CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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May 16, 2025

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: May 21, 2025 Budget and Finance Committee Meeting

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Item 1 **File 25-0450**	**Department:** San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Modification No. 2 to the Airport's capital program support services contract with T. Y. Lin International (T. Y. Lin), increasing the not-to-exceed amount of the contract by $32 million for a total not to exceed $40 million, and exercising the options to extend the term by an additional four years through September 29, 2029.

Key Points

- In February 2024, the Airport issued a Request for Proposals (RFP) to award a capital program support services contract for the Capital Improvement Plan. T. Y. Lin was deemed the highest scoring proposer and was awarded a contract for an initial term of one year from September 30, 2024 through September 29, 2025, with options to extend the term for up to five years, and an amount not to exceed $8 million. In November 2024, the Airport executed Modification No. 1 to the contract to add three subcontractors.
- Under the contract, T. Y. Lin would support Airport staff with managing capital program data. The contract's scope of services includes program controls, managing project cost and schedule information, and preparing monthly and quarterly project status reports. Contract staff would also integrate the Airport business processes and project management systems. The proposed Modification No. 2 would not change the scope of services.
- One performance evaluation has been completed to date for the period of September 2024 through February 2025. T. Y. Lin met or exceeded expectations in all applicable performance categories.

Fiscal Impact

- The proposed Modification No. 2 would increase the amount of the T. Y. Lin contract by $32 million, for a total not to exceed $40 million. The proposed increase will fund a total of 20.99 FTE (7.05 FTE for T. Y. Lin and 13.94 FTE for subcontractors) in 2026. The contract is funded by Airport revenue bonds.

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

Airport Capital Improvement Plan

Adopted in October 2023, the Airport's FY 2023-24 – FY 2024-25 $11 billion Capital Improvement Plan consists of two programs:

1) Ascent Program – Phase 1.5: This consists of a fixed set of 27 projects (within 17 project categories) with an estimated completion in FY 2029-30. The total budget of the program is $8 billion and will prioritize completing the Terminal 3 West Modernization project, Harvey Milk Terminal 1 project, developing the West Field area of campus and renewing aging utility infrastructure, amongst other projects.

2) Infrastructure Projects Plan: This consists of a dynamic set of projects that can be updated bi-annually to include newly emerging needs. The total budget of the program is approximately $3 billion over two years and currently consists of 218 projects (within 29 project categories), prioritizing infrastructure upgrades such as power and lighting improvements, water system and utility improvements, energy efficient upgrades, runway and taxiway improvements, and wastewater system projects.

Procurement of Capital Program Support Services Contract

In February 2024, the Airport issued a Request for Proposals (RFP) to award a capital program support services contract for the Capital Improvement Plan.[1] The Airport received six proposals, with two disqualified from evaluation for not meeting minimum qualifications or for being incomplete. A four-member selection panel scored the proposals, as shown in Exhibit 1 below.[2] Proposals were evaluated on experience/qualifications (160 points), key project personnel (240 points), project approach (200 points), and oral interview (500 points). The proposed term in the RFP was one-year with an option to extend the term for a maximum of five years. The proposed not to exceed amount in the RFP was $8 million for the initial one-year term and a maximum of $40 million if the Airport exercises all the options to extend the term for an additional four years.

[1] The Airport states that the prior contractor for this service was Hill International.

[2] The evaluation panel consisted of the Public Works Deputy Director of Financial Management & Administration, Chief Financial Officer of the San Francisco Public Library, Director of Budget & Capital Planning at the Airport, and a Program Manager at the Airport

Exhibit 1: Proposals and Scores from RFP

Proposer	Score (1,100 Possible Points)
T. Y. Lin International	927.25
Turner & Townsend	894.75
Hill International	866.25
STV Construction, Inc.	375.75

Source: Airport

T. Y. Lin International (T. Y. Lin) was deemed the highest scoring proposer and was awarded a contract. In August 2024, the Airport Commission approved a contract with T. Y. Lin for an initial term of one year from September 30, 2024 through September 29, 2025, with options to extend the term for up to five years, and an amount not to exceed $8 million. At the time, Airport staff anticipated that the contract would have a total term of five years and not to exceed amount of $40 million.[3] In November 2024, the Airport executed Modification No. 1 to the contract, which added three subcontractors, updated overhead rates, added two classifications to the direct labor rate ranges, and updated standard contract provisions but did not change the contract term or not-to-exceed amount. In March 2025, the Airport Commission approved Modification No. 2 to the contract to extend the contract term by four years and increased the not-to-exceed amount to $40 million.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Modification No. 2 to the Airport's capital program support services contract with T. Y. Lin, increasing the not-to-exceed amount of the contract by $32 million for a total not to exceed $40 million, and exercising the options to extend the term by an additional four years through September 29, 2029.

Under the contract, T. Y. Lin would support Airport staff with managing capital program data. The contract's scope of services includes program controls, managing project cost and schedule information, and preparing monthly and quarterly project status reports. Contract staff would also integrate the Airport business processes and project management systems. The proposed Modification No. 2 would not change the scope of services.

The Airport states that the contractor reports on but does not develop the Airport's Capital Improvement Plan, which is developed by the Airport's Finance department.

As detailed in the contract's Appendix B, compensation for services is on a time and materials basis. Direct labor rates range from $120/per hour to $167.88/per hour for a Program Management Advisor to $25/per hour to $50/per hour for Administrative Support. Field and

[3] The Airport states that the contract amount was estimated based on the annual totals expended on the prior Capital Program Support Services contract, plus inflation.

home office overhead rates[4] are applied as a percentage markup on top of the direct labor rate for each staff member[5].

The Airport is increasing the contract amount and extending the term because, as previously mentioned, at the time of the contract's award, Airport staff anticipated that it would have a total term of five years and not to exceed amount of $40 million, as stated in the RFP. The Airport states that staff first wanted to assess the performance of the vendor before awarding the full value and term of the contract.

Local Business Enterprise Program

The Contract Monitoring Division established a 20 percent Local Business Enterprise (LBE) subcontracting requirement for the contract. T. Y. Lin committed to a 20 percent LBE participation goal. As of May 2025, T. Y. Lin reports a 51 percent LBE achievement. Exhibit 2 shows the LBE percentage and tasks committed to each subcontractor.

Exhibit 2: LBE Utilization To Date (May 2025)

Subcontractors	Tasks	LBE Commitment (%)	LBE Usage-to-Date (%)
Chaves & Associates	Document Control	5.3	11
Hollins Consulting	Program Advisor	1.2	6
InnoActive Group	Program Management Information System (PMIS)/Unifier	3.5	22
Montez Group	Reporting	3.5	3
M Lee Corporation	Cost Management	1.0	1
Say Consulting Group	Cost Management	2.5	2
UDC Pro, Inc.	PMIS/Unifier	3.0	6
	Total	**20**	**51**

Source: Airport

Performance Monitoring

Airport staff monitors contractor performance through bi-annual evaluations. One evaluation has been completed to date for the period of September 2024 through February 2025. Airport staff found that T. Y. Lin met or exceeded expectations in the areas reviewed, which included project controls, data entry into the Unifier system, teamwork and communication, accurate LBE reporting, and project management support services team resources management. No corrective actions were identified.

[4] According to the Airport, field and home office overhead rates are used to account for the indirect costs associated with supporting labor on a project. The field office overhead rate is applied to staff working onsite at the project location (SFO Airport), and the home office overhead rate is applied to staff working off-site, typically from the contractor's office.

[5] The field office overhead rate for T. Y. Lin is 120.16 percent and for the subcontractors range from 90.4 percent for EPC Consultants, Inc. to 145 percent for Chaves & Associates. T. Y. Lin does not have a home office overhead rate. Subcontractors with a home office overhead rate ranges from 120 percent for Allele Network and Futterman Consulting, Inc. to 160 percent for D.R. McNatty & Associates Inc.

FISCAL IMPACT

The proposed Modification No. 2 would increase the amount of the T. Y. Lin contract by $32 million, for a total not to exceed $40 million. The $32 million proposed increase of the estimated contract budget is shown in Exhibit 3 below.

Exhibit 3: Estimated Contract Budget of Proposed Increase

Task Category	Total
Labor – T. Y. Lin	$9,913,188
Labor – Subcontractors	20,953,430
2% Fee – Subcontractors[6]	419,069
Other Direct Costs[7]	705,000
Total (Rounded)	**$32,000,000**

Source: Airport

According to Airport staff, the increased amount was determined by assessing existing and previous contracts for similar professional services, in which approximately $8 million per year funded the needs and requirements of the contract. Airport staff states that $4,433,883 has been invoiced as of April 30, 2025, and $3,564,026 is projected to be expended by the end of the original term (September 29, 2025) for a total of $7,997,909 to be expended of the $8 million not to exceed amount. The proposed contract increase will fund a total of 20.99 FTE (7.05 FTE for T. Y. Lin and 13.94 FTE for subcontractors) in 2026.

The contract is funded by Airport revenue bonds.

RECOMMENDATION

Approve the proposed resolution.

[6] This is provided per the contract under Section 3.3 of Appendix B, which states that the prime contractor may include a 2% fee/markup for first-tier subcontractor labor. The markup is to cover the additional costs and risks the prime contractor may incur when managing subcontractors.

[7] This includes costs incurred by the contractors, such as licensing fees, badging, and office supplies/equipment, among others.

Item 4 File 25-0493	Department: Mayor's Office of Housing & Community Development

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the first amendment to MOHCD's agreement with Chinatown SROS LLC, an affiliate of CCDC, to increase the grant value from $6,209,204 to $6,781,969.

