

1 [Real Property Lease - Various Owners - 170-9th Street - \$1,256,250 in Initial Year]

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3 **Resolution approving a lease of approximately 25,125 square feet at 170-9th Street ,**
4 **with Michael E. Hornstein and Ellen F. Hornstein, Trustees of the Michael & Ellen**
5 **Hornstein 1998 Revocable Trust, Jordan D. Hornstein and Emily F. Hornstein**
6 **as Landlord, for the 12 year term expected to be from April 1, 2018, through March 31,**
7 **2030, for use by the Department of Homelessness and Supportive Housing at an initial**
8 **annual rent of \$1,256,250 with 3% annual increases with two five-year options to**
9 **extend; and finding the proposed transaction is in conformance with the General Plan,**
10 **and the eight priority policies of Planning Code, Section 101.1.**

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12 WHEREAS, The Department of Homelessness and Supportive Housing (“HSH”) was
13 launched on August 15, 2016, to bring together key homelessness programs and contracts
14 from the Department of Public Health (DPH), the Human Services Agency (HSA), the Mayor’s
15 Office of Housing and Community Development (MOHCD), and the Department of Children
16 Youth and Their Families (DCYF) into one consolidated department; and

17 WHEREAS, The mission of HSH is to prevent homelessness and to make
18 homelessness rare, brief and one time in San Francisco through the provision of coordinated,
19 compassionate, and high-quality services; and

20 WHEREAS, HSH provides assistance and support to homeless youth, adults and
21 families; and

22 WHEREAS, HSH services include homelessness coordinated entry and assessment,
23 prevention, diversion, street services, temporary shelter and housing; and

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1 WHEREAS, By Board of Supervisors Resolution No. 321-16, the Board authorized the
2 purchase of 440 Turk Street, a 29,609 square foot property, for administrative use by HSH;
3 and

4 WHEREAS, HSH is now recommending that 440 Turk Street is better suited as a
5 resource center, clinic and a services hub for people experiencing homelessness; and

6 WHEREAS, HSH has located a 25,125 square foot facility at 170-9th Street to house
7 the 109 FTE staff in 4,484 square feet less than the 29,609 square foot previously
8 approved for 440 Turk.

9 WHEREAS, The Planning Department, through General Plan Referral dated May 5,
10 2017, and updated June 22, 2017 (“Planning Letter”), which is on file with the Clerk of the
11 Board of Supervisors under File No. 170759, has verified that a City lease of 170-9th Street
12 would be consistent with the General Plan, and the eight priority policies under Planning
13 Code, Section 101.1 and categorically exempt from Environmental Review; and

14 WHEREAS, At HSH’s request, the Real Estate Division and the Landlord have
15 negotiated a long term Lease with a First Opportunity to Purchase, substantially in the form on
16 file with the Clerk of the Board of Supervisors in File No. 170759 (the “Lease”); and

17 WHEREAS, The proposed rent of \$50 per square foot triple net was determined to be
18 fair market rent by an independent MAI appraisal as required by Administrative Code,
19 Chapter 23; and

20 WHEREAS, The proposed Lease is subject to enactment of a resolution by the Board
21 of Supervisors and the Mayor, in their respective sole and absolute direction, approving and
22 authorizing such new; now, therefore, be it

23 RESOLVED, That the Board of Supervisors hereby finds that the lease of 170-9th
24 Street is consistent with the General Plan, and eight priority policies of Planning Code,
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1 Section 101.1 and hereby incorporates such findings by reference as though fully set forth in
2 this Resolution; and, be it

3 FURTHER RESOLVED, That in accordance with the recommendation of the Director
4 of HSH and the Director of Property, the Board of Supervisors approves the Lease and
5 authorizes the Director of Property to take all actions necessary to enter into and perform the
6 City's obligations under the Lease; and, be it

7 FURTHER RESOLVED, As set forth in the Lease, (i) the term is expected to
8 commence on April 1, 2018, and terminate 12 years later; (ii) the base rent for the first year of
9 the Term shall be \$104,687.50 monthly (approximately \$50 per square foot annually) with 3%
10 annual increases starting on the first anniversary of the Commencement Date; (iii) the City
11 shall pay for property operating expenses estimated to be \$30,693.92 monthly (approximately
12 \$14.66 per square foot annually) ; (iv) City shall pay all tenant improvement costs above the
13 allowance of \$1,381,875 (or approximately \$55 per square foot) which costs are estimated to
14 be \$3,754,247 and (v) City shall have two options to extend the term for five years each at
15 95% of Fair Market Rent and each extension subject to further Board of Supervisors and
16 Mayor approval; and, be it

17 FURTHER RESOLVED, That the Lease shall indemnify and hold harmless the
18 Landlord from, and agreeing to defend the Landlord against, any and all claims, costs and
19 expenses, including without limitation, reasonable attorney's fees, incurred as a result of City's
20 use of the premises, any default by the City in the performance of any of its obligations under
21 the Master Lease, or any acts or omissions of City, its agents or its subtenants in, on or about
22 the premises or the property on which the premises are located; and, be it

23 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
24 Property to enter into any amendments or modifications to the Lease (including without
25 limitation, the exhibits) that the Director of Property determines, in consultation with the City

1 Attorney, are in the best interest of the City, do not materially increase the obligations or
2 liabilities of the City, do not materially decrease the benefits to the City, or are necessary or
3 advisable to effectuate the purposes of this resolution, and are in compliance with all
4 applicable laws; and, be it

5 FURTHER RESOLVED, Said Lease shall be subject to certification as to funds by the
6 Controller, pursuant to Charter, Section 3.105 and the City shall occupy the Premises for the
7 full term of the Lease unless funds for the City's rental payments are not appropriated in any
8 subsequent fiscal year at which time City may terminate the Lease as set forth in the Lease;
9 and, be it

10 FURTHER RESOLVED, That within thirty (30) days of the execution of the Lease
11 Amendment, the Director of Property shall provide a copy to the Clerk of the Board for the
12 Board's file.

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\$4,068,309.50 Available
(3 months rent from April 1, 2018 to June 30
2018 plus the estimated TI cost of \$3,754,247)
Index No. HOADMG

Controller
Subject to the enactment of the 2017/2018
Annual Appropriation Ordinance

RECOMMENDED:

Director
Department of Homelessness &
Supportive Housing

Director of Property
Real Estate Division