

File No. 240847

Committee Item No. 9

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date October 9, 2024

Board of Supervisors Meeting Date _____

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- PLN General Plan Referral 5/8/2023
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Completed by: Brent Jalipa Date October 3, 2024

Completed by: Brent Jalipa Date _____

1 [Ground Lease - Abode Property Management - 1174-1178 Folsom Street and 663
2 Clementina Street - 100% Permanent 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 Abode Property Management for the real property owned by**
6 **the City, located at 1174-1178 Folsom Street and 663 Clementina Street (collectively,**
7 **the “Property”), for an initial lease term of five years with ten automatic extensions of**
8 **the lease term for an additional period of five years each and a total rent not to exceed**
9 **\$1 in order to operate the Property as permanent supportive housing; 2) determining in**
10 **accordance with Administrative Code, Section 23.33, that the below market rent**
11 **payable under the Ground Lease will serve a public purpose by providing permanent**
12 **supportive housing for formerly homeless and low-income households; 3) adopting**
13 **findings declaring that the Property is "exempt surplus land" under the California**
14 **Surplus Land Act; 4) affirming the Planning Department's determination under the**
15 **California Environmental Quality Act, and adopting the Planning Department's findings**
16 **of consistency with the General Plan, and the eight priority policies of the Planning**
17 **Code, Section 101.1; and 5) authorizing the Director of Property and/or the HSH**
18 **Executive Director to execute and make certain modifications to the Ground Lease, as**
19 **defined herein, and take certain actions in furtherance of this Resolution, as defined**
20 **herein.**

21
22 WHEREAS, The Department of Homelessness and Supportive Housing’s (“HSH”) 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 housing; and

14 WHEREAS, On July 20, 2023, the Board of Supervisors adopted Resolution No.
15 358-23, approving and authorizing the acquisition of the real property and improvements
16 located at 1174-1178 Folsom Street and 663 Clementina Street, Assessor’s Parcel Block
17 No. 3730, Lot Nos. 408 through 410 (collectively, the “Property”); and

18 WHEREAS, Pursuant to Resolution No. 358-23, the City acquired the Property on
19 November 30, 2023; and

20 WHEREAS, The Property affords the City an excellent opportunity to provide PSH for
21 approximately 42 young adults exiting homelessness; and

22 WHEREAS, The Property includes the real property consisting of approximately 8,004
23 square feet of land, a 42-unit studio apartment building, office space, commercial space,
24 storage space, community spaces, and laundry room, as well as certain improvements,
25 appurtenances, personal property, and intangible property; and

1 WHEREAS, In November 2023, HSH issued Request for Qualifications #142 Property
2 Management and Supportive Services at a city-owned building in the South of Market (“RFQ
3 #142); and

4 WHEREAS, In February 2024, HSH selected Abode Property Management, a
5 California nonprofit public benefit corporation (“Tenant”), pursuant to the San Francisco
6 Administrative Code 21.6, which authorizes the City to purchase services directly when there
7 is a lack of responsive offers as there were no submissions received for RFQ #142; and

8 WHEREAS, HSH desires to enter into a Ground Lease (“Ground Lease”) with Tenant
9 to operate the Property as PSH for young adults for an initial five-year term, with ten
10 automatic extensions of the term for an additional period of five years each and a total rent not
11 to exceed \$1, a copy of such Lease is on file with the Clerk of the Board of Supervisors in File
12 No. 240847, and is incorporated herein by reference; and

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

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

23 WHEREAS, The Ground Lease requires Tenant to maintain a good relationship with
24 the neighborhood surrounding the Property in accordance with HSH’s Good Neighbor Policy,
25 including but not limited to: collaborating with neighbors and relevant City agencies to ensure

1 that neighborhood concerns about the Property are heard and addressed, respond to
2 neighbors within three business days, if reasonable, and ensure that a Tenant representative
3 attends all appropriate neighborhood meetings; and

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

7 WHEREAS, The Planning Department, by letter dated May 8, 2023, and by letter dated
8 August 21, 2024, (collectively, the "Planning Letter"), which are on file with the Clerk of the
9 Board of Supervisors in File No. 240847 and incorporated herein by reference, found that the
10 actions contemplated in the Resolution do not constitute a project under the California
11 Environmental Quality Act (California Public Resources Code, Sections 21000 et seq.)
12 ("CEQA") under CEQA Guidelines, Sections 15378 and 15060(c)(2) ("CEQA Determination")
13 and are consistent with the General Plan, and the eight priority policies under Planning Code,
14 Section 101.1 ("General Plan Findings"); now, therefore, be it

15 RESOLVED, That in accordance with the recommendation of the HSH Executive
16 Director and the Director of Property, the Board of Supervisors approves the Ground Lease in
17 substantially the form presented to the Board and hereby authorizes the Director of Property
18 and the HSH Executive Director, or their designee(s), take all actions on behalf of the City to
19 enter into, execute, and perform its obligations under the Ground Lease and any such other
20 documents or agreements (including, without limitation, the exhibits to the Ground Lease) that
21 are necessary or advisable, in consultation with the City Attorney, to complete the transaction
22 contemplated by the Ground Lease and to effectuate the purpose and intent of this
23 Resolution; and, be it

24 FURTHER RESOLVED, The Board of Supervisors affirms the Planning Department's
25 CEQA Determination and General Plan Findings, for the same reasons as set forth in the

1 Planning Letter, and hereby incorporates such findings by reference as though fully set forth
2 in this Resolution; and, be it

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

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

10 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
11 Property and the HSH Executive Director, or their designee(s), in consultation with the City
12 Attorney, to enter into any additions, amendments, or other modifications to the Ground
13 Lease, and any other documents or instruments necessary in connection therewith, that the
14 HSH Executive Director and/or the Director of Property determine are in the best interests of
15 the City, do not materially decrease the benefits to the City with respect to the Property, do
16 not materially increase the obligations or liabilities of the City, and are necessary or advisable
17 to complete the transaction contemplated in the Ground Lease and that effectuate the
18 purposes of the Ground Lease or this Resolution, such determination to be conclusively
19 evidenced by the execution and delivery by the Director of Property and/or HSH Executive
20 Director of such additions, amendments, or other modifications; and, be it

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

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

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1 RECOMMENDED:

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3 /s/
4 Andrico Q. Penick
5 Director of Property
6 Real Estate Division

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8 /s/
9 Shireen McSpadden
10 Executive Director
11 Department of Homelessness and Supportive Housing

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Item 8 & 9 Files 24-0848 & 24-0847	Department: Homelessness and Supportive Housing
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EXECUTIVE SUMMARY

Legislative Objectives

- **File 24-0848** is a proposed resolution that approves a grant agreement between HSH and Abode for property management services with a term of November 1, 2024, through June 30, 2029 (four years and nine months) and a not-to-exceed amount of \$14,177,264.
- **File 24-0847** is a proposed resolution that approves a ground lease with Abode Property Management (Abode) for the City-owned property located at 1174-1178 Folsom Street and 663 Clementina Street for the purpose of operating the property as permanent supportive housing. The lease has a total rent of \$1 and an initial term of five years, from approximately November 1, 2024, to October 31, 2029, and has ten automatic extensions of the lease term for an additional period of five years each, for a maximum term of 55 years.

Key Points

- In July 2023, the Board of Supervisors approved the purchase of property located at 1174-1178 Folsom Street and 663 Clementina Street for use as permanent supportive housing for a total amount of \$27,225,000. In November 2023, the City acquired the 42-unit studio apartment building with Proposition C funds. Under the proposed grant agreement, Abode will be responsible for property management and a different vendor will provide supportive services.
- Ownership rights to the building are transferred to Abode during the lease term, and the City regains ownership upon expiration of the lease. This limits the City’s liability and risk for the site and reduces the administrative burden for the Department of Homelessness and Supportive Housing (HSH) to monitor operations at the site. If Abode underperformed on the related grant agreement and the grant was terminated, HSH could terminate the proposed ground lease.

Fiscal Impact

- The total rent for the lease is set at \$1, with Abode assuming responsibility for all operational, maintenance, and tax-related costs. The annual cost for property management and supportive services is estimated at \$2.59 million, or approximately \$63,284 per unit.
- The not to exceed grant amount of \$14,177,264 includes \$1,135,000 in reserves and a 20 percent contingency. The proposed grant agreement is funded by Proposition C revenues and the General Fund, which supports the SOMA ambassadors and additional security.

Recommendation

- Approve the proposed resolutions.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

Administrative Code Section 23.1 authorizes the Director of Property to enter into leases of City-owned property for a term of one year or less. Longer term leases require Board of Supervisors approval.

Administrative Code Section 23.30 allows for leasing of City-owned property at less than market rate if doing so will serve a public purpose, subject to approval of the Board of Supervisors.

BACKGROUND

In November 2018, the voters of the City approved Proposition C, which created an additional tax on individuals and businesses that receive more than \$50 million in gross income in San Francisco. This Homelessness Gross Receipts Tax revenue is deposited into the Our City, Our Home Fund (OCOH) to finance homelessness services and housing.

In April 2023, the San Francisco Department of Homelessness and Supportive Housing (HSH) released its citywide five-year strategic plan, *Home by the Bay*, in partnership with multiple departments. The plan establishes goals for the City and County of San Francisco including supporting at least 30,000 people to move from homelessness into permanent housing and to add 3,250 new units of housing, including site-based and scattered-site permanent supportive housing, rapid rehousing, and other subsidies, to the homelessness response system by 2028.

1174-1178 Folsom Street and 663 Clementina Street

In July 2023, the Board of Supervisors approved the purchase of property located at 1174-1178 Folsom Street and 663 Clementina Street for \$27,150,000 plus an estimated \$75,000 in closing cost for a total amount of \$27,225,000 (File 23-0740). On November 30, 2023, the City acquired the 42-unit studio apartment building with office, commercial, and community spaces located in SOMA. Acquisition of the property was funded by Homelessness Gross Receipts Tax.

The Board of Supervisors previously authorized HSH to apply for a Homekey grant from the California Department of Housing and Community Development (HCD) to help fund the acquisition (File 23-0506). According to HSH staff, the grant application was submitted May 31, 2023, for the maximum amount allowed under Homekey (\$14,720,000), but the property did not receive an award.

Selection of Provider: Abode Property Management

In November 2023, HSH began the procurement process by issuing a Request for Qualifications for master lease and property management services and supportive services for transitional-aged youth (TAY) ages 18 to 29 experiencing homelessness at the permanent supportive housing site.

However, HSH did not receive any responses to the solicitation for the master lease and property management component of the RFQ.

In February 2024, HSH selected Abode Property Management (Abode) property management services pursuant to the San Francisco Administrative Code Section 21.6, which authorizes the City to purchase services directly when there is a lack of responsive offers as there were no responses received to the solicitation.

Additionally, HSH selected a different vendor to provide TAY supportive services. However, since the total contract amount is less than \$10 million, the contract does not require Board of Supervisors’ approval.

Ground Lease Model Transition

The proposed long-term ground lease model represents a shift in how HSH administers City-owned permanent supportive housing to align with affordable housing ownership and operating structures used by the Mayor’s Office of Housing and Community Development (MOHCD). For the City’s initial PSH building acquisitions, HSH entered into a combined master lease and property management agreement with a maximum term of ten years. According to HSH staff, this short-term lease model is administratively burdensome for the City to serve as owner and landlord of residential property overseeing day-to-day operations, rather than HSH’s defined role to fund and monitor performance at PSH sites. The proposed long-term (55 year) ground lease allows for automatic renewals every five years if the provider is not in default. The ground lease clarifies ownership rights for the nonprofit provider during the lease term, while the City regains ownership upon expiration of the lease. During the lease term, the nonprofit entity will own the building and improvements. This limits the City’s liability and risk for the site but also enables the nonprofit entity to own an asset that, with the City’s permission, could be used to finance future rehabilitation costs over the long-term. As a result, maintenance and repair work completed by the nonprofit provider are not considered a public work and are not subject to Administrative Code Chapter 6 requirements.

DETAILS OF PROPOSED LEGISLATION

File 24-0847 is a proposed resolution that would approve a ground lease with Abode Property Management for the City-owned property located at 1174-1178 Folsom Street and 663 Clementina Street for the purpose of operating the property as permanent supportive housing. The lease has a total rent of \$1 and an initial term of five years, from approximately November 1, 2024, to October 31, 2029, and has ten automatic extensions of the lease term for an additional period of five years each, for a maximum term of 55 years. The resolution also:

- determines that the below market rent will serve a public purpose by providing permanent supportive housing for low-income and formerly homeless households in accordance with Administrative Code Section 23.33;

- adopts findings declaring that the property is “exempt surplus land” under the California Surplus Land Act;
- adopts the Planning Department’s determination under the California Environmental Quality Act and findings that the transaction is consistent with the General Plan and policy priorities of the Planning Code Section 101.1; and
- authorizes the Director of Property and the HSH Executive Director to make certain changes to the ground lease and take related actions.

File 24-0848 is a proposed resolution that approves a grant agreement between HSH and Abode for property management services with a term of November 1, 2024, through June 30, 2029 (four years and nine months) and a not-to-exceed amount of \$14,177,264. The resolution also authorizes HSH to make immaterial changes to the agreement.

Ownership Structure

Under the proposed ground lease, ownership of the building will be transferred to Abode for the term of the agreement. When the agreement expires, ownership of the building will return to the City. The City maintains ownership of the land and leases the land to Abode during the term of the agreement.

Ground Lease Extensions

As mentioned above, the proposed ground lease provides for ten automatic five-year lease extensions. Abode may decline an extension by providing written notice to HSH no later than 180 days before the lease expiration date. If Abode does not decline the extension and is not in default under the terms of the lease, the lease will automatically continue for the extension term. Breach of material provisions of other agreements related to the property (including the proposed operations funding grant) is considered an event of default in addition to breach of terms under the proposed ground lease. If Abode underperformed on the related grant agreement and the grant was terminated, HSH could terminate the proposed ground lease.

Prevailing Wage Requirements

The property and any future maintenance and repair work completed by Abode will not be considered a public work or improvement. Therefore, contracts entered into by Abode to complete maintenance and repair work will not be subject to Administrative Code Chapter 6 requirements. The proposed ground lease requires Abode to comply with Administrative Code Chapter 23.6 requirements, including prevailing wage and apprenticeship and local hiring requirements.

Property Management Services

Under the proposed operating grant agreement and ground lease, Abode will be responsible for the ongoing management and maintenance for 41 units of permanent supportive housing for TAY and one additional unit dedicated to onsite property management. This includes the following activities: conducting wellness checks, managing tenant lease agreements, collecting rent from residents, maintaining the building’s common areas, turning over units, ensuring that

translation and interpreter services are available to residents as needed, as well as preventive and general maintenance.

Predevelopment Services

Under the proposed grant agreement, Abode will also be responsible for predevelopment activities associated with tenant improvements at the permanent supportive housing site, including conversion of commercial space on the second floor to permanent supportive housing, property management and support services offices, and community areas for residents. Predevelopment activities include management and oversight of entitlements, design, and permitting, development of proposed scope of work and budget for tenant improvements for HSH approval, procurement of professional services related to predevelopment, oversight of predevelopment subcontractors, and development of tenant relocation plans (if needed) to be approved by HSH.

The predevelopment activities are to be completed within nine months of the effective date of the agreement. HSH anticipates entering into a separate agreement with Abode to complete and fund the tenant improvements.

Project Reserves

The proposed grant budget includes annual funding for project reserves. The City would hold any required project reserves and Abode must receive written approval from the City before incurring any costs against reserves listed. The City would approve uses of the reserves in two general categories: (1) operating reserve and (2) replacement reserve. The operating reserve may be used to alleviate cash shortages from inability to collect rent, increases to utility costs, unbudgeted maintenance expenses, abnormally high vacancies, and other project expenses. The replacement reserve may be used for relocation costs because of an unanticipated emergency, unusual replacement and repairs, or the replacement of furniture, fixtures, or equipment required.

HSH Good Neighbor Policy

Both agreements also require the Abode to maintain a good relationship with the neighborhood in accordance with HSH's Good Neighbor Policy. Abode must collaborate with neighbors and City agencies to ensure that neighborhood concerns, such as security and street cleaning, are heard and addressed.

Expansion of Public Safety Services

In addition to standard property management roles, the grant agreement provides funding for expanded safety services around the property. Specifically, HSH is funding an expansion of the SOMA West Community Benefits District (CBD) ambassador program through the agreement with \$438,000 in annual funding to provide 24/7 public safety support in the area from 6th Street to 8th Street, and Howard to Harrison. This expanded coverage includes 1174-1178 Folsom Street, 663 Clementina Street, SOMA Rise, and the Sanctuary shelter. A subcontract with SOMA West CBD is currently being finalized, and HSH staff anticipate that the CBD will staff up within 30 days once the contract is completed. This initiative was funded with the General Fund by the

Mayor’s Office in response to community and Board of Supervisors’ concerns regarding the potential impact of new homeless services in the area.

Private security services have been in place at the property for 8 hours per day since April 2024 according to HSH. Initially, the plan was to scale back these services once the property is fully leased and operational in March 2025. However, based on further discussions, HSH has agreed to extend security services on an ongoing basis, with initial \$150,000 in funding in year 1, which HSH will update based on usage for the remainder of the term.

Performance Monitoring

Established through the ground lease, Abode is required to ensure the physical and financial health of the premises. This includes providing an updated capital needs assessment for HSH review every five years following the agreement effective date. Additionally, Abode must implement any HSH-approved capital improvement plans for the premises, develop a preventative maintenance plan, and respond promptly to any property financial performance or compliance reports requested by the City under applicable agreements.

The proposed grant agreement for property management services includes the following service objectives for Abode:

- Ensure that each unit is clean and/or repaired within 21 days of turnover
- Ensure that move-ins of new tenants occur within 30 days of referral
- Collect at least 90 percent of tenant portions of monthly rent
- Maintain an occupancy rate of at least 93 percent
- Submit a preventative maintenance schedule to HSH for review and approval annually
- Provide a property management plan within 90 days of the agreement start date
- Submit required asset management reports to HSH and external funders, timely

Outcome objectives include the following:

- At least 90 percent of tenants will maintain housing for at least 12 months, move to other permanent housing or be provided with more appropriate placements
- At least 85 percent of tenant lease violations will be resolved without loss of housing to residents
- At least 65 percent of tenants will complete an annual satisfaction survey, of which 80 percent will be satisfied or very satisfied with property management services

Fiscal and Compliance Monitoring

HSH completed fiscal and compliance monitoring of Abode Services for FY 2023-24 and identified no findings. Abode Services will be doing business as Abode Property Management under the proposed agreements.

