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 28, 2026 Budget and Finance Committee Meeting

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Item 3 File 26-0005	Department: Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the first amendment to DPH's contract with HealthRight 360 to provide residential treatment and withdrawal management services, extending the term by two years through June 2028 and increasing the contract amount by $28,600,872 for a total not-to-exceed amount of $38,566,219.

Key Points

- In July 2024, under Administrative Code Section 21A.4, DPH executed a new contract with HealthRight 360 for withdrawal management and residential treatment services based on prior performance and to ensure continuity of services. The new contract had a two-year term from July 1, 2024 through June 30, 2026 and an amount not to exceed $9,965,347. Services were transferred in November 2022 from Baker Places, Inc. due to the agency's financial insolvency.
- The purpose of the contract is to continue the provision of (1) Medical Withdrawal Management, a residential program for adults experiencing withdrawal symptoms and provides residential stays for up to seven days, and (2) Acceptance Place, a short-term residential treatment program that provides 30 to 90-day residential stays for adult gay and bisexual men with substance use disorders.
- The FY 2024-25 program monitoring report showed that the Medical Withdrawal Management program had an overall rating of "3 – Acceptable/Meets Standards", and the Acceptance Place program had an overall rating of "4 – Commendable/Exceeds Standards". DPH required a Plan of Action for the Medical Withdrawal Management program because staff did not correctly upload client survey results.

Fiscal Impact

- In FY 2025-26, the Medical Withdrawal Management program is budgeted at $5.61 million, and the Acceptance Place program is budgeted at $1.42 million, for a total annual budget of $7.03 million. Sources of funding for the contract in FY 2025-26 include federal funding (16 percent), state funding (5 percent), and the General Fund (79 percent).
- From FY 2025-26 to FY 2026-27, the total budget increases by $3.4 million (48.4 percent) to consolidate existing withdrawal management services (21 additional beds) under a separate contract with HealthRight 360.

Recommendation

- 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 to such contract is subject to Board of Supervisors approval.

BACKGROUND

In May 2022, the Board of Supervisors approved the first contract amendment between Department of Public Health (DPH) and Baker Places, Inc., (Baker Place) increasing the not-to-exceed amount by $65,314,597 for a total of $120,789,738 and extending the term of the agreement by five years to June 30, 2027. In addition to other substance use and mental health services, the contract funded withdrawal management and residential treatment services[1] (File 22-0414). In FY 2021-22, Baker Places exceeded the allocated budget for several programs. In June 2022, the Board of Supervisors approved a one-time limited-term grant of $1.2 million through June 2023 to ensure Baker Places' financial solvency (Files 22-0704-5). In November 2022, DPH presented to the Board of Supervisors a plan to stabilize the financial condition of programs provided by Baker Places, including transferring some programs to other nonprofit providers. In April 2024, the Board of Supervisors approved a Repayment Agreement with Baker Places, for the organization to repay the City $4.7 million and transfer ownership 333 7th Street, the site of treatment program, to the City (File 24-0192). Consequently, given Baker Places' financial insolvency, DPH executed a new contract in November 2022 for withdrawal management and residential treatment services with HealthRight 360 for a one-year and seven-and-a-half-month term through June 2024 and total amount of $9,414,414.

In July 2024, DPH executed a new contract to continue withdrawal management and residential treatment services with HealthRight 360 under Administrative Code Section 21A.4, which allows procurement of behavioral health residential care and treatment providers without competitive solicitations, enacted by the Board of Supervisors to streamline contracting for behavioral health residential care services. DPH selected HealthRight 360 based on prior performance and to ensure continuity of services.[2] The new contract had a two-year term from July 1, 2024 through June 30, 2026 and an amount not to exceed $9,965,347. DPH now proposes to extend the contract by two years through June 2028.

[1] This includes the Acceptance Place program and the Joe Healy Detoxification Program

[2] According to DPH, HealthRight 360 had been previously approved as a Drug Medi-Cal provider for both withdrawal management and residential levels of care.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to DPH's contract with HealthRight 360 to provide residential treatment and withdrawal management services, extending the term by two years through June 2028 and increasing the contract value by $28,600,872 for a total not-to-exceed amount of $38,566,219. The proposed resolution would also authorize DPH to make further immaterial amendments to the grant.

According to DPH, the two-year term extension is needed to align with the department's expiration of the current procurement cycle for substance use disorder treatment services, with anticipated new procurement to occur before June 2028.

Services

Under the proposed amendment, HealthRight 360 will continue to fund the following two programs:

- **Medical Withdrawal Management**: This is a clinically managed residential withdrawal management program that provides 24/7 monitoring and support for adults experiencing alcohol or drug withdrawal symptoms. This includes short-term residential stays for up to five to seven days for withdrawal management in preparation for the next step in treatment, as well as individual and group counseling. Services specifically target homeless San Francisco adult residents with an acute need for supportive withdrawal management services and are provided at 815 Buena Vista Avenue.
- **Acceptance Place**: This is a short-term residential treatment program that provides 30 to 90-day residential stays for San Francisco adult gay and bisexual men with substance use disorders. Services include individual and group therapy, case management, drug and alcohol counseling, treatment planning, and crisis intervention and are provided at 890 Hayes Street. Residential Services include **low-intensity** services for individuals needing help developing daily living skills and transitioning to lower levels of care and **high-intensity** services for individuals with severe substance use disorders and complex needs requiring more structured support to stabilize and build recovery skills.

Exhibit 1 below summarizes the number of funded beds, units of service (bed days) for residential treatment and withdrawal management and unduplicated number of clients for each program in FY 2025-26.

Exhibit 1. FY 2025-26 Contracted Number of Beds, Units of Service, Unduplicated Clients

	Medical Withdrawal Management	Acceptance Place
Number of Beds	20	10
Bed Days	7,273 bed days	3,241 bed days (2,074 for Low-Intensity, 1,167 for High-Intensity)[3]
Unduplicated Number of Clients	600 to 850 – final count to be determined	34 (20 for Low-Intensity, 14 for High-Intensity)

Source: Appendix B of Proposed Contract Amendment

The FY 2025-26 unduplicated client count and number of funded beds for the Acceptance Place program stay the same compared to FY 2024-25, but the number of bed days is increasing. Service capacity for the Acceptance Place program is increasing from 10 funded beds at 80 percent occupancy in FY 2024-25 (2,920) to 10 funded beds at 89 percent occupancy in FY 2025-26 (3,241). According to DPH staff, billing is based on actual occupancy and not the occupancy rate assumption in the contract.

DPH states that the unduplicated client count (255 in FY 2025-26) for the Medical Withdrawal Management program is incorrect in the proposed contract amendment's Appendix B. The revised contract amendment will increase the client count from 316 in FY 2024-25 to a range of 600 to 850 in FY 2025-26; a final count is to be determined and pending negotiation with the provider. DPH is increasing the FY 2025-26 client count to more accurately reflect the FY 2024-25 actual number of clients served (793). Withdrawal management service capacity for the Medical Withdrawal Management program shifts from 28 funded beds at 65 percent occupancy in FY 2024-25 (6,643 bed days) to 20 funded beds at 100 percent occupancy in FY 2025-26 (7,273 bed days), resulting in an increase of 630 total bed days.

According to DPH, the Appendix A and B in the proposed draft agreement (currently uploaded in LegiStar) will be updated due to errors in the units of service and unduplicated client counts for both programs. DPH states the revisions will be incorporated in the Appendices in the final certified contract, if approved.

Program Performance

In 2025, DPH completed FY 2024-25 program monitoring, which included a site visit. The results for both programs are summarized in Exhibit 2 below.

[3] The number of contracted bed days assumes less than 100 percent occupancy to account for admissions and discharges, vacancies, and operational downtime.

Exhibit 2: Program Monitoring for FY 2024

	Medical Withdrawal Management	Acceptance Place
Overall Program Rating (1-4)	3 – Meets Standards	4 – Exceeds Standards
Performance Score	100%	90%
Actual/Budgeted Clients	251%	156%
Actual/Budgeted Units of Service	100%	100%
Compliance Score	100%	100%
Plan of Action	Yes – Client Survey	No
Client Satisfaction Score	0% No Survey Completed	90%

Source: DPH

As reflected in Exhibit 2 above, the FY 2024-25 program monitoring report showed that the Medical Withdrawal Management program had an overall rating of "3 – Acceptable/Meets Standards", and the Acceptance Place program had an overall rating of "4 – Commendable/Exceeds Standards". The Medical Withdrawal Management program met all four performance objectives, receiving a 100 percent performance score. The Acceptance Place program met four of five performance objectives, receiving a 90 percent performance score. Both programs met service levels and exceeded the budgeted number of unduplicated clients. The Medical Withdrawal Management program provided 11,958 units of service (100 percent of budget) to 793 clients (251 percent of budget), and the Acceptance Place program provided 3,058 units of service (100 percent of budget) to 53 clients (156 percent of budget). DPH required a Plan of Action for the Medical Withdrawal Management program because staff administered the FY 2024-25 Client Satisfaction/Treatment Perception survey but submitted results under an incorrect reporting unit. According to the Plan of Action, program staff were retrained in October 2025 on survey reporting processes to correct the oversight.

Fiscal and Compliance Monitoring

DPH staff reviewed HealthRight 360 financial documents in May 2025 as part of the FY 2024-25 Citywide Fiscal and Compliance Monitoring program and identified no findings. According to an October 2025 memo, DPH's Business Office of Contract Compliance rated HealthRight 360 a "low risk" agency. According to the memo, agencies with this rating have solid financial positions, enabling them to absorb losses during economic volatility and to support new programs and expansion.

FISCAL IMPACT

Exhibit 3 below shows the annual spending on the contract and basis for the $38,566,219 total not to exceed amount. The existing agreement did not fully fund the second year of the existing term. Approximately 43 percent ($3 million) of the FY 2025-26 budget is funded under the

existing contract, and the proposed amendment would fund the remaining 57 percent ($4.03 million) of the FY 2025-26 budget, as well as the two-year term extension. According to DPH staff, the existing contract not to exceed amount has been fully expended.

Exhibit 3: Contract Agreement Not to Exceed Amount

Current Contract	Amount
FY 2024-25	6,965,347
FY 2025-26 (partial year)	3,000,000
Subtotal, Actual and Projected	$9,965,347
Proposed Amendment	
FY 2025-26 (partial year)	4,030,000
FY 2026-27	10,435,037
FY 2027-28	10,750,028
Subtotal, Proposed Budget	$25,215,065
Contingency (12%)	3,385,808
Proposed Not To Exceed Amount	**$38,566,219**

Source: DPH
Note: Total amount may not be exact due to rounding.

As shown above, from FY 2025-26 to FY 2026-27, the total budget increases by $3.4 million (48.4 percent), from $7.03 million to $10.4 million. According to DPH, this is driven by the consolidation of existing withdrawal management services (which includes 21 additional funded beds) located at 815 Buena Vista (the same facility as the Medical Withdrawal Management program) under a separate contract with HealthRight 360 (File 25-0339) totaling $3,260,964 in FY 2025-26.[4] DPH states the consolidation will promote more streamlined program oversight, contract administration and fiscal monitoring. According to DPH, withdrawal management services were historically divided into two contracts due to the timing of prior contracting actions.

From FY 2026-27 to FY 2027-28, the total budget increases by approximately three percent due to projected cost of doing business increases.

As shown in Exhibit 4 below, in FY 2025-26, the Medical Withdrawal Management program is budgeted at $5.61 million, and the Acceptance Place program is budgeted at $1.42 million. In FY 2025-26, the contract funds 50.3 full-time equivalent positions across both programs, a reduction from 52.8 FTE in FY 2024-25. According to DPH, the decrease in total FTE reflects staffing realignments and cost reallocation of certain administrative and support positions across programs, not a reduction in service capacity.

[4] File 25-0339 approved the second amendment to the agreement between DPH and HealthRight 360 to provide substance use and mental health services to extend the term by three years from June 30, 2025 to June 30, 2028 for a total term of 10 years, and to increase the amount by $141,427,165 for a total amount not to exceed $305,358,044. The contract amendment included $3,260,964 in FY 2025-26 for the Residential Withdrawal Management program. The FY 2026-27 budget of $3.4 million includes a CODB increase.

