

(R-89-2573)


RESOLUTION NUMBER R- 274488

ADOPTED ON OCT 2 1989

BE IT RESOLVED, by the Council of The City of San Diego, that the City Manager is hereby authorized to develop a "Lease Only" marketing program for Eastgate Technology Park, as more particularly described in the City Manager's Report attached hereto and by this reference incorporated herein.

APPROVED: JOHN W. WITT, City Attorney

By



Harold O. Valderhaug
Deputy City Attorney

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06/14/89
Or.Dept:Prop.
Job:200071
R-89-2573
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DATE ISSUED:

REPORT NO.

ATTENTION:

SUBJECT: Council Policy 900-3 (Management and Marketing of City-Owned Industrial Property); and Issues Relating to Eastgate Technology Park

REFERENCE: City Manager's Reports 89-06, 89-51, 89-314, 89-333, 89-156, 89-320, 89-321 and 89-402.

SUMMARY

Issues

1. Should Council Policy 900-3, Management and Marketing of City-owned Industrial Property, be revised?
2. Should the City resubdivide the Eastgate Technology Park into smaller lots?
3. Should the City take a marketing position that it will only lease Eastgate Technology Park land?

Manager's Recommendations

1. Revise Council Policy 900-3 as indicated in Attachment I.
2. Authorize the Manager to commence activities for the City to resubdivide the Eastgate Technology Park into lots of one to four acres on a phased basis, as appropriate.
3. Direct staff to develop a marketing plan for leasing parcels in Eastgate Technology Park.

Other Recommendations - The Real Estate Advisory Committee and the Economic Development Corporation concur in these recommendations.

Fiscal Impact - None with recommendations 1 and 3 above. Expected revenues to be generated from ensuing lease transactions will be addressed in later reports on a case-by-case basis. Recommendation 2 will eventually require a total expenditure of \$611,000. Funds are available in the Industrial Development Fund.

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BACKGROUND

The Public Facilities and Recreation Committee approved the Manager's recommendations on August 9, 1989 as noted in this report. This report supplements and summarizes the City Manager's reports referenced above.

I. Revision of Council Policy 900-3.

The Attachment I draft policy shows all of the modifications recommended in this report. These are essentially as follows:

1. It gives special consideration to creating employment opportunities for economically disadvantaged persons.
2. It removes the specific target of requiring a minimum of 30 employees per acre and, instead, separately discusses employment objectives for each of the City's industrial parks.
3. It removes the provision that up to one-half of the industrial development fund can be used for downtown redevelopment.
4. It redefines the role of the Economic Development Corporation and the City Manager in the marketing and management of the City's industrial properties.
5. It supplements the exclusive negotiations procedure with the use of Requests for Proposals when warranted.
6. It requires that the City Council be notified of negotiations for the sale or lease of industrial land.
7. It lists in the Attachment to the proposed policy some special considerations relative to lease versus sale, uses, and other matters for each of the City's industrial parks.

At the PF&R meeting on August 9, 1989, two of the five committee members wanted the following provision in lieu of Item 7 of the proposed policy, which the other three members did not endorse:

"Negotiation vs. RFP. Prior to staff entering into negotiations with any party expressing an interest to purchase or lease City-owned industrial property, staff will present to Council the identity of the interested party (or parties) and a description of the proposed development(s). Provided, however, should any interested party not desire to be identified at that stage, then staff shall present only the description of such party and the proposed development to the extent that such party is willing to divulge. Upon such presentation to Council, Council shall direct staff whether to enter into exclusive negotiations or to solicit proposals for the purchase or lease of said property."

Staff suggests that a more appropriate policy notifying Council of negotiations would be as indicated in Item 8 in Attachment I. This procedure would not jeopardize the City's ability to market industrial leases.

II. Resubdivision of Eastgate Technology Park (ETP).

Attachment II indicates the proposed resubdivision of essentially eight lots in ETP (from page 1) into 23 smaller lots (page 2). The smaller lot concept is a departure from past practice, and it is an attempt to capture the much greater demand for smaller facilities requiring one to four acres in size. It is intended to phase development of the smaller lots while retaining some larger lots to accommodate the occasional major developments. There would also be the ability to combine the smaller parcels should the need arise. The benefits of this proposal, in addition to the marketing flexibility, are higher square foot values anticipated to result from greater usability of the redesign. It is felt that this resubdivision is highly desirable for implementation of the marketing plan next proposed in Section III.

