

1 [Lease of Real Property - 1076 Howard Street LLC - 1076 Howard Street - \$854,235 Per Year
2 in Base Rent - Up to \$1,888,990 in Tenant Improvements]

3 **Resolution approving and authorizing the Director of Property, on behalf of the**
4 **Department of Public Health, to lease real property located at 1076 Howard Street, for**
5 **an initial term of eight years and six months, from 1076 Howard Street LLC, at a base**
6 **rent of \$854,235 per year with 3% annual increases, and the City will contribute up to**
7 **an additional \$1,888,990 in tenant improvements; authorizing the Director of Property**
8 **to execute documents, make certain modifications and take certain actions in**
9 **furtherance of the Lease and this Resolution, as defined herein; finding the proposed**
10 **transaction is in conformance with the General Plan, and the eight priority policies of**
11 **Planning Code, Section 101.1; and adopting findings under the California**
12 **Environmental Quality Act.**

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14 WHEREAS, The Department of Public Health (“DPH”) strives to protect and promote
15 the health of all San Franciscans by providing a wide range of public health services and
16 programs; and

17 WHEREAS, On December 6, 2019, the San Francisco Board of Supervisors passed an
18 Ordinance amending the Administrative Code to establish Mental Health San Francisco (Mental
19 Health SF); this new program will provide access to mental health services, substance use
20 treatment, and psychiatric medications to all adult San Francisco residents with mental illness
21 and/or substance abuse who are homeless, uninsured, or enrolled in Midi-Cal or Healthy San
22 Francisco; and

23 WHEREAS, Mental Health SF directed DPH to develop “at least one Drug Sobering
24 Center” to offer clinical support and beds for clinically appropriate levels of care for individuals
25 who are experiencing psychosis due to drug use; and

1 WHEREAS, The City’s Street Crisis Response Team is part of San Francisco’s
2 efforts to develop alternatives to police responses to non-violent calls, which advances the
3 Mayor’s roadmap to fundamentally change the way that the City handles public safety, and is
4 also a major step in implementing Mental Health SF; and

5 WHEREAS, The 1076 Howard Street building was determined to be an ideal space
6 and location for usage by DPH in furtherance of the City’s Mental Health SF Program
7 implementation and could include space for two key components of the program noted
8 above, a Drug Sobering Center and Street Crisis Response Teams (SCRT), with space for
9 collaboration with DPH’s complementary Whole Person Integrated Care staff (WPIC) that
10 supports the same population; and

11 WHEREAS ,The Real Estate Division (“RED”), in consultation with DPH and the
12 Office of the City Attorney, negotiated a proposed lease (“Lease”) with 1076 Howard Street
13 LLC (“Landlord”) for an initial term of eight years and six months (8.5) years (the “Initial
14 Term”), and a five (5)-year option to extend the term (the “Optional Term”), of approximately
15 16,668 rentable square feet of administrative, program, and office space (“Premises”) at the
16 property located at 1076 Howard Street in San Francisco (the “Property”), a copy of the form
17 of Lease is on file with the Clerk of the Board in File No. 210391; and

18 WHEREAS, The Property was determined to be the best site for this program due to
19 its geographic proximity to the areas in the City most in need of these services, proximity to
20 DPH’s related Behavioral Health/Mental Health Administrative offices and Behavioral Health
21 Access Center located at 1380 Howard Street, and proximity to 555 Stevenson Street, future
22 home of DPH and HSH’s homeless services center; it has sufficient space and is well-
23 configured to DPH’s use, with flexibility to configure in accordance with new space planning
24 standards resulting from the COVID-19 emergency; and

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1 WHEREAS, The Commencement Date (“Commencement Date”) shall be upon
2 substantial completion of the installation of the Tenant Improvements (“Tenant
3 Improvements”) necessary for the City’s occupancy, which is expected to occur on or around
4 October 1, 2021 (estimated “Rent Commencement Date”); and

5 WHEREAS, The Rent will be abated for during the month of July, for the first six
6 years of the Lease; and

7 WHEREAS, Prior to the actual Commencement Date, Landlord, at Landlord’s sole
8 cost, will perform the installation of a second floor gender neutral restroom and other
9 infrastructure (collectively, the “Base Building Work”); and

