

Items 3, 4 & 5 Files 23-0761, 23-0762, 23-0763	Department: Homelessness & Supportive Housing (HSH)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinances would: (a) approve amendments to three hotel booking agreements, including agreements with the Adante Hotel (File 23-0761), the Cova Hotel (File 23-0763), and The Monarch (File 23-0762), extending the terms through August 31, 2024 and increasing the not to exceed amounts; and (b) waive certain requirements of the Administrative and Environment Codes for the agreements. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • HSH is using three hotels that were previously closed as Shelter in Place Hotels as non-congregate shelter programs, including the Monarch (100 rooms), the Cova Hotel (95 rooms), and the Adante Hotel (93 rooms). These sites serve adults experiencing homelessness regardless of COVID-19 vulnerability. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed ordinances would increase the not-to-exceed amounts by \$3.6 million (Adante), \$2.9 million (Cova), and \$4.1 million (Monarch). • In FY 2023-24, the total budgeted costs per unit per night for the hotels (including property rental costs, programming, food, and security) ranges from \$188 for the Monarch up to \$242 for the Cova Hotel <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The non-congregate shelter hotels are more expensive to operate than temporary congregate shelter as well as permanent supportive housing. The FY 2022-23-2024-25 budget includes funding for the three former SIP hotels for an additional year to maintain needed system shelter capacity for adults while HSH identifies ongoing funding for an expanded shelter portfolio and lower-cost options for non-congregate shelter. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinances. 	

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.

File 22-0703 approved extensions for hotel booking agreements through August 31, 2023. Amendments to extend beyond August 31, 2023 and to waive applicable restrictions in the Municipal Code require approval of the Board of Supervisors.

BACKGROUND

Shelter in Place Program Ended

The Human Services Agency (HSA) entered into booking agreements with hotels to provide rooms for shelter-in-place, isolation and quarantine, and first responders under the City's Shelter in Place Hotel Program (SIP Program).¹ At its highest capacity, the SIP Program, provided 2,288 rooms across 25 sites. According to the Department of Homelessness and Supportive Housing (HSH), the program served over 3,700 guests, including adults, families, and Transitional Aged Youth (ages 18-24).² The SIP Program provided non-congregate temporary shelter for people experiencing homelessness who were most vulnerable to COVID-19.

The SIP Program ended in December 2022. Three-quarters of guests exited to stable locations, including housing or shelter. Over 1,800 people - two-thirds of eligible guests - exited to housing.³

Hotel Close-Out Costs

Under the booking agreements, the City may be responsible for all repair costs associated with restoring the hotel to its previous condition, even if they exceed the contingency amount. To date, hotel close-out costs have exceeded the total contract costs for nine out of 22 hotels closed. The Board of Supervisors has approved settlements for damages to nine former Shelter in Place Hotels, totaling approximately \$44.5 million. According to HSA staff, the City is not anticipating additional settlements and all hotels have been closed-out except for three hotels that are

¹ According to the Mayor's emergency proclamation and supplements, HSA did not need to adhere to competitive solicitation and procurement procedures in the Administrative Code, obtain commission approval, or include terms otherwise required by the Administrative and Environment Codes (such as the Minimum Compensation Ordinance) to enter into or amend the agreements.

² <https://hsh.sfgov.org/covid-19/shelter-in-place-hotel-program-overview/>

³ More than 2,500 guests were eligible for the SIP Housing Process. An additional 800 guests were not eligible, including 500 guests that were not eligible because they exited the SIP hotels before November 2020 when the City began its coordinated effort to house guests. The remaining 300 non-eligible guests did not have high risk of negative impacts from COVID-19 and were offered problem solving services and shelter bed placements.

currently being used by HSH for non-congregate shelter and one that the Department of Public Health for other programs.⁴ HSH staff report that they are managing the condition of their remaining three hotel sites by conducting walk-throughs of each room as they turnover, conducting weekly inspections of each room, and clarifying janitorial expectations with non-profit site managers.

Hotels Used as Non-Congregate Shelter

HSH is using three hotels that were previously closed as Shelter in Place Hotels as non-congregate shelter programs, including the Monarch (100 rooms), the Cova Hotel (95 rooms), and the Adante Hotel (93 rooms). These sites serve adults experiencing homelessness regardless of COVID-19 vulnerability. There are 288 units across all three sites, which have served 642 unique guests as shown in Exhibit 1 below. HSH staff report that units are filled through the City's centralized shelter placement process, and available units are allocated daily to referring entities such as the San Francisco Homeless Outreach Team (SFHOT), the Healthy Streets Operation Center (HSOC), and hospital discharge. According to HSH staff, 240 rooms are occupied (93 percent) out of 255 non-congregate rooms across the three sites (excluding 11 overflow rooms for isolation, six rooms that are offline for repairs, and 16 rooms that are used for operations, including staff offices and supply rooms).

