

1 [Lease and Property Management Agreement - Dolores Street Community Services - 5630-
2 5638 Mission Street - Not to Exceed \$11,636,000; Certain Administrative Code Waivers]

3 **Ordinance 1) approving and authorizing the Director of Property and the Executive**
4 **Director of the Department of Homelessness and Supportive Housing (“HSH”) to enter**
5 **into a Lease and Property Management Agreement (“Agreement”) with Dolores Street**
6 **Community Services to lease, operate, and maintain the real property and residential**
7 **improvements at 5630-5638 Mission Street (“Property”) for an initial five-year term to**
8 **commence upon the first day of the month following the effective date of this**
9 **Ordinance with one five-year option to extend, and base rent of \$1 per year with no**
10 **annual rent increases, and for net property management and operating costs to be paid**
11 **by the City in a total five-year amount not to exceed \$11,636,000; 2) determining, in**
12 **accordance with Administrative Code, Section 23.33, that the below market rent**
13 **payable under the Agreement will serve a public purpose by providing Permanent**
14 **Supportive Housing for formerly homeless and low-income households; 3) adopting**
15 **findings that the Property is “exempt surplus land” under the California Surplus Land**
16 **Act; 4) exempting the Property from contracting requirements in Administrative Code,**
17 **Chapter 6, but requiring compliance with the prevailing wage and apprenticeship**
18 **requirements of Administrative Code, Section 23.61; 5) authorizing the Director of**
19 **Property and the Executive Director of HSH to make certain modifications to the**
20 **Agreement and take certain actions in furtherance of the Agreement and this**
21 **Ordinance, as defined herein; 6) ratifying all prior actions taken by any City employee**
22 **or official with respect to the Agreement; and 7) affirming the Planning Department’s**
23 **determination under the California Environmental Quality Act, and adopting the**
24 **Planning Department’s findings that the Agreement is consistent with the General Plan,**
25 **and the eight priority policies of Planning Code, Section 101.1.**

1 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
2 **Additions to Codes** are in *single-underline italics Times New Roman font*.
3 **Deletions to Codes** are in ~~*Times New Roman font*~~.
4 **Board amendment additions** are in Arial font.
5 **Board amendment deletions** are in ~~Arial font~~.
6 **Asterisks (* * * *)** indicate the omission of unchanged Code
7 subsections or parts of tables.

8 Be it ordained by the People of the City and County of San Francisco:

9 Section 1. CEQA and Land Use Findings.

10 (a) The Planning Department has determined that the actions contemplated in this
11 ordinance are subject to ministerial approval and are not subject to review under the California
12 Environmental Quality Act (California Public Resources Code Sections 21000 et seq.). Said
13 determination is on file with the Clerk of the Board of Supervisors in File No. 221156 and is
14 incorporated herein by reference. The Board affirms this determination.

15 (b) On November 14, 2022, the Planning Department determined that the actions
16 contemplated in this ordinance are consistent, on balance, with the City's General Plan and
17 eight priority policies of Planning Code Section 101.1. The Board adopts this determination
18 as its own, and hereby incorporates such findings by reference as though fully set forth in this
19 ordinance. A copy of said determination is on file with the Clerk of the Board of Supervisors in
20 File No. 221156, and is incorporated herein by reference.

21 Section 2. Background and General Findings.

22 (a) The Department of Homelessness and Supportive Housing's ("HSH") mission is
23 to prevent homelessness when possible and to make homelessness a rare, brief, and one-
24 time experience in San Francisco through the provision of coordinated, compassionate, and
25 high-quality services.

1 (b) With the adoption of Resolution No. 319-18 in October 2018, the Board of
2 Supervisors and Mayor Breed declared a shelter crisis and affirmed San Francisco's
3 commitment to combatting homelessness and creating or augmenting a continuum of shelter
4 and service options for those experiencing homelessness.

5 (c) Permanent Supportive Housing ("PSH") is the most effective, evidence-based
6 solution to ending chronic homelessness and also reduces new incidents of homelessness
7 among highly vulnerable people with long experiences of homelessness.

8 (d) In July 2020, Mayor Breed announced her Homelessness Recovery Plan, which
9 included the goal of acquiring and operating 1,500 new units of PSH by June 30, 2022. In the
10 two years ending June 30, 2022, the City achieved nearly double that goal, with 2,918 new
11 units of site-based and scattered-site PSH that were active or under contract with a non-profit
12 provider.

13 (e) On October 15, 2021, the City adopted Resolution No. 474-21, approving and
14 authorizing the acquisition of the real property and improvements located at 5630-5638
15 Mission Street, Assessor Parcel Number Block 7098, Lot 014 (the "Property"). The Property
16 consists of approximately 26,954 square feet of land, and improvements including a 52-guest
17 room hotel and all personal property and equipment used in connection with the operation of
18 the Property. The City acquired the Property on May 16, 2022, and a copy of the final
19 executed Purchase and Sale Agreement is on file with the Clerk of the Board of Supervisors
20 in File No. 210941. On June 28, 2022, the California Department of Housing and Community
21 Development awarded HSH \$16,823,000 of Project Homekey grant funds to support the
22 acquisition and operations of the Property. HSH will seek approval from the Board of
23 Supervisors to accept and expend such Project Homekey grant funds during fiscal year 2022-
24 2023.

1 (f) In April 2022, HSH selected Dolores Street Community Services (“DSCS”), a
2 California nonprofit public benefit corporation, through a Solicitation of Information, a copy of
3 which is on file with the Clerk of the Board of Supervisors in File No. 221156, to provide
4 property management and operations services at the Property.

