

1 [Master Lease - 250 Kearny Street, LLC - 136 Residential Units - \$161,840 Monthly Initial
2 Rent]

3 **Resolution authorizing the execution and acceptance of a Residential Master**
4 **Lease by and between the City and County of San Francisco and 250 Kearny**
5 **Street, LLC, a California Limited Liability Company, for the real property**
6 **located at 250 Kearny Street, providing 136 units of affordable housing**
7 **primarily for chronically homeless veterans, with a monthly initial rent amount**
8 **of \$161,840 for a ten-year term to commence October 1, 2014, with one five-**
9 **year option to extend.**

10

11 WHEREAS, The Stanford Hotel at Assessor's Block No. 0288, Lot No. 025,
12 also known as 250 Kearny (the "Property"), was the subject of several Notices of
13 Violation and other enforcement actions over the past decade, until acquired by 250
14 Kearny LLC, a California Limited Liability Company (the "Owner" or "Landlord"); and

15 WHEREAS, The owner, after acquisition, invested over \$7,000,000 in capital
16 improvements to the Property, creating a Single Room Occupancy development of
17 136 units that is completely renovated with new infrastructure and providing each unit
18 with a private bath along with lower level common kitchen and entertainment areas,
19 as well as two (2) operating elevators to service the building, where previously
20 tenants were fortunate if one (1) was operable; and

21 WHEREAS, The owner is interested in master leasing the Property, so long as
22 six (6) residential units are made available to residents returning to the Property since
23 vacating before the renovations began; and

24 WHEREAS, The City has been engaged in the 25 Cities Initiative, a
25 partnership with the U.S. Department of Veteran Affairs, the U.S. Department of

1 Housing and Urban Development, and the U.S. Interagency Council on
2 Homelessness, an initiative that strives to end chronic Veteran homelessness by
3 2015; and

4 WHEREAS, Through the 25 Cities Initiative, prospective tenants have been
5 identified through a coordinated cross-agency outreach using a common assessment
6 tool to find the most vulnerable individuals who are currently unsheltered, and this
7 outreach has confirmed a need sufficient to fill 125 units of the Property under a
8 HUD-VASH Program (Housing & Urban Development-Veterans Affairs Supportive
9 Housing, which combines Housing Choice Vouchers with case management and
10 clinical services provided by the Department of Veterans Affairs); and

11 WHEREAS, The Department of Veterans Affairs has committed to a 1:1 match
12 to local funds up to \$500,000 per year to fund additional social support staffing on-
13 site at the Property should the City choose to master lease the Property; and

14 WHEREAS, The City's Human Services Agency is in the process of
15 competitively selecting a service provider to support Property operations and client
16 support services; and

17 WHEREAS, The master lease rate for the Property has been determined by
18 the Director of Property to be no greater than fair market rental value; and

19 WHEREAS, The Real Estate Department has negotiated a master lease of the
20 Property with the Landlord, subject to the conditions described in the Lease, a copy
21 of which is on file with the Clerk of the Board of Supervisors in File No. _____;
22 and

23 WHEREAS, The Lease includes: (i) an initial term of ten (10) years with an
24 extension option for five (5) additional years at 95% of the then fair market rent; (ii) an
25 initial base annual rent of \$1190/unit/month, or \$161,840/month, or \$1,942,080/year;

1 (iii) an increase in base rent of 2% per year; and (iv) a cap on the annual
2 maintenance and repair costs of \$205,000/year, exclusive of certain salary expenses;
3 now, therefore, be it

4 RESOLVED, That in accordance with the recommendation of the Director of
5 Property, the execution, delivery and performance of the Lease is hereby approved
6 and the Director of Property (or his designee) are hereby authorized to execute the
7 Lease, in substantially the form of Lease referenced herein, on behalf of the City and
8 any such other documents that are necessary or advisable to complete the
9 transaction contemplated by the Lease and effectuate the purpose and intent of this
10 Resolution; and, be it

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

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

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