CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: November 2, 2022 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Item	File		Page
3	22-0920	Emergency Contract - Retroactive - Health Management Associates, Inc. - Specialized Consulting Services - Not to Exceed $3,782,365	1
6	22-1058	Grant Agreement Amendment - Mid-Market Foundation - Mid-Market/Tenderloin Community-Based Safety Program - Not to Exceed $20,490,000 With an Option to Extend for a Total Not to Exceed Amount of $32,890,000	6
7 & 8	22-1060	Contract Agreement - Intercare Holdings Insurance Services, Inc. - Workers' Compensation Claims Management Services - Not to Exceed $29,357,361	
	22-1059	Contract - Intercare Holdings Insurance Services, Inc. - Workers' Compensation Third Party Administrator Services - $33,771,962	14
9 & 10	22-1073	Management Agreement - LAZ Parking California, LLC - Garage Management Services - Not to Exceed $180,000,000	
	22-1094	Management Agreement - IMCO Parking, LLC - Garage Management Services - Not to Exceed $180,000,000	19
11	22-1074	Authorizing Expenditures - SoMa Community Stabilization Fund - Contract Extensions - $512,500	24

TABLE OF CONTENTS

Item	File		Page
12	22-1075	Grant Agreement - Mercy Housing California - Sunnydale HOPE SF Community Building - 1500 Sunnydale Avenue - Not to Exceed $11,000,000	30

Item 3 File 22-0920	Department: Public Health

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would retroactively approve an emergency contract between the Department of Public Health and Health Management Associates, Inc. (HMA) in an amount not to exceed $3,782,365 from May 9, 2022, through June 30, 2023.

Key Points

- Laguna Honda Hospital (LHH) is seeking reinstatement of its Medicare and Medicaid program certification from the federal Centers for Medicare and Medicaid Services (CMS)
- In October 2022, after this resolution was introduced to the Board of Supervisors, DPH amended the agreement to increase the not to exceed amount from $3,782,365 to $6,240,969. The Department intends to request an amendment to the proposed resolution to reflect this increase. This report details the current, amended version of the HMA agreement. The proposed first amendment increases the billable hours from 8,727 to 14,540 and increases associated travel expenses for the vendor to support recertification through December 31, 2022. The original agreement was based on a September 2022 recertification timeline.
- The scope of services includes five tasks: (1) Comprehensive Assessment; (2) CMS Re-application, Readiness Assessment, and Mock Survey; (3) Comprehensive Education and Training Curriculum Approach; (4) Extension of HMA Resources for Revised Certification Timeline; and (5) Infection Control Consultation.

Fiscal Impact

- Total contract costs are $6,240,969 and are based on staff time across all tasks, which totals 14,540 hours. Billing rates range between $200 and $450 per hour. Costs are paid by the General Fund and Laguna Honda operating fund.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Administrative Code Section 21.15 states that emergency contacts to procure commodities or services that are more than $100,000 are subject to Board of Supervisors approval. If the emergency permits, the Department must also secure written approval from the Mayor or Mayor's designee, or the president of the board or commission concerned. If the emergency does not permit approval of the emergency determination by the Board of Supervisors before work begins, the Department head must submit a resolution approving the emergency determination to the Board of Supervisors as soon as possible. The Department shall attempt to obtain at least three bids for emergency purchases.

BACKGROUND

Laguna Honda Hospital (LHH) is seeking reinstatement of its Medicare and Medicaid program certification from the federal Centers for Medicare and Medicaid Services (CMS). The deadline to do so is Fall 2023. To prepare for the recertification process, the Department of Public Health (DPH) entered into three emergency contracts with health care consulting firms. The Board of Supervisors approved two emergency contracts with the following vendors: (1) Tryfacta, Inc. to provide temporary staffing services for an amount not to exceed $1,000,000 from June 2022 to December 2022 (File 22-0921); and (2) Health Services Advisory Group, Inc. (HSAG) to provide in-depth evaluation and staff training to prepare for the CMS recertification audit. The HSAG contract has a not to exceed amount of $6,989,564 and a term May 2022 to December 2022 (File 22-0922).

In May 2022, DPH also entered into a third emergency agreement with Health Management Associates, Inc. (HMA) to conduct an operational, clinical, and organizational assessment of LHH; perform recertification survey readiness assessments; and mock CMS audit surveys of LHH, for an amount not to exceed $3,782,365 from May 9, 2022 to June 30, 2023 (This File 22-0920).

Vendor Selection Process

According to DPH staff, the proposed contract was procured under Administrative Code 21.15, which waives the competitive solicitation process and authorizes contracts to be entered in the "expeditious manner necessary in order to respond to the emergency." Administrative Code 21.15 was used to authorize vendors to immediately assist with the LHH recertification efforts, which was declared an emergency by the Director of Health and the Health Commission.

In April 2022, under Administrative Code Section 21.15, DPH issued an emergency solicitation for three tasks related to the LHH recertification efforts: (1) assessment; (2) re-application, readiness assessment, and mock survey; and (3) as-needed staffing. According to DPH staff, the Department sent interview questions to interested vendors, reviewed their responses, and sent out final supplemental questions to select the final vendor for the proposed contract.

Administrative Code 21.15 requires departments to attempt to obtain at least three bids for purchases. According to DPH, the following five vendors bid on the contract: (1) FTI Consulting,

(2) The Long Hill Company, (3) Moss Adams LLP, (4) Health Management Associates, Inc., and (5) David Hoffman & Associates, PC. Health Management Associates, Inc. received the highest bid score, and therefore was selected as the final vendor for the contract.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve an emergency contract between DPH and Health Management Associates, Inc. (HMA) in an amount not to exceed $3,782,365 from May 9, 2022, through June 30, 2023. The proposed contract allows the City to terminate the contract agreement without cause.

The proposed resolution would also authorize DPH to extend the term up to 10 years or increase the amount not to exceed amount up to $10,000,000.

First Amendment

In October 2022, after this resolution was introduced to the Board of Supervisors, DPH amended the agreement to increase the not to exceed amount from $3,782,365 to $6,240,969. The Department intends to request an amendment to the proposed resolution to reflect this increase as well as remove the provision that allows the Department to extend the agreement and increase the not to exceed amount up to 10 years or $10 million without Board of Supervisors approval. This report details the HMA agreement, including the first amendment.

The proposed first amendment increases the billable hours from 8,727 to 14,540 and increases associated travel expenses for the vendor to support recertification through December 31, 2022. The original agreement was based on a September 2022 recertification timeline. According to DPH staff, the additional hours will address recent updates in Phase 3[1] CMS regulations, which go live on October 24, 2022. DPH staff states that CMS surveyors will be assessing facilities nationwide using the new Phase 3 regulations beginning in October 2022.

Retroactive Approval

Administrative Code 21.15 requires Board of Supervisors' approval for emergency contracts that exceed $100,000, and approvals must be obtained prior to executing the contract or "as soon thereafter as it is possible to do so." According to DPH staff, the Department did not bring this contract to the Board of Supervisors in May 2022 because staff needed to have vendors immediately begin services to address the emergency Laguna Honda recertification process.

Scope of Services

According to Appendix A of the proposed contract, HMA will provide the following consulting services from May 9, 2022, through June 30, 2023:

[1] The phases are updates to guidance pertaining to CMS Requirements of Participation. Phase 1 and Phase 2 were rolled out in November 2016 and 2017 respectively.

Task 1 – Comprehensive Assessment: This includes an operational, clinical, and organizational assessment of LHH to determine performance gaps in areas such as regulatory standards compliance, effectiveness of operations, provision of care, and the quality of health outcomes.[2]

Task 2 – CMS Re-application, Readiness Assessment, and Mock Survey: This includes supporting LHH's efforts to prepare for CMS recertification by conducting recertification survey readiness assessments, mock CMS audit surveys of LHH, and completing relevant California Department of Public Health Center (CDPH) and CMS licensing and certification forms.

Task 3 – Comprehensive Education and Training Curriculum Approach: This includes developing a training plan for all LHH employees around the areas of deficiencies to remediate knowledge, skills, and competency gaps identified in the mock survey.

Task 4 – Extension of HMA Resources for Revised Certification Timeline: According to DPH, this entails the extension of on-site resources and travel to extend through December 2022 (instead of September 2022 as initially budgeted in the original agreement).

