

File No. 230067

Committee Item No. 15

Board Item No. 15

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date February 15, 2023

Board of Supervisors Meeting

Date February 28, 2023

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/>            | Motion                                       |
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| <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                           |
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#### OTHER (Use back side if additional space is needed)

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Completed by: Brent Jalipa

Date February 9, 2023

Completed by: Brent Jalipa

Date February 22, 2023

1 [Real Property Lease Amendment - 33 Gough, LLC - 33 Gough Street - \$1,372,000 Annual  
2 Base Rent]

3 **Resolution authorizing the Director of Property, on behalf of the Department of**  
4 **Homelessness and Supportive Housing, to amend the lease with 33 Gough, LLC, as**  
5 **landlord of the real property located at 33 Gough Street, for continued use as a non-**  
6 **congregate cabin program; setting a base rent of \$1,372,000 per year; extending the**  
7 **term for two years for a total term of March 14, 2020, through March 13, 2025, with a**  
8 **one-year option to extend; and authorizing the Director of Property to execute**  
9 **documents, make certain modifications, and take certain actions in furtherance of the**  
10 **extended term under the lease and this Resolution, as defined herein.**

11

12 WHEREAS, The mission of the Department of Homelessness and Supportive Housing  
13 (“HSH”) is to prevent homelessness when possible and make homelessness rare, brief, and  
14 one-time in the City and County of San Francisco (“City”) through the provision of coordinated,  
15 compassionate, and high-quality services; and

16 WHEREAS, With the enactment of Resolution No. 319-18 in October 2018, the Board  
17 of Supervisors and Mayor London Breed declared a shelter crisis and affirmed San  
18 Francisco’s commitment to a continuum of shelter and service options for people experiencing  
19 homelessness; and

20 WHEREAS, As of the 2022 Point-in-Time Count, there were approximately 7,750  
21 people experiencing homelessness in San Francisco on any given night, 56% of whom were  
22 unsheltered; and

23 WHEREAS, The City is committed expanding and diversifying shelter services for  
24 people living unsheltered in our community; and

25

1           WHEREAS, On March 3, 2020, the Board of Supervisors adopted Resolution No. 95-  
2           20 approving and authorizing the Director of Property, on behalf of HSH, to enter into a three-  
3           year lease (“Lease”) with 33 Gough, LLC (“Landlord”) for the real property of approximately  
4           49,000 square feet and adjacent parking areas located at 33 Gough Street (“Property”) to  
5           operate a low-barrier shelter program, and a copy of the lease is on file with the Clerk of the  
6           Board of Supervisors in File No. 200044; and

7           WHEREAS, In spring 2020, the City opened a Safe Sleep Village at the Property as  
8           part of the initial response to the COVID-19 pandemic; and

9           WHEREAS, In spring 2022, HSH opened the City’s first non-congregate cabin program  
10          that serves up to 100 adults experiencing homelessness in 70 private, stand-alone shelter  
11          units located on the parking area; and

12          WHEREAS, Urban Alchemy, the operator of the non-congregate cabin program, and  
13          HSH use the building as office space and storage; and

14          WHEREAS, The Real Estate Division, through HSH, in consultation with the City  
15          Attorney, negotiated with the Landlord a two-year lease extension from March 14, 2023, to  
16          March 13, 2025, with an additional one-year option to extend (“Lease Amendment”), a copy of  
17          which is on file with the Clerk of the Board of Supervisors in File No. 230067; and

18          WHEREAS, Under the Lease Amendment, annual base rent payable by the City each  
19          year of the two-year term will be \$1,372,000, payable in two installments with no annual  
20          increases; and

21          WHEREAS, The Director of Property determines the rental rate under the Lease  
22          Amendment to be at or below fair market rental value; and

23          WHEREAS, Pursuant to Chapter 23 of the Administrative Code, since the base rent  
24          charged is less than \$45 per square foot per year, an independent fair market rental appraisal  
25          is not required in conjunction with the approval of this Lease Amendment; and

1           WHEREAS, The Lease Amendment, upon approval of this Resolution by the Board of  
2 Supervisors, will be on the same terms and conditions as the Lease; now, therefore, be it

3           RESOLVED, That the Board of Supervisors authorizes the Director of Property, in  
4 consultation with the City Attorney and the Executive Director of HSH, to take all actions on  
5 behalf of the City necessary or advisable to execute the Lease Amendment and effectuate the  
6 purposes of the Lease Amendment or this Resolution, as long as said action is the best  
7 interest of the City, does not increase the rent or otherwise materially increase the obligations  
8 or liabilities of the City, and are in compliance with all applicable laws, including City's Charter;  
9 and, be it

