

File No. 201266

Committee Item No. 4

Board Item No. 16

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date December 9, 2020

Board of Supervisors Meeting

Date December 15, 2020

#### Cmte Board

- |                                     |                                     |  |
|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/>            | <input type="checkbox"/>            | Motion                                       |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution                                   |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Youth Commission Report                      |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Introduction Form                            |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/>            | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Subcontract Budget                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Contract/Agreement                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Form 126 – Ethics Commission                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Application                                  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Public Correspondence                        |

#### OTHER (Use back side if additional space is needed)

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Landlord Signed Extended Term Rent</u>                     |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Lease Rent Calculation</u>                                 |
| <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <u>Real Estate Department Presentation - December 9, 2020</u> |
| <input type="checkbox"/>            | <input type="checkbox"/>            | _____   |
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Completed by: Linda Wong

Date December 3, 2020

Completed by: Linda Wong

Date December 10, 2020

1 [Real Property Lease Extension - TJ-T, LLC - 234-238 Eddy Street - Permanent Supportive  
2 Housing - \$1,013,913 Annual Base Rent]

3 **Resolution authorizing the Director of Property, on behalf of the Department of**  
4 **Homelessness and Supportive Housing, to exercise a Lease Extension Option for**  
5 **the real property located at 234-238 Eddy Street, with TJ-T, LLC for continued use of**  
6 **104 units of Permanent Supportive Housing, for a ten year term to commence on**  
7 **January 1, 2021, at the monthly base rent of \$84,492.72 for a total annual base rent of**  
8 **\$1,013,913.**

9  
10 WHEREAS, The City and County of San Francisco (“City”) entered into a ten year  
11 year lease commencing on January 1, 2011, (“Lease”) with TJ-T, LLC (“Landlord”) for 104  
12 units of permanent supportive housing, including restrooms, common areas, storage  
13 facilities, ground floor commercial space, mezzanine, basement, and clinic (collectively, the  
14 “Premises”), located in the building known as the Windsor Hotel at 234-238 Eddy Street;  
15 and

16 WHEREAS, The Lease provides for two options, each extending the term of the  
17 Lease for an additional ten years (each an “Extended Term”) on the same terms and  
18 conditions, except an adjustment of monthly base rent for the first year of any Extended  
19 Term to the greater of: (a) 51% of the most recent Governmental Rent Index for an  
20 efficiency unit, multiplied by 104 units; or (b) 103% of current monthly rent, a copy of the  
21 Lease is on file with the Clerk of the Board of Supervisors in File No. 00-0484; and

22 WHEREAS, Pursuant to that condition of the Lease, the base monthly base rent  
23 under the upcoming Extended Term under the Government Rent Index calculation equals  
24 \$112,656.96 per month, which is greater than 103% of the current monthly rent, or  
25 \$69,523; and

1           WHEREAS, The Real Estate Division (“RED”), on behalf of the Department of  
2 Homelessness and Supportive Housing (“HSH”), exercised its first Extended Term option,  
3 and despite the prescriptive amount of \$112,656.96 per month, RED and Landlord agreed  
4 to an initial base rent of \$84,492.72 per month, which is approximately thirty-three percent  
5 (33%) less than the monthly base rent otherwise to be due, a copy of the rent calculation  
6 worksheet and Landlord’s confirmation letter are on file with the Clerk of the Board of  
7 Supervisors in File No. 201266; and

8           WHEREAS, All other terms and conditions of the Lease will continue in full force and  
9 effect; now, therefore, be it

10          RESOLVED, That in accordance with the recommendation of the Director of HSH,  
11 the Director of Property is hereby authorized to take all actions on behalf of the City to  
12 exercise the ten year option to extend the term of the Lease, estimated to commence on  
13 February 1, 2021; and, be it

14          FURTHER RESOLVED, That commencing upon the Extended Term, the monthly  
15 base rent shall be \$84,492.72 increasing annually by Consumers Price Index between 3%  
16 and 6%; and, be it