Task 5 – Infection Control Consultation: This entails providing on-site support to the LHH Infection Control Program to provide additional subject matter expertise to support Infection Prevention program assessment and improvement efforts. According to DPH staff, compliance with infection control regulations was identified as a barrier to recertification based on previous California Department of Public Health surveys, initial mock survey results, and consultant assessments

Performance Monitoring

According to Appendix A of the proposed contract, one performance measure will be tracked and monitored annually: contracted tasks listed in Appendix A (as described above) as mutually agreed to by the vendor and DPH. The metric collected for this measure details that 100 percent of tasks mutually agreed to by the vendor and DPH will be completed.

FISCAL IMPACT

Exhibit 1 below shows the budget for the proposed contract, including the first amendment.

[2] According to Appendix A, "focus areas will include, but not be limited to: Executive Leadership, Organizational Structure, Medical Staff, Nursing Operations, Hospital Governing Body, Management, Administrative Operations, Care Models, Organizational Change Management and Financial Analysis of Care Models."

Exhibit 1: Health Management Associates, Inc. (HMA) Proposed Contract Budget from May 9, 2022 through June 30, 2023

Tasks	Hours	Budget
Task 1: Comprehensive Assessment	1,788	$611,316
Task 2: CMS Re-Application Preparation	5,282	$1,829,286
Task 3: Education	3,085	$1,032,325
Task 4: Resource Extension	1,840	$667,025
Task 5: Infection Control	360	$72,000
Communications	310	$116,366
Change Management	1,036	$332,276
Project Management	839	$305,725
Travel Expenses	n/a	$798,000
Contingency (8%)		$476,650
Total Amount	**14,540**	**$6,240,969**

Source: Appendix B of First Amendment

As shown above, proposed contract costs are based on staff time across all tasks, which totals approximately 14,540 hours. Billing rates range between $200 and $450 per hour.[3] According to DPH staff, the proposed expenditures were determined by the competitive industry rate for such services. Also, this is based on the number of staff on site weekly providing hands-on guidance and assistance for the scope of work. There are also administrative tasks performed off site such as policy and procedure review, coaching, and committee meetings with virtual attendance as appropriate. In addition, the proposed contract budget includes $798,000 for travel expenses.[4]

Actual Spending

According to DPH staff, from May 9 through September 21, 2022, HMA has invoiced DPH for a total of 2,400 project hours, or $1,209,672 (including travel expenses). Consequently, 12,140 hours or $5,070,397 remain for the proposed contract.

Funding Source

According to DPH staff, the contract is funded by the Laguna Honda Hospital Operating Fund and the General Fund.

RECOMMENDATION

Approve the proposed resolution.

[3] Billing rates for the proposed contract are as follows: $200 for the infection control subcontractor, $248 for the actuarial analyst subcontractor/Edrington, $288 for the subcontractor/Steven Hirsch and Associates, $315 for the Senior Consultant, $385 for the Principal, $392 for the Managing Director, subcontractor/Edrington, $395 for the Managing Principal, and $450 for the Principal – Physician.

[4] According to DPH staff, the estimated travel expenses budget includes the following: $472,000 for travel labor, $131,000 for airfare, $145,000 for hotel, $11,000 for ground transportation, and $39,000 for per diem (meals).

Item 6 File 22-1058	Department: Office of Economic & Workforce Development (OEWD)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the first amendment to the Office of Economic and Workforce Development's (OEWD's) grant agreement with the Mid-Market Foundation to increase the not to exceed amount from $9 million to $20.49 million and extend the term from March 2023 to July 2023, with an option to extend the term to July 2024 and increase the amount to $32.89 million.

Key Points

- The Mid-Market Foundation, a 501(c)(3) organization affiliated with the Mid-Market Business Association, submitted the only response to a 2021 Request for Proposals (RFP) to provide community ambassador staffing in the Mid-Market area. Following the conclusion of a year-long $5.25 million 2021 agreement, in July 2022, OEWD entered into a new $9 million agreement with Mid-Market Foundation for the period July 2022 – March 2023.
- The Mid-Market Foundation subcontracts to Urban Place Consulting for administration and outreach and to Urban Alchemy for community ambassador staffing. Community Ambassadors staff approximately 80 blocks everyday from 7am to 7pm in the Mid-Market and Tenderloin area. Staffing will decrease in FY 2022-23 in anticipation of a lower budget in FY 2023-24. Funding in FY 2022-23 also includes community ambassadors for three parks in the Tenderloin and to patrol alleys off Larkin Street.

Fiscal Impact

- The largest component of the grant agreement budget in FY 2022-23 is the $18.6 million for Urban Alchemy, which is budgeted to decrease to $11.8 million in FY 2023-24. Costs are funded by the General Fund.

Policy Consideration

- The Mid-Market/Tenderloin community ambassador program appears to be an innovative intervention to improve the quality of life for the area's visitors, residents, and businesses. OEWD designed the program and the RFP to include ongoing input from area residents and businesses and includes $1.6 million for those efforts in the proposed grant agreement. The RFP's minimum qualifications and two-week posting may have limited the pool of proposers.
- The grant agreement also includes $28,000 for one car in FY 2022-23, the cost of which appears high given the service area.
- Finally, the staffing plan for FY 2023-24 is not available.

Recommendations

1. Amend the proposed resolution to require Board of Supervisors approval for extending the grant term beyond FY 2022-23 and reduce the not to exceed amount from $32.89 million to $20.49 million.
2. Approval of the proposed resolution is a policy matter for the Board of Supervisors.

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

Procurement

In June 2021, the Office of Economic and Workforce Development (OEWD) published a Request for Proposals (RFP) to solicits bids from non-profit organizations to provide community ambassador staffing for (A) the Mid-Market/Tenderloin Community-Based Safety Program and (B) the Downtown Community Ambassador Program. The RFP provided for a maximum $4.5 million and one-year term for the Mid-Market/Tenderloin scope of work, but also stated that the City may renew or extend programming through FY 2024-25.

The Mid-Market Foundation, a 501(c)(3) organization affiliated with the Mid-Market Business Association,[1] submitted the only the response for Mid-Market/Tenderloin Community-Based Safety Program scope of work. OEWD scored the proposal 139.33 out of a possible 150 points[2] and entered into a $4.5 contract with the Mid-Market Foundation for a term July 2021 – June 2022. In December 2021, OEWD amended the agreement to increase the funding amount to $5.25 million to increase community ambassador staffing in the Tenderloin neighborhood.[3]

In July 2022, OEWD entered into a new $9 million agreement with Mid-Market Foundation for the period July 2022 – March 2023, relying on the 2021 RFP related to the Mid-Market/Tenderloin Community-Based Safety Program. The 2022 grant agreement added specificity to the community ambassador responsibilities and deliverables.

As detailed below, the proposed resolution would approve the first amendment to OEWD's July 2022 agreement with the Mid-Market Foundation to increase the not to exceed amount from $9 million to $20.49 million and extend the term from March 2023 to July 2023, with an option to extend the term to July 2024 and increase the amount to $32.89 million.

[1] According to the Internal Revenue Service, a business league is an association of persons formed to address a common business interest rather than for generating profit. Section 501(c)(6) of the Internal Revenue Code provides for tax exemption of business leagues. According to its website, the purpose of the Mid-Market Foundation is to secure grants to fund community-based safety programs, cleanliness, arts/activation, and connect the community.

[2] The proposal was evaluated by staff from OEWD and DPW.

[3] Separately, under the Mayor's Tenderloin Emergency Declaration, OEWD entered into a separate, sole-source $7.4 million agreement with the Mid-Market Foundation for the period January 2022 – June 2022- to further increase ambassador staffing in the Tenderloin.

Community Ambassador Programs

OEWD oversees two recovery-related community ambassador programs, as shown below in Exhibit 1. Total spending in FY 2022-23 is budgeted at $27.5 million, decreasing to $17.4 million in FY 2023-24.

Exhibit 1: Community Ambassador Programs Funded by the General Fund (as of July 2022)

Program	Grantee	FY 2022-23	FY 2023-24	Total
Mid-Market/Tenderloin Community-Based Safety Program	Mid-Market Foundation	$20,490,000	$12,400,000	$32,890,000
Downtown Ambassadors	SF Travel	$7,000,000	$5,000,000	$12,000,000
Total		**$27,490,000**	**$17,400,000**	**$44,890,000**

Source: OEWD

Note: The table does not include community ambassador programs funded by community benefit districts.