10          FURTHER RESOLVED, That all actions heretofore taken by any City employee or  
11 official with respect to the exercise of this Lease Amendment is hereby ratified and affirmed;  
12 and, be it

13          FURTHER RESOLVED, That within thirty (30) days of the Lease Amendment being  
14 fully executed by all parties, HSH shall provide the final Lease Amendment to the Clerk of the  
15 Board for inclusion in File 230067; this requirement and obligation resides with HSH, and is  
16 for the purposes of having a complete file only, and in no manner affects the validity of the  
17 approved agreement.

1 \$1,372,000 Available contingent upon Board of  
2 Supervisors approval of resolution number \_\_\_\_ to  
3 accept and expend grant funds of \$1,372,000 from  
4 CallCH (California Interagency Council on  
Homelessness) for the Encampment Resolution  
Funding Program.

Fund ID:	12920
Department ID:	203646
Project ID:	10039789
Authority ID:	10001
Account ID:	530110
Activity ID:	01

5  
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11 \_\_\_\_\_ /s/  
12 Controller

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15  
16 RECOMMENDED:

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18 \_\_\_\_\_ /s/  
19 Department of Homelessness and Supportive Housing  
20 Executive Director

21  
22 \_\_\_\_\_ /s/  
23 Real Estate Division  
24 Director of Property  
25

<p><b>Item 15</b> <b>File 23-0067</b></p>	<p><b>Department:</b> 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 approve an amendment to the lease between the City and 33 Gough, LLC for property located at 33 Gough Street. The proposed lease amendment would extend the term from March 14, 2023 to March 13, 2025, with an option to extend the term for one year through March 2026.</li> </ul>	
<p style="text-align: center;"><b>Key Points</b></p>	
<ul style="list-style-type: none"> <li>On March 30, 2020, the Board of Supervisors approved a resolution authorizing the City to enter a three-year lease with 33 Gough, LLC to operate a low-barrier shelter program from March 14, 2020 to March 14, 2023 (File 20-0044). The site currently houses the City’s first non-congregate cabin program, the Cabin Pilot Program (CPP) serving up to 100 adults experiencing homelessness in 70 private, stand-alone shelter units.</li> <li>The City entered into a grant agreement with nonprofit Urban Alchemy from December 1, 2021 to March 31, 2023 for Urban Alchemy (UA) to operate and provide services for the CPP. HSH is negotiating an extension to this agreement and does not expect any increases in costs, at the time of this writing.</li> </ul>	
<p style="text-align: center;"><b>Fiscal Impact</b></p>	
<ul style="list-style-type: none"> <li>The proposed lease amendment would increase the base rent by approximately 9 percent, from \$1,259,300 to \$1,372,000 per year. Total leasing costs, which includes property taxes and insurance, for the two-year lease term are estimated at \$3,461,027 or, with the one-year extension, \$5,213,204. In addition to leasing costs, the City pays for services at the site. The estimated total leasing and operating costs per cabin are \$78,879 per year, or \$6,573 per month.</li> <li>Companion legislation (File 22-0105) would approve HSH to accept and expend \$10.9 million of a State grant that will be used to fund the lease and associated operating costs in FY 2022-23 and a portion of those costs in FY 2023-24. HSH is planning to request appropriation of additional State monies to fund the remaining cost in FY 2023-24 during FY 2023-24 budget process.</li> </ul>	
<p style="text-align: center;"><b>Recommendation</b></p>	
<ul style="list-style-type: none"> <li>Approve the resolution.</li> </ul>	

**MANDATE STATEMENT**

Administrative Code Section 23.27 states that the Board of Supervisors shall approve all Leases on behalf of the City as tenant by resolution for which the term is longer than a year or costs over \$15,000 per month.

**BACKGROUND**

**33 Gough**

33 Gough is a property located between Market Street and Mission Street in the South of Market District. The property includes approximately 49,000 rentable square feet and two adjacent parking lots. The property is owned by City College, but 33 Gough, LLC has property control under a long-term lease agreement with City College.

**Current Lease Agreement**

On March 30, 2020, the Board of Supervisors approved a resolution authorizing the Director of Property, on behalf of HSH, to enter a three-year lease with 33 Gough, LLC for the 33 Gough site to operate a low-barrier shelter program (File 20-0044). This lease includes a base rent of \$1,259,300 per year, or \$104,941.67 per month. The lease commenced March 14, 2020 and will expire March 14, 2023.

