

File No. 100598

Committee Item No. 3

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

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: December 8, 2010

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 checked="" type="checkbox"/>	<input type="checkbox"/>	Contract/Agreement*
<input type="checkbox"/>	<input type="checkbox"/>	Award Letter
<input type="checkbox"/>	<input type="checkbox"/>	Application
<input type="checkbox"/>	<input type="checkbox"/>	Public Correspondence

#### OTHER

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Completed by: Victor Young

Date: December 3, 2010

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 [Real Property Lease - 238 Eddy Street]

2  
3 **Resolution authorizing the Master Lease of the Windsor Hotel at 238 Eddy Street for**  
4 **the Department of Public Health.**

5  
6 WHEREAS, The Department of Public Health has created a "Direct Access to  
7 Housing" program, which is designed to secure affordable housing for extremely low-  
8 income San Francisco residents by having the City or a nonprofit entity master lease  
9 privately owned buildings and then sublease residential units in those buildings to  
10 individuals (whether alone or as members of a household) who are medically frail and/or at-  
11 risk of homelessness, and/or who have recently exited homeless shelters or residential  
12 treatment programs, all of whom are capable of living independently with on-site support  
13 services; and,

14 WHEREAS, The Windsor Hotel, located at 238 Eddy Street, owned by TJ-T, LLC  
15 ("Landlord"), presents an opportunity to provide clean and stable housing for approximately  
16 94 such individuals who otherwise would be circulating through the City's emergency  
17 shelter and health systems and provide space for the Housing and Urban Health Clinic  
18 ("Clinic"), a Federally Qualified Health Care Clinic, delivering medical, psychiatric and  
19 adjunct services to formerly homeless persons now being housed through the Department  
20 of Public Health's Direct Access to Housing and Human Services Agency's Housing First  
21 models ; and,

22 WHEREAS, The City's master leasing of the Windsor Hotel and subleasing units in  
23 the Windsor Hotel to eligible tenants will ensure the proper maintenance and management  
24 of the property to serve an at-risk population; and,

1 WHEREAS, Upon the master leasing of the Windsor Hotel, City will contract with a  
2 property management company to manage the day-to-day operations of the Windsor Hotel;  
3 and,

4 WHEREAS, In addition to the leasing of units to at-risk individuals, the Department  
5 of Public Health will also provide a comprehensive array of on-site services including  
6 mental health services, life skills development, crisis intervention, access to medical care,  
7 and meals; and,

8 WHEREAS, In accordance with the recommendation of the Director of the  
9 Department of Public Health, that the Director of Property, on behalf of the City and County  
10 of San Francisco, as Tenant, be and hereby is authorized to execute a master lease (the  
11 "Master Lease") with Landlord for the Windsor Hotel; and,

12 WHEREAS, The Master Lease shall commence on the first day of the first full month  
13 after the date that City's Board of Supervisors approves the Master Lease. The term of the  
14 Master Lease shall be ten (10) years with two additional 10-year option periods, at City's  
15 option; and,

16 WHERE AS, It is understood that City shall occupy the Windsor Hotel for the entire  
17 lease term, as it may be extended, unless funds for rental payments are not appropriated in  
18 any subsequent fiscal year, at which time City may terminate the Master Lease with  
19 advance notice to Landlord; and,

20 WHEREAS, The base rent shall be \$50,625.15 per month consisting of \$45,443.84  
21 for the residential premises and \$5,181.31 for the Clinic premises; now, therefore, be it

22 RESOLVED, That the Master Lease may include an appropriate clause (in a form  
23 approved by the Director of Property and the City Attorney), indemnifying and holding  
24 harmless the Landlord from and agreeing to defend the Landlord against any and all  
25 claims, costs and expenses, including without limitation, reasonable attorney's fees,

1 incurred as a result of City's use of the premises, any default by the City in the performance  
2 of any of its obligations under the Master Lease, or any acts or omissions of City, its agents  
3 or its subtenants in, on or about the premises or the property on which the premises are  
4 located, excluding those claims, costs and expenses incurred as a result of the act or  
5 omission of Landlord or its agents; and, be it

