

From: [Adam Francis](#)
To: [Safai, Ahsha \(BOS\)](#); [Walton, Shamann \(BOS\)](#); [Ronen, Hillary](#); [ChanStaff \(BOS\)](#)
Cc: [BOS-Legislative Aides](#); [MandelmanStaff, \[BOS\]](#); [Jalipa, Brent \(BOS\)](#); [Thornhill, Jackie \(BOS\)](#); [Conrad Amenta](#)
Subject: Support for Resolution 230420 - Budget and Appropriations Committee
Date: Tuesday, May 2, 2023 2:49:47 PM

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Dear San Francisco Supervisors Chan, Ronen, Safai, Walton and staff:

I'm writing today on behalf of the San Francisco Marin Medical Society (SFMMS), a nonprofit association representing more than 3500 physicians of all medical specialties and modes of practice in San Francisco and Marin counties. **SFMMS physician leadership would like to express their support for Supervisor Mandelman's resolution (File # 230420) calling on the Mayor to fund 2,000 new shelter or temporary housing placements over the next two fiscal years.**

Our physician members are on the frontlines of care for our most underserved and underrepresented patient populations, bringing a unique perspective to issues of housing and homelessness. Housing issues in San Francisco, and specifically the lack of shelter capacity, have a tangible effect on the health outcomes of our communities. A lack of shelter capacity can contribute to unhoused individuals arriving in already overwhelmed emergency rooms ill-suited to provide for their needs, further straining a workforce stretched to the limit by the COVID-19 pandemic and our city, state, and country's mental health crisis.

We know that San Francisco will continue to provide more permanent housing per capita than any other city in the U.S., but even as we lead the nation in this effort, roughly 55% of people experiencing homelessness in San Francisco are unsheltered. Shelters are better waiting rooms for housing than sidewalks. We cannot make the perfect the enemy of the good and continue to subject individuals to the deadly and dehumanizing effects of unsheltered homelessness.

While we respect the issue is complex and that the proposal will require ongoing dialogue regarding implementation, SFMMS applauds the resolution's goal. We believe approval will advance this cause and are enthusiastic to participate in the dialogue.

Thank you,

Adam Francis

Senior Director, Advocacy and Policy
San Francisco Marin Medical Society
www.sfmms.org

From: [Hsieh, Frances \(BOS\)](#)
To: [Jalipa, Brent \(BOS\)](#)
Subject: FW: Budget Funding for Shelter and Housing
Date: Tuesday, May 2, 2023 4:38:13 PM
Attachments: [2023.5.2 RescueSF Budget Proposals 2023-24.pdf](#)

For the public file for 230420.

From: Mark Nagel <mark.nagel@rescuesf.org>
Sent: Tuesday, May 2, 2023 4:19 PM
To: Chan, Connie (BOS) <connie.chan@sfgov.org>; Groth, Kelly (BOS) <kelly.groth@sfgov.org>; Hsieh, Frances (BOS) <frances.hsieh@sfgov.org>
Cc: Lori Brooke <lori.brooke@rescuesf.org>
Subject: Budget Funding for Shelter and Housing

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Connie, Kelly, and Frances,

In advance of tomorrow's hearing of the Budget and Appropriations Committee, we're writing to support the resolution calling for new shelter and housing placements in next year's budget. Back in March, we formally proposed to the Mayor's office that the City fund 1,000 new shelter beds in leased hotels and 1,000 units of housing in leased apartments. Attached to this email, we have included a PDF of some of the supporting materials that we submitted to the Mayor's office.

Our analysis demonstrates that the City has cost-effective tools to bring 2,000 people inside, next year. We have identified enough hotel rooms. We have confirmed the pricing of the hotel rooms. We have confirmed that apartments are available to rent in San Francisco and elsewhere in the Bay Area. We have prepared financial projections.

The City's current "go slow" approach to addressing homelessness is ineffective, too expensive, and unacceptable. We very much hope that you will urge the Mayor's office to take urgent and bold action on homelessness. We're happy to answer any questions you may have about our proposal or the materials that we have sent.

Thank you!

Mark and Lori

Mark Nagel
mark.nagel@RescueSF.org



Budget Proposals, FY 2023-24

May 2, 2023



Take Urgent Action on Homelessness



- The City should use its most cost-effective solutions to end homelessness: converted hotels for shelter and leased apartments for housing
- These proposals are realistic and tangible
 - We have identified more than enough hotel rooms to create shelter for 1,000 people
 - We have confirmed expected lease costs for the hotels
 - We have confirmed that the Bay Area has enough vacant apartments for 1,000 people leaving homelessness
- We show four-year financial projections for two scenarios
 - 1,000 shelter beds and 1,000 apartments in FY 23-24
 - 1,000 shelter beds and 1,000 apartments in each of FY 23-24 & 24-25

