

1 [Purchase of Real Property - 685 Ellis, LLC - 681-687 Ellis Street - Apply to Homekey
2 Grant Program - California Department of Housing and Community Development -
3 \$19,940,000]

4 **Resolution 1) approving and authorizing the Director of Property, on behalf of the**
5 **Department of Homelessness and Supportive Housing, to acquire certain property**
6 **located at 681-687 Ellis Street (“Property”) for \$19,900,000 plus an estimated \$40,000**
7 **for typical closing costs, for a total anticipated amount of \$19,940,000; 2) approving**
8 **and authorizing HSH, on behalf of the City, to apply to the California Department of**
9 **Housing and Community Development for its Homekey Grant Program to purchase**
10 **the Property; 3) approving and authorizing an Agreement of Purchase and Sale for**
11 **Real Estate for the acquisition of the Property from 685 Ellis, LLC (“Purchase**
12 **Agreement”); 4) authorizing the Director of Property to execute the Purchase**
13 **Agreement, make certain modifications, and take certain actions in furtherance of**
14 **this Resolution and the Purchase Agreement, as defined herein; 5) affirming the**
15 **Planning Department’s determination under the California Environmental Quality**
16 **Act; and 6) adopting the Planning Department’s findings that the Purchase**
17 **Agreement, and the transaction contemplated therein, is consistent with the General**
18 **Plan, and the eight priority policies of Planning Code, Section 101.1.**

19
20 WHEREAS, The Department of Homelessness and Supportive Housing’s (“HSH”)
21 mission is to prevent homelessness when possible and to make homelessness a rare,
22 brief, and one-time experience in San Francisco through the provision of coordinated,
23 compassionate, and high-quality services; and

24 WHEREAS, With the enactment of Resolution No. 319-18 in October 2018, the
25 Board of Supervisors and Mayor London N. Breed declared a shelter crisis and affirmed

1 San Francisco’s commitment to combatting homelessness and creating or augmenting a
2 continuum of shelter and service options for those experiencing homelessness; and

3 WHEREAS, Proposition C (2018) (Gross Receipts Tax for Homelessness
4 Services (“Prop C”), passed by San Francisco voters in November 2018, created the
5 Homelessness Gross Receipts Tax to fund the Our City, Our Home (“OCOH”) Fund, in
6 order to expand and be complementary to existing funding and strategic efforts to prevent
7 and end homelessness for San Francisco residents; and

8 WHEREAS, Permanent Supportive Housing is the most effective, evidence-based
9 solution to ending chronic homelessness and also prevents new incidents of homelessness
10 among highly vulnerable people with long experiences of homelessness; and

11 WHEREAS, In July 2020, Mayor Breed announced her Homelessness Recovery
12 Plan, including the goal of acquiring and operating 1,500 new units of Permanent
13 Supportive Housing over the next two years; and

14 WHEREAS, The OCOH Oversight Committee recommended in its most recent
15 Investment Plan that the City use Prop C funds to acquire and develop new Permanent
16 Supportive Housing units for adults, families, and Transitional Age Youth; and

17 WHEREAS, Since July 2020, the City has opened, or is under contract for, over
18 1,500, new units of site-based Permanent Supportive Housing that will add to the existing
19 portfolio of supportive housing units that provide permanent homes and services to over
20 10,000 San Francisco households; and

21 WHEREAS, Since June 30, 2021, the Board of Supervisors has approved the
22 City to move forward with the acquisition of four properties that will provide more than 350
23 units of Permanent Supportive Housing in Supervisorial Districts 11, 9, 5 and 6; and

24 WHEREAS, In accordance with California Health and Safety Code, Section
25 50675.1.1, California Department of Housing and Community Development (“HCD”) has

1 issued a 2021 Notice of Funding Availability (“NOFA”), a copy of which is on file with the
2 Clerk of the Board of Supervisors in File No. 220345, for the Homekey Grant Program
3 (“Project Homekey”), to provide housing for individuals and families who are experiencing
4 homelessness or who are at risk of homelessness and who are impacted by the COVID-19
5 pandemic; and

6 WHEREAS, In 2020, the City received two Project Homekey grant awards for the
7 acquisition of two hotels that have added approximately 362 Permanent Supportive
8 Housing units to the City’s existing inventory, a copy of the corresponding authorizing
9 Resolutions are on file with the Clerk of the Board of Supervisors in File No. 201193 and
10 File No. 201268; and

11 WHEREAS, In 2021 the City received a Project Homekey grant award to support
12 the acquisition of the 160-unit building located at 1321 Mission, a copy of corresponding
13 authorizing Resolution is on file with the Clerk of the Board of Supervisors in File No.
14 220133; and

15 WHEREAS, The Property includes the real property and a 74-room single room
16 occupancy tourist hotel, consisting of a central lobby, commercial kitchen, and vacant
17 bar/restaurant area, located at 681-687 Ellis Street, as well as certain improvements,
18 appurtenances, personal property, and intangible property described in the Purchase
19 Agreement, a copy of which is on file with the Clerk of the Board of Supervisors in File
20 No. 220345; and

21 WHEREAS, A third round of Homekey Grant Funding is anticipated to be
22 released in October of 2022; and

23 WHEREAS, HSH, on behalf of the City, may choose to submit an application
24 (“Application”) for Project Homekey funds for the Property, under the 2021 NOFA or a future
25 NOFA for Project Homekey funds, in an amount not to exceed the \$19,900,000 plus an

1 estimated \$40,000 for typical closing costs, for a total anticipated amount of \$19,940,000,
2 collectively referred to as the “Acquisition Cost”, or the maximum award amount allowable
3 under Project Homekey; and

