

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: February 1, 2018 Budget and Finance Committee Meeting

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<p>Item 8 File 18-0032</p>	<p>Departments: Public Works, Homelessness and Supportive Housing, Public Health</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance allows the Public Works, the Department of Homelessness and Supportive Housing, and Public Health to enter into contracts without adhering to Administrative Code provisions regarding competitive bidding and other requirements <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Board of Supervisors approved a resolution in December 2017 declaring a homeless shelter emergency. The proposed ordinance would allow contracts for construction and services without adhering to Administrative Code provisions for competitive bidding and other requirements until March 2019. • Five sites have been identified for shelter and housing: (1) Jelani House - 17 transitional housing units for pregnant women and women with infants; (2) Minna Less Hotel - 51 SRO units for chronically homeless adults, (3) 125 Bayshore Boulevard - 128-bed navigation center; (4) 5th and Bryant Streets - 80-bed navigation center; and (5) Division Circle - 125-bed navigation center. • The proposed ordinance would also waive Administrative Code provisions for potential future sites on Caltrans properties, and for the five existing navigation centers. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The Department of Homelessness and Supportive Housing has sufficient funds in the FY 2017-18 budget to begin implementing shelter/housing at the five sites identified above. According to the Mayor’s Budget Director, the Mayor’s Office will include funding for additional emergency shelter and housing projects in the FY 2018-19 budget. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • Because the additional Caltrans sites are not currently available as emergency housing/shelter beds and because funding for these sites has not yet been identified, the Department of Homelessness and Supportive Housing has the opportunity to request waiver of the Administrative Code provisions when the Board of Supervisors approves funding for these additional Caltrans sites without delaying implementation of shelter/housing on these sites. • Also, only two to the five navigation centers are scheduled to close prior to the March 1, 2019 end date of the proposed ordinance. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Consider amending the proposed ordinance to remove the additional unidentified Caltrans sites until such time that the Board of Supervisors approves funding for these sites. • Amend the proposed ordinance to only include the Mission Navigation Center and the South Van Ness Navigation Center and not include the other existing navigation centers. • Approval of the proposed ordinance as amended is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

City Charter Section 2.105 states that the Board of Supervisors shall act only by written ordinance or resolution, and that all legislative acts shall be by ordinance.

BACKGROUND

The Board of Supervisors approved a resolution in December 2017 declaring a homeless shelter emergency, authorizing Public Works and the Department of Homelessness and Supportive Housing (HSH) to waive certain Administrative Code provisions in order to construct, improve or repair facilities and to provide services for persons experiencing homelessness (File 17-1256). This resolution is scheduled to sunset when a permanent emergency ordinance is enacted or on February 15, 2018, whichever comes first. An ordinance authorizing Public Works, the Department of Homelessness and Supportive Housing, and the Department of Public Health to enter into contracts for shelters and Navigation Center sites without competitive bidding and other municipal code requirements was introduced to the Board of Supervisors on January 9, 2018 (File 18-0032).

DETAILS OF PROPOSED LEGISLATION

Major Provisions of the Proposed Ordinance

The proposed ordinance allows the Director of Public Works, the Director of the Department of Homelessness and Supportive Housing, and the Director of Public Health to enter into contracts without adhering to certain Administrative Code and Environment Code provisions regarding competitive bidding and other requirements. The contracts covered by the proposed ordinance would be for construction, procurement of goods and services, and professional services for the following emergency shelter sites:

1. Jelani House at 1601 Quesada Avenue
2. Minna Lee Hotel at 149 Sixth Street
3. 125 Bayshore Boulevard (File 17-1288, pending before the Board of Supervisors)
4. Division Circle at 13th Street and South Van Ness Avenue (File 17-1287, pending before the Board of Supervisors)
5. 5th Street and Bryant Street (File 17-1287, pending before the Board of Supervisors)
6. Caltrans Emergency Shelter Properties
7. Five existing Navigation Centers (1950 Mission Street, 1515 South Van Ness Avenue, Central Waterfront in the Dogpatch, and Civic Center operated by the Department of Homelessness and Supportive Housing; and Hummingbird, operated by the Department of Public Health)

