



THE CITY OF SAN DIEGO
MANAGER'S REPORT

DATE ISSUED: July 13, 2005 REPORT NO. 05-153

ATTENTION: Honorable Mayor and Council
Docket of July 18, 2005

SUBJECT: Approval of Leases for the Convention and Performing Arts Center

REFERENCE: Manager's Report No. 05-081, dated March 30, 2005
Manager's Report No. 04-163, dated July 16, 2004
Manager's Report No. 04-030, dated January 30, 2004
Manager's Report No. 02-105, dated May 3, 2002
Manager's Report No. 00-03, dated January 4, 2000
Manager's Report No. 99-158, dated July 27, 1999

SUMMARY

Issues – Should the City Council adopt the recommendations made in this report for the future use of the Convention and Performing Arts Center?

Manager's Recommendation – Authorize the City Manager to:

1. Execute a short term lease agreement with Neighborhood Involvement Association for certain portions of the Concourse and adjacent exterior Plaza.
2. Reprogram and rename the Municipal Parking Garage Operations Fund (10322) to "Concourse and Parking Garages Operating Fund" for operation of the Concourse and Parking Facilities. Additionally, redirect into Fund 10322 the rent revenues from the CAB Deli and Downtown Johnny Brown's which are currently deposited into Revenue Account No. 75602.
3. Expend an amount not to exceed \$500,000 from Fund 10322 for tenant improvements to Plaza Hall required to relocate the Printshop operation from its current leased facility in Kearney Mesa. Repayment of this amount by Publishing Services will be amortized over seven years.
4. Execute a short term lease agreement not to exceed five years with San Diego Opera for the Copper Room.
5. Execute new short term agreements not to exceed five years with the current

operator of the Plaza Coffee Cart (s) and CAB Deli.

Other Recommendations – None. _

Fiscal Impact – FY06 revenues to the Concourse and Parking Garages Operating Fund (10322) are estimated to total \$4,072,432 and expenses are estimated to be \$3,065,523. The net amount of \$1,006,909 will be transferred to the General Fund (100). This net amount is the aggregate of the \$939,000, which is currently budgeted for FY06 in Fund 10322, and the estimated FY06 budgeted revenue from the CAB Deli and Downtown Johnny Brown's leases.

BACKGROUND

Pursuant to Resolution No. 300480 adopted on May 24, the City Council authorized the City Manager to execute on behalf of the City, a third Amended and Restated Management Agreement with the San Diego Convention Center Corporation ("SDCCC") so that effective July 1 SDCCC will no longer be responsible for (1) the operation and maintenance of the Convention and Performing Arts Center ("CPAC", consisting of the Civic Theatre, the Concourse and the exterior Terrace and Plaza), (2) contract administration for the Evans Jones Parking Garage and the World Trade Center Parking Garage ("Parking Facilities") and (3) operation of the Central Plant.

The last Concourse event booked by SDCCC will finish June 25. All SDCCC service contracts for the facility will end June 30. The majority of Concourse inventory will transfer to the Convention Center or the Civic Theatre. The rest will remain for use at the facility. This report details the City Manager's recommendations regarding operational changes required as a result of SDCCC's relinquishment of these duties.

DISCUSSION

Interim Use of the Concourse

The Concourse comprises the Golden Hall auditorium, Plaza Hall, various conference rooms, box offices, administration offices and support facilities for a total size of approximately 114,000 sq. ft. The basement provides additional space for storage, workshops and also includes a large commercial kitchen. The exterior Concourse Plaza and Terrace consists of approximately 40,000 sq. ft. of pedestrian mall providing access to buildings in the Charles M. Dail Civic Center Complex ("Civic Center", consisting of CPAC, the City Administration Building, the Evans Jones Parking Garage and the Development Review Center). In addition to hosting conventions and conferences, the Concourse is used for events such as election central, naturalization ceremonies, professional examinations and civic functions.

A use of the Concourse that ties up the facility for the long term is not recommended while a strategy for the future redevelopment of the Civic Center is determined. On February 14,

Mayor and Council authorized the City Manager’s staff to issue a Request for Proposals (“RFP”) for the short term lease of Golden Hall and incidental portions of the Concourse.

The RFP was advertised in the local and national press, as well as trade publications. It was also distributed to interested parties. While the primary focus of the RFP was to solicit interest for an operator of Golden Hall, proposals for uses of other portions of the Concourse were also encouraged. A pre-submittal conference was held on March 21 at the Concourse to provide those interested an opportunity to tour the facility and gather additional information. The deadline for submission of proposals was 4 p.m. on April 11. The Neighborhood Involvement Association and the City’s Publishing Services Division submitted proposals.

