



REPORT

DATE: For the Agenda of March 22, 2002 **ITEM 101**

REPORT NO.: HCR02-001

SUBJECT: Authorization to Lease a Substitute General Office Facility at Ridgehaven Court (Council District 2)

SUMMARY

Issue: Should the Housing Commission authorize the Chief Executive Officer to lease replacement office space?

Recommendation: Authorize the Chief Executive Officer or designee to cancel the current lease agreement at 9541 Ridgehaven Court and to execute a five-year lease (See Attachment 1) effective on or about April 15, 2002 for approximately 9,840 square feet of general office space at 9550 Ridgehaven Court, Suites A, B, and C, San Diego, California 92123 within approved budget authority.

Fiscal Impact: Estimated cost for the proposed space is \$7,872 per month for the first year with an estimated five-year lease cost of \$511,652 plus Triple Net fee (NNN). This lease includes a NNN not to exceed \$.20/SqFt/Mo. during year one (1), and \$.22/SqFt/Mo. during years two (2) - five (5).

Certificate of Funding Availability:

Certificate No:	02-055
Amount:	\$136,367
Revenue Source:	Conventional
Division:	Housing Facilities
Line Item:	Office Rent

Previous Related Action(s): On August 31, 1998 (Report #98-111), the Housing Commission approved a staff recommendation to execute a five-year lease renewal effective February 1, 1999 for 13,500 square feet of office/warehouse space.



BACKGROUND

Over the past eight (8) plus years, the Housing Commission's modernization, rehabilitation and maintenance services staff were assigned to the facility located at 9541 Ridgehaven Court (junction of I-15N and Balboa Avenue). In September 2001, maintenance staff was relocated to a newly renovated office/warehouse facility located at the Commission's Calle Primera public housing site. The current lease on 9541 Ridgehaven Court expires in February 2003 and the landlord is not expected to renew this lease.

DISCUSSION

The current facility located at 9541 Ridgehaven Court provides workspace and warehouse space for approximately 30 staff including rehabilitation, modernization, landscape operations and loan management staff. As a result of the relocation of the maintenance staff, the warehouse space is underutilized resulting in a need for a smaller facility. Recently, the landlord notified the Commission of another facility within the same development that will accommodate our current staffing needs at a lower cost. Staff has researched the available office real estate market in Kearny Mesa and below is a sample of the rent comparison found:

Project Address	Available (Sq. Ft.)	Asking Rate	Office (Sq. Ft.)
9550 Ridgehaven Court, #A, B, C (Proposed)	9,840	\$0.80 NNN	85%
5636 Ruffin Road	14,972	\$1.20 NNN	70%
4801 Viewridge Avenue	11,612	\$1.35 NNN	30%
9340 Hazard Way, #D	9,628	\$1.05 NNN	95%
9475 Chesapeake Drive, #B	9,287	\$1.20 NNN	50%
9765 Clairemont Mesa Blvd., #A	8,690	\$1.25 NNN	80%
9511 Ridgehaven Court, #A	11,200	\$0.88 NNN	85%

The current Ridgehaven space lease is \$9,111 per month NNN with the NNN at \$.20/SqFt/Mo. The proposed new space would lease at \$7,872 per month NNN with the NNN at \$.20/SqFt/Mo. and will result in a cost savings of \$23,652 in the first year. The new proposed lease space will be ready for occupancy on or about April 15, 2002. The lessor has agreed to waive the six (6) month termination notice of the existing lease and the Commission will not incur any penalties due to early termination. In order to take advantage of this immediate available cost savings, staff is recommending an approval of this sole source contract since conducting a public solicitation will not be time effective and will result in higher costs to the Commission. Should the Housing Commission acquire or build a new office facility, the

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proposed lease agreement includes no termination penalty payment in years 4 or 5 (Attachment 1, page 28).

ALTERNATIVE

Remain in current space till February 2003 and begin to look for suitable space to occupy when the current lease expires.

Respectfully submitted,

Approved by,

Signature on File with Original Document

Steve Snyder
Asset Management Manager

Elizabeth C. Morris
Chief Executive Officer

Attachment(s): 1. Proposed Lease Agreement