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

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

25



<p><b>Item 4</b> <b>File 20-1266</b></p>	<p><b>Department:</b> Department of Homelessness and Supportive Housing (HSH), Real Estate Division (RED)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would exercise the option to extend the lease at 234-238 Eddy Street between TJ-T, LLC as landlord and the Department of Homelessness and Supportive Housing (HSH) as tenant, for a term of ten years, from January 2021 through December 2030.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• The Windsor Hotel is a 104-room Single Room Occupancy (SRO) hotel, which is master-leased by the City for Permanent Supportive Housing. The hotel currently functions as a low-cost clinic and provides supportive SRO housing for formerly homeless residents with complex medical, mental health and/or substance use diagnoses. The original lease was approved by the Board of Supervisors in December 2010, with two ten-year options to extend.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The existing lease sets rent, on exercise of the extension option, at the greater of either fair market rent or 103 percent of rent during the prior lease year. According to the Real Estate Division, fair market rent is based on a formula defined by the federal Department of Housing and Urban Development. The first year rent under the proposed lease extension is set at \$84,493, or \$1,013,913 per year, and will increase between 3 percent and 6 percent per year over the term of the lease, based on the Consumer Price Index. First year costs, including rent, building repair, utilities and custodial services are \$1,471,663, and total estimated costs over the ten-year extension period are \$17.6 million.</li> <li>• Funding is the Department of Homelessness &amp; Supportive Housing General Fund budget in FY 2020-21 and FY 2021-22.</li> </ul> <p style="text-align: center;"><b>Policy Consideration</b></p> <ul style="list-style-type: none"> <li>• The Department of Homelessness and Supportive Housing’s FY 2020-21 expenditures are expected to exceed original budget projections due to costs associated with the Shelter in Place (SIP) Hotel Program, Congregate Shelter Program and the Safe Sleeping Program, and lower-than-anticipated FEMA reimbursement eligibility of these costs.</li> </ul> <p style="text-align: center;"><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>• Amend the proposed resolution to correctly state that the number of units is 104, rather than 92 as stated in the resolution.</li> <li>• Approve the proposed resolution as amended.</li> </ul>	

## MANDATE STATEMENT

City Administrative Code 23.27 states that any lease with a term of one year or longer and where the City is the tenant is subject to Board of Supervisors approval by resolution.

City Charter Section 9.118(c) states that leases with a term greater than ten years require Board of Supervisors' approval.

## BACKGROUND

### Windsor Hotel

In April 1999, the Department of Public Health (DPH) as tenant entered into a ten-year lease with 238 Windsor Associates as the landlord for the Windsor Hotel, located at 234-238 Eddy Street, for the residential units, excluding the ground floor commercial space.<sup>1</sup> In March 2000, DPH also leased the ground floor, portions of the basement, and the mezzanine from 238 Windsor Associates for DPH to operate a service-delivery hub.<sup>2</sup> Prior to 2010, the property, including both the residential units and the ground floor commercial space, changed ownership from 238 Windsor Associates to TJ-T, LLC and both properties were merged into one lease.<sup>3</sup>

In December 2010, the Board of Supervisors approved a new Master Lease for the Windsor Hotel between DPH as the tenant and the new landlord, TJ-T, for a term of ten years, from January 1, 2011 to December 31, 2020 for 104 Single Resident (SRO) units of Permanent Supportive Housing, including restrooms, common areas, storage facilities, ground floor commercial space, mezzanine, basement and clinic.<sup>4</sup> At that time, the Hotel was managed by DPH as a Direct Access to Housing (DAH) Site.<sup>5</sup> In 2016, the Department of Homelessness & Supportive Housing was created and administration of the City's Permanent Supportive Housing programs were transferred from DPH to HSH. The entire site now functions as a Permanent Supportive Housing (PSH) site, and the tenants are referred through the Department of Homelessness and Supportive Housing's Coordinated Entry.

The Windsor Hotel has nine residential floors, plus ground level commercial space that currently operates as a low-cost clinic and supportive services hub for residents. There are 104 SRO units at approximately 200-300 square feet each.<sup>6</sup> The site is currently managed by the nonprofit Delivering Innovation in Supportive Housing (DISH), which manages multiple PSH sites in the City.

