THE CITY OF SAN DIEGO

DATE ISSUED: November 11, 2008 Report No. 08-36

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of November 18, 2008

SUBJECT: Agency Owned Properties in the Linda Vista Redevelopment Project Area

REQUESTED ACTIONS:

(1) Authorize the non-renewal of the Lease Agreement with San Diego Skateworld Center, Inc. dated January 1, 2003 ("Lease Agreement") and allow for the Lease Agreement to expire by its own terms on December 31, 2008.

(2) Authorize the Agency Executive Director or designee to send a letter to San Diego Skateworld Center, Inc. advising of the Agency's non-renewal of the Lease Agreement and requesting San Diego Skateworld Center, Inc. to immediately provide written notice to its sublessees on the Skateworld site of the Agency's non-renewal and expiration of Lease Agreement on December 31, 2008.

(3) Authorize the Agency Executive Director or designee to negotiate and execute on behalf of the Agency individual month-to-month lease agreements with San Diego Skateworld Center, Inc. and the current retailers on the Skateworld site, in order to allow for prospective development of the site.

(4) Authorize the Agency Executive Director or designee to issue a request for qualifications and/or request for proposals for development of the Skateworld site and the adjacent vacant parcel owned by the Agency.

STAFF RECOMMENDATION: Approve the requested actions.

EXECUTIVE SUMMARY:

The Redevelopment Agency owns two properties within the Linda Vista Redevelopment Project Area: (1) the Skateworld complex which houses a roller skating rink as well as six other retailers; and, (2) a vacant parcel located at the northeast corner of Linda Vista Road and Comstock Street which is adjacent to the Skateworld site.

The Skateworld site is currently leased to San Diego Skateworld Center, Inc. ("San Diego Skateworld") under a master percentage lease agreement. Per the master lease agreement, San Diego Skateworld is responsible for the operation and maintenance of the premises which include the roller skating rink and the retail complex. San Diego Skateworld operates the roller skating rink and subleases the retail complex spaces to the current occupants. The current lease agreement between the Redevelopment Agency and Skateworld has been in effect since January 1, 2003 and is set to expire on December 31, 2008. The other Agency-owned parcel is contiguous to the Skateworld site and is currently undeveloped.

The current Agency's master lease agreement with San Diego Skateworld was planned to be short term with the intent of allowing Agency staff to gather community input regarding the long term disposition of the property and follow up based on the information. A survey was conducted in 2004 and the results indicated that there was community support for the continued use of the property as a skating rink. Consequently, in 2006 and 2007, the Agency issued a Request for Qualifications (RFQ) and a subsequent Request for Proposals (RFP) seeking to identify qualified development teams and appropriate proposals for the development of the Skateworld parcel as well as the adjacent corner parcel. The RFP stated that a deed restriction would be placed on any development within the Skateworld parcel so that the continued use of the property as a roller skating rink would be preserved. As a result of the RFP process, the Agency received only one proposal for the development of the Skateworld parcel, which was determined to be generally incomplete and inconsistent with the goals and objectives of the Redevelopment Plan. Given this outcome, Agency staff recommends that a new RFQ/RFP process be pursued for both of these parcels once staff has completed a market analysis to determine their highest and best use. Staff recommends that any subsequent pursuit for redevelopment of these parcels should not be encumbered by any restrictions or limitations on its use beyond those provided generally by the Redevelopment Plan, the General Plan and the Linda Vista Community Plan.

It should also be noted that earlier this year, the Agency assumed responsibility for the management of the master lease agreement with San Diego Skateworld from the Real Estate Assets Department of the City. As a result of this new responsibility, the Agency is conducting a comprehensive evaluation of the property in order to understand the current physical condition of the premises and to ensure performance of obligations required of San Diego Skateworld per the master lease agreement. Agency staff has proceeded with several tasks including the following: (1) assessing the overall condition of the premises; (2) evaluating whether the Skateworld site has the potential to be considered a *historical resource* as defined under the San Diego Municipal Code; and, (3) conducting a fiscal audit of San Diego Skateworld to ensure compliance with the terms of the lease agreement.

The results of these efforts to date are as follows: A Property Condition Report was prepared by Advantage Environmental Consultants, a qualified consultant, in September of this year. The report states that the Skateworld property "was observed to be in fair to poor condition. Maintenance appears to be minimal." A draft Historical Resources Report was also prepared in August of this year and findings show that the Skateworld structure has the potential to be considered a *historical resource*. Lastly, the fiscal audit of the existing lease is still under preparation and the results of this effort will be shared with the Agency Board and other interested parties, including community members, once completed.

Based on the findings to date of these evaluations, Agency staff recommends that the master lease agreement with San Diego Skateworld not be renewed but rather that the Agency assume responsibility for the management and operation of the premises and negotiate individual month-to-month leases with all current occupants including San Diego Skateworld. Further, Agency staff recommends that the Agency issue a new revised RFQ/RFP for development of both the Skateworld parcel and the adjacent undeveloped parcel once staff has completed a market analysis to determine their highest and best use. In this regard, given the results of the draft Historical Resources Report, staff recommends that the RFQ/RFP process be conducted in accordance with the Secretary of Interior Standards for Rehabilitating Historic Buildings.

At this time, Agency staff believes that the recommended actions are in the best interests of the Agency and the public.

FISCAL CONSIDERATIONS:
The Agency would receive revenue in accordance with the terms of the new leases. It is expected that the revenue received from the new leases would exceed the revenue generated by the Agency under the current master percentage lease with San Diego Skateworld as the Agency would receive one hundred percent of the lease income generated on the subject property. The terms of the current lease set the rent at fifteen percent of all gross income derived from operations of the premises with a minimum of $60,000 yearly. During calendar year 2007, the Agency collected $120,089.88 from this lease.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:
Agency staff has been attending the Linda Vista Community Planning Group meeting on a regular basis, reporting on its actions and receiving feedback.

Respectfully submitted,

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Bill Murray for
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Assistant Executive Director,
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Attachments:
1. San Diego Skateworld Center, Inc., Special Purpose Audit
2. Property Condition Report
3. Asbestos Containing Materials/Lead-Based Paint Survey and Qualitative Mold Evaluation