6 FURTHER RESOLVED, That the Director of Property be authorized to enter into any  
7 additions, amendments or other modifications to the Master Lease agreement (including  
8 without limitation, the exhibits) that the Director of Property determines, in consultation with  
9 the Director of the Department of Public Health and the City Attorney, are in the best  
10 interests of the City, do not materially increase the obligations or liabilities of the City, and  
11 are necessary or advisable to complete the transaction contemplated in the Master Lease  
12 and effectuate the purpose and intent of this resolution, such determination to be  
13 conclusively evidenced by the execution and delivery by the Director of Property of any  
14 amendments thereto; and be it

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

18 FURTHER RESOLVED, That said Master Lease shall be subject to certification of  
19 funds by the Controller pursuant to Section 3.105 of the Charter; and be

20 FURTHER RESOLVED, That the City Attorney shall approve the form of the Master  
21 Lease and any related documents.


22 ////

23 ////

24 ////

25 ////

1 RECOMMENDED:

2   
3 Mitchell H. Katz, M.D.  
4 Director, Department of Public Health

5   
6 Amy L. Brown, Director of Property  
7 for:

8 \$354,376.05 Available  
9 Appropriation No. HCHSHHOUSGGF and HCHAPURBNCLN  
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11 Controller  
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**Item 3**  
**File 10-0598**

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

## **EXECUTIVE SUMMARY**

### **Legislative Objective**

- The proposed resolution would approve a new ten-year lease between the City and County of San Francisco, on behalf of the Department of Public Health (DPH), as lessee, and TJ-T, LLC, as lessor, for DPH to lease the Windsor Hotel located at 238 Eddy Street, with two ten-year options to renew that could extend the proposed lease through December 31, 2041 for a total maximum term of 30 years.

### **Key Points**

- DPH's Direct Access to Housing (DAH) Program makes affordable housing available to qualified homeless adults on a subsidized basis and includes on-site support services, including (a) mental health services, (b) life skills development, (c) crisis intervention, (d) access to medical care, and (e) meals.
- Currently DPH has two separate lease agreements with TJ-T at the Windsor Hotel (1) for DPH to lease 91 residential units comprising 45,800 square feet, and (2) for DPH to operate the Housing and Urban Health Clinic (Clinic) comprising 5,657 square feet. These two existing lease agreements expired on April 30, 2009 (91 residential units) and April 30, 2010 (Clinic) and the two leases have been extended by DPH on a month-to-month basis. The current rental rates charged by TJ-T, LLC to DPH of \$45,444 per month (\$545,328 annually) for the 91 residential units and \$5,181 per month (\$62,172 annually) for the Clinic, or a total of \$50,625 per month (\$607,500 annually) would remain the same under the proposed lease agreement.
- The proposed lease would combine the two existing lease agreements between the DPH and TJ-T for (a) the 91 residential units and (b) the Clinic into a single lease. The proposed lease differs from the two prior leases in that the proposed lease contains two ten-year renewal options. Under the proposed lease, future rent rates would be subject to annual Consumer Price Index adjustments of no less than three percent and no more than six percent.

### **Fiscal Impacts**

- Under the proposed combined lease DPH would pay rent to TJ-T, LLC totaling \$607,500 annually in General Fund monies including (a) DPH's use of 91 residential units at the Windsor Hotel at \$545,328 per year and (b) for DPH to operate the Housing and Urban Health Clinic at the Windsor Hotel at \$62,172 per year. Such monies were previously appropriated by the Board of Supervisors in the Department of Public Health's FY 2010-2011 budget.
- The proposed Windsor Hotel residential lease rate charged by TJ-T of \$5,992.62 per residential unit per year (\$545,328 annual rate divided by 91 residential units) is the lowest of the six existing SRO hotels in the DAH Program, and is \$1,477.59 or 19.8 percent less than the \$7,470.21 average annual rental rate per unit currently paid by the DPH.
- The proposed lease rental rates would increase, as a result of future CPI adjustments, by between three percent and six percent annually. Therefore, additional General Fund monies will be requested in the Department of Public Health's future annual budgets to fund the annual rental rate increases.

### **Recommendation**

- Approve the proposed resolution.

