[Lease of Real Property - The Salvation Army - 1156 Valencia Street - Initial Base Annual Rent of $404,000 - $300,000 Leasehold Improvements]

Resolution approving and authorizing the Director of Property, on behalf of the Department of Public Health, to lease real property located at 1156 Valencia Street from The Salvation Army at an initial base rent of $404,000 per year, for a term of three years with an estimated commencement date of March 1, 2020, and estimated to expire on February 28, 2023, plus two one-year options to extend; authorizing the reimbursement of $300,000 towards the cost of Leasehold Improvements; and 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.

WHEREAS, The mission of the Department of Public Health ("DPH") is to protect and promote the health of all San Franciscans.; and

WHEREAS, The provision of behavioral health care is critical to addressing homelessness for people struggling with mental illness and substance use disorders.

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, 64% of which were unsheltered sleeping outside in doorways, parks, vehicles or wherever they can find; 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 DPH have been investigating potential sites to accommodate shelter and transitional housing for people with behavioral health challenges to meet this goal and serve this high-needs population; and

WHEREAS, The property located at 1156 Valencia Street (the “Property”) affords the City an excellent opportunity to open temporary shelter to provide behavioral health respite for people experiencing homelessness.; and

WHEREAS, The Real Estate Division, through DPH, in consultation with the Office of the City Attorney, negotiated a three-year lease, with two, one-year options, dated January 27, 2020, (the “Lease”), of the approximately 10,100 square foot Property with The Salvation Army (“Landlord”), for purposes of operating temporary, low barrier, service-enriched shelter to provide behavioral health respite for people experiencing homelessness and behavioral health challenges, a copy of the form of Lease is on file with the Clerk of the Board in File No. 200115; and

WHEREAS; The program will serve as a community-embedded behavioral health respite program based on the model currently operating as Hummingbird Place Behavioral Health Respite at 887 Potrero; and

WHEREAS, The “Commencement Date” of the Lease is expected to occur on or around March 1, 2020; and

WHEREAS, At City’s cost in the amount of $300,000 and under the direction of San Francisco Public Works (“SFPW”), Landlord will provide tenant improvement and capital work (collectively, “Leasehold Improvements”) and provide requested fixtures, furniture and
WHEREAS, Under the Lease, base rent payable by City in the first year of the initial three-year term will be $404,000 (or $33,667 per month), increasing at 3% per year on each anniversary of the Commencement Date; and

WHEREAS, As of the Commencement Date, City is obligated to pay for its own utilities and services; 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, Upon the Commencement Date, the building on the Property will be delivered vacant; now, therefore, be it

RESOLVED, That in accordance with the recommendation of the Director of DPH 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 DPH and the Director of Property to take all actions necessary to execute the Lease and any other documents that are necessary or advisable to effectuate the purpose of this Resolution; and, be it

FURTHER RESOLVED, That City is authorized to request Landlord to perform on behalf of City at City's cost and pursuant to the terms and conditions of the Lease, Leasehold Improvements or other work and services at the direction of SFPW and to reimburse Landlord for up to $300,000 of that work; 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 all actions heretofore taken by the offices of the City with respect to the Lease are hereby approved, confirmed and ratified; and, be it

FURTHER RESOLVED, That the Board of Supervisors authorizes the Director of Property to enter into any extensions, amendments or modifications to the Lease (including without limitation, the exhibits, so long as the rent in the extension term does not increase by more than 3% above the previous base year’s rent) that the Director of Property determines, in consultation with the Director of DPH and the City Attorney, are in the best interest of the City, do not increase the rent or otherwise materially increase the obligations or liabilities of the City, are necessary or advisable to effectuate the purposes of the Lease or this Resolution, and are in compliance with all applicable laws, including City’s Charter; 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 of the Commencement Date of the Lease being fully executed by all parties, DPH shall provide the final Lease to the Clerk of the Board for inclusion into the official file.
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$434,868 Available

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<td>BOARD OF SUPERVISORS</td>
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March 04, 2020 Budget and Finance Committee - CONTINUED

March 11, 2020 Budget and Finance Committee - AMENDED

March 11, 2020 Budget and Finance Committee - RECOMMENDED AS AMENDED

March 17, 2020 Board of Supervisors - ADOPTED
Ayes: 11 - Fewer, Haney, Mandelman, Mar, Peskin, Preston, Ronen, Safai, Stefani, Walton and Yee

File No. 200115

I hereby certify that the foregoing Resolution was ADOPTED on 3/17/2020 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

London N. Breed
Mayor

3/27/20
Date Approved