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: July 16, 2025 Budget and Finance Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would approve the San Francisco Health Service System's (HSS) health, vision, and dental plans as well as life insurance and long-term disability insurance plans and contribution rates for calendar year (CY) 2026.

Key Points

- In general, there are no major plan changes to the City's existing health insurance provider contracts, aside from expanding access to fertility treatment and restricting access to GLP-1 weight loss medications.

Fiscal Impact

- The total cost of the plans in CY 2026 would be $1,144,734,746 or 8.20 percent more than the $1,058,004,237 total cost in 2025. Of the total, the City's costs would be $1,008,999,636, with the balance of $135,735,110 paid by employees and retirees.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT

City Charter Section A8.423 states that the Health Service Board is required to conduct a survey of the 10 most populous California counties, excluding San Francisco, to determine the average contribution made by each county toward health plan premiums for employees, excluding dental plan premiums. The Health Service Board is then required to certify to the Board of Supervisors the average contribution as determined by this survey. City Charter Section A8.428 also requires the City to contribute to the Health Service System Trust Fund to pay the costs of health plan premiums.

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) any modification of such contracts of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

The Health Service Board oversees the San Francisco Health Service System (HSS). The HSS administers non-pension benefits, including health, vision, dental, as well as life insurance and long-term disability insurance. The Health Service Board provides the annual health, vision, dental and other insurance plans, and sets the respective plan premium rates and contributions to be paid by HSS employers and members. There are four HSS employers:

1. City and County of San Francisco (City)
2. San Francisco Unified School District (SFUSD)
3. San Francisco Community College District (SFCCD)
4. San Francisco Superior Court (Superior Court)

HSS members are active and retired employees of the above noted four employers, their dependents, and members of eligible boards and commissions. Dependents include children, spouses, domestic partners, surviving spouses of deceased members, and other legal dependents.

City and Employee Contribution Models

Most contribution formulas for City employees negotiated as part of their labor agreements fall into the following two percentage-based models which reflect the City's percentage of the contribution.

- <u>93/93/83 Contribution Model:</u> The City contributes 93 percent of the total health insurance premium for a single member. The City contributes 93 percent of the total health insurance premium for employees with one dependent, capped at 93 percent of the second-highest cost plan. The City contributes 83 percent of the total health insurance premium for employees with two or more dependents, capped at 83 percent of the second-highest cost plan. According to Iftikhar Hussain, Chief Financial Officer at the San

Francisco Health Service System, there are 43,784 members (excluding dependents) who are covered by this contribution model in 2026.

- 100/96/83 Contribution Model: The City contributes 100 percent of total health insurance premium for a single member. The City contributes up to 96 percent of the total health insurance premium for employees with one dependent, capped at 96 percent of the second-highest cost plan. The City contributes 83 percent of the total health insurance premium for employees with two or more dependents, capped at 83 percent of the second-highest cost plan. According to Chief Financial Officer Hussein, there are 12,007 members (excluding dependents) who are covered by this contribution model in 2026.

Retiree Health Plan Premium Contributions

The 10-county survey average is used as a basis for calculating the employer contribution to the monthly health plan premium for all retirees hired on or before January 9, 2009.[1] Based on the 2025 10-County survey, the 10-county average employer contribution for calendar year 2026 is $942.14 per member per month, which is $60.09 or approximately 6.81 percent more than the average monthly contribution in 2025 of $882.05.

Retirees who were hired on or after January 10, 2009 receive a percentage of the employer contribution depending on how long they worked for the City, with the percentage increasing as the number of years the employee worked for the employer increases.

Trust Funds

Under Charter Section A8.428, employer and HSS member contributions to health plan premiums are deposited in the Health Service System Trust Fund, which in turn funds costs for medical expenses and health plans. As of April 30, 2025, the Health Service System Trust Fund balance was approximately $98.6 million and is projected to be $104.2 million as of June 30, 2025.

The retiree rates health service impacts the City's post-employment benefits (OPEB), which are currently paid on a pay-go basis. The City also pre-funds its OPEB liability by contributions from employers and employees deposited into a Retiree Health Care Trust Fund, each up to one percent of each employee's compensation. As of June 30, 2024, the net OPEB liability was $3.9 billion. Once the Retiree Health Care Trust Fund reaches a funding level sufficient to fund existing liabilities from investment returns, the City's one percent contribution will cease and the employee's contribution will be for new liabilities accrued during a given year, up to one percent of compensation.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would approve the San Francisco Health Service System's (HSS) health, vision, and dental plans as well as life insurance and long-term disability insurance plans and

[1] In the event the premium for the retiree is higher than the 10-county "average contribution", the City will pay the "average contribution" amount. In the event the premium is less than the "average contribution," the City will pay one hundred percent of the premium.

contribution rates for calendar year (CY) 2026. The total cost of the plans would be $1,144,734,746 or 8.20 percent more than the $1,058,004,237 total cost in 2025. Of the total, the City's costs would be $1,008,999,636, with the balance of $135,735,110 paid by employees and retirees. Exhibit 1 below provides a summary of health insurance costs for 2026.

The Health Service Board approved the following health, vision, dental, life and long-term disability insurance plans and premiums for the period from January 1, 2026 through December 31, 2026 on the following dates in 2025: February 13, March 13, April 10, May 8, and June 12.

In general, there are no major plan changes to the City's existing health insurance provider contracts, aside from expanding access to fertility treatment and restricting access to GLP-1 weight loss medications.

Health Plans and Premiums

Kaiser Permanente HMO[2]

Kaiser Permanente (Kaiser) covers active, early retirees[3] and Medicare retirees. The total Kaiser HMO premium amounts to be paid by the City as employer are $462,881,867, which is a 9.82 percent increase from CY 2025 to CY 2026.[4] These amounts are shown in Exhibit 1 below.

The overall increase in premium costs for Kaiser HMO plans from 2025 to 2026 is due to a 9.88 percent premium rate increase for active and early retirees in California and a 9.33 percent premium rate increase for Medicare retirees in California.

The Kaiser California non-Medicare plan incorporates the adoption of SB729[5] infertility benefit level requirements placed on fully insured commercial plans in California effective in 2026. There are no other Kaiser plan design changes approved for active employees and early retirees approved by the Health Service Board for 2026.

Blue Shield of California HMOs

The total Blue Shield of California (BSC) Access+ and Trio plans are flex-funded[6] HMOs for active employees and early retirees. The total BSC flex-funded HMO plan premium amounts to be paid by the City as employer are $335,499,000, which is an 8.73 percent increase from CY 2025 to CY 2026.

[2] An HMO (Health Maintenance Organization) offers care through a closed panel of providers, in which members select a primary care physician, who manages their care. The HMOs pay the medical groups on a per capita basis.
[3] Retired employees of less than 65 years of age and therefore not eligible for Medicare.
[4] This includes the following plans: Kaiser HMO (actives and early retirees) and Kaiser KPSA HMO (Medicare retirees).
[5] California Senate Bill 729, also known as the Infertility Parity Act, expands insurance coverage for infertility diagnosis and treatment, including in vitro fertilization (IVF)
[6] Under flex-funding, the HMO pays the medical groups on a per capita basis and plan sponsor (HSS) pays the variable claims other than the fixed medical group amounts.

Blue Shield of California PPO (with Accolade)[7]

The Blue Shield of California (BSC) PPO plan is self-funded for active employees and early retirees. The BSC self-funded HMO plan premium amounts to be paid by the City as employer are $54,842,758, which is a 3.88 percent increase from CY 2025 to CY 2026.

Blue Shield of California PPO for Non-Medicare "Split Family" Plans

In 2025, Blue Shield of California (BSC) became the plan administrator for non-Medicare "split family" plans, which provides coverage for non-Medicare covered individuals within families where one or more individual is Medicare-eligible and enrolled in the BSC Medicare Advantage Prescription Drug (MAPD) plan. This is referred to as a "split family" plan because one or more individuals in the family is not yet Medicare-eligible and enrolls in a non-Medicare BSC PPO or HMO plan and one or more individual is Medicare-eligible and is enrolled in the BSC MAPD plan. The BSC PPO for non-Medicare "split family" plan premium amounts to be paid by the City as employer are $2,808,250, which is a 4.54 percent increase from CY 2025 to CY 2026.

Plan Changes to Non-Medicare BSC Plans

The non-Medicare BSC plans, as previously detailed above, incorporate the adoption of SB729 infertility benefit level requirements placed on fully insured commercial plans in California effective in 2026. The Health Service Board also approved one plan change applicable to all three non-Medicare plans (BSC Access+ HMO, BSC Trio HMO, and BSC PPO). The change restricts coverage for glucagon-like peptide-1's (GLP-1) medications for weight loss only (e.g., no approved qualifying diagnosis) for individuals with Body Mass Index (BMI) at or above 40.

Blue Shield of California Medicare Advantage Prescription Drug (MAPD) PPO

In 2025, Blue Shield of California (BSC) became the plan administrator for MAPD plan members. The BSC MAPD PPO plan covers all non-Kaiser Medicare eligible retirees. No major plan design changes were approved for the BSC MAPD PPO plan by the Health Service Board for 2026.

The total BSC MAPD PPO plan premiums amount to be paid by the City as employer are $93,584,844, which is a 4.76 percent increase from CY 2025 to CY 2026.

Health Net CanopyCare HMO

The Health Net CanopyCare HMO plan is flex-funded for active employees and early retirees. CanopyCare provides access to the Canopy Health Alliance of over 5,500 providers in six medical groups and major regional medical centers and hospitals covering the greater Bay Area. The Health Net CanopyCare flex-funded HMO plan premium amounts to be paid by the City as employer are $9,259,306, which is a 0.30 percent decrease from CY 2025 to CY 2026. No plan

[7] Under a PPO (Preferred Provider Organization), the member's cost-share are lower when using physicians, hospitals, and other providers in the preferred network versus and non-preferred providers. This self-funded arrangement means the plan sponsor (HSS) pays the purchaser (through a third-party administrator) on a fee for service basis based on negotiated contracts.

design changes were approved for the Health Net CanopyCare plan by the Health Service Board for 2026.

Vision Plan

Members enrolled in any of the health plans receive vision benefits through Vision Service Plan (VSP), a third-party insurer. The cost of the Basic Plan vision benefit is included in the cost of the medical plan for all monthly health plan premiums. Any active employees or retirees who choose to enroll in the Premier Plan pay the full premium difference between Premier Plan rates and Basic Plan rates in the form of member contributions.

In 2026, all vision Basic Plan rates remain unchanged from the 2025 plan year. The employer portion of vision costs remains unchanged from 2025 to 2026. In 2026, vision Premier Plan total premium rates remain unchanged from 2025 levels. No plan design changes were approved for the vision plans by the Health Service Board for 2026.

Dental Plans

HSS offers three dental plans, which are one PPO (Delta Dental PPO) and two HMOs (DeltaCare USA and UnitedHealthcare Dental). The City pays most of the cost of dental benefits for active employees enrolled in the Delta Dental PPO, and the full cost of the dental HMOs for active employees. Retirees pay the full premium cost of their dental plans with no employer contributions.

For plan year 2026, the City will contribute (1) the total premium toward each of the dental HMO plans for City active employees, and (2) the monthly premium minus employee contributions ranging from $5.00 for employee only coverage to $15.00 per month for full family coverage, for the self-funded Dental PPO plan. Member contributions for the three dental plans remain unchanged from the 2025 plan year.

The total dental plan premium amounts across the three active employee dental plans paid by the City as employer are $44,528,502, which is a 13.33 percent increase from CY 2025 to CY 2026. The high increase in dental plan premium amounts is due to the reduced level of rate stabilization buy-down funds in the active employee dental PPO plan from the prior year. The Rates and Benefits Committee and HSB approved one plan enhancement for the Delta Dental Active Employee PPO plan. The change raises the age for children to receive coverage for first molar sealants to age 16 (to age 9 currently).

