

File No. 210038

Committee Item No. 3

Board Item No. 21

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight
Board of Supervisors Meeting:

Date: February 18, 2021

Date: March 2, 2021

Cmte Board

- | | | |
|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution - VERSION 2 |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Introduction Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER

- | | | |
|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Departments Combines Presentation – February 18, 2021</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>FYI Referral – January 20, 2021</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
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| <input type="checkbox"/> | <input type="checkbox"/> | _____ |

Prepared by: John Carroll

Date: February 12, 2021

Prepared by: John Carroll

Date: February 26, 2021

Prepared by: John Carroll

Date: _____

1 [Urging the City and County of San Francisco to Revise Shelter-in-Place Hotels' Standard
2 Agreements with Existing Owners to Include an Option to Purchase the Hotels and/or a Long-
3 Term Lease]

4 **Resolution urging the Department of Homelessness and Supportive Housing to work**
5 **with the Our City, Our Home Oversight Committee, Planning Department, City Attorney,**
6 **Mayor's Office of Housing Community Development, and California Department of**
7 **Housing and Community Development to identify and determine possible hotels to**
8 **purchase, that includes the City's current 25 leased Shelter-in-Place Hotels to consider**
9 **if these hotels can be permanently acquired through federal, state and local funds**
10 **and/or offer a long-term lease option that shall not be less than ten years.**

11
12 WHEREAS; The number of people experiencing homelessness has continued to grow
13 in the City and County of San Francisco exponentially the last five years; and

14 WHEREAS, In 2019 the City identified 8,035 people experiencing homelessness during
15 the City's biennial Homeless Point-in Time Count and Survey; and

16 WHEREAS, The 2021 follow up Homeless Point-in-Time Unsheltered Count and
17 Survey was cancelled due to the surging COVID-19 cases throughout California, and local
18 mandates to Shelter in Place; and

19 WHEREAS, In March 2020, a Shelter-in-Place order was issued by the San Francisco
20 Department of Public Health due to the community spread of COVID-19; and

21 WHEREAS, The City activated the first Shelter-in-Place (SIP) hotel in April 2020,
22 providing the City's most vulnerable people experiencing homelessness shelter at local
23 unused hotels; and

24 WHEREAS, California Project Roomkey assisted the City in sheltering thousands of
25 unhoused residents for the past nine months during the global pandemic; and

1 WHEREAS, In November 2020, California Governor Gavin Newsom announced new
2 funds for Project Roomkey, through its successor program Homekey, which is providing
3 funding to counties and cities to purchase and rehab buildings for Permanent Supportive
4 Housing for their unsheltered population; and

5 WHEREAS, On August 11, 2020, the Board of Supervisors approved the Department
6 to apply for Homekey grant funds in an amount not to exceed \$45,000,000 from the California
7 Department of Housing and Community Development on behalf of the City and County of San
8 Francisco; and

9 WHEREAS, On October 6, 2020 the Board of Supervisors unanimously approved the
10 Department to execute a Standard Agreement for up to \$45,000,000 of Homekey grant funds
11 to the California Department of Housing and Community Development to Episcopal
12 Community Services for the acquisition of the Hotel Granada at 1000 Sutter Street for
13 Supportive Housing; and

14 WHEREAS, On November 17, 2020 the Board of unanimously approved the
15 Department to execute a Standard Agreement for up to \$30,000,000 of Homekey grant funds
16 to the California Department of Housing and Community Development to Episcopal
17 Community Services for the acquisition of a 130-unit tourist hotel located at 440 Geary Street
18 for use of future Permanent Supportive Housing; and

19 WHEREAS, On December 8, 2020 the Board of Supervisors approved the revised
20 Standard Agreement for up to \$49,000,000 of Homekey grant funds for the acquisition of the
21 Granada Hotel at 1000 Sutter Street for Permanent Supportive Housing; and

22 WHEREAS, The Our City, Our Home Oversight Committee (Committee) was formed
23 after the historic voter approval in November 2018, Proposition C: San Francisco Gross
24 Receipts Tax for Homelessness Services Initiative; and since Prop C was a people's initiative,
25 the Committee should be provided with all relevant information on potential hotel acquisitions

