



## REPORT

**DATE ISSUED:** August 19, 2015

**REPORT NO:** HCR15-078

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of September 11, 2015.

**SUBJECT:** Associated Barber College of San Diego, Inc. additional lease at Hotel Sandford

**COUNCIL DISTRICT:** 3

### **REQUESTED ACTION**

Recommend Housing Authority of the City of San Diego approval of a 35-month lease for the Associated Barber College of San Diego, Inc. to occupy additional commercial space at Hotel Sandford, 1305 5<sup>th</sup> Avenue, San Diego.

### **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 the lease for additional commercial space for the Associated Barber College of San Diego, Inc. at Hotel Sandford, located at 1305 5<sup>th</sup> Avenue, San Diego; 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**

On February 23, 2010, the Housing Authority approved acquisition of the Hotel Sandford which consists of 129 rent-restricted affordable housing units for very low-income seniors and one manager's unit. The four-story building also includes approximately 7,663 square feet of first-floor commercial space.

The Associated Barber College of San Diego, Inc. (Barber College) has occupied part of the commercial space at Hotel Sandford since August, 15, 1998. The Barber College provides an opportunity for students to learn a lifetime skill. Founded in 1944, the Barber College's stated goal is to have students learn different techniques and skills for hair cutting, shaving, sanitation, bacteriology, anatomy, and basic customer service as well as prepare them for the California State Board Exam. The student population is made up of males and females and passing the exam allows them to become entry level barbers. Students in the program also include recovering addicts and previously incarcerated individuals.

The Barber College is licensed, approved, and authorized for educational services by the State Board of Barbering and Cosmetology, Vocational Rehabilitation Agency, Bureau of Indian Affairs, Immigration and Naturalization Services for International Students, and the Office of Veterans Affairs.

Last year, on September 12, 2014, the Housing Commission Board approved the lease of additional commercial space at the Hotel Sandford. The space previously occupied by the Bartending College became vacant upon the business owner’s need to relocate outside the state. Upon Housing Commission Board approval, the Barber College took possession of the commercial space immediately after the space became vacant. The program continues to grow, and the Barber College would benefit from additional room to expand and increase its rental space. As of the date of this report, the Barber College is current with its rent payment and in compliance as per the terms of its current lease agreement.

On July 1, 2015, the Housing Commission received a request from P5 Martial Arts Academy (P5 Academy) for the early termination of its lease due to a change in the business plan of the lessor. The P5 Academy’s request to terminate its lease early provides the opportunity for the Barber College to further expand its operations and leased space. The Barber College will be subject to the same rental rates of the P5 Academy for this particular commercial space. The square footage of this space is approximately 1,876 square feet.

The Housing Commission values the work, mission and positive community impact of the Barber College and is pleased to have the opportunity to allow the Barber College to increase its leased space, given a request for an early lease termination by another Hotel Sandford commercial tenant.

The key terms of the proposed lease are as follows:

1. The initial lease term for the proposed lease will be for one year, beginning on the Commencement Date, which is within the Approval Authority of the President & CEO per Housing Authority approved Procurement Policy, PO-PUR-373.01. Section 3.2, allowing the President & CEO to execute and approve contracts up to \$100,000 per year. The first year of the lease has a compensation level to the Housing Commission of less than \$40,000. Upon approval of the Housing Commission Board and Housing Authority, the term of the lease shall be extended for a total of 35 months, plus the one five-year lease option contained within the lease. The original term for this new lease will expire at the same time as the existing Barber College lease, August 14, 2018.
2. The per square foot rental rate for this space will be \$1.60 at inception and increase to \$1.70 by lease end date.

<b>Term</b>	<b>Price Per Square Foot</b>	<b>Monthly Rent</b>
09/14/15 – 09/30/16	\$1.60	\$3,001.60
10/01/16 – 09/30/17	\$1.65	\$3,091.65
10/01/17 – 08/14/18	\$1.70	\$3,184.40

3. A full rent concession will be provided for the period beginning September 14, 2015, through October 31, 2015. Regular monthly rent payments will commence November 1, 2015.
4. The Lessee will have one (1) option to extend the term for five (5) years upon the same terms, covenants and conditions of this lease, except that the Base Rent shall be increased to the then prevailing market rental rate

5. The Tenant shall be responsible for the cost of all tenant improvements. All tenant improvements must be approved by the Housing Commission prior to construction.
6. The Tenant will be responsible for paying the required monthly utilities, including water, trash and electricity and a prorated share of Common Area Maintenance expenses.
7. The Tenant is responsible for any new signage, and must obtain approval from the San Diego Housing Commission, Civic San Diego as successor agency for Center City Development Corporation, and the City of San Diego prior to installation. The signage must conform to the Hotel Sandford Sign Regulations dated October 27, 2010.

### **FISCAL CONSIDERATIONS**

Approval of this lease will reduce the anticipated revenue for Fiscal Year 2015 in the approximate amount of \$4,703. This reduction is a direct result of the concession granted for the period September 14, 2015, thru October 31, 2015.

Per the square foot rent fees noted above, revenue sources received for the duration of this lease will be as follows:

Lease Revenues (FY 2017)	\$36,829.63
Lease Revenues (FY 2018)	\$37,934.52
Lease Revenues (FY 2019)	<u>\$ 9,553.19</u>
Total Revenues Received	\$108,330.14

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

On September 12, 2014, the Housing Commission unanimously approved the additional commercial lease of the Associated Barber College at the Hotel Sandford.

On July 30, 2013, and July 19, 2013, the Housing Authority and the Housing Commission, respectively, unanimously approved a lease renewal for the Barber College for a period of five years with an option to renew for another five years.

On June 10, 2011, the Housing Commission unanimously approved a five-year lease for the P5 Academy for a period of five years.

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

The key stakeholders related to this approval are the Barber College's staff, students and customers, P5 Academy staff and clients, as well as the residents of the Hotel Sandford and the Housing Commission.

### **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 Hotel Sandford 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,

*Emmanuel Arellano*

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Director  
Portfolio Management Department

Approved by,

*Deborah N. Ruane*

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Senior Vice President  
Real Estate Division

Hard copies are available for review during business hours in the main lobby 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 on the San Diego Housing Commission website at [www.sdhc.org](http://www.sdhc.org).