



## REPORT TO THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO

**DATE ISSUED:** July 21, 2022

**REPORT NO:** HAR22-023

**ATTENTION:** Chair and Members of the Housing Authority of the City of San Diego  
For the Agenda of July 25, 2022

**SUBJECT:** Authorize the Executive Director of the Housing Authority of the City of San Diego, or Designee, to Terminate the Sublease with JSP Rancho Del Rio, L.P. for Approximately 23 acres of City of San Diego-owned Real Property at 3890 Sipes Lane, San Ysidro, CA 92173 (Assessor's Parcel Number 666-140-09) to Facilitate the City of San Diego's Proposed Sale of the Property to JSP Rancho Del Rio, L.P.

**COUNCIL DISTRICT:** 8

### **REQUESTED ACTION:**

Authorize the termination of the sublease between the Housing Authority of the City of San Diego and JSP Rancho Del Rio, L.P. for approximately 23 acres of City of San Diego-owned real property at 3890 Sipes Lane, San Ysidro, CA 92173 (Assessor's Parcel Number 666-140-09) to facilitate the City of San Diego's proposed sale of the property to JSP Rancho Del Rio, L.P.

### **STAFF RECOMMENDATION**

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

- 1) Authorize the Executive Director of the Housing Authority, or designee, to terminate the Housing Authority's sublease with JSP Rancho Del Rio, L.P. for approximately 23 acres of City of San Diego-owned real property at 3890 Sipes Lane, San Ysidro, CA 92173 (Assessor's Parcel Number 666-140-09) to facilitate the City of San Diego's proposed sale of the property to JSP Rancho Del Rio, L.P., as more particularly described in the companion item being presented to the San Diego City Council as Item No. 607 on the City Council's July 25, 2022, Agenda, "Sale of City-Owned Property at 3890 Sipes Lane, San Ysidro, CA 92173 (Rancho Del Rio Mobile Home Park), (APN 666-140-09)".
- 2) Authorize the Executive Director of the Housing Authority, or designee, to execute all documents and instruments that are necessary and/or appropriate to implement these approvals, in a form and format approved by General Counsel, and to take such actions necessary and/or appropriate to implement these approvals. San Diego Housing Commission (Housing Commission) staff will notify the Housing Authority and the City Attorney's Office about any subsequent amendments or modifications to the transaction, and other required documents, including amendments to any documents.

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Authorization to terminate the sublease with JSP Rancho Del Rio, L.P. for approximately 23 acres of City of San Diego-owned real property at 3890 Sipes Lane, San Ysidro, CA 92173

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## **SUMMARY**

### **Lease**

On July 17, 1984, the City of San Diego (City) and the Housing Authority entered into a Master Ground Lease (Master Ground Lease) for the Property. The Master Ground Lease granted the Housing Authority the authority to enter into a Ground Lease with Rancho Del Rio, LP (Rancho Del Rio).

On August 3, 1984, the Housing Authority and Rancho Del Rio entered into a 55-year Ground Lease for the Property (Lease). Rancho Del Rio assigned its rights to Rancho Del Rio, Ltd., which in turn, assigned its rights, title, and interest in the Lease to JSP Rancho Del Rio, L.P. (JSP) on or about October 31, 2007.

The Lease was amended in 1985 and again in 2008 to amend certain provisions including modifications to acreage and property value, and corresponding reduction in the monthly rent and modifications to the calculation of rent and recertification process for low-income subtenants, and the imposition of monitoring 3 fees to be paid to the San Diego Housing Commission (SDHC). In accordance with these two amendments, mobile home units for new tenants would be affordable at no more than 80 percent of Area Median Income (AMI). Existing low-income tenants earning 60 percent of AMI who occupied the Property as of April 22, 2008, could remain at 60 percent of AMI.

Pursuant to Section 14.22 of the Lease, the Housing Authority delegated to SDHC certain powers necessary to implement and administer the provisions of the Lease, and to receive all notices pursuant to the Lease.

