

File No. 201267

Committee Item No. 5

Board Item No. 17

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date December 9, 2020

Board of Supervisors Meeting

Date December 15, 2020

#### Cmte Board

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

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

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|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Extension Option Letter</u>                    |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Rent Calculation</u>                           |
| <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <u>Department Presentation - December 9, 2020</u> |
| <input type="checkbox"/>            | <input type="checkbox"/>            | _____   |
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Completed by: Linda Wong

Date December 4, 2020

Completed by: Linda Wong

Date December 10, 2020

1 [Real Property Lease Extension - LE NAIN SF, LLC - 730 Eddy Street - Permanent  
2 Supportive Housing - \$896,923 Annual Base Rent]

3 **Resolution authorizing the Director of Property, on behalf of the Department of**  
4 **Homelessness and Supportive Housing, to exercise a Lease Extension Option for**  
5 **the real property located at 730 Eddy Street, with LE NAIN SF, LLC for continued use**  
6 **of 92 units of permanent supportive housing, for a ten-year term commencing on**  
7 **February 1, 2021, at the monthly base rent of \$74,743.56 for a total annual base rent**  
8 **of \$896,923.**

9  
10 WHEREAS, The City and County of San Francisco (“City”) entered into a ten year  
11 lease commencing on February 1, 2011, (“Lease”) with LE NAIN SF, LLC (“Landlord”) for  
12 92 units of permanent supportive housing, including restrooms, common areas, storage  
13 facilities and a portion of the basement (collectively, the “Premises”), located in the building  
14 known as Le Nain Hotel at 730 Eddy Street; and

15 WHEREAS, The Lease provides for two options, each extending the term of the  
16 Lease for an additional ten years (each an “Extended Term”) on the same terms and  
17 conditions, except an adjustment of monthly base rent for the first year of any Extended  
18 Term to the greater of: (a) 51% of the most recent Governmental Rent Index for an  
19 efficiency unit, multiplied by 92 units; or (b) 100% of current monthly rent, a copy of the  
20 Lease is on file with the Clerk of the Board of Supervisors in File No. 000484; and

21 WHEREAS, Pursuant to that condition of the Lease, the base monthly base rent  
22 under the upcoming Extended Term under the Government Rent Index calculation equals  
23 \$99,658.08 per month, which is greater than the current monthly rent of \$74,675.96; and

24 WHEREAS, The Real Estate Division (“RED”), on behalf of the Department of  
25 Homelessness and Supportive Housing (“HSH”), exercised its first Extended Term option,

1 and despite the prescriptive amount of \$99,658.08 per month, RED and Landlord agreed to  
2 an initial base rent of \$74,743.56 per month, which is approximately thirty-three percent  
3 (33%) less than the monthly base rent otherwise to be due, a copy of the rent calculation  
4 worksheet and Landlord's confirmation letter are on file with the Clerk of the Board of  
5 Supervisors in File No. 201267; and

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

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

12 FURTHER RESOLVED, That commencing upon the Extended Term, the monthly  
13 base rent shall be \$74,743.56 increasing annually by Consumers Price Index between  
14 3.5% and 6%; and, be it

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

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

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<p><b>Item 5</b> <b>File 20-1267</b></p>	<p><b>Department:</b> Department of Homelessness and Supportive Housing (HSH), Real Estate Division (RED)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would exercise the option to extend the lease at 30 Eddy Street between Hotel Le Nain, LLC as landlord and the Department of Homelessness and Supportive Housing (HSH) as tenant, for a term of ten years, from February 2021 through February 2031.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• The original lease was approved by the Board of Supervisors in February 2011, with two ten-year options to extend. The site, Hotel Le Nain, currently functions as SRO housing for formerly homeless residents with complex medical, mental health, and/or substance use diagnoses.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The existing lease sets rent, on exercise of the extension option, at the greater of either fair market rent or 103 percent of rent during the prior lease year. According to the Real Estate Division, fair market rent is based on a formula defined by the federal Department of Housing and Urban Development. The first year rent under the proposed lease extension is set at \$74,744, or \$896,924 per year, and will increase between 3.5 and 6 percent per year over the duration of the lease term. First year costs, including rent, building repair, utilities and custodial services are \$1,148,924, and total estimated leases costs over the ten-year extension period are \$13.74 million.</li> <li>• Funding is the Department of Homelessness &amp; Supportive Housing General Fund budget in FY 2020-21 and FY 2021-22.</li> </ul> <p style="text-align: center;"><b>Policy Consideration</b></p> <ul style="list-style-type: none"> <li>• The Department of Homelessness and Supportive Housing’s FY 2020-21 expenditures are expected to exceed original budget projections due to costs associated with the Shelter in Place (SIP) Hotel Program, Congregate Shelter Program and the Safe Sleeping Program, and lower-than-anticipated FEMA reimbursement eligibility of these costs.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