Hotel Conversion: 711 Post



- Non-congregate
- 250 beds, mostly single rooms



- Minimal capital expenses
- \$30k annual opex per bed

Availability of Hotel Rooms



- We are working with a real estate professional who is contacting hotel owners on our behalf
- At 711 Post, the ratio of beds to rooms is 2 to 1. The City needs 500 rooms to offer 1,000 new shelter beds
- We have identified more than 1,000 available rooms, more than enough for the City's needs

Status	Hotels	Rooms
Yes	4	283
Maybe	3	288
Potential Referral	n/a	500
Subtotal	7	1,071
To be Contacted	149	8,518

Hotel Lease Rates

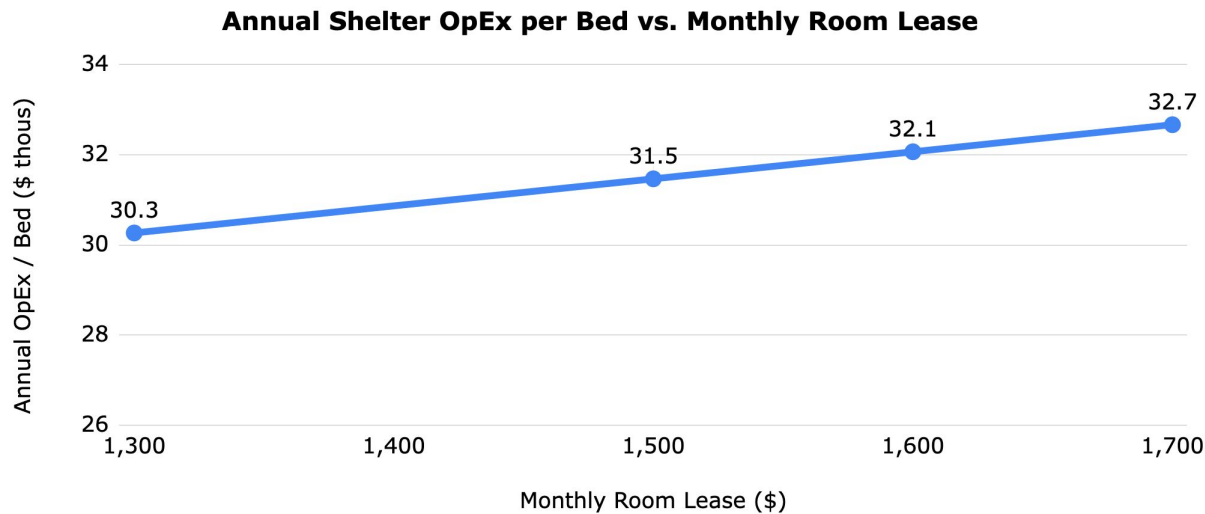


- The operating expenses at 711 Post are \$30k per bed per year, a very cost-effective result compared to other shelter
- One of the cost drivers at 711 Post is the favorable monthly lease rate of approximately \$1,300 per room
- We have obtained market intelligence through our real estate agent and from a hotel owner that we know
- In the current environment, the City should expect to rent other hotels at a monthly lease rate between \$1,500 and \$1,700 per room

Sensitivity: Lease Rate per Room



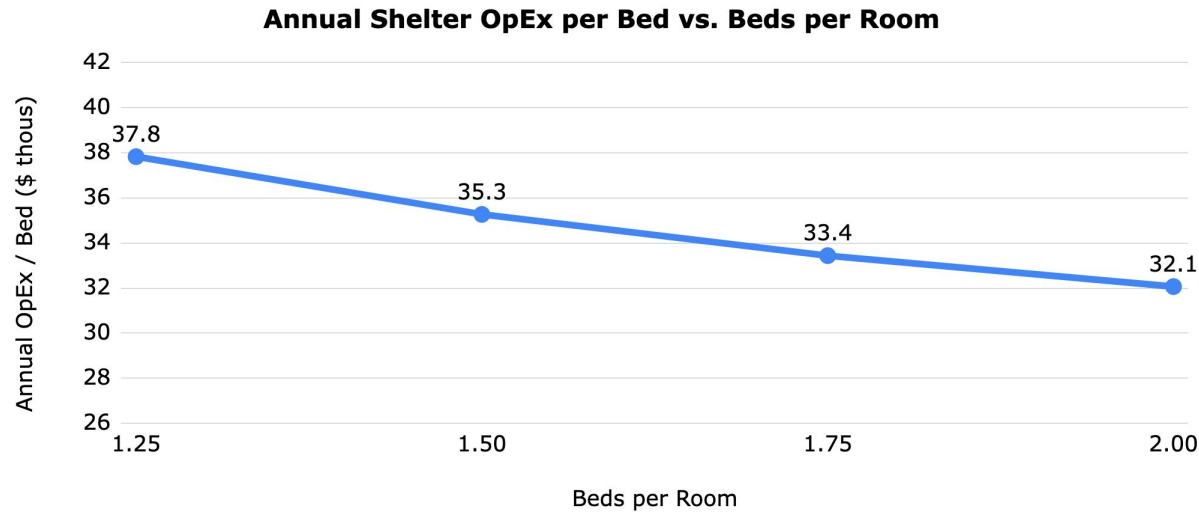
- Scenarios range from \$1,300 (711 Post) to \$1,700 (from hotel owners)
- Even with costlier leases, operating expenses remain relatively low because the lease at 711 Post represents only 26% of total operating expenses



