

(R-90-740)

RESOLUTION NUMBER R-275261

ADOPTED ON MARCH 12, 1990

WHEREAS, on July 31, 1989, the Ramser Development Company submitted an application to the Planning Department for a Coastal Development Permit (No. 89-0906) for the demolition of the Savage Tire Company/Aztec Brewery buildings; and

WHEREAS, the permit was set for a public hearing to be conducted by the Council of The City of San Diego; and

WHEREAS, the issue was heard by the Council on November 13, 1989; and

WHEREAS, the Council of The City of San Diego considered the issues discussed in Environmental Impact Report No. 88-0741; NOW, THEREFORE,

BE IT RESOLVED, by the Council of The City of San Diego, that it be, and it is hereby certified that the information contained in Environmental Impact Report DEP No. 88-0741, in connection with the Coastal Development Permit No. 89-0906; the City/Northern Automotive agreement for donation of historic artwork to the City; and the City/Luis E. Garcia agreement for temporary display of the artwork at Chuey's Restaurant has been completed in compliance with the California Environmental Quality Act of 1970 (California Public Resources Code section 21000 et. seq.), as amended, and the State guidelines thereto (California Administrative Code section 15000 et. seq.), and that said Report has been reviewed and considered by the Council.

CORRECTED 05/29/90


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BE IT FURTHER RESOLVED, that pursuant to California Public Resources Code section 21081 and Administrative Code section 15091, the Council hereby adopts the findings made with respect to the project, a copy of which is attached hereto and incorporated herein by reference.

BE IT FURTHER RESOLVED, that pursuant to California Administrative Code section 15093, the Council hereby adopts the Statement of Overriding Considerations, a copy of which is attached hereto and incorporated herein by reference, with respect to the project.

BE IT FURTHER RESOLVED, that pursuant to California Public Resources Code, section 21081.6, the Council hereby adopts the Mitigation Monitoring and Reporting Program or alterations to implement the changes to the project as required by this body in order to mitigate or avoid significant effects on the environment, a copy of which is attached hereto and incorporated herein by reference.

APPROVED: JOHN W. WITT, City Attorney

By 
Allisyn L. Thomas
Deputy City Attorney

ALT:pev
11/01/89
Or.Dept:Prop.
R-90-740
Form=r.none

CORRECTED 05/29/90

EXHIBIT A

FINDINGS (EQD No. 88-0741)

The California Environmental Quality Act (CEQA) requires that no public agency shall approve or carry out a project for which an environmental impact report has been completed which identifies one or more significant effects thereof unless such public agency makes one or more of the following findings:

1. Changes or alterations have been required in, or incorporated into, such project which mitigate or avoid the significant environmental effects thereof as identified in the completed environmental impact report.
2. Such changes or alterations are within the responsibility and jurisdiction of another public agency and such changes have been adopted by such other agency or can and should be adopted by such other agency.
3. Specific economic, social, or other considerations make infeasible the mitigation measures or project alternatives identified in the environmental impact report.

(Sec. 21081 of the California Environmental Quality Act)

CEQA further requires that, where the decision of the public agency allows the occurrence of significance effects which are identified in the final EIR, but are not at least substantially mitigated, the agency shall state in writing the specific reasons to support its action based on the final EIR and/or information in the record (Sec. 15093 of the CEQA Guidelines).

The following Findings and Statement of Overriding Considerations have been submitted by the project applicant as candidate findings to be made by the decisionmaking body. The Environmental Analysis Section does not recommend that the discretionary body either adopt or reject these findings. They are attached to allow readers of this report an opportunity to review the applicant's position on this matter.

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CANDIDATE FINDINGS
FOR THE
AZTEC BREWERY DEMOLITION

The following findings are made relative to the Final Environmental Impact Report No. 88-0741 for the proposed Coastal Development Permit No. 89-0906 for the demolition of the Savage Tire Factory/Aztec Brewery buildings, and for two agreements between the San Diego City Council and private parties for the donation and temporary display of historic artwork removed from the Aztec Brewery Rathskeller. The proposed project would involve the demolition of historic structures and the display of artwork off-site.