Neighborhood Involvement Association (“NIA”)

NIA is a 501(c)(3) non-profit corporation and is the business arm of the North Park Apostolic Church (“NPAC”). For the last seven years, NIA has managed the operations of NPAC’s 42,000 sq. ft. community center, church and retail complex located at 4079 54th Street, San Diego. NPAC is in escrow to sell the property and while it searches for a new permanent facility is looking to lease property in the interim.

The proposal from NIA contemplates a use of the Concourse as an event venue in much the same manner as operated by SDCCC in recent years. Proposed uses include: conventions, ceremonies, trade shows, exhibitions, concerts, sporting events, religious services and meeting space. NIA’s primary tenant will be NPAC, which has long used Golden Hall for special occasions. NPAC would pay NIA market rent for the facility.

Based on staff’s evaluation of the proposal and subsequent negotiations with NIA representatives, a short term lease for a portion of the Concourse is recommended upon terms as summarized below:

- Premises – Approximately 64,168 sq. ft. of the Concourse including: Golden Hall, meeting rooms except the Copper room, lobby space, administrative offices and the basement kitchen.
- Term - Five (5) years with a bilateral option for five one-year extensions thereafter.
- Rent - \$130,000 per year base rent plus 5% of gross revenue. The base rent will be prepaid (total of \$650,000).
- Security Deposit - NIA submitted a \$100,000 deposit during lease negotiations.

- City Use - Golden Hall and other portions of the Premises will be freely available to the City for a certain number of events. The City will receive a 25% discount on booking rates for additional usage.
- Reimbursements - The City will be reimbursed for NIA's prorata share of Concourse operating expenses estimated to be \$600,000 per year and capital expenditure.
- Early Termination - For the purposes of redevelopment, the City may terminate the lease at any time with 18 months prior notice.

Print Shop

Publishing Services provides graphic design, quick copy services, offset press reproduction, finishing services, digital reproduction, and large format printing to City departments, City agencies, and other governmental organizations. Since 1992, Publishing Services' administrative offices have been located in Kearny Mesa. The current lease expires in October 31, 2005. In addition, the section operates a satellite office in the basement of the City Administration Building. The majority of Publishing Services' customers are located in the downtown area, and most of those customers are in the City Administration Building, Civic Center Plaza, the Executive Complex, and the Development Review Center.

Moving to a downtown location central to Publishing Services' customers will give those customers easier access to graphic design and reproduction services provided by the section and will also allow the downtown satellite office to be consolidated with the new administrative headquarters. In addition, the proposed location would allow Publishing Services to pay rent to the City rather than to an outside entity. Projected rent for FY06 at the Kearny Mesa location was \$258,000.

The draft space plan essentially divides Plaza Hall in half by creating a wall between the two rollup doors that runs perpendicular to the west wall of the facility. Publishing Services production facility would occupy the northern half of the space. An additional work area/corridor for a customer service center, administrative offices and graphic design facility would provide a link between the front doors facing the Civic Center Plaza and the production area. Plaza Hall would provide Publishing Services with the space it needs to operate a professional Customer Service Center where customers could drop off and pick up projects in addition to meeting the section's needs for graphic design, office space, presses, quick copy center, bindery, storage, and shipping and receiving. In addition to walls and office space, improvements would include a darkroom, lunchroom, bathroom modifications, electrical upgrades, and wiring for data.

The space plan itself, and the costs to relocate the facility are still under refinement. Current estimates are approximately \$500,000. Staff recommends that these costs be paid from the Concourse and Parking Garages Operating Fund (10322) and repayment by the Publishing Services be amortized over the next seven years. In addition, Publishing Services will pay an

annual rent of \$186,500 per year (increased by 3% per year) and pay its pro-rata share of Concourse operating expenses and capital expenditure.

San Diego Opera

Staff recommends a short term lease agreement not to exceed five years with San Diego Opera for its use of the Copper Room as year-round rehearsal space. The proposed rent is \$41,000 per year (increased by 3% per year). The City will have free use of the Copper Room up to twelve times per year. San Diego Opera will be permitted to rent out the premises to other groups when it is not needed for rehearsals.

Civic Theatre

SDCCC assigned its duties under the Management Agreement with respect to the Civic Theatre to its subsidiary, San Diego Theatres, Inc. (“SDT”) on July 1, 2004. At the same time, it also transferred responsibility for supervision of the Central Plant, the Evan Jones Parking Garage security personnel and contract administration of the Parking Facilities. Staff continues to work with SDT representatives on terms for a long term lease that will incorporate SDT’s plans for redevelopment of the Civic Theatre. The agreement will also include provisions encompassing SDT’s continued responsibility for supervision of the Central Plant and Evan Jones Parking Garage security personnel; however, the responsibility for contract administration of the Parking Facilities will return to the City. Staff will return to Council for approval at a later date when an agreement has been finalized and approved by SDT’s Board of Directors.