FISCAL IMPACT

Ground Lease

Total rent under the proposed ground lease will be \$1. Abode will be responsible for all costs, charges, taxes, and other obligations related to the property.

Operating Funding Agreement

File 24-0848 would approve a total not to exceed amount of \$14,177,264, which includes \$1,135,000 in reserves and \$2,362,877 in contingency funding at a rate of approximately 20 percent of the term budget and the reserves. Exhibit 1 below shows the proposed budget for the five-year period.

Exhibit 1: Proposed Grant Budget and Not to Exceed Amount

Sources and Uses	FY 2024-25 (8 months)	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total
<u>Sources</u>						
Prop C	\$1,124,254	\$1,675,422	\$1,720,350	\$1,766,629	\$1,814,296	\$8,100,951
Prop C (One-time)	1,519,436					1,519,436
General Fund	442,000	438,000	438,000	438,000	438,000	2,194,000
<i>Subtotal, City Sources</i>	<i>3,085,690</i>	<i>2,113,422</i>	<i>2,158,350</i>	<i>2,204,629</i>	<i>2,252,296</i>	<i>11,814,387</i>
Tenant Income	13,250	53,000	53,000	53,000	53,000	225,250
Total Sources	\$3,098,940	\$2,166,422	\$2,211,350	\$2,257,629	\$2,305,296	\$12,039,637
<u>Uses</u>						
Salaries & Benefits	285,233	545,628	561,997	578,857	596,222	2,567,936
Operating Expense	493,051	595,178	612,283	629,901	648,049	2,978,462
Indirect Cost (15%)	116,742	171,121	176,142	181,314	186,641	831,960
Other Expenses (Not subject to indirect %)	596,864	619,049	625,229	631,597	638,155	3,110,894
Capital Expenditure	1,380,050	8,446	8,699	8,960	9,229	1,415,384
Total Uses	2,871,940	1,939,422	1,984,350	2,030,629	2,078,296	10,904,635
Reserves	227,000	227,000	227,000	227,000	227,000	1,135,000
Total Uses & Reserves	\$3,098,940	\$2,166,422	\$2,211,350	\$2,257,629	\$2,305,296	\$12,039,635
City Sources						11,814,387
Contingency (20%)						2,362,877
Total Not to Exceed Amount						\$14,177,264

Source: Proposed Grant Agreement

The proposed grant agreement funds 6.25 full-time equivalent (FTE) positions. The staff will consist of a Property Supervisor (0.25 FTE), a Property Manager, an Assistant Property Manager, two rotating Desk Clerks, a Maintenance Technician II, and a Janitor. In addition, the agreement provides funding for contracted security desk services, bookkeeping/accounting services, asset

management, and audit services. There are also budgeted expenditures for multiple SOMA Ambassadors (\$2,044,000 for 5 years).

The FY 2024-25 budget includes one-time funding of \$1,375,950 for capital expenditures, including \$376,800 for temporary office setup and \$300,000 for predevelopment associated with tenant improvements. Other capital expenditures include camera installation, furniture, fixtures and equipment for unit turnovers, IT setup, repair of guard rails and replacement of balcony fencing, and ADA unit expenditures.

Sources of Funds

The 5-year term budget (not including contingency funds) for the Grant Agreement, including both Prop C (Homelessness Gross Receipts Tax) and General Fund monies, totals \$11,814,387. Prop C generates \$9,620,387 of that funding, while \$2,194,000 comes from the General Fund to support the SOMA ambassadors and additional security in Year 1 of the agreement with additional funding years to be allocated after the first year of operations subject to budget appropriations.

Annual Operating and Supportive Services Costs

The total annual cost for property management and supportive services, which is under a separate contract, is \$2,594,662, or approximately \$63,284 per unit in FY 2025-26, excluding reserves and contingencies. This is approximately 95 percent greater than the \$32,381 per unit per year estimated by HSH and reported by the Budget and Legislative Analyst at the time of the acquisition in July 2023. According to HSH, the estimate from July was based on an average PSH building and services model. This final budget included the addition of public safety services, reflects the increased costs for property insurance for PSH operators, and additional services for the PSH TAY population including on-site health and wellness, on-site behavioral health and other medical care services.

RECOMMENDATION

Approve the proposed resolutions.

GROUND LEASE
1174 -1178 Folsom Street and 663 Clementina Street, San Francisco, CA

This Ground Lease (“**Lease**”), is entered into as of November 1, 2024 (the “**Agreement Date**”), by and between THE CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (the “**City**”), and ABODE PROPERTY MANAGEMENT, a California nonprofit public benefit corporation (“**Tenant**”). The City and Tenant together may be referred to herein as the “**Parties**.”

RECITALS

A. The City is the fee owner of the real property consisting of approximately 8,004 square feet of land, located in the City and County of San Francisco, commonly known as 1174-1178 Folsom Street and 663 Clementina Street, Assessor Parcel Number Block 3730, Lots 408 through 410 and more particularly described in the attached Exhibit A (“**Site**”), with improvements including an apartment building consisting of 42 residential units, ground floor commercial spaces, ground floor lobby, second floor office space and courtyard, basement office/storage, community room, laundry room, and roof deck, and other buildings and structures located on the Site and all apparatus, equipment, and appliances used in connection with the operation or occupancy of the Site and its improvements (the “**Project**” or “**Improvements**”, and together with the Site, the “**Premises**”). The Premises is under the jurisdiction of the City’s Department of Homelessness and Supportive Housing (“**HSH**”).

B. In November 2018, the voters of the City approved Proposition C, which created the Homelessness Gross Receipts Tax Ordinance under Business and Tax Regulations Code Article 28 with all collected monies to be deposited into the Our City, Our Home Fund under Administrative Code Section 10.100-64 (“**OCOH Fund**”). The City is authorized to use a portion of the OCOH Fund for the acquisition of permanent supportive housing units for formerly homeless adults, families, and youth, or the acquisition of SRO Buildings (as defined in Business & Tax Regulations Code Section 2810(h)(2)), or portions thereof, newly acquired or master leased on or after January 1, 2019. City acquired the Premises using funds from the OCOH Fund for the purpose of operating the Project as Permanent Supportive Housing (as defined herein).

C. Tenant was selected pursuant to Ordinance No. 38-24, which authorizes HSH to enter into agreements without adhering to the Administrative Code provisions regarding competitive bidding and other requirements for construction work, procurement, and personal services relating to sites and programs for people experiencing homelessness, and a competitive solicitation issued by HSH on November 6, 2023 to select a qualified supportive housing provider to own and operate the Project as Permanent Supportive Housing.

D. City and Tenant wish to enter into this Lease for Tenant to lease the Site and own the Improvements for the purpose of operating the Project as Permanent Supportive Housing (as defined herein).

E. The City believes that the fulfillment of the terms and conditions of this Lease are in the vital and best interests of the City and the health, safety, morals, and welfare of its residents, and in full accord with the public purposes and provisions of applicable laws.

F. On [_____, 20__], the City’s Board of Supervisors and the Mayor approved Resolution No. [_____], authorizing the City to enter into this Lease with Tenant.

NOW THEREFORE, in consideration of the mutual obligations of the parties hereto, the City and Tenant hereby agree as follows:

1. DEFINITIONS

Terms used herein have the meanings given them when first used or as set forth in this Section 1, unless the context clearly requires otherwise. Whenever an Exhibit is referenced, it means an exhibit to this Lease unless otherwise specifically identified. Whenever a section, article, or paragraph is referenced, it is a reference to this Lease unless otherwise specifically referenced.

- 1.1. **Agents** means agents, affiliates, subsidiaries, licensees, contractors, subcontractors, and each of the persons acting by, through or under each of them, and their respective, legal representatives, successors and assigns.
- 1.2. **Agreement** means this Lease, as amended from time to time in accordance with the terms herein.
- 1.3. **Agreement Date** means the date of this Lease as first written above and for reference purposes only.
- 1.4. **Applicable Legal Requirements** means all applicable statutes, laws, ordinances, regulations, orders, writs, judgments, injunctions, decrees or awards of the United States or any state, county, municipality or governmental agency, including but not limited to fair housing laws and laws providing for access for persons with disabilities.
- 1.5. **Change** has the meaning set forth in Section 5.7.2 hereof.
- 1.6. **City** means the City and County of San Francisco, a municipal corporation.
- 1.7. **Commercial Space** means the three ground floor commercial units in the Premises.
- 1.8. **Commercial Expenses** means all Project Expenses attributable solely to the Commercial Space and the pro rata share of Project Expenses reasonably allocated to the Commercial Space.
- 1.9. **Commercial Income** means all Project Income attributable solely to the Commercial Space.
- 1.10. **Coordinated Entry System (CES)** means the system administered by the HSH that is designed to (i) assess, match and prioritize people experiencing homelessness to housing and (ii) organize the City's Homelessness Response System with a common, population-specific assessment, centralized data system, and prioritization method.
- 1.11. **Effective Date** means the date that a Memorandum of Lease has been recorded in the Official Records against the Premises, upon which this Lease is deemed to be effective, but in no event will the Effective Date be before the date of approval of this Lease by the City's Board of Supervisors and the Mayor.
- 1.12. **Housing First Principles** means tenant screening and selection practices that promote accepting applicants regardless of their sobriety or use of substances, completion of treatment, or participation in services, and prohibit rejecting applicants on the basis of poor credit or financial history, poor or lack of rental history, criminal convictions unrelated to tenancy, or behaviors that indicate a lack of "housing readiness," as further described in California Welfare and Institutions Code section 8255.

- 1.13. **HSH** means the City’s Department of Homelessness and Supportive Housing.
- 1.14. **Improvements** has the meaning set forth in Recital A.
- 1.15. **Invitees** means all clients, customers, vendors, invitees, guests, or licensees, but excluding the Residents.
- 1.16. **Memorandum of Lease** has the meaning set forth in Section 37 hereof.
- 1.17. **Official Records** means the official records of the City and County of San Francisco.
- 1.18. **Operating Funding Agreement** has the meaning set forth in Section 5.12 hereof.
- 1.19. **Permanent Supportive Housing** or **PSH** means housing units that comply with PSH Program Rules and include on-site supportive services, including without limitation, intake and assessment of PSH Residents’ needs, outreach to the PSH Residents to assist them with health or social needs, management of the health or social needs of PSH Residents, mediation of disputes with the property management, and referrals for services for the PSH Residents.
- 1.20. **Premises** has the meaning set forth in Recital A.
- 1.21. **Project** has the meaning set forth in Recital A.
- 1.22. **Project Expenses** means the following costs, which may be paid from Project Income in the following order of priority to the extent of available Project Income: (a) all charges incurred in the operation of the Project for utilities, real estate and/or possessory interest taxes, assessments, and liability, fire, and other hazard insurance premiums; (b) salaries, wages, and other compensation due and payable to the employees or agents of the Tenant who maintain, administer, operate, or provide services in connection with the Permanent Supportive Housing at the Project, including all withholding taxes, insurance premiums, Social Security payments and other payroll taxes or payments required for such employees; (c) all other expenses actually incurred by the Tenant to cover routine operating and services provision costs of the Project, including maintenance and repair; (d) deposits to reserves accounts required to be established by HSH under any separate agreement; (e) if applicable, approved annual asset management fees approved in advance by the City; and (f) any extraordinary expenses as approved in advance by the City. Project Expenses does include Commercial Expenses, if applicable.
- 1.23. **Project Income** means all income and receipts in any form received by the Tenant from the use or operation of the Premises, including, but not limited to, the following: (a) rents, fees, charges, and deposits (other than Resident’s refundable security deposits); (b) Section 8 or other rental subsidy payments received for the Residents and/or the Project; (c) price index adjustments and any other rental adjustments to leases or rental agreements; (d) proceeds from vending and laundry room machine; (e) the proceeds of business interruption or other insurance; (f) any accrued interest disbursed from any reserve account required under this Lease for a purpose other than that for which the reserve account was established; (g) any reimbursements and other charges that may be paid to Tenant in connection with the Project; (h) any grants received by Tenant for the Premises as PSH under separate agreements; and (i) other consideration actually received from the Project, including non-residential uses of the Premises. Project Income does not include interest accruing on any Residents’ refundable security deposits. Project Income does include Commercial Income, if applicable.

- 1.24. **PSH Lease** has the meaning set forth in Section 5.3.1 hereof.
- 1.25. **PSH Program Rules** means the program rules and requirements adopted by HSH, as amended from time to time, for the operation and use of Permanent Supportive Housing.
- 1.26. **PSH Residents** means formerly homeless and income-eligible individuals or other households that Tenant deems eligible for Permanent Supportive Housing, which are i) referred by City to Tenant through the Coordinated Entry System and/or other initiatives serving high priority individuals in coordination with the Coordinated Entry System, such as Shelter In Place hotel guests needing to be rehoused, high users of multiple systems of care, individuals being discharged from hospitals, or persons with behavioral health conditions and ii) have executed a PSH Lease with Tenant in accordance with Section 5.3.1 hereof.
- 1.27. **Residents** means PSH Residents.
- 1.28. **Residential Agreements** has the meaning set forth in Section 5.3.3 hereof.
- 1.29. **Site** has the meaning set forth in Recital A.
- 1.30. **Tenant's Personal Property** has the meaning set forth in Section 7.1 hereof.
- 1.31. **Unit** means any residential unit for occupancy by Residents at the Premises.

2. LEASE OF SITE; TITLE OF IMPROVEMENTS

2.1. Site. Subject to the provisions of this Lease, the City hereby leases to Tenant, and Tenant hereby leases from the City, the Site for the Term and any Extended Term, together with reasonable rights of ingress and egress to and from the Site.

2.2. Title of Improvements. The City acknowledges that fee title to the Improvements will be vested in Tenant for the Term and any Extension Term. It is the intent of the Parties that this Lease and the Memorandum of Lease will create a constructive notice of severance of the Improvements from the Land without the necessity of a deed from City to Tenant. The City and Tenant agree that fee title to the Improvements will remain vested in Tenant during the Term, subject to Section 8 below; provided, however, that, subject to the rights of any lenders and as further consideration for the City entering into this Lease, at the expiration or earlier termination of this Lease, fee title to all the Improvements, including any modifications to the Improvements completed in accordance with this Lease, will automatically vest in the City without further action of any party, without any obligation by the City to pay any compensation to Tenant, and without the necessity of a deed from Tenant to the City. Without limiting the effectiveness of the previous sentence, upon the City's written request, on expiration or sooner termination of this Lease, Tenant will execute and deliver to the City an acknowledged and good and sufficient grant deed conveying to the City Tenant's fee interest in the Improvements.

2.3. As-Is Condition.

TENANT ACKNOWLEDGES AND AGREES THAT THE PREMISES ARE BEING LEASED AND ACCEPTED IN THEIR "AS IS" CONDITION, WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND, AND SUBJECT TO ALL APPLICABLE LEGAL REQUIREMENTS) GOVERNING THEIR USE, OCCUPANCY, AND POSSESSION. TENANT REPRESENTS AND WARRANTS TO CITY THAT TENANT HAS INVESTIGATED AND INSPECTED, EITHER INDEPENDENTLY OR THROUGH AGENTS OF TENANT'S OWN CHOOSING, THE CONDITION OF THE PREMISES AND THE SUITABILITY OF THE PREMISES FOR TENANT'S INTENDED USE. BASED SOLELY ON ITS OWN

INVESTIGATION, TENANT HAS DETERMINED THAT THE PREMISES ARE SUITABLE FOR TENANT'S BUSINESS AND INTENDED USE. TENANT ACKNOWLEDGES AND AGREES THAT NEITHER CITY NOR ANY OF ITS AGENTS HAVE MADE, AND CITY DISCLAIMS, ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE PREMISES, THE PHYSICAL OR ENVIRONMENTAL CONDITION OF THE PREMISES, THE PRESENT OR FUTURE SUITABILITY OF THE PREMISES FOR TENANT'S BUSINESS, OR ANY OTHER MATTER WHATSOEVER RELATING TO THE PREMISES, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

2.4 Accessibility Disclosure. California Civil Code Section 1938 requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist ("CASp") to determine whether the property meets all applicable construction-related accessibility requirements. The law does not require landlords to have the inspections performed. Tenant is advised that the Land has not been inspected by a CASp.

2.5 Presence of Hazardous Substances. California law requires landlords to disclose to tenants the presence of certain Hazardous Substances. Accordingly, Tenant is hereby advised that occupation of the Premises may lead to exposure to Hazardous Materials, including gasoline, diesel, and other vehicle fluids, vehicle exhaust, office maintenance fluids, tobacco smoke, methane, and building materials containing chemicals, such as formaldehyde. By execution of this Lease, Tenant acknowledges that the notices and warnings set forth above satisfy the requirements of California Health and Safety Code Section 25359.7 and related statutes and, to the extent permitted by California law, Tenant waives any and all rights Tenant may have to assert that City has not complied with the requirements of the statute.

2.6 Assumed Contracts and Warranties.

On the Effective Date, City will transfer its interests in the contracts and warranties listed in **Exhibit C** attached hereto by an assignment of contracts and warranties in the form attached hereto as **Exhibit C**.

2.6 Assumed Leases.

On the Effective Date, City will transfer its interests in the leases listed in **Exhibit D** attached hereto by an assignment of leases in the form attached hereto as **Exhibit D**.

3. TERM

3.1. Term. The term of this Lease ("Term") will commence upon the Effective Date and will expire five (5) years from such date ("Expiration Date"), unless sooner terminated or extended as provided in this Lease. City will deliver the Premises to Tenant on the Effective Date in their then existing as-is condition as provided in Section 2.2, with no obligation of City to make any improvements, repairs, or alterations to the Premises. In the event that Tenant is unable to fund the difference between Project Income and Project Expenses for the Premises, Tenant will have the right to terminate this Lease upon at least one hundred and eighty (180) days written notice and without penalty.

3.2. Term Extensions. Provided that Tenant is not in default under the terms of this Lease beyond any notice, grace, or cure period, Tenant is granted ten (10) automatic extensions of the Term (each an "Extension") for an additional period of five (5) years (each an "Extension Term") commencing on the Expiration Date and on the expiration of each Extension Term, as applicable. Tenant may decline an Extension by providing written notice to HSH no later than one hundred eighty (180) days before the Expiration Date or expiration of an Extension Term, as applicable. If Tenant does not decline an Extension and is not in default under the terms of this

Lease beyond any notice, grace, or cure period, then this Lease will continue for the Extension Term and will be upon all of the terms, covenants and conditions of this Lease, and all references to the Term will then include the Extension Term.

