

FY2019



REAL ESTATE ASSETS DEPARTMENT

PORTFOLIO MANAGEMENT PLAN

REAL ESTATE ASSETS DEPARTMENT'S FISCAL YEAR 2019 PORTFOLIO MANAGEMENT PLAN

INTRODUCTION

The City of San Diego is unique among municipalities statewide in the size and diversity of its real estate portfolio. The City owns more than 1,600 properties that total an estimated 123,000 acres. These properties range in size from large tracts of open space to tiny remnant parcels, some of which have no Assessor's Parcel Number. The City's real estate portfolio includes all the facilities necessary to provide the basic functions of government, such as parks, police stations, fire stations, libraries, maintenance yards and administrative space. The portfolio also includes two airports, two stadiums and a large amount of open space. In addition, a significant number of properties are leased to third parties that generate income and/or provide cultural and community-based services.

The Real Estate Assets Department (READ) produced the department's first Portfolio Management Plan (PMP) in 2010. The PMP is a living document that was intended to be updated on a yearly basis to reflect changes in the portfolio and the real estate market. The purpose of the PMP is to enable the City's management and policy makers to have a better understanding of the City's real estate assets and how they can be best utilized to benefit the citizens of San Diego.

It is important to note that READ acts, in many respects, as the realtor for the City. In other words, once the City has determined a programmatic mission it would like to pursue, for any number of reasons, which involves a real estate lease or sale in order to implement the program, READ is the responsible department to go into the market and negotiate the best deal possible on behalf of the City and then the appropriate City department is provided with the real estate necessary to implement their program. Acting in this role, READ's real estate items brought to council for approval are often concurrent with introduction of a new program, however, it is important to note that the real estate transaction and the program for which the real estate was acquired are two entirely different responsibilities.

The link below may be used to explore details of the City's real estate:

<https://www.sandiego.gov/real-estate-assets>

This link provides visitors to the READ webpage access to the following tabs of information:

1. Portfolio Management Plan (includes the most recent PMP as well as a list of all City leases)
2. Map of City-owned Land (interactive map where anyone can research City owned property)
3. Property for Sale (current list of any City property being marketed for sale)
4. Requests for Proposals (for lease or services required)

Posting this information and updating it regularly allows the City to fulfill its transparency goals with the citizens of San Diego who will now have direct access to City real estate data and maps to allow for greater accessibility and ability to format data as needed by the user of that data.

OVERVIEW

San Diego Real Estate Market Overview

According to CBRE's 2018 report entitled "H1 2018 Trends: San Diego Capital Markets Report", San Diego commercial real estate transactions continued to demand high price tags across all product types, compared with the previous five-year average and office deals posted the second highest price per square foot in more than ten years.

"San Diego's market fundamentals are supported by strong regional economic drivers, " said Hunter Rowe, vice president of CBRE in San Diego. "Demand for quality, well located, amenitized office and industrial product remains coveted, particularly for value-add and core real estate."

CBRE advised that, although sales activity slowed through the first six months of 2018, deals continued to command considerable investor interest, resulting in higher values. Across all product types, price per square foot were up compared to the five-year average. Office deals posted the second highest price per square foot in more than ten years due to more core-plus and stabilized assets coming to market.

Among the major commercial real estate sectors, CBRE advised as follows:

Office

San Diego office space experienced substantial buyer demand, evidenced by rents and tenant demand remaining strong in this sector.

Industrial

Industrial product continued to be a hot asset and average pricing was higher than it had been, going back to 2009.

Vacancy rates were at or near all-time lows while rents have climbed in recent years, making it an attractive investment for buyers looking to hold and receive steady cash flow.

More than 3.5 million square feet in new industrial construction is expected to increase the inventory in the next several years, which will do little to satisfy the overwhelming tenant demand for quality industrial space in San Diego.

Retail

Market fundamentals in the local sector are strong, but limited buyer demand was likely holding back asset value.

Despite the softening overall volume of sales, price per square foot was 14.6 percent above the five-year average mark.

Multifamily

Suburban product remained especially attractive, due in part to the relatively low supply pipeline for that type of product. The majority of product in the pipeline is infill, focused in and around downtown San Diego, making suburban multifamily an attractive long-term play. Investors have been willing to pay top dollar for multifamily properties.

The City's Real Estate Portfolio and Overall Goals

The above real estate economic trends in San Diego are expected to positively impact lease revenue generated from the City's real estate portfolio, primarily via long term ground leases. Appraised values are anticipated to continue increasing as leases come up for renewal or as lessees request early lease extensions presenting long term opportunity for the City to continue improving its lease revenue income and support the Mayor and City Council's long term objectives to maximize the value of City-owned real estate which success will be demonstrated via overall increased lease revenue to the City. This increased revenue can then be utilized to support public policy objectives set by the Mayor and City Council each year during the budgeting process. READ's mission is to generally lease out City-owned property, versus selling it, where feasible.

Given the expected increase in office rents over the long term in San Diego, the City might consider purchasing assets it expects to occupy long term versus continuing to rent and be subject to the mercy of an improving office real estate market. The success of this strategy will be measured by comparing occupancy costs of continuing to lease property with the occupancy cost over the same period of time associated with owning the property. A strong benefit for the City is that we do not pay property tax on sites that we own or will own in the near term as structured in the acquisition, whereas we are still responsible to pay property taxes in buildings that we lease.

The strong economic showing for multifamily real estate in San Diego bodes well to support the Mayor and City Council's objectives to maximize the development of residential, and particularly affordable residential, housing. READ actively seeks opportunities for affordable housing on City-owned surplus property by offering surplus property first to affordable housing sponsors during the clearance process and also works closely with the San Diego Housing Commission and Civic San Diego to further the Mayor and City Council's objectives to maximize the opportunities for affordable housing on City-owned property. Success in this arena is demonstrated by the number of City-owned properties we are able to sell per year and the number of housing units which can be built on each site.

The revenue generated by the leasing of the City's real estate is a vital component of the City's budget. The portfolio's 123,000 acres can be broken down into three general categories. The first category is Ocean Lands which includes approximately 35,700 acres of the City's beaches and underwater properties adjacent to the beaches. The remaining 87,800 acres are almost equally divided between the Public Utilities Department (PUD) and the General Fund. PUD properties are owned by the respective Water and Sewer Enterprise Funds and are used to support PUD's various operations. General Fund properties, as the name implies, are owned by the City's General Fund and used to support the many different services provided by the City.

