



REPORT

DATE ISSUED: November 12, 2015

REPORT NO: HCR15-080

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of November 20, 2015

SUBJECT: Housing Opportunities Collaborative Memorandum of Understanding and Commercial Lease at SDHC Achievement Academy & Housing Development Partners Commercial Lease at Smart Corner

COUNCIL DISTRICT: 3

REQUESTED ACTION

Approve the execution of three separate actions: 1) the proposed office lease between the San Diego Housing Commission (Housing Commission) and Housing Opportunities Collaborative (HOC), a California nonprofit public benefit corporation; 2) Approve the execution of the Memorandum of Understanding between the Housing Commission and HOC; and 3) Approve the execution of the proposed office lease between the Housing Commission and Housing Development Partners (HDP), a nonprofit affiliate of the Housing Commission.

STAFF RECOMMENDATION

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

- 1) Authorize the Housing Commission's Executive Vice President and Chief Operating Officer (COO), or designee, to execute lease documents between the Housing Commission and Housing Opportunities Collaborative (HOC), in a form approved by General Counsel, for ground floor office space in the SDHC Achievement Academy, at 1045 11th Avenue, San Diego, 92101, located at the Housing Commission's Smart Corner building at 1122 Broadway, San Diego, 92101, on terms approved by the Housing Commission Board; and
- 2) Authorize the Executive Vice President & COO, or designee, to execute the Memorandum of Understanding (MOU) between the Housing Commission and HOC, in a form approved by General Counsel, to operate a Housing Resources Center that provides services to benefit the Housing Commission clients and additional individuals in the City of San Diego, on terms approved by the Housing Commission Board; and
- 3) Authorize the Executive Vice President & COO or designee, to execute lease documents between the Housing Commission and Housing Development Partners (HDP), a nonprofit affiliate of the Housing Commission, in a form approved by General Counsel, for ground floor office space at 1100 Broadway, San Diego, 92101 located at the Housing Commission's Smart Corner building at 1122 Broadway, San Diego, 92101 on terms approved by the Housing Commission Board.

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SUMMARY

HOC Lease

HOC, a California nonprofit public benefit corporation, provides counseling, education and assistance to homeowners and prospective homeowners, tenants, and real estate professionals regarding foreclosure prevention, landlord/tenant issues, lender programs, financial education, referrals to housing resources, inventory of affordable housing units and additional available housing units, pre- and post-home purchase counseling, fraud prevention, and affordable housing programs provided in San Diego.

These services are provided by HOC through a Housing Resources Center that was created through a February 23, 2009, MOU between the Housing Commission and HOC.

On April 16, 2010, the Housing Commission Board approved a five-year lease for HOC to rent the ground floor office space at 1100 Broadway, San Diego, 92101 located at the Housing Commission's Smart Corner building at 1122 Broadway, San Diego, 92101 (Report No. HCR10-056). The original term of the lease was from October 1, 2010, through September 30, 2015. The original lease agreement does not provide for any lease renewal options. The Housing Commission entered into a month-to-month lease with HOC, effective October 1, 2015.

In order to continue to provide leasable office space to HOC, the Housing Commission has coordinated with its nonprofit affiliate, HDP, to lease commercial office space to HOC at The Mason, located at 1335 5th Avenue in Downtown San Diego.

HDP Mason, a Housing Commission affiliate, owns The Mason.

HDP Mason will be providing fully furnished office space through a three-year lease, with two one-year renewal options for \$1,100 per month. HOC will be fully responsible for the maintenance and repairs of the leased space at The Mason.

In addition, the Housing Commission will lease to HOC ground floor office space in the SDHC Achievement Academy, at 1045 11th Avenue, San Diego, 92101, located at the Housing Commission's Smart Corner building at 1122 Broadway, San Diego, 92101, for \$1.00 per month, for a period of three years, with two one-year options to renew.

The Housing Commission is providing this lease to HOC in consideration of the housing resource services that HOC will be providing to SDHC Achievement Academy clients: (A) two virtual counselors at the SDHC Achievement Academy for Housing Commission clients; and (B) a full-time staff person at the SDHC Achievement Academy to assist the clients of the Housing Commission in answering general questions and providing general counseling for a period of 40 hours per week.

These terms will be contained within a lease to be drafted by General Counsel of the Housing Commission and as approved by the Executive Vice President and COO of the Housing Commission.

The lease will provide a term allowing the Housing Commission to terminate the lease for cause, and in addition, upon 90-day notice, if and when the SDHC Achievement Academy space being rented to HOC is needed by the Housing Commission for its operational needs.

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The lease is expected to take effect on February 2, 2016.

HOC MOU

Pursuant to the continuing MOU with the Housing Commission, as amended on July 23, 2009, HOC will continue to receive \$120,800 per year from Housing Commission local unrestricted funds (bond and lease revenue) to provide services that include the operation of the Housing Resources Center.