Sensitivity: Beds per Room



- At 711 Post, the ratio of beds to rooms is 2 to 1
- At ratios of 1.75 or 1.5, costs rise, but total expenses remain relatively low
- In the budget proposal, it is recommended to aim for a ratio of 2 to 1



Availability of Apartment Rentals



- The proposal calls for 1,000 apartment rentals: 500 for Rapid Rehousing and 500 for Permanent Supportive Housing
- The City needs to find landlords willing to rent to people leaving homelessness, and the City requires a large number of available units
- There are sufficient apartments available for less than \$2,500 per month
 - More than 13,000 units in the Bay Area

	Available Rental Units
San Francisco	1,936
East Bay	9,025
North Bay	1,424
Peninsula	919
Total	13,304

Source: Craigslist, Apr. 12, 2023.

Implementation



- The City will need stronger administrative capabilities to open so much new shelter and housing in one year
- The City should consider investing additional resources into HSH
- HSH should outsource the implementation to third party contractors. Issue separate Requests for Proposals ("RFP") for:
 - converting hotels to shelter, and
 - leasing apartments
- Preparation should begin in May and June so that HSH can issue the RFPs at the start of July

Base Case Scenario



- Base Case Scenario reflects real estate market research and HSH data
- Shelter
 - Hotel lease rate of \$1,600 per room per month. Projections use current market rate, which is higher than rate of \$1,300 at 711 Post
 - 2 beds per room – same ratio as 711 Post
 - 30% of hotel rooms already have two beds. Model assumes purchasing remaining second beds at \$200 per bed
 - Other startup renovations of \$330 per bed – same as 711 Post. Operating hotels are in good condition and do not need a lot of work
- Housing
 - Startup costs of \$11k per apartment and annual operating expenses of \$42k per year – same assumptions in HSH report for “A Place for All”

One-Year Plan: Shelter & Housing Units



	Fiscal Year			
	23-24	24-25	25-26	26-27
<u>Shelter Beds</u>				
Starting	2,728	3,613	3,613	3,613
Increase	1,000	0	0	0
Decrease	(115)	0	0	0
Ending	3,613	3,613	3,613	3,613
<u>RRH Units</u>				
Starting	1,758	2,258	2,258	2,258
Increase	500	0	0	0
Decrease	0	0	0	0
Ending	2,258	2,258	2,258	2,258
<u>PSH Units</u>				
Starting	10,655	11,155	11,155	11,155
Increase	500	0	0	0
Decrease	0	0	0	0
Ending	11,155	11,155	11,155	11,155

- The “One-Year Plan” includes only programs in FY 23-24
 - 1,000 shelter beds in converted hotels
 - 500 leased apartments for Rapid Rehousing
 - 500 leased apartments for Permanent Supportive Housing

One-Year Plan: Financial Projections



\$ mln

	Fiscal Year			
	23-24	24-25	25-26	26-27

Shelter

CapEx	0.4	0.0	0.0	0.0
OpEx	32.1	32.1	32.1	32.1
Total	32.5	32.1	32.1	32.1

Leased RRH

Startup Costs	5.5	0.0	0.0	0.0
OpEx	20.8	20.8	20.8	4.2
Total	26.3	20.8	20.8	4.2

Leased PSH

Startup Costs	5.5	0.0	0.0	0.0
OpEx	20.8	20.8	20.8	20.8
Total	26.3	20.8	20.8	20.8

Total Spending	85.0	73.6	73.6	57.0
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- Shelter
 - Initial capex of only \$400k
 - Annual opex of only \$32.1 mln
- Housing
 - Same assumptions for RRH and PSH
 - Initial total startup costs of \$11 mln
 - Annual opex of \$42 mln
- Total spending
 - Peaks in 23-24 at \$85 mln, drops to \$74 mln for next two years, and then declines to \$57 mln
 - Assume 3 year RRH subsidy, after which 20% of residents stay on PSH

Two-Year Plan: Shelter & Housing Units



	Fiscal Year			
	23-24	24-25	25-26	26-27

Shelter Beds

Starting	2,728	3,613	4,613	4,613
Increase	1,000	1,000	0	0
Decrease	(115)	0	0	0
Ending	3,613	4,613	4,613	4,613