Key Points

- In May 2024, the Board approved a resolution authorizing a Small Site loan to Chinatown Community Development Center (CCDC) to rehabilitate 1005 Powell, a five-story building with 64 single room occupancy units with low-income tenants in Chinatown (File 24-0443). In April 2024, the Board approved a resolution authorizing an agreement with CCDC to provide a fifteen year Senior Operating Subsidy for the site. The agreement was for $6,209,204, however the amount inadvertently excluded the final year of the subsidy. The total should have been $6,781,969.

Fiscal Impact

- The proposed grant would continue to be funded by State Permanent Local Housing Allocation 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) any modification of such contracts of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

In May 2024, the Board approved a resolution authorizing a Small Site loan to Chinatown Community Development Center (CCDC) to rehabilitate 1005 Powell, a five-story building with 64 single room occupancy units with low-income tenants in Chinatown (File 24-0443). In April 2024, the Board approved a resolution authorizing an agreement with CCDC to provide a fifteen year Senior Operating Subsidy for the site. The agreement was for $6,209,204, however the amount inadvertently excluded the final year of the subsidy. The total should have been $6,781,969.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to MOHCD's agreement with Chinatown SROS LLC, an affiliate of CCDC, to increase the grant value from $6,209,204 to $6,781,969.

FISCAL IMPACT

The proposed grant would continue to be funded by State Permanent Local Housing Allocation funds.

RECOMMENDATION

Approve the proposed resolution.

Item 6 **File 25-0423**	**Department:** Office of Economic & Workforce Development (OEWD)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution states that the intention of the Board of Supervisors is to create a Downtown Revitalization and Economic Recovery Financing District to finance commercial-to-residential conversion projects.

Key Points

- The State has authorized San Francisco to establish the proposed District to provide tax increment funding to commercial-to-residential conversion projects. The proposed District will be legally distinct from the City and governed by a Board of Directors, appointed by the Board of Supervisors. The District's Financing Plan will also be subject to a Board of Supervisors approval, likely in Fall 2025. Projects must opt-in to receive tax increment by December 31, 2032. The proposed District includes Mid-Market, Civic Center, eastern SOMA, Union Square, and the Financial District.

Fiscal Impact

- Analysis commissioned by OEWD indicates that 49 properties are likely to participate in this program, generating $15.2 million in incremental property taxes. After deducting the allowable five percent for administrative costs, the property owners would receive approximately $98,500 per residential unit over thirty years.
- The City will incur costs to establish and support the District. We estimate one-time costs total $440,000 and ongoing costs total $330,000. Administrative costs could be reimbursed by the proposed Revitalization District, if there are sufficient incremental property tax revenues available. However, City Departments are currently not tracking their time related to this project and there is no funding allocated for these new General Fund costs.

Policy Consideration

- The forthcoming Financing Plan should identify which conversion projects and related costs will be eligible for funding, the fiscal impact to the City resulting from the new projects, and the amount of tax revenue diverted to the District.
- Because the District would allow divisions of property taxes outside of existing business processes, the proposed program is more complex and administratively burdensome than a grant program, which other cities have implemented to encourage conversion projects.

Recommendations

- Request the Controller's Office, Office of Economic & Workforce Development, Assessor, Tax Collector, Clerk of the Board, and any other City Department incurring costs to establish the proposed Downtown Revitalization District to track their time and expenses related to that work.
- Approval of the proposed resolution is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

California Government Code Section 62451 allows the San Francisco Board of Supervisors to establish one downtown revitalization and economic recovery financing District. The initial legislative step is the adoption of a resolution of intention. This will be followed by the adoption of a resolution to approve a financing plan for the District.

BACKGROUND

Downtown Revitalization Law

In August 2024, the California Legislature approve a bill to amend the California Government Code to allow the City to establish one downtown revitalization and economic recovery financing district (AB 2488). The bill was approved by the Governor and became effective January 2025. The purpose of the district is to use property tax increment revenues to fund commercial-to-residential conversion projects in downtown San Francisco. The incremental property taxes resulting from the conversion projects would be returned to owners to offset their project costs.

Unlike most other tax increment financing districts, which normally fund affordable housing units, public open space, or some other type of public infrastructure improvement, this diversion of property tax revenues would be mostly for market rate housing.

Other Policy Changes Related to Downtown Revitalization

The proposed district is part of a suite of financial incentives the City is offering developers to support commercial-to-office conversions. In March 2024, voters approved Proposition C, which waives real estate transfer taxes for the first time a property, after having been converted to residential use, changes ownership (through 2029). In March 2025, the Board of Supervisors and Mayor approved an ordinance that amended the Planning Code to waive certain development impact and inclusionary housing fees for up seven million square feet of residential conversions in downtown San Francisco (File 24-0927). In addition, in July 2023, the Board and Mayor enacted an ordinance that amended the Planning Code to waive certain Planning Code requirements for downtown residential conversions (File 23-0371).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution states that the intention of the Board of Supervisors is to create a Downtown Revitalization and Economic Recovery Financing District to finance commercial-to-residential conversion projects.

Downtown Revitalization and Economic Recovery Financing District

Once the District is formed and the associated Financing Plan is adopted, commercial-to-residential conversion projects would apply for incremental property tax revenue funding. The District and the Board of Directors would determine if the projects were eligible, based on criteria established by the Revitalization District. The District would allow such projects to opt in to receiving the City's portion of non-General Obligation bond incremental property tax revenue generated from the conversion to offset conversion costs. The amount of tax increment for each project would be capped at the project's "development costs," a term that is undefined in State law but should be defined in the Financing Plan. Projects could be 100 percent conversion from commercial-to-residential use or converting portions of buildings currently used for commercial purposes to residential uses.

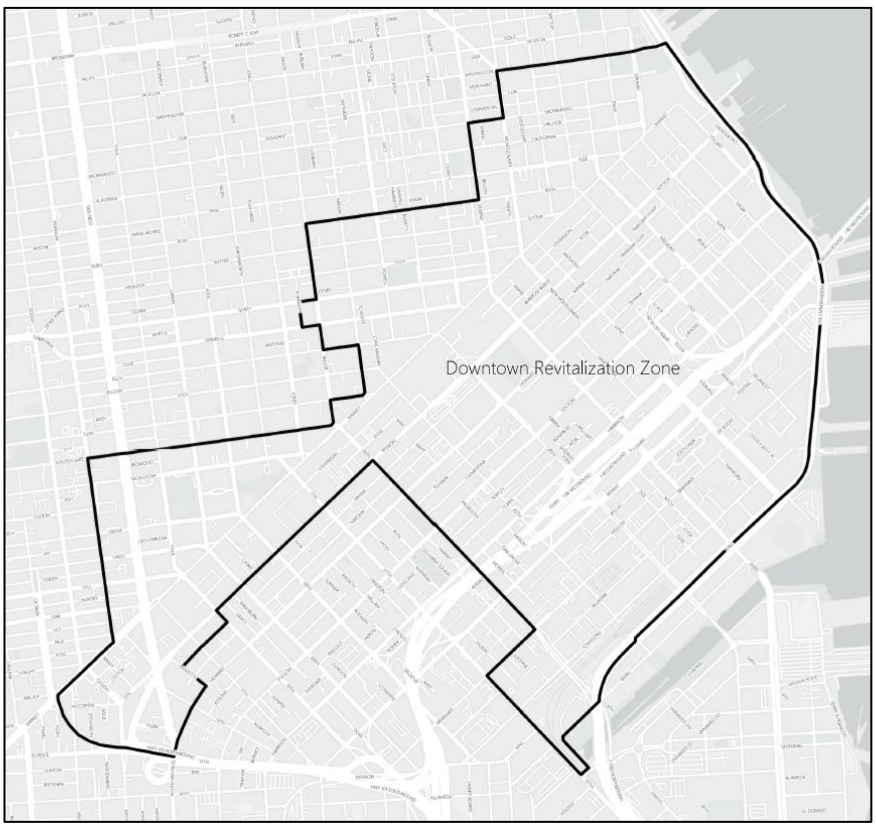
Projects must opt-in to receive tax increment by December 31, 2032.

The District would be dissolved once it no longer receives property tax revenues or 45 years after the first disbursement of tax increment funding, whichever comes first.

District administrative costs will be paid by the District using incremental property tax revenues generated from projects.

Projects seeking incremental property tax funding must pay prevailing wage and any other labor standards established by the Board of Supervisors.

Exhibit 1: Map of Proposed Downtown Revitalization District



Source: OEWD

As shown above, the proposed District includes Mid-Market, Civic Center, eastern SOMA, the East Cut, Union Square, and the Financial District. It does not include the Tenderloin. The District boundaries are defined in the State statute authorizing this legislation (California Government Code 62450).

Board of Directors

The proposed Downtown Revitalization and Economic Recovery Financing District will be legally distinct from the City and governed by a Board of Directors. File 25-0424 is an ordinance pending before the Board of Supervisors that would amend the Administrative Code to establish the District's Board of Directors (and must be considered concurrently with this resolution). The Board of Directors will have five seats: three of which would be members of the Board of Supervisors, appointed by the President of the Board of Supervisors, and two of which would be members of the public, nominated by the President of the Board of Supervisors and appointed by the Board of Supervisors. The President of the Board of Supervisors would also appoint a fourth member of the Board of Supervisors to serve as an alternate member. The Board of Directors will be subject to open meeting and public record requirements.

Administrative Support

The Clerk of the Board of Supervisors would provide administrative and clerical support to the Board of Directors. The Office of Economic and Workforce Development would provide analytical support to the Downtown Revitalization Financing District.

In addition, the Controller's Office, Assessor, and Tax Collector will support the District through the identification, collection, and distribution of tax increment revenues to eligible projects.