According to OEWD, each ambassador program has a different purpose. The Downtown program is focused on welcoming tourists and office workers whereas the Mid-Market/Tenderloin program is focused on quality of life issues. On October 24, 2022, the Mayor announced an increase in the City's community ambassador programs, however funding and procurement plans related to the announcement are not yet final, as of this this writing.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to OEWD's grant agreement with the Mid-Market Foundation to increase the not to exceed amount from $9 million to $20.49 million and extend the term from March 2023 to July 2023, with an option to extend the term to July 2024 and increase the amount to $32.89 million.

Service Provided

According to Appendix B of the July 2022 grant agreement, Mid-Market Foundation will manage the Mid-Market Community-Based Safety Program, whose purpose is to ensure safe and inviting public space, overdose prevention, and connect people to service.

Urban Alchemy

Mid-Market Foundation subcontracts to two organizations: Urban Alchemy and Urban Space Planning. Urban Alchemy will provide 225 community ambassadors to cover 80 block faces within Mid-Market/Tenderloin Community-Based Safety Program Area[4] between 7am and 7pm, every

[4] According to the 2021 RFP, the Mid-Market/Tenderloin Community-Based Safety Program Area boundaries are from Powell Station (5th Street) to 8th Street on Market Street and adjacent areas south of Market Street to Mission; UN Plaza; and the Tenderloin blocks bordered by Market Street, Larkin Street and Ellis Street.

day. Under the grant agreement, Mid-Market Foundation's deployment plan must be approved by OEWD. Appendix 1 to this report shows the deployment area as of August 2022.

Urban Alchemy's scope of work includes recruiting, training, and deploying community ambassadors to provide visitors, residents, businesses with resource information (including emergency medical and law enforcement requests), interrupt negative behavior (such as public urination, noise, and littering), de-escalate mental health events, reverse overdoses, prevent or interrupt violence and other crimes, and light trash pick-up (including needle disposal). Exhibit 2 below shows these activities for July and August 2022, as reported by the Mid-Market Foundation.

Exhibit 2: Urban Alchemy Community Ambassador Activities, July 2022 – August 2022

Activity	July 2022	August 2022
Positive Engagements	137,107	114,277
Interrupt Negative Behavior	29,596	27,624
De-Escalation Interventions	4,813	3,437
311 Calls	134	111
911 Calls	27	12
Overdose Reversals	18	14
Needle Removals	7,654	8,011
Trash Bags Filled	4,345	3,763

Source: Mid-Market Foundation Deliverable 4

Urban Place Consulting

Urban Place Consulting is a private firm subcontracted by the Mid-Market Foundation to take "total responsibility" for the management, administration, and operations of the Mid-Market Foundation, including: managing the Urban Alchemy contract, managing the Foundation's finances, conducting marketing and outreach for the Mid-Market Foundation and Mid-Market Business Association, and preparing invoices and periodic reports for the City.

Performance Monitoring/Program Evaluation

The grant agreement requires that the Mid-Market Foundation complete ongoing program evaluation, including through community surveys. In addition, the grantee provides OEWD with periodic deployment reports, which are summarized in Exhibit 2 above.

The most recent community survey was completed in April 2022 (during the term of the 2021 grant agreement) and included 142 respondents. Respondents were residents, employees, business owners, and visitors. According to the survey, 68% of respondents feel much safer (19%) or somewhat safer (49%) than they did six months ago, and 32% reported feeling not at all safer. 68% of respondents reported feeling not safe outside of program hours (after 7pm). Another community survey is planned for November 2022.

FISCAL IMPACT

The proposed grant agreement provides for milestone payments, payable upon receipt of start-up and ramp-down program plans and monthly or quarterly activity reports. The programmatic budget is shown in Exhibit 3 below. Appendix B of the proposed amendment shows installment payments decreasing from $1 million to $0.5 million starting in January 2023 because of changing cash flow needs of the contractor; additionally, staffing will begin to ramp down gradually during FY 2022-23 in anticipation of a lower budget in FY 2023-24.

Exhibit 3: Grant Agreement Budget

	FY 2022-23	FY 2023-24	Total
Mid-Market Foundation			
Financial	40,000	35,000	75,000
Insurance	5,000	5,000	10,000
Office Rent	45,000	45,000	90,000
Office Expenses	12,000	5,000	17,000
Other	3,000	0	3,000
Website	4,400	5,000	9,400
Database	8,000	5,000	13,000
Media Content	10,000	10,000	20,000
Outreach	300,000	100,000	400,000
Subcontract: Urban Place	540,000	400,000	940,000
Subtotal, Mid-Market Foundation	**967,400**	**610,000**	**1,577,400**
Subgrant: Urban Alchemy			
Urban Alchemy Ambassadors	18,000,000	11,238,000	29,238,000
Urban Alchemy Non-Personnel	420,000	372,000	792,000
UA Turk/Hyde Field Office	180,000	180,000	360,000
Subtotal, Urban Alchemy	**18,600,000**	**11,790,000**	**30,390,000**
Subgrant: Tenderloin CBD	700,000	0	700,000
Subgrant: Tenderloin Merchants	222,600	0	222,600
Total Program Budget	**20,490,000**	**12,400,000**	**32,890,000**

Source: Mid-Market Foundation Deliverable 1

The largest component of the grant agreement budget in FY 2022-23 is the $18.6 million for Urban Alchemy, which includes $15.7 million for direct service staff, $300,000 for a vehicle, uniforms, and cleaning supplies, $123,000 for a respite area at Turk and Hyde Streets, and $2.4 million for overhead recovery (based on 15% of direct services). An additional $922,000 is included to staff community ambassadors for three parks in the Tenderloin via the Tenderloin Community Benefits District and to Tenderloin Merchant Association Ambassadors to patrol alleys off Larkin Street.

Costs are funded by the General Fund. As of October 2022, $4 million of the $9 million grant agreement had been spent.

POLICY CONSIDERATION

The Mid-Market/Tenderloin community ambassador program appears to be an innovative intervention to improve the quality of life for the area's visitors, residents, and businesses. OEWD has designed the Mid-Market program to include ongoing input from area residents and businesses and includes funding for those efforts in the proposed grant agreement.

We note issues related to the procurement and budget for this contract below.

Restrictive Proposal Timeline & Requirements

Minimum qualifications for proposers to the 2021 RFP included: (a) being a non-profit eligible to do business with the City; (b) having an organizational mission with geographic reach that includes Mid-Market, Tenderloin, and Civic Center neighborhoods; (c) including area businesses and property owners as part of its membership and governance; and (d) applying on behalf of a collaborative or partnership that includes community benefit districts (CBDs)[5] and business associations. According to OEWD, although the purpose of the RFP was to identify community ambassador staffing providers, the above qualifications were included in the RFP so that grantees would be able to provide community relationships and perspectives for the program.

In addition, the 2021 RFP was only open for two weeks. According to OEWD, the short timeline was due to the urgency to start the program. We note however that this timeline, combined with the minimum qualifications, may have limited the pool of proposers.

Administrative and Non-Personnel Costs

As shown in Exhibit 3 above, the proposed grant agreement includes $1.6 million for outreach and management to pay for Mid-Market Foundation and Urban Space Planning activities. These monies do not provide direct service and do not appear essential to service delivery, given that the Urban Alchemy budget includes field staff, program management, and overhead. According to OEWD, these expenditures are related to ongoing community engagement efforts that inform community ambassador deployment.

In addition, Urban Alchemy's budget includes $27,528 to lease and operate one vehicle for one year. The budget assumes a $1,000 per month lease, $460 per month in registration and maintenance costs, $334 per month for insurance, and $500 per month for fuel, which would pay for approximately 2,200 miles of driving per month. These costs appear to be high considering the size of the service area (shown in Appendix 1).

Together, these items are approximately five percent of the proposed grant agreement's expenditures.

[5] There are three community benefit districts in service area: the Civic Center CBD, Central Market CBD, & the Tenderloin CBD.

