

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: January 11, 2023 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Item	File	Page
2	22-1186 Prevailing Wage Rates - Various Workers Pursuant to Administrative Code, Section 6.22(e) and Sections 21C.1 through 21C.11	1
6	22-1279 Execute Standard Agreement and Accept and Expend Grant - California Department of Housing and Community Development - 2021 Homekey Grant - 5630 Mission Street - Not to Exceed \$16,823,000	10

Item 2 File 22-1186	Department: Civil Service Commission (CSC), Office of Labor Standards Enforcement (OLSE)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution would fix prevailing wage rates for employees of businesses having City contracts that: (1) perform public works and improvement projects, (2) perform janitorial or window cleaning services, (3) work in public off-street parking lots, garages, or storage facilities for vehicles on property owned or leased by the City, (4) engage in theatrical services or technical services related to the presentation of shows on property owned or leased by the City, (5) haul solid waste, (6) perform moving services at facilities owned or leased by the City, (7) perform exhibit, display, or trade show work at special events in the City, (8) work in broadcast services on City property, (9) drive, load, or unload commercial vehicles on City property in connection with shows or special events, (10) perform security guard services, and (11) perform motor bus services. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> The proposed resolution would establish the following changes to prevailing wage basic hourly rates: (1) construction employees would receive wage rate increases that vary by classification, ranging from no increase to an increase of \$3.91 per hour; (2) janitorial and window cleaning employees would receive a wage rate increase depending on classification ranging from no increase to an increase of \$1.00 per hour; (3) garage and parking lot employees would a wage rate increase depending on classification ranging from \$1.36 to \$1.73 per hour; (4) theatrical employees would receive a wage rate decrease depending on classification ranging from \$3.23 to \$7.09 per hour; (5) solid waste haulers would receive a wage rate increase depending on classification ranging from \$2.43 to \$3.19 per hour; (6) employees performing moving services would receive a wage rate increase of \$0.60 per hour; (7) employees performing trade show work would receive a wage rate increase depending on classification ranging from \$1.40 to \$1.54 per hour; (8) broadcast employees would receive a wage rate increase depending on classification ranging from \$1.06 to \$6.28 per hour; (9) loaders and unloaders would receive a wage rate increase depending on classification ranging from \$1.00 to \$1.25 per hour; (10) security guards would receive a wage rate increase of \$0.65 per hour; and (11) motor bus drivers would receive no increase. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> Potential increased costs to the City depend on future City contractor bids and the extent to which City contractors increase the bids submitted to the City to pay for the costs of the increased prevailing wage rates. Such potential increased costs to the City cannot be estimated at this time. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approval of the proposed resolution is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

Charter Section A7.204 requires contractors that have public works or construction contracts with the City to pay employees the highest general prevailing rate of wages for similar work in private employment. The Charter allows the Board of Supervisors to exempt payment of the prevailing wage for wages paid under public works or construction contracts between the City and non-profit organizations that provide workforce development services.

Administrative Code Sections 6.22(E)(3) and 21C.7(c)(1) require the Board of Supervisors to annually set prevailing wage rates for employees of businesses having City contracts. Exhibit 1 below identifies: (a) the specific Administrative Code Sections, (b) the dates each Administrative Code Section was last amended by the Board of Supervisors, and (c) the types of City contracts, leases, and/or operating agreements in which the businesses are required to pay prevailing wages.

Exhibit 1: List of City Contractors Required to Pay the Annual Prevailing Wage

Administrative Code	Date of Most Recent Amendment	Type of Contract
Section 6.22 (E)	December 22, 2015	Public works or construction
Section 21C.1	November 6, 2020	Motor bus services
Section 21C.2	May 28, 2014	Janitorial and window cleaning services
Section 21C.3	May 28, 2014	Public off-street parking lots, garages and vehicle storage facilities
Section 21C.4	February 2, 2012	Theatrical performances
Section 21C.5	February 2, 2012	Solid waste hauling services
Section 21C.6	February 2, 2012	Moving services
Section 21C.8	June 19, 2014	Trade show and special event work
Section 21C.9	February 10, 2016	Broadcast service workers on City property
Section 21C.10	October 14, 2016	Loading, unloading and driving commercial vehicles on City property
Section 21C.11	October 28, 2016	Security guard services in City contracts and for events on City property

