

1 [Lease of Real Property - The Salvation Army - 1156 Valencia Street - Initial Base Annual
2 Rent of \$404,000 - \$300,000 Leasehold Improvements]

3 **Resolution approving and authorizing the Director of Property, on behalf of the**
4 **Department of Public Health, to lease real property located at 1156 Valencia Street from**
5 **The Salvation Army at an initial base rent of \$404,000 per year, for a term of three years**
6 **with an estimated commencement date of March 1, 2020, and estimated to expire on**
7 **February 28, 2023, plus two one-year options to extend; authorizing the reimbursement**
8 **of \$300,000 towards the cost of Leasehold Improvements; and authorizing the Director**
9 **of Property to execute documents, make certain modifications and take certain actions**
10 **in furtherance of the Lease and this Resolution, as defined herein.**

11
12 WHEREAS, The mission of the Department of Public Health (“DPH”) is to is to protect
13 and promote the health of all San Franciscans.; and

14 WHEREAS, The provision of behavioral health care is critical to addressing
15 homelessness for people struggling with mental illness and substance use disorders.

16 WHEREAS, With the enactment of Ordinance Nos. 60-19 and 61-19 in April 2019, the
17 Board of Supervisors and Mayor Breed acknowledged homelessness in San Francisco to be
18 at a crisis point, and passed these Ordinances to expedite the process of opening programs
19 to respond to that crisis; and

20 WHEREAS, According to the January 2019 Point-in-Time Homeless Count
21 administered by HSH, there were approximately 8,035 people experiencing homelessness in
22 San Francisco, 64% of which were unsheltered sleeping outside in doorways, parks, vehicles
23 or wherever they can find; and

1 WHEREAS, Mayor Breed announced in October 2018 a plan to open 1,000 additional
2 shelter beds by 2020, and to provide more safe options for people experiencing
3 homelessness to sleep indoors; and

4 WHEREAS, The Real Estate Division and DPH have been investigating potential sites
5 to accommodate shelter and transitional housing for people with behavioral health challenges
6 to meet this goal and serve this high-needs population; and

7 WHEREAS, The property located at 1156 Valencia Street (the “Property”) affords the
8 City an excellent opportunity to open temporary shelter to provide behavioral health respite for
9 people experiencing homelessness.; and

10 WHEREAS, The Real Estate Division, through DPH, in consultation with the Office of
11 the City Attorney, negotiated a three-year lease, with two, one-year options, dated January
12 27, 2020, (the “Lease”), of the approximately 10,100 square foot Property with The Salvation
13 Army (“Landlord”), for purposes of operating temporary, low barrier, service-enriched shelter
14 to provide behavioral health respite for people experiencing homelessness and behavioral
15 health challenges, a copy of the form of Lease is on file with the Clerk of the Board in File No.
16 200115; and

17 WHEREAS; The program will serve as a community-embedded behavioral health
18 respite program based on the model currently operating as Hummingbird Place Behavioral
19 Health Respite at 887 Potrero; and

20 WHEREAS, The “Commencement Date” of the Lease is expected to occur on or
21 around March 1, 2020; and

22 WHEREAS, At City’s cost in the amount of \$300,000 and under the direction of San
23 Francisco Public Works (“SFPW”), Landlord will provide tenant improvement and capital work
24 (collectively, “Leasehold Improvements”) and provide requested fixtures, furniture and
25

1 equipment (“FF&E”) necessary for City to occupy and operate the Property for the intended
2 purposes; and

3 WHEREAS, Under the Lease, base rent payable by City in the first year of the initial
4 three-year term will be \$404,000 (or \$33,667 per month), increasing at 3% per year on each
5 anniversary of the Commencement Date; and

6 WHEREAS, As of the Commencement Date, City is obligated to pay for its own utilities
7 and services; and

8 WHEREAS, The Director of Property determines the rental rate under the Lease to be
9 at or below fair market rental value; and

10 WHEREAS, Pursuant to Chapter 23 of the Administrative Code, since the base rent
11 charged is less than \$45 per sq. ft. per year, an independent fair market rental appraisal is not
12 required in conjunction with the approval of this Lease; and

13 WHEREAS, Upon the Commencement Date, the building on the Property will be
14 delivered vacant; now, therefore, be it

15 RESOLVED, That in accordance with the recommendation of the Director of DPH and
16 the Director of Property, the Board of Supervisors approves the Lease in substantially the
17 form presented to the Board, and authorizes the Director of DPH and the Director of Property
18 to take all actions necessary to execute the Lease and any other documents that are
19 necessary or advisable to effectuate the purpose of this Resolution; and, be it

20 FURTHER RESOLVED, That City is authorized to request Landlord to perform on
21 behalf of City at City’s cost and pursuant to the terms and conditions of the Lease, Leasehold
22 Improvements or other work and services at the direction of SFPW and to reimburse Landlord
23 for up to \$300,000 of that work; and, be it

24 FURTHER RESOLVED, That under the Lease, City shall indemnify and hold harmless
25 the Landlord from, and agree to defend the Landlord against, any and all claims, costs and

1 expenses, including without limitation, reasonable attorneys' fees, incurred as a result of City's
2 use of the premises or any negligent acts or omissions of City, its agents or invitees in, on or
3 about the Property; and, be it

4 FURTHER RESOLVED, That all actions heretofore taken by the offices of the City with
5 respect to the Lease are hereby approved, confirmed and ratified; and, be it

6 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
7 Property to enter into any extensions, amendments or modifications to the Lease (including
8 without limitation, the exhibits, so long as the rent in the extension term does not increase by
9 more than 3% above the previous base year's rent) that the Director of Property determines,
10 in consultation with the Director of DPH and the City Attorney, are in the best interest of the
11 City, do not increase the rent or otherwise materially increase the obligations or liabilities of
12 the City, are necessary or advisable to effectuate the purposes of the Lease or this
13 Resolution, and are in compliance with all applicable laws, including City's Charter; and, be it

14 FURTHER RESOLVED, That the City shall occupy the Premises for the full term of the
15 Lease unless funds for rental payments are not appropriated in any subsequent fiscal year at
16 which time City may terminate the Lease with written notice to Landlord, and the Lease shall
17 be subject to certification as to funds by the Controller, pursuant to Section 3.105 of the
18 Charter; and, be it

19 FURTHER RESOLVED, That within thirty (30) days of the Commencement Date of the
20 Lease being fully executed by all parties, DPH shall provide the final Lease to the Clerk of the
21 Board for inclusion into the official file.

\$434,668 Available

Fund ID: 10000	Fund Title: GF Annual Account Ctrl
Department ID: 204645	Department Project ID: Mental Health Other
Project Authority ID: 10026703	Authority title: HB MH Long Term Care
Account ID: 527000	Account title: Prof & Specialized Svcs-Bdgt
Activity ID: 1	Activity title: Long Term Care

Ben Rosenfield
Controller

Funding for Fiscal Year 2020/2021 is subject to the enactment of the Annual Appropriation Ordinance for Fiscal Year 2020/2021.

RECOMMENDED:

Department of Public Health
Director

Real Estate Division
Director of Property