## MANDATE STATEMENT

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

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

## BACKGROUND

### Hotel Le Nain

In March 2000, the Department of Public Health (DPH) as tenant entered into a ten year lease with Hotel Le Nain, LLC as the landlord for Hotel Le Nain, located at 730 Eddy Street to house approximately 92 individuals.<sup>1</sup> At that time, the site was being used as a Direct Access to Housing (DAH) site to provide supportive housing for homeless, medically frail and extremely low-income residents.<sup>2</sup> While DPH leased the site, the property management function and the supportive services programs were provided through homelessness-focused nonprofits.

In February 2011, the Board of Supervisors authorized a new lease for Hotel Le Nain with the Department of Public Health as the tenant and Hotel Le Nain, LLC, as the landlord, for an additional ten years, from February 1, 2011 to January 31, 2021, for 92 units of supportive housing, including restrooms and common areas, storage facilities and a portion of the basement.<sup>3</sup> The Hotel continued to operate as a Direct Access to Housing (DAH) site and was used exclusively as a senior housing project.<sup>4</sup> The lease was transferred to the new Department of Homelessness and Supportive Housing in FY 2016-17, and new tenants are referred through the Department of Homelessness and Supportive Housing's Coordinated Entry.<sup>5</sup>

Hotel Le Nain has four floors and 92 housing units. Hotel Le Nain is currently managed by the nonprofit Delivering Innovation in Supportive Housing (DISH), which manages multiple SRO sites in the City and has been managing Hotel Le Nain since 2007.

Section 4.3 of the lease allows for two ten-year options to extend, at the greater of either fair market rent or 100 percent of rent during the prior lease year, and with a base rent increase of between 3 to 6.5 percent each year.<sup>6</sup>

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<sup>1</sup> File 00-0484

<sup>2</sup> Direct Access to Housing (DAH) is a program that provides permanent supportive housing to San Francisco residents who are experiencing homelessness and have complex medical, mental health, and/or substance use diagnoses.

<sup>3</sup> File 10-1506

<sup>4</sup> "DISH: The Le Nain. <https://dishsf.org/the-lenain/>

<sup>5</sup> Coordinated Entry provides specific entry points into the homelessness and functions as a way to allocate services.

<sup>6</sup> According to Section 4.3, fair market rent for the residential premises is calculated as using 51% of the monthly allowance for a single zero bedroom ("Efficiency") rental unit in the most recently published Governmental Rent Index, multiplied by 92 units. Efficiency Unit Rent Allowance is  $(.51) \times (2,124) \times 92 = \$99,658.08$  (monthly rate). SRO Unit Rent Allowance  $(.51) \times (1,593) \times 92 = \$74,743.56$  (monthly rate). Rent for the 2<sup>nd</sup> through 10<sup>th</sup> lease years will increase between 3 and 6.5 percent, depending on the Consumer Price Index. 730 Eddy St. Master Lease, Section

The Real Estate Division negotiated rent for the ten-year extension based on the fair market rent for SRO units of \$74,144 (\$896,924 per year).

### DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a lease extension between the Department of Homelessness and Supportive Housing (HSH), and the landlord, Hotel Le Nain, LLC for continued use of 92 units of Permanent Supportive Housing at 730 Eddy Street for a term of ten additional years, from February 1, 2021 through February 1, 2031, with initial annual base rent of \$896,924 and 3.5 to 6 percent annual increases thereafter (consistent with the Consumer Price Index). The current lease expires on January 31, 2021.

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

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

<b>Landlord</b>	Hotel Le Nain, LLC
<b>Tenant</b>	City
<b>Building</b>	730 Eddy St ("Le Nain Hotel")
<b>Premises</b>	Residential premises, located at 730 Eddy St.
<b>Square Feet</b>	25,200
<b>Term</b>	Ten years, from February 2021 through February 2031
<b>Monthly Rent</b>	\$74,744
<b>Annual Base Rent</b>	\$896,924 (\$35.60 per square foot)
<b>Rent Increases</b>	3.5% - 6% per year, based on CPI
<b>Utilities and Janitorial Services</b>	Paid by City
<b>Operating Costs</b>	Paid by City

Source: Lease with Hotel Le Nain, LLC

### FISCAL IMPACT

Under the proposed lease extension, the Department of Homelessness and Supportive Housing (HSH) would pay an initial base rent of \$896,924, with 3.5 to 6 percent annual increases (depending on the Consumer Price Index). Over the ten-year extension term, HSH would pay an estimated \$10,570,926 in base rent (based on 3.6 percent inflationary increase per year).<sup>7</sup>

The Department would also pay utilities, repairs and custodial costs, which is an estimated \$3,169,630 over the ten-year period. According to Josh Keene, Real Estate Division Special

4.2. According to Mr. Josh Keene, RED Special Projects and Transactions Manager, the 51% of FMR metric is a HUD calculation included in most of the PSH master leases entered into by DPH in the late 2000s and early 2020s. The leases were assigned to HSH by DPH at the time HSH was formed. The specific origination during DPH's oversight is not known at this time.

<sup>7</sup> Since 2011, the annual rent has increased from \$656,933 to \$896,112, which is an increase of approximately 36% over 10 years, or an average of 3.6% per year.

Projects and Transactions Manager, the initial annual janitorial, custodial and repair costs are estimated at approximately \$252,000 and are expected to increase at about 5% per year.<sup>8</sup>

The combined estimated total for the ten-year extension period is \$13,740,556. See table 2 below.

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

Year	Base Rent	Utilities and Custodial Costs	Repair Costs	Total Cost
1	896,924	176,400	75,600	<b>1,148,924</b>
2	929,213	185,220	79,380	<b>1,193,813</b>
3	962,665	194,481	83,349	<b>1,240,495</b>
4	997,321	204,205	87,516	<b>1,289,043</b>
5	1,033,224	214,415	91,892	<b>1,339,532</b>
6	1,070,421	225,136	96,487	<b>1,392,043</b>
7	1,108,956	236,393	101,311	<b>1,446,660</b>
8	1,148,878	248,213	106,377	<b>1,503,468</b>
9	1,190,238	260,624	111,696	<b>1,562,557</b>
10	1,233,086	273,654	117,280	<b>1,624,021</b>
<b>Total</b>	<b>10,570,926</b>	<b>2,218,742</b>	<b>950,889</b>	<b>13,740,556</b>

Source: Real Estate Division

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

## POLICY CONSIDERATIONS

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

<sup>8</sup> According to Josh Keene, RED Special Projects and Transactions Manager, the landlord is responsible for most of the major building and building systems repair and replacement, but the City is responsible for maintaining service contracts, minor repair and routine maintenance which is an estimated \$3.00 per sq. ft per year.

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

**RECOMMENDATION**

Approve the proposed resolution.



