

1 [Lease and Property Management Agreement - Housing for Independent People, Inc. -
2 333-12th Street - Not to Exceed \$20,080,000]

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**
5 **enter into a Lease and Property Management Agreement (“Agreement”) with**
6 **Housing for Independent People, Inc. to lease, operate, and maintain the real**
7 **property and residential improvements located at 333-12th Street for an initial five-**
8 **year term to commence on February 1, 2023, with an option to extend for up to an**
9 **additional five years, and base rent of \$1 per year with no annual rent increases, and**
10 **for net property management and operating costs to be paid by the City in a total**
11 **five-year amount not to exceed \$20,080,000; 2) determining in accordance with**
12 **Administrative Code, Section 23.33, that the below market rent payable under the**
13 **Agreement will serve a public purpose by providing Permanent Supportive Housing**
14 **for formerly homeless and low-income households; 3) adopting findings declaring**
15 **that the Property is “exempt surplus land” under the California Surplus Land Act; 4)**
16 **authorizing the Director of Property and the Executive Director of HSH to execute the**
17 **Agreement, make certain modifications, and take certain actions in furtherance of**
18 **the Agreement and this Resolution, as defined herein; 5) ratifying all prior actions**
19 **taken by any City employee or official with respect to the Agreement, as defined**
20 **herein; and 6) affirming the Planning Department’s determination under the**
21 **California Environmental Quality Act, and adopting the Planning Department’s**
22 **findings of consistency with the General Plan, and the eight priority policies of the**
23 **Planning Code, Section 101.1.**

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

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

9 WHEREAS, Permanent Supportive Housing (“PSH”) is the most effective,
10 evidence-based solution to ending chronic homelessness and also prevents new incidents
11 of homelessness among highly vulnerable people with long experiences of homelessness;
12 and

13 WHEREAS, In July 2020, Mayor Breed announced her Homelessness Recovery
14 Plan, which included the goal of acquiring and operating 1,500 new units of PSH by June
15 30, 2022; and

16 WHEREAS, As of June 30, 2022, the City had nearly doubled this goal with 2,918
17 units of site-based and scattered site PSH that were active or under contract with a non-
18 profit provider added since July 2020; and

19 WHEREAS, On April 26, 2022, the City adopted Resolution No.147-22, approving
20 and authorizing the acquisition of the real property and improvements located at 333-12th
21 Street, Assessor Parcel Number Block 3521, Lots 095 and 097 through 296 (the
22 “Property”); and

23 WHEREAS, On July 28, 2022, the California Department of Housing and
24 Community Development announced that it will be awarding up to \$56,578,000 of Project
25 Homekey grant funds to support the acquisition and operations of the Property; HSH will be

1 seeking approval from the Board of Supervisors to accept and expend such Project
2 Homekey grant funds in this fiscal year; and

3 WHEREAS, The City acquired the Property on August 9, 2022, a copy of the final
4 executed Purchase and Sale Agreement is on file with the Clerk of the Board of
5 Supervisors in File No. 220344; and

6 WHEREAS, The Property consists of approximately 25,533 square feet of land
7 and improvements, including a residential building consisting of 200 multi-family units, a
8 central lobby, community lounges, office space, laundry rooms, elevator and shared
9 outdoor space, and all personal property and equipment used in connection with the
10 operation of the Property; and

11 WHEREAS, In August 2022, HSH selected Housing for Independent People, Inc.,
12 a California nonprofit public benefit corporation, hereinafter referred to as “Tenant”, through
13 a Request for Proposals, a copy of which is on file with the Clerk of the Board of
14 Supervisors in File No. 221171, to provide property management and operations services
15 at the Property; and

16 WHEREAS, HSH desires to enter into a Lease and Property Management
17 Agreement (“Agreement”) with Tenant to provide onsite property management and
18 operations services at the Property for an initial five-year term commencing February 1,
19 2023, a copy of which is on file with the Clerk of the Board of Supervisors in File
20 No. 221171; and

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

1 WHEREAS, In exchange for such services at the Property, the Agreement
2 requires the City to fund the annual net property management and operating costs for the
3 Property in a total five-year amount not to exceed \$20,080,000, subject to appropriations
4 and certain other conditions, reporting requirements, and HSH approval of an annual
5 operating budget submitted by Tenant, as further described in the Agreement; and

6 WHEREAS, The Agreement includes a base rent of \$1 per year to be paid by
7 Tenant to the City with no annual rent increases; and

8 WHEREAS, The Director of Property has determined the annual base rent to be
9 below market rent, but the lower rent will serve a public purpose by providing PSH for formerly
10 homeless and low-income family households, in accordance with Section 23.33 of the
11 Administrative Code; and

