

DATE ISSUED: February 12, 2002

REPORT NO. 02-036

ATTENTION: Land Use and Housing Committee
Agenda of February 13, 2002

SUBJECT: Lease of Old Murphy Canyon Road Right-of-Way

SUMMARY

Issue - Should the City Manager enter into exclusive negotiations with Baltimore Drive, LLC, for the lease of the Old Murphy Canyon Road right-of-way?

Manager's Recommendation - Authorize the lease negotiations.

Other Recommendations - None.

Fiscal Impact - None with this action. If the lease is consummated, rental proceeds, estimated at \$20,000 per year, will be deposited into the General Capital Outlay Fund 302453.

BACKGROUND

This property is a section of the Old Murphy Canyon Road right-of-way, located southwesterly of the intersection of Aero Drive and Interstate 15 (map attached). This right-of-way was abandoned when Murphy Canyon Road was relocated with the construction of the Stonecrest Plaza shopping center. The old right-of-way is owned by the City and is still subject to a street dedication, being about 1.12 acres in size and commercially zoned. Another portion of this old right-of-way, consisting of 0.63 acre, was approved by the City Council in 2000 for vacation and sale to the adjacent owner, Baltimore Drive, LLC.

DISCUSSION

Baltimore Drive, LLC., is also interested in processing a street vacation and lease of the remaining 1.12-acre portion of the Old Murphy Canyon Road right-of-way, which is adjacent to its property. Besides Baltimore Drive, LLC., there is one other adjacent owner to this old right-of-way, but that party had no interest in a lease when contacted by City staff. The buyer will pay all processing and engineering costs of the street vacation and lease. Both the street vacation and lease, when processing is complete, will require City Council approval. The property has not yet been appraised but is estimated at \$200,000. The reasons for exclusive lease negotiations, as opposed to a Request for Proposals, are these:

- Site is long and narrow and best developed as an assemblage with the adjacent owner's property.
- Site is virtually landlocked, but access is available through the adjacent owner's property.
- Site is well below street grade and requires extensive grading and filling, which are best

done in conjunction with the adjacent owner's property.

If successful in leasing this right-of-way, Baltimore Drive, LLC., will develop the site commercially as it did the other portion of the right-of-way it purchased from the City in 2000. The Kearny Mesa Planning Group was contacted and unanimously favored leasing this property to Baltimore Drive, LLC., for commercial development. Any proposed street vacation and ground lease will be presented to the City Council for consideration.

ALTERNATIVES

1. Issue a Request for Proposals. This is not recommended for the reasons noted above.
2. Authorize the sale of the site to one of the adjacent owners. This is not recommended because there is no compelling reason to sell this property, and the City can benefit more from the rental income and appreciation in property value from a long-term commercial lease.

Respectfully submitted,

William T. Griffith Approved: Bruce A. Herring
Real Estate Assets Director Deputy City Manager

GRIFFITH/PTC

Note: Attachment is not available in electronic format. A copy of the attachment is available for review in the office of the City Clerk.

Attachment: Site Map