Operational Plan for FY 2023-24 Extension Option Still Under Development

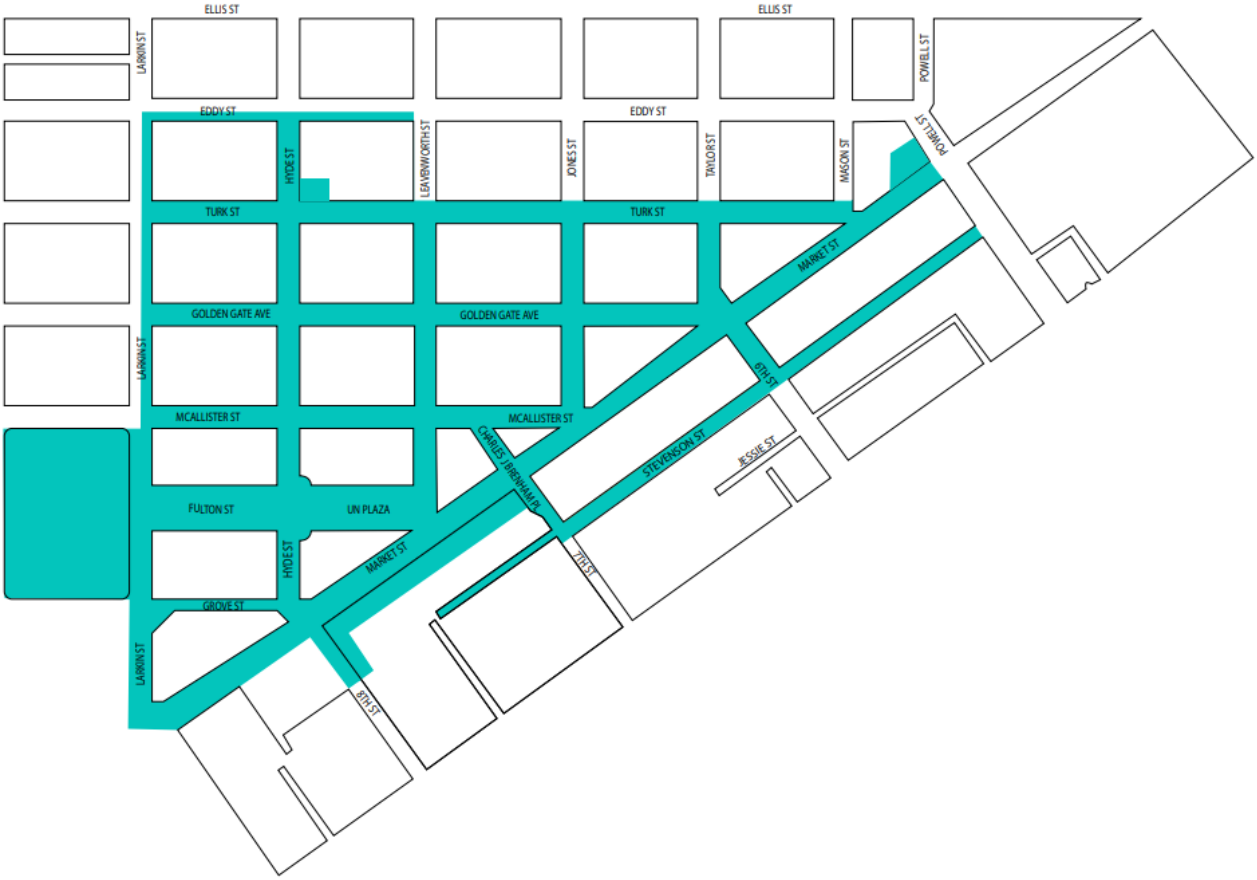
The grant agreement budget in FY 2023-24 decreases from $20.49 million to $12.4 million. According to the grant agreement, a ramp down plan detailing the reduction in the scope of services was due to the City in August 2022 but the plan is not yet final and therefore not available for our review.

The proposed resolution provides for an extension of the grant term through FY 2023-24 without further Board of Supervisors' approval. The Board could consider amending the proposed resolution to require Board approval for the FY 2023-24 extension option and reduce the not to exceed amount of the resolution from $32.89 million to $20.49 million so that the Board understands how the program will change in the second year of the grant agreement.

RECOMMENDATIONS

1. Amend the proposed resolution to require Board of Supervisors approval for extending the grant term beyond FY 2022-23 and reduce the not to exceed amount from $32.89 million to $20.49 million.
2. Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Appendix 1: Mid-Market Community Ambassador Coverage



Source: Mid-Market Foundation website

Items 7 & 8 Files 22-1059 and 22-1060	**Department:** Department of Human Resources (DHR), San Francisco Municipal Transportation Agency (SFMTA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolutions would approve workers' compensation third party administrator services contracts between Intercare Holdings Insurance Services, Inc. (Intercare) and (1) the San Francisco Municipal Transportation Agency (SFMTA), for an amount not to exceed $33,771,962 (File 22-1059), and (2) the Department of Human Resources (DHR), for an amount not to exceed $29,357,361 (File 22-1060). Each contract would have a term of three years from November 2022 through October 2025, with two three-year options to extend through October 2031.

Key Points

- The City has administered its self-insured workers' compensation program through DHR since 1932. In 2000, Proposition E amended the City Charter to authorize SFMTA to administer its own workers' compensation claims. While most department claims are handled by DHR's self-administered program, five City departments (not including SFMTA) use contracted claims administrator services.
- In May 2022, SFMTA and DHR jointly issued a Request for Proposals (RFP) for workers' compensation administration services. Intercare, which has been the current provider, was deemed the highest scoring responsive and responsible proposer. SFMTA requested to enter into separate contracts with Intercare to provide greater flexibility to adjust the contract.
- Under the proposed contracts, Intercare would provide workers' compensation claims administration services, as well as as-needed services. The proposed agreements assume 600 new annual claims from MTA and 800 new claims from other departments covered by Intercare.

Fiscal Impact

- The proposed contracts would have a total combined amount not to exceed $63,129,323, which includes expenditure authority for the initial contract term and two three-year extension terms. Between the two contracts, Intercare would employ approximately 33.5 full-time equivalent (FTE) employees. DHR's contract expenditures would be allocated to the five departments using the service, and SFMTA's contract expenditures would be funded by its annual operating budget.

Recommendation

- Approve the proposed resolutions.

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

State law requires every employer in California to provide workers' compensation benefits to its employees for work-related injuries and illnesses. The City has administered its self-insured workers' compensation program through the Department of Human Resources (DHR) since 1932. In 2000, Proposition E amended the City Charter to authorize the San Francisco Municipal Transportation Agency (SFMTA) to administer its own workers' compensation claims. According to DHR, most department claims are handled by DHR's Workers' Compensation Division's (WCD) self-administered program. However, Department of Public Health (DPH), Department of Public Works (Public Works), Department of Sanitation and Streets (SES), City Attorney's Office (CAT), and DHR rely on contracted claims administration to eliminate conflicts of interests for departments with workers compensation claim approval authority (CAT and DHR) and because the DHR capacity for managing claims is limited by existing staffing. Intercare Holdings Insurance Services (Intercare) currently provides workers' compensation third-party administrator services for both DHR and SFMTA under a five-year joint contract that will expire on October 31, 2022 (File 17-0510).

In May 2022 SFMTA and DHR jointly issued a Request for Proposals (RFP) for workers' compensation administration services. Three firms submitted proposals, but one proposal was deemed nonresponsive because it lacked documentation of qualifications. An evaluation panel reviewed the remaining two proposals and scored them, as shown in Exhibit 1 below.[1]

Exhibit 1: Proposals and Scores from RFP

Proposer	Score
Intercare	125.42
Tristar	113.20

Source: SFMTA, DHR

Intercare was deemed the highest scoring responsive and responsible proposer. Rather than entering into another joint contract with DHR, SFMTA requested entering into separate contracts with Intercare. According to SFMTA Human Resources Manager Ify Omokaro, a separate contract would allow SFMTA greater flexibility to adjust the contract without having to go through the Office of Contract Administration (OCA), as SFMTA has Charter authority over its contracts. SFMTA negotiates a per-claim fee, and SFMTA's claims are often more complex than other City

[1] The evaluation panel consisted of a DPH Health and Safety Manager, an Airport Health and Safety Manager, a DHR Workers' Compensation Claims Compliance Officer, a DHR Workers' Compensation Claims Finance Senior Management Assistant, and an SFMTA Workers' Compensation Senior Analyst.

departments due to its workforce. In September 2022, the SFMTA Board approved its contract with Intercare.

Workers' Compensation Claims

Exhibit 2 below shows workers' compensation claims filed in each of the past five fiscal years.

