


**CITY AND COUNTY OF SAN FRANCISCO**

**BOARD OF SUPERVISORS**

**BUDGET AND LEGISLATIVE ANALYST**

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

April 12, 2024

**TO:** Budget and Finance Committee  
**FROM:** Budget and Legislative Analyst   
**SUBJECT:** April 17, 2024 Budget and Finance Committee Meeting

**TABLE OF CONTENTS**

<b>Item</b>	<b>File</b>	<b>Page</b>
3	24-0285 Contract Agreement - Retroactive - Health Advocates LLC - Uncompensated Care Reimbursement Recovery Services - Not to Exceed \$11,391,540 .....	1
4	24-0223 Airport Professional Services Agreement Modification - KONE Inc. - Escalator and Electric Walk Maintenance Services - Not to Exceed \$42,780,241 .....	4
5	24-0191 Agreement Amendment - Kennedy Jenks Consultants, Inc./Brahman Sheikh Water Reuse Consulting/Water Resources Engineering, Inc. - Westside Recycled Water Project - Not to Exceed \$10,950,000.....	8
7	24-0272 Transfer of Personal Property - Energy Center San Francisco, LLC - Steam Loop Emergency Repair - Not To Exceed \$3,100,000.....	12
8	24-0347 Real Property Lease - TRINITY CENTER, LLC - 1145 Market Street - Initial Base Rent of \$1,368,445.45 .....	16
9	24-0312 Lease Agreement - Hudson 1455 Market, LLC - 1455 Market Street - \$0 Base Rent Initial Year - \$6,474,744.80 Annual Base Rent Beginning Year 2.....	20
10	24-0229 Grant Agreement Amendment - Abode Services - Flexible Housing Subsidy Pool - Not to Exceed \$17,918,683 .....	25

**TABLE OF CONTENTS**

<b>Item</b>	<b>File</b>	<b>Page</b>
11 & 12	24-0198 Development Agreement Amendment - Treasure Island Community Development, LLC - Treasure Island	
	24-0202 Amended and Restated Disposition and Development Agreement - Treasure Island and Yerba Buena Island.....	31

<p><b>Item 10</b> <b>File 24-0229</b></p>	<p><b>Department:</b> Homelessness &amp; Supportive Housing</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would approve the second amendment to the grant agreement between HSH and Abode Services for services under the Flexible Housing Subsidy Pool program, extending the term by one year through June 2026 and increasing the not to exceed amount by \$8,018,683 to \$17,918,683.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• Launched in 2020, the Flexible Housing Subsidy Pool program (the Program) provides scattered site permanent supportive housing in vacant private market apartments for people exiting homelessness. As of March 2024, seven providers, including Abode Services, provide services under the Program for a total of 945 placements annually.</li> <li>• Under an existing agreement with the Department of Homelessness and Supportive Housing (HSH), Abode Services provides housing location, housing coordination, subsidy administration, landlord liaison services and housing-focused case management services to support permanent supportive housing placements for 70 adults annually. The agreement, which has been amended one time, has a term that began February 15, 2021 and ends June 30, 2025 and a not to exceed amount of \$9.9 million. The original agreement and first amendment did not require Board of Supervisors’ approval because the grant amount was less than \$10 million.</li> <li>• As allowed by Chapter 21B of the Administrative Code, HSH did not use a competitive solicitation to procure this service. According to HSH staff, Abode Services was selected as the grantee due to the organization’s experience and expertise in administering scattered site housing in other communities.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would approve the amended grant agreement for a total not-to-exceed amount of \$17,918,683, including a 12 percent contingency of \$1,159,795. The FY 2023-24 annual budget is \$3.0 million, which includes \$1.9 million for direct client costs (63 percent), \$671,370 for salaries and benefits (22 percent) associated with 6.54 full time equivalent positions funded by the grant, and other costs.</li> <li>• The grant is funded by Proposition C revenues.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

**MANDATE STATEMENT**

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

**BACKGROUND**

**Flexible Housing Subsidy Pool Program**

Launched in 2020, the Flexible Housing Subsidy Pool program (the Program) provides scattered site permanent supportive housing in vacant private market apartments for people exiting homelessness. The program was expanded to increase permanent supportive housing placements for guests exiting Shelter in Place Hotels. According to the HSH dashboard on SIP Hotel Guest Exits, out of 3,356 SIP hotel guests, 1,835 guests (55 percent)<sup>1</sup> exited to housing, including 373 who exited to housing through the Flexible Housing Subsidy Pool program. As of March 2024, seven providers, including Abode Services, provide services under the Program for a total of 945 placements annually.<sup>2</sup> Additional placements for scattered site permanent supportive housing are funded by subsidies from the U.S. Department of Housing and Urban Development voucher programs, including Emergency Housing Vouchers and Veterans Affairs Supportive Housing vouchers.

