

Item 1
File 11-0168

Department(s):
Department of Public Health; Real Estate Division

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would exercise the City and County of San Francisco's option to extend a lease for another ten years, on behalf of the Department of Public Health (DPH), as lessee, and Seto Family Trust, as lessor, for DPH's Broderick Street Residential Care Facility at 1421 Broderick Street.

Key Points

- The DPH's Direct Access to Housing Program provides one licensed 24-hour residential care facility for up to 33 individuals at the Broderick Street Residential Care Facility, to serve difficult-to-place homeless adults who require non-acute medical care.
- The existing ten-year lease between DPH and Seto Family Trust expired on February 15, 2011 and, under a holdover provision, the lease has been extended by DPH on a month-to-month basis. Seto Family Trust currently charges DPH \$12,661 per month (\$151,932 annually) for the subject facility. Under the terms of the existing lease, the City has the option to extend the lease for one additional ten-year term, subject to Board of Supervisors approval.
- The proposed lease differs from the prior lease in that the proposed lease does not contain an option to extend for another ten years. Under the proposed lease, rental rates, beginning in year two, would be subject to annual Consumer Price Index adjustments of no less than two percent and no more than six percent.

Fiscal Impacts

- The proposed Broderick Street Residential Care Facility rental rate charged by Seto Family Trust of \$12,914 per month (\$154,968 annually) is \$253 per month or approximately two percent higher than the \$12,661 monthly rental rate currently paid by DPH under the existing lease.
- DPH funds the subject lease with General Fund monies. DPH's FY 2010-2011 budget included an estimated two percent increase in the subject lease, as previously appropriated by the Board of Supervisors, such that DPH has sufficient budgeted funds to fully pay the rent costs in FY 2010-2011.
- Under the proposed lease, beginning in year two, rental rates would increase, as a result of future CPI adjustments, by between two percent and six percent annually. General Fund monies will be requested in the DPH's future annual budgets to fund the annual needed rental costs.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

In accordance with City Administrative Code Section 23.27, leases, in which the City is the lessee, require approval by the Board of Supervisors.

Background

The Department of Public Health's (DPH) Direct Access to Housing (DAH) Program provides affordable single room occupancy (SRO) housing in six facilities and one 24-hour licensed residential care facility with on-site support services, including (a) mental health services, (b) life skills development, (c) crisis intervention, (d) access to medical care, and (e) meals to homeless adults. According to Mr. Wolfgang Stuwe, Project Manager at DPH, the DAH Program seeks to address the lack of affordable housing for homeless people in the City who often cycle in and out of emergency or crisis service systems, such as (a) medical facilities, (b) treatment centers, (c) homeless shelters, and (d) jails.

According to Mr. Stuwe, a homeless adult is eligible to participate in the DAH Program if he or she (1) has extremely low income (defined by DPH at less than or equal to 20 percent of median income) and (2) (a) has a history of living on the streets or in emergency shelters or other temporary housing, (b) has been released from institutional, acute, or transitional settings, or (c) has a history of rotating through various systems of care without prolonged stabilization in their housing or health status. Homeless adults are referred to the DAH Program by street outreach, treatment programs, medical respite, intensive case management programs, and institutional settings.

The DAH Program provides one licensed¹ 24-hour residential care facility for up to 33 individuals at the Broderick Street Residential Care Facility, to serve difficult-to-place clients who have been referred by the San Francisco General Hospital and Laguna Honda Hospital and require non-acute medical care. According to Mr. Stuwe, most Broderick Street Residential Care Facility residents have (a) chronic or episodic mental illness treatment needs, (b) primary medical problems that no longer require skilled nursing treatment, and/or (c) HIV-positive status and need stabilization in a non-acute medical setting. Under the DAH Program, Mr. Stuwe advises that residents are required to pay the rent amount of \$961 per month, which is a fixed rate that includes meals, set by the State for this level of care. Mr. Stuwe states that the portion of the rent paid by the resident usually comes from Medi-Cal, Supplemental Security Income, and other sources of federal and State public assistance.

On February 16, 2001, the Board of Supervisors approved a ten-year lease from February 16, 2001 through February 15, 2011, with one ten-year option to extend, between the DPH, as lessee, and Seto Family Trust, as lessor, for 33 beds comprising

¹ The Broderick Street Residential Care Facility is licensed by the California Department of Social Services' Community Care Licensing Division to provide board and care, mental health treatment, and medical support services for homeless individuals, who are struggling with mental and medical illness.

