

File No. 110168

Committee Item No. 1

Board Item No. \_\_\_\_\_

# COMMITTEE/BOARD OF SUPERVISORS

## AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance SUB-Committee

Date: March 9, 2011

Board of Supervisors Meeting

Date \_\_\_\_\_

### Cmte Board

- |                                     |                          |  |
|-------------------------------------|--------------------------|--|
| <input type="checkbox"/>            | <input type="checkbox"/> | Motion                                       |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution                                   |
| <input type="checkbox"/>            | <input type="checkbox"/> | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget Analyst Report                        |
| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Analyst Report                   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Ethics Form 126                              |
| <input type="checkbox"/>            | <input type="checkbox"/> | Introduction Form (for hearings)             |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/> | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Subcontract Budget                           |
| <input type="checkbox"/>            | <input type="checkbox"/> | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/> | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Application                                  |

### OTHER

(Use back side if additional space is needed)

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- |                                     |                          |                     |
|-------------------------------------|--------------------------|---------------------|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Master Lease</u> |
| <input type="checkbox"/>            | <input type="checkbox"/> | _____               |
| <input type="checkbox"/>            | <input type="checkbox"/> | _____               |
| <input type="checkbox"/>            | <input type="checkbox"/> | _____               |
| <input type="checkbox"/>            | <input type="checkbox"/> | _____               |

Completed by: Victor Young

Date: March 4, 2011

Completed by: Victor Young

Date: \_\_\_\_\_

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Lease of Real Property - 1421 Broderick Street]

2  
3 **Resolution authorizing the exercise of a ten year option to extend the lease of the**  
4 **12,417 square foot building located at 1421 Broderick Street for the Department of**  
5 **Public Health.**

6  
7 WHEREAS, The City and Seto Associates, fka the Seto Family Trust, executed the  
8 ten year Master Lease dated 2/1/2001, authorized by Resolution 83-01 for the Premises at  
9 1421 Broderick Street comprising 12,417 square feet commonly known as 1421 Broderick  
10 Street in San Francisco; and

11 WHEREAS, The Premises contain a 33 bed, licensed residential care facility  
12 receiving most of its referrals from the San Francisco General and Laguna Honda  
13 Hospitals. All residents require the level of treatment care from a licensed Adult Residential  
14 Facility setting, but not a Skilled Nursing Facility level setting; and

15 WHEREAS, Such Lease is due to expire on February 15, 2011, and contains an  
16 option to extend the term for ten years on the same terms and conditions except that the  
17 Base Monthly Rental is to be adjusted to \$12,914.27, being the fair market rental for the  
18 premises; and

19 WHEREAS, Such terms for the option are subject to enactment of a resolution by  
20 the Board of Supervisors and Mayor, in their respective sole and absolute discretion,  
21 approving and authorizing such exercise; now, therefore, be it

22 RESOLVED, That in accordance with the recommendation of the Director of Health  
23 and the Director of Property, the Director of Property is hereby authorized to take all actions  
24 in behalf of the City and County of San Francisco, as Lessee, to extend the Master Lease  
25 for the building commonly known as 1421 Broderick Street, a copy of which is included in

1 Board of Supervisors File No. 110168 on the terms and conditions set forth, and on a form  
2 approved by the City Attorney; and be it

3 FURTHER RESOLVED, That the Master Lease extension shall be for a term of ten  
4 years at a base monthly rental of \$12,914.27, or \$1.04 per square foot in addition to utility  
5 and janitorial services; and be it

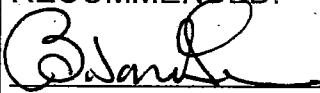
6 FURTHER RESOLVED, That the Master Lease shall continue to include the clause  
7 indemnifying, holding harmless, and defending Lessor and its agents from and against any  
8 and all claims, costs and expenses, including without limitation, reasonable attorney fees  
9 incurred as a result of any default by the City in the performance of any of its material  
10 obligations under the Master Lease, or any negligent acts or omissions of the City, or its  
11 agents, in, on or about the Premises or the property on which the Premises are located,  
12 including those claims, costs and expenses incurred as a result of the negligence or willful  
13 misconduct of the Lessor or its agents; and be it

