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

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

WHEREAS, With the enactment of Ordinance Nos. 60-19 and 61-19 in April 2019, the Board of Supervisors and Mayor Breed acknowledged homelessness in San
Francisco to be at a crisis point, and passed these Ordinances to expedite the process of opening programs to respond to that crisis; and

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

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

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

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

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

WHEREAS, The Real Estate Division and HSH have been investigating potential sites to accommodate shelter and transitional housing to meet this goal; and
WHEREAS, The Board of Supervisors unanimously passed Supervisor Peskin’s Resolution urging the Department of Real Estate to pursue an option to lease or purchase the 33,970 square foot property located at 888 Post Street (the “Property”) for use as a Navigation Center and/or workforce development on July 9, 2019, on file with the Clerk of the Board of Supervisors in File No. 190738, which is hereby declared to be a part of this Resolution as if set forth fully herein; and

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

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

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

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

WHEREAS, Under the Lease, base rent payable by City in the first year of the initial 20-year term will be $1,500,000 per year (or $125,000 per month), increasing at 3%
per year on each anniversary of the Commencement Date, subject to abatement of rent for
the first two months after the Commencement Date; and

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

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

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

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

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

WHEREAS, The City, prior to the Commencement Date but in any event, at times
throughout the term of the Lease, intends to negotiate and enter into subleases with other
subtenants, preferably non-profit organizations with similar goals and uses consistent with
HSH's use of the Property, to allow the subtenants to use portions of the Property; and
WHEREAS, The City is currently negotiating a sublease with Goodwill Industries of San Francisco, San Mateo and Marin Counties, Inc. ("Goodwill" or "Anchor Subtenant") to sublease the ground floor of the Property (the "Goodwill Premises"); and

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

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

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

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

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

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

FURTHER RESOLVED, That in accordance with the recommendation of the Director of HSH and the Director of Property, the Board of Supervisors approves the Lease
in substantially the form presented to the Board, and authorizes the Director of HSH and
the Director of Property to take all actions necessary or appropriate to execute the Lease;
and, be it

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

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

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

FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of
Property and Director of HSH (or the Directors’ designees), in consultation with the City
Attorney, to enter into any additions, amendments, or other modifications to the Lease and
any other documents or instruments necessary in connection therewith, (including entering
into the subleases), that the Directors determine 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, and are necessary or advisable to complete
the transaction contemplated in the Lease 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, City is authorized to request Landlord to perform on behalf of City at City’s cost, other work and services at the Direction of DPW; and, be it

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

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

FURTHER RESOLVED, That within thirty (30) days after the Lease commencement date and any future contracts (such as a sublease) being fully executed by all parties, HSH shall provide the final contracts to the Clerk of the Board for inclusion into the official file.
$5,000,000 Available

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

February 12, 2020 Budget and Finance Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

February 12, 2020 Budget and Finance Committee - RECOMMENDED AS AMENDED

February 25, 2020 Board of Supervisors - ADOPTED

Ayes: 11 - Fewer, Haney, Mandelman, Mar, Peskin, Preston, Ronen, Safai, Stefani, Walton and Yee
I hereby certify that the foregoing Resolution was ADOPTED on 2/25/2020 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

London N. Breed
Mayor

2/25/20
Date Approved