



**Edwin M. Lee, Mayor**  
**Naomi M. Kelly, City Administrator**



**John Updike**  
**Director of Real Estate**

June 26, 2014

**Lease Renewal**  
**144 Eddy Street**  
**Department of Public Health**

Through Naomi Kelly,  
City Administrator

Honorable Board of Supervisors  
City & County of San Francisco  
1 Dr. Carlton B. Goodlett Place  
City Hall, Room 224  
San Francisco, CA 94102

Dear Board Members:

Attached for your consideration is a Resolution authorizing the renewal of a lease of the Empress Hotel located at 144 Eddy Street, near Mason Street, for another ten year term for use by the Department of Public Health (DPH) for its Direct Access to Housing (DAH) program.

The DAH program provides clean and stable supportive housing for people who are chronically homeless and are struggling with complex medical and behavioral health conditions, including issues related to mental illness, substance abuse and/or HIV/AIDS.

The City and County of San Francisco and Empress LLC., Landlord, executed a lease dated May 1, 2004 (the "Lease"), authorized by Board of Supervisors Resolution 368-04 for 144 Eddy Street. The current rent \$59,039.82 per month, net of property expenses, and the lease currently expires on June 30, 2014.

The Empress Hotel has 90 residential units. There are approximately 18 units on each of the five residential floors, all with private baths or a bathroom shared between two units. The ground floor includes the lobby, an office, a fully accessible bathroom, a kitchen, and a laundry room. Also on the main level is an area of approximately 3,000 square feet that is used for support services and medical offices and a large community room for the building residents. The total building area is roughly 41,490 square feet.

The City contracts with the Tides Center's Delivering Innovation in Supportive Housing (DISH) project, to manage the day-to-day operations of the housing site. DISH was selected through an RFP to provide operations and property management (RFP29-2007) for 144 Eddy Street and five other Master Lease buildings. The DPH contract with Tides Center – DISH for property management services through June 30, 2018 was authorized by Board Resolution 37- 13.

The Housing and Urban Health section of DPH provides the on-site support services at the Empress Hotel and the other five master lease sites. The Support Services team has a focus on client centered case management, which includes establishing service plans that address each tenant's unique needs and reduce harmful behaviors; assisting tenants to access, maximize and maintain benefits; helping tenants access and maintain or reconnect with medical and behavioral health services; providing medication management and nursing services, through a registered nurse; providing substance abuse, mental health, and life skills counseling; arranging for educational and vocational connections; establishing and coordinating with outside services necessary to maintain independent living, such as In Home Support Services; helping tenants secure food and clothing; and, assisting tenants with any additional housing stability issues.

The existing Lease provides the City with an option to extend the Term for another ten (10) years on the same terms and conditions except that the Base Monthly Rental is to be adjusted to 95% of the market rental value. The City and Landlord have just recently negotiated the option rent to be simply a continuation of the CPI increase to the current rent which is deemed to be no greater than 95% of Fair Market Value. That agreement with the Landlord was reached on June 13, 2014. Thus, the need to submit retroactive legislation. The proposed Base Rent for the option period is \$60,687.03 per month (a 2.79% increase over the current rent of \$59,039.82 per month).

The option to extend the term of the lease is for 10 years (from July 1, 2014 to June 30, 2024). The proposed base rent of \$60,687.03 per month is approximately \$674.30 per housing unit. The proposed base rent would continue to increase annually on each July 1 based on the proportionate increase in the Consumers Price Index (C.P.I.) for the San Francisco area, with a minimum increase of 2% and a maximum increase of 4%.

62% (\$451,055) of the Base Rent is supported by an on-going HUD grant since 2004, and the remaining 38% is paid by the General Fund (\$277,189.36). Property operating expenses are paid by DISH under their 5 property contract. According to DPH, the DISH contract (including operating expenses) is funded through a HUD grant, MHSA funding, General Fund and projected rental income.

We recommend approval of the proposed lease extension authorizing legislation and would appreciate a hearing on this matter be scheduled at the Budget and Finance Committee in mid-July.

If you have any questions regarding the programs operated at 144 Eddy Street, please contact Wolfgang Stüwe, Project Manager, HUH Project Manager at 554- 2829 or Margot Antonetty, Acting Director of, HUH at 554-2642. For any questions regarding the program funding, please contact Terence Peñeda, HUH Finance Manager, HUH at 554-2561. For any questions regarding the lease extension, please contact Charlie Dunn, Senior Real Property Officer, Real Estate Division at 554-9861.

Respectfully,

John Updike  
Director of Property

cc: Barbara Garcia, Director, Department of Public Health  
Margot Antonetty, DPH – HUH  
Wolfgang Stüwe, DPH – HUH  
Terence Peñeda, DPH - HUH