

1 [Grant Agreement - Accept and Expend Grant - Retroactive - California Department of Health
2 Care Services - Bond BHCIP Round 1 - 887 Potrero Avenue - Anticipated Revenue
3 \$21,347,760]

4 **Resolution authorizing the Department of Public Health to enter into a Grant Agreement**
5 **for a term commencing on the execution of the Grant Agreement, through June 30,**
6 **2030, between the City and County of San Francisco (“City”), acting by and through its**
7 **Department of Public Health (“DPH”), and the California Department of Health Care**
8 **Services and its third-party administrator Advocates for Human Potential, Inc., having**
9 **anticipated revenue to the City of \$21,347,760; including a provision allowing for the**
10 **recapture of allowable project expenses incurred retroactive to May 6, 2025; including a**
11 **Permitted and Restricted Use at 887 Potrero Avenue; retroactively authorizing DPH to**
12 **accept and expend grant funds for the period of May 6, 2025, through June 30, 2030;**
13 **authorizing the Grantor to apply for a Receiver in the event of the City’s default; and**
14 **authorizing DPH to enter into amendments or modifications to the Grant Agreement**
15 **that do not materially increase the obligations or liabilities of the City and are**
16 **necessary to effectuate the purpose of the Grant.**

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18 WHEREAS, The California Department of Health Care Services (“DHCS”) is authorized
19 to administer the Behavioral Health Continuum Infrastructure Program (“BHCIP”) pursuant to
20 Welfare and Institutions Code, Sections 5960–5960.45; and

21 WHEREAS, Advocates for Human Potential, Inc. (“AHP”) serves as the contractor and
22 fiscal administrator for BHCIP on behalf of DHCS; and

23 WHEREAS, The Behavioral Health Infrastructure Bond of 2024 (California Assembly
24 Bill 531) allocated up to \$4,400,000,000 in additional funding for BHCIP, subject to voter
25 approval as required by the California Constitution; and

1 WHEREAS, California voters approved Proposition 1 in March 2024, authorizing state
2 bond funding for BHCIP; and

3 WHEREAS, DHCS released the Request for Applications for up to \$3,300,000,000 in
4 Round 1 of Bond BHCIP funding in May 2024; and

5 WHEREAS, San Francisco is affected by the statewide shortage of beds in locked
6 subacute treatment facilities, leading to long wait times and challenges placing clients with the
7 most complex behavioral health needs; and

8 WHEREAS, The Behavioral Health Center, located on the Zuckerberg San Francisco
9 General Hospital campus, was purpose-built in 1992 to house locked mental health treatment;
10 and

11 WHEREAS, Bond BHCIP Round 1 presented a unique opportunity for the City to
12 leverage state funding to add locked subacute treatment beds at the Behavioral Health
13 Center; and

14 WHEREAS, In Resolution No. 577-24 (File No. 241097), the Board of Supervisors
15 authorized DPH to apply for grant funds under Bond BHCIP Round 1, including the project at
16 the Behavioral Health Center; and

17 WHEREAS, On May 6, 2025, DHCS awarded Bond BHCIP Round 1 grant funds to the
18 City in an amount not to exceed \$21,347,760 for the Behavioral Health Center project
19 (“Project”), with a term commencing on the execution of the Grant Agreement, through
20 June 30, 2030, and which allows for the recapture of allowable project expenses incurred
21 retroactive to May 6, 2025; and

22 WHEREAS, San Francisco Charter, Section 9.118(a) requires contracts entered by a
23 department having anticipated revenue to the City of \$1,000,000 or more be approved by the
24 Board by Resolution; and

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1 WHEREAS, The Grant Agreement requires a minimum match of 10% from counties,
2 cities and nonprofit providers; and

3 WHEREAS, The match requirement will be met by the assessed value of the
4 Behavioral Health Center building at 887 Potrero Avenue (“Property”); and

5 WHEREAS, The Department proposes to maximize use of available grant funds on
6 program expenditures by not including indirect costs in the grant budget; and

