

(R-90-1000)

RESOLUTION NUMBER R- 274955

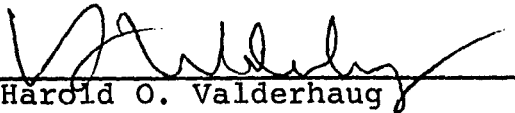
ADOPTED ON JAN 08 1990

BE IT RESOLVED, by the Council of The City of San Diego, that the marketing plan for leasing parcels in Eastgate Technology Park, as described in the attachment hereto, is hereby approved.

BE IT FURTHER RESOLVED, that the City Manager is hereby authorized to negotiate leases of individual parcels after giving written notice to the Mayor and Councilmembers of intent to so negotiate, with such negotiations to not commence, however, until at least two weeks after delivery of such notice to the Council offices, to assure that at least two City Council meetings take place prior to commencement of such negotiations.

APPROVED: JOHN W. WITT, City Attorney

By



Harold O. Valderhaug
Deputy City Attorney

HOV:ps
12/18/89
Or.Dept:Prop.
Job:900003
R-90-1000
Form=r.deedr

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CITY CLERKS OFFICE
SAN DIEGO, CA

DEC 8 1989

DATE ISSUED:

REPORT NO.

ATTENTION: PF&R Committee, Agenda of December 13, 1989

SUBJECT: Marketing of Eastgate Technology Park

SUMMARY

Issue - Should Council approve the marketing plan for leasing of Eastgate Technology Park (ETP) as set out in this report?

Manager's Recommendation - Approve the marketing plan.

Other Recommendations - The Economic Development Corporation and the Real Estate Advisory Committee support the general approach set forth in this plan.

Fiscal Impact - This plan will enable a potential increasing lease income stream for the Police Decentralization account.

BACKGROUND

On October 2, 1989, Council directed the Manager to 1) amend Council Policy 900-3, Management and Marketing Industrial Properties; 2) resubdivide ETP; and 3) develop lease provisions acceptable in the industrial marketplace.

Staff has consulted with major real estate brokers, Economic Development Corporation, Real Estate Advisory Committee, and prominent developers in order to bring this plan before you today. These consultations have revealed that prospective park users are reluctant to deal with the City of San Diego, and prefer locating in private parks. The major concerns of industrial businesses in establishing their firms on City-owned land have been: 1) the uncertainty and time consumed to gain Council approval, 2) the time it takes to process development plans, and 3) the premature publication of relocation plans.

This proposed marketing plan is designed to alleviate concerns relating to the time required for Council approval before certainty can be achieved, as well as the problem of premature disclosure. The City Manager is also working with the various departments to accelerate the processing of development plans. To the extent that leasing at ETP can be accelerated, City revenues can be augmented in an expeditious manner.

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The proposed business plan consists of four elements:

1. A summary of business points which would serve as a basis for industrial lease negotiations (Attachment A). These points will be negotiated for each lease prior to presentation to Council for approval. Attachment A indicates the proposed goal for each business point. The extent to which each goal can be achieved depends upon market conditions at the time of negotiations. Your approval of these goals today will enable the City Manager to act in an expeditious manner in offering ETP parcels for lease under terms acceptable in today's industrial market place.
2. Time Lines for resubdivision of ETP and finalization of the marketing package (Attachment B and C). These processes are expected to take 12 to 18 months; however, in order to commence leasing, staff has prepared a preliminary resubdivision drawing to use for marketing and appraisal processing. With this plan, advertising can commence immediately following Council approval of this plan.
3. A summary and time line for necessary City actions leading up to final lease approval and issuance of a building permit (Attachments D and E). By making this information available to prospective users at the start of negotiations, they will understand exactly what to expect and the time required to accomplish each step in the City's process. Our commitment to the prospective user will be to fast-track each of these steps to the extent possible, and not inject unanticipated delays into the process.
4. A lease format (Attachment F). The proposed lease format will be the basis for each of the leases in ETP. The actual lease document will vary depending upon negotiations on the business points set forth in Attachment A.