Exhibit 4: FY 2025-26 Budget by Program

	Medical Withdrawal Management	Acceptance Place	Total
Salaries & Benefits	$4,238,950	$1,037,222	$5,276,172
Operating Expenses	642,339	194,540	836,879
Indirect Costs (15%)	732,182	184,767	916,949
Total	**$5,613,471**	**$1,416,529**	**$7,030,000**
Beds	20	10	
Total Cost per Bed	**$280,674**	**$141,653**	

Source: Proposed Amendment

Bed Rates

The contract budget is based on historical bed rates from the previous Baker Places agreement and FY 2025-26 bed rates for substance use disorder residential treatment programs established by DPH.[5] The total daily bed rate for medical withdrawal management residential treatment is $690.20, including $604.96 for medical withdrawal management services and $85.24 for room and board. The daily bed rate for residential treatment (for both low-intensity and high-intensity services) is $411.57, including $326.33 for residential treatment services and $85.24 for room and board. As shown in Exhibit 5 below, the historical bed rates are greater than the rates established by DPH, and according to DPH staff, they are working with HealthRight 360 and other providers to move towards the DPH established rates to allow providers to adjust their budget and staffing model over time.[6] The costs per bed shown in Exhibit 4 above also include the cost of outpatient treatment services not reflected in the bed rates.

[5] According to DPH, the department's rates are informed by rates set by the California Department of Health Care Services (DHCS). The DHCS rates reflect federally allowable treatment components and are not designed to fully cover the costs of higher-acuity withdrawal management programs with incidental medical services, such as those provided by HealthRight 360. Consequently, DPH supplements DHCS reimbursement with additional City funds and contracts at a higher rate than the state rate. DPH states the DHCS rates for San Francisco are not adequate, and staff are working with DHCS to resolve.

[6] According to DPH, in FY 2024-25, HealthRight 360's contracted rate was $770.25 per treatment day for the withdrawal management program. DPH proposed a standardization rate of $517.99 per treatment day for FY 2025-26 (which reflects the department's established rates). However, HealthRight 360 stated that its program, staffing model and operational budget were structured around the higher historical rates and that a mid-year reduction applied retroactively would cause significant fiscal and operational hardship. Consequently, DPH agreed to the proposed contracted rates for FY 2025-26.

Exhibit 5: Comparison of HealthRight 360 Contracted Bed Rates and Established DPH Rates

	DPH Rate	Contract Rate	Difference	% Difference
Residential (Low & High Intensity)	$248.8	$326.33	$77.53	31%
Withdrawal Management	$517.99	$604.96	$86.97	17%
Room & Board	$85.24	$85.24	$0	0%

Source: BLA Analysis

Funding Sources

In FY 2025-26, the contract is funded by federal funding (16 percent), state funding (5 percent), and the General Fund (79 percent).

RECOMMENDATION

Approve the proposed resolution.

Item 4 File 25-1206	Department: Municipal Transportation Agency (SFMTA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the Tenth Amendment to the agreement between the San Francisco Municipal Transportation Agency (MTA) and TEGSCO, LLC (TEGSCO) to extend the agreement term by nine months, with six additional one-month options to extend through June 30, 2027, and to increase the not to exceed amount by $22,100,000 for a new total not-to-exceed amount of $158,800,000.

Key Points

- In 2016, after a competitive solicitation, the Board of Supervisors approved a five-year towing contract with TEGSCO. The contract has since been amended nine times and extended through March 2026, with a current not to exceed amount of $136,700,000.
- Under the contract, TEGSCO collects fees from the owners of towed vehicles and remits those fees to SFMTA. SFMTA then pays TEGSCO a fixed management fee (currently $829,400 per month) and pays TEGSCO fees based on the number of tows and related services, including a per tow charge paid to tow truck subcontractors.

Fiscal Impact

- The proposed amendment increases the total agreement amount by $22.1 million for a new total not-to-exceed amount of $158.8 million. Fee revenues do not cover the full cost of the program, which includes contract costs, rent for two storage facilities, and SFMTA administrative costs. In FY 2024-25, the net cost of the program was approximately $8.4 million. Net program costs are funded by transit revenues.

Policy Consideration

- The SFMTA is proposing to extend the contract by up to 15 months to allow sufficient time to conduct a competitive solicitation process focused on reducing program costs. Following a Request for Information process in 2025, the SFMTA received feedback from vendors on strategies to reduce the management fee for annual savings of $1.6 million. Potential strategies include reducing customer service requirements (such as 24/7 walk-in service and tow truck response time standards) and consolidating operations from two storage facilities to one.
- Other options to further reduce SFMTA support for the program include: (1) reducing or eliminating fee discounts for parking regulation violators, (2) increasing towing fees, (3) increasing enforcement of parking regulations, or (4) reducing SFMTA program costs.

Recommendation

- 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.

BACKGROUND

The San Francisco Municipal Transportation Agency (SFMTA) manages the City's towing program, which removes abandoned or illegally parked vehicles, clears vehicles involved in crashes or crimes, and addresses hazards that disrupt transit operations. State law requires local towing programs to operate on a cost-recovery basis, limiting charges to the actual cost of providing the service, including enforcement, storage, and administration. As discussed below, the program incurs an annual operating deficit of approximately $8.4 million due to fee waivers, including the low-income, unhoused, and first-time towing-offense waivers.

Procurement and Contract History

In 2015, MTA issued a request for proposals for towing services. TEGSCO, LLC (TEGSCO), previously known as San Francisco AutoReturn and the incumbent provider since 2004, was the highest-scoring proposer out of three bids and was awarded the contract. In March 2016, the Board of Supervisors approved the initial five-year contract with TEGSCO, from April 2016 through March 2021, for an amount not to exceed $65,400,000, with one five-year option to extend through March 2026 (File 16-0134). The contract has been amended nine times, as shown in Exhibit 1 below.

Exhibit 1: Previous Contract Amendments

No.	Date	Approval	Description
1	September 2016	SFMTA Board	Allowed TEGSCO to use short-term storage facility at 450 7th Street
1 (b)	November 2017	SFMTA Board	Formalized procedures for SFPD vehicles towed and stored (holdover vehicles) from the prior agreement[1]
2	July 2019	Administrative	Documented service requirement adjustments to customer service and tow request response times and provided clarification on the process to calculate annual Consumer Price Index (CPI) increases for management and variable fees paid to TEGSCO
3	April 2021	Board of Supervisors (File 21-0175)	Exercised the 5-year option to extend and increased the not-to-exceed amount to $88,200,000
4	April 2022	Administrative	Changed the doing-business-as name from San Francisco AutoReturn to TEGSCO and amended provisions related to management of confidential information and City data
5	April 2022	Administrative	Authorized TEGSCO to use a verification database to verify the eligibility of tow customers for income-based fee reductions and waivers
6	June 2022	Administrative	Allowed for the option to use online platforms for vehicle auctions
7	October 2022	Board of Supervisors (File 22-0974)	Increased not-to-exceed amount by $33,200,000, for a total not to exceed $121,400,000
8	May 2023	Administrative	Provided for the temporary relocation of the short-term storage facility to allow Caltrans to conduct maintenance and painting
9	February 2025	Board of Supervisors (File 25-0072)	Increased the not-to-exceed amount by $15,300,000, for a total not to exceed $136,700,000

In October, the SFMTA Board approved the Tenth Amendment to the contract to extend the term by nine months, with options to extend for an additional six months through June 2027 and to increase the contract amount by $22,100,000 for a total not to exceed $158,800,000.

Towing Volume

Towing volume has decreased over the contract term. Before the COVID-19 pandemic, annual volume ranged from approximately 42,000 to 45,000 tows. This figure dropped during the pandemic, reaching a low of 15,701 tows in contract Year 5 (April 2020 - March 2021).

In recent years, volume has recovered to approximately 37,000-38,000 tows annually. In FY 2024-25, 38,744 vehicles were towed. Attachment 1 to this report shows the reasons for vehicle tows in FY 2024-25 and FY 2025-26.

[1] Due to administrative error, this was also labeled as the First Amendment. SFMTA now refers to these amendments by approval year.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Tenth Amendment to the agreement between the San Francisco Municipal Transportation Agency (MTA) and TEGSCO, LLC (TEGSCO) to extend the agreement term by nine months, with six additional one-month options to extend through June 30, 2027, and to increase the not to exceed amount by $22,100,000 for a new total not-to-exceed amount of $158,800,000.

The SFMTA is proposing to extend the contract to allow sufficient time to conduct a competitive solicitation process focused on reducing program costs. The Director of Transportation would have the authority to approve the six one-month extensions.

Scope of Work

Under the contract, TEGSCO coordinates all towing services citywide through a network of subcontracted tow operators. TEGSCO collects fees from the owners of towed vehicles and remits those fees to SFMTA, operates the Customer Service Center, processes payments and liens for unclaimed vehicles, and administers vehicle auctions.

TEGSCO operates two storage facilities under license agreements with the SFMTA, including the Primary Storage Facility at 450 7th Street, a short-term, primary facility leased from the California Department of Transportation, and the long-term storage facility at 2650 Bayshore Boulevard. The contract requires that TEGSCO keep customer wait times under 10 minutes and maintain 24/7/365 facility access.

Under the contract, the SFMTA pays TEGSCO a fixed monthly management fee, which is currently $829,400 and covers IT, management of the tow yards, administration, overhead, insurance, and profit),[2] and variable fees based on the number of tows. SFMTA pays these fees to the vendor for every tow performed, regardless of whether the Agency collects revenue from the vehicle owner. Fees charged to vehicle owners are set by SFMTA.

A breakdown of fee amounts by type is provided in Exhibit 2.

[2] Historically, TEGSCO's variable fees were adjusted annually based on the lesser of three percent or the regional Consumer Price Index, but this will not apply to the proposed extended term.

Exhibit 2. Fee Amount by Type

Fee Type	Fee Amount (July 1, 2025)
Administrative Tow Fee (Repeat Tows)	$370
Administrative Tow Fee (First Time Tow)	$313
Operating Tow Fee	$305
Low-Income Operating Tow Fee	$107
Dolly Fee (if applicable)	$54
Storage Fee – Light/Medium Duty Vehicles (First 24 hours)	$66 / $92
Storage Fee – Light/Medium Duty Vehicles (Subsequent days)	$79 / $109
Lien Fee – Vehicles valued at $4,000 or less	$35
Lien Fee – Vehicles valued at more than $4,000	$50

Source: MTA

Insurance Spike

In November 2024, the California Department of Transportation (the landlord for the facility at 450 7th Street) increased the required general liability coverage from $5 million to $20 million. This requirement was triggered by the November 2023 arson fire under the I-10 freeway in Los Angeles. This led to an unanticipated annual cost increase of approximately $212,500. MTA determined that because the cost increase was driven by the landlord's policy change, rather than the vendor's operations, it was equitable for the City to bear the cost. The proposed amendment increases the monthly management fee by $17,707 to reimburse TEGSCO for this expense.

Procurement Strategy

To address the net costs of the contract, MTA issued a Request for Information (RFI) on July 1, 2025, seeking vendor feedback on re-engineering the scope of services to reduce costs. The RFI specifically sought input on reducing the fixed monthly management cost from $829,400 to $700,000. The SFMTA received responses from TEGSCO and Auto Assistance Towing to the RFI.

The Department reports that key findings from the RFI indicate that the detailed requirements in the existing scope of work are the primary cost drivers. Vendor feedback suggests that reducing the monthly management fee to $700,000 is achievable only if MTA reduces certain customer service requirements. The RFI explores potential service reductions, including: (1) reducing Customer Service Center operating hours by eliminating 24/7 walk-in service, (2) altering customer service metrics, (3) relaxing tow truck response time standards, and (4) reducing staffing levels at the impound lots and consolidating operations from two storage facilities into one.