- 3.3. Holding Over. Any holding over after expiration or earlier termination of the Term or Extension Term, as applicable, will constitute a default by Tenant and entitle the City to exercise any or all of its remedies as provided in this Lease, and all references to the Term will mean a month-to-month tenancy under California law.
- 3.4. Termination Procedure. Upon expiration or earlier termination of this Lease, Tenant will assign to City, or to City's assignee, all security deposits, other Project funds (including all funds in reserve accounts), and all Resident leases and sublease(s) for the Commercial Space that have been assumed by Tenant or properly entered into by Tenant in accordance with this Lease. City will assume all such funds and leases as of the date of the expiration or earlier termination of this Lease. In no event will Tenant be required to evict a Resident who has executed a Residential Agreement in conformity with this Lease at the end of the Term. In addition, prior to expiration or earlier termination of this Lease, Tenant will provide to City a schedule setting forth a list of all other contracts or agreements that Tenant has entered into relating to the Premises, together with true and accurate copies of all such documents, for City's review. City will advise Tenant which contracts and agreements City has elected that Tenant will assign to City or City's assignee, and City or City's assignee will assume upon expiration or earlier termination of this Lease. At or before the expiration or earlier termination of this Lease, Tenant will terminate any contracts or agreements other than those contracts and agreements City has elected that Tenant will assign to City or City's assignee, without liability to City or City's assignee.

4. RENT

4.1 Rent. As of the Effective Date, Tenant has paid to City, as and for rent of the Premises for the Term hereunder, the sum of One Dollar and No/100 (\$1.00), the receipt of which is hereby acknowledged by City.

4.2 Triple Net Lease. This Lease is a triple net lease and Tenant will be responsible to pay all costs, charges, taxes, impositions, and other obligations related to the Premises accruing after the Effective Date. If City pays any such amounts, whether to cure a default or otherwise protect its interests hereunder, City will be entitled to be reimbursed by Tenant the full amount of such payments as additional rent within thirty (30) days of written demand by City. Failure to timely pay any costs, charges, taxes, impositions, and other obligations related to the Premises will be a default by Tenant of this Lease. No occurrence or situation arising during the Term, or any Law, whether foreseen or unforeseen, and however extraordinary, relieves Tenant from its liability to pay all of the sums required by any of the provisions of this Lease, or otherwise relieves Tenant from any of its obligations under this Lease.

5. PERMANENT SUPPORTIVE HOUSING

5.1. Permitted Uses. In consideration of the below market rent under this Lease, Tenant will only use the Premises to operate, maintain, and manage the Premises i) as Permanent Supportive Housing in accordance with any applicable funds, PSH Program Rules, and this Article 5; ii) in accordance with any funding or other agreements, including any separate agreements between City and Tenant or other funding agencies; and iii) in accordance with all applicable restrictions and recorded conditions on title, including but not limited to the City Declaration of Restrictive

Covenants recorded against the Site on or about the date hereof, and for no other purposes. The use of the Commercial Space will be governed by Section 5.15 hereof.

- 5.2. Project Income and Project Expenses. Tenant will collect all rents from Residents, and deposit all such funds in accordance with Section 6, below, which Tenant will use to pay Project Expenses. Tenant will communicate and coordinate with local, state and/or federal agencies, as needed, to process any applicable rental subsidies for Residents. For Residents paying a portion of their income towards rent, Tenant will assist with payment arrangements and will comply with PSH Program Rules and all other applicable requirements governing the Resident portion of rent.
- 5.3. Leasing.
 - 5.3.1. HSH Referrals. Except with the prior written approval by HSH, in its sole discretion, Tenant will only lease Units to participants referred by HSH through the CES. Eligibility criteria for Permanent Supportive Housing varies upon the subsidy funding source and may include meeting a definition of homelessness at the time of referral and placement, enrollment in specific benefits programs, income criteria and/or the ability to live independently within the structure of the housing program. Participants who meet eligibility criteria are prioritized based on various criteria, such as levels of vulnerability, length and history of homelessness, and severity of housing barriers.
 - 5.3.2. New PSH Residents. Upon referral by HSH to Tenant of a prospective PSH Resident through the Coordinated Entry System or otherwise, and prior to move-in, Tenant will perform application review and execute a lease agreement, including all applicable addenda, which addenda shall include but not be limited to house rules, grievance procedure, and HSH PSH lease addendum, on a form approved by the HSH (each, a “**PSH Lease**”) with each prospective PSH Resident.
 - 5.3.3. Omitted.
 - 5.3.4. Omitted.
 - 5.3.5. Housing First Principles, PSH Program Rules, and Applicable Legal Requirements. Tenant will adhere to and comply with Housing First Principles, PSH Program Rules, and Applicable Legal Requirements at all times, including but not limited to those principles, rules, and requirements regarding tenant intake, HSH housing documentation, reasonable accommodation, fair housing, and transfers when accepting referrals and placing PSH Residents into Units. Referrals must not be rejected on the basis of poor credit or financial history, poor or lack of rental history, criminal convictions unrelated to tenancy, or behaviors that indicate a lack of “housing readiness.”
 - 5.3.6. Wellness Checks. Tenant will conduct wellness checks and/or emergency safety checks in accordance with PSH Program Rules and Applicable Legal Requirements to assess a Resident’s safety when there is a reason to believe the Resident is at immediate and substantial risk due to a medical and/or psychiatric emergency.
 - 5.3.7. Translation and Interpreter Services. Tenant will ensure that translation and interpreter services are available, as needed.
- 5.4. Mitigation of Resident Displacement.

- 5.4.1. Tenant will not terminate the tenancy or refuse to renew any Residential Agreement, except for material or repeated violations of the terms and conditions of such Residential Agreement, for violation of Applicable Legal Requirements, or other good cause. Any termination or refusal to renew a Residential Agreement for a Resident must be preceded by not less than thirty (30) days' written notice to the Resident specifying the grounds for the action.
- 5.4.2. Tenant will at all times use a housing retention approach to enforcement of Residential Agreements, including, but not limited to, proactive engagement in collaboration with support services, conversations and mediations with Residents, and mediation strategies. Tenant will establish written agreements with support services and other service providers that provides services to the Premises to formalize collaboration and roles and responsibilities.
- 5.4.3. If a Resident is facing housing instability, Tenant will coordinate with support services staff to find creative ways to engage with Residents to prevent housing loss. Tenant will initiate and participate in individual case conferences and team coordination meetings with HSH-approved programs, as needed, to coordinate and collaborate regarding Residents' housing stability. Tenant will work with support services staff in communicating with and meeting with Residents regarding behaviors and issues that put the Resident at risk for housing instability. Tenant will initiate and participate in regular coordination meetings with support services staff to review Residents at risk for eviction and strategize on how to support Residents in maintaining their housing. Tenant will copy support services staff on all written communications to Residents. Tenant will alert support services staff when Residents give notice to leave the Premises and will keep a record of each tenant's forwarding address, whenever possible.
- 5.4.4. Tenant will provide written notice to Residents regarding issues that may impact housing stability including, but not limited to, discontinuance from rental assistance, non-payment of rent, lease violations or warnings, and conflicts with staff or other Residents.
- 5.4.5. Tenant will establish and maintain a written grievance procedure for Residents, which will include, at minimum, the following elements:
 - 5.4.5.1. The name or title of the person or persons authorized to make a determination regarding the grievance;
 - 5.4.5.2. The opportunity for the aggrieved party to discuss the grievance with those who will be making the determination;
 - 5.4.5.3. The amount of time required for each step, including when a participant can expect a response; and
 - 5.4.5.4. In accordance with published HSH policies/procedures, the HSH Grievances email address and mailing address for the participant to contact after the participant has exhausted Tenant's internal grievance procedure.
 - 5.4.5.5. Tenant will post the grievance procedure at all times in a location visible to Residents, and provide a copy of the procedure and any amendments to HSH.
- 5.5. Income Certifications.
 - 5.5.1. Tenant will use commercially reasonable efforts to promptly obtain initial and annual income certifications for all PSH Residents using the standard certification form if required by HSH to comply with other City requirements. Annual income re-certifications should generally be completed on the anniversary of a Resident's move-in date or another building-wide annual re-certification date.

5.6. No Unlawful Uses or Nuisances.

- 5.6.1. Tenant will not use or occupy any portion of the Premises, or permit the use or occupancy thereof, in violation of any Applicable Legal Requirements, or permit to be carried on any use: (a) in violation of the conditions of any certificate of occupancy or the recorded conditions on title; (b) that is prohibited by the insurance policies carried by Tenant; or (c) or that will increase in any way the existing premiums on (or otherwise affect) fire or any other insurance on the Premises or any personal property located on the Premises. Tenant will take all precautions to eliminate immediately any nuisances or hazards relating to its activities on or about the Premises.
- 5.6.2. Tenant will not cause or permit any waste, damage, or injury to any portion of the Premises.
- 5.6.3. Tenant will not cause or permit the dumping or other disposal on, under or about the Premises of landfill, refuse or Hazardous Material, except any landfill associated with permitted construction and landscaping activities.

5.7. Construction and Repairs.

- 5.7.1. City has a particular interest in the Project and in the nature and extent of any permitted changes to the Premises. Accordingly, City requires and Tenant agrees that there will be no physical construction on the Premises during the Term, except in connection with any necessary repairs or alternations necessary to maintain the Premises or any portion thereof for occupancy as Permanent Supportive Housing. In addition, Tenant will not make or permit any Change (as defined below) in the Premises without the prior written approval of the City and subject to such terms and conditions as the City may reasonably be require. City agrees not to unreasonably withhold, condition, or delay its response to such a request.
- 5.7.2. “**Change**” as used in this Section means any alteration, modification, addition and/or substitution of or to the Premises, the Improvements, and/or the density of the Project which differs materially from that which existed upon the Effective Date, including but not limited to the number and configuration of the Units in the Project, and will include without limitation the interior or exterior design, Commercial Space tenant improvements or modifications (if applicable), replacement of any major building systems, exterior materials and/or exterior color. For purposes of the foregoing, “exterior” will mean and include the roof of the Project. “Change” will not include repairs or maintenance in the normal course of operation of the Premises, or as may be required in an emergency to protect the safety and well-being of the Residents, Tenant, or anyone lawfully permitted on the Premises.
- 5.7.3. Tenant will maintain the physical and financial health of the Premises including: provide an updated capital needs assessment for review by HSH every 5 years after the Agreement Date, implement any HSH-approved capital improvement plan for the Premises, develop a preventative maintenance plan, and respond to any property financial performance and compliance reports required under any agreements applicable to the Premises.

- 5.7.4. Tenant will have the sole responsibility for obtaining all necessary building permits and will make application for such permits directly to the City's Department of Building Inspection.
- 5.7.5. Notwithstanding anything to the contrary in this Section 5.7, Tenant will make all repairs or Changes that are immediately necessary for the preservation or protection of the Premises or the safety of Residents or other persons in or on the Premises (“**Emergency Repairs**”), without HSH prior approval and without limitation as to cost; provided, however, that in each such instance Tenant shall, before causing any such Emergency Repairs to be made, use commercially reasonable efforts to notify HSH of the emergency situation, and obtain the approval of the HSH Executive Director, or Director’s designee, of such Emergency Repairs.
- 5.8. Reporting. Tenant will submit annual reports to HSH on or before October 1 of each calendar year, indicating the following information, as of June 30 of the previous year: (a) whether a unit is vacant or occupied; (b) the income level of the Residents for each unit; (c) rental rates for each unit, including any rental subsidies; and (d) any other information reasonably required by the City to comply with restrictions on the Premises as PSH. The first such report will be due no later than October 1, 2025.
- 5.9. Communication With City. Tenant will keep HSH informed of program operations on the Premises and compliance with PSH Program Rules.
- 5.10. Maintenance and Repair Obligations. Tenant assumes full and sole responsibility for the condition, operation, repair, maintenance, and management of the Premises and will keep the Premises in good condition as it is on the Effective Date and in a manner otherwise reasonably acceptable to the City. The City will not be obligated to make any repairs, replacements, or renewals of any kind, nature, or description whatsoever to the Site or any Improvements. Tenant will use commercially reasonable efforts to make all routine repairs and replacements, interior and exterior, foreseen and unforeseen, that are necessary to maintain the Premises at all times in a clean, safe, attractive and sanitary condition and in good order and repair for safe and sanitary residential housing in accordance with local health, building and housing codes, California Health and Safety Code 17920.10 and the applicable provisions of 24 CFR Part 35, all to the extent reasonably feasible given the financial and physical condition of the Premises as of the Effective Date. In performing these functions, Tenant will:
- (a) Provide written notice to City prior to commencing any repair or replacement that will exceed \$100,000 or will be a Change under Section 5.7, except for any Emergency Repairs under Section 5.7.5;
 - (b) Comply with any required inspections and apply for any permits as needed in order to allow for all building systems to maintain the appropriate licenses, permits, and certifications to ensure their safe and code compliant operation;
 - (c) Notify HSH immediately in the event it is given notice violations by the Department of Building Inspection (DBI), Department of Public Health (DPH), another City agency, or State, Federal agency relating to the Premises; and
 - (d) Maintain any sidewalk and sidewalk area adjacent to the Premises in a good and safe condition in accordance with San Francisco Public Works Code Section 706 or any successor ordinance concerning the sidewalk maintenance within the City and County of San

Francisco. Tenant will be considered an “owner” under Public Works Code Section 706 regarding the maintenance of any sidewalk and sidewalk area adjacent to the Premises.

- 5.11. Disaster and Emergency Response Plan. Tenant will develop and maintain a Disaster and Emergency Response Plan containing site specific emergency response plan(s) for the Premises. The Disaster and Emergency Response Plan must address disaster coordination at the Premises. Tenant will update the Disaster and Emergency Response Plan as needed, and Tenant will train all employees regarding the provisions of the Disaster and Emergency Response Plan for the Premises.
- 5.12. Funding Agreements. Tenant may elect to enter into one or more separate grant or funding agreements for agreed upon improvements or operations necessary for the long-term use of the Premises as PSH. Any funding agreement for the improvement of the Premises will comply with the requirements of this Lease, including, but not limited to, Section 5.7 (Construction and Repairs) and Section 34 (Prevailing Wage and Working Conditions). Concurrently with this Lease, City and Tenant have agreed to enter into a separate Grant Agreement dated November 1, 2024, for funding of the Premises as Permanent Supportive Housing (the “**Operating Funding Agreement**”). In the event of conflict between this Lease and the Operating Funding Agreement, the Operating Funding Agreement will control.
- 5.13. Lead Based Paint. For any Change, repair, or maintenance work performed by Tenant under this Lease, Tenant agrees to comply with the regulations issued by HUD set forth in 24 CFR Part 35 and all applicable rules and orders issued thereunder, to the extent practical or possible.
- 5.14. Limitation of Liability.
 - 5.14.1. Tenant, on behalf of itself and its Agents and Invitees, covenants and agrees that the City will not be responsible for or liable to Tenant for, and, to the fullest extent allowed by any Applicable Legal Requirements, Tenant hereby waives all rights against the City and releases it from any and all claims, demands, losses, liabilities, damages, liens, injuries, penalties, fines, lawsuits and other proceedings, judgments and awards and costs and expenses, including, without limitation, reasonable attorneys’ and consultants’ fees and costs (“**Losses**”), whether direct or indirect, known or unknown, foreseen and unforeseen, arising from or related to the (i) the acts or omissions of Tenant, its Agents and Invitees, including any Residents, Commercial Space subtenant, or other occupants and (ii) the condition or use of the Premises.
 - 5.14.2. Notwithstanding the forgoing, City hereby acknowledges and agrees that Tenant will not be liable for any Losses arising from or related to the physical or environmental condition of the Premises existing prior to the Effective Date.
- 5.15. Commercial Space. Subject to City approval, Tenant will either i) use the Commercial Space as programming space for PSH Residents at the Premises and in accordance with PSH Program Rules, or ii) sublease the Commercial Space to a commercial tenant for commercial services and in accordance with Applicable Legal Requirements, which sublease will be subject to City’s prior written approval.

5.16. Good Neighbor Policies. Tenant will maintain a good relationship with the neighborhood surrounding the Premises in accordance with HSH’s Good Neighbor Policy¹ dated as of- May 24, 2024, as may be amended from time to time, including but not limited to: collaborating with neighbors and relevant City agencies to ensure that neighborhood concerns about the Premises are heard and addressed; responding to neighbors within three (3) business days, if reasonable; and ensuring that a Tenant representative attends all appropriate neighborhood meetings.

6. RESERVED

7. TENANT’S PERSONAL PROPERTY

7.1. All furniture, office equipment and articles of movable personal property installed in the Premises by or for the account of Tenant, that was not paid for by City, and that can be removed without structural or other damage to the Premises (collectively, “**Tenant’s Personal Property**”) will be and remain Tenant’s property. Tenant may remove Tenant’s Personal Property at any time during the Term. Tenant will pay any taxes or other impositions levied or assessed upon Tenant’s Personal Property, at least ten (10) days prior to delinquency, and will deliver satisfactory evidence of such payment to City upon request.

8. ASSIGNMENT, SUBLEASE OR OTHER CONVEYANCE

8.1. Tenant will not sell, assign, convey, sublease, or transfer in any other mode or form all or any part of its interest in this Lease or in the Premises or any portion thereof, or allow any person or entity to occupy or use all or any part of the Premises, other than the Residential Agreements and sublease for the Commercial Space, if applicable and in accordance with Section 5.15, in the ordinary course of business, without the prior written approval of the City in its sole and absolute discretion.

9. TAX EXEMPTION

9.1. On an annual basis, Tenant will timely apply for and obtain any applicable exemptions from taxes and/or assessments levied on the Premises or on the Tenant’s interest thereon, including but not limited to, the welfare tax exemption under California Revenue & Taxation Code Section 214(g) or successor exemption for affordable housing. City will reasonably cooperate with and assist Tenant in applying for and obtaining any such applicable exemptions from taxes or assessments levied on the Premises or on Tenant’s interest thereon.

10. UTILITIES

10.1 Tenant will procure water and sewer service from the City, and electricity, telephone, natural gas, trash collection services, and any other utility service from utility companies providing such services, and will pay all deposits, connection, installation, and use charges imposed in connection with such services as Project Expenses. In accordance with Administrative Code Chapter 99, as may be amended, HSH will coordinate with the San Francisco Public Utilities Commission (“**SFPUC**”) to determine if it is feasible for the SFPUC to provide electricity service for the Premises. If the SFPUC determines, in its sole judgment and at any point during the Term of this Lease, that it is feasible for the SFPUC to provide electricity service for the Premises, Tenant will purchase all electricity necessary for its operations at the Premises from the SFPUC, at the SFPUC’s standard rates charged to third parties. The City will pay for any costs associated with converting to SFPUC-provided electricity service, if applicable. The

¹ <https://hsh.sfgov.org/wp-content/uploads/2024/05/Good-Neighbor-Policy-All-Service-Types.docx>

SFPUC is the provider of electric services to City property, and the SFPUC's Interconnection Services Department will coordinate with Pacific Gas and Electric Company and others to implement this Section. Except as otherwise provided in this Lease, the City has no responsibility or liability of any kind with respect to any utilities that may be on or about the Premises. Tenant has the sole responsibility to locate any utility facilities within the Premises and protect them from damage resulting from Tenant's use of the Premises.