Life and Long-Term Disability Insurance

Starting in 2026, the Life Insurance Company of North America (LINA) and also known as New York Life will be the insuring entity for the HSS life insurance, accidental death and dismemberment (AD&D) insurance, short-term and long-term disability (LTD) insurance. In CY 2026, the aggregate City contribution for all life insurance, AD&D, and short-term and LTD plan premiums are $5,595,109, which is a 26.03 percent decrease from CY 2025 to CY2026.

The change from the incumbent provider, Hartford Life and Accident Insurance Company (The Hartford), was the result of an RFP process conducted in December 2024. The change resulted in an estimated two million in savings for the City in 2026 premiums, according to the City's actuarial consultant, Aon.

Federal Affordable Care Act Requirements

In 2010, the Patient Protection and Affordable Care Act (also known as the Affordable Care Act) created a Health Insurance Tax (HIT) and two direct fees were passed through to employers – the Transitional Reinsurance Fee (TRF) and the Patient Centered Outcomes Research Institute (PCORI) fee. The HIT and TRF are no longer in effect. The PCORI fee[8] remains in effect through 2029 as part of the SECURE Act passed by the federal government in December 2019. HSS pays this fee to the federal government for the self-funded BSC PPO and UHC PPO plans (through 2024), while Kaiser, BSC, and Health Net pay this fee on HSS's behalf for fully insured or flex-funded plans. The 2026 PCORI fee is expected to be slightly higher than the $3.47 per covered person per year fee in current year 2025, according to the City's actuarial consultant, Aon.

FISCAL IMPACT

2026 Total City Costs

As shown in Exhibit 1 below, the total estimated cost for active and retired City employees for health, vision, and dental plans, as well as long-term disability and life insurance, will be $1,144,734,746 in CY 2026, which is $86,730,509 more, or an 8.20 percent increase, from $1,058,004,237 in CY 2025.

The total estimated costs for the health, vision, and dental plans, as well as long-term disability and life insurance, for the City as employer in CY 2026 is $1,008,999,636 which is $77,974,691, or 8.38 percent, increase from $931,024,945 in CY 2025. The total estimated costs for the health, vision, and dental plans, as well as long-term disability and life insurance that will be paid by employees and retirees is $135,735,110 in CY 2026, which is $8,755,818, or 6.90 percent, increase from $126,979,292 in CY 2025.

According to HSS, in CY 2026, the average medical monthly contribution by each member will be $188.08 per member per month for all members (actives employees and retirees combined), $212.76 per member per month for active employees, and $155.07 per member per month for retirees.

[8] The PCORI fee was established as part of the Affordable Care Act to fund research to evaluate the effectiveness of medical treatments, procedures and strategies that treat, manage, diagnose, or prevent illness or injury. The ACA requires certain carriers and health plan sponsors (i.e., employers) to pay the PCORI fee annually.

Exhibit 1: Total Plan Costs for the City, Employees and Retirees in 2026 Compared to 2025 Current Membership[9]

	2025 Forecast	2026 Forecast	Increase/ (Decrease)	Percent Change
City Costs Only				
Kaiser HMO (Actives and Early Retirees)	$378,576,583	$415,833,763	$37,257,180	9.84%
Blue Shield HMO (Actives and Early Retirees)	$308,564,709	$335,499,000	$26,934,290	8.73%
Blue Shield-Accolade PPO (Actives and Early Retirees)	$52,795,185	$54,842,758	$2,047,572	3.88%
Health Net CanopyCare HMO (Actives and Early Retirees)	$9,286,844	$9,259,306	($27,537)	-0.30%
BSC PPO (Non-Medicare Split Family Lives)	$2,686,323	$2,808,250	$121,927	4.54%
Kaiser KPSA HMO (Medicare Retirees)	$42,922,602	$47,048,104	$4,125,502	9.61%
BSC MA PPO (Medicare Retirees)	$89,336,778	$93,584,844	$4,248,065	4.76%
Subtotal Health/Basic Vision Plans (Actives and Retirees)	*$884,169,024*	*$958,876,024*	*$74,707,000*	*8.45%*
Dental (Actives Only)[10]	$39,292,271	$44,528,502	$5,236,231	13.33%
Long Term Disability and Life Insurance (Actives Only)[11]	$7,563,649	$5,595,109	($1,968,540)	-26.03%
Total City Costs	**$931,024,945**	**$1,008,999,636**	**$77,974,691**	**8.38%**
Employee and Retiree Costs Only				
Kaiser HMO (Actives and Early Retirees)	$44,837,411	$49,628,634	$4,791,223	10.69%
Blue Shield HMO (Actives and Early Retirees)	$40,897,754	$44,646,627	$3,748,872	9.17%
Blue Shield-Accolade PPO (Actives and Early Retirees)	$11,633,889	$10,394,075	($1,239,814)	-10.66%
Health Net CanopyCare HMO (Actives and Early Retirees)	$990,020	$986,601	($3,419)	-0.35%
BSC PPO (Non-Medicare Split Family Lives)	$5,441,005	$5,786,593	$345,588	6.35%
Kaiser KPSA HMO (Medicare Retirees)	$6,262,516	$6,843,062	$580,546	9.27%
BSC MA PPO (Medicare Retirees)	$11,936,139	$12,468,962	$532,823	4.46%
Subtotal Health/Basic Vision Plans (Actives and Retirees)	*$121,998,733*	*$130,754,551*	*$8,755,818*	*7.18%*
Dental (Actives Only)	$3,718,800	$3,718,800	$0	0.00%
Long Term Disability and Life Insurance (Actives Only)	$1,261,758	$1,261,758	$0	0.00%
Total Employee and Retiree Costs	**$126,979,292**	**$135,735,110**	**$8,755,818**	**6.90%**
Total Costs				
Kaiser HMO (Actives and Early Retirees)	$423,413,993	$465,462,396	$42,048,403	9.93%
Blue Shield HMO (Actives and Early Retirees)	$349,462,463	$380,145,626	$30,683,163	8.78%
Blue Shield-Accolade PPO (Actives and Early Retirees)	$64,429,074	$65,236,832	$807,758	1.25%
Health Net CanopyCare HMO (Actives and Early Retirees)	$10,276,863	$10,245,907	($30,957)	-0.30%
BSC PPO (Non-Medicare Split Family Lives)	$8,127,328	$8,594,843	$467,515	5.75%
Kaiser KPSA HMO (Medicare Retirees)	$49,185,118	$53,891,166	$4,706,048	9.57%
BSC MA PPO (Medicare Retirees)	$101,272,917	$106,053,805	$4,780,888	4.72%
Subtotal Health/Basic Vision Plans (Actives and Retirees)	*$1,006,167,758*	*$1,089,630,576*	*$83,462,818*	*8.30%*
Dental (Actives Only)	$43,011,071	$48,247,302	$5,236,231	12.17%
Long Term Disability and Life Insurance (Actives Only)	$8,825,408	$6,856,868	($1,968,540)	-22.31%
Total Costs	**$1,058,004,237**	**$1,144,734,746**	**$86,730,509**	**8.20%**

Source: San Francisco Health Service System

[9] According to HHS, both 2025 and 2026 forecasted costs are based on an April 2025 headcount.
[10] Dental costs are fully paid by retirees.
[11] Long term disability and life insurance plans are not offered to retirees.

RECOMMENDATION

Approve the proposed ordinance.

Item 2 File 25-0627	Department: Airport

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves Amendment No. 3 to the lease between the San Francisco International Airport (Airport) and American Express Travel Related Services Company, Inc. (AMEX), to relocate the Centurion Lounge from 15,287 sq ft in Terminal 3 to a 9,035 sq ft space in Terminal 2 for about 28 months starting June 2025, with the lease term extended day-for-day until the lounge reopens in Terminal 3, adjusting the Minimum Annual Guarantee (MAG) and promotion charge proportional to the decrease in space, and provide a day-for-day extension on the original lease duration.

Key Points

- AMEX currently occupies 15,287 square feet of lounge space in Terminal 3, branded as Centurion Lounge, at the Airport under an existing lease. The Airport's Terminal 3 West Modernization Project will relocate and rebuild the lounge entrance, requiring AMEX to vacate Terminal 3 for approximately 28 months beginning June 1, 2025. AMEX began operations in Terminal 2 on June 13, 2025, and surrendered the Terminal 3 space on June 16, 2025. AMEX is anticipated to return to the Terminal 3 lounge by September 30, 2027, subject to construction progress.

Fiscal Impact

- Under the proposed lease amendment, the lease's minimum annual rent drops from $3.43 million to $2.03 million per year and the promotional charge from $15,287 to $9,035 per year through December 31, 2026, proportional to the smaller space.
- Fifteen percent of non-airline Airport revenues are transferred to the General Fund. The proposed decrease in concession revenue will result in an approximate $490,642 decrease in General Fund revenues over the 28-month period.
- If the relocation was not provided, the Airport estimates it would lose about $8.0 million in revenue during the 28-month closure.

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

Centurion Lounge – American Express Lease

American Express Travel Related Services Company, Inc. (AMEX) currently occupies 15,287 square feet of lounge space in Terminal 3, branded as Centurion Lounge, at San Francisco International Airport (Airport) under an existing lease. The Board of Supervisors initially approved this lease in October 2013 (File 13-0779), with a ten-year term from November 6, 2014, through November 5, 2024, and an initial annual rent of $1.52 million. Since opening in November 2014, the Lounge has averaged 1,300 to 1,500 guests per day according to a March 2025 memo from the Airport Director to the Airport Commission on the proposed lease amendment. In 2021, the Board approved Amendment No. 2, [1] increasing the space from 8,199 square feet to the current 15,287 square feet, increasing the Minimum Annual Guarantee (MAG) rent to $3.2 million a year, and extending the lease term through November 5, 2031, with provisions for day-for-day term extensions in the event of temporary closures due to construction (File 21-0068).[2]

Terminal 3 West Modernization Project

The Airport's Terminal 3 West Modernization Project will relocate and rebuild the lounge entrance, which required AMEX to vacate Terminal 3 for approximately 28 months beginning on May 27, 2025.

To provide continuity of services, Airport staff identified a vacant former airline lounge in Terminal 2 consisting of approximately 9,035 square feet. This space, formerly occupied by Alaska Airlines and previously by American Airlines, has been vacant since 2024.

On March 4, 2025, the Airport Commission approved Amendment No. 3 to the lease, to temporarily relocate the AMEX Centurion Lounge to Terminal 2.

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[1] In October 2020, the Airport Commission approved Amendment No. 1 to the lease to memorialize the Airport's COVID-19 Emergency Rent Relief Program, which waived certain rents and fees to encourage business recovery, employee rehiring, and continued concession operations at the Airport (File 20-1278).

[2] The 17-year term exceeds the 10-year lease term advertised in the 2012 RFP. According to Airport Management, the seven-year term extension under the second amendment allowed the tenant to amortize the capital investment for the expansion and buildout costs.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves Amendment No. 3 to the lease between the San Francisco International Airport (Airport) and American Express Travel Related Services Company, Inc. (AMEX), to:

(1) Temporarily relocate the AMEX Centurion Lounge from Terminal 3 to approximately 9,035 square feet in Terminal 2 for approximately 28 months beginning around June 1, 2025; and

(2) Temporarily reduce the Minimum Annual Guarantee (MAG) rent from $3,427,661 to $2,025,828 annually through December 31, 2026, proportional to the reduction in occupied space; and

(3) Temporarily decrease the Promotional Charge from $15,287 to $9,035 annually, proportional to the reduction in occupied space; and

(4) Extend the lease term on a day-for-day basis equivalent to the duration of closure of the Terminal 3 lounge; and

(5) Commit the Airport, at its sole cost, to construct a new mezzanine-level lounge entrance in Terminal 3 upon completion of the modernization project, and to provide security and access coordination.