MTA is reviewing the RFI responses and anticipates issuing the new RFP in early 2026. The agency estimates the procurement process may take up to one year, and a transition to a new vendor, if selected, could require up to six months, due in part to the complexity of migrating data from

TEGSCO's proprietary software and integrating a new system with the Police Department and MTA servers.

Performance Monitoring

The three key performance measures are timeliness of revenue deposits into MTA's account (within 24 hours), tow truck dispatch response times (35 minutes during peak commute hours and 25 minutes during non-peak hours), and customer service wait times (average of seven minutes).

Performance data from November 2025 indicate TEGSCO is meeting key metrics: 96 percent of light-duty tows were responded to on time (above the 90 percent target), and 95 percent of medium and heavy-duty tows were responded to on time. The average customer service wait time was less than two minutes. According to David Rosales, MTA Principal Administrative Analyst, revenues are consistently deposited within 24 hours.

FISCAL IMPACT

The proposed amendment increases the total agreement amount by $22.1 million for a new total not-to-exceed amount of $158.8 million over the eleven-year and three-month term (April 1, 2016, through June 30, 2027).

The SFMTA is requesting a $2.2 million contingency (approximately nine percent of projected expenditures through June 2027) due to gradually increasing post-pandemic tow volumes. According to the MTA, this contingency ensures there will be sufficient spending authority if costs exceed the historical average used to base the current projections.

The following table in Exhibit 3 details the total contract cost from FY 2015-16 to FY 2026-27. As shown below the contract budget and $2.2 million contingency total approximately $158.5 million, which is approximately $325,000 less than the proposed not to exceed amount. This effectively increases the contingency to approximately $2.5 million, which is 10 percent of projected expenditures.

Exhibit 3. Total Contract Cost (Contract Years 2015-16 to FY 2026-27)

Year	Management Fee	Variable Fee	Total Expenditures
Year 1 (Actual)	$8,704,272	$4,413,678	$13,117,950
Year 2 (Actual)	8,203,839	4,776,759	12,980,598
Year 3 (Actual)	8,449,856	5,441,590	13,891,446
Year 4 (Actual)	8,703,444	5,198,730	13,902,174
Year 5 (Actual)	8,928,568	2,155,762	11,084,330
Year 6 (Actual)	8,515,097	3,880,922	12,396,019
Year 7 (Actual)	8,475,823	4,664,564	13,140,388
Year 8 (Actual)	9,164,983	5,238,125	14,403,107
Year 9 (Actual)	9,447,767	5,617,642	15,065,409
Year 10 (Actual) (04/2025 - 11/2025)	7,389,004	4,124,975	11,513,979
Subtotal, Actual Expenditures	**85,982,653**	**45,512,747**	**131,495,400**
Year 10 (Projected) (12/2025 - 03/2026)	$2,505,907	2,064,000	$4,569,907
Year 11 (Projected) (04/2026 – 03/2027)	9,959,002	6,192,000	16,151,002
Year 12 (Projected) (04/2027-06/2027)	2,490,858	1,548,000	4,038,858
Subtotal, Projected Expenditures	**14,955,767**	**9,804,000**	**24,759,767**
Total Expenditures	**$100,938,420**	**$55,316,747**	**$156,255,167**
Contingency (8.9% of Projected Expenditures)			2,219,948
Total Expenditures & Contingency			**$158,475,115***

Source: MTA

Note: *The Not-to-Exceed (NTE) amount ($158.8 million) is approximately $325,000 greater than the proposed budget. This effectively increases the contingency to approximately $2.5 million, which is 10.3 percent of projected expenditures.

Funding Source and Deficit

Tow revenues and the MTA operating budget fund the program. Net program costs are funded by SFMTA's general revenues, which include General Fund transfers, state and federal grants, transit fares, and other transportation-related fees. Fees do not cover the full cost of the program, which includes the TEGSCO contract, rent, SFMTA enforcement, and SFMTA overhead.

A breakdown of the FY 2024-25 deficit of approximately $8.4 million is provided in Exhibit 4 below. The FY 2024-25 figures are for June 2024 through June 2025 and do not align with the contract years shown in Exhibit 3 above.

Exhibit 4: MTA Towing Program Net Costs FY 2024-25

Component	Amount
TEGSCO Annual Contract	$15,235,517
Rent (450 7th & 2650 Bayshore)	3,903,843
MTA Admin & Enforcement	12,399,265
Total Program Cost	**31,538,625**
Less: Tow Revenues (Fees & Auction Proceeds, net of Fee Waivers)	23,107,667
Annual Net Costs	**($8,430,958)**

Source: MTA

Fee Waivers

Revenues shown above are net of waivers provided to first-time tows, low-income vehicle owners, and victims of vehicle theft (estimated at $9.7 million in FY 2024-25) and waivers provided to the Police Department to store vehicles involved in crimes (estimated at $3.3 million in FY 2024-25). Without these waivers, the towing program would not require support from the SFMTA operating fund, which also funds transit.

POLICY CONSIDERATION

The proposed amendment extends the contract beyond the initially contemplated 10-year term to allow sufficient time to conduct a competitive solicitation process, following the RFI process in July 2025 to solicit feedback on reducing the contract's management fee. If the monthly management fee is reduced from $829,400 to $700,000 as contemplated in the RFI, the program's net cost of $8.4 million would be reduced by approximately $1.6 million for a new net cost of $6.8 million. Savings may come at the expense of public convenience, including reduced access to facilities and longer wait times. Other options to further reduce MTA support for the towing program include: (1) reducing or eliminating fee waivers for parking regulation violators, (2) increasing towing fees, (3) increasing enforcement of parking regulations, or (4) some combination of these options.

RECOMMENDATION

Approve the proposed resolution.

Appendix A: Tow by Category Actuals and Projection FY 2024-25 to FY 2025-26

Category	FY 2024-25 (Actual)	FY 2025-26 (YTD)*	FY 2025-26 Projected	% Change
Towaway	11,193	4,681	11,234	0%
Driveway	6,834	3,206	7,694	13%
Scofflaw (Registration & Other)	6,338	2,835	6,804	7%
Stolen Recovery	1,642	446	1,070	-35%
Special Event	1,773	995	2,388	35%
Other Parking Violations	2,073	828	1,987	-4%
Construction	1,906	894	2,146	13%
Hazard	2,039	935	2,244	10%
Yellow Zone	1,512	839	2,014	33%
Arrest/Investigation	1,274	535	1,284	1%
Abandoned	1,315	549	1,318	0%
Unlicensed/Suspended	170	150	360	112%
Accident	215	81	194	-10%
Courtesy (All Types)	200	91	218	9%
Relocation	168	78	187	11%
Hit & Run	43	14	34	-22%
Other	49	25	60	22%
Total	**38,744**	**17,182**	**41,237**	**6%**

Source: MTA

Item 8 File 26-0008	Department: Port

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a $40 million contract between Jacobs Engineering Group and the Port for a five-year term from March 2, 2026 through March 1, 2031, with one five-year option to extend the term through March 1, 2036.

Key Points

- In June 2025, the Port released a Request for Proposals (RFP) for a Program Advisory Consultant for the Waterfront Resilience Program (WRP). Despite outreach related to the RFP, the Port only received one proposal from Jacobs Engineering Group.
- Under the proposed contract, Jacobs Engineering Group would perform a wide range of advisory services in the following areas: program management; environmental support; United States Army Corps of Engineers support; planning, design, and engineering technical services; communications; finance and legislative support; workforce development and small business support; real estate and development support; and maritime support.

Fiscal Impact

- The $40 million contract total for five years (or $8 million per year, on average) represents a 33 percent increase over the incumbent WRP consultant CH2M Hill Engineers, Inc. contract of $60,477,071 for 10 years (or $6 million per year, on average). According to Port staff, the growth in contract expenditures is due to growth in the scope of the WRP from an overall budget estimate of $2 to $5 billion in 2017 to an overall budget estimate of more than $15 billion today.
- The proposed agreement would be paid through General Obligation Bond proceeds (95 percent) and the Port Harbor Fund (5 percent) to cover expenses ineligible for bond proceeds.

Policy Consideration

- Aside from the contract and task order negotiation process, the Port does not have a policy, process, or practice of evaluating professional service contracts. This is in contrast to the PUC, for instance, which has a Consultant Performance Evaluation Policy that: (1) assesses consultant performance and provides annual feedback; (2) ensures the receipt of high-quality deliverables and good value; and (3) informs the selection process for future consultant agreements. We recommend that the Port adopt a similar performance evaluation policy and annual evaluation process.

Recommendation

- 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.

BACKGROUND

The Port's Waterfront Resilience Program ("WRP" or "Program") is a set of capital projects to ensure that the waterfront is resilient to hazards such as earthquakes, flooding and sea level rise due to climate change, shoreline erosion, and other related risks. The WRP team is developing seven early projects to improve seismic and flood safety along the Port's 7.5 mile jurisdiction, according to a December 2025 memorandum from the Port's Executive Director to the Port Commission. The Waterfront Resilience Program is also planning to work with U.S. Army Corps of Engineers to complete a study of flood risks along the waterfront managed by the Port, develop a set of projects to address those risks, and develop a proposal to Congress for federal funding.

Procurement

In June 2025, the Port released a Request for Proposals (RFP) for a Program Advisory Consultant for the WRP Program. The Port only received one proposal from Jacobs Engineering Group. The proposal was evaluated based on the following criteria:

- Meeting minimum qualifications (pass/fail);
- A written proposal, for which Jacobs Engineering Group received 843.9 points out of a maximum of 1,000; and
- Oral interviews, for which Jacobs Engineering Group received 403.25 points out of a maximum of 500.

According to the December 2025 Port memo, outreach related to this RFP included: extending the deadline three times for submitting questions, extending the due date for proposals by seven weeks, and issuing four addenda clarifying RFP terms. Ultimately, Port staff reported three factors that they believe contributed to receiving only one proposal:

- Proposal Cost and Staff Availability. Firms must weigh the time and cost of preparing a proposal as well as the availability of staff during the contract performance period.
- Avoiding A Conflict of Interest. Prime and subcontractor firms that participate in the Program Advisory Consultant contract will likely not be able to participate in two future WRP contracts for engineering design valued at $50 million each.
- Limited Number of Qualified Firms. A limited number of firms are qualified to provide specialized services associated with program advisory consultant work for the WRP.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a professional services agreement for program advisory services for the Waterfront Resilience Program (WRP) between Jacobs Engineering Group and the Port for a five-year term from March 2, 2026 through March 1, 2031, with one five-year option to extend the term through March 1, 2036. The not-to-exceed amount for the initial five-year term is $40,000,000.

Under the contract, Jacobs Engineering Group would perform the following services:

- **Program management** to establish and manage the capital plan program management. This includes a six-month transition period from the incumbent consultant, development of a comprehensive Program Management Plan, contract management for subconsultants, and the administration of document, quality, and risk management protocols. Support also includes budget forecasting, scheduling, and the creation of a web-based project dashboard for leadership.
- **Environmental support services** to manage the high regulatory complexity of San Francisco's bayfront. Services involve completing California Environmental Quality Act and National Environmental Policy Act reviews, obtaining project-level clearances for implementation actions like the Downtown Coastal Resilience project, and securing regulatory permits from agencies such as the United States Army Corps of Engineers (USACE) and the Bay Conservation and Development Commission. This task also includes historic resource analysis and National Historic Preservation Act compliance.
- **United States Army Corps of Engineers (USACE) support services** to assist the Port as the local sponsor for the San Francisco Waterfront Coastal Flood Study. The consultant will provide strategic advice for relationship management across USACE divisions, support the completion of the USACE Chief's Report for Congressional Authorization, and assist in executing work under "In-Kind" Memoranda of Understandings. This ensures the Port receives local match credit for design and construction efforts performed prior to formal federal partnership agreements.
- **Planning, design, and engineering technical services** to provide analysis in geotechnical, coastal, marine structural, and civil engineering. The consultant will develop program-wide technical standards, conduct project-level pre-design services (e.g., conceptual engineering), and perform independent technical reviews of submittals produced by other design firms. This also includes specialized modeling for interior drainage and groundwater impacts related to sea level rise.
- **Communications services** to develop and implement marketing, public relations, and community engagement strategies to support capital projects. Tasks include multi-lingual outreach in Chinese, Spanish, and Filipino to ensure equitable project engagement, managing digital engagement and social media, and producing educational curriculum for k-12 students in collaboration with the San Francisco Unified School District (SFUSD). The consultant will also coordinate public events, tours, and stakeholder partnership building.