These findings are made pursuant to Section 21081 of the California Public Resources Code and Sections 15091 and 15093 of the California Administrative Code.

- A. The Decisionmaker, having reviewed and considered the information contained in the Final Environmental Impact Report (EIR) for the project and the public record, finds that the following changes or alterations are being required in, or have been incorporated into the project which substantially mitigate or avoid the significant environmental effects identified in the EIR. Specifically:

1. Historic Resources

Impact: The project proposes the permanent removal of the Jose Moya del Pino art ensemble from its original location, thereby adversely affecting its historicity.

Finding: The impact has been lessened, although not to a level below significance, through two agreements for temporary donation and display of the artwork. The first agreement would be signed by the property owner (Northern Automotive, Inc.) and the City of San Diego, and would provide for donation of the artwork to the City. The second agreement would be signed by the City and Luis E. Garcia, Inc. for the purpose of placing the artwork in Chuey's Restaurant for storage and public display until a permanent site can be arranged. Furthermore, the City has adopted a preliminary redevelopment plan that would, if implemented, include a cultural center in the Barrio Logan community incorporating the artwork in a replicated Rathskeller interior.

Impact: The project proposes the demolition of significant historic structures.

Finding: Partial mitigation would be achieved by photographing and documentation of the structures to the satisfaction of the National Park Service - Historic American Engineering Record (HAER). This measure would not reduce project impacts below a level of significance.

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2. Cultural Resources

Impact: The project includes the excavation and recompaction of 12,140 cubic yards of material after demolition to prepare the site for construction. This excavation could result in the loss of significant cultural resources.

Finding: A qualified archaeologist would be retained to monitor the initial disturbance of the surface and subsurface. If resources are encountered, the archaeologist would recover the cultural materials. Any archaeological sites located would be tested for significance. If significant, a data recovery/mitigation program would be implemented. These measures would reduce potential project impacts to cultural resources to below a level of significance.

- B. The San Diego City Council, having reviewed and considered the information contained in the final EIR for the project, and the public record, finds that there are no changes or alternatives which mitigate or avoid the significant environmental effects of the project which are within the responsibility and jurisdiction of another public agency.
- C. The San Diego City Council, having reviewed and considered the information contained in the final EIR for the project, and the public record, finds that specific economic, social, or other considerations make infeasible the project alternatives identified in the final EIR for impacts to historic resources. Specifically:

1. No Project

The No Project alternative would retain the site in its existing condition. No structures would be demolished, and the artwork would not be returned to the Rathskeller.

Impact: The No Project alternative would result in the continued deterioration of the historic structures. This alternative would not guarantee the preservation of the artwork.

Finding: The No Project alternative is infeasible because the property is not utilized at this time, except for a portion of the Dorman's warehouse building. The landowner would have to continue to pay taxes on the land and carrying costs of \$40,000 per month without an ability to generate adequate revenue from the use of the land.

2. Preservation of Historic Structures/Return of Artwork to Rathskeller

This alternative is defined as the preservation on site of the two 3-story brick structures and return of the artwork to the Rathskeller. The remainder of the site would be redeveloped.

Impact: Under this alternative, demolition of the historically-significant portions of the site would be avoided, and the environmental impacts of the proposed project would be eliminated. The brick buildings could be remodeled to permit re-use.

Finding: The existing brick buildings preclude flexible industrial use because their structural columns are spaced either 13 or 16 feet apart (in the factory building) or 11.5 feet apart (in the office building). This column pattern precludes convenient truck and forklift use of the interior and limits cubic storage space. Therefore, an industrial use of the buildings would be infeasible.

Finding: The ceiling heights of the multiple floors in the factory building range from 9' to 15'6" and in the office building from 14' to 15'6" and are inadequate for truck or forklift access and loading, palletized goods storage or modern manufacturing. Therefore, an industrial use of the buildings would be infeasible.