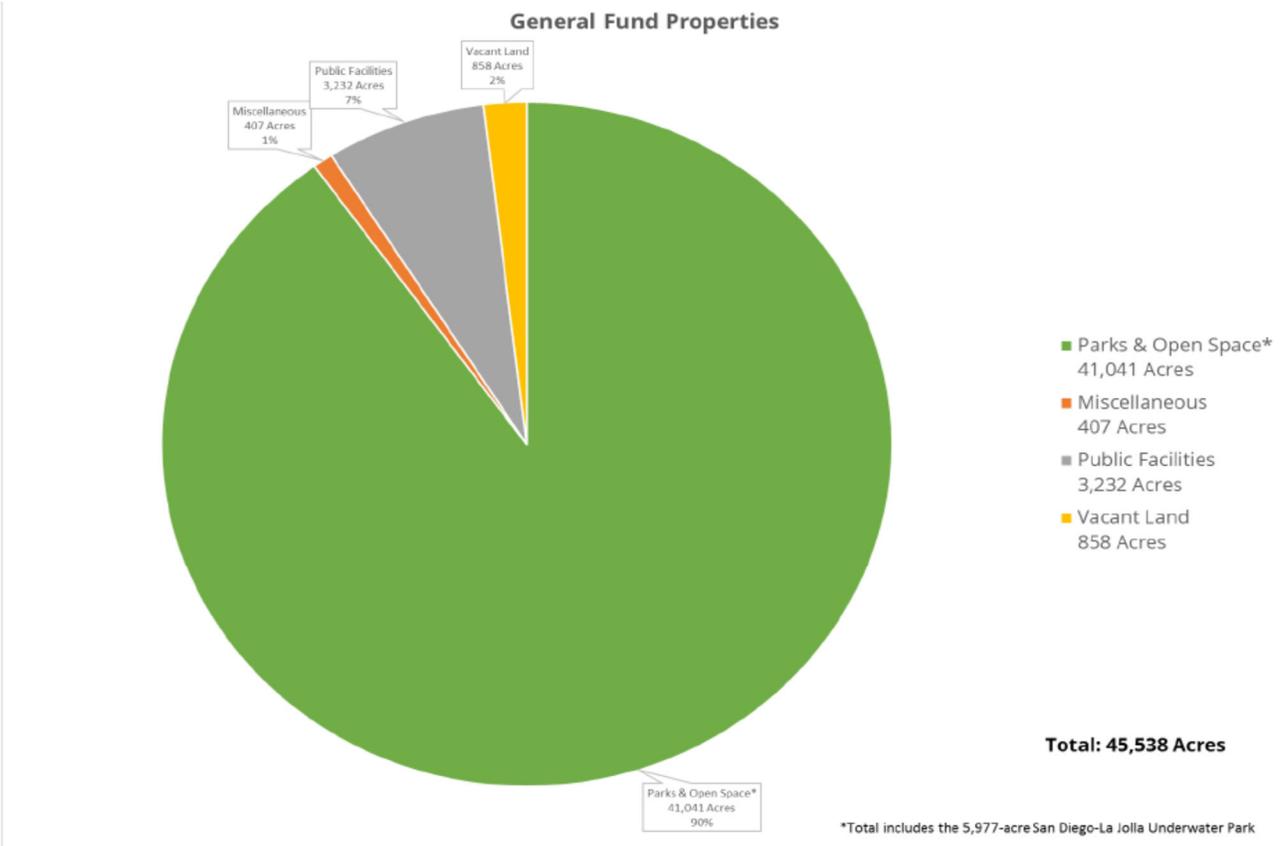
Public Utility Land use is as follows: Lakes and Reservoirs, 12,000 acres; Watershed, 18,000 acres;

City property that is sold must comply with California Government Code section 54222 and must be approved by the City Council.

Agricultural Preserve, 8,000 acres; Facility Sites, 2,200 acres; Park Space, 800 acres, Vacant Sites, 900 acres and Leased Sites 250 acres.

General Fund properties can be divided as follows: 90 percent are either Dedicated (set aside as park land by City ordinance or State legislative action) or Designated (informally set aside by the City as park land) as Park or Open Space; 7 percent are used for Public Facilities, 2 percent are vacant and the remaining one percent is either leased to third parties, used for transportation, and drainage or is property in which the City has only a partial interest.

In the next graph, the above division of General Fund properties is depicted graphically.



The Real Estate Assets Department

The Department's mission is *to serve the San Diego community through excellence in stewardship of the City's real estate assets.*

READ manages the City's real estate portfolio and provides direction for the operations of SDCCU Stadium, PETCO Park and the City's Airports Division. READ is organized to reflect its three core business functions; Property Acquisition and Disposition, Asset Management of the City's portfolio of leased properties and Corporate Services which administers the City's facility needs. Additionally, READ's Valuation Section provides appraisal services to support these core business units as well as other City departments.

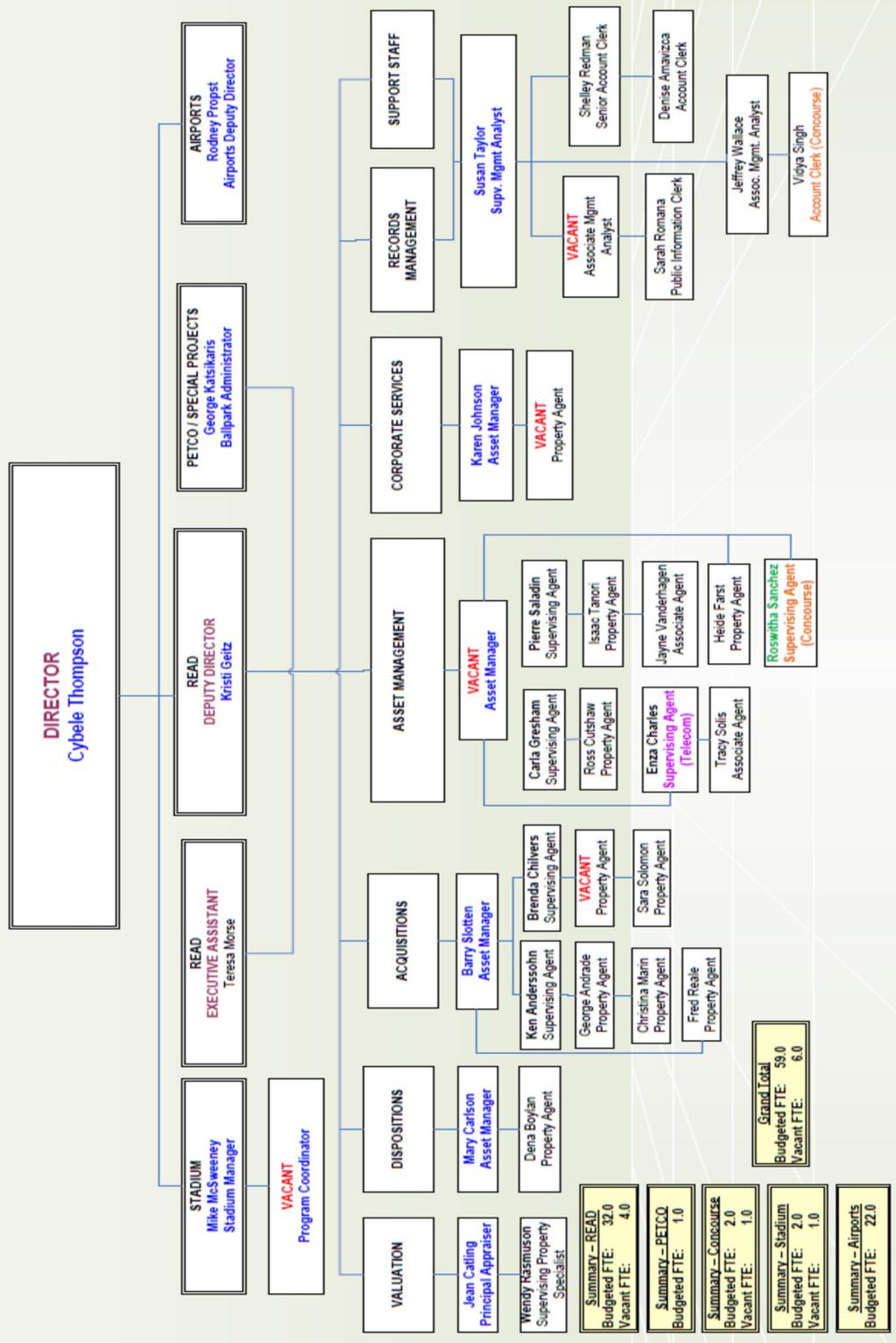
The five core divisions of READ's real property focus are:

1. Acquisition Division
2. Asset Management
3. Corporate Services
4. Disposition Division
5. Valuation

Each division is reflected in the following organization chart and is described in detail in the following sections.

