

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

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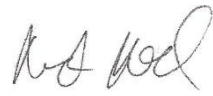
TO: Homelessness & Behavioral Health Select Committee
FROM: Budget and Legislative Analyst 
SUBJECT: September 29, 2023 Homelessness & Behavioral Health Select Committee Meeting

TABLE OF CONTENTS

Item	File	Page
1	23-0927 Sublease Agreement - California State Lands Commission - Candlestick Point State Recreation Area - Vehicle Triage Center - Base Rent of \$312,000	1

Item 1 File 23-0974	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 authorize the Director of Property, on behalf of the Department of Homelessness and Supportive Housing (HSH), to negotiate and enter into a sublease with the California Department of Parks and Recreation for 312,000 square feet of property to continue the City’s use of the Bayview Vehicle Triage Center at Candlestick Point State Recreation Area (CPSRA), for a term of two years from approximately January 13, 2024 through January 12, 2026, for annual base rent of \$312,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> In April 2019, the Board of Supervisors approved an ordinance that required HSH to establish a Safe Overnight Parking Pilot Program to provide homeless people a safe place to park and sleep in their vehicles. The City identified an underutilized parking lot at CPSRA, and the Board of Supervisors approved a resolution authorizing the Director of Property to negotiate a two-year sublease for the site, with rent paid by in-kind law and parking enforcement services. The California Department of Parks and Recreation has agreed to a new sublease for an additional two years. The Bayview Vehicle Triage Center opened in January 2022. The site initially had anticipated capacity for 78 parking spaces with a goal of expanding to 150 parking spaces after site improvements were completed by July 2022. However, due to the size of vehicles and vehicle spacing required by the State Fire Marshal, capacity has been limited to 35 vehicles and final capacity is now anticipated to be approximately 69 vehicles. HSH is awaiting PG&E approval for power connections to meet the expanded capacity. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> Over the two-year term of the proposed sublease, HSH would pay \$624,000 in total rent. In addition to rent, the Budget and Legislative Analyst estimates that total costs for operating the Bayview Vehicle Triage Center though between FY 2023-24 – FY 2025-26 are approximately \$12.2 million. <p style="text-align: center;">Policy Considerations</p> <ul style="list-style-type: none"> Given that PG&E often has long lead times for power connection projects, it is possible that site capacity may not expand during the two-year term of the proposed sublease. Assuming an ongoing capacity of 35 vehicles per night, the cost per vehicle is approximately \$140,000 per year, which is by far the most expensive homeless response intervention. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> Request the Department of Homelessness & Supportive Housing report to the Board of Supervisors on the costs and benefits of lower cost service models to operate vehicle triage centers by June 2024, as part of the Department’s budget proposal. Approve the proposed resolution. 	

MANDATE STATEMENT

City Administrative Code 23.27 states that any lease with a term of one year or longer and where the City is the tenant is subject to Board of Supervisors approval by resolution.

BACKGROUND

In April 2019, the Board of Supervisors approved an ordinance that required the Department of Homelessness and Supportive Housing (HSH) to establish a Safe Overnight Parking Pilot Program to provide homeless people a safe place to park and sleep in their vehicles (File 19-0141). The City identified an underutilized parking lot at Candlestick Point State Recreation Area (CPSRA), which is owned by the California State Lands Commission and leased to the California Department of Parks and Recreation. In October 2019, the Board of Supervisors approved a resolution authorizing the Director of Property, on behalf of HSH, to negotiate and enter a sublease for 312,000 square feet of property at CPSRA to use as a vehicle triage center for an initial term of two years, with rent to be paid as in-kind law enforcement and parking enforcement services valued at \$1,796,090 (File 21-0966). To prepare the site, HSH installed a perimeter fence, solar lighting, guard shack, mobile trailers, potable water bibs, and portable toilets, and repainted the existing public restrooms. In April 2022, the Board of Supervisors authorized HSH to enter into a Standard Agreement with the California Department of Housing and Community Development (HCD) to accept and expend up to \$5,600,000 in grant funds to fund these improvements (File 22-0293). According to HSH, the Department has spent approximately \$4.6 million in grant funds and approximately \$1 million is available for future improvements, discussed below section below.