Miscellaneous Agreements

Expiration of SDCCC’s agreement with Paradise Café II for the Concourse Plaza coffee cart concession coincides with the transfer of responsibilities. Staff recommends entering into a short term agreement not to exceed five years with Paradise Café II to enable this operation to continue. Proposed rent to the City will be the greater of a monthly minimum of \$1,500 or fifteen percent (15%) of gross revenue derived from the coffee cart.

The same operator (d.b.a. Paradise Café III) also runs the deli located opposite the entrance to the City Administration Building having purchased the leasehold from the previous operator last year. The current lease is on month-to month holdover. Staff recommends entering into a new short term agreement not to exceed five years. Proposed rent to the City will be the greater of a monthly minimum of \$870 or seven percent (7%) of lessee’s gross revenue, increasing to seven and one half percent (7.5%) over two years. A three-year agreement has been executed with San Diego Metropolitan Credit Union for its ATM located on the exterior of the Concourse by the Parkade elevators. Rent paid to the City is the greater of a monthly minimum of \$325 or ten percent (10%) of gross revenue. City Valuation Staff has determined that the rents for the four agreements proposed in this report lie within a range of market rents for similar property uses.

Concourse and Parking Garage Operating Fund

Based on past operating expenditures provided by SDCCC for the Concourse, staff has calculated estimates for the annual costs of continued operation of the facility, although actual costs may vary depending on the level of building usage. Total yearly operating expenses are estimated at \$1,079,430. This includes, amongst others, the major categories of: maintenance costs of approximately \$191,500 per year; utility and services costs of approximately \$537,800 per year and an operating contingency of \$98,130. It is difficult to estimate utility costs when the effects of the proposed future uses are not yet known. Increased costs due to potential energy spikes have also not been estimated. NIA and Publishing Services will reimburse the City for their share of the cost of Concourse utilities, services and exterior maintenance, as well as capital expenditure.

Staff recommends reprogramming the Municipal Parking Garage Operations Fund (10322) to include operation of the Concourse. In addition, Staff recommends redirecting into this reprogrammed fund the rental revenue from the Concourse Deli and Downtown Johnny Brown's which is currently deposited into Revenue Account No. 75602 (FY06 estimated revenue is \$77,000).

The estimated revenue and expenses for the reprogrammed fund, which would be renamed the Concourse and Parking Garages Operating Fund, are shown on the attached spreadsheet (See Attachment). Total estimated revenue in FY06 is \$4,072,432 which includes rents of \$963,333, reimbursements of \$793,381, Publishing Services \$71,500 annual repayment of the tenant improvement costs and parking garages fees of \$2,244,218 (includes \$180,000 generated from increases in parking rates). Total estimated expenses are \$3,065,523 which includes Concourse operating costs of \$1,079,430, the capital reserve of \$550,000, the Printshop tenant improvement costs of \$500,000, the parking garages operating costs of \$436,093 and reimbursements to San Diego Theatres, Inc. for Parkade security and event revenues. The estimated net of \$1,006,909 will be transferred to the General Fund. For FY06, \$939,000 was budgeted to be transferred to the General Fund from the Municipal Parking Garage Operations Fund.

Recommendations

The City Manager's Staff recommendations are:

1. Execute a short term lease agreement with Neighborhood Involvement Association for certain portions of the Concourse and adjacent exterior Plaza.
2. Reprogram and rename the Municipal Parking Garage Operations Fund (10322) to "Concourse and Parking Garages Operating Fund" for operation of the Concourse and Parking Facilities. Additionally, redirect into Fund 10322 the rent revenues from the CAB Deli and Downtown Johnny Brown's which are currently deposited into Revenue Account No. 75602.

3. Expend an amount not to exceed \$500,000 from Fund 10322 for tenant improvements to Plaza Hall required to relocate the Printshop operation from its current leased facility in Kearney Mesa. Repayment of this amount by Publishing Services will be amortized over seven years.
4. Execute a short term lease agreement not to exceed five years with San Diego Opera for the Copper Room.
5. Execute new short term agreements not to exceed five years with the current operator of the Plaza Coffee Cart (s) and CAB Deli.

Respectfully submitted,

William T. Griffith
Real Estate Assets Director

Approved: Bruce Herring
Deputy City Manager

GRIFFITH/GDJ

Note: The Lease Agreements are not available in electronic format. A copy for review is available in the Office of the City Clerk.

Attachment: [Concourse and Parking Garages Operating Fund](#)
Lease Agreements

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