

1 [Lease and Property Management Agreement - Dolores Street Community Services -
2 5630-5638 Mission Street - Not to Exceed ~~\$11,636,000~~10,741,000; Certain Administrative
3 Code Waivers]

4 **Ordinance 1) approving and authorizing the Director of Property and the Executive**
5 **Director of the Department of Homelessness and Supportive Housing (“HSH”) to enter**
6 **into a Lease and Property Management Agreement (“Agreement”) with Dolores Street**
7 **Community Services to lease, operate, and maintain the real property and residential**
8 **improvements at 5630-5638 Mission Street (“Property”) for an initial five-year term to**
9 **commence upon the first day of the month following the effective date of this**
10 **Ordinance with one five-year option to extend, and base rent of \$1 per year with no**
11 **annual rent increases, and for net property management and operating costs to be paid**
12 **by the City in a total five-year amount not to exceed ~~\$11,636,000~~10,741,000; 2)**
13 **determining, in accordance with Administrative Code, Section 23.33, that the below**
14 **market rent payable under the Agreement will serve a public purpose by providing**
15 **Permanent Supportive Housing for formerly homeless and low-income households; 3)**
16 **adopting findings that the Property is “exempt surplus land” under the California**
17 **Surplus Land Act; 4) exempting the Property from contracting requirements in**
18 **Administrative Code, Chapter 6, but requiring compliance with the prevailing wage and**
19 **apprenticeship requirements of Administrative Code, Section 23.61; 5) authorizing the**
20 **Director of Property and the Executive Director of HSH to make certain modifications to**
21 **the Agreement and take certain actions in furtherance of the Agreement and this**
22 **ordinance; 6) ratifying all prior actions taken by any City employee or official with**
23 **respect to the Agreement; and 7) affirming the Planning Department’s determination**
24 **under the California Environmental Quality Act, and adopting the Planning**

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1 **Department’s findings that the Agreement is consistent with the General Plan, and the**
2 **eight priority policies of Planning Code, Section 101.1.**

3 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
4 **Additions to Codes** are in *single-underline italics Times New Roman font*.
5 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
6 **Board amendment additions** are in double-underlined Arial font.
7 **Board amendment deletions** are in ~~strikethrough Arial font~~.
8 **Asterisks (* * * *)** indicate the omission of unchanged Code
9 subsections or parts of tables.

10 Be it ordained by the People of the City and County of San Francisco:

11 Section 1. CEQA and Land Use Findings.

12 (a) The Planning Department has determined that the actions contemplated in this
13 ordinance are subject to ministerial approval and are not subject to review under the California
14 Environmental Quality Act (California Public Resources Code Sections 21000 et seq.). Said
15 determination is on file with the Clerk of the Board of Supervisors in File No. 221156 and is
16 incorporated herein by reference. The Board affirms this determination.

17 (b) On November 14, 2022, the Planning Department determined that the actions
18 contemplated in this ordinance are consistent, on balance, with the City’s General Plan and
19 eight priority policies of Planning Code Section 101.1. The Board adopts this determination
20 as its own, and hereby incorporates such findings by reference as though fully set forth in this
21 ordinance. A copy of said determination is on file with the Clerk of the Board of Supervisors in
22 File No. 221156, and is incorporated herein by reference.

23 Section 2. Background and General Findings.

24 (a) The Department of Homelessness and Supportive Housing’s (“HSH”) mission is
25 to prevent homelessness when possible and to make homelessness a rare, brief, and one-

1 time experience in San Francisco through the provision of coordinated, compassionate, and
2 high-quality services.

3 (b) With the adoption of Resolution No. 319-18 in October 2018, the Board of
4 Supervisors and Mayor Breed declared a shelter crisis and affirmed San Francisco’s
5 commitment to combatting homelessness and creating or augmenting a continuum of shelter
6 and service options for those experiencing homelessness.

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

10 (d) In July 2020, Mayor Breed announced her Homelessness Recovery Plan, which
11 included the goal of acquiring and operating 1,500 new units of PSH by June 30, 2022. In the
12 two years ending June 30, 2022, the City achieved nearly double that goal, with 2,918 new
13 units of site-based and scattered-site PSH that were active or under contract with a non-profit
14 provider.

15 (e) On October 15, 2021, the City adopted Resolution No. 474-21, approving and
16 authorizing the acquisition of the real property and improvements located at 5630-5638
17 Mission Street, Assessor Parcel Number Block 7098, Lot 014 (the “Property”). The Property
18 consists of approximately 26,954 square feet of land, and improvements including a 52-guest
19 room hotel and all personal property and equipment used in connection with the operation of
20 the Property. The City acquired the Property on May 16, 2022, and a copy of the final
21 executed Purchase and Sale Agreement is on file with the Clerk of the Board of Supervisors
22 in File No. 210941. On June 28, 2022, the California Department of Housing and Community
23 Development awarded HSH \$16,823,000 of Project Homekey grant funds to support the
24 acquisition and operations of the Property. HSH will seek approval from the Board of
25

1 Supervisors to accept and expend such Project Homekey grant funds during fiscal year 2022-
2 2023.

3 (f) In April 2022, HSH selected Dolores Street Community Services (“DSCS”), a
4 California nonprofit public benefit corporation, through a Solicitation of Information, a copy of
5 which is on file with the Clerk of the Board of Supervisors in File No. 221156, to provide
6 property management and operations services at the Property.