During the PF&R discussion of this matter, questions were raised concerning the economics of the City's industrial development efforts. The two most recent examples are the Campus Point Business Park and the Eastgate Technology Park. Information concerning the costs and revenues for Campus Point is as follows:

Revenue from lots sales	\$23.3 million
Cost of subdividing and improvements	<u>5.0</u>
Proceeds to City	\$18.3
Less the value of the raw land in 1979 (what the land could have been sold for)	<u>2.9</u>
Effective gain by the City	<u>\$15.4 million</u>

Similar information for Units 1 and 2 of the Eastgate Technology Park is as follows:

Revenue from lots sales* and value of unsold lots (prior to this recommended resubdivision)	\$41.3 million
Cost of subdividing and improvements	<u>7.2</u>
Proceeds to City	\$34.1
Less the value of the raw land in 1986 (what the land could have been sold for)	<u>18.6</u>
Effective gain by the City	<u>\$15.5 million</u>

*Includes two parcels at \$2,550,000, which have been leased.

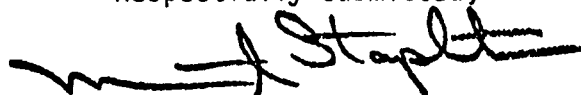
III. ETP Marketing Plan.

It is proposed to enter into a marketing plan whereby the City will only lease parcels in the Eastgate Technology Park. This significant departure from past practice is in response to Council's concerns that sufficient emphasis has not been placed on leasing as opposed to sale of its industrial lands. It also provides the opportunity to enhance the City's long-term revenue potential. It is felt that eliminating the alternative of sale in ETP will elicit a more serious consideration for leasing from prospective users. However, because this is a major change in practice, it will be necessary to develop lease terms acceptable to the market and to have a marketing strategy which is able to finalize negotiations and deliver possession of sites within much less time than the City usually takes in approving long-term leases. To that end, it is proposed to formulate and present for Council's consideration within the next several months, a set of marketing guidelines which will address both: 1) proposed lease provisions, and 2) marketing strategy for fast-tracking lease transactions.

ALTERNATIVES

1. Do not accept the Manager's recommendation.
2. Modify the Manager's recommendations.

Respectfully submitted,



Maureen A. Stapleton
Deputy City Manager

SPOTTS:DSB:baa(4)66
8-18-89
Dept:Prop:MR:811

Attachments:

COUNCIL POLICYATTACHMENT I

SUBJECT

MANAGEMENT AND MARKETING OF CITY-OWNED INDUSTRIAL PROPERTY

POLICY
NUMBER

900-3

EFFECTIVE
DATEBACKGROUND

In order to enhance the City's economic base and create employment opportunities, the City has actively engaged in the development of industrial and scientific research parks since the 1950s. This development has involved the subdivision and improvement of City lands, including Research Park, Research Park Subdivision Addition, City of San Diego Industrial Park, Torrey Pines Science Park, South San Diego Industrial Park, Campus Point, Eastgate Technology Park, and Corporate Research Park. More recently, the City has acquired property and redeveloped it for industrial use. Examples include Market Street, Dells, and Gateway Industrial Parks. Future industrial developments will be located at Brown Field, on the City's Pueblo Lands, and in redevelopment areas.

Between 1966 and 1977, the Economic Development Corporation (EDC) had an exclusive option on the City's industrial property under which it sold the property, provided that the purchaser committed to a construction schedule and achieved a high employment level in a given time period. In 1978, the City Manager assumed this responsibility.

PURPOSE

To increase employment, improve the local economy, and promote private sector activity through the acquisition, development, and lease or sale of City land for industrial purposes.

POLICY

In general, it shall be the City's goal to maintain a moderate inventory of industrially zoned and improved properties for disposal to specified users.

The City shall manage its industrial properties in accordance with the following objectives:

1. Objectives - City property is to be held for those developments which generally insure a high employment level and provide a specific development schedule. Special consideration may be given to lessees or purchasers who engage in scientific research, manufacturing research and development, high technology, light manufacturing, or corporate headquarters. The property will be leased or sold to lessees or purchasers with the following characteristics:
 - a. Will provide primary sector employment and/or make a significant contribution toward the growth or diversification of the economic base.
 - b. Will engage in activities compatible with the quality of life in San Diego.