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

City Charter Section 9.118(c) requires that any lease of real property for a term of ten years or more, including options to renew, be approved by resolution of the Board of Supervisors.

**Background**

The Department of Public Health's (DPH) Direct Access to Housing (DAH) Program makes available affordable single room occupancy (SRO) housing 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. Marc Trotz, Director of Housing and Urban Health at the 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 (i) medical facilities, (ii) treatment centers, (iii) homeless shelters, and (iv) jail.

According to Mr. Trotz, a homeless adult is eligible to participate in the DAH Program if he or she (1) has extremely low income (defined by DPH as 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 DPH provides rental subsidies for DAH Program participants to live in six SRO hotels that are leased by DPH, and DPH also provides on-site support services. These six hotels include the: (a) Windsor Hotel, (b) LeNain Hotel, (c) Star Hotel, (d) Empress Hotel, (e) Camelot, and (f) Pacific Bay Inn. Under the DAH Program, residents are required to pay DPH 50 percent of their estimated monthly income toward the monthly rent per unit which is estimated at a total of \$300 per month per unit. Mr. Trotz 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.

On April 26, 1999, the Board of Supervisors approved a ten-year lease from May 1, 1999 through April 30, 2009, between the DPH as lessee, and TJ-T, LLC, as lessor, for 91 residential units comprising 45,800 square feet at the Windsor Hotel (File 99-0627) as part of the DAH Program.

On April 17, 2000, the Board of Supervisors approved a separate ten-year lease, from May 1, 2000 through April 30, 2010, between the DPH as lessee, and TJ-T, LLC, as lessor, for rental of a total of 5,657 square feet on the ground floor and portions of the basement and mezzanine in the Windsor Hotel (File 00-0483). According to Mr. Trotz, the DPH entered into this second Windsor Hotel lease to provide a central location for DPH's Housing and Urban Health Clinic. As a result, DPH has two separate lease agreements with TJ-T at the Windsor Hotel (1) for DPH



to lease 91 residential units comprising 45,800 square feet, and (2) for DPH to operate the Housing and Urban Health Clinic (Clinic) comprising 5,657 square feet.

Since the expiration of the 91 residential units lease on April 30, 2009 and the expiration of the 5,657 square foot Clinic lease on April 30, 2010, the DPH entered into month-to-month holdover agreements with TJ-T, in order for the DPH to negotiate a single lease agreement with TJ-T to cover both the 91 residential units and the Clinic. The monthly rents charged by TJ-T, LLC to DPH in the holdover agreements are (a) \$45,444 per month for the 91 residential units and (b) \$5,181 per month for the Clinic, or a monthly total of \$50,625 (\$607,500 per year). Mr. Trotz also states that the holdover agreements were necessary in order to ensure TJ-T, as lessor, would complete all necessary repairs, such as repairing the plumbing system and upgrading the elevator, to the Windsor Hotel prior to entering into a new lease agreement. In addition, Mr. Trotz states that the proposed consolidated lease agreement took longer than expected to finalize due to the difficult and protracted negotiations between DPH and TJ-T. As a result the two leases have been on a month-to-month basis since April 30, 2009.

### **Property Management Services**

As discussed earlier, DPH leases the Windsor Hotel from TJ-T, LLC, and DPH subleases the residential units to the Direct Access to Housing (DAH) Program participants. The existing lease agreement, as well as the proposed lease agreement, between TJ-T, LLC and DPH authorizes DPH to contract with a property management firm to provide property management services at the Windsor Hotel. According to Mr. Trotz, based on the results of a Request for Proposals process, the DPH has contracted with Delivering Innovation and Supportive Housing (DISH), a non-profit property management firm, to provide maintenance, 24-hour desk clerks, janitorial services, utilities, and administrative support at the Windsor Hotel and at the five other DAH Program sites, for the five-year period from July 1, 2008 to June 30, 2013 (File 10-0929).<sup>1</sup> This existing agreement between DPH and DISH for property management services at the Windsor Hotel costs approximately \$546,000 annually or \$45,500 monthly, based on a cost-reimbursement basis. Mr. Trotz states that the estimated \$546,000 annual DISH property management services agreement is paid from (1) rental income from the tenants at approximately \$300 per unit per month or \$327,600 annually for 91 residential units and (2) the City's General Fund of approximately \$218,400 annually. The existing agreement between DPH and DISH for continued property management services at the Windsor Hotel would not be affected by the proposed new lease agreement, which would allow DPH to continue to contract with DISH for DISH to provide property management services.

