



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: July 27, 2016 REPORT NO: 16-072

ATTENTION: Council President and City Council

SUBJECT: AMEND RESOLUTION R-310619, WHICH APPROVED THE GROUND LEASE WITH SURF CUP SPORTS, LLC, FOR THE POLO FIELDS, TO INCLUDE A STATEMENT OF MARKET VALUE OF THE SUBJECT REAL ESTATE

REQUESTED ACTION:

- 1) Amend Resolution R-310619 to add the statement of market value of the real estate subject to the Lease.
- 2) Again declare that the Ground Lease Agreement between the City of San Diego and Surf Cup Sports, LLC. is covered by the General Rule, CEQA Section 15061(b)(2) & (3) in that CEQA applies only to projects which have the potential for causing a significant effect on the environment, and also categorically exempt from the California Environmental Quality Act (CEQA), pursuant to CEQA Guidelines Section 15323 (Normal Operations of Facilities for Public Gatherings) which consists of the normal operations of existing facilities for public gatherings for which the facilities were designed, where there is a past history of the facility being used for the same or similar kind of purpose for at least three years and that there is a reasonable expectation that the future occurrence of the activity would not represent a change in the operation of the facility; Section 15301 (Existing Facilities) which allows for the operation, repair, maintenance, permitting, leasing, licensing or minor alterations of existing public or private structures or facilities involving negligible or no expansion of use; Section 15304 (Minor Alterations to Land) which consists of minor public or private alterations in the condition of land, water and/or vegetation which do not involve the removal of healthy, mature, scenic trees except for forestry or agricultural purposes; and Section 15311 (Accessory Structures) which consists of construction, or placement of minor structures accessory to (appurtenant to) existing commercial, industrial, or institutional facilities including but not limited to: on-premise signs; small parking lots; placement of seasonal or temporary use items such as lifeguard towers, mobile food units, portable restrooms, or similar items in generally the same locations from time to time in publicly owned parks, stadiums, or other facilities designed for public use.
- 3) Again declare that the Council of the City of San Diego has determined that an exception to the exemption as set forth in CEQA Guidelines Section 15300.2 does not apply.

STAFF RECOMMENDATION:

Approve the requested action.

ENVIRONMENTAL IMPACT:

This activity to execute the Ground Lease Agreement between the City of San Diego and Surf Cup Sports, LLC., is covered by the General Rule, CEQA Section 15061(b)(2) & (3) and also categorically exempt from CEQA pursuant to State CEQA Guidelines Sections 15323, 15301 15304 and 15311. The trail restoration has independent utility and is covered by a Mitigated Negative Declaration No. 169091, adopted in 2011 as further described in Planning Department memo dated June 20, 2016.

SUMMARY:

On July 25, 2016, the City Council voted 8-1 to approve an approximately 28-year lease with Surf Cup Sports, LLC. Subsequently, the City Attorney's Office discovered that Resolution R-310619 inadvertently left out the statement of market value of the subject real estate as required by San Diego Municipal Code section 22.0901. On May 16, 2016, an independent fee appraiser provided the City an update to the original Appraisal Report dated May 15, 2015, with a market value of the real estate of \$6,400,000. The City Attorney's Office recommends that the following actions take place in order to ratify the approvals given by the City Council on July 25, 2016:

First, approve Resolution R- _____, which will amend Resolution R-310619.

Second, approve new Resolution R- _____ which will again declare that the Ground Lease Agreement between the City of San Diego and Surf Cup Sports, LLC. is covered by the General Rule, CEQA Section 15061(b)(2) & (3) in that CEQA applies only to projects which have the potential for causing a significant effect on the environment, and also categorically exempt from the California Environmental Quality Act (CEQA), pursuant to CEQA Guidelines Section 15323 (Normal Operations of Facilities for Public Gatherings) which consists of the normal operations of existing facilities for public gatherings for which the facilities were designed, where there is a past history of the facility being used for the same or similar kind of purpose for at least three years and that there is a reasonable expectation that the future occurrence of the activity would not represent a change in the operation of the facility; Section 15301 (Existing Facilities) which allows for the operation, repair, maintenance, permitting, leasing, licensing or minor alterations of existing public or private structures or facilities involving negligible or no expansion of use; Section 15304 (Minor Alterations to Land) which consists of minor public or private alterations in the condition of land, water and/or vegetation which do not involve the removal of healthy, mature, scenic trees except for forestry or agricultural purposes; and Section 15311 (Accessory Structures) which consists of construction, or placement of minor structures accessory to (appurtenant to) existing commercial, industrial, or institutional facilities including but not limited to: on-premise signs; small parking lots; placement of seasonal or temporary use items such as lifeguard towers, mobile food units, portable restrooms, or similar items in generally the same locations from time to time in publicly owned parks, stadiums, or other facilities designed for public use. Again declare that the

Council of the City of San Diego has determined that an exception to the exemption as set forth in CEQA Guidelines Section 15300.2 does not apply.

As stated in the Executive Summary presented to City Council on July 25, 2016, the following is the background for the item. In 1983, Watt Industries/San Diego Inc. (Watt) deeded 600 acres of land in the San Dieguito River Valley to the City of San Diego with deed restrictions governing the use of the property, which expire December 31, 2044. The deed restrictions limit use of the property to primarily non-commercial recreational uses and agricultural uses.