The key terms of the proposed amendment are summarized in Exhibit 1 below.

Exhibit 1: Proposed Amendment No. 3 Key Terms

Provision	Current Lease - Amendment No. 2	Proposed Amendment No. 3
Premises	15,287 sq. ft. (Terminal 3)	9,035 sq. ft. (Terminal 2, temporary)
MAG Rent	$3,427,661/year ($224.22 per square foot)	$2,025,828/year ($224.22 per square foot)
MAG Adjustment	Annually based on CPI	No adjustments through December 2026. Annual adjustment based on CPI starting in January 2027.
Promotional Charge	$15,287/year ($1 per square foot per year)	$9,035/year (temporary) ($1 per square foot per year)
Term	17 years through November 5, 2031	17 years plus day-for-day extension equivalent to closure duration (estimated to be 2 years)
Tenant Improvements	Tenant funded 2021 expansion	Tenant funds Terminal 2 build-out
Airport Obligations	Provide security and coordination	Construct new entrance in Terminal 3; provide security and coordination

Source: Airport

Tenant Responsibilities

Under the proposed amendment, AMEX will fully fund and perform all design, permitting, and construction to fit-out the Terminal 2 premises as a fully operational Centurion Lounge. Upon completion of Terminal 3 construction, AMEX is required to vacate Terminal 2, restore the premises to its previous condition, and resume operations in the renovated Terminal 3 space.

Project Schedule

AMEX ceased operations in Terminal 3 on May 27, 2025, began operations in Terminal 2 on June 13, 2025, and officially surrendered the Terminal 3 space on June 16, 2025. The Tenant is anticipated to return to the Terminal 3 lounge by September 30, 2027, subject to construction progress.

FISCAL IMPACT

The proposed annual rent for the temporary Terminal 2 premises is $2,025,828, or approximately $224.22 per square foot, for a total rent of approximately $4.7 million through September 2027. The total reduction in revenue over this period is $3,285,532, as detailed in Exhibit 2 below.

Exhibit 2: Summary of Revenue Reduction (June 2025 – September 2027)

Revenue Source	Annual Reduction	Duration	Total Reduction
Minimum Annual Guarantee	$1,401,833	28 months	$3,270,944
Promotional Charge	$6,252	28 months	$14,588
Total Revenue Reduction			**$3,285,532**

Source: Airport

The proposed decrease in concession revenue will result in an approximate $490,642 decrease in General Fund revenues over the 28-month period. Fifteen percent of non-airline Airport revenues are transferred to the General Fund.

The Airport could not estimate the cost of rebuilding the entrance to the Terminal 3 lounge. Those costs will be paid by Airport revenues.

Alternative Analysis

If the relocation was not provided, the Airport estimates it would lose about $8.0 million in revenue during the 28-month closure (including percentage rent). Once the lounge reopens in Terminal 3, rent reverts to Amendment 2 levels, and the day-for-day extension protects the lease's overall duration and revenue.

RECOMMENDATION

Approve the proposed resolution.

Item 3 File 25-0622	Department: Technology (DT)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves Amendment No. 1 to the enterprise agreement between the Department of Technology (DT) and Carahsoft Technology Corporation (Carahsoft) to extend the term by four years, through August 31, 2029, and increase the not-to-exceed amount to $28,300,000.

Key Points

- On October 1, 2022, DT entered into an enterprise agreement with Carahsoft to purchase ServiceNow products and services, which provide cloud-based software for IT services management, HR workflows, and asset tracking for City departments. The Office of Contract Administration approved DT's sole-source waiver request because ServiceNow products are proprietary, and Carahsoft is ServiceNow's sole authorized distributor for public sector contracts.
- The original agreement had an initial three-year term, from September 1, 2022, through August 31, 2025, and a not-to-exceed amount of $9,847,096. The agreement provides minimum discounts ranging from 24 percent to 52 percent on various ServiceNow software subscriptions, hosting, and support services.

Fiscal Impact

- The proposed amendment increases the not-to-exceed contract amount from $9,847,096 to $28,300,000. DT projects City departments will spend approximately $14.8 million over the four-year extended term.
- Based on our review of City departments using this contract, we estimate the costs of funding by 75 percent General Fund and 25 percent enterprise funds.
- DT calculates that without the enterprise-level discounts negotiated through the amended agreement, Citywide annual spending would increase by an estimated $700,000 per year.

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) any modification to such contracts of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

Carahsoft Technology Corporation – ServiceNow Products

On October 1, 2022, the Department of Technology (DT) entered into an enterprise agreement with Carahsoft Technology Corporation (Carahsoft) to purchase ServiceNow products and services, which provide cloud-based software for IT services management, HR workflows, and asset tracking for City departments. The original agreement had an initial three-year term, from September 1, 2022, through August 31, 2025, and a not-to-exceed amount of $9,847,096. The agreement provides minimum discounts ranging from 24 percent to 52 percent on various ServiceNow software subscriptions, hosting, and support services.

The agreement was designed to streamline procurement and reduce costs by consolidating City Departments' purchases under one enterprise agreement. According to DT staff, this agreement provides larger discounts than would otherwise be achievable by departments purchasing individually, resulting in cost savings to the City.

Procurement

On May 9, 2022, the Office of Contract Administration approved DT's sole-source waiver request because ServiceNow products are proprietary, and Carahsoft is ServiceNow's sole authorized distributor for public sector contracts.

Since the agreement was signed in FY 2022-23, licensed users grew from 4,100 to 7,200 in FY 2024-25. City departments, including the Controller's Office, Department of Human Resources, Public Works, Public Utilities Commission, Municipal Transportation Agency, Civil Service Commission, and Contract Monitoring Division, have adopted ServiceNow for their operational and administrative workflows. The growth in licensed users and module adoption has driven contract spending close to the original contract ceiling.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves Amendment No. 1 to the enterprise agreement between the Department of Technology (DT) and Carahsoft Technology Corporation (Carahsoft) to extend the term by four years, through August 31, 2029, and increase the not-to-exceed amount to $28,300,000.

Products and Services

This agreement enables City departments to access pre-negotiated discounts and terms for future orders of ServiceNow products and services. No financial commitments occur until an individual department issue a purchase order under this agreement. Under the agreement, DT provides oversight and support to departments considering ServiceNow purchases, ensuring optimal selection and efficient utilization of licenses.

The products and services covered by the agreement include (1) Software Subscriptions and Modules such as IT Service Management, HR Service Delivery, Asset Management, and Performance Analytics, (2) Cloud Hosting services, and (3) Maintenance and Support with Regular software updates, system maintenance, and customer support services provided by ServiceNow.

The agreement is limited to software subscriptions, cloud hosting, and support. Any implementation labor must be procured through DT's Technology Marketplace contracts.

Most-Favored-Customer Assurance

Pursuant to Section 3.9 of the master agreement, Carahsoft has certified that City pricing is equal to or better than pricing offered to similar public customers.

Performance

Carahsoft's performance under the contract is evaluated based on ServiceNow's availability and responsiveness, including monthly availability service levels and defined response times for priority-level incidents. Departments have the right to a service credit if monthly availability falls below 99.8 percent. Credits are calculated at the per-minute subscription rate and applied to the next invoice once they reach a $1,000 threshold. According to DT, from 2023 through Q1 2025, ServiceNow consistently maintained availability at or above 99.997 percent.

FISCAL IMPACT

The proposed amendment increases the not-to-exceed contract amount from $9,847,096 to $28,300,000. The projected spending through the master agreement is detailed in Exhibit 1.

Exhibit 1: Contract Spending Projection FY 2025-2026 – FY 2028-2029

Description	Amount
Current not to exceed Amount	$9,847,096
Projected subscription/licensing needs	14,817,627
15% Contingency	3,699,708
Proposed Total Contract Amount	**$28,364,431**

Source: DT

As of FY 2024-25, approximately $9.73 million, or 99 percent of the current $9.85 million ceiling, has been spent and DT projects City departments will spend approximately $14.8 million over the four-year extended term. Taken together, plus a 15 percent contingency ($3.7 million) to accommodate unplanned module activations and the maximum annual price increase of 4 percent, total projected spending is approximately $28.35 million.

Projected annual spending under the extended agreement averages approximately $3.7 million per year, as shown below in Exhibit 2.

Exhibit 2: Projected Departmental Spending on Service Now Products

Department	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Human Resources	$1,633,920	1,699,277	$1,767,248	$1,837,938
Airport	385,721	401,150	417,196	433,884
Public Health	447,790	465,702	484,330	503,703
Human Services	69,558	72,340	75,234	78,243
Technology	494,850	514,644	535,230	556,639
District Attorney	11,948	12,426	12,923	13,440
Public Utilities Commission	389,925	405,522	421,742	438,612
Public Works	55,691	57,919	60,236	62,645
Total	**$3,489,404**	**$3,628,980**	**$3,774,139**	**$3,925,105**

Source: Department of Technology

Funding Sources

Based on our review of City departments using this contract, we estimate the costs of funding by 75 percent General Fund and 25 percent enterprise funds.

Cost Avoidance

DT calculates that without the enterprise-level discounts negotiated through the amended agreement, individual departmental purchases at standard pricing would have increased Citywide annual spending from approximately $3.3 million to $4 million, an estimated increase of $700,000 per year. Over the four-year extension which has higher projected amounts, the amendment avoids at least $2.8 million in additional subscription costs.

RECOMMENDATION

Approve the proposed resolution.

Item 7 File 25-0629	Department: Port

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution authorizes the Office of Contract Administration, on behalf of the Port of San Francisco (Port), to enter into a contract with The Dutra Group for the building, delivery, and commissioning of one custom crane barge, for a not-to-exceed amount of $16,747,196 and a term beginning on final execution through July 14, 2027, with one one-year option to extend.

Key Points

- Since 2017, Port engineers have worked with a naval-architecture firm to design a replacement crane barge, as the current one owned by the Port is beyond its useful life. The Dutra Group was the sole respondent to a 2023 Request for Qualifications seeking crane barge vendors.
- Under the contract, The Dutra Group would (1) procure and install a pedestal-mounted crane and related systems, (2) build a 150-foot steel barge at Conrad Shipyard in the Gulf Coast, (3) deliver the completed barge to the Port via the Panama Canal, (4) install and test mechanical, hydraulic, and electrical systems, (5) provide training to crane operators, manuals, and a three-year warranty.
- Future crane projects include reconfiguring berths, emergency berth repairs, waterfront development, and disaster response.

Fiscal Impact

- The total contract amount of $16,747,196 includes design, fabrication, delivery, installation, training, insurance, warranty, contingency, and sales tax.
- The Port used an independent engineering contractor to prepare independent cost estimates to compare against contractor quotes throughout the procurement process. The proposed purchase is approximately 15 percent greater than the independent cost estimate.
- The Port's estimated annual operating costs of a City-owned crane barge are $1.73 million, roughly one-half the cost of renting a crane.
- Seventy-six percent ($12.7 million) of the purchase will be funded by a California State Lands Commission grant and 24 percent ($4.0 million) by the Port's Harbor 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) any modification to such contracts of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

Port of San Francisco – Crane Barge Replacement

The Port of San Francisco (Port) manages 7.5 miles of waterfront property encompassing piers, seawalls, and other water infrastructure. According to Port staff, the Port's only crane barge (ship) is 40 years old and no longer adequate to support marine construction because it can no longer lift heavy piles (poles driven into bedrock under water for vessel stabilization) or service large vessels. The Port estimates it would require $6 million to $10 million in repairs that would not address core structural limitations, as it is undersized for projected work on the waterfront. Future crane projects include reconfiguring berths, emergency berth repairs, waterfront development, and disaster response.