SUMMARY

This plan provides for a Council pre-approved set of basic business points and the ability for the City Manager to 1) advertise to generate leases of ETP property, and 2) negotiate leases based on the pre-approved business points. As shown in Attachment D, City Council and the Community Planning Group will be advised at the commencement of negotiations on any prospective lease.

ETP has suffered from moratoriums--first from Pump Station 64, then from lack of ADT's and the potential negative impact of a sewer treatment plant on Phase III of ETP. Because of these delays, ETP now stands to lose the ADT's allocated to it in Council Policy 600-36, as amended on June 20, 1989.

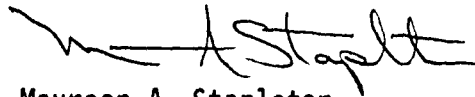
The influence of prevailing economic conditions and current market demand for industrial space will of course be major factors in determining the success of marketing efforts at ETP. However, with Council adoption of this proposed marketing plan, the marketability of this property and ensuing income stream should improve substantially.

In this connection, it should be noted that the model lease provisions do not provide for City participation in the event of equity take-out or refinancing. The City's Real Estate Advisory Committee recommends very strongly against including provisions of this sort because market conditions are such that there would be a significant deterrent to a potential lessee. Instead, the Committee recommends that the City rely on regularly adjusting rent to meet market conditions. Changes in market conditions can be accommodated by periodic CPI adjustments and reappraisals of the property.

ALTERNATIVES

1. Do not accept this plan.
2. Modify the plan.
3. Redirect the City Manager to sell the land.

Respectfully submitted,



Maureen A. Stapleton
Deputy City Manager

SPOTTS:MAB:jw(66-9)
12-8-89
Dept:Prop:MR:829

- Attachments:
- A. Business Points
 - B. Subdivision Map Time Line
 - C. Marketing Time Line
 - D. Lease Process
 - E. Development Process
 - F. Model Lease

ATTACHMENT A

SUMMARY OF BUSINESS POINTS FOR INDUSTRIAL LEASES

<u>Lease Provision</u>	<u>Business Point</u>	<u>City's Position</u>
1.02*	Permissible use of premises by lessee.	Controlled by PID & City Manager in writing.
1.06*	Competent Management - Lessee responsibility & expertise.	Requires City Manager approval.
2.01	Term - Length of lease.	Maximum of 55 years.
2.04	Good Faith Deposit.	2% of FMV at time negotiations begin.
2.04	Liquidated Damages.	If lessee fails to complete development after lease execution by City.
3.02	Rent - Lessee pays City.	Fair market rent (FMR) as determined by an appraisal that is not older than six months at the time negotiations begin.
3.02	CPI index adjustment.	At end of 5th year & each 2½ years thereafter except at revaluations.
3.02	Market Value Adjustment - Reevaluation.	15th year & each 10-year period thereafter.
4.02	Limits on subleasing.	Requires City Manager approval.
4.03*	Encumbrance - Mortgages to finance development.	Requires City Manager approval.
4.06	Change in controlling interest.	Change in controlling interest of business entity/lessee is subject to prior City Manager approval.

