Hitting the Performance Bullseye

Contracting for Better Outcomes in Homelessness Services

June 28, 2023
About the San Francisco Civil Grand Jury

The Civil Grand Jury is a government oversight panel of volunteers who serve for one year. It makes findings and recommendations based on its investigations. Reports of the Civil Grand Jury do not identify individuals by name, and disclosure of information about individuals interviewed by the Jury is prohibited.

—California Penal Code §929

2022–2023 Civil Grand Jurors

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Stan Feinsod       Barbara Savitz
Lorna Hill         Pauline Soffa
Laurance Lem Lee   Marc Uscilka
Peter J. Logan     Elwyn Wong
Marvin D. Norman   Marina Yu

Summary

This has been a busy spring for the City of San Francisco as it works to address the issue of homelessness. In April 2023, San Francisco’s Department of Homelessness and Supportive Housing (HSH) released its five-year strategic plan titled “Home By The Bay: An Equity-Driven Plan to Prevent and End Homelessness in San Francisco.” This plan includes a series of strategies to improve outcomes for all subpopulations of those experiencing homelessness.

On May 4th, the City’s newly-formed Homelessness Oversight Commission (HOC) conducted its first meeting. Approved by San Francisco voters in November 2022, HOC’s responsibilities include setting goals and establishing performance standards for HSH, conducting performance audits of HSH’s service delivery, approving budgets, and holding public hearings.¹ The HOC is expected to bring a new level of supervision and transparency to HSH’s critical work.

Additionally, a member of the San Francisco Board of Supervisors is asking the City Attorney’s Office to draft legislation that may be finalized by year-end to “standardize and streamline existing processes and strengthen performance measurement and performance monitoring” to improve the City’s contracting with community-based organizations (CBOs).² HSH has contracts with multiple CBOs, so this legislation could have significant implications for the City’s efforts to combat homelessness.

These efforts reflect the City’s commitment to solving the homelessness crisis in San Francisco. HSH has been successful in keeping 15,000 people sheltered and housed

¹ San Francisco Charter, Article IV, §4.133.
every night. However, despite billions of dollars spent over the past seven years and progress in many areas, HSH has fallen short of its stated goal of eliminating chronic homelessness.

The 2022–2023 San Francisco Civil Grand Jury investigated HSH’s contracting practices with CBOs and evaluated how those contracting practices may have contributed to a lack of progress in eliminating chronic homelessness in the City. The Jury recognizes that any solution to eliminate homelessness, and particularly chronic homelessness, will require coordinated efforts involving multiple City departments and agencies. We decided to focus on HSH’s contracting practices because HSH largely delivers services to the homeless through a series of contracts it enters into with various CBOs. If those services are to meaningfully reach the homeless individuals they are intended to help, HSH must effectively draft and oversee these contracts—and evaluate the value of the services these CBOs provide.

Our investigation revealed deficiencies in the contracting process that may make it difficult for HSH to determine which CBOs have been effective in delivering services and which have not. This report discusses specific flaws in that process and proposes some recommended solutions.

The Jury was encouraged to see that our observations and recommendations parallel those in HSH’s Home By the Bay report. The Home By the Bay plan sets ambitious goals in five areas, some of which are particularly relevant to this investigation. It proposes the development of a “comprehensive Performance Management Plan,” and notes that it will be important to use data to “enhance service delivery, including design and implementation of a contract management system.” The plan also proposes to increase transparency through publication of an annual progress report that assesses the City’s progress towards each of the plan’s goals.4

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3 City of San Francisco Department of Homelessness and Supportive Housing, “Home By the Bay.”
4 “Home By the Bay,” 36.
At the same time, the Controller’s Office recently made several recommendations to improve citywide transparency and the continuity of contracting across CBOs to improve monitoring and outcomes. While the Controller’s Office review did not focus on HSH, several of its recommendations are relevant to HSH contracts. HSH needs to effectively work with the new Homelessness Oversight Commission and the Controller’s Office toward the goals set forth in both the Home By the Bay plan and the Controller’s recommendations.

Improving HSH contract procedures will benefit all subpopulations of homelessness in San Francisco, including traditionally underserved groups and those experiencing chronic homelessness. As is evident from the “equity-driven” focus of the Home By the Bay plan, all subpopulations of homeless individuals deserve to benefit equally from the City’s efforts to address this critical problem.

