



DATE ISSUED: May 3, 2006

REPORT NO: 06-050

ATTENTION: Council President and City Council  
Docket of May 9, 2006

## REPORT TO THE CITY COUNCIL

SUBJECT: Exclusive Sale or Lease of City-owned Site 653 to Hillel

### REQUESTED ACTION:

- 1) Authorize the Mayor to execute a Real Estate Purchase and Sales Agreement and grant deed or a Lease Agreement with Hillel of San Diego to implement the transaction and convey the approximately 15,341 square-foot parcel and the 17,923 square-foot street vacation area located at the intersections of La Jolla Village Drive, La Jolla Scenic Drive North, and La Jolla Scenic Way (APN 344-120-26) to Hillel of San Diego.
- 2) Authorize the Mayor to make any non-material changes to the conveyance documents, if appropriate.
- 3) Authorize the City Auditor to accept \$940,000 proceeds of sale, or \$75,200 per year (\$6,267 per month) rent payments, and deposit the amount into the General Fund.
- 4) Certify the Mitigated Negative Declaration No. 6098, on file in the Office of the City Clerk.

### STAFF RECOMMENDATION:

Adopt a resolution authorizing the above Requested Actions. Staff recommends selling the parcel to Hillel of San Diego. While a long-term revenue stream a lease would provide is generally preferable, the anticipated proposed use and limited future development and disposition potential diminish the parcel's long-term desirability to the City. Once developed, the improved property would be difficult to re-lease or sell upon lease termination. It would also be in the City's best interest to take advantage of current unusually high residential real estate values in what appears to be a changing market.

### SUMMARY:

Site 653 is a vacant triangular shaped 15,341 square-foot City-owned parcel located at the intersections of La Jolla Village Drive, La Jolla Scenic Drive North, and La Jolla Scenic Way, south of the University of California at San Diego (UCSD) campus. An adjoining partial paper street is located along La Jolla Scenic Drive North. If the paper street is vacated, an additional 17,923 square feet can be added to Site 653 to assemble a contiguous parcel totaling 33,264 square feet. The property is a portion of Pueblo Lot 1299 and was acquired by U.S. patent in 1872.

On April 12, 2000, the Land Use & Housing Committee authorized Real Estate Assets Department staff to issue a request for proposals ("RFP") for the potential sale or lease of the site with a higher priority to non-profit uses based on the UCSD campus. Staff circulated the RFP and received responses from 1) Hillel of San Diego, who proposed to develop and operate a

facility serving the Jewish student community, and 2) the La Jolla Highlands Homeowners, who proposed to maintain the property as an undeveloped landscaped area. A four member ad hoc committee made up of two City staff members and two members of the La Jolla community reviewed the proposals and subsequently voted (3-1) to recommend entering into negotiations with Hillel of San Diego. Hillel of San Diego provides educational resources, religious services, student programs, and facilities to the local Jewish college community including UCSD and San Diego State University. Nationally, the Hillel organization has similar facilities at locations such as Duke University and University of California at Los Angeles. On November 20, 2000, the City Council authorized the Real Estate Assets Department to enter into exclusive negotiations with Hillel of San Diego. City Council Resolution 294224 states: “for the ground lease of Site 653,” but transcripts of the session clearly indicate either a lease or sale was acceptable and intended. On September 27, 2005, Council discussed a sale or lease of the property, and voted to continue the item to address noticing issues and to be able to conduct the hearing in the evening at a location in the community where the project is located.

PROPOSED TERMS OF SALE: (see attachment)

Based on a fair market appraisal conducted by an appraiser selected by the City, the compensation to the City of San Diego is a one time payment of \$940,000.

PROPOSED TERMS OF LEASE: (see attachment)

USE: operation of a faith-based (religious) student center.

TERM: twenty (20) years with two ten (10)-year options to extend

GROUND RENT - \$75,200 annually (\$6,267 per month) with annual CPI adjustments and reappraisals every ten years. This value is consistent with an outside independent fee appraisal dated June 8, 2005 and updated on January 25, 2006 and represents an eight percent (8%) annual return to the City.

FISCAL CONSIDERATIONS:

An independent fee appraisal of Site 653 dated June 8, 2005 and updated on January 25, 2006 estimated the adjusted value at \$940,000.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

- April 12, 2000: Land Use & Housing Committee authorized Real Estate Assets Department staff to issue a request for proposals (“RFP”) for the potential sale or lease of the site with a higher priority to be given to student organizations based at UCSD.
- March 3, 2005: Planning Commission reviewed the project and denied approval.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

§ October 7, 1999: La Jolla Community Planning Association. Real Estate Assets staff made an informational non-voting presentation on the disposition of Site 653. No objections were noted.

§ December 21, 1999: La Jolla Shores Planned Advisory Board. City Planning &

Development Review staff informed the Board of Real Estate Assets plans to market Site 653. This was not a project, hence no votes were taken and no objections were noted.

\$ May 30, 2000: La Jolla Shores Association and La Jolla Town Council - Parks & Beaches Committee special meeting regarding Site 653. Both groups voted to retain Site 653 as landscaped open space. They also requested to appoint a member to the ad hoc committee. Real Estate Assets staff was present to answer questions.

\$ June 1, 2000: La Jolla Community Planning Association (“CPA”) meeting. Real Estate Assets made a non-agenda informational presentation. No formal vote was taken; however, the CPA conducted an informal non-binding hand count to indicate support of keeping Site 653 for single family use as opposed to the Hillel proposal. 40 people supported single family use.

\$ June 8, 2000: La Jolla Town Council voted to keep the site as landscaped open space. Real Estate Assets staff was present to answer questions.

\$ August 5, 2000: La Jolla Shores Planned Advisory Board voted 4-0 to recommend retention of Site 653 in City ownership and to designate as open space.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Hillel of San Diego

La Jolla Highlands Homeowners Association

Impacts are addressed in Mitigated Negative Declaration for the project. Potential impacts include increased side street parking, increased traffic in the surrounding neighborhood and loss of a parcel of undeveloped land.

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Originating Department

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Deputy Chief/Chief Operating Officer

\* The attachments are available electronically via the links below. A hard copy is available for review in the Office of the City Clerk and on the following Internet address:

[Http://clerkdoc.sannet.gov/cmr/CMRFullListSearch.html](http://clerkdoc.sannet.gov/cmr/CMRFullListSearch.html).

Attachments

- [1. Real Estate Purchase and Sales Agreement](#)
- [2. Hillel Lease Agreement](#)