11. LIENS AND ENCUMBRANCES

- 11.1. No Encumbrances. Notwithstanding any other provision of this Lease and subject to the prior written consent of the City, in its sole and absolute discretion, no mortgage, deed of trust, assignment of rents, fixture filing, security agreement, or similar security instrument, or other lien or encumbrance or assignment or pledge of an asset is permitted to be placed upon the Premises.
- 11.2. Liens. Tenant will keep the Premises free from any liens arising out of any work performed or materials furnished by itself or its Agents. In the event that Tenant fails to cause any such lien to be released of record or bonded around within twenty (20) days following written notice from the City of the imposition of any such lien, the City will have, in addition to all other remedies provided herein and by law, the right but not the obligation to cause the same to be released by such means as it will deem proper, including payment of the claim giving rise to such lien. All sums paid by the City for such purpose, and all reasonable expenses incurred by it in connection therewith, will be payable to the City by Tenant on demand; provided, however, Tenant will have the right, upon posting of an adequate bond or other security, to contest any such lien, and the City will not seek to satisfy or discharge any such lien unless Tenant has failed to do so within ten (10) days after the final determination of the validity thereof. In the event of any such contest, Tenant will protect, defend, and indemnify the City against all loss, cost, expense or damage resulting therefrom.

12. DEFAULT AND REMEDIES

- 12.1. Application of Remedies. The provisions of this Article 12 will govern the Parties' remedies for breach of this Lease.
- 12.2. Notice and Cure Rights for Tenant. The City will not exercise its remedies under this Lease for a default by the Tenant unless and until (i) the City has given written notice of any such default, in accordance with the notice provisions herein, to Tenant, and (ii) such default has not been cured within thirty (30) days, or such longer period as may be set forth herein, following the giving of such notice or, if such default cannot be cured within such 60-day period, such longer period as is reasonably necessary to cure such default, provided that such cure has been commenced within such 60-day period and is being prosecuted diligently to completion.
- 12.3. Breach by City. If Tenant believes that City has materially breached this Lease, Tenant will first notify the City in writing of the purported breach, giving the City sixty (60) days from receipt of such notice to cure such breach. In the event City does not then cure or, if the breach is not reasonably susceptible to cure within that sixty (60) day period, begin to cure within sixty (60) days and thereafter diligently prosecute such cure to completion, then Tenant may either (i) terminate in writing this entire Agreement, or (ii) seek specific performance of this Lease.
- 12.4. Breach by Tenant.
- 12.4.1. Default by Tenant.

Subject to the notice and cure rights under Section 12.2, the following events each constitute a basis for the City to take action against Tenant (each, an “**Event of Default**”):

- (1) Tenant fails to comply with the permitted uses set forth in Article 5 hereof, or any other Applicable Legal Requirements;
- (2) Tenant voluntarily or involuntarily assigns, transfers or attempts to transfer or assign this Lease or any rights in this Lease, or in the Premises, except as permitted by this Lease;
- (3) Tenant fails to apply for all applicable exemptions and waivers and pay real estate taxes or assessments on the Premises or any part thereof when due, or places thereon any encumbrance or lien unauthorized by this Lease, or suffers any levy or attachment to be made, or any material supplier’s or mechanic’s lien or any other unauthorized encumbrance or lien to attach, and such taxes or assessments have not been paid, or the encumbrance or lien removed or discharged; provided, however, that Tenant will have the right to contest any tax or assessment pursuant to this Lease and, upon the posting of an adequate bond or other security, to contest any such lien or encumbrance. In the event of any such contest, Tenant will protect, indemnify, and hold City harmless against all losses and damages, including reasonable attorneys’ fees and costs resulting therefrom;
- (4) Tenant (i) is adjudicated bankrupt or insolvent or made a transfer in fraud of creditors, (ii) makes an assignment for the benefit of creditors, or (iii) brings or has brought against Tenant any action or proceeding of any kind under any provision of the Federal Bankruptcy Act or under any other insolvency, bankruptcy or reorganization act and, in the event such proceedings are involuntary, Tenant is not dismissed from the same within sixty (60) days thereafter; or, a receiver is appointed for a substantial part of the assets of Tenant and such receiver is not discharged within sixty (60) days;
- (5) Tenant breaches any other material provision of this Lease;
- (6) Tenant breaches any material provision of any other agreement between City and Tenant relating to the Premises, and fails to cure or commence cure of such breach within the applicable cure period to the reasonable satisfaction of HSH; or
- (7) Tenant fails to pay any portion of rent or other payments when due in accordance with the terms and provisions of this Lease.

12.4.2. Notification and City Remedies. Upon the occurrence of an Event of Default, and prior to exercising any remedies, City will notify Tenant in writing at the address listed in Article 24 hereof of the Tenant’s purported breach, failure, or act, subject to the cure rights in Section 12.2. Upon the expiration of the applicable notice and cure period described in Section 12.2, City will have the right to exercise its legal and equitable remedies, including, without limitation, the right to terminate this Lease or to seek specific performance of all or any part of this Lease. In addition, where applicable, City will have the right (but not obligation) to cure (or cause to be cured) on behalf of Tenant any Event of Default; Tenant will pay to City on demand all costs and expenses incurred by City in effecting such cure, with interest thereon from the date of incurrence at the

maximum rate then permitted by law. City will have the right to offset from any amounts due to Tenant under this Lease or any other agreement between City and Tenant: (i) all damages, losses, costs or expenses incurred by City as a result of an Event of Default; and (ii) any liquidated damages levied upon Tenant pursuant to the terms of this Lease; and (iii), any damages imposed by any ordinance or statute that is incorporated into this Lease by reference, or into any other agreement with the City. This Section 12.4.2 will survive termination of this Lease.

12.4.3. All remedies provided for in this Lease may be exercised individually or in combination with any other remedy available hereunder or under applicable laws, rules and regulations. The exercise of any remedy will not preclude or in any way be deemed to waive any other remedy. Nothing in this Lease will constitute a waiver or limitation of any rights that City may have under applicable law.

13. DAMAGE AND DESTRUCTION

If the Premises or any part thereof are damaged or destroyed after the Agreement Date, then the rights and obligations of Tenant hereunder shall be as follows:

13.1. Insured Casualty. If such damage or destruction is fully covered by any cause covered by any policy of insurance required to be maintained by Tenant under this Lease, other than the deductible amount, Tenant will promptly commence and diligently complete the restoration of the Premises as nearly as possible to the condition thereof before such damage or destruction.

13.2. Uninsured Casualty. If (i) such damage or destruction is not fully covered by any cause covered by any policy of insurance required to be maintained by Tenant under this Lease, other than the deductible amount; (ii) in the reasonable opinion of Tenant, the restoration cannot be completed or operated on an economically feasible basis; and (iii) there is not available to Tenant any City funds or third party financing reasonably acceptable to Tenant to fund the restoration, then Tenant may terminate this Lease upon ninety (90) days written notice to the City. If it appears that the provisions of this Section 13.2 may apply to a particular event of damage or destruction, Tenant will notify the City promptly and not consent to any settlement or adjustment of an insurance award without the City's written approval, which approval will not be unreasonably withheld or delayed. If Tenant terminates this Lease under this Section 13.2, then all insurance proceeds and damages payable by reason of the casualty will be distributed to the City. If Tenant does not have the right, or elects not to exercise the right, to terminate this Lease as a result of an uninsured or underinsured casualty, then Tenant will promptly commence and diligently complete the restoration of the Premises as nearly as possible to their condition before the damage or destruction in accordance with the provisions of Section 13.1 and will be entitled to all available insurance proceeds to do so.

13.3. Notwithstanding anything to the contrary in this Lease, City will have no obligation to repair the Premises upon a casualty event.

14. DAMAGE; HAZARDOUS MATERIALS; INDEMNIFICATION

14.1. Damage to Person or Property - General Indemnification. City will not in any event whatsoever be liable for any injury or damage to any person happening on or about the Site, for any injury or damage to the Premises, or to any property of Tenant, or to any property of any other person, entity or association on or about the Site, unless arising from or related to any gross negligence or willful misconduct of the City or any of its commissioners, officers, agents or

employees. Tenant will defend, hold harmless and indemnify the City and its respective commissioners, officers, agents, and employees (each, an “**Indemnified Party**” and collectively the “**Indemnified Parties**”), of and from all Losses directly or indirectly arising from its tenancy, its use of the Site, including adjoining sidewalks and streets, and any of its operations activities thereon or connected thereto; provided, however, that this Article 14 will not be deemed or construed to and will not impose an obligation to indemnify and save harmless the City or any of its commissioners, officers, agents or employees from any Losses arising from or in any way related to or connected with any gross negligence or willful misconduct of the City or any of its commissioners, officers, agents or employees.

14.2. Hazardous Materials.

14.2.1. Tenant covenants and agrees that it will not, and will take commercially reasonable efforts to ensure that Tenant’s Agents and Invitees do not, cause or permit any Hazardous Substance to be brought upon, kept, used, stored, generated or disposed of in, on or about the Premises or transported to or from the Premises in violation of Environmental Laws (as defined herein) without the prior written approval of the City.

14.2.2. Tenant will not, and Tenant will use commercially reasonable efforts to ensure that Tenant’s Agents and Invitees do not, cause any Release (as defined herein) of Hazardous Substances in, on, under or about the Premises.

14.2.3. Tenant will indemnify, defend, and hold the City, and its commissioners, officers, agents and employees (individually, an “**Indemnified Party**” and collectively, the “**Indemnified Parties**”) harmless from and against any and all losses, costs, claims, damages, liabilities, and causes of action of any nature whatsoever (including, without limitation, the reasonable fees and disbursements of counsel and engineering consultants) incurred by or asserted against any Indemnified Party in connection with, arising out of, in response to, or in any manner relating to Tenant’s violation of any Environmental Law, or any Release, threatened Release and any condition or Hazardous Substance related nuisance on, under or from the Premises, except to the extent it arises from the existing condition of the Premises as of the Effective Date or any gross negligence or willful misconduct of the City or any of its commissioners, officers, agents or employees.

14.2.4. For purposes of this Section, the following definitions will apply:

14.2.4.1. “**Hazardous Substance**” will have the meaning set forth in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended as of the date of this Lease, 42 U.S.C. 9601(14), and in addition will include, without limitation, petroleum (including crude oil or any fraction thereof) and petroleum products, asbestos, asbestos-containing materials, polychlorinated biphenyls (“PCBs”), PCB-containing materials, all hazardous substances identified in the California Health & Safety Code Section 25316 and Section 25281(d), all chemicals listed pursuant to the California Health & Safety Code 25249.8, and any substance deemed a hazardous substance, hazardous material, hazardous waste, or contaminant under Environmental Law. The foregoing definition will not include substances which occur naturally on the Site or that which are reasonably and customarily used in the operation and maintenance of a multifamily housing development.

14.2.4.2. “**Environmental Law**” will include all federal, state and local laws, regulations and ordinances governing hazardous waste, wastewater discharges, drinking water, air emissions, Hazardous Substance releases or reporting requirements, Hazardous Substance use or storage, and employee or community right-to-know requirements related to the work being performed under this Lease.

14.2.4.3. “**Release**” will mean any spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the

environment, including the abandonment or discharging of barrels, containers, and other closed receptacles containing any Hazardous Substance.

14.3. Exculpation and Waiver. Tenant, as a material part of the consideration to be rendered to the City, hereby waives any and all Losses, including without limitation all Losses arising from the joint or concurrent, active or passive, negligence of the Indemnified Parties, but excluding any Losses caused solely by the Indemnified Parties' willful misconduct or active gross negligence. The Indemnified Parties will not be responsible for or liable to Tenant, and Tenant hereby assumes the risk of, and waives and releases the Indemnified Parties from all Losses for, any injury, loss, or damage to any person or property in or about the Premises by or from any cause whatsoever including, without limitation, (a) any act or omission of persons occupying adjoining premises or any part of the Premises adjacent to or connected with the Premises, (b) theft, (c) explosion, fire, steam, oil, electricity, water, gas or rain, pollution or contamination, (d) stopped, leaking, or defective building systems, (e) construction or Site defects, (f) damages to goods, wares, goodwill, merchandise, equipment, or business opportunities, (g) Losses by persons in, on or about the Premises or any other City property for any cause arising at any time, (h) alleged facts or circumstances of the process or negotiations leading to this Lease before the Effective Date and (i) any other acts, omissions, or causes.

14.4. Tenant understands and expressly accepts and assumes the risk that any facts concerning the Losses released in this Lease might be found later to be other than or different from the facts now believed to be true, and agrees that the releases in this Lease will remain effective. Therefore, with respect to the Losses released in this Lease, Tenant waives any rights or benefits provided by Section 1542 of the Civil Code, which reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Tenant specifically acknowledges and confirms the validity of the release made above and the fact that Tenant was represented by counsel who explained the consequences of the release at the time this Lease was made, or that Tenant had the opportunity to consult with counsel, but declined to do so.

15. INSURANCE

15.1 During the Term, Tenant will procure and maintain insurance against claims for injuries to persons or damage to property that may arise from or in connection with the performance of any work by the Tenant, its agents, representatives, employees or subcontractors and the Tenant's use and occupancy of the Premises.

15.2 Minimum Scope of Insurance. Tenant will obtain and maintain, and cause its contractors, subcontractors, and/or agents, as appropriate for each, to obtain and maintain, insurance and bonds as follows:

15.2.1 Workers' Compensation, in statutory amounts, with Employers' Liability Limits not less than \$1,000,000 each accident, injury, or illness;

15.2.2. Commercial General Liability Insurance with limits not less than \$2,000,000 each occurrence for Bodily Injury and Property Damage, including Contractual Liability, Personal Injury, Products and Completed Operations. Policy must include Abuse and Molestation coverage;

- 15.2.3. Commercial Automobile Liability Insurance with limits not less than \$1,000,000 each occurrence, "Combined Single Limit" for Bodily Injury and Property Damage, including Owned, Non-Owned and Hired auto coverage, as applicable;
 - 15.2.4. Reserved
 - 15.2.5. Reserved
 - 15.2.6. As applicable, pollution liability and/or asbestos pollution liability covering the work being performed with a limit no less than Two Million Dollars (\$2,000,000) each occurrence combined single limit, including coverage for on-site third party claims for bodily injury and property damage;
 - 15.2.7. Boiler and machinery insurance, comprehensive form, covering damage to, loss or destruction of machinery and equipment located on the Site that is used by Tenant for heating, ventilating, air-conditioning, power generation, and similar purposes, in an amount not less than one hundred percent (100%) of the actual then-current replacement value of such machinery and equipment; and
 - 15.2.8. Property insurance, excluding earthquake, in the amount no less than One Hundred Percent (100%) of the then-current replacement value of all improvements and City property in the care, custody, and control of the Tenant or its contractor.
- 15.3 Commercial Space. Tenant will require that all nonresidential tenants' liability insurance policies include Tenant and the City as additional insureds, as their respective interests may appear. Throughout the term of any lease of Commercial Space, Tenant will require commercial tenants to maintain insurance as follows:
- 15.3.1. To the extent the tenant has "employees" as defined in the California Labor Code, workers' compensation insurance with employer's liability limits not less than One Million Dollars (\$1,000,000) each accident;
 - 15.3.2. Commercial general liability insurance, with limits not less than One Million Dollars (\$1,000,000) each occurrence, combined single limit for bodily injury and property damage, including coverage for contractual liability; personal injury; advertisers' liability; including coverage for loss of income due to an insured peril for twelve (12) months; owners' and contractors' protective; broad form property damage; explosion, collapse and underground (XCU); products and completed operations coverage;
 - 15.3.3 Business automobile liability insurance, with limits not less than One Million Dollars (\$1,000,000) each occurrence, combined single limit for bodily injury and property damage, including owned, hired and non-owned auto coverage, as applicable;
 - 15.3.4. With respect to any tenant who has (or is required by Law to have) a liquor license and who is selling or distributing alcoholic beverages and/or food products on the leased premises, to maintain liquor and/or food products liability coverage with limits not less than One Million Dollars (\$1,000,000), as appropriate;
 - 15.3.5. Special form coverage insurance, including vandalism and malicious mischief, in the amount of 100% of the full replacement cost thereof, covering all furnishings, fixtures, equipment, leasehold improvements, alterations and property of every kind of the tenant and of persons claiming through the tenant; and
 - 15.3.6. Full coverage plate glass insurance covering any plate glass on the commercial space.
- 15.4 Additional Insured Endorsements
- 15.4.1. The Commercial General Liability policy must be endorsed to name as Additional Insured the City and County of San Francisco, its Officers, Agents, and Employees.
 - 15.4.2. The Commercial Automobile Liability Insurance policy must be endorsed to name as Additional Insured the City and County of San Francisco, its Officers, Agents, and Employees.

- 15.4.3. The Commercial Automobile Liability Insurance policy must be endorsed to include (i) Auto Pollution Additional Insured Endorsement naming as Additional Insured the City and County of San Francisco, its Officers, Agents, and Employees; and (ii) if applicable, Form MCS-90 for Motor Carrier Policies of Insurance for Public Liability under Sections 29 and 30 of the Motor Carrier Act of 1980.
- 15.5 Waiver of Subrogation Endorsements. The Workers' Compensation policy(ies) shall be endorsed with a waiver of subrogation in favor of the City for all work performed by the Tenant, its employees, agents and subcontractors.
- 15.6 Primary Insurance
- 15.6.1. The Commercial General Liability policy shall provide that such policies are primary insurance to any other insurance available to the Additional Insureds, with respect to any claims arising out of this Lease, and that the insurance applies separately to each insured against whom claim is made or suit is brought.
- 15.6.2. The Commercial Automobile Liability Insurance policy shall provide that such policies are primary insurance to any other insurance available to the Additional Insureds, with respect to any claims arising out of this Lease, and that the insurance applies separately to each insured against whom claim is made or suit is brought.
- 15.6.3. The Pollution Liability Insurance policy shall provide that such policies are primary insurance to any other insurance available to the Additional Insureds, with respect to any claims arising out of this Lease, and that the insurance applies separately to each insured against whom claim is made or suit is brought.
- 15.7 Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions in excess of \$25,000 must be declared to and approved by the City. At the option of City, either: the insurer will reduce or eliminate the deductibles or self-insured retentions with respect to the City and County of San Francisco, and their respective commissioners, members, officers, agents, and employees; or the Tenant must procure a financial guarantee satisfactory to the City guaranteeing payment of losses and related investigations, claim administration, and defense expenses.
- 15.8 Other Insurance Requirements. Any insurance required by this Article 15 must also meet the following requirements:
- 15.8.1. Thirty (30) days' advance written notice shall be provided to the City of cancellation, intended non-renewal, or reduction in coverages, except for non-payment for which no less than ten (10) days' notice shall be provided to City. Notices shall be sent to the City address set forth in Section 24 entitled "Notices to the Parties."
- 15.8.2. Should any of the required insurance be provided under a claims-made form, Tenant shall maintain such coverage continuously throughout the term of this Lease and, without lapse, for a period of three years beyond the expiration of this Lease, to the effect that, should occurrences during the Agreement term give rise to claims made after expiration of the Agreement, such claims shall be covered by such claims-made policies.
- 15.8.3. Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general annual aggregate limit shall be double the occurrence or claims limits specified above.
- 15.8.4. Should any required insurance lapse during the term of this Lease, requests for payments originating after such lapse shall not be processed until the City receives satisfactory evidence of reinstated coverage as required by this Lease, effective as of the lapse date. If

insurance is not reinstated, the City may, at its sole option, terminate this Lease effective on the date of such lapse of insurance.

