



THE CITY OF SAN DIEGO

DATE: March 13, 2014

TO: James Barwick, Director
Real Estate Assets Department

FROM: Eduardo Luna, CIA, CGFM, City Auditor
Office of the City Auditor

SUBJECT: Hotline Investigation of the Presidio Hills Golf Course Use and Occupancy Permit

The Office of the City Auditor received a Fraud Hotline complaint that alleged that the holder of the Occupancy and Use Permit for the Presidio Hills Golf Course has violated the terms of the agreement and has used the golf course for a parking lot. The complaint also alleged that the parked cars have caused damage to the golf course irrigation system and the permit holder has not yet fixed the damage caused by the parked cars.

The Department determined that the days that vehicles were allowed to park on the property were May 5 and 6, 2013 (Cinco de Mayo); the single, most popular tourist and visitor weekend of the year for the surrounding Old Town shops and restaurants. As such, every conceivable parking space in and around Old Town was occupied all weekend, leaving no available parking spaces for prospective golfers trying to utilize the golf course. The Permittee then allowed vehicles to park on the southernmost part of the property, which is the golf practice area and not part of the main 18-hole golf course, and was collecting money to park a car on the premises.

It was then determined that the allowing of parking on the golf course property on May 5 and 6, 2013 was an unauthorized use under the terms of the Permit. Sections 1(c) and 3 of the Permit state that parking is only authorized for golf-related purposes.

According to Section 3.7 (Unauthorized Use Charge) of the lease in effect on May 5 and 6, 2013, 20% of the gross revenue derived from that unauthorized parking should be considered "rent" and paid to the City. The term of the lease had expired in 2008 and per §2.2 of the lease agreement, the lease was in a "holdover" status whereby the provisions of the lease remained in effect month-to-month. A Use and Occupancy Permit for the Presidio Hills golf course was under negotiation in May 2013 and signed by the Permittee on June 6, 2013. The Use and Occupancy Permit required the Permittee to pay 100% of the gross income received for any activity not allowed by the permit. The rent for the month of May paid by the Permittee was the amount called for in the Use and Occupancy Permit.

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On February 13, 2014 the Permittee was notified in writing about the permit noncompliance and the Permittee was instructed to calculate the additional revenue collected for parking cars on May 5 and 6, 2013 and send the appropriate percentage of this revenue as additional rent. The Revenue Audit section of the City Treasurer's Office was also notified of the additional rent due.

The Department also provided information that sprinkler heads that appear to be damaged by parking cars or by maintenance activities of the Permittee are non-functional at this time. The Department explained that the water was shut-off to the original irrigation system to prevent a break in the water lines due to the fact that the original underground pipes are corroded or cracked. The Department advised that in 2009 the City's Golf Operations estimated it would cost \$232,000 to renovate the irrigation system.

Recommendation:

We recommend that the Real Estate Assets Department follow-up with the City Treasurer to ensure that the appropriate amount of additional rent revenue from the Permittee parking cars on golf course property be recovered.

Real Estate Assets Response:

The Real Estate Assets Department is in agreement with the contents of this investigative report. Our plan of action is to follow up with the City Treasurer to make sure that the identified revenue from the unauthorized activity is paid to the City.

We appreciate all of the assistance we received from the Real Estate Assets Department during our investigation. Thank you.

Respectfully submitted,



Eduardo Luna
City Auditor

cc: Honorable Mayor Kevin Faulconer
Honorable Members of the City Council
Honorable Members of the Audit Committee
Scott Chadwick, Chief Operating Officer
Stacey LoMedico, Assistant Chief Operating Officer
Gail Granewich, City Treasurer
Rolando Charvel, Interim City Comptroller
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst
Douglas Enger, Revenue Audit Manager
Barry Slotten, Property Agent