Financing Plan

If the proposed resolution of intention is approved, the Board of Directors will designate an official to propose a Financing Plan, subject to approval by the District's Board of Directors after three public meetings. The Financing Plan will also be subject to Board of Supervisors approval after the District's Board of Directors has held two of the three public meetings related to the Financing Plan. Under state law, the Financing Plan must be consistent with the City's General Plan and include:

1. A map and legal description of the proposed District.
2. A description of the potential commercial-to-residential conversion projects
3. Affordability requirements (described below)
4. Identification of each existing commercial building within the District that is eligible for conversion
5. Limiting tax increment disbursements to the amounts generated by each project, paid on a pay-go basis for up to 30 years, and capped at the amount of "development costs" incurred by the individual project.
6. Specifying the maximum portion of the incremental tax revenue the District may take from the City and a projection of the tax revenues that will be received by the District.
7. Allowing tax increment revenues to pay for the District's administrative costs (up to five percent of tax increment revenues, not including reimbursements to the City for establishing the District).

8. A fiscal impact analysis that includes new services that must be provided by the City as a result of the new development

The state law also requires that if any existing residential units are demolished as part of a commercial-to-residential conversion, that they must be replaced as specified in state law.

Affordability Requirements

The first 1.5 million square feet of new residential space resulting from conversion projects will be subject only to local affordability requirements (which have been waived for the first seven million square feet of conversions). Thereafter, residential projects receiving tax increment must include affordable housing per one of the methods below, in particular:

1. At least 5 percent of total units for rent are affordable to very low income households or the local inclusionary requirement, whichever is higher, for a minimum of 55 years. (30 – 50 percent AMI), or
2. At least 10 percent of total units for rent are affordable to lower income households or the local inclusionary requirement, whichever is higher, for a minimum of 55 years. (50 – 80 percent AMI), or

A. At least 10 percent of total units for sale are affordable to households of moderate income or the local inclusionary requirement, whichever is higher, for a minimum of 45 years. (80 – 120 percent AMI)

Annual Report

The District must publish an annual report that details the projects receiving tax increment financing.

FISCAL IMPACT

Property Tax Diversion

Within the proposed district, projects would receive the City share of the incremental increase in property tax revenue. According to an analysis by BAE Urban Economics, a consulting firm hired by OEWD, there are approximately 1,205 eligible properties within the proposed District. Of those, 49 would likely be suitable for commercial-to-residential conversion, based on their age, size, vacancy, and quality – resulting in approximately 4,400 new residential units. BAE estimated that if all of these likely 49 sites were converted to residential uses, the incremental increase in property taxes would total $15.2 million per year. This figure only includes the City share of property taxes and is an estimate of the maximum incremental property tax revenue resulting from a preliminary analysis of properties that may be likely to participate in the program; the analysis did not assess the feasibility of each potential project. After deducting five percent ($0.7 million) for administrative costs, the total likely incremental property tax diverted across the District is approximately $280,000 per building or $3,300 per dwelling unit per year; roughly, the equivalent of one month of rent for each dwelling unit. If this amount were disbursed to the projects for the maximum 30 years allowed under the state law, this would amount to a lifetime total disbursement of roughly $98,500 per unit in today's dollars.

These new net revenues would otherwise be General Fund revenues, though without the District, the projects may not move forward, and the revenues would not be generated.

Under State law, unused property tax increment could be used for "downtown revitalization programs," a term that is undefined in the State statute authorizing this legislation.

In-Lieu Vehicle License Fee Revenue

The State legislation authorizing the proposed District allows for the diversion of incremental in-lieu vehicle license fee revenue to conversion projects.[1] The value of the in-lieu vehicle license fee is determined on a citywide basis and increases every year based on the growth in the jurisdiction's assessed value. BAE estimated that the value of the in-lieu vehicle license fee for the 52 properties that are likely suitable for conversion would be $2.2 million per year.

However, because the value of the in-lieu vehicle license fee revenue is not tied to specific properties, but determined on a citywide basis, it may be difficult to determine a reasonable amount to divert to individual property owners, as there is no VLF component on a property tax bill paid by a property owner. The District Board would determine whether or not to disburse a portion of this additional amount to conversion projects as part of the Financing Plan.

Administrative Costs

As noted above, if the proposed Resolution of Intention and ordinance establishing the District Board of Directors are approved, the Board of Supervisors would then consider the District's Financing Plan, which is expected to be final in Fall 2025. The Board of Supervisors must approve the Financing Plan in order for the District for be formed. The Financing Plan is required to contain provisions for reimbursing the City for costs to establish the District and for ongoing administrative costs. The administrative costs include:

- Resources spent by the Controller's Office, Economic & Workforce Development, Clerk of the Board, Assessor, Tax Collector, and City Attorney's Office on establishing the proposed Revitalization District. This includes: devising a method to divide the property tax revenues for the City and the Revitalization District, information technology project to upgrade systems of record related to property taxes, preparing this resolution, preparing the Financing Plan, among other tasks.
- Resources spent by the Assessor, Tax Collector, and Controller to determine and allocate the incremental property tax revenue of each property that opts-in to this program.
- Resources spent by the Clerk of the Board to carry out public meetings for the Revitalization District's Boad of Directors.

[1] In 2004, the State reduced vehicle license fees and backfilled revenues to local governments in the form of higher State revenues based on each local government's property tax revenues.

- Resources spent by the District preparing its annual report and financial statements.

Exhibit 1 below estimates the one-time and ongoing costs for each department to support the proposed Revitalization District.

Exhibit 1: One-time and Ongoing Costs

Department	One-Time	Ongoing
Controller	300,000	150,000
Board of Supervisors	-	130,000
Economic & Workforce Dev.	140,000	25,000
Assessor	-	25,000
Tax Collector	-	-
Total	440,000	330,000

Source: BLA, based on discussions with OEWD, CON, ASR, TTX, BOS

The figures above are estimates of staff time to undertake work to establish and support the Revitalization District. None of the costs are included in department submissions to the Mayor's Budget Office for the FY 2025-26 budget, so they represent the opportunity cost of this work, which may delay other projects.

Administrative costs could be reimbursed by the proposed Revitalization District, if there are sufficient incremental property tax revenues available. Because the incremental property tax revenue would not be available until a certificate of occupancy for a conversion project is issued, OEWD estimates that such revenues would not be available for approximately five years. In the interim, the City's administrative costs would be funded by the General Fund.

As noted above, OEWD estimates that the maximum property tax increment that District would generate annually is $15.2 million, with up to five percent or $760,000 available for ongoing administrative costs. Depending on the number of properties that opt-in to the program, the administrative costs may or may not be fully covered by the incremental property tax revenues.

There is no cap on reimbursing the City for costs related to establishing the Revitalization District, however, except for the City Attorney's Office, the Departments incurring such costs have so far not been tracking their time and expenses. They should do so retroactively and going forward in order to obtain reimbursement.

POLICY CONSIDERATION

Unresolved Policy Issues

The state statue authorizing the proposed Revitalization District does not address what conversion projects within the District should be eligible for tax increment funding, which project costs would be eligible for such funding, or whether and what other downtown revitalization programs should receive funding from the District if there are any unused tax increment revenues after project costs are paid. These should be defined in the forthcoming Financing Plan.

The Financing Plan should also establish a cap on the amount of tax increment that could be diverted to a single project (beyond the existing limit of the project's eligible costs). For example, the City's Capital Plan includes a policy that limits the amount of property taxes diverted to enhanced infrastructure financing districts (EIFD) to 50 percent of incremental property tax revenues within a given district and limits aggregate EIFD debt payments to five percent of citywide property tax revenues. Limiting the tax increment for individual projects would provide new General Fund revenues to support increases in City services for the new residents, which may be especially important given the previously approved waiver of development impact fees. The Financing Plan will include an assessment of the District's impact on City revenues and spending, which is unknown at this time, but could be positive or negative. Additional residents will generate new non-property tax revenues (such as sale tax revenues) but also require additional services (e.g. public safety, transportation).

Implementation Challenges

The proposed Revitalization District allows for tax increment funding for projects that partially convert from commercial-to-residential use and also for projects that are within existing redevelopment areas, increasing the complexity of administration.[2] Because assessed values and property taxes are measured, recorded, and billed at the parcel level, property tax systems are built to house data and make calculations at that level of detail. According to the Controller's Office, should any data, calculations, or payments be contemplated at sub-parcel level, this would have to occur manually outside of existing systems, increasing administrative complexity, cost, and risk. As it is not possible to allocate tax increment for a single parcel to more than one entity, the Controller has requested properties within the boundaries of existing redevelopment areas be excluded from the District.

In addition, as noted above, determining the amount of in-lieu vehicle license fee revenue for each property is difficult, since the revenue is not associated with a particular property. The VLF revenue is also subject to State legislative change. For these reasons, the Controller's Office recommends not diverting VLF revenue to property owners, consistent with other tax increment financing districts in the City.

Alternative Program

Given the unresolved policy issues and administrative complexity of the proposed Revitalization District, the Board should consider alternative adaptive reuse programs. As we discussed in our January 2023 report to the Board of Supervisors, "Repurposing Commercial Real Estate for Residential Use," Calgary, Canada implemented a grant program to fund adaptive reuse. Chicago

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[2] According to OEWD's preliminary analysis, only 49,800 of the 3,764,246 square feet of potential projects within the proposed District are within existing redevelopment areas, accounting for $0.2 million of the estimate $15.2 million in estimated incremental property tax revenue. However, any one of the estimated 1,200 buildings within the proposed District could be eligible for this program, depending on the eligibility parameters in the forthcoming Financing Plan. Property tax increment within an existing redevelopment area would first go to previously adopted redevelopment obligations.

established a tax increment funding program for adaptive reuse, similar to this proposal, and Washington DC has established a tax rebate program that has an annual cap of $8 million.