The current lease agreement does not include an option to extend. The original lease had a three-year term because the landlord intended to eventually redevelop the property at 33 Gough Street as an affordable and workforce housing residential development with a likely mix of market rate and affordable units. The landlord was unwilling to commit beyond three years, because construction was initially expected to start as early as 2023. However, according to Tracy Irvin, Senior Real Property Officer for the San Francisco Real Estate Division, the owner of the property has experienced delays in their development approvals which has allowed HSH to propose an extension of the current lease agreement. Mr. Irvin stated the City’s use of this site serves as an interim use as the owner works on their plans for the site. According to HSH, the plan to relocate the services provided at 33 Gough, once the owner resolves construction delays, is to be determined.

Under this lease, the City pays real estate taxes, landlord’s insurance, and other operating expenses (e.g., utilities) of the property. The City also is to perform and pay for capital and tenant improvements needed to occupy and operate the property for the intended purposes. According to HSH, there is no intention to perform or pay for any additional capital and tenant improvements for this site, at the time of this writing. The City and landlord may mutually agree to have landlord perform certain remediation or other work at the direction of the Department of Public Works.

## **Transition of 33 Gough Street's Intended Uses**

### *SAFE Navigation Center to Safe Sleep Site*

The original intended use of the 33 Gough Street was a 200-bed Upper Market SAFE Navigation Center<sup>1</sup> (File 22-0044). In Spring 2020, the Mayor's Office issued new budget instructions requiring departments to propose expenditure reductions and focus available resources on funding the COVID-19 public health emergency response; therefore, according to HSH staff, plans for the Navigation Center, a congregate shelter, were put on hold.

In Spring 2020, the Department repurposed the site for use by the COVID Command Center (CCC) to store personal protective equipment and other supplies and to create a Safe Sleep site within the site's two parking lots. The Safe Sleep Site consisted of 44 tents at the 33 Gough property. In response to a citywide RFQ for COVID-19 shelter service, the Safe Sleep site was operated by Urban Alchemy.

### *Safe Sleep Site to Cabin Pilot Program (CPP)*

By Spring 2022, HSH converted the Safe Sleep tent site to the City's first non-congregate cabin program serving up to 100 adults experiencing homelessness in 70 private, stand-alone shelter units located in the parking areas. The operations of the CPP opened in phases: the first 12 cabins opened in March 2022, the next 24 cabins in April 2022, and all 70 cabins were fully operational by May 2022. The construction of the cabins was privately funded through donations for a total cost of \$2.3 million, or \$32,857 per cabin. HSH paid the Department of Public Works \$67,385 to conduct needed services to complete the cabins including permitting, design code compliance, and monitoring of procurement processes. The 33 Gough Site currently consists of 70 individual cabins, case manager offices, clinic space,<sup>2</sup> a computer lab, a dining hall, and showers and toilets.

HSH decided to transition this site to the cabin pilot program given the ability to pilot a new model with private funding provided by Tipping Point Community and DignityMoves. HSH relied on Administrative Code Chapter 21B, which allows selection of homeless providers without competitive solicitations, to maintain Urban Alchemy as the service provider for the cabin program.

## **Responsibilities of Parties Involved in the CPP**

The various parties involved in the Cabin Pilot Program (CPP) at 33 Gough Street signed a Memorandum of Understanding (MOU) termed September 2021 until the termination of the City's current lease of 33 Gough Street in March of 2023. According to HSH staff, the Department

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<sup>1</sup> SAFE Navigation Centers are low-threshold, high-service temporary shelter programs for adults experiencing homelessness in San Francisco.

<sup>2</sup> According to HSH, the clinic space is intended to be staffed by the San Francisco Department of Public Health (DPH) to provide shelter health services. DPH has not yet staffed the clinic and the site is receiving limited medical support from DPH.



will amend the existing MOU if the Board approves the proposed lease extension. The responsibilities of the involved parties are listed below.

