

AMENDED IN COMMITTEE
2/12/2020

FILE NO. 200043

RESOLUTION NO.

1 [Lease of Real Property - TC II 888 Post, LLC - 888 Post Street - Base Annual Rent
2 \$1,500,000 - Landlord Work \$5,000,000]

3 **Resolution approving and authorizing the Director of Property, on behalf of the**
4 **Department of Homelessness and Supportive Housing, to lease real property located**
5 **at 888 Post Street, for an initial term of 20 years anticipated to commence on**
6 **October 1, 2020, from TC II 888 Post, LLC, at a base rent of \$1,500,000 per year,**
7 **increasing at 3% per year; authorizing the City's contribution of up to \$5,000,000**
8 **towards the cost of landlord work; authorizing the Director of Property, under certain**
9 **conditions, to negotiate and enter into future subleases, including with Goodwill**
10 **Industries of San Francisco, San Mateo and Marin Counties, Inc. as a subtenant;**
11 **authorizing the Director of Property to execute documents, make certain**
12 **modifications and take certain actions in furtherance of the Lease and this**
13 **Resolution, as defined herein, including allowing the City to increase its contribution**
14 **towards the cost of the landlord work, subject to future appropriation of funds, as**
15 **defined herein; finding the proposed transaction is in conformance with the General**
16 **Plan, and the eight priority policies of Planning Code, Section 101.1; and adopting**
17 **findings under the California Environmental Quality Act.**

18
19 WHEREAS, The mission of the Department of Homelessness and Supportive
20 Housing ("HSH") is to prevent homelessness when possible and to make homelessness
21 rare, brief and one-time in San Francisco through the provision of coordinated,
22 compassionate and high-quality services; and

23 WHEREAS, With the enactment of Ordinance Nos. 60-19 and 61-19 in April
24 2019, the Board of Supervisors and Mayor Breed acknowledged homelessness in San
25

1 Francisco to be at a crisis point, and passed these Ordinances to expedite the process of
2 opening programs to respond to that crisis; and

3 WHEREAS, According to the January 2019 Point-in-Time Homeless Count
4 administered by HSH, there were approximately 8,035 people experiencing homelessness
5 in San Francisco on a single night; of those persons, 64% were unsheltered and 14% were
6 Transitional Aged Youth (ages of 18-24); and

7 WHEREAS, 83% of the 1,091 Transitional Aged Youth experiencing
8 homelessness in 2019 were unsheltered, sleeping outside in doorways, parks, vehicles or
9 wherever they can find; and

10 WHEREAS, 46% of homeless youth age 24 and under identified as LGBTQ or
11 queer, according to the same 2019 Point-in-Time Homeless Count, versus the national
12 average, which fluctuates from 20%-40%, with many survey respondents confirming that
13 they became homeless after fleeing persecution, job discrimination or abuse elsewhere, as
14 a result of their gender identity or sexual orientation; and

15 WHEREAS, Supervisor Peskin has been searching for a potential Navigation
16 Center site on both private and public land within the boundaries of District 3 since 2015,
17 including the Lower Polk neighborhood, which, prior to 1970, was the main gay
18 neighborhood in San Francisco, and several gay, lesbian, and transgender community
19 venues remain neighborhood institutions; and

20 WHEREAS, Mayor Breed announced in October 2018 a plan to open 1,000
21 additional shelter beds by 2020, and to provide more safe options for people experiencing
22 homelessness to sleep indoors; and

23 WHEREAS, The Real Estate Division and HSH have been investigating potential
24 sites to accommodate shelter and transitional housing to meet this goal; and

1 WHEREAS, The Board of Supervisors unanimously passed Supervisor Peskin’s
2 Resolution urging the Department of Real Estate to pursue an option to lease or purchase
3 the 33,970 square foot property located at 888 Post Street (the “Property”) for use as a
4 Navigation Center and/or workforce development on July 9, 2019, on file with the Clerk of
5 the Board of Supervisors in File No. 190738, which is hereby declared to be a part of this
6 Resolution as if set forth fully herein; and