BACKGROUND

Businesses that have contracts with the City, lease City property, or have permits for or other access to temporary use of City property must pay prevailing wage rates to employees. “Prevailing wages” are usually based on rates specified in collective bargaining agreements for comparable classifications in the geographic area. Businesses having contracts, leases, or permits with the City must pay the prevailing wage rate, even if the employees of the specific business are not covered by a collective bargaining agreement.

Each year, the Board of Supervisors is required to establish the prevailing wage rates for workers engaged in construction, janitorial, parking, theatrical, motor bus, solid waste hauling, moving,

trade show, security guard, and broadcast services, and for loading, unloading and driving commercial vehicles on City property.

Administrative Code Section 6.22, covering public works classifications, defines prevailing wage as the per diem wage rate, and rate for overtime and holidays. Section 21C defines the prevailing wage rate for other classifications as the base hourly wage rate and the hourly rate for fringe benefits.

Prevailing Wage Rate Data

To assist the Board of Supervisors in determining the prevailing wage rates, the Civil Service Commission is required to furnish the Board of Supervisors, on or before the first Monday of November of each year, relevant prevailing wage rate data. The City Attorney's Office, on behalf of the Civil Service Commission, submitted the report to the Board of Supervisors on November 21, 2022. According to Sandra Eng, Civil Service Commission Executive Director, the delay may have been due to the transition to a new Deputy City Attorney at this time.

Administrative Code Sections 6.22(E) and 21C.7 state that the Board of Supervisors is not limited to the data submitted by the Civil Service Commission to determine the prevailing wage rates for public works construction, but may consider other information on the subject as the Board of Supervisors deems appropriate. According to Administrative Code Section 6.22(E), if the Board of Supervisors does not adopt the prevailing wage rates for public works classifications, the wage rates established by the California Department of Industrial Relations for the year will be adopted.

The Civil Service Commission's relevant prevailing wage rate data provided to the Board of Supervisors is based on a survey by the City's Office of Labor Standards Enforcement and includes collective bargaining agreements that have recently been negotiated.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would fix prevailing wage rates for employees of private businesses having the following contracts, leases, or operating agreements with the City or perform services on City property:

- Public works and improvement project contracts,
- Janitorial services contracts,
- Public off-street parking lots, garages, or storage facilities for vehicles on property owned or leased by the City,
- Theatrical or technical services related for shows on property owned or leased by the City,
- Hauling of solid waste generated by the City in the course of City operations,
- Moving services under City contracts at facilities owned or leased by the City,
- Exhibit, display or trade work show services at a special event on City-owned property,
- Broadcast services on City property,
- Loading, unloading, and driving of commercial vehicles on City property in connection with shows or special events,

- Security guard services, and
- Motor bus services.

The Administrative Code requires that the Civil Service Commission provide prevailing wage data to the Board of Supervisors that includes both the basic hourly wage rate and the hourly rate of each fringe benefit, including medical and retirement benefits.

- Prevailing wage rates for various crafts and labor classifications under public works projects are established by the California Department of Industrial Relations, usually based on collective bargaining agreements that cover the employees performing the relevant craft or type of work in San Francisco.
- Prevailing wage rates for contracts for other services and classifications covered by the Administrative Code, as recommended by the Civil Service Commission, are based on the collective bargaining agreements that cover work performed in San Francisco between employers and the respective labor unions.

Attachment I to this report provides an alphabetical list of all crafts covered by the City's prevailing wage rate requirements.