REAL ESTATE ASSETS

Dated 04/22/19



ACQUISITION DIVISION

The Acquisition Division provides strategic direction and implementation of the acquisition of properties for the City's needs such as Capital Improvement Program (CIP) Projects, mitigation lands, source water protection properties and open space preservation. The Division provides all aspects of real estate services required for public works projects which include the administration of land use functions for City departments, other municipalities and governmental agencies, utility companies, and, when applicable, private interests. The Division also provides relocation assistance for businesses and private individuals who have been impacted by governmental acquisition of their properties. The Acquisition Division is certified by the State as qualified to perform acquisitions and other Right of Way activities for projects funded via Federal fund sources. A number of the READ agents possess professional real estate designations, including Real Estate Broker's licenses, SR/WA (Senior Right of Way Professional designation awarded by the International Right of Way Association), and CPM (Certified Property Manager designation awarded by the Institute of Real Estate Management).

Responsibilities

- Developing and implementing strategies for property acquisitions
- Providing information about existing City-owned property, including interpretation of property rights, zoning, and permitted uses
- Providing project review and consulting services to other City departments when a property acquisition is required for their project
- Implementing various types of property acquisitions needed to support City projects, such as acquiring temporary construction sites; whether by easements or partial or total fee interest. Partial or total fee interest identifies the level of ownership. Total fee represents full possessory rights and obligations now and in the future.
- Managing properties pending their demolition or clearance of right of way issues
- Reviewing, examining, and certifying title rights and legal descriptions
- Interpreting right of way drawings and certifying rights of way or easements
- Providing relocation assistance for businesses or residents impacted by land acquisitions
- Formulating strategies with all City departments for short and long-term uses of City properties
- Providing cross support and coordinating with utility companies, school districts and county, state, and federal agencies on projects with a real estate component
- Properly reviewing, cataloging, and updating the inventory of City owned property

Current Acquisition Program

Each year the Acquisition Division acquires numerous property interests (both fee-owned and easement) to support City operations. In FY 15 the Division had 96 active projects. In FY 16 there were 165 active projects. FY 17 had 145 active projects. FY 18 had 147 active projects, which include the acquisition of property for mitigation and open space preservation, acquisitions of property interests for the City’s numerous CIP projects, and the granting of easements and various use permits upon City-owned land to utility companies, other agencies, and private interests.

ACQUISITIONS IN PROCESS BY DEPARTMENT
(as of June 2019)

Library	3
Fire	3
Park and Recreation	22
Transportation and Storm Water	55
Public Utilities	39

FY18 Accomplishments

- Continually update ArcGIS Online map of all City owned property now posted on READ Webpage at <https://www.sandiego.gov/real-estate-assets>
- Acquired all easements necessary for the Burroughs & Dunlop Strom Drain Replacement Project
- Acquired properties for Parks and Recreation Open Space and Public Utilities Open Space Conservancy
- Acquired property for the Del Sur Neighborhood Park
- Acquired property for development of the Pure Water Program’s Morena Blvd Pump Station

FEE INTEREST PROPERTIES ACQUIRED IN FY 2018

COMMON NAME	LOCATION	COUNCIL DISTRICT	LAND COST
<u>ROSE CANYON LAND DONATION</u> – Acquired 2.7 acres to be preserved as additional Canyon Open Space	University City	1	\$97,000
<u>BLACK MOUNTAIN RANCH PARK</u> – Acquired 80 acres for MSCP – Open Space	Black Mountain Ranch	5	\$1,800,000
<u>MORENA BLVD PUMP STATION</u> – Acquired 2.74 acre property for construction of a Pure Water Program pump station	Morena	2	\$7,837,169
<u>BLACK MOUNTAIN RANCH NORTH PARK</u> – Acquired 5.035 acres for the Del Sur Neighborhood Park	Del Sur	5	\$313,987
<u>HELIX WATER DISTRICT LAND</u> – Acquisition of 4 parcels totaling 37.08 acres for Open Space Conservancy	Lakeside	County	\$975,000
<u>1788 PALM AVENUE</u> – Acquired .98 acre motel property for conversion to a Transitional Housing Facility for City’s SMART Program	Egger Highlands	8	\$6,650,000
<u>1401 IMPERIAL AVENUE</u> – Acquired 26,508 sq. ft. commercial building for conversion to a Housing Navigation Center	Downtown San Diego	3	\$7,000,000

FY19 Acquisition Division Action Plan

- Continue acquisition process for San Carlos Library (Fall of 2019)
- Acquire additional property for North County Water Reclamation Plant for Pure Water Program
- Continue acquisition process for Otay Truck Route Project
- Continue acquisition process for La Media Road Widening Project
- Continue acquisition process for Miramar Road Widening at Eastgate Mall Road
- Continue acquiring easements for City’s ongoing projects to rehabilitate water & sewer pipes City-wide
- Acquire a land-locked property near Lake Hodges for PUD
- Continue acquiring several multi-purpose trail easements for Parks & Recreation Open Space
- Continue land acquisition for Section 6 Vernal Pools
- Continue acquisition of several easements critical to the Pure Water Program pipeline route
- Continue granting easements to SDG&E for several overhead & undergrounding projects

Long Term Plan – Beyond FY2019

- Provide acquisition and streamlined services to support the City's enhanced CIP Program. This will include negotiation of property rights agreements or land acquisition, where necessary, depending on the nature of the CIP.
- Provide acquisition services and real estate-related support services to the Pure Water Program.
- Provide acquisition services in support of Public Utilities' source water protection.
- Provide acquisition services for the Public Utilities' Canyon Access Program.
- Provide acquisition services to the Multiple Species Habitat Preservation (MSCP) Program which aims to conserve a connected system of biologically viable habitat lands in a manner that maximizes the protection of species and precludes the need for future listing of species as threatened or endangered. The Acquisition Division is actively looking for willing sellers in both the East Elliott area of Mission Trails and in the Otay Mesa Area towards this goal.
- Provide acquisition services to Transportation & Storm Water for Tijuana River Valley (TJRV) Flood Control, which aims to restore habitat and natural river flows, reduce flood damage risks, and enhance public access and recreation opportunities. The Acquisition Division is actively looking for willing sellers in the TJRV towards this goal.
- Provide acquisition services to Economic Development for the City's Homelessness Program.
- Provide acquisition services to Public Utilities for additional phases of the Pure Water Program.