- Urban Alchemy (UA), a California nonprofit corporation, is responsible for managing and operating the CPP at 33 Gough Street pursuant to its agreement with HSH. In collaboration with HSH, UA will establish service delivery and referral pathways for clients of the cabins. HSH will maintain oversight of the placements.
- HSH will identify new CPP clients through outreach, hospital discharge, Coordinated Entry, or other initiatives. HSH will also fund the operations and services at 33 Gough Street.
- DignityMoves, a nonprofit public benefit corporation, is responsible for serving as the “project manager” of the CPP by providing pre-development and general project management services. DignityMoves contracted with Swinerton, a commercial construction company headquartered in the City, as the general contractor to assemble and install the cabins. DignityMoves donated \$1.3 million of the \$2.3 million cabin construction cost.
- Tipping Point Community (TPC), a non-profit public benefit corporation is responsible for serving as a funder and ambassador of the CPP. TPC is responsible for promoting the CPP in promotional material, working on state and local policy proposals relevant to the TCC, and working collaboratively with the parties of the MOU to ensure the CPP operates as intended. TPC donated \$1 million of the \$2.3 million cabin construction cost.
- Home First Services of Santa Clara County (HomeFirst) is a nonprofit public benefit corporation based in the City of Santa Clara and is responsible for serving as the “unit owner.” HomeFirst is responsible for leasing the cabins to UA for \$1.00 for use at the CPP site. HomeFirst also assumes the long-term and ongoing maintenance, storage, and transportation obligations and costs of the purchased units until the expiration of the MOU.

### **Urban Alchemy Grant Agreement**

The City entered into a grant agreement with nonprofit Urban Alchemy from December 1, 2021 through March 31, 2023 for Urban Alchemy (UA) to provide the Cabin Pilot Program (CPP) at 33 Gough Street. This grant agreement has a not to exceed amount of \$5,022,514. The agreement does not require Board of Supervisors approval because it is less than \$10 million and has a term of less than 10 years.

Through this agreement, UA is responsible for the operations of the site and provides intakes, program orientation, wellness checks, and referrals for the clients of 33 Gough. UA also performs data collection and entry and attends required HSH trainings. According to the results of a site visit conducted by HSH, the 70 cabins at 33 Gough Street were fully occupied on June 3, 2022. According to HSH, as of February 1, 2023, the site has served 135 clients since March 2022.

### **Program and Fiscal Monitoring of Urban Alchemy**

A programmatic monitoring site visit conducted by HSH on June 3, 2022 of UA at 33 Gough resulted in no findings; however, HSH made three recommendations with required implementation by September 30, 2022. According to HSH staff, UA has implemented all three of these recommendations.

In the July 7, 2022 FY 2021-22 Fiscal Monitoring report of UA, a review of four of UA's contracts including the 33 Gough Cabins contract, there were 21 findings. An update to the findings on August 12, 2022 demonstrated UA was still "Not Yet in Conformance" with two standards. The monitoring team was unable to confirm that employees included on January 2022 invoices were listed on the applicable payroll tax form. Also, a FY 2020-21 audit of UA's financial statements was not completed within the six months of the close of the contractor's fiscal year. At the time of the fiscal monitoring report, an audit had not yet started, but UA expected the audit to be completed approximately nine months after the close of the fiscal year. According to HSH staff, UA is still not yet in conformance with either standard. In addition to the identified non-conformance of these two standards, the fiscal monitoring report found that UA does not follow two identified best practices of including their annual cash flow projections in the agency-wide budget and preparing requested documents upon the arrival of monitoring team.

### **DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would: (1) approve an amendment to the lease between the City and 33 Gough, LLC for property located at 33 Gough Street for a two-year term extension at a base rent of \$1,372,000 per year; and (2) authorize the Director of Property to execute documents, make certain modifications, and take certain actions in furtherance of the extended term of the lease and the resolution to commence following Board approval.

#### **Lease Amendment**

##### *Lease Extension*

The current lease agreement is set to expire March 14, 2023. The proposed lease amendment would extend the term from March 14, 2023 through March 13, 2025. The amendment also adds an option for the City to extend the term for one year through March 2026 by giving written notice to the landlord no later than 180 calendar days and no more than 365 calendar days before the expiration of the term to be extended.

##### *Base Rent*

The current lease agreement has a base rent of \$1,259,300 per year, or \$104,941.67 per month. The proposed lease amendment would increase the base rent by approximately 9 percent, to \$1,372,000 per year, or \$114,333.33 per month. Under the proposed amendment, the annual rent of \$1,372,000 would be paid in two installments on March 14, 2023 and March 14, 2024, for a total of \$2,744,000. According to the Real Estate Division, the increase in base rent is tied to an increase in the landlord's lender's interest rate; the landlord's construction loan was

refinanced due to construction delays. If the one-year option to extend is exercised, the base rent would remain \$1,372,000.