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Background

On May 11th, 2016, San Francisco Mayor Edwin Lee announced the formation of the City’s new Department of Homelessness and Supportive Housing (HSH). Mayor Lee’s goal was to “help at least 8,000 people out of homelessness forever through strategies that stabilize people’s lives through the City’s nationally recognized housing and supportive services and building a system that ends a person’s homelessness before it becomes chronic.”

By combining key homeless programs from four existing City departments—the Department of Public Health (DPH), the Human Services Agency (HSA), the Mayor’s Office of Housing and Community Development (MOHCD), and the Department of Children, Youth and Their Families (DCYF)—HSH was established as a dedicated City department with a singular focus on preventing and ending homelessness for people in San Francisco.6

HSH has delivered a number of noteworthy major programs. These include:

- Street outreach and service connection through the Homeless Outreach Team;
- A robust shelter system for single adults and families, including shelters for members of the LGBTQ+ (lesbian, gay, bisexual, transgender, queer or questioning, intersex, asexual and more) community and survivors of domestic violence;
- Navigation Centers, strategically located within the City, that provide temporary shelter for individuals and couples using a low-threshold model;
- Rapid rehousing rental subsidies for families, adults, seniors, and transitional aged youth;

6 City of San Francisco, “Mayor Lee Announces City’s New Department,” SFMayor.org.
The Homeward Bound program, which has helped individuals return to their city of origin via travel and relocation services; and

Robust supportive housing programs of nearly 7,500 units that provide permanent housing and services to formerly homeless individuals and families.

Today, HSH keeps 15,000 people sheltered and housed every night. “Over 8,000 households exited homelessness from January 2019 to January 2022 through Permanent Supportive Housing, Rapid Rehousing, Prevention and Problem Solving interventions (including relocation assistance).” HSH helps many families and individuals experiencing homelessness get into housing and remain there.

Despite these efforts and successes, however, reducing homelessness remains a difficult challenge. A September 2022 San Francisco Chronicle poll of 1,653 residents reflecting the City’s demographics identified homelessness as the City’s top challenge. And, as HSH acknowledged in the Home By the Bay plan, this challenge is compounded by the fact that certain groups, including Black and Latine people, people with disabilities, and people who identify as LGBTQIA+, are overrepresented in the homeless population.

Voters Approve a New Commission

On May 4 2023, the City’s newly-formed Homelessness Oversight Commission (HOC) conducted its first meeting. The HOC was formed nearly concurrent with a 2022 Civil

7 City of San Francisco Department of Homelessness and Supportive Housing, “Home By the Bay.”

8 City of San Francisco Department of Homelessness and Supportive Housing, “San Francisco Homeless Count and Survey.”


10 “Home By the Bay,” 29.
Grand Jury report that observed that HSH lacked independent oversight and recommended that a commission be created.\footnote{San Francisco Civil Grand Jury Report, “A Progress Report About the San Francisco Department of Homelessness and Supportive Housing,” at 14–15, 18, June 30, 2022.}

Approved by San Francisco voters as Proposition C in November 2022, the HOC consists of seven commissioners, three appointed by the Board of Supervisors and four appointed by the Mayor and confirmed by the Board. HOC’s oversight responsibilities include setting goals and establishing performance standards for HSH, conducting performance audits of HSH’s service delivery, approving budgets, and holding public hearings, the first of which took place this May.\footnote{San Francisco Charter, Article IV, §4.133.}

**Homelessness By the Numbers**

The U.S. Department of Housing and Urban Development (HUD) requires that every jurisdiction that receives federal funds for homeless services conduct a survey every two years to estimate the numbers of homeless living on the street. This survey, commonly referred to as a Point-In-Time count (PIT), is conducted over a 24 hour period during the winter months. There is debate over the significance and reliability of a count done over 24 hours during the winter,\footnote{See, e.g., Alastair Boone, “Is There a Better Way to Count the Homeless?” Bloomberg City Lab, March 4, 2019.} but the PIT count gives a rough estimate of the numbers of people living without stable housing.

Homelessness is a national crisis, but California bears a disproportionate share of the homeless population. Nationally, the 2022 PIT showed California accounting for 30%
of the total homeless population despite having only 12% of the nation’s population. Further, California is home to 50% of the nation’s unsheltered population.\textsuperscript{14}

Since the first PIT count conducted in 2005, San Francisco’s homeless population has grown 30\%.\textsuperscript{15} As shown in Figure 1, the trajectory of the homeless problem in San Francisco has not changed, despite significant annual spending.