FISCAL IMPACT

Attachment II to this report, prepared by the Budget and Legislative Analyst, summarizes: (a) the types of contracts, leases, or operating agreements required to pay prevailing wages, (b) the respective collective bargaining agreements and labor unions, (c) the amount of the hourly wage rate increases in 2023 as compared to 2022, (d) the amount of the hourly fringe benefit rate increases in 2023 as compared to 2022, and (e) the proposed prevailing hourly wage rates.

Potential Impact on the Costs of Future Contractor Bids

Under the proposed resolution, private businesses that have contracts with the City, and perform public works construction, janitorial services, parking, theatrical, moving, solid waste hauling services, trade show work, broadcasting services, loading and unloading, security guard services, and motor bus services in San Francisco, would be required to pay their employees at least the prevailing wage rates as shown in Attachment II of the report. Increases in the prevailing wage rates could result in increased costs of future City contracts. However, any increased contract costs to the City as a result of the proposed prevailing wage rates are dependent on future City contractors' bids and the extent to which such higher wage rates result in higher bids submitted by City contractors. Therefore, such potential increased costs to the City cannot be estimated at this time.

POLICY CONSIDERATION

As noted above, the Civil Service Commission's relevant prevailing wage rate data provided to the Board of Supervisors is based on a survey by the City's Office of Labor Standards Enforcement and includes collective bargaining agreements that have recently been negotiated. Because the Board of Supervisors is not limited to the data submitted by the Civil Service Commission to determine the prevailing wage rates for public works construction but may consider other

information on the subject as the Board of Supervisors deems appropriate, we consider approval of the proposed resolution to be a policy matter for the Board of Supervisors.

RECOMMENDATION

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

List of the Crafts Covered by Prevailing Wage Requirements

Asbestos Removal Worker (Laborer)	Parking and Highway Improvement Painter (Painter)
Asbestos Worker, Heat and Frost Insulator	Parking Lot and Garage Workers
Boilermaker-Blacksmith	Pile Driver (Carpenter)
Broadcast Services Workers	Pile Driver (Operating Engineer - Building Construction)
Brick Tender	Pile Driver (Operating Engineer - Heavy and Highway Work)
Bricklayer, Blocklayer	Plaster Tender
Building/Construction Inspector	Plasterer
Carpenter and Related Trades	Plumber
Carpet, Linoleum	Roofer
Cement Mason	Security Guards
Dredger (Operating Engineer)	Sheet Metal Worker (HVAC)
Drywall Installer (Carpenter)	Slurry Seal Worker
Electrical Utility Lineman	Solid Waste Hauling Workers
Electrician	Stator Rewinder
Elevator Constructor	Steel Erector and Fabricator (Operating Engineer - Heavy & Highway Work)
Field Surveyor	Steel Erector and Fabricator (Operating Engineer - Building Construction)
Furniture Movers and Related Classifications	Teamster
Glazier	Telecommunications Technician
Iron Worker	Telephone Installation Worker
Janitorial Services Worker	Terrazzo Finisher
Janitorial Window Cleaner Workers	Terrazzo Worker
Laborer	Theatrical Workers
Landscape Maintenance Laborer	Tile Finisher
Light Fixture Maintenance	Tile Setter
Loaders and Unloaders	Trade Show and Special Event Workers
Marble Finisher	Traffic Control/Lane Closure (Laborer)
Marble Mason	Tree Maintenance (Laborer)
Metal Roofing Systems Installer	Tree Trimmer (High Voltage Line Clearance)
Modular Furniture Installer (Carpenter)	Tree Trimmer (Line Clearance)
Motor Bus Driver	Tunnel Worker (Laborer)
Moving Services	Tunnel/Underground (Operating Engineer)
Operating Engineer	Water Well Driller
Operating Engineer (Building Construction)	
Operating Engineer (Heavy and Highway Work)	
Painter	