HOC will also provide: services daily to tenants and prospective tenants, including Housing Commission clients; one-on-one counseling through the Virtual Counseling Network, which immediately connects clients via the Internet to additional service organizations, such as legal aid and financial education; and education workshops, such as rights and obligations under leases, inventory of affordable housing, referrals to other rental resources, landlord-tenant mediation services, and referrals to local housing agencies.

HOC will provide quarterly workshops and education programs for first-time homebuyers, as well as access to lender programs for both loss mitigation and homeowner retention. Quarterly workshops will be offered that provide access and information on financial assistance and education on how to manage finances.

HDP Lease

HDP, the Housing Commission's nonprofit affiliate, currently leases office space at The Mason.

However, HDP requires additional office space, and is terminating its lease at The Mason.

Upon the approval of this action by the Housing Commission Board, HDP will lease the ground floor office space currently occupied by HOC at 1100 Broadway, San Diego, 92101 located at the Housing Commission's Smart Corner building at 1122 Broadway, San Diego, 92101, (Smart Corner Space). This Smart Corner Space (approximately 1,150 square feet) is larger than HDP's current office space at The Mason (approximately 1,100 square feet).

The lease between the Housing Commission and HDP will be under the following terms. HDP will take 50 percent of the approximate 2,300 rentable square feet at the Smart Corner Space and will pay \$2.00 per square foot. HDP will be fully responsible for the maintenance and repairs of the leased Smart Corner Space, with no annual common area maintenance adjustments. The lease will have a three-year term, with two one-year options to renew. The lease will provide a term allowing the Housing Commission and HDP to terminate the lease for cause, and in addition, upon 90-day notice, if and when the Housing Commission space being rented to HDP is needed by the Housing Commission for its operational needs or should HDP be in need of a larger office space. The remaining 50 percent of the rentable space will be occupied by Housing Commission employees who will be working on Housing Commission business.

FISCAL CONSIDERATIONS

Total rent included in the Fiscal Year (FY) 2016 (July 1, 2015 – June 30, 2016) budget from the original HOC lease agreement with the Housing Commission for the Smart Corner Space is \$18,000. However, the rent from HOC for this space will be decreased from \$1,500 to \$0, effective on February 1, 2016. The rent to be paid by HDP for 50 percent of the Smart Corner Space currently occupied by HOC

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will be \$2,300 per month. The net change in the FY 2016 budget as a result of this action will be an increase in rental income in the amount of \$4,000.

San Diego Housing Commission FY 2016 Estimated Rent Revenue Smart Corner Space	
HOC Rent Payments - \$1,500 per month (July 1, 2015 – February 1, 2016)	\$10,500
HDP Rent Payments - \$2,300 per month (February 2, 2016 – June 30, 2016)	\$11,500
Expected Actual Rent Revenue	\$22,000
Budgeted Rent Revenue	\$18,000
Net Rent Revenue Increase	\$4,000

Currently unused office space in the SDHC Achievement Academy will be occupied by HOC under the terms of a lease to be drafted by General Counsel, at \$1.00 per month with no impact to the FY 2016 budget.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

On April 16, 2010, the Housing Commission Board approved the HOC Lease at Smart Corner (HCR10-056).

ENVIRONMENTAL REVIEW

This action is not a project as defined by the California Environmental Quality Act Section 21065 and State CEQA Guidelines Section 15378(b)(5), as it is an administrative activity of government that will not result in direct or indirect physical changes in the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. Processing under the National Environmental Policy Act is not required as no federal funds are involved in this action.

CONFLICT DISCLOSURE STATEMENT

Commissioners Gary Gramling, Roberta Spoon, and President and Chief Executive Officer (President & CEO) of the Housing Commission, Richard C. Gentry, are each directors and officers of Housing Development Partners (HDP), a California nonprofit public benefit corporation qualified as an Internal Revenue Code Section 501(c) (3) corporation. Commissioner Gramling, Commissioner Spoon, and President & CEO Gentry receive no compensation for their service on the HDP Board of Directors. Pursuant to the provisions of Government Code Sections 1091.5(a) (7) and 1091.5(a) (8), Commissioner Gramling, Commissioner Spoon, and President & CEO Gentry each have a “non-interest” as described

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in Government Code Section 1091.5. Furthermore, none of HDP's board members has a financial interest in this development that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100, et.seq. [because a 501(c) (3) nonprofit corporation is not a business entity for the purposes of state law and because HDP has been determined to be a public agency by the Ethics Commission for local conflict law purposes] and/or the Housing Commission's Conflict of Interest Code. As members of the Board of Commissioners of the Housing Commission, Mr. Gramling and Ms. Spoon are legally entitled to vote and be counted for quorum purposes. This disclosure shall be and is hereby documented in the official records of the Housing Commission. Further, HDP has formed an affiliated limited partnership HDP L.L.C. to act as owner/borrower. HDP will be the sole member/managing member of HDP L.L.C. Commissioners Gramling, Spoon and President & CEO Gentry will all have non-interests with any affiliated limited partnership.

Respectfully submitted,



Emmanuel Arellano
Director
Portfolio and Asset Management

Approved by,



Jeff Davis
Executive Vice President & Chief Operating Officer
San Diego Housing Commission

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.