housing Clinic to provide property management and supportive services to 16 master-leased hotels that provide permanent supportive housing for formerly homeless adults. Tenderloin Housing Clinic was selected for this agreement under Administrative Code Chapter 21B, which allows HSH to enter into service contracts without a competitive process to more quicky respond to the homelessness crisis. This code section sunsets on May 5, 2029.

Current Contract

The initial grant agreement was for a term of three years and eight months from July 1, 2020 through February 29, 2024 for a total not to exceed amount of $89,400,486 (File 20-0705). In June 2022, the agreement was amended to extend the grant term by four months through June 30, 2024 and increase the grant agreement to $132,903,851 (File 22-0453). The increase in costs was primarily driven by increasing property rental costs, salary and benefit costs, and reductions in tenants rents due to implementation of City policy to limit tenant rent to 30 percent of tenant income (File 20-1185). In September 2023, the Board approved the second amendment to the grant, extending the agreement through June 2026 and increasing the not to exceed amount to $241,657,513 (File 23-0871). HSH is now proposing to extend the agreement through December 2027 to align with a planned re-procurement of the Department's permanent supportive housing portfolio.

System of Care

According to HSH's Housing Inventory Dashboard, the Department has 9,537 units of site-based permanent supportive housing, including the 1,519 in the proposed grant.[1]

[1] HSH Housing Inventory Dashboard: https://hsh.sfgov.org/services/the-homelessness-response-system/housing/

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the third amendment to the grant agreement between the Tenderloin Housing Clinic, Inc. and the Department of Homelessness and Supportive Housing (HSH) to continue providing permanent supportive housing at 16 master-leased hotels. The proposed third amendment extends the current grant agreement term by 18 months, from June 30, 2026 through December 31, 2027 and increases in the not to exceed amount from $241,657,513 to $303,609,319.

Services

The third grant amendment maintains the current services provided by Tenderloin Housing Clinic. These include:

- **supportive services** that include but are not limited to outreach to tenants about services, intake and assessment, case management, housing stability support to help tenants maintain secure housing, and wellness and emergency safety checks; money management/third party rental payments; and
- **property management and lease services**, which include selecting program applicants in accordance with applicable laws and HSH policies, executing leases, re-certifying income on an annual basis, collecting rent, enforcing leases, paying for building services (e.g., utilities), and building maintenance.

Tenderloin Housing Clinic is responsible for managing the master lease with the property's owner, which includes coordination with the property owners on regular maintenance, capital needs, changes to the sublease, and other changes to the master lease.

Tenderloin Housing Clinic provides property management and supportive services across 16 sites and 1,529 units which are listed in Exhibit 1 below. These units serve formerly homeless and income eligible adults who are 18 or older without dependents under the age of 18.

Exhibit 1: Tenderloin Housing Clinic Master Leased Hotel Sites

Housing Site	Funding Category	Street Address	Number of Units[2]
All Star	HSH Fund	2791 16th St.	82
Boyd	HSH Fund	41 Jones St.	78
Caldrake	HSH Fund	1541 California St.	49
Edgeworth	General Fund	770 O'Farrell St.	42
Elk	HSH Fund	670 Eddy St.	84
Graystone	HSH Fund	66 Geary St.	71
Hartland	General Fund	909 Geary St.	134
Jefferson	General Fund	440 Eddy St.	107
Mayfair	General Fund	626 Polk St.	53
Mission	General Fund	520 S. Van Ness Ave.	237
Pierre	HSH Fund	540 Jones St.	84
Raman	General Fund	1011 Howard St.	82
Royan	HSH Fund	405 Valencia St.	66
Seneca	General Fund	34 6th St.	195
Union	HSH Fund	811 Geary Blvd.	59
Vincent	General Fund	459 Turk St.	96
		Total	**1,519**

Source: Proposed Third Amendment, Appendix A

Of the 1,519 units funded through this agreement, 573 units (38 percent) are funded through the "HSH Fund," which was previously referred to as the Care Not Cash program[3] and funds housing for low-income individuals who receive support through the County Adult Assistance Program (CAAP). The remaining 946 units (62 percent) are funded through the General fund and provide housing for CAAP recipients as well as tenants who are not eligible for CAAP. Tenants in all units pay 30 percent of their income as rent, which is used to partially fund the cost of building operations and supportive services. The 1,519 units funded under the proposed second amendment is a decrease of 10 units from 1,529 units funded in the most recent agreement. According to HSH staff, 10 units were set aside for staff and services offices to account for the increase in case management across the portfolio to meet the 1:25 tenant to case management ratio.

[2] This is the number of units as of July 1, 2023.

[3] The Care Not Cash program was approved by San Francisco voters in 2002 and transfers some of the City's General Fund cash assistance to unhoused individuals into supportive housing. Care Not Cash specifically funds housing for individuals receiving support through the County Adult Assistance Program (CAAP), for which only low-income adults are eligible.

Program Monitoring

HSH completed FY 2024-25 Program Monitoring for Tenderloin Clinic's Master Lease Hotels, including site visits at all sixteen sites between September 2025 and December 2025. The report noted an improvement in the quality of common areas, which were findings in prior years. The summary for all sixteen sites is shown below in Exhibit 2. HSH's review noted THC needed to improve its outreach to tenants to offer, update plans for supportive services, and reduce its room turnover time, which was 73 days (greater than the goal of 21 days). The data also shows that tenants were largely satisfied with support and property management services and that, collectively, all sites exceeded the 93 percent occupancy rate.