Andrico Q. Penick  
Director of Real Estate

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

September 23, 2020

Mr. Dhaval Panchal  
~~Hotel Le Nain, LLC~~ *LE NAIN SF, LLC DHP*  
650 California Street, 31<sup>st</sup> Floor  
San Francisco, CA 94108  
Sent Via Email to: dhpanchal001@gmail.com

**Re: Extended Term Notice and Rent for Le Nain Hotel, 730 Eddy Street, San Francisco, CA - HSH**

Dear Mr. Panchal:

The City and County of San Francisco, on behalf of its Department of Homelessness and Supportive Housing (the "City"), leases the Le Nain Hotel located at 730 Eddy Street in San Francisco (the "Building") from ~~Hotel Le Nain, LLC~~ ("Landlord") under a lease dated February 1, 2011 (the "Master Lease"). *LE NAIN SF, LLC DHP*

Pursuant to Section 3.2 of the Master Lease, the City hereby notifies Landlord of its Exercise of Option to Extend the Master Lease through February 1, 2031.

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

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

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

The Section 4.3 monthly base rent calculation is:

**The Greater of**

(a) 51% of the latest Governmental Rent Index for an SRO multiplied by 92 units =

$(.51) \times (\$1,593) \times (92) = \$74,743.56$  OR

(b) 100% of current monthly rent (\$74,675.96) = \$74,675; OR

Subject to adoption of a Resolution submitted to the Board of Supervisors and approval by the Mayor, the monthly base rent as of February 1, 2021 will be = **\$74,743.56**.

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

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

Respectfully,



Andrico Penick  
Director of Property

**Landlord Concurrence for Notice to Exercise Extended Term Option, Base Rent, SRO reclassification, and use of MOHCD published Maximum Rent Schedule:**

OP  
Le Nain SF, LLC  
~~HOTEL LE NAIN, LLC~~

By:   
Dhaval Panchal, Managing Member

Date: 9/24/2020

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

2020  
**MAXIMUM MONTHLY RENT BY UNIT TYPE**  
for MOHCD Inclusionary Housing Below Market Rate (BMR) Programs  
derived from the  
Unadjusted Area Median Income (AMI)  
for HUD Metro Fair Market Rent Area (HMFA) that Contains San Francisco  
Published by the San Francisco Mayor's Office of Housing and Community Development