The City could establish its own, locally controlled program, and provide grants to eligible projects using the General Fund. Unlike this proposed tax increment funding program, which diverts revenues, a grant program would encumber existing financial resources that could be used for other purposes. A tax district may provide developers with more funding certainty than a grant program, which would be subject to annual appropriation. We estimate the ongoing administrative cost of a grant program would be $250,000 per year (approximately 1.0 FTE).

RECOMMENDATIONS

1. Request the Controller's Office, Office of Economic & Workforce Development, Assessor, Tax Collector, Clerk of the Board, and any other City Department incurring costs to establish the proposed Downtown Revitalization District to track their time and expenses related to that work.
2. Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Item 7 File 25-0486	**Department:** Dept. of Emergency Management (DEM), Fire Dept. (FIR), Public Utilities Commission (SFPUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance (a) appropriates $7,931,338 of Ambulance Service revenue in the Fire Department, (b) de-appropriates $3,430,992 from permanent salaries at the Fire Department, Emergency Management Department, and Public Utilities Commission, and (c) appropriates $11,362,330 to overtime and permanent salaries in those three Departments.

Key Points

- Administrative Code Section 3.17 states that certain departments must obtain a supplemental appropriation to exceed the overtime budgets in their annual operating funds. SFPUC recently exceeded its overtime budget in the Water Enterprise but not in other enterprises. The Fire and Emergency Management Departments are on track to exceed their overtime budgets.
- The need for overtime is largely due to vacancies combined with minimum staffing levels required at Fire and Emergency Management Departments and increased workloads at the San Francisco Public Utilities Commission from the winter storms. The Fire Department is also requesting additional funding for permanent salaries, which are greater than budgeted due to street team functions that were not budgeted and fewer retirements than anticipated.

Fiscal Impact

- The proposed ordinance shifts savings from vacancies in DEM, SFPUC, and the FIR Airport Division to pay for overtime that exceeds each department's budget. The ordinance also provides spending authority for $7.9 million of unbudgeted ambulance revenues for FIR to pay for additional overtime and permanent salaries within the General Fund.

Recommendations

- Due to updated projections from SFPUC, reduce the SFPUC appropriation to $200,000 in the Wastewater Enterprise and $300,000 in the Water Enterprise and eliminate the appropriation in the Hetch Hetchy Water and Power Enterprise, for a total appropriation of $500,000 for the PUC, and a total revised appropriation of $10,797,330 for all three departments.
- Approve the ordinance as amended.

MANDATE STATEMENT

Charter Section 9.105 provides that amendments to the Annual Appropriation Ordinance be subject to Board of Supervisors approval by ordinance, after the Controller certifies the availability of funds.

Administrative Code Section 3.17 states that the Airport; Department of Emergency Management; Fire Department; Police Department; Department of Public Health; Public Utilities Commission; Department of Public Works; Recreation and Park Department; and Sheriff must obtain a supplemental appropriation to exceed the overtime budgets in their annual operating funds.

Charter Section 9.113(c) states that in the event the Mayor or a member of the Board of Supervisors recommends a supplemental appropriation ordinance after the adoption of the budget and prior to the end to the budget year that contains any item rejected by the Mayor or the Board of Supervisors in the original budget appropriation, the supplemental appropriation can only be approved by a two-thirds vote of the Board of Supervisors.

BACKGROUND

Three departments are requesting a supplemental appropriation to increase their overtime budgets in annual operating funds, as per Administrative Code Section 3.17. The Fire Department is also requesting additional funding for permanent salaries, which are greater than expected due to street team functions that were not budgeted and fewer retirements than anticipated. The need for overtime was largely due to vacancies combined with minimum staffing levels required for the Department of Emergency Management and increased workloads from the winter storms for the San Francisco Public Utilities Commission.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance (a) appropriates $7,931,338 of Ambulance Service revenue in the Fire Department, (b) de-appropriates $3,430,992 from permanent salaries at the Fire Department, Emergency Management Department, and Public Utilities Commission, and (c) appropriates $11,362,330 to overtime and permanent salaries in those three Departments. Approval of the proposed appropriation of $7,931,338 to the Fire Department requires a two-thirds vote of all members of the Board of Supervisors pursuant to Charter Section 9.113(c).[1]

Exhibit 1 below summarizes the proposed appropriation of $11,362,330 by department.

[1] Both the Mayor and Board of Supervisors reduced the Fire Department's permanent salary budget between FY 2023-24 and FY 2024-25.

Exhibit 1: Appropriation of $11,362,270 by Department

Sources	Emergency Management	Fire (General Fund)	Fire (Airport)	Public Utilities	Total
Appropriation					
Ambulance Billing Revenue	-	$7,931,338	-	-	$7,931,338
De-Appropriation					
Permanent Salaries	$1,500,000	-	$865,992	$1,065,000	3,430,992
Total Sources	**$1,500,000**	**$7,931,338**	**$865,992**	**$1,065,000**	**$11,362,330**
Uses					
Appropriation					
Permanent Salaries	-	$3,710,771	-	-	$3,710,771
Overtime	$1,500,000	4,220,567	$865,992	$1,065,000	7,651,559
Total Uses	**$1,500,000**	**$7,931,338**	**$865,992**	**$1,065,000**	**$11,362,330**

Source: Proposed Ordinance

FISCAL IMPACT

Proposed Increases in Overtime

The proposed percentage increases in overtime for the three departments range from seven percent for the Fire Department to 19 percent for the Department of Emergency Management. If the proposed increases are approved, Emergency Management and the Public Utilities Commission would exceed their FY 2023-24 overtime expenditures by more than five percent. Exhibit 2 summarizes the FY 2024-25 approved budget for each department, the resulting increase from the proposed ordinance, and FY 2023-24 actual expenditures.

Exhibit 2: FY 2024-25 Overtime Budget and Proposed Increase, Annual Operating Funds

	Emergency Management	Fire	Public Utilities	Total
FY 2024-25 Overtime Budget	$7,823,287	$52,515,760	$6,317,618	$67,656,665
Proposed Increase in Ordinance	1,500,000	3,710,711	1,065,000	6,275,711
New Overtime Budget	$9,323,287	$57,226,471	$7,382,618	$73,932,376
Percent Increase	19%	7%	17%	9%
FY 2023-24 Actual Overtime Expenditures	$8,282,020	$62,308,333	$6,672,590	$77,262,943
New Overtime Budget, Percent of FY 2023-24 Actual Expenditures	113%	92%	111%	96%

Source: Proposed ordinance, City budget system. Fire overtime shown is within the General Fund and does not include the $865,992 transfer of funding from permanent salaries to overtime within the Airport operating fund. PUC overtime shown is with the Water, Wastewater, and Hetch Hetchy Water and Power Enterprises.

The following sections provide additional detail on the proposed increases in overtime for each of the three departments.

Department of Emergency Management: $1,500,000

The proposed ordinance de-appropriates $1,500,000 in permanent salaries in the Department of Emergency Management's (DEM) FY 2024-25 budget to pay for $1,500,000 in overtime expenditures, as shown in Exhibit 1 above. DEM anticipates exceeding its overtime budget in the pay period ending May 23, 2025.

According to Thomas Chen, DEM Budget Manager, the permanent salaries surplus and overtime vacancies are largely due to vacancies in the 8238 Public Safety Dispatcher classification and an inability to hire as many trainees as budgeted. DEM projects that FY 2024-25 General Fund permanent salaries will total $36.4 million compared to the budgeted amount of $39.4 million, resulting in a projected surplus of $3 million. However, as of March 2025, DEM projects total overtime expenditures of $8.8 million compared to the budgeted amount of $7.8 million, resulting in a projected deficit of $1 million. DEM is requesting the $1.5 million appropriation to provide a buffer in case overtime expenditures increase in the final three months of the fiscal year.

DEM reports approximately 25 vacancies in the 8238 Public Safety Dispatcher classification, which translates to a 13 percent vacancy rate, however, an additional 35 of the filled 8238 positions are in training and are not able to work independently. DEM has commenced three training classes in FY 2024-25, which each have the maximum 15 candidates, and anticipates holding three additional classes in FY 2025-26. Training takes over 10 months, so more effective hiring in the current fiscal year will primarily only start to be seen in the upcoming fiscal year. If the classes are successful at producing graduates, DEM would be able to begin reducing its overtime usage in calendar year 2026.

Due to the high level of vacancies, DEM has been using overtime to meet minimum staffing levels in the 911 call center. DEM's service standard is to answer at least 90 percent of calls within 10 seconds, and performance has ranged from 76 to 85 percent each month over the current fiscal year, despite high overtime utilization. DEM Budget Manager Chen reports that without the requested overtime appropriation, DEM's performance compared to this service standard would be worse.

Fire Department: $8,797,330

The proposed ordinance appropriates $7,931,338 in additional ambulance service revenue and de-appropriates $865,992 in permanent salaries in the Fire Department's (FIR) FY 2024-25 budget to pay for $8,797,330 in additional permanent salaries and overtime expenditures. FIR anticipates exceeding its overtime budget in the pay period ending June 6, 2025. Exhibit 3 below summarizes the de-appropriation and appropriation of funds.

Exhibit 3: Proposed FIR Appropriation

Sources	General Fund	Airport Fund	Total
Appropriation			
Ambulance Billings	$7,931,338		$7,931,338
De-Appropriation			
Permanent Salaries		$865,992	865,992
Total Sources	**$7,931,338**	**$865,992**	**$8,797,330**

Uses	General Fund	Airport Fund	Total
Appropriation			
Permanent Salaries	$3,710,711		$3,710,711
Overtime	4,220,567	$865,991	5,086,558
Total Uses	**$7,931,338**	**$865,992**	**$8,797,330**

Source: Proposed ordinance

According to Mark Corso, FIR Deputy Director of Finance and Planning, the additional ambulance billing revenue is largely driven by State legislative changes that allow jurisdictions to receive additional reimbursements from Medi-Cal for ambulance response. The program went into effect on January 1, 2023, but implementation has been slow, resulting in a delay in obtaining revenue from prior years' ambulance responses. In the current fiscal year, there were significant back payments due to delays in providers adhering to the legislation. Deputy Director Corso anticipates that FIR will increase revenue projections in FY 2025-26, but not to this level due to the one-time nature of the back payments.