Type of Contract, Lease, or Operating Agreement	Collective Bargaining Agreement and/or Labor Union	Hourly Wage Rate Increase/ Decrease in 2023 compared to 2022	Hourly Fringe Benefits Rate Increase/ Decrease in 2023 compared to 2022	Proposed Prevailing Wage Rates (Hourly Wage Rate + Hourly Fringe Benefit Rate)
Public Works and Construction	California Department of Industrial Relations	Varies by classification, ranging from no increase for certain floor covering handler trainees to an increase of \$3.91 per hour for certain bricklayers.	Varies by classification, ranging from a decrease of \$1.21 per hour for certain bricklayers to an increase of \$3.35 for certain inside soft floor layers.	Varies by classification: -The low wage rate increases from \$18.50 to \$19.50 per hour for water well driller helpers. -The high wage increases from \$129.22 to \$133.73 per hour for cable splicers.
Janitorial Services Contract	Collective bargaining agreement between the San Francisco Maintenance Contractors Association and the Service Employees International Union, Building Services Employees Union, Local 1877, Division 87.	No changes.	Varies by classification, from an increase of \$0.21 per hour to an increase of \$0.47 per hour.	Varies by classification: -The low wage increases from \$27.45 per hour to \$27.66 per hour. -The high wage increases from \$34.50 per hour to \$34.97 per hour.
Window Services Contract	Collective bargaining agreement between the San Francisco Window Cleaning Contractors Association and Window Cleaners Union – Service Employees International Union Local 1877, AFL-CIO	An increase of \$1.00 per hour.	Varies by classification, from an increase of \$0.58 per hour to an increase of \$0.59 per hour.	Varies by classification: -The low wage increases from \$41.59 per hour to \$43.18 per hour. -The high wage increases from \$43.14 per hour to \$44.72 per hour.
Public Off-Street Garage Employees	San Francisco Master Parking Agreement between the Signatory Parking Operators and Teamsters Automotive and Allied Workers, Local 665.	Varies by classification, from an increase of \$1.36 per hour to an increase of \$1.73 per hour.	Varies by classification, from an increase of \$1.43 per hour to an increase of \$1.53 per hour.	Varies by classification: -The low wage increases from \$30.08 per hour to \$32.87 per hour. -The high wage increases from \$38.82 per hour to \$42.08 per hour.

Type of Contract, Lease, or Operating Agreement	Collective Bargaining Agreement and/or Labor Union	Hourly Wage Rate Increase/ Decrease in 2023 compared to 2022	Hourly Fringe Benefits Rate Increase/ Decrease in 2023 compared to 2022	Proposed Prevailing Wage Rates (Hourly Wage Rate + Hourly Fringe Benefit Rate)
Theatrical Services	Project Collective Bargaining Agreement - International Alliance of Theatrical Stage Employees, Local 16, and Moving Picture Technicians, Artists and Allied Crafts, and Canada Local 16	Varies by classification, from a decrease of \$3.23 per hour to a decrease of \$7.09 per hour.	Varies by classification, from a decrease of \$2.57 per hour to a decrease of \$7.59 per hour.	Varies by classification: -The low wage decreases from \$58.39 per hour to \$52.59 per hour. -The high wage decreases from \$129.02 per hour to \$114.33 per hour.
Solid Waste Hauling	Collective Bargaining Agreement between Recology Sunset & Recology Golden Gate and Sanitary Truck Drivers and Helpers Union Local 350, IBT	Varies by classification, from an increase of \$2.43 per hour to an increase of \$3.19 per hour.	An increase of \$4.01 per hour.	Varies by classification: -The low wage increases from \$67.05 per hour to \$73.49 per hour. -The high wage increases from \$82.76 per hour to \$90.14 per hour.
Moving Services	Collective Bargaining Agreement between the Northern California employers and the Northern California Regional Council of Carpenters and the Carpenters 46 Northern California Counties Conference Board.	An increase of \$0.60 per hour.	An Increase of \$0.47 per hour.	Varies by classification: -The low wage increases from \$37.00 per hour to \$38.07 per hour. -The high wage increases from \$37.85 per hour to \$38.92 per hour.
Trade Shows	Collective Bargaining Agreement, between the Convention Services Employer and Allied Trades District Council 36 on behalf of Sign Display and Allied Crafts Local Union 510	Varies by classification, from an increase of \$1.40 per hour to an increase of \$1.54 per hour.	Varies by classification, from an increase of \$1.60 per hour to an increase of \$1.61 per hour.	Varies by classification: -The low wage increases from \$71.98 per hour to \$74.98 per hour. -The high wage increases from \$76.70 per hour to \$79.85 per hour.
Broadcast service workers	Agreement between Purple Tally Productions, Inc., and the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists, and Allied Crafts, AFL-CIO, CLC, and Local 119/ Bay Area Freelance Ass.	Varies by classification, from an increase of \$1.06 per hour to an increase of \$6.28 per hour.	Varies by classification, from an increase of \$0.45 per hour to an increase of \$0.72 per hour.	Varies by classification: -The low wage increases from \$28.80 per hour to \$30.31 per hour. -The high wage increases from \$104.97 per hour to \$111.13 per hour.