With the closure of the original vehicle triage center on San Jose Avenue, the Bayview Vehicle Triage Center is currently the only one operating in San Francisco. According to the 2022 Point-in-Time Homeless Count, there were approximately 1,055 homeless people living in vehicles in San Francisco. Similarly, the City's July 2023 Tent, Structure, and Vehicle Count identified 1,058 inhabited vehicles, of which 507 were located in District 10. The California Department of Parks and Recreation has agreed to a new sublease for an additional two years.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Director of Property, on behalf of HSH, to negotiate and enter into a sublease with the California Department of Parks and Recreation for 312,000 square feet of property to continue the City's use of the Bayview Vehicle Triage Center at CPSRA, for a term of two years from approximately January 13, 2024 through January 12, 2026, for annual base rent of \$312,000.¹ The proposed resolution would also authorize the Director of Property to execute documents, make certain modifications, and take certain actions in furtherance of the sublease, affirm findings under the California Environmental Quality Act

¹ Because the proposed rent is below \$45 per square foot annually, an appraisal is not required under Chapter 23 of the City's Administrative Code.

(CEQA), and find that the proposed sublease is in conformance with the General Plan and eight priorities of Planning Code Section 101.1.

The key terms of the proposed lease are shown in Exhibit 1 below.

Exhibit 1: Key Terms of Proposed Sublease

Term	Two years
Premises	312,000 square feet
Annual Rent	\$312,000
Capacity	150 parking spaces stated in lease, actual final capacity likely 69 spaces
Options to Extend	None
Utilities	Paid by City
Disposition of Improvements	City must remove all improvements and property at end of lease

Source: Proposed sublease

As noted above, HSH would no longer pay in-kind rent through law enforcement and parking enforcement services. According to HSH staff, the City would continue providing these services but HSH has not estimated the costs.

Vehicle Triage Center

The Bayview Vehicle Triage Center opened at the site in January 2022. The site initially had anticipated capacity for 78 parking spaces with a goal of expanding to 150 parking spaces after site improvements were completed. However, due to the size of vehicles and vehicle spacing required by the State Fire Marshal, capacity has been limited to 35 vehicles and final capacity is now anticipated to be approximately 69 vehicles, pending connection to a permanent power source. HSH is awaiting PG&E approval for power connections, and also plans to repair water and sewer mains and pave a road. The remaining \$1 million from the HCD grant is available for these improvements, according to HSH staff.

According to Bryn Miller, HSH Senior Legislative Analyst, the triage center is typically filled to capacity and served 96 clients from 73 households in FY 2022-23, with an average stay of 218 days. Guests are often referred to the site by the Homeless Outreach Team, with a focus on homeless residents living in vehicles near Candlestick Point State Recreation Area.

Service Providers

HSH has contracts with the Bayview Hunters Point Foundation and Urban Alchemy to operate the triage center. Urban Alchemy operates the site, including site maintenance, reservations, storage, entry and exit, and laundry. Bayview Hunters Point Foundation provides engagement, case management, benefits navigation, wellness checks, emergency response and conflict resolution, children's and youth services, exit planning, and two daily meals for guests. The service agreements for both organizations require that both provide intake, orientation, assessments and individual service plans, referrals and coordination of services, and support groups and activities. The contracts with Urban Alchemy and Bayview Hunters Point Foundation expire in January 2024 and June 2024, respectively. According to Senior Legislative Analyst Miller, HSH plan to extend the contracts through the proposed sublease term.

Performance Monitoring

FY 2022-23 performance monitoring for Urban Alchemy indicated that it met all four service objectives but did not meet its two outcome objectives. Only 25 percent of guests were deemed to have a “positive exit” from the site, which is defined as an exit to shelter, housing, homeward bound, or a successful problem-solving resolution, which is below the goal of 50 percent.² HSH staff reported to our office that they still considered 25 percent of positive exits (4 of which were to housing) a sign that the program is working. We note this percentage is similar to the number of exits to housing observed in the Controller’s 2021 evaluation of the Vehicle Triage Center on San Jose Avenue.³

FY 2022-23 performance monitoring for Bayview Hunters Point Foundation indicated that it met all three service objectives and one outcome objective. There were no findings or required corrective actions.

Fiscal & Compliance Monitoring

The Department of Public Health (DPH) reviewed Bayview Hunters Point Foundation’s financial documents as part of the FY 2020-21 Citywide Fiscal and Compliance Monitoring program and identified four findings that were not yet in conformance and noted that failure to conform may result in “elevated concern” status. Bayview Hunters Point Foundation was one of two non-profits on elevated concern status in the Controller’s Citywide Nonprofit Monitoring and Capacity Building Program Report FY 2021-22, based on their lack of compliance with a grant agreement to provide fiscal sponsor service to United Council of Human Services, invoicing departments for costs not yet incurred, and turnover in leadership.⁴ The Controller’s Office, HSH, and DPH are each providing technical assistance to improve the organization’s financial condition and grant performance. HSH provided a status report from July 2023 that showed progress towards the goals of the technical assistance, including completion of an audited financial statement for FY 2020-21 and successful registration with the state as a charitable nonprofit, though the financial audit for FY 2021-22 and a complete cash flow analysis is still pending.

