FILE NO. 251259 RESOLUTION NO. 07-26

[Grant Agreement - Accept and Expend Grant - Retroactive - California Department of Health Care Services - Bond BHCIP Round 1 - 887 Potrero Avenue - Anticipated Revenue $21,347,760]

Resolution authorizing the Department of Public Health to enter into a Grant Agreement for a term commencing on the execution of the Grant Agreement, through June 30, 2030, between the City and County of San Francisco ("City"), acting by and through its Department of Public Health ("DPH"), and the California Department of Health Care Services and its third-party administrator Advocates for Human Potential, Inc., having anticipated revenue to the City of $21,347,760; including a provision allowing for the recapture of allowable project expenses incurred retroactive to May 6, 2025; including a Permitted and Restricted Use at 887 Potrero Avenue; retroactively authorizing DPH to accept and expend grant funds for the period of May 6, 2025, through June 30, 2030; authorizing the Grantor to apply for a Receiver in the event of the City's default; and authorizing DPH to enter into amendments or modifications to the Grant Agreement that do not materially increase the obligations or liabilities of the City and are necessary to effectuate the purpose of the Grant.

WHEREAS, The California Department of Health Care Services ("DHCS") is authorized to administer the Behavioral Health Continuum Infrastructure Program ("BHCIP") pursuant to Welfare and Institutions Code, Sections 5960–5960.45; and

WHEREAS, Advocates for Human Potential, Inc. ("AHP") serves as the contractor and fiscal administrator for BHCIP on behalf of DHCS; and

WHEREAS, The Behavioral Health Infrastructure Bond of 2024 (California Assembly Bill 531) allocated up to $4,400,000,000 in additional funding for BHCIP, subject to voter approval as required by the California Constitution; and

WHEREAS, California voters approved Proposition 1 in March 2024, authorizing state bond funding for BHCIP; and

WHEREAS, DHCS released the Request for Applications for up to $3,300,000,000 in Round 1 of Bond BHCIP funding in May 2024; and

WHEREAS, San Francisco is affected by the statewide shortage of beds in locked subacute treatment facilities, leading to long wait times and challenges placing clients with the most complex behavioral health needs; and

WHEREAS, The Behavioral Health Center, located on the Zuckerberg San Francisco General Hospital campus, was purpose-built in 1992 to house locked mental health treatment; and

WHEREAS, Bond BHCIP Round 1 presented a unique opportunity for the City to leverage state funding to add locked subacute treatment beds at the Behavioral Health Center; and

WHEREAS, In Resolution No. 577-24 (File No. 241097), the Board of Supervisors authorized DPH to apply for grant funds under Bond BHCIP Round 1, including the project at the Behavioral Health Center; and

WHEREAS, On May 6, 2025, DHCS awarded Bond BHCIP Round 1 grant funds to the City in an amount not to exceed $21,347,760 for the Behavioral Health Center project ("Project"), with a term commencing on the execution of the Grant Agreement, through June 30, 2030, and which allows for the recapture of allowable project expenses incurred retroactive to May 6, 2025; and

WHEREAS, San Francisco Charter, Section 9.118(a) requires contracts entered by a department having anticipated revenue to the City of $1,000,000 or more be approved by the Board by Resolution; and

WHEREAS, The Grant Agreement requires a minimum match of 10% from counties, cities and nonprofit providers; and

WHEREAS, The match requirement will be met by the assessed value of the Behavioral Health Center building at 887 Potrero Avenue ("Property"); and

WHEREAS, The Department proposes to maximize use of available grant funds on program expenditures by not including indirect costs in the grant budget; and

WHEREAS, The grant does not require an Annual Salary Ordinance Amendment; and

WHEREAS, The Grant Agreement includes a Regulatory Agreement and Declaration of Restrictions ("Declaration"), to be recorded in the City's official records, that ensures that the Property be used in compliance with the BHCIP terms ("Permitted Use") for a period of at least thirty years after Project completion ("Restriction Period"), regardless of any sale, assignment, transfer, or conveyance (including, without limitation, by foreclosure sale) of the Property or any portion thereof to any other person or entity; and

WHEREAS, If the City defaults under the Grant Agreement, the Declaration authorizes DHCS to apply to a court of competent jurisdiction for the appointment of a Receiver to take over and operate the Property in accordance with the requirements of Grant Agreement and the Declaration, including all of the powers necessary for the protection, possession, control, management, and operation of the Property; and