7 (g) HSH desires to enter into a Lease and Property Management Agreement (the
8 “Agreement”) with DSCS to provide onsite property management and operations services at
9 the Property for an initial five-year term commencing upon the first day of the month following
10 the effective date of this ordinance. A copy of the Agreement is on file with the Clerk of the
11 Board of Supervisors in File No. 221156.

12 (h) The Agreement requires DSCS to be responsible for the ongoing management,
13 maintenance, and operation of the Property as PSH in accordance with HSH housing-first and
14 PSH policies, and as residential housing for any other existing residents in accordance with all
15 applicable laws. In exchange for such services at the Property, the Agreement requires the
16 City to fund the annual net property management and operating costs for the Property in a
17 total five-year amount not to exceed ~~\$11,636,000~~10,741,000, subject to appropriations and
18 certain other conditions, reporting requirements, and HSH approval of an annual operating
19 budget submitted by DSCS, as further described in the Agreement.

20 (i) The Agreement also includes an option to extend the term of the Agreement for
21 up to an additional five years, upon mutual agreement of the City and DSCS (the “Extension
22 Option”). If HSH and DSCS desire to exercise the Extension Option, the Director of Property
23 and HSH will seek required City approvals at that time.

24 (j) On August 15, 2022, the Civil Service Commission approved property
25 management services to be provided by selected non-profit organizations at HSH-acquired

1 properties, including the Property, in the total amount of \$52,000,000, for a period of five
2 years, see PSC #43675-22/23, a copy of which is on file with the Clerk of the Board of
3 Supervisors in File No. 221156.

4 (k) The funding of the net property management and operating costs for the
5 Property as described in the Agreement requires Board of Supervisors approval under
6 Section 9.118(b) of the Charter.

7 (l) Under the Agreement, DSCS will seek certain entitlements and complete certain
8 predevelopment work to convert the Property to PSH. Upon completion of the
9 predevelopment scope of work, HSH and DSCS intend to enter into a separate agreement
10 regarding any necessary construction or rehabilitation at the Property, which may be subject
11 to the prior approval of the Board of Supervisors, as required by law.

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13 Section 3. Surplus Land Act Findings and Other Findings.

14 (a) The Board of Supervisors finds that the Property is “exempt surplus land,” as
15 defined by California Government Code Section 54221(f)(1).

16 (b) The Board of Supervisors finds that the below market base rental rate of \$1 per
17 year to be paid by DSCS to the City under the Agreement, with no annual rent increases,
18 furthers a proper public purpose sufficient to meet the requirements of Administrative Code
19 Section 23.33, since the exceptionally low rent will facilitate the operation of PSH for formerly
20 homeless and low-income households at the Property.

21
22 Section 4. Approval of Agreement, and Related Authorizations.

23 (a) In accordance with the recommendation of the Director of Property and the
24 Executive Director of HSH, the Board of Supervisors hereby approves the Agreement in
25 substantially the form presented to the Board of Supervisors.

1 (b) The Board of Supervisors authorizes the Executive Director of HSH and the
2 Director of Property, or their designees, to take all actions on behalf of the City to enter into,
3 execute, and perform its obligations under the Agreement (including the exhibits to the
4 Agreement), and any other documents that are necessary or advisable to effectuate the
5 purpose of this ordinance and the Agreement.

6 (c) In addition, HSH may fund the net property management and operating costs for the
7 Property in a total amount not to exceed ~~\$11,636,000~~ 10,741,000, subject to appropriations
8 and certain other conditions, reporting requirements, and HSH approval of an annual
9 operating budget for the Property, as further described in the Agreement.

10
11 Section 5. Administrative Code Chapter 6 Waiver; Prevailing Wage and
12 Apprenticeship Requirements.

13 (a) The Board of Supervisors waives Administrative Code Chapter 6, to the extent
14 Chapter 6 would otherwise be applicable to the work performed by DSCS or its agents at the
15 Property.

16 (b) The payment of prevailing wages and the apprenticeship requirements of
17 Administrative Code Section 23.61 shall apply to the work performed by DSCS or its agents at
18 the Property.

19
20 Section 6. Additions, Amendments, and Modifications.

21 The Board of Supervisors authorizes the Director of Property and the Executive
22 Director of HSH, or their designees, in consultation with the City Attorney, to enter into any
23 additions, amendments, or other modifications to the Agreement (including the exhibits to the
24 Agreement) and any other documents or instruments necessary in connection therewith that
25 the Director of Property and the Executive Director of HSH determine, in consultation with the

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

7
8 Section 7. Ratification of Prior Actions; Authorization of Subsequent Actions.

9 All prior actions taken by any City employee or official with respect to the Agreement
10 are hereby approved and ratified, and the Board of Supervisors hereby authorizes all
11 subsequent action to be taken by City officials with respect to the Agreement consistent with
12 this ordinance.

13
14 Section 8. Effective Date.

15 This ordinance shall become effective 30 days after enactment. Enactment occurs
16 when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not
17 sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the
18 Mayor’s veto of the ordinance.

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20 Section 9. Inclusion of Final Agreement in Board File.

21 Within 30 days of the Agreement being fully executed by all parties, HSH shall submit
22 to the Clerk of the Board of Supervisors a fully executed copy of the Agreement for inclusion
23 in Board File No. 221156, the official file for this ordinance.

1 APPROVED AS TO FORM:
2 DAVID CHIU, City Attorney

3 By: /s/ Virginia Dario Elizondo
4 VIRGINIA DARIO ELIZONDO
Deputy City Attorney

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