According to the proposed ordinance, because of the homeless shelter emergency, the City needs to establish homeless shelters, navigation centers, transitional housing and supportive housing; and expedite contracting for improvements and repairs to shelter/housing sites, and procurement of associated goods and services. The proposed ordinance waives the following Administrative Code provisions:

- Administrative Code Chapter 6 setting the terms for awarding construction contracts and related professional services contracts through competitive bidding/competitive solicitation;
- Administrative Code Chapter 12B prohibiting discrimination in contracting;
- Administrative Code Chapter 14B providing for participation of Local Business Enterprises in City contracts;
- Administrative Code Chapter 21 setting the terms for purchasing goods and services.

The proposed ordinance also authorizes the Director of the City's Real Estate Division to enter into leases and lease amendments for up to 12 months for shelter sites without adhering to the requirements of Administrative Code Chapters 12B, 14B, and 23 (which sets the terms for competitive bidding, appraisals, and other requirements for real estate transactions).

The authority to enter into contracts and leases for the shelter/housing sites noted above without adhering to the specified Administrative Code requirements would expire on March 1, 2019.

Additional Shelter Crisis Sites

The proposed ordinance authorizes the Director of Public Works, in consultation with the Director of the Department of Homelessness and Supportive Housing, the Director of the Real Estate Division, and other City officials to identify additional shelter/housing sites, and enter into contracts and leases without adhering the Administrative Code requirements noted above. The Director of Public Works would have to provide written notice to the Board of Supervisors, including whether the site is owned by the City or by another person or entity, the name of the site owner, and the terms of any site licenses or leases. The Director of Public Works would need to confirm that the site would be used for emergency shelter/housing, and the Director of the City's Real Estate Division would need to confirm that the lease or license terms are reasonable.

Other Provisions

Implementation of the proposed ordinance includes the following additional provisions:

- Consultation with the member of the Board of Supervisors in whose district the proposed site will be located, and outreach to district residents;
- Adoption of site-specific health, sanitation, and security plans;
- Report to the Mayor and the Board of Supervisors no later than February 28, 2019 on the number of homeless individuals served by the emergency shelter/housing sites.

Retroactivity

The proposed ordinance applies retroactively to actions taken since January 1, 2018.

Description of the Shelter Crisis Sites

The proposed ordinance applies to the following sites:

Jelani House at 1601 Quesada Avenue

Jelani House is a former 17-unit residential treatment facility owned by the Bayview Hunters Point Foundation. The Department of Homelessness and Supportive Housing plans to enter into a lease with the Bayview Hunters Point Foundation and a contract with an experienced homeless service provider for use of Jelani House as transitional housing for pregnant women and women with infants. Annual lease costs are estimated to be \$240,000 and annual operating costs are estimated to be \$856,000. The Department does not currently have estimates on the construction and related costs to prepare Jelani House for use as transitional housing.

Minna Lee Hotel at 149 Sixth Street

The Minna Lee Hotel is a vacant, privately-owned 51-unit Single Resident Occupancy (SRO) hotel. The Department of Homelessness and Supportive Housing plans to enter into a lease and a contract with an experienced homeless service provider for use of the hotel as supportive housing for chronically homeless adults. The lease would be for 10 years with two 5-year options to extend, for a lease term of up to 20 years, with first year lease costs of \$468,000. The Department does not currently have estimates of annual operating costs or tenant improvement costs, although according to Department staff, the hotel is in good condition and will not require significant tenant improvements.

125 Bayshore Boulevard (File 17-1288 pending before the Board of Supervisors)

125 Bayshore Boulevard is a warehouse site located at Cesar Chavez and Bayshore that will be converted to a 128-bed Navigation Center. A resolution to approve a lease for up to 5 ½ years is pending before the Board of Supervisors. Estimated first year lease costs are approximately \$500,000 and costs to improve the property for use as a navigation center are \$3,200,000. Estimated annual operating costs are \$4,200,000.