Procurement

Since 2017, Port engineers have worked with a naval-architecture firm[1] to design a replacement vessel that will meet the future needs of the City including emergency repairs and reconfiguring fendering at Cruise Terminal, Maritime Administration, and Ready Reserve Fleet berths, maintaining ferry barges at Gate B and China Basin, and maintenance and repairs at the Pier 45 commercial fishing harbor.

On December 8, 2023, the Office of Contract Administration issued a Request for Qualifications (RFQ) with custom crane and barge specifications and minimum qualifications requiring specified levels of experience from all technical firms and licensed professionals. The Dutra Group[2] provided the only response to the RFQ, and the Port determined that it met the minimum qualifications.[3] OCA reports that it conducted outreach to 24 ship fabricator, shipyard, and shipyard broker companies multiple times during the solicitation process. Still, only one company, Dutra, responded to the solicitation. OCA concluded that other companies did not bid

[1] Herbert Engineering

[2] The Dutra Group is subcontracting with Conrad Shipyard LLC, for hull and outfitting, with Techcrane International LLC, for manufacturing certain components of the larger project, and with Glosten Inc., as naval architect and designer.

[3] The RFP's Minimum Qualifications required respondents to demonstrate recent specialty-barge and crane projects of at least 500 long tons and 75,000-lb lift capacity, with two projects over $1 million in the last five years, provide licensed engineering and fabrication managers with a minimum five- to ten-year track record, show at least $6 million performance and payment-bond capacity, and certify no affiliation with entities on the U.S. Treasury OFAC sanctions list.

because they could not meet the City's delivery timeline, did not have berth capacity at their shipyard to take on the work. OCA reports that the crane barge design and specifications are not overly complex, and the project team determined that there were not many changes that could be made to alter the design in such a way to be more attractive to proposers, without significantly altering the performance requirements.

After concluding that re-issuing the RFQ would not attract additional qualified bidders, the Port negotiated contract terms with Dutra over a 12-month period to refine the design and reduce costs.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the Office of Contract Administration, on behalf of the Port of San Francisco (Port), to enter into a contract with The Dutra Group for the building, delivery, and commissioning of one custom crane barge, for a not-to-exceed amount of $16,747,196 and a term beginning on final execution through July 14, 2027, with one one-year option to extend.

Scope of Work

Under the proposed contract, The Dutra Group would (1) procure and install a pedestal-mounted crane and related systems, (2) build a 150-foot steel barge at Conrad Shipyard in the Gulf Coast, (3) deliver the completed barge to the Port via the Panama Canal, (4) install and test mechanical, hydraulic, and electrical systems, (5) provide training to crane operators, manuals, and a three-year warranty.

Performance Requirements

The barge will (1) measure 150 feet long by 55 feet wide and meet commercial barge standards, (2) be able to carry a 120-ton pedestal crane able to lift 60,000 pounds at a 60-foot reach, and (3) hold position using retractable steel piles and four deck-mounted anchors.

Payment Schedule

Payments will follow predefined checkpoints such as design drawings, material order, hull completion, crane installation, and delivery and final trials. The Controller will not release funds until Port engineers certify each milestone. To meet the grant expenditure deadlines, the Barge is scheduled to arrive in San Francisco by December 18, 2026. The schedule of milestones is provided below in Exhibit 3.

Exhibit 3: Crane Barge Project – Milestone and Payment Schedule

Milestone	Estimated Date	Percent Rounded Project Total	Rounded Cost
Design Calculations	8/11/2025	5%	$810,000
Design Drawings	9/12/2025	5%	810,000
Shop Drawings	12/3/2025	10%	1,620,000
Material Order	9/19/2025	10%	1,620,000
Crane Order	7/28/2025	10%	1,620,000
First Laying of Barge Keel	12/1/2025	15%	2,430,000
50% Hull Construction	4/1/2026	10%	1,620,000
At Barge Launch	6/1/2026	10%	1,620,000
Completion of Hull	7/31/2026	5%	810,000
Crane Factory Acceptance	7/28/2026	5%	810,000
Crane Install and Test	9/3/2026	5%	810,000
Substantial Completion	9/17/2026	5%	810,000
Delivery and Final Trials	12/18/2026	5%	810,000
Rounded Project Total		**100%**	**$16,200,000**

Source: Port

Note: The cost table above includes sales tax but does not include a $500,000 project contingency.

FISCAL IMPACT

The total contract amount of $16,747,196 includes design, fabrication, delivery, installation, training, contingency, and sales tax. Exhibit 1 provides a summary of the major cost components.

Exhibit 1. Crane Barge Cost Summary

	Budget
Barge	3,685,000
Spud Piles	253,000
Crane	2,301,168
Mooring system	704,000
Hydraulic System	902,000
Electrical	893,200
Electric Air compressor and receiver	99,000
Shipyard Services & Testing	506,000
Inclining test and final stability documentation	128,915
Final documentation for complete unit	55,000
Transport & Delivery to Port	1,677,500
Final Acceptance Tests and handover	145,191
Contractor Warranty - 12 months from Owner's acceptance	386,195
Engineering Design	271,700
Engineering Production	332,200
Dutra Project Management, Travel, & QC, Overhead including G&A	2,123,123
Barge Startup Incidentals Allowance (fuel, oil, grease, spare wire and hoses)	200,000
Insurance (Builders Risk, Hull & Machinery Insurance)	135,000
Performance and Payment Bonds	119,250
Subtotal	14,917,442
Contingency (3%)	500,000
Estimated Sales Tax (8.625%)	1,329,754
Total	**16,747,196**

Source: Proposed Agreement

According to Port staff, the project budget is based on Dutra's proposal and was then negotiated. The Port used an independent engineering contractor to prepare independent cost estimates to compare against contractor quotes throughout the procurement process. The proposed subtotal of $14.9 million is approximately 15 percent greater than the independent cost estimate.

Change Order Markup for Overhead and Profit

Contractor and subcontractor markups for change order work are capped by category: 15 percent for contractor and subcontractor materials, and equipment; 15 percent for contractor labor; and 35 percent for subcontractor labor. The prime contractor may add a 7.5 percent markup on a subcontractor's total cost, and both the contractor and subcontractor may each add 7.5 percent on work performed by lower-tier subcontractors. However, total combined markups cannot exceed 20 percent and the total cost of the contract cannot exceed $16,767,196.

Operating Costs

The Port projects annual operating costs of $1.73 million consisting of crew costs, fuel, tug services, preventive maintenance and certifications, and storage. These operating costs are detailed below in Exhibit 2.

Exhibit 2: Projected Crane Barge Annual Operating Costs

Cost Category	Key Assumptions (Year 1)	Annual Cost (Year 1)
Crew (8 FTE)	6 Pile Workers, 1 Supervisor, 1 Pile-Engine Operator, salaries & benefits	$1,560,000
Fuel	500 gallon each month at $5 per gallon	2,500
Towing services of the barge to work sites because it does not self-propel	2 roundtrips per month	120,000
Preventive Maintenance & Certifications	Routine service, crane certification, minor repairs	50,000
Storage	Barge berths at Port owned facility	0
Projected Annual Operating Cost		**$1,732,500**

Source: Port

Note: A ten-year dry-dock cycle, a necessary process to repair the ship's hull, is budgeted at $1 million in year 10 and doubled each subsequent decade to reflect aging and inflation.

Comparative Analysis

According to Port staff, operating a City-owned barge is less expensive than hiring outside marine contractors. An outside contractor providing an equivalent crane-barge costs approximately $20,000 per day, which is approximately double the cost of operating a City-owned crane, according to a memo from OCA in the legislative file for this item.

Disposal Costs

The Port will dispose of the obsolete barge under Administrative Code 21.03(i), which requires sale at fair-market value (auction or scrap) or donation if no sale is practical. The Port will obtain an appraisal and select the higher auction value or scrap sale, or disposal via donation.

Steel Price Fluctuation

As a result of uncertainty around tariffs and global steel prices, the budget includes a contingency equal to 25 percent of the estimated cost of steel to account for potential price fluctuations. If prices rise, Dutra may request an adjustment. However, the Port may terminate the contract within three business days if the revised cost exceeds the not-to-exceed amount. Additionally, if tariff costs are decreased or removed after the purchase order is issued, the Contractor must pass those cost savings on as a credit to the City.

Funding Source

Seventy-six percent ($12.7 million) of the project will be funded by a California State Lands Commission grant and 24 percent ($4.0 million) by the Port's Harbor Fund capital budget. No General Fund dollars are required. Grant funds must be spent by December 31, 2026, and delays beyond that date could shift additional cost to the Harbor Fund.

Because payments are released upon completion of defined milestones, the Port may charge grant funds for any work finished before the deadline even if delivery occurs later according to Port staff. The Port has also reserved approximately $1.8 million in Harbor Fund capital to cover any close-out costs that arise after 2026.

RECOMMENDATION

Approve the proposed resolution.

Item 9 **File 25-0683**	**Department:** City Administrator's Office

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution retroactively authorizes the City Administrator (ADM) to accept and expend $5,047,167 from the California Energy Commission (CEC) to fund the procurement and installation of 403 electric vehicle charger ports on City-owned property for the City's light-duty vehicle fleets. The resolution also waives inclusion of indirect costs in the grant budget and approves inclusion of $2,828,859 of matching costs in the project budget.

Key Points

- San Francisco's 2017 Healthy Air and Clean Transportation Ordinance (HACTO) requires the City's light-duty passenger fleet to be entirely zero-emissions vehicles (ZEVs) by December 31, 2022. The City aims to achieve full light-duty fleet electrification by 2031. Of 3,000 light-duty vehicles in the City's fleet, 60 percent are currently gasoline-powered. According to ADM, departments delay purchasing ZEVs due to lack of existing charging infrastructure. To meet its electrification goal, ADM estimates 1,500 total charging ports are needed. The proposed grant and matching funds were allow for 403 new charging stations across fifteen City Departments. ADM selected a charger vendor and the infrastructure will be installed by City staff.
- ADM selected PowerFlex as the vendor for charging hardware and software because it is already supplying roughly 69 percent of City electric vehicle chargers. The Department reports that having consistent charging infrastructure across the City will result in efficiencies in training, replacement part inventory management, and improved institutional knowledge. In addition, the proposed grant requires that the chargers be installed by February 2027, which makes a competitive procurement infeasible, according to ADM staff. For these reasons, ADM plans to rely on the procurement results of another government entity to procure the PowerFlex chargers.

Fiscal Impact

- The total project budget is $7,876,026. This includes a total grant award amount received from CEC is $5,047,167 and $2,828,859 of matching funds sourced from the General Fund and enterprise funds.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code Section 10.170-1 states that accepting Federal, State, or third-party grant funds in the amount of $100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval.

City Charter Section 9.118(a) states that contracts entered into by a department, board, or commission that (i) have anticipated revenues of $1 million or more, or (ii) have anticipated revenues of $1 million or more and require modifications, are subject to Board of Supervisors approval.

BACKGROUND

State Legislation

Funding for electric vehicle charging infrastructure in the State increased with the passage of the Budget Act of 2022 (Senate Bill 154), which allocated $754 million from the General fund to support zero-emission vehicles (ZEV) deployment. The Clean Transportation Program, created by California's AB 118, authorizes the CEC to deploy its annual budget of approximately $100 million to support technology throughout the state in advancing California's climate and clean air goals. This includes funding zero-emission fuel infrastructure, fueling stations, and equipment.

San Francisco's ZEV Goals

San Francisco's 2017 Healthy Air and Clean Transportation Ordinance (HACTO) requires the city's light-duty passenger fleet to be entirely ZEVs by December 31, 2022. The Office of the City Administrator (ADM) oversees the city's transition to an all-ZEV fleet. Of approximately 3,000 light-duty vehicles in the city's fleet, 60 percent run on gasoline. However, when replacing aging vehicles, departments have historically submitted waivers to delay ZEV purchases, citing inadequate charging infrastructure. The city aims to achieve full light-duty fleet electrification by 2031, which ADM estimates will require 1,500 charging ports total.