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- c. Will insure, where appropriate, a high employment level, generally a minimum of 30 employees per usable acre before the end of the third operating year.
- d. Will commit to a specific development schedule acceptable to the City.
- e. Will agree to appropriate reversionary rights to the City if performance is not in accordance with the requirements of the disposition agreement.
2. Property Inventory - The City shall continue to develop its inventory of property, and expand that inventory, where appropriate, through acquisition, redevelopment, or the development of surplus public properties. The City shall continue to recycle certain properties for industrial development by acquisition, renovation, clearance and/or consolidation of properties.
3. Financing of Development Costs - Proceeds from the sale of City-owned industrial properties shall be deposited in the Industrial Development Fund from which up to 50 percent of the proceeds may be utilized for redevelopment of downtown in the short-term and the balance for support of the industrial development program. Expenditures from this fund shall be authorized by the Council on a case-by-case basis, and its use to comply with Section 77 of the Charter in all respects.
4. Designation of Responsibilities Between the City and the EDG - It shall be the EDG's responsibility to market the land and to suggest the prospective lessee or purchaser to the City Manager. It shall be the City Manager's responsibility to accept or reject EDG's suggestion, negotiate a contract with the prospective lessee or purchaser, and make a recommendation to the City Council.
5. Lease Rent or Sales Price - The City shall optimize the lease rent or the sales price to be received from City-owned industrial properties based on relevant factors, including an appraisal of the property which is no more than six months old, prevailing economic conditions, recent trends in industrial lands, and specific benefits to be generated by the user.
6. Exclusive Negotiations - The City Manager may negotiate with a single employer when the objectives cited in Item-1 of this Policy are assured and there is a specific economic benefit. Those proposals need not be subject to advertisement prior to Council consideration, but shall be considered, based on the financial and economic benefits incorporated in the proposal. However, the ultimate responsibility for the selection or rejection of the proposed lessee or purchaser rests with the City Council; however, since it is not generally in the best interests of the City for an agreement to be negotiated in open session, the Council shall either disapprove or return

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to the City Manager for further negotiation any agreement which it does not approve.

1. Disposition - City property can be leased or sold for those developments which offer employment opportunities, will expand and diversify the City's economic base, will engage in activities compatible with the quality of life in San Diego, and will provide a specific development schedule. Special consideration may be given to lessees or purchasers who offer employment opportunities to economically disadvantaged persons and/or who engage in scientific research, manufacturing research and development, high technology, light manufacturing, or national/corporate headquarters.
2. Reversion - Purchasers must agree to appropriate reversionary rights or other penalties if performance is not in accordance with the requirements of the disposition agreement.
3. Lease Rent or Sales Price - The City shall optimize the lease rent or the sales price to be received from City-owned industrial properties based on relevant factors, including an appraisal of the property which is no more than six months old, prevailing economic conditions, recent trends in industrial land activities, and specific benefits to be generated by the user.
4. Industrial Subdivisions - The City shall continue to develop its inventory of industrial property, and expand that inventory, where appropriate, through acquisition, redevelopment, or the development of surplus public properties.
5. Disposition of Proceeds - Proceeds from the sale and lease of City-owned industrial properties shall be deposited as follows:
 - a. Brown Field Industrial Lands (Attachment Item 6): Lease proceeds shall be deposited to the Airports Enterprise Fund to be used for airports operation and maintenance.
 - b. Police Pueblo Lands (Attachment Items 1, 4, 5 and 7): Sale and lease proceeds shall be deposited into the Capital Outlay Fund to be used solely and exclusively for the purpose of financing acquisition and construction of police substations and other permanent improvements for police purposes (Police Decentralization Fund 302481) in accordance with Ordinance 12685 NS.
 - c. All other industrial lands: Sale proceeds shall be deposited into the Capital Outlay Fund to be used for support of an industrial development program (Industrial Development Fund 30248) in accordance with Resolution 220303. Lease proceeds shall be deposited into the General Fund.