10 WHEREAS, The cost of the improvements to the Premises specific to City’s use
11 (“Tenant Improvements”), of which the Landlord will contribute \$55 per square foot
12 (or \$916,740), and the City will contribute up to an additional \$1,888,990; and

13 WHEREAS, Under the Lease, base rent payable by City will be \$71,186.25 per year
14 (\$51.25 per sq. ft.), payable in monthly installments, with 3% annual increases; and

15 WHEREAS, The Director of Property determines the base rent negotiated in the
16 Lease to be at or below fair market rental value; and

17 WHEREAS, As of the Commencement Date, City is obligated to pay for its own
18 utilities, services, routine maintenance and repair within the Premises, insurance, other
19 operating expenses, plus actual property taxes assessed and attributable to the Property; and

20 WHEREAS, Throughout the Term, Landlord at its cost, will, amongst other things
21 replace major building systems; and

22 WHEREAS, The Planning Department, in a letter (“Planning Letter”), made
23 determinations regarding the Lease under the California Environmental Quality Act (“CEQA”)
24 (the “CEQA Determination”), and found the proposed Lease is consistent with the General
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1 Plan, and the eight priority policies of Planning Code, Section 101.1 (the “General Plan
2 Findings”); and

3 WHEREAS, The Lease contains a right of first refusal for the City to purchase the
4 Property pursuant to the terms and conditions of the Lease, with the City’s acquisition of the
5 Property being subject to a future final approval by the Board of Supervisors and Mayor in
6 their absolute and sole discretion; now, therefore, be it

7 RESOLVED, That in accordance with the recommendation of the Director of DPH
8 and the Director of Property, the Board of Supervisors approves the Lease in substantially the
9 form presented to the Board, and authorizes the Director of Property, to take all actions
10 necessary to execute the Lease and any other documents that are necessary or advisable to
11 effectuate the purpose of this Resolution; and, be it

12 FURTHER RESOLVED, This Board affirms and adopts the General Plan Findings
13 and CEQA Determination, for the reasons set forth in the Planning Letter; and, be it

14 FURTHER RESOLVED, That upon execution of the Lease, City is authorized to
15 request Landlord to perform completion of the Tenant Improvements on behalf of City, with
16 City’s cost not to exceed \$1,888,990, and pursuant to the terms and conditions of the Lease;
17 and, be it

18 FURTHER RESOLVED, That under the Lease, City shall indemnify and hold
19 harmless the Landlord from, and agree to defend the Landlord against, any and all claims,
20 costs and expenses, including without limitation, reasonable attorneys’ fees, incurred as a
21 result of City’s use of the premises or any negligent acts or omissions of City, its agents or
22 invitees in, on or about the Property, in accordance with the terms of the Lease; and, be it

23 FURTHER RESOLVED, That all actions heretofore taken by the officers of the City
24 with respect to the Lease are hereby approved, confirmed and ratified; and, be it

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1 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
2 Property to enter into any extensions, amendments or modifications to the Lease (including
3 without limitation, the exhibits) that the Director of Property determines, in consultation with
4 the Director of DPH and the Office of the City Attorney, are in the best interest of the City, do
5 not increase the rent or otherwise materially increase the obligations or liabilities of the City,
6 are necessary or advisable to effectuate the purposes of the Lease or this Resolution, and are
7 in compliance with all applicable laws, including City's Charter; and, be it

8 FURTHER RESOLVED, That within thirty (30) days of the Lease being fully
9 executed by all parties, RED shall provide the final Lease to the Clerk of the Board for
10 inclusion in the official file.

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Available: \$2,743,225

Fund ID:	10582
Department ID:	240645
Project / Authority ID:	10036747, 10037398 / 21531
Account ID:	506070
Activity ID:	0001

/s/
Michelle Allersma, Budget and Analysis
Division Director on behalf of
Ben Rosenfield, Controller

Funding for Fiscal Year 2020/2021 is
subject to the enactment of the Annual
Appropriation Ordinance for Fiscal Year
2021/2022

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RECOMMENDED:

/s/
Department of Public Health
Director

/s/
Real Estate Division
Director of Property