WHEREAS, The Grant Agreement obligates the City to defend, indemnify and hold harmless DHCS and AHP against all loss, costs, damages, expenses, suits, judgments, actions, and liabilities of whatever nature ("Claims") directly or indirectly resulting from or arising out of or related to (a) the operation, use, occupancy, maintenance, financing, or ownership of the Project, and (b) the City's breach of its grant obligations; and

WHEREAS, A draft of the Grant Agreement is on file with the Clerk of the Board of Supervisors in File No. 251269, which is hereby declared to be a part of this Resolution as if set forth fully herein; now, therefore, be it

RESOLVED, That DPH is hereby authorized to retroactively accept and expend the grant in the amount of $21,347,760 from DHCS, with authorization for the recapture of allowable expenses retroactive to May 6, 2025, pursuant to Administrative Code, Section 10.170-1; and, be it

FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the Director of Health or the Director's designee to enter into the Grant Agreement, having anticipated revenue to the City of $21,347,760 and a term from the execution of the Grant Agreement, through June 30, 2030; and, be it

FURTHER RESOLVED, That the Board of Supervisors hereby waives inclusion of indirect costs in the grant budget; and, be it

FURTHER RESOLVED, That said Grant Agreement may include a Declaration to be executed by the Director of Health and the Director of Real Estate, or the directors' designees, and recorded in the City's official records, that ensures that the Property is used for the Permitted Use for the Restriction Period; and, be it

FURTHER RESOLVED, That said Grant Agreement may include a provision authorizing DHCS to apply for the appointment of a Receiver to take over and operate the Property in the event of the City's default; and, be it

FURTHER RESOLVED, That the Grant Agreement may include a clause obligating the City to defend, indemnify and hold harmless DHCS and AHP against all loss, costs, damages, expenses, suits, judgments, actions, and liabilities of whatever nature ("Claims") directly or indirectly resulting from or arising out of or related to (a) the operation, use, occupancy,

maintenance, financing, or ownership of the Project, and (b) the City's breach of its grant obligations; and, be it

FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the Director of Health or the Director's designee to enter into any amendments or modifications to the Grant Agreement that the Department determines, in consultation with the City Attorney, are in the best interests of the City, do not otherwise materially increase the obligations or liabilities of the City, are necessary to effectuate the purposes of the grant, and are in compliance with all applicable laws; and, be it

FURTHER RESOLVED, That within thirty (30) days of the Grant Agreement being fully executed by all parties, the Director of Health shall provide the final agreement to the Clerk of the Board for inclusion in File No. 251259.

Recommended:

/s/ Jenny Louie for _____

Daniel Tsai

Director of Health

Approved: /s/ Sophia Kittler for

Mayor

Approved: /s/ Carmen LeFranc for

Controller

City and County of San Francisco
Tails
Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 251259 **Date Passed:** January 13, 2026

Resolution authorizing the Department of Public Health to enter into a Grant Agreement for a term commencing on the execution of the Grant Agreement, through June 30, 2030, between the City and County of San Francisco ("City"), acting by and through its Department of Public Health ("DPH"), and the California Department of Health Care Services and its third-party administrator Advocates for Human Potential, Inc., having anticipated revenue to the City of $21,347,760; including a provision allowing for the recapture of allowable project expenses incurred retroactive to May 6, 2025; including a Permitted and Restricted Use at 887 Potrero Avenue; retroactively authorizing DPH to accept and expend grant funds for the period of May 6, 2025, through June 30, 2030; authorizing the Grantor to apply for a Receiver in the event of the City's default; and authorizing DPH to enter into amendments or modifications to the Grant Agreement that do not materially increase the obligations or liabilities of the City and are necessary to effectuate the purpose of the Grant.

January 07, 2026 Budget and Finance Committee - RECOMMENDED

January 13, 2026 Board of Supervisors - ADOPTED

Ayes: 11 - Chan, Chen, Dorsey, Fielder, Mahmood, Mandelman, Melgar, Sauter, Sherrill, Walton and Wong

File No. 251259

I hereby certify that the foregoing Resolution was ADOPTED on 1/13/2026 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Daniel Lurie
Mayor

1 / 20 / 26

Date Approved