DISPOSITION DIVISION

The Disposition Division is primarily responsible for processing disposition of improved or vacant surplus properties and performs a multitude of tasks to support the various real estate requirements of other City departments. *READ's mission is to generally lease out City-owned property, versus selling it, where feasible.* These functions include:

- Responsibility for all aspects of disposition of City property
- Providing information to the public and City departments regarding City-owned property
- Reviewing and examining title rights and legal descriptions
- Interfacing with other City departments for short and long term uses of City properties
- Performing review of vacant City property through an extensive review process involving City departments and public agencies
- Managing the disposition process for potential surplus City owned properties
- Collaborating and resolving property issues with City departments

In addition, the Disposition Division interfaces regularly with related entities such as Civic San Diego regarding former Redevelopment Agency property questions and the San Diego Housing Commission regarding various lease agreements involving City property. The Disposition Division handles various special projects including multiple Use and Occupancy Permits with SANDAG to facilitate construction of the MidCoast Transit Project, vacant land inquiries and various other agreements as needed.

Disposition Process

- Clear properties for sale with City departments and then with agencies and entities required by California Government Code section 54222, as well as the San Diego Housing Commission and Civic San Diego.
- Maintain a list of affordable housing developers and, as a courtesy, notify them of surplus property during the process described above.
- Analyze Preliminary Title Reports
- Review legal descriptions, plat maps, and create necessary legal documentation for dispositions
- Review appraisals
- Prepare documentation for City Council docketing and Council approval
- Sell properties via direct negotiations and through brokers

- Negotiate purchase & sale agreements
- Reserve easements for City facilities
- Prepare and submit applications to DSD to remove unnecessary easements affecting title to the property to increase its value (i.e., street vacations, easement vacations)
- Open escrows, monitor due diligence, and prepare and review all documentation necessary to close escrow
- Prepare reports to the Council and make presentations to the Council for authorization
- When transactions are closed, receive all documentation and prepare property files to be forwarded to the Information Management Section to remove from the City's property inventory

Retention of Vacant City Property

All City departments are notified of potential disposition of City property deemed surplus and given 30-days to advise READ if the property is needed for a City project or purpose. Departments may place a hold on the property for 5 years. After 5 years, if a project is not underway, READ may pursue a sale per the terms set forth in Council Policy 700-10. This practice does not impact properties that are being held for long term planned development identified in the City's CIP Program with identified funding.

Affordable Housing on City-Owned Property

READ actively seeks opportunities for affordable housing on City-owned surplus property by offering surplus property first to affordable housing sponsors during the clearance process described on the previous page.

READ requests input from the San Diego Housing Commission and from Civic San Diego during the clearance process regarding reasons why a site may or may not be attractive for the purpose of developing affordable housing.

FY18 Accomplishments

- In FY18, READ contacted California Housing Agency (CALHFA) to encourage them with their process for approving Housing Sponsors pursuant to California Government Code

City property that is sold must comply with California Government Code section 54222 and must be approved by the City Council.

section 54222. Certifying Housing Sponsors was a new process and CALHFA now has a process for certifying Housing Sponsors.

- READ developed a list of over 50 affordable housing developers and, as a courtesy, notifies them of surplus City property.
- READ issued a Request for Proposal for Commercial Real Estate Brokerage Firms on 09/08/17 to maximize real estate opportunities for the benefit of, and on behalf of the City to provide various as-needed real estate services including Landlord and Tenant Representation Services.
- In addition to surplus property sales, the Disposition Division handles various special projects including multiple Use and Occupancy Permits and various other agreements as needed.

JOB CATEGORY	NUMBER COMPLETED
Joint Use Agreements	2
Leases (New) or Lease Renewals	2
Lease Amendments	1
Leasehold Inspections	36
Lease Terminations	5
Permit Amendments	2
Permits Issued	5
Pre-Disposition/Surplus Property Notifications	18
Properties Sold	7
Purchase & Sale Agreements (Executed)	9
Purchase & Sale Amendments	9
Purchase & Sale Assignments	2
Present Sales at Council (Not including informational items)	11

Residential Property Review

In FY18, READ comprehensively reviewed all City-owned land which has some form of residential zoning placed on it. READ worked with City departments, including Development Services, Transportation and Storm Water, Public Utilities, Parks and Recreation as well as, the San Diego Housing Commission and Civic San Diego, to determine if there is any land which would be suitable for affordable housing development. Real Estate Assets staff partnered with Development Services to identify all base zones that allow residential uses. Staff then manually reviewed the zoning code to cross reference the data and compiled a list of 1,420 City-owned properties that may allow residential use.

The majority of City-owned properties are in use and/or being held for essential City services such as existing police stations, fire stations, libraries, maintenance yards, airports, Petco Park, dedicated parkland, and long-term leases to third parties. In addition, many properties are used for:

- Water and sewer pipelines (buildings and improvements are prohibited over pipelines)
- Drainage (buildings and improvements are prohibited over drainage facilities)
- Watershed properties (owned for the sole purpose of keeping the properties undeveloped)
- Source water protection buffer (i.e., Lake Hodges)
- Mitigation (existing and future)
- Right of Way (streets/sidewalks in process of being dedicated)

During the review of potential residential properties, 22 properties were identified as potentially suitable for housing use, subject to further review by City staff. One of the properties was subsequently determined to not be available for sale as it is subject to the Long Rang Property Management Plan under the dissolution requirements of the former Redevelopment Agency, and eleven others were requested to be retained by City departments, and/or determined not suitable for housing use:

Site Code	Common Name/ Location	Acres	APN(s)	Comments
K302MM *	SEWER PUMP ST64 FORCE MA2 ROSELLE ST IN SORRENTO VALLEY	15.07	340-080-64	Residential use not permitted in IL-3-1 zone.
M212PM	SITE 406 NAUTILUS ST & AV ANDORRA SLY	0.108	352-470-10	Triangular shape.

Site Code	Common Name/ Location	Acres	APN(s)	Comments
M211PM	SITE 619 TORREY PINES RD & BLVD PL	0.205	346-484-07	
N218PM *	DESERT VIEW DR HOUSE SITE(DEMOLISHED) 5635 DESERT VIEW DR, LA JOLLA 92037	0.730	358-391-08	Hold. Sloping. Acquired due to a lawsuit.
O307PM *	SITE 557 MORENA BLVD SWLY BRANDYWINE	0.117	425-012-22	Hold for staging use for a City CIP project.
O308PM	SITE 558 MORENA BL NWLY BUNKER HILL	0.140	425-012-00, 425-012-24	425-012-00 is Right of Way and would require vacation.
P317PM **	SITE 456 FRIARS RD & COLUSA ST NE CORNER	0.290	436-601-10	Identified for PSH purposes.
Q211P1 *	SITE 017-B NIMITZ BL WLY W PT LOMA BL	2.990	449-860-83	Hold. Two zoning designations. Leased to Youth Tennis until 2029.
S443SM *	St Joseph's Park Site (Future Park)	0.689	433-442-06	Subject to Long Range Property Management Plan for Park use.
R550PM	SITE 255 REDWOOD & 32 ND STS NW CORNER	0.143	453-562-32	Contains existing storm drain infrastructure.
G407PM *	ROUTE 56 EXCESS SHERBOURNE LN NLY; SLY ROUTE 56	15.470	306-011-46	Hold. Leased. Within MHPA. Retain for Open Space.
H516PM *	CARMEL MTN PARK & RIDE 10029 CARMEL MT RD WLY FREEPORT CT	2.080	315-100-05	Hold. Three zoning designations. Retain and transfer to Parks & Rec.
I514PM **	MIRAMAR RCH PARK & RIDE I-15 ELY OF/NLYSCRIPPS POWAY PKWY	1.142	315-610-05	Park and Ride. Two zoning designations. Identified for PSH purposes.
P617PM *	DEL CERRO FORMER HOMESITES (Demolished) GENOA DR AND ADOBE FALLS RD	0.741	462-121-03, 462-300-03, 462-300-04	Hold. Sloping. Acquired due to litigation.
N506PM*	SITE 026 AERO DR & RUFFIN RD SWLY OF	10.970	421-030-57, 421-030-59	Hold. Occupied by City staff. IP-2-1 zone.
S503LB	LOGAN HTS BRANCH LIBRARY-OLD (VACANT) 811 S. 28 TH ST.	0.186	550-011-01	Eligible for designation in Draft Southeast San Diego Historic Context Statement. Market for sale.
Z711PM	SITE 870 FOOTHILL RD & SMYTHE AV NW COR	0.690	638-041-17	Market for sale.