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<sup>1</sup> File 99-0627

<sup>2</sup> File 10-0598

<sup>3</sup> According to Mr. Josh Keene, Special Projects and Transactions Manager, Real Estate Division.

<sup>4</sup> File 10-0598

<sup>5</sup> Direct Access to Housing (DAH) is a program that provides permanent supportive housing to San Francisco residents who are experiencing homelessness and have complex medical, mental health, and/or substance use diagnoses.

<sup>6</sup> 234-238 Eddy St. Master Lease. Exhibit C.

Section 4.3 of the lease allows for two ten-year options to extend, at the greater of either fair market rent or 103 percent of rent during the prior lease year and with an increase of between 3 to 6 percent each subsequent year of the extension.<sup>7</sup>

The Real Estate Division negotiated rent for the ten-year extension based on the fair market rent for SRO units totaling \$84,493 per month (\$1,013,913 annually).

### DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a lease extension between the Department of Homelessness and Supportive Housing and TJ-T, LLC for continued use of 104 units of permanent supportive housing plus commercial space at 234-238 Eddy Street for a term of ten additional years, from January 2021 through December 31, 2030, with initial annual base rent of \$1,013,913 and three to six percent annual increases thereafter (consistent with the Consumer Price Index). The current lease expires on December 31, 2020.

Under the lease, HSH is responsible for utility, janitorial, and operating costs. Key terms of the proposed lease extension are shown in Table 1 below.

**Table 1. Terms of Proposed Lease Extension**

<b>Landlord</b>	TJ-T, LLC
<b>Tenant</b>	City
<b>Building</b>	234-238 Eddy St ("Windsor Hotel")
<b>Premises</b>	Residential premises, located at 238 Eddy St. and clinic premises located at 234 Eddy St.
<b>Square Feet</b>	45,775 <sup>8</sup>
<b>Term</b>	Ten years, from January 2021 through December 31, 2030
<b>Monthly Rent</b>	\$84,493
<b>Annual Base Rent</b>	\$1,013,913 (\$22.15 per square foot)
<b>Rent Increases</b>	3% - 6% per year
<b>Utilities and Janitorial Services</b>	Paid by City
<b>Operating Costs</b>	Paid by City

Source: Master Lease with TJ-T, LLC

<sup>7</sup> According to Section 4.3, fair market rent for the residential premises is calculated as using 51 percent of the monthly allowance for a single zero bedroom ("Efficiency") rental unit in the most recently published Governmental Rent Index, multiplied by 104 units. Efficiency Unit Rent Allowance is  $(.51) \times (2,124) \times 104 = \$112,656.96$  (monthly rate). SRO Unit Rent Allowance  $(.51) \times (1,593) \times 104 = \$84,492.72$  (monthly rate). Rent for the 2<sup>nd</sup> through 10<sup>th</sup> lease years will increase between 3 and 6 percent, depending on the Consumer Price Index. 234-238 Eddy St. Master Lease, Section 4.3. According to Mr. Josh Keene, RED Special Projects and Transactions Manager, the 51% of FMR metric is a HUD calculation included in most of the PSH master leases entered into by DPH in the late 2000s and early 2020s. The leases were assigned to HSH by DPH at the time HSH was formed. The specific origination during DPH's oversight is not known at this time.

<sup>8</sup> San Francisco Property Information Map, SF Planning. <https://sfplanninggis.org/pim/>

**FISCAL IMPACT**

Under the proposed lease extension, the Department of Homelessness and Supportive Housing (HSH) would pay \$1,013,913 in base rent, with three to six percent annual increases depending on the Consumer Price Index. Over the ten-year extension term, HSH would pay an estimated \$11,801,582 in base rent (based on 3.3 percent inflationary increase per year, on average, during the initial ten-year lease term).<sup>9</sup>

HSH would also pay utilities, repairs and custodial costs, which is an estimated \$5,757,530 over the ten-year period.<sup>10</sup> According to Josh Keene, Real Estate Division Special Projects and Transactions Manager, the initial annual janitorial, custodial and repair costs are estimated at approximately \$457,750. The combined estimated total for the ten-year extension period would be \$17,559,113. See table 2 below.