4 WHEREAS, HSH anticipates using Prop C funding to supplement and match any
5 Project Homekey funding award, if applicable; and

6 WHEREAS, The City, through HSH and the Real Estate Division, in consultation with
7 the Office of the City Attorney, has negotiated the Purchase Agreement to acquire the
8 Property from 685 Ellis, LLC for \$19,900,000 (“Purchase Price”), plus an estimated \$40,000
9 for typical closing costs, (“Acquisition Cost”), substantially in the form approved by the Director
10 of Property and the HSH Executive Director and on file with the Clerk of the Board of
11 Supervisors in File No. 220345, incorporated herein by reference; and

12 WHEREAS, The Director of Property has determined the Purchase Price to be at or
13 below fair market value; and

14 WHEREAS, The Purchase Agreement will not become effective until the Board of
15 Supervisors and the Mayor approve this Resolution, in their sole and absolute discretion; and

16 WHEREAS, The Planning Department, by letter dated March 3, 2022, (“Planning
17 Letter”) found that the City’s proposed acquisition of the Property is not defined as a project
18 under the California Environmental Quality Act (“CEQA”) Guidelines, Sections 15378 and
19 15060(c)(2) (“CEQA Determination”), and is consistent with the General Plan, and the eight
20 priority policies of the Planning Code, Section 101.1 (“General Plan Findings”), a copy of said
21 Planning Letter is on file with the Clerk of the Board of Supervisors in File No. 220345; now,
22 therefore, be it

23 RESOLVED, That in accordance with the recommendations of the Executive
24 Director of HSH and the Director of Property, the Board of Supervisors approves the
25

1 Purchase Agreement presented to the Board and authorizes the Director of Property to
2 acquire the Property; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes HSH,
4 on behalf of the City, to submit the Application to HCD; and, be it

5 FURTHER RESOLVED, That the Board of Supervisors acknowledges that if the
6 Application is successful, HSH will seek Board of Supervisors approval to accept and
7 expend the Project Homekey funds and to authorize execution of a Standard Agreement,
8 and any other documents required or deemed necessary to secure the Project Homekey
9 funds under the terms of the Project Homekey program guidelines; and, be it

10 FURTHER RESOLVED, That, in accordance with the recommendations of the
11 HSH Executive Director and the Director of Property, the Board of Supervisors approves
12 the Purchase Agreement, and approves and authorizes the HSH Executive Director and
13 the Director of Property to take all actions necessary or appropriate to acquire the Property
14 and effectuate the Purchase Agreement and this Resolution; and, be it

15 FURTHER RESOLVED, That the Board of Supervisors approves the Director of
16 Property (or the Director's designees), in consultation with the HSH Executive Director and
17 the Office of the City Attorney, to enter into any additions, amendments, or other
18 modifications to the Purchase Agreement and any other documents or instruments
19 necessary in connection therewith (including but not limited to the exhibits and ancillary
20 agreements attached to the Purchase Agreement), that the Director of Property determines
21 are in the best interests of the City, do not materially decrease the benefits to the City with
22 respect to the Property, do not materially increase the obligations or liabilities of the City,
23 are necessary or advisable to complete the transaction contemplated in the Purchase
24 Agreement, and that effectuate the purpose and intent of this Resolution, such
25

1 determination to be conclusively evidenced by the execution and delivery by the Director of
2 Property of any such additions, amendments, or other modifications; and, be it

3 FURTHER RESOLVED, The Board of Supervisors affirms the Planning
4 Department's CEQA Determination and General Plan Findings, for the same reasons as
5 set forth in the Planning Letter, and hereby incorporates such findings by reference as
6 though fully set forth in this Resolution; and, be it

7 FURTHER RESOLVED, That approval of the Purchase Agreement shall not be
8 construed as approval of any change in use or new project on the Property; the City will
9 conduct environmental review of any new uses and/or project, following further design
10 development and study under CEQA, and retains absolute discretion to: (1) modify
11 potential future projects to mitigate significant adverse environmental impacts, (2) select
12 feasible alternatives which avoid significant adverse impacts, (3) require the
13 implementation of specific measures to mitigate the significant adverse environmental
14 impacts, (4) reject proposed projects if the economic and social benefits of said project do
15 not outweigh otherwise unavoidable significant adverse impacts of the project, or (5)
16 approve future projects upon a finding that the economic and social benefits of said project
17 outweigh otherwise unavoidable significant adverse impacts; and, be it

18 FURTHER RESOLVED, That within thirty (30) days after the Closing (as defined
19 in the Purchase Agreement), HSH shall provide any applicable final contracts to the Clerk
20 of the Board for inclusion into the official file.

\$18,853,135 Total available in the Chartfields below:

Fund ID:	10582
Department ID:	203646
Project ID:	10036744 - HOM AffordHousing-GenHomeless
Authority ID:	21528
Account ID:	506070
Activity ID:	12 – Adult PSH Acq

\$1,086,865 Total available in the Chartfields below:

Fund ID:	10582
Department ID:	203646
Project ID:	10036744 - HOM AffordHousing-GenHomeless
Authority ID:	21528
Account ID:	506070
Activity ID:	2 – Adult PSH Ops

/s/
Michelle Allersma
Budget and Analysis
Division Director on behalf of
Ben Rosenfield, Controller

RECOMMENDED:

/s/
Shireen McSpadden
Homelessness and Supportive Housing
Executive Director

/s/
Andrico Q. Penick
Real Estate Division
Director of Property