- **Finance and legislative support services** to assist the Port in securing federal and state funding through budget advocacy and grant applications. This involves navigating complex federal acts like the Water Resources Development Act (WRDA) and the Water Infrastructure Finance and Innovation Act (WIFIA), as well as state-level climate adaptation funding. The consultant will develop a long-term funding strategy for the WRP and provide assistance in securing historic tax credits and private grants for resilient infrastructure.
- **Workforce development and small business support** to achieve the Port's local hiring and Local Business Enterprise participation goals. Services include tracking job placements for local residents across the design and construction lifecycle, identifying technical training opportunities, and providing assistance to small businesses to remove barriers to bidding. The consultant is specifically required to host a minimum of two interns during the contract term.
- **Real estate and development support** to manage the WRP's impact on the Port's role as a public landlord. This task involves fulfilling federal LEERDS (Lands, Easements, Rights-of-Way, Relocations, and Disposals) obligations, analyzing tenant impacts, and providing strategic advice on lease modifications required for coastal flood defense systems. The consultant will also assist with real estate project underwriting and funding strategies.
- **Maritime support services** to ensure the Port's maritime tenants and activities are integrated into resilience planning. Work includes developing business strategies to minimize construction impacts on maritime operations, such as vessel relocations and harbor restrictions. The consultant will also provide facility planning and conceptual design services for maritime-specific assets impacted by capital improvements.

As mentioned above, Jacobs Engineering Group would provide these services for the WRP with a budget of $40,000,000 over five years. The list of Jacobs Engineering Groups proposed subcontractors is shown in Attachment 1 to this report. The contractor is required to utilize Local Business Enterprise (LBE) subcontractors for at least 20 percent of services. While individual percentage allocations per firm are finalized through subsequent task orders, the cumulative LBE commitment is a material term of the agreement. Port staff report that Jacobs Engineering Group proposed using LBE subcontractors for 24.9 percent of services.

Community Benefits Commitments

Jacobs Engineering Group has committed to a comprehensive workforce and small business support program. These commitments include hosting a minimum of two interns during the contract term to foster job exposure and professional training. Under Task 7 and Task 5 of the Scope of Services, the firm is obligated to provide technical assistance and education to remove barriers for small businesses, alongside developing k-12 educational curricula related to climate resilience in collaboration with SFUSD. Within the initial six-month "Program Transition and Startup" period following the Notice to Proceed, Jacobs Engineering Group is required to develop and refine a Program Management Plan that includes specific Diversity, Equity, and Inclusion (DEI) guidance and procedures to ensure these social impact goals are integrated into all program-level decision-making.

FISCAL IMPACT

The proposed resolution would approve a contract amount not to exceed $40,000,000 for a term of five years, with an option to extend the contract term for an additional five years. The projected contract expenditures by year are shown in Exhibit 1 below.

Exhibit 1: Projected Contract Expenditures by Year

Contract Year	Expenditures
Year 1	$4,000,000
Year 2	6,000,000
Year 3	8,000,000
Year 4	10,000,000
Year 5	12,000,000
Total	**$40,000,000**

Source: Port

The $40 million contract total for five years (or $8 million per year, on average) represents a 33 percent increase over the incumbent WRP consultant CH2M Hill Engineers, Inc. contract of $60,477,071 for 10 years (or $6 million per year, on average). According to Port staff, the growth in contract expenditures is due to growth in the scope of the WRP. Specifically, at the beginning of the prior CH2M Hill Engineers contract in August 2017, the program was in its early development phase, focused on the three-mile Embarcadero Seawall section of the Port with an overall budget estimate of $2 to $5 billion, and roughly $500 million for near-term design and construction projects. Today, Port staff report that the WRP includes the full 7.5 miles of Port jurisdiction, has an overall budget estimate of more than $15 billion, with more than $1 billion in near-term design and construction projects.

The budget by task is shown in Exhibit 2 below. According to Port staff, the cost of each subtask will be negotiated once a task is initiated and the consultant submits a task proposal that includes the task scope, sub tasks, staffing plan, LBE utilization, schedule, deliverables, and budget.

Exhibit 2: Contract Budget by Task

Task	Amount	% of Total
Task 1: Program Management Services	$9,000,000	23%
Task 2: Environmental Support Services	$5,300,000	13%
Task 3: USACE Support Services	$2,200,000	6%
Task 4: Planning, Design & Engineering Technical Services	$14,350,000	36%
Task 5: Communications Services	$5,000,000	13%
Task 6: Finance & Legislative Support Services	$1,100,000	3%
Task 7: Workforce Development & Small Business Support Services	$1,200,000	3%
Task 8: Real Estate & Development Support Services	$1,200,000	3%
Task 9: Maritime Support Services	$650,000	2%
Total	**$40,000,000**	**100%**

Source: Port

Billing Rates

Under the proposed contract, the billing rates for Jacobs Engineering Group and its subcontractors range from $30.90 per hour up to $510.00 per hour. The maximum billing rate for key/lead staff is $425.00 per hour, while specialized Professional Land Surveyors performing trials, testimony, or depositions may bill up to $510.00 per hour. Most technical staff classifications and specialized subject matter experts are capped between $345.00 and $380.00 per hour. The contractor will only be allowed to escalate billing rates annually based on the annual percentage change of the Consumer Price Index (CPI) and must support such requests with the U.S. Bureau of Labor Statistics Producer Price Index (PPI) for "Engineering services-Other transportation engineering projects." The RFP specifies that hourly rates for job classifications must not exceed the rates for the same classifications under other City contracts, and Port staff made adjustments to the submitted fee proposal to ensure compliance with this requirement. Further, the Port reports that certain consultant rates cannot be capped due to federal regulations.

We note that the proposed contract's maximum billing rates are higher than PUC's maximum billing rates for professional service contracts. For example, the PUC's contract with HDR/Santec to manage the Water Enterprise capital plan, which the Board of Supervisors approved in February 2025 (File 25-0020) establishes a maximum billing rate of $270 per hour for most staff and $300 per hour for "key staff" for the contract term through 2035, including CPI adjustments, unless a higher rate is authorized by the PUC.

Funding Source

The funds would be paid through General Obligation Bond proceeds (95 percent) and the Port Harbor Fund (5 percent) to cover expenses ineligible for bond proceeds, according to the December 2025 memo to the Port Commission.

POLICY CONSIDERATION

Aside from the contract and task order negotiation process, the Port does not have a policy, process, or practice of evaluating professional service contracts. This is in contrast to the PUC, for instance, which has a Consultant Performance Evaluation Policy that: (1) assesses consultant performance and provides annual feedback; (2) ensures the receipt of high-quality deliverables and good value; and (3) informs the selection process for future consultant agreements. We recommend that the Port adopt a similar performance evaluation policy and annual evaluation process.

RECOMMENDATION

Approved the proposed resolution.

Attachment 1: Proposed Jacobs Engineering Group Subcontractors

Firm	Service
architecture + history llc	Cultural Resources Architectural historian historic preservation
BAYCAT	Communications/Video
Boudreau Associates LLC	Permitting Lead & Environmental Steering Group
CDIM Engineering Inc.	Hazards & Hazardous Waste Environmental Assessment Investigations and Remedial Actions Lead
Century Urban LLC	Financial Services & Real Estate Valuations
Cinquini & Passarino Inc.	Hydrographic Surveying; Equipment - GEDO Scan; UAS; Multibeam Survey Vessel; Simple Beam Survey Vessel
Civic Edge Consulting	Communications Lead
Climate Adaptive Systems LLC	Strategic Analysis and Modeling Lead; Strategic Planning and Design; Hydrologic and Hydraulic Modeling
Conservation Strategy Group	State Funding Lead
Coord LLC	City Champions Liaison: SFPUC & Governance Advisor
D&A Communications	Communications & LBE Outreach lead
Deloitte & Touche LLP	Grants Management Lead; Real Estate & Development Support Services Task Lead; Real Estate Valuations Lead; Financing & Legislative Support Task Lead; USACE Real Estate Lead; Program Advisory Board; Tenant Relocation/Portfolio Management Lead
Digital Mania Inc. (Copymat)	Printing/Production
ENGEO Incorporated	Geotechnical Explorations Lead; Geotechnical QA/QC; Geotechnical Engineering
ESA	CEQA/NEPA Project Lead/ Environmental Steering Group; EWN; USACE EWN; Environment/Recreation; EWN and Coastal Engineering; CEQA/NEPA Leads; USACE/RWQCB Permits; EWN Coastal Restoration; Cultural Resources; Hydrology/Water Quality & Permitting; Cultural Resources
Freyer & Laureta Inc.	Roadways Engineering; General Civil Engineering
F.W. Associates Inc.	Electrical Engineering
Growth Sector	Internships
Hollins Consulting Inc.	Project Management Support Lead; Project Management Support; Utilities GIS Integration; Utilities Coordination Lead; Project Management Support
ICF J&S	CEQA/NEPA Task Manager; CEQA/NEPA/USACE Senior Advisor; Air Quality GHG/Energy; Socioeconomics; Aesthetics; Cultural Resources; Noise and Vibration; CEQA/NEPA Project Lead/ Environmental Steering Group; Air Quality GHG/Energy

Firm	Service
InfraTerra Inc.	Geotech/Investigations; Geo-Hazards Pipelines
InkeDesign Consulting LLC	Graphic Design Lead
International Effectiveness	Translation; Simultaneous Interpreting; American sign language; Executive Interpreters; Video interpreting (In person includes virtual); Telephone interpreting On Demand - Spanish; Telephone interpreting On Demand - All Other languages; Telephone interpreting On Demand - ASL over phone video; ASL interpreting In person; ASL interpreting Virtual over video; Document translation (all languages)
IRML Consulting	Small Business Engagement Lead; Small Business Engagement Coordinator; Small Business Engagement Assistant
J D Bray Consultants LLC	Engineering Peer Review Panel - Civil Engineer and Earthquake Engineer
Maffei Structural Engineering	Marine Structures Engineering Lead; Structural engineering Project Manager
Martin M. Ron Associates	Land Surveying Lead
New Albion Geotechnical Inc.	Engineering Peer Review Panel Chair - Geotechnical & Earthquake Engineering
N SAYLOR CONSULTING GROUP INC	Constructability SME & Cost Estimating Lead; USACE Cost Estimates Lead; Independent Cost Estimates Lead
PA Consulting	Innovation & Emerging Tech Lead City Training / Governance Advisor
Prevision Design	Technical Environmental Analysis: Sun Shadow & Aesthetics Impact Assessments
RWDI	Technical Environmental Analysis: Wind Impact Assessments
Stockton Global Strategies LLC	USACE Advisor
Structural Integrity Associates	Advanced Structural Analysis lead, Seismic Performance Lead
Sustainable Watershed Designs (Lotus Water)	Stormwater & Combined Sewer System Eng SME / Interior Drainage and Groundwater Assessment Lead; Wet Utilities Engineer Lead; Wet Utilities Engineer Lead; Utilities Engineering Lead & USACE Utilities Engineering
T.D. O'Rourke	Engineering Peer Review Panel - Geotechnical & Lifelines Consultant
WRA Inc.	USACE RWQCB Permits; Permitting Lead; USFWS NMFS CDFW Permits
World Resources Institute	Governance Advisor - Landscape Architecture and Urban Planning Collaborative Governance
Young Community Developers	Workforce Development

Source: Draft Contract Agreement

Item 9 File 26-0009	Department: Port

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a Port emergency declaration related to emergency repairs at Dry Dock #2, a large floating dry dock at the Port's Pier 68/70 shipyard, for a total estimated not to exceed cost of $10,000,000.
- Any contracts entered into under emergency authority are exempt from Administrative Code Chapters 6 (public works contracting policies and procedures), 12A (human rights commission), 12B (non-discrimination in contracts), 12C (non-discrimination in property contracts), and 14B (local business enterprise utilization).