6

Type of Contract, Lease, or Operating Agreement	Collective Bargaining Agreement and/or Labor Union	Hourly Wage Rate Increase/ Decrease in 2023 compared to 2022	Hourly Fringe Benefits Rate Increase/ Decrease in 2023 compared to 2022	Proposed Prevailing Wage Rates (Hourly Wage Rate + Hourly Fringe Benefit Rate)
Loaders and Unloaders	Collective Bargaining Agreement between Freeman Exposition Inc., GES/Global Experience Specialists, Curtin Convention & Exposition Services, Inc., and all other signatory employers within the greater San Francisco Bay Area and Teamsters Local 2785, Local 287 and Local 70	Varies by classification, from an increase of \$1.00 per hour to an increase of \$1.25 per hour.	An increase of \$0.51 per hour.	Varies by classification: -The low wage increases from \$65.16 per hour to \$66.67 per hour. -The high wage increases from \$66.29 per hour to \$68.05 per hour.
Security Guard Services	Collective Bargaining Agreement between Allied Universal Security Services, G45 Secure Solutions (USA) Inc., Securitas Security Services USA, Inc., U.S. Security Associates, Cypress Security, Professional Technical Security Services, Inc., and ProGuard Private Security and Security Employers and Services Employees International Union, United Services Workers West	An increase of \$0.65 per hour.	An increase of \$0.02 per hour.	Increases from \$21.37 per hour to \$22.04 per hour. ¹
Motor Bus Services	Collective Bargaining Agreement between Bauer's Intelligent Transportation, Inc. and Teamsters Local Union No. 665	No increase.	An increase of \$0.15 per hour.	Varies by classification: -The low wage increases from \$35.35 per hour to \$35.50 per hour. -The high wage increases from \$42.90 per hour to \$43.05 per hour.

¹ The most recent Collective Bargaining Agreement for Security Employees consolidated five previous employee classifications into one classification.

Item 6 File 22-1279	Department: Department of Homelessness and Supportive Housing (HSH)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution would: (a) authorize the Department of Homelessness and Supportive Housing (HSH) to execute a Standard Agreement with the California Department of Housing and Community Development (HCD) to receive \$16,823,000 of Project Homekey grant funds for acquisition and initial operations of the property located at 5630 Mission Street for use as permanent supportive housing for transitional aged youth, (b) approve and authorize HSH to commit approximately \$13,043,500 in required matching funds and five years of operating costs, (c) affirm the Planning Department's determination under the California Environmental Quality Act, and (d) adopt the Planning Department's findings of consistency with the General Plan and Planning Code. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> In October 2021, the Board of Supervisors approved the purchase of the Mission Inn at 5630-5638 Mission Street for a total acquisition cost of \$17,340,000 and authorized HSH to apply for a Homekey grant to offset the cost of the purchase and provide a partial operating subsidy for five years. In June 2022, HCD awarded HSH \$16,823,000 in Homekey grant funding to support the acquisition and operations of the property. The site consists of 51 usable rooms among three buildings, as well an additional room leased to AT&T to store cell tower equipment. At present, 40 units are occupied. The Homekey grant agreement requires: (a) 50 of the 52 units in the building to be occupied by individuals or families who are homeless or at risk of becoming homeless and are impacted by COVID-19; and (b) 45 of those 50 units (90 percent of Homekey-assisted units) to be occupied by homeless youth or youth at risk of homelessness. The total award of \$16,823,000 includes \$13,875,000 towards acquisition costs and \$2,948,000 towards operating costs for the property for five years. The \$2,948,000 award for operating costs includes a bonus award of \$500,000 conditioned on the property achieving 90 percent occupancy by February 28, 2023. HSH anticipates meeting this target. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The agreement requires HSH to fund the remaining acquisition and rehabilitation costs currently estimated at \$8,990,000 and to fund operating and service costs for five years. Total property management and supportive service costs are expected to be approximately \$10.1 million through June 2026, offset by an operating subsidy of \$2,948,000 in the Homekey award. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> 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.