Finding: Use of the brick buildings for office use is not feasible because tenants prefer a downtown location in proximity to other offices and services. There are spaces available in new office projects such as the Koll Center, Cabot, Cabot and Forbes, Shapery Towers, First Interstate Bank, and Symphony Towers. These office projects offer locational advantages not available in the project vicinity.

Finding: Small multi-tenant office spaces are available in the downtown area which lease from about \$.80 per foot. The Aztec Brewery buildings would have to lease for \$1.50 to \$2.00 per square foot to justify the expenditure of funds to rehabilitate the buildings. The market would not support this lease rate in this location.

Finding: Use of the brick buildings for retail use is not feasible because the size and shape of the structures do not allow for adequate ingress and egress without substantial modifications.

Finding: A retail center would not function at this location because there is no frontage off Harbor Drive. Access from Harbor Drive is precluded by the AT&SF Railroad tracks and the trolley tracks.

Finding: The project site is not attractive for retail use because the surrounding neighborhood is industrial and fronts fuel tanks off Harbor Drive. The community plan anticipates industrial uses at this and adjacent sites.

Finding: The site has drainage problems that can be corrected by grading and compaction, adding to the difficulty of rehabilitating the brick structures. The drainage problems would pose only minor difficulties for redevelopment of the site.

Finding: Reuse of the brick structures for office or commercial uses is economically infeasible. Rehabilitation of the structures would cost \$50-\$65 per square foot. Additional costs, including land acquisition, construction, and insurance would bring the total cost to \$12 million or \$100 per square foot. The net return on equity would be 1.3 percent (see cost pro forma). The new construction project would yield a net return of 7.6 percent.

5. Off-Site Relocation of Rathskeller and Art Work

This alternative is defined as the relocation of the Rathskeller to an off-site location, with display of the artwork in the Rathskeller. The project site would be redeveloped.

Finding: Relocation of the Rathskeller would be hampered by the fact that this one story addition shares a common wall with the factory. A partial replication, and possible structural modifications would be needed to relocate the Rathskeller.

Finding: Relocation of the Rathskeller is not feasible because an acceptable site for the structure has not been located or accepted by community representatives.

MICHAEL MIHOS CONSTRUCTION, INC.

JUNE 28, 1989

"AZTEC BREWERY"
CONSTRUCTION BUDGET

1)	ARCHITECTURE	N.I.C.
2)	ENGINEERING	N.I.C.
3)	SOILS, MASONARY TESTING	N.I.C.
4)	PERMITS, WATER & SEWER FEES, BONDS, ETC.	N.I.C.
5)	BLUEPRINT COSTS	N.I.C.
6)	JOBSITE OFFICE / TRAILER	2,640.00
7)	TEMPORARY POWER / LIGHTING	2,500.00
8)	JOBSITE TELEPHONE	1,100.00
9)	JOBSITE TOILETS	1,800.00
10)	BARRICADE / FENCING	3,100.00
11)	LOCKUP CONTAINER	2,100.00
12)	SECURITY SERVICE	21,000.00
13)	SCAFFOLDING	25,000.00
14)	MISC. RENTALS	5,200.00
15)	SPECIAL INSPECTIONS	8,000.00
16)	TRENCHING	14,000.00
17)	PROJECT SUPERVISION	50,400.00
18)	DEMOLITION LABOR	33,760.00
19)	GENERAL LABOR	95,000.00
20)	CARPENTRY LABOR	188,600.00
21)	DEBRIS HAULAWAY	10,000.00
22)	MATERIALS	85,000.00

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CONSTRUCTION BUDGET (CONT.)