HSH reviewed Urban Alchemy’s financial documents as part of the FY 2022-23 Citywide Fiscal and Compliance monitoring program and identified 10 findings. All findings have been addressed and Urban Alchemy is now deemed to be in conformance.

FISCAL IMPACT

Over the two-year term of the proposed sublease, HSH would pay \$624,000 in total rent. In addition to rent, the Budget and Legislative Analyst estimates that total costs for operating the

² In addition, 70 percent of guests who completed the quarterly satisfaction survey rated the treatment of staff, connection to services, and safety as good or excellent, which is slightly below the goal of 75 percent. There were no findings for FY 2022-23 but a required follow-up from FY 2021-22 that case files are reviewed by a supervisor and that a form is created by September 30, 2022, was implemented.

³ Controller’s Office, “Vehicle Triage Center Evaluation,” February 1, 2021

⁴ These issues are also noted in the Controller’s November 2022 audit, “The City Must Determine Whether United Council of Human Services Should Continue Providing Services to San Francisco Residents Despite Continuing Noncompliance with City Grants.”

Bayview Vehicle Triage Center though between FY 2023-24 – FY 2025-26 are approximately \$12.2 million.

Exhibit 2: Estimated Bayview Vehicle Triage Center Costs

	FY 2023-24	FY 2024-25	FY 2025-26	Total
Rent	\$130,000	\$312,000	\$182,000	\$624,000
Urban Alchemy	2,881,203	2,989,356	1,796,105	7,666,664
Bayview Hunters Point	1,237,715	775,171	452,124	2,465,010
Service Contract Contingency (20%)	823,784	752,905	449,646	2,026,335
Total	\$5,072,702	\$4,829,432	\$2,879,875	\$12,782,009

Source: BLA estimates from HSH sources

Note: FY 2025-26 figures are through January 2026.

Service contract estimates are based on HSH estimates, which show a decrease in the Bayview Hunters Point contract, and include a 20 percent contingency for unforeseen costs. Not included in the table above are law and parking enforcement costs which are at least \$900,000 per year. All lease and service contract costs would be funded by Proposition C funds, a gross receipts tax that funds homeless housing and services.

POLICY CONSIDERATION

Site Capacity

As stated above, the Bayview Vehicle Triage Center was planned to open with capacity for 78 parking spaces and expand to 150 spaces after improvements were expected to be complete by July 2022. However, due to the size of vehicles and spacing required by the State Fire Marshal, capacity is currently limited to 35 spaces, or 23 percent of originally anticipated capacity. HSH estimates that after power connections are completed, capacity would expand to approximately 69 vehicles, or 46 percent of originally anticipated capacity. Given that PG&E often has long lead times for power connection projects, and that the Bay Area Air Quality Management District (BAAQMD) has not given approval to use interim power generators, it is possible that site capacity may not expand during the two-year term of the proposed sublease. HSH staff report that they have not yet found another site suitable for a vehicle triage center.

Cost

Assuming an ongoing capacity of 35 vehicles per night, the cost per vehicle is approximately \$140,000 per year, which is by far the most expensive homeless response intervention. According to the Place for All report, the cost of shelter and supportive housing ranges from approximately \$40,000 to \$60,000 per slot and the cost of a safe sleeping site is \$87,600 per slot. If this site's capacity increases to 69 spots, the annual cost per spot would be \$70,000.

The operating costs of \$400 per night (with 35 spaces) are also an increase from approximately \$105 per vehicle per night in the 2021 Controller's Assessment of the original San Jose Avenue vehicle triage center. The original Vehicle Triage Center did not have on-site case management, which was estimated would increase costs to \$117 per spot per night.

We are recommending approval of the proposed resolution because operating a vehicle triage center is consistent with Administrative Code Chapter 119. However, given the high costs of this program, the Board should request HSH to report back on costs and benefits of lower cost service models to operate vehicle triage centers by June 2024 as part of the Department's budget request.

RECOMMENDATIONS

1. Request the Department of Homelessness & Supportive Housing report to the Board of Supervisors on the costs and benefits of lower cost service models to operate vehicle triage centers by June 2024, as part of the Department's budget proposal.
2. Approve the proposed resolution.