⁴ DPH currently uses one former SIP hotel (Days Inn) for: (a) shelter for people experiencing homelessness to provide management of chronic alcohol use disorder and safe sobering; and (b) isolation for individuals and families who have communicable diseases of public health concern and do not have a safe place to isolate. However, according to DPH staff, DPH expects to close-out at Days Inn before the current booking agreement ends on August 31, 2023 and plans to transfer guests before close-out to an alternate site.

Exhibit 1: Three Hotels Used as Non-Congregate Shelter

	Adante Hotel	Cova Hotel	The Monarch	Total
Address	610 Geary Street	655 Ellis Street	1015 Geary Street	
Date Opened as Non-Congregate Shelter	3/7/22	12/27/21	9/26/22	
Number of Rooms	93 rooms	95 rooms	100 rooms	288 rooms
Unique Guests Served (As of June 7, 2023)	229 guests	257 guests	178 guests	642 guests
Current Use (units)	75 shelter units; 11 overflow units; 7 operations units	92 shelter units; 3 operations units	94 shelter units; 6 operations units	261 shelters; 11 overflows; 16 operations
Shelter Units Offline for Repairs	4 units	1 unit	1 unit	6 units
Occupancy (excl. offline and isolation units)	98% 70/71 shelter units 3/11 isolation units	86% 78/91 shelter units	99% 92/93 shelter units	94% 240/255 shelter 3/11 isolation
Hotel Operator	Sayana Corporation	Shin International, Inc.	Lombard Hotel Group	
Service Provider	Five Keys Schools and Programs	Episcopal Community Services	WeHope	

Source: HSH

Hotel Booking Agreements for Three Hotels

HSA entered into the original booking agreements with the three hotels between May and July 2020 and subsequently amended the agreements twice to extend the term and increase the not-to-exceed amounts. In July 2022, the Board of Supervisors approved the third amendments to the hotel booking agreements for the Cova Hotel, the Adante Hotel, and the Monarch, extending the terms through August 31, 2023 and increasing the not-to-exceed amounts (File 22-0703). HSA subsequently entered into the fourth amendment for the Cova Hotel to add a surcharge of \$2.83 per room per night to be paid from the contingency beginning September 1, 2022 with no change to the not-to-exceed amount or term. HSH has separate grant agreements with the service providers for programming at the sites.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinances would: (a) approve amendments to three hotel booking agreements, including agreements with the Adante Hotel (File 23-0761), the Cova Hotel (File 23-0763), and The Monarch (File 23-0762), extending the terms through August 31, 2024 and increasing the not to exceed amounts; and (b) waive certain requirements of the Administrative and Environment Codes for the agreements. Details for the proposed amendments to the booking agreements are shown in Exhibit 2 below.

Exhibit 2: Proposed Amendments to Three Hotel Booking Agreements

	Adante Hotel (4th Amendment, File 23-0761)	Cova Hotel (5th Amendment, File 23-0763)	The Monarch (4th Amendment, File 23-0762)
Address	610 Geary Street	655 Ellis Street	1015 Geary Street
Number of Rooms	93 rooms	95 rooms	100 rooms
Term Begin Date	5/14/2020	5/26/2020	8/4/2020
Current End Date	8/31/2023	8/31/2023	8/31/2023
Proposed End Date	8/31/2024	8/31/2024	8/31/2024
Proposed Term length	1,570 nights	1,558 nights	1,488 nights
Current Not to Exceed Amount	\$14,856,866	\$11,385,311	\$15,005,460
Proposed Not to Exceed Amount	\$18,499,439	\$14,304,253	\$19,127,760
Change in Term Length	365 nights	365 nights	365 nights
Change in Not to Exceed Amount	\$3,642,573	\$2,918,942	\$4,122,300

Source: Proposed amended agreements

Exemptions from the Administrative Code and the Environment Code

Under the proposed ordinances, the hotel booking agreements would continue to be exempt from the following requirements of the Administrative and Environment Codes:

- Salary History Ordinance (Admin. Code Chapter 12K)
- Minimum Compensation Ordinance (Admin. Code Chapter 12P)
- Consideration of Criminal History in Hiring and Employment Decisions (Admin. Code Chapter 12T)
- Slavery Era Disclosure Ordinance (Admin. Code Chapter 12Y)
- Local Business Enterprise and Non-Discrimination in Contracting Ordinance (Admin. Code Chapter 14B)
- First Source Hiring Program (Admin. Code Chapter 83)
- Sugar-Sweetened Beverage Funding Ban Ordinance (Admin. Code Chapter 101)
- Tropical Hardwood and Virgin Redwood Ban (Environ. Code Chapter 8)
- Arsenic and Treated Wood Products (Environ. Code Chapter 13)
- Food Service and Packaging Waste Reduction Ordinance (Environ. Code Chapter 16)
- Bottled Water Ordinance (Environ. Code Chapter 24)

Extending the term beyond August 31, 2024 for each of the three agreements would require approval by the Board of Supervisors to continue waiving the above requirements.