7 WHEREAS, The grant does not require an Annual Salary Ordinance Amendment; and

8 WHEREAS, The Grant Agreement includes a Regulatory Agreement and Declaration
9 of Restrictions (“Declaration”), to be recorded in the City’s official records, that ensures that
10 the Property be used in compliance with the BHCIP terms (“Permitted Use”) for a period of at
11 least thirty years after Project completion (“Restriction Period”), regardless of any sale,
12 assignment, transfer, or conveyance (including, without limitation, by foreclosure sale) of the
13 Property or any portion thereof to any other person or entity; and

14 WHEREAS, If the City defaults under the Grant Agreement, the Declaration authorizes
15 DHCS to apply to a court of competent jurisdiction for the appointment of a Receiver to take
16 over and operate the Property in accordance with the requirements of Grant Agreement and
17 the Declaration, including all of the powers necessary for the protection, possession, control,
18 management, and operation of the Property; and

19 WHEREAS, The Grant Agreement obligates the City to defend, indemnify and hold
20 harmless DHCS and AHP against all loss, costs, damages, expenses, suits, judgments,
21 actions, and liabilities of whatever nature (“Claims”) directly or indirectly resulting from or
22 arising out of or related to (a) the operation, use, occupancy, maintenance, financing, or
23 ownership of the Project, and (b) the City’s breach of its grant obligations; and

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1 WHEREAS, A draft of the Grant Agreement is on file with the Clerk of the Board of
2 Supervisors in File No. 251269, which is hereby declared to be a part of this Resolution as if
3 set forth fully herein; now, therefore, be it

4 RESOLVED, That DPH is hereby authorized to retroactively accept and expend the
5 grant in the amount of \$21,347,760 from DHCS, with authorization for the recapture of
6 allowable expenses retroactive to May 6, 2025, pursuant to Administrative Code,
7 Section 10.170-1; and, be it

8 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the Director
9 of Health or the Director’s designee to enter into the Grant Agreement, having anticipated
10 revenue to the City of \$21,347,760 and a term from the execution of the Grant Agreement,
11 through June 30, 2030; and, be it

12 FURTHER RESOLVED, That the Board of Supervisors hereby waives inclusion of
13 indirect costs in the grant budget; and, be it

14 FURTHER RESOLVED, That said Grant Agreement may include a Declaration to be
15 executed by the Director of Health and the Director of Real Estate, or the directors’ designees,
16 and recorded in the City’s official records, that ensures that the Property is used for the
17 Permitted Use for the Restriction Period; and, be it

18 FURTHER RESOLVED, That said Grant Agreement may include a provision
19 authorizing DHCS to apply for the appointment of a Receiver to take over and operate the
20 Property in the event of the City’s default; and, be it

21 FURTHER RESOLVED, That the Grant Agreement may include a clause obligating the
22 City to defend, indemnify and hold harmless DHCS and AHP against all loss, costs, damages,
23 expenses, suits, judgments, actions, and liabilities of whatever nature (“Claims”) directly or
24 indirectly resulting from or arising out of or related to (a) the operation, use, occupancy,
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1 maintenance, financing, or ownership of the Project, and (b) the City's breach of its grant
2 obligations; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the Director
4 of Health or the Director's designee to enter into any amendments or modifications to the
5 Grant Agreement that the Department determines, in consultation with the City Attorney, are
6 in the best interests of the City, do not otherwise materially increase the obligations or
7 liabilities of the City, are necessary to effectuate the purposes of the grant, and are in
8 compliance with all applicable laws; and, be it

9 FURTHER RESOLVED, That within thirty (30) days of the Grant Agreement being fully
10 executed by all parties, the Director of Health shall provide the final agreement to the Clerk of
11 the Board for inclusion in File No. 251259.

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1 Recommended:
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3 /s/ Jenny Louie for _____
4 Daniel Tsai
5 Director of Health

Approved: /s/ Sophia Kittler for _____
Mayor

Approved: /s/ Carmen LeFranc for _____
Controller

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