**Table 2: Projected Expenditures for Extension Term**

Year	Base Rent	Utilities & Custodial	Repair Costs	Total Cost
1	\$1,013,913	\$320,425	\$137,325	<b>\$1,471,663</b>
2	1,047,676	336,446	144,191	<b>1,528,314</b>
3	1,082,564	353,269	151,401	<b>1,587,233</b>
4	1,118,613	370,932	158,971	<b>1,648,516</b>
5	1,155,863	389,479	166,919	<b>1,712,261</b>
6	1,194,353	408,953	175,265	<b>1,778,571</b>
7	1,234,125	429,400	184,029	<b>1,847,554</b>
8	1,275,222	450,870	193,230	<b>1,919,322</b>
9	1,317,687	473,414	202,892	<b>1,993,992</b>
10	1,361,566	497,084	213,036	<b>2,071,686</b>
<b>Total</b>	<b>\$11,801,582</b>	<b>\$4,030,271</b>	<b>\$1,727,259</b>	<b>\$17,559,112</b>

Source: Real Estate Division

The cost of the lease, including rent, utilities, custodial, and repair costs will be funded from the Department of Homelessness & Supportive Housing General Fund budget in FY 2020-21 and FY 2021-22. The Department expects to continue to rely on its General Fund appropriations for future lease costs.

<sup>9</sup> Since 2010, the rent has increased from \$50,625 per month (\$607,502 annually) to \$67,499 per month (\$809,988 annually), which is an increase of 33 percent over 10 years, or an average of 3.3 percent per year.

<sup>10</sup> Utilities, repairs, and custodial costs are estimated to increase approximately 5 percent per year, according to Mr. Josh Keene, RED Special Projects and Transactions Manager.



**POLICY CONSIDERATIONS**

According to the Controller's Office FY 2020-21 Three-Month Budget Status Report dated November 10, 2020, General Fund revenues are estimated to be \$115.9 million less than budgeted for FY 2020-21. Revenue projections will be updated mid-year, as part of the Joint Report prepared by the Controller, Mayor's Office of Public Policy and Finance, and our Office, which will also project revenues and expenditures for subsequent fiscal years. In a presentation to the Budget & Appropriations Committee on November 19, 2020, the Mayor's Acting Budget Director stated that the Mayor has requested departments to prepare proposals to reduce spending in order to accommodate the projected decrease in General Fund revenues. The Mayor's plan to rebalance the FY 2020-21 budget is expected to be finalized in January.

The Department of Homelessness and Supportive Housing's FY 2020-21 expenditures are expected to exceed original budget projections due to costs associated with the Shelter in Place (SIP) Hotel Program, Congregate Shelter Program and the Safe Sleeping Program, and lower-than-anticipated FEMA reimbursement eligibility of these costs.

**RECOMMENDATIONS**

1. Amend the proposed resolution to correctly state that the number of units is 104, rather than 92 as stated in the resolution.
2. Approve the proposed resolution as amended.



London N. Breed, Mayor  
Naomi M. Kelly, City Administrator



Andrico Q. Penick  
Director of Real Estate

September 23, 2020

Mr. Ted Vlahos  
TJ-T, LLC  
1847 Hunt Dive  
Burlingame, CA 94010  
Sent Via Email to: [jvla56@gmail.com](mailto:jvla56@gmail.com)

**Re: Extended Term Rent for Windsor Hotel, 234 Eddy Street, San Francisco, CA - HSH**

Dear Mr. Vlahos:

The City and County of San Francisco, on behalf of its Department of Homelessness and Supportive Housing (the "City"), leases the Windsor Hotel located at 234 and 238 Eddy Street in San Francisco (the "Building") from TJ-T, LLC ("Master Landlord") under a lease dated May 1, 2010 (the "Master Lease").