**FISCAL IMPACT**

The proposed lease amendment provides a base rent of \$1,372,000 per year (or \$114,333.33 per month). Table 1 below summarizes the leasing costs of the two-year term of the proposed lease amendment with the option to extend for an additional year. Total leasing costs over the two-year lease term for 33 Gough are estimated at \$3,461,027. If the one-year option to extend is exercised, the total leasing costs, including the proposed amendment, are estimated at \$5,213,204, or an estimated annual leasing cost per cabin of \$24,825.

**Table 1: Total Leasing Costs Under Proposed Lease Amendment for 33 Gough Street**

Year	Base Rent (Per Square Feet)	Square Feet	Total Rent Payments	Taxes and Insurance <sup>3</sup>	Total Leasing Costs
1	\$28	49,000	\$1,372,000	\$351,472	\$1,723,472
2	28	49,000	1,372,000	365,555	1,737,555
3 (Optional)	28	49,000	1,372,000	380,177	1,752,177
<b>Total</b>			<b>\$4,116,000</b>	<b>\$1,097,204</b>	<b>\$5,213,204</b>

Source: Lease Amendment, HSH, & BLA Calculations

According to real estate data provided by the Real Estate Division, the base rent of \$28 per square foot per year of the proposed lease amendment is at or below the fair market rental value. The proposed base rent does not meet the independent appraisal requirement threshold of \$45 per square foot per year as required by Section 23.27 of the Administrative Code.<sup>4</sup>

In addition to leasing costs noted in Table 1, the proposed lease requires the City to pay for utilities, services, and routine maintenance.

**On-Site Services**

As mentioned above, HSH currently has an active agreement with UA to provide services and operate the cabin program at 33 Gough, which expires March 31, 2023. According to Gigi Whitley, HSH Deputy Director for Administration and Finance, HSH is in the process of negotiating an extension to the agreement, but the Department does not expect an increase in cost from the

<sup>3</sup> Values are escalated by 4% of current liabilities.

<sup>4</sup> Per Administrative Code Section 23.27, the Director of Property shall determine the Market Rent of such lease based on a review of available and relevant data. If the Market Rent of the lease is more than \$45 per square foot per year as base rent, the Director of Property shall obtain an appraisal for such Lease.

current UA agreement to the extension of the agreement. The UA agreement funds 65.83 annual FTEs, and it includes an annual operating cost of \$3,270,083, as show in Table 2 below.

**Table 2: Annual Costs for UA Operating Agreement of 33 Gough**

<b>Operating Costs</b>	<b>Amount</b>
Salaries and Benefits	\$2,324,920
Operating Expense	539,290
Indirect Cost	405,873
<b>Total Costs</b>	<b>\$3,270,083</b>

Source: Budget Director, HSH

In addition to the services provided through the Urban Alchemy agreement, Salvation Army will provide clients meals twice a day, at an estimated annual cost of \$528,000. The estimated annual operating cost for 33 Gough, including provided meals, is approximately \$3.8 million, or \$54,285 per cabin. Including the lease, the annual cost per cabin is approximately \$78,879. These totals do not include shelter health services provided by DPH or HSH facilities and other HSH support staff time.

**Source of Funds**

Companion legislation (File 22-0105) that will be considered at the February 15, 2023 Budget & Finance meeting would allow HSH to accept and expend \$10.9 million of a State grant that will be used to fund the lease and associated operating costs in FY 2022-23 and a portion of those costs in FY 2023-24. HSH is planning to request appropriation of additional State monies to fund the remaining cost in FY 2023-24 during FY 2023-24 budget process.

**RECOMMENDATION**

Approve the resolution.



DEPARTMENT OF  
HOMELESSNESS AND  
SUPPORTIVE HOUSING

# 33 Gough Cabin Program: Lease Amendment

Budget and Finance Committee | February 15, 2023



# Proposed Amendment Details

- **Resolution:** Approve the **first amendment** to HSH's lease agreement with **33 Gough, LLC** to rent the 49,000-foot property and adjacent parking areas at **33 Gough Street** for a **non-congregate cabin site**.
- **Term:**
  - Current Term: March 14, 2020 – March 13, 2023
  - Amended Term: **March 14, 2020 – March 13, 2025** with a **one-year option to extend**.
- **Amount:** Sets base annual rent at **\$1,372,000** with no increases.

# Program Overview

Non-congregate cabin program serving **up to 100 adults** in **70 units**.

- 64-square-foot units with beds, desks, storage, and heating.
- **Dining areas** serving meals.
- **Computer rooms**.
- Multiple **showers**.
- **Case management**, security, and other services.



*Non-congregate cabin at 33 Gough.*



# Client Testimonial

"To come home to something that **actually feels like a home** is so great: a **door you can lock**, some heat so you're **not cold at night** — I love that."