* Nonnegotiable

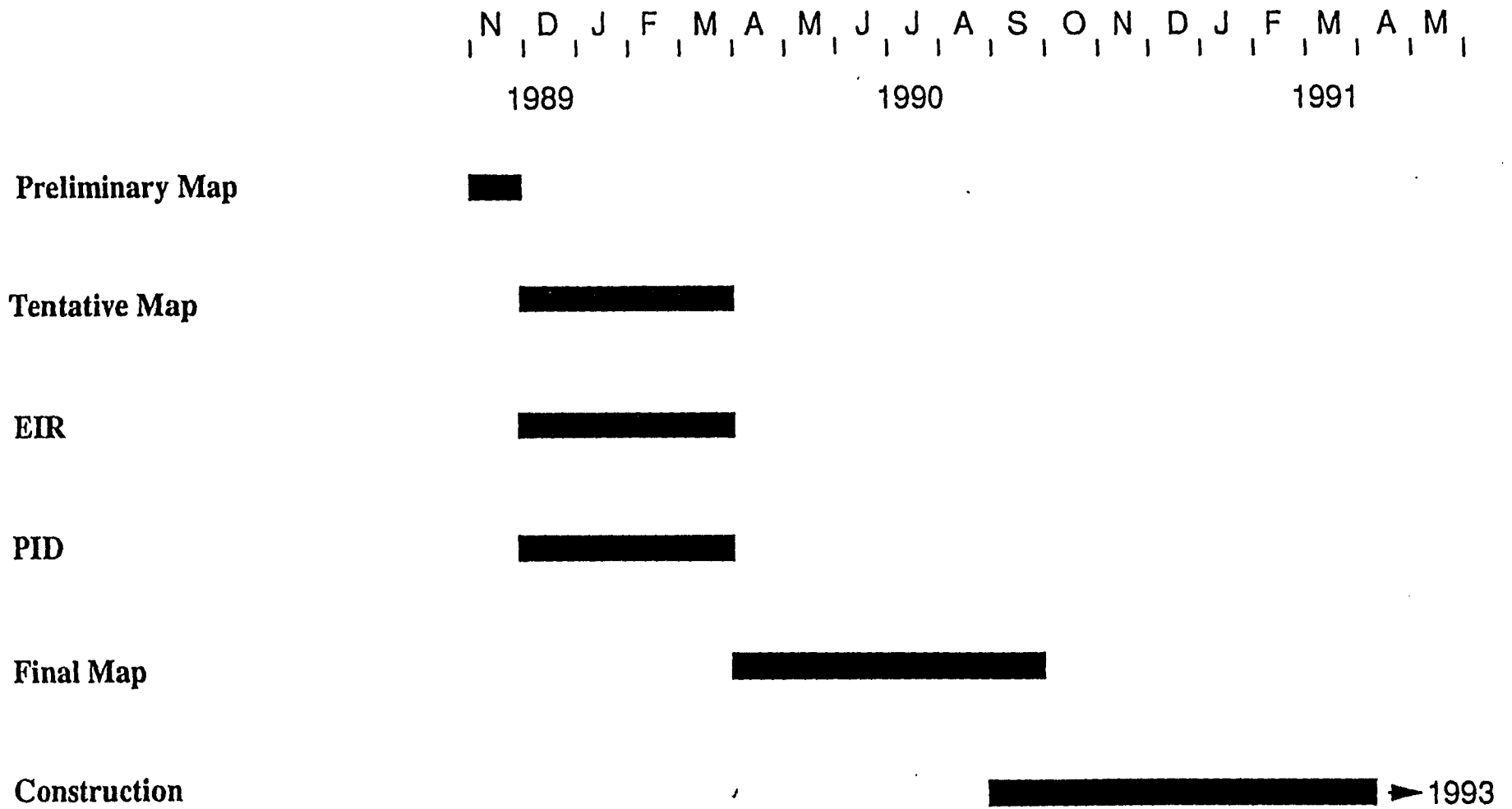
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<u>Lease Provision</u>	<u>Business Point</u>	<u>City's Position</u>
6.10*	Development Plan for the premises.	City Manager approval required prior to any other submittals.
7.13	First Right of Refusal - City's right.	If lessee should wish to sell the leasehold, the City has first right.
7.14	First Right of Refusal - Lessee's right.	If City should wish to sell the fee title, lessee has first right.
7.15*	ETP Child Care Center.	City expects lessee participation.