\textbf{Figure 1: People Experiencing Homelessness During Each PIT Count, 2005–2022}\textsuperscript{16}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{Figure1.png}
\caption{People Experiencing Homelessness During Each PIT Count, 2005–2022}
\end{figure}

Over the two-year period FY 2022–2024, HSH’s annual budget is over $600 million, as allocated in Figure 2:

\begin{figure}
\centering
\includegraphics[width=\textwidth]{Figure2.png}
\caption{Estimated Number of People}
\end{figure}

\textsuperscript{14} “Homeless” refers to an individual or family who lacks a fixed regular or adequate nighttime residence. “Unsheltered” refers to those living in places not meant for human habitation. Emily Hoeven, “California Homeless Count is 30\% of U.S. Total,” CalMatters, December 2022.


\textsuperscript{16} City Performance Scorecards Point-In-Time Homeless Counts, \textit{op. cit.}
To achieve the goals outlined in the Home By the Bay 5 year plan, HSH estimates that it will need an additional incremental investment of $607 million over the five year period, with an ongoing commitment of $217 million a year thereafter.¹⁸

The face and extent of homelessness vary, but for many San Francisco residents and much of the nation, the most obvious evidence of the homeless crisis and a city’s success or failure in addressing it is the growing population of those living on the streets. As noted in a prior Civil Grand Jury report from 2022, “what the public generally observes as ‘the homeless’ is that part of the population on our streets that suffers from chronic unsheltered homelessness. Depending on the data source, this

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¹⁸ “Home By the Bay,” at p. 10, op. cit.
subpopulation represents only about a third of the total homeless population. But in the public perception, this part often ends up representing the whole.  

The HSH 2022 PIT count defines *chronically homeless* as:

- An individual with one or more disabling conditions or a family with a head of household with a disabling condition who:
  - Has been continuously homeless for 1 year or more and/or
  - Has experienced 4 or more episodes of homelessness within the past three years.

When Mayor Lee announced the formation of HSH, a stated goal was to reduce the number of chronically homeless by 50% (represented as “2022 Goal” in Figure 3).

Figure 3: Chronic and Non-Chronic Homeless Counts, 2013–2022

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-Chronic Homeless</th>
<th>Chronic Homeless</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>5,031</td>
<td>1,977</td>
</tr>
<tr>
<td>2015</td>
<td>5,012</td>
<td>1,763</td>
</tr>
<tr>
<td>2017</td>
<td>4,720</td>
<td>2,138</td>
</tr>
<tr>
<td>2019</td>
<td>5,005</td>
<td>3,030</td>
</tr>
<tr>
<td>2022</td>
<td>5,063</td>
<td>2,691</td>
</tr>
</tbody>
</table>

When Mayor Lee announced the formation of HSH, a stated goal was to reduce the number of chronically homeless by 50% (represented as “2022 Goal” in Figure 3).

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21 Chronic homelessness is defined as having a disabling condition and being homeless for more than a year, or having at least four episodes of being homeless adding up to a year over a span of three years. The dotted line indicates the target of a 50% reduction in chronic homelessness from the 2017 HSH Five Year Strategic Framework, i.e., 1,069. Source: 2022 Homeless Count and Survey, op. cit.
The chronically homeless represent the most visible and vulnerable people in the homeless community.\textsuperscript{22} For people who experience chronic homelessness, one-time interventions or basic services often are insufficient to help them successfully transition out of homelessness. Instead, they are more likely to benefit from sustained case management and higher-touch service models designed to meet their needs, such as residential recovery programs.\textsuperscript{23}

In 2022, the PIT count showed that the chronically homeless represented approximately 35 percent of the homeless population in San Francisco. Comparing the 2005 PIT count to the 2022 PIT count demonstrates the lack of progress in reducing the number of chronically homeless in San Francisco.\textsuperscript{24} Indeed, our evaluation of performance over multiple PIT counts saw discouraging results—the chronic homeless totaled 1,977 in 2013 vs. 2,691 from the 2022 Point in Time count as seen in \textit{Figure 3}, above.\textsuperscript{25}

A March 2023 study from McKinsey & Company reported that, in 2022, an estimated 20,000 individuals in San Francisco experienced homelessness. The McKinsey study tracked these individuals over the course of the year, looking at multiple year-end outcomes such as how many individuals were “diverted from homelessness,” or ended the year “precariously housed” or in “permanent supportive housing.”

