



REPORT NO. CCDC-06-18

DATE ISSUED: May 24, 2006

ATTENTION Honorable Chair and Members of the Redevelopment Agency
Docket of May 30, 2006

ORIGINATING DEPT: Centre City Development Corporation

SUBJECT: PUBLIC HEARING -- Tailgate Park – (blocks bounded by K Street, Imperial Avenue, Trolley Right of Way and 14th Street) -- Proposed Lease Between the Redevelopment Agency and Padres L.P. for Tailgate Park -- East Village Redevelopment District of the Expansion Sub Area of the Centre City Redevelopment Project

COUNCIL DISTRICT: District 2

REFERENCE: Lease Agreement

STAFF CONTACT: Pamela M. Hamilton, Senior Vice President (619-533-7114)

REQUESTED ACTION:

Approval of the proposed 30-year lease between the Redevelopment Agency of the City of San Diego and Padres L.P. for Tailgate Park.

STAFF RECOMMENDATION:

That the Redevelopment Agency approve the proposed 30-year lease between the Redevelopment Agency of the City of San Diego and Padres L.P. for Tailgate Park.

SUMMARY:

BACKGROUND:

The City of San Diego and the San Diego Unified Port District (“Port”) entered into a Purchase and Sale Agreement dated February 6, 2002 (the “Agreement”) for the sale of the parcels known as “Tailgate Park” to the Port. By the terms of the Agreement, if the sale were not completed by April 4, 2004, either party could terminate the Agreement. By letter dated July 29, 2005, the City terminated the Agreement, and the Agency has refunded all monies advanced by the Port toward its purchase of Tailgate Park.

The Fourth Implementation Agreement to the Memorandum of Understanding between the City of San Diego, the Agency, CCDC and Padres L.P., entered into August 13, 2003, provided in part, “If the City does not transfer Tailgate Park to the S. D. Unified Port

District by March 31, 2004 the City will enter into a lease with Padres on the same terms as those contained in the Port/Padres lease and consent to the collateral assignment of such lease to the lenders of San Diego Ballpark Funding LLC.”

The City of San Diego installed the improvements to Tailgate Park pursuant to the Memorandum of Understanding for the Ballpark, and the Agency and the Padres entered into a temporary lease for Tailgate Park on the same financial terms as provided in the Port/Padres lease for what was then considered to be an interim period prior to conveyance of the parcels by the Agency to the City and from the City to the Port.

LEASE TERMS

The proposed lease substitutes Agency “standard” lease requirements for Port “standard” lease requirements where they differ; however, the terms of the Agency lease are substantively the same as the terms of the Port lease with only a few exceptions: the Padres’ employees and invitees are permitted to park on Tailgate Park, but must pay commercially reasonable rates; certain insurance provisions were adjusted to meet the requirements of the Padres’ insurer while meeting Agency requirements; and a new Section 24, “Modification of Leased Premises” (discussed below) has been added to the Agency lease.

Term and Rent

The term of the lease is thirty (30) years from March 10, 2004 (the date when the Padres first opened Tailgate Park to the general public for the Aztec game). Minimum Annual Rent is \$150,000, increased by 4% per year beginning with the first anniversary of the Ballpark Opening Date (which was April 8, 2004, the first Padres game). Percentage rents are paid if greater than the Minimum Annual Rent. Percentage rents are 25% of Gross Revenues, commencing on the Ballpark Opening Date and continuing for four years. Commencing on the fourth anniversary of the Ballpark Opening Date (April 8, 2008), the percentage rent increases to 35%, continuing for the remainder of the term of the lease. Rent received by the Agency for the period April 8, 2004 through December 31, 2004 was \$311,542.25; rent received for the period January 1, 2005 through December 31, 2005 was \$279,301.75. The Padres are responsible for all costs and liabilities of the use and occupancy of Tailgate Park (the “Leased Premises”).

Permitted Uses

The Leased Premises may be used on Event Days only and exclusively for public parking (and “accessory” uses such as selling souvenirs, etc.) and parking for employees and invitees of the Padres. Event Days are defined as days when Major League Baseball is

played in the Ballpark and up to ten (10) other days designated by the Padres. On “Non-Event Days” other uses are permitted on the Leased Premises with the permission of the Agency.

Permitted Encumbrance of the Leased Premises

The lease permits the Lessee to encumber the Leased Premises with a security instrument for financing with the prior approval of the Agency.

Modification to Leased Premises (Section 24)

The lease provides that the Agency may, having given required prior notice to the Padres, cause all or a portion of the Leased Premises to be used for a higher and better use than surface parking; however, the Agency may not implement any redevelopment of Tailgate Park earlier than the conclusion of the Major League Baseball Season for calendar year 2010. To redevelop the Leased Premises the Agency would be required to provide substitute parking facilities to the Padres to maintain the original count of 1,060 parking spaces. All but 260 of these substitute spaces would be required within the Leased Premises. Up to 260 spaces could be accommodated in an alternate location meeting certain proximity requirements. The Agency would be responsible for the construction of any substitute parking facilities. The lease provides for the adjustment of lease terms between the Agency and Padres for any substitute facilities such that the value of the parking to the Padres in substitute facilities is economically equivalent to the value represented in this Agency lease. During construction of any substitute parking facilities on the Leased Premises, the Agency must provide and lease to the Padres temporary parking spaces to cover any displaced parking. The Agency may provide equivalent net revenue to the Padres in lieu of providing up to 275 of the temporary parking spaces if, despite diligent effort, the Agency is unable to provide all of the required temporary parking.

While this Modification to Leased Premises has been negotiated to provide redevelopment options to the Agency during the 30-year lease period, there is no redevelopment program contemplated at this time. Any redevelopment of Tailgate Park by the Agency would be the result of a public process taking into consideration public policy issues at that time.

ENVIRONMENTAL IMPACT

The use of Tailgate Park as provided by the lease was an implementation activity of the Ballpark Project as evaluated by the Final Subsequent Environmental Impact Report to the Final Master Environmental Impact Report for the Centre City Redevelopment

Project and Addressing the Centre City Community Plan and Related Documents for the Proposed Ballpark and Ancillary Development Projects, and Associated Plan Amendments (“FSEIR”), certified by the Agency on October 26, 1999.

FISCAL CONSIDERATIONS:

Discussed in “Term and Rent” section of “Lease Terms.”

CENTRE CITY DEVELOPMENT CORPORATION ACTION

The Centre City Development Corporation Board will hear this item at their meeting on May 24, 2006. An oral update will be provided.

KEY STAKEHOLDERS & PROJECTED IMPACTS

ROLE/FIRM	CONTACT	OWNED BY
Padres L.P. (Lessee)	Bryant Burke, Vice President, Padres, Inc.	Padres, Inc. [a Delaware corporation wholly owned by John J. Moores]; John J. Moores; Jennifer Ann Moores Trust; Werner Baseball, Inc. [a corporation owned by Jill Werner]; Glenn Doshay
Ace Parking (Parking Operator)	John Baumgardner, President	Scott Jones

Respectfully submitted,

Pamela M. Hamilton
Senior Vice President

Nancy C. Graham
President

Attachments: Lease Agreement