Previous Actions

On December 21, 2023, the California Energy CEC released a competitive Grant Funding Opportunity (GFO) entitled "Charging Infrastructure for Government Fleets". ADM submitted a proposal to CEC for their Fleet Charging Infrastructure Project and on September 18, 2024, the CEC listed ADM's application on its Notice of Proposed Awards, awarding $5,047,167 of grant funds to ADM.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution retroactively authorizes ADM to accept and expend $5,047,167 from the California Energy Commission (CEC) to fund the procurement and installation of 403 Level-2 electric vehicle charger ports on City-owned property to establish charging infrastructure for the City's light-duty vehicle fleets. The resolution also waives inclusion of indirect costs in the grant budget and approves inclusion of $2,828,859 of match costs in the project budget drawn from eligible personnel costs and non-professional services costs, as well as matching funds from the Annual Capital Plan budget, the Port, the Public Utilities Commission, and the Municipal Transportation Agency, bringing the entire project budget to $7,876,026.

Grant Agreement

The proposed grant project schedule runs from April 21, 2025, through June 30, 2028. The grant requires reporting to the Energy Commission Agreement Manager (CAM), containing progress reports and financial updates regarding project progression. CAM may recommend termination of the agreement at any time if it determines inadequate diligence or insufficient time for successful completion of project tasks. The agreement also requires a final report summarizing project accomplishments, and an EV inventory report. Two Critical Project Review (CPR) meetings are also required during the grant agreement. Changes to the grant program require approval of the CAM.

A request for retroactive approval is being sought. The award notice was received on September 18, 2024, for a project start date of April 21, 2025, with the final agreement signed on April 21, 2025.

Grant Program

The purpose of the grant is to facilitate the City's transition to an all-electric light-duty fleet by installing 403 Level 2 electric vehicle charger ports on City-owned property. Appendix A to this report details the new charger locations. The project will impact 17 recipient departments at 36 City-owned properties. According to ADM, the sites were selected based on three main considerations:

1. <u>Installation efficiency</u>

Sites were selected based on ease of installation. The San Francisco Public Utilities Commission (SFPUC) identified the charger capacity at each department It also identified sites requiring substantial electrical upgrades and/or sites with significant grid impacts, allowing ADM to deprioritize these locations.

2. <u>Equity for communities</u>

Sites were also selected to optimize disadvantaged communities' (DAC) benefits. Sites were prioritized if the site itself, or the services of the recipient department, was in a DAC. ADM states that this is designed to facilitate benefits for these communities such as reduced vehicular noise, reduced emissions, and improved air quality.

3. <u>Departmental investment</u>

Sites were also allocated based on departmental contribution. Departments contributing matched funds will receive a higher number of charging stations.

Given that ADM estimates the City will require a total of 1,500 charging ports, this effort does not completely fill the gap in charging ports. With the City's existing 200 ports and 403 from the grant, the City will still require approximately 900 additional charging ports to meet its electrification goal for light-duty vehicles.

Procurement

ADM has selected PowerFlex as the vendor for charging hardware and software because it is already supplying roughly 69 percent of City electric vehicle chargers. Of the City's 192 EV charging stations, 132 are currently operated by PowerFlex through the Real Estate Division (RED). The Department reports that having consistent charging infrastructure across the City will result in efficiencies in training, replacement part inventory management, and improved institutional knowledge. In addition, the proposed grant requires that the chargers be installed by February 2027, which makes a competitive procurement infeasible, according to ADM staff. For these reasons, ADM plans to rely on the procurement results of another government entity to procure the PowerFlex chargers.

FISCAL IMPACT

The total grant award amount received from CEC is $5,047,167. The grant requires minimum matching funds of $2,828,859. The City will fund 100 percent of this match in cash, totaling 36 percent of the total project budget.

Exhibit 1: Total Project Budget

Cost Category	CEC Share	Match Share	Total
Labor	$4,181,890	$0	$4,181,890
Equipment	$208,611	$1,273,382	$1,481,993
Materials/Miscellaneous	$656,666	$1,555,477	$2,212,143
Total	**$5,047,167**	**$2,828,859**	**$7,876,026**

Source: Proposed Grant Agreement

Labor budget

The labor budget, totaling $4,181,890, is entirely funded by the CEC grant. The Grant Application shows that the program work is to be staffed by City employees from City Administrator's Office as well as the Department of Public Works.

Equipment Budget

Equipment for this initiative consists principally of Level 2 smart chargers. These charging ports are available as 1-port or 2-port chargers. ADM selected 2-port chargers whenever possible for cost efficiency but selected 1-port chargers to accommodate odd numbers of parking spaces.

Exhibit 2: Equipment Budget

Description	# of Units	Unit Cost	CEC Share	Match Share	Total
Dual Port Chargers	191	$7,271	$208,611	$ 1,180,216	$1,388,827
Single Port Chargers	21	$4,436	$0	$93,166	$93,166
Total			**$ 208,611**	**$ 1,273,382**	**$ 1,481,993**

Source: Proposed Grant Agreement

Materials Budget

ADM will categorize charger installations as easy, medium, or difficult depending on factors at the installation site. This will affect the materials and supplies cost of installation. For installations rated easy and medium, the department estimates that required materials will consist of nuts, bolts, conduit, and electrical covers. Difficult installations are estimated to additionally require trenching and heavy equipment. The Department estimates that most installations will be of medium difficulty. Should the Department discover more difficult installations than anticipated, it will explore alternative sites with easier installation conditions to control costs and remain on schedule.

The purchase of fleet analytics software is also reflected in the materials budget. This software connects with charging ports, collecting port usage data to support the City in determining which vehicles are underutilized and which have exceeded their maximum life.

Exhibit 3: Materials Budget according to Grant Application

Description	# of Units	Unit Cost	CEC Share	Match Share	Total
Materials & Supplies for easy installs	40	$ 825	$ 31,000	$ 2,000	$ 33,000
Materials & Supplies for medium installs	262	$1,650	$ 410,043	$ 22,257	$ 432,301
Materials & Supplies for difficult installs	101	$2,200	$ 205,943	$ 16,257	$ 222,200
Laptop & software	1	$ 5,000	$0	$ 5,000	$ 5,000
Upfront extended 3-year warranty	-	-	$ 208,608	-	$ 208,608
Upfront 3-year networking service purchase agreement	-	-	-	$ 188,052	$ 188,052
Utilization Analysis Software	-	-	-	$ 222,660	$ 222,660
Telematics Software	-	-	-	$ 890,640	$ 890,640
Totals			**$855,594**	**$1,346,866**	**$2,202,460**

Source: Proposed Grant Agreement

Funding Sources

The match meets the application requirements and will be fulfilled by the General Fund ($540,000, Annual GF allocation of $180,000 for three years each, from Capital Planning Committee), the SFMTA ($581,250), the SFPUC ($296,250), the Port of San Francisco ($93,750), and Central Shops ($1,301,352). According to ADM, this funding aimed to maximize funds from enterprise departments due to their additional capital available and given that they have larger fleets.

RECOMMENDATION

Approve the proposed resolution.

APPENDIX A:

Site Selection of L2 Charging Ports

Fund	Department	Site Address	# of Ports Currently on Site	Recommended # of Additional L2 Ports
GF	Animal Care & Control	1419 Bryant St. San Francisco	1	8
GF	Office of the City Administrator	49 South Van Ness, San Francisco	28	12
GF	Public Health	Laguna Honda Hospital, San Francisco	0	12
GF	Public Health	General Hospital, 1001 Potrero Ave	0	9
GF	Technology	1 South Van Ness Ave, San Francisco	15	3
GF	Technology	1 Christmas Tree Point Road, San Francisco	0	1
GF	Public Defender	555 7th Street, San Francisco	2	8
GF	Public Library	100 Larkin Street, San Francisco	8	8
GF	Public Works	2323 Cesar Chavez Street, San Francisco	10	11
GF	Real Estate Division	1650 Mission St., San Francisco	0	2
GF	Fire Department	698 Second Street, San Francisco	0	10
GF	Sheriff	1 Moreland Dr, San Bruno 94066	0	5
GF	Recreation & Parks	335 McAllister St, San Francisco	1	5
GF	Recreation & Parks	100 Martin Luther King Jr Dr, San Francisco	7	3
GF	Recreation & Parks	51 Havelock St, San Francisco, CA 94112	0	2
GF	Recreation & Parks	755 Stanyan St, San Francisco	0	1
GF	Recreation & Parks	1645 Geneva Ave, San Francisco	0	1
GF	Recreation & Parks	1150 Wayland St, San Francisco	0	2
GF	Recreation & Parks	811 Stanyan St, San Francisco	0	1
GF	Police	1995 Evans Avenue, San Francisco	0	4
GF	Police	1245 3rd Street, San Francisco	13	25
GF	Police	1740 17th Street, San Francisco	0	4
GF	Police	1 Sgt John V Young Ln, San Francisco	0	7

Fund	Department	Site Address	# of Ports Currently on Site	Recommended # of Additional L2 Ports
NGF	Port	Pier 3, Embarcadero, San Francisco	0	7
NGF	Port	Pier 50, Terry Francios Blvd, San Francisco	2	18
NGF	Public Utilities Commission	750 Phelps St., San Francisco	0	75
NGF	Public Utilities Commission	1000 El Camino Real, Millbrae CA	1	2
NGF	Public Utilities Commission	1000 El Camino Real, Millbrae CA	1	1
NGF	Public Utilities Commission	1657 Rollins Road, Burlingame CA	0	1
NGF	SFMTA Building and Grounds	700 Pennsylvania Ave, San Francisco	3	4
NGF	SFMTA Green Rail yard	425 Geneva Ave, San Francisco 94112	0	1
NGF	SFMTA MME Rail Yard, Street Operations, Mobile Response Unit, Emergency Response Unit, Signal Maintenance, Quality Assurance, System Safety, Training, SS Emergency Response, Wellness, Rail Maintenance	601 25th St, San Francisco, 94107	6	92
NGF	SFMTA Potrero Bus Yard	2500 Mariposa St, San Francisco, 94110	5	9
NGF	SFMTA Vehicle Pool, Capitol Construction, Communications, Transit Operations, Mechanical Systems, Planning and Schedules, Revenue Collections, Industrial Safety, Security,	1 South Van Ness Ave, San Francisco, 94103	15	44
NGF	SFMTA Non-Revenue Fleet Maintenance	1849 Harrison St SF 94103	4	2

Fund	Department	Site Address	# of Ports Currently on Site	Recommended # of Additional L2 Ports
NGF	SFMTA Streets Division Field Operations, Includes Meter Shop, Sign Shop, Temporary Sign Shop	1508 Bancroft AVE, San Francisco, 94124	2	3
	Total		**124**	**403**

Item 11 **File 25-0704**	**Department:** Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would approve a purchase and sale agreement with Pacifica SFO LLC for an assisted living facility at 601-617 Laguna Street for a purchase price of $11,030,000, improvements and repair at a cost of $8,140,000, a City contingency of $800,000, and closing costs of $30,000, for a total cost not to exceed $20,000,000.

Key Points

- DPH is seeking to expand assisted living facilities serving low-income seniors and adults with disabilities in San Francisco. In 2023, DPH and the Real Estate Division (RED) searched assisted living facilities in San Francisco and identified the buildings at 601-617 and 624 Laguna Street as suitable locations because of the building conditions and ability to meet DPH's needs. The Board of Supervisors approved the purchase of 624 Laguna in 2024.
- 601-617 Laguna Street is a 13,405-square foot building with 22 dormitory-style units that is licensed for up to 47 beds, as well as common areas and a vacant retail space. DPH estimates that the building will building will hold approximately 40 assisted living beds.
- In 2023, Department of Public Works (DPW) staff completed a general condition assessment and found that the building was generally in fair condition. The seller has agreed to complete seismic work identified by DPW at their sole cost. The City will pay for approximately $8.1 million to complete other improvements and repairs. An appraisal found that the purchase price of $11,030,000 was at or below fair market value of the building in as-is condition, plus the cost of the seismic upgrades.

