



# REPORT

**DATE:** For the Agenda of April 12, 2002 **Item 100**  
**REPORT NO.:** HCR02-023  
**SUBJECT:** Authorization to Renew Lease of Offices at Gateway Center  
(District 4)

## SUMMARY

**Issue:** Should the Housing Commission authorize the Chief Executive Officer to execute a two-year lease extension of the Gateway Office facilities?

**Recommendation:** Authorize the Chief Executive Officer or designee to execute a two-year lease extension (see Attachment 1), for approximately 5,514 square feet located at 650 Gateway Center Way, Suites C, D & E, San Diego, CA 92102 effective June 7, 2002 through June 6, 2004.

**Fiscal Impact:** The rent cost for the leased space is \$4,302 per month for the first-year and \$4,474 per month for the second-year period. In addition, this amendment includes a Common Area Maintenance (CAM) cost pursuant to Section 1.13 (b) of the lease. Funding for this item is allocated as follows:

Certificate No:	2002-006, 2003-016, 2004-002
Amount:	\$121,854
Revenue Source:	Local Discretionary Funds
Division:	Asset Management
Line Item:	Building Rent and CAM

**Equal Opportunity Statement:** The lessor, Gateway Knitting, Ltd., is not an MBE, WBE, or DVBE. The firm is in compliance with the San Diego Housing Commission's Equal Employment Opportunity Program.



**Background:** On January 18, 1990 (Report No. 90-007), the Board of Commissioners authorized the Chief Executive Officer to negotiate and enter into an agreement for approximately 6,400 square feet of additional office/warehouse space. On September 16, 1991 (Report No. 91-181), the Board authorized the addition of approximately 1,650 square feet at the Gateway Center. On April 19, 1993 (Report No. 93-116), the Board authorized a two-year renewal option. On April 24, 1995 (Report No. 95-053) the Housing Authority authorized a five-year renewal option at the Gateway Center. On February 25, 2000 (Report 00-022), the Board authorized a two-year renewal option.

## **DISCUSSION**

In addition to its headquarters facility at 1625 Newton Avenue, the Housing Commission currently utilizes four area locations for offices, maintenance and warehouse facilities. Two of these facilities, Belden and Calle Primera, are located on public housing properties owned by the Commission. The Modernization and Loan Services staff utilizes a leased facility at Ridgehaven Court. The fourth facility, used by Asset Management and Resident Services staff, is a leased office/warehouse space at Gateway Center Way near Market and Boundary.

The current lease (Attachment 2 – Fourth Amendment to lease) at Gateway Center Way for Suites C, D, and E, expires June 6, 2002. The proposed lease renewal (Attachment 1), the fifth amendment to the Gateway lease, will provide 5,514 square feet facility space at a fixed monthly rent of \$4,302.00 per month for the first-year and \$4,474.00 per month for the second year. In addition to the Base Rent and pursuant to Section 1.13(b) of the Lease, the Housing Commission shall pay its pro-rata share of Common Area Operating Expenses and other charges (“Other Periodic Payments”).

To continue to meet the needs of our clients from a centrally located facility, and do so within reasonable costs, it is recommended that this location be maintained. Based on current market conditions and previous studies of available office rental costs, this proposed lease provides favorable terms for the Housing Commission. The current base rent of this facility is \$4,136.00 per month. The proposed new base rent of \$4,302.00 amounts to \$.78 per square foot. The proposed increase to \$4,302 and \$4,474 per month for year one and two of the extension represents a 4% increase over current cost each year for the two year extension. To relocate the current staff would cost an estimated \$10,000.00 and cause disruption to our program services. Staff is recommending approval of this lease extension since conducting a solicitation will likely result in higher costs and service delivery inconveniences.

There is provision in the original lease and amendments for termination by the Housing Commission if funds are unavailable.

## **ALTERNATIVES**

The Housing Commission may not approve to renew the current lease and direct staff to locate alternative facilities.

Respectfully submitted,

Approved by,

**Signature on File with Original Document**

Edward P. Mauk, CIA  
Director of Financial Services

Elizabeth C. Morris  
Chief Executive Officer

Attachment 1: Proposed Lease Amendment (renewal)

Attachment 2: Current Lease Amendment