Key Points

- The Port Executive Director declared an emergency related to Dry Dock #2 on December 8, 2025 due to storms in November 2025, which caused existing tears to enlarge and new tears to appear on the dry dock hull, resulting in flooding of ballast tanks, which hold water to control the vessel's stability, buoyancy, and structural balance. The flooding of the ballast tanks has caused Dry Dock #2 to tilt beyond safe limits and increased the risk of catastrophic failure. The potential consequences of uncontrolled flooding of these tanks include: collapse of the dry dock onto nearby cranes; extreme tilting that could cause the dock to break free and drift into the bay; and environmental pollution of the bay. Emergency repair work will include: (1) welding and patching repairs to minimize the intake of water; (2) stabilizing or removing nearby cranes; and (3) other actions necessary to address the emergency and make Dry Dock #2 safe.
- The Port selected Power Engineering Construction Co. to perform the work based on an evaluation of three proposals. The firm's proposal was more comprehensive, lower cost, and provided an earlier start date than the other proposals.

Fiscal Impact

- The total estimated cost to do emergency repairs at Dry Dock #2 is approximately $10.5 million, including $0.5 million for Public Works services and $10 million in contract costs. Costs will be funded by a proposed $18.5 million supplemental appropriation (File 25-1248) from the Port Harbor Fund balance, which would otherwise be used for other maintenance projects.
- The full cost of disposing of Dry Dock #2 and a second dry dock known as Eureka Dry Dock at Pier 70 is an estimated total of $61.2 million. The Port's total budget assumes the dry docks will be disposed in the San Francisco Bay region; however, actual costs may exceed estimates by $2 million to $53 million if the docks must be disposed of elsewhere.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Administrative Code Section 6.60(d) states that contracts entered into for emergency work that are more than $250,000 are subject to Board of Supervisors approval. Prior to the commencement of emergency work above the $250,000 threshold, the Department must also secure approval in writing from the Mayor or the President of the appropriate Board or Commission. If the emergency does not permit approval of the emergency determination by the Board of Supervisors before work begins, the Department must submit a resolution approving the emergency determination to the Board of Supervisors within 60 days of the Department head's declaration of emergency.

BACKGROUND

Dry Dock #2 is a large floating dry dock at the Port's Pier 68/70 shipyard used to lift large vessels out of the water so they can be inspected, repaired, and maintained. Dry Dock #2 at Pier 68 is a 55-year-old 900-foot single-section steel floating dry dock. A second dry dock known as Eureka Dry Dock is located at Pier 70. Since 2017, the Pier 68/70 shipyard has been without a tenant to provide ship repairs and dock maintenance. The Port issued solicitations to identify a shipyard operator in 2017 and again in 2018 but did not identify a viable proposal to reactivate the shipyard.

The Port Executive Director declared an emergency related to Dry Dock #2 on behalf of the Port on December 8, 2025. In her letter to the Mayor, Port Commission, Board of Supervisors, and Controller, the Port's Executive Director explains that storms in November 2025 accelerated damage to Dry Dock #2, causing existing tears to enlarge and new tears to appear on the hull. The conditions have resulted in flooding of ballast tanks—a critical compartment designed to hold water to control the vessel's stability, buoyancy, and structural balance. The flooding of the ballast tanks has in turn caused Dry Dock #2 to tilt beyond safe limits and increased the risk of catastrophic failure. In a Port staff memorandum dated December 8, 2025, staff note the potential consequences of uncontrolled flooding of ballast tanks through holes in the vessel, including:

- Impact on Nearby Cranes: The excessive tilting of the vessel threatens the stability of cranes situated near the primary land-side access point, creating a high risk of collapse;
- Mooring Failure and Navigation Hazard: The mooring hardware is at risk of failure, which would likely result in the dock breaking free and drifting into the bay; and
- Environmental and Operational Loss: A total sinking of the vessel would cause significant bay pollution and require a costly salvage and removal operation.

The Executive Director calls the situation an "actual emergency" as defined by Section 6.60 of the San Francisco Administrative Code, writing "Immediate emergency repairs are necessary to stabilize the vessel and remove or stabilize the cranes on top of the Dry Dock #2 vertical wing walls, which will safeguard the property of the Port, and maintain public health and welfare." The

President of the Port Commission approved the Emergency Declaration in writing on December 9, 2025, as required under Administrative Code Section 6.60(d).

According to the proposed resolution and December 2025 staff memo, the Port has attempted to address the deterioration of Dry Dock #2 over the last five years, including emergency stabilization actions, structural assessments, and efforts to sell Dry Dock #2 as well as Eureka Dry Dock for removal and off-site repair, which were ultimately unsuccessful.

The proposed resolution was introduced on January 6, 2026, within the 60-day timeframe required by Administrative Code Section 6.60(d).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Port's emergency declaration with an estimated total cost not to exceed $10 million, and the Controller has certified that funds are available for this emergency work. (We note that a companion ordinance File 25-1248, scheduled to be heard by the Board of Supervisors Budget and Finance Committee on February 11, 2026, appropriates $18.5 million from the Port Harbor Fund for immediate emergency repairs to stabilize Dry Dock #2 as well as other shipyard improvements and safety measures.)

Any contracts entered into under the proposed emergency procurement authority are exempt from Administrative Code Chapters 6 (public works contracting policies and procedures), 12A (Human Rights Commission), 12B (non-discrimination in contracts), 12C (non-discrimination in property contracts), and 14B (Local Business Enterprise utilization).

The Port plans to work through the Department of Public Works to engage one or more contractors to: (1) perform welding and patching repairs to minimize the intake of water; (2) access the Dry Dock #2 cranes on top of the wing walls to stabilize or remove the cranes; and (3) take other actions necessary to address the emergency and make Dry Dock #2 safe.

The Planning Department has determined the project to be exempt under the California Environmental Quality Act (CEQA) due to the need for emergency repairs to maintain critical public services. The proposed resolution adopts the Planning Department's findings that the project is exempt from CEQA.

Procurement

Because of the emergency declaration, selection of contractors is not governed by Administrative Code Chapter 6 requirements.

The Port worked with the Department of Public Works to solicit proposals from seven local contractors that do the type of repair work needed, and three contractors responded: Power Engineering Construction Co. (Power Engineering Construction), CS Marine Constructor's, Inc. (CS Marine), and Oceanwide Repair. Port staff determined that Oceanside Repair did not have the licenses needed to complete the full scope of work. According to Port staff, the Port selected Power Engineering Construction over CS Marine because Power Engineering Construction's proposal was more thorough, comprehensive, and provided an earlier start date, with lower unit pricing compared to CS Marine's proposal. Public Works anticipates awarding the contract to

Power Engineering Construction the week of January 20, 2026. The urgent need to conduct emergency repairs did not allow for the time needed to conduct a competitive Request for Proposal process, which would take approximately nine months.

Scope of Work

The base scope of work for the emergency repairs to temporarily stabilize Dry Dock #2 includes the following:

- Side wall steel tear repairs on west, east, and south walls as well as steel wall corner repairs;
- Installation of a custom-built, watertight steel "patch-box" over the broken intake values to seal off leaks underwater;
- Setting up an independent, high-powered backup pumping network on the deck to manually pull water out of the dock since the vessel's own internal pumps are broken;
- Installing a set of electronic sensors and 'digital levels' that provide a 24/7 live feed showing exactly how deep the dock is sitting in the water and whether it is beginning to tilt or lean;
- Removal of existing timber piles for barge access;
- Environmental monitoring.

In addition, the scope of work includes the following bid allowance items based on the findings and safety requirements during construction work:

- Crane stabilization work, including removal and disposal;
- Furnishing and installation of a temporary supplemental mooring system to provide redundancy between the west wing wall of Dry Dock #2 and the four existing mooring dolphins;
- Handling, removal, and disposal of hazardous materials;
- High resolution below water and above water scanning of hull damage;
- Temporary installation of Dry Dock #2 safety measures for construction crews, including a temporary handrail, replacement stair tread, and deck reinforcement; and
- Temporary installation of two scaffold towers to provide safe access to the top of the wing walls.

Project Timeline

According to the Public Works Bureau of Project Management, which is managing the Port's emergency contract, the notice to proceed with the date for the work is January 26, 2026. The team aims for construction to be substantially completed by July 1, 2026, with final completion and contract closeout targeted for August 4, 2026. Port staff report that portions of work may be reduced based on material choices, availability, fabrication, and submittal review turnaround times.

FISCAL IMPACT

The emergency declaration and resulting proposed resolution states that the total estimated cost for emergency repairs and stabilization of Dry Dock #2 will not exceed $10 million. However, the Public Works Bureau of Project Management has prepared a funding allocation that totals $10,477,828, including approximately $0.5 million in costs for Public Works services to support the project, as shown in Exhibit 1. As we have noted, File 25-1248 (scheduled to be heard on February 11, 2026) proposes to appropriate $18,500,000 in funding from the Port Harbor Fund. This funding, along with $1.5 million in previously appropriated BAE settlement funds,[1] will provide a total of $20 million in initial funding to complete assessments, design for repairs and demolition, and pay for the emergency contract for stabilization repair work of Dry Dock #2. Port staff have reported that these fund sources will be used to cover the balance of $477,828 that exceeds $10 million.

Exhibit 1: Emergency Work Budget

Public Works Services	
Project Management Service	$119,916
Construction Management Service	349,053
Contract Procurement Work	10,000
Site Assessment & Remediation	20,000
Public Works Subtotal	*498,969*
Emergency Contract	
Construction	8,149,049
Construction Contingency (20%)	1,629,810
Project Controls Reserve	200,000
Contract Subtotal	*9,978,859*
Total Costs	**$10,477,828**

Source: Public Works

The construction costs total approximately $8.1 million, based on the bid from Power Engineering Construction, and Public Works estimates approximately $500,000 in costs to support the project. The approximate $10.5 million in total costs also includes a 20 percent construction contingency and a $200,000 project controls reserve.

Total Costs to Demolish Dry Docks

According to Port staff, the FY 2026-27 Capital Budget is anticipated to include an additional $41.2 million in funding for a total of $61.2 million (including the proposed supplemental appropriation of $18.5 million and previously appropriated funding of $1.5 million) to fully cover disposal of Dry Dock #2 and Eureka Dry Dock at Pier 70, as shown in Exhibit 2.

[1]Refers to a $4.9 million settlement payment made by BAE Systems to the Port in July 2017, secured following the abrupt termination of shipyard operations at Pier 70.

Exhibit 2: Total Cost to Complete Demolition of Dry Dock #2 and Eureka Dry Dock

Uses (By Construction Phase)	
Phase 1A: Dry Dock #2 Emergency Stabilization	$8,600,000[1]
Phase 2A: Dry Dock #2 Disposal	27,400,000
Phase 2B: Eureka Disposal	15,700,000
Subtotal	51,700,000
Contingency on Hard Costs (30%)[2]	9,500,000
Total	**$61,200,000**

Source: Port

[1] This estimate for Dry Dock #2 Emergency Stabilization is approximately equal to the estimate of construction ($8.1 million) and Public Works services ($0.5 million) shown in Exhibit 1. Port staff report that if the total costs exceed $8.6 million, the $9.5 million contingency would be used to fund the difference.

[2] The contingency is applied only to hard costs (a subset of total costs shown) at 30 percent, which equates to 18 percent of overall costs of $51,700,000.

According to Port staff, the engineering as-needed consultant team GHD-Structus JV along with naval engineering firm Herbert Engineering and BK Cooper were engaged in December 2024 to prepare a conceptual work plan and cost estimates for the Port to utilize for budgeting for the disposal of the two dry docks at a total of $61.2 million. The Port's total budget of $61.2 million assumes the dry docks will be disposed in the San Francisco Bay region; however, the unexpected closure of the Mare Island Dry Dock in Vallejo means that the Port will evaluate alternatives that may drive up costs by anywhere from $2 to $53 million, according to Port staff.