Exhibit 2: Performance Monitoring Results, FY 2024-25

Supportive Service Objectives	Goal	Actual
Outreach to 100 percent of tenants at least once every month.	100%	100%
Offer assessment to 100 percent of tenants for medical care within 60 days of move-in.	100%	90%
Offer assessment/assistance to 100 percent of tenants for benefits within 60 days of move-in	100%	90%
Offer Support Services to 100 percent of all tenants who showed housing instability	100%	100%
Outreach to 100 percent of tenants with planned exits for discharge planning	100%	41%
Outreach to 100 percent of tenants participating in Support Services to create/engage in Service Plans, as needed, on an ongoing basis.	100%	0%
Property Management Objectives		
Ensure that each unit, upon turnover, is clean and/or repaired within 21 days, on average.	<21 days	73 days
Ensure that new tenant move-ins occur within 30 days of referral.	<30 days	12
Collect at least 90 percent of tenant rent	90%	79%
Maintain an occupancy rate of at least 93 percent.	93%	95%
Outcome Objectives		

Supportive Service Objectives	Goal	Actual
90 percent of tenants maintain their housing for a minimum of 12 months	90%	95%
85 percent of tenant lease violations will be resolved without loss of housing to tenants.	85%	99%
At least 65 percent of tenants complete an annual Tenant Satisfaction Survey and of those, 80 percent are satisfied or very satisfied with services	65% (Participation Rate); 80% (Satisfaction Rate)	63% (Participation Rate); 87% (Satisfaction Rate)

Source: HSH

Fiscal and Compliance Monitoring

The Adult Probation Department conducted the FY 2024-25 Citywide Nonprofit Fiscal and Compliance Monitoring for Tenderloin Housing Clinic in April 2025, which reviewed THC's compliance with City standards for non-profit financial condition and governance and a sample of City contracts. Because the FY 2024-25 review had no findings, THC received a good performance waiver from FY 2025-26 Fiscal & Compliance monitoring.

FISCAL IMPACT

As shown below in Exhibit 3 below, the City's funding in FY 2026-27 is approximately $44.7 million, which is virtually the same as this year's budget. Salary and benefit costs are increasing by five percent due to the cost of labor increases in FY 2026-27, offset by a decrease in temporary case managers.

The cost per room per year is $33,317, which is lower than other HSH permanent supportive housing projects.

Funding Sources

Of the total proposed FY 2026-27 HSH Revenues, the General Fund provides $30 million, the HSH Fund (formerly the Care Not Cash Program) provides $10 million, and Proposition C Homelessness Gross Receipts Tax revenues provides $4.6 million. Total program expenditures of $50.6 million also account for an estimated $5.9 million in tenant rental income.

Exhibit 3: Annual Program Budget

Sources	FY 2026-27	FY 2027-28 (Half Year)	Total (Extension Period)
HSH Funding			
General Fund	30,053,351	15,026,675	45,080,026
HSH Fund	9,972,561	4,986,280	14,958,841
Prop C	4,642,024	2,321,012	6,963,036
Subtotal HSH Funding	**44,667,935**	**22,333,968**	**67,001,903**
Other Funding			
Tenant Rental Income	5,941,255	2,970,628	8,911,883
Total Funding	**50,609,190**	**25,304,595**	**75,913,785**
Expenditures			
Salaries & Benefits	23,328,289	11,664,145	34,992,434
Operating Expenses	8,756,278	4,378,139	13,134,417
Indirect Cost (11.5%)	3,689,725	1,844,863	5,534,588
Other Expenses	14,834,898	7,417,449	22,252,347
Total Expenditures	**50,609,190**	**25,304,595**	**75,913,786**

Source: Proposed Amendment Appendix B

Not to Exceed Amount

Exhibit 4 shows the proposed resolution's not to exceed amount, which includes actual spending on the contract through FY 2024-25 and also includes a 20 percent contingency on funding for the extension period. The not to exceed amount is based on the annual program budget and the portion of funds that are covered by HSH (HSH Funding in Exhibit 3), tenant income is not included in the not to exceed amount.

Exhibit 4: Grant Not to Exceed Amount

Year	Spending (Actual and Projected)
Year 1 (FY 2020-21)	26,746,533
Year 2 (FY 2021-22)	29,871,231
Year 3 (FY 2022-23)	38,730,002
Year 4 (FY 2023-24)	39,748,783
Year 5 (FY 2024-25)	43,337,918
Year 6 (FY 2025-26)	44,772,568
Year 7 (FY 2026-27)	44,667,935
Year 8 (FY 2027-28)	22,333,968
Subtotal, Project HSH Funding	**290,208,939**
Contingency (20%)	13,400,381
Not to Exceed Amount	**303,609,319**

Source: Appendix B of the Proposed Amendment

Actual Spending

HSH reports that through March 2026, $208,146,704 of the current contract's not to exceed amount of $241,657,513 has been spent.

RECOMMENDATION

Approve the proposed resolution.