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6. Marketing Responsibilities - It shall be the Economic Development Corporation's (EDC) responsibility to assist the City Manager to market the land and to suggest prospective lessees or purchasers to the City Manager. The City Manager shall be responsible for directing all marketing, including evaluating and accepting or rejecting EDC's suggestions, negotiating contracts with prospective lessees or purchasers and making recommendations to the City Council for the leases or sales.
7. Exclusive Negotiations - The City Manager may exclusively negotiate with a prospective lessee or purchaser and take the agreement to the City Council, via the appropriate Council committees, for approval. Proposals need not be subject to advertisement prior to Council consideration, but shall be considered based on the financial and economic benefits incorporated in the proposal. Proposals may also be solicited on a competitive basis depending on the interest indicated by the market for given properties. The ultimate responsibility for the selection or rejection of the proposed lessee or purchaser rests with the City Council. Since it is not generally in the best interests of the City for an agreement to be negotiated in open session, the Council shall either disapprove or return to the City Manager for further negotiation any agreement which the Council does not approve.
8. Notification to the City Council - The City Manager will advise the City Council of commencement of negotiations with any bonafide applicant offering to lease or purchase City-owned industrial property. Such notice will be by information report to the full Council stating 1) the parcel under negotiation, 2) the identity of the applicant or, if confidentiality has been requested, a description of the firm, 3) the general proposed use, 4) whether negotiations are for lease or sale, and 5) any additional offers received on the particular parcel.
9. Considerations for Specific Sites - Specific objectives regarding lease versus sale, users, employment density, and traffic are listed in the attachment to this Policy.

REFERENCES

Council Policy 900-1, Economic Development
 Council Policy 900-4, Industrial Development
 Council Policy 700-10, Disposition of City-owned Real Property
 San Diego Municipal Code, Chapter II, Article II, Division 9

Adopted by Resolution 220305, 2-15-78
 Amended by Resolution 253163, 11-24-80
 Amended by Resolution 258161, 3-28-83

Assigned Responsibility - Property Department

CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY

SUBJECT

MANAGEMENT AND MARKETING OF CITY-OWNED INDUSTRIAL PROPERTY

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ATTACHMENTS

Specific Considerations for Various City-owned Industrial Properties

DSB:t-w(108-12)
8-17-89

ATTACHMENT

SPECIFIC CONSIDERATIONS FOR VARIOUS CITY-OWNED INDUSTRIAL PROPERTIES

1. Eastgate Technology Park

Lease Versus Sale. Lease with the intent of development a long-term revenue stream for support of the police decentralization effort.

Users - Users shall be those which qualify as scientific research, light manufacturing, or national/corporate headquarters.

Employment Density - No restrictions will apply to the intensity of employment and employers having relatively few employees should be encouraged in order to minimize average daily trips (ADTs).

Traffic - Because of traffic problems in the community, employers whose customers will cause relatively few ADTs will be encouraged.

Developments - Subject to requirements of NAS Miramar Comprehensive Land Use Plan and the City's University Community Plan.

2. Torrey Pines Science Park

Lease Versus Sale - Property may be either leased or sold.

Users - Users shall be those which qualify as scientific research or national/corporate headquarters. Users related to the University will be encouraged.

Employment Density - No restrictions on the level of employment will be applied. Low density is preferred because of traffic problems in the community.

Traffic - Employers generating relatively few ADTs will be encouraged.

Developments - Subject to requirements of NAS Miramar Comprehensive Land Use Plan and the City's University Community Plan.

3. South San Diego Industrial Park

Lease Versus Sale - Property may be leased or sold.

Users - Users must be in compliance to the M1B zone and comply with the CC&Rs.

Employment Density - High employment densities and/or employers offering employment opportunities for San Diego based economically disadvantaged persons shall be encouraged.

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Traffic - No special considerations.

4. Parcel B, I-805 and Sorrento Valley Road - Parcel B shall be held pending construction of Carroll Canyon Road. Parcel B may eventually be sold to Caltrans for a park and ride facility. Developments are subject to the requirements of NAS Miramar Comprehensive Land Use Plan.

5. Parcel C, I-805 and Sorrento Valley Road - Council has designated that the parcel be leased. Users shall be in accordance with the applicable zone. Developments are subject to requirements of the NAS Miramar Comprehensive Land Use Plan.

6. Brown Field Industrial Park

Lease Versus Sale - The parcels can only be leased.

Users - Users shall be in accordance with the Brown Field Master Plan.

Employment Density - Employers offering high employment levels and employers offering employment opportunities for San Diego based economically disadvantaged persons shall be encouraged.