Site Code	Common Name/ Location	Acres	APN(s)	Comments
T516PM **	SITE 496 BIRCH ST WLY OSBORN ST	0.174	550-740-10, 550-740-11	
T515P2 *	SITE 495-C 40 TH & Z STS NELY OF	0.050	551-200-21	Hold. Triangular shape. Next to cul de sac. Suitable for recreation, open space, appropriate for a pocket park along Chollas Creek, suitable for a portion of Chollas Creek trail connection.
R623PM **	SITE 599 FAIRMONT AV SELY REDWOOD ST	0.167	476-291-31	2 zoning designations on the parcel. Identified for PSH purposes.
R642PM *	FAIRMOUNT WIDENING 2004 RIDGE VIEW DRIVE	0.191	541-070-01	Community garden. Identified for future storm drain improvements and green infrastructure.
Q642PM *	CHOLLAS & UNIVERSITY SITE – Right of Way UNIVERSITY AVE & CHOLLAS PKWY SWLY	1.357	472-520-00, 472-620-00	Hold. Right of way. Street vacation required. Retain for future park. Refer to Mid City Community Plan.

* Held for City use and/or not suitable for housing, at this time.

** Identified in FY19 for Permanent Supportive Housing RFP.

Council Policy 700-10

READ reviewed and is updating Council Policy 700-10, and its related policies, to make modifications which could result in even greater affordable housing development on City-owned properties

Property Sales: FY 2018

Since July 1, 2017, the Dispositions Division processed sales of 7 properties for a total of \$2,727,501. Competition among buyers was facilitated by utilizing commercial real estate brokers, who are paid a commission by the City, to market the properties and enabled the City to receive \$886,001 more than the appraised value of the properties. Sale proceeds are deposited into the Capital Outlay Fund unless the acquiring resolution or ordinance indicates otherwise.

PROPERTIES SOLD DURING FISCAL YEAR 2018
(as approved by City Council)

	PROPERTY	USE	ACRES	APPROVED PRICE	SALES PRICE	DATE SOLD	DIFFERENCE BETWEEN APPROVED VALUE/SALES PRICE
1	Chadwick & Manos – 30” Wide North Side of Chadwick, San Diego	Residential	0.23	\$27,500	\$30,000	10/20/17	\$2,500
2	Chula Vista Village E East and Village 10 Adjacent to State Route 125, Chula Vista	Planned Community	11.44	\$261,000	\$261,000	01/05/18	0
3	Chula Vista Village 8 West Portion of APN 644-070-14	Planned Community	2.70	\$51,000	\$51,000	04/09/18	\$0
4	Imperial Ave and 32 nd Street, San Diego	Residential	0.34	\$52,000	\$75,000	04/12/18	\$23,000
5	Fletcher Parkway & Jackson Drive, La Mesa	Commercial	0.40	\$75,000	\$255,000	05/08/18	\$180,000
6	Rutgers Road – Former ROW Van Nuys and Cass Street, San Diego	Residential Unimproved Land	0.13	\$200,000	\$401,501	05/23/18	\$201,501
7	Jamacha & Cardiff SW Corner Portion, San Diego	Commercial	1.36	\$1,176,000	\$1,655,000	06/29/18	\$479,000
	Total Sold:		16.60	\$1,842,500	\$2,728,501		\$886,001

Properties Available for Sale (Fiscal Year 2019)

The following properties are currently for sale and will be presented at City Council for approval to sell:

No.	Misc Properties	Site Code	Zone Allows Residential Y/N	Fund
1	Langley St Parcel	S596-001	Y	Balboa Park & San Diego Library Endowment Funds, split evenly
2	El Cajon & Central	Q537-001	Y	Fund 38978, CIPs 58-274.0 and 58-209.0
3	University and 40 th	Q538-001	Y	Fund 38978, CIPs 58-274.0 and 58-209.0
4	University and 41 st	Q541-001	Y	Fund 38978, CIPs 58-274.0 and 58-209.0
5	Whittier St & Nimitz Blvd	Q203-003	Y	Gas Tax 200118
6	Catalina Blvd & Nimitz Blvd	Q203-004	Y	Gas Tax 200118
7	SE Catalina Blvd & Nimitz Blvd	Q223-001	Y	Gas Tax 200118

	General Fund Properties	Site Code	Zone Allows Residential Y/N	Fund
1	Silktree Terrace	T538-001	Y	Misc. Revenue 400002
2	Rancho Carmel & Provenal Park and Ride	G608-001	Y	Misc. Revenue 400002
3	Villa Merced	Y607-000	Y	Misc. Revenue 400002
4	60 th & University	Q707-001	Y	Misc. Revenue 400002
5	34 th & A Street	R576-001	Y	Misc. Revenue 400002
6	A St & Felton	R575-001	Y	Misc. Revenue 400002
7	415 Euclid *	S645-001	Y	Misc. Revenue 400002
8	2 nd St & Mariposa	T609-001	Y	Misc. Revenue 400002
9	K St & 33 rd	S530-001	Y	Misc. Revenue 400002
10	Boundary & Redwood	R533-001	Y	Misc. Revenue 400002
11	29 th Ave & C Street	S513-001	Y	Misc. Revenue 400002
12	11 th & Ash St ROW	R402-001	Y	Misc. Revenue 400002
13	Boundary & Redwood	R533-001	Y	Misc. Revenue 400002

* Potential donation or property exchange to/with County

	Misc Properties that do NOT Allow Residential Use	Site Code	Zone Allows Residential Y/N	Fund
1	Greenwood & Morena	P308-003	N	Misc. Revenue 400002
2	Clairemont Mesa & Murphy Canyon	M507-002	N	Misc. Revenue 400002
3	San Ysidro & Dairy Mart Rd ROW	ROW	N	Misc. Revenue 400002
4	NWC Clairemont Mesa & Murphy Canyon ROW	M512-001	N	Misc. Revenue 400002
5	Front St & Border Village Rd ROW	Z726-001A, 001B, 001C	N	Misc. Revenue 400002
6	Former San Ysidro Library Site	Z732-001	N	Misc. Revenue 400002