Fiscal Impact

- The property has a purchase price of $11,030,000. The City would also pay up to $8,140,000 for improvements and repairs (excluding seismic work), up to $800,000 in a City contingency for the project (if needed), and up to $30,000 in closing costs, for a total City cost not to exceed $20,000,000. At this time, DPH estimates an operating cost of $250 per client per day, or $91,250 per client per year. Assuming a capacity of 40 clients, DPH estimates that the annual operating costs would be approximately $3.7 million. Acquisition, rehabilitation, and operating costs would be paid by Proposition C funds.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

Less intensive than skilled nursing facilities, assisted living facilities are non-medical facilities licensed by the California Department of Social Services that provide personal care and safe housing for those who may need help with medication and assistance with activities of daily living. The Department of Public Health (DPH) is seeking to expand assisted living facilities serving low-income seniors and adults with disabilities in San Francisco.

In 2023, DPH and the Real Estate Division (RED) searched assisted living facilities in San Francisco and identified the buildings at 601-617 and 624 Laguna Street, which were jointly operated as The Village at Hayes Valley, as suitable locations because of the building conditions and ability to meet DPH's needs. In June 2024, the Board of Supervisors approved the purchase of the building at 624 Laguna Street, a 17,700-square foot building with 28 dormitory-style units licensed for up to 56 beds, for a total amount (including closing costs) of $13,800,000 (File 24-0477).

601-617 Laguna Street is a 13,405-square foot building with 22 dormitory-style units that is licensed for up to 47 beds. The building is currently vacant and had been used as a memory care facility for seniors and includes shared restrooms, common lounge areas, a theater, a beauty salon, a library, dining areas, rooftop patios, and a vacant ground floor retail space that had been used as a restaurant. RED has negotiated a purchase and sale agreement with the property owner. According to Jeff Suess, RED Transaction Team Manager, the purchase was delayed to allow DPH to conduct more outreach with the neighborhood.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would take the following actions:

1. Approve and authorize the Director of Property to acquire real property at 601-617 Laguna Street;
2. Approve and authorize an Agreement of Purchase and Sale for Real Estate for acquisition of the property from Pacifica SFO LLC for $11,030,000, as well as a Construction Management Agreement for the completion of improvements and repairs in the amount of $8,140,000, a City contingency of $800,000, and closing costs in an amount not to exceed $30,000, for a total City cost not to exceed $20,000,000;
3. Authorize the Director of Property to make certain modifications and take certain actions in furtherance of the Purchase Agreement;
4. Exempt the project from contracting requirements in Administrative Code Chapters 6 and 14B;

5. Approve the seller and its architect, consultants, general contractor, subcontractors, employees, and affiliates without competitive bidding, but require the payment of prevailing wages, implementation of a Local Business Enterprise utilization program and compliance with the City's local hire policy and first source hiring ordinance; and
6. Place the property under the jurisdiction of RED, affirm the Planning Department's determination under the California Environmental Quality Act (CEQA), and adopt the Planning Department's findings of consistency with the General Plan and Planning Code.

Building Condition and Appraisal

In 2023, Department of Public Works (DPW) staff completed a general condition assessment based on a visual inspection of the building, a review of Department of Building Inspection (DBI) records, and interviews with individuals about the facility. Based on the assessment, DPW determined that the building was generally in fair condition. Notably, although the building was seismically retrofitted in 1997, DPW found that there were seismic deficiencies that would lead the building to perform poorly in a major seismic event. Pacifica, the seller, agreed to complete the seismic work identified by DPW at their sole cost.

An appraisal conducted by Colliers International in June 2025 found that the purchase price of $11,030,000 was at or below fair market value of the building in as-is condition, plus the cost of the seismic upgrades. An appraisal review is required by the Administrative Code but was not available for our review. According to the RED staff, the appraisal review found that the proposed purchase price is at or below market rate.

In addition to the seismic work, DPW identified several other improvements and deferred maintenance for the building, including:

- converting the former restaurant space into a group activity room and staff break room,
- converting the former restaurant kitchen into a kitchen to support the program,
- converting the former hair salon into an office and pantry,
- converting a former pantry and restroom into laundry facilities,
- converting a former residential unit into a medical/nurse station,
- accessibility upgrades,
- elevator modernization,
- roof replacement,
- mechanical equipment replacement, and
- replacing exterior material of the building.

The estimated cost to complete these improvements and repairs is approximately $8.1 million, including soft costs and contingencies. Construction is expected to be completed by approximately July 2026. The City is paying for the repairs listed above and the seller is paying for the seismic work.

Construction

Since Pacifica had already selected a contractor to complete the seismic work, DPW and RED staff determined that it be more efficient to have the existing contractor complete the additional work as well. The City Attorney's Office has advised RED that using Pacifica's contractor would require waivers of Administrative Code Chapters 6 (public works contracting) and 14B (local business enterprise), including competitive bidding requirements. However, the Construction Management Agreement, which is part of the Purchase and Sale Agreement, includes requirements for the payment of prevailing wages, implementation of a Local Business Enterprise (LBE) subcontractor utilization program, and local hire and first source hiring under Administrative Code Chapter 83. The Construction Management Agreement requires the City to approve, in writing, all construction contracts.

Future DPH Operations

According to a General Plan Referral with the Planning Department in 2023, DPH had envisioned that the building would house a dual diagnosis care facility and transitional housing for at-risk youths. However, DPH now intends for it to be an assisted living facility serving low-income residents who are clients of the public health system and need assistance with daily tasks. DPH estimates that the facility will hold approximately 40 beds. An analysis by the Controller's City Services Auditor from January 2025 titled, "Expanding Behavioral Health Placements for a Complex Population," found that the City needed 55-95 locked subacute beds. The 601 and 624 Laguna sites together provide approximately 97 assisted living beds, which could potentially free up space at San Francisco General Hospital to allow DPH to expand locked subacute bed capacity.

DPH has not determined whether the building will be operated jointly with 624 Laguna or if a new operator will be selected. While DPH may issue a solicitation to select a new provider for the site, DPH may also utilize Administrative Code Chapter 21A.4, which authorizes DPH to procure behavioral health and public health residential treatment services without competitive solicitations through March 2029 (File 24-0015).

The proposed contract allows the City to retain equipment no longer needed by the seller. According to RED, DPH is still inspecting the equipment to identify which items will be used for the City program and the seller will remove any unneeded items.

FISCAL IMPACT

The property has a purchase price of $11,030,000. The City would also pay up to $8,140,000 for improvements and repairs (excluding seismic work), up to $800,000 in a City contingency for the project (if needed), and up to $30,000 in closing costs, for a total City cost not to exceed $20,000,000. The cost breakdown for acquisition and construction is shown in Exhibit 1 below.

Exhibit 1: City Costs for Acquisition and Construction

Item	Amount
Acquisition	$11,030,000
Construction (Includes 20% Contingency)	5,978,000
Construction Soft Costs (Includes 31% Contingency)	2,162,000
Project Reserve	800,000
Closing Costs	30,000
Total Not-to-Exceed	**$20,000,000**

Source: Proposed Purchase and Sale Agreement

The project reserve of $800,000 is in addition to a construction contingency of $996,000 and a soft cost contingency of $515,000. According to Transaction Team Manager Suess, the project reserve is needed because designs and cost estimates are still being refined.

The acquisition and construction are funded by Proposition C funds, a gross receipts tax to fund homeless services and housing.

Comparison to Other Recent DPH Behavioral Health Sites

Assuming a total of 40 beds and an acquisition and construction budget of $20,000,000, the estimated cost per bed is approximately $487,804 per bed (although the cost would be less if the project reserve and contingencies are not needed). This is more than the estimated per-bed cost of the City's acquisition of 624 Laguna Street ($255,357, File 24-0477), which did not require significant rehabilitation work, but less than the City per-bed costs to acquire 822 Geary Street ($886,345, File 21-1204) and 333 7th Street ($623,125, File 24-0192), which both required extensive rehabilitation work. Exhibit 2 below summarizes the acquisition and renovation costs per bed and per square foot.

Exhibit 2: Comparison to Other Recent DPH Behavioral Health Sites

Property	Acquisition	Rehab	Total Cost	Per Bed	Per Square Foot
601 Laguna (2025)	$11,060,000	$8,940,000	$20,000,000	$500,000	$1,492
333 7th Street (2024)	$3,000,000	$6,970,000	$9,970,000	$623,125	$1,312
624 Laguna (2024)	$13,800,000	$500,000	$14,300,000	$255,357	$808
822 Geary (2021)	$3,114,496	$11,067,025	$14,181,521	$886,345	$2,214

Source: BLA, DPH

Operating Costs

At this time, DPH estimates an operating cost of $250 per client per day, or $91,250 per client per year. Assuming a capacity of 40 clients, DPH estimates that the annual operating costs would be approximately $3.7 million. Operating costs would be paid by Proposition C funds and are currently budgeted for this purpose.

RECOMMENDATION

Approve the proposed resolution.

Item 13 **File 25-0684**	**Department:** Department of Homelessness and Supportive Housing (HSH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the Third Amendment to the Problem Solving Fiscal Agent services grant agreement between the Department of Homelessness and Supportive Housing (HSH) and Abode Services, extending the term by one year and 10 months through June 2027, and increasing the grant amount by $7,236,514, for a total not to exceed $17,136,514.

Key Points

- Proposition C funding includes allocations for homelessness prevention, which includes the Problem Solving Fiscal Agent program to provide direct client assistance payments to help households exit homelessness. In 2022, HSH executed a grant agreement with Abode Services to operate the Problem Solving Fiscal Agent program, for an initial term of one year and 11 months, from August 2022 through June 2024, and an amount not to exceed $4,642,764. HSH has since amended the grant agreement twice, extending the term through August 2025 and increasing the amount to $9,900,000.
- Under the grant agreement, Abode provides problem solving resolution financial assistance services, which include administrative, financial, and record-keeping functions related to financial assistance. Financial assistance includes move-in costs (such as security deposits and first month's rent) and other flexible financial assistance (such as utility arears, vital documents, and credit checks) to help clients exit homelessness. HSH projects that Abode will serve a minimum of 500 unduplicated clients per year in FYs 2024-25, 2025-26, and 2026-27.

Fiscal Impact

- The proposed Third Amendment would increase the not-to-exceed amount of the Abode grant agreement by $7,236,514, for a total not to exceed $17,136,514. Approximately 86 percent of grant expenditures are pass-through direct assistance payments. The grant is funded by Proposition C funds.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

In 2018, San Francisco voters approved Proposition C, a gross receipts tax to fund homeless services and housing. Proposition C funding includes allocations for homelessness prevention, which includes the Problem Solving Fiscal Agent program to provide direct client assistance payments to help households exit homelessness. This includes payments for security deposits or first month's rent.

In August 2022, the Department of Homelessness and Supportive Housing (HSH) executed a grant agreement with Abode Services to operate the Problem Solving Fiscal Agent program, for an initial term of one year and 11 months, from August 2022 through June 2024, and an amount not to exceed $4,642,764. The grant was executed under Administrative Code Section 21B, which authorizes HSH to enter into contracts related to homelessness without competitive bidding. In March 2024, HSH executed the First Amendment to the grant, extending the term by one year through June 2025, and increasing the grant amount by $5,267,236, for a total not to exceed $9,900,000. In July 2025, HSH executed the Second Amendment to the grant, extending the term by two months through August 2025, with no change to the not-to-exceed amount. HSH and Abode have agreed to amend the grant again to extend the term and increase the amount.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Third Amendment to the Problem Solving Fiscal Agent grant agreement between HSH and Abode Services, extending the term by one year and 10 months through June 2027, and increasing the grant amount by $7,236,514, for a total not to exceed $17,136,514. The resolution also authorizes HSH to make further immaterial amendments to the grant agreement.