23)	CONCRETE CORE / SAWCUT	41,000.00
24)	CONCRETE	92,000.00
25)	REINFORCING STEEL	27,000.00
26)	MASONARY	25,000.00
27)	PLUMBING	78,600.00
28)	ELECTRICAL	225,360.00
29)	STRUCTURAL STEEL	195,000.00
30)	CRANE	10,000.00
31)	METAL STAIRS	25,600.00
32)	METAL HANDRAILS	16,200.00
33)	DOORS	14,000.00
34)	SKYLIGHTS	18,000.00
35)	ELEVATOR	120,000.00
36)	FIRESPRINKLER	121,800.00
37)	GLASS	65,000.00
38)	CERAMIC TILE	51,000.00
39)	DRYWALL	48,900.00
40)	SHEETMETAL	11,500.00
41)	ROOFING	35,000.00
42)	GROUT	12,000.00
43)	H.V.A.C.	222,000.00
44)	FIRE EXTINGUISHERS	4,800.00
45)	SEALANTS	3,400.00

CONSTRUCTION BUDGET (CONT.)

46) INSULATION	7,800.00
47) ASBESTOS REMOVAL	N.I.C.
48) WATERBLAST / SANDBLAST	21,500.00
49) RESTROOM ACCESSORIES	26,000.00
50) PAINTING	42,000.00
51) MILLWORK	56,000.00
52) MISC. PATCH	15,000.00
53) FLOORING	20,000.00
54) REINSTALL RATHSKELLAR ROOM	42,000.00
55) CONTINGENCY FUND	40,000.00
56) BUILDERS PROFIT & OVERHEAD	130,000.00
57) BUILDERS LIABILITY INSURANCE 2.7%	65,142.00
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TOTAL JOB COST	\$2,477,802.00

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Developer's Rehabilitation *
Cost Pro Forma

FOR: Dorman Re-Hab
FILENAME: RAMDEVPR

DATE: July 21, 1989

I. LAND ACQUISITION			
(	6.050 x	\$16.00)	\$ 4,217,000
SITE DEVELOPMENT			
(	6.050 x	\$1.00)	\$ 264,000
SUB TOTAL			\$ 4,481,000
II. IMPROVEMENTS:			
A. Brick Building Re-Hab			
(	37,000 x	\$50.00)	2301 Main Street \$ 1,850,000
B. Office Improvements			
(	45,000 x	\$25.00)	\$ 1,125,000
SUB TOTAL			\$ 4,100,000
* TOTAL HARD COSTS			\$ 8,581,000
III. DEVELOPMENT COSTS:			
A. Land Carry			\$ 274,000
B. Indirect (Soft) Costs			\$ 1,326,138
C. Construction Loan Placement		(2.00 % pt)	\$ 145,705
D. Building Carry/construction			\$ 735,597
(	10,314,620 x	12.00 % x	
	70.00 % x	12 /12)	
SUB TOTAL			\$ 11,455,048
E. Carry during absorption			
(	11,455,048 x	12.00 % x	12 /12)
			\$ 1,167,040
F. Leasing Commissions			\$ 270,831
TOTAL DEVELOPMENT COST			\$ 11,375,311
Cost/Square Foot			\$ 117.402

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IV. INCOME/TOTAL COST

Gross Income:

(\$0.900 x 95,088 x 12) \$ 1,026,950

Less 5% Vacancy \$ 51,364

Gross Operating Income \$ 975,905

Less 5% Management \$ 48,393

NET OPERATING INCOME \$ 927,512

RETURN ON COST 8.31%

V. DEBT PROJECTION

Net Operating Income: \$ 1,092,500

Divided by Debt Coverage Ratio 1.05

Annual Debt Service: \$ 1,040,000

Divided by Loan Constant (K) 11.00 %

Loan Amount \$ 9,455,000

Less Placement Fee \$ 95,000

(1.0 pts)

Net Loan Proceeds \$ 9,360,000

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VI. EQUITY REQUIREMENT	\$	11,375,311
A. Project Cost	\$	9,360,000
B. Less Net Loan Proceeds	\$	3,789,048
C. Equity Required		
VII. INITIAL YIELD	\$	927,512
A. Net Operating Income	\$	1,040,000
B. Less Debt Service	\$	52,500
C. Spendable		1.39%
D. Yield (Cash on Cash)		

*Note: This cost pro-forma does not account for potential financial incentives for preservation/rehabilitation.