14 FURTHER RESOLVED, That any action taken by the Director of Property and  
15 other relevant officers of the City with respect to the exercise of the option under the Master  
16 Lease as set forth herein is hereby ratified and affirmed; and be it

17 FURTHER RESOLVED, That the Director of Property be authorized to enter into any  
18 additions, amendments or other modifications to the Master Lease agreement (including  
19 without limitation, the exhibits) that the Director of Property determines, in consultation with  
20 the Director of the Department of Public Health and the City Attorney, are in the best  
21 interests of the City, do not materially increase the obligations or liabilities of the City, and  
22 are necessary or advisable to complete the transaction contemplated in the Master Lease  
23 and effectuate the purpose and intent of this resolution, such determination to be  
24 conclusively evidenced by the execution and delivery by the Director of Property of any  
25 amendments thereto; and be it

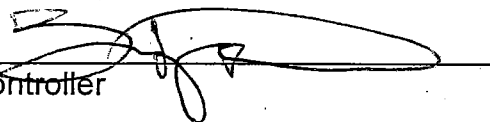
1 FURTHER RESOLVED, That said Master Lease shall be subject to certification of  
2 funds by the Controller pursuant to Section 6.302 of the Charter,

3 RECOMMENDED:

4   
5 Barbara Garcia, Director  
6 Department of Public Health

7   
8 John Updike  
9 Acting Director of Property

10 \$58,114.22 Available  
11 Appropriation No. HCHSHHOUSGGF

12   
13 Controller

**Item 1**  
**File 11-0168**

**Department(s):**  
Department of Public Health; Real Estate Division

## EXECUTIVE SUMMARY

### Legislative Objective

- The proposed resolution would exercise the City and County of San Francisco's option to extend a lease for another ten years, on behalf of the Department of Public Health (DPH), as lessee, and Seto Family Trust, as lessor, for DPH's Broderick Street Residential Care Facility at 1421 Broderick Street.

### Key Points

- The DPH's Direct Access to Housing Program provides one licensed 24-hour residential care facility for up to 33 individuals at the Broderick Street Residential Care Facility, to serve difficult-to-place homeless adults who require non-acute medical care.
- The existing ten-year lease between DPH and Seto Family Trust expired on February 15, 2011 and, under a holdover provision, the lease has been extended by DPH on a month-to-month basis. Seto Family Trust currently charges DPH \$12,661 per month (\$151,932 annually) for the subject facility. Under the terms of the existing lease, the City has the option to extend the lease for one additional ten-year term, subject to Board of Supervisors approval.
- The proposed lease differs from the prior lease in that the proposed lease does not contain an option to extend for another ten years. Under the proposed lease, rental rates, beginning in year two, would be subject to annual Consumer Price Index adjustments of no less than two percent and no more than six percent.

### Fiscal Impacts

- The proposed Broderick Street Residential Care Facility rental rate charged by Seto Family Trust of \$12,914 per month (\$154,968 annually) is \$253 per month or approximately two percent higher than the \$12,661 monthly rental rate currently paid by DPH under the existing lease.
- DPH funds the subject lease with General Fund monies. DPH's FY 2010-2011 budget included an estimated two percent increase in the subject lease, as previously appropriated by the Board of Supervisors, such that DPH has sufficient budgeted funds to fully pay the rent costs in FY 2010-2011.
- Under the proposed lease, beginning in year two, rental rates would increase, as a result of future CPI adjustments, by between two percent and six percent annually. General Fund monies will be requested in the DPH's future annual budgets to fund the annual needed rental costs.

### Recommendation

- Approve the proposed resolution.

**MANDATE STATEMENT / BACKGROUND****Mandate Statement**

In accordance with City Administrative Code Section 23.27, leases, in which the City is the lessee, require approval by the Board of Supervisors.