		SRO	STUDIO	1BR	2BR	3BR	4BR	5BR
<b>BASE RENT UTILITY ALLOWANCES</b>		\$88	\$117	\$181	\$236	\$284	\$341	\$390
<b>TIER 1 UTILITY ALLOWANCES</b>		\$38	\$51	\$71	\$91	\$112	\$142	\$163
<b>20% OF MEDIAN</b>	Base Rent*	\$249	\$332	\$332	\$340	\$356	\$350	\$353
	Tier 1 = "Without Utilities"***	\$298	\$398	\$442	\$485	\$528	\$549	\$580
	Tier 2 = "With Utilities"****	\$337	\$449	\$513	\$576	\$640	\$691	\$743
<b>25% OF MEDIAN</b>	Base Rent*	\$332	\$443	\$460	\$485	\$517	\$524	\$539
	Tier 1 = "Without Utilities"***	\$382	\$509	\$570	\$630	\$689	\$723	\$766
	Tier 2 = "With Utilities"****	\$420	\$560	\$641	\$721	\$801	\$865	\$929
<b>30% OF MEDIAN</b>	Base Rent*	\$417	\$556	\$588	\$629	\$677	\$697	\$725
	Tier 1 = "Without Utilities"***	\$466	\$622	\$698	\$774	\$849	\$896	\$952
	Tier 2 = "With Utilities"****	\$504	\$673	\$769	\$865	\$961	\$1,038	\$1,115
<b>40% OF MEDIAN</b>	Base Rent*	\$584	\$779	\$844	\$917	\$997	\$1,043	\$1,096
	Tier 1 = "Without Utilities"***	\$634	\$845	\$954	\$1,062	\$1,169	\$1,242	\$1,323
	Tier 2 = "With Utilities"****	\$672	\$896	\$1,025	\$1,153	\$1,281	\$1,384	\$1,486
<b>50% OF MEDIAN</b>	Base Rent*	\$753	\$1,004	\$1,100	\$1,205	\$1,317	\$1,389	\$1,468
	Tier 1 = "Without Utilities"***	\$803	\$1,070	\$1,210	\$1,350	\$1,489	\$1,588	\$1,695
	Tier 2 = "With Utilities"****	\$841	\$1,121	\$1,281	\$1,441	\$1,601	\$1,730	\$1,858
<b>55% OF MEDIAN</b>	Base Rent*	\$837	\$1,116	\$1,229	\$1,349	\$1,477	\$1,562	\$1,654
	Tier 1 = "Without Utilities"***	\$886	\$1,182	\$1,339	\$1,494	\$1,649	\$1,761	\$1,881
	Tier 2 = "With Utilities"****	\$924	\$1,233	\$1,410	\$1,585	\$1,761	\$1,903	\$2,044
<b>60% OF MEDIAN</b>	Base Rent*	\$921	\$1,228	\$1,357	\$1,494	\$1,637	\$1,734	\$1,839
	Tier 1 = "Without Utilities"***	\$971	\$1,294	\$1,467	\$1,639	\$1,809	\$1,933	\$2,066
	Tier 2 = "With Utilities"****	\$1,009	\$1,345	\$1,538	\$1,730	\$1,921	\$2,075	\$2,229
<b>65% OF MEDIAN</b>	Base Rent*	\$1,004	\$1,339	\$1,485	\$1,638	\$1,797	\$1,908	\$2,025
	Tier 1 = "Without Utilities"***	\$1,054	\$1,405	\$1,595	\$1,783	\$1,989	\$2,107	\$2,252
	Tier 2 = "With Utilities"****	\$1,092	\$1,456	\$1,666	\$1,874	\$2,081	\$2,249	\$2,415
<b>70% OF MEDIAN</b>	Base Rent*	\$1,089	\$1,452	\$1,613	\$1,782	\$1,957	\$2,080	\$2,210
	Tier 1 = "Without Utilities"***	\$1,138	\$1,518	\$1,723	\$1,927	\$2,129	\$2,279	\$2,437
	Tier 2 = "With Utilities"****	\$1,177	\$1,569	\$1,794	\$2,018	\$2,241	\$2,421	\$2,600
<b>72% OF MEDIAN</b>	Base Rent*	\$1,123	\$1,497	\$1,664	\$1,839	\$2,022	\$2,149	\$2,285
	Tier 1 = "Without Utilities"***	\$1,172	\$1,563	\$1,774	\$1,984	\$2,194	\$2,348	\$2,512
	Tier 2 = "With Utilities"****	\$1,210	\$1,614	\$1,845	\$2,075	\$2,306	\$2,490	\$2,675
<b>75% OF MEDIAN</b>	Base Rent*	\$1,173	\$1,564	\$1,742	\$1,927	\$2,119	\$2,253	\$2,396
	Tier 1 = "Without Utilities"***	\$1,223	\$1,630	\$1,852	\$2,072	\$2,291	\$2,452	\$2,623
	Tier 2 = "With Utilities"****	\$1,261	\$1,681	\$1,923	\$2,163	\$2,403	\$2,594	\$2,786
<b>80% OF MEDIAN</b>	Base Rent*	\$1,257	\$1,676	\$1,869	\$2,070	\$2,279	\$2,427	\$2,583
	Tier 1 = "Without Utilities"***	\$1,306	\$1,742	\$1,979	\$2,215	\$2,451	\$2,626	\$2,810
	Tier 2 = "With Utilities"****	\$1,344	\$1,793	\$2,050	\$2,306	\$2,563	\$2,768	\$2,973
<b>90% OF MEDIAN</b>	Base Rent*	\$1,425	\$1,901	\$2,125	\$2,358	\$2,599	\$2,772	\$2,954
	Tier 1 = "Without Utilities"***	\$1,475	\$1,967	\$2,235	\$2,503	\$2,771	\$2,971	\$3,181
	Tier 2 = "With Utilities"****	\$1,513	\$2,018	\$2,306	\$2,594	\$2,883	\$3,113	\$3,344
<b>100% OF MEDIAN</b>	Base Rent*	\$1,593	\$2,124	\$2,382	\$2,647	\$2,919	\$3,118	\$3,325
	Tier 1 = "Without Utilities"***	\$1,643	\$2,190	\$2,492	\$2,792	\$3,091	\$3,317	\$3,552
	Tier 2 = "With Utilities"****	\$1,681	\$2,241	\$2,563	\$2,883	\$3,203	\$3,459	\$3,715
<b>110% OF MEDIAN</b>	Base Rent*	\$1,761	\$2,348	\$2,638	\$2,935	\$3,239	\$3,464	\$3,696
	Tier 1 = "Without Utilities"***	\$1,811	\$2,414	\$2,748	\$3,080	\$3,411	\$3,663	\$3,923
	Tier 2 = "With Utilities"****	\$1,849	\$2,465	\$2,819	\$3,171	\$3,523	\$3,805	\$4,086
<b>120% OF MEDIAN</b>	Base Rent*	\$1,930	\$2,573	\$2,894	\$3,223	\$3,559	\$3,809	\$4,068
	Tier 1 = "Without Utilities"***	\$1,979	\$2,639	\$3,004	\$3,368	\$3,731	\$4,008	\$4,295
	Tier 2 = "With Utilities"****	\$2,018	\$2,690	\$3,075	\$3,459	\$3,843	\$4,150	\$4,458
<b>130% OF MEDIAN</b>	Base Rent*	\$2,098	\$2,797	\$3,150	\$3,512	\$3,880	\$4,155	\$4,440
	Tier 1 = "Without Utilities"***	\$2,147	\$2,863	\$3,260	\$3,657	\$4,052	\$4,354	\$4,667
	Tier 2 = "With Utilities"****	\$2,185	\$2,914	\$3,331	\$3,748	\$4,164	\$4,496	\$4,830
<b>135% OF MEDIAN</b>	Base Rent*	\$2,182	\$2,909	\$3,279	\$3,655	\$4,040	\$4,328	\$4,625
	Tier 1 = "Without Utilities"***	\$2,231	\$2,975	\$3,389	\$3,800	\$4,212	\$4,527	\$4,852
	Tier 2 = "With Utilities"****	\$2,270	\$3,026	\$3,460	\$3,891	\$4,324	\$4,669	\$5,015
<b>140% OF MEDIAN</b>	Base Rent*	\$2,265	\$3,021	\$3,407	\$3,799	\$4,200	\$4,502	\$4,811