5th and Bryant Streets (File 17-1287 pending before the Board of Supervisors)

5th and Bryant Streets would be leased by the City from the California Department of Transportation (Caltrans) and used as an 80-bed Navigation Center. Annual lease costs are \$12. Costs to improve the property for use as a navigation center are \$3,700,000. Estimated annual operating costs are \$3,200,000.

Division Circle at 13th Street and South Van Ness (File 17-1287 pending before the Board of Supervisors)

Division Circle is currently leased by the City from Caltrans for use as a parking lot. The Real Estate Division will amend the lease for use of the site as a 125-bed Navigation Center. Annual lease costs are \$12. Costs to improve the property for use as a navigation center are \$4,200,000. Estimated annual operating costs are \$4,700,000.

Caltrans Emergency Shelter Properties

California Assembly Bill 857, passed in October 2017, authorizes the City to lease Caltrans sites under or adjacent to state highways for parks, open-space uses, and homeless shelter programs at a reduced lease rate of \$1 per month. Legislation authorizing the Director of the Real Estate Division to negotiate with Caltrans for use of Caltrans sites as navigation centers is pending before the Board of Supervisors (File 17-1287), including the two sites listed above - Division Circle and 5th and Bryant.

According to Ms. Emily Cohen, Policy and Special Projects Manager for the Department of Homelessness and Supportive Housing, the City is exploring other potential Caltrans sites to be used as parks or open space, and in the event that one of these identified sites may be suitable for use as a navigation center or homeless service site, the Department wants to ability to move quickly to open navigation centers and services.

Existing Navigation Centers

The City has five existing navigation centers. The four navigation centers operated by the Department of Homelessness and Supportive Housing are:

- The Mission Navigation Center is a 75-bed center located at 1590 Mission Street that opened in March 2015 and is scheduled to close in October 2018.
- The South Van Ness Navigation Center is a 120-bed center located at 1515 South Van Ness Avenue that opened in June 2017 and is scheduled to close by March 2018.
- The Central Waterfront Navigation Center is a 64-bed center that opened in May 2017 and is scheduled to close by June 2020.
- The Civic Center Navigation Center is a 93-bed center that opened in June 2016 and is scheduled to close in 2019.

The Department of Public Health also operates a fifth navigation center – Hummingbird – adjacent to Zuckerberg San Francisco General Hospital.

The existing navigation centers are not currently planned to remain open beyond the scheduled date for each center to close. According to Ms. Cohen, the Department plans to abide by the scheduled close date for each navigation center unless opportunities arise to extend operation or expand to add additional beds. The navigation centers are included in the proposed ordinance to allow waiver of Administrative Code provisions for procuring navigation center services in the event that an existing navigation center may extend the closure date.

FISCAL IMPACT

Proposed Shelter and Housing Sites

Navigation Centers

Two resolutions are pending before the Board of Supervisors to: (1) approve a 5 ½ year lease at 125 Bayshore Boulevard as a site for a 128-bed navigation center (File 17-1288); and (2) authorize the Director of the Real Estate Division to negotiate with Caltrans for lease or

purchase of Caltrans property to be used as navigation centers, including the Division Circle and 5th and Bryant Streets sites (File 17-1287).

Approval of the proposed ordinance would authorize the Director of Public Works to enter into construction and related professional services contracts to develop navigation centers at 125 Bayshore Boulevard, Division Circle, and 5th and Bryant Streets sites. The estimated costs of site development for these three sites, provided by Public Works, are approximately \$11.1 million.

Estimated Development Costs for New Navigation Centers

5th and Bryant Streets	\$4,200,000
Division Circle	3,700,000
125 Bayshore Boulevard	<u>3,200,000</u>
Total	\$11,100,000

According to Ms. Gigi Whitley, Department of Homelessness and Supportive Housing Deputy Director, annual operating costs for the proposed new navigation centers at 125 Bayshore Boulevard, Division Circle, and 5th and Bryant Streets are \$12.6 million.

