



Mike Levine, Executive Director

Daniel Lurie, Mayor

To	Homelessness Oversight Commission
Through	Mike Levine, Executive Director
From	Marion Sanders, Chief Deputy Director Dylan Schneider, Interim Deputy Director of Administration and Finance Edilyn Velasquez, Director, Contracts
Date	October 1, 2026
Subject	Grant Agreement Approval: Five Keys Schools and Programs 42 Otis Site Rehabilitation

<i>Agreement Information</i>	
FSP#	1000039131
Provider	Five Keys Schools and Programs
Program Name	42 Otis Site Rehabilitation
Agreement Action	Original Agreement
Agreement Term	November 1, 2026 – October 31, 2028

Agreement Amount

New	Contingency ¹	Total Not to Exceed (NTE)
\$1,398,056	\$349,514	\$1,747,570

<i>Funding Information</i>	
Funding Sources²	100% Our City, Our Home (Proposition C)

The Department of Homelessness and Supportive Housing (HSH) Contracts team requests authorization to enter into a new grant agreement with Five Keys Schools and Programs (Five Keys) for the provision of 42 Otis Site Rehabilitation for the period of November 1, 2026 to October 31, 2028. This new agreement is for new services.

Background

Five Keys was selected by HSH to enter into a 55-year ground lease for 42 Otis Street effective May of 2025. This structure transferred ownership of the building and improvements to Five Keys during the lease term to support efficient residential property management operations at a City-owned permanent supportive housing (PSH) site. It also aligns HSH's funding and oversight model with the City's broader permanent affordable housing portfolio managed by the Mayor's Office of Housing and Community Development (MOHCD).

Five Keys Schools currently provides Property Management services for the tenants at 42 Otis Street. The site includes 24 residential studio units and five commercial spaces: four second-floor office suites that are used for staff and onsite programming, and one vacant ground-floor commercial space that will

¹ Contingency applied to FY 26-27 – FY28-29 budgeted amount.

² The funding sources listed reflect current and future years.

be rehabilitated into a program and community space. The property also features a courtyard and rooftop terrace that will be used for resident workshops, community building activities, and events.

Property Management responsibilities include ongoing lease administration, building maintenance and repairs, ensuring the safety of residents and staff, and providing 24/7 onsite staffing. Consistent with HSH's strategic plan to make homelessness rare, brief, and one time, 42 Otis Street offers permanent housing paired with wraparound onsite services to support Transitional-Age Youth (TAY) in achieving long-term housing stability.

This grant agreement provides funding for Five Keys to lead rehabilitation of the vacant ground floor commercial space. Improvements will enhance accessibility, operational efficiency, and overall usability of the site while creating a welcoming environment for residents and staff. Planned upgrades include HVAC and electrical system improvements, fire sprinkler enhancements, as well as the construction of a new meeting room, entry-level reception area, residential lounge/multipurpose room, all-gender restroom, and laundry room. This rehabilitation will not impact any occupied residential units, and no interruptions to resident services or access are anticipated, all building operations for current tenants will continue without disruption.

This request seeks authorization for HSH to enter into a separate agreement with Five Keys Schools and Programs to fund and implement the ground-floor rehabilitation, ensuring the site is fully equipped to support long-term housing stability and comprehensive onsite services for TAY residents.

Services to be Provided

The purpose of the grant is to oversee project management and implementation of the rehabilitation of 42 Otis Street which will consist of full renovation of the ground-floor commercial space to enhance accessibility, operational efficiency, and overall usability of the site.

Selection

Grantee was selected pursuant to San Francisco Administrative Code Section 21B, which authorizes the Department to enter into, or amend, contracts without adhering to the Administrative Code provisions regarding competitive bidding related to Projects Addressing Homelessness.

Agreement Materials

- HOC Approval Package
 - Appendix A, Services to be Provided
 - Appendix B, Budget



**Appendix A, Scope of Services
by
Five Keys Schools and Programs
42 Otis Street
Site Rehabilitation**

I. Background

In mid-2023, the City and County of San Francisco approved the acquisition of the property at 42 Otis Street to expand the City's permanent supportive housing (PSH) portfolio. The purchase, totaling \$14.2 million, was funded through Our City, Our Home (Proposition C) resources. The site comprises 24 studio units, which are being repurposed to serve Transitional Age Youth (TAY) experiencing homelessness.