7 WHEREAS, The Property affords the City an excellent opportunity to open the
8 first Navigation Center dedicated to meet the unique needs of Transitional Aged Youth
9 experiencing homelessness; and

10 WHEREAS, The Real Estate Division, through HSH, in consultation from the
11 Office of the City Attorney, negotiated a 20-year master lease dated January 13, 2020 (the
12 “Lease”), of the Property with TC II 888 Post, LLC (“Landlord”), for purposes of providing
13 temporary shelter to people experiencing homelessness in San Francisco and to provide
14 related services (“the Project”), a copy of the form of Lease is on file with the Clerk of the
15 Board of Supervisors in File No. 200043; and

16 WHEREAS, The Lease has a 10-year extension option, to be exercised only
17 upon authorizing legislation adopted by the Board of Supervisors and Mayor in their
18 absolute and sole discretion; and

19 WHEREAS, The “Commencement Date”, or the date the City is able to occupy
20 the Property, is expected to occur on or around October 1, 2020, subject to substantial
21 completion of tenant improvement and capital work to be performed by Landlord at the
22 direction of the Department of Public Works (“DPW”) necessary for City to occupy the
23 Property (“Landlord Work”); and

24 WHEREAS, Under the Lease, base rent payable by City in the first year of the
25 initial 20-year term will be \$1,500,000 per year (or \$125,000 per month), increasing at 3%

1 per year on each anniversary of the Commencement Date, subject to abatement of rent for
2 the first two months after the Commencement Date; and

3 WHEREAS, As of the Commencement Date, City is obligated to pay for its own
4 utilities, services, routine maintenance and repair, insurance, and other operating
5 expenses, plus actual property taxes assessed; and

6 WHEREAS, Landlord, during the term of the Lease, will maintain and replace the
7 exterior, major building systems, structural nature, and roof of the Property; and

8 WHEREAS, The Lease requires that City is responsible for certain items outside
9 the Landlord Work, which City may request Landlord to perform on behalf of City at City's
10 cost, such as purchasing furniture, fixtures and equipment, assisting with moving services,
11 and performing other work and services outside the Landlord Work; and

12 WHEREAS, The City agrees to contribute up to \$5,000,000 towards the cost of
13 the Landlord Work, subject to further increases by City in association with the City
14 intending to seek approval to exercise the City's Purchase Option, pursuant to terms and
15 conditions of the Lease; and

16 WHEREAS, The City has an option to purchase the Property from Landlord at
17 any time prior to August 1, 2022 ("Purchase Option"), pursuant to terms and conditions
18 specified in the Lease, and the exercise of the Purchase Option will be subject to a future,
19 separate approval action by this Board; and

20 WHEREAS, The City, prior to the Commencement Date but in any event, at times
21 throughout the term of the Lease, intends to negotiate and enter into subleases with other
22 subtenants , preferably non-profit organizations with similar goals and uses consistent with
23 HSH's use of the Property, to allow the subtenants to use portions of the Property; and
24
25

1 WHEREAS, The City is currently negotiating a sublease with Goodwill Industries
2 of San Francisco, San Mateo and Marin Counties, Inc. (“Goodwill” or “Anchor Subtenant”)
3 to sublease the ground floor of the Property (the “Goodwill Premises”); and

4 WHEREAS, Any subleases will help offset the cost of the City’s obligations under
5 the Lease or as a future owner of the Property in a manner proportionate to the space any
6 subtenants might occupy, and such subleases will be approved as to form by the Office of
7 the City Attorney; and

8 WHEREAS, The Director of Property determines the rental rate under the Lease
9 to be at or below fair market rental value; and

10 WHEREAS, Pursuant to Chapter 23 of the Administrative Code, since the base
11 rent charged is less than \$45 per sq. ft. per year, an independent fair market rental
12 appraisal is not required in conjunction with the approval of this Lease; and

13 WHEREAS, The Planning Department found that the Project and Lease are
14 categorically exempt as a Class 3 exemption under the California Environmental Quality
15 Act (“CEQA”) Guidelines, Section 15303 (the “CEQA Determination”), and is consistent
16 with the General Plan, and the eight priority policies of Planning Code, Section 101.1 (the
17 “General Plan Findings”); and