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*B. Indirect (Soft) Costs

1.	Title Insurance (0.50 % hard costs)	\$	43,000
2.	Property Taxes (3.00 % land price)	\$	126,000
3.	Insurance & Bonds (1.00 % hard costs)	\$	86,000
4.	Architecture & Engineering (3.00 % hard costs)	\$	257,000
5.	Soils Testing & Inspection (0.25 % hard costs)	\$	21,000
6.	Plan Check & Building Permits (3.00 % hard costs)	\$	257,000
7.	Project Overhead (4.00 % hard costs)	\$	343,000
8.	Professional Services (1.00 % hard costs)	\$	86,000
9.	Marketing (1.00 % hard costs)	\$	86,000
10.	Contingency (3.00 % hard costs)	\$	257,000
SUB TOTAL		\$	1,562,000

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Total Land Sqft:	263,538
x 42.50 %	
Gross bldg sqft:	112,000
Net Rentable ratio:	100.00 %
Net rentable sqft:	112,000

Land Carry:	4,217,000
Land Carry Int Rate:	13.00 %
Land Carry Months:	6.0
Total Land Carry:	274,000

Leasing Commissions	
Net Rentable:	112,000
Lease Term:	60 mos
Lease Rate:	\$0.950
Commission Rate:	5.00 %
Total Commission:	<u>319,000</u>

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202 C STREET
San Diego, CA 92101-3860



FOOTNOTES ON PROFORMA

DATED JULY 20, 1989

- 1) Site Development: This category includes all onsite (demolition and grading) and offsite (new curb/gutter and sidewalk, underground for sewer and utilities in the public right of way).
- 2) Net Loan Proceeds: The net loan proceeds for take out financing are based on the income generated by rental income. The income, less vacancy, management and reserves, is multiplied by numbers generated by the lender to come to a loan amount.
- 3) Yield Cash on Cash: Today's investor has a wide variety of investment opportunities and motivations, ranging from long term appreciation to tax incentives. Based on our knowledge of the investment marketplace we can state that the tax breaks generated by this transaction are not good enough to justify a return on equity of 1.39%.

Developer's New Construction
Cost Pro Forma

FOR: Dorman
FILENAME:RAMDEVPR
^^^^^^^^

DATE: June 10, 1989

I. LAND ACQUISITION			
(6.050 x \$16.00)		\$	4,217,000
SITE DEVELOPMENT			
(6.050 x \$1.00)		\$	204,000
SUB TOTAL		\$	4,481,000

II. IMPROVEMENTS:			
A. Shell Cost			
(160,000 x \$16.00)		\$	2,560,000
B. Initial Interior Improvements			
(16,000 x \$25.00)		\$	400,000
C. Construction Contingency			
(160,000 x \$1.00)		\$	160,000
SUB TOTAL		\$	3,120,000
* TOTAL HARD COSTS		\$	7,601,000

III. DEVELOPMENT COSTS:			
A. Land Carry		\$	0
B. Indirect (Soft) Costs		\$	1,162,000
C. Construction Loan Placement (1.50 % pt)		\$	131,000
D. Building Carry/construction (8,894,000 x 11.50 % x 60.00 % x 9 /12)		\$	460,000
SUB TOTAL		\$	9,354,000
E. Carry during absorption (9,354,000 x 11.50 % x 75.00 % x 9 /12)		\$	605,000
F. Leasing Commissions		\$	264,000
TOTAL DEVELOPMENT COST		\$	10,223,000
Cost/Square Foot		\$	63.894

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Total Land SqFt:	263,538
x 60.60 ¢	
Gross bldg sqft:	160,000
Net Rentable ratio:	100.00 ¢
Net rentable sqft:	160,000

