

LEGISLATIVE DIGEST

[Lease and Property Management Agreement - Dolores Street Community Services - 5630-5638 Mission Street - Not to Exceed \$11,636,000; Certain Administrative Code Waivers]

Ordinance 1) approving and authorizing the Director of Property and the Executive Director of the Department of Homelessness and Supportive Housing (“HSH”) to enter into a Lease and Property Management Agreement (“Agreement”) with Dolores Street Community Services to lease, operate, and maintain the real property and residential improvements at 5630-5638 Mission Street (“Property”) for an initial five-year term to commence upon the first day of the month following the effective date of this Ordinance with one five-year option to extend, and base rent of \$1 per year with no annual rent increases, and for net property management and operating costs to be paid by the City in a total five-year amount not to exceed \$11,636,000; 2) determining, in accordance with Administrative Code, Section 23.33, that the below market rent payable under the Agreement will serve a public purpose by providing Permanent Supportive Housing for formerly homeless and low-income households; 3) adopting findings that the Property is “exempt surplus land” under the California Surplus Land Act; 4) exempting the Property from contracting requirements in Administrative Code, Chapter 6, but requiring compliance with the prevailing wage and apprenticeship requirements of Administrative Code, Section 23.61; 5) authorizing the Director of Property and the Executive Director of HSH to make certain modifications to the Agreement and take certain actions in furtherance of the Agreement and this Ordinance, as defined herein; 6) ratifying all prior actions taken by any City employee or official with respect to the Agreement; and 7) affirming the Planning Department’s determination under the California Environmental Quality Act, and adopting the Planning Department’s findings that the Agreement is consistent with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

Existing Law

This is a contract approval action. If the Board of Supervisors adopts this proposed uncodified ordinance, the City would enter into a Lease and Property Management Agreement (the “Agreement”) with Dolores Street Community Services (“DSCS”) to lease, operate, and maintain the City-owned real property and residential improvements at 5630-5638 Mission Street (“Property”) as Permanent Supportive Housing (“PSH”) and exempt the Property from certain contracting requirements in Administrative Code Chapter 6, but require compliance with the prevailing wage and apprenticeship requirements of Administrative Code, Section 23.61. Administrative Code Chapter 6 establishes the policies, procedures, and required contract terms that apply under City law to public works contracts, including construction contracts and contracts for related design and engineering services. There are no amendments to current law.

Background Information

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

On October 15, 2021, the Board of Supervisors adopted Resolution No. 474-21, approving and authorizing the City’s acquisition of 5630-5638 Mission Street, which consists of approximately 26,954 square feet of land, and improvements including a 52-guest room hotel and all personal property and equipment used in connection with the operation of the Property. The City acquired the Property on May 16, 2022.

On June 28, 2022, the California Department of Housing and Community Development (“HCD”) announced that it intends to award \$16,823,000 of Project Homekey grant funds to the City to support the acquisition and operations of the Property, for which HSH will be seeking approval from the Board of Supervisors to accept and expend these funds during fiscal year 2022-2023.

This proposed ordinance would approve and authorize the Director of Property and the Executive Director of the Department of Homelessness and Supportive Housing (“HSH”), to enter into the Agreement with DSCS to lease, operate, and maintain the Property as PSH for an initial five-year term.

Under the Agreement, DSCS would provide ongoing property management services, including renting the Property to eligible unsheltered or formerly unsheltered households eligible for PSH as determined by HSH, and maintaining the Property in a safe, sanitary and habitable manner. Because the PSH rental income is not expected to cover the total operating costs at the Property, the Agreement would authorize HSH to provide an annual operating subsidy to DSCS in an amount not to exceed \$11,636,000, subject to annual appropriations and certain other conditions, reporting requirements, and HSH approval of an annual operating budget submitted by DSCS. The property management services have been approved by the Civil Service Commission, and are subject to Board approval under Charter Section 9.118(b).

This proposed ordinance would waive Administrative Code Chapter 6, and will require compliance with the prevailing wage and apprenticeship program requirements of Administrative Code §23.61.

The Agreement would also authorize DSCS to apply for any applicable entitlements and complete certain necessary predevelopment work. Upon completion of the predevelopment work, HSH and Tenant intend to enter into a separate funding agreement to govern any necessary construction or substantial rehabilitation at the Property, which may be subject to the prior approval of the Board of Supervisors, as required by law.

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