

1 [Lease Agreement and Sublease Agreement - 833 Bryant, L.P. - 833 Bryant Street -  
2 Permanent Supportive Housing - Annual Rent Not to Exceed \$2,014,800]

3 **Resolution approving a building Lease Agreement and Sublease Agreement each by**  
4 **and between the City and 833 Bryant, L.P., a California limited partnership as the**  
5 **developer and housing provider (“Housing Provider”) to provide permanent supportive**  
6 **housing units for chronically homeless households in San Francisco (as referred**  
7 **through the City’s Coordinated Entry System) through the lease and concurrent**  
8 **sublease of a building consisting of 145 units, one manager’s unit, approximately 650**  
9 **square feet of commercial space, and ancillary program space located at 833 Bryant**  
10 **Street, for an initial 30-year term, with an extension of up to 10 years in the event of the**  
11 **occurrence of certain rent abatement events, subject to and will commence after**  
12 **Housing Provider’s satisfaction in the event of the occurrence of certain conditions**  
13 **described below, securing a temporary certificate of occupancy from the San**  
14 **Francisco Department of Building Inspection, anticipated in August 2021, at a not to**  
15 **exceed rent of \$2,014,800 annually; authorizing the execution of a Continuing**  
16 **Disclosure Certificate with respect to any bonds issued by the Housing Provider;**  
17 **finding the proposed transaction is in conformance with the General Plan, and the**  
18 **eight priority policies of Planning Code, Section 101.1; and adopting California**  
19 **Environmental Quality Act findings.**

20  
21 WHEREAS, The mission of the Department of Homelessness and Supportive Housing  
22 ("HSH") is to prevent homelessness and to make homelessness rare, brief and one time in  
23 San Francisco through the provision of coordinated, compassionate, and high-quality  
24 services; and  
25

1           WHEREAS, HSH published in 2019 a Five-Year Strategic Framework Update and  
2 Implementation Plan that set forth the goal of reducing chronic homelessness by 50% by  
3 December 2022; and

4           WHEREAS, The creation of permanent supportive housing units is essential to  
5 achieving the goal of reducing chronic homelessness by providing permanent exits from  
6 homelessness; and

7           WHEREAS, Mercy Housing California formed the Housing Provider for the purpose of  
8 developing a building consisting of 145 permanent supportive housing units, one manager’s  
9 unit, approximately 650 square feet of commercial space, and ancillary program space  
10 (“Project”) located at 833 Bryant Street, in the City (“Property”); and

11           WHEREAS, The Housing Provider has entered into a long term ground lease of the  
12 Property with San Francisco Homes for the Homeless No. 1 LLC (“Land Owner”) for a term of  
13 up to 99 years; and

14           WHEREAS, The Housing Provider sought and received private acquisition,  
15 predevelopment and construction financing for the development of the Project, with the goal of  
16 delivering 145 permanent supportive housing units quickly and cost-effectively to help meet  
17 the City’s goals; and

18           WHEREAS, HSH and the Director of Property have negotiated a Lease Agreement of  
19 the Project substantially in the form on file with the Clerk of the Board of Supervisors in File  
20 No. 200615 (“Lease Agreement”), pursuant to which City will lease the building from the  
21 Housing Provider to provide permanent supportive housing at an annual rent of not more than  
22 \$2,014,800 (“Annual Rent”), which is \$1,150 per unit per month and \$30.50 per square foot  
23 per year, for an initial term of up to 30 years (subject to extension of up to 10 additional years  
24 for certain rent abatement events) commencing when the Project is ready for occupancy  
25 (anticipated in August 2021); and

1           WHEREAS, The Project provides newly constructed units (rather than older,  
2 rehabilitated units), high-quality ancillary program space, and an option and first right of  
3 refusal for the City to acquire a fee interest in the land upon any proposed land transfer or at  
4 the maturity of the lease term, whichever may come first, thus ensuring permanent  
5 affordability for the Project; and

6           WHEREAS, In consideration of those factors, the Director of Property has determined  
7 that the Annual Rent payable by City is at or below fair market rent; and

8           WHEREAS, In order to provide for the day-to-day operation of the Project by the  
9 Housing Provider, HSH and the Director of Property have negotiated and approved a  
10 Sublease Agreement of the Project substantially in the form on file with the Clerk of the Board  
11 of Supervisors in File No. 200615 (“Sublease Agreement”), pursuant to which the City will  
12 lease the Project back to the Housing Provider for a term of up to 30 years commencing  
13 concurrently with the Lease Agreement at a total rent of \$1 allowing the Housing Provider to  
14 operate and manage the Property as permanent supportive housing, plus an agreement by  
15 the Housing Provider to accept tenant referrals through the City’s Coordinated Entry System;  
16 and

17           WHEREAS, While the proposed nominal rent of the Sublease Agreement will be less  
18 than Market Rent as defined in Administrative Code, Section 23.2, the nominal rent will serve  
19 a public purpose by providing permanent supportive housing to formerly homeless  
20 households and further the City’s goals; and

21           WHEREAS, The Housing Provider is expected to issue or cause the issuance of bonds  
22 through the California Housing Finance Agency to provide a loan to the Housing Provider to  
23 fund construction costs for the Project, and in connection therewith the City will be required to  
24 provide information for a preliminary official statement (the “Preliminary Official Statement”)  
25 and official statement (the “Official Statement”) for distribution to potential investors, and to

