

1 [Real Property Lease Extension Option - Pacific Bay Inn, Inc. - 520 Jones Street -
2 \$1,063,632 Annual Base Rent]

3 **Resolution authorizing the Director of Property to exercise a Lease Extension Option**
4 **for the real property located at 520 Jones Street, known as the Pacific Bay Inn, with**
5 **Pacific Bay Inn, Inc., as landlord, and the City and County of San Francisco, as tenant,**
6 **for use by the Department of Homelessness and Supportive Housing for a ten-year**
7 **term commencing on June 1, 2019, through May 31, 2029, at the monthly base rent of**
8 **\$88,636 for a total annual base rent of \$1,063,632.**

9
10 WHEREAS, The City and County of San Francisco ("City"), on behalf of the
11 Department of Public Health ("DPH") entered into a ten-year lease commencing on May 1,
12 2009, ("Lease") with Pacific Bay Inn, Inc., as Landlord, for 84 hotel units, office space,
13 storage space, and basement, but excluding the commercial space [known as 522 Jones
14 Street (restaurant) and 498 O'Farrell Street (market)], located in the building known as
15 Pacific Bay Inn at 520 Jones Street ("Premises"); and

16 WHEREAS, The Lease, on file with the Clerk of the Board of Supervisors in File No.
17 190465, provides for two options, each extending the term of the Lease for an additional
18 ten years ("Extended Term") on the same terms and conditions except an adjustment of
19 monthly base rent for the first year of any Extended Term to 84 times 51% of the Fair
20 Market Rent for Efficiency units most recently published by the Federal Department of
21 Housing and Urban Development ("HUD"); and

22 WHEREAS, The Real Estate Division ("RED"), on behalf of the Department of
23 Homelessness and Supportive Housing ("HSH"), which took over the Lease from DPH,
24 notified Landlord of HSH's intention to exercise the first Extended Term; and Landlord has
25 agreed to accept the Lease provided hold over monthly rent of \$87,982.82 (1.5 times the

1 current monthly rent of \$58,655.21) until the Board of Supervisors and Mayor approve of
2 the Extended Term, and then the Extended Term adjusted rent calculated by RED in
3 accordance with Section 4 of the Lease (HUD efficiency rent documentation, RED rent
4 calculation worksheet, and Landlord's confirmation letter are on file with the Clerk of the
5 Board of Supervisors in File No. 190465); now, therefore, be it

6 RESOLVED, That in accordance with the recommendation of HSH, the Director of
7 Real Estate is hereby authorized to take all actions on behalf of the City and County of San
8 Francisco, as tenant, to exercise a ten-year Extended Term commencing on June 1, 2019;
9 and, be it

10 FURTHER RESOLVED, That the monthly rent for May 2019 until Board of
11 Supervisor and Mayoral approval of the Extended Term shall be \$87,982.82; and, be it

12 FURTHER RESOLVED, That commencing upon the Extended Term, the fair market
13 monthly base rent shall be \$88,636 or 84 units times .51 times \$2,069 (the fiscal year 2019
14 published HUD Efficiency Rent SF Bay Area), increasing annually by Consumers Price
15 Index adjustment but in no case less than two percent (2%) or more than six percent (6%)
16 and, be it

17 FURTHER RESOLVED, That any action taken by any City employee or official with
18 respect to the exercise of the extension provision contained in the lease is hereby ratified
19 and affirmed; and be it

20 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
21 Property to take any actions in furtherance of the extension provision, if said action is,
22 determined by the Director of Property, in consultation with the City Attorney, in the best
23 interest of the City, does not increase the rent or otherwise materially increase the obligations
24 or liabilities of the City, necessary or advisable to effectuate the purposes of the lease or this
25 resolution, and in compliance with all applicable laws, including the City's Charter.

\$88,636 Available for June 2019
Fund ID: 10000
Department ID: 203646
PS Project ID: 10026740
Authority ID: 10000
Account ID: 530000
Activity ID: 0001

Controller

Subject to enactment of the Annual
Appropriation Ordinance for the Fiscal Year
2019/2020

RECOMMENDED:

Jeff Kositsky
Department of Homelessness and Supportive Housing, Director

Andrico Q. Penick
Real Estate Division, Director