

DATE ISSUED: December 1, 2004 REPORT NO. 04-260

ATTENTION: Honorable Mayor and City Council  
Docket of December 7, 2004

SUBJECT: Lease Approval – San Diego Medical Services Enterprise, LLC

REFERENCE: City Manager’s Report 04-219, Issued October 4, 2004  
City Manager’s Report 04-244, Issued November 10, 2004

SUMMARY

Issues – Should the City Manager enter into a 3½-year lease agreement with San Diego Medical Services Enterprise, LLC, to construct, operate, and maintain an ambulance and employee parking lot on City-owned vacant land at the northwest corner of Aero Drive and Interstate 15?

Manager’s Recommendation – Authorize execution of the lease.

Other Recommendations – None

Fiscal Impact – \$2,250 monthly/\$27,000 yearly will be paid from General Fund 100 to Gas Tax Fund 302191. An expenditure of \$200,000 or less from the General Fund may be necessary in 2008 to purchase the parking lot improvements if a new Emergency Medical Services provider is selected. Funds for the \$27,000 yearly lease payments and the tenant improvement allowance of up to \$200,000 will come from the anticipated savings to the annual Medicare subsidy.

BACKGROUND

On July 14, 2004, the City Council’s Public Safety and Neighborhood Services Committee directed the City Manager to negotiate extensions to the existing Emergency Medical Services (EMS) Agreements between the City and San Diego Medical Services Enterprise, LLC (SDMSE). On November 15, 2004, the City Council adopted Resolution 299840 authorizing the extension of the EMS Agreements and approving amendments to the EMS Agreements as recommended by City Manager’s Reports 04-219 and 04-244. SDMSE currently leases space at Montgomery Field for ambulance and employee parking. The Federal Aviation

Administration (FAA) recently denied the City's request to allow SDMSE continued use of this property for non-aeronautical use. The FAA has advised that SDMSE must relocate from the Montgomery Field property by February 28, 2005.

## DISCUSSION

As partial consideration for extension of the EMS Agreements and included in the amendments authorized by the City Council, the City has agreed to lease SDMSE the 1.21-acre City-owned property located at Aero Drive and Interstate 15 at no cost for employee and ambulance parking, and the City Council has authorized the City Manager to prepare a lease agreement with SDMSE for that purpose. SDMSE will develop the site at its expense as an ambulance and employee parking lot with fencing, paving, lighting, and a portable building, estimated to cost \$200,000. Also, as part of the consideration for the EMS Agreements and to ensure uninterrupted operations of the emergency medical services, the City Manager recommends that the City advance funds to SDMSE for improvements necessary to prepare the property for the intended use of ambulance and employee parking in an amount not to exceed \$200,000, upon the terms and conditions set forth in the lease. Pursuant to the terms of the lease, SDMSE will reimburse the City for this tenant improvement allowance during the first year of the lease.

Proposed for approval is a 3½-year parking lease to coincide with the remaining term of SDMSE'S contract. Since the vacant lot to be leased to SDMSE is the remnant from a street project and was acquired by the City with Gas Tax Funds, there is a legal requirement to pay fair market rent to the Gas Tax Fund for using the site for a non-transportation purpose. The monthly rent will be \$2,250 based on a land value of \$285,000, as determined by City staff appraisal. As part of the agreement with SDMSE, the City will deposit the monthly rent from the General Fund into the Gas Tax Fund. Additionally, if the City does not renew the emergency medical services contract with SDMSE in 2008, the next contractor or the City will be required to purchase the parking lot improvements from SDMSE, the value to be determined by the City.

## ALTERNATIVES

Do not approve the proposed lease agreement.

Respectfully submitted,

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William T. Griffith  
Real Estate Assets Director

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Approved: Bruce A. Herring  
Deputy City Manager

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