We have received your signed copy of my letter dated August 26, acknowledging receipt of the City's Notice to Extend the current Lease pursuant to Section 3.2 of the Master Lease ("Extension Option"). We would now like to formalize the Extended Term monthly rent as of January 1, 2021.

The Extended Term rate is defined by the formula in Lease Section 4.3.

While Section 4.3 uses "Efficiency" unit rates in the formula, the parties agree that the units are in fact "SRO" and that this current, and any future applications, of the formula will use the SRO rate.

Section 4.3 refers to a "Governmental Rent Index". The parties agree that the latest available Mayor's Office of Housing and Community Development ("MOHCD") published "Maximum Monthly Rent by Unit Type", derived from the HUD Metro Fair Market Rent Area (HFMA) containing San Francisco shall be the applicable Rent Index. Please see the attached 2020 MOHCD Rent Index for your reference.

The Section 4.3 base rent calculation is:

**The Greater of**

(a) 103% of current monthly rent (\$67,498.50) = \$69,523; **OR**

(b) 51% of the latest Governmental Rent Index for an SRO multiplied by 104 units =  
(.51) X (\$1,593) X (104) = **\$84,492.72**

Subject to adoption of a Resolution submitted to the Board of Supervisors and approval by the Mayor, the monthly base rent as of January 1, 2021 will be = \$84,492.72.

Kindly acknowledge Master Landlord's concurrence by signing this letter and returning to my staff member Sandi Levine at [sandi.levine@sfgov.org](mailto:sandi.levine@sfgov.org). Upon receipt of the countersigned letter, Sandi will promptly begin the process of obtaining Board and Mayoral approval.

Please contact Sandi with any questions you may have, she can be reached via email or telephone at (415) 361-1555.

Respectfully,



Andrico Penick  
Director of Property

**Landlord Concurrence for Base Rent, SRO reclassification, and use of MOHCD published Maximum Rent Schedule:**

**TJ-T, LLC**

By: \_\_\_\_\_



Ted Vlahos, Managing Member

Date: \_\_\_\_\_

9-26-20

cc: Gigi Whitley (HSH) [gig.whitley@sfgov.org](mailto:gig.whitley@sfgov.org)  
Salvador Menjivar (HSH) [salvador.menjivar1@sfgov.org](mailto:salvador.menjivar1@sfgov.org)  
Joanne Park (HSH) [joanne.park@sfgov.org](mailto:joanne.park@sfgov.org)  
Nicole Reams (HSH) [nicole.reams@sfgov.org](mailto:nicole.reams@sfgov.org)  
Sandi Levine (RED) [sandi.levine@sfgov.org](mailto:sandi.levine@sfgov.org)  
Joshua Keene (RED) [joshua.keene@sfgov.org](mailto:joshua.keene@sfgov.org)

**234 Eddy 1/1/21 lease rent calculation:**

**PRIOR LEASE YEAR Monthly Rental Rate through 12/31/20:**  
 (Per 12/4/19 letter from CG to HSH & RED database)

\$ 67,498.50 (A)

**Section 4.3 Fair Market Rent Adjustments for Extended Terms**

**THE GREATER OF:**

103% of PRIOR LEASE YEAR =  
 1.03 X (A)

\$ 69,523.46

**OR**

**51% OF [MOST RECENTLY PUBLISHED GOVERNMENTAL MONTHLY RENT INDEX FOR EFFICIENCY] X 104 UNITS:**

MOHCD Efficiency Rent allowance for 100% AMI tenants based on HUD published rates)	% Factor	# Units specified in Lease		% INCREASE FROM CURRENT RATE (A)
2,124.00	0.51	104	<b>112,656.96</b>	<b>62.0%</b> (E)

MOHCD SRO Rent allowance for 100% AMI tenants based on HUD published rates)	% Factor	# Units specified in Lease		
1,593.00	0.51	104	<b>84,492.72</b>	<b>21.5%</b> (SRO)

1,013,912.64

<b>% DECREASE FROM LEASE FORMULA EXTENDED TERM RATE (E) TO SRO BASED RATE (SRO)</b>	<b>25.0%</b> RECOMMENDED
---	--------------------------