15.8.5. Before the Effective Date, Tenant shall furnish to City certificates of insurance and additional insured policy endorsements with insurers with ratings comparable to A-, VIII or higher, that are authorized to do business in the State of California, and that are satisfactory to City, in form evidencing all coverages set forth above. Approval of the insurance by City shall not relieve or decrease Tenant's liability hereunder.

15.8.6. If Tenant will use any subcontractor(s), Tenant shall require the subcontractor(s) to provide all necessary insurance and to name the City and County of San Francisco, its officers, agents and employees and the Tenant as additional insureds. All coverage for such subcontractor(s) will be subject to all of the requirements stated herein unless otherwise approved by the City.

15.9 Other Insurance Provisions. The policies must contain, or be endorsed to contain, the following provisions:

15.9.1. General Liability and Automobile Liability Coverage: The "City and County of San Francisco and their respective commissioners, members, officers, agents, and employees" are to be covered as additional insured with respect to: liability arising out of activities performed by or on behalf of the Tenant related to the Project; products and completed operations of the Tenant, premises owned, occupied or used by the Tenant related to the Project; and automobiles owned, leased, hired, or borrowed by the Tenant for the operations related to the Project. The coverage may not contain any special limitations on the scope of protection afforded to the City and its Commissioners, members, officers, agents, or employees.

15.9.2. Workers' Compensation and Property Insurance: The insured will agree to waive all rights of subrogation against the "City and County of San Francisco, and their respective commissioners, members, officers, agents, and employees" for any losses in connection with this Project.

15.9.3. Claims-made Coverage: If any of the required insurance is provided under a claims-made form, Tenant will maintain such coverage continuously throughout the Term and, without lapse, for a period of three years beyond the expiration of this Lease, to the effect that, if occurrences during the contract term give rise to claims made after expiration of the Agreement, then those claims will be covered by the claims-made policies.

15.9.3.1 All Coverage. Each insurance policy required by this Article must:

Be endorsed to state that coverage will not be suspended, voided, canceled by either party, or reduced in coverage or in limits, except after thirty (30) days' prior written notice has been given to City, except in the event of suspension for nonpayment of premium, in which case ten (10) days' notice will be given.

- (1) Contain a clause providing that the City and its officers, agents and employees will not be liable for any required premium.
- (2) For any claims related to this Lease, the Tenant's insurance coverage will be primary insurance with respect to the City and its commissioners, members, officers, agents, and employees. Any insurance or self-insurance maintained by the City or its commissioners, members, officers, agents, or employees will be in excess of the Tenant's insurance and will not contribute with it.
- (3) The Tenant's insurance will apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
- (4) Any failure to comply with reporting provisions of the policies will not affect coverage provided to the City and its commissioners, members, officers, agents, or employees.

- (5) Approval of Tenant's insurance by the City will not relieve or decrease the liability of Tenant under this Lease.
- (6) The City reserves the right to require an increase in insurance coverage, including both coverage amounts and types of insurance, or otherwise change the insurance requirements of this Lease, if the City determines that conditions (including, but not limited to, property conditions, market conditions, or commercially reasonable practice) show cause for an increase, unless Tenant demonstrates to the City's satisfaction that the increased coverage is commercially unreasonable and unavailable to Tenant. Upon any such increase or change, Tenant will have a reasonable period, but in no event less than ninety (90) days, to obtain the requisite insurance.

15.10 Acceptability of Insurers. All insurers must have a Best's rating of no less than A-VIII or as otherwise approved by the City's Risk Manager.

15.11 Verification of Coverage. Tenant will furnish City with certificates of insurance and with original endorsements effecting coverage required by this clause at the commencement of this Lease and annually thereafter. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. City reserves the right to require complete, certified copies of all required insurance policies, including endorsements demonstrating the coverage required by these specifications at any time.

15.12 Contractor, Subcontractors, and Consultants Insurance. Tenant must include all subcontractors and consultants as additional insureds under its policies or furnish separate certificates and endorsements for each. Tenant will require the subcontractor(s) and consultants to provide all necessary insurance and to name the City and County of San Francisco, and their respective commissioners, members, officers, agents, and employees and the Tenant as additional insureds. All coverage for subcontractors and consultants will be subject to all of the requirements stated herein unless otherwise approved by the City's Risk Manager.

16. COMPLIANCE WITH SITE-RELATED AND LEGAL REQUIREMENTS; COVENANTS

16.1. Compliance with Legal Requirements. Tenant will comply with all Applicable Legal Requirements, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, with the requirements of any board of fire underwriters or other similar body now or hereafter constituted, with any direction or occupancy certificate issued pursuant to any law by any public officer or officers, with respect to the condition, use or occupancy of the Premises. In the event Tenant contests any Applicable Legal Requirement, Tenant will not be obligated to comply therewith to the extent that the application of the contested law, statute, ordinance, rule, regulation or requirement is stayed by the operation of law or administrative or judicial order. Tenant will Indemnify City for any Loss relating to any such contest by Tenant.

16.2. Regulatory Approvals. Tenant understands and agrees that the City is entering into this Lease in its capacity as a landowner with a proprietary interest in the Premises and not as a regulatory agency with certain police powers. Tenant understands and agrees that neither entry by the City into this Lease nor any approvals given by the City under this Lease will be deemed to imply that Tenant will obtain any required approvals from City departments, boards or commissions that have jurisdiction over the Premises. By entering into this Lease, the City is in no way modifying or limiting the obligations of Tenant to develop the Premises in accordance with all Applicable Legal Requirements and as provided in this Lease.

- 16.3. City Covenants. City is duly created, validly existing, and in good standing under the Applicable Legal Requirements, and has full right, power, and authority to enter into and perform its obligations under this Lease. City covenants and warrants that, during the Term, Tenant and its Residents will have, hold, and enjoy peaceful, quiet, and undisputed possession of the Site, leased without hindrance or molestation by or from anyone so long as the Tenant is not in default under this Lease.
- 16.4. Tenant Covenants. Tenant is a duly formed California nonprofit public benefit corporation under California law, is and will remain in in good standing under the Applicable Legal Requirements, and has the full rights, power, and authority to enter into and perform its obligations under this Lease.

17. ENTRY

- 17.1. Subject to the rights of the Residents and others lawfully permitted on the Property under Applicable Legal Requirements, the City reserves for itself and its authorized representatives the right to enter the Premises at all reasonable times during normal business hours upon not less than forty-eight (48) hours' written notice to Tenant (except in the event of an emergency) for any of the following purposes:
- 17.1.1. to determine whether the Premises is in good condition and to inspect the Premises;
 - 17.1.2. to determine whether Tenant is in compliance with its Agreement obligations and to cure or attempt to cure any Tenant default;
 - 17.1.3. to serve, post or keep posted any notices required or allowed under any of the provisions of this Lease; and
 - 17.1.4. to do any maintenance or repairs to the Premises that the City has the right or the obligation, if any, to perform hereunder.
- 17.2. In the event of any emergency, as reasonably determined by the City, at its sole option and without notice, the City may enter the Premises and alter or remove any Tenant's Personal Property on or about the Premises as reasonably necessary, given the nature of the emergency. The City will have the right to use any and all means the City considers appropriate to gain access to any portion of the Premises in an emergency, in which case, the City will not be responsible for the replacement of any property, and no emergency entry may be deemed to be a forcible or unlawful entry onto or a detainer of the Premises, or an eviction, actual or constructive, of Tenant from the Premises or any portion thereof.
- 17.3. The City will not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance or other damage arising out of the City's entry onto the Premises, except to the extent damage arises out of the gross negligence or willful misconduct of the City or its agents. The City will be responsible for any losses resulting from its gross negligence or willful misconduct and will repair any resulting damage promptly.
- 17.4. The City will use its reasonable good faith efforts to conduct any activities on the Premises allowed under this Section in a manner that, to the extent practicable, will minimize any disruption to Tenant's use hereunder.

18. CONDEMNATION AND TAKINGS

- 18.1. Parties' Rights and Obligations to be Governed by Agreement. If, during the Term, there is any condemnation of all or any part of the Premises is taken by condemnation, the rights and obligations of the parties will be determined pursuant to this Article 18.
- 18.2. Total Taking. If the Premises is totally taken by condemnation, this Lease will terminate on the date the condemnor has the right to possession of the Premises.
- 18.3. Partial Taking. If any portion of the Premises is taken by condemnation, this Lease will remain in effect, except that Tenant may elect to terminate this Lease if, in Tenant's reasonable judgment, the remaining portion of the Premises is rendered unsuitable for Tenant's continued use of the Premises. If Tenant elects to terminate this Lease, Tenant must exercise its right to terminate pursuant to this paragraph by giving notice to the City within sixty (60) days after the City notifies Tenant of the nature and the extent of the taking. If Tenant elects to terminate this Lease as provided in this Section 18.3, Tenant also will notify the City of the date of termination, which date will not be earlier than ninety (90) days nor later than six (6) months after Tenant has notified the City of its election to terminate; except that this Lease will terminate as to the portions of the Premises taken by the condemnor on the date the condemnor takes possession of that portion of the Premises. If Tenant does not terminate this Lease within such sixty (60) day notice period, this Lease will continue in full force and effect.
- 18.4. Award and Distribution. Any compensation awarded, paid or received on a total or partial condemnation of the Premises or threat of condemnation of the Premises will belong to and be distributed in the following order:
- 18.4.1. First, to pay the balance due on any outstanding or unpaid obligations and/or liabilities, including but not limited to, trade accounts, taxes, payroll accruals and residuals, to the extent provided therein; and
- 18.4.2. Second, to the City.

19. SURRENDER

19.1. Surrender.

- 19.1.1. Upon expiration or earlier termination of this Lease, Tenant will surrender the Premises to the City in good order and condition, subject to normal wear and tear, and, at the City's request, will execute, acknowledge, and deliver to the City a good and sufficient quitclaim deed with respect to any interest of Tenant in the Premises. Normal wear and tear will not include any damage or deterioration that would have been prevented had Tenant properly performed its obligations under this Lease. The Premises will be surrendered free and clear of all liens and encumbrances arising out of Tenant's acts other than liens and encumbrances approved by the City and rights of Residents in units occupied at the end of the Term.
- 19.1.2. No act or conduct of the City or HSH, including, but not limited to, the acceptance of the keys to the Premises, will constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the Term. Only a written notice from the City to Tenant confirming termination of this Lease and surrender of the Premises by Tenant will constitute acceptance of the surrender of the Premises and accomplish a termination of this Lease.
- 19.1.3. Upon the expiration or earlier termination of this Lease, the Improvements will automatically, and without further act or conveyance on the part of Tenant or the City, become the property of the City, free and clear of all liens and without payment therefore by the City, as provided in Article 2 hereof. Without limiting the effectiveness of the previous sentence, upon the City's

written request, on expiration or earlier termination of this Lease, Tenant will execute and deliver to the City an acknowledged and good and sufficient grant deed conveying to the City Tenant's fee interest in the Improvements.

- 19.2. Residential Agreements. Upon the expiration or earlier termination of this Lease, City agrees to assume all Residential Agreements and sublease(s) for the Commercial Space entered into by Tenant in conformity with this Lease. In no event will Tenant be required to evict a Resident who has executed a Residential Agreement in conformity with this Lease at the end of the Term.
- 19.3. Abandoned Property. Any items, including Tenant's Personal Property, not removed by Tenant on the expiration or termination of this Lease will be deemed abandoned. City may retain, store, remove, and sell or otherwise dispose of abandoned Tenant's Personal Property, and Tenant waives all Losses against the City for any damages resulting from the City's retention, removal, and disposition of abandoned Tenant's Personal Property; provided, however, that Tenant will be liable to the City for all costs incurred in storing, removing, and disposing of abandoned Tenant's Personal Property and repairing any damage to the Premises resulting from its removal. City may elect to sell abandoned Tenant's Personal Property and offset against the sales proceeds the City's storage, removal, and disposition costs without notice to Tenant or otherwise according to the procedures set forth in California Civil Code Section 1993 or any other Applicable Legal Requirements, the benefits of which Tenant waives.
- 19.4. Survival. Tenant's obligations under this Article 19 will survive the expiration or earlier termination of this Lease.

20. EQUAL OPPORTUNITY

In the selection of all contractors and professional consultants for any work on the Premises, Tenant will comply with the requirements of Chapter 14B of the San Francisco Administrative Code ("LBE Ordinance") according to the procedures established by the City's Contract Monitoring Division. If federal funds are used by City or Tenant in connection with the Premises, the Premises will be subject to the requirements of Section 3 of the Housing and Community Development Act of 1968 and of the San Francisco Section 3 program as required. Federal Section 3 requirements state that contracts and opportunities for job training and employment be given, to the greatest extent feasible, to local low-income residents. Local residents for the purposes of this Lease are San Francisco residents. In addition, any work on the Premises will be required to comply with hiring requirements as incorporated into the local Section 3 program and in conjunction with the City's low-income hiring requirements pursuant to San Francisco's First Source Hiring Ordinance (San Francisco Administrative Code Chapter 83).

21. NO PERSONAL LIABILITY

No commissioner, official, or employee of the City will be personally liable to Tenant or any successor in interest in the event of any default or breach by the City or for any amount which may become due to Tenant or its successors or on any obligations under the terms of this Lease.

22. WAIVER

The waiver by the City or Tenant of any term, covenant, agreement or condition herein contained will not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, agreement or condition herein contained, nor will any custom or practice which may grow up between the parties in the administration of the terms hereof be construed to waive or to lessen the right of the City or Tenant to insist upon the performance by the other in strict accordance with the

said terms. The subsequent acceptance of rent or any other sum of money hereunder by the City will not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant, agreement or condition of this Lease, other than the failure of Tenant to pay the particular rent or other sum so accepted, regardless of the City's knowledge of such preceding breach at the time of acceptance of such rent or other sum. Any waiver must be in writing and signed by the party that is waiving its rights under this Lease. Any City consent under this Lease will not relieve Tenant of any obligation to secure City's consent in any other or future instance as required by this Lease.

23. RECORDS

Upon reasonable notice during normal business hours, and as often as the City may deem necessary, there will be made available to the City and its authorized representatives for examination all records, reports, data and information made or kept by Tenant regarding its activities or operations on the Premises. To the extent that it is permitted by law to do so, the City will respect the confidentiality requirements of Tenant in regard to the lists furnished by Tenant pursuant to this Lease, of the names of occupants of the Premises.

24. NOTICES AND CONSENTS

All notices, demands, consents or approvals which may be or are required to be given by either party to the other hereunder will be in writing and will be deemed to have been fully given when delivered in person to such representatives of Tenant and the City as will from time to time be designated by the parties for the receipt of notices, or when deposited in the United States mail, certified, postage prepaid, or by express delivery service with a delivery receipt and addressed

if to Tenant at: Abode Property Management
 481 Valley Way
 Milpitas, CA 95035
 Louis Chicoine
 lichicoine@abode.org

if to City at: Department of Homelessness and Supportive Housing
 440 Turk Street
 San Francisco, CA 94102
 Attn: Administration & Finance Division
 dhsh@sfgov.org

with a copy to: Office of the City Attorney
 City Hall, Room 234
 1 Dr. Carlton B. Goodlett Place
 San Francisco, CA 94102-4682
 Attn: RE/Finance
 Fax No.: (415) 554-4755

or to such other address with respect to either party as that party may from time to time designate by notice to the other given pursuant to the provisions of this Article 26. Any notice given pursuant to this Article 24 will be effective on the date of delivery or the date delivery is refused as shown on the delivery receipt.

25. COMPLETE AGREEMENT

There are no oral agreements between Tenant and the City affecting this Lease, and this Lease supersedes and cancels any and all previous negotiations, arrangements, agreements and understandings between Tenant and the City with respect to the Agreement of the Premises. The parties intend that this Lease constitutes the complete and exclusive statement of its terms and no extrinsic evidence whatsoever (including prior drafts and changes) may be introduced in any judicial, administrative, or other legal proceeding involving this Lease. Tenant acknowledges that neither City nor City's Agents have made any representations or warranties with respect to the Premises or this Lease except as expressly set forth in this Lease.

26. HEADINGS

Any titles of the several parts and sections of this Lease are inserted for convenience of reference only and will be disregarded in construing or interpreting any of its provisions. "Paragraph" and "section" may be used interchangeably.

27. SUCCESSORS AND ASSIGNS

This Lease will be binding upon and inure to the benefit of the successors and assigns of the City and Tenant and where the term "Tenant" or "City" is used in this Lease, it will mean and include their respective successors and assigns; provided, however, that the City will have no obligation under this Lease to, nor will any benefit of this Lease accrue to, any unapproved successor or assign of Tenant where City approval of a successor or assign is required by this Lease.

28. TIME

Time is of the essence in the enforcement of the terms and conditions of this Lease.

29. PARTIAL INVALIDITY

If any provisions of this Lease will be determined to be illegal or unenforceable, such determination will not affect any other provision of this Lease and all such other provisions will remain in full force and effect.

30. APPLICABLE LAW; NO THIRD PARTY BENEFICIARY

This Lease will be governed by and construed pursuant to the laws of the State of California. This Lease is entered into solely among, between, and for the benefit of, and may be enforced only by, the Parties hereto and does not create rights in any other third party.

31. SEVERABILITY

If any provision of this Lease or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, will not be affected thereby, and each other provision of this Lease will be valid and be enforceable to the fullest extent permitted by Applicable Legal Requirements.