1 and any recommendations of the Our City, Our Home Oversight Committee should be
2 respected; and

3 WHEREAS, The Committee has recommended the Homekey Grant match use
4 alternative funding sources, and only use Our City, Our Home funds as a last resort; and

5 WHEREAS, This resolution seeks to urge coordination to identify all available housing
6 acquisition funds in order to purchase existing hotels and to purchase or long-term lease
7 existing sites that meet the Department of Homelessness and Supportive Housing's criteria
8 for potential future permanent supportive housing sites as determined in the Request For
9 Information (RFI) 100-A being used to house San Francisco's most vulnerable unsheltered
10 individuals; and

11 WHEREAS, Precedent has been established through the acquisition of the 130-unit
12 tourist hotel at 440 Geary Street that the Department of Homelessness and Supportive
13 Housing (HSH), Committee, Planning Department, City Attorney's Office, Mayor's Office of
14 Housing and Community Development, and Department of Real Estate can identify and
15 determine which of the 25 Shelter-in-Place Hotels and any other existing and appropriate sites
16 that can be permanently acquired through the California Homekey Program and other recently
17 passed ballot measures through Department of Homelessness and Supportive Housing's
18 RFI 100-A that is open for submissions through April 30, 2021; and

19 WHEREAS, If not articulated in existing Standard Agreement contracts with current SIP
20 Hotel owners, this Resolution would urge an immediate amendment to all 25 existing SIP
21 Hotels to offer the City and County of San Francisco the option to purchase or provide a long-
22 term lease option for such hotels, and that such contractual amendments to these existing
23 contracts be made within 45 days; and

24
25

1 WHEREAS, This Resolution seeks to urge the identification and negotiation of hotels to
2 purchase and any other appropriate sites to purchase or long-term lease that have not yet
3 been identified by the City and County of San Francisco through the SIP Hotel selection; and

4 WHEREAS, On December 8, 2020, the Board of Supervisors unanimously passed
5 Emergency Ordinance No. 273-20 limiting COVID-19 impacts by not moving people
6 experiencing homelessness currently placed in Shelter-in-Place Hotel rooms;” and

7 WHEREAS, Having an option to purchase existing Shelter-in-Place Hotels and any
8 other existing appropriate sites saves cost, as it relates to new construction projects, and
9 enables the City to permanently house people at a more rapid rate; and

10 WHEREAS, The COVID-19 pandemic has provided a unique opportunity for the City
11 and County of San Francisco to make a substantial, sustainable, and impactful change and
12 reduction to people experiencing homelessness on our streets through the following funding
13 sources: Our City, Our Home Funds, state and federal funds similar to the state’s Homekey
14 Program, recently passed propositions, and existing housing funds through the Mayor’s Office
15 of Housing and Community Development; now, therefore, be it

16 RESOLVED, That the Board of Supervisors of the City and County of San Francisco is
17 committed to acquiring as many Shelter-in-Place (SIP) Hotels and any other existing and
18 appropriate sites for Permanent and Supportive Housing as funding will allow; and, be it

19 FURTHER RESOLVED, That the Board urges the Department of Homelessness and
20 Supportive Housing to work with the Our City, Our Home Oversight Committee, Planning
21 Department, City Attorney, Mayor’s Office of Housing and Community Development, and
22 Department of Real Estate to identify and determine possible hotels to purchase, that may
23 include the City’s current 25 leased SIP Hotels to consider if these hotels can be permanently
24 acquired through federal, state and local funds; and, be it

1 FURTHER RESOLVED, That the Board urges that those SIP Hotels that are not
2 acquired by the City shall be considered and offered long-term leases that shall not be less
3 that ten years; and, be it

4 FURTHER RESOLVED, That the Board values the goals set by the Our City, Our
5 Home Oversight Committee's community process that seeks to re-house as many unhoused
6 people as possible and to help extremely low-income people keep their housing to
7 measurably decrease homelessness and prevent inflow into homelessness.

