FILE NO. 220344 RESOLUTION NO. 147-22

[Purchase of Real Property - City Gardens Bridge, LLC - 333-12th Street - Apply for Grant - California Department of Housing and Community Development - Homekey Grant Program - $147,540,000]

Resolution 1) approving and authorizing the Director of Property, on behalf of the Department of Homelessness and Supportive Housing ("HSH"), to acquire certain property located at 333-12th Street ("Property") for $145,000,000 plus up to $2,250,000 in interest, payable in two installments, plus an estimated $290,000 for typical closing costs, for a total anticipated amount not to exceed $147,540,000; 2) approving and authorizing HSH, on behalf of the City, to apply to the California Department of Housing and Community Development for a Homekey Grant; 3) approving and authorizing an Agreement of Purchase and Sale for Real Estate for the acquisition of the Property from City Gardens Bridge, LLC ("Purchase Agreement"), which includes a liquidated damages clause of up to $5,000,000 as well as certain other remedies, in case of default by the City; 4) authorizing the Director of Property to execute the Purchase Agreement, make certain modifications, and take certain actions in furtherance of this Resolution and the Purchase Agreement, as defined herein; 5) affirming the Planning Department's determination under the California Environmental Quality Act; and 6) adopting the Planning Department's findings that the Purchase Agreement, and the transaction contemplated therein, is consistent with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

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

WHEREAS, With the enactment of Resolution No. 319-18 in October 2018, the Board of Supervisors and Mayor London N. Breed declared a shelter crisis and affirmed San Francisco's commitment to combatting homelessness and creating or augmenting a continuum of shelter and service options for those experiencing homelessness; and

WHEREAS, Proposition C (2018) (Gross Receipts Tax for Homelessness Services) ("Prop C"), passed by San Francisco voters in November 2018, created the Homelessness Gross Receipts Tax to fund the Our City, Our Home ("OCOH") Fund, in order to expand and complement existing funding and strategic efforts to prevent and end homelessness for San Francisco residents; and

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

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

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

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

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

WHEREAS, In accordance with California Health and Safety Code, Section 50675.1.1, California Department of Housing and Community Development ("HCD") has issued a 2021 Notice of Funding Availability ("NOFA"), a copy of which is on file with the Clerk of the Board of Supervisors in File No. 220344, for the Homekey Grant Program ("Project Homekey"), to provide housing for individuals and families who are experiencing homelessness or who are at risk of homelessness and who are impacted by the COVID-19 pandemic; and

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

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

WHEREAS, The Property includes the real property and a 200 multi-family unit residential building (consisting of a central lobby, community lounges, office space, laundry rooms, elevator and shared outdoor space) located at 333-12th Street, as well as certain improvements, appurtenances, personal property, and intangible property described in the Purchase Agreement, a copy of which is on file with the Board of Supervisors in File No. 220344; and

WHEREAS, Upon acquisition of the Property, the City intends to use the Property for Permanent Supportive Housing for families exiting homelessness; and

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

WHEREAS, HSH, on behalf of the City, may choose to submit an application ("Application") for Project Homekey funds for the Property, under the 2021 NOFA or a future NOFA for Project Homekey funds, in an amount not to exceed a total anticipated amount of $147,540,000 (collectively referred to as "Acquisition Cost"), or the maximum award amount allowable under Project Homekey; and

WHEREAS, HCD will require an authorizing Resolution approved by the Board of Supervisors to accompany the Application that must be submitted to HCD by May 2, 2022, to be considered for a 2021 Homekey Grant program award; and

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

WHEREAS, The City, through HSH and the Real Estate Division and in consultation with the Office of the City Attorney, has negotiated the Purchase Agreement to acquire the Property from City Gardens Bridge, LLC for $145,000,000 plus up to $2,250,000 in interest ("Purchase Price"), to be paid in two installments, plus an estimated $290,000 for typical closing costs, and including a liquidated damages clause of up to $5,000,000 as well as certain other remedies, in case of default by the City, substantially in the form approved by the Director of Property and the HSH Executive Director and on file with the Clerk of the Board of Supervisors in File No. 220344, incorporated herein by reference; and

WHEREAS, The Purchase Agreement contemplates that i) the City would pay the Purchase Price in two installments to Seller, the first installment of which would be $100,000,000 ("First Installment") and the second installment of which would be $45,000,000 plus a maximum of $2,250,000 interest accruing at a rate of 5% per annum for a total of $47,250,000 ("Second Installment"), both of which are required to be paid by City in the same City fiscal year; ii) the City would take title and possession of the Property after payment of the First Installment; and iii) the City Controller would provide a certification to Seller prior to City acquisition of the Property certifying the availability of funds for payment of the Second Installment; and

