

CITY OF SAN DIEGO
M E M O R A N D U M

DATE: November 21, 2008

TO: Mission Bay Park Committee
Finance Sub-Committee Agenda of December 2, 2008
Full Committee Agenda of January 6, 2009

FROM: Jim Barwick, Director
Real Estate Assets Department

SUBJECT: Renewal of the Lease Agreement - Everingham Bros. Bait Company, Inc.

SUMMARY

Issue –Should the City renew the lease agreement with the Everingham Bros. Bait Company, Inc.?

Staff Recommendation – Recommend renewal of the lease agreement with the Everingham Bros. Bait Company, Inc.

Other Recommendations – The Natural Resources and Culture Committee of the San Diego City Council recommended exclusive lease negotiations (4-0) on June 23, 1999. The Design Review Committee of the Park and Recreation Department approved refurbishment and renovation of the existing barge on March 6, 2008. The Mission Bay Park Committee reviewed the proposed improvements on April 1, 2008.

Fiscal Impact – Rent to the City in the first lease year will be \$48,000. Rent will be increased by the Consumer Price Index every four years and upwardly adjusted to 6% of the lessee's gross income at the beginning of the eleventh lease year.

Environmental Impact – The lessee will submit an application for permitting of the proposed refurbishment.

BACKGROUND

The Everingham Bros. Bait Company, Inc. has leased a 0.181-Acre water area within Quivira Basin since 1965. The lessee operates and maintains the anchored bait barge consisting of twenty-six submerged receivers used for the retail/wholesale of live-bait. The existing lease commenced in May 1987. The barge has operated under a monthly tenancy since the original lease term expired in April 1997.

The rent paid to the City in the past four years was:

2008 - \$46,707
2007 - \$44,543
2006 - \$39,010
2005 - \$39,010

The lessee provides an essential service to the commercial sportfishing and individual boaters operating out of Mission Bay and has consistently been a good operator.

DISCUSSION

A new 10-year (with contingent option for a further ten years) lease agreement is proposed. Negotiations for a new lease began in 1997, but were suspended due to the proposed Quivira Basin redevelopment project. Negotiations resumed again after the redevelopment project was cancelled in 2002. In 2005, the basic terms of the lease were negotiated and the lease draft was approved by the City Attorney's office. The final stage of negotiations resumed in the fall of 2007 after the Mayor's moratorium on new leases was lifted.

Under the proposed lease the lessee is committing \$56,217 for renovation of the improvements, including construction of a new boat house that will be expanded by 3 feet to accommodate an electrical generator and installation of onboard restroom facilities. The dimensions of the barge will not change. The lessee will complete the renovations within three years. The lease terms and conditions comply with the new Council Policy 700-10 and provide the City with an improved rent structure. The initial annual rent of \$48,000 was determined via a staff estimate performed by a MAI designated California Certified General Appraiser appraiser. Comparable operators in Southern California examined to indicate market rent included those located in: San Diego Bay, Newport Beach, Oceanside and Los Angeles.

The proposed lease also meets the following objectives of the Mission Bay Master Plan Update:

1. Existing commercial leases intensified to the greatest extent possible, so as to minimize the taking of public land to expand or create new commercial leases elsewhere in the park.
2. Commercial leases support recreational opportunities.
3. Within the preceding objectives, commercial lease areas render maximum revenue utility to the City.

The main terms of the proposed lease are as follows:

<u>Uses</u>	Fishing bait barge with 26 underwater bait receivers for retail and wholesale live-bait supply;
<u>Term</u>	10 years commencing upon approval of the lease. Option to extend for additional 10 years upon completion of barge refurbishment;
<u>Rent</u>	Initial Annual Rent of \$48,000 paid monthly. CPI index adjustments at the end of the fourth lease year and every four years thereafter. Upwardly adjusted to 6% of the lessee's gross income at the beginning of the eleventh lease year.
<u>Development Plan</u>	Renovation of existing improvements within 36 months of the commencement of the lease at an estimated cost of \$56,217;
<u>Additional Consideration</u>	The City will receive 2% of the gross proceeds from any future sale, assignment, subleasing of a majority of the leasehold interest or encumbrance of the leasehold;

ALTERNATIVE

Do not recommend approval of the proposed lease.



James F. Barwick
Director

VB/vb