

1 [Master Lease - Shahina Holdings, LLC - 149-6th Street - Supportive Housing - Initial
2 Monthly Base Rent of \$39,000]

3 **Resolution authorizing the execution and acceptance of a Residential Master**
4 **Lease by and between the City and County of San Francisco and Shahina**
5 **Holdings, LLC, a California Limited Liability Company, for the real property**
6 **located at 149-6th Street, providing 51 units of supportive housing, for an initial**
7 **term of ten years with an initial base monthly rent of \$39,000; finding the**
8 **proposed transaction is in conformance with the General Plan, and the eight**
9 **priority policies of Planning Code, Section 101.1.; and adopting CEQA findings.**

10
11 WHEREAS, The property at Assessor’s Parcel Block No. 3725, Lot No. 063,
12 also known as 149-6th Street (the “Property”), is a Single Room Occupancy
13 development of 51 units that includes lower level operational support space and
14 entertainment areas and separate commercial street-front spaces that are included
15 within the Property; and

16 WHEREAS, The owner is interested in master leasing the Property, and the
17 City, following extensive negotiations over almost two years has reached a tentative
18 agreement to lease the Property; and

19 WHEREAS, The City has determined the Property can be an excellent site for
20 supportive housing; and

21 WHEREAS, The Master Lease rate for the Property has been determined by
22 the Director of Property to be no greater than fair market rental value, pursuant to an
23 independent appraisal of fair market rent; and

24 WHEREAS, The Department of Homelessness and Supportive Housing
25 (HSH) has negotiated a Master Lease of the Property with the Landlord, subject to

1 the conditions described in the Residential Master Lease (the "Lease"), a copy of
2 which is on file with the Clerk of the Board of Supervisors in File No. 180240; and

3 WHEREAS, The Planning Department, through General Plan Referral letter
4 dated June 5, 2016, ("Planning Letter"), which is on file with the Clerk of the Board of
5 Supervisors under File No. 180240, has verified that a City lease of 149-6th Street
6 would be consistent with the General Plan, and the eight priority policies under
7 Planning Code, Section 101.1; and

8 WHEREAS, The Planning Letter also states that on April 28, 2016, the
9 Environmental Planning Division of the Planning Department determined that the
10 project is categorically exempt under CEQA Guidelines, Section 15301; and

11 WHEREAS, The Lease includes: (i) an initial term of ten years with two
12 extension options for five additional years each, and such extension options shall be
13 subject to future Board approval; (ii) an initial base annual rent of \$765/unit/month, or
14 \$39,000/month, or \$468,000/year; (iii) an annual increase in base rent during the
15 initial term and extension terms of no less than 2% and no more than 6% per year;
16 (iv) a determination that base rent in each extension term shall be set at the greater
17 of 95% of then fair market rent as determined by an appraisal or 103% above the
18 previous year; (v) a cap on the City's maintenance and repair obligations of Major
19 Systems as defined in the Lease to not exceed \$22,500 in any year, subject to
20 annual cap increases and damages that the City is responsible for under the Lease;
21 (vi) a payment to the Landlord for each residential sublease assumed at the end of
22 the term equal to two months of the sublease rent; and (vii) other commercially
23 reasonable lease terms, including tenant and landlord indemnification provisions;
24 now, therefore, be it

25

1 RESOLVED, That the Board of Supervisors hereby finds that the lease of
2 149-6th Street is consistent with the General Plan, and the eight priority policies of
3 Planning Code, Section 101.1 and adopts CEQA findings and hereby incorporates
4 such findings by reference as though fully set forth in this Resolution; and, be it

5 FURTHER RESOLVED, That in accordance with the recommendation of the
6 Director of HSH, the execution, delivery and performance of the Lease is hereby
7 approved and the Director of Property (or his designee) are hereby authorized to
8 execute the Lease, in substantially the form of Lease referenced herein, on behalf of
9 the City and any such other documents that are necessary or advisable to complete
10 the transaction contemplated by the Lease and effectuate the purpose and intent of
11 this Resolution; and, be it

12 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director
13 of Property (or his designee), in consultation with the City Attorney and Director of
14 HSH, to enter into any additions, amendments or other modifications to the Lease
15 and any other documents or instruments necessary in connection therewith, that the
16 Director of Property determines are in the best interests of the City, do not materially
17 decrease the benefits to the City with respect to the Property, do not materially
18 increase the obligations or liabilities of the City, and are necessary or advisable to
19 complete the transaction contemplated in the Lease and that effectuate the purpose
20 and intent of this Resolution, such determination to be conclusively evidenced by the
21 execution and delivery by the Director of Property (or his designee) of any such
22 additions, amendments, or other modifications; and, be it

23 FURTHER RESOLVED, That all actions authorized and directed by this
24 Resolution and heretofore taken are hereby ratified, approved and confirmed by this
25 Board of Supervisors; and, be it

1 FURTHER RESOLVED, That the Director of Property shall provide the Clerk
2 of the Board of Supervisors a fully executed copy of the Lease within thirty (30) days
3 of signature of same.

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\$156,000 Available
(for 3 months of rent and security deposit in
FY17-18)
Fund ID: 10000
Department ID: 203646
Project ID: 10026740
Authority ID: 10000
Account ID: 527000

Controller

Availability of funds for future fiscal years
subject to the enactment of the annual
appropriation ordinance.

RECOMMENDED:

Director of Property

Director of Homelessness and Supportive Housing