5 (g) HSH desires to enter into a Lease and Property Management Agreement (the
6 “Agreement”) with DSCS to provide onsite property management and operations services at
7 the Property for an initial five-year term commencing upon the first day of the month following
8 the effective date of this ordinance. A copy of the Agreement is on file with the Clerk of the
9 Board of Supervisors in File No. 221156.

10 (h) The Agreement requires DSCS to be responsible for the ongoing management,
11 maintenance, and operation of the Property as PSH in accordance with HSH housing-first and
12 PSH policies, and as residential housing for any other existing residents in accordance with all
13 applicable laws. In exchange for such services at the Property, the Agreement requires the
14 City to fund the annual net property management and operating costs for the Property in a
15 total five-year amount not to exceed \$11,636,000, subject to appropriations and certain other
16 conditions, reporting requirements, and HSH approval of an annual operating budget
17 submitted by DSCS, as further described in the Agreement.

18 (i) The Agreement also includes an option to extend the term of the Agreement for
19 up to an additional five years, upon mutual agreement of the City and DSCS (the “Extension
20 Option”). If HSH and DSCS desire to exercise the Extension Option, the Director of Property
21 and HSH will seek required City approvals at that time.

22 (j) On August 15, 2022, the Civil Service Commission approved property
23 management services to be provided by selected non-profit organizations at HSH-acquired
24 properties, including the Property, in the total amount of \$52,000,000, for a period of five
25

1 years, see PSC #43675-22/23, a copy of which is on file with the Clerk of the Board of
2 Supervisors in File No. 221156.

3 (k) The funding of the net property management and operating costs for the
4 Property as described in the Agreement requires Board of Supervisors approval under
5 Section 9.118(b) of the Charter.

6 (l) Under the Agreement, DSCS will seek certain entitlements and complete certain
7 predevelopment work to convert the Property to PSH. Upon completion of the
8 predevelopment scope of work, HSH and DSCS intend to enter into a separate agreement
9 regarding any necessary construction or rehabilitation at the Property, which may be subject
10 to the prior approval of the Board of Supervisors, as required by law.

11
12 Section 3. Surplus Land Act Findings and Other Findings.

13 (a) The Board of Supervisors finds that the Property is “exempt surplus land,” as
14 defined by California Government Code Section 54221(f)(1).

15 (b) The Board of Supervisors finds that the below market base rental rate of \$1 per
16 year to be paid by DSCS to the City under the Agreement, with no annual rent increases,
17 furthers a proper public purpose sufficient to meet the requirements of Administrative Code
18 Section 23.33, since the exceptionally low rent will facilitate the operation of PSH for formerly
19 homeless and low-income households at the Property.

20
21 Section 4. Approval of Agreement, and Related Authorizations.

22 (a) In accordance with the recommendation of the Director of Property and the
23 Executive Director of HSH, the Board of Supervisors hereby approves the Agreement in
24 substantially the form presented to the Board of Supervisors.

1 (b) The Board of Supervisors authorizes the Executive Director of HSH and the Director
2 of Property, or their designees, to take all actions on behalf of the City to enter into, execute,
3 and perform its obligations under the Agreement (including the exhibits to the Agreement),
4 and any other documents that are necessary or advisable to effectuate the purpose of this
5 ordinance and the Agreement.

6 (c) In addition, HSH may fund the net property management and operating costs for the
7 Property in a total amount not to exceed \$11,636,000, subject to appropriations and certain
8 other conditions, reporting requirements, and HSH approval of an annual operating budget for
9 the Property, as further described in the Agreement.

10
11 Section 5. Administrative Code Chapter 6 Waiver; Prevailing Wage and
12 Apprenticeship Requirements.

13 (a) The Board of Supervisors waives Administrative Code Chapter 6, to the extent
14 Chapter 6 would otherwise be applicable to the work performed by DSCS or its agents at the
15 Property.

16 (b) The payment of prevailing wages and the apprenticeship requirements of
17 Administrative Code Section 23.61 shall apply to the work performed by DSCS or its agents at
18 the Property.

19
20 Section 6. Additions, Amendments, and Modifications.

21 The Board of Supervisors authorizes the Director of Property and the Executive
22 Director of HSH, or their designees, in consultation with the City Attorney, to enter into any
23 additions, amendments, or other modifications to the Agreement (including the exhibits to the
24 Agreement) and any other documents or instruments necessary in connection therewith that
25 the Director of Property and the Executive Director of HSH determine, in consultation with the

1 City Attorney, are in the best interests of the City, do not materially decrease the benefits to
2 the City, do not materially increase the obligations or liabilities of the City, are necessary or
3 advisable to effectuate the purposes of the Agreement or this ordinance, and are in
4 compliance with all applicable laws, including the Charter, such determination to be
5 conclusively evidenced by the execution and delivery by the Director of Property and
6 Executive Director of HSH of any such additions, amendments, or other modifications.

7
8 Section 7. Ratification of Prior Actions; Authorization of Subsequent Actions.

9 All prior actions taken by any City employee or official with respect to the Agreement
10 are hereby approved and ratified, and the Board of Supervisors hereby authorizes all
11 subsequent action to be taken by City officials with respect to the Agreement consistent with
12 this ordinance.

13
14 Section 8. Effective Date.

15 This ordinance shall become effective 30 days after enactment. Enactment occurs
16 when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not
17 sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the
18 Mayor's veto of the ordinance.

19
20 Section 9. Inclusion of Final Agreement in Board File.

21 Within 30 days of the Agreement being fully executed by all parties, HSH shall submit
22 to the Clerk of the Board of Supervisors a fully executed copy of the Agreement for inclusion
23 in Board File No. 221156, the official file for this ordinance.

1 APPROVED AS TO FORM:
2 DAVID CHIU, City Attorney

3 By: /s/ Virginia Dario Elizondo
4 VIRGINIA DARIO ELIZONDO
5 Deputy City Attorney

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