Those 20,000 individuals included 2,650 individuals who met the criteria for “chronic homelessness” at the beginning of the year. Of those 2,650 individuals, 2,550 of them—96%—remained chronically homeless by year-end. This grim statistic shows

\textsuperscript{22} This can be seen from the many news headlines highlighting this problem. Examples include “S.F. Had a Bold Plan to Cut Chronic Homelessness in Half in 5 Years. The Numbers Only Got Worse,” \textit{San Francisco Chronicle}, September 20, 2022; and “Study: San Francisco’s Fragmented City Services are Harming—and Killing—the Most Vulnerable,” \textit{San Francisco Chronicle}, September 27, 2022.


\textsuperscript{24} \textit{Point In Time and Housing Inventory Counts}, \textit{op. cit.}

\textsuperscript{25} \textit{Point–In–Time Homeless Counts}, \textit{op. cit.}
that the City’s efforts to address homelessness are failing this particular subgroup at an alarming rate.\textsuperscript{26}

Yet HSH has reported seemingly conflicting statistics,\textsuperscript{27} like the ones below, that paint a different picture. HSH has noted that changes in PIT counts between 2019 and 2022 include:

- 15\% Decrease in Unsheltered Homelessness;
- 3.5\% Decrease in Overall Homelessness;
- 18\% increase in people living in shelters and transitional housing;
- 11\% decrease in chronically homeless single adults; and
- Improvement in youth counts.

HSH’s top line statistics over the past three years regarding progress made toward reducing overall homelessness, and the City’s increasing financial commitment, attest to progress on many fronts in serving homeless populations. Yet, sufficient long-term progress for the chronic homeless remains elusive.

As illustrated in \textit{Figure 4}, the homeless crisis also disproportionately impacts our most marginalized residents.\textsuperscript{28} In addition, the estimated 12\% of individuals in San Francisco who identify as LGBTQIA+ account for 27\% of the homeless population.\textsuperscript{29}

\begin{footnotesize}
\begin{enumerate}
\item Krivkovich, Modi, Pan, et al., \textit{op. cit.}
\item City of San Francisco, “\textit{New San Francisco Homelessness Count Reveals 15\% Decrease in Unsheltered Homelessness from 2019 to 2022},” SFMayor.org.
\item 2022 Homeless Count and Survey, \textit{op. cit.}
\item Meg Elison, “\textit{More Queer People than Ever Living on the Street in SF},” \textit{Bay Area Reporter}, July 10, 2019.
\end{enumerate}
\end{footnotesize}
The Jury commends HSH on its equity-driven plan to address homelessness outlined in the Home By the Bay plan. The plan sets ambitious goals that seek to focus on all subpopulations of those experiencing homelessness, most notably the chronically homeless.

We investigated current contracting practices used by HSH to determine if contracting improvements could help HSH achieve these goals. The recommendations in this report seek to better position HSH to do so.

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30 2022 Homeless Count and Survey, op. cit.
Discussion

The majority of HSH services are delivered through contracts with CBOs. During our investigation, we learned that, as of May 4, 2023, HSH had a total of over 300 active agreements, some extending until 2030, representing a total original contract value of more than $2 billion.

The Jury evaluated HSH’s contracting practices with nonprofit CBOs to determine whether improvements to these practices could contribute to better progress toward eliminating homelessness. Our investigation revealed potential deficiencies in the contracting process that may make it difficult for HSH to determine which CBOs have been effective in delivering homelessness services and which have not. It is critical for HSH to monitor and evaluate the value of services provided by CBOs.

Measuring Outcomes

The Harvard Performance Lab notes that good contracting practices are essential to the delivery of performance and value for government operations:

Many of the most important functions of state and local governments—from building and maintaining roads to housing the homeless—involve contracting for goods and services supplied by the private sector. Increasing the effectiveness of procurements is . . . an essential component of improving governments’ overall performance in creating public value. Unfortunately, governments often treat procurement as a back office administrative function, rather than as a core part of their strategy for delivering better performance. . . . Contractor performance is rarely tracked in a meaningful manner. Contract management tends to focus on compliance instead of performance.
improvement, with contractors held accountable for inputs and activities rather than outcomes and impacts (if performance is measured at all).\textsuperscript{31}

The benefits of results-driven contracting seem self-evident. However, as discussed below, HSH’s contracts have previously drawn criticism for lacking consistently applied results-based outcome measures.

**Prior Reviews of HSH Contracting Practices**

Recent years have seen multiple calls for the City to improve its contracting practices, both in general and specifically for homeless services.

Even as HSH was being formed, a 2016 Civil Grand Jury report, “San Francisco Homeless Health & Housing: A Crisis Unfolding On Our Streets,”\textsuperscript{32} included the following finding:

- Contracts are awarded through HSA and DPH with few requirements to include Client Outcomes in performance reports used to evaluate the success of a contract or program. Number of Clients Served is more often used.