FIR projects that FY 2024-25 General Fund permanent salaries will total approximately $247.3 million compared to a budgeted amount of $243.8 million, for a deficit of $3.5 million. Across all General Fund salaries and benefits, including overtime, FIR projects total expenditures of $435.8 million compared to a budget of $420.7 million, for a projected deficit of $15.1 million. According to Deputy Director Corso, the personnel deficit is partially due to requests to perform street team functions that were not budgeted, as well as overspending in their premium pay and overtime accounts. Additionally, FIR has had fewer retirements than anticipated due to certain retention incentives negotiated in the new Memorandum of Understanding (MOU) with the union, although the department expects many retirements will occur at the end of the fiscal year. Without this additional ambulance revenue, the Fire Department would have needed an appropriation from the General Reserve to cover its salary expenses this year.

To replace retirements, FIR currently has an academy class underway with 50 recruits. To cover the remainder of the personnel deficit, after appropriating the $7.9 million from ambulance billing revenue, FIR will draw approximately $7.2 million from the MOU reserve to pay for one-time retirement expenses for which the reserve is authorized.

According to Deputy Director Corso, the majority of overtime has been used in field operations to meet minimum staffing levels for fire suppression and emergency medical services. In addition, approximately $2.2 million of the Fire Department's overtime is for off-hour and expedited inspections, which is offset by overtime fee revenue. As of May 2025, using a straight-line projection, FIR projects that fire and ambulance call volume will have increased by approximately four percent in FY 2024-25 compared to FY 2023-24.

FIR is also requesting an appropriation of $865,992 to fund overtime staffing in the Airport Division. The Airport Division requires special training and certification to meet Federal Aviation Administration (FAA) regulations, so FIR cannot easily reassign firefighters to the Airport or pull off-duty firefighters to work overtime shifts at the Airport. FIR is currently working with the Airport to train and assign additional personnel to supplement fire staffing at the Airport.

Public Utilities Commission: $1,065,000

The proposed ordinance de-appropriates $1,065,000 in permanent salaries in the San Francisco Public Utilities Commission's (SFPUC) FY 2024-25 budget to pay for $1,065,000 in overtime expenditures. This amount includes $375,000 in the Wastewater Enterprise, $650,000 in the Water Enterprise, and $40,000 in the Hetch Hetchy Water and Power Enterprise.

According to Anna Duning, SFPUC Budget Director, these projections were made in mid-March, shortly after wet weather events that required significant overtime. Based on updated projections from May 15, 2025, SFPUC now projects that overtime supplemental needs have been reduced to $200,000 in the Wastewater Enterprise and $300,000 in the Water Enterprise. Overtime has been utilized as follows:

- Wastewater Enterprise ($375,000): The primary overtime drivers are due to field actions, including temporary flood barrier installations, deployment of Collection Systems wet weather field crews, and staffing the North Point Wet Weather Facility. SFPUC projects total overtime expenditures of $3,198,799, exceeding the overtime budget of $2,998,799 by $200,000. SFPUC estimates that the Wastewater Enterprise will exceed its overtime budget in the pay period ending June 20, 2025.
- Water Enterprise ($650,000): The primary overtime drivers include staff coverage due to vacancies and leaves, maintenance and repair requests in the City Distribution and Water Supply and Treatment Divisions, wildfire mitigation and repairing damage to watershed infrastructure in the Natural Resources Division, pipeline disinfection in the regional water system, and wet weather monitoring and laboratory testing in the Water Quality Division. SFPUC projects total overtime expenditures of $2,603,817, exceeding the overtime budget of $2,303,817 by $300,000. The Water Enterprise exceeded its overtime budget in the pay period ending May 9, 2025.
- Hetch Hetchy Water and Power Enterprise ($40,000): The primary overtime driver is an increase in the volume of power assets the Utility Field Services group is managing. However, updated projections of spending within the power and water sections indicate that no appropriation changes are necessary, as savings from the water Hetch Hetchy section may fund the deficit in the power Hetch Hetchy section.

Based on updated projections, the Budget and Legislative Analyst recommends reducing the SFPUC Wastewater Enterprise appropriation to $200,000, Water Enterprise appropriation to $300,000, and deleting the changes to appropriations for the Hetch Hetchy Water & Power

Division for a total PUC overtime appropriation of $500,000 and a total revised appropriation of $10,797,330 for all three departments.

RECOMMENDATIONS

1. Amend the proposed ordinance to reduce the SFPUC appropriation to $200,000 in the Wastewater Enterprise and $300,000 in the Water Enterprise and eliminate the appropriation in the Hetch Hetchy Water and Power Enterprise, for a total department appropriation of $500,000 and a total revised appropriation of $10,797,330 for all three departments.
2. Approve the ordinance as amended.

Items 8 & 9 Files 25-0386, 25-0387	Department: Controller's Office

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinances would: (1) authorize the execution and delivery of refunding Certificates of Participation (COPs) and approve various documents in support of the sale of COPs (File 25-0386); and (2) appropriate $379,000,000, consisting of $350,000,000 of refunding COPs Series 2025R and $29,000,000 of Series 2017B prior debt service reserve to the refunding COPs Series 2025R and placing these funds on Controller's Reserve pending the sale of the COPs (File 25-0387).

Key Points

- In 2013, the Board of Supervisors approved the issuance of not to exceed $507,880,000 in COPs to finance the expansion of the Moscone Convention Center. In 2017, the Office of Public Finance (OPF) issued the COPs in a principal amount of $412,355,000 (Series 2017B COPs). To finance the improvements, tourist hotels in the City voted to establish the Moscone Expansion District (MED), which created an assessment based on hotel room revenue, and pays debt service in excess of an annual base contribution from the City's General Fund.
- OPF plans to issue refunding COPs, in an amount not to exceed $350,000,000, to refinance the outstanding Series 2017B COPs. The proposed refunding COPs would mature in 2042 with an interest rate of 3.49 percent.

Fiscal Impact

- OPF estimates that the Refunding COPs would have annual principal and interest payments of approximately $24.2 million per year, which is less than the approximately $27.2 million annual debt service of outstanding COPs. Total debt service over the anticipated 17-year term is estimated to be approximately $405.8 million.
- According to the City's Debt Policy, refunding COPs may only be issued if the transaction produces debt service savings of at least three percent of the par value of the refunded COPs, on a net present value basis. Interest rates have recently increased and the net present value of the debt service savings of the proposed refunding debt no longer meets the three percent minimum savings threshold. The refunding COPs would only be issued if interest rates decline and savings meet this threshold.

Recommendation

- Approve the proposed ordinances.

MANDATE STATEMENT

City Administrative Code Section 10.62(b) states that the Board of Supervisors may authorize the issuance of Certificates of Participation (COPs) and other lease financing debt to fund capital projects provided the annual debt service cost of such outstanding indebtedness does not exceed 3.25% of discretionary revenue as determined by the Controller and Director of Public Finance.

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

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 City issues Certificates of Participation (COPs) to partially fund various aspects of its capital planning program. In 2013, the Board of Supervisors approved the issuance of not to exceed $507,880,000 in COPs to finance the expansion of the Moscone Convention Center (Files 13-0015, 13-0016). The plan at the time included an expansion of 371,000 square feet, or approximately 35 percent of the existing premises, with an estimated cost of approximately $500 million. In 2017, the Office of Public Finance (OPF) issued the COPs in a principal amount of $412,355,000 (Series 2017B COPs).

To finance the improvements, tourist hotels in the City voted to establish the Moscone Expansion District (MED), which created an assessment based on hotel room revenue.[1] The MED revenues are paid in excess of an annual base contribution from the City's General Fund, which started at $8.2 million in FY 2018-19 and increases three percent per year through FY 2027-28 up to a cap of $10.7 million annually. The 2017B COPs have an optional call date of October 1, 2025, which allows the City to refinance the COPs on or after that date if interest rates could produce savings for the City. Exhibit 1 below summarizes the COPs that could be refinanced for savings.

Exhibit 1: Outstanding COPs to Be Eligible for Refinancing

COP Series	Par Amount Outstanding	Average Interest Rate	Optional Call Date	Final Maturity	Average Annual Debt Service
2017B COPs	$332,515,000	4%	10/1/2025	4/1/2042	$27,200,000

Source: OPF

[1] The MED assessment is 1.25 percent of gross revenues for hotels in Zone 1, which is defined as the area east of Van Ness Avenue or South Van Ness Avenue and north of 16th Street, and 0.3125 percent of gross revenues for hotels in Zone 2, which is defined as the area west of Van Ness Avenue or South Van Ness Avenue and south of 16th Street. MED hotel revenues were not sufficient to pay COP debt service during the pandemic and the $11.7 million deficit was covered by the General Fund. This amount has not yet been repaid.

DETAILS OF PROPOSED LEGISLATION

File 25-0386 is an ordinance that would: (1) authorize the execution and delivery of COPs to prepay rental payments due to U.S. Bank and Trust Company, National Association (U.S. Bank), as successor project trustee; (2) approve the form of a Supplement to Trust Agreement between the City and U.S. Bank; (3) approve respective forms of a Supplement to Property Lease and a Supplement to Project Lease, each between the City and U.S. Bank for the lease and lease back to the City of real property and improvements at 747 Howard Street or other property; (4) approve the form of the Escrow Agreement between the City and U.S. Bank, as escrow agent; (5) approve the form of an Official Notice of Sale and Notice of Intention to Sell the COPs; (6) approve the form of an Official Statement in preliminary and final form; (7) approve the form of a purchase contract between the City and one or more initial purchasers of the COPs; (8) approve the form of a Continuing Disclosure Certificate; (9) grant general authority to City officials to take necessary actions in connection with the authorization, sale, execution, and delivery of COPs; (10) approve modifications to documents, including the release of property; and (11) ratify previous actions taken.