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Purchasing Hotels for Housing

Board of Supervisors

Government Audit and Oversight Committee

February 18, 2021

Overview

- Shared goal of continuing to **acquire** and **expand** supportive housing for our most vulnerable residents
- Opportunity to build **long-term strategy** and process to support continued expansion of supportive housing
- Gather information on **all potential options** for future Permanent Supportive Housing (PSH) sites, including but not limited to SIP hotels

Homeless Recovery Plan

In order to Rehouse

- 1,500 new units of Permanent Supportive Housing (PSH)
- 1,500 placements into existing PSH pipeline
- 1,500 placements into existing PSH units where turnover occurs
- Expand Problem Solving
- Create medium-term housing solutions for Adults

In order to take care of those still on the streets or becoming homeless

- Expand Homelessness Prevention
- Reactive Congregate Shelter to the COVID informed capacity of ~1,000 beds in the adult system (~2,000 beds pre-COVID)
- Expand Congregate Shelter: Open Bayview SAFE Navigation Center and Lower Polk TAY Navigation Center in early 2021
- Maintain Safe Sleep

Largest expansion of Permanent Supportive Housing in 20 years

Homeless Recovery Plan

- The City has a pathway to achieving the recovery plan
- New acquisitions would be on top of the plan and present a great opportunity to expand the housing portfolio.
- In addition to 1 time acquisition funds, the City will need ongoing operating and services funding as well as staff resources to execute.

Real Estate Market Trends

- **Buyers vs. Sellers (and Tenants vs. Landlords)**
 - There is still a disconnect (although the gap is shrinking) between Buyers and Sellers and between Landlords and Tenants on what market pricing *should be*.
 - Buyers/Tenants are focusing on available supply and Sellers/Landlords are typically focusing on macro-economic recovery.
- **Hotel value vs. Housing value**
 - Hotels are valued on expected future income, housing is typically looked at on a cost basis.
 - Demand: tourist/convention/transient vs. permanent/semi-permanent.
- **Wait and See Approach**
 - There is currently not a fire sale mentality – however there is much more willingness to consider selling than previously seen.

Actions Taken

- **Mayor's Homelessness Recovery Plan announced in July 2020**
 - On track to meet goal of 1,500 new units of PSH by FY22
- **Release of RFI 100 and RFI 100-A**
 - Gather information about potential sites for acquisition and long-term lease, including SIP Hotels
- **Homekey Grant Program**
 - Two sites acquired in 2020: The Granada and the Diva for a total of 344 units
 - Applying lessons learned to future process and timelines

Cost: Acquisition & Rehab vs Development

- The Granada:
 - \$409,000 per door in development costs
- The Diva:
 - \$560,000 per door in development costs
- Maceo May
 - \$706,000 per door in new construction

These costs are not directly comparable as the size of units and amenities differ greatly

Request for Information

- RFI is ongoing
 - Phase 1: Purchase
 - Phase 2: Master Lease
- 65 properties
- HSH is currently vetting the best buildings submitted via the RFI

Actions Underway

- **Review and vetting of RFI submissions**
 - Continuous review underway of all existing and new submissions to RFI 100 and RFI 100-A
- **Prepare for Homekey Grant Program in 2021**
 - Develop project team in anticipation of Homekey Grant Program in 2021
 - Anticipated \$700 million (statewide) in Homekey Funds in Summer 2021
- **Develop long-term process**
 - Opportunity to take this time to develop a sustainable process to support continued expansion of supportive housing

Vetting RFI Submission: Criteria

1. Number of units
 - Preferred range 50-150 units
2. Preferred start of City's Occupancy/Use: Available immediately through the next 12 months
3. Vacancy Rate (for residential sites only): At least 80% vacant
4. Desired amenities
 - In-unit bathrooms
 - In-unit Kitchenettes or space for communal kitchen/dining
 - Community space or meeting rooms
 - Office Space/private offices
 - Laundry Room
5. Accessibility
 - Elevator access and ADA accessibility
6. Building characteristics
 - Complies with standard building codes (no sites that require demolition and rebuild)

