

1 [Purchase of Real Property - Costanoan LLC - 42 Otis Street - Homelessness and  
2 Supportive Housing - Not to Exceed \$14,240,000]

3 **Resolution 1) approving and authorizing the Director of Property, on behalf of the**  
4 **Department of Homelessness and Supportive Housing, to acquire certain property**  
5 **located at 42 Otis Street (“Property”) for \$14,200,000 plus an estimated \$40,000 for**  
6 **typical closing costs, for a total anticipated amount of \$14,240,000; 2) approving and**  
7 **authorizing an Agreement of Purchase and Sale for Real Estate for the acquisition of**  
8 **the Property from Costanoan LLC (“Purchase Agreement”), which includes a**  
9 **liquidated damages clause of up to \$420,000 in case of default by the City; 3)**  
10 **authorizing the Director of Property to execute the Purchase Agreement, make**  
11 **certain modifications, and take certain actions in furtherance of this Resolution and**  
12 **the Purchase Agreement, as defined herein; effective upon approval of this**  
13 **Resolution; 4) affirming the Planning Department’s determination under the**  
14 **California Environmental Quality Act; and 5) adopting the Planning Department’s**  
15 **findings that the Purchase Agreement, and the transaction contemplated therein, is**  
16 **consistent with the General Plan, and the eight priority policies of Planning Code,**  
17 **Section 101.1.**

18  
19 WHEREAS, HSH’s The Department of Homelessness and Supportive Housing’s  
20 (“HSH”) mission is to prevent homelessness when possible and to make homelessness a  
21 rare, brief, and one-time experience in San Francisco through the provision of coordinated,  
22 compassionate, and high-quality services; and

23 WHEREAS, With the enactment of Resolution No. 319-18 in October 2018, the  
24 Board of Supervisors and Mayor London N. Breed declared a shelter crisis and affirmed

1 San Francisco’s commitment to combatting homelessness and creating or augmenting a  
2 continuum of shelter and service options for those experiencing homelessness; and

3 WHEREAS, Proposition C (2018) (Gross Receipts Tax for Homelessness  
4 Services (“Prop C”), passed by San Francisco voters in November 2018, created the  
5 Homelessness Gross Receipts Tax to fund the Our City, Our Home (“OCOH”) Fund, in  
6 order to expand and be complementary to existing funding and strategic efforts to prevent  
7 and end homelessness for San Francisco residents; and

8 WHEREAS, Permanent supportive housing is the most effective, evidence-based  
9 solution to ending chronic homelessness and also prevents new incidents of homelessness  
10 among highly vulnerable people with long experiences of homelessness; and

11 WHEREAS, In July 2020, Mayor Breed announced her Homelessness Recovery  
12 Plan, which included the goal of adding 1,500 new units of permanent supportive housing  
13 (“PSH”) over the next two years; and

14 WHEREAS, As of December 31, 2022, the City had more than doubled this goal  
15 with 3,081 units of site-based and scattered site PSH that were active or under contract  
16 with a non-profit provider since July 2020; and

17 WHEREAS, In April 2023, the city released the five-year strategic plan “Home by  
18 the Bay: An Equity-Driven Plan to Prevent and End Homelessness in San Francisco” which  
19 calls for 3,250 new units of permanent housing to meet the goals set out in the plan; and

20 WHEREAS, The OCOH Oversight Committee recommended in its 2021-2022  
21 Investment Plan that the City use Prop C funds to acquire and develop new permanent  
22 supportive housing units for adults, families, and transitional age youth; and

23 WHEREAS, The Property includes the real property and a 24-residential unit  
24 building, plus five commercial condominiums (consisting of second floor office space and  
25 ground floor commercial space), courtyard and roof terrace open space, as well as certain

1 improvements, appurtenances, personal property, and intangible property described in the  
2 Purchase Agreement; and

3 WHEREAS, Upon acquisition of the Property, the City intends to use the Property  
4 for permanent supportive housing for young adults exiting homelessness; and

5 WHEREAS, In accordance with California Health and Safety Code, Section  
6 50675.1.3, the California Department of Housing and Community Development  
7 (“Department”) issued a Notice of Funding Availability (“NOFA”) dated March 29, 2023, for  
8 Round 3 of the Homekey Grant program; and

9 WHEREAS, HSH received authorization from the Board of Supervisors in July  
10 2023 to submit an application to the Department for a total amount not to exceed  
11 \$9,409,600, or the maximum award amount allowable under the NOFA for the Property; a  
12 copy of the corresponding Resolution and NOFA are on file with the Clerk of the Board of  
13 Supervisors in File No. 230741; and