Exhibit 2: Annual Workers' Compensation Claims Filed, FY 2017-18 through FY 2021-22

Year	Claims Handled by WCD	Intercare Claims Assigned by DHR	Intercare Claims for SFMTA	Total
FY 2017-18	2,174	1,071	631	3,876
FY 2018-19	2,245	1,007	686	3,938
FY 2019-20	2,028	989	634	3,651
FY 2020-21	2,524	1,038	563	4,125
FY 2021-22	3,528	1,142	721	5,391
Total	**12,499**	**5,247**	**3,235**	**20,981**

Source: DHR

According to Peggy Sugarman, DHR Workers' Compensation Director, DHR anticipates that claims will decline in FY 2022-23 relative to FY 2021-22 due to fewer COVID-19 claims. The rate of decline will be dependent of seasonal COVID-19 patterns, as well as the nature of the predominant variants in circulation. The proposed agreements assume 600 new annual claims from MTA and 800 new annual claims from other departments covered by Intercare.

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would approve workers' compensation third-party administrator services contracts between Intercare and (1) SFMTA, for an amount not to exceed $33,771,962 (File 22-1059), and (2) DHR, for an amount not to exceed $29,357,361 (File 22-1060). Each contract would have a term of three years, from November 2022 through October 2025, with two three-year options to extend through October 2031.

Under the proposed contracts, Intercare would provide the following **workers' compensation claims administration services** to DHR and SFMTA: claims intake, investigation, and eligibility determination; management of temporary and permanent disability eligibility and payments; management of medical claims, medical services review, and working with DHR/SFMTA's medical bill review service; coordinating payment to medical service providers and evaluating physicians; medical and disability claims management to facilitate employees' return to work; management of claims cost reduction programs; management of subrogation and third-party claims settlement; litigation support to the City Attorney; Occupational Safety and Health Administration (OSHA) database management; and Medicare injury/incident data reporting. Additionally, Intercare would provide **as needed services**: nurse triage injury hotline and reporting, pharmacy benefit management services, fraud investigation and reporting, and other as-needed services in support of the City's workers' compensation program.

Under the proposed contracts, Intercare is required to submit monthly and quarterly reports to DHR and SFMTA providing detailed claim volume, cost data, and caseload staffing. Intercare is required to respond to phone or email communications from the City within one business day

and from other parties within five business days and make records available for audit within one business day. According to DHR Workers' Compensation Director Sugarman, DHR regularly audits samples of claims for each adjuster for compliance with the laws governing workers' compensation benefit delivery, general performance, and compliance with service instructions. Intercare may settle claims for up to $20,000, but larger settlement requests must be reviewed and approved by DHR or SFMTA.

Fee Structure

The proposed contracts include budgets for fixed fees to cover the claims administration services noted above and projected spending for the as-needed services, which is billed on an hourly basis by task order. Year 1 of the MTA contract fixed fee is $3.1 million and assumes 20 full-time equivalent (FTE) staff with 2,150 claims per examiner. Year 1 of the DHR contract fixed fee is $2 million and assumes 13.50 FTE with 1,800 claims per examiner. The number of claims per examiner is higher in the MTA contract due a different mix of claims and longer case cycle times.

FISCAL IMPACT

The proposed contracts would have a total combined amount not to exceed $63,129,323, which includes expenditure authority for the initial contract term and two three-year extension terms. Estimated annual expenditures are shown in Exhibit 3 below.

Exhibit 3: Estimated Annual Contract Expenditures

Year	SFMTA Contract (File 22-1059)	DHR Contract (File 22-1060)	Total
Year 1	$3,324,304	$2,854,748	$6,179,052
Year 2	3,424,033	2,948,590	6,372,623
Year 3	3,526,754	3,045,659	6,572,413
Year 4 (First Option)	3,632,557	3,146,070	6,778,627
Year 5	3,741,534	3,249,945	6,991,479
Year 6	3,853,780	3,357,412	7,211,192
Year 7 (Second Option)	3,969,393	3,468,599	7,437,992
Year 8	4,088,475	3,583,645	7,672,120
Year 9	4,211,130	3,702,693	7,913,823
Total	**$33,771,961**	**$29,357,361**	**$63,129,322**

Source: Proposed Contracts

The SFMTA contract budget includes $31,994,111 in annual fixed fees and $1,777,850 in estimated as-needed services, and the DHR contract budget includes $20,722,012 in annual fixed fees, $8,228,985 in estimated as-needed services, and $406,364 in check printing costs (which includes check printing costs for SFMTA). Between the two contracts, Intercare would employ approximately 33.5 full-time equivalent (FTE) employees. DHR's contract expenditures would be allocated to the five departments using the service, and SFMTA's contract expenditures would be funded by its annual operating budget.

RECOMMENDATION

Approve the proposed resolution.

Items 9 & 10 Files 22-1073 and 22-1094	Department: Municipal Transportation Agency (MTA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolutions would approve parking management contracts between the San Francisco Municipal Transportation Agency (SFMTA) and (1) LAZ Parking California, LLC (LAZ Parking), for the Group A garages and lots (File 22-1073); and (2) IMCO Parking, LLC (IMCO Parking), for the Group B garages and lots (File 22-1094). Each contract would have a term of five years, from February 2023 through January 2028, with two 2-year options to extend through January 2032 and amounts not to exceed $180,000,000 for each contract.

Key Points

- SFMTA manages 21 parking garages and lots, divided into two roughly equal groups. In January 2022, SFMTA issued a Request for Proposals (RFP) to operate the Groups A and B parking facilities. LAZ Parking and IMCO Parking were deemed the two highest scoring responsive and responsible proposers and were awarded contracts. LAZ Parking selected the Group A contract, and IMCO Parking was offered the Group B contract and accepted.
- Under the proposed contracts, SFMTA would pay a flat management fee of $10,000 per month to each operator, with five percent escalation in Years 6 and 8 (if the contracts are extended), as well as reimbursement for all expenses. SFMTA would collect all revenue from the garages. The operators would employ approximately 82 full-time equivalent (FTE) employees at the beginning of the contract term.
- Under the agreements, the garage operators must comply with SFMTA's Parking Facility Operation and Management Regulations, which require operators to submit annual budgets to SFMTA for approval, as well as daily and monthly reports detailing actual revenues and expenditures. Parking fees are set by SFMTA.

Fiscal Impact

- The proposed contracts would each have total amounts not to exceed $180,000,000 over the nine-year contract terms, including options to extend, for a total amount not to exceed $360,000,000 between the two contracts. This amount includes approximately $137 million in parking tax collected from customers as a portion of parking fees and paid to the Treasurer-Tax Collector's Office by the operators.
- Projected revenues from the parking facilities total approximately $684 million. After deducting contract expenditures, projected net revenues over nine years total approximately $331 million.

Recommendation

- Approve the proposed resolutions.

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

The San Francisco Municipal Transportation Agency (SFMTA) manages 17 City-owned parking garages and lots and four parking garages owned by the Parking Authority.[1] The SFMTA has divided these 21 garages and lots into two groups, as follows:[2]

Group A includes the Ellis O'Farrell Garage, 5th and Mission Garage, Kezar Lot, Mission Bartlett Garage, Moscone Center Garage, 7th and Harrison Lot, San Francisco General Hospital Garage, 16th and Hoff Garage, and Union Square Garage.

Group B includes the Japan Center Garages, Civic Center Garage, Golden Gateway Garage, Lombard Garage, North Beach Garage, Performing Arts Garage, Pierce Lot, Polk Bush Garage, Portsmouth Square Garage, St. Mary's Square Garage, Sutter Stockton Garage, and Vallejo Garage.

SFMTA's current parking management contracts expire January 31, 2023. In January 2022, SFMTA issued a Request for Proposals (RFP) for firms to operate the Groups A and B parking facilities. SFMTA received four proposals, and a three-member evaluation panel reviewed and scored them, as shown in Exhibit 1 below.[3]

Exhibit 1: Proposals and Scores from RFP

Proposer	Score (out of 200)
LAZ Parking California, LLC	174.26
IMCO Parking, LLC[4]	170.93
SP+ Municipal Services	157.60
Propark Mobility	157.33

Source: SFMTA

[1] California law establishes parking authorities for every city and county to finance, construct, and manage parking facilities. While the Parking Authority is a separate legal entity from SFMTA, SFMTA acts as the Parking Authority and the SFMTA Board serves concurrently as the Parking Authority Commission.

[2] SFMTA previously divided the garages and lots into three groups, along with a separate contract for management of the 5th and Mission Garage, which had previously been owned by the City of San Francisco Downtown Parking Corporation, which has dissolved. According to Senior Manager Malone, SFMTA consolidated the garages and lots into two groups to provide SFMTA with valuable benchmarking of the two vendors against each other, incentivizing both vendors to provide the best possible service, while maintaining operational efficiencies of the group contract model.