RENT BASED ON 15% DECREASE OF CURRENT RENT PER BOS GUIDELINE

\$ 57,373.73



London N. Breed, Mayor  
Naomi M. Kelly, City Administrator



Andrico Q. Penick  
Director of Real Estate

August 26, 2020

Mr. Ted Vlahos  
TJ-T, LLC  
1847 Hunt Dive  
Burlingame, CA 94010  
C/O jvla56@gmail.com

Re: Exercising Lease Extension for 234 Eddy Street, San Francisco, CA

Dear Mr. Vlahos:

The City and County of San Francisco, on behalf of its Department of Homelessness and Supportive Housing (the "City"), leases the Windsor Hotel located at 234 and 238 Eddy Street in San Francisco (the "Building") from TJ-T, LLC ("Master Landlord") under a lease dated May 1, 2010 (the "Master Lease").

Pursuant to Section 3.2 of the Master Lease ("Extension Option"), the City hereby provides notice of our intent to exercise the Extension Option, for a final extended term of 10 years with a lease termination date of 12/31/2030. Please note that Section 3.2 also provides that "Tenant's Option Notice will be subject to approval by the Board and the Mayor, in their respective sole and absolute discretion, within 60 days after Rent is determined under Section 4.3".

Per Section 4.3, the monthly base rent as of 1/1/21 for the final extended term will be the greater of:

- (a) Fair Market Rent (defined as 51% of efficiency rents in most recently published Governmental Rent Index X 104 units) OR
- (b) 103% of the 2020 rent (\$69,523.46)

I cannot state the FMR at this moment as the most recent published rents prior to 1/1/21 (October or November 2020) are likely to be available in December. We will provide the Extended Term base rent amount by December 31, 2020.

All other terms of the Master Lease will remain in effect.



Kindly acknowledge Master Landlord's concurrence of the extension by signing a copy of this letter and returning to my staff member Sandi Levine at [sandi.levine@sfgov.org](mailto:sandi.levine@sfgov.org). Please contact Sandi with any questions you may have, she can be reached via email or telephone at (415) 361-1555.

Respectfully,



Andrico Penick  
Director of Property

Landlord Concurrence for Extension of Additional Ten Year Term:

By: \_\_\_\_\_

Date:

cc: Gigi Whitley (HSH) [gig.whitley@sfgov.org](mailto:gig.whitley@sfgov.org)  
Salvador Menjivar (HSH) [salvador.menjivar1@sfgov.org](mailto:salvador.menjivar1@sfgov.org)  
Joanne Park (HSH) [joanne.park@sfgov.org](mailto:joanne.park@sfgov.org)  
Nicole Reams (HSH) [nicole.reams@sfgov.org](mailto:nicole.reams@sfgov.org)  
Sandi Levine (RED) [sandi.levine@sfgov.org](mailto:sandi.levine@sfgov.org)  
Joshua Keene (RED) [joshua.keene@sfgov.org](mailto:joshua.keene@sfgov.org)



London N. Breed, Mayor  
Naomi M. Kelly, City Administrator



Andrico Q. Penick  
Director of Real Estate

November 3, 2020

Honorable Board of Supervisors  
City and County of San Francisco  
Room 244, City Hall  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

**RE: HSH Lease Extension – Permanent Supportive Housing – 234 Eddy Street**

Dear Board Members:

Attached for your consideration is a resolution authorizing the exercise of the first (of two) extension options to extend the term of the existing lease (“Lease”) between the City’s Department of Homelessness and Supportive Housing (“HSH”) and TJ-T, LLC (“Landlord”), providing 104 units of permanent supportive housing and a medical clinic at the property located at 234-238 Eddy Street. The Lease expires on December 31, 2020 and approval of this resolution would extend the term of the Lease for ten years beginning on January 1, 2021.

Per the terms of the Lease, the initial base rent in the upcoming extended term was scheduled to be \$112,656.96 per month. On behalf of HSH, the Real Estate Division (“RED”) and Landlord instead agreed to a reduced base rent of \$84,492.72 per month beginning on January 1, which is approximately thirty-three percent (33%) less than the base rent otherwise due. Base rent will continue to escalate annually with the Consumer Price Index, limited to between 3 and 6%.