**Background**

The Department of Public Health's (DPH) Direct Access to Housing (DAH) Program provides affordable single room occupancy (SRO) housing in six facilities and one 24-hour licensed residential care facility with on-site support services, including (a) mental health services, (b) life skills development, (c) crisis intervention, (d) access to medical care, and (e) meals to homeless adults. According to Mr. Wolfgang Stuwe, Project Manager at DPH, the DAH Program seeks to address the lack of affordable housing for homeless people in the City who often cycle in and out of emergency or crisis service systems, such as (a) medical facilities, (b) treatment centers, (c) homeless shelters, and (d) jails.

According to Mr. Stuwe, a homeless adult is eligible to participate in the DAH Program if he or she (1) has extremely low income (defined by DPH at less than or equal to 20 percent of median income) and (2) (a) has a history of living on the streets or in emergency shelters or other temporary housing, (b) has been released from institutional, acute, or transitional settings, or (c) has a history of rotating through various systems of care without prolonged stabilization in their housing or health status. Homeless adults are referred to the DAH Program by street outreach, treatment programs, medical respite, intensive case management programs, and institutional settings.

The DAH Program provides one licensed<sup>1</sup> 24-hour residential care facility for up to 33 individuals at the Broderick Street Residential Care Facility, to serve difficult-to-place clients who have been referred by the San Francisco General Hospital and Laguna Honda Hospital and require non-acute medical care. According to Mr. Stuwe, most Broderick Street Residential Care Facility residents have (a) chronic or episodic mental illness treatment needs, (b) primary medical problems that no longer require skilled nursing treatment, and/or (c) HIV-positive status and need stabilization in a non-acute medical setting. Under the DAH Program, Mr. Stuwe advises that residents are required to pay the rent amount of \$961 per month, which is a fixed rate that includes meals, set by the State for this level of care. Mr. Stuwe states that the portion of the rent paid by the resident usually comes from Medi-Cal, Supplemental Security Income, and other sources of federal and State public assistance.

On February 16, 2001, the Board of Supervisors approved a ten-year lease from February 16, 2001 through February 15, 2011, with one ten-year option to extend, between the DPH, as lessee, and Seto Family Trust, as lessor, for 33 beds comprising

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<sup>1</sup> The Broderick Street Residential Care Facility is licensed by the California Department of Social Services' Community Care Licensing Division to provide board and care, mental health treatment, and medical support services for homeless individuals, who are struggling with mental and medical illness.

12,417 square feet at the Broderick Street Residential Care Facility as part of the DAH Program (File 01-0053). The Broderick Street Residential Care Facility is located at 1421 Broderick Street, between Post Street and Geary Boulevard.

The existing ten-year lease between DPH and Seto Family Trust for the Broderick Street Residential Care Facility expired on February 15, 2011. The lease has one ten-year option. Under the terms of the existing ten-year lease, a holdover provision allows the lease to be extended on a month-to-month basis until the ten-year option to extend the lease is exercised. DPH currently pays Seto Family Trust \$12,661 per month or \$1.02 per square foot per month (\$151,932 annually) for approximately 12,417 square feet for the Broderick Street Residential Care Facility.

### **Property Management and Health Care Services**

Under both the existing and proposed agreements, the DPH leases the Broderick Street Residential Care Facility from Seto Family Trust, and DPH then subleases these residential units to the DAH Program participants. The existing lease agreement, as well as the proposed lease agreement, between Seto Family Trust and DPH also authorizes DPH to contract with a property management and health care services firm to provide services at the Broderick Street Residential Care Facility. According to Mr. Stuwe, based on the results of a Request for Proposal (RFP) process<sup>2</sup>, the DPH contracted with the Richmond Area Multi-Services, Inc. (RAMS), a non-profit organization, to provide all services, including health care, general maintenance and repairs, janitorial services, and utilities at the Broderick Street Residential Care Facility for the ten-year period from July 1, 2003 through June 30, 2013. This existing agreement between DPH and RAMS for property management and health care services at the Broderick Street Residential Care Facility costs up to \$916,206 annually, averaging \$76,350 monthly, on a cost-reimbursement basis. This cost is paid by DPH to RAMS from the General Fund monies appropriated by the Board of Supervisors in the DPH's annual budgets.