Under the grant agreement, Abode provides problem solving resolution financial assistance services, which include administrative, financial, and record-keeping functions related to financial assistance. Financial assistance includes move-in costs (such as security deposits and first month's rent) and other flexible financial assistance (such as utility arears, vital documents, and credit checks) to help clients exit homelessness. In FY 2023-24, Abode served 814 unduplicated clients. HSH projects that Abode will serve a minimum of 500 unduplicated clients per year in FYs 2024-25, 2025-26, and 2026-27. The total number of clients served can vary based on the average amount of direct client assistance needed per household housing resolution. The grant funds approximately 2.80 full-time equivalent (FTE) employees. As discussed in the Fiscal Impact section below, approximately 86 percent of grant expenditures are pass-through financial assistance payments.

Performance and Fiscal Monitoring

HSH staff evaluated Abode's performance for FYs 2022-23 and 2023-24 in April 2024 and found that Abode met four out of five service objectives.[1] However, HSH found that Abode issued 83.6 percent of financial assistance payments within 48 hours, short of the goal of 100 percent. According to Hailey Gil, HSH Senior Legislative Analyst, Abode has improved on this measure to approximately 91 percent by the end of FY 2023-24. The proposed Third Amendment reduces this goal to 90 percent, as HSH recognizes that referrals can be impacted by factors outside of Abode's control. FY 2024-25 performance monitoring is scheduled to occur in Fall 2025.

HSH does not track whether clients who receive Problem Solving services re-enter homelessness, and did not comment on the long-term impact for clients that have received financial assistance from the program.

HSH staff reviewed Abode's financial documents as part of the FY 2024-25 Citywide Fiscal and Compliance Monitoring Program and identified no findings.

FISCAL IMPACT

The proposed Third Amendment would increase the not-to-exceed amount of the Abode grant agreement by $7,236,514, for a total not to exceed $17,136,514. Actual and projected grant expenditures by year are shown in Exhibit 1 below.

Exhibit 1: Actual and Projected Grant Expenditures by Year

Year	Expenditures
Year 1 (FY 2022-23, 11 Months, Actual)	$3,140,719
Year 2 (FY 2023-24, Actual)	3,630,258
Year 3 (FY 2024-25, Projected)	2,735,883
Year 4 (FY 2025-26, Projected)	3,352,241
Year 5 (FY 2026-27, Projected)	3,282,241
Subtotal	*$16,141,342*
Contingency (15% of Years 4-5 Projected Expenditures)	995,172
Total Not-to-Exceed	**$17,136,514**

Source: Proposed Grant Amendment

The breakdown of grant expenditures is shown in Exhibit 2 below.

[1] The objectives that Abode met were 100 percent data entry accuracy and that 100 percent of client assistance expenditures were made in accordance with the Problem Solving Guide and Fiscal Agent Policy document, appropriate program documentation, and appropriate financial documentation.

Exhibit 2: Breakdown of Total Grant Expenditures

Expenditures	Amount
Salaries & Benefits	$1,298,221
Operating Expenses[2]	207,298
Subtotal	$1,505,519
Indirect Costs (15%)	225,822
Other Expenses (Direct Assistance Payments and Administrative Fees)	14,410,000
Total	**$16,141,342**

Source: Proposed Grant Amendment

Of the $16,141,342 in total grant expenditures, approximately $13,934,592, or 86 percent, are pass-through direct assistance payments. The grant is funded by Proposition C funds.

RECOMMENDATION

Approve the proposed resolution.

[2] Operating expenses include rent, utilities, office supplies, building maintenance and repair, printing, training, travel, equipment rental, start-up expenses, and courier services.

Item 14 File 25-0487	Departments: Homelessness & Supportive Housing, Department of Public Health

EXECUTIVE SUMMARY

Legislative Objectives

- Based on proposed amendments, the ordinance would add Chapter 124 to the Administrative Code to prohibit City officers from approving: (a) new "covered facilities" (i.e., homeless shelter, transitional housing facility, behavioral health residential care and treatment facility, or behavioral health specialized outpatient clinic) in a neighborhood where the neighborhood's share of the City's beds in transitional housing and homeless shelters is greater than the neighborhood's share of the City's unsheltered persons; and (b) new homeless shelters within 300 feet of another homeless shelter. The Board of Supervisors can waive the restrictions if it makes a finding that it is in the public interest.

Key Points

- Establishing new shelters and behavioral health facilities is typically based on the building type, size, availability, and economies of scale. In addition, DPH licensed residential facilities are required to conform to state licensing requirements related to the physical facility.
- HSH and the Planning Department would prepare a Shelter Equity Analysis every two years to determine which neighborhoods may have new covered facilities established. Based on the 2024 PIT count of unsheltered persons, new facilities would require a waiver to be located in the Financial District/ South Beach, Lone Mountain/USF, Nob Hill, Outer Richmond, Potrero Hill, South of Market, Tenderloin, and Western Addition.

Fiscal Impact

- The fiscal impact ultimately depends on individual contract awards made by departments. It could result in higher costs for the planned shelter beds or reduction in the number of beds given funding allocated in the budget.

Policy Consideration

- The Board of Supervisors could consider: (a) setting a minimum number of shelter and transitional housing beds that can be located within a neighborhood without triggering a prohibition on new facilities (such as 50 or 75); (b) providing exemptions for existing programs that are being expanded and City acquisition of existing privately-owned facilities.
- The Board of Supervisors could also consider: (a) simplifying the legislation to prohibit new sites in the Tenderloin and SOMA only to reduce the administrative burden and provide more certainty in the process for site identification; and (b) funding additional community ambassadors, site security, on-site mental health providers, and/or Police Department services to mitigate neighborhood impacts.

Recommendation

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

MANDATE STATEMENT

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

BACKGROUND

The City does not have a geographic equity policy to guide the establishment of new shelters or behavioral health facilities in the City. According to HSH staff, establishing new shelters and transitional housing is typically based on the building type, size, availability, and economies of scale. For example, the downtown area has more hotels and single room occupancy buildings, which has led to more opportunity to site non-congregate shelters in the Tenderloin and South of Market. Areas of the city with larger lots and warehouse spaces, such as the Bayview, have had larger congregate shelters and more navigation centers established. Sixty percent of the City's shelter and transitional housing beds are located in the Tenderloin (33.8 percent) and South of Market (25.9 percent).

According to DPH staff, the establishment of new behavioral health residential care and treatment facilities and outpatient clinics is also typically based on the building type, size, and availability. In addition, licensed residential facilities are required to conform to state licensing requirements related to the physical facility, which further constrains the supply of appropriate sites. For example, this can include requirements for outdoor space, restricted number of client beds allowed, or fire safety ratings of buildings. This can make the establishment of DPH behavioral health programs more complex, as there are often non-standard requirements depending on the program model.

DETAILS OF PROPOSED LEGISLATION

This report covers amendments that will be proposed by the District 5 Supervisor.[1] Based on the proposed amendments, the ordinance would add Chapter 124 to the Administrative Code to prohibit City officers from approving: (a) new "covered facilities" (i.e., homeless shelter, transitional housing facility, behavioral health residential care and treatment facility, or behavioral health specialized outpatient clinic) in a neighborhood where the neighborhood's share of the City's beds in transitional housing and homeless shelters is greater than the neighborhood's share of the City's unsheltered persons; and (b) new homeless shelters within

[1] Version 1 of the proposed ordinance would amend the Administrative Code to: (a) require the City to approve one new "covered facility" (i.e., homeless shelter, transitional housing facility, behavioral health residential care and treatment facility, or behavioral health specialized outpatient clinic) in each supervisorial district by June 30, 2026; and (b) prohibit new covered facilities from being approved within 1,000 feet of another covered facility unless the Board of Supervisors waives the rule by resolution and makes a finding that approving the new facility is in the public interest.

300 feet of another homeless shelter. The Board of Supervisors can waive the restrictions by resolution if it makes a finding that approving the new facility is in the public interest.

Approval is defined as a final commitment to fund a new facility, such as a decision to award a grant for the operation of a facility at a particular site or to purchase property to locate a facility. The prohibition on approval of new shelters within 300 feet of an existing facility does not apply to proposed covered facilities for which the City submitted an application for financing before the effective date of the ordinance. The ordinance would sunset on December 31, 2031.

Shelter Equity Analysis

The proposed amended ordinance requires HSH and the Planning Department to prepare a Shelter Equity Analysis based on the most recent Point in Time (PIT) count every two years. The analysis will include the following by neighborhood: (a) the number of unsheltered persons; (b) the share of the City's unsheltered persons; (c) the number of beds in homeless shelters and transitional housing facilities; and (d) the share of shelter and transitional housing beds. The analysis will govern which neighborhoods may have new covered facilities approved without a waiver from the proposed geographic restrictions from the Board of Supervisors.

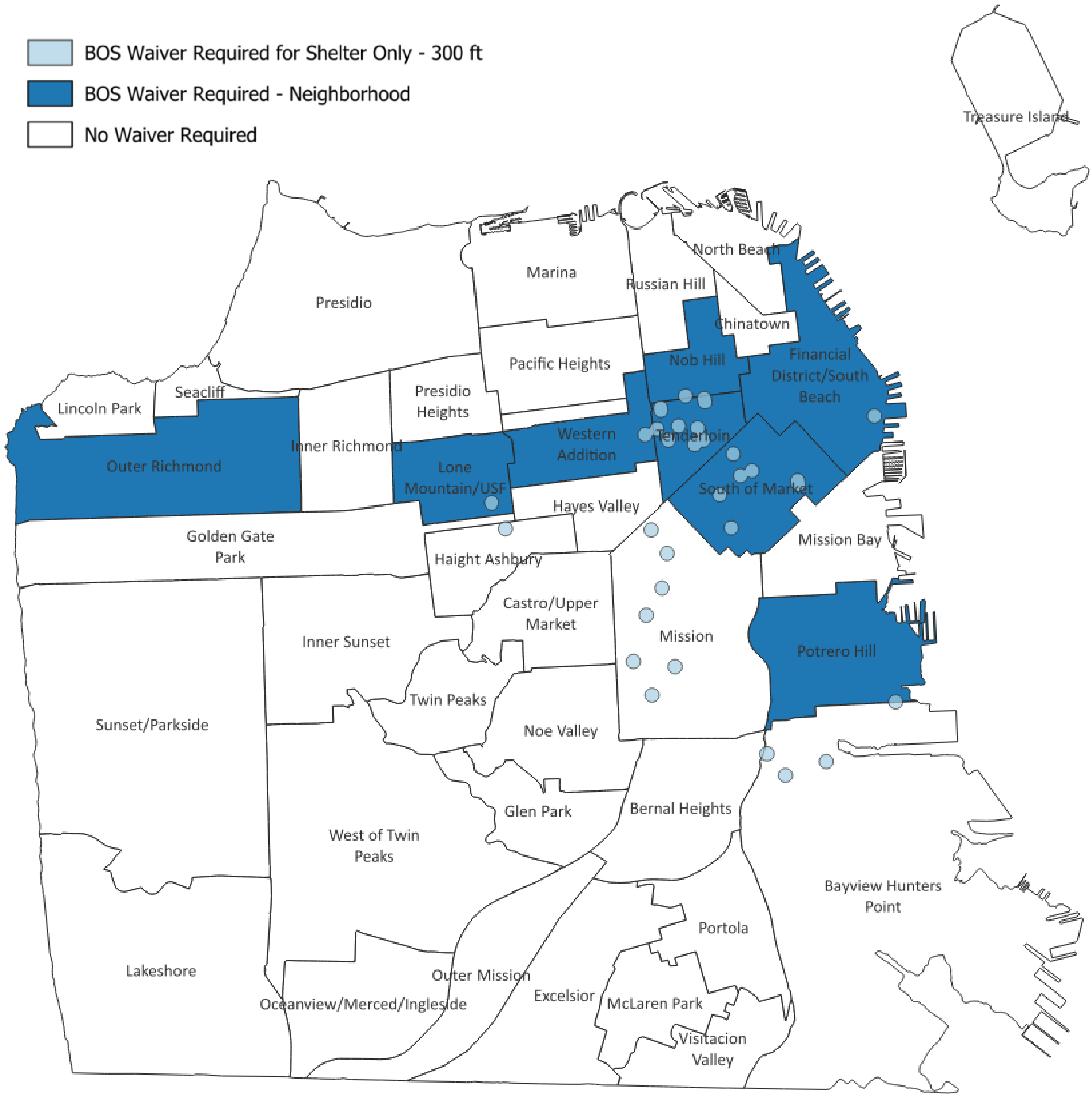
Restrictions on Approval of New Facilities

Under the proposed amended ordinance, the Board of Supervisors may grant a waiver of the restrictions by resolution if it makes a finding that approving the new facility at the proposed site is in the public interest. In determining if approval of a new facility is in the public interest, the Board of Supervisors would consider: (a) demand for the services that the facility would provide; (b) the cost of opening the new facility compared to the cost of opening the same type of facility at a different location; and (c) commitment by the sponsoring department to address any neighborhood concerns.

