

1 [Lease and Property Management Agreement - Five Keys Schools and Programs - 835 Turk
2 Street - Not to Exceed \$16,682,000; Certain Administrative Code Waivers]

3 **Ordinance 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 Lease and Property Management Agreement (“Agreement”) with Five Keys**
6 **Schools and Programs to lease, operate, and maintain the real property and residential**
7 **improvements at 835 Turk Street (“Property”) for an initial five-year term to commence**
8 **upon the first day of the month following the effective date of this Ordinance with one**
9 **five-year option to extend, and base rent of \$1 per year with no annual rent increases,**
10 **and for net property management and operating costs to be paid by the City in a total**
11 **five-year amount not to exceed \$16,682,000; 2) determining, in accordance with**
12 **Administrative Code, Section 23.33, that the below market rent payable under the**
13 **Agreement will serve a public purpose, by providing Permanent Supportive Housing**
14 **for formerly homeless and low-income households; 3) adopting findings that the**
15 **Property is “exempt surplus land” under the California Surplus Land Act; 4) exempting**
16 **the Property from contracting requirements in Administrative Code, Chapter 6, but**
17 **requiring compliance with the prevailing wage and apprenticeship requirements of**
18 **Administrative Code, Section 23.61; 5) authorizing the Director of Property and the**
19 **Executive Director of HSH to make certain modifications to the Agreement and take**
20 **certain actions in furtherance of the Agreement and this Ordinance, as defined herein;**
21 **6) ratifying all prior actions taken by any City employee or official with respect to the**
22 **Agreement; and 7) affirming the Planning Department’s determination under the**
23 **California Environmental Quality Act, and adopting the Planning Department’s findings**

1 that the Agreement is consistent with the General Plan, and the eight priority policies
2 of Planning Code, Section 101.1.

3 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
4 **Additions to Codes** are in *single-underline italics Times New Roman font*.
5 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
6 **Board amendment additions** are in double-underlined Arial font.
7 **Board amendment deletions** are in ~~strikethrough Arial font~~.
8 **Asterisks (* * * *)** indicate the omission of unchanged Code
9 subsections or parts of tables.

8 Be it ordained by the People of the City and County of San Francisco:

10 Section 1. CEQA and Land Use Findings.

11 (a) On November 14, 2022, the Planning Department determined that the actions
12 contemplated in this ordinance do not constitute a project for purposes of the California
13 Environmental Quality Act (California Public Resources Code Sections 21000 et seq.). Said
14 determination is on file with the Clerk of the Board of Supervisors in File No. 221158 and is
15 incorporated herein by reference. The Board affirms this determination.

16 (b) On December 8, 2021, the Planning Department determined that the acquisition of
17 the Property is consistent, on balance, with the City's General Plan and eight priority policies
18 of Planning Code Section 101.1. The Board adopts this determination as its own, and hereby
19 incorporates such findings by reference as though fully set forth in this ordinance. A copy of
20 said determinations are on file with the Clerk of the Board of Supervisors in File No. 221158,
21 and are incorporated herein by reference.

23 Section 2. Background and General Findings.

24 (a) The Department of Homelessness and Supportive Housing's ("HSH") mission is
25 to prevent homelessness when possible and to make homelessness a rare, brief, and one-

1 time experience in San Francisco through the provision of coordinated, compassionate, and
2 high-quality services.

3 (b) With the adoption of Resolution No. 319-18 in October 2018, the Board of
4 Supervisors and Mayor Breed declared a shelter crisis and affirmed San Francisco's
5 commitment to combatting homelessness and creating or augmenting a continuum of shelter
6 and service options for those experiencing homelessness.

7 (c) Permanent Supportive Housing ("PSH") is the most effective, evidence-based
8 solution to ending chronic homelessness and also reduces new incidents of homelessness
9 among highly vulnerable people with long experiences of homelessness.

10 (d) In July 2020, Mayor Breed announced her Homelessness Recovery Plan, which
11 included the goal of acquiring and operating 1,500 new units of PSH by June 30, 2022. In the
12 two years ending June 30, 2022, the City achieved nearly double that goal, with 2,918 new
13 units of site-based and scattered-site PSH that were active or under contract with a non-profit
14 provider.

15 (e) On February 11, 2022, the City adopted Resolution No. 036-22, approving and
16 authorizing the acquisition of the real property and improvements located at 835 Turk Street,
17 Assessor Parcel Number Block 0761, Lot 016A (the "Property"). The Property consists of
18 approximately 6,899 square feet of land and improvements, including 114 single room
19 occupancy units, lobby, garage, and other buildings and structures, and all personal property
20 and equipment used in connection with the operation of the Property. The City acquired the
21 Property on March 16, 2022, and a copy of the final executed Purchase and Sale Agreement
22 is on file with the Clerk of the Board of Supervisors in File No. 220015.

23 (f) In March 2022, HSH selected Five Keys Schools and Programs ("Five Keys"), a
24 California nonprofit public benefit corporation, through a Solicitation of Information, a copy of
25

1 which is on file with the Clerk of the Board of Supervisors in File No. 221158, to provide
2 property management and operations services at the Property.

3 (g) HSH desires to enter into a Lease and Property Management Agreement (the
4 “Agreement”) with Five Keys to provide onsite property management and operations services
5 at the Property for an initial five-year term commencing upon the first day of the month
6 following the effective date of this ordinance. A copy of the Agreement is on file with the Clerk
7 of the Board of Supervisors in File No. 221158.