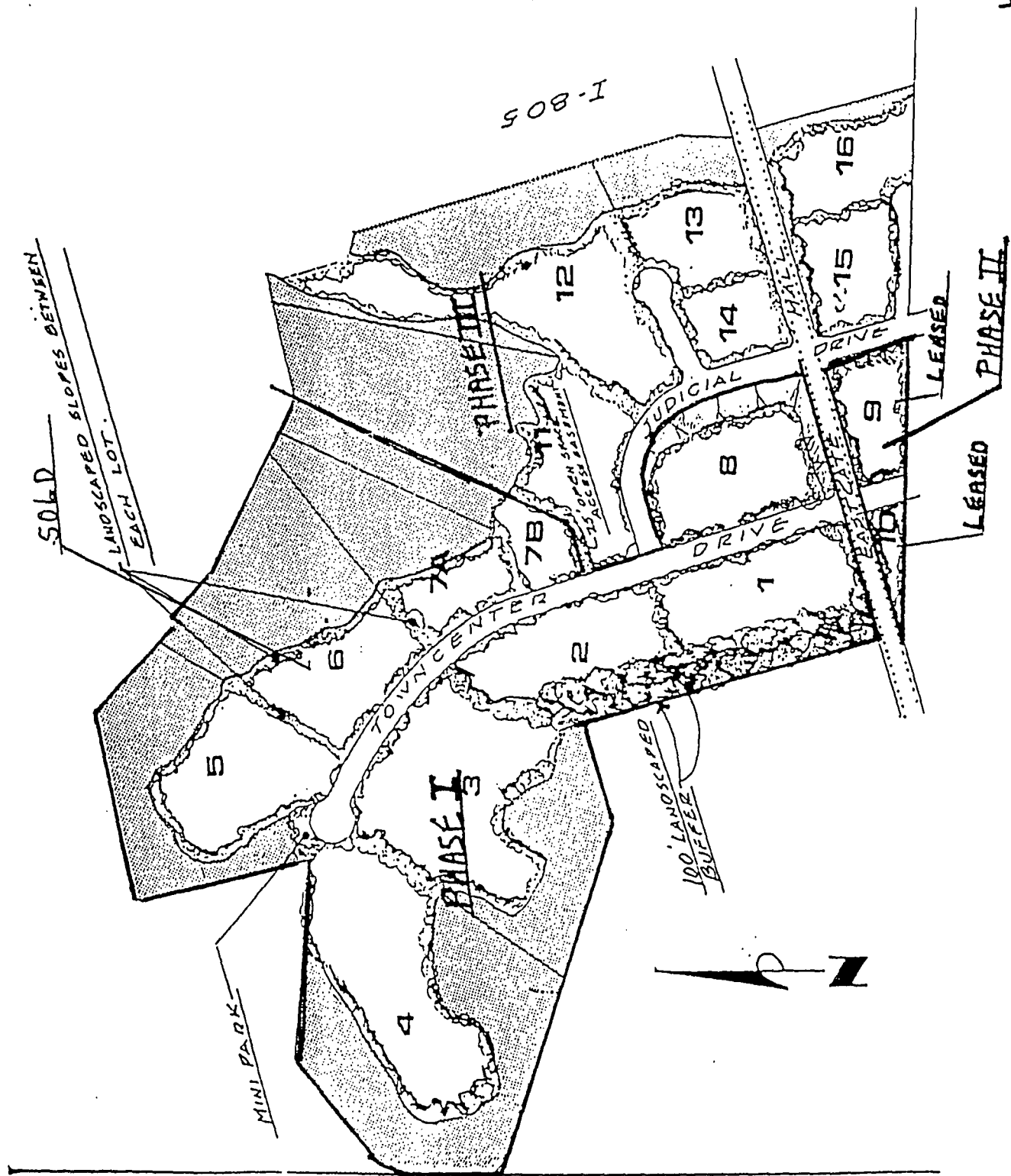
7. Corporate Research Park

A tentative map has been prepared, but the property is undeveloped and shall be held for future development pending financing and favorable market conditions. When development occurs, consideration should be given to requiring that the parcels be leased.

8. Unratified Pueblo Lands

Pursuant to the University Community Plan, the property should not be developed until 1995.