Mr. Terence Peneda, Finance Manager at the DPH, advises that the Broderick Street residents pay rent of \$961 per month to RAMS directly, totaling \$31,713 monthly for all 33 residents (\$961 x 33 residents) or \$380,556 annually (\$31,713 x 12 months). Rent revenues received by RAMS are not used to offset General Fund costs, such that DPH only pays RAMS up to \$916,206 annually or up to \$76,350 monthly. The existing agreement between DPH and RAMS for continued property management and health care services at the Broderick Street Residential Care Facility would not be affected by the proposed new lease agreement, which would allow DPH to continue to contract with RAMS for RAMS to provide the needed services.

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<sup>2</sup> According to Mr. Peneda, the agreement between DPH and RAMS was not subject to Board of Supervisors approval because the RAMS services cost approximately \$916,206 annually and extend for a term of ten years, resulting in estimated total costs of \$9,162,060. Section 9.118 of the City Charter provides that any agreements having a term in excess of ten years, or requiring anticipated expenditures of \$10,000,000 or more shall be subject to approval by the Board of Supervisors,

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the exercise of the option to extend an existing lease for another ten years, by the Department of Public Health (DPH), as lessee, and Seto Family Trust, as lessor, for DPH's Broderick Street Residential Care Facility at 1421 Broderick Street, from April 1, 2011 through March 31, 2021.

Table 1 below lists the square footage, monthly rent, and rent per square foot payable by the DPH, as lessee, to Seto Family Trust, as lessor, for the first year of the proposed ten-year lease extension at the Broderick Street Residential Care Facility.

	Amount of Space (Square Foot)	Monthly Rent	Rent per Square Foot Per Month
33-bed Residential Building	12,417	\$ 12,914	\$ 1.04

Under the proposed lease, rental rates, beginning in year two of the proposed ten-year lease extension, would be subject to annual Consumer Price Index<sup>3</sup> increases of no less than two percent and no more than six percent. Mr. Stuwe states that the CPI adjustments in the proposed lease are the same as in the existing lease for the Broderick Street Residential Care Facility.

## FISCAL IMPACTS

The rent under the proposed lease would be \$12,914 monthly, which is \$253 or approximately two percent more than the monthly rent of \$12,661 under the existing lease. Approval of the proposed resolution would result in annual rent payable by the DPH, as lessee, to Seto Family Trust, as lessor, of \$154,968 (\$12,914 per month multiplied by 12) for the first year to lease 12,417 square feet for 33 beds at the Broderick Street Residential Care Facility to be used for homeless adults requiring non-acute medical care.

According to Mr. Stuwe, the needed rental monies for the proposed lease would be funded from General Fund monies appropriated by the Board of Supervisors in the DPH's annual budgets. Mr. Stuwe states that DPH's FY 2010-2011 budget, as previously approved by the Board of Supervisors, assumed a CPI increase of two percent in the subject lease. Given that the proposed lease would extend ten years and future rental rates would increase by no less than two percent and no more than six percent each year, based on future CPI adjustments, Mr. Stuwe advises that General Fund monies will be requested in the DPH's future annual budgets to fund the needed rental costs.

<sup>3</sup> The Consumer Price Index represents changes in the prices of all good and services for All Urban Consumers in the San Francisco-Oakland-San Jose area and is published by the Bureau of Labor Statistics under the United States Department of Labor.