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<sup>1</sup> The original property management agreement between DISH and DPH was for all six DAH Program sites for two-years, from July 1, 2008 through June 30, 2010, for a not-to-exceed \$7,101,716 that did not require the Board of Supervisors approval. On August 3, 2010, the Board of Supervisors approved a resolution to (1) extend the original two-year agreement by three years, (2) include five additional one-year options to extend, and (3) increase the not-to-exceed amount by \$10,270,097, from \$7,101,716 to \$17,371,813 (File 10-0929).

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve one new ten-year lease, combining two separate existing leases, between the City and County of San Francisco, on behalf of the Department of Public Health and TJ-T, LLC, for DPH to lease the Windsor Hotel located at 238 Eddy Street, from January 1, 2011 through December 31, 2021, with two ten-year options to renew or through December 31, 2041.

Table 1 below lists the square footage, monthly total rents and rent per square foot payable by the DPH, as lessee, to TJ-T, LLC, as lessor, for the proposed combined lease at the Windsor Hotel. The proposed lease rates for the 91 residential units and the Clinic will be the same as the existing lease rates.

**Table 1: Proposed Lease Rates for the Windsor Hotel Premises**

	Amount of Space (Square Foot)	Monthly Rent	Rent per Square Foot Per Month
91 Residential Units and Related Space	45,800	\$ 45,444	\$ 0.99
Housing and Urban Health Clinic	5,657	5,181	0.92
<b>Total</b>	<b>51,457</b>	<b>\$ 50,625</b>	<b>\$ 0.98</b>

Under the proposed one combined lease, all future rent rates would be subject to annual Consumer Price Index<sup>2</sup> adjustments of no less than three percent and no more than six percent. Mr. Trotz states that the CPI adjustments in the proposed lease are the same as the existing lease for the residential units. However, the CPI adjustments in the existing lease for the Clinic are currently set at four percent annually.

## FISCAL IMPACTS

Approval of the proposed resolution would result in annual rent payable by the DPH, as lessee, to TJ-T, LLC, as lessor, under the proposed lease totaling \$607,500, (a) for DPH to lease 45,800 square feet for 91 residential units at the Windsor Hotel from TJ-T, LLC at \$545,328 per year (\$45,444 per month multiplied by 12) and (b) for DPH to lease 5,657 square feet to operate the DPH's Housing and Urban Health Clinic at the Windsor Hotel at \$62,172 per year (\$5,181 per month multiplied by 12).

According to Mr. Trotz, the proposed lease would be funded from General Fund monies previously appropriated by the Board of Supervisors in the Department of Public Health's FY 2010-2011 budget. Since the rental rates under the proposed lease are the same as the existing rental rates under the two separate existing leases, no additional funds are required for FY 2010-2011. However, because the rental rates would increase by a minimum of three percent and a maximum of six percent each year, based on future CPI adjustments, additional General Fund

<sup>2</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.

monies will be requested in the Department of Public Health's future annual budgets to fund the annual rental rate increases.

As shown in Table 2 below, the proposed residential lease rate of \$5,992.62<sup>3</sup> per residential unit per year is the lowest of the six existing SRO hotels in the DPH's Direct Access to Housing (DAH) Program. As also shown in Table 2 below, the proposed rental rate of \$5,992.62 per residential unit per year (\$545,328 divided by 91 units) at the Windsor Hotel is \$1,477.59 or 19.8 percent less than the \$7,470.21 average annual rental rate per unit currently paid by the DPH for other similar Hotel operations.

