



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: January 14, 2021

HCR21-015

SUBJECT: Lease Agreement for the City of San Diego Family Justice Center at the Smart Corner Building

COUNCIL DISTRICT: 3

ORIGINATING DEPARTMENT: Real Estate Division

CONTACT/PHONE NUMBER: Emmanuel Arellano / (619) 578-7586

REQUESTED ACTION:

Approve a lease for the City of San Diego Family Justice Center to continue to occupy the entire second floor office space of the Smart Corner building at 1122 Broadway, Suite 200, San Diego, CA 92101 for an additional three years.

EXECUTIVE SUMMARY OF KEY FACTORS:

- The City of San Diego Family Justice Center (Justice Center) currently occupies the entire second floor office space of the Smart Corner building at 1122 Broadway, Suite 200, San Diego, CA 92101 under a ten-year Office Lease that commenced October 1, 2010.
- The lease also included a provision for a 90-day extension, followed by a month-to-month lease status, pending approval of a new lease.
- As part of the Office of the City Attorney, the Family Justice Center provides services at no cost to participants to help survivors of domestic violence, sexual assault and sex trafficking leave abusive relationships and begin a life free of violence and abuse.
- Family Justice Center has expressed a desire to enter into a new Lease for an additional three years, with one two-year renewal option.
- Family Justice Center also requests a Tenant Improvement Allowance of up to \$17,000 for identified improvements.
- Family Justice Center is current with rent payments and in compliance with all other terms of its lease.
- The terms and conditions for the new Family Justice Center lease reflect the current fair market rent for retail commercial space in the nearby area.
- The proposed new rent for the first year reflects a 6 percent increase from the current rent amount. The rent for the lease term will increase 6 percent every two years



REPORT

DATE ISSUED: December 30, 2020

REPORT NO: HCR21-015

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of January 14, 2021

SUBJECT: Lease Agreement for the City of San Diego Family Justice Center at the Smart Corner Building

COUNCIL DISTRICT: 3

REQUESTED ACTION

Seven-day advance notice of San Diego Housing Commission hearing of the following matter has been provided to the Housing Authority Members pursuant to the provisions of San Diego Municipal Code Section 98.0301(e)(4)(a)(b)

Approve a lease for the City of San Diego Family Justice Center to continue to occupy the entire second floor office space of the Smart Corner building at 1122 Broadway, Suite 200, San Diego, CA 92101 for an additional three years.

STAFF RECOMMENDATION

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

- 1) Approve a three-year lease between the Housing Commission as the Landlord and the City of San Diego Family Justice Center as the Tenant, for the period of January 1, 2021, through December 31, 2023, for the continued occupancy of the second floor office space at the Smart Corner building at 1122 Broadway, Suite 200, San Diego, CA 92101, with one two-year renewal option for a total lease term of five years; and
- 2) Approve a Tenant Improvement Allowance of up to \$17,000 for the City of San Diego Family Justice Center for identified tenant improvements; and
- 3) Authorize the Housing Commission's President & CEO, or designee, to execute all 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 City of San Diego Family Justice Center currently occupies the entire second floor office space of the Smart Corner building at 1122 Broadway, Suite 200, San Diego, CA 92101, under a 10-year Office Lease with the Housing Commission that commenced October 1, 2010. The lease also included a provision for a 90-day extension, followed by a month-to-month lease status, pending approval of a new lease.

As part of the Office of the City Attorney, the Family Justice Center provides services at no cost to participants to help survivors of domestic violence, sexual assault and sex trafficking leave abusive relationships and begin a life free of violence and abuse. Therapists, nurses, advocates, police officers, social service providers, and attorneys, including prosecutors and immigration attorneys, comprise the team of professionals at the Family Justice Center, which provides a safe environment for victims and their families.

The Family Justice Center is current with rent payments and in compliance with all other terms of its lease. In response to uncertainty regarding business operations and office space needs because of COVID-19 restrictions, the Family Justice Center has modified their original request to exercise the renewal option of their lease agreement and is requesting a new lease for a shorter term. With a new lease of three years, with one renewal option for two years, the total lease term will be five years (January 1, 2021, through December 31, 2025). Landlord or Tenant have the discretion to exercise the two-year renewal option at the end of year three.

