

1 [Lease and Property Management Agreement - The Tides Center/Delivering Innovation in
2 Supportive Housing - 1321 Mission Street - Not to Exceed \$19,500,000]

3 **Resolution 1) approving and authorizing the Director of Property and the Executive**
4 **Director of the Department of Homelessness and Supportive Housing, to enter into a**
5 **Lease and Property Management Agreement (“Agreement”) with The Tides Center,**
6 **as fiscal sponsor for Delivering Innovation in Supportive Housing (“Tenant”), to**
7 **authorize Tenant to lease, operate, and maintain the real property and residential**
8 **improvements located at 1321 Mission Street for an initial five-year term, to**
9 **commence upon approval of this Resolution, with an option to extend for up to an**
10 **additional five years with a base rent of \$1 per year with no annual rent increases,**
11 **and for net property management and operating costs to be paid by the City in an**
12 **amount not to exceed \$19,500,000; 2) determining that the below market rent payable**
13 **under the Agreement will serve a public purpose by providing permanent supportive**
14 **housing for low-income households in need, in accordance with Administrative**
15 **Code, Section 23.33; 3) adopting findings declaring that the Property is “exempt**
16 **surplus land” under the California Surplus Lands Act; 4) affirming the Planning**
17 **Department’s determination under the California Environmental Quality Act; 5)**
18 **adopting the Planning Department’s findings of consistency with the General Plan,**
19 **and the eight priority policies of Planning Code, Section 101.1; and 6) authorizing the**
20 **Director of Property and the Executive Director of the Department of Homelessness**
21 **and Supportive Housing to execute the Agreement, make certain modifications, and**
22 **take certain actions in furtherance of the agreement and this Resolution, as defined**
23 **herein.**

1 WHEREAS, The Department of Homelessness and Supportive Housing’s (“HSH”)
2 mission is to prevent homelessness when possible and to make homelessness a rare,
3 brief, and one-time experience in San Francisco through the provision of coordinated,
4 compassionate, and high-quality services; and

5 WHEREAS, With the enactment of Resolution No. 319-18 in October 2018, the
6 Board of Supervisors and Mayor Breed declared a shelter crisis and affirmed San
7 Francisco’s commitment to combatting homelessness and creating or augmenting a
8 continuum of shelter and service options for those experiencing homelessness; and

9 WHEREAS, Permanent Supportive Housing (“PSH”) is the most effective,
10 evidence-based solution to ending chronic homelessness, and prevents new incidents of
11 homelessness among highly vulnerable people with long experiences of homelessness;
12 and

13 WHEREAS, In July 2020, Mayor Breed announced her Homelessness Recovery
14 Plan, that included the goal of acquiring and operating 1,500 new units of PSH; and

15 WHEREAS, As of June 30, 2022, the City had nearly doubled the goal with 2,918
16 units of site-based and scattered site PSH that were active or under contract with a non-
17 profit provider since July 2020; and

18 WHEREAS, On October 19, 2021, the Board of Supervisors adopted Resolution
19 No. 482-21, on file with the Clerk of the Board of Supervisors in File No. 210967, approving
20 and authorizing the acquisition of the real property and improvements located at 1321
21 Mission, Assessor Parcel Number Block 3509, Lot 043 (the “Property”); and

22 WHEREAS, On March 9, 2022, the Board of Supervisors adopted Resolution
23 No. 067-22, on file with the Clerk of the Board of Supervisors in File No. 220133,
24 authorizing HSH to accept and expend up to \$54,778,000 of Project Homekey grant funds
25

1 from the California Department of Housing and Community Development for the acquisition
2 and operation of the Property; and

3 WHEREAS, The City acquired the Property on March 25, 2022, a copy of the final
4 executed Purchase and Sale Agreement is on file with the Clerk of the Board of
5 Supervisors in File No. 210967; and

6 WHEREAS, The Property consists of approximately 9,208 square feet of land,
7 and improvements including a residential building consisting of 160 apartments, ground
8 floor commercial space, a central lobby, public lounges, common areas, rooftop garden,
9 and all personal property and equipment used in connection with the operation of the
10 Property; and

11 WHEREAS, In March 2022, HSH selected The Tides Center, as fiscal sponsor to
12 Delivering Innovation in Supportive Housing (“DISH”), a California nonprofit public benefit
13 corporation, hereinafter referred to as Tenant, through a Solicitation of Interest, a copy of
14 which is on file with the Clerk of the Board of Supervisors in File No. 221084, to provide
15 property management and operations services at the Property; and

16 WHEREAS, HSH desires to enter into a Lease and Property Management
17 Agreement with Tenant, to provide onsite property management and operations services at
18 the Property for an initial five-year term commencing upon approval of this Resolution, a
19 copy of which is on file with the Clerk of the Board of Supervisors in File No. 221084
20 (“Agreement”); and

21 WHEREAS, The Agreement requires Tenant to be responsible for the ongoing
22 management, maintenance, and operation of the Property as PSH in accordance with HSH
23 housing-first and PSH policies and as residential housing for any other existing residents in
24 accordance with all applicable laws; and
25

1 WHEREAS, In exchange for such services at the Property, the Agreement
2 requires the City to fund the annual net property management and operating costs for the
3 Property in a total five-year amount not to exceed \$19,500,000, subject to appropriations
4 and certain other conditions, reporting requirements, and HSH approval of an annual
5 operating budget submitted by Tenant, as further described in the Agreement; and

6 WHEREAS, The Agreement includes a base rent of \$1 per year to be paid by
7 Tenant to City with no annual rent increases; and

8 WHEREAS, The Director of Property has determined the annual base rent to be
9 below market rent, but the lower rent will serve a public purpose by providing PSH for formerly
10 homeless and low-income households in need, in accordance with Section 23.33 of the
11 Administrative Code; and