As shown in Table 2 below, the monthly rental rate per square foot, paid by the City as lessee, to the lessor, ranges from \$0.91 to \$3.17 in the six SRO hotels only in the DPH's Direct Access to Housing (DAH) Program. The proposed residential monthly rental rate of \$1.04 per square foot at the Broderick Street Residential Care Facility is \$0.31, or approximately 23 percent lower than the \$1.35 weighted average monthly rental rate per square foot currently paid by the DPH at the six other existing SRO hotels in the DAH Program<sup>4</sup>.

<b>Building</b>	<b>Address</b>	<b>Number of Units</b>	<b>Total Square Foot</b>	<b>Annual Rent</b>	<b>Monthly Rent</b>	<b>Monthly Rental Rate Per Square Foot</b>
<i>Broderick Street Residential Care Facility – Proposed</i>	<i>1421 Broderick St.</i>	33	12,417	\$ 154,968	\$ 12,914	\$ 1.04
Hotel Le Nain	730 Eddy St.	86	60,105	656,928	54,744	0.91
Windsor Hotel	238 Eddy St.	91	45,800	607,502	50,625	1.11
Star Hotel	2176 Mission St.	54	10,770	409,574	34,131	3.17
Empress Hotel	144 Eddy St.	90	41,490	660,258	55,022	1.33
Camelot	124 Turk St.	55	14,700	454,523	37,877	2.58
Pacific Bay Inn	520 Jones St.	75	36,264	606,161	50,513	1.39
<b>Average, Excluding Broderick Street Residential Care Facility</b>				\$ 565,824	\$ 47,152	\$ 1.35

According to Mr. Stuwe, the Broderick Street Residential Care Facility is different from the six other DAH housing programs because it provides 24-hour licensed medical and residential care for up to 33 clients, including psychiatric and personal care. Mr. Stuwe advises that the subject facility provides housing to homeless adults no longer needing hospital-level care but unable to live independently without the support given through the Broderick Street Residential Care Facility. Mr. Stuwe advises that the residential monthly rental rate of \$1.04 per square foot represents a cost savings to the City because homeless adults requiring non-acute medical care would not have to remain at the San Francisco General Hospital and Laguna Honda Hospital at greater costs to the City. Without the Broderick Street Residential Care Facility, Mr. Stuwe notes that homeless adults would be occupying City hospital beds that could be filled with more acute patients and other patients that could possibly generate higher revenues to the City.

<sup>4</sup> The DPH provides rent subsidies for DAH Program participants to live in six SRO hotels shown in Table 2 that are leased by DPH. Under the DAH Program, SRO residents are required to pay DPH 50 percent of their estimated monthly income toward the monthly rent per unit which is estimated to cost a total of \$300 per month per unit. In contrast, as noted above, residents in the Broderick Street Residential Care Facility pay DPH \$961 per month. DPH states that the portion of the rent paid by the resident usually comes from Supplemental Security Income (SSI) or some other source of public assistance.

**POLICY CONSIDERATION**

According to Mr. Stuwe, on February 16, 2001, DPH sought a ten-year lease with an option to extend for another ten years because (a) a long-term lease ensures stability in the rental rates over the term of the lease, (b) 33 residents currently reside at the Broderick Street Residential Care Facility and DPH does not want to relocate the residents every few years, and (3) the frequent relocations would disrupt the support services and network that have already been established for the residents.

The only major difference between the proposed lease and the previous lease is that the proposed lease does not contain any options to further extend the lease beyond March 31, 2021.

In addition, Mr. Stuwe states that a competitive Request for Proposal process was not conducted to locate other potential space for leasing a residential care facility because of DPH's desire to continue to provide stable DAH Program housing for the residents at the Broderick Street Residential Care Facility and that the DPH is satisfied with Seto Family Trust as the lessor of the Broderick Street Residential Care Facility.

**RECOMMENDATION**

Approve the proposed resolution.