II. Purpose of Agreement

The purpose of the grant is to oversee project management and associated construction costs for the rehabilitation of 42 Otis.

III. Served Population

Grantee ("Five Keys School and Programs") shall provide project management services for the rehabilitation of 42 Otis, which houses individuals through the homelessness response system (HRS).

IV. Description of Scope of Work

Grantee shall provide project management for rehabilitation of 42 Otis, including full renovation of the vacant ground floor commercial space and community spaces to improve functionality, accessibility, and compliance with building codes. The work will enhance operational efficiency and create a welcoming environment for staff and residents, including:

A. Office Area Upgrades:

1. Comprehensive rehabilitation of Level 1 vacant commercial space and community areas.
2. HVAC system improvements throughout the entire first level (heating and air conditioning).
3. Lighting enhancements for improved visibility and energy efficiency.
4. Acoustic upgrades to reduce noise and improve comfort.
5. Electrical system improvements, including additional power outlets and light fixtures.
6. Office layout redesigned to better support resident activities and events.
7. Upgrade of fire sprinkler system as required for code compliance.
8. Upgrade IT Infrastructure including new entry door access controls, staff Wi-Fi, and Security Cameras.

B. New Rooms and Spaces

1. Addition of one (1) new meeting room to improve operational functionality.
2. Addition of one (1) new entry level and reception area to improve operational functionality.
3. Addition of one (1) new residential lounge area/multi-purpose area.

4. Addition of one (1) new laundry room.
5. Addition of one (1) new storage room for equipment and supplies.
6. Addition of one (1) new unisex restroom.

C. Circulation and Access:

1. Construction of a new hallway to provide direct access to:
 - a. Laundry area; and
 - b. Emergency stair exits.
2. Create new circulation and connection between new entry lobby and existing elevator lobby.

D. Interior Finishes:

1. Installation of new flooring.
2. Painting.

E. Additional work to comply with all applicable building code requirements.

V. Location and Time of Services

Grantee shall provide project management services for the rehabilitation of 42 Otis Street, San Francisco, CA 94103. Normal business hours are Monday – Friday, 9:00 AM – 5:00 PM.

VI. Service Requirements

A. Procurement: To effectively manage the project, Grantee shall hire subject matter experts, experienced contractors, and an experienced project manager to deliver the project as described in Section IV. Grantee shall competitively procure and execute any necessary professional services contracts with, for example, an architect, engineer, general contractor, project manager, and related services for the duration of the project. Such procurement and administration shall comply with all applicable laws. Grantee shall document their selection process and provide HSH with such documentation upon request.

B. Project Management and Contract Negotiation/Administration:

1. The Project Manager shall supervise the architect, consultants, and general contractor's performance for the duration of the project, including but not limited to predevelopment/pre-construction planning, cost estimating after each design milestone, subcontractor bidding of construction documents, negotiating construction contracts, tracking progress and payments during construction, overseeing execution of the permitted scope of work, and ensuring proper project close out.
 - a. The Project Manager shall manage such contracts for contract compliance, including compliance with all applicable local codes, ordinances, regulations and laws, and budgeting. HSH reserves the right to review subcontracts prior to execution.

- b. The Project Manager shall review and respond to any contract claims and assist in the resolution of these claims.
2. The Project Manager shall keep HSH fully informed of the progress of the design, construction and rehabilitation of the site on a frequency mutually agreed upon between the Project Manager and HSH. This may include ad hoc meetings and/or reports at a regular cadence, such as monthly, that include summary information on the schedule, budget, change orders, and progress of construction.