1 certify on behalf of the City that the Preliminary Official Statement is deemed final as of its  
2 date, within the meaning of Rule 15c2-12 (the “Rule”) promulgated under the Securities  
3 Exchange Act of 1934, as amended; and

4 WHEREAS, The Housing Provider is expected to issue or cause the issuance of bonds  
5 through the California Housing Finance Agency to provide a loan to the Housing Provider to  
6 fund construction costs for the Project, and in connection therewith the City will be required to  
7 enter into a continuing disclosure certificate to provide certain annual operating and financial  
8 information about the City to the Housing Provider until the bonds mature; and

9 WHEREAS, The Board of Supervisors and Mayor demonstrated their support for the  
10 Project by recognizing the funding needs in the City’s Fiscal Year (FY) 2019-21 budget, with  
11 the expectation of providing annual payments for the Lease Agreement, operating and  
12 services subsidies commencing in 2021; and

13 WHEREAS, The Director of Property and HSH Director will provide a letter to the  
14 Housing Provider to document the City’s commitment to enter into the Lease and Sublease  
15 consistent with this resolution and subject to the satisfaction by Housing Provider of certain  
16 conditions precedent as follows: 1) Housing Provider’s securing a Temporary Certification of  
17 Occupancy (“TCO”) from the San Francisco Department of Building Inspection for 145  
18 residential apartments, one manager’s unit, and ancillary program space; 2) the Director of  
19 HSH’s determination that placement of tenants is ready to commence through referrals by  
20 HSH through the City’s Coordinated Entry System; and 3) the Director of HSH’s determination  
21 that the annual rent has been adjusted to reflect the Project’s financing, but not to exceed  
22 \$2,014,800 per year; and

23 WHEREAS, HSH will quantify the annual operating and services subsidies needed and  
24 request funding authorization through the annual budget process, as is customary for  
25 permanent supportive housing developments; and

1 WHEREAS, The City and Land Owner have agreed to enter into a conveyance agreement,  
2 prior to or concurrent with execution of the Lease Agreement execution, providing the City  
3 with the right to acquire the Property for a nominal amount upon termination of the Lease and  
4 Sublease (a “Conveyance Agreement”); and

5 WHEREAS, The Planning Department, though a General Plan Referral letter dated  
6 April 1, 2020 (“Planning Letter”), which is on file with the Clerk of the Board of Supervisors in  
7 File No. 200615, has verified that the Project, Lease Agreement, and Sublease Agreement  
8 would be consistent with the General Plan, and the eight priority policies under Planning  
9 Code, Section 101.1, and is not subject to California Government Code under the California  
10 Environmental Quality Act (“CEQA”), for the reasons set forth in the Planning Letter, and the  
11 Board affirms this determination; now, therefore, be it

12 RESOLVED, That the Board of Supervisors hereby finds that the Lease Agreement  
13 and Sublease Agreement of the Project is consistent with the General Plan, and eight priority  
14 policies of Planning Code, Section 101.1, adopts CEQA findings, and hereby incorporates  
15 such findings by reference as though fully set forth in this Resolution; and, be it

16 FURTHER RESOLVED, The Sublease Agreement will serve a public purpose by  
17 providing permanent supportive housing to formerly homeless households and further the  
18 City’s goals; and, be it

19 FURTHER RESOLVED, That in accordance with the recommendation of the Director  
20 of HSH and the Director of Property, the Board of Supervisors approves the Lease Agreement  
21 and Sublease Agreement, each in substantially the form presented to the Board, and  
22 authorizes the Director of HSH and the Director of Property to execute and deliver the Lease  
23 Agreement and Sublease Agreement, each in substantially the form presented to the Board,  
24 and any such other documents that are necessary or advisable to complete the transaction  
25

1 contemplated by the Lease Agreement and Sublease Agreement, and to effectuate the  
2 purpose and intent of this Resolution; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of  
4 Property and Director of HSH to enter into any amendments or modifications to the Lease  
5 Agreement and Sublease Agreement (including, without limitation, exhibits or other ancillary  
6 documents) that the Director of Property and Director of HSH determine, in consultation with  
7 the City Attorney, are in the best interest of the City, do not materially increase the obligations  
8 or liabilities of the City, do not materially decrease the benefits to the City, or are necessary or  
9 advisable to effectuate the purposes of this resolution, and are in compliance with all  
10 applicable laws; and, be it

11 FURTHER RESOLVED, That the Lease Agreement shall be subject to certification as  
12 to funds by the Controller, pursuant to Charter, Section 3.105; and be it

13 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the  
14 Controller, in consultation with the City Attorney, to provide information for inclusion in the  
15 Preliminary Official Statement and Official Statement, to deem final the Preliminary Official  
16 Statement as of its date in accordance with the Rule, and to enter into a Continuing  
17 Disclosure Certificate in connection with the issuance of bonds issued by the California  
18 Housing Finance Agency to make a loan to the Housing Provider to provide funds to construct  
19 the Project; and, be it

20 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the Director  
21 of HSH, the Controller, the City Attorney, and all other designated officers of the City to take  
22 all other actions that may be necessary in connection with the bond financing; and be it

23 FURTHER RESOLVED, That the Director of Property shall provide a copy of the  
24 executed Lease Agreement, Sublease Agreement, and Conveyance Agreement within thirty  
25 (30) days of its execution to the Clerk of the Board for the Board's file.