* Nonnegotiable

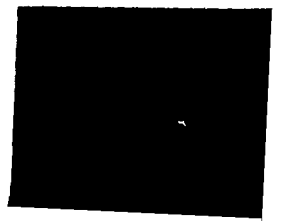
MAB:jw(108-15)
12-8-89

SUBDIVISION MAP TIMELINE -- EASTGATE TECHNOLOGY PARK

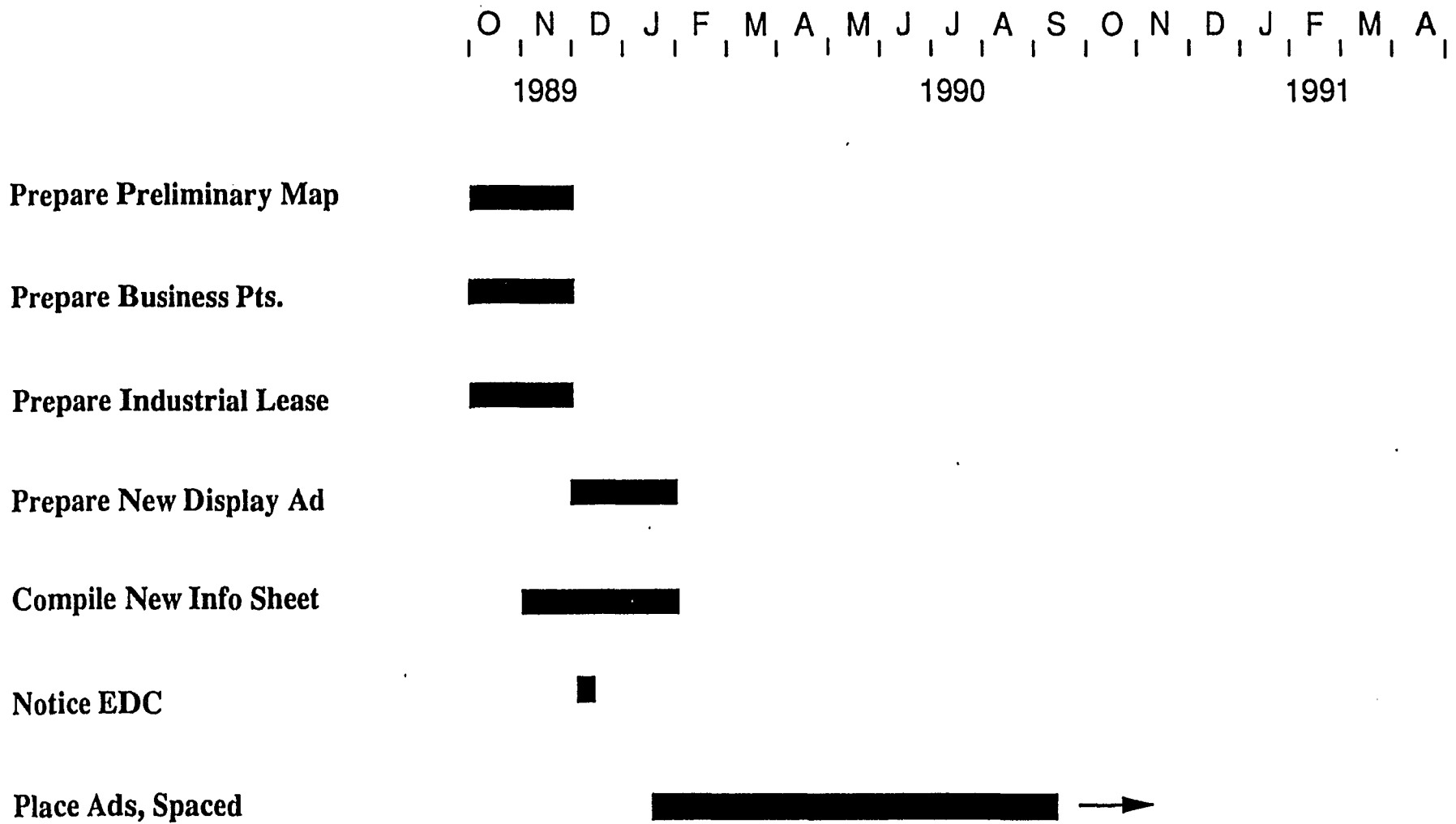