Along with the recommendation of HSH’s Director, RED recommends approval of the proposed resolution authorizing the extension. If you have any questions regarding this matter, please contact Sandi Levine of my office at 415-361-1555 or by email at [sandi.levine@sfgov.org](mailto:sandi.levine@sfgov.org).

Respectfully,

Andrico Q. Penick  
Director of Property



# Department of Homelessness and Supportive Housing (HSH)



Windsor Hotel and Clinic  
234-238 Eddy  
104 Units of PSH



Hotel Le Nain  
730 Eddy  
92 Units of PSH

- Renewals of Master Leases (10 years each)
- **196 Total Units** of continued Permanent Supportive Housing (PSH) for formerly Homeless Individuals



# Background:

- Each property is completing a 10-year lease term; HSH is exercising its right to extend an additional ten years at each.
- Lease extension allows continued delivery of supportive housing for formerly homeless residents with complex medical, mental health and/or substance abuse diagnoses.
- Real Estate Division has negotiated for new rents beginning in 2021 at rates below those prescribed in the leases.

*Amendment: RED accepts proposed amendment from BLA report clarifying that Whereas clause from resolution page 1 should read 104 units, not 92 units*



# Summary of Lease Extension Terms:

	234-238 Eddy	730 Eddy
# of PSH Units:	104	92
Commencement:	Jan. 1, 2021	Feb. 1, 2021
Expiration:	Dec. 31, 2030	Jan. 31, 2031
Monthly Rent/Unit:	\$815	\$815
Annual Rent:	~\$1M	\$897K
Annual Increase:	3%-6% (CPI)	3.5%-6% (CPI)
Other:	Ground floor Clinic	
Landlord Name:	TJ-T, LLC	Hotel Le Nain, LLC
<i>Note: Utilities, Custodial, and other Operating expenses paid directly by City</i>		



Questions?





## San Francisco Ethics Commission

25 Van Ness Avenue, Suite 220, San Francisco, CA 94102

Phone: 415.252.3100 . Fax: 415.252.3112

[ethics.commission@sfgov.org](mailto:ethics.commission@sfgov.org) . [www.sfethics.org](http://www.sfethics.org)

Received On:

File #: 201266

Bid/RFP #:

### Notification of Contract Approval

SFEC Form 126(f)4

(S.F. Campaign and Governmental Conduct Code § 1.126(f)4)

A Public Document

Each City elective officer who approves a contract that has a total anticipated or actual value of \$100,000 or more must file this form with the Ethics Commission within five business days of approval by: (a) the City elective officer, (b) any board on which the City elective officer serves, or (c) the board of any state agency on which an appointee of the City elective officer serves. For more information, see: <https://sfethics.org/compliance/city-officers/contract-approval-city-officers>

#### 1. FILING INFORMATION

<b>TYPE OF FILING</b>	<b>DATE OF ORIGINAL FILING (for amendment only)</b>
Original	
<b>AMENDMENT DESCRIPTION – Explain reason for amendment</b>	

#### 2. CITY ELECTIVE OFFICE OR BOARD

<b>OFFICE OR BOARD</b>	<b>NAME OF CITY ELECTIVE OFFICER</b>
Board of Supervisors	Members

#### 3. FILER'S CONTACT

<b>NAME OF FILER'S CONTACT</b>	<b>TELEPHONE NUMBER</b>
Angela Calvillo	415-554-5184
<b>FULL DEPARTMENT NAME</b>	<b>EMAIL</b>
office of the clerk of the Board	Board.of.Supervisors@sfgov.org

#### 4. CONTRACTING DEPARTMENT CONTACT

<b>NAME OF DEPARTMENTAL CONTACT</b>	<b>DEPARTMENT CONTACT TELEPHONE NUMBER</b>
Sandi Levine	415.361.1555
<b>FULL DEPARTMENT NAME</b>	<b>DEPARTMENT CONTACT EMAIL</b>
ADM                      RED	sandi.levine@sfgov.org