*Benjamin Longmore, 36, guest at 33 Gough Cabins*





DEPARTMENT OF  
HOMELESSNESS AND  
SUPPORTIVE HOUSING

# Questions?

Thank you!

## FIRST LEASE AMENDMENT

THIS AMENDMENT (this “Amendment”) is made as of \_\_\_\_\_, 20\_\_, in San Francisco, California, by and between 33 GOUGH, LLC, a Georgia limited liability company (“Landlord”) and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation (“City” or “Tenant”).

### RECITALS

THIS AMENDMENT is made with reference to the following facts and circumstances:

A. City and Landlord are parties to that certain Lease Agreement dated as of December 1, 2019 (the “Lease”), for the lease of 33 Gough Street (the “Building”) located at 33 Gough Street, being a portion of Lot 029, in Assessor’s Block 3504, San Francisco, California.

B. Landlord has leased to City the premises in the Building identified in the Basic Lease Information (the “Premises”). City is using the Premises for any legally permitted office use, and, subject to necessary regulatory approvals, temporary sheltering of homeless residents of the City, navigation centers, and associated programs and services such other uses as specified in the Basic Lease Information.

C. The Term of the Lease is scheduled to expire March 14, 2023.

D. City and Landlord now desire to modify the Lease on the terms and conditions as set forth herein.

ACCORDINGLY, in consideration of the matters described in the foregoing Recitals, and for other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, City and Landlord agree as follows:

1. **Lease Extension**. City and Landlord agree to extend the Term for a period commencing on March 14, 2023 and expiring on March 13, 2025, unless City further extends the Term pursuant to Section 3.4 (Extension Option) of the Lease. As of the effective date of this Amendment, all references in the Lease to the Term shall mean the Term as extended hereby.

2. **Base Rent**. As of the effective date of this Amendment, City shall pay to Landlord an annual Base Rent of \$1,372,000.00 (\$28.00 per sq. ft.). As of the effective date of this Amendment, all references in the Lease to the Base Rent shall mean the Base Rent as amended hereby.

3. **Amendments to Lease**.

A. As of the effective date of this Amendment, the following subsections in Section 1 (Basic Lease Information) are hereby amended or added to read as follows:

Term (Section 3)

Expiration Date:  
March 13, 2025

Extension Option  
(Section 3.4):

City shall have the option to extend the Term for one (1) additional term of one (1) year (the “Extended Term”), exercisable

by City providing notice to Landlord and mutually accepted by the Landlord in its sole discretion. The notice shall be given not less than one hundred eighty (180) calendar days and no more the three hundred sixty-five (365) calendar days prior to the expiration of the initial Term in advance, on the terms and conditions set forth in Section 3.4.

Base Rent (Section 4.1): Annual Base Rent: \$1,372,000.00 (\$28.00 per sq. ft.) will be paid as follows.

March 14, 2023 - \$1,372,000.00

March 14, 2024 - \$1,372,000.00

B. As of the effective date of this Amendment, the following Section 3.4 is hereby added to the Lease:

### **3.4 Extension Option**

Landlord grants City the option to extend the Term (the “**Extension Option**”) for the additional term specified in the Basic Lease Information (the “**Extended Term**”). The Extended Term will be on all of the terms and conditions contained in this Lease, including but not limited to the Base Rent. City may exercise the Extension Option, if at all, by giving written notice (the “**Extension Notice**”) to Landlord no later than one hundred eighty (180) calendar days and no more the three hundred sixty-five (365) calendar days before expiration of the Term to be extended; If City extends the Term as provided in this Section, then the word “Term” will mean and include the Extended Term.

C. As of the effective date of this Amendment, Section 22 of the Lease is hereby amended to add the following provisions:

### **22.12 Resource-Efficient City Buildings**

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

### **22.13 Contractor Vaccination Requirements**

(1) Landlord acknowledges that it has read the requirements of the 38th Supplement to Mayoral Proclamation Declaring the Existence of a Local Emergency (“Emergency Declaration”), dated February 25, 2020, and the Contractor Vaccination Policy for City Contractors issued by the City Administrator (“Contractor Vaccination Policy”), as those documents may be amended from time to time. A copy of the Contractor Vaccination Policy can be found at: <https://sf.gov/confirm-vaccine-status-your-employees-and-subcontractors>. Any undefined, initially-capitalized term used in this Section has the meaning given to that term in the Contractor Vaccination Policy.