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ATTACHMENT B



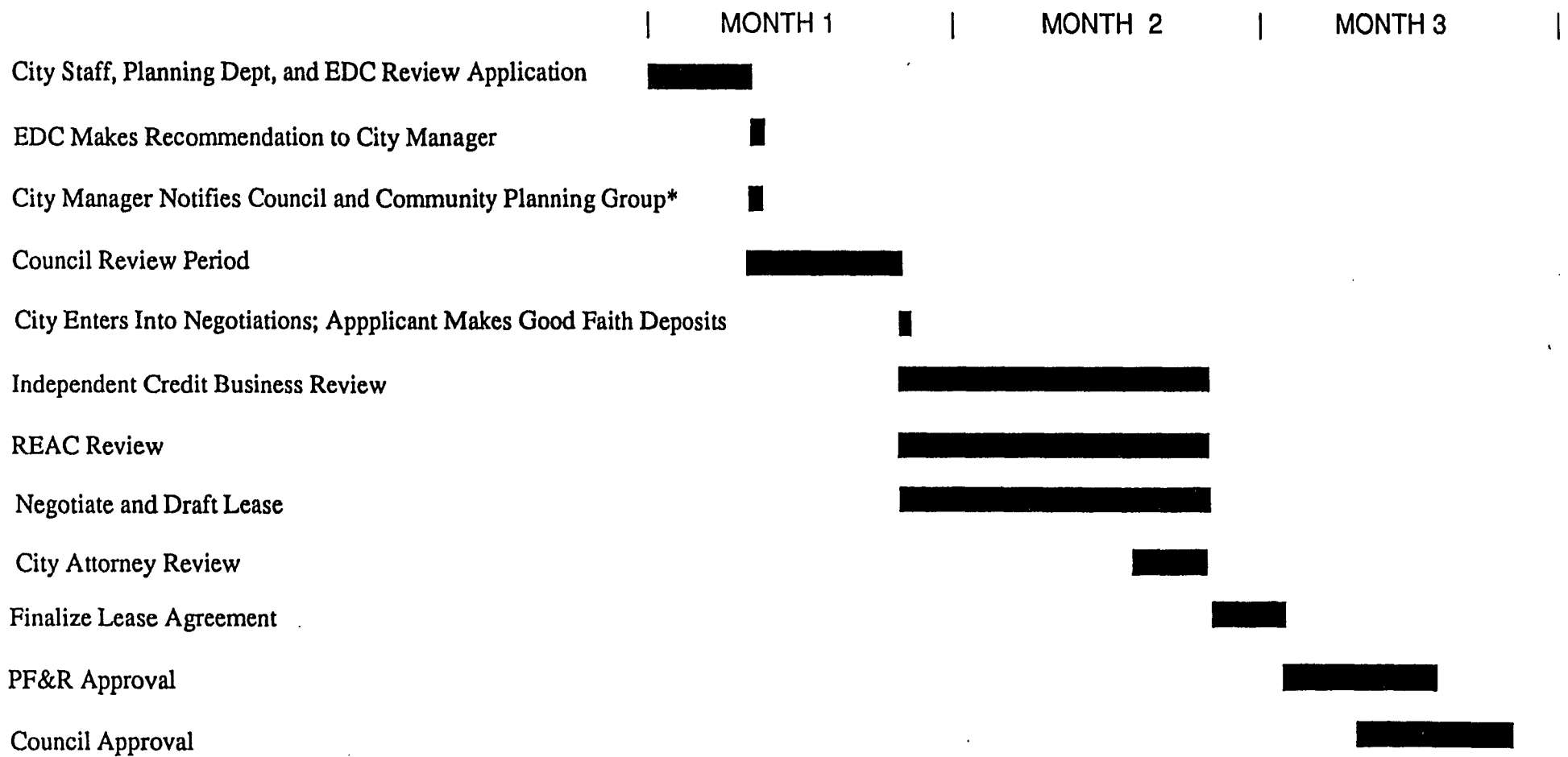
MARKETING TIMELINE -- EASTGATE TECHNOLOGY PARK