Exhibit 1 below shows the City's existing homeless shelters with 300-foot buffer zones and the neighborhoods where new covered facilities are prohibited.[2] Waivers would be required for: (a) new covered facilities within the restricted neighborhoods; and (b) new shelters within the 300-foot buffer zones. No waivers would be required for covered facilities outside of these areas. Appendix 1 provides a list of all neighborhoods and waiver requirements.

[2] Note: the analysis excludes the location of some covered facilities determined to be "confidential" by DPH and HSH

Exhibit 1: Waiver Requirements for Covered Facilities



Source: BLA analysis based on data provided by HSH

Note: The above map only includes HSH shelter and transitional sites for the neighborhood-level analysis, per the proposed amended ordinance. The buffer zones only include existing homeless shelters (including navigation centers) and do not include transitional housing or DPH covered facilities.

Neighborhood Restrictions

Based on the 2024 PIT count of unsheltered persons and the location of existing HSH shelters, new covered facilities would require a waiver from the Board of Supervisors to be located in the following eight neighborhoods:

1. Financial District/ South Beach
2. Lone Mountain/USF
3. Nob Hill
4. Outer Richmond
5. Potrero Hill
6. South of Market
7. Tenderloin
8. Western Addition

New covered facilities could be located in the remaining 33 neighborhoods without a waiver. The list of neighborhoods with restrictions on new covered facilities would change following the publication of the biennial PIT count and a review of any new facilities established in the prior two years. The next PIT report is scheduled to be released in Fall 2026. Based on the 2024 PIT counts, if they establish one shelter or transitional housing site with at least 25 beds, the following 22 neighborhoods would require a waiver for any additional covered facilities:

Excelsior	Oceanview/Merced/ Ingleside
Glen Park	Outer Mission
Haight Ashbury	Pacific Heights
Inner Sunset	Portola
Japantown	Presidio
Lincoln Park	Presidio Heights
Marina	Russian Hill
McLaren Park	Seacliff
Mission Bay	Treasure Island
Noe Valley	Twin Peaks
North Beach	Visitacion Valley

DPH Planned Projects

The Mayor's proposed FY 2025-27 budget included $43.9 million in funding over two years for 415 new residential treatment beds and outpatient facilities, including funding for some sites for which the location is not yet known. Depending on the identified locations, future projects that are funded in the Mayor's proposed budget could require a waiver from the Board of Supervisors. According to DPH staff, the following behavioral health projects at known sites may require a waiver by June 2027:

1. **1660 Mission Street (SOMA)**: relocating and consolidating existing outpatient DPH programs currently located at 1380 Howard Street
2. **Treasure Island Behavioral Health Building:** replacing and expanding capacity of residential treatment programs as part of the Island's redevelopment
3. **Zuckerberg San Francisco General Hospital projects (Mission)**:
   - Psychiatric Emergency Services Expansion
   - Youth Behavioral Health Facility (outpatient and residential treatment)

- Behavioral Health Center – Mental Health Rehabilitation Center Expansion (residential treatment)

According to DPH staff, the first project would require a waiver from the Board of Supervisors because it is located in SOMA.

HSH Projects Planned

The Mayor's proposed FY 2025-27 budget included $66.9 million in funding for sustaining existing shelter beds and creating new shelter and transitional housing beds (a portion of which are co-funded by DPH). According to HSH staff, the new beds may be located in existing or new facilities, but the sites have not yet been identified.

Reporting

The proposed ordinance requires the Director of Real Estate to track the number of covered facilities that are approved after May 6, 2025 and to report to the Board of Supervisors every six months. The report would include the following for all covered facilities that were approved by the City in the prior six month period: the address of the facility, the neighborhood in which the facility was located and the percentage of citywide beds in the neighborhood on the date of approval, the type of facility, the date of approval, and if a waiver was required by the Board of Supervisors. The report would also detail the neighborhoods in which the establishment of a facility was considered but not approved. DPH and HSH would present on progress, barriers to implementation, and solutions.

FISCAL IMPACT

The primary impact of the proposed ordinance is to establish geographic restrictions for opening new shelter and behavioral health treatment sites, rather than specifying the quantity or service composition of those beds. For this reason, we cannot precisely estimate the fiscal impact, as it ultimately depends on individual contract awards made by Departments. It could result in higher costs for the planned shelter beds or a reduction in the number of beds.

The proposed amended ordinance would add complexity to the process of identifying new sites for covered facilities and approving those sites, which may increase the timeline and costs for approving new sites. If suitable sites or buildings are not available outside of the prohibited areas, DPH and HSH may need to establish new facilities at less suitable sites. Portions of the Bayview, which has larger, industrial, lots, would not be prohibited from establishing shelter and treatment beds. However, because prohibited areas are primarily on the east side of the City, which has larger buildings, HSH and DPH may have to open more sites on the west side of the City, which has fewer large buildings. For this reason, HSH and DPH may need to reduce the size of the sites, leading to greater costs per unit or fewer beds given funding allocated in the FY 2025-26 – FY 2026-27 budget.

HSH estimated the average cost of a shelter bed is $65,000 in FY 2024-25. DPH bed costs range from $60,000 - $180,000, depending on the level of clinical intensity.

POLICY CONSIDERATION

The proposed ordinance addresses the geographic concentration of shelters and behavioral health facilities in certain neighborhoods to ensure equitable access to homeless and behavioral health services and to address the impact on the surrounding communities with a high concentration of facilities. As noted above, 60 percent of the City's shelter and transitional housing beds are located in two neighborhoods (Tenderloin and SOMA). The proportion of unsheltered people and homeless shelters in a given neighborhood relative to their respective citywide counts would limit any new shelters and DPH residential and outpatient sites in that neighborhood.

The Board of Supervisors could consider simplifying the legislation to reduce the administrative burden for implementing the ordinance and provide more certainty in the process for site identification. For example, the ordinance could be amended to: (a) prohibit new sites in the Tenderloin and SOMA, rather than a set of neighborhoods that may shift based on the PIT count or approval of new facilities; and (b) to remove the prohibition of establishing new shelters within 300 feet of an existing shelter which also changes based on the approval of new facilities and does not consider the size of the existing facility.

Within the existing framework, the Board of Supervisors may want to consider setting a minimum number of shelter beds and transitional housing beds that can be located within a neighborhood without triggering a prohibition on new covered facilities in the neighborhood (such as 50 or 75). The proposed amendments limit new covered facilities from being established in neighborhoods with low numbers of unsheltered persons, such as the Outer Richmond, which only has 65 transitional housing beds and no shelter beds but would be restricted from establishing any new covered facilities. The Board may also wish to consider exempting from the proposed geographic restrictions for existing programs that are being expanded to accommodate more patients and City acquisition of existing privately-owned facilities.

The Board of Supervisors could also consider strategies to address neighborhood concerns related to the concentration of covered facilities. According to HSH staff, all shelter contracts include "good neighbor policies" to ensure that providers are responsive to neighborhood concerns about the facility. HSH has also funded ambassador services near some sites and started neighborhood engagement groups that include other City departments, as needed, to address issues that may be beyond any one provider's control. The Board of Supervisors could fund additional community ambassadors, site security, on-site mental health providers, and/or Police Department services to mitigate the neighborhood impact of new and existing sites.

RECOMMENDATION

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

Appendix 1: Covered Facility Waiver Requirements by Neighborhood

Neighborhood	2024 PIT Count Unsheltered	Existing Beds*	Unsheltered %	Beds %	Waiver Required
Bayview Hunters Point	886	416	20.6%	11.2%	No
Bernal Heights	88	0	2.1%	0.0%	No
Castro/Upper Market	72	0	1.7%	0.0%	No
Chinatown	45	0	1.0%	0.0%	No
Excelsior	4	0	0.1%	0.0%	No
Financial District/ South Beach	177	200	4.1%	5.4%	Yes
Glen Park	9	0	0.2%	0.0%	No
Golden Gate Park	122	0	2.8%	0.0%	No
Haight Ashbury	43	21	1.0%	0.6%	No
Hayes Valley	77	13	1.8%	0.4%	No
Inner Richmond	50	0	1.2%	0.0%	No
Inner Sunset	13	0	0.3%	0.0%	No
Japantown	17	0	0.4%	0.0%	No
Lakeshore	97	0	2.3%	0.0%	No
Lincoln Park	0	0	0.0%	0.0%	No
Lone Mountain/USF	38	111	0.9%	3.0%	Yes
Marina	29	0	0.7%	0.0%	No
McLaren Park	2	0	0.0%	0.0%	No
Mission	641	475	14.9%	12.8%	No
Mission Bay	20	0	0.5%	0.0%	No
Nob Hill	31	75	0.7%	2.0%	Yes
Noe Valley	5	0	0.1%	0.0%	No
North Beach	22	0	0.5%	0.0%	No
Oceanview/Merced/ Ingleside	9	0	0.2%	0.0%	No
Outer Mission	7	0	0.2%	0.0%	No
Outer Richmond	38	35	0.9%	0.9%	Yes
Pacific Heights	20	0	0.5%	0.0%	No
Portola	14	0	0.3%	0.0%	No
Potrero Hill	63	64	1.5%	1.7%	Yes
Presidio	10	0	0.2%	0.0%	No
Presidio Heights	21	0	0.5%	0.0%	No
Russian Hill	10	0	0.2%	0.0%	No
Seacliff	1	0	0.0%	0.0%	No
South of Market	474	961	11.0%	25.9%	Yes
Sunset/Parkside	164	0	3.8%	0.0%	No
Tenderloin	836	1,254	19.4%	33.8%	Yes
Treasure Island	14	0	0.3%	0.0%	No

Neighborhood	2024 PIT Count Unsheltered	Existing Beds*	Unsheltered %	Beds %	Waiver Required
Twin Peaks	2	0	0.0%	0.0%	No
Visitacion Valley	3	0	0.1%	0.0%	No
West of Twin Peaks	41	0	1.0%	0.0%	No
Western Addition	85	89	2.0%	2.4%	Yes
Total	**4,302**	**3,714**	**100.0%**	**100.0%**	

Source: HSH
*Includes HSH shelter and transitional housing beds only