<b>Table 2: DPH Direct Access to Housing Program Rent by Site</b>					
<b>Building</b>	<b>Address</b>	<b>Number of Units</b>	<b>Total Square Foot</b>	<b>Annual Rent Paid by DPH</b>	<b>Annual Rental Rate Per Unit</b>
<i>Windsor Hotel - Proposed</i>	<i>238 Eddy St.</i>	<i>91</i>	<i>45,800</i>	<i>\$ 545,328</i>	<i>\$ 5,992.62</i>
LeNain Hotel	730 Eddy St.	86	60,105	693,840	8,067.91
Star Hotel	2176 Mission St.	54	10,770	379,008	7,018.67
Empress Hotel	144 Eddy St.	90	41,490	670,847	7,453.86
Camelot	124 Turk St.	55	14,700	436,342	7,933.49
Pacific Bay Inn	520 Jones St.	84	36,264	577,680	6,877.14
<b>Average, Excluding Windsor Hotel</b>				<b>\$551,543.40</b>	<b>\$ 7,470.21</b>

## POLICY ISSUE

Mr. Trotz states that the only other major difference between the proposed combined single lease and the previous two leases is that, in addition to the initial ten-year term from January 1, 2011 through December 31, 2021, the proposed lease contains two additional ten-year renewal options that could extend the proposed lease through December 31, 2041. According to Mr. Trotz, DPH sought a ten-year lease with two ten-year renewal options because (1) a long-term lease ensures stability in the rental rates over the term of the lease, (2) 94 residents currently reside at the Windsor Hotel 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.

In addition, Mr. Trotz states that a competitive Request for Proposal process was not conducted because of DPH's desire to continue to provide stable DAH Program housing for the residents at the Windsor Hotel and that the DPH is satisfied with TJ-T, LLC as the lessor of the Windsor Hotel.

The Budget and Legislative Analyst notes that five of the existing six leases for SRO hotels are ten-year leases with no options to renew. Only the Pacific Bay Inn entered into a new lease agreement (File 09-0262) with DPH, which was previously approved by the Board of

<sup>3</sup> \$5,992.62 times 91 units equals the total \$545,328 annual rent for the residential units.

Supervisors on March 31, 2009, and that lease contains two ten-year renewal options that could extend the Pacific Bay Inn lease through April 30, 2039. In addition to the subject Windsor Hotel lease, the four other DAH Program sites, (a) LeNain Hotel, (b) Star Hotel, (c) Empress Hotel, and (d) Camelot, will eventually require new lease agreements. Mr. Trotz states that DPH intends to seek ten-year lease terms with two additional ten-year renewal options when negotiating such new lease agreements for those four DAH Program sites.

## RECOMMENDATION

Approve the proposed resolution.

**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):  Mayor Gavin Newsom; Members, SF Board of Supervisors	City elective office(s) held: Mayor, City and County of San Francisco; Members, SF Board of Supervisors

<b>Contractor Information</b> <i>(Please print clearly.)</i>
Name of contractor:  <b>TJ-T, LLC</b>
<i>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.</i>
<b>Ted Vlahos, Managing Partner; Jim Vlahos, Partner</b>
Contractor address:  1847 Hunt Drive, Burlingame, CA 94010
Date that contract was approved:
Amount of contract:
Describe the nature of the contract that was approved:
Comments:

This contract was approved by (check applicable):

- ☐ the City elective officer(s) identified on this form (Mayor, Gavin Newsom)
- ☐ 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: Claudine Venegas	Contact telephone number: 554-9872
Address: 25 Van Ness #400, San Francisco Ca 94102	E-mail: Claudine.Venegas@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



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



November 8, 2010

Through Edwin Lee, 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: Resolution requesting authorization and approval to renew the Master Lease for  
238 Eddy Street, aka the Windsor Hotel

*File 100598*

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
2010 NOV -8 AM 11:29  
BY AK

Attached for your consideration is a Resolution requesting authorization and approval to renew the Master Lease of the entire building located at 238 Eddy Street on behalf of the Department of Public Health ("DPH") with TJ-T, LLC, as Landlord. The premises include (1) 104 residential units and related space comprising 45,800 s.f., and (2) the DPH Housing and Urban Health Clinic ("Clinic") and related space comprising 5,657 s.f.

The Clinic is a Federally Qualified Health Center that serves not only the people in the subject building but also those in other DPH and Human Services Agency housing.