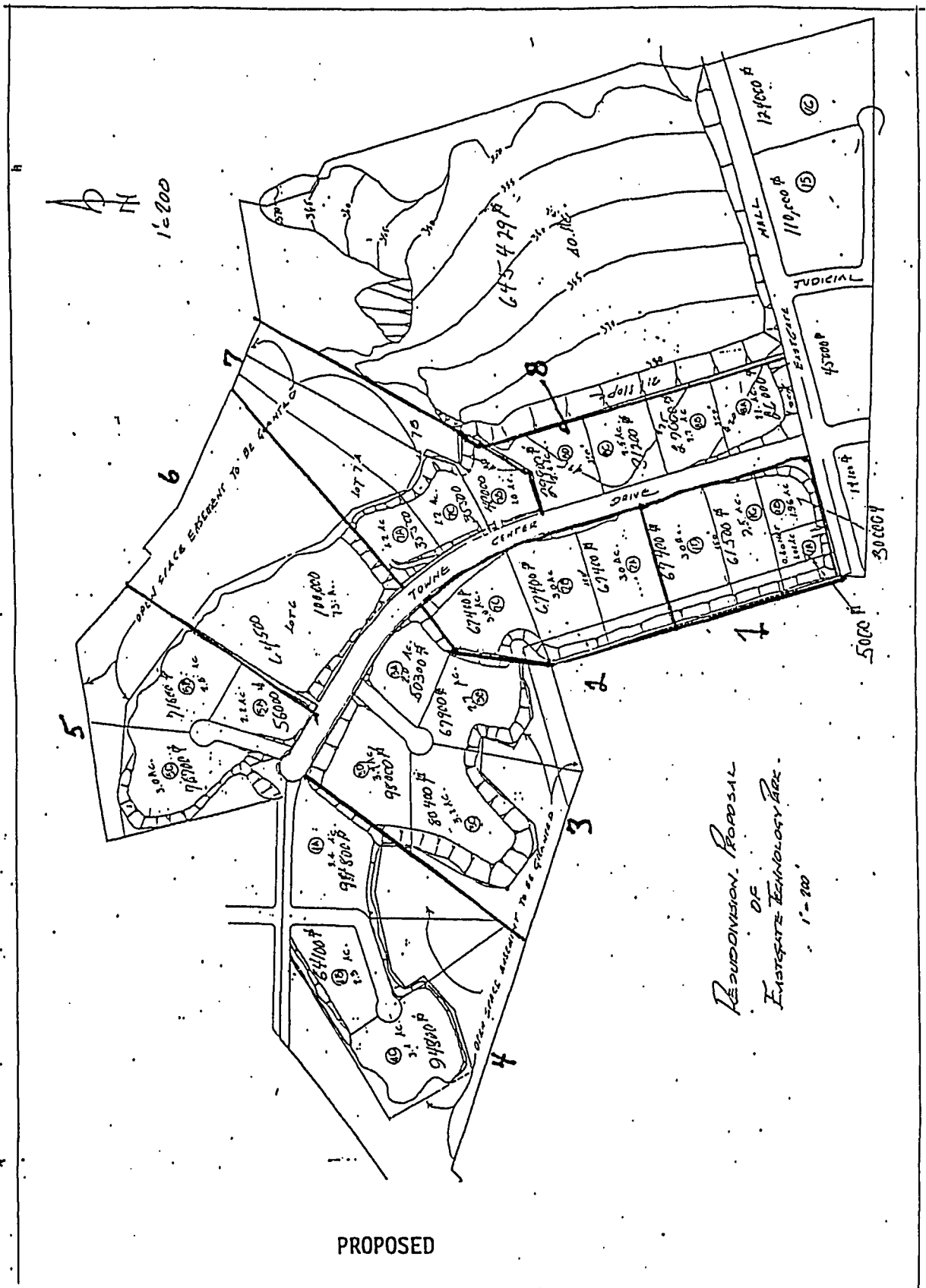
R- 274488



EASTGATE TECHNOLOGY PARK

EXISTING

R-274488



OCT 2 1989

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"/>
Ron Roberts	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gloria McColl	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
H. Wes Pratt	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ed Struiksma	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
J. Bruce Henderson	<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"/>
Bob Filner	<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 *Charles G. Abdelnour*, Deputy.

Office of the City Clerk, San Diego, California

Resolution Number **R-274488** Adopted **OCT 2 1989**

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