*Abode Services Agreement*

In 2021, the Department of Homelessness and Supportive Housing (HSH) entered into an original grant agreement with Abode Services to provide Flexible Housing Subsidy Pool services for 20 clients annually, as well as to provide rapid rehousing services<sup>3</sup> for 40 clients annually in an amount not to exceed \$9.9 million for the term February 15, 2021 through June 30, 2023. A third program (Emergency Housing Vouchers<sup>4</sup>) was added to the agreement effective July 1, 2021. In June 2023, HSH executed a first amendment to the agreement to extend the term by two years

---

<sup>1</sup> SIP Hotel guests totaling 3,356 include 2,567 guests who were eligible for the SIP Housing process and 789 guests who were not eligible. The City assisted some guests who were not eligible for the housing process with locating permanent housing, but the rates of guests who exited to housing were lower for this group (22% compared to 65%).

<sup>2</sup> The seven providers are Abode Services, Providence, Brilliant Corners, Catholic Charities, Compass, Episcopal Community Services, and Unity Care.

<sup>3</sup> Similar to the Flexible Housing Subsidy program, the rapid rehousing program matches participants with private-market units and provides access to supportive services. However, the rapid rehousing program rental subsidy is time-limited and gradually decreases as the tenant stabilizes.

<sup>4</sup> HSH and the San Francisco Housing Authority are administering more than 900 Emergency Housing Vouchers, which are funded through federal COVID-19 relief. The Abode Services agreement funded EHV services between July 2021 and December 2022 until these services were split into a separate agreement.

through June 2025 with no change to the not to exceed amount. The first amendment also increased the annual number of Flexible Housing Subsidy Pool clients served from 20 to 70 and removed the rapid re-housing services and Emergency Housing Vouchers from the agreement, as these programs were split off into separate agreements effective January 1, 2023. The original agreement and first amendment did not require Board of Supervisors' approval because the grant amount was less than \$10 million.

Under the existing agreement, Abode Services provides housing location, housing coordination, subsidy administration, landlord liaison services and housing-focused case management services to support permanent supportive housing placements for 70 adults. Similar to site-based permanent supportive housing, tenants pay rent equal to 30 percent of their income, and the remaining rent is subsidized by the Program.

### **Selection of Provider**

As allowed by Chapter 21B of the Administrative Code, HSH did not use a competitive solicitation to procure this service. According to HSH staff, Abode Services was selected as the grantee due to the organization's experience and expertise in administering scattered site housing in other communities.

## **DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would approve the second amendment to the grant agreement between HSH and Abode Services for services under the Flexible Housing Subsidy Pool program, extending the term by one year through June 2026 and increasing the not to exceed amount by \$8,018,683 to \$17,918,683. Under the proposed amendment, the total term would be five years and five months.

Under the amended grant agreement, Abode Services would continue to provide the following services to support permanent supportive housing placements for 70 adults per year:

- Housing-Focused Case Management Services to help participants transition to permanent housing and to ensure long-term housing retention, including development of an initial Housing Stability Plan to be updated quarterly, regular check-ins, case conference calls, and other communication on an as-needed basis, and other services.
- Housing Location Services to secure housing units that meet the needs of the served population.
- Housing Coordination Services to match tenants to housing opportunities and eliminate barriers to housing placement (such as outstanding utility debt or poor credit), including lease negotiation and review on behalf of tenants, support to prospective tenants to secure units and to move into housing, payment for items needed during housing search and move-in (such as application fees, security deposit, furniture, and moving costs), income verification and rent calculation upon move-in and annually thereafter, and other services.
- Subsidy Administration Services to issue and document timely and accurate subsidy payments to landlords and property management and other types of financial assistance.

- Landlord Liaison Services between landlords and tenants to support housing stability, quarterly check-ins with landlords, collaboration with case managers to ensure tenants are able to pay rent on time and resolve any tenancy issues, response to lease violation or other complaints, and ensuring landlords conduct repairs and fulfil their legal responsibilities.

The agreement requires that the grantee maintain a 1:50 ratio of housing coordinator to adult units and a 1:20 ratio of case manager to adult units. In addition, the agreement also requires that the grantee provide translation and interpretation services and provide a means for the population served to provide feedback and submit complaints.

According to HSH staff, new tenants are referred by HSH through the Coordinated Entry System, which organizes the Homelessness Response System, with a population specific assessment, centralized data system, and prioritization method. The Coordinated Entry assessment measures chronicity of homelessness, vulnerability, and barriers to housing. Clients who are “Housing Referral Status” based on the assessment are referred to appropriate site-based or scattered site supportive housing programs based on their unique needs.