	Clearing For Sale First Quarter 2019	Site Code	Zone Allows Residential Y/N	Fund
1	University Ave & 54 th St ROW	Q625-001	Y	Gas Tax 200118
2	Bonair St (East Terminus)	M102-002	Y	Misc. Revenue 400002
3	Torrey Pines Rd & Boulevard Pl	M211-001	Y	Misc. Revenue 400002
4	Lauriston & Paxton	Y608-000, 002-017	Y	Misc. Revenue 400002
5	Morena Blvd & Bunker Hill St	O308-001, 002	Y	Gas Tax 200118
6	Morena Blvd & Brandywine St	O307-001	Y	Gas Tax 200118
7	Cortez Hill	R420-001	Y	Misc. Revenue 400002
8	NWC Foothill Rd & Smythe Ave	Z711-001	Y	Gas Tax 200118

	Clearing For Sale First Quarter 2019	Site Code	Zone Allows Residential Y/N	Fund
9	Former Mission Hills Library HOLD	Q402-001, 002, 003	Y	Misc. Revenue 400002

Public Utilities Department Properties for Sale

The Public Utilities Department analyzed their Water and Sewer Fund properties to determine if any of those can be sold. All sales revenue derived from the sale of Public Utilities Department properties is deposited into the Capital Outlay Water Fund 400004. The following properties are proposed to be sold and will be presented at City Council for approval to sell:

	Public Utilities Properties	Site Code	Zone Allows Residential Y/N
1	Rancho Del Rio	Z706-001	Y
2	Foothill Rd & Smythe Ave	Z711-002	Y
3	Talmadge Park Unit 2	P607-001	Y
4	Monroe Ave Former Pump Station Site	Q626-001	Y

	Public Utilities Properties	Site Code	Zone Allows Residential Y/N
5	36 th & K Street	S528-001	Y
6	Chadwick & Manos – South Portion	U707-001	Y
7	Sweetwater Rd & Lomacitas Lane	U711-001	Y
8	Reo Dr & Banbury St	U705-001	Y
9	San Onofre & Santa Isabel	S612-001	Y
10	Broadway & Wunderlin	S729-001	Y
11	Wunderlin Ave & Brooklin Ave	S730-001	Y
12	Woodman St & Madrone Ave	S711-001	Y
13	Logan & Coban	T606-001	Y
14	Saranac St Lot between 72 nd & 73 rd St	P705-001	Y
15	Velma Ter & Trinidad Way	S606-001	Y
16	Velma Ter & Trinidad Way	S606-001	Y
17	Velma Ter & Trinidad Way	S606-001	Y
18	San Bernardo & Trinidad Way (Parcel A)	S607-001	Y
19	San Bernardo & Trinidad Way (Parcel B)	S607-001	Y
20	San Bernardo & Trinidad Way (Parcel C)	S607-001	Y
21	La Paz Dr & San Bernardo Terr	S609-001	Y

	Public Utilities Properties	Site Code	Zone Allows Residential Y/N
22	La Paz Dr & San Bernardo Terr	S609-001	Y
23	Olvera Ave & Santa Isabel Dr	S610-001, S610-002	Y
24	Olvera Ave & Santa Isabel Dr	S610-001, S610-002	Y
25	Olvera Ave & Santa Isabel Dr	S610-001, 610-002	Y
26	Santa Isabel & Encina	T608-001	Y
27	Republic St & Weaver St	R703-002	Y
28	Eider Street Former Standpipe Site	R704-002	Y
29	Mission Gorge Sewer Pump Station	M801M2- 001, 003 M801MM- 002	Y

As seen in the photo below, several of these properties are remnant parcels originally acquired for water or sewer projects that are no longer needed.



Street and Easement Vacations

In accordance with Council Policy 700-10, unnecessary easements affecting title to City-owned property are removed if this will result in a commensurate increase in value. Accordingly, the Dispositions Division submits Street and/or Easement Vacations for various properties. Once the easements are vacated, the properties may be sold (after Council authorization to sell):

Street Vacations Completed (Fiscal Year 2018)

	Common Name	Address/Location	Acres	Zoning	Current Use	Fund
1.	Jamacha & Cardiff SWC 7/25/17	South West Corner Jamacha & Cardiff San Diego	1.1	CC-2-3	Unimproved land	Capital Outlay 400002
2.	Rutgers Road at Van Nuys Street	Rutgers, Van Nuys and Cass Street, San Diego	0.129	RS-1-7	Unimproved Land	Capital Outlay 400002

Vacations In Process:

	Common Name	Address/Location	Acres	Zoning	Current Use	Fund
1.	Silktree Terrace (Sidewalk and concrete ramp leading to former bridge at Southcrest Trails Park)	Next to 3555 Silktree Terrace, San Diego	0.118	SESDDP- MF-2500	Not in use	Capital Outlay 400002
2.	10 Valencia Park Properties	Various, San Diego	1.6	RS-1-7	Unimproved Land	Water Fund 400004
3.	Fay Ave & Muirlands	7021-7023 Fay Ave, La Jolla	0.425	RS-1-7	Unimproved land and 2,475 sf duplex	Capital Outlay 400002

FY19 Disposition Division Action Plan

- Work with real estate brokers to market and sell excess properties.
- Initiate Request for Quotes (RFQ) for the procurement of commercial real estate brokers from the approved list to assist with the sale of commercial properties (Lusk Blvd, Villa Merced, Former Logan Heights Library, Lauriston & Paxton).
- Finalize selection of the brokerage firm that was selected during the Request for Proposal (RFP) for the procurement of residential real estate brokers to assist with the sale of various residential properties.

- Work with buyers to finalize purchase and sale agreements and complete sales of three City Heights properties, the former 10211 Rancho Carmel Park and Ride, the former Pacific Beach Reservoir, San Ysidro & Dairy Mart Road, and 1005 B Street.
- Work with Development Services Department to complete Street and Easement Vacations prior to selling certain properties (Fay & W. Muirlands, Silktree Terrace, Valencia Park).
- Complete the sales of the various properties that have been identified for sale by direct negotiation with adjacent property owners (Una & Vesta Right of Way, Chula Vista 8E and Village 10 and Chula Vista 8 West).
- Complete the transfer of the remaining properties to SANDAG as approved by City Council for the Mid Coast Transit Project (Tecolote, Balboa, and Rose Canyon Easement).
- Prepare street dedication on a portion of City-owned property located at Morena Blvd and Tecolote with SANDAG for an ADA ramp to support the Mid Coast Transit Project.
- Complete the sales of La Jolla Marine and San Diego Square to San Diego Housing Commission with restrictions for continued affordable housing use.
- Continue clearing and processing sales of excess properties.

Long Term Plan – Beyond FY19

- The Public Utilities Department (PUD) requires a site for its Pure Water Facility and has proposed a land swap between PUD and the General Fund. PUD proposes to exchange their Copley Drive site for the NTC/Harbor Drive site. The Copley Drive property is the proposed site for a joint use Fire and Police Training Facility and the Harbor Drive site would be the location for the new Pure Water Facility. Both properties were appraised in 2017 and Council authorization will be required for the exchange.

Property Location	Acres	Appraised Value 2017
5784 Copley Drive	23.75	\$49,700,000
4347 Harbor Drive	22.84	\$50,613,000

- Clear and market various residential properties that were identified during the review of all City property that allow residential use.
- Continue to review and clear excess General Fund properties for City use and/or potential sale.
- Develop a streamlined interactive review process for City departments for use when reviewing City properties.