(2) A Contract as defined in the Emergency Declaration is an agreement between the City and any other entity or individual and any subcontract under such agreement, where Covered Employees of the contractor or subcontractor work in-person with City employees at a facility owned, leased, or controlled by the City. A Contract includes such agreements currently in place or entered into during the term of the Emergency Declaration. A Contract does not include an agreement with a state or federal governmental entity or agreements that does not involve the City paying or receiving funds.

(3) Landlord has read the Contractor Vaccination Policy. In accordance with the Emergency Declaration, if this Lease is (or becomes) a Contract as defined in the Contractor Vaccination Policy, Landlord agrees that:

(I) Landlord shall ensure it complies with the requirements of the Contractor Vaccination Policy pertaining to Covered Employees, as they are defined under the Emergency Declaration and the Contractor Vaccination Policy, and insure such Covered Employees are fully vaccinated for COVID-19 or obtain an exemption based on medical or religious grounds; and

(II) If Landlord grants Covered Employees an exemption based on medical or religious grounds, Landlord will promptly notify City by completing and submitting the Covered Employees Granted Exemptions Form (“Exemptions Form”), which can be found at <https://sf.gov/confirm-vaccine-status-your-employees-and-subcontractors> (navigate to “Exemptions” to download the form).

4. **References.** No reference to this Amendment is necessary in any instrument or document at any time referring to the Lease. Any future reference to the Lease shall be deemed a reference to such document as amended hereby.

5. **No Joint Venture.** This Amendment or any activity by the City hereunder does not create a partnership or joint venture between the City and Landlord relating to the Lease or otherwise. This Amendment does not constitute authorization or approval by the City of any activity conducted by Landlord, and the City shall in no way be responsible for the acts or omissions of Landlord on the Premises or otherwise.

6. **No Brokers.** Landlord represents and warrants that it has not dealt with any real estate broker in connection with this Amendment, and no compensation is due to Landlord’s broker in connection with this Amendment. Landlord agrees to indemnify and hold Tenant harmless for any loss, cost, liability or expense incurred by Tenant as a result of a claim for brokerage commissions or finder’s fee from any broker based on the act or omission of Landlord in breach of the foregoing warranty.

7. **Governing Law.** The Lease shall be governed by, construed and enforced in accordance with the laws of the State of California and City’s Charter. Any legal suit, action, or proceeding arising out of or relating to the Lease shall be instituted in the Superior Court for the City and County of San Francisco, and each party agrees to the exclusive jurisdiction of such court in any such suit, action, or proceeding (excluding bankruptcy matters). The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action, or proceeding in such court and irrevocably waive and agree not to plead or claim that any suit, action, or proceeding brought in San Francisco Superior Court relating to the Lease has been brought in an inconvenient forum.

8. **Defined Terms.** All capitalized terms used but not defined in this Amendment will have the meanings set forth for such terms in the Lease. All terms that are defined in this Amendment and used in any provisions that are added to the Lease pursuant to this Amendment will have the meanings in the Lease set forth for such terms in this Amendment.

9. **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further actions as may be reasonably required to carry out the intent of this Amendment.

10. **Miscellaneous.** Except as expressly modified herein, the terms, covenants and conditions of the Lease shall remain unmodified and in full force and effect. The Lease as amended by this Amendment constitutes the entire agreement of the parties concerning the subject matter hereof, and supersedes and conceals any and all previous negotiations, agreements, or understandings, if any, regarding the matters contained herein. The execution of this Amendment shall not constitute a waiver of relinquishment of any rights which the City may have relating to the Lease. Landlord and City hereby ratify and confirm all of the provisions of the Lease as amended by this Amendment.

11. **Authority.** Landlord represents and warrants to City that the execution and delivery of this Amendment by Landlord has been duly authorized and does not violate any provision of any agreement, law or regulation to which Landlord or the Premises is subject.

12. **Counterparts.** This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, including transmittals by facsimile, all of which together shall constitute one and the same instrument.