Funding Source

As noted, the approximate $10.5 million in costs for the emergency repair work will be funded by the proposed $18.5 million supplemental appropriation (File 25-1248) sourced from the Port Harbor Fund balance. As of June 2025, the Port Harbor Fund had $190 million in unrestricted net assets, all held in cash. Assuming File 25-1248 is approved to appropriate $18.5 million from the Port Harbor Fund, the balance of the fund would be $171.5 million. According to Port staff, most federal and state grants do not provide funding for the type of emergency repair and disposal needed; however, Port staff are evaluating whether any state or federal funding may be available to offset costs.

The Port reports that no specific projects are being delayed to fund the Dry Dock #2 repair and disposal of both dry docks. However, the anticipated $61.2 million in spending for the project reduces funding available to fund the Port's capital backlog, which exceeds $2 billion. Without the emergency repair work, the Port reports the $10 million in funding would have been used for maintenance projects.

RECOMMENDATION

Approve the proposed resolution.

Item 10 File 25-1268	Department: Office of Economic & Workforce Development (OEWD)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would (1) approve the Downtown Revitalization District's Financing Plan, (2) delegate authority to the District Board to approve contracts with property owners who opt-in to receive property tax distributions to pay for commercial-to-residential conversion projects and to prepare annual reports, (3) approve actions taken by the District Board and City officials in connection with establishing and managing the District and proposed Financing Plan.

Key Points

- In June 2025, the Board of Supervisors approved a resolution stating its intention to form a Downtown Revitalization and Economic Recovery District (File 25-0423). The purpose of the District is to use property tax increment revenues to fund commercial-to-residential conversion projects in downtown San Francisco. The incremental property taxes resulting from the conversion projects would be returned to owners to offset their project costs.
- Property owners would receive annual funding from the District for up to thirty years after a project receives a certificate of occupancy. The annual funding amount for each property would be limited by the following factors: (1) no more than the incremental increase in the City share of property taxes (64.6% of the 1% percent property tax), based on the assessed value at opt-in and (2) no more than 1/30 of conversion project costs. The District may retain up to five percent of tax increment revenues to pay administrative costs.

Fiscal Impact

- The proposed Financing Plan projects that the District will allocate $610,424,000 in incremental property tax revenues to 48 properties over 45 years. If all these properties converted to residential uses, the City would benefit from 4,344 additional housing units, which would be built between FY 2028-29 – FY 2035-36.
- An accompanying fiscal impact analysis concluded that conversion projects would have an annual impact on the General Fund of -$169,166 to $11,027 per property, or -$8,289,122 to $540,339 if all 48 properties participated, depending on the assumptions used in the analysis.

Policy Consideration

- Unlike most other tax increment financing districts, which normally fund affordable housing units, utilities, or some other type of public infrastructure improvement, this diversion of property tax revenues would be mostly for market rate housing.

Recommendations

- The Board of Supervisors and District Board of Directors should consider establishing a cap on the percentage of project costs that the District will pay for, such as 15 percent (in present value).
- Approve the proposed resolution.

MANDATE STATEMENT

California Government Code Section 62451 *et seq.* allows the San Francisco Board of Supervisors to establish one downtown revitalization and economic recovery financing District and approve the associated financing plan.

BACKGROUND

Downtown Revitalization District

In June 2025, the Board of Supervisors approved a resolution stating its intention to form a Downtown Revitalization and Economic Recovery District (File 25-0423). The purpose of the District is to use property tax increment revenues to fund commercial-to-residential conversion projects in downtown San Francisco. The incremental property taxes resulting from the conversion projects would be returned to owners to offset their project costs.

The District includes the neighborhoods of Financial District, Union Square, Civic Center, Yerba Buena, East Cut, South Beach, and Rincon Hill. We include a map of the District in Appendix I to this report.

The District is a separate legal entity from the City and governed by a Board of Directors, which includes three members of the Board of Supervisors, appointed by the President of the Board of Supervisors, and two members of the public and appointed by the Board of Supervisors. The financing plan for the District must be approved by both the District Board and Board of Supervisors.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve the Downtown Revitalization District's Financing Plan, (2) delegate authority to the District Board to approve contracts with property owners who opt-in to receive property tax distributions to pay for commercial-to-residential conversion projects and to prepare annual reports, (3) approve actions taken by the District Board and City officials in connection with establishing and managing the District and proposed Financing Plan.

Financing Plan

The proposed Financing Plan allows for any commercial building within the District to opt-in to receive incremental property taxes to offset commercial-to-residential conversion project costs, so long as the building is in an area zoned for residential use and is not in an existing redevelopment area. Projects must opt-in by December 31, 2032 and before they receive their first building permit.

Property owners would receive annual funding from the District for up to thirty years after a project receives a certificate of occupancy. The tax increment funding stream would survive changes in property ownership. The District will self-terminate 45 years after the first distribution of property taxes. The annual funding amount for each property would be limited by the

following factors: (1) no more than the incremental increase in the City share of property taxes (64.6% of the 1% percent property tax), based on the assessed value at opt-in and (2) no more than 1/30 of conversion project costs, validated by a certified public accountant. The District pays the property tax increment on an annual basis; it is not allowed to issue debt. Projects could be 100 percent conversion from commercial-to-residential use or converting portions of buildings currently used for commercial purposes to residential uses, provided that the resulting project must be is at least 60 percent residential.

The District may use up to five percent of diverted tax increment for administrative costs. If a project's costs are fully repaid by tax increment funding, the District may use the remaining tax increment to fund programs to revitalize downtown, as approved by the District Board. If there is unused increment following these distributions, it would be returned to the General Fund.

The Financing Plan proposes to disburse the entire diverted tax increment, less administrative costs, to opted-in conversion projects, so funding for such additional programs is not included in the Plan.

Projects seeking incremental property tax funding must pay prevailing wage but are otherwise not subject to the City's labor and public work regulations that typically follow from a City contract (such as competitive bidding, local business enterprise, apprenticeship and first source hiring, etc.). Per State law, projects with 50 or more units are required to employ workers in registered apprenticeship programs and provide healthcare contributions, while projects that are more than 85 feet in height are required to employ skilled and trained labor.

Affordability Requirements

The first 1.5 million square feet of new residential space resulting from conversion projects will be subject only to local affordability requirements (which have been waived for the first seven million square feet of conversions in C-3 zoning within the District, File 24-0927). Thereafter, residential projects receiving tax increment must include affordable housing per one of the methods:

1. At least 5 percent of total units for rent are affordable to very low-income households or the local inclusionary requirement, whichever is higher, for a minimum of 55 years. (30 – 50 percent AMI), or
2. At least 10 percent of total units for rent are affordable to lower income households or the local inclusionary requirement, whichever is higher, for a minimum of 55 years. (50 – 80 percent AMI), or

A. At least 10 percent of total units for sale are affordable to households of moderate income or the local inclusionary requirement, whichever is higher, for a minimum of 45 years. (80 – 120 percent AMI)

According to an analysis completed by BAE Urban Economics in May 2025, 48 properties within the District comprising 3,714,446 square feet of rentable building area are likely to participate in the program. Based on these figures, approximately 40 percent of the conversions would not be subject to the above affordability requirements.

Annual Reporting

Under State law, the District and City must both issue an annual report that contains a description of projects funded by District revenues, a comparison of the District's budgeted and actual revenues and expenditures, the amount of tax increment revenue received by the District, and a description of each commercial-to-residential conversion project within the district that opted in and the amount of tax increment revenues received. As noted above, the proposed resolution would delegate authority to the District Board to issue the required annual reports.

FISCAL IMPACT

Property Tax Diversion

The proposed Financing Plan projects that the District will allocate $610,424,000 in incremental property tax revenues over 45 years. Property tax diversions are projected to begin in FY 2028-29 at $1 million, increase to $10 million by FY 2032-33, and reach a plateau of $16 million in FY 2035-36, increasing by two percent annual thereafter. We show the projected allocations of property tax in Appendix II to this report. This estimate is based on analysis completed by BAE Urban Economics in May 2025, which concluded that 48 properties were likely to participate in the program, given their condition and level of vacancy. If all these properties converted to residential uses, BAE estimates that City would benefit from 4,344 additional housing units, which would receive the certificates of occupancy between FY 2028-29 – FY 2035-36.

The Financing Plan sets a maximum property tax diversion at $1,220,852,000, or double the projected amount, to allow for more than 48 properties to participate in the program or for higher growth in assessed value for opted-in projects than are projected.

Impact on the General Fund

The Financing Plan includes a fiscal impact analysis that assesses the impact of these conversions on the City's revenues and expenditures. The analysis was completed by BAE Urban Economics in October 2025 and uses the same assumptions regarding program participation as above. The analysis concluded that conversion projects would have an annual impact on the General Fund of -$169,166 to $11,027 per property, or -$8,289,122 to $540,339 if all 48 properties participated, depending on the assumptions used in the analysis.

The standard fiscal impact analysis estimates the value of new properties and change in service population and then estimates that population's economic activity and associated impact on General Fund revenues, net of baseline spending requirements. It then takes the most recently adopted General Fund budget per capita and applies those parameters to estimate the new service requirements and resulting net income for the General Fund. This results in the negative General Fund net income estimate of -$169,166 per property above. The negative value is driven by the District diverting all incremental property taxes to offset eligible conversion project costs.

BAE also completed a sensitivity analysis that assumed higher level existing spending to account for fact that area within the District is already developed and serviced by the City. This results in

a smaller increase in City spending and a positive net income for the General Fund of $11,027 per property.

POLICY CONSIDERATION

Project-Level Analysis

Using data from the fiscal impact analysis in the Financing Plan, we examined how the proposed diversion of property tax revenues could impact conversion project feasibility. BAE assumes existing assessed values of $250 per square foot and new assessed values of approximately $875 per square foot. These assumptions appear reasonable given recent City real estate transactions involving office space and publicly listed condominium prices. We analyzed how a range of sales prices, from $600 to $1,050 per square foot, and a range of conversion costs, from $550 - $850 per square foot for hard costs[1] (or $660 - $1,020 per square foot for total development costs), could impact project feasibility. We found that the proposed Financing Plan's allocation of property taxes would provide 5 – 23 percent of development costs over thirty years, depending on acquisition costs, conversion costs, and the final sales price (which influences the available tax increment). This range is similar to the percentage of total development costs enhanced infrastructure financing districts provide for the Power Station, 3333 California, and Stonestown projects, which ranges from 14 – 20 percent of total development costs. The Board of Supervisors and District Board of Directors should consider establishing a cap on the percentage of project costs that the District will pay for, such as 15 percent (in present value). This could be accomplished by amending the Financing Plan or Program Guidelines, the latter of which is approved by the Board of Directors.

Our analysis also concluded that the annual cap on property tax diversion to individual projects of 1/30 of conversion costs was not a limiting constraint on annual property tax distributions. The distributions would be limited to actual project costs and the amount of increment generated by an individual property, less administrative expenses for the District.

In addition, our analysis suggests that if property owners can minimize conversion costs and sell new condominiums at the higher end of our sales price range, they may not need the proposed property taxes to make their projects financially feasible. Similarly, in their 2023 analysis, HR&A found that most office conversions were not financially feasible without regulatory incentives but also that buildings with the highest vacancies may be able to convert without additional financial incentives. Given the broad eligibility criteria in the proposed Financing Plan, these projects could still benefit from the proposed diversion of property taxes.

Differences With Other Tax Increment Financing Districts

Unlike most other tax increment financing districts, which normally fund affordable housing units, utilities, or some other type of public infrastructure improvement, this diversion of

[1] The hard cost estimates are sourced from analysis completed by HR&A Advisors in February 2023 (and reviewed by BAE Urban Economics as part of their fiscal impact assessment).

property tax revenues would be mostly for market rate housing. In addition, the proposed Financing Plan contemplates allocating 100 percent of the City share of property taxes to project costs, rather than 50 percent, as the City's three enhanced infrastructure financing districts do for the Power Station, 3333 California, and Stonestown development projects. For this reason, these projects have a negative or modest impact on the General Fund. At the same time, Downtown Revitalization District could accelerate the delivery of downtown housing and refresh obsolete buildings.

