



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: January 25, 2006 REPORT NO. 06-008

ATTENTION: Council President and City Council
Docket of January 30, 2006

SUBJECT: Management RFP for Mission Bay Mobile Home and RV Park

SUMMARY

Issue– Should the Council authorize the Mayor to execute a management agreement with Newport Pacific Capital Company Inc. to manage all the day-to-day operations and facilitate the orderly transition of the De Anza mobile home park to a legal park use?

Staff Recommendation(s) – Adopt the Resolution

Other Recommendation(s) –

Fiscal Impact – None to General Fund - The management firm's fee of a minimum \$120,000 or 3.5% of gross revenue which is anticipated to be \$187,000 per year will be funded out of ongoing revenues generated from the property.

BACKGROUND

On November 23, 2003 the lease and state legislation (Kapiloff Bill) allowing residential use at the property (formerly called De Anza Harbor Resort) expired. The City of San Diego is mandated by state law and the San Diego City Charter to transition the property back to a legal park and recreational use. The transition plan authorized by City Council to achieve this objective, allows for the orderly departure of residents beginning November 24, 2003 through May 31, 2008.

When the City took possession of the property on November 23, 2003, the City retained Hawkeye Asset Management to manage the day-to-day operations on behalf of the City in order to implement the Council-approved transition plan and to ensure a smooth transition of the property.

Over the past two years Hawkeye became embroiled in the issues related to ongoing litigation brought by plaintiffs who have filed a suit against the City. In an effort to demonstrate the City's commitment to work harmoniously with all residents, the City Manager issued a notice of termination to Hawkeye on July 14, 2005. The current management agreement requires the City to provide 180 days notice to terminate.

DISCUSSION

A Request for Proposals (RFP) for a new management company for the mobile home and RV park was issued on August 5, 2005 with a submittal deadline of August 22, 2005. The RFP was advertised in local news and business journals as well as in the Orange County Register. Additionally, approximately 100 management companies throughout southern California with mobile home and RV experience were direct mailed with the RFP information and invited to submit proposals.

Five companies submitted proposals in response to the RFP. On September 23, 2005 each proposer was given the opportunity to present their experience and qualifications to a selection committee. The committee consisted of a representative from the City Manager's office, the Executive Director of the San Diego Housing Federation, and the Director of Asset Management for Wakeland Housing and Development Corporation. Four of the five companies made presentations to the committee. The two management companies that received the highest scores from the committee were Newport Pacific Capital Company Inc. and Carlsberg Management Company respectively. Both companies have extensive experience in both mobile home and RV park management and have managed properties in transition. On September 26, 2005, De Anza residents were invited to meet with both companies. Each company gave a one hour presentation and question and answer period at a meeting that was held at the park for all residents. Comment sheets were available so that residents could anonymously submit comments and concerns regarding both companies. The overwhelming preference of the residents that provided comments was for Newport Pacific.

Newport Pacific Capital Company, Inc. was formed in 1980 and has actively been involved in all aspects of the real estate industry. In addition to the management of Newport's own portfolio, the property management division manages assets for other owners of manufactured home communities, apartment complexes, RV parks, commercial office space, and retail buildings, and bases its operations in Irvine, CA. On behalf of its clients and itself, Newport Pacific currently manages 61 manufactured home communities with 11,504 home sites and two apartment properties. Seven of the manufactured home communities are owned by four cities, the City of Poway, the City of Palmdale, the City of San Dimas and the City of Lancaster. Six of the 61 communities are located in San Diego County. Since 1985 Newport Pacific has been an Accredited Management Organization (AMO). AMO is a designation awarded by the Institute of Real Estate Management (IREM) in Chicago to companies that meet strict bonding,

insurance and education requirements. To be accredited a firm must have an established reputation of professionalism and be reaccredited every three years. Newport Pacific is the only manufactured home community management company in California that has an AMO designation.

The consideration proposed by Newport Pacific for the management of the mobile home and RV parks would be five percent (5%) of the first \$35,000 of gross monthly revenue and three and one-half percent (3 ½%) thereafter, with a combined minimum of \$10,000 per month for both parks. Based on current annual revenues the percentage management fee will be \$187,000 per year, which is less than half of the current management fee. Management fees will be paid out of revenues generated from the operation of the parks. Newport Pacific will adhere to the existing budget for the remainder of FY2006 (See Attachment 2, FY2006 Budget) and prepare a new budget for FY2007.

The term will consist of a one (1) year term with two one (1) year mutual options, with a thirty day termination clause. Additional terms include the requirement that any expenditure over one thousand dollars (\$1,000) must be submitted for City approval. The agreement includes Newport Pacific's indemnification of the City and the City's indemnification of Newport Pacific for claims pertaining to the ongoing litigation.

ALTERNATIVE(S)

None.

Respectfully submitted,

Jack D. Farris
Acting Real Estate Assets Director

Approved: Larry Gardner
Deputy City Manager

JOHNSON/cb

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

Attachment(s): 1. Management Agreement
2. FY2006 De Anza Budget