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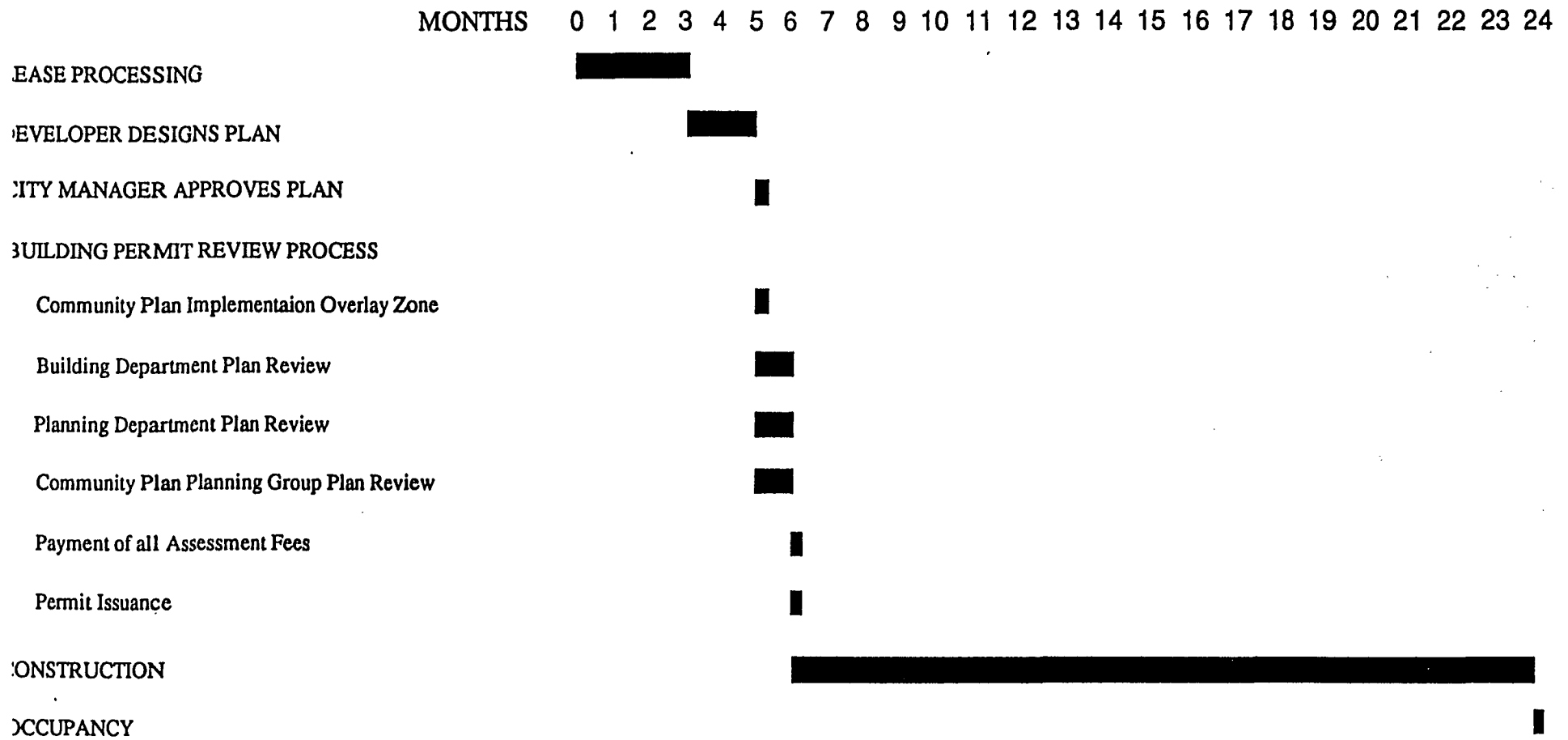
ATTACHMENT C

LEASE PROCESS



*Council will be deemed to have approved commencement of exclusive negotiations if City Manager does not receive directive to the contrary within two Council meetings from the date when City Manager's report is issued.

DEVELOPMENT PROCESS



ATTACHMENT E

R-2774955

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JAN 08 1990

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"/>
John Hartley	<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"/>
Linda Bernhardt	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input 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 *Blonda R. Barnes*, Deputy.

Office of the City Clerk, San Diego, California

Resolution Number **R-274955** Adopted **JAN 08 1990**