12 WHEREAS, The Agreement includes an option to extend the term of the Agreement
13 for up to an additional five years (“Extension Option”), and if the City and Tenant desire to
14 exercise the Extension Option, the Director of Property and HSH Executive Director will seek
15 any required City approvals at that time, subject to all applicable laws; and

16 WHEREAS, The Planning Department, by letter dated September 3, 2021
17 (“Planning Letter”), which is on file with the Clerk of the Board of Supervisors under File
18 No. 210967 and incorporated herein by reference, found that the acquisition of the Property is
19 not a project under the California Environmental Quality Act (California Public Resources
20 Code, Sections 21000 et seq.) (“CEQA”) under CEQA Guidelines, Sections 15378 and
21 15060(c)(2) (“CEQA Determination”) and is consistent with the General Plan, and the eight
22 priority policies under Planning Code, Section 101.1 (“General Plan Findings”); and

23 WHEREAS, The Property is “exempt surplus land,” as defined by California
24 Government Code, Section 54221(f)(1)(F), because the Project will restrict all of the
25 residential units to persons and families of low or moderate income, with at least 75 percent of

1 the residential units restricted to lower income households, as defined in Section 50079.5 of
2 the California Health and Safety Code, with an affordable rent, as defined in Section 50053 of
3 the California Health and Safety Code, for a minimum of 55 years; and

4 WHEREAS, The Board of Supervisors has considered the lease of the Property to
5 Tenant and finds that the Project and future maintenance and repair work by Tenant will not
6 constitute a public work or improvement, and accordingly contracts entered into by, or on
7 behalf of, Tenant in connection with the Property are not subject to the requirements of
8 Administrative Code, Chapter 6, but the Agreement requires Tenant to comply with
9 Administrative Code, Chapter 23, Article VII, including compliance with prevailing wage;
10 apprenticeship and local hiring requirements; and

11 WHEREAS, On August 15, 2022, the Civil Service Commission approved property
12 management and operations services to be provided by selected non-profit organizations at
13 HSH acquired properties, including the Tenant at the Property, under PSC #43675-22/23 in
14 the total amount of \$52,000,000 for a period of five years, a copy of which is on file with the
15 Clerk of the Board of Supervisors in File No. 221084; and

16 WHEREAS, The funding of the net property management and operating costs for
17 the Property requires Board of Supervisors approval under Section 9.118 of the San
18 Francisco Charter; now, therefore, be it

19 RESOLVED, That in accordance with the recommendation of the HSH Executive
20 Director and the Director of Property, the Board of Supervisors approves the Agreement in
21 substantially the form presented to the Board and hereby authorizes the Director of
22 Property and the HSH Executive Director, or their designee(s), to execute the Agreement;
23 and, be it

24 FURTHER RESOLVED, The Board of Supervisors affirms the Planning
25 Department's CEQA Determination and General Plan Findings, for the same reasons as

1 set forth in the Planning Letter and for the further reasons that the Agreement does not
2 authorize a change in the use of the Property, or physical changes to the Property that
3 could result in significant environmental impacts, and hereby incorporates such findings by
4 reference as though fully set forth in this Resolution; and, be it

5 FURTHER RESOLVED, That the Board of Supervisors confirms that the below market
6 rental rate of the Agreement furthers a proper public purpose sufficient to meet the
7 requirements of Administrative Code Section 23.33; and, be it

8 FURTHER RESOLVED, That the Board of Supervisors finds that the Property is
9 “exempt surplus land,” as defined by California Government Code, Section 54221(f)(1)(F), for
10 the reasons set forth above; and, be it

11 FURTHER RESOLVED, That HSH is authorized to fund the net property management
12 and operating costs for the Property in a total amount not to exceed \$19,500,000, subject to
13 appropriations and certain other conditions, reporting requirements, and HSH approval of an
14 annual operating budget for the Property, as further described in the Agreement; and, be it

15 FURTHER RESOLVED, That the Board of Supervisors authorizes the HSH Executive
16 Director and the Director of Property, or their designees, to take all actions on behalf of the
17 City to enter into, execute, and perform its obligations under the Agreement (including, without
18 limitation, the exhibits) and any other documents that are necessary or advisable to effectuate
19 the purpose of this Resolution and the Agreement; and, be it

20 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
21 Property and the HSH Executive Director, or their designees, in consultation with the City
22 Attorney, to enter into any additions, amendments, or other modifications to the Agreement
23 and any other documents or instruments necessary in connection therewith (including but
24 not limited to the exhibits attached to the Agreement) that the HSH Executive Director and
25 the Director of Property determine are in the best interests of the City, do not materially

1 decrease the benefits to the City, do not materially increase the obligations or liabilities of
2 the City, are necessary or advisable to effectuate the purposes of the Agreement or this
3 Resolution, and are in compliance with all applicable laws, including the City's Charter,
4 such determination to be conclusively evidenced by the execution and delivery by the HSH
5 Executive Director and Director of Property of any such additions, amendments, or other
6 modifications; and, be it

7 FURTHER RESOLVED, That all actions taken by any City employee or official
8 with respect to the Agreement are hereby approved and ratified; and, be it

9 FURTHER RESOLVED, That within thirty (30) days of the Agreement being fully
10 executed by all parties, HSH shall submit to the Clerk of the Board of Supervisors a fully
11 executed copy for inclusion in the official file.

12
13
14 RECOMMENDED:

15
16 /s/ _____

17 Shireen McSpadden
18 Department of Homelessness and Supportive Housing
19 Executive Director

20
21
22 /s/ _____

23 Andrico Q. Penick
24 Real Estate Division
25 Director of Property