**Amy L. Brown**  
**Director of Real Estate**

February 8, 2011

*File # 110168*

Through Amy L. Brown, Acting City Administrator

Honorable Board of Supervisors  
City and County of San Francisco  
City Hall, 1 Dr. Carlton B. Goodlett Place  
San Francisco, California 94102

Re: Lease renewal of 1421 Broderick Street

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
2011 FEB 14 AM 11:15  
BY \_\_\_\_\_  
AK

Dear Board Members:

On behalf of the Department of Public Health, attached for your consideration is a Resolution authorizing the exercise of City's option to extend the term of the Master Lease for the subject property (the "Premises") authorized by Board of Supervisors Resolution No. 83-01 for ten (10) years as set forth in the Master Lease provisions for the Premises. The Premises comprise approximately 12,417± square feet.

The exercise of such option to extend the term is subject to enactment of a resolution by the Board of Supervisors and Mayor in their respective sole and absolute discretion.

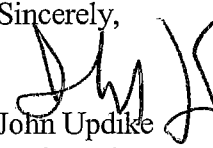
Since 2001, the Premises have been used as a 33 bed, licensed residential care facility that receives most of its referrals from both San Francisco General Hospital and Laguna Honda Hospital. All residents require the level of treatment care from a licensed Adult Residential Facility setting, which the Premises provide, but not a Skilled Nursing Facility level setting.

The Department of Public Health currently pays \$12,661.05 per month for the Premises. The fair market rental rate for the option term is \$12,914.27 per month (approximately \$1.04 per square foot). All other lease obligations as set forth in the Master Lease remain the same.

The Real Estate Division and Department of Public Health recommend approval and authorization to exercise the option as set forth in the Master Lease. We are advised that funds are available in Index Code No. HCHSHHOUSGGF. If you have any questions in this regard,

please contact Claudine Venegas of my staff at 554-9872 or Margot D. Antonetty, Acting Director of Housing and Urban Health with the Department of Public Health at 554-2565.

Sincerely,



John Updike  
Acting Director of Property

cvh:\1421broderickbos

#### Attachments

cc: Marc Trotz, DPH  
Wolfgang Stuwe, DPH

\*\*Complete copy of  
document located in  
File No. 110168

MASTER LEASE

between  
The Seto Family Trust,  
as Landlord

and

CITY AND COUNTY OF SAN FRANCISCO,  
on behalf of the Department of Public Health,  
as Tenant

For the lease of

1421 Broderick Street  
San Francisco CA 94115

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January 15, 2001

**FORM SFEC-126:  
NOTIFICATION OF CONTRACT APPROVAL  
(S.F. Campaign and Governmental Conduct Code § 1.126)**

<b>City Elective Officer Information</b> <i>(Please print clearly.)</i>	
Name of City elective officer(s):  Members, SF Board of Supervisors	City elective office(s) held:  Members, SF Board of Supervisors

<b>Contractor Information</b> <i>(Please print clearly.)</i>	
Name of contractor: <b>SETO and Associates</b>	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary. SETO and Associates is a dba of SUM M. SETO PROPERTIES, LLC and JENNY P. SETO PROPERTIES, LLC .as equal partners with Kazuo J. Nanya as Manager. Jocelyn S. Carter owns 49.35% of SUM M. SETO PROPERTIES, LLC and JENNY P. SETO PROPERTIES, Roselyn S. Nanya owns 49.35% of SUM M. SETO PROPERTIES, LLC and JENNY P. SETO PROPERTIES.	
Contractor address: 3775 Balboa St. San Francisco, CA 94121	
Date that contract was approved:	Amount of contract: \$154,971.24 annually
Describe the nature of the contract that was approved: Ten year option term extension of Master Lease	
Comments:	

This contract was approved by (check applicable):

- the City elective officer(s) identified on this form
- a board on which the City elective officer(s) serves San Francisco Board of Supervisors  
Print Name of Board
- the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits  
  
Print Name of Board

<b>Filer Information</b> <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: 415-554-5184
Address: City Hall, Room 244 1 Dr. Carlton B Goodlett Pl, San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

\_\_\_\_\_  
Signature of City Elective Officer (if submitted by City elective officer)

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

\_\_\_\_\_  
Date Signed