On April 1, 1986, the City entered into a twenty-six (26) year lease agreement (Polo Club Lease) with Fairbanks Polo Club, the predecessor to Rancho Santa Fe Polo Club (Polo Club). Polo Club's lease expired on March 31, 2012. Polo Club has occupied the Polo Fields on a month-to-month, holdover basis since April, 2012. The Polo Fields have been used for polo matches, polo instruction, charity fundraiser events, soccer tournaments, lacrosse tournaments, sporting games for college recruitment, boarding of horses, youth soccer practice and the parking for all of these uses.

The existing facilities on the Polo Fields consist of sport fields, a club house, portable stable areas, a lighted arena, several portable office trailers, a night security station, and trailer and equipment parking. There is also a reservoir, a pasture area, and a public trail. The Polo Fields is zoned AR-1-1, AR-1-2 and OF-1-1. The Polo Fields is also located within the San Dieguito River Park Concept Plan (Concept Plan) area and is subject to that Concept Plan. In accordance with the Concept Plan, a segment of the public Coast to Crest Trail is located along the southern fringe of the Property site.

In 2002, Watt's successor in interest consented by a letter agreement to clarify the allowed used on the Polo Fields throughout the term of the Polo Club Lease.

In 2005, the City's Code Enforcement issued a Notice of Violation to the Polo Club for grading on the portion of the Coast to Crest Trail which is part of the Polo Club Lease. Site Development Permit No. 618626, Project No. 169091 (SDP) was issued by the Planning Commission of the City to the City, as owner, and the Polo Club as lessee/permittee. The SDP was recorded September 13, 2011, in the San Diego County Recorder's Office as Document No. 2011-0473204. The SDP calls for the creation and maintenance of horse exercise track outside of the Coast to Crest Trail, allowed access of a public trail for use by equestrians and pedestrians, restoration of the sensitive vegetation, and restoration of areas previously disturbed by trail maintenance outside of the limits of the re-aligned trail, all along the San Dieguito River. The SDP is a covenant running with the Polo Fields.

In 2014, Ocean Industries, Inc., successor by merger to Watt, consented by letter agreement to clarify the allowed uses on the Polo Fields. However, City Staff recommends the proposed lease to Surf Cup Sports, LLC authorize uses as allowed by the grant deed and the historical uses on the Polo Fields in accordance with the Polo Club Lease.

In July, 2015, the Real Estate Assets Department issued a Request for Proposals (RFP) to lease and operate the property to best serve the needs of the local and regional community, while providing activities, programs and operations in accordance with the 1981 deed. The City received three (3) proposals in response to the RFP. Surf Cup Sports, LLC (Surf Cup) proposal was determined to be the only responsive proposal and fulfilled the City's goals as an operator who would provide a high level of service to the public and who could deliver

related activities in a fiscally responsible manner that preserves and improves the property as a community resource. Surf Cup brings over 24 years of experience in operating similar facilities and their plan will provide the maximum benefit to the San Diego community serving hikers, horseback riders and cyclists on the Coast to Crest trail, as well as birdwatchers, youth sports players, and youth polo players.

The proposed lease is for a twenty eight (28) year term that will expire on December 31, 2044, which coincides with the expiration of the 1981 deed restrictions. The quarterly base rent will be Sixty Thousand dollars (\$60,000) plus a percentage rent of ten percent (10%) of revenues payable and collected for the use on the property. Independent of the proposed lease, Surf Cup will resolve the outstanding work pursuant to the SDP, which is to restore the Coast to Crest Trail portion of the Polo Fields, with an estimated cost of \$1,000,000.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):

Goal #2: Work in partnership with all of our communities to achieve safe and livable neighborhoods.

Objective #4: Foster services that improve the quality of life.

Objective #5: Cultivate civic engagement and participation.

Goal #3: Create and sustain a resilient and economically prosperous City.

Objective #3: Diversify and grow the local economy.

Objective #5: Enhance San Diego's global standing.

FISCAL CONSIDERATIONS:

The City will receive a minimum monthly base rent of \$20,000 and a percentage rent of ten percent (10%) of all recreational rental fee revenues payable and collected for the use of the property. The minimum monthly base rent shall increase every five (5) years pursuant to Consumer Price Index adjustments. A fair market value appraisal will be conducted every ten (10) years of the percentage rent. The rent revenue will be deposited to the general fund 1000000.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE):

This agreement is subject to the City's Equal Employment Opportunity Outreach Program (San Diego Ordinance No. 18173, Section 22.2701 through 22.2708) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

This action was heard by the SG&LU Committee on June 29, 2016 and forwarded to the full Council with a recommendation to approve.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Carmel Valley Planning Board, Fairbanks Polo Club Homeowner's Association, and San Dieguito River Conservancy. On May 28, 2015, City Staff received input for the Request for Proposal from the Carmel Valley Community Board.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Residents of Carmel Valley, Fairbanks Ranch and surrounding areas. Visitors participating in sporting and recreational activities on the site.



Originating Department
Cybele Thompson
Director, Real Estate Assets Department



Deputy Chief Operating Officer
Ronald H. Villa