File 25-0387 is an ordinance appropriating $379,000,000, consisting of $350,000,000 of Refunding COPs Series 2025R proceeds and $29,000,000 of 2017B Prior Debt Service Reserve to the Refunding COPs Series 2025R and placing these funds on Controller's Reserve pending the sale of the COPs. The earliest the refinancing would be completed is in FY 2025-26.

Certificates of Participation

OPF plans to refund the 2017B COPs with the proposed Series 2025R Refunding COPs. Series 2025R Refunding COPs may be issued any time after the optional call date of October 1, 2025. OPF anticipates that the 2025R Refunding COPs would be tax exempt. OPF estimates that the COPs would be paid over 17 years with an estimated true interest cost of 3.49 percent. However, according to OPF, interest rates and capital markets are currently volatile, so actual interest rates at the time of issuance are subject to change.

According to the City's Debt Policy, refunding COPs may only be issued if the transaction produces debt service savings of at least three percent of the par value of the refunded bonds on a net present value basis. The proposed ordinance authorizes the refunding of any outstanding 2017B COP maturities not refunded by the series 2025R at a later date, although OPF anticipates refunding the entire outstanding 2017B COPs at one time. OPF anticipates the pricing and closing of the transaction in Fall 2025.

City Property Securing COPs

The 2017B COPs are structured as a lease-lease back, in which the City-owned northern portion of the Moscone Convention Center (Moscone North), located at 747 Howard Street, serves as the leased property to a trustee (U.S. Bank) to secure the City's outstanding COPs. The City's lease payments are equal to the debt service of the outstanding COPs and the properties are leased back to the City for its use. When the COPs are fully paid, the property lease is terminated. New

COP series are added to the structure through supplemental agreements between the City and the trustee.

OPF, in consultation with its municipal advisor KNN Public Finance, anticipates adding Moscone North to the City's larger Master Lease portfolio to create a stronger credit profile. The Master Lease currently includes Laguna Honda Hospital, the San Bruno Jail Complex, and the office building at 1 South Van Ness and is used to support seven other existing series of COPs.

Competitive or Negotiated Sale

The proposed ordinance permits the COPs to be sold through a negotiated or competitive sale. OPF will determine if a negotiated or competitive sale will be more advantageous based on market conditions closer to the sale of the COPs in consultation with its municipal advisor. If the COPs are sold via negotiated sale with an underwriter (or underwriters), terms, covenants, and conditions for the sale of the COPs will be detailed in the Purchase Contract. In line with City policies, for a negotiated sale, the City would issue a Request for Proposals (RFP) to the prequalified firms in the City's established Underwriter Pool.

FISCAL IMPACT

The $379,000,000 appropriation includes $350,000,000 in Refunding COPs proceeds and $29,000,000 of COP prior reserve funds. Proposed uses of the $379,000,000 appropriation include $340,000,000 to refund the selected COPs series, $5,500,000 in financing costs (including the cost of issuance and underwriter's discount), $27,000,000 for a debt service reserve, and $6,500,000 for market uncertainty pending the sale of the COPs. The sources and uses of COPs proceeds are shown in Exhibit 2 below.

Exhibit 2: Sources and Uses of Refunding COPs

Sources	Amount
Refunding COP Proceeds	$350,000,000
Prior Reserve Funds	29,000,000
Total Sources	**$379,000,000**

Uses	Amount
Refunding Escrow	$340,000,000
Cost of Issuance[2]	1,500,000
Underwriter's Discount	4,000,000
Debt Service Reserves	27,000,000
Reserve for Market Uncertainty	6,500,000
Total Uses	**$379,000,000**

Source: Proposed Appropriation Ordinance

[2] Cost of issuance includes fees paid to rating agencies, bond and disclosure counsel, municipal advisor, title insurance, trustee fees, and reimbursement for City staff time.

Debt Service

OPF estimates that the Refunding COPs would have annual principal and interest payments of approximately $24.2 million per year and an estimated true interest cost of 3.49 percent. This is less than the debt service of outstanding COPs, which, as noted above, is approximately $27.2 million per year. Total debt service over the anticipated 17-year term is estimated to be approximately $405.8 million. Debt service on the Refunding COPs would continue to be paid by MED assessments in excess of the City's General Fund annual base contribution, which started at $8.2 million in FY 2018-19 and increases three percent per year through FY 2027-28 up to a cap of $10.7 million annually. Debt service savings would enable MED to repay approximately $11.7 million owed to the City's General Fund at an accelerated rate.[3]

Based on market conditions as of March 2025 and an estimated true interest cost of 3.49 percent, OPF estimates that, with the contribution of the 2017B debt service reserve fund and assuming no new debt service reserve fund, the refunding of the 2017B COPs would result in a total of approximately $22.7 million in nominal savings over the term of the refunding COPs. If the Refunding COPs are issued without a reserve fund, the total amount issued would be less than $350 million. OPF notes that market conditions are volatile and may be different at the time of issuance.

City Debt Policy

According to the City's Debt Policy, refunding COPs may only be issued if the transaction produces debt service savings of at least three percent of the par value of the refunded COPs, on a net present value basis. Based on Good Faith Estimates from KNN Public Finance in March 2025, the net present value of the debt service savings of the proposed refunding debt is estimated to be approximately $10.2 million, which, at 3.1 percent, is more than the three percent minimum savings threshold. However, according to Bridget Katz, OPF Deputy Director, the interest rates have increased by approximately 0.4 percent since March 2025, and the debt service savings no longer meet the three percent minimum. The refunding COPs would only be issued if interest rates decline and savings meet the three percent minimum savings threshold. In addition, OPF reports that Good Faith Estimates are conservative to reflect the potential for future changes in market conditions and interest rates.

RECOMMENDATION

Approve the proposed ordinances.

[3] Due to the decline in hotel revenues during the COVID-19 pandemic, the General Fund covered $11,658,897 in MED debt service payments. MED owes this amount back to the General Fund.

Item 10 **File 25-0457**	**Department:** Homelessness & Supportive Housing

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves the second amendment to the grant agreement between the Department of Homelessness and Supportive Housing (HSH) and Episcopal Community Services (ECS), extending the grant term by two additional years, from June 2025 through June 30, 2027, and increasing the not-to-exceed amount by $25,138,285, from $47,159,399 to $72,297,684.

Key Points

- The City provides grant funding for ECS to operate five master lease permanent supportive housing sites: the Alder Hotel, Crosby Hotel, Elm Hotel, Hillsdale Hotel, and Mentone Hotel. ECS enters into lease agreements directly with the owners. Tenants are referred via the City's Adult Coordinated Entry process. ECS provides support services and property management services at all five sites.
- ECS will provide services to 464 units with a budgeted annual staff of 19.78 FTE across the five hotels.
- HSH's FY 2023–24 performance monitoring found that of five hotels generally met their occupancy goals, however four missed unit turnover goals, all five missed rent collection and property management satisfaction benchmarks, and two met support service satisfaction goals, as determined in tenant surveys.

Fiscal Impact

- The total cost of program services over the proposed two-year extension is $25.2 million, which is funded by $22.7 million in City funds and $2.5 million in operating revenues consisting of tenant rents and private fundraising by ECS. The City funding consists of the HSH Fund (75 percent), the General Fund (16 percent), and the Our City, Our Home Fund (8 percent).
- The City's annual cost to operate the hotels, including property management and support services, is $24,464 per unit.

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

Permanent Supportive Housing

As of April 24, 2025, the City has 13,716 units of permanent supportive housing (PSH). Of these, 9,364 (approximately 68 percent) are in site-based programs. The remaining beds are in scattered-site PSH with 2,457 (approximately 18 percent), rapid re-housing with 1,550 (approximately 11 percent), and housing ladder programs with 345 (approximately 3 percent).

Episcopal Community Services Master Lease Hotels

The City provides grant funding to Episcopal Community Services (ECS) to provide supportive housing services at five master lease sites: the Alder Hotel, Crosby Hotel, Elm Hotel, Hillsdale Hotel, and Mentone Hotel. ECS enters into lease agreements directly with the owners. Exhibit 1 below details each site.

Exhibit 1: ECS - Housing First Hotels Master Lease Site Units and Persons Served in FY 2023-24

Site Name	Address	Units	Persons Served FY23-24
Alder Hotel	175 6th Street	113	128
Crosby Hotel	516 O'Farrell Street	127	144
Elm Hotel	364 Eddy Street	79	89
Hillsdale Hotel	51 6th Street	75	87
Mentone Hotel	387 Ellis Street	70	87
Total		**464**	**535**

Source: HSH

In FY 2023-24, through the five hotels, ECS provided support services and property management for 535 previously homeless adults across 464 units. These individuals are referred via the City's Adult Coordinated Entry process. ECS provides outreach, intake and assessment, case management, benefits assistance and advocacy, housing stability support, crisis intervention, and conflict resolution.

Agreement History

In December 2020, the Board of Supervisors approved a grant agreement between ECS and the Department of Homelessness and Supportive Housing (HSH) for support services, property management, and master lease oversight of the five hotels. The original agreement had a three-year and two-month term from January 1, 2021, to February 29, 2024, and a not to exceed amount of $26,329,610 (File 20-1291).

