Attachment to the Resolution Establishing a Policy for the Leasing of Commercial Spaces and Authorizing the President & CEO to Execute Agreements, Pursuant to the Policy

PHILADELPHIA HOUSING AUTHORITY POLICY FOR THE LEASING OF COMMERCIAL SPACE

January 15, 2015

Statement of Purpose:

The purpose of this Policy is to establish requirements for the Philadelphia Housing Authority ("PHA") regarding the lease and usage of its commercial space, so as to have consistent and defined criteria to be applied by the PHA President & CEO ("PHA CEO") or his designee(s) in making commercial leasing decisions, which the PHA CEO is authorized to do, pursuant to this Policy.

This Policy and procedures created pursuant to it are designed to ensure compliance with legal requirements and to establish the following three primary criteria with regard to leasing decisions: 1) positive impact on PHA residents; 2) financial opportunity for PHA and/or PHA residents; and 3) the nature of the business or entity leasing the space.

Background:

Over the years, as PHA developed its sites, it created spaces for commercial activity that would create or expand economic activity in their neighborhoods. There are currently ten (10) commercial spaces at PHA developments that are suitable for leasing and appropriate for generating revenue or providing healthcare-related services. Under this Policy, PHA will use these spaces, as well as any that may be acquired in the future, to strategically generate or expand economic activity and/or healthcare services in its neighborhoods, provide opportunities for residents and improve these communities.

Definitions:

- Supply Chain Management ("SCM"): PHA's procurement department
- <u>Commercial Space</u>: Commercial spaced owned by PHA that may be used for either "RGA" or "SRS" (as defined below) purposes
- <u>Commercial Space Revenue Generating Activity ("RGA"):</u> Commercial Spaces identified by PHA as having "store front fit" for a business to operate
- <u>Commercial Space Suitable for Resident Services ("SRS")</u>: Commercial Spaces identified by PHA as fit to operate services for the benefit of residents at the site and surrounding neighborhood

Policy:

Section I. Authorization

This Policy authorizes the PHA CEO or his designee(s) to execute agreements for the leasing of Commercial Space, in accordance with the requirements and criteria identified in this Policy, as well as all applicable federal, Commonwealth and PHA requirements.

Section II. Categorizing Commercial Spaces

- A. PHA will designate Commercial Spaces, owned now or in the future, as either RGA or SRS.
- B. PHA hereby designates the following spaces as SRS:

- 1. Ridge Avenue Adult Day Center at Nellie Reynolds Garden, 2653 W. Glenwood Avenue
- 2. Adult Day Center Space at Warnock, 2850 Germantown Avenue
- 3. Resident Health Care Center Space at Hill Creek Apartments, 500 Adams Avenue
- 4. Adult Day Center Space at Germantown House, 5457 Wayne Avenue
- 5. Adult Day Center Space at Greater Grays Ferry Estate, 3001 W. Moore Street
- C. PHA hereby designates the following Commercial Spaces as RGA:
 - 1. Ground Floor Mantua Square, 3516 Fairmount Avenue
 - 2. Ground Floor Martin Luther King Plaza, 1600 Federal Street
 - 3. Ground Floor Courtyard Apartments, 1021 N. 4th Street
 - 4. Ground Floor Nellie Reynolds Garden, 2653 W. Glenwood Avenue
 - 5. Ground Floor Falls Ridge, 4301-4349 Ridge Avenue

Section III. Administration of Commercial Space

SCM shall be responsible for managing the leasing of all Commercial Space, both RGA and SRS, and may enter into agreements to market the spaces, administer a vendor selection process, or establish a strategic partnership for the leasing of the commercial space, in accordance with this Policy and all applicable federal, Commonwealth and PHA requirements.

Section IV. Prohibited Uses

The following are prohibited uses of Commercial Space:

- 1. Serving or selling alcohol
- 2. Pawn Shops
- 3. Adult-only entertainment
- 4. Loan providers known as "Pay-Day Lenders"

Section V. Qualifications of a Lessee

- A. Prior to executing an agreement for the leasing of Commercial Space, SCM will ensure that a multi-point review of the lessee has been done to assess the ability of the lessee to make payments, provide services, and otherwise to maintain good standing during the term of the lease, which review shall include, but not be limited to, the following:
 - 1. Payment History
 - 2. Current condition of any leased spaces, if applicable
 - 3. Bank Statements and other proof of assets
 - 4. Proof of financing, if applicable
 - 5. Any necessary licenses to operate business
 - 6. Proof of suitable insurance
 - 7. Forms of identification, including driver license, passport, and/or alien registration
 - 8. Proof of the ability to pay the contractual amount of rent, such as Federal Income Tax Returns for the individual and the business
 - 9. SRS Only A Service Model describing the services offered and benefit to residents
 - 10. RGA Only A current or proposed business plan and cash flow analysis to show the ability to pay monthly rent.
- B. SCM will determine whether any other information is needed from the lessee prior to submitting the lease for the execution by the PHA CEO.

Section VI. Preferences for RGA Commercial Space

- A. Resident-Owned Businesses: When selecting prospective tenants for RGA commercial space, preference shall be given to PHA resident-owned businesses that are duly incorporated and fulfill all the requirements stated in the Qualifications of a Lessee, Section V, in that when two applications are equal in their ability to pay rent and their anticipated advantage to the residents of PHA, the selection shall go to a PHA resident-owned business.
- B. Businesses Demonstrating Benefit to Residents: Preference shall be given, when applications are otherwise equal, to businesses that can demonstrate a benefit to PHA residents, such as expected employment opportunities, fulfilling resident needs for certain services, etc.

Section VII. Rental Rates

A. SRS

- 1. SCM will ensure that an analysis is done of the available healthcare or other similar services in the neighborhood, as administered by the City or State designated healthcare providers, to determine whether a lessee will be able to meet the needs of the community residents.
- 2. SRS Rental Rates shall be calculated at the minimum fair market value, less property taxes and insurance. The goal of PHA is to "break even" on these leases to promote maximum value for resident access to healthcare-related services in the communities they serve.

B. RGA

- 1. SCM will ensure that a thorough market analysis is done for the economic area and conditions for all RGA spaces. Market rental rates and any approved periodic increases will be determined by SCM.
- 2. Rental Rates for RGAs shall be calculated at the maximum fair market value, whenever possible, so as to maximize revenue realized by PHA.

Section VIII. Reporting to the PHA Board

PHA will provide an annual report to the Board of Commissioners with the status of leased PHA properties.