C. Entitlements, Design, Permitting

1. The Project Manager shall oversee the design process and develop the project budget and schedule. The Project Manager shall identify and mitigate potential risks to the project and ensure the project delivers high-quality improvements within the approved scope of work and established schedule and budget. The Project Manager shall be responsible for obtaining HSH and Five Keys School and Programs' review and approval of plans and substantial plan revisions for compliance with HSH program standards.
2. The Project Manager shall manage coordination with and submission of materials (for approvals and close outs) to the appropriate City agencies and participate in any required public hearings, and if requested by HSH, attend community meetings.
3. The Project Manager shall ensure that all permits required to start construction are issued prior to mobilization. They shall also ensure all permit addenda and trade permits are issued prior to commencement of the associated scope of work. The Project Manager shall oversee the permit process and assist the general contractor and architect as needed to resolve issues to maintain the project budget and schedule.

D. Budget Management and Administration:

1. The Project Manager shall manage and adhere to the approved budget and make commercially reasonable efforts to promote cost savings and efficiencies. Construction draw procedures are outlined in Appendix C, Method of Payment. Should project costs exceed the approved budget, Five Keys School and Programs shall obtain other external sources of funding and/or internally reconcile the total project cost to address the shortfall. City reserves the right to terminate the contract should the project remain over budget and/ or no additional funding is identified/ available.
2. The Project Manager shall timely and accurately submit invoices and pay applications per Appendix C, Method of Payment. The Project Manager shall be responsible for ensuring timeliness, accuracy, and proper documentation for payments.
3. The Project Manager shall provide monthly budget updates to HSH showing a current cash flow projection with the burn rate and invoiced expenses to date, remaining funds, and remaining allowances and contingencies.
4. The Project Manager shall report any budget issues or potential budget shortfalls to HSH. The Project Manager shall proactively manage potential changes to the project scope of work and communicate these changes to HSH along with the

associated budget impact, including impact to remaining contingencies and allowances. The Project Manager shall review all requested change orders for cost, merit, and proper documentation and ensure the markup is consistent with the general contractor's contract. The Project Manager shall oversee the budget reconciliation process and review tags and daily reports for any change orders charged on a time and material basis.

5. The Project Manager shall manage use of contingencies and allowances and ensure compliance with the approved project budget. Any unspent development funds shall be returned to HSH upon final payment to the general contractor and consultants.
6. The Project Manager shall manage the withholding and release of retention at the end of the project. They shall ensure the general contractor has met all requirements for releasing retention prior to releasing final payment and retention.

E. Schedule Management

1. The Project Manager shall oversee the project schedule and ensure schedule milestones and substantial completion date are met, as delineated in the general contractor's contract with Five Keys School and Programs.
2. The Project Manager shall ensure that the general contractor provides monthly schedule updates and review the updates for accuracy and variances. The Project Manager shall report any schedule variances or risks to the original substantial completion date to HSH immediately. They shall work with the project team to mitigate or avoid delays and review and approve any schedule changes resulting from change orders.

F. Construction Management

1. The Project Manager shall oversee the RFI process and ensure that RFIs are responded to by the project team in a timely manner. The Project Manager shall provide responses to RFIs or direction to the project team as needed.
2. The Project Manager shall oversee the submittal process.
3. The Project Manager shall identify any construction defects, in collaboration with the project team, and ensure the general contractor corrects any defects throughout the duration of the project.
4. The Project Manager shall oversee all hired parties' compliance with City Requirements and other regulatory reporting. This could include and is not limited to certified payroll and prevailing wages.

G. Insurance and Bonds: The Project Manager shall confirm that all subcontractors meet insurance requirements as outlined in Article 10 of the G-100.

H. Financing and Compliance: Where applicable, the Project Manager and Five Keys School and Programs shall manage and assist with funding applications to state and federal funding sources (e.g. Project Homekey) and/or coordinate with any reporting and compliance obligations related to applicable local, city, state or federal funding related to the project.

- I. Temporary or Permanent Relocation: If existing units are expected to be impacted during construction, the Project Manager shall work with the property manager, support services provider, architect, general contractor, and any other applicable consultants, to develop a phased on-site and/or off-site relocation plan for residents, create a comprehensive budget for the relocation, and ensure the relocation plan is incorporated into the general contractor's construction schedule. The Project Manager shall also manage the relocation process (including coordinating and communicating with residents on the timing of relocation, providing moving assistance, and coordinating cleaning of units to allow for relocation, etc.) in compliance with all applicable laws. Any relocation of residents shall be reviewed and approved by HSH.