RRH Units

Starting	1,758	2,258	2,758	2,758
Increase	500	500	0	0
Decrease	0	0	0	0
Ending	2,258	2,758	2,758	2,758

PSH Units

Starting	10,655	11,155	11,655	11,655
Increase	500	500	0	0
Decrease	0	0	0	0
Ending	11,155	11,655	11,655	11,655

- The “Two-Year Plan” includes both FY 23-24 and 24-25. Same programs in each year
- Over two years:
 - 2,000 shelter beds
 - 2,000 units of housing

Two-Year Plan: Financial Projections



\$ mln

	Fiscal Year			
	23-24	24-25	25-26	26-27
<u>Shelter</u>				
CapEx	0.4	0.4	0.0	0.0
OpEx	32.1	64.1	64.1	64.1
Total	32.5	64.5	64.1	64.1

Leased RRH

Startup Costs	5.5	5.5	0.0	0.0
OpEx	20.8	41.5	41.5	24.9
Total	26.3	47.0	41.5	24.9

Leased PSH

Startup Costs	5.5	5.5	0.0	0.0
OpEx	20.8	41.5	41.5	41.5
Total	26.3	47.0	41.5	41.5

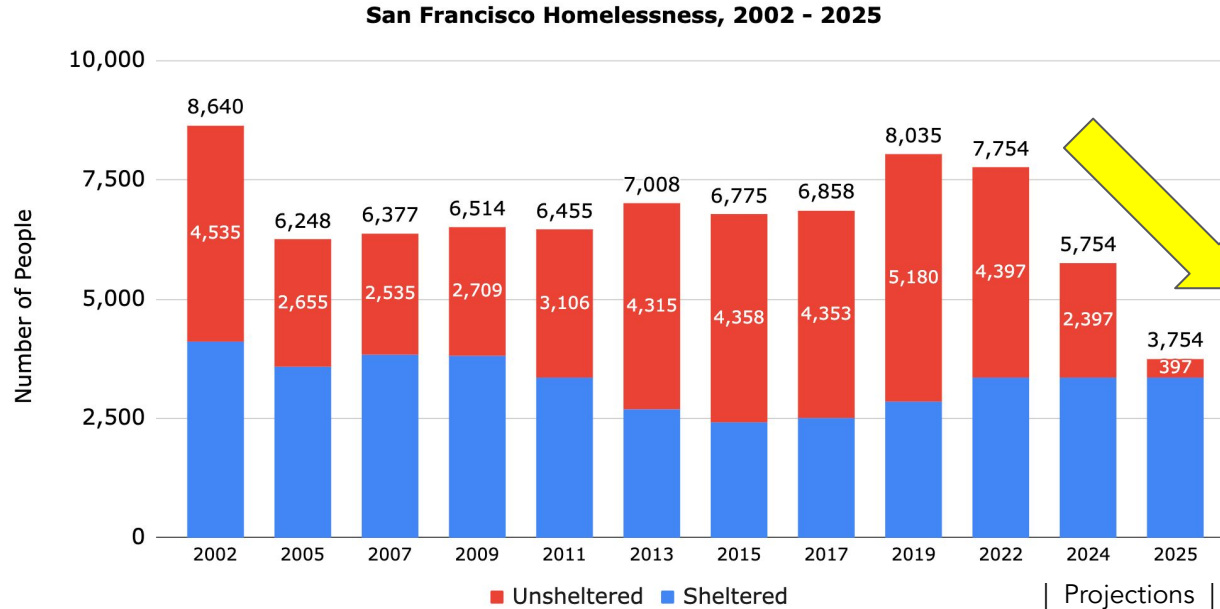
Total Spending	85.0	158.6	147.2	130.6
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- Shelter
 - Annual opex of \$64 mln for 2,000 beds
- Housing
 - Cumulative startup costs of \$22 mln
 - Peak annual opex of \$83 mln
- Total spending
 - Peaks in 23-24 at \$159 mln, drops to \$147 mln for next two years, and then declines to \$131 mln

Ending Unsheltered Homelessness



- Over the next two years, the City could bring 4,000 people inside, driving unsheltered homelessness almost to zero



Note: Projections for the next two years do not include net inflows into homelessness.

Conclusion: Bold Action is Possible



- The City must act with urgency to show real results on homelessness
- Our proposal builds on the City's demonstrated successes
 - Converting hotels into shelter
 - Leasing apartments for housing
- The proposal is impactful and cost-effective
 - 2,000 people in shelter and housing for peak annual funding \$85 mln
 - 4,000 people in shelter and housing for peak annual funding of \$159 mln
 - These proposals are significantly less expensive than the HSH plan under "A Place for All" or the five-year strategic plan. (More analysis to follow.)
- San Francisco could almost eliminate unsheltered homelessness in two years