Roles & Responsibilities

The Department of Homelessness and Supportive Housing

- Develop **criteria** for what is needed in sites to meet the needs of the population, taking into account equity, geography, populations (adults, family, TAY, veterans, etc)
- Continue to work with OCOH Oversight Committee to **strategically invest** in services and programs serving people experiencing homelessness
- Lead applicant in funding **applications and grants** for State and Federal funds
- Work with City partners and providers to acquire, operate and refer tenants to supportive housing through Coordinated Entry

Roles & Responsibilities

The Mayor's Office of Housing and Community Development

- Vets construction scope and costs including ADA, seismic upgrades, health and safety provisions
- Monitors the progress and quality of construction
- Underwrites construction, operating budget as well as acquisition and permanent financing
- Provides expertise on occupied rehab and relocation
- Sponsor review
- Asset management

Roles & Responsibilities

The Real Estate Division of the City Administrator's Office

- Leads negotiations for the acquisition and sale of real property on behalf of most City departments
- On behalf of departments, negotiates lease agreements for both City as landlord and City as tenant
- Ongoing lease administration, and managing the escrow/closing/transfers of property of the associated transactions
- At the request of City departments, assists with searches and vetting of potential sites based on criteria provided by departments

Next Steps

- **Identify resources needed to support this work**
 - As part of FY21-23 budget process, departments will identify resources needed to continue this historic expansion (local, state and federal)
- **Work with partners on developing process**
 - Present to OCOH in March 2021
 - Gather input on long-term process and priorities
- **Identify and Prepare for Available Funding**
 - Homekey 2021
 - OCOH
 - Prop A

BOARD of SUPERVISORS



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San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Abigail Stewart-Kahn, Interim Director, Department of Homelessness and Supportive Housing
Our City, Our Home Oversight Committee, Care of the Office of the Controller, Ben Rosenfield
Rich Hillis, Director, Planning Department
Anne Pearson, Office of the City Attorney
Eric D. Shaw, Director, Mayor's Office of Housing and Community Development

FROM: John Carroll, Assistant Clerk, Government Audit and Oversight Committee, Board of Supervisors

DATE: January 20, 2021

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Supervisor Safai on January 12, 2021:

File No. 210038

Resolution urging the Department of Homelessness and Supportive Housing to work with the Our City, Our Home Oversight Committee, Planning Department, City Attorney, Mayor's Office of Housing Community Development, and California Department of Housing and Community Development to identify and determine possible hotels to purchase, that includes the City's current 25 leased Shelter-in-Place Hotels to consider if these hotels can be permanently acquired through state and local funds and/or offer a long-term lease option that shall not be less than ten years.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Office of Chair Preston
Office of Supervisor Safai
Dylan Schneider, Department of Homelessness and Supportive Housing
Emily Cohen, Department of Homelessness and Supportive Housing
Todd Rydstrom, Office of the Controller
Adam Varat, Planning Department
AnMarie Rodgers, Planning Department
Dan Sider, Planning Department
Aaron Starr, Planning Department
Eugene Flannery, Mayor's Office of Housing and Community Development
Amy Chan, Mayor's Office of Housing and Community Development

Introduction Form

By a Member of the Board of Supervisors or Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor [] inquiries"
- 5. City Attorney Request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No. []
- 9. Reactivate File No. []
- 10. Topic submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.

Sponsor(s):

Safai

Subject:

Urging City and County of San Francisco to immediately revise all 25 Shelter-in-Place hotels Standard Agreement with existing owners to include an option to purchase the hotels and/ or long-term lease them and to explore purchasing other hotels not yet identified

The text is listed:

Resolution Requires the Department of Homelessness and Supportive Housing to Work with Our City Our Home Oversight Body (OCOH), the Planning Department, City Attorney, Mayor's Office of Housing Community Development and California Department of Housing and Community Development to identify and determine possible hotels to purchase that includes accessing the City's current 25 leased Shelter-in-Place Hotels and to see if These Hotels Can be Permanently Acquired Through the State and Local Funds, such as the State's Homekey Program and Other Recently Passed Ballot Measures, like November 2018 Prop C, within 45 days from January 12, 2021.

Signature of Sponsoring Supervisor: []