Citywide Policy Regarding Infrastructure Financing Districts

The City's FY 2026-2035 Capital Plan includes financial policies to (1) restrict the maximum incremental property tax revenue that is allocated to an infrastructure financing district to no more than 50% of the annual incremental property tax revenue, (2) require that each district have a projected positive General Fund net fiscal benefit over its term after subtracting the incremental property tax revenue allocated to the infrastructure financing district, and (3) limit infrastructure financing debt service payments to no more than five percent of Citywide annual property tax revenues. In FY 2025-26, property tax revenues are budgeted at $2.49 billion, so five percent of property tax revenues are approximately $124 million.

According to the Office of Public Finance and OEWD, although it uses tax increment financing to fund development projects, the proposed Downtown Revitalization District is not subject to the above-mentioned financial policies. However, if it were considered an infrastructure financing district, which we believe it should as it is a tax increment financing tool, it would not comply with the first two policies, as it allocates 100% of incremental property tax revenues to projects and the standard fiscal analysis shows that the District would have a negative impact on the General Fund. However, as noted above, the District has a modest positive impact on the General Fund when different assumptions are used regarding the level of existing City services in the downtown area.

Because the District does not issue debt, the proposed property tax diversions from the General Fund also do not count against the five percent debt service limit described above. The Office of Public Finance (OPF) is not tracking the impact of the proposed District on Citywide property taxes. However, OPF reported to our office that all applicable and pending infrastructure financing district debt are projected to constitute approximately 4.70% of City property tax revenues, including pending infrastructure financing districts for three Port projects: Piers 30-32, Piers 38-40, and Fisherman's Wharf. Excluding the proposed Port IFD project areas, the total is 4.14%. Our analysis concluded that proposed Downtown Revitalization District Financing Plan would encumber approximately 0.48% of property tax revenues, so if it were included in the City's tax increment financial policies and all other pending IFDs were approved, they would exceed the five percent cap, based on today's property tax revenues. If the City's economic recovery accelerates and property tax revenues increase by more than is currently projected, the projects could be below the cap.

Delegated Authority

As noted above, the proposed resolution delegates authority to the Downtown Revitalization District to approve property tax distribution agreements with property owners. These

agreements would require otherwise require Board of Supervisors' approval under Charter Section 9.118(b) due to exceeding ten years.

In addition, the Financing Plan allows for unused property tax increment to fund downtown revitalization programs, as allowed under the State law authorizing the District. This would occur outside the annual appropriation process and, in our view, this diminishes the Board of Supervisor's budget authority and should be removed from the Financing Plan. However, the District Board includes three out of five seats for members of the Board of Supervisors, so if the provision remains in the Financing Plan the Board of Supervisors will retain influence over those decisions. In addition, because the District will only fund 5 – 23 percent of project costs, there is unlikely to be unused property tax increment.

Follow Up From Our Prior Recommendations

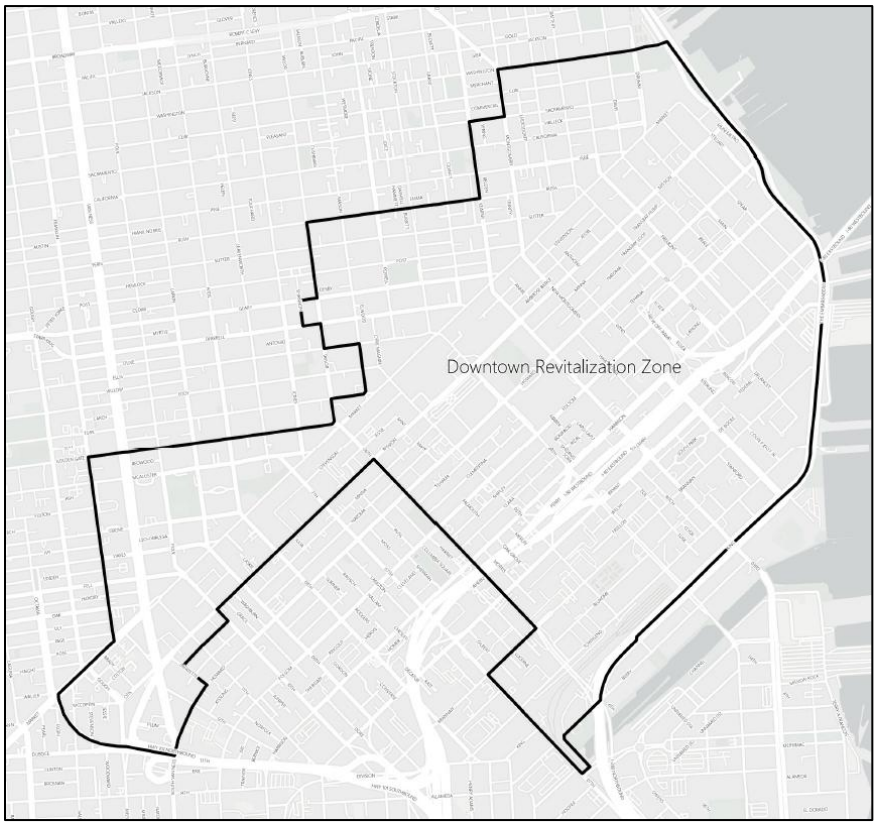
In our report on the resolution of intention to establish this District, we noted several unresolved policy issues, including whether the District will include existing redevelopment areas, whether it will allocate in-lieu vehicle license fee revenue, and whether City Departments such as the Controller, Board of Supervisors, Economic & Workforce Development, and Assessor, will be reimbursed for administrative costs, which we estimated at $330,000 in ongoing costs. The proposed Financing Plan excludes projects in redevelopment areas and does not attempt to allocate in-lieu vehicle license fee revenues.

Based on revenue projections in the proposed Financing Plan, the District will not provide sufficient revenues to cover administrative expenses until FY 2033-34. The District provides no revenues for such expenses until FY 2028-29, when the District is projected to provide $54,000 for administrative revenues, increasing to $162,000 in FY 2029-30, $270,000 in FY 2030-31, and to $390,000 in FY 2032-33. The Mayor and Board of Supervisors should budget for these new, unreimbursed administrative expenses between FY 2026-27 – FY 2032-33. An alternative funding mechanism for administrative costs could be for OEWD to establish reimbursement agreements with developers, as they do for large development projects.

RECOMMENDATIONS

1. The Board of Supervisors and District Board of Directors should consider establishing a cap on the percentage of project costs that the District will pay for, such as 15 percent (in present value).
2. Approve the proposed resolution.

Appendix I: Map of Proposed Downtown Revitalization District



Source: OEWD

Table 2. Projected Allocated Tax Revenue

District Year	Fiscal Year	% of Units in District Receiving COO (a)	Estimated Incremental Assessed Value ($000) (b)	Gross Tax Increment (1% Incremental Assessed Value) ($000)	City Share of Increment (64.588206%) ($000)	Allocated Tax Revenue (1% Ad Valorem Property Tax Revenue) ($000) (c) (d)	District Admin Fee (000$) (e)	Allocated Tax Revenue Minus Admin Fee (000$)
1	2025/26	0.00%	$0	$0	$0	$0	$0	$0
2	2026/27	0.00%	$0	$0	$0	$0	$0	$0
3	2027/28	0.00%	$0	$0	$0	$0	$0	$0
4	2028/29	7.14%	$166,405	$1,664	$1,075	$1,075	$54	$1,021
5	2029/30	14.29%	$502,544	$5,025	$3,246	$3,246	$162	$3,084
6	2030/31	14.29%	$845,406	$8,454	$5,460	$5,460	$273	$5,187
7	2031/32	14.29%	$1,195,124	$11,951	$7,719	$7,719	$386	$7,333
8	2032/33	14.29%	$1,551,837	$15,518	$10,023	$10,023	$501	$9,522
9	2033/34	14.29%	$1,915,685	$19,157	$12,373	$12,373	$619	$11,754
10	2034/35	14.29%	$2,286,809	$22,868	$14,770	$14,770	$739	$14,032
11	2035/36	7.14%	$2,498,951	$24,990	$16,140	$16,140	$807	$15,333
12	2036/37	0.00%	$2,548,930	$25,489	$16,463	$16,463	$823	$15,640
13	2037/38	0.00%	$2,599,908	$25,999	$16,792	$16,792	$840	$15,953
14	2038/39	0.00%	$2,651,906	$26,519	$17,128	$17,128	$856	$16,272
15	2039/40	0.00%	$2,704,945	$27,049	$17,471	$17,471	$874	$16,597
16	2040/41	0.00%	$2,759,043	$27,590	$17,820	$17,820	$891	$16,929
17	2041/42	0.00%	$2,814,224	$28,142	$18,177	$18,177	$909	$17,268
18	2042/43	0.00%	$2,870,509	$28,705	$18,540	$18,540	$927	$17,613
19	2043/44	0.00%	$2,927,919	$29,279	$18,911	$18,911	$946	$17,965
20	2044/45	0.00%	$2,986,477	$29,865	$19,289	$19,289	$964	$18,325
21	2045/46	0.00%	$3,046,207	$30,462	$19,675	$19,675	$984	$18,691
22	2046/47	0.00%	$3,107,131	$31,071	$20,068	$20,068	$1,003	$19,065
23	2047/48	0.00%	$3,169,274	$31,693	$20,470	$20,470	$1,023	$19,446
24	2048/49	0.00%	$3,232,659	$32,327	$20,879	$20,879	$1,044	$19,835
25	2049/50	0.00%	$3,297,312	$32,973	$21,297	$21,297	$1,065	$20,232
26	2050/51	0.00%	$3,363,259	$33,633	$21,723	$21,723	$1,086	$20,637
27	2051/52	0.00%	$3,430,524	$34,305	$22,157	$22,157	$1,108	$21,049
28	2052/53	0.00%	$3,499,134	$34,991	$22,600	$22,600	$1,130	$21,470
29	2053/54	0.00%	$3,569,117	$35,691	$23,052	$23,052	$1,153	$21,900

30	2054/55	0.00%	$3,640,499	$36,405	$23,513	$23,513	$1,176	$22,338
31	2055/56	0.00%	$3,713,309	$37,133	$23,984	$23,984	$1,199	$22,784
32	2056/57	0.00%	$3,787,575	$37,876	$24,463	$24,463	$1,223	$23,240
33	2057/58	0.00%	$3,863,327	$38,633	$24,953	$24,953	$1,248	$23,705
34	2058/59	0.00%	$3,940,593	$39,406	$25,452	$23,505	$1,175	$22,330
35	2059/60	0.00%	$4,019,405	$40,194	$25,961	$20,081	$1,004	$19,077
36	2060/61	0.00%	$4,099,793	$40,998	$26,480	$16,589	$829	$15,760
37	2061/62	0.00%	$4,181,789	$41,818	$27,009	$13,027	$651	$12,376
38	2062/63	0.00%	$4,265,425	$42,654	$27,550	$9,394	$470	$8,925
39	2063/64	0.00%	$4,350,734	$43,507	$28,101	$5,689	$284	$5,404
40	2064/65	0.00%	$4,437,748	$44,377	$28,663	$1,909	$95	$1,813
41	2065/66	0.00%	$4,526,503	$45,265	$29,236	$0	$0	$0
42	2066/67	0.00%	$4,617,033	$46,170	$29,821	$0	$0	$0
43	2067/68	0.00%	$4,709,374	$47,094	$30,417	$0	$0	$0
44	2068/69	0.00%	$4,803,561	$48,036	$31,025	$0	$0	$0
45	2069/70	0.00%	$4,899,633	$48,996	$31,646	$0	$0	$0
Cumulative Total Over District Term						**$610,426**	**$30,521**	**$579,905**

Total Assessed Value Increment at Buildout (000$) (f)	$2,329,674
Length of Opt-In Period (Years)	7
Annual Increase in Assessed Value after Issuance of Certificate of Occupancy (g)	2.00%

[Footnotes are on the following page]

Item 11 File 25-1226	Department: City Administrator's Office / Mayor's Office

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance retroactively authorizes (1) the Mayor's Office to accept and expend a grant in the amount of $7 million from Bloomberg Philanthropies, (2) approve the associated grant agreement with Bloomberg Philanthropies, and (3) amends the FY 2025-26 – FY 2026-27 Annual Salary Ordinance to add four positions to the City Administrator's budget. The grant term is three years from January 1, 2026 through December 31, 2028.