In October 2023, the Board of Supervisors approved the first amendment, extending the agreement by 20 months to June 30, 2025 (File 23-0992). This amendment also increased the not-to-exceed amount by $20,829,789 for a total not to exceed amount of $47,159,399.

HSH's Oversight Commission heard the second amendment to the agreement on April 3, 2025. Because the Commission lacked a quorum of members at that meeting, the item was ultimately approved by the purchasing authority of the HSH Executive Director.

Multi-Year Procurement Plan

As allowed by Chapter 21B of the Administrative Code, HSH did not use a competitive solicitation to procure this service. HSH plans to reprocure the supportive housing portfolio as part of its multi-year procurement plan.

The proposed extension aligns with the release of solicitations for permanent supportive housing, projected for FY 2025–26. According to HSH, extending this grant through June 2027 provides time to conduct a solicitation for PSH providers, negotiate agreements, and secure necessary approvals (e.g., HSH Oversight Commission, Board of Supervisors, Civil Service Commission).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves the second amendment to the grant agreement between the Department of Homelessness and Supportive Housing (HSH) and Episcopal Community Services (ECS), extending the grant term by two additional years, from June 2025 through June 30, 2027, and increasing the not-to-exceed amount by $25,138,285, from $47,159,399 to $72,297,684.

Scope of Work

The purpose of the grant is to fund (1) support services, (2) property management, and (3) master lease stewardship for five permanent supportive housing sites serving formerly homeless and low-income adults without custody of minor children. Caritas Management Corporation, a sub-contractor, provides property management services under the agreement. ECS will provide services to 464 units with a budgeted annual staff of 19.78 FTE across the five hotels.

1. Property Management

ECS subcontracts with Caritas Management Corporation as their property management agent for the five buildings in this agreement. Caritas is responsible for lease management, building maintenance, and security. Lease management includes program intake and tenant screening, helping tenants with signing the rental agreement, collecting rent, and enforcing lease terms. Staff also provide 24-hour front desk coverage and conduct wellness and emergency checks.

2. Supportive Services

ECS offers case management at a 1:25 staff-to-tenant ratio. Staff connect tenants to healthcare and benefits, provide crisis support to prevent housing loss, and work with property management to address issues that could lead to eviction. They also organize community meetings and social activities.

3. Stewardship of the Master Lease

ECS manages the contractual relationship with the property owner, including negotiating terms of the master lease, coordinating major repairs, and maintaining lease records. The master lease is held by ECS, not the City, and ECS must obtain approval from HSH for material changes and promptly notify the department of any issues that could affect the lease.

Program Monitoring

The five hotels were most recently reviewed by HSH as part of its FY 2023–24 performance monitoring process. Site visits occurred on the following dates: Alder Hotel on September 11, 2024; Crosby Hotel on August 15, 2024; Hillsdale Hotel on April 7, 2025; and both the Elm and Mentone Hotels on April 10, 2025. A breakdown of the notable results is detailed below in Exhibit 2. HSH recommended that the grantee conduct focus groups to identify strategies to improve client satisfaction and that the grantee identify strategies to improve unit turnover and tenant rent collection. HSH noted that objectives will be reviewed and updated in the forthcoming re-procurement of these services.

Exhibit 2: FY 2023-24 Performance Monitoring Results for ECS Master Lease

Objective (Goal)	Alder Hotel	Crosby Hotel	Elm Hotel	Hillsdale Hotel	Mentone Hotel
Occupancy rate (93%)	94%	93%	96%	92%	96%
Units turned over within 21 Days	0%	100%	39%	0%	57%
Tenant move-ins within 30 days of referral	100%	100%	100%	100%	100%
Tenant Rent Collected (90%)	57%	46%	53%	66%	46%
Tenants maintaining housing for at least 12 months (90%)	99%	94%	94%	98%	96%
Tenant lease violations resolved without loss of housing (85%)	99.7%	100%	100%	100%	100%
Service plans reviewed at least every six months (80%)	100%	100%	100%	100%	100%
Tenants completing annual satisfaction survey (65%)	65%	51%	58%	59%	57%
Property Management Satisfaction (80%)	52%	55%	64%	62%	56%
Support Services Satisfaction (80%)	65%	69%	79%	86%	86%

Source: HSH

Note: Grey shading indicates grantee did not meet objective.

Vacancy Rates (7 Percent or Less)

As of recent monitoring, one of the five hotels did not achieve an occupancy rate of 93 percent (the Hillsdale Hotel was just under the goal, at 92 percent). As of April 2025, the average occupancy rate across all five hotels was 94% which exceeds the 93% occupancy rate goal for housing.

Unit Turnover (Less than 21 Days)

As of recent monitoring, four of the five hotels did not meet the 21-day average for unit turnover time. Crosby was the only site to meet the requirement with a 100 percent on-time turnover rate. Mentone prepared 57 percent of units within the standard, while Elm reached 39 percent.

Both Alder and Hillsdale recorded zero turnovers within 21 days. According to HSH staff, units requiring extensive repairs contributed to long turnover timelines in FY 2023-24.

Rent Collected (90 Percent of Tenant Rent)

As of recent monitoring, none of the five hotels met the 90 percent tenant rent-collection goal. Hillsdale achieved the highest collection rate at 66 percent, followed by Alder at 57 percent and Elm at 53 percent. Crosby and Mentone each collected 46 percent of tenant rent. According to HSH staff, grantee performance is consistent with other permanent supportive housing sites and HSH is working with providers to address. HSH backfills rent revenues with City revenue to ensure service delivery. HSH notes that rent collection has been an ongoing challenge across PSH since the COVID-19 pandemic. HSH is working with providers to develop strategies to increase rent collection rates, such as rent reminders, payment plans, benefits advocacy, etc.

Property Management Satisfaction (80 Percent or Higher)

As of recent monitoring, none of the five hotels met the program benchmark of 80 percent tenant satisfaction with property management services. Elm (64 percent) and Hillsdale (62 percent) received the highest ratings, though both were below the target. Mentone (56 percent), Crosby (55 percent), and Alder (52 percent) reported lower satisfaction ratings.

Support Services Satisfaction (80 Percent or Higher)

As of recent monitoring, two of the five hotels met the 80 percent satisfaction target for support services, however one additional hotel was within one percent of the benchmark. Hillsdale and Mentone both reported the highest tenant satisfaction rates at 86 percent, followed by Elm at 79 percent. Crosby and Alder had satisfaction rates of 69 percent and 65 percent respectively.

Fiscal and Compliance Monitoring

ECS most recently underwent citywide non-profit fiscal and compliance monitoring in FY 2023-24, and there were no findings.

FISCAL IMPACT

The proposed second amendment increases the agreement by $25,138,285, from $47,159,399 to $72,297,684. The total cost of program services over the proposed two-year extension is $25.2 million, which is funded by $22.7 million in City funds and $2.5 million in operating revenues consisting of tenant rents and private fundraising by ECS. The City's annual cost to operate the hotels, including property management and support services, is $24,464 per unit. Exhibit 3 below provides an overview of the program's revenues and expenditures under the proposed amendment.

Exhibit 3: Proposed Budget for FY 2025-26 and FY 2026-27 (Extension Term)

	FY 2025-26	FY 2026-27	Total
Expenditures			
Salaries & Benefits	$2,525,502	$2,525,502	**$5,051,004**
Operating Expenses	2,458,561	2,458,561	**4,917,122**
Indirect Cost (14%)	676,531	676,531	**1,353,062**
Other Expenses (Not Subject to Indirect)	6,961,722	6,961,722	**13,923,444**
Total Expenditures	**12,622,316**	**12,622,316**	**25,244,632**
HSH Revenues			
HSH Fund	9,026,702	9,026,702	**18,053,404**
General Fund	1,323,005	1,323,005	**2,646,010**
Prop C	1,001,562	1,001,562	**2,003,124**
Total HSH Revenues	**11,351,269**	**11,351,269**	**22,702,538**
Other Revenues			
Rental Income	1,265,854	1,265,854	**2,531,708**
Private Match	5,193	5,193	**10,386**
Total Other Revenue	**1,271,047**	**1,271,047**	**2,542,094**
Total HSH + Other Revenue	**$12,622,316**	**$12,622,316**	**$25,244,632**

Source: HSH

Total Not to Exceed Amount

Exhibit 4 below shows the basis for the agreement's total not-to-exceed amount. City funding in FY 2024-25 increased from $10.4 million under the first amendment to $12.6 million under the proposed budget due to increasing in support service staffing by approximately one to two FTE at each of the five sites and $1.3 million for capital repairs consisting of one-time funding to improve the quality of PSH units.

Exhibit 4: Proposed Not to Exceed Amount

Year	Amount
Jan. 2021 - Jun. 2021 (Actuals)	4,020,553
FY 2021-22 (Actuals)	8,665,828
FY 2022-23 (Actuals)	10,156,099
FY 2023-24 (Actuals)	10,248,707
FY 2024-25 (Budget)	12,632,339
FY 2025-26 (Budget)	11,351,269
FY 2026-27 (Budget)	11,351,269
Subtotal, Proposed Budget	**$68,426,064**
Contingency (17% of Two-Year Budget)	$3,871,620
Not-To-Exceed Amount	**$72,297,684**

Source: HSH

Note: Totals might not add due to rounding.

Source of Funds

The City funding consists of the HSH Fund (75 percent), the General Fund (16 percent), and the Our City, Our Home Fund (8 percent).

RECOMMENDATION

Approve the proposed resolution.

Item 11 File 25-0458	Department: Homelessness and Supportive Housing

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves the third amendment to the grant agreement between the Department of Homelessness and Supportive Housing (HSH) and Five Keys Schools and Programs, extending the grant term by three additional years, from June 30, 2025, to June 30, 2028, and increasing the not-to-exceed amount by $26,755,828, from $32,449,102 to $59,204,930.