The Family Justice Center has requested, and Housing Commission staff recommend, the following key terms for the new lease agreement:

1. A three-year lease for the continued occupancy of the second floor office space at the Smart Corner building, with one two-year renewal option for a total lease term of five years.
2. A Tenant Improvement Allowance of up to \$17,000 for identified tenant improvements. All improvements must comply with the requirements of the Lease and be completed by licensed contractors, in accordance with all codes and regulations, and name San Diego Housing Commission as an additional insured in their insurance coverages. The Tenant will be responsible for the procurement of contracts and management of projects.
3. The Landlord will continue to provide overnight janitorial services to clean the office area, kitchen and bathrooms, including restocking supplies such as hand soap and paper towels.
4. The Landlord will continue to be responsible for costs associated with maintenance and repairs of the plumbing, electrical, and HVAC as specified in section 10(a) of the Lease. The Tenant will be responsible for all costs associated with any individual air conditioning units installed in examination rooms.
5. The rent for the lease term will increase 6 percent every two years as follows:

Period	Rent
1/1/2021-12/31/2021	\$47,680.21
1/1/2022-12/31/2022	\$47,680.21
1/1/2023-12/31/2023	\$50,541.02
1/1/2024-12/31/2024	\$50,541.02
1/1/2025-12/31/2025	\$53,573.48

The terms and conditions for the new Family Justice Center lease reflect the current fair market rent for retail commercial space in the nearby area. The proposed new rent for the first year reflects a 6 percent increase from the current rent amount.

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The Family Justice Center occupies approximately 22,216 rentable square feet, comprising the entire second floor of the of the Smart Corner building.

Current rent	\$539,775.96/year	\$44,981.33/month	\$24.30/sf/year
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Data collected by a market analysis conducted using a web-based search of current rents for nearby areas is displayed in the following table.

Rental Rate	Address	Year Built	Class	Proximity to Family Justice Center	Monthly comparable at 22,216 sqft
\$24.00/sf/yr	Comp 1	1961	B	7 blocks northwest	\$44,432
\$24.30/sf/yr	1122 Broadway	2007	B	Family Justice Center (current)	\$44,981
\$24.00-28.20/sf/yr	Comp 2	1912	C	9 blocks west	\$44,432-\$52,207
\$25.75/sf/yr	1122 Broadway	2007	B	Family Justice Center (proposed)	\$47,680
\$30.00/sf/yr	Comp 3	2002	B	6 blocks southwest	\$55,540
\$30.00-35.40/sf/yr	Comp 4	1969	B	1.3 miles northwest	\$55,540-65,537
\$31.80/sf/yr	Comp 5	1982	A	4 blocks west	\$58,872
\$35.40-45.00/sf/yr	Comp 6	1974	A	8 blocks west	\$65,537-\$83,310

FISCAL CONSIDERATIONS

The proposed Fiscal Year 2021 (FY21) funding sources and uses included in this report were partially approved by the Housing Authority in the Fiscal Year 2021 Housing Commission Budget. Approving this action increases the Fiscal Year 2021 budget by \$17,000.

FY 2021 funding sources and uses approved by this action will be as follows:

FY21 Sources:

Rental Income	\$	16,194
Reserves		806
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		17,000

FY21 Uses:

Tenant Improvements	\$	17,000
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PREVIOUS COUNCIL and/or COMMITTEE ACTION

On March 2, 2010, the Housing Authority of the City of San Diego approved the lease for Family Justice Center for a period of 10 years, with two five-year renewal options. (Report No. HAR10-014 and Resolution Number HA-1451).

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KEY STAKEHOLDERS and PROJECTED IMPACTS

Key Stakeholders for these actions include the Housing Commission, Family Justice Center, San Diego Police Department, and potential clients of the Family Justice Center at the Smart Corner Building.

ENVIRONMENTAL REVIEW

The proposed leasing agreement is categorically exempt from the requirements of California Environmental Quality Act (CEQA) pursuant to Section 15301 because the Smart Corner 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 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 activity.

Respectfully submitted,

Emmanuel Arellano

Emmanuel Arellano
Vice President, Asset Management
Real Estate Division

Approved by,

Jeff Davis

Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

Docket materials are available online in the “Governance & Legislative Affairs” section of the San Diego Housing Commission website at www.sdhc.org