Since 1999, the subject property has been used for the DPH's Direct Access to Housing Program that provides secure, affordable housing for extremely low-income San Francisco residents by having the City master lease the privately owned building and then sublease the residential units in those buildings to individuals who are medically frail and/or at-risk of homelessness, and/or who have recently exited homeless shelters or residential treatment programs, all of whom are capable of living independently with on-site support services.

In addition to the leasing of units to at-risk individuals, the DPH will also provide a comprehensive array of on-site services including mental health services, life skills development, crisis intervention, access to medical care, and meals.

The Master Lease is for an initial term of 10-years and includes two 10-year option terms requiring approval by the Board of Supervisors and Mayor. The proposed fair market monthly base rent is the same as the existing rent, i.e. \$50,625.15, consisting of \$45,443.84 for the residential units and \$5,181.31 for the clinic premises subject to annual CPI adjustments of no less than 3% and no more than 6%. City, as tenant, will be responsible for utilities and janitorial services serving the premises.

The subject Master Lease also provides that the maintenance and damage deposit of \$62,400 previously given as security under the master lease dated April 1, 1999, continue to be held in a segregated interest-bearing account.

Under the terms of the Master Lease, certain improvements that were identified in a physical needs assessment will be provided by Landlord at Landlord's sole cost in accordance with the negotiated schedule described in Master Lease. Moreover, during each lease year, Landlord is responsible for routine or extraordinary maintenance, replacement or repair costs in excess of \$5,000 per major building system limiting City's obligation to a ceiling of \$5,000 for these costs.

The Real Estate Division and Department of Public Health recommend approval of the proposed Master Lease. We are advised that funds are available in Index Code Nos. HCHSHHOUSGGF and HCHAPURBNCLN. If you have any questions in this regard, please contact Claudine Venegas of my staff at 554-9872 or Marc Trotz of the Department of Public Health at 554-2565.

Very truly yours,

  
Amy L. Brown  
Director of Property

cvh:\238eddybos3

Attachments

cc: Marc Trotz, DPH  
Wolfgang Stuwe, DPH  
Joanne Sakai, Deputy City Attorney

**MASTER LEASE**

between

TJ-T, LLC,  
as Owner/Landlord

and

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

For the lease of

Windsor Hotel  
238 Eddy Street  
San Francisco, California 94102

Dated as of \_\_\_\_\_1, 20\_\_



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**LIST OF EXHIBITS:**

EXHIBIT A – Premises Floor Plans

EXHIBIT B - Landlord's Work

EXHIBIT C – Physical Needs Assessment

EXHIBIT D – Dispute Resolution Procedures

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## MASTER LEASE

**THIS MASTER LEASE** (this "**Lease**"), dated as of \_\_\_\_\_ 1, 20\_\_, is by and between TJ-T, LLC, as Owner ("**Landlord**"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, on behalf of the Department of Public Health ("**DPH**"), as tenant ("**City**" or "**Tenant**"). Refer to **Section 24.17** (Definitions) for definitions and locations of defined terms used in this Lease.

### 1. BASIC LEASE INFORMATION

The following is a summary of basic lease information (the "**Basic Lease Information**"). Each item below will be deemed to incorporate all of the terms in this Lease pertaining to the item. In the event of any conflict between the information in the Basic Lease Information and any more specific provision of this Lease, the more specific provision will control.

Lease Date: \_\_\_\_\_ 1, 20\_\_ [The first day of the first full month after Board approval]

Landlord: TJ-T, LLC

Tenant: City and County of San Francisco, on behalf of the Department of Public Health

Building (Section 2.1): Windsor Hotel  
238 Eddy Street  
San Francisco, California 94102

Premises (Section 2.1): The entire Building, as shown on the Premises Floor Plans attached as **Exhibit A**, consisting of:

- (1) the residential premises located at 238 Eddy Street, which includes:
  - 104 units
  - restrooms and common areas
  - storage facilities;
  - a portion of the ground floor commercial space; and
  - basement; and
- (2) the clinic premises located at 234 Eddy Street, which includes:
  - mezzanine; and
  - a portion of the ground floor commercial space.

