THE CITY OF SAN DIEGO

REPORT TO THE CITY COUNCIL

DATE ISSUED: May 12, 2008 REPORT NO: **08-098**

ATTENTION: Council President and City Council
ORIG. DEPT. Real Estate Assets Department
SUBJECT: Lease Agreement for the Mission Bay Aquatic Center – Associated Students of SDSU, and the Regents of UCSD.

COUNCIL DISTRICT: 2

REQUESTED ACTION: Council authorization for a new 15-year lease agreement, with one 10-year option to extend, with the Associated Students of SDSU, a California non-profit corporation, and the Regents of the UCSD, a California public corporation, for operation of the Mission Bay Aquatic Center located at 1001 Santa Clara Place in Mission Bay Park.

STAFF RECOMMENDATION: Approve the lease agreement.

EXECUTIVE SUMMARY: In September 1975, the Associated Students of SDSU, and the Regents of the UCSD (collectively, "Lessee"), entered into a 25-year lease with the City for 0.534 acres of improved property located at 1001 Santa Clara Place in Mission Bay Park and known as the Mission Bay Aquatic Center. Renovation of the existing 12,500 sq. ft. City-owned building was the consideration for the lease. The Lessee operates the property as a collegiate aquatic rowing center, offering instruction in rowing, sailing, waterskiing, surfing, scuba diving, small boat handling, navigation, and other aquatic related activities for students and faculty members of thirty-six San Diego County area colleges and universities, and for the general public.

The original lease term expired in September, 2000, and the agreement was placed on month-to-month holdover. Prior to this in 1999, the Natural Resources & Culture Committee had authorized staff to enter into exclusive negotiations with the Lessee for a new lease. Following protracted negotiations, a 15-year lease with the option for an extension of a further 10 years has been agreed. The Lessee will invest approximately $432,500 into the property on the installation of a solar electric generating system and remodeling the restrooms and showers to meet ADA requirements. The work will be completed this year. Throughout the new lease term, the Lessee will maintain the dock and public parkland adjacent to the leasehold at no cost to the City. In addition, the Lessee will pay rent of 10% on gross revenue from incidental uses. The Lessee is also required to use all revenue in excess of operating costs and rent for the maintenance, improvement and operation of the property.

Summary of other main lease terms:

- Permitted Uses: Operation and maintenance of collegiate, recreational, instructional, educational and competitive aquatic sports programs.
- Collegiate Users: The center is to be used primarily by any enrolled student, faculty or staff member from approved San Diego County area colleges and universities.
- Incidental Users: Youth organizations (not created for the purpose of enrollment in Aquatic Center programs); participants in educational conferences, seminars and workshops conducted at San Diego County area colleges and universities; individuals with disabilities enrolled in programs offered at the Aquatic Center; immediate family members of collegiate users; alumni; and members of the general public. The City has the right to require the Lessee discontinue any incidental use.
- Rent: 10% of gross income derived from incidental users (current fair market rental rate found in other City agreements for concessions uses).

FISCAL CONSIDERATIONS: Approximately $17,600 in rent will be generated for the General Fund in FY09.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: Exclusive negotiations for a new lease were unanimously approved by the Natural Resources & Culture Committee on January 20, 1999.

COMMUNITY PLANNING GROUP RECOMMENDATION: The Mission Bay Park Committee recommended issuance of a RFP on February 7, 2007 (6-4-1). As a result of this, the user definitions in the proposed lease were redefined to address the concerns raised by the Committee.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: The Lessee has made presentations to the following organizations and departments: Santa Clara Recreation Center Recreation Council, California Department of Boating and Waterways, City of San Diego Lifeguard Services, City of San Diego Park and Recreation Department and the City of San Diego Storm Water Pollution Prevention Program.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: Collegiate users and incidental users of the center, Santa Clara Recreation Center Recreation Council, Mission Bay Park Committee, Mission Bay lessees and other operators of aquatic-type uses in Mission Bay Park.

Respectfully Submitted,

James F. Barwick
Real Estate Assets Director

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Deputy Chief Operating Officer/Executive Director of City Planning and Development

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