In 2017, a rent dispute arose between SDHC and JSP. SDHC and JSP have tentatively agreed to settle the rent dispute contingent upon the sale of the property to JSP. On May 5, 2022, the SDHC Board of Commissioners approved a revised contingent settlement as set forth in the Settlement Agreement dated May 12, 2022, and attached to report No. HCR22-074, and proceed to collaborate with the City of San Diego's Department of Real Estate and Airport Management and the office of the City Attorney to process a potential sale of the property from the City of San Diego to JSP, on terms determined by the City. As a condition of selling the property, the Master Ground Lease and the Lease must be terminated. City Council is asked to terminate the Master Ground Lease as part of the companion City Council item.

Under the terms of the revised contingent settlement agreement, upon the close of escrow to sell the property to JSP, if it occurs, SDHC shall be paid the sum of \$641,250.00, which it shall immediately pay to the City as back rent, since September 1, 2016. The SDHC lawsuit and the cross-complaint of JSP shall be dismissed with prejudice. Each of the parties to the litigation shall bear their own costs and fees.

## **FISCAL CONSIDERATIONS**

If the City of San Diego agrees to sell the property to JSP, SDHC will receive all back rent since September 1, 2016, in the amount of \$641,250.00, which will be transferred to the City of San Diego as part of the settlement. In addition, upon closing, in consideration of SDHC's efforts to assist in the resolution of this dispute, SDHC will be paid a fee in the amount of \$100,000, which the parties agree will have been earned by SDHC.

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### **AFFORDABLE HOUSING IMPACT**

If an agreement to sell the property to JSP is consummated, a regulatory agreement will be recorded against the property that will provide continued affordability for all residents of the mobile home park who are currently qualified as low-income tenants, on terms and conditions agreed to by and between the City of San Diego and JSP. SDHC will monitor compliance with applicable affordability requirements in accordance with a Monitoring Agreement pursuant to which JSP shall agree to pay SDHC an annual fee of \$165/Affordable Unit, as that fee is periodically adjusted, from time to time, as established for other projects being monitored by SDHC, commencing upon the closing of the sale of the Property.

### **PREVIOUS COUNCIL AND/OR COMMITTEE ACTIONS:**

This item was heard at the July 14, 2022, Land Use and Housing Committee meeting with a motion by Chair Moreno recommending Council approval of staff's proposed actions and a request that City staff, the San Diego Housing Commission, and JSP coordinate to prepare and send a letter to each tenant and owner explaining the agreement, notification of when it will be discussed by the City Council, and providing a point of contact who can answer any questions.

Prior Council actions have been as follows:

- RR-251059 and 222800, February 12, 1979 (authorization to Housing Commission for development of low-income housing on the property).
- RR-255725, adopted January 25, 1982 (authorization to SD Housing Commission to exclusively negotiate for one year, a mobile home park agreement).
- RR-258091, adopted March 14, 1983 (authorization to SD Housing Commission six additional months to negotiate mobile home park agreement).
- City of San Diego RR-261188, adopted July 17, 1984 (authorization to execute Master Lease between City and Housing Authority).
- Housing Authority R-00359, adopted July 17, 1984 (authorization of ground lease).
- Housing Authority R-00379 adopted October 15, 1985, authorizing Amendment to Ground Lease (reduced size of leasehold).
- City of San Diego RR-264240, adopted October 15, 1985 (Amendment to Master Ground Lease between City and Housing Authority).

In addition, on May 5, 2022, the SDHC Board of Commissioners approved a revised contingent settlement as set forth in the Settlement Agreement dated May 12, 2022, and attached to report No. HCR22-074. If the property is not sold, however, the revised contingent settlement of the pending litigation shall be void, and the parties shall proceed to litigate the matter of back rents in the Orange County Superior Court.

### **HOUSING COMMISSION STRATEGIC PLAN**

This item relates to Strategic Priority Area No. 1 in the Housing Commission's Strategic Plan for Fiscal Year (FY) 2022- 2024: Increasing and Preserving Housing Solutions.

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

All of the current residents occupying affordable mobile home sites will continue to be able to occupy such sites at affordable rents.

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**ENVIRONMENTAL REVIEW**

This activity 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. No federal funds are involved and therefore no NEPA clearances are required.

Respectfully submitted,

*Charles B. Christensen*

Charles B. Christensen  
General Counsel  
Christensen & Spath LLP

Approved by,

*Jeff Davis*

Jeff Davis  
Interim President & Chief Executive Officer  
San Diego Housing Commission

Docket materials are available in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at [www.sdhc.org](http://www.sdhc.org).