**730 Eddy (Le Nain) 2/1/21 lease rent calculation:**

**PRIOR LEASE YEAR Monthly Rental Rate through 1/31/20:**  
 (Per 2/13/20 letter from CG to HSH & RED database)

\$ 74,675.96 (A)

\$ 896,111.52

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

**THE GREATER OF:**

100% of PRIOR LEASE YEAR = (A)

\$ 74,675.96

**OR**

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

MOHCD Efficiency Rent allowance for 100% AMI tenants based on HUD published rates)	% Factor	# Units specified in Lease		% INCREASE FROM CURRENT RATE (A)
2,124.00	0.51	92	<b>99,658.08</b>	<b>33.5%</b> (E)

MOHCD SRO Rent allowance for 100% AMI tenants based on HUD published rates)	% Factor	# Units specified in Lease		
1,593.00	0.51	92	<b>74,743.56</b>	<b>0.1%</b> (SRO)

896,922.72

<b>% DECREASE FROM LEASE FORMULA EXTENDED TERM RATE (E) TO SRO BASED RATE (SRO)</b>	<b>25.0%</b>	<b>RECOMMENDED</b>
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RENT BASED ON 15% DECREASE OF CURRENT RENT PER BOS GUIDELINE \$ 63,474.57



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



Andrico Q. Penick  
Director of Real Estate

November 3, 2020

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

**RE: HSH Lease Extension – Permanent Supportive Housing – 730 Eddy Street**

Dear Board Members:

Attached for your consideration is a resolution authorizing the exercise of the first (of two) extension options to extend the term of the existing lease (“Lease”) between the City's Department of Homelessness and Supportive Housing (“HSH”) and LE NAIN SF, LLC (“Landlord”), providing 92 units of permanent supportive housing at the property located at 730 Eddy Street. The Lease expires on January 31, 2021 and approval of this resolution would extend the term of the Lease for ten years beginning on February 1, 2021.

