

**CITY COUNCIL OF THE CITY OF SAN DIEGO  
SUPPLEMENTAL DOCKET NUMBER 1  
FOR THE REGULAR MEETING OF  
TUESDAY, NOVEMBER 28, 2006 AT 10:00 A.M.  
CITY ADMINISTRATION BUILDING  
COUNCIL CHAMBERS – 12<sup>TH</sup> FLOOR  
202 “C” STREET  
SAN DIEGO, CA 92101**

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ADOPTION AGENDA, DISCUSSION, OTHER LEGISLATIVE ITEMS  
RESOLUTIONS:

ITEM-S500: Multi-Habitat Planning Area Property Acquisition.

(Del Mar Mesa, East Elliot, and Otay Community Areas. Districts 1, 7, and 8.)

**STAFF’S RECOMMENDATION:**

Adopt the following resolution:

(R-2007-627)

Accepting the nine (9) properties from the TET Bankruptcy with the endowment fund of \$335,000 for the continual management of these nine (9) properties;

Declaring the City Auditor and Comptroller will establish a separate interest-bearing account for the \$335,000; and

Declaring the City Parks and Recreations Department’s Open Space Division manage the approximate \$335,000 endowment fund to administer the 3M’s of these nine (9) properties.

**STAFF SUPPORTING INFORMATION:**

The Environmental Trust, Inc. ("TET"), a California non-profit public benefit corporation was organized in 1990 for the purpose of acquiring, maintaining and monitoring environmentally threatened and sensitive real property and engaging in environmental land mitigation and credit sales. A developer proposing to build upon environmentally sensitive lands and needing to obtain off-setting credits for the adverse consequences associated with the proposed development could obtain those credits through TET.

ADOPTION AGENDA, DISCUSSION, OTHER LEGISLATIVE ITEMS (Continued)

RESOLUTIONS: (Continued)

ITEM-S500: (Continued)

**STAFF SUPPORTING INFORMATION:** (Continued)

In exchange for the credits needed to proceed with their developments, developers entered into agreements with TET that required TET to record conservation easements and to deposit 100% of the endowment funds accepted from the developers into permanent endowment accounts for the management, maintenance, and monitoring (the "3M's") of the environmentally sensitive properties in perpetuity. Not only did TET underestimate the amount of endowment funds it would need to perform the 3M's in perpetuity, it did not deposit 100% of the endowment funds it received, and poor investments and a declining securities market caused TET's assets to plunge from \$18.2 million in 1999 to just under \$7.9 in 2003. TET was left with over \$13 million in debt only about \$3.1 million in its endowment account when it went into bankruptcy.

TET Bankruptcy Liquidation

The City's Parks and Recreation Department, the Planning Department, the Real Estate Asset Department, and the City Attorney's Office have been working on this matter for some time. There are 9 properties that have been identified for the City to acquire out of the TET Bankruptcy. These properties consist of 278.78 acres and all lie within the City's Multi-Habitat Planning Area. Administering the 3M's and managing the endowment funds of over \$335,000 that will be received from the Bankruptcy Court would be the responsibility of the City Parks and Recreations Department's Open Space Division.

Parcels

Del Mar Mesa -	32.5 acres
East Elliot 13 -	13 acres
San Pasqual -	80 acres
Otay 15 -	15 acres
Newport 5 (Otay Mesa) –	5 acres
West Otay Mesa B -	40 acres
West Otay Mesa C -	43.94 acres
Wruck Canyon (Otay Mesa) –	45.34 acres
Spring Canyon (Otay Mesa) -	<u>4 acres</u>
	278.78 acres

FISCAL CONSIDERATIONS:

Receipt of approximately \$335,000 endowment for the nine parcels.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: N/A.

Barwick/Waring

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