12,417 square feet at the Broderick Street Residential Care Facility as part of the DAH Program (File 01-0053). The Broderick Street Residential Care Facility is located at 1421 Broderick Street, between Post Street and Geary Boulevard.

The existing ten-year lease between DPH and Seto Family Trust for the Broderick Street Residential Care Facility expired on February 15, 2011. The lease has one ten-year option. Under the terms of the existing ten-year lease, a holdover provision allows the lease to be extended on a month-to-month basis until the ten-year option to extend the lease is exercised. DPH currently pays Seto Family Trust \$12,661 per month or \$1.02 per square foot per month (\$151,932 annually) for approximately 12,417 square feet for the Broderick Street Residential Care Facility.

Property Management and Health Care Services

Under both the existing and proposed agreements, the DPH leases the Broderick Street Residential Care Facility from Seto Family Trust, and DPH then subleases these residential units to the DAH Program participants. The existing lease agreement, as well as the proposed lease agreement, between Seto Family Trust and DPH also authorizes DPH to contract with a property management and health care services firm to provide services at the Broderick Street Residential Care Facility. According to Mr. Stuwe, based on the results of a Request for Proposal (RFP) process², the DPH contracted with the Richmond Area Multi-Services, Inc. (RAMS), a non-profit organization, to provide all services, including health care, general maintenance and repairs, janitorial services, and utilities at the Broderick Street Residential Care Facility for the ten-year period from July 1, 2003 through June 30, 2013. This existing agreement between DPH and RAMS for property management and health care services at the Broderick Street Residential Care Facility costs up to \$916,206 annually, averaging \$76,350 monthly, on a cost-reimbursement basis. This cost is paid by DPH to RAMS from the General Fund monies appropriated by the Board of Supervisors in the DPH's annual budgets.

Mr. Terence Peneda, Finance Manager at the DPH, advises that the Broderick Street residents pay rent of \$961 per month to RAMS directly, totaling \$31,713 monthly for all 33 residents (\$961 x 33 residents) or \$380,556 annually (\$31,713 x 12 months). Rent revenues received by RAMS are not used to offset General Fund costs, such that DPH only pays RAMS up to \$916,206 annually or up to \$76,350 monthly. The existing agreement between DPH and RAMS for continued property management and health care services at the Broderick Street Residential Care Facility would not be affected by the proposed new lease agreement, which would allow DPH to continue to contract with RAMS for RAMS to provide the needed services.

² According to Mr. Peneda, the agreement between DPH and RAMS was not subject to Board of Supervisors approval because the RAMS services cost approximately \$916,206 annually and extend for a term of ten years, resulting in estimated total costs of \$9,162,060. Section 9.118 of the City Charter provides that any agreements having a term in excess of ten years, or requiring anticipated expenditures of \$10,000,000 or more shall be subject to approval by the Board of Supervisors,

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the exercise of the option to extend an existing lease for another ten years, by the Department of Public Health (DPH), as lessee, and Seto Family Trust, as lessor, for DPH's Broderick Street Residential Care Facility at 1421 Broderick Street, from April 1, 2011 through March 31, 2021.

Table 1 below lists the square footage, monthly rent, and rent per square foot payable by the DPH, as lessee, to Seto Family Trust, as lessor, for the first year of the proposed ten-year lease extension at the Broderick Street Residential Care Facility.

	Amount of Space (Square Foot)	Monthly Rent	Rent per Square Foot Per Month
33-bed Residential Building	12,417	\$ 12,914	\$ 1.04

Under the proposed lease, rental rates, beginning in year two of the proposed ten-year lease extension, would be subject to annual Consumer Price Index³ increases of no less than two percent and no more than six percent. Mr. Stuwe states that the CPI adjustments in the proposed lease are the same as in the existing lease for the Broderick Street Residential Care Facility.

FISCAL IMPACTS

The rent under the proposed lease would be \$12,914 monthly, which is \$253 or approximately two percent more than the monthly rent of \$12,661 under the existing lease. Approval of the proposed resolution would result in annual rent payable by the DPH, as lessee, to Seto Family Trust, as lessor, of \$154,968 (\$12,914 per month multiplied by 12) for the first year to lease 12,417 square feet for 33 beds at the Broderick Street Residential Care Facility to be used for homeless adults requiring non-acute medical care.