Per the terms of the Lease, the initial base rent in the upcoming extended term was scheduled to be \$99,658.08 per month. On behalf of HSH, the Real Estate Division (“RED”) and Landlord instead agreed to a reduced base rent of \$74,743.56 per month beginning on February 1, which is approximately twenty-five percent (25%) less than the base rent otherwise due. Base rent will continue to escalate annually at the Consumer Price Index limited to within (3.5 and 6%).

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

Respectfully,

Andrico Q. Penick  
Director of Property

# Department of Homelessness and Supportive Housing (HSH)



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



Hotel Le Nain  
730 Eddy  
92 Units of PSH

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

# Background:

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

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

# Summary of Lease Extension Terms:

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



Questions?



## San Francisco Ethics Commission

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

Phone: 415.252.3100 . Fax: 415.252.3112

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

Received On:

File #: 201267

Bid/RFP #:

### Notification of Contract Approval

SFEC Form 126(f)4

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

A Public Document

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

#### 1. FILING INFORMATION

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

#### 2. CITY ELECTIVE OFFICE OR BOARD

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

#### 3. FILER'S CONTACT

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

#### 4. CONTRACTING DEPARTMENT CONTACT

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

5. CONTRACTOR	
<b>NAME OF CONTRACTOR</b> LE NAIN SF, LLC	<b>TELEPHONE NUMBER</b> 408-592-3180
<b>STREET ADDRESS (including City, State and Zip Code)</b> 55 Old Tully Rd. San Jose, Ca 95112	<b>EMAIL</b> dhpanchal001@gmail.com

6. CONTRACT		
<b>DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)</b>	<b>ORIGINAL BID/RFP NUMBER</b>	<b>FILE NUMBER (If applicable)</b> 201267
<b>DESCRIPTION OF AMOUNT OF CONTRACT</b> \$896,923		
<b>NATURE OF THE CONTRACT (Please describe)</b> 730 Eddy - Exercise of first of two 10 year extended terms with annual CPI increases between 3.5 and 6 %.		

7. COMMENTS
Supportive housing- Dhaval H. Panchal, Managing Member & only office holder (> 10% ownership); Tevin D. Panchal as Trustee for Tevin D. Panchal Irrevocable Trust, only other Member (>10% ownership)

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

**9. AFFILIATES AND SUBCONTRACTORS**

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

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
1	Panchal	Dhaval H.	Other Principal Officer
2	Panchal	Tevin D.	Other Principal Officer
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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			
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42			
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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><b>SIGNATURE OF CITY ELECTIVE OFFICER OR BOARD SECRETARY OR CLERK</b></p>  <p>BOS Clerk of the Board</p>	<p><b>DATE SIGNED</b></p>
---	---------------------------

**From:** [Peacock, Rebecca \(MYR\)](#)  
**To:** [BOS Legislation, \(BOS\)](#)  
**Cc:** [Kittler, Sophia \(MYR\)](#); [Quetone, Tal \(ADM\)](#); [Keene, Joshua \(ADM\)](#); [Levine, Sandi \(ADM\)](#)  
**Subject:** Mayor -- [Resolution] -- [Real Property Lease Extension – Permanent Supportive Housing - LE NAIN SF, LLC – 730 Eddy Street - \$896,923 Annual Base Rent]  
**Date:** Tuesday, November 3, 2020 4:08:29 PM  
**Attachments:** [\(5\) Reso\\_RED\\_730 Eddy Extension.zip](#)

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Attached for introduction to the Board of Supervisors is a **resolution authorizing the Director of Property, on behalf of the Department of Homelessness and Supportive Housing, to exercise a Lease Extension Option for the real property located at 730 Eddy Street, with LE NAIN SF, LLC for continued use of 92 units of Permanent Supportive Housing, for a ten-year term commencing on February 1, 2021 at the monthly base rent of \$74,743.56, for a total annual base rent of \$896,923.**

Please let me know if you have any questions.

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