

DATE ISSUED: September 15, 2000

REPORT NO.

ATTENTION: Natural Resources and Culture Committee  
Agenda of September 20, 2000

SUBJECT: Disposition of Fairbanks Ranch Country Club Golf Course

### SUMMARY

Issue - Should the City Manager consider the offer of the Fairbanks Ranch Country Club to sell the City's leased fee interest in 196 acres in the San Dieguito River Valley?

Manager's Recommendation - Prepare a complete appraisal and analysis of disposition options and return to this Committee with a comprehensive report.

Other Recommendations - None.

Fiscal Impact - Approximately \$10,000 - 15,000 for the cost of a complete appraisal and consultant studies.

### BACKGROUND

In 1982, the Mayor and City Council approved a 61 - year lease with Watt Industries/San Diego Inc., for 196 acres of City-owned land for the purpose of constructing and maintaining a 27-hole golf course. On 1986, this lease was assigned to the Fairbanks Ranch Country Club, Inc., ("FRCC") the current lessee. In 1996, FRCC made a offer to acquire the City's interest for \$4 million which was rejected by the City Council.

The most notable feature of the lease is that rent to the City for the first 25 years is \$3,000. Percentage rent is payable starting in the 26<sup>th</sup> year of the lease in 2010. Another notable component of the lease is a requirement that the last nine holes be constructed no later than December 31, 2009, with construction to start no later then December 31, 2008. Starting in 2010, the City will begin to receive substantial rental revenue consisting of 10% of gross receipts (except food and beverage which are at 4% and 6% respectively) increasing to 12% in 2030. At the end of the lease term, all improvements including the golf course, club house and tennis courts revert to the City.

### DISCUSSION

FRCC has recently proposed acquiring the City's interests in the property as outlined in the attached letter dated September 12, 2000. FRCC is offering to pay \$6 million in cash to the City, to acquire land for habitat protection and to do wetlands restoration as additional consideration. In discussions with FRCC, they have indicated that their economic viability is dependent upon acquiring the City's interest. They have also indicated they would prefer not to develop the additional nine holes as required under the lease.

Given FRCC's position, it is appropriate to explore all disposition options, including the City acquiring the leasehold from FRCC to potentially build the additional nine holes and establish a third municipal course. Any disposition will require substantial analysis including a complete appraisal.

ALTERNATIVES

1. Acquire the leasehold from FRCC to establish a third municipal golf course.
2. Retain the leased fee and do not pursue disposition at this time.

Respectfully submitted,

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William T. Griffith  
Real Estate Assets Director

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Approved: George I. Loveland  
Assistant City Manager

Attachments: 1. Letter from Fairbanks Ranch Country Club  
2. Map of Fairbanks Country Club

Note: Attachments not available in electronic format. A copy is available for review in the Office of the City Clerk.