

1 [Ground Lease - Five Keys Schools and Programs - 42 Otis Street - 100% Permanent
2 Supportive Housing - Rent Not to Exceed \$1]

3 **Resolution 1) approving and authorizing the Director of Property and the Executive**
4 **Director of the Department of Homelessness and Supportive Housing (“HSH”) to enter**
5 **into a Ground Lease with Five Keys Schools and Programs for the real property owned**
6 **by the City, located at 42 Otis Street (the “Property”), for an initial lease term of five**
7 **years with 10 automatic extensions of the lease term for an additional period of five**
8 **years each and a total rent not to exceed \$1 in order to operate the Property as**
9 **permanent supportive housing; 2) determining in accordance with Administrative**
10 **Code, Section 23.33 that the below market rent payable under the Ground Lease will**
11 **serve a public purpose by providing permanent supportive housing for formerly**
12 **homeless and low-income households; 3) adopting findings declaring that the Property**
13 **is "exempt surplus land" under the California Surplus Land Act; 4) affirming the**
14 **Planning Department's determination under the California Environmental Quality Act,**
15 **and adopting the Planning Department's findings of consistency with the General Plan,**
16 **and the eight priority policies of the Planning Code, Section 101.1; and 5) authorizing**
17 **the Director of Property and/or the HSH Executive Director to execute and make certain**
18 **modifications to the Ground Lease, as defined herein, and take certain actions in**
19 **furtherance of this Resolution, as defined herein.**

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

1 WHEREAS, With the adoption of Resolution No. 319-18 in October 2018, the Board of
2 Supervisors and Mayor London N. Breed declared a shelter crisis and affirmed San
3 Francisco’s commitment to combatting homelessness and creating or augmenting a
4 continuum of shelter and service options for those experiencing homelessness; and

5 WHEREAS, Permanent supportive housing (“PSH”) is the most effective, evidence-
6 based solution to ending chronic homelessness and also prevents new incidents of
7 homelessness among highly vulnerable people with long experiences of homelessness;
8 and

9 WHEREAS, According to the 2024 Point-in-Time Count, there were 8,323 people
10 experiencing homelessness in San Francisco, 13% of whom were young adults; and

11 WHEREAS, In April 2023, HSH released the five-year strategic plan “Home by the Bay:
12 An Equity-Driven Plan to Prevent and End Homelessness in San Francisco” which calls for
13 the City and County of San Francisco to add 3,025 new units of permanent supportive
14 housing; and

15 WHEREAS, Pursuant to Resolution No. 359-23, HSH applied to the California
16 Department of Housing and Community Development (“HCD”) for a Homekey Grant
17 Award; and

18 WHEREAS, On September 28, 2023, the Board of Supervisors adopted Resolution
19 No. 443-23, approving and authorizing the acquisition of the real property and
20 improvements located at 42 Otis Street, Assessor’s Parcel Block No. 3505, Lot Nos. 054
21 through 082 (collectively, the “Property”); and

22 WHEREAS, Pursuant to Resolution No. 443-23, the City acquired the Property on
23 May 29, 2024; and

1 WHEREAS, In August 2024, the City received a conditional award for a Round 3
2 Homekey Grant for the Property, HSH will seek accept and expend approval from the Board
3 of Supervisors later this year; and

4 WHEREAS, The Property affords the City an excellent opportunity to provide PSH for
5 approximately 24 young adults exiting homelessness; and

6 WHEREAS, The Property includes the real property consisting of approximately 4,083
7 square feet of land, 24 residential units, five commercial units, courtyard and rooftop terrace
8 open space, as well as certain improvements, appurtenances, personal property, and
9 intangible property; and

10 WHEREAS, In January 2024, HSH issued Request for Qualifications #144 “Property
11 Management and Support Services at a city-owned building at 42 Otis Street for Transitional
12 Aged Youth” (“RFQ #144”); and

13 WHEREAS, In April 2024, HSH selected Five Keys Schools and Programs, a California
14 nonprofit public benefit corporation (“Tenant”), through RFQ #144 to operate and provide
15 supportive services at the Property as PSH; and

16 WHEREAS, HSH desires to enter into a Ground Lease (“Ground Lease”) with Tenant
17 to operate the Property as PSH for young adults for an initial five-year term, with 10 automatic
18 extensions of the term for an additional period of five years each and a total rent not to exceed
19 \$1, a copy of the Ground Lease is on file with the Clerk of the Board of Supervisors in File
20 No. 240882, and is incorporated herein by reference; and