HOUSING AUTHORITY OF  
THE CITY OF SAN DIEGO

RESOLUTION NUMBER HA-\_\_\_\_\_

DATE OF FINAL PASSAGE \_\_\_\_\_

A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO AUTHORIZING THE HOUSING AUTHORITY EXECUTIVE DIRECTOR TO TERMINATE THE LEASE WITH JSP RANCHO DEL RIO, L.P. FOR APPROXIMATELY 23 ACRES OF REAL PROPERTY OWNED BY THE CITY OF SAN DIEGO AND LOCATED AT 3890 SIPES LANE, SAN YSIDRO, CALIFORNIA 92173 (ASSESSOR'S PARCEL NUMBER 666-140-09) TO FACILITATE THE CITY'S SALE OF THE PROPERTY.

WHEREAS, on July 17, 1984, the City of San Diego (City) and the Housing Authority of the City of San Diego (Housing Authority) entered into a Master Ground Lease for approximately 23 acres of real property owned by the City and located at 3890 Sipes Lane, San Ysidro, California, 92173, Assessor's Parcel Number 666-140-09 (Property); and

WHEREAS, on August 3, 1984, the Housing Authority entered into a 55-year ground lease of the Property with Rancho Del Rio for development and operation of a mobile home park (Lease); and

WHEREAS, Rancho del Rio assigned its rights, title, and interest in the Lease to JSP Rancho Del Rio, L.P. (JSP) on or about October 31, 2007; and

WHEREAS, the Lease delegated certain powers to the San Diego Housing Commission (Housing Commission) necessary to implement and administer the Lease; and

WHEREAS, the Housing Commission and JSP have been engaged in litigation over a rent dispute since 2017 and reached a contingent settlement that was approved by the Housing Commission Board of Commissioners on May 5, 2022, and which contemplated the possible sale of the Property from the City of San Diego to JSP; and

WHEREAS, the Housing Commission and the City's Department of Real Estate and Airport Management have been working on the potential sale of the Property and are presenting a sale proposal to the Council of the City of San Diego as a companion to this Housing Authority action; and

WHEREAS, the Housing Authority now desires to authorize the Housing Authority Executive Director to terminate the Lease to facilitate the City's proposed sale of the Property to JSP; NOW, THEREFORE,

BE IT RESOLVED, by the Housing Authority of the City of San Diego, that the Housing Authority Executive Director, or designee, is authorized to terminate the Lease to facilitate the City of San Diego's sale of the Property to JSP Rancho Del Rio, L.P.

BE IT FURTHER RESOLVED, that Housing Authority Executive Director, or designee, is authorized to execute all documents and instruments that are necessary or appropriate to implement these approvals, in a form and format approved by the Housing Commission General Counsel, and to take such actions necessary or appropriate to implement these approvals.

BE IT FURTHER RESOLVED, that San Diego Housing Commission staff will notify the Housing Authority and the San Diego City Attorney's Office about any subsequent amendments or modifications to the transaction, and other required documents, including amendments to any documents.

APPROVED: MARA W. ELLIOTT, General Counsel

By \_\_\_\_\_  
Heather M. Ferbert  
Chief Deputy General Counsel

HMF:sc  
07/21/2022  
Or.Dept: Housing Commission  
Doc. No. 3037677



The City of San Diego  
**Item Approvals**

**Item Subject:** Authorize the Executive Director of the Housing Authority of the City of San Diego, or Designee, to Terminate the Sublease with JSP Rancho Del Rio, L.P. for Approximately 23 acres of City of San Diego-owned Real Property at 3890 Sipes Lane, San Ysidro, CA 92173 (Assessor's Parcel Number 666-140-09) to Facilitate the City of San Diego's Proposed Sale of the Property to JSP Rancho Del Rio, L.P.

Contributing Department	Approval Date
DOCKET OFFICE	07/21/2022

Approving Authority	Approver	Approval Date
HOUSING COMMISSION FINAL DEPARTMENT APPROVER	MARSHALL, SCOTT	07/21/2022
CITY ATTORNEY	FERBERT, HEATHER	07/21/2022
EXECUTIVE VICE PRESIDENT	DAVIS, JEFF	07/21/2022