Term and Commencement Date (Section 3.1): 10 years, beginning on the Lease Date

Extension Options (Section 3.2): 2 additional 10-year terms, each exercisable by Tenant's notice to Landlord given not less than 120 days in advance, with rent adjusted under Section 4.3.

Rent (Section 4.1): Annual Rent: \$607,501.80, subject to adjustment on May 1 of each year during the



Term (each, "Rent Adjustment Date.") under Sections 4.2 and 4.3.

Monthly payments:

\$50,625.15 for the Building, consisting of:  
\$45,443.84 for residential premises, plus  
\$5,181.31 for clinic premises.

Maintenance and Damage Deposit  
(Section 4.8):

\$62,400 previously given as security for the master lease dated April 1, 1999, **to be held in a segregated interest-bearing account.**

Permitted Uses (Section 5.1):

Tenant must use the Premises for:

- occupancy as residential rental dwelling units for Subtenants
- related administrative services and tenant-serving activities
- supportive services, including a drop-in social services program that assists people with disabilities and other adults in obtaining Supplemental Social Security Income benefits
- Medical Clinic
- Social, medical, and property management office and service delivery space
- Social, medical, and employment services delivery and activities space

Utilities (Section 9.1):

Tenant will be responsible for all utilities.

Services (Section 9.2):

Tenant will be responsible for janitorial services.

Notice Address for Landlord (Section 24.1):

TJ-T, LLC  
1847 Hunt Drive  
Burlingame, CA 94010  
Att'n: Ted Vlahos

Key Contact for Landlord:

Ted Vlahos

Landlord Contact Telephone No.:

(650) 755-8042

Notice Address for Tenant (Section 24.1):

Real Estate Department  
25 Van Ness Avenue, Suite 400  
San Francisco, CA 94102  
Attn: Amy Brown, Director of Property  
Fax No.: (415) 554-9216

with a copy to:

Department of Public Health  
City and County of San Francisco  
101 Grove Street  
San Francisco, CA 94102  
Attn: Marc Trotz  
Fax No.: (415) 554-2658

and to:

Office of the City Attorney  
City Hall, Room 234  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4682  
Fax No.: (415) 554-4755

Key Contact for Tenant:

Doug Gary, Director  
DISH  
232 Eddy Street  
San Francisco, CA 94102  
Phone No.: (415) 776-3474 x 103  
Fax No.: (415) 776-3474

## 2. PREMISES

Landlord leases to Tenant and Tenant leases from Landlord, subject to the provisions of this Lease, the entire building identified in the Basic Lease Information (the "**Building**"), which consists of the residential premises and the clinic premises as indicated in the Basic Lease Information (the "**Premises**") and shown on the floor plans attached as **Exhibit A** (Premises Floor Plans). Landlord disclaims any interest in the furniture and fixtures currently at the Premises. Landlord and Tenant acknowledge that this Lease supersedes in their entirety a prior master lease for the residential premises between Landlord and Tenant dated as of April 1, 1999, and a lease for the clinic premises between Landlord and Tenant dated as of March 10, 2000, which will terminate as of the Commencement Date.

## 3. TERM

3.1. Term of Lease. The Premises are leased for a term (the "**Term**") commencing on \_\_\_\_\_, 20\_\_\_\_, ("**Commencement Date**"), and ending on the date that is 10 years later (the "**Expiration Date**"), conditioned on approval of this Lease by the Board of Supervisors and the Mayor of the City and County of San Francisco.

3.2. Extension Options. Tenant will have the right to extend the initial Term of this Lease (the "**Extension Options**") for 2 additional successive 10 year terms (each, an "**Extended Term**"). The terms and conditions of this Lease will apply during the Extended Terms, except that Rent will be adjusted as provided in **Section 4.3** (Fair Market Rent Adjustments for Extended Terms). Tenant may exercise the Extension Options by giving notice to Landlord no later than 120 days before expiration of the initial Term or first Extended Term, as applicable (the "**Option Notice**"). Tenant will not have any right to exercise an Extension Option if a Tenant Event of Default has occurred and has not been cured by the Expiration Date. Landlord may reject Tenant's Option Notice solely on the grounds that a Tenant Event of Default remains uncured after any cure period under this Lease has expired. Landlord's notice of rejection to