Estimated Annual Operating Costs for New Navigation Centers

5th and Bryant Streets	\$3,200,000
Division Circle	4,700,000
125 Bayshore Boulevard	<u>4,200,000</u>
Total	\$12,100,000

According to Ms. Whitley, the Department has sufficient funds in the Department's FY 2017-18 budget, including the \$10 million grant from the California Department of Housing and Community Development (File 18-0055 pending before the Board of Supervisors) to cover the estimated development and annual operating costs totaling \$23.2 million for the three new navigation centers noted above.

Transitional and Supportive Housing

The Department of Homelessness and Supportive Housing is currently negotiating leases with for the use of Jelani House and the Minna Lee Hotel as noted above, which would add approximately 68 new units of transitional and supportive housing (17 units in the Jelani House and 51 units in the Minna Lee Hotel). Estimated first year lease costs are \$708,000 (\$240,000 for Jelani House and \$468,000 for Minna Lee Hotel). Estimated annual operating costs for the Jelani House are \$856,000. While the estimated first year lease and operating costs for these two leases are at least \$1.5 million, the additional costs for operating the Minna Lee Hotel and constructing tenant improvements to the Jelani House and Minna Lee Hotel are not yet known.

Funding Sources for Other Sites

According to Ms. Melissa Whitehouse, Mayor's Budget Director, the Mayor's Office will include funding for additional emergency shelter and housing projects in the FY 2018-19 budget.

POLICY CONSIDERATION

To ensure fairness in City contracting, City policy is to require competitive solicitation and non-discrimination for City contracts. In order to expedite the implementation of navigation centers and other emergency shelters and housing, the proposed ordinance waives Administrative Code provisions for (1) competitive bidding/solicitation of contracts for construction, procurement of goods and services, and professional services, (2) prohibiting discrimination in contracting, (3) participation of Local Business Enterprises in City contracts, and (4) entering into leases and lease amendments. The Department of Homelessness and Supportive Housing has identified five sites to implement navigation centers and other emergency shelters and housing – Jelani House, Minna Lee Hotel, 125 Bayshore Boulevard, Division Circle, and 5th and Bryant Streets. Given the Board of Supervisors’ declaration of a homeless shelter emergency in December 2017, waiving Administrative Code provisions until March 1, 2019 to expedite implementation of navigation centers and other emergency shelters and housing for these five sites is reasonable.

The proposed ordinance also waives the Administrative Code provisions for other Caltrans properties that have not yet been identified. Because the additional Caltrans sites are not currently available as emergency housing/shelter beds and because funding for these sites has not yet been identified, the Department of Homelessness and Supportive Housing has the opportunity to request waiver of the Administrative Code provisions when the Board of Supervisors approves funding for these additional Caltrans sites without delaying implementation of shelter/housing on these sites. Therefore, the Board of Supervisors should consider amending the proposed ordinance to remove these additional unidentified Caltrans sites.

The proposed ordinance also waives the Administrative Code provisions for the five existing navigation centers in the event that these navigation centers can remain open beyond the scheduled close date. However, only two to the five navigation centers are scheduled to close prior to the March 1, 2019 end date of the proposed ordinance: the Mission Navigation Center, scheduled to close in October 2018 and the South Van Ness Navigation Center scheduled to close in March 2018. Therefore, the proposed ordinance should be amended to only include the Mission Navigation Center and the South Van Ness Navigation Center.

Because the proposed ordinance waives Administrative Code provisions, approval of the ordinance as amended, is a policy matter for the Board of Supervisors.

RECOMMENDATIONS

1. Consider amending the proposed ordinance to remove the additional unidentified Caltrans sites until such time that the Board of Supervisors approves funding for these sites.
2. Amend the proposed ordinance to only include the Mission Navigation Center and the South Van Ness Navigation Center and not include the other existing navigation centers.
3. Approval of the proposed ordinance as amended is a policy matter for the Board of Supervisors.