That finding resulted in the following Grand Jury recommendation directed at the newly-formed HSH:

- Contracts with organizations receiving City funding should require comprehensive Outcome Performance Measures which include client outcomes.

HSH agreed with this finding, and said that the recommendation would “be implemented in the future” as existing contracts were renewed. Given that HSH


was a new organization picking up staff, contracts, and responsibilities from HSA and DPH—and that no timeframe was stated in the recommendation—it would have been difficult for HSH to immediately begin using outcome measures. However, its stated intent to do so in the future is one factor that motivated this Jury to assess the extent of HSH’s progress.

Similarly, an August 6, 2020 Performance Audit of the Department of Homelessness & Supportive Housing issued by the San Francisco Budget and Legislative Analyst (BLA) noted that “from a sample review of contracts, it appears that the Department has not adopted consistent practices in establishing performance metrics for providers in the contracting process and has not developed internal policies and procedures to monitor program performance.” It recommended that “the Executive Director should: Ensure that all contracts include specific performance metrics and that those metrics are monitored at least annually through the program monitoring process.”

In its response, HSH noted that the BLA report “should be understood within the context of the national and regional homelessness crisis, rapid expansion of a newly created City department and within the context of the unforeseen and unprecedented impacts of the COVID-19 public health crisis on the department’s regular operations.” Nonetheless, HSH agreed with the recommendation about performance metrics and contract monitoring and identified a plan to have standardized contract terms and provisions in place by 2024.33

The issue was raised again in 2021. Online news site The Frisc reported that on March 3, 2021, Supervisor Matt Haney asked HSH Interim Director Abigail Stewart-Kahn whether “anything has changed in transparent and effective contract oversight.” Stewart-Kahn offered that the department had moved to “performance-based

contracting” that focuses on the outcomes a provider achieves. However, as discussed below, that statement appears to reflect an aspiration that has yet to be fully accomplished.

In 2022, the San Francisco Chronicle looked into the history of the City’s efforts to fight homelessness, including HSH’s repeatedly-delayed attempts to move to performance-based contracting. The article noted that in 2017, “officials said they would develop comprehensive performance measures for all nonprofit contractors. HSH said it would put this enhanced oversight in place by the end of 2019—and the need was urgent.” However, the article went on to note that in December 2019, as the deadline for that metrics-driven plan approached, HSH officials “pushed their self-imposed deadline back until summer 2021.” The article recounts additional delays thereafter, “in large part because of the pandemic.” By April 2022 when the article was published, HSH Director Shireen McSpadden recounted “plans to have detailed goals and requirements folded into all new contracts by June 2023.” The article concluded by noting that Mayor Breed acknowledged that specific performance goals are a “key component missing in terms of accountability.”

Most recently, in August 2022, the City Auditor issued a report titled “The City Should More Effectively Evaluate the Impact of Services Provided by Community-Based Organizations.” The objective of this report was to evaluate the frameworks City departments use to measure the impact of their services. The City Auditor selected six departments working with CBOs during 2017–2018, but HSH was not selected for evaluation because it was launched in July 2016 and did not have policies in place at the start of the audit.

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35 Joaquin Palomino and Trisha Thadani, “S.F. Spent Millions to Shelter Homeless in Hotels. These are the Disastrous Results,” San Francisco Chronicle, April 26, 2022.
Although the report did not evaluate HSH, it offered extensive recommendations regarding citywide practices that are relevant to how HSH contracts with CBOs. Those recommendations included:

1. Improve performance measurement by:
   a. Standardizing common definitions for performance measures (for example, output and outcome) across departments and applying them to existing performance measures.
   b. Creating and/or identifying common performance measures to be tracked, focusing on important outcome measures and the indicators that must be tracked to understand the outcomes.
   c. Ensuring measures are calculated in the same way so results can be compared across program areas.

2. Strengthen program monitoring practices by:
   a. Creating a forum to share lessons learned and successful strategies.
   b. Collaborating on developing minimum requirements for program monitoring activities, such as site visits.
   c. Evaluating the quality of services provided, through such practices as surveys or interviews of program participants and observations of services provided, where appropriate.
   d. Ensuring results from program monitoring activities inform technical assistance needs.

