



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: November 8, 2006 REPORT NO. 06-162

ATTENTION: Council President and City Council
Docket of November 13, 2006

SUBJECT: Extension of San Diego Auto Connection's Lease at Qualcomm Stadium

REFERENCE: 1. San Diego Auto Connection Original and Amended Leases
2. City Attorney's Report on Contract Extension (January 8, 2006)

SUMMARY

ISSUE - Should the Mayor execute the two year contract option that would extend San Diego Auto Connection's (SDAC) exclusive right to conduct two new and five used car sales events in the Qualcomm Stadium parking lot until December 31, 2008?

STAFF RECOMMENDATION – Exercise the two year option that would extend SDAC's exclusive contract until December 31, 2008.

OTHER RECOMMENDATION – None

Fiscal Impact – Nearly \$391,000 in guaranteed rent will be received annually and additional rental fees may be collected due to a revision to the contract. The increased rental fees may exceed \$100,000 per year, bringing the estimated total to \$500,000 annually. Also, extending the contract will continue to generate additional sales tax revenue for the City.

BACKGROUND

Through an RFP process, which was resolved by the City Council on December 8, 2003 (R-298692), SDAC was granted the exclusive right to conduct two new and five used car sales events in the Qualcomm Stadium parking lot and the right to conduct additional events on an availability basis. As consideration for this exclusive right, SDAC pays the City a flat fee of \$391,000 each year during the term of the Contract. The term of the Contract is a three-year period from January 1, 2004 through December 31, 2006, with a two-year option. The granting of the two-year option is at the sole discretion of the City.

DISCUSSION

SDAC sent a letter on April 14, 2005 to the City Manager requesting to exercise the two-year option. Mr. Steve Hodson, president of SDAC, indicated that the request was being made earlier than anticipated in the Contract to solidify their business plan and begin discussions with vendors for future car sales events at Qualcomm Stadium. The City Manager referred the request to the Qualcomm Stadium Advisory Board (Board) for consideration and a recommendation. After discussing the issue

at five monthly Board meetings and one Administrative Committee meeting, the Board voted to recommend to the City Manager that the Contract should be extended.

Additionally, the Administrative Committee was successful in negotiating two important changes in the original contract:

1. The City will receive additional rent payments estimated at approximately \$100,000 per year. In exchange, SDAC has been granted the right to conduct a total of 9 events per year with all additional events being charged the additional rental fees.
2. Increased the stadium's booking flexibility by limiting from 45 to 30 days the amount of time required to notify SDAC of a large scale event that would bump SDAC from its scheduled time.

The Mission Valley Auto Circle Dealers (MVACD)¹ made arguments against the extension of the contract during four of the board meetings and the Administrative Committee meeting, as well as during the non-agenda public comment at the City Council hearing on November 15, 2005. The MVACD's position is summarized below:

- The contract is contrary to applicable land use regulations for Qualcomm Stadium.
- SDAC breached the Contract and City Council Policy 700-21 by failing to compensate the City for sales events at Qualcomm Stadium.
- SDAC breached the Contract by conducting RV sales events at Qualcomm Stadium.

The City Attorney's office sent a detailed report (attached) to the Mayor's office on January 3, 2006 that refutes the claims listed above using the relevant case law and accurate statements of fact.

Finally, this extension was delayed as a result of stadium management's desire to clarify some contract terms such as scheduling policies and the definition of new and used car sales. The proposed restated contract includes the clarifications requested by staff.

ALTERNATIVE(S) – Do not extend contract, then re-bid during the 2006 calendar year.

Respectfully submitted,

Erik Stover
Stadium Manager, Qualcomm Stadium

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Attachment(s): [1. San Diego Auto Connection Amended Lease](#)
 [2. City Attorney's Report on Contract Extension \(January 8, 2006\)](#)

¹ The Mission Valley Auto Circle Dealers include the following automobile dealerships: Mossy Ford, Pearson Ford, Cush Auto Group, the Sunroad Automotive Group, Marvin K. Brown Cadillac, Buick, Saab, GMC & Hummer, John Hine Dodge/Pontiac/Mazda, Midway Jeep/Chrysler/GEM, Witt Lincoln Mercury-Mission Valley, Bob Baker Ford and Courtesy Chevrolet.