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

BACKGROUND

In July 2020, Mayor London Breed announced her Homelessness Recovery Plan that included the goal of acquiring or leasing 1,500 new units of permanent supportive housing over the next two years. The City added 2,918 new units of permanent supportive housing that were active or under contract with a non-profit provider as of June 30, 2022 using monies made available from the state Homekey program and Proposition C, a gross receipts tax to fund homeless services and housing approved by San Francisco voters in November 2018.

In July 2020, the California Department of Housing and Community Development (HCD) announced the Homekey program, providing grants to expand housing for people experiencing homelessness impacted by COVID-19. Funding is provided jointly by the federal and state governments, and the program requires the grant recipient to provide matching funds. The Department of Homelessness and Supportive Housing (HSH) has secured more than \$212.57 million in state Homekey awards. In Round 1, HSH was awarded \$76.9 million to acquire and operate two properties. In September 2021, HCD announced a second round of Homekey grant funding, which HSH received grant awards for all four applications submitted. As of the writing of this report, HSH has received state approval for Round 2 grant funds totaling approximately \$135.7 million to acquire, improve, and operate four sites, including 5630 Mission Street. The Department has Board approval to apply for a Homekey award for 835 Turk Street, but did not do because HSH staff determined the property was not competitive for an award.

5630-5638 Mission Street

In October 2021, the Board of Supervisors approved the purchase of the Mission Inn at 5630-5638 Mission Street for a total acquisition cost of \$17,340,000 and authorized HSH to apply for a Homekey grant to offset the cost of the purchase and provide a partial operating subsidy for five years (File 21-0941). In June 2022, HCD awarded HSH \$16,823,000 in Homekey grant funding to support the acquisition and operations of the property. The site consists of 51 usable rooms among three buildings, as well an additional room leased to AT&T to store cell tower equipment. HSH determined that the site would be used for transitional aged youth (TAY) because smaller sites are preferable for this population.

HSH selected Larkin Street Youth Services (Larkin) as the supportive services provider and Dolores Street Community Services (Dolores) as the property manager through a competitive bidding process. In May 2022, HSH executed an interim lease and property management agreement with

Dolores for a term of 10 months through February 2023. HSH also executed a grant agreement with Larkin to provide support services for a term of three years and two months through June 2025, with six one-year options to extend through June 2031. As of this writing, the Board passed on first reading an ordinance that approved the lease and property management agreement with Dolores for a term of five years through February 2028, with one five-year option to extend; the ordinance is pending full approval by the Board of Supervisors (File 22-1156).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would:

- Authorize HSH to execute a 15-year Standard Agreement with HCD for a total not-to-exceed amount of \$16,823,000 in Project Homekey grant funds;
- Accept and expend those funds for the acquisition of 5630 Mission Street for permanent supportive housing for transitional aged youth and to support its operations through June 2026;
- Authorize HSH to contribute a minimum of five years of operating costs and approximately \$13,043,500 in Proposition C matching funds for acquisition and rehabilitation of the property;
- Affirm the Planning Department's determination under the California Environmental Quality Act;
- Adopt the Planning Department's findings of consistency with the General Plan and Planning Code Section 101.1; and
- Authorize HSH to make changes to the Standard Agreement and Homekey documents that do not materially increase the obligations or liabilities of the City or materially decrease benefits to the City.