32. EXECUTION IN COUNTERPARTS

This Lease and any memorandum hereof may be executed in counterparts, each of which will be considered an original, and all of which will constitute one and the same instrument.

33. AUTHORITY

Tenant hereby represents and warrants that it is a California nonprofit public benefit corporation and has full rights, power and authority to enter into and perform its obligations under this Lease.

34. PREVAILING WAGE AND WORKING CONDITIONS

Any undefined, initially-capitalized term used in this Section has the meaning given to that term in San Francisco Administrative Code Section 23.61. Tenant will require its Contractors and Subcontractors performing (i) labor in connection with a “public work” as defined under California Labor Code Section 1720 et seq. (which includes certain construction, alteration, maintenance, demolition, installation, repair, carpet laying, or refuse hauling work if paid for in whole or part out of public funds) or (ii) Covered Construction, at the Premises to (1) pay workers performing such work not less than the Prevailing Rate of Wages, (2) provide the same hours, working conditions, and benefits as in each case are provided for similar work performed in San Francisco County, and (3) employ Apprentices in accordance with San Francisco Administrative Code Section 23.61 (collectively, “Prevailing Wage Requirements”). Tenant will cooperate with the City in any action or proceeding against a Contractor or Subcontractor that fails to comply with the Prevailing Wage Requirements.

Tenant will include, and will require its subtenants, and Contractors and Subcontractors (regardless of tier) to include, the Prevailing Wage Requirements and the agreement to cooperate in City enforcement actions in any Construction Contract with specific reference to San Francisco Administrative Code Section 23.61. Each such Construction Contract must name the City and County of San Francisco, affected workers, and employee organizations formally representing affected workers as third party beneficiaries for the limited purpose of enforcing the Prevailing Wage Requirements, including the right to file charges and seek penalties against any Contractor or Subcontractor in accordance with San Francisco Administrative Code Section 23.61. Tenant’s failure to comply with its obligations under this Section will constitute a material breach of this Lease. A Contractor’s or Subcontractor’s failure to comply with this Section will enable the City to seek the remedies specified in San Francisco Administrative Code Section 23.61 against the breaching party. For the current Prevailing Rate of Wages, contact the City’s Office of Labor Standards Enforcement.

35. CITY PROVISIONS

35.1. Public Transit Information

At its sole expense, Tenant will establish and carry on during the Term a program to encourage maximum use of public transportation by personnel of Tenant employed on the Premises, including the distribution of written materials to personnel explaining the convenience and availability of public transportation facilities adjacent or near the Building and encouraging use of them.

35.2. Taxes, Assessments, Licenses, Permit Fees, and Liens

35.2.1. Tenant recognizes and understands that this Lease may create a possessory interest subject to property taxation and Tenant may be subject to the payment of property taxes levied on its possessory interest. In addition, if the Term, including any extension options, is thirty-five (35) years or more, then Tenant will be obligated to pay real property transfer tax upon execution of the Lease.

35.2.2. Tenant will pay, or cause to be paid, to the proper authority on or before when due all taxes and assessments of every kind, including, but not limited to, possessory interest taxes

lawfully assessed on the possession, use, or occupancy of the Premises or any leasehold or subleasehold interest in the Premises, real property transfer taxes, real and personal property taxes, general and special assessments, and all license fees, permit fees, and all other governmental charges of any kind or nature whatsoever, and to pay all other taxes, excises, licenses, permit charges, and assessments based on Tenant's use of the Premises or any transfer of a leasehold interest or subleasehold interest in the Premises (including, but not limited to, any transfer of the leasehold interest in the Premises pursuant to this Lease) and imposed by Legal Requirements, whether in effect at the time this Lease is entered into or that become later effective. Without limiting the foregoing, Tenant will pay all real property transfer taxes imposed on any transfer of a leasehold interest or subleasehold interest in the Premises (including but not limited to the transfer of the Premises pursuant to this Lease). Tenant further recognizes and agrees that its leasehold interest may be subject to the payment of special taxes, including without limitation a levy of special taxes to finance energy efficiency, water conservation, water pollution control and similar improvements under the Special Tax Financing Law in Chapter 43 Article X of the Administrative Code.

35.2.3. Tenant will not allow or suffer a lien for any taxes, assessments, or other charges to be imposed on the Premises or on any equipment or property located in the Premises without promptly discharging the lien, provided that Tenant, if it desires, may have reasonable opportunity to contest the legal validity or the amount of any tax, assessment, or similar charge so long as the tax, assessment, or charge does not become a defaulted lien. In the event of any disputed tax, assessment, or similar charge, Tenant will protect, defend and indemnify the City against all loss, cost, expense or damage resulting there from, and should Tenant be unsuccessful in any such contest, Tenant will forthwith pay, discharge, or cause to be paid or discharged, such tax, assessment or other similar charge. The City will furnish such information as Tenant will reasonably request in connection with any such contest provided that such information is in City's possession, control or is otherwise available to the public.

35.2.4. San Francisco Administrative Code Sections 23.38 and 23.39 require that certain information relating to the creation, renewal, extension, assignment, sublease, or other transfer of this Lease be provided to the County Assessor within sixty (60) days after the transaction. Accordingly, Tenant must provide a copy of this Lease, and any renewals, extensions, Assignment documents, Sublease documents, or any other transfers of the Premises or the Lease to the County Assessor not later than sixty (60) days after the full execution of the foregoing, and any failure of Tenant to timely provide a copy of this Lease, and any renewals, extensions, Assignment document, Sublease documents, or any other transfers of the Premises or the Lease to the County Assessor will be a default under this Lease. Tenant will also timely provide any information that City may request to ensure compliance with this or any other reporting requirement.

35.3. Non-Discrimination in City Contracts and Benefits Ordinance

(a) **Covenant Not to Discriminate.** In the performance of this Lease, Tenant will not discriminate against any employee, any City employee working with Tenant, or applicant for employment with Tenant, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of protected classes, or in retaliation for opposition to discrimination against protected classes.

(b) Subleases and Other Subcontracts. Tenant will include in all Subleases and other subcontracts relating to the Premises a non-discrimination clause applicable to the Subtenant or other subcontractor in substantially the form of subsection (a) above. In addition, Tenant will incorporate by reference in all subleases and other subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and require all subtenants and other subcontractors to comply with those provisions. Tenant's failure to comply with the obligations in this subsection will constitute a material breach of this Lease.

(c) Non-Discrimination in Benefits. Tenant does not as of the date of this Lease and will not during the Term, in any of its operations in San Francisco, on real property owned by City, or where the work is being performed for City elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits, or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of the employees, where the domestic partnership has been registered with a governmental entity under the Legal Requirements authorizing that registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) CMD Form. As a condition to this Lease, Tenant will execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form CMD-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Contract Monitoring Division. Tenant represents that before execution of this Lease, **(i)** Tenant executed and submitted to the CMD Form CMD-12B-101 with supporting documentation, and **(ii)** the CMD approved the form.

(e) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of City property are incorporated in this Section by reference and made a part of this Lease as though fully set forth in this Lease. Tenant will comply fully with and be bound by all of the provisions that apply to this Lease under those Chapters of the Administrative Code, including the remedies provided in those Chapters. Without limiting the foregoing, Tenant understands that under Section 12B.2(h) of the San Francisco Administrative Code, a penalty of Fifty Dollars (\$50) for each person for each calendar day during which the person was discriminated against in violation of the provisions of this Lease may be assessed against Tenant and/or deducted from any payments due Tenant.

35.4. No Relocation Assistance; Release of Claims

Tenant acknowledges that it will not be a displaced person at the time this Lease is terminated or expires by its own terms, and Tenant fully RELEASES AND DISCHARGES forever any and all Losses against, and covenants not to sue, City, its departments, commissions, officers, directors, and employees, and all persons acting by, through or under each of them, under any Legal Requirements, including any and all claims for relocation benefits or assistance from City under federal and state relocation assistance Legal Requirements (including California Government Code Section 7260 et seq.), except as otherwise specifically provided in this Lease with respect to a Taking/Condemnation.

35.5. MacBride Principles—Northern Ireland

The provisions of San Francisco Administrative Code Section 12F are incorporated by this reference and made part of this Lease. By signing this Lease, Tenant confirms that Tenant has read and understood that City urges companies doing business in Northern Ireland to resolve employment inequities and to abide by the MacBride Principles, and urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

35.6. Tropical Hardwood and Virgin Redwood Ban; Preservative-Treated Wood Containing Arsenic

City urges companies not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product. Except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environment Code, Tenant will not provide any items to the construction of the Premises or the Alterations, or otherwise in the performance of this Lease, that are tropical hardwoods, tropical hardwood wood products, virgin redwood, or virgin redwood wood products. If Tenant fails to comply with any of the provisions of Chapter 8 of the San Francisco Environment Code, Tenant will be liable for liquidated damages for each violation in any amount equal to Tenant's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greater. Tenant may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of Environment Code Chapter 13 is obtained from the Department of Environment.

35.7. Restrictions on the Use of Pesticides

(a) Chapter 3 of the San Francisco Environment Code (the Integrated Pest Management Program Ordinance or “**IPM Ordinance**”) describes an integrated pest management (“**IPM**”) policy to be implemented by all City departments. Tenant may not use or apply or allow the use or application of any pesticides on the Premises or contract with any party to provide pest abatement or control services to the Premises without first receiving City's written approval of an IPM plan that (i) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Tenant may need to apply to the Premises during the Term, (ii) describes the steps Tenant will take to meet City's IPM Policy described in Section 300 of the IPM Ordinance, and (iii) identifies, by name, title, address, and telephone number, an individual to act as the Tenant's primary IPM contact person with City. Tenant will comply, and will require all of Tenant's contractors to comply, with the IPM plan approved by City and will comply with the requirements of Sections 300(d), 302, 304, 305(f), 305(g), and 306 of the IPM Ordinance, as if Tenant were a City department. Among other matters, the provisions of the IPM Ordinance: (i) provide for the use of pesticides only as a last resort, (ii) prohibit the use or application of pesticides on City property, except for pesticides granted an exemption under Section 303 of the IPM Ordinance (including pesticides included on the most current Reduced Risk Pesticide List compiled by City's Department of the Environment), (iii) impose certain notice requirements, and (iv) require Tenant to keep certain records and to report to City all pesticide use at the Premises by Tenant's staff or contractors.

(b) If Tenant or Tenant's contractor would apply pesticides to outdoor areas at the Premises, Tenant will first obtain a written recommendation from a person holding a valid Agricultural Pest Control Advisor license issued by the California Department of Pesticide Regulation (“**CDPR**”) and the pesticide application will be made only by or under the supervision of a person holding a valid, CDPR-issued Qualified Applicator certificate or Qualified Applicator license. City's current Reduced Risk Pesticide List and additional details about pest management on City property can be found at the San Francisco Department of the Environment website, <http://sfenvironment.org/ipm>.

35.8. Sunshine Ordinance

In accordance with Section 67.24(e) of the San Francisco Administrative Code, contracts, contractors' bids, leases, agreements, responses to Requests for Proposals, and all other records of communications between City and persons or firms seeking contracts will be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person's or organization's net worth or other proprietary financial data submitted for qualification for a contract, lease, agreement or other benefit until and unless that person or organization is awarded the contract, lease, agreement, or benefit. Information provided that is covered by this Section will be made available to the public on request.

35.10. Conflicts of Interest

Through its execution of this Lease, Tenant acknowledges that it is familiar with the provisions of Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and California Government

Code Section 87100 et seq. and Section 1090 et seq., and certifies that it does not know of any facts that would constitute a violation of those provisions, and agrees that if Tenant becomes aware of any violation during the Term, Tenant will immediately notify City.

35.11. Charter Provisions

This Lease is governed by and subject to the provisions of City's Charter and Municipal Code.

35.12. Drug-Free Workplace

Tenant acknowledges that under the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, possession, or use of a controlled substance under federal Legal Requirements is prohibited on City premises. Any violation of this prohibition by Tenant, its Agents, or assigns will be a material breach of this Lease.

35.13. Prohibition of Tobacco Sales and Advertising

Tenant acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on the Premises. This advertising prohibition includes the placement of the name of a company producing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. In addition, Tenant acknowledges and agrees that no Sales, Manufacture, or Distribution of Tobacco Products (as such capitalized terms are defined in Health Code Section 19K.1) is allowed on the Premises and such prohibition must be included in all subleases or other agreements allowing use of the Premises. The prohibition against Sales, Manufacture, or Distribution of Tobacco Products does not apply to persons who are affiliated with an accredited academic institution where the Sale, Manufacture, and/or Distribution of Tobacco Products is conducted as part of academic research.

35.14. Prohibition of Alcoholic Beverage Advertising

No advertising of alcoholic beverages is allowed on the Premises. For purposes of this section, "alcoholic beverage" is defined as set forth in California Business and Professions Code Section 23004, and does not include cleaning solutions, medical supplies, and other products and substances not intended for drinking. This advertising prohibition includes the placement of the name of a company producing alcoholic beverages or the name of any alcoholic beverage in any promotion of any event or product.

35.15. Requiring Health Benefits for Covered Employees

(a) Unless exempt, Tenant will comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance ("HCAO"), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as they may be amended from time to time. The provisions of Chapter 12Q are incorporated into this Lease by reference and made a part of this Lease as though fully set forth. The text of the HCAO is available on the web at <http://www.sfgov.org/olse/hcao>. Capitalized terms used in this Section and not defined in this Lease have the meanings assigned to those terms in Chapter 12Q.

(b) For each Covered Employee, Tenant will provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If Tenant chooses to offer the health plan option, the health plan must meet the minimum standards set forth by the San Francisco Health Commission.

(c) Notwithstanding the above, if the Tenant is a small business as defined in Section 12Q.3(e) of the HCAO, it will have no obligation to comply with subsection (a) above.

(d) Tenant's failure to comply with the HCAO will constitute a material breach of this Lease. City may notify Tenant if a breach has occurred. If, within thirty (30) days after receiving City's written notice of a breach of this Lease for violating the HCAO, Tenant fails to cure the breach or, if the breach cannot reasonably be cured within the thirty (30) days period, and Tenant fails to commence efforts to cure within that period, or fails diligently to pursue the cure to completion, then City will have the right

to pursue the remedies set forth in Section 12Q.5(f)(1-5). Each of these remedies will be exercisable individually or in combination with any other rights or remedies available to City.

(e) Any Subcontract entered into by Tenant will require the Subcontractor to comply with the requirements of the HCAO and contain contractual obligations substantially the same as those set forth in this Section. Tenant will notify City's Purchasing Department when it enters into a Subcontract and will certify to the Purchasing Department that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Tenant will be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, City may pursue the remedies set forth in this Section against Tenant based on the Subcontractor's failure to comply, provided that City has first provided Tenant with notice and an opportunity to cure the violation.

(f) Tenant may not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City regarding Tenant's compliance or anticipated compliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(g) Tenant represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(h) Tenant will keep itself informed of the current requirements of the HCAO.

(i) Tenant will provide reports to City in accordance with any reporting standards promulgated by City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(j) Tenant will provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least five (5) business days to respond.

(k) City may conduct random audits of Tenant to ascertain its compliance with HCAO. Tenant will cooperate with City when it conducts the audits.

(l) If Tenant is exempt from the HCAO when this Lease is executed because its amount is less than Fifty Thousand Dollars (\$50,000), but Tenant later enters into an agreement or agreements that cause Tenant's aggregate amount of all agreements with City to reach Seventy-Five Thousand Dollars (\$75,000), then all the agreements will be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Tenant and the Contracting Department to be equal to or greater than Seventy-Five Thousand Dollars (\$75,000) in the fiscal year.

35.16. Notification of Prohibition on Contributions

For the purposes of this Section, a "**City Contractor**" is a party that contracts with, or seeks to contract with, the City for the sale or leasing of any land or building to or from the City whenever such transaction would require the approval by a City elective officer, the board on which that City elective officer serves, or a board on which an appointee of that individual serves. Through its execution of this Lease, Tenant acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits a City Contractor from making any campaign contribution to (1) the City elective officer, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual or candidate, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for that contract or twelve (12) months after the date that contract is approved. Tenant acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$100,000 or more. Tenant further acknowledges that (i) the prohibition on contributions applies to Tenant, each member of Tenant's board of directors, Tenant's chief

executive officer, chief financial officer and chief operating officer, any person with an ownership interest of more than ten percent (10%) in Tenant, any subcontractor listed in the contract, and any committee that is sponsored or controlled by Tenant, and (ii) within thirty (30) days of the submission of a proposal for the contract, the City department seeking to enter into the contract must notify the Ethics Commission of the parties and any subcontractor to the contract. Additionally, Tenant certifies it has informed each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126 by the time it submitted a proposal for the contract to the City, and has provided the names of the persons required to be informed to the City department seeking to enter into that contract within thirty (30) days of submitting its contract proposal to the City department receiving that submittal, and acknowledges the City department receiving that submittal was required to notify the Ethics Commission of those persons.

35.17. Public Access to Meetings and Records.

If Tenant receives a cumulative total per year of at least \$250,000 in City funds or City-administered funds and is a non-profit organization as defined in Chapter 12L of the San Francisco Administrative Code, Tenant will comply with and be bound by all the applicable provisions of that Chapter. By executing this Lease, Tenant agrees to open its meetings and records to the public in the manner set forth in Sections 12L.4 and 12L.5 of the Administrative Code. Tenant further agrees to make good-faith efforts to promote community membership on its Board of Directors in the manner set forth in Section 12L.6 of the Administrative Code. Tenant acknowledges that its material failure to comply with any of the provisions of this paragraph will constitute a material breach of this Lease. Tenant further acknowledges that such material breach of the Agreement will be grounds for City to terminate and/or not renew this Lease, partially or in its entirety.

35.18 Resource Efficient City Buildings

Tenant acknowledges that City has enacted San Francisco Environment Code Sections 700 to 713 relating to green building requirements for the design, construction, and operation of buildings owned or leased by City. Tenant will comply with all applicable provisions of those code sections.

35.19. Food Service and Packaging Waste Reduction Ordinance

Tenant will comply with and is bound by all of the applicable provisions of the Food Service and Packaging Waste Reduction Ordinance, as set forth in the San Francisco Environment Code, Chapter 16, including the remedies provided therein, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated into this Lease by reference and made a part of this Lease as though fully set forth. Accordingly, Tenant acknowledges that City contractors and lessees may not use Food Service Ware for Prepared Food in City Facilities and while performing under a City contract or lease (1) where the Food Service Ware is made, in whole or in part, from Polystyrene Foam, (2) where the Food Service Ware is not Compostable or Recyclable, or (3) where the Food Service Ware is Compostable and not Fluorinated Chemical Free. The capitalized terms (other than Tenant and City) in the previous sentence are defined in San Francisco Environment Code Section 1602.

