

## **LEGISLATIVE DIGEST**

[Administrative Code - Core Initiatives to Strengthen City's Responses to Homelessness, Drug Abuse, Mental Health Needs, and Related Crises]

**Ordinance amending the Administrative Code to 1) waive competitive procurement and certain other Municipal Code requirements for contracts, grants, and leases necessary to accelerate the City's response to homelessness, drug overdoses and substance use disorders, mental health needs, integrated health needs, and public safety hiring (the "Core Initiatives"); 2) delegate to department heads the authority to approve certain types of contracts, grants, and leases for Core Initiatives under Charter Section 9.118, if the Board of Supervisors has failed to act within 45 days; 3) delete the requirement under Chapter 23 of the Administrative Code that the Board of Supervisors approve leases, if the lease is for a Core Initiative; 4) authorize the City to accept gifts, grants, and other donations for Core Initiatives; 5) clarify the authority of the Controller to transfer surplus funds to support Core Initiatives; and 6) authorize the Office of the Mayor for six months to solicit donations from various private entities and organizations to support the City's work on the Core Initiatives, notwithstanding the Behested Payment Ordinance.**

### Existing Law

City law requires departments to conduct a competitive process before awarding certain types of contracts. Contracts involving the expenditure of City funds – for example, to procure goods or services, to improve City property, to fund private entities through grants or loans – typically must comply with these rules. Contracts to lease out City real property are subject to similar requirements, concerning competitive bidding.

The Administrative Code contains some exceptions to these requirements. For example, under Chapter 21B, competitive bids are not required for the Department of Public Works ("DPW") or by the Department of Homelessness and Supportive Housing ("HSH") to award contracts or grants that support projects addressing homelessness. Under Chapter 6, public works contracts awarded for the purpose of providing housing or shelter are also exempt from certain requirements under Chapter 6, as well as under the Labor and Employment Code and Environment Code. These exceptions in Chapter 21B and Chapter 6 expire in May 2029, or at such time as the Board of Supervisors ("the Board") finds that homelessness levels have dropped to a certain level, whichever is earlier.

City law also requires departments to obtain Board approval of some contracts. Under Chapter 23, the Board must approve certain types of leases – both where the City is the tenant, and where the City is leasing out its own property as the landlord. And Section 9.118 of the City Charter requires Board approval by resolution of certain types contracts, including contracts that will do any of the following: (1) generate \$1 million or more in revenue for the City, (2) require anticipated expenditures of \$10 million or more, (3) modify an expenditure

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agreement previously approved by the Board by \$500,000 or more, (4) have a term of 10 years or more, or (5) sell or transfer City real property. The Board can under certain specific conditions delegate approval authority under Section 9.118 to departments.

The Board also is required to approve most gifts and grants to the City. In most cases, departments have delegated authority to accept gifts of up to \$10,000, and grants of up to \$100,000, without Board approval.

Finally, the City's Behested Payments Ordinance restricts designated City officials and employees from soliciting donations from persons in administrative proceedings before the City, City contractors, lobbyists, and permit consultants (collectively, "interested parties"). The Board is authorized to waive these restrictions for up to six months at a time.

#### Amendments to Current Law

The proposed ordinance amends Chapter 21B to streamline certain approval requirements for Contracts entered into by Designated Departments to support Core Initiatives:

- The term "Contracts" covers contracts for public works under Chapter 6, commodities and services under Chapter 21, grants awarded under Chapter 21G, leases and related agreements under Chapter 23, and loan agreements for affordable housing under Chapter 66 and/or Chapter 120.
- The term "Designated Departments" means DPW, HSH, the Department of Public Health, the Police Department, the Sheriff's Department, the Department of Emergency Management, the Human Services Agency, the Mayor's Office of Housing and Community Development, the City Administrator, and the Department of Human Resources. The ordinance also allows the Mayor to select additional departments or components of City government as Designated Departments.
- The term "Core Initiatives" means one or more of any of the following: (1) Projects Addressing Homelessness, (2) Projects Addressing Drug Overdoses and Substance Use Disorders; (3) Projects Addressing Mental Health Needs; (4) Projects Addressing Integrated Health Needs. and (5) Projects Addressing Public Safety Hiring. The ordinance contains additional language to describe the types of projects that can qualify as Core Initiatives under these sub-categories.

Under the ordinance, a Designated Department with authority to enter into a Core Initiative Contract could do so without competitive bidding, if the Department Head had first provided the Mayor a written justification of why the Contract is necessary to support a Core Initiative. (The ordinance does not expand the general contracting authority of any of the Designated Departments. For example, a Designated Department that lacks general authority to enter into leases would still need to comply with the provisions of Chapter 23 that confer general

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leasing authority on the Director of Property, but the lease could be awarded without a competitive bid if necessary for a Core Initiative.)

The ordinance extends the Chapter 6 exception for public works contracts for projects that provide shelter, to public works contracts by DPW that are for any of the Core Initiatives.

The ordinance would waive the requirements under Chapter 23 for Board approval of leases, in the case of leases that support Core Initiatives.

The requirement of Board approval under Section 9.118 would still apply, but Designated Departments could approve Core Initiative Contracts (other than revenue contracts) on the Board's behalf, under certain conditions, and if a resolution seeking the Board's approval had been introduced at the Board on or before January 8, 2026 and the Board had failed to act on the resolution within 45 days of introduction. In this context, the Board would have "failed to act" if it had neither approved nor disapproved the resolution within 45 days. Both the defeat of a motion to approve, and the passage of a motion to disapprove, would constitute the disapproval of the resolution. This delegation of authority under Section 9.118 would apply to the following types of Contracts:

- The resolution is signed by the Department Head and the Mayor, and states why the Contract is necessary for a Core Initiative;
- The Contract does not require anticipated expenditures by City of \$50 million or more, or in the case of a modification or amendment of an existing Contract does not have an impact of \$50 million or more;
- The Contract does not have a term of ten years or more, or for an amendment or modification of an existing Contract does not extend the Contract term by ten years or more, with the exception of (A) leases of City property for affordable housing development which shall not exceed 99 years, (B) loans for acquisition, development, construction, rehabilitation, or reconstruction of affordable housing; and (C) grants to subsidize rents or operations of an affordable housing development which shall not exceed 30 years; and
- The Contract is substantially in the form of the applicable City template for such a Contract, and incorporates City-standard requirements related to matters such as insurance and indemnity following consultation with the City Attorney and Risk Manager.

The ordinance would also authorize Designated Departments to accept gifts, grants, services, and similar donations provided for the purpose of supporting the Core Initiatives. And it would clarify the legal authority of the Controller to transfer funds within the City budget for purposes of supporting the Core Initiatives.

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All of the above requirements would expire by operation of law on May 5, 2029.

Finally, the ordinance would grant the Mayor and the Mayor's Office Staff a six-month waiver from the Behested Payments Ordinance, to facilitate fundraising to support the Core Initiatives.

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