3. Explore the possibility of implementing a system with data from multiple departments integrated to track the performance of community-based organizations from a citywide perspective. If this is not feasible, work with information system suppliers to identify
opportunities to share data or centralize data reporting among departments, where appropriate.36

As noted above, HSH was specifically excluded from the City Auditor’s analysis. But our investigation, through Jury research and interviews, found that HSH’s contracting and monitoring practices suffer from many of the weaknesses identified in the City Auditor’s report.

The preceding discussion describes repeated statements by HSH in recent years regarding its intent to improve its contracting procedures. The Jury believes that improved HSH contracting will deliver value to the City in terms of improved quality of services delivered to those impacted by homelessness. Improvement in contracting and contract monitoring should become a priority.

**Lack of Consistently Applied Results-Focused Outcome Objectives**

The City works with CBOs by either a grant or a contract. Contracts are agreements that are entered into for the City’s purchase of commodities or services, as those terms are defined in San Francisco Administrative Code Chapter 21.37 A *grant*, as defined in Administrative Code Section 21G.2,38 is an award of City funds to a *grantee* for a public purpose.39

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37 San Francisco Administrative Code, Chapter 21, §21.02.


39 Because grants and contracts perform similar functions and are administered and monitored in similar ways by HSH, this report will refer to contracts and grants collectively as “contracts.”
City departments, including HSH, use standard form agreements that cover both nonprofit service providers (Form G-100) and for-profit providers (Form P-600). In either case, the agreement body contains standard City terms and conditions uniformly applied to all agreements of a similar type. Appendix A to these form agreements defines the specific Scope of Services to be performed by the CBO.

The provisions in Appendix A include both service objectives and outcome objectives. The service objectives section describes activities to be performed by the contractor (e.g., client surveys, maintaining files, client service plans, etc.). The outcome objectives section identifies the results-driven performance measures that the CBO has agreed to undertake.

The Jury evaluated ten sample HSH contracts with different CBOs. Consistent with the findings in the BLA and City Auditor’s reports discussed previously, we found that outcome objectives in four of the contracts in this sample actually specified activities to be performed, rather than outcomes to be achieved.

A grant agreement with the Tenderloin Housing Clinic Inc., dated October 1, 2020, correctly identifies service objectives that are activities and outcome objectives that are results.

Examples of service objectives that enumerate activities include:

- Grantee shall obtain feedback on type and quality of services from at least 50 percent of tenants.

- Grantee shall create and maintain files for 100 percent of tenants, regardless of services type, in the San Francisco Homeless Management Information System (HMIS) ONE System and hard copies of eligibility documents, including homelessness verification.

\[\text{The ONE System uses data from CBOs to drive accountability and performance management. To support its plans and efforts, HSH also continues to make improvements to this system to improve data quality, enhance data sharing infrastructure, and deploy and analyze data for planning and evaluation.}\]
Examples of outcome objectives that enumerate performance-based results include:

- 90 percent of all households will remain housed for at least one year from their move-in date, or will move to other permanent housing where they pay rent, or will exit the program in good standing;

- 75 percent of all households that showed housing instability (non-payment of rent, lease violations) will remain in housing; and

- 80 percent of households completing an annual tenant satisfaction survey will respond with satisfied or very satisfied with program services (based on a four point scale: 1 = very dissatisfied, 2 = dissatisfied, 3 = satisfied, 4 = very satisfied).

By contrast, another HSH contract, a grant agreement with Urban Alchemy dated March 21, 2022, is an example of an agreement that identifies service objectives that are activities, but outcomes objectives that are also activities—as opposed to results.

Contract service objectives relating to activities include:

- 100 percent of guests with referral needs shall be provided referrals related to benefits, employment, health, and related transportation support if needed.

- 100 percent of guests shall be offered referral for problem-solving and/or assessment via Adult Coordinated Entry within one week of placement.

However, the contract’s outcome objective identified a singular activity to be performed—submitting data into a City database, RTZ—instead of a result to be achieved:

- Grantees shall routinely exceed a 100 percent completion rate for all client data required in RTZ, or other databases mandated by City.
Our review of additional HSH contracts confirmed inconsistencies in the labeling and application of results-based outcome measures. Furthermore, there was no consistency across contracts of a similar nature.

Program Monitoring Shows Deficiencies

In addition to inconsistent inclusion of appropriately-labeled service objectives and outcome objectives in individual HSH contracts, our investigation also revealed a concern regarding HSH’s contract monitoring procedures. Contract monitoring for HSH CBOs comprises elements including the following:

- **fiscal and compliance monitoring**, performed by a Controller’s citywide task force made up of representatives of each department delivering homeless services;
- **HSH program monitoring** involving desk audits or site visits for CBOs not excluded from these reviews through a waiver process; and
- **contract-specific reviews and audits**.