35.20. San Francisco Packaged Water Ordinance

Tenant will comply with San Francisco Environment Code Chapter 24 (“**Chapter 24**”). Tenant may not sell, provide, or otherwise distribute Packaged Water, as defined in Chapter 24 (including bottled water), in the performance of this Lease or on City property unless Tenant obtains a waiver from City’s Department of the Environment. If Tenant violates this requirement, City may exercise all remedies in this Lease and the Director of City’s Department of the Environment may impose administrative fines as set forth in Chapter 24.

35.21. Criminal History in Hiring and Employment Decisions

(a) Unless exempt, Tenant will comply with and be bound by all of the provisions of San Francisco Administrative Code Chapter 12T (Criminal History in Hiring and Employment Decisions), as

amended from time to time (“**Chapter 12T**”), which are incorporated into this Lease as if fully set forth, with respect to applicants and employees of Tenant who would be or are performing work at the Premises.

(b) Tenant will incorporate by reference the provisions of Chapter 12T in all subleases of some or all of the Premises, and require all subtenants to comply with those provisions. Tenant’s failure to comply with the obligations in this subsection will constitute a material breach of this Lease.

(c) Tenant and subtenants may not inquire about, require disclosure of, or if the information is received base an Adverse Action on an applicant’s or potential applicant for employment, or employee’s: (i) Arrest not leading to a Conviction, unless the Arrest is undergoing an active pending criminal investigation or trial that has not yet been resolved; (ii) participation in or completion of a diversion or a deferral of judgment program; (iii) a Conviction that has been judicially dismissed, expunged, voided, invalidated, or otherwise rendered inoperative; (iv) a Conviction or any other adjudication in the juvenile justice system; (v) a Conviction that is more than seven years old, from the date of sentencing; or (vi) information pertaining to an offense other than a felony or misdemeanor, such as an infraction.

(d) Tenant and subtenants may not inquire about or require applicants, potential applicants for employment, or employees to disclose on any employment application the facts or details of any conviction history, unresolved arrest, or any matter identified in subsection (c) above. Tenant and subtenants may not require that disclosure or make any inquiry until either after the first live interview with the person, or after a conditional offer of employment.

(e) Tenant and subtenants will state in all solicitations or advertisements for employees that are reasonably likely to reach persons who are reasonably likely to seek employment with Tenant or subtenant at the Premises, that the Tenant or subtenant will consider for employment qualified applicants with criminal histories in a manner consistent with the requirements of Chapter 12T.

(f) Tenant and subtenants will post the notice prepared by the Office of Labor Standards Enforcement (“**OLSE**”), available on OLSE’s website, in a conspicuous place at the Premises and at other workplaces within San Francisco where interviews for job opportunities at the Premises occur. The notice will be posted in English, Spanish, Chinese, and any language spoken by at least 5% of the employees at the Premises or other workplace at which it is posted.

(g) Tenant and subtenants understand and agree that on any failure to comply with the requirements of Chapter 12T, City will have the right to pursue any rights or remedies available under Chapter 12T or this Lease, including a penalty of \$50 for a second violation and \$100 for a subsequent violation for each employee, applicant, or other person as to whom a violation occurred or continued, or termination of this Lease in whole or in part.

(h) If Tenant has any questions about the applicability of Chapter 12T, it may contact City’s Real Estate Division for additional information. City’s Real Estate Division may consult with the Director of City’s Office of Contract Administration who may also grant a waiver, as set forth in Section 12T.8.

35.22. Vending Machines; Nutritional Standards

Tenant may not install or permit any vending machine on the Premises without the prior written consent of the HSH Executive Director. Any permitted vending machine will comply with the food and beverage nutritional standards and calorie labeling requirements set forth in San Francisco Administrative Code Section 4.9-1(c), as may be amended from time to time (the “**Nutritional Standards Requirements**”). Tenant will incorporate the Nutritional Standards Requirements into any contract for the installation of a vending machine on the Premises or for the supply of food and beverages to that vending machine. Failure to comply with the Nutritional Standards Requirements or to otherwise comply with this Section 29.22 will be a material breach of this Lease. Without limiting City’s other rights and remedies under this Lease, City will have the right to require the immediate removal of any vending machine on the Premises that is not permitted or that violates the Nutritional Standards Requirements.

35.23. All-Gender Toilet Facilities

If applicable, Tenant will comply with San Francisco Administrative Code Section 4.1-3 requiring at least one all-gender toilet facility on each floor of the Building where extensive renovations are made. An “all-gender toilet facility” means a toilet that is not restricted to use by persons of a specific sex or gender identity by means of signage, design, or the installation of fixtures, and “extensive renovations” means any renovation where the construction cost exceeds 50% of the cost of providing the toilet facilities required by Administrative Code Section 4.1-3. If Tenant has any question about applicability or compliance, Tenant should contact the Director of Property for guidance.

35.24. Tenant’s Compliance with City Business and Tax Regulations Code

Tenant acknowledges that under Section 6.10-2 of the San Francisco Business and Tax Regulations Code, the City Treasurer and Tax Collector may require the withholding of payments to any vendor that is delinquent in the payment of any amounts that the vendor is required to pay the City under the San Francisco Business and Tax Regulations Code. If, under that authority, any payment City is required to make to Tenant under this Lease is withheld, then City will not be in breach or default under this Lease, and the Treasurer and Tax Collector will authorize release of any payments withheld under this paragraph to Tenant, without interest, late fees, penalties, or other charges, upon Tenant coming back into compliance with its San Francisco Business and Tax Regulations Code obligations.

35.25. Consideration of Salary History

In addition to Tenant’s obligations as an employer under San Francisco Police Code Article 33J, Tenant must comply with San Francisco Administrative Code Chapter 12K. For each employment application to Tenant for work of eight (8) or more hours per week at the Premises, Tenant must not consider the applicant’s current or past salary (a “**Salary History**”) in deciding whether to hire the applicant or what salary to offer the applicant unless the applicant voluntarily discloses that Salary History without prompting. In addition, Tenant must not (1) ask those applicants about their Salary History, (2) refuse to hire, or otherwise disfavor, injure, or retaliate against applicants that do not disclose their Salary History, or (3) disclose a current or former employee’s Salary History without that employee’s authorization unless it is required by law, publicly available, or subject to a collective bargaining agreement.

Tenant is subject to the posting, enforcement, and penalty provisions in Chapter 12K. Information about Chapter 12K is available on the web at <https://sfgov.org/olse/consideration-salary-history>.

35.26. Local Hire Requirements. Any undefined, initially-capitalized term used in this Section has the meaning given to that term in San Francisco Administrative Code Section 23.62 (the “Local Hiring Requirements”). Improvements and Changes (as defined in this Lease) are subject to the Local Hiring Requirements unless the cost for such work is (i) estimated to be less than \$750,000 per building permit or (ii) meets any of the other exemptions in the Local Hiring Requirements. Tenant will comply with the Local Hiring Requirements to the extent applicable. Before starting any Tenant Improvement Work or any Alteration, Tenant will contact City’s Office of Economic Workforce and Development (“**OEWD**”) to verify if the Local Hiring Requirements apply to the work (i.e., whether the work is a “Covered Project”).

Tenant will include, and will require its subtenants to include, a requirement to comply with the Local Hiring Requirements in any contract for a Covered Project with specific reference to San Francisco Administrative Code Section 23.62. Each contract must name the City and County of San Francisco as a third-party beneficiary for the limited purpose of enforcing the Local Hiring Requirements, including the right to file charges and seek penalties. Tenant will cooperate, and require its subtenants to cooperate, with the City in any action or proceeding against a contractor or subcontractor that fails to comply with the Local Hiring Requirements when required. Tenant’s failure to comply with its obligations under this Section will constitute a material breach of this Lease. A contractor’s or subcontractor’s failure to comply

with this Section will enable the City to seek the remedies specified in San Francisco Administrative Code Section 23.62 against the breaching party.

35.27 Nondisclosure of Private Information. Tenant will comply fully with and be bound by all of the provisions of Chapter 12M of the San Francisco Administrative Code (the “**Nondisclosure of Private Information Ordinance**”), including the remedies provided. The provisions of the Nondisclosure of Private Information Ordinance are incorporated and made a part of this Lease as though fully set forth. Capitalized terms used in this section and not defined in this Lease have the meanings assigned to those terms in the Nondisclosure of Private Information Ordinance. Consistent with the requirements of the Nondisclosure of Private Information Ordinance, Tenant agrees to all of the following:

a. Neither Tenant nor any of its subcontractors will disclose Private Information, unless one of the following is true:

The disclosure is authorized by this Lease;

Tenant received advance written approval from the Contracting Department to disclose the information; or

The disclosure is required by law or judicial order.

b. Any disclosure or use of Private Information authorized by this Lease must be in accordance with any conditions or restrictions stated in this Lease. Any disclosure or use of Private Information authorized by a Contracting Department must be in accordance with any conditions or restrictions stated in the approval.

c. Private Information means any information that: (1) could be used to identify an individual, including, without limitation, name, address, social security number, medical information, financial information, date and location of birth, and names of relatives; or (2) the law forbids any person from disclosing.

d. Any failure of Tenant to comply with the Nondisclosure of Private Information Ordinance will be a material breach of this Lease. In such an event, in addition to any other remedies available to it under equity or law, City may terminate this Lease, debar Tenant, or bring a false claim action against Tenant.

35.28 Graffiti. Graffiti is detrimental to the health, safety, and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities, and the enjoyment of life; is inconsistent with City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and County and its residents, and to prevent the further spread of graffiti.

Tenant will remove all graffiti from the Premises and any real property owned or leased by Tenant in the City and County of San Francisco within forty-eight (48) hours of the earlier of Tenant's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require Tenant to breach any lease or other agreement that it

may have concerning its use of the real property. The term “graffiti” means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn, or painted on any building, structure, fixture, or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards, and fencing surrounding construction Premises, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. “Graffiti” does not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code section 987 *et seq.*) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 *et seq.*). Any failure of Tenant to comply with this section of this Lease will constitute an event of default of this Lease.

35.29 Sugar-Sweetened Beverage Prohibition. Tenant will not sell, provide, or otherwise distribute Sugar-Sweetened Beverages, as defined by San Francisco Administrative Code Chapter 101, as part of its performance of this Lease.

35.30 Possessory Interest Reporting.

Tenant recognizes and understands that this Lease may create a possessory interest subject to property taxation and that Tenant may be subject to the payment of property taxes levied on such interest. San Francisco Administrative Code Sections 23.38 and 23.39 require that certain information relating to the creation, renewal, extension, assignment, sublease, or other transfer of this Lease be provided to the County Assessor within sixty (60) days after the transaction. Accordingly, Tenant must provide a copy of this Lease to the County Assessor not later than sixty (60) days after the Effective Date, and any failure of Tenant to timely provide a copy of this Lease to the County Assessor will be a default under this Lease. Tenant will also timely provide any information that City may request to ensure compliance with this or any other reporting requirement.

35.31. San Francisco Packaged Water Ordinance.

Tenant will comply with San Francisco Environment Code Chapter 24 (“**Chapter 24**”). Tenant will not sell, provide or otherwise distribute Packaged Water, as defined in Chapter 24 (including bottled water), in the performance of this Lease or on City property unless Tenant obtains a waiver from the City’s Department of the Environment. If Tenant violates this requirement, the City may exercise all remedies in this Lease and the Director of the City’s Department of the Environment may impose administrative fines as set forth in Chapter 24.

35.32 San Francisco Labor and Employment Code.

As of January 4, 2024, San Francisco Administrative Code Chapters 21C (Miscellaneous Prevailing Wage Requirements), 12B (Nondiscrimination in Contracts), 12C (Nondiscrimination in Property Contracts), 12K (Salary History), 12P (Minimum Compensation), 12Q (Health Care Accountability), 12T (City Contractor/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions), and 12U (Sweatfree Contracting) are redesignated as Articles 102 (Miscellaneous Prevailing Wage Requirements), 131 (Nondiscrimination in Contracts), 132 (Nondiscrimination in Property Contracts), 141 (Salary History), 111 (Minimum Compensation), 121 (Health Care Accountability), 142 (City Contractor/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions), and 151 (Sweatfree Contracting) of the San Francisco Labor and Employment Code, respectively. Wherever this Lease refers to San Francisco Administrative Code Chapters 21C, 12B, 12C, 12K, 12P, 12Q, 12T, and 12U, it shall be construed to mean San Francisco Labor and Employment Code Articles 102, 131, 132, 141, 111, 121, 142, and 151, respectively.

36. AMENDMENTS

Neither this Lease nor any terms or provisions hereof may be changed, waived, discharged, or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge, or termination is sought. No waiver of any breach will affect or alter this Lease, but each and every term, covenant, and condition of this Lease will continue in full force and effect with respect to any other then-existing or subsequent breach thereof. Any amendments or modifications to this Lease, including, without limitation, amendments to or modifications to the exhibits to this Lease, will be subject to the mutual written agreement of City and Tenant, and City's agreement may be made upon the sole approval of the City's HSH Executive Director and Director of Property, or his or her designee; provided, however, material amendments, or modifications to this Lease (a) changing the legal description of the Premises, (b) increasing the Term, (c) decreasing the rent, (d) changing the general use of the Premises from the use authorized under this Lease, and (e) any other amendment or modification which materially increases the City's liabilities or financial obligations under this Lease, will additionally require the approval of the City's Board of Supervisors.

37. MEMORANDUM OF LEASE

This Lease may not be recorded, but a memorandum of this Lease will be recorded in the form attached hereto as Exhibit B ("**Memorandum of Lease**") in the Official Records. The Parties will execute the Memorandum of Lease in form and substance as required by a title insurance company insuring Tenant's leasehold estate or the interest of any leasehold mortgagee, if applicable, and sufficient to give constructive notice of this Lease to subsequent purchasers and mortgagees.

38. SURVIVAL

Termination or expiration of this Lease will not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Lease, the ability to collect any damages or sums due, and it will not affect any provision of this Lease that expressly states it will survive termination or expiration of this Lease.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, TENANT ACKNOWLEDGES AND AGREES THAT NO CITY OFFICER OR EMPLOYEE HAS AUTHORITY TO COMMIT CITY TO THIS LEASE UNLESS AND UNTIL CITY'S BOARD OF SUPERVISORS HAS DULY ADOPTED A RESOLUTION APPROVING THIS LEASE AND AUTHORIZING THE TRANSACTIONS CONTEMPLATED HEREBY. THEREFORE, ANY CITY OBLIGATIONS OR LIABILITIES UNDER THIS LEASE ARE CONTINGENT ON ADOPTION OF A RESOLUTION, AND THIS LEASE WILL BE NULL AND VOID IF CITY'S MAYOR AND THE BOARD OF SUPERVISORS DO NOT APPROVE THIS LEASE, IN THEIR RESPECTIVE SOLE DISCRETION. APPROVAL OF THIS LEASE BY ANY CITY DEPARTMENT, COMMISSION, OR AGENCY WILL NOT BE DEEMED TO IMPLY THAT A RESOLUTION WILL BE ENACTED, AND NO APPROVAL WILL CREATE ANY BINDING CITY OBLIGATIONS.

[signatures follow]

IN WITNESS WHEREOF, City and Tenant have executed this Lease as of the date first written above.

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
Andrico Q. Penick
Director of Property

Recommended by:

By: _____
Shireen McSpadden
Executive Director
Department of Homelessness and Supportive Housing

APPROVED AS TO FORM:

DAVID CHIU
City Attorney

By: _____
JESSICA ALFARO-CASSELLA
Deputy City Attorney

TENANT:

ABODE PROPERTY MANAGEMENT,
a California nonprofit public benefit corporation

By: _____
Name: Louis Chicoine
Title: Chief Executive Officer

EXHIBIT A

Legal Description of the Site

All that certain real property located in the City and County of San Francisco, State of California, described as follows:

ALL THAT CERTAIN REAL PROPERTY AS SHOWN ON THAT CERTAIN MAP ENTITLED, "PARCEL MAP 9708, A THREE PARCEL VERTICAL SUBDIVISION", BEING A SUBDIVISION OF LOT 291, ASSESSOR'S BLOCK 3730, SAN FRANCISCO, CALIFORNIA", FILED DECEMBER 27, 2019, IN THE OFFICE OF THE RECORDER OF THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, IN BOOK 50 OF PARCEL MAPS, AT PAGES 31-34, INCLUSIVE.

APN: LOT 408, BLOCK 3730, LOT 409, BLOCK 3730, LOT 410, BLOCK 3730, FORMERLY A PORTION OF LOT 291, BLOCK 3730

EXHIBIT B

Memorandum of Lease

Free Recording Requested under
Government Code Section 27383

When recorded, mail to:

Real Estate Division
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: Director of Property

MEMORANDUM OF GROUND LEASE

This Memorandum of Ground Lease (“**Memorandum**”) is entered into as of October 1, 2024, by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (the “**City**”), acting by and through its Real Estate Division and the Department of Homelessness and Supportive Housing, and ABODE PROPERTY MANAGEMENT, a California nonprofit public benefit corporation, as tenant (“**Tenant**”), with respect to that certain Lease (the “**Lease**”) dated October 1, 2024, between the City and Tenant.

Under the Lease, City hereby leases to Tenant and Tenant leases from City the real property more particularly described in Exhibit A attached hereto and incorporated herein by this reference (the “**Property**”). The Lease will commence on the date set forth above and will end on the date that is five (5) years from the date set forth above, subject to ten (10) 5-year options to extend, unless terminated earlier or extended pursuant to the terms of the Lease.

It is the intent of the parties to the Lease that the Lease creates a constructive notice of severance of the Improvements (as defined in the Lease), without the necessity of a deed from Lessor to Lessee, which Improvements are and will remain real property.

This Memorandum incorporates herein all of the terms and provisions of the Lease as though fully set forth herein.

This Memorandum is solely for recording purposes and will not be construed to alter, modify, amend, or supplement the Lease, of which this is a memorandum.

This Memorandum may be signed by the parties hereto in counterparts with the same effect as if the signatures to each counterpart were upon a single instrument. All counterparts will be deemed an original of this Memorandum.

Notwithstanding any statement on the face of this Memorandum or on any attachment to the Memorandum of the amount of documentary transfer tax due in connection with the Lease,

City's signature on this Memorandum does not constitute the City Assessor Recorder's agreement that the real property transfer tax due is that amount.

Executed as of _____, 20__ in San Francisco, California.