- J. Accounts and Records
 1. The Project Manager shall keep such books of account and other records in connection with the design and construction of the project, including but not limited to vouchers; statements; receipted bills and invoices; pay applications; all other records covering all collections, if any; disbursements; correspondence; and other data in connection with the project prior to final completion.
 2. The Project Manager shall upload all project documents such as plans and plan revisions, schedules, and permits to the designated Box folder and/or ensure other parties are uploading documents to the Box folder. The Project Manager shall monitor the Box folder and maintain file organization.

- K. Meetings and Site Visits:
 1. The Project Manager shall participate in weekly Owner, Architect, Contractor ("OAC") meetings, monthly pay app meetings, and other meetings as required.
 2. The Project Manager shall review all safety incidents and ensure that any incident is documented per OSHA guidelines, and the documentation is properly distributed among the project team. The Project Manager shall support the general contractor in maintaining a culture of safety and accountability.
 3. The Project Manager shall regularly review progress on site and ensure that such progress is aligned with the progress payments requested by the general contractor. They shall assist the architect with resolution of any quality control issues.
 4. The Project Manager shall review daily reports provided by the general contractor.

- L. Project Close Out:
 1. The Project Manager shall coordinate and schedule site inspections, and punch walks.
 2. The Project Manager shall ensure completion of the final punch list and final inspections. The Project Manager shall work with the architect and general contractor to resolve any issues that arise during final inspections to maintain the project schedule.
 3. The Project Manager shall coordinate delivery of project close out documents to property management. Documents include, but are not limited to, the certificate of

occupancy, final inspection reports, substantial completion certificate, permits, approved submittals and change orders, construction and manufacturer warranties, operations and maintenance (O&M) manuals, warranty log (for the 11-month warranty walk), cost certification of development expenses (due 90 days after project completion), as-built drawings and other documentation required prior to release of retention.

4. Grantee shall schedule warranty walks and follow up and coordinate warranty items with the general contractor, architect, HSH, property manager, and support services provider as needed. Five Keys School and Programs shall ensure warranty claims are fulfilled in a timely manner.

VII. Modifications to Appendix

City reserves the right to modify this Appendix in its sole and absolute discretion, including but not limited to, situations where Grantee has demonstrated issues with spend down, accuracy, and timeliness of invoices. Any changes to the requirements described herein will be communicated to Five Keys School and Programs via written notice at least thirty (30) days prior to expected implementation.

Five Keys Schools and Programs**42 Otis Site Rehabilitation****F\$P: 1000039131****Appendix B, Budget**

Hard Costs			
95%	Contractor Hard Costs	\$	925,405
	Allowance - A&E Additional Services	\$	15,000
	Contractor's Contingency	5.00% \$	46,270
	Contractor Base Scope Subtotal	\$	986,675
	Contractor Supervision	5.00% \$	49,334
	Contractor Overhead & Insurance	10.00% \$	98,668
	Contractor Profit	5.00% \$	49,334
	Allowance - Bond	\$	25,000
	Contractor Subtotal w/ Alternates	\$	1,209,010
	Hard Cost Owner's Contingency (10%)		\$120,901
	Total Hard Cost	\$	1,329,911
Soft Costs			
5%	City & Agency Fees		
	<i>Allowance - Plan Check & Building Permit</i>	\$	30,000
	Five Keys Fees		
	<i>Project Management Fee</i>	\$	5,000
	<i>Accounting</i>	\$	2,500
	Insurance		
	<i>Property Insurance Amendment</i>	\$	1,800
	Allowance - FF&E	\$	15,000
	Allowance - Low Voltage Equipment		
	<i>Intercom & Cameras</i>	\$	4,500
	<i>Network Equipment</i>	\$	1,200
	Soft Cost Contingency	15% \$	8,145
	Total Soft Costs	\$	68,145
Totals			
	Total Budget	\$	1,398,056
	Agreement Contingency	25% \$	349,514
	Not to Exceed (NTE)	\$	1,747,570