### **Performance Monitoring**

According to the FY 2022-23 program monitoring report, the provider met nine out of nine service objectives and one out of three outcome objectives, including maintaining housing stability for twelve months for 96 percent of participants. Detail on the two objectives not met by the provider is provided below:

- 84 percent of the 79 tenants enrolled in the program successfully moved into housing compared to the outcome objective of at least 90 percent. However, of the six participants who exited the program, four were referred to site-based permanent supportive housing and two were referred to another Flexible Housing Subsidy pool provider and were housed. Excluding these participants increases the percentage of tenants that moved into housing to 90 percent (66 out of 73).
- Tenants are homeless an average of 92.5 days between date of referral and housing move-in date compared to the outcome objective of 75 days or less. According to the program monitoring results letter, the extended timeframe is due in part because Abode Services received the remaining Shelter in Place referrals in October 2022, and these participants had higher acuity needs and more sporadic engagement with the program, resulting in longer housing search timelines. Data from April 2023 to December 2023 indicates that the move-in time was reduced to 61 days.

FY 2022-23 monitoring also verified that Abode Services conducted housing quality standard inspections for rented units.

### **Fiscal and Compliance Monitoring**

HSH conducted the FY 2022-23 Citywide Nonprofit Fiscal and Compliance Monitoring for Abode Services. The final status letter indicates that there were initially two findings related to providing public access to records identified during the fiscal and compliance monitoring, but Abode

Services subsequently provided documentation showing the organization is in compliance with standards for both findings.

**FISCAL IMPACT**

The proposed resolution would approve the amended grant agreement between HSH and Abode Services for a total not-to-exceed amount of \$17,918,683, including a 12 percent contingency of \$1,159,795, as shown in Exhibit 1 below. The grant is funded by Proposition C revenues. Underspending in FY 2020-21 and FY 2021-22 was due to delays in the ramp-up of the Program.

**Exhibit 1: Proposed Total Budget by Program**

Year	Rapid Rehousing*	Emergency Housing Vouchers*	Flexible Housing Subsidy Pool	Total
FY 2020-21 Actual (4.5 months)	\$65,153		\$62,627	\$127,780
FY 2021-22 Actual	1,468,751	113,753	1,342,076	2,924,580
FY 2022-23 Actual	1,113,222	399,216	2,529,136	4,041,574
FY 2023-24 Budget			2,994,600	2,994,600
FY 2024-25 Budget			3,275,455	3,275,455
FY 2025-26 Budget			3,394,899	3,394,899
<b>Program Total</b>	<b>\$2,647,126</b>	<b>\$512,969</b>	<b>\$13,598,793</b>	<b>\$16,758,888</b>
Contingency (12%)**				1,159,795
<b>Not to Exceed Amount</b>				<b>\$17,918,683</b>

Source: HSH

\*Programs removed from grant agreement starting 1/1/2023

\*\*Calculated as percent of FY 2023-24, FY 2024-25, and FY 2025-26 budgeted expenditures (\$9,664,955)

**Program Budget**

The FY 2023-24 annual budget is \$3.0 million, which includes \$1.9 million for direct client costs (63 percent). The FY 2023-24 budget also includes \$671,370 for salaries and benefits associated with 6.54 full time equivalent (FTE) positions funded by the grant. According to HSH staff, the proposed budget is based on the average cost per household to cover rental subsidies (\$30,000 annually) and Abode Services’ staffing model. Exhibit 2 below shows the proposed program budget under the proposed extended grant agreement.

**Exhibit 2: Proposed Flexible Housing Subsidy Pool Budget**

<b>Expenditures</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>3-Year Total</b>
Salaries & Benefits	\$671,370	\$717,575	\$745,504	\$2,134,449
Operating Expense	87,327	125,122	128,775	341,224
Indirect Cost (15%) <sup>a</sup>	113,804	126,405	131,142	371,351
Direct Client Pass Through <sup>b</sup>	1,886,310	2,050,093	2,151,929	6,088,332
Subsidy Admin Fee (12.5%) <sup>c</sup>	235,789	256,262	237,549	729,600
<b>Total Expenditures</b>	<b>\$2,994,600</b>	<b>\$3,275,456</b>	<b>\$3,394,899</b>	<b>\$9,664,955</b>

Source: Proposed Amended Grant Agreement

Note: Some totals may not add due to rounding

<sup>a</sup> According to HSH, indirect costs are organizational costs that are necessary for agency operations but are not directly implementing the specific grant program, such as human resources, payroll, executive leadership salaries, information technology staff, office supplies, etc. HSH grant agreements allow grantees to allocate indirect costs as a percentage (typically 15%) of direct costs.

<sup>b</sup> Direct Client Pass Through expenditures are funds that are paid directly by the grantee on behalf of clients of the program. This includes rental subsidy payments, security deposits, furniture costs, relocation costs, damage mitigation funds, vacant unit costs, and miscellaneous client costs. These funds are not included in the indirect calculation.

<sup>c</sup> Subsidy Admin Fee is calculated as 12.5% of the direct client pass through payments and compensates the provider for costs associated with administering the subsidies, such as costs of administrative staff salaries and benefits for staff who manage the subsidy program, regular inspections of housing units to ensure they meet standards, budgeting, accounting, and financial reporting for the subsidy program, related software systems and databases, and processing and delivering on time payments monthly and ensuring move-in payments are made within 48 hours.

## RECOMMENDATION

Approve the proposed resolution.