According to Mr. Stuwe, the needed rental monies for the proposed lease would be funded from General Fund monies appropriated by the Board of Supervisors in the DPH's annual budgets. Mr. Stuwe states that DPH's FY 2010-2011 budget, as previously approved by the Board of Supervisors, assumed a CPI increase of two percent in the subject lease. Given that the proposed lease would extend ten years and future rental rates would increase by no less than two percent and no more than six percent each year, based on future CPI adjustments, Mr. Stuwe advises that General Fund monies will be requested in the DPH's future annual budgets to fund the needed rental costs.

³ The Consumer Price Index represents changes in the prices of all good and services for All Urban Consumers in the San Francisco-Oakland-San Jose area and is published by the Bureau of Labor Statistics under the United States Department of Labor.

As shown in Table 2 below, the monthly rental rate per square foot, paid by the City as lessee, to the lessor, ranges from \$0.91 to \$3.17 in the six SRO hotels only in the DPH's Direct Access to Housing (DAH) Program. The proposed residential monthly rental rate of \$1.04 per square foot at the Broderick Street Residential Care Facility is \$0.31, or approximately 23 percent lower than the \$1.35 weighted average monthly rental rate per square foot currently paid by the DPH at the six other existing SRO hotels in the DAH Program⁴.

Building	Address	Number of Units	Total Square Foot	Annual Rent	Monthly Rent	Monthly Rental Rate Per Square Foot
<i>Broderick Street Residential Care Facility – Proposed</i>	<i>1421 Broderick St.</i>	33	12,417	\$ 154,968	\$ 12,914	\$ 1.04
Hotel Le Nain	730 Eddy St.	86	60,105	656,928	54,744	0.91
Windsor Hotel	238 Eddy St.	91	45,800	607,502	50,625	1.11
Star Hotel	2176 Mission St.	54	10,770	409,574	34,131	3.17
Empress Hotel	144 Eddy St.	90	41,490	660,258	55,022	1.33
Camelot	124 Turk St.	55	14,700	454,523	37,877	2.58
Pacific Bay Inn	520 Jones St.	75	36,264	606,161	50,513	1.39
Average, Excluding Broderick Street Residential Care Facility				\$ 565,824	\$ 47,152	\$ 1.35

According to Mr. Stuwe, the Broderick Street Residential Care Facility is different from the six other DAH housing programs because it provides 24-hour licensed medical and residential care for up to 33 clients, including psychiatric and personal care. Mr. Stuwe advises that the subject facility provides housing to homeless adults no longer needing hospital-level care but unable to live independently without the support given through the Broderick Street Residential Care Facility. Mr. Stuwe advises that the residential monthly rental rate of \$1.04 per square foot represents a cost savings to the City because homeless adults requiring non-acute medical care would not have to remain at the San Francisco General Hospital and Laguna Honda Hospital at greater costs to the City. Without the Broderick Street Residential Care Facility, Mr. Stuwe notes that homeless adults would be occupying City hospital beds that could be filled with more acute patients and other patients that could possibly generate higher revenues to the City.

⁴ The DPH provides rent subsidies for DAH Program participants to live in six SRO hotels shown in Table 2 that are leased by DPH. Under the DAH Program, SRO residents are required to pay DPH 50 percent of their estimated monthly income toward the monthly rent per unit which is estimated to cost a total of \$300 per month per unit. In contrast, as noted above, residents in the Broderick Street Residential Care Facility pay DPH \$961 per month. DPH states that the portion of the rent paid by the resident usually comes from Supplemental Security Income (SSI) or some other source of public assistance.

POLICY CONSIDERATION

According to Mr. Stuwe, on February 16, 2001, DPH sought a ten-year lease with an option to extend for another ten years because (a) a long-term lease ensures stability in the rental rates over the term of the lease, (b) 33 residents currently reside at the Broderick Street Residential Care Facility and DPH does not want to relocate the residents every few years, and (3) the frequent relocations would disrupt the support services and network that have already been established for the residents.

The only major difference between the proposed lease and the previous lease is that the proposed lease does not contain any options to further extend the lease beyond March 31, 2021.

In addition, Mr. Stuwe states that a competitive Request for Proposal process was not conducted to locate other potential space for leasing a residential care facility because of DPH's desire to continue to provide stable DAH Program housing for the residents at the Broderick Street Residential Care Facility and that the DPH is satisfied with Seto Family Trust as the lessor of the Broderick Street Residential Care Facility.

RECOMMENDATION

Approve the proposed resolution.