

RESOLUTION NUMBER R- 268526

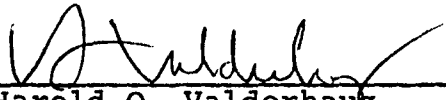
ADOPTED ON JUN 08 1987

WHEREAS, in consideration of the factors set forth in the City Manager's report attached hereto and incorporated herein; NOW, THEREFORE,

BE IT RESOLVED, by the Council of The City of San Diego, that the City Manager is hereby authorized to accept three and one-half (3½) percent of gross income from DESIGNS FOR TRAVEL for its TRAVEL UNIVERSITY operation, instead of ten (10) percent of gross income, retroactive to January 1, 1985.

APPROVED: JOHN W. WITT, City Attorney

By



Harold O. Valderhaug
Deputy City Attorney

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05/19/87 REV.1
Or.Dept:Prop.
Job:200003
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DATE ISSUED:

REPORT NO.

ATTENTION: Public Facilities & Recreation Committee, Agenda of

SUBJECT: Sublease Agreement - Marina Village - Designs For Travel

SUMMARY

Issue - Should the City agree to accept less than 10 percent of gross income of Designs For Travel (a sublessee of Marina Village) from its Travel University which operates on the Marina Village leasehold?

Manager's Recommendation - Agree to accept 5 percent of gross income from Designs For Travel.

Other Recommendations - None.

Fiscal Impact - If the City agrees to accept 5 percent of the gross income from Designs For Travel for the period from January 1, 1985 to December 31, 1986, the City will receive \$8,300 in additional lease revenue.

BACKGROUND

Marina Village is a commercial leasehold on Quivira Basin in Mission Bay, featuring restaurants, retail shopping and boat slips. This past fiscal year, the City received \$575,000 in revenue from the leasehold. Designs For Travel, a sublessee of Marina Village, operates a travel agency on the lease premises under an agreement executed in June 10, 1982, which called for payment of 5 percent of gross income. In September of 1986, Marina Village, on behalf of Designs For Travel, asked that the rent be restructured from 5 percent of gross income to a flat rate rent. The flat rate rental was approved by the City Manager after some investigation and discussion with the Real Estate Advisory Committee.

As an adjunct to the travel agency, Designs For Travel, in January of 1985, opened a Travel University which offers a curriculum in travel agency operations on its premises. The Travel University usage, however, was not approved by the City.

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During the City's recent audit, the Auditor discovered that approximately \$84,000 gross income was generated during calendar year 1985 from the Travel University operation. Marina Village indicates that the Travel University generated about \$82,000 in revenue during 1986. Under the terms of the master lease agreement, Marina Village agrees to pay City 10 percent of gross income for any use not specified unless otherwise agreed to by City prior to commencement of operations. Since the City did not approve of the use, the 10 percent rental provision became effective for the Travel University. No percentage rent has been paid to the City for the Travel University operation. The City Attorney has opined that the Travel University is not a park use and requested that the sublease be terminated.

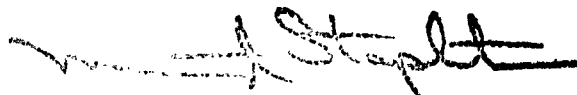
The lessee, Marina Village, and sublessee, Designs For Travel are offering to pay 2 percent of gross income from the Travel University's gross income and have agreed to terminate their agreement. Both cite a low profit margin in the operation as reasons for paying the lower percentage. Also, 2 percent is the retail rate paid by other merchants at this marina.

The Manager's position is that 10 percent of gross income would be too excessive a rental for the Travel University operation. Five percent of gross income would be more reasonable given that it was the percentage required for the Designs For Travel agency operation prior to the sublease amendment previously mentioned.

ALTERNATIVE

1. Insist on 10 percent of gross income from Designs For Travel for the Travel University operation which would amount to \$16,600.
2. Agree to accept 2 percent of gross income from Designs For Travel for the Travel University operation which would amount to \$3,320.

Respectfully submitted,



Maureen A. Stapleton
Deputy City Manager

SPOTTS:RJC:baa-t(5)66
4-17-87
Dept:Prop:MR:578

JUN 08 1987

Passed and adopted by the Council of The City of San Diego on..... ,
by the following vote:

Council Members	Yeas	Nays	Not Present	Ineligible
Abbe Wolfsheimer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bill Cleator	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gloria McColl	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
William Jones	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ed Struiksmma	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mike Gotch	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Judy McCarty	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Celia Ballesteros	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mayor Maureen O'Connor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

AUTHENTICATED BY:

MAUREEN O'CONNOR
Mayor of The City of San Diego, California.

(Seal)

CHARLES G. ABDELNOUR
City Clerk of The City of San Diego, California.

By *Marjell G. Patterson* Deputy.

Office of the City Clerk, San Diego, California	
Resolution Number <i>R-268526</i>	JUN 08 1987
Number	Adopted

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