



THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: April 23, 2008

REPORT NO: RA-08-10  
RTC-08-043

ATTENTION: Honorable Chair and Members of the Redevelopment Agency,  
Council President and City Council  
Docket of April 29, 2008

SUBJECT: Loan to Lyric Opera San Diego

REQUESTED ACTIONS: That the Redevelopment Agency:

1. Authorize a loan repayment to the City of San Diego in the amount of \$352,500 from the North Park Redevelopment Project Area.
2. Amend the Fiscal Year 2008 budget for the North Park Redevelopment Project Area to include the anticipated \$1,100,000 of tax increment surplus and authorize the expenditure thereof for the purposes of the North Park Redevelopment Project Area.

That the City Council:

1. Accept a loan repayment from the North Park Redevelopment Project Area to the City of San Diego in the amount of \$352,500.
2. Authorize the transfer of \$352,500 from the City of San Diego Fund 10227, Contributions to Redevelopment Agency, to Lyric Opera San Diego as a forgivable loan.

STAFF RECOMMENDATION: Approve the Requested Actions

SUMMARY:

Lyric Opera San Diego (Lyric Opera), a 501(c)3 not for profit organization, is the owner and manager of the Birch North Park Theatre, which underwent extensive rehabilitation with assistance from the Redevelopment Agency (Agency). The Agency also owns the parking structure adjacent to the theatre which was constructed to provide parking for theatre patrons.

In 2004, Lyric Opera vacated its former location in anticipation of a February 2005 theatre opening. However, construction of the parking structure was not completed in time for the planned opening of the theatre. Without sufficient parking, Lyric Opera's theatre opening was delayed a season, which created a budget shortfall with no revenue generated to cover fixed

operating costs. Lyric Opera has been unable to eliminate the shortfall and is threatened with insolvency.

Due to the considerable resources the Agency and the City provided to the preservation and revitalization of the North Park Theatre and the construction of the parking structure, and the desire to assist in the success of the resident operator of the theatre, staff proposes to provide a loan to Lyric Opera in an amount not to exceed \$352,500. The loan would be in the form of a ten year promissory note at 3% interest with all principal and interest payments accrued until maturity (Attachment 1). A condition of the loan requires Lyric Opera to offer events or services free, or at a discounted rate, to students that attend public school within the Greater North Park Community, low-income children residing in the Greater North Park Community, and/or not for profit organizations. Such events or services include theatre productions, Summer Academies, use of the theatre space, or other similar events and services. Quarterly reports must be submitted to the City to verify that these conditions have been satisfied. If, at the end of the ten year term, Lyric Opera has satisfied all conditions, all or a portion of the proposed loan may be forgiven.

FISCAL CONSIDERATIONS:

The proposed loan to Lyric Opera will be provided by the repayment of existing debt to the City from the North Park Redevelopment Project Area. The North Park Redevelopment Project Area will repay \$352,500 of debt owed to Fund 10227 (Sales Tax Revenue). This fund transfer will have no impact on the Project Area's work plan because tax increment revenue is expected to exceed the budget forecast. Based on the February 2008 assessed valuation from the County of San Diego, the revised projection for Fiscal Year 2008 tax increment revenue for the North Park Redevelopment Project Area is \$7.16 million, or \$1.10 million higher than the FY 2008 budget projection of \$6.06 million. After required deductions for the Low and Moderate Income Housing Fund (\$220,000) and taxing agencies reserves (\$220,000), a net surplus of \$660,000 is available.

PREVIOUS AGENCY, COUNCIL and/or COMMITTEE ACTION:

None.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The North Park Project Area Committee, at their regularly scheduled meeting of January 8, 2008, voted to recommend that the Redevelopment Agency direct sufficient Agency funds for payment of the costs incurred by Lyric Opera due to the delayed completion of the parking structure.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

No projected impacts. Stakeholders: Lyric Opera San Diego, Leon Natker, General Director, and Sherwood Montgomery, Artistic Director.

Respectfully submitted:

Approved:

---

Janice Weinrick  
Deputy Executive Director  
Redevelopment Agency/  
Assistant Director  
City Planning & Community Investment

---

William Anderson  
Assistant Executive Director  
Redevelopment Agency/  
Deputy Chief Operating Officer  
Executive Director of City Planning and  
Development

Attachment 1: Form of Promissory Note