In *Active Contract Management: How Governments Can Collaborate More Effectively with Social Service Providers to Achieve Better Results*, the Harvard Performance Lab discusses organizational benefits relating to good contract monitoring:

> Many critical functions of government social service agencies involve contracting with private service providers. Increasing the effectiveness of procurements is therefore essential to improving governments’ ability to deliver social services. Often government agencies assume that their role is complete once a contract is signed and shift to a narrow focus on processing invoices and enforcing compliance. However, some of the most important work for government staff comes during the course of the contract, when real-time improvements to service delivery can drive better outcomes for the people being served. Agencies should use procurement and contracting to establish the
foundation for an ongoing collaboration with contracted service providers to strategically improve performance.41

Effective program and contract monitoring is important in any successful contracting system. Efficient active collaboration with CBOs would allow HSH to identify and provide additional support to nonprofit providers who are not meeting their goals. It also would generate incremental information that would improve the overall contracting process. A good contract monitoring system improves outcomes and staff productivity.

This report has already cited the 2020 Budget and Legislative Analyst report, which found that “HSH had no internal policy for evaluating service providers who receive funds, noting ‘widespread inconsistencies’ in program monitoring. The department was only able to produce monitoring reports for nine of 20 contracts requested by the budget analysts.”42

HSH Director McSpadden seems to be in accord with this critique, because she has publicly commented, “We have huge, huge challenges with getting the things done that we need, whether it’s actually executing contracts, whether it’s monitoring, whether it’s just getting things out the door.”43

It appears that an effort to address these problems, which may include proposed legislation, may be getting underway. On February 16, 2023, the Board of Supervisors Government Audit and Oversight Committee (GAO) held a meeting to review the findings of the 2022 City Auditor’s report on nonprofit performance. One supervisor stated that she was working with the Controller’s Office to potentially address many of the findings from the report. At that same meeting, the supervisor and a number of


42 Harvey M. Rose, op. cit.

nonprofit providers also noted that improvements in contract monitoring, such as consolidating program and contract monitoring visits across City departments, would increase administrative productivity for CBOs, who currently are burdened with multiple audits, reviews, and requests from multiple City departments.44

The Jury also investigated the issue of HSH contract monitoring. HSH participates in the City/County of San Francisco’s annual Joint Fiscal Monitoring process, a partnership between the Controller’s Office and HSH that conducts desk audits and on-site fiscal monitoring of HSH CBOs who receive funding in excess of $500,000 a year.

Joint fiscal monitoring practices include staffing from both agencies and focus on how CBOs utilize overall agency funding as opposed to individual grant awards.45 During the course of our investigation, we learned that in FY22, 85 nonprofit providers representing 318 agreements and $280 million in contract value were subject to this monitoring.46

After fiscal monitoring, HSH performs a risk assessment to identify how each of its CBOs will be monitored at a program level, indicating the method of monitoring that will be used: on-site monitoring, or a desk audit. Participating in the desk audit should require no extra preparation by the CBO that is the subject of the monitoring, but if additional support is determined to be beneficial, on-site monitoring is performed. This additional level of oversight ensures that federally-funded recipients are administering homeless programs in accordance with all applicable local, state and federal laws.47

44 City of San Francisco Board of Supervisors Government Audit and Oversight Committee, February 16, 2022 (video).
45 City of San Francisco Department of Homelessness and Supportive Housing, “How HSH’s Federally-Funded Programs are Monitored” (2020).
47 “How HSH’s Federally-Funded Programs are Monitored,” op. cit.
In multiple interviews, our investigation found that on-site program monitoring provides benefits to both the monitoring departments (including but not limited to HSH) and to the CBOs, that are not obtained through desk audits alone. Several witnesses indicated a need for increased on-site program monitoring. This is consistent with findings in the BLA and City Auditor reports.

During FY22, of the 49 contractors meeting the requirements for program monitoring, the Jury was only able to confirm that HSH performed 17 on-site program audits. (See Appendix A.)

Accordingly, the Jury believes that HSH should add on-site program monitoring for additional CBOs each year to yield significant process improvements in collaboration and results.

**Standardizing Contracting Objectives**

The Jury recognizes that HSH faces a daunting task achieving the goals of the Home By the Bay strategic plan, given increasing workload, funding challenges, and significant open HSH headcount.\(^{48}\) We further acknowledge that HSH has stated an intent to standardize all service and outcome objectives across all programs to make sure they are specific, measurable, actionable, relevant, and time-bound. But HSH has stated its intent to address these deficiencies a number of times before, over a number of years.