ASSET MANAGEMENT DIVISION

The Asset Management Division (AMD) is responsible for the overall management of the City's portfolio of ground leases and use and operating agreements. As such, it provides strategic direction, administration and management support services for real estate portfolio management, asset growth strategies, portfolio analysis and leasing.

The AMD is also responsible for maximizing the value of the City's portfolio of owned and leased property assets by developing short range and long-term strategies based on the needs and objectives of the City. A number of staff possess professional real estate designations including Real Estate Broker and Salesperson's licenses, RPA, LEED AP, CPM and SR/WA.

Responsibilities

The AMD manages a wide variety of for-profit and non-profit agreements including long and short-term agreements, use and occupancy agreements and right of entry permits totaling 526 in all. The types of uses range from hotels to avocado farms, golf courses to industrial sites, non-profit agencies to telecom sites.

Property agents are generally assigned one or more specialized types of agreements grouped either by geographical location or type of business (for example, telecom, non-profit, agricultural) in order to provide the highest level of professional management possible. Examples of leases that AMD staff manage on City property include SeaWorld, the San Diego Zoo, the Mission Bay hotels, the La Jolla Gliderport and agricultural leases in the San Pascual Valley.

Total revenue collected from leases and other associated agreements (including airports) in FY 2018 was \$80 million.



The Division also provides management for the rental and use of the Community Concourse facilities as well as management for the Evan V. Jones Parkade parking garage and Civic Center Plaza garage. The Community Concourse is managed through a contract with DMS Facility Services, LLC. DMS employs six full time and six part-time employees at the site. Last fiscal year the Concourse was the site of 45 Golden Hall events including Salvation Army holiday dinners, holiday parties for homeless children, the California State bar exam, Election Central, local high school graduation events, various employment job fairs, 12 U.S. naturalization ceremonies, and 454 City meetings and events. The total revenue from Concourse events is approximately \$570,000 each year. Net income to the City from the Evan V. Jones garage is approximately \$1.6 million per year. Civic Center Plaza garage net income to the City is approximately \$290,000 per year.

FY18 Accomplishments

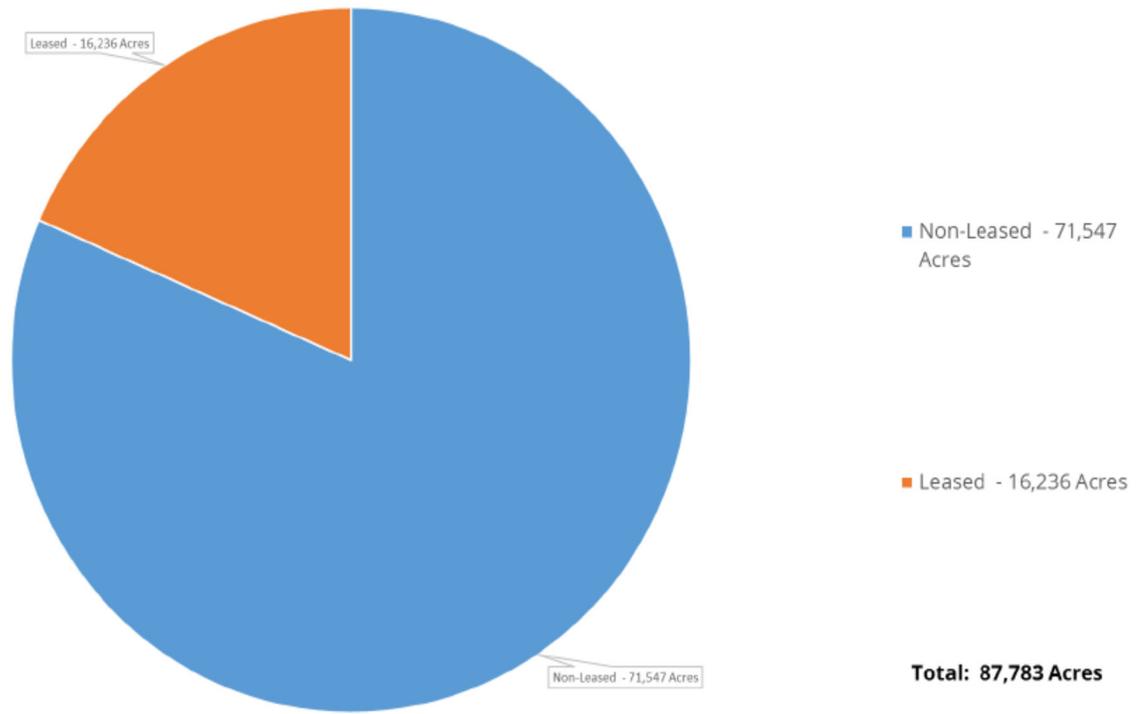
The AMD completed 400 job assignments within the Fiscal Year ending June 30, 2018, as shown in the breakdown below. The below facilities referenced are located in each of City Council districts 1 through 9.

- Negotiated a new 50-year percentage rent lease agreement with LHO Mission Bay Rosie Hotel (Mission Bay Hilton) which includes a \$15 Million capital investment to the property and is anticipated to increase annual rent revenue to the City by more than \$240,000 per year after the improvements are complete.
- Negotiated an Amendment to an existing agreement with Neighborhood House in City Heights enabling them to receive a \$700,000 Federal grant to construct, operate and maintain a child day care center.
- Amended the Agreement between the City and Ace Parking for management of the Parkade to include language that ensures that payments are taken by Ace in a manner that is within the Payment Card Industry (PCI) compliance.