TENANT:

ABODE PROPERTY MANAGEMENT,
a California nonprofit public benefit corporation

By: _____
Name: Louis Chicoine
Title: Chief Executive Officer

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
Andrico Q. Penick
Director of Property

By: _____
Shireen McSpadden
Executive Director
Department of Homelessness and Supportive Housing

APPROVED AS TO FORM:

DAVID CHIU, City Attorney

By: _____
JESSICA ALFARO-CASSELLA
Deputy City Attorney

EXHIBIT C

Assignment of Contracts and Warranties

THIS ASSIGNMENT is made and entered into as of this ____ day of _____, 2024, by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("Assignor"), and _____, a _____ ("Assignee").

FOR GOOD AND VALUABLE CONSIDERATION, the receipt of which is hereby acknowledged, effective as of the date hereof, Assignor hereby assigns and transfers to Assignee all of Assignor's right, title, claim and interest in and under:

- A. the contracts listed in the attached Schedule 1 (the "Contracts"); and
- B. all warranties and guaranties made by or received from any third party with respect to any building, building component, structure, system, fixture, machinery, equipment, or material situated on, contained in any building or other improvement situated on, or comprising a part of any building or other improvement situated on, any part of that certain real property described in Exhibit A attached hereto including, without limitation, those warranties and guaranties listed in Schedule 2 attached hereto (collectively, "Warranties").

ASSIGNOR AND ASSIGNEE FURTHER HEREBY AGREE AND COVENANT AS FOLLOWS:

- 1. Assignor hereby agrees to indemnify Assignee against and hold Assignee harmless from any and all costs, liabilities, losses, damages or expenses (including, without limitation, reasonable attorneys' fees), originating prior to the date hereof and arising out of the owner's obligations under the Contracts.
- 2. Effective as of the date hereof, Assignee hereby assumes all of the owner's obligations under the Contracts and agrees to indemnify Assignor against and hold Assignor harmless from any and all costs, liabilities, losses, damages or expenses (including, without limitation, reasonable attorneys' fees), originating on or subsequent to the date hereof and arising out of the owner's obligations under the Contracts.
- 3. In the event of any litigation between Assignor and Assignee arising out of this Assignment, the losing party shall pay the prevailing party's costs and expenses of such litigation, including, without limitation, attorneys' fees.
- 4. This Assignment shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest and assigns.
- 5. This Assignment shall be governed by and construed in accordance with the laws of the State of California.
- 6. This Assignment may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date first written above.

ASSIGNOR:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
Andrico Q. Penick
Director of Property

APPROVED AS TO FORM:

DAVID CHIU, City Attorney

By: _____
JESSICA ALFARO-CASSELLA
Deputy City Attorney

ASSIGNEE:

ABODE PROPERTY MANAGEMENT,
a California nonprofit public benefit corporation

By: _____
Name: Louis Chicoine
Title: Chief Executive Officer

Schedule 1

List of Contracts

- 1. Fire alarm system inspection, monitoring, and services by and between Pyro-Comm Systems, Inc as of January 4, 2021.**
- 2. Laundry equipment and maintenance by and between WASH Laundry as of March 8, 2021.**
- 3. Elevator maintenance by and between ThyssenKrupp Elevator Corporation as of March 18, 2021.**

Schedule 2

List of Warranties

None

EXHIBIT D

Assignment of Leases

THIS ASSIGNMENT is made and entered into as of this ____ day of _____, 2024, by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("**Assignor**"), and _____, a _____ ("**Assignee**").

FOR GOOD AND VALUABLE CONSIDERATION, the receipt of which is hereby acknowledged, effective as of the date hereof, Assignor hereby assigns and transfers to Assignee all of Assignor's right, title, claim and interest in and under certain leases executed with respect to that certain real property commonly known as 1174-1178 Folsom Street and 663 Clementina Street, San Francisco (the "**Property**") as more fully described in Schedule 1 attached hereto (collectively, the "**Leases**"). Initially capitalized terms used but not defined in this Assignment have the meanings given to them in the Purchase Agreement.

ASSIGNOR AND ASSIGNEE FURTHER HEREBY AGREE AND COVENANT AS FOLLOWS:

1. Assignor represents and warrants that, as of the date of this Assignment, the attached Schedule 1 includes all of the Leases and occupancy agreements affecting any of the Property. As of the date hereof, there are no assignments of or agreements to assign the Leases to any other party.
2. Assignor hereby agrees to indemnify Assignee against and hold Assignee harmless from any and all costs, liabilities, losses, damages or expenses (including, without limitation, reasonable attorneys' fees), originating prior to the date hereof and arising out of the landlord's obligations under the Leases.
3. Effective as of the date hereof, Assignee hereby assumes all of the landlord's obligations under the Leases and agrees to indemnify Assignor against and hold Assignor harmless from any and all costs, liabilities, losses, damages or expenses (including, without limitation, reasonable attorneys' fees), originating on or subsequent to the date hereof and arising out of the landlord's obligations under the Leases.
4. This Assignment will be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest and assigns.
5. This Assignment is governed by and will be construed in accordance with the laws of the State of California.
6. This Assignment may be executed in two (2) or more counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same instrument.

[SIGNATURES ON FOLLOWING PAGE]

Assignor and Assignee have executed this Assignment as of the day and year first written above.

ASSIGNOR:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
Andrico Q. Penick
Director of Property

APPROVED AS TO FORM:

DAVID CHIU, City Attorney

By: _____
JESSICA ALFARO-CASSELLA
Deputy City Attorney

ASSIGNEE:

ABODE PROPERTY MANAGEMENT,
a California nonprofit public benefit corporation

By: _____
Name: Louis Chicoine
Title: Chief Executive Officer

Its: _____

Schedule 1

Leases

1. Bay of Burma Standard Retail Lease dated as of October 14, 2021



DEPARTMENT OF
HOMELESSNESS AND
SUPPORTIVE HOUSING

Abode Property Management: 1174 Folsom Street Ground Lease & Funding Agreement

Budget and Finance Committee | October 9, 2024



Proposed Ground Lease

- **Resolution:** Approve the **Ground Lease** with **Abode Property Management** for the city-owned property at **1174 Folsom Street** to operate as permanent supportive housing for young adults.
- **Term:** Initial term of **5 years** with 10 extensions of 5 years each for a maximum **term of 55 years**.
 - Developed to closely mirror MOHCD's affordable housing model.
- **Amount:** Total rent of **\$1.00**.
 - The below market rent will serve a public purpose by providing permanent supportive housing for low-income and formerly homeless households in accordance with Administrative Code Section 23.33

Proposed Funding Agreement

- **Resolution:** Approve the **Property Management Agreement** with **Abode Property Management** for the city-owned property at **1174 Folsom Street** to operate as permanent supportive housing for young adults.
- **Term:** **November 1, 2024 – June 30, 2029**
- **Amount:** **\$14,177,264**

1174 Folsom: Project Overview

- Permanent Supportive Housing for Young Adults:
 - **42 units**
 - Serves young adults 18 – 24
- **Abode Property Management** was selected to provide property management for this project.
- **New construction** (2021) with individual bathrooms, onsite laundry, outdoor and community space, an elevator, and easy access to transit.



Young Adult Homelessness in San Francisco

- 2024 PIT Count estimates **~1,137 youth ages 18 to 24** are experiencing homelessness on any given night in San Francisco
 - 68% are unsheltered
 - 63% are in school or employed
 - 38% are LGBTQ+
- **Ten PSH acquisitions** since 2020
 - Four of these sites (142 units) serve young adults.

All HSH Housing*

- **13,341** total units/slots
- **9,018** site-based PSH units

Young Adult Housing*

- **759** total units/slots
- **291** site-based PSH units

**Does not include 66 units of young adult housing at 1174 Folsom and 42 Otis as programs have not opened.*

Community Commitments

HSH has worked closely with the **SOMA West Community**, the Mayor's Office and Supervisor Dorsey to ensure that the program at 1174 Folsom can be a positive addition to the SOMA West Community.

- **Security:** Private security is in place 8 hours a day and will continue during operations
- **Safety and Cleanliness:** HSH and DPH are funding an expansion of the SOMA West Community Benefits District's ambassador program to provide 24/7 public safety support in the area
 - Including dedicated ambassadors on Russ Street to support a safe passageway for youth and families in the neighborhood.



DEPARTMENT OF
HOMELESSNESS AND
SUPPORTIVE HOUSING

Questions?



GENERAL PLAN REFERRAL

May 8, 2023

Case No.: 2023-004064GPR
Block/Lot No.: 3730/408-410
Project Sponsor: City and County of San Francisco Department of Homelessness and Supportive Housing
Applicant: Daniel Adams, Office of Mayor London Breed
Dan.Adams@sfgov.org
1 Dr Carlton B Goodlett Place
San Francisco, CA 94102
Staff Contact: Amnon Ben-Pazi – (628) 652-7428
Amnon.Ben-Pazi@sfgov.org

Recommended By: 
AnMarie Rodgers, Director of Citywide Policy for
Rich Hillis, Director of Planning

Recommendation: Finding the project, on balance, is **in conformity** with the General Plan

Project Description

The City and County of San Francisco Department of Homelessness and Supportive Housing proposes to purchase the property at 1174-78 Folsom/663 Clementina Street for use as permanently affordable supportive housing for formerly homeless households. The building was constructed in 2021 and includes 42 studio housing units and ground-floor commercial space.

Section 2A.53 of the San Francisco Administrative Code requires a written report from the Planning Department to the Board of Supervisors on the consistency of the proposed acquisition with the General Plan.

Environmental Review

The proposed Project is a real estate transaction only. It is not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it would not result in a direct or indirect physical change in the environment.

General Plan Compliance and Basis for Recommendation

As described below, the proposed Project is consistent with the Eight Priority Policies of Planning Code Section 101.1 and is, on balance, in conformity with the Objectives and Policies of the General Plan.

Note: General Plan Objectives are shown in **BOLD UPPER CASE** font; Policies are in **Bold** font; staff comments are in *italic* font.

HOUSING ELEMENT

OBJECTIVE 1.A

ENSURE HOUSING STABILITY AND HEALTHY HOMES.

OBJECTIVE 1.B

ADVANCE EQUITABLE HOUSING ACCESS.

OBJECTIVE 1.C

ELIMINATE HOMELESSNESS.

OBJECTIVE 4.A

SUBSTANTIALLY EXPAND THE AMOUNT OF PERMANENTLY AFFORDABLE HOUSING FOR EXTREMELY LOW- TO MODERATE-INCOME HOUSEHOLDS.

Policy 3

Acquire and rehabilitate privately-owned housing as permanently affordable to better serve residents and areas vulnerable to displacement with unmet affordable housing needs.

Policy 8

Expand permanently supportive housing and services for individuals and families experiencing homelessness as a primary part of a comprehensive strategy to eliminate homelessness.

The Project is the acquisition of a recently constructed privately-owned residential building for use as permanently affordable supportive housing for formerly homeless households.

WESTERN SOMA AREA PLAN**OBJECTIVE 3.4****RETAIN AND IMPROVE EXISTING HOUSING AFFORDABLE TO PEOPLE OF ALL INCOMES.****Policy 3.4.2**

Consider acquisition programs of existing housing by government and/or community non-profit organizations for rehabilitation and dedication as permanently affordable housing.

The Project is the acquisition of an existing privately-owned residential building by the City, for use as permanently affordable supportive housing for formerly homeless households.

Planning Code Section 101 Findings

Planning Code Section 101.1 establishes Eight Priority Policies and requires review of discretionary approvals and permits for consistency with said policies. The Project is found to be consistent with the Eight Priority Policies as set forth in Planning Code Section 101.1 for the following reasons:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced;

The Project is the acquisition of an existing building which includes ground-floor commercial spaces that would be preserved. The Project would thus help preserve existing neighborhood-serving retail uses.

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods;

The Project would conserve existing housing. It would protect neighborhood character by allowing San Francisco households that have experienced homelessness to continue living in the City, thus preserving the neighborhood's cultural and economic diversity.

3. That the City's supply of affordable housing be preserved and enhanced;

The Project would enhance the City's supply of affordable housing. The Project is the acquisition of an existing privately-owned residential building for use as permanently affordable housing.

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking;

The Project is the acquisition of an existing building. It would not result in commuter traffic impeding MUNI transit service or overburdening streets or neighborhood parking.

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced;

The Project is the acquisition of a predominantly residential building with ground-floor commercial space. Existing commercial uses would be retained. The Project would thus not cause displacement of businesses in the industrial or service sectors and will have no impact on future opportunities for resident employment or ownership in these sectors.

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake;

The Project is the acquisition of an existing recently built residential building which was constructed according to all required safety standards. It would not have an adverse effect on City's preparedness against injury and loss of life in an earthquake.

7. That the landmarks and historic buildings be preserved;

The Project is the acquisition of an existing building. It would have no impact on the City's Landmarks and historic buildings.

8. That our parks and open space and their access to sunlight and vistas be protected from development;

The Project is the acquisition of an existing building. It would have no impact on the City's parks and open space and their access to sunlight and vistas.

Recommendation: Finding the project, on balance, is in conformity with the General Plan



GENERAL PLAN REFERRAL NOTE TO FILE

August 21, 2024

2023-004064GPR

1174-1178 Folsom Street & 663 Clementina Street

Staff contact: Amnon Ben-Pazi, amnon.ben-pazi@sfgov.org

On May 8, 2023, the Planning Department issued a General Plan Referral (GPR) determination letter for the property at 1174-1178 Folsom Street & 663 Clementina Street (Block/Lot numbers 3730/408-410) under case number 2023-004064GPR. The Project was the acquisition of an existing mixed-use building for use as permanent supportive housing for formerly homeless households.

Following acquisition of the property, the San Francisco Department of Homelessness and Supportive Housing proposes to enter into an agreement with a housing and supportive services provider to provide property management and support services at the property. There will be a separate agreement to ground lease the property.

This Note to the File clarifies that (1) the proposed ground lease at 1174-1178 Folsom Street & 663 Clementina Street is also consistent with the General Plan and Planning Code Section 101.1 for the reasons set forth in case number 2023-004064GPR; and (2) the Board of Supervisors can rely on the General Plan and Planning Code Section 101.1 Consistency Findings set forth in case number 2023-004064GPR for the sake of the action that is now before them.

Further, this Note to the File clarifies that the environmental clearance findings of case number 2023-004064GPR can be also applied to the ground lease now before the Board of Supervisors.

Sincerely,

Amnon Ben-Pazi

Amnon Ben-Pazi, Senior Planner

amnon.ben-pazi@sfgov.org

San Francisco Planning

49 South Van Ness Avenue, Suite 1400

San Francisco, CA 94103

Direct: 628.652.7428



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 . www.sfethics.org

Received On:

File #: 240847

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

2. CITY ELECTIVE OFFICE OR BOARD	
OFFICE OR BOARD	NAME OF CITY ELECTIVE OFFICER
Board of Supervisors	Members

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

4. CONTRACTING DEPARTMENT CONTACT	
NAME OF DEPARTMENTAL CONTACT	DEPARTMENT CONTACT TELEPHONE NUMBER
Dylan Schneider	628-652-7742
FULL DEPARTMENT NAME	DEPARTMENT CONTACT EMAIL
HOM Homelessness and Supportive Housing	dylan.schneider@sfgov.org

5. CONTRACTOR	
NAME OF CONTRACTOR Abode Property Management	TELEPHONE NUMBER 408-941-1850
STREET ADDRESS (including City, State and Zip Code) 481 Valley way, Milpitas, CA. 95035	EMAIL

6. CONTRACT		
DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)	ORIGINAL BID/RFP NUMBER	FILE NUMBER (If applicable) 240847
DESCRIPTION OF AMOUNT OF CONTRACT \$1		
NATURE OF THE CONTRACT (Please describe) Ground Lease with Abode Property Management for the real property owned by the City, located at 1174-1178 Folsom Street and 663 Clementina Street (collectively, the "Property"), for an initial lease term of five years with ten automatic extensions of the lease term for an additional period of five years each and a total rent not to exceed \$1.00, in order to operate the Property as permanent supportive housing.		

7. COMMENTS

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	Chicoine	Louis	CEO
2	Nunley	Juana	Other Principal Officer
3	Ballard	Theresa	Board of Directors
4	Lee	John	Board of Directors
5	Stolarzyk	Lynette	Board of Directors
6	Inamadar	Reshma	Board of Directors
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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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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			
45			
46			
47			
48			
49			
50			
<input type="checkbox"/>	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>SIGNATURE OF CITY ELECTIVE OFFICER OR BOARD SECRETARY OR CLERK</p> <p>BOS Clerk of the Board</p>	<p>DATE SIGNED</p>
---	---------------------------

From: [Trejo, Sara \(MYR\)](#)
To: [BOS Legislation, \(BOS\)](#)
Cc: [Paulino, Tom \(MYR\)](#); [Schneider, Dylan \(HOM\)](#); [Cohen, Emily \(HOM\)](#); [Gil, Hailey \(HOM\)](#)
Subject: Mayor -- Resolution -- 1178 Folsom Street and 663 Clementina Street Ground Lease
Date: Tuesday, September 3, 2024 2:25:14 PM
Attachments: [Resolution - 1174 Folsom Ground Lease - HSH_V1.docx](#)
[Resolution - 1174 Folsom Ground Lease - HSH_v1 - DocuSigned.pdf](#)
[2023-004064GPR Note to File August 21 2024.pdf](#)
[Final Draft - Abode - 1174 Folsom Ground Lease - 11.24 - 6.29.pdf](#)
[Original GPR - 1174 Folsom - 050823.pdf](#)

Hello Clerks,

Attached is a Resolution 1) approving and authorizing the Director of Property and the Executive Director of the Department of Homelessness and Supportive Housing (“HSH”) to enter into a Ground Lease with Abode Property Management for the real property owned by the City, located at 1174-1178 Folsom Street and 663 Clementina Street (collectively, the “Property”), for an initial lease term of five years with ten automatic extensions of the lease term for an additional period of five years each and a total rent not to exceed \$1.00, in order to operate the Property as permanent supportive housing; 2) determining in accordance with Administrative Code, Section 23.33 that the below market rent payable under the Ground Lease will serve a public purpose by providing permanent supportive housing for formerly homeless and low-income households; 3) adopting findings declaring that the Property is "exempt surplus land" under the California Surplus Land Act; 4) affirming the Planning Department's determination under the California Environmental Quality Act, and adopting the Planning Department's findings of consistency with the General Plan, and the eight priority policies of the Planning Code, Section 101.1; and 5) authorizing the Director of Property and/or the HSH Executive Director to execute and make certain modifications to the Ground Lease, as defined herein, and take certain actions in furtherance of this Resolution, as defined herein.

Best regards,

Sara Trejo

Legislative Aide

Office of the Mayor

City and County of San Francisco