5. CONTRACTOR	
<b>NAME OF CONTRACTOR</b> TJ-T, LLC	<b>TELEPHONE NUMBER</b> 415-497-7449
<b>STREET ADDRESS (including City, State and Zip Code)</b> 1847 Hunt Drive, Burlingame, CA 94010	<b>EMAIL</b> jvla56@gmail.com

6. CONTRACT		
<b>DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)</b>	<b>ORIGINAL BID/RFP NUMBER</b>	<b>FILE NUMBER (If applicable)</b> 201266
<b>DESCRIPTION OF AMOUNT OF CONTRACT</b> \$1,013,913		
<b>NATURE OF THE CONTRACT (Please describe)</b> 234 Eddy (Windsor)- Exercise of first of two 10 year extended terms with annual CPI increases between 3 and 6 %.		

7. COMMENTS
Supportive Housing James Vlahos, Managing Member & office holder (> 10% ownership; Ted Vlahos, only other Member & office holder (>10% ownership)

8. CONTRACT APPROVAL	
This contract was approved by:	
<input type="checkbox"/>	THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM
<input checked="" type="checkbox"/>	A BOARD ON WHICH THE CITY ELECTIVE OFFICER(S) SERVES Board of Supervisors
<input type="checkbox"/>	THE BOARD OF A STATE AGENCY ON WHICH AN APPOINTEE OF THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM SITS

**9. AFFILIATES AND SUBCONTRACTORS**

List the names of (A) members of the contractor’s board of directors; (B) the contractor’s principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
1	Vlahos	James	Other Principal Officer
2	Vlahos	Ted	Other Principal Officer
3			
4			
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6			
7			
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**9. AFFILIATES AND SUBCONTRACTORS**

List the names of (A) members of the contractor’s board of directors; (B) the contractor’s principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
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27			
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33			
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**9. AFFILIATES AND SUBCONTRACTORS**

List the names of (A) members of the contractor’s board of directors; (B) the contractor’s principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
39			
40			
41			
42			
43			
44			
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47			
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50			

Check this box if you need to include additional names. Please submit a separate form with complete information. Select “Supplemental” for filing type.

**10. VERIFICATION**

I have used all reasonable diligence in preparing this statement. I have reviewed this statement and to the best of my knowledge the information I have provided here is true and complete.

**I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.**

<p><b>SIGNATURE OF CITY ELECTIVE OFFICER OR BOARD SECRETARY OR CLERK</b></p>  <p>BOS Clerk of the Board</p>	<p><b>DATE SIGNED</b></p>
---	---------------------------



**From:** [Peacock, Rebecca \(MYR\)](#)  
**To:** [BOS Legislation, \(BOS\)](#)  
**Cc:** [Kittler, Sophia \(MYR\)](#); [Quetone, Tal \(ADM\)](#); [Keene, Joshua \(ADM\)](#); [Levine, Sandi \(ADM\)](#)  
**Subject:** Mayor -- [Resolution] -- [Real Property Lease Extension – Permanent Supportive Housing – TJ-T, LLC – 234-238 Eddy Street - \$1,013,913 Annual Base Rent]  
**Date:** Tuesday, November 3, 2020 4:08:27 PM  
**Attachments:** [\(4\) Reso RED 234 Eddy Extension.zip](#)

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Attached for introduction to the Board of Supervisors is a **resolution authorizing the Director of Property, on behalf of the Department of Homelessness and Supportive Housing, to exercise a Lease Extension Option for the real property located at 234-238 Eddy Street, with TJ-T, LLC for continued use of 104 units of Permanent Supportive Housing, for a ten-year term commencing on January 1, 2021 at the monthly base rent of \$84,492.72, for a total annual base rent of \$1,013,913.**

Please let me know if you have any questions.

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**Rebecca Peacock** ([they/them](#))  
(415) 554-6982 | [Rebecca.Peacock@sfgov.org](mailto:Rebecca.Peacock@sfgov.org)  
Office of Mayor London N. Breed  
City & County of San Francisco