Key Points

- The proposed ordinance creates four new grant-funded positions, including a Manager III, a Senior IS Engineer, a Senior IS Business Analyst, and a Principal IS Business Analyst, budgeted in the City Administrator's Office but who will function as part of the Mayor's Office of Innovation. These positions will join five other existing positions at the Mayor's Office of Innovation what were funded from a 2021 grant from Bloomberg Philanthropies.

Fiscal Impact

- The grant requires $2.3 million in matching funds, which the Mayor's Office expects to meet by fundraising $1.5 to $2 million, with another $0.5 to $1 million from the existing, related General Fund spending.
- According to the Mayor's Office, the proposed grant intends to fund four new positions as well as the five positions previously funded by a 2021 Bloomberg Philanthropies grant. However, the total estimated cost of the nine positions at the top step over the three-year grant period is $6,962,625, while the grant provides only $6,038,611 for salaries and fringe benefits over the three-year period. This leaves an unfunded cost of $924,014 that could be covered by the required $2,333,333 match. The Mayor's Office believes the grant will cover all staffing costs during the grant term because positions will be below the top salary step.

Policy Consideration

- The Mayor's Office intends to fundraise to pay for all nine positions in outyears and any unfunded costs for the grant term. No fundraising has occurred as of this writing. Without fundraising, the nine positions would create a new ongoing General Fund cost of approximately $2.5 million annually beginning in FY 2028-29.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT

City Charter Section 9.118(a) states that contracts entered into by a department, board or commission having anticipated revenue to the City and County of one million dollars or more, or the modification, amendment or termination of any contract which when entered into had anticipated revenue of one million dollars or more, shall be subject to approval of the Board of Supervisors by resolution.

Administrative Code Section 10.170-1 requires Board of Supervisors approval for acceptance and expenditure of federal, state, and other grants of $100,000 or more.

BACKGROUND

Bloomberg Philanthropies encompasses all the charitable giving of Michael R. Bloomberg, the former Mayor of New York City and founder of Bloomberg L.P.—a privately held financial services and media firm. Bloomberg Philanthropies concentrates its resources across five distinct programs, including public health, environment, education, arts and culture, and government innovation—the program area for a new $7 million grant awarded by Bloomberg Philanthropies in September 2025 to the San Francisco Mayor's Office of Innovation (MOI). Bloomberg Philanthropies' Innovation Teams Program is intended to help cities "unlock bold approaches to priority local issues and reliably deliver results for residents," per the grant agreement between the National Philanthropic Trust (the fiscal intermediary for Bloomberg Philanthropies) and the City.

The MOI, which was originally launched in 2012 as the Office of Civic Innovation, operates as an internal consultancy for the City. The MOI develops technology solutions and best practices to improve City operations. Recent projects include work to improve the City's construction permit tracking and issuance process, improving police hiring timelines, and improving the customer experience for recipients of Medicaid and food assistance benefits.

Prior 2021 Bloomberg Philanthropies Grant

In 2021, the MOI received a Bloomberg Philanthropies grant for $3,407,000 to expand its capacity in the areas of service design, data science, and product management, which was approved by the Board of Supervisors in December 2021 (File 21-1126). Among other expenditures, the 2021 grant funded 5.0 full-time equivalent (FTE) positions for the grant term (October 1, 2021 through August 31, 2024); according to MOI, the grant term was extended through December 31, 2025 without increasing the grant amount due to delayed hiring of the grant-funded positions, which allowed the grant to fund positions through January 2026.

For the 2021 grant, MOI reports that the match was provided via: (1) an 1822 Administrative Analyst position funded by the Department of Technology; (2) in-kind donations from the Civic Bridge volunteer program; (3) All Street Integrated Database (ASTRID), an integrated data system serving clients experiencing homelessness; and (4) $200,000 that was budgeted for an earlier version of an outreach app for data collection.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance retroactively authorizes (1) the Mayor's Office to accept and expend a grant in the amount of $7 million from Bloomberg Philanthropies, (2) approve the associated grant agreement with Bloomberg Philanthropies, and (3) amends the FY 2025-26 – FY 2026-27 Annual Salary Ordinance to add four positions to the City Administrator's budget.

Program Description

According to the proposed agreement, the grant will expand the MOI's Innovation Team from five to nine staff. With the Department of Technology 1822 Administrative Analyst position referenced above, the team would total 10 people. The Innovation team will work under the Mayor's five policy chiefs and continue to develop technological and business process improvements for City operations. Implementation of such solutions will be the responsibility of City Departments. The Innovation Team will solicit input from residents and external experts as it develops its recommended improvements.

The MOI will also receive the following program support from Bloomberg: (1) training on successful innovation tools and techniques; (2) technical assistance and individualized support; (3) expert and peer advice; (4) resources to guide innovation work; and (5) expert support to deliver an Open Innovation Challenge to solicit input from San Francisco residents and businesses on best practices.

New Grant-Funded Positions

The proposed ordinance amends the Annual Salary Ordinance for Fiscal Years 2025-26 and 2026-27 to create four new grant-funded positions in the City Administrator's Office, as shown in Exhibit 1. The Annual Salary Ordinance for the third year, which begins in FY 2027-28, will be reflected in the Mayor's proposed budget for that fiscal year, according to MOI. The positions are funded in the City Administrator's Office budget but function as part of the Mayor's Office—pursuant to a Memorandum of Understanding between the two departments, per MOI.

Exhibit 1: Existing and Proposed Innovation Team Staffing

Job Code	Position	Current FTE	Proposed New FTE	Total FTE
0904	Mayoral Staff XVI	1.00		1.00
0931	Manager III	0.00	1.00	1.00
1043	IS Engineer-Senior	2.00	1.00	3.00
1053	IS Business Analyst-Senior	2.00	1.00	3.00
1054	IS Business Analyst-Principal	0.00	1.00	1.00
	Total FTE	**5.00**	**4.00**	**9.00**
	Cost	**$1,253,006**	**$1,011,499**	**$2,264,505**

Source: File 25-1226 and Annual Salary Ordinance

These four new positions would be funded by the grant for three years, and the MOI reports it expects the Mayor's Office to fundraise so the positions can continue to be funded privately in

outyears after the grant term expires on December 31, 2028. We note that the prior 2021 Bloomberg Philanthropies grant was also initially for a three-year term; however, due to delayed hiring and attrition, the grant term was extended by an additional year-and-a-half without increasing the grant funding.

Grant Agreement

The proposed grant provides the City $7 million to fund four additional staff at the Mayor's Office of Innovation. The grant term is three years from January 1, 2026 through December 31, 2028.

Match Requirement & Matching Funds

The Bloomberg Philanthropies requires a 1-to-3 ratio match (one matched dollar for every three grant dollars). The total match for a $7 million grant is therefore $2,333,333. One-half of the required match ($1,166,667) needs to be secured by September 30, 2026, and the remaining half needs to be secured by September 30, 2027.

According to MOI, the City expects to fundraise $1.5 to $2.0 million, with another $0.5 million to $1 million from the General Fund or from in-kind volunteer contributions from MOI's established Civic Bridge program, similar to the previous grant. No fundraising has occurred to date; however, the Office reported that some initial fundraising conversations took place in November and December of 2025, and fundraising will begin in earnest after the proposed ordinance is adopted and announced publicly. The Office reports that it plans to use the monies generated by fundraising to pay for the four new positions (as well as the five prior positions initially funded by a Bloomberg Philanthropies grant in 2021) beyond the grant term, which expires on December 31, 2028. For the $500,000 to $1 million from the General Fund, MOI reports that Bloomberg Philanthropies has historically allowed General Fund monies earmarked for other purposes to be counted towards the match requirement, as long as they support the Office's projects. The Office cites the following examples of funding that could be used for the Bloomberg Philanthropies match: (1) $1.8 million for the Unified Data Platform (Department of Technology), which supports data integration for homelessness response and many other purposes, and (2) $5.5 million (Department of Building Inspection) for permitting software.

FISCAL IMPACT

The grant budget of $7 million is shown in Exhibit 2 below.

Exhibit 2: Proposed Budget for $7 Million Bloomberg Philanthropies Grant

Budget	CY 2026	CY 2027	CY 2028	Total
Salaries & Fringe	$1,677,868	$2,148,148	$2,212,595	$6,038,611
Contracts/Consulting	512,400	215,400	173,400	901,200
Travel & Events	7,200	14,421	19,679	41,300
Supplies & Equipment	6,700	2,260	5,567	14,527
Other Direct Operating Costs	832	(229)	3,759	4,362
Total Costs	**$2,205,000**	**$2,380,000**	**$2,415,000**	**$7,000,000**

Source: Proposed Grant Budget

Note: The salary and benefit amounts differ between Exhibit 2 and Exhibit 3 because Exhibit 3 shows fiscal year costs and Exhibit 2 shows annual costs that span two fiscal years.

The majority of the three-year grant budget (86 percent) will fund the four new positions as well as the five positions previously funded by the 2021 Bloomberg Philanthropies grant (see detail below). According to the MOI, the contracts/consulting budget will be used to provide the Innovation Team with expertise on specific issue areas, such as outcome-based budgeting or community engagement to improve customer service.

Positions

According to MOI, the proposed grant intends to fund four new positions as well as the five positions previously funded by the 2021 Bloomberg Philanthropies grant. However, as shown in Exhibit 3, the total estimated cost of the nine positions, assuming all staff are at the top step, is $6,962,625 over the three-year grant period, while the grant provides only $6,038,611 for salaries and fringe benefits over the three-year period. This leaves an unfunded cost of $924,014 that could be covered by the required match. According to MOI, the required match would fund salaries and benefits for all nine positions after the grant term expires on December 31, 2028, or earlier if necessary to cover unfunded position costs, if they occur. The Mayor's Office believes the grant will cover all staffing costs during the grant term because positions will be below the top step.

Exhibit 3: Expenditures and Revenues for Grant-Funded Positions

	CY 2026	CY 2027	CY 2028[1]	Total
Expenditures				
Existing 5.00 FTE	$1,278,585	$1,330,247	$1,383,457	$3,992,289
Proposed 4.00 FTE	779,351[2]	1,074,012	1,116,973	2,970,336
Subtotal	2,057,936	2,404,259	2,500,430	6,962,625
Revenue				
Bloomberg Grant (Salaries & Fringe)	$1,677,868	$2,148,148	$2,212,595	$6,038,611
Net Unfunded Cost	**$380,068**	**$256,111**	**$287,835**	**$924,014**

[1] Salary and fringe expenditures in CY 2028 assume a 4 percent annual cost increase over the prior year's costs.

[2] Amount assumes hiring begins April 1, 2026.

If approved, the four new positions would represent 17 percent of the total $12 million budget for Digital Services in the City Administrator's Office.

POLICY CONSIDERATION

The proposed ordinance would pay for four new grant-funded positions in the City Administrator's Office, in addition to the existing four positions with the City Administrator as well as one existing position budgeted with the Mayor's Office.[1] The Mayor's Office intends to fundraise to pay for all nine positions in outyears after the grant term expires on December 31, 2028 and any staffing costs not covered by the proposed grant. If the fundraising plan is not successful, then the nine positions would create a new ongoing General Fund cost of approximately $2.5 million annually beginning in FY 2028-29, which would be subject to future Board of Supervisors appropriation approval.

RECOMMENDATION

Approve the proposed resolution.

[1] While eight of the nine positions are budgeted in the City Administrator's Office, all nine positions functionally operate as part of the Mayor's Office, per a Memorandum of Understanding between the two departments.