[3] The evaluation panel consisted of a City of Berkeley Parking Services Manager, a Recreation and Park Department (REC) Property Manager, and an SFMTA Principal Parking Analyst.

[4] IMCO Parking is a joint venture of Imperial Parking and Convenient Parking.

LAZ Parking and IMCO Parking were deemed the two highest scoring responsive and responsible proposers and were awarded contracts. Under the rules of the RFP, the highest scoring proposer received the first choice of garage group contracts, and the second highest scoring proposer received the other group. LAZ Parking selected the Group A contract, and IMCO Parking was offered the Group B contract and accepted. In September 2022, the SFMTA Board awarded contracts to LAZ Parking and IMCO Parking.

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would approve parking management contracts between SFMTA and (1) LAZ Parking, for the Group A garages and lots (File 22-1073) and (2) IMCO Parking, for the Group B garages and lots (File 22-1094). Each contract would have a term of five years, from February 2023 through January 2028, with two 2-year options to extend through January 2032 and amounts not to exceed $180,000,000 for each contract.

Cost Reimbursement & Management Structure

Under the proposed contracts, SFMTA would pay a flat management fee of $10,000 per month to each operator, with five percent escalation in Years 6 and 8 (if the contracts are extended), as well as reimbursement for all expenses. SFMTA would collect all revenue from the garages. According to Rob Malone, SFMTA Senior Manager of Parking and Curb Management, the contract model has allowed SFMTA to provide improved customer service, as vendors can hire additional staff to meet customer demand. Under a previous lease model, SFMTA received a flat fee from the operators, which incentivized operators to reduce expenses and maximize profits without necessarily providing good service or maintenance. Senior Manager Malone anticipates that staffing for the two contracts will be approximately 82 full-time equivalent (FTE) employees at the beginning of the contract term.

Under the proposed contracts, the operators would collect parking tax from customers as a portion of parking fees and submit monthly statements to the Treasurer-Tax Collector detailing the parking tax collected that month. The operators then have 30 days to make the tax payment. According to Senior Manager Malone, when developing the RFP, the City Attorney's Office determined that because the parking operator holds the Certificate of Authority with the Treasurer-Tax Collector's Office, parking tax should be treated as a contract expenditure. 80 percent of parking tax revenues are then returned to SFMTA, and 20 percent goes to the City's General Fund.

According to Senior Manager Malone, SFMTA has not considered operating the garages in-house. A benefit of the contract model is that the operators act as the merchant of record for payment transactions and are responsible for meeting Payment Card Industry compliance standards. The operators have greater experience and capacity in managing collections and security of the revenue stream than SFMTA would be if the garages were operated in-house.

Performance Management

According to Senior Manager Malone, the contracts do not have quantitative performance measures or ratings. However, SFMTA staff assesses the effectiveness of the service on a qualitative basis, such as whether the vendors are effective partners in implementing parking

policies and providing parking operation services. SFMTA staff meets with the vendors monthly to review financials, operations, and policy issues, and discuss any performance issues during those meetings. Senior Manager Malone reports that SFMTA is generally satisfied with LAZ Parking and IMCO Parking's performance under existing contracts.

FISCAL IMPACT

The proposed contracts would each have total amounts not to exceed $180,000,000 over the nine-year contract terms, including options to extend, for a total amount not to exceed $360,000,000 between the two contracts. As mentioned above, the not-to-exceed contract amounts include parking tax collected by SFMTA and paid to the Treasurer-Tax Collector's Office by the operators. Estimated annual expenditures are shown in Exhibit 2 below.

Exhibit 2: Projected Annual Contract Expenditures

LAZ Parking – Group A (File 22-1073)

Year	Operating Costs	Parking Tax	Total
Year 1	$10,585,000	$7,272,000	$17,857,000
Year 2	10,902,550	7,334,720	18,247,270
Year 3	11,229,627	7,418,167	18,647,794
Year 4	11,566,515	7,492,349	19,058,864
Year 5	11,913,511	7,567,272	19,480,783
Year 6 (1st Option)	12,270,916	7,642,945	19,913,861
Year 7	12,639,044	7,719,375	20,358,419
Year 8 (2nd Option)	13,018,215	7,796,568	20,814,783
Year 9	13,408,761	7,874,534	21,283,295
Subtotal	*$107,534,139*	*$68,127,930*	*$175,662,069*
Contingency (2.5%)			4,337,931
Total Not-to-Exceed	**$107,534,139**	**$68,127,930**	**$180,000,000**

IMCO Parking – Group B (File 22-1094)

Year	Operating Costs	Parking Tax	Total
Year 1	$ 10,715,000	$ 7,336,000	$ 18,051,000
Year 2	11,036,450	7,409,360	18,445,810
Year 3	11,367,544	7,483,454	18,850,998
Year 4	11,708,570	7,558,288	19,266,858
Year 5	12,059,827	7,633,871	19,693,698
Year 6 (1st Option)	12,421,622	7,710,210	20,131,832
Year 7	12,794,270	7,787,312	20,581,582
Year 8 (2nd Option)	13,178,098	7,865,185	21,043,283
Year 9	13,573,441	7,943,837	21,517,278
Subtotal	*$108,854,822*	*$68,727,517*	*$177,582,339*
Contingency (1.4%)			2,417,661
Total Not-to-Exceed	**$108,854,822**	**$68,727,517**	**$180,000,000**

Source: SFMTA. Operating Costs include monthly Management Fee.

SFMTA anticipates receiving approximately $684 million in revenues from the two contracts over the full nine-year terms. After deducting expenditures (excluding the contingency), net revenues to SFMTA would be approximately $331 million, as shown in Exhibit 3 below.

Exhibit 3: Projected Annual Parking Revenues

Year	LAZ Revenues	IMCO Revenues	Total Revenues	Total Expenditures	Total Net Revenues
Year 1	$36,360,000	$36,680,000	$73,040,000	($35,908,000)	$37,132,000
Year 2	36,723,600	37,046,800	73,770,400	(36,693,080)	37,077,320
Year 3	37,090,836	37,417,268	74,508,104	(37,498,792)	37,009,312
Year 4	37,461,744	37,791,441	75,253,185	(38,325,722)	36,927,463
Year 5	37,836,362	38,169,355	76,005,717	(39,174,481)	36,831,236
Year 6 (1st Option)	38,214,725	38,551,049	76,765,774	(40,045,693)	36,720,081
Year 7	38,596,873	38,936,559	77,533,432	(40,940,001)	36,593,431
Year 8 (2nd Option)	38,982,841	39,325,925	78,308,766	(41,858,066)	36,450,700
Year 9	39,372,670	39,719,184	79,091,854	(42,800,573)	36,291,281
Total	**$340,639,651**	**$343,637,581**	**$684,277,232**	**($353,244,408)**	**$331,032,824**

Source: SFMTA. Total Revenues and Total Expenditures both include Parking Tax.

According to Senior Manager Malone, projected expenditures and revenues are based on actuals from FY 2021-22 and FY 2022-23 to date. In FY 2021-22, total parking facility expenditures were $34,620,073 and total revenues were $72,227,113, for total net revenues of $37,607,040.

Approximately 75 percent of contract revenues and expenditures are allocated to SFMTA and approximately 25 percent are allocated to the Recreation and Park Department (REC), which owns the Union Square Garage, Portsmouth Square Garage, Civic Center Garage, Kezar Lot, and half of the St. Mary's Square Garage. Based on these allocations, of the $331 million in projected net revenues, approximately $248 million are allocated to SFMTA and approximately $83 million are allocated to REC.

Operating Revenues and Costs

The management fee for each contract is set at $10,000 per month, with five percent increases in Years 6 and 8 if the contracts are extended. Under the agreements, the garage operators must comply with SFMTA's Parking Facility Operation and Management Regulations, which require operators to submit annual budgets to SFMTA for approval, as well as daily and monthly reports detailing actual revenues and expenditures. Parking fees are set by SFMTA.

RECOMMENDATION

Approve the proposed resolutions.

Item 11 File 22-1074	Department: Mayor's Office of Housing and Community Development

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Mayor's Office of Housing and Community Development (MOHCD) to spend $512,500 from the SoMa Community Stabilization Fund.