14 WHEREAS, HSH anticipates using Prop C funding to supplement and match any  
15 Project Homekey funding award, if applicable; and

16 WHEREAS, The City, through HSH and the Real Estate Division, and in consultation  
17 with the Office of the City Attorney, has negotiated the Purchase Agreement to acquire the  
18 Property from Costanoan LLC for \$14,200,000 (“Purchase Price”), plus an estimated \$40,000  
19 for typical closing costs, and including a liquidated damages clause of up to \$420,000 in case  
20 of default by the City, substantially in the form approved by the Director of Property and the  
21 HSH Executive Director and on file with the Clerk of the Board of Supervisors in File No.  
22 230928, incorporated herein by reference; and

23 WHEREAS, The Director of Property has determined the Purchase Price to be at or  
24 below fair market value; and

1           WHEREAS, The Purchase Agreement will not become effective until the Board of  
2 Supervisors and the Mayor approve this Resolution, in their sole and absolute discretion; and

3           WHEREAS, The Planning Department, by letter dated July 20, 2023, (“Planning  
4 Letter”) has determined that the City’s proposed acquisition of the Property is not defined  
5 as a project under the California Environmental Quality Act (“CEQA”) Guidelines, Sections  
6 15378 and 15060(c)(2) (“CEQA Determination”), and is consistent, on balance, with the  
7 General Plan, and the eight priority policies of Planning Code, Section 101.1 (“General  
8 Plan Findings”), and a copy of said Planning Letter is on file with the Clerk of the Board of  
9 Supervisors in File No.230928 and is incorporated herein by reference; now, therefore, be  
10 it

11           RESOLVED, That in accordance with the recommendations of the HSH Executive  
12 Director and the Director of Property, the Board of Supervisors approves the Purchase  
13 Agreement presented to the Board, and authorizes the Director of Property to acquire the  
14 Property; and, be it

15           FURTHER RESOLVED, That, in accordance with the recommendations of the  
16 HSH Executive Director and the Director of Property, the Board of Supervisors approves  
17 the Purchase Agreement, including the liquidated damages clause in case of default by  
18 City, and approves and authorizes the HSH Executive Director and the Director of Property  
19 to take all actions necessary or appropriate to acquire the Property and effectuate the  
20 Purchase Agreement and this Resolution; and, be it

21           FURTHER RESOLVED, That the Board of Supervisors approves the Director of  
22 Property (or the Director’s designees), in consultation with the HSH Executive Director and  
23 the Office of the City Attorney, to enter into any additions, amendments, or other  
24 modifications to the Purchase Agreement and any other documents or instruments  
25 necessary in connection therewith (including but not limited to the exhibits and ancillary

1 agreements attached to the Purchase Agreement), that the Director of Property determines  
2 are in the best interests of the City, do not materially decrease the benefits to the City with  
3 respect to the Property, do not materially increase the obligations or liabilities of the City,  
4 are necessary or advisable to complete the transaction contemplated in the Purchase  
5 Agreement, and that effectuate the purpose and intent of this Resolution, such  
6 determination to be conclusively evidenced by the execution and delivery by the Director of  
7 Property of any such additions, amendments, or other modifications; and, be it

8           FURTHER RESOLVED, The Board of Supervisors affirms the Planning  
9 Department's CEQA Determination and General Plan Findings, for the same reasons as  
10 set forth in the Planning Letter, and hereby incorporates such findings by reference as  
11 though fully set forth in this Resolution; and, be it

12           FURTHER RESOLVED, That approval of the Purchase Agreement shall not be  
13 construed as approval of any change in use or new project on the Property; the City will  
14 conduct environmental review of any new uses and/or project, following further design  
15 development and study under CEQA, and retains absolute discretion to: 1) modify potential  
16 future projects to mitigate significant adverse environmental impacts, 2) select feasible  
17 alternatives which avoid significant adverse impacts, 3) require the implementation of  
18 specific measures to mitigate the significant adverse environmental impacts, 4) reject  
19 proposed projects if the economic and social benefits of said project do not outweigh  
20 otherwise unavoidable significant adverse impacts of the project, or 5) approve future  
21 projects upon a finding that the economic and social benefits of said project outweigh  
22 otherwise unavoidable significant adverse impacts; and, be it

23           FURTHER RESOLVED, That within thirty (30) days after the Closing (as defined  
24 in the Purchase Agreement), HSH shall provide any applicable final contracts to the Clerk  
25 of the Board for inclusion into the official file.