HSH staff must be given the tools to efficiently evaluate contract and contractor performance against overall goals. Improving contracting practices will improve both HSH staff and CBO productivity, and maximize the effective use and value of taxpayer funds.

\(^{48}\) Trisha Thadani, “S.F. Has Been Slow,” *op. cit.*
Creating More Transparency Regarding HSH Progress

During our investigation of HSH contracting, we sought to determine how it might be possible to track improved outcomes if the recommendations in this report, and others currently under consideration elsewhere, are implemented. We observed that the San Francisco City Performance Scorecard for Homelessness Benchmarking, in the form currently published, would make such tracking difficult. The current Homelessness Benchmarking Scorecard provides information on “homeless subgroups” in the City. However, it does not currently show information on all of the subpopulations of homeless individuals who are identified in the Home By the Bay plan. To create visibility and transparency for the City’s programs, it would be beneficial for HSH to track and report outcomes for the chronically homeless and all other subpopulations identified in the Home By the Bay report, against peer groups, over time, as is done for other categories.

Improvements in HSH contracting, to include the addition of outcome measures along with tracking homelessness subpopulation data, will allow HSH to determine if contract process improvements, such as the ones recommended in this report, are working, and whether its plans for improved equity are being met. Improved data tracking and reporting by HSH will create greater visibility and transparency, so the public can more readily understand its plans and assess its progress toward eliminating homelessness for all subpopulations.

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49 City Performance Scorecards, op. cit.
Findings and Recommendations

Finding 1

Inconsistent use of specific results-based outcome measures in contracts and grants impairs the Department of Homelessness and Supportive Housing’s ability to measure and evaluate the success of its programs and the performance of the CBOs who provide homelessness services.

Recommendation 1.1

By the end of Fiscal Year 2024, HSH, working with the Controller’s Office and the Homelessness Oversight Commission, should develop a set of contract performance outcomes that will be consistently applied across all contracts for the provision of homelessness services and that will link directly to HSH’s Home By the Bay strategic goals.

Recommendation 1.2

By the end of Fiscal Year 2024, HSH should include, in all contracts for the provision of homelessness services, measures to facilitate tracking the outcome of the services provided across all homelessness subpopulations identified in the Home By the Bay plan, including the chronically homeless.
Finding 2

Insufficient on-site program monitoring limits HSH’s ability to evaluate and support CBOs and improve contract performance.

Recommendation 2

By the end of FY24, HSH, working with the Controller’s office, should develop standards for program and contract monitoring designed to increase on-site program monitoring; improve evaluation of, collaboration with, and support for CBOs; and minimize burdens on CBOs by consolidating overall contract and program monitoring visits from multiple agencies to the extent possible.

Finding 3

The existing City Performance Scorecard for Homelessness Benchmarking does not adequately track progress in reducing homelessness within specific subpopulations over time, including the chronically homeless, which limits HSH’s ability to credibly assess and publicly report its progress toward achieving its strategic goals for these subpopulations.

Recommendation 3

By the end of FY24, HSH, working with the City Controller and the City Administrator, should augment the City Performance Scorecard for Homelessness Benchmarking to provide regular reports on progress made in reducing homelessness for all subpopulations of homeless identified in the Home By the Bay strategic plan, including the chronically homeless.
Required and Invited Responses

Required Responses

Pursuant to California Penal Code §933, the Jury requests from this City institution responses to the following Findings and Recommendations within 60 calendar days:

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<th>Respondent</th>
<th>Findings</th>
<th>Recommendations</th>
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Invited Responses

The Jury invites responses to the following Findings and Recommendations from this City institution within 60 calendar days:

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Methodology

Facts that are the basis of this report were obtained from the following sources:

- Public resources: news reports from various media; formal reports from multiple City departments; and public online resources of City departments and other groups.

- Interviews of City officials, front-line City department workers, and members of the public. All interviews were conducted in confidence. Each interviewee was administered an admonition of confidentiality, and promised that no fact or quotation would be directly attributed to that person. The Juror oath requires that each Juror not reveal any details of an investigation not contained in the published report of that investigation. Twenty-four formal interviews were conducted.

Before publication, this report was reviewed by the City Attorney and the Superior Court.
# Appendix: HSH FY22 Program Monitoring Report

Monitoring types

**SV**: Site Visit (Expanded Monitoring)

**SA**: Self Assessment (Core Monitoring)

**Waiver**: Waiver issued

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