WHEREAS, HSH will use Prop C funding to pay the First Installment, and in the event that the City does not receive Project Homekey funds or identify other financing options to pay for the Second Installment, HSH will use proceeds from the 2020 Health and Recovery General Obligation Bond to pay the Second Installment; and

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

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

WHEREAS, The Planning Department, by letter dated March 28, 2022 ("Planning Letter"), has determined that the City's proposed acquisition of the Property is not defined as a project under the California Environmental Quality Act ("CEQA") Guidelines, Sections 15378 and 15060(c)(2) ("CEQA Determination") and is consistent, on balance, with the General Plan, and the eight priority policies of Planning Code, Section 101.1 ("General Plan Findings"), and a copy of said Planning Letter is on file with the Clerk of the Board of Supervisors in File No. 220344 and is incorporated herein by reference; now, therefore, be it

RESOLVED, That in accordance with the recommendations of the Executive Director of HSH and the Director of Property, the Board of Supervisors approves the Purchase Agreement presented to the Board and authorizes the Director of Property to acquire the Property; and, be it

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

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

FURTHER RESOLVED, That, in accordance with the recommendations of the HSH Executive Director and the Director of Property, the Board of Supervisors approves the Purchase Agreement, including two-installment payment structure and the liquidated damages clause in case of default by City, and approves and authorizes the HSH Executive Director and the Director of Property to take all actions necessary or appropriate to acquire the Property and effectuate the Purchase Agreement and this Resolution; and, be it

FURTHER RESOLVED, That the Board of Supervisors approves the Director of Property (or the Director's designees), in consultation with the HSH Executive Director and the Office of the City Attorney, to enter into any additions, amendments, or other modifications to the Purchase Agreement and any other documents or instruments necessary in connection therewith (including but not limited to the exhibits and ancillary agreements attached to the Purchase Agreement) that the Director of Property determines are in the best interests of the City, do not materially decrease the benefits to the City with respect to the Property, do not materially increase the obligations or liabilities of the City, are necessary or advisable to complete the transaction contemplated in the Purchase Agreement, and that effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Director of Property of any such additions, amendments, or other modifications; and, be it

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

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

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

$147,540,000 Total available in the chartfields below:

$100,290,000 (Prop C) for the first installment:

$96,498,222 in the chartfield below:

Fund ID:	15820
Department ID:	203646
Project ID:	10036746 HOM AffordHousing- Families
Authority ID:	21530
Account ID:	506070
Activity ID:	001

$3,791,778 in the chartfield below:

Fund ID:	15820
Department ID:	203646
Project ID:	10036746 HOM AffordHousing- Families
Authority ID:	21530
Account ID:	506070
Activity ID:	002

$47,250,000 (bond) for the second installment and interest:

Fund ID:	15513 CPXCF 20 HEALTH&RECOV S2021D
Department ID:	203646 – HOM Programs
Project ID:	10037564 HOM Housing Acquisition
Authority ID:	21707 2020 Health and Recovery Bond
Account ID:	506070 – Programmatic Projects - Budget
Activity ID:	20 – GO Bonds Series 2021D Proceeds

/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

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 220344 **Date Passed:** April 26, 2022

Resolution 1) approving and authorizing the Director of Property, on behalf of the Department of Homelessness and Supportive Housing ("HSH"), to acquire certain property located at 333-12th Street ("Property") for $145,000,000 plus up to $2,250,000 in interest, payable in two installments, plus an estimated $290,000 for typical closing costs, for a total anticipated amount not to exceed $147,540,000; 2) approving and authorizing HSH, on behalf of the City, to apply to the California Department of Housing and Community Development for a Homekey Grant; 3) approving and authorizing an Agreement of Purchase and Sale for Real Estate for the acquisition of the Property from City Gardens Bridge, LLC ("Purchase Agreement"), which includes a liquidated damages clause of up to $5,000,000 as well as certain other remedies, in case of default by the City; 4) authorizing the Director of Property to execute the Purchase Agreement, make certain modifications, and take certain actions in furtherance of this Resolution and the Purchase Agreement, as defined herein; 5) affirming the Planning Department's determination under the California Environmental Quality Act; and 6) adopting the Planning Department's findings that the Purchase Agreement, and the transaction contemplated therein, is consistent with the General Plan, and the eight priority policies of Planning Code, Section 101.1.

April 20, 2022 Budget and Finance Committee - RECOMMENDED

April 26, 2022 Board of Supervisors - ADOPTED

Ayes: 11 - Chan, Haney, Mandelman, Mar, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

File No. 220344

I hereby certify that the foregoing Resolution was ADOPTED on 4/26/2022 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo

Angela Calvillo
Clerk of the Board

London Breed

London N. Breed
Mayor

4/28/22

Date Approved