Expenditure Deadlines

HSH must expend the award for capital expenditure by February 28, 2023 and complete construction and rehabilitation activities funded by the Homekey grant by June 28, 2023. However, according to HSH staff, the capital award will be expended on acquisition costs and not on any construction and rehabilitation activities, which will be funded by Proposition C revenues. HSH anticipates that building rehabilitation will begin in Fall 2023.¹

Conversion to Permanent Supportive Housing

5630 Mission Street is currently being operated as interim housing for transitional aged youth, and HSH plans to convert the building to permanent supportive housing after construction is completed. HSH plans for existing residents to stay at the site and transition into lease

¹ The anticipated improvements include accessibility improvements to ground floor rooms, exterior siding and roof repair, upgrades to fire suppression systems, replacement of interior finishes in certain rooms, installation of kitchenettes in certain rooms, and repurposing a portion of the parking lot to serve as a community outdoor space.

agreements once the building converts. According to the agreement, the interim housing facility must be converted to permanent supportive housing by June 28, 2038.

Building Occupancy

The Homekey grant agreement requires that 50 of the 52 units in the building will be occupied by Homekey-eligible households defined as individuals or families who are homeless or at risk of becoming homeless and are impacted by COVID-19 or other communicable diseases. The grant agreement also requires that 45 of the 50 units (90 percent of Homekey-assisted units) will be occupied by homeless youth or youth at risk of homelessness.

FISCAL IMPACT

Acquisition and Operating Costs

The total award of \$16,823,000 includes \$13,875,000 towards acquisition costs and \$2,948,000 towards operating costs for the property for five years. The agreement requires HSH to fund the remaining acquisition and rehabilitation costs currently estimated at \$8,990,000² and to fund operating and service costs for five years. At the time HSH applied for the Homekey grant, HSH estimated the City share of operating costs for five years to be \$2,102,510 based on average costs of supportive housing sites. However, actual property management and supportive services costs exceed prior estimates, and the total property management and supportive service costs are expected to be approximately \$10.1 million³ through June 2026 (see File 22-1156).

Local matching funds will be provided by existing Proposition C revenues and \$2,591,288 from the General Fund for the interim property management agreement. The estimated Proposition C funds needed for the purchase of the building and five years of operations are approximately \$13.3 million.⁴ Acquisition expenditures incurred in FY 2022-23 were previously appropriated in HSH's FY 2021-22 and FY 2022-23 budget.

Bonus Award

The \$2,948,000 award for operating costs includes a bonus award of \$500,000 conditioned on the property achieving 90 percent occupancy by February 28, 2023. HSH anticipates meeting this target. According to HSH staff, there were 40 units occupied (80 percent of Homekey-assisted units) at the building at the time of this report.

² Equal to acquisition costs (\$17,340,000) plus estimated construction costs (\$5,525,000) less the award for capital expenditures (\$13,875,000).

³ Equal to the cost of the interim lease and property management agreement with Dolores (\$2,617,288) plus the cost of the lease and property management agreement with Dolores through June 2026 excluding contingency and reserve (\$5,592,885) plus the cost of the support services contract through June 2026 (\$1,914,035). The support services contract with Larkin has total projected costs of approximately \$1,446,035 over the initial four-year term, excluding contingencies. Assuming that annual costs of \$468,000 continue in the extension term, the total costs through June 2026 are approximately \$1,914,035.

⁴ Equal to acquisition costs and estimated construction costs (\$22,865,000) plus operating costs through June 2026 (10,124,208), offset by the proposed Homekey Award (16,823,000), tenant income (\$258,031) through June 2026, and \$2,591,288 from the General Fund.

RECOMMENDATION

Approve the proposed resolution.