



## REPORT

**DATE ISSUED:** September 29, 2016

**REPORT NO:** HCR16-086

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of October 7, 2016

**SUBJECT:** Lease Approval for Latinos y Latinas en Accion, a 501(c)(3) nonprofit, at Courtyard Apartments

**COUNCIL DISTRICT:** 9

### **REQUESTED ACTION**

Approve a 3-year office lease to occupy commercial space located at 4395 El Cajon Boulevard, San Diego, CA 92105. This lease includes a 3-year option to extend the lease under the original terms.

### **STAFF RECOMMENDATION**

That the San Diego Housing Commission (Housing Commission) recommend the Housing Authority of the City of San Diego (Housing Authority) take the following actions:

- 1) Approve a lease for Latinos y Latinas en Accion (Latinos y Latinas) for a period of three (3) years, with one (1) three (3) year extension option, at Courtyard Apartments (Courtyard), located at 4395 El Cajon Boulevard, San Diego, CA 92105; and
- 2) Authorize the President & Chief Executive Office (President & CEO), or designee, to execute all lease documents and instruments that are necessary and/or appropriate to implement these approvals, in a form approved by General Counsel, and to take such actions as are necessary and/or appropriate to implement these approvals.

### **SUMMARY**

The Housing Commission acquired Courtyard in the fall of 2010 (HCR10-105) as a direct result of the Housing Commission's Finance Plan (HAR09-30), which created 810 additional affordable housing units in the city of San Diego through public-private partnerships and direct acquisitions. This project stemmed from a September 10, 2007, landmark agreement, in which the U.S. Department of Housing and Urban Development (HUD) transferred full ownership for 1,366 public housing units to the Housing Commission—the largest public housing conversion at that time. The Housing Commission leveraged the equity from this new real estate portfolio to create or preserve these additional affordable housing units. Courtyard is a mixed-use 37-unit condominium project with approximately 3,600 square feet of commercial space fronting El Cajon Boulevard. The residential units were 100 percent complete at acquisition; however, the commercial space had unfinished concrete floors, unfinished overheads, unfinished drywall, and all mechanical, electrical, and plumbing stubbed in and non-operational.

Via a Request for Proposal (RFP), Duhs Commercial, Inc., (Duhs) brokerage was brought in during November 2014 under an Exclusive Listing Agreement to lease the commercial space at Courtyard. During 2015, Duhs received feedback from interested parties to lease the space that the required tenant improvements would be too much of an initial capital outlay at move-in. Subsequently, the Housing Commission sought funding approval via the Fiscal Year 2016 (July 1, 2015 – June 30, 2016) SDHC agency budget to perform the tenant improvement work required to build out the commercial spaces to make them ready for occupancy. In the summer of 2016, via the contracted brokerage firm, Latinos y Latinas submitted a Letter of Intent acceptable to the Housing Commission for the occupancy of a portion of the commercial space at the Courtyard. Terms of the lease state that the space is offered as-is. No tenant improvements are offered, and the tenant is responsible for electrical utility usage.

Established in 2003, Latinos y Latinas' mission is to educate the community based on their needs, rights, and responsibilities, serving the San Diego City Heights community since their inception. Latinos y Latinas provide services to the entire community regardless of race or origin; working primarily with Latinos/Latinas who have immigrated to the United States and are seeking both citizenship and improvements in family health, education and access to health care.

Latinos y Latinas are currently assisting an average of 500 community members in areas, such as Health (diabetes prevention, pregnancy prevention, improvement in nutrition, managing family mental health issues, and accessing insurance systems); Education (tutoring and mentoring); and Human Rights Development (immigration and citizenship).

Key terms of the proposed lease are as follows:

1. Initial lease term for the proposed lease is for one year, beginning on August 1, 2016, which is within the Approval Authority of the President & CEO per Housing Authority approved Procurement Policy, PO-PUR-373.01. Upon approval of the Housing Commission Board, the term of the lease shall be for a total of 36 months. Upon approval of the Housing Authority, the tenant shall have one three (3) year lease extension option. The lease term shall terminate on July 30, 2019 provided the three (3) year option is not exercised.
2. Rental rate at lease commencement will be \$1.45 per square foot, increasing at 3 percent annually for the term of the lease:

<b>Period</b>	<b>Monthly Rent</b>	<b>Rent/SF</b>
Aug 1, 2016- July 30, 2017	\$904.37	\$1.45
Aug 1, 2017- July 30, 2018	\$931.50	\$1.49
Aug 1, 2018- July 30, 2019	\$959.45	\$1.54

3. The tenant will have one (1) option to extend the lease term for three (3) years upon the same covenants and conditions but with 3% annual rent increases.

4. The Tenant shall be responsible for the cost of all Tenant improvements. All Tenant improvements must be approved by the Housing Commission.
5. The Tenant shall be responsible for a prorated share of Common Area Maintenance expenses to include but not limited to water, trash and electricity.
6. The Tenant is responsible for any new signage and must obtain approval from the Housing Commission, Civic San Diego and the City of San Diego prior to installation.

### **FISCAL CONSIDERATIONS**

The proposed sources and uses requested in this report were not included in the Fiscal Year (FY) 2017 Housing Commission budget approved by the Housing Authority. Approving this action will increase FY 2017 budgeted revenue by \$8,893.

The Exclusive Listing Agreement with Duhs Commercial indicates that a 5 percent commission, \$1,677 for the initial lease, will be paid as a compensation for brokerage lease services, including any renewal or extension. Approving this action will increase FY2017 budgeted property expenses by \$1,677.

FY17 Funding sources approved by this action will be as follows:

Rental Income (Local) - \$8,893

FY17 Funding uses approved by this action will be as follows:

Property Expenses - \$1,677

Revenue received for the duration of this lease will be as follows:

FY 2017	\$ 8,893
FY 2018	\$11,151
FY 2019	\$11,485
FY 2020	\$ 959
Total Lease Revenue	\$32,488

### **PREVIOUS COUNCIL and/or COMMITTEE ACTION**

On August 6, 2010, the Housing Commission unanimously approved the Acquisition of the Courtyard Apartments (HCR10-105).

On September 11, 2015, Housing Commission staff presented an informational report regarding the Leasing Efforts for the Commercial Space located at 4395 El Cajon Blvd. San Diego, CA (HCR15-077)

### **KEY STAKEHOLDERS and PROJECTED IMPACTS**

Key stakeholders related to this approval are Latinos y Latinas, their staff and clients, as well as the residents of the Courtyard Apartments and Housing Commission staff.

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## **ENVIRONMENTAL REVIEW**

The proposed lease is categorically exempt from the requirements of California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15301 because Courtyard Apartments is an existing facility and the proposed actions involve negligible or no expansion of the existing use. Furthermore, the project meets the criteria set forth in CEQA Section 15301, which allows for leasing activities in existing facilities and where the exceptions listed in CEQA Section 15300.2 would not apply. Processing under the National Environmental Policy Act is not required since no federal funds are involved in this action.

Respectfully submitted,



John Mann  
Asset Manager  
Portfolio Management Department

Approved by,



Michael Pavco  
Senior Vice President  
Real Estate Division

Hard copies are available for review during business hours at the security information desk in the main lobby and at 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](http://www.sdhc.org).