Key Points

- Under the City's Planning Code, developers constructing new residential development in the Rincon Hill Downtown Residential District pay a SoMa Community Stabilization Fee of $19.01 per square foot on new residential development within the District, to be used to mitigate the impacts of destabilization on residents and businesses in SoMa. MOHCD administers the Fund, and the Community Stabilization Fund Community Advisory Committee (CAC) advises on the use of funds, subject to Board of Supervisors' approval.
- In September 2021, MOHCD issued a Request for Proposals (RFP) for non-profit organizations to apply for funding from the SoMa Community Stabilization Fund to provide SoMa services in FY 2021-22. An evaluation panel reviewed and scored the proposals and the CAC recommended awarding 11 grants in the five categories. The Board of Supervisors approved expending $1,025,000 for these 11 grants in File 21-1205.
- MOHCD will extend the term of these grants by six months to June 30, 2023 and increase the amount expended by $512,500 because a new RFP will not be issued until January 2023 and the Department would like to avoid a gap in services.

Fiscal Impact

- The proposed resolution would authorize MOHCD to expend $512,500 from the SoMa Community Stabilization Fund. After the grant expenditures, the fund balance will be reduced from $4.8 million to $4.3 million.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

In accordance with Planning Code Section 418.7, all funds in the South of Market Area (SoMa) Community Stabilization Fund are to be expended to address the effects of destabilization on residents and businesses in SOMA due to new residential development in the Rincon Hill Area. SoMa Community Stabilization Fund expenditures are administered by the Mayor's Office of Housing and Community Development (MOHCD), subject to approval by resolution of the Board of Supervisors.

BACKGROUND

SoMa Community Stabilization Fund

In August 2005, the Board of Supervisors approved a new Section 418 to the City Planning Code which, among other provisions, (a) established the Rincon Hill Downtown Residential District,[1] (b) imposed a Rincon Hill Community Infrastructure Impact Fee ($14.94 per gross square foot of new residential development in the District[2]), (c) created a Rincon Hill Community Improvement Fund for the deposit of the Rincon Hill Community Infrastructure Fees collected, (d) imposed a SoMa Community Stabilization Fee ($19.01 per gross square foot on new residential development within the District[2]), (e) created the SoMa Community Stabilization Fund for the deposit of SoMa Community Stabilization Fees collected, and (f) established a SoMa Community Stabilization Fund Community Advisory Committee (CAC) to advise the MOHCD and the Board of Supervisors on the uses of the SoMa Community Stabilization Fund (Ordinance 217-05).

The legislation specifies that all funds collected in the SoMa Community Stabilization Fund are to be used to mitigate the impacts of destabilization on residents and businesses in SoMa.

Legislative History

On May 6, 2008, the Board of Supervisors approved a resolution (File 08-0544) (a) approving the SoMa Community Stabilization Fund Strategic Plan, (b) authorizing MOHCD to administer the SoMa Community Stabilization Fund in accordance with this Strategic Plan, and (c) authorizing MOHCD to work with the SoMa Stabilization Fund Community Advisory Committee (CAC) to issue RFPs for non-profit agencies to provide services addressing the effects of destabilization on residents and businesses in SoMa, consistent with the Community Stabilization Fund Strategic Plan.

RFP Process

On September 7, 2021, MOHCD issued an RFP for community-based organizations to apply for funding from the SoMa Community Stabilization Fund to provide SoMA Services in FY 2021-22.

[1] The Rincon Hill Downtown Residential District is defined as the area bounded by Folsom Street, the Bay Bridge, the Embarcadero, and Essex Street.

[2] San Francisco Citywide Development Impact Fee Register, effective January 1, 2022

The five priority funding areas according to the RFP were: (1) Housing, (2) Small Business Support, (3) Youth and Family Support, (4) Community Action Grants/SoMa Community Collaborative, and (5) Capacity Building: Trauma Informed Systems Training.

Proposals were reviewed by a scoring panel,[3] and evaluated based on the following: SoMa Target Population (15 points), Program Design (20 points), Program and Organizational Impact (40 points), Approach to COVID-19 Response and Recovery (15 points), and Approach to Advance Racial Equity Goals (10 points). MOHCD received 19 proposals[4] and 11 organizations scoring above 75 were recommended by the CAC for funding for a one-year grant term, with an option to extend. The Board of Supervisors approved the expenditure in File 21-1205, and those 11 organizations received grants totaling $1.25 million. The 11 organizations are listed below in Exhibit 1.

[3] The scoring panel consisted of ten reviewers: a SoMa Community Member; Community Foundation Officer; MOHCD Citizens Committee or Community Development member; a bank philanthropic foundation officer; an Office of Economic and Workforce Development program manager; an MOHCD program manager, affordable housing development and data; an MOHCD program manager, affordable housing services; an MOHCD program officer, program evaluation; an MOHCD program officer, cultural districts program; and an MOHCD program officer, immigrant rights portfolio.

[4] According to MOHCD, three proposals were not eligible for funding because they applied directly for Community Action Grants (CAG). The CAG process will be administered by the Community Actions Grant/Community Council grantee that is awarded through this RFP.

Exhibit 1: 2022 Funding Recommendations

Program Area	Organization	Project Description	Amount
Housing	San Francisco Study Center[a]	Services to increase access to affordable housing	$75,000
Community Action Grants	Centers for Equity and Success, Inc.	Coordination of community action grants program	$250,000
Youth &Family Support	United Playaz	School day support for teachers and children at Bessie Carmichael schools	$100,000
Youth & Family Support	Westbay Pilipino Multi Service Center	College preparatory services	$50,000
Youth & Family Support	Filipino American Development Foundation	Culturally competent educational services for Bessie Carmichael/Filipino Education Center students	$50,000
Youth & Family Support	United Playaz	Coordination of on-site services at Bessie Carmichael Schools	$50,000
Small Business Support	Kultivate Labs	Small business accelerator and incubation	$75,000
Small Business Support	Renaissance Entrepreneurship Center	Small business COVID support	$75,000
Small Business Support	Kultivate Labs	Small business COVID-safe event production	$75,000
Housing	Filipino-American Development Foundation[b]	Culturally Competent tenant support	$75,000
Capacity Building: Trauma Informed Systems Training	The Regents of the University of California, San Francisco	Trauma-informed training and support at Bessie Carmichael School	$150,000
Total:			**$1,025,000**

[a] Fiscal sponsor of the Bill Sorro Housing Project
[b] Fiscal sponsor of South of Market Community Action Network
Source: MOHCD

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes MOHCD to spend an additional $512,500 from the SoMa Community Stabilization Fund.

The Department extended the term of existing grant agreements for six months from December 31, 2022, for a total term of January 1, 2022 to June 30, 2023. The same 11 organizations that received funding in 2022 will receive allocations of expenditures in the proposed resolution. Exhibit 2 below shows the proposed extended funding allocations for the 11 organizations and their projects.

Exhibit 2: Proposed Allocations for Six-Month Grant Extension

Organization	Project	Amount
San Francisco Study Center, fiscal sponsor of the Bill Sorro Housing Project	Intensive housing case management services	$37,500
Centers for Equity and Success, Inc.	Coordination of a community action grants program; coordination of community collaborative	$125,000
United Playaz	In-person, in-class social/emotional guidance supports to children and teachers at Bessie Carmichael Elementary and Middle schools	$50,000
Westbay Pilipino Multi Service Center	College prep services for increased access to higher education	$25,000
Filipino American Development Foundation	In-school, after-school, and summer culturally responsive programs for Bessie Carmichael students	$25,000
United Playaz	Coordination of community and family engagement resources at Bessie Carmichael	$25,000
Kultivate Labs	Business growth program for small businesses through one-on-one consultations	$37,500
Renaissance Entrepreneurship Center	Custom training, consulting, and access to capital and technology to help SOMA small businesses	$37,500
Kultivate Labs	Production of events for SOMA businesses and residents to connect safely in outdoor spaces	$37,500
Filipino American Development Foundation, fiscal sponsor of Kultivate Labs	Culturally competent tenant counseling for SOMA residents and identification of properties for MOHCD's Small Site Program	$37,500
The Regents of the University of California, on behalf of its San Francisco Campus	Trauma-informed training, consultation, and clinical support for students, parents, and educators at Bessie Carmichael	$75,000
	Total:	**$512,500**

Source: MOHCD

Exhibit 2 above shows how the $512,500 in grants would be distributed so that each of the 11 grantees would receive six months' worth of last year's allocation. According to MOHCD staff, MOHCD had anticipated issuing another RFP for organizations to apply for SoMa Community Stabilization Funds in January 2022 for grant agreements that would begin in January 2023, but the Department was unable to issue the RFP due to a larger than anticipated overall RFP volume in FY 2022-23. After discussing with the SoMa Stabilization Fund CAC, Department staff decided to extend the current grants by six months with the existing service providers to avoid a gap in service, and issue a new RFP in January 2023 for new grants starting in July 2023.