Key Points

- The purpose of the grant is to fund a shelter at 1001 Polk Street, with capacity for up to 334 adults experiencing homelessness. Both shelter operations and shelter support services are funded through this grant.
- Shelter Operations include 24/7 accessibility, daily meals, clean bedding, facility maintenance, and monitoring of participant entries and exits. Shelter Support Services include intake, orientation, assessments, personalized service plans, benefits assistance, housing support, wellness checks, conflict resolution, and coordinated exit planning.
- Five Keys most recently underwent performance monitoring for FY 2023-24. Of the three applicable service objectives, Five Keys met the 60 percent survey-return goal (67 percent) but did not meet 60 percent goal for community-meeting attendance (the actual attendance was 15 percent) or 100 percent goal for problem-solving referral (the actual referrals amounted to 52 percent). The outcome target of 75 percent client satisfaction exceeded 77 percent.

Fiscal Impact

- The proposed amendment increases the not-to-exceed amount by $26,755,828—from $32,449,102 to $59,204,930, including a 15 percent contingency.
- The proposed budget for the extended term is $8.2 million annually.
- The agreement is funded by the General Fund.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

As of this writing, the City has 49 shelter sites with a total capacity of 3,216 units, which includes emergency shelter, navigation centers, transitional housing, cabins, and hotel vouchers. Five Keys has operated the shelter at 1001 Polk Street since 2020 under a grant agreement with the Department of Homelessness & Supportive Housing.

Five Keys Schools and Programs

Five Keys Schools and Programs was founded in 2003 by the San Francisco Sheriff's Department as an accredited charter high school to provide diploma programs for adults in county jails. Five Keys has expanded its programs and services to include career centers, transitional shelter operations, and transitional employment placement for formerly incarcerated individuals and people currently or formerly experiencing homelessness.

Agreement History

HSH selected Five Keys to provide emergency shelter services based on Five Keys' response to a request for qualifications (RFQ) for a variety of time-limited and as-needed services in response to the COVID-19 public health emergency (RFQ #130).

In November 2020, HSH executed a grant agreement, with Five Keys to provide emergency shelter services at Next Door Shelter located at 1001 Polk Street, for a total not-to-exceed amount of $9,712,866, and a total term of December 1, 2020, through March 31, 2022.

In April 2022 HSH approved the first amendment, a no-cost amendment to extend the term by three months, for a total term of December 1, 2020, through June 30, 2022. The first amendment also established eight one-year renewal options through June 30, 2030.

In July 2022, the Board of Supervisors approved the second amendment, exercising three of the eight possible one-year extension options, for a total term of December 1, 2020, through June 30, 2025, and increasing the not-to-exceed amount by $22,736,236 to $32,449,102 (File 22-0515).

Multi-Year Procurement Plan

HSH is implementing a procurement plan to re-procure all services by service area , including this emergency shelter. The proposed extension aligns with the release of solicitations for shelter services projected for October 2026. According to HSH, extending this grant through June 2028 provides time to conduct a solicitation for shelter providers, negotiate agreements, and secure necessary approvals (e.g., Homelessness Oversight Commission, Board of Supervisors, Civil Service Commission).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves the third amendment to the grant agreement between the Department of Homelessness and Supportive Housing (HSH) and Five Keys Schools and Programs (Five Keys), extending the grant term by three additional years, from June 30, 2025 to June 30, 2028, and increasing the not-to-exceed amount by $26,755,828, from $32,449,102 to $59,204,930.

The amendment also removes the two remaining one-year options to extend through June 2030.

Scope of Work

The purpose of the grant is to fund a shelter at 1001 Polk Street, with capacity for up to 334 adults experiencing homelessness.

Appendix A of the proposed grant details the two services provided by Five Keys: (1) Shelter Operations and (2) Shelter Support Services. Previous amendments had a third category, Guest Referral and Intake Services, which is now integrated into Shelter Support Services.

<u>(1) Shelter Operations</u>

Participants have access to the shelter 24/7. Staff clean and repair the building, track entries and exits, serve two daily meals, and supply beds with clean linens.

<u>(2) Shelter Support Services</u>

Within 24 hours of arrival every guest must receive intake, orientation, and an assessment. Staff write service plans, log all work in the data system, and help guests secure benefits and housing documents. Care Coordinators handle wellness checks, conflict de-escalation, monthly community meetings, social events, support guests' transportation needs, and co-develop exit plans with participants.

Program Monitoring

The proposed amendment revises two service objectives, removes three service objectives, and adds three new service objectives. It also adds one new objective outcome. Exhibit 1 summarizes these changes.

Exhibit 1: Service and Outcome Objective Changes Amendment No. 3

Objective Type	Amendment No. 2	Amendment No. 3
Service	50% of guests complete quarterly survey	50% of single adult participants complete quarterly survey
Service	100% of guests encouraged to complete Problem Solving assessment	90% of participants offered Problem Solving and/or Coordinated Entry referral within one week
Service	100% of guests, visitors, staff screened for health issues when required	Removed (Pandemic Related)
Service	100% of guests use finger imager when required when required	Removed (Pandemic Related)
Service	60% of guests attend monthly community meetings	Removed as measurable objective (meetings still required by Appendix A)
Service		100% of participants receive intake & orientation within 24 hours
Service		95% of participants have written service plans based on intake & assessment
Service		90% of participants with referral needs will be provided with referrals for benefits, employment, health, and transportation support
Outcome	75 % of survey respondents rate staff, services & safety as “good” or “excellent”	Unchanged
Outcome		80% of Housing Referral participants are document ready within 6 months

Source: HSH

Previous Performance

Five Keys underwent performance monitoring on August 29, 2024, for FY 2023-24. Two objectives were not reviewed because they applied only during the COVID-19 emergency. Of the remaining three, Five Keys met the 60 percent survey-return goal (67 percent) but did not meet 60 percent goal for community-meeting attendance (the actual attendance was 15 percent) or 100 percent goal for problem-solving referral (the actual referrals amounted to 52 percent). The outcome target of 75 percent client satisfaction was exceeded at 77 percent. Exhibit 2 shows the results.

In addition, according to HSH, the average occupancy rate for Fiscal Year 2023-24 was 94 percent, which satisfies the department-wide shelter occupancy goal of 90 percent.

Exhibit 2: Service and Outcome Objective Results FY 2023-24

Objective Type	Service and Outcome Objectives	Goal	Actual
Service	Guests onsite during quarterly satisfaction surveys distribution period completing the survey	60%	67%[1]
Service	Guests attending monthly in-house community meetings as measured through sign-in sheets	60%	15%
Service	Guests who have not been assessed and discussed problem solving with Coordinated Entry referred to and encouraged to complete the assessment	100%	52%
Outcome	Client Satisfaction Surveys with "good" to "excellent" ratings.	75%	77%[2]

Source: HSH

HSH did not issue any findings during program monitoring. However, HSH issued six recommendations to enhance the program, with a compliance deadline of November 8, 2024. Five Keys submitted plans to implement the recommendations, and HSH closed the FY 2023-24 review.

During the performance monitoring, Five Keys noted it experienced significant staff turnover and was also challenged by substance use among shelter guests.

Fiscal and Compliance Monitoring

Five Keys most recently underwent Fiscal and Compliance Monitoring in FY 2022-23, and there were no findings. Five Keys received a one-year waiver from fiscal and compliance monitoring in FY 2023-24 due to good performance.

FISCAL IMPACT

The proposed amendment increases the not-to-exceed amount by $26,755,828—from $32,449,102 to $59,204,930. The proposed not to exceed amount includes a 15 percent contingency. The proposed budget for the extended term is $8.2 million annually, as detailed below in Exhibit 3.

[1] 724 surveys received out of 1,087 distributed annually.

[2] 555 surveys Rated "Good" or "Excellent" out of 724 Surveys received annually.

Exhibit 3: Next Door Shelter Expenditures FY 2025-26 - FY 2027-28

	FY 2025-26	FY 2026-27	FY 2027-28	Total
Salaries & Benefits	$6,755,801	$6,755,801	$6,755,801	$20,267,403
Operating Expense	341,013	341,013	341,013	1,023,039
Indirect Cost (15%)	1,064,522	1,064,522	1,064,522	3,193,566
Total Expenditures	**$8,161,336**	**$8,161,336**	**$8,161,336**	**$24,484,008**

Source: HSH

Staffing

The proposed amendment includes a total annual Full-Time Equivalent (FTE) of 87.35. This staffing includes 54.6 ambassador positions, 10.6 janitorial staff, 8.4 shift supervisors, and 7.0 care coordinators, with the remaining 6.75 positions composed of directors, deputies, and a trainer. The total allocation for salaries and fringe benefits is $6.8 million, resulting in an approximate average cost of $77,570 per FTE.

Not to Exceed Amount

Exhibit 4 below shows the basis for the contract's total not-to-exceed amount.

Exhibit 4: Total Not to Exceed Amount

	Amount
Dec. 2020 - Jun. 2021 (Actuals)	$2,471,293
FY 2021-22 (Actuals)	5,970,671
FY 2022-23 (Actuals)	6,829,204
FY 2023-24 (Actuals)	7,615,817
FY 2024-25 (Projected)	8,161,336
Subtotal, Existing Term	**$31,048,320**
Proposed Extension	
FY 2025-26 (Budget)	8,161,336
FY 2026-27 (Budget)	8,161,336
FY 2027-28 (Budget)	8,161,336
Subtotal, Proposed Extension	**$24,484,008**
Total Proposed Budget	**$55,532,328**
Contingency (15%)	3,672,601
Not-To-Exceed Amount	**$59,204,930**

Source: HSH

Source of Funds

The agreement is funded by the General Fund.

RECOMMENDATION

Approve the proposed resolution.