



EXECUTIVE SUMMARY

**HOUSING COMMISSION
EXECUTIVE SUMMARY SHEET**

MEETING DATE: September 8, 2017 HCR17-077

SUBJECT: Approval of Office Lease at 701 B Street, San Diego, CA, 92101

COUNCIL DISTRICT(S): 3

ORIGINATING DEPARTMENT: Real Estate

CONTACT/PHONE NUMBER: Michael Pavco/ 619-578-7488

REQUESTED ACTION:

Approve a five-year-and-four-month Lease with one five-year option to extend on terms set forth within this Board Report.

EXECUTIVE SUMMARY OF KEY FACTORS:

- Approving this action will authorize the San Diego Housing Commission (Housing Commission) to enter into an office lease with the owner of the building located at 701 B Street, San Diego, CA, 92101, on terms and conditions referenced within this report, on terms and conditions as approved by General Counsel.
- The Housing Commission (Housing Commission) is in need of additional office space and has located a site in close proximity to the Housing Commission offices, located at 1122 Broadway.
- The selected site meets the Housing Commission’s requirement to have the new location close to the Housing Commission’s main offices.
- The Base Rent for the approximately 3,908 rentable square feet of office space would be:

	Monthly Installment	Annual Base Rent
1-12*	\$9,574.60**	\$114,895.20 **
13-24	\$9,957.58	\$119,490.96
25-36	\$10,355.89	\$124,270.68
37-48	\$10,770.12	\$129,241.44
49-60	\$11,200.93	\$134,411.16
61-64	\$11,648.96	\$139,787.52

* Plus any partial month if the Lease Commencement Date is not the first day of the month.

** There are four months free rent spread over eight months.



REPORT

DATE ISSUED: August 31, 2017 **REPORT NO:** HCR17-077

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of September 8, 2017

SUBJECT: Approval of Office Lease at 701 B Street, San Diego, CA, 92101

COUNCIL DISTRICT: District 3

Seven-Day Advance Notice of San Diego Housing Commission hearing of the following matter is being provided to the Housing Authority Members in accordance with the terms and provisions of San Diego Municipal Code Section 98.0301(e)(4)(A)

REQUESTED ACTION:

Approve five-year-and-four-month Lease, with one five-year option to extend on terms set forth within this Board Report.

STAFF RECOMMENDATION:

That the San Diego Housing Commission (Housing Commission) take the following actions:

1. Approve an office lease between the Housing Commission and the owner of the building located at 701 B Street, San Diego, CA, 92101, on terms and conditions referenced within this report, on terms and conditions as approved by General Counsel;
2. Authorize the Executive Vice President and Chief of Staff to execute such documents and to perform such acts as are necessary to enter into the recommended lease, upon the advice of General Counsel; and
3. To take such budgetary actions as are necessary to allow for the execution and performance of the lease.

SUMMARY:

The Housing Commission is in need of additional office space and has located a site in close proximity to the Housing Commission offices, located at 1122 Broadway. The selected site meets the Housing Commission's requirement to have the new location close to the Housing Commission's main offices.

The following is a summary of the terms and conditions of the proposed lease:

The parties hereto agree to the following terms of this Summary of Basic Lease Information (the "Summary").

Office Lease location is 701 "B" Street, San Diego, California 92101.

TERMS OF LEASE
(References are to the Office Lease)

DESCRIPTION

1. Commencement Date: As soon as the tenant improvements are completed. Estimated to be no later than December 1, 2017 and perhaps earlier.
2. Landlord: PROXIMA 701 LLC, a Delaware limited liability company
3. Address of Landlord:
PROXIMA 701 LLC
c/o Emmes Realty Services of California LLC
3161 Michelson Drive, Suite 900
Irvine, CA 92612

PROXIMA 701 LLC
c/o Emmes Realty Services of California LLC
701 "B" Street, Suite 200
San Diego, CA 92101
Fax: (619) 515-3406
Attn: Property Manager
4. Tenant: SAN DIEGO HOUSING COMMISSION, a public agency
5. Portion of the Premises:
701 "B" Street, Suite 530
San Diego, CA 92101
6. Size of the Premises: Approximately 3,908 rentable square feet of space located in Suite 530 on the fifth (5th) floor of the Building
7. Lease Term:
Five (5) years and four (4) months. If the Lease Commencement Date occurs on a day other than the first day of the month, then the foregoing time period shall be measured from the first day of the following month.
- 7.2 Lease Commencement Date: The earlier of (i) the date Tenant commences business in the Premises, or (ii) the date the Premises are Ready for Occupancy, which Lease Commencement Date is anticipated to be November 1, 2017.
8. Base Rent

Monthly Installment of Base Rent

Annual Base Rent

1-12*	\$9,574.60**	\$114,895.20 **
13-24	\$9,957.58	\$119,490.96
25-36	\$10,355.89	\$124,270.68
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* Plus any partial month if the Lease Commencement Date is not the first day of the month.

** There are four months free rent spread over eight months.

9. Additional Rent-in years after the first year of the lease, the Housing Commission will be responsible for 0.69% of the increase in expenses over the base year, as additional rent.

10. Parking Pass Ratio

Zero point seven (0.7) unreserved parking passes for every 1,000 rentable square feet of the Premises, which equals three (3) unreserved parking passes.

11. Broker

CBRE, Inc. (Evan Knudsen) for Tenant

12. Tenant Improvements: The Landlord is providing ("FF&E Costs") up to \$35,172.00 (based upon \$9.00 per rentable square foot of the Premises) (the "FF&E Allowance").

This is believed to be sufficient to provide all of the Furniture, Fixtures and Equipment for the space.

The terms of the proposed lease are favorable to the Housing Commission based upon the very tight downtown commercial office space that is available.

AFFORDABLE HOUSING IMPACT:

The space is needed to allow the Housing Commission to continue its mandate of providing affordable housing within the City of San Diego.

FISCAL CONSIDERATIONS:

The Fiscal Year 2018 Budget's Uses of Funds will increase \$114,895.20 to fund the payment of the lease obligations during the current fiscal year. In subsequent years, budgets will include monies to satisfy the monetary obligations under the terms of the lease. In addition, a portion of the premises will be occupied by Housing Commission employees who are working on projects with the Housing Commission's nonprofit affiliate, Housing Development Partners (HDP). Under the terms of the existing Memorandum of Understanding with the Housing Commission, HDP will reimburse the Housing Commission for its share of the space on a percentage basis, or will enter into a sublease with the Housing Commission, at the option of the Executive Vice President and Chief of Staff of the Housing Commission.

ENVIRONMENTAL REVIEW:

This proposed acquisition and rehabilitation is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Section 15301 of the State CEQA Guidelines because 701 B Street, San Diego, CA, 92101 is an existing facility and the proposed actions do not involve expansion of the existing use(s). The activities described herein are Categorical Excluded subject to Section 58.5 from the National Environmental Policy Act (NEPA) pursuant to Section 58.35(a)(5) of Title 24 of the Code of Federal Regulations. The City of San Diego, as responsible entity, has conducted a limited Environmental Review of this project as required under Section 58.35(a), and

has determined that this project converts to Exempt status per Section 58.34(a)(12). A copy of the Environmental Review is on file in the Environmental Review Record.

Respectfully submitted,

Michael Pavco

Michael Pavco
Senior Vice President
Real Estate Division

Approved by,

Jeff Davis

Jeff Davis
Executive Vice President & Chief of Staff
San Diego Housing Commission

Hard copies are available for review during business hours at the security information desk in the main lobby and the fifth floor reception desk of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials in the "Public Meetings" section of the San Diego Housing Commission website at www.sdhc.org