FISCAL IMPACT

Exhibit 3 below summarizes the current and projected balance of the SoMa Community Stabilization Fund if the proposed spending resolution is approved.

Exhibit 3: SoMa Community Stabilization Fund, Current and Projected Balance

	Amount
Unallocated Balance as of October 2022	$4,822,032
Proposed Resolution	(512,500)
Remaining Balance	**$4,309,532**

Source: MOHCD

As shown above, if the proposed resolution is approved, the SoMa Community Stabilization Fund balance will be reduced from $4.8 million to $4.3 million.

RECOMMENDATION

Approve the proposed resolution.

Item 12 File 22-1075	Department: Mayor's Office of Housing and Community Development (MOHCD)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Mayor's Office of Housing and Community Development (MOHCD) to execute a grant agreement with Mercy Housing California for $11 million to finance the construction of the Sunnydale HOPE SF Community Building.
- The proposed resolution would also find that the grant agreement is consistent with the adopted Mitigation and Monitoring Reporting Program under CEQA, the General Plan, and the eight policy priorities of Planning Code Section 101.1.

Key Points

- The Sunnydale-Velasco HOPE SF site is the City's largest public housing site. It sits on 40 acres and contains 775 public housing units. In 2007, the City issued a Request for Proposals (RFP) for a developer for the Sunnydale HOPE SF site and awarded the contract to Mercy Housing and Related Company, which then formed Sunnydale Development Company LLC. In 2017, the Board approved Sunnydale Development Company's plans for the site, which include 1,400-1,700 units of public, affordable, and market rate housing; new streets and utility infrastructure; 3.6 acres of new open spaces; and 60,000 square feet of new neighborhood serving spaces.
- Mercy Housing is planning to begin construction on the 28,000 square foot Sunnydale HOPE SF Community Building. The Community Building would include the Wu Yee childcare center, a space for the San Francisco Boys and Girls Club, and a space for multi-purpose community rooms, a community kitchen, and an outdoor courtyard.

Fiscal Impact

- The proposed $11 million grant is funded by the General Fund.
- Total project costs are $40.4 million and is being financed by a mixture of New Market Tax Credits, a contribution from Mercy Housing, and the proposed $11 million grant from MOHCD.

Policy Consideration

- The cost of construction per square foot is $1,165 or 70 percent more than the estimated national average cost per square foot of recreation projects. According to MOHCD, the costs for the Community Building have been approved by other funders of the project as well as MOHCD.

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

HOPE SF

In 2007, the City launched HOPE SF, an anti-poverty program to rebuild and reinvest in four of the City's public housing developments. The program aims to take 1,900 existing public housing units across four developments – Alice Griffith and Hunters View in the Bayview, Potrero Terrace and Annex in Potrero Hill, and Sunnydale-Velasco in Visitacion Valley – and rebuild them into 5,300 units at multiple levels of affordability. All four sites have broken ground and expected completion of the entire program is in 2035.

Sunnydale-Velasco

The Sunnydale-Velasco site is the City's largest public housing site. It sits on 40 acres with 775 public housing units. In 2007, the San Francisco Housing Authority, the owner of Sunnydale-Velasco, issued a Request for Proposals ("RFP") for the development of the Sunnydale HOPE SF Master Plan and selected Mercy Housing California in collaboration with Related Company to create the Master Plan and develop the property. Mercy Housing and Related Company formed a separate entity called Sunnydale Development Company LLC ("Sponsor") to develop the property. In 2017, the Board of Supervisors approved the Sponsor's Master Plan (File 16-1309), adopted findings under California Environmental Quality Act ("CEQA") (File 16-1309), and executed a master development agreement with the Sponsor to develop the property (File 16-1356). The Master Plan includes up to 1,770 units of public, affordable, and market rate housing, new streets and utility infrastructure, 3.6 acres of new open spaces, and 60,000 square feet of new neighborhood serving spaces.

Now, as part of Phase 1A-3 of the Master Plan, the Sponsor plans to build a 28,000 square foot community center, the Sunnydale HOPE SF Community Building ("Community Building"), at 1500 Sunnydale Avenue. The Community Building would include the Wu Yee childcare center; a space for the San Francisco Boys and Girls Club; and a space for multi-purpose community rooms, a community kitchen, and an outdoor courtyard. The Sponsor selected Swinerton as the contractor through a competitive solicitation process. Construction is expected to be completed in 2024.

New Market Tax Credits

The Sponsor plans to finance the Community Building using a mixture of New Market Tax Credits, a contribution from Mercy Housing, and grants. New Market Tax Credits are a form of financing that provides tax credits to investors in exchange for funding for community development projects. New Market Tax Credit amounts are authorized by Congress and then allocated to

qualified community development entities by the US Treasury Department. The San Francisco Community Investment Fund ("SFCIF") is a legally separate entity from the City and is a qualified community development entity that has applied for and received separate allocations of New Market Tax Credits, including one in 2018 and one in 2020.

On April 4, 2022, the SFCIF authorized a sub-allocation of New Market Tax Credits to the Sunnydale HOPE SF Community Building project of no more than $28 million (SFCIF Resolution No. 81-2022).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize MOHCD to execute a grant agreement with the Mercy Housing California for $11 million to finance the construction of the Community Building. The term of the grant agreement would be 55 years from the effective date of the agreement which is the standard term for all MOHCD grants and loans.

The proposed resolution would also find that the grant agreement is consistent with the adopted Mitigation and Monitoring Reporting Program under CEQA, the General Plan, and the eight policy priorities of Planning Code Section 101.1.

The construction cost estimate for the project was completed by Swinerton, the contractor. Exhibit 1 below shows the total costs and for the Community Building.

Exhibit 1: Community Building Total Costs

Item	Amount
Construction	$32,642,500
Soft Costs	5,380,273
Financing	876,227
Project Administration	383,000
Other Fees	1,070,000
Total	**$40,352,000**

Source: MOHCD & BLA

Exhibit 1 shows that the total cost of the Community Building is $40.35 million, including $32.6 million in construction costs. Exhibit 2 below details the funding sources being used to finance this project. Based on a 28,000 square foot development, construction costs are approximately $1,165 per square foot.

Exhibit 2: Community Building Funding Sources

Item	Amount
MOHCD General Fund Grant	$11,000,000
New Market Tax Credits	13,141,440
Mercy Housing California	19,474,224
NMTC Fees	(3,263,664)
Total	**$40,352,000**

Source: Proposed Grant Agreement

Exhibit 2 shows that, in addition to the proposed $11 million grant from MOHCD, additional funding sources for the $40.35 million project are $13.1 million in New Market Tax Credits and $19.47 million in investments from Mercy Housing.

Declaration of Restrictions

The San Francisco Housing Authority will maintain ownership of the land and the Sponsor will enter into a long-term ground lease at no costs. While the City will not own the land or improvements contemplated in the proposed grant agreement, a declaration of restrictions will be recorded on the property to limit its use to community serving purposes.

FISCAL IMPACT

The proposed resolution would authorize MOHCD to issue a grant to the Sponsor for $11 million. The grant would come from MOHCD's FY 2022-23 General Fund budget allocation.

POLICY CONSIDERATION

According to a report by The Gordian Group, the national average for hard construction costs for recreation projects were $375 per square foot in 2018.[1] Using TBD Consultants' Construction Cost Management Bid Index,[2] we assumed 83% construction cost escalation between 2018-2022 and estimated that current average hard construction costs for housing in the Bay Area are $686 per square foot. The Sunnydale Community Building's construction cost is $1,165 per square foot, or 70 percent more than estimated average recreation center costs nationally. According to

[1] "Construction Project Costs," The Gordian Group (2018). Related, according to the "The Hard Costs of Construction: Recent Trends in Labor and Materials Costs for Apartment Buildings in California," a report from Terner Center for Housing Innovation (2020), housing construction costs in the Bay Area in 2018 were $380 per square foot.

[2] TBD Consultants Q2 Bid Index (2022).

MOHCD, the costs for the Community Building have been reviewed and approved by San Francisco Community Investment Fund and the New Market Tax Credit investors.

RECOMMENDATION

Approve the proposed resolution.