18 WHEREAS, Upon the Commencement Date or upon any earlier purchase of the
19 Property by City, the Property will be delivered vacant and be substantially complete; now,
20 therefore, be it

21 RESOLVED, This Board affirms the categorical exemption and adopts General
22 Plan Findings, finding that this proposed Lease is consistent with the General Plan; and, be
23 it

24 FURTHER RESOLVED, That in accordance with the recommendation of the
25 Director of HSH and the Director of Property, the Board of Supervisors approves the Lease

1 in substantially the form presented to the Board, and authorizes the Director of HSH and
2 the Director of Property to take all actions necessary or appropriate to execute the Lease;
3 and, be it

4 FURTHER RESOLVED, If the City intends to seek Board of Supervisors approval
5 to exercise its Purchase Option, City will be allowed to increase the City's contribution
6 towards Landlord Work for the purposes specified in the Lease, so long as there is an
7 applicable appropriation of additional funds; and, be it

8 FURTHER RESOLVED, Subject to availability of funding, the Director of HSH will
9 submit a plan to the Board of Supervisors no later than August 31, 2021, outlining a
10 proposal to purchase the Property, and to the extent applicable, seek approval to purchase
11 the Property; and, be it

12 FURTHER RESOLVED, Any subleases, including the sublease with Goodwill for
13 the Goodwill Premises, will be entered into with consultation with the City Attorney's Office,
14 the Mayor's Office, and the Property's District Supervisor's Office, and be in accordance
15 with all applicable sections of the City's Administrative Code, including but not limited to
16 Chapter 23, which states provisions for rent to be paid to City by any subtenants; and, be it

17 FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
18 Property and Director of HSH (or the Directors' designees), in consultation with the City
19 Attorney, to enter into any additions, amendments, or other modifications to the Lease and
20 any other documents or instruments necessary in connection therewith, (including entering
21 into the subleases), that the Directors determine are in the best interests of the City, do not
22 materially decrease the benefits to the City with respect to the Property, do not materially
23 increase the obligations or liabilities of the City, and are necessary or advisable to complete
24 the transaction contemplated in the Lease and that effectuate the purpose and intent of this
25 Resolution, such determination to be conclusively evidenced by the execution and delivery

1 by the Director of Property of any such additions, amendments, or other modifications; and,
2 be it

3 FURTHER RESOLVED, City is authorized to request Landlord to perform on
4 behalf of City at City's cost, other work and services at the Direction of DPW; and, be it

5 FURTHER RESOLVED, That under the Lease, City shall indemnify and hold
6 harmless the Landlord from, and agree to defend the Landlord against, any and all claims,
7 costs and expenses, including without limitation, reasonable attorneys' fees, incurred as a
8 result of City's use of the premises or any negligent acts or omissions of City, its agents or
9 invitees in, on or about the Property; and, be it

10 FURTHER RESOLVED, That the City shall occupy the premises for the full term
11 of the Lease unless funds for rental payments are not appropriated in any subsequent
12 fiscal year at which time City may terminate the Lease with written notice to Landlord, and
13 the Lease shall be subject to certification as to funds by the Controller, pursuant to Section
14 3.105 of the Charter; and, be it

15 FURTHER RESOLVED, That within thirty (30) days after the Lease
16 commencement date and any future contracts (such as a sublease) being fully executed by
17 all parties, HSH shall provide the final contracts to the Clerk of the Board for inclusion into
18 the official file.

\$5,000,000 Available

Fund ID: 10581	Fund Title: SR OCOH Nov18 Prop C GF Advance
Department ID: 203646	Department Project ID: 10034457
Project Authority ID: 20810	Authority title: ERAFCHOM SAFE Emergency Shelter
Account ID: 506070	Account title: Programmatic Projects- Budget
Activity ID: 0001	Activity title: HOM_WFAL2

Ben Rosenfield
Controller

Funding for Fiscal Year 2020/2021 is subject to the enactment of the Annual Appropriation Ordinance for Fiscal Year 2020/2021.

RECOMMENDED:

Homelessness and Supportive Housing
Director

Real Estate Division
Director of Property