

Item 5100
#51 2/10
1/26/2015
(O-2015-62)

ORDINANCE NUMBER O- 20462 (NEW SERIES)

DATE OF FINAL PASSAGE FEB 12 2015

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SAN DIEGO AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE, DELIVER AND EFFECTUATE THE TERMS OF THAT CERTAIN TWENTY (20) YEAR LEASE-TO-OWN AGREEMENT WITH CCP 1200 LLC, FOR THE LEASE OF REAL PROPERTY AND IMPROVEMENTS LOCATED AT 1200 THIRD AVENUE AND 201 A STREET, IN DOWNTOWN SAN DIEGO, CALIFORNIA; AUTHORIZING THE EXPENDITURE OF FUNDS THEREFOR; AND DIRECTING THE RECEIPT OF REVENUES RECEIVED FROM PARKING AND SUBLEASE ACTIVITIES ON THE LEASED PROPERTY.

WHEREAS, the City of San Diego (City) has an opportunity to enter into a twenty (20) year lease-to-own agreement (Agreement) with CCP 1200, LLC, (Landlord). Landlord is in escrow to purchase the real properties and improvements located at 1200 Third Avenue and 201 A Street and has agreed to subsequently lease both properties and all the improvements to City; and

WHEREAS, the City currently leases approximately 246,000 square feet of office space of the 18-story building located at 1200 Third Avenue, which is commonly known as Civic Center Plaza (CCP). The term of the City's lease (with the previous owner) for said space expired on July 23, 2014, and City has been occupying its space at CCP on a month-to-month holdover status since that date; and

WHEREAS, the building located at 201 A Street is comprised of approximately 30,000 square feet, and is currently occupied by the King Chavez High School under a month-to-month lease; and

WHEREAS, terms of the proposed Agreement include an initial rental rate of \$270,000/month, with 2.5% annual increases; the City will be responsible for all operating expenses, which are estimated to be \$10.23 per square foot/year, which includes \$1 per square foot as a reserve (totaling approximately \$300,000/year) for anticipated capital replacement costs; and

WHEREAS, City staff recommends that City enter into the Agreement for the following reasons: (1) City will minimize its risk of increased rent under another possible unknown owner /landlord of CCP; (2) City will collect additional income estimated at \$814,450/year from CCP's parking operations (418 parking spaces), and ABM Parking (the current managers of CCP's parking operations) estimates that this income could be improved to \$1,013,000/year with more efficient operations; (3) the City will set aside approximately \$300,000/year for capital replacement at CCP; (4) the Agreement includes a lease-to-own structure which will provide for the transfer of title to both properties and all improvements thereon at the conclusion of the Agreement term, without need for additional City payment; (5) City may have the ability to use the 201 A Street building for City expansion or swing space in the future due to ongoing renovations in existing City space; and (6) City will have the ability to increase the occupancy of CCP from 805 feet per employee (FTE) to approximately 1,050 FTEs by using new space standards; and

WHEREAS, a public hearing was duly noticed and held in regard to the matters set forth in the recitals hereof; NOW, THEREFORE,

BE IT ORDAINED, by the Council of the City of San Diego as follows:

Section 1. That the Mayor, or his designee, is hereby authorized and directed to execute, deliver, and effectuate the terms and conditions of that certain Agreement, on file with

the Office of the City Clerk as Document No. OO- 20462, between the City of San Diego, as Tenant, and CCP 1200, LLC, as Landlord, for the lease of the real properties and all the improvements located at 1200 Third Avenue and 201 A Street, in San Diego, California.

Section 2. That the Chief Financial Officer is authorized to expend all funds for rent and as otherwise required by the Agreement in an amount not to exceed \$2,513,725 for the remaining Fiscal Year 2015, from funds as follows: Fund No. 600000 (\$12,820); Fund No. 100000 (\$2,117,059); Fund No. 200205 (\$46,001); Fund No. 720040 (\$1,760); Fund No. 720048 (\$210,147); and Fund No. 200610 (\$125,938).

Section 3. That the Chief Financial Officer is authorized to expend all funds for rent and as otherwise required by the Agreement in a total amount not to exceed \$160,000,000, all contingent upon the adoption of each annual fiscal year Appropriation Ordinance and contingent upon the Chief Financial Officer furnishing a certificate certifying that funds necessary for expenditure each year's expenditure are, or will be, on deposit with the City Treasurer.

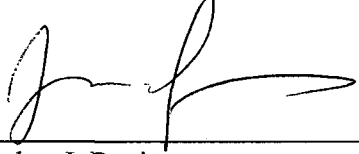
Section 4. That the Chief Financial Officer is authorized to deposit all rent revenues received from the parking facility located at 1200 Third Avenue (the Civic Center Plaza building) into General Fund 100000.

Section 5. That the Chief Financial Officer is authorized to deposit all rent revenues received from the building located at 201 A Street (currently occupied by the King Chavez High School) into General Fund 100000.

Section 6. That a full reading of this ordinance is dispensed with prior to passage, a written copy having been made available to the Council and the public prior to the day of its passage.

Section 7. That this ordinance shall take effect and be in force on the thirtieth day from and after its final passage.

APPROVED: JAN I. GOLDSMITH, City Attorney

By  _____
Debra J. Bevier
Deputy City Attorney
Jeremy Fonseca, for

DJB:mcm
December 2, 2014
Or.Dept: Real Estate Assets Dept.
Doc. No.: 939091

I hereby certify that the foregoing Ordinance was passed by the Council of the City of San Diego, at this meeting of FEB 10 2015

ELIZABETH S. MALAND
City Clerk
By  _____
Deputy City Clerk

Approved: 2/11/2015
(date)


KEVIN L. FAULCONER, Mayor

Vetoed: _____
(date)

KEVIN L. FAULCONER, Mayor

Passed by the Council of The City of San Diego on FEB 10 2015, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Sherri Lightner	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lorie Zapf	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Todd Gloria	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Myrtle Cole	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mark Kersey	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Cate	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scott Sherman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
David Alvarez	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marti Emerald	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Date of final passage FEB 12 2015

AUTHENTICATED BY:

KEVIN L. FAULCONER
Mayor of The City of San Diego, California.

(Seal)

ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

By [Signature], Deputy

I HEREBY CERTIFY that the foregoing ordinance was not finally passed until twelve calendar days had elapsed between the day of its introduction and the day of its final passage, to wit, on

JAN 26 2015

FEB 12 2015

, and on _____

I FURTHER CERTIFY that said ordinance was read in full prior to passage or that such reading was dispensed with by a vote of five members of the Council, and that a written copy of the ordinance was made available to each member of the Council and the public prior to the day of its passage.

(Seal)

ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

By [Signature], Deputy

Office of the City Clerk, San Diego, California

Ordinance Number O-_____

20462