FISCAL IMPACT

The proposed ordinances would increase the not-to-exceed amounts by \$3.6 million (Adante), \$2.9 million (Cova), and \$4.1 million (Monarch) as shown in Exhibit 2 above. The contract not to exceed amounts include a 15 percent contingency for reimbursable expenses above the monthly room rate. The contingency amount is for use at the City's discretion and is primarily intended

for repair costs at contract close-out. According to the agreements, the City may be responsible for all repair costs associated with restoring the hotel to its previous condition, even if they exceed the contingency amount.

Funding for the extension year for the three booking agreements is from state grant funds and General Fund support.

Actual Spending

Budgeted and actual expenditures as of June 2023 for the three agreements are shown below. Actual expenditures include invoices through May 2023 as well as some available June 2023 costs.

Exhibit 3: Actual Spending for Three Agreements, June 2023

Site Name	Current End Date	Current Not-to-Exceed Amount	Actual Spend to Date (As of June 2023)	Remaining Amount	Percent Spend
Adante Hotel	8/31/2023	\$14,856,866	\$13,250,145	\$1,606,721	89%
Cova Hotel	8/31/2023	11,385,311	9,895,576	1,489,735	87%
The Monarch	8/31/2023	15,005,460	13,710,259	1,295,201	91%
Total		\$41,247,637	\$36,855,980	\$4,391,657	89%

Source: HSH

Cost per Room

In FY 2023-24, the total budgeted costs per unit per night for the hotels (including property rental costs, programming, food, and security) ranges from \$188 for the Monarch up to \$242 for the Cova Hotel, as shown in Exhibit 4 below.

Exhibit 4: Budgeted Cost Per Unit, FY 2023-24

Site (shelter units)	Booking Agreement			Total	Unit/Night
	(excl. meals)	Meals*	Service Agreement		
Adante (86 units)	\$2,376,150	\$848,625	\$4,188,697	\$7,413,472	\$236
Cova (92 units)	2,538,210	954,840	4,642,549	8,135,599	242
Monarch (94 units)	2,562,000	915,000	2,966,736	6,443,736	188
Total (272 units)	\$7,476,360	\$2,718,465	\$11,797,982	\$21,992,807	\$222

Source: HSH

*Meals at the Adante Hotel and The Monarch are provided through the hotel booking agreement, and meals at the Cova Hotel are provided by a separate agreement.

The per unit cost for The Monarch is lower than the other two hotels because of lower service agreement costs. According to HSH staff, this is due to lower staffing levels for case management, housekeeping, and janitorial services compared to the other two hotels.

POLICY CONSIDERATION**Use of Hotels for HSH Emergency Shelter Sites**

The non-congregate shelter hotels are more expensive to operate than temporary congregate shelter as well as permanent supportive housing. Based on prior reporting, we estimate the current cost of temporary congregate shelters to be \$105 per person per night, a figure which includes property rental costs (which are often minimal because they are on public land) and programming. In addition, permanent supportive housing is more than twice as cost-effective to operate than the SIP hotels according to HSH. The higher cost for the hotels (\$222 per unit per night) reflects the non-congregate setting as well as the temporary nature of the SIP hotel model, which was set-up quickly as part of the City's COVID-19 emergency response. HSH estimates the cost to operate a new non-congregate shelter could cost as much as \$175 per bed per night (including property rental cost and programming), which reflects additional staffing and higher compensation for providers.

According to HSH staff, the new citywide strategic plan to prevent and end homelessness prioritizes non-congregate settings (such as cabins and hotels) over congregate settings, and HSH funds several non-congregate adult and family shelters, including 711 Post Street, the Baldwin Hotel, and the Oasis Inn. The FY 2022-23-2024-25 budget includes funding for the three former SIP hotels for an additional year to maintain needed system shelter capacity for adults while HSH identifies ongoing funding for an expanded shelter portfolio and lower-cost options for non-congregate shelter.

RECOMMENDATION

Approve the proposed ordinances.