12 WHEREAS, The Agreement includes an option to extend the term of the Agreement
13 for up to an additional five years, upon mutual agreement of the City and Tenant (“Extension
14 Option”), and if the City and Tenant desire to exercise the Extension Option, the Director of
15 Property and HSH Executive Director will seek any required City approvals at that time,
16 subject to all applicable laws; and

17 WHEREAS, The Planning Department, by letter dated March 28, 2022 (“Planning
18 Letter”), which is on file with the Clerk of the Board of Supervisors under File No. 220344 and
19 incorporated herein by reference, found that the acquisition of the Property is not a project
20 under the California Environmental Quality Act (California Public Resources Code, Sections
21 21000 et seq.) (“CEQA”) under CEQA Guidelines, Sections 15378 and 15060(c)(2) (“CEQA
22 Determination”) and is consistent with the General Plan, and the eight priority policies under
23 Planning Code, Section 101.1 (“General Plan Findings”); and

24 WHEREAS, The Property is “exempt surplus land,” as defined by California
25 Government Code, Section 54221(f)(1); and

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

8 WHEREAS, On August 15, 2022, the Civil Service Commission approved property
9 management services to be provided by selected non-profit organizations at HSH-acquired
10 properties, including the Property, in the total amount of \$52,000,000 for a period of five
11 years, see PSC #43675-22/23, a copy of which is on file with the Clerk of the Board of
12 Supervisors in File No. 221171; and

13 WHEREAS, The funding of the net property management and operating costs for
14 the Property requires Board of Supervisors approval under Section 9.118(b) of the Charter;
15 now, therefore, be it

16 RESOLVED, That in accordance with the recommendation of the HSH Executive
17 Director and the Director of Property, the Board of Supervisors approves the Agreement in
18 substantially the form presented to the Board and hereby authorizes the Director of
19 Property and the HSH Executive Director, or their designee(s), to execute the Agreement;
20 and, be it

21 FURTHER RESOLVED, The Board of Supervisors affirms the Planning
22 Department's CEQA Determination and General Plan Findings, for the same reasons as
23 set forth in the Planning Letter and for the further reasons that the Agreement does not
24 authorize a change in the use of the Property, or physical changes to the Property that
25

1 could result in significant environmental impacts, and hereby incorporates such findings by
2 reference as though fully set forth in this Resolution; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors confirms that the below market
4 rental rate of the Agreement furthers a proper public purpose sufficient to meet the
5 requirements of Administrative Code Section 23.33; and, be it

6 FURTHER RESOLVED, That the Board of Supervisors finds that the Property is
7 “exempt surplus land,” as defined by California Government Code, Section 54221(f)(1), for the
8 reasons set forth above; and, be it

9 FURTHER RESOLVED, That HSH is authorized to fund the net property management
10 and operating costs for the Property in a total amount not to exceed \$20,080,000 subject to
11 appropriations and certain other conditions, reporting requirements, and HSH approval of an
12 annual operating budget for the Property, as further described in the Agreement; and, be it

13 FURTHER RESOLVED, That the Board of Supervisors authorizes the HSH Executive
14 Director and the Director of Property, or their designees, to take all actions on behalf of the
15 City to enter into, execute, and perform its obligations under the Agreement (including, without
16 limitation, the exhibits to the Agreement) and any other documents that are necessary or
17 advisable to effectuate the purpose of this Resolution and the Agreement; and, be it

18 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
19 Property and the HSH Executive Director, or their designees, in consultation with the City
20 Attorney, to enter into any additions, amendments, or other modifications to the Agreement
21 (including, without limitation, the exhibits to the Agreement) and any other documents or
22 instruments necessary in connection therewith that the HSH Executive Director and the
23 Director of Property determine are in the best interests of the City, do not materially
24 decrease the benefits to the City, do not materially increase the obligations or liabilities of
25 the City, are necessary or advisable to effectuate the purposes of the Agreement or this

1 Resolution, and are in compliance with all applicable laws, including the Charter, such
2 determination to be conclusively evidenced by the execution and delivery by the HSH
3 Executive Director and Director of Property of any such additions, amendments, or other
4 modifications; and, be it

5 FURTHER RESOLVED, That all prior actions taken by any City employee or
6 official with respect to the Agreement are hereby approved and ratified; and, be it

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

10
11
12 RECOMMENDED:

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14 _____/s/_____

15 Shireen McSpadden
16 Department of Homelessness and Supportive Housing
17 Executive Director

18
19 _____/s/_____

20 Claudia Gorham
21 Real Estate Division
22 Deputy Managing Director