13. **Effective Date.** This Amendment shall become effective on the date that (i) the City's Board of Supervisors enacts such resolution authorizing this Amendment and (ii) this Amendment is fully executed and delivered by City and Landlord.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AMENDMENT, LANDLORD ACKNOWLEDGES THAT NO OFFICER OR EMPLOYEE OF CITY HAS AUTHORITY TO COMMIT CITY TO THIS AMENDMENT UNLESS CITY'S BOARD OF SUPERVISORS HAS DULY ADOPTED A RESOLUTION APPROVING THIS AMENDMENT AND AUTHORIZING CONSUMMATION OF THE TRANSACTION CONTEMPLATED BY THIS AMENDMENT. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF CITY UNDER THIS AMENDMENT ARE CONTINGENT ON ADOPTION OF THAT RESOLUTION, AND THIS AMENDMENT WILL BE NULL AND VOID UNLESS CITY'S MAYOR AND BOARD OF SUPERVISORS APPROVE THIS AMENDMENT, AT THEIR RESPECTIVE SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS AMENDMENT BY ANY DEPARTMENT, COMMISSION, OR AGENCY OF CITY WILL NOT BE DEEMED TO IMPLY THAT THE RESOLUTION WILL BE ADOPTED AND NO SUCH APPROVAL WILL CREATE ANY BINDING OBLIGATIONS ON CITY.

**[SIGNATURES APPEAR ON THE FOLLOWING PAGE]**

IN WITNESS WHEREOF, City and Landlord have executed this Amendment as of the date written above.

LANDLORD: 33 GOUGH LLC,  
a Georgia limited liability company

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

Its: \_\_\_\_\_

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

CITY: CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation

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

Andrico Q. Penick  
Director of Property

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

RECOMMENDED:

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

Shireen McSpadden  
Executive Director  
Department of Homelessness and Supportive  
Housing

APPROVED AS TO FORM:

DAVID CHIU, City Attorney

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

JESSIE ALFARO-CASSELLA  
Deputy City Attorney



## 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 #: 230067

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>
Bryn Miller	978-460-2875
<b>FULL DEPARTMENT NAME</b>	<b>DEPARTMENT CONTACT EMAIL</b>
HOM Homelessness and Supportive Housing	bryn.miller@sfgov.org

5. CONTRACTOR	
<b>NAME OF CONTRACTOR</b> 33 Gough, LLC	<b>TELEPHONE NUMBER</b> (404) 224-1860
<b>STREET ADDRESS (including City, State and Zip Code)</b> 191 Peachtree Street, Suite 4100, Atlanta, CA 30303	<b>EMAIL</b>

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> 230067
<b>DESCRIPTION OF AMOUNT OF CONTRACT</b> \$2,744,000		
<b>NATURE OF THE CONTRACT (Please describe)</b> Amendment extending the lease of 33 Gough by 2 years with an annual rent of \$1,372,000. This amount excludes taxes and insurance costs payable by the City on behalf of 33 Gough LLC estimated at \$351,472 annually.		

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	Perry	Egbert LJ	CEO
2	Edwards	Valerie	Other Principal Officer
3	Powell	Mitch	CFO
4	Sanusi	Adetayo	Other Principal Officer
5	Lundy Wilbon	Vicky	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**

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#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
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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>
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**City & County of San Francisco**  
London N. Breed, Mayor



**Office of the City Administrator**  
Carmen Chu, City Administrator  
Andrico Q. Penick, Director of Real Estate

January 13, 2023

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

**RE: Lease Amendment – 33 Gough Street – Non-Congregate Cabin Program  
(Shelter)**

Dear Honorable Board Members:

Attached for your consideration is a proposed Resolution authorizing the amendment of the existing lease ("Lease") between the City and County of San Francisco ("City"), on behalf of the Department of Homelessness and Supportive Housing ("HSH"), and 33 Gough, LLC ("Landlord"), providing real property of approximately 49,000 square feet and the adjacent parking lot at 33 Gough Street for continued use as a non-congregate cabin program.

The original three-year Lease was approved by the Board of Supervisors and commenced on March 14, 2020, to provide space for a low-barrier shelter program in the high-need Upper Market area (Resolution No. 95-20). HSH currently operates a non-congregate cabin program at the site that provides 70 units of non-congregate shelter. To allow HSH to continue operating this program, the Real Estate Division negotiated an amendment to the Lease that would extend the term by two years through March 2025 with a one-year option to extend. The amendment has an annual base rent of \$1,372,000, to be paid in two installments with no annual increases. I have determined the rental rate under the Lease Agreement to be at or below fair-market value.

Both the Executive Director of HSH and I recommend approval of the proposed Resolution authorizing the amendment to the Lease. If you have questions regarding the Lease Extension, please contact me at (415) 554-9850 or [Andrico.penick@sfgov.org](mailto:Andrico.penick@sfgov.org). If you have questions regarding the underlying continued use of the property by HSH, please contact Dylan Schneider at (628) 652-7742 or [dylan.schneider@sfgov.org](mailto:dylan.schneider@sfgov.org).

Respectfully,

  
Andrico Q. Penick  
Director of Property