Land Carry:	0
Land Carry Int Rate:	0.00 ¢
Land Carry Months:	0.0
Total Land Carry:	0

Leasing Commissions	
Net Rentable:	160,000
Lease Term:	60 mos
Lease Rate:	\$0.550
Commission Rate:	5.00 ¢
	=====
Total Commission:	264,000

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IV. INCOME/TOTAL COST

Gross Income:

(\$0.600 x 160,000 x 12) \$ 1,152,000

Less 5% Vacancy

\$ 57,600

Gross Operating Income

\$ 1,094,400

Less 3% Management

\$ 34,560

NET OPERATING INCOME

\$ 1,059,840

RETURN ON COST

10.37%

V. DEBT PROJECTION

Net Operating Income:

\$ 1,059,840

Divided by Debt Coverage Ratio

1.15

Annual Debt Service:

\$ 922,000

Divided by Loan Constant (K)

10.84 %

Loan Amount

\$ 8,506,000

Less Placement Fee

\$ 85,000

(1.0 pts)

Net Loan Proceeds

\$ 8,421,000

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VI. EQUITY REQUIREMENT

A. Project Cost	\$	10,223,000
B. Less Net Loan Proceeds	\$	8,421,000
C. Equity Required	\$	1,802,000

VII. INITIAL YIELD

A. Net Operating Income	\$	1,059,840
B. Less Debt Service	\$	922,000
C. Spendable	\$	137,840
D. Yield (Cash on Cash)		7.65%

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D. Statement of Overriding Considerations

The City Council, having reviewed and considered the information contained in the final EIR, and having reviewed and considered the public record, finds that the following factors support approval of the project despite any significant impacts identified in the final EIR, and makes the following statement of overriding considerations:

1. The proposed project would replace an underutilized industrial complex with a modern industrial complex, which would contribute to the revitalization of this area. The site is located in Subdistrict "D" of the Barrio Logan Planned District, which encourages industrial uses and discourages uses incompatible with industry. Further, the site is in a designated California Enterprise Zone, which is intended to encourage developments which provide jobs for low-income area residents.
2. The proposed project would enhance job opportunities in Barrio Logan. The existing structures have supported no more than 200 jobs at any time in the last decade, while a modern industrial complex of the size proposed would support 220 to 400 jobs.

EXHIBIT C
MITIGATION MONITORING AND REPORTING PROGRAM
AZTEC BREWERY (EIR No. 88-0741)

1. The City of San Diego and Northern Automotive, Inc. will sign an agreement providing for donation of the artwork to the City. The City Manager will be responsible for monitoring this agreement.
2. The City of San Diego and LEG, Inc. will sign an agreement providing for temporary storage and display of historic artwork at Chuey's Restaurant. The City Manager will execute and administer this agreement.
3. The applicant will complete a written and photographic documentation of the Aztec Brewery buildings to the satisfaction of the National Park Service - Historic American Engineering Record (HAER). The applicant shall submit the following items to the City to verify completion of this measure:
 - a. A copy of the notice sent by HAER to the applicant assigning the structures a HAER resource number;
 - b. A certified mail return receipt verifying that the documentation materials have been submitted to the Library of Congress;
 - c. A certified mail return receipt verifying that the documentation materials have been submitted to the State Historic Preservation Office.

These measures shall be completed prior to issuance of a demolition permit.

4. An archaeologist shall be retained to monitor the initial disturbance of the surface and subsurface. Prior to issuance of the demolition permit, the Planning Department shall be sent a letter from a qualified archaeologist stating that (s)he has been retained to conduct the monitoring. Within three months of completion of the monitoring, a report of the findings shall be submitted to the City.

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CORRECTED COPY

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MAR 12 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 type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Linda Bernhardt	<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 type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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.

Maureen G. O'Connor
B., Deputy.

Office of the City Clerk, San Diego, California

Resolution Number **R-275261** Adopted **MAR 12 1990**