8 (h) The Agreement requires Five Keys to be responsible for the ongoing
9 management, maintenance, and operation of the Property as PSH in accordance with HSH
10 housing-first and PSH policies, and as residential housing for any other existing residents in
11 accordance with all applicable laws. In exchange for such services at the Property, the
12 Agreement requires the City to fund the annual net property management and operating costs
13 for the Property in a total five-year amount not to exceed \$16,682,000, subject to
14 appropriations and certain other conditions, reporting requirements, and HSH approval of an
15 annual operating budget submitted by Five Keys, as further described in the Agreement.

16 (i) The Agreement also includes an option to extend the term of the Agreement for
17 up to an additional five years, upon mutual agreement of the City and Five Keys (the
18 “Extension Option”). If HSH and Five Keys desire to exercise the Extension Option, the
19 Director of Property and HSH will seek required City approvals at that time.

20 (j) On August 15, 2022, the Civil Service Commission approved property
21 management services to be provided by selected non-profit organizations at HSH-acquired
22 properties, including the Property, in the total amount of \$52,000,000, for a period of five
23 years, see PSC #43675-22/23, a copy of which is on file with the Clerk of the Board of
24 Supervisors in File No. 221158.

1 (k) The funding of the net property management and operating costs for the
2 Property as described in the Agreement requires Board of Supervisors approval under
3 Section 9.118(b) of the Charter.

4 (l) Under the Agreement, Five Keys will seek certain entitlements and complete
5 certain predevelopment work to convert the Property to PSH. Upon completion of the
6 predevelopment scope of work, HSH and Five Keys intend to enter into a separate agreement
7 regarding any necessary construction or rehabilitation at the Property, which may be subject
8 to the prior approval of the Board of Supervisors, as required by law.

9
10 Section 3. Surplus Land Act Findings and Other Findings.

11 (a) The Board of Supervisors finds that the Property is “exempt surplus land,” as
12 defined by California Government Code Section 54221(f)(1).

13 (b) The Board of Supervisors finds that the below market base rental rate of \$1 per
14 year to be paid by Five Keys to the City under the Agreement, with no annual rent increases,
15 furthers a proper public purpose sufficient to meet the requirements of Administrative Code
16 Section 23.33, since the exceptionally low rent will facilitate the operation of PSH for formerly
17 homeless and low-income households at the Property.

18
19 Section 4. Approval of Agreement, and Related Authorizations.

20 (a) In accordance with the recommendation of the Director of Property and the
21 Executive Director of HSH, the Board of Supervisors hereby approves the Agreement in
22 substantially the form presented to the Board of Supervisors.

23 (b) The Board of Supervisors authorizes the Executive Director of HSH and the
24 Director of Property, or their designees, to take all actions on behalf of the City to enter into,
25 execute, and perform its obligations under the Agreement (including the exhibits to the

1 Agreement), and any other documents that are necessary or advisable to effectuate the
2 purpose of this ordinance and the Agreement.

3 (c) In addition, HSH may fund the net property management and operating costs for
4 the Property in a total amount not to exceed \$16,682,000, subject to appropriations and
5 certain other conditions, reporting requirements, and HSH approval of an annual operating
6 budget for the Property, as further described in the Agreement.

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8 Section 5. Administrative Code Chapter 6 Waiver; Prevailing Wage and
9 Apprenticeship Requirements.

10 (a) The Board of Supervisors waives Administrative Code Chapter 6, to the extent
11 Chapter 6 would otherwise be applicable to the work performed by Five Keys or its agents at
12 the Property.

13 (b) The payment of prevailing wages and the apprenticeship requirements of Section
14 23.61 of the Administrative Code, shall apply to the work performed by Five Keys or its agents
15 at the Property.

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17 Section 6. Additions, Amendments, and Modifications to the Agreement.

18 The Board of Supervisors authorizes the Director of Property and the Executive
19 Director of HSH, or their designees, in consultation with the City Attorney, to enter into any
20 additions, amendments, or other modifications to the Agreement (including the exhibits to the
21 Agreement) and any other documents or instruments necessary in connection therewith, that
22 the Director of Property and the Executive Director of HSH determine, in consultation with the
23 City Attorney, are in the best interests of the City, do not materially decrease the benefits to
24 the City, do not materially increase the obligations or liabilities of the City, are necessary or
25 advisable to effectuate the purposes of the Agreement or this ordinance, and are in

1 compliance with all applicable laws, including the Charter, such determination to be
2 conclusively evidenced by the execution and delivery by the Director of Property and
3 Executive Director of HSH of any such additions, amendments, or other modifications.

4
5 Section 7. Ratification of Prior Actions; Authorization of Subsequent Actions.

6 All prior actions taken by any City employee or official with respect to the Agreement
7 are hereby approved and ratified, and the Board of Supervisors hereby authorizes all
8 subsequent action to be taken by City officials with respect to the Agreement consistent with
9 this ordinance.

10
11 Section 8. Effective Date.

12 This ordinance shall become effective 30 days after enactment. Enactment occurs
13 when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not
14 sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the
15 Mayor’s veto of the ordinance.

16
17 Section 9. Inclusion of Final Agreement in Board File.

18 Within 30 days of the Agreement being fully executed by all parties, HSH shall submit
19 to the Clerk of the Board of Supervisors a fully executed copy of the Agreement for inclusion
20 in Board File No. 221158, the official file for this ordinance.

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22 APPROVED AS TO FORM:
23 DAVID CHIU, City Attorney

24 By: /s/ Virginia Dario Elizondo
25 VIRGINIA DARIO ELIZONDO
Deputy City Attorney

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