21 WHEREAS, The Ground Lease requires Tenant to be responsible for the ongoing
22 management, maintenance, and operation of the Property as PSH in accordance with HSH
23 policies and as residential housing for any other existing residents in accordance with all
24 applicable laws; and

1 WHEREAS, The Property and future maintenance and repair work by Tenant does not
2 constitute a public work or improvement, and accordingly contracts entered into by or on
3 behalf of Tenant in connection with the Property are not subject to the requirements of
4 Administrative Code, Chapter 6, but the Ground Lease requires Tenant to comply with
5 Administrative Code, Chapter 23, Article VII, including compliance with prevailing wage and
6 apprenticeship and local hiring requirements; and

7 WHEREAS, The Ground Lease requires Tenant to maintain a good relationship with
8 the neighborhood surrounding the Property in accordance with HSH's Good Neighbor Policy,
9 including but not limited to: collaborating with neighbors and relevant City agencies to ensure
10 that neighborhood concerns about the Property are heard and addressed, respond to
11 neighbors within three business days, if reasonable, and ensure that a Tenant representative
12 attends all appropriate neighborhood meetings; and

13 WHEREAS, The proposed rent of the Ground Lease is less than fair market value, but
14 the lower rent will serve a public purpose by providing PSH for formerly homeless and low-
15 income households; and

16 WHEREAS, The Planning Department, by letter dated July 20, 2023, and by letter
17 dated August 21, 2024, (collectively, the "Planning Letter"), which are on file with the Clerk of
18 the Board of Supervisors in File No. 240882 and incorporated herein by reference, found that
19 the actions contemplated in the Resolution do not constitute a project under the California
20 Environmental Quality Act (California Public Resources Code, Sections 21000 et seq.)
21 ("CEQA") under CEQA Guidelines, Sections 15378 and 15060(c)(2) ("CEQA Determination")
22 and are consistent with the General Plan, and the eight priority policies under Planning Code,
23 Section 101.1 ("General Plan Findings"); now, therefore, be it

24 RESOLVED, That in accordance with the recommendation of the HSH Executive
25 Director and the Director of Property, the Board of Supervisors approves the Ground Lease in

1 substantially the form presented to the Board and hereby authorizes the Director of Property
2 and the HSH Executive Director, or their designee(s), to take all actions on behalf of the City
3 to enter into, execute, and perform its obligations under the Ground Lease and any such other
4 documents or agreements (including, without limitation, the exhibits to the Ground Lease) that
5 are necessary or advisable, in consultation with the City Attorney, to complete the transaction
6 contemplated by the Ground Lease and to effectuate the purpose and intent of this
7 Resolution; and, be it

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

12 FURTHER RESOLVED, That the Board of Supervisors confirms that the below fair
13 market rent of the Ground Lease furthers a proper public purpose in accordance with
14 Administrative Code, Section 23.33 by providing PSH for formerly homeless and low-income
15 households; and, be it

16 FURTHER RESOLVED, That the Board of Supervisors finds that the Property is
17 "exempt surplus land," as defined by California Government Code, Section 54221(f)(1)(F)(i),
18 because the Property will be 100% permanent supportive housing; and, be it

19 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
20 Property and the HSH Executive Director, or their designee(s), in consultation with the City
21 Attorney, to enter into any additions, amendments, or other modifications to the Ground
22 Lease, and any other documents or instruments necessary in connection therewith, that the
23 HSH Executive Director and/or the Director of Property determine are in the best interests of
24 the City, do not materially decrease the benefits to the City with respect to the Property, do
25 not materially increase the obligations or liabilities of the City, and are necessary or advisable

1 to complete the transaction contemplated in the Ground Lease and that effectuate the
2 purposes of the Ground Lease or this Resolution, such determination to be conclusively
3 evidenced by the execution and delivery by the Director of Property and/or HSH Executive
4 Director of such additions, amendments, or other modifications; and, be it

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

8 FURTHER RESOLVED, That within thirty (30) days of the Ground Lease being fully
9 executed by all parties, HSH shall submit to the Clerk of the Board of Supervisors a fully
10 executed copy for inclusion in the official file.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

RECOMMENDED:

/s/
Andrico Q. Penick
Director of Property
Real Estate Division

/s/
Shireen McSpadden
Executive Director
Department of Homelessness and Supportive Housing