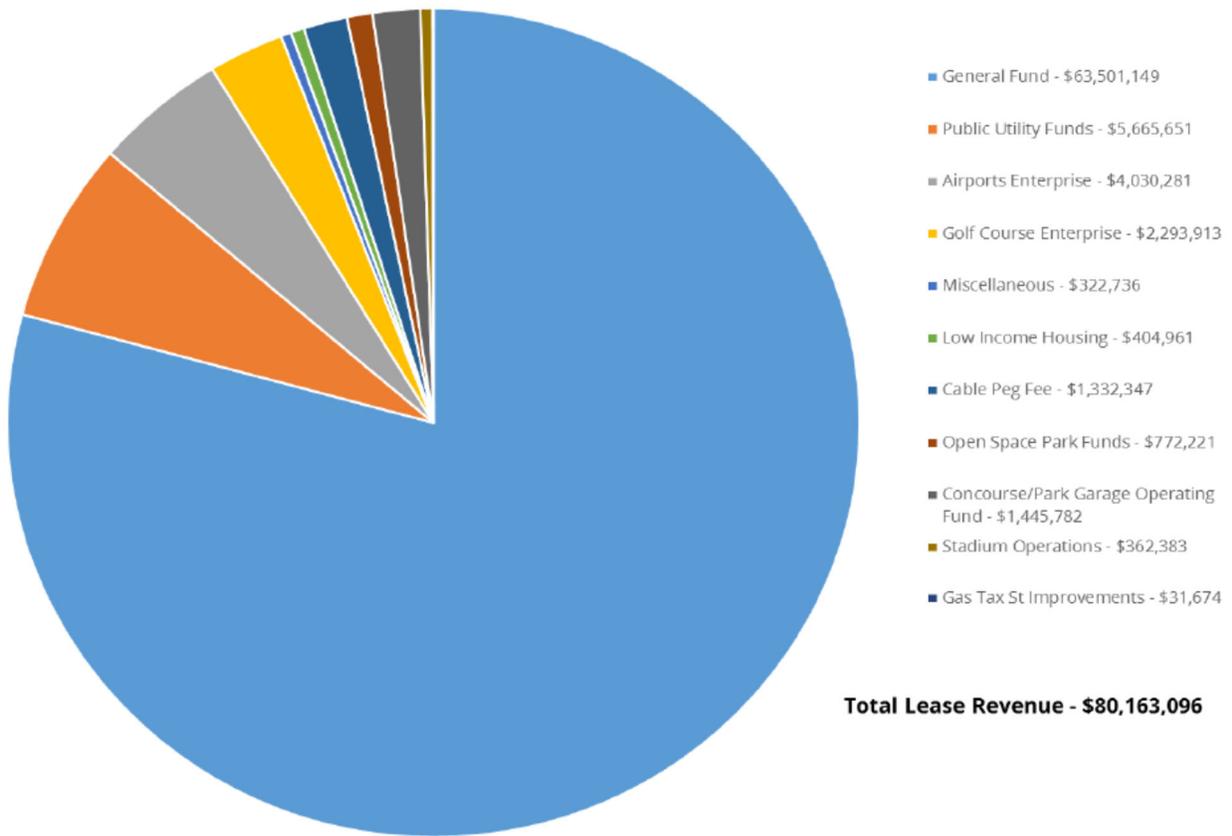
- Negotiated a 20-year Concession Agreement on behalf of the Public Utilities Department with Pyramid Enterprises for concession stands at various City reservoirs providing boat rentals, the sale of refreshments and fishing licenses which allows the public to enjoy the City's water resources.
- Completed a Request for Proposals (RFP) and negotiated a 20-year Non-Profit Lease Agreement on behalf of Parks and Recreation for the operation of a Senior Center at the North Clairemont Recreation Center.
- Negotiated and processed a Use and Occupancy Permit with the Jewish Community Center in order to expand services for operation of their Safe Parking Program at a location on Aero Drive.
- Processed the Assignment of the San Diego Hall of Champions agreement to the San Diego Comic Convention for operation of the Comic-Con Center for Popular Culture in Balboa Park.

JOB CATEGORY	NUMBER COMPLETED
New Leases or Lease Renewals	25
Lease Amendments	4
Consent to Lease Assignments	2
Leasehold Inspections	122
CPI Rent Adjustments	44
Market Rent Adjustments	5
Rent Escalations	61
Minimum Rent Adjustments	28
Permits Issued	22
Consent to Subleases	9
Lease Terminations	5
Request for Proposals Issued	4
Community Concourse Licenses	36
Miscellaneous Jobs	39

Leased Acres as Part of Total Acres



FY18 Lease Revenues by Fund



FY19 Action Plan

- Complete Torrey Pines Center South Option Agreement, Lease Amendment and Development Agreement for the UCSD Fire Station
- Negotiate a proposed new 20-year lease with SD Rowing Club on Mission Bay
- Negotiate a new lease for redevelopment of Sportsman's Seafood
- Negotiate new leases with Boy Scouts for its facilities on Fiesta Island and Balboa Park
- Negotiate a new lease for the World Beat Center in Balboa Park
- Issue a Request for Proposals for the Chicano Park cultural/educational building in Barrio Logan
- Negotiate a new lease for Friends of Riford Center
- Completion of the automation of the Evan V. Jones Parkade and set up systems with multiple City departments for Validation, ETAP, Carpools
- Negotiate a new lease for expansion with the Putnam Foundation dba the Timken Museum of Art in Balboa Park
- Negotiate new 50-year leases for Cedar Shores, Orchard and St. Associates for three existing multi-family residential agreements which include senior and affordable units
- Complete RFP and negotiate new Concessions Agreement on behalf of Parks and Recreation for the Village Grill in Balboa Park
- Negotiate a new six-year lease for operation of the Torrey Pines Glider Port

Long Term Plan – Beyond FY19

- Review the feasibility of an overall Civic Plaza and Concourse redevelopment including initiating an update by Jones Lang LaSalle to their analysis for development alternatives that was done for the City in 2008
- Formulate reuse strategy for leases in the Sports Arena area in conjunction with the community plan update
- Transition holdover agreements to long term leases where appropriate
- Assist the Park and Recreation Department in the De Anza Revitalization Planning effort on Mission Bay

CORPORATE SERVICES DIVISION

The Corporate Services Division (CSD) handles the office space needs of City staff in City owned and 3rd party leased properties. The City occupies approximately 1.5 million square feet in 79.2% of City owned properties, 12.1% of leased properties and 8.7% of a leased to own property. While the largest concentration of space is located in Downtown San Diego, the City occupies facilities throughout the City of San Diego.

In general, READ recommends the City purchase properties which it is likely to occupy for more than twenty (20) years, versus continuing to lease such property, and be subject to the market whims of increasing rental rates.

CSD also tracks the location of City departments in various properties throughout the portfolio, including headcount. CSD is responsible for the City's rent budget and payments for City departments which was approximately \$21 million in fiscal year 2018. CSD assists departments in all facets of the real estate process for coordination of moves, expansions, negotiating leases with brokers, lease administration, shared City use agreements between departments (MOU's), space planning & design, new furniture procurement utilizing the City adopted standards in AR 56, furniture reconfigurations, construction management, and coordination with the City's IT department through the relocation process. And, finally, CSD assists READ management and the City's Executive Team by providing input for the long-term strategy of the City's real estate office space or facility needs.

FY18 Accomplishments

- Oversaw the relocation of approximately 450 employees from Executive Complex to over 15 different locations
- Coordinated the removal and storage of 19 floors of office space and 1 floor of storage units of all furnishings, cabinets, files, work product and electronics at Executive Complex and the organized delivery of all personal property to employees previously located in the building as well as City owned property required by the departments
- Negotiated a lease for 22,000 square feet of warehouse space to be used as a homeless storage facility
- Negotiated a 126-month lease for 22,428 square feet of office and warehouse space and oversaw the tenant improvements for the relocation of 14 full time and 200 part time

employees of the Special Events Unit and a portion of the Property Room Unit of the San Diego Police Department

- Negotiated multiple license agreements for Police Department satellite office and MOU's for City Departments
- Assisted Performance and Analytics Department (PANDA) in locating and moving 35 people into space needed for nine-month special project
- Negotiated early termination of a lease for a temporary fire station for the Fire Department
- Negotiated a three-year sublease for Civic Center Café at CCP
- Continued to work with 101 Ash Street team to keep City Council informed and in preparation of the start of tenant improvements
- Participated in the Request for Qualifications (RFQ) process with Public Works Contracting for the contractor of the tenant improvements at 101 Ash Street
- Construction management oversight of various tenant improvement remodels for City occupied spaces
- Assisted in the space planning and move coordination of furnishing from 101 Ash Street to various City Departments
- Assisted Purchasing and Contracting Department in the negotiations of the contract for GMBI and obtaining City Council approval
- Participated in the issuance of the RFP for as-needed tenant and landlord representation, selection of the company and issuance of the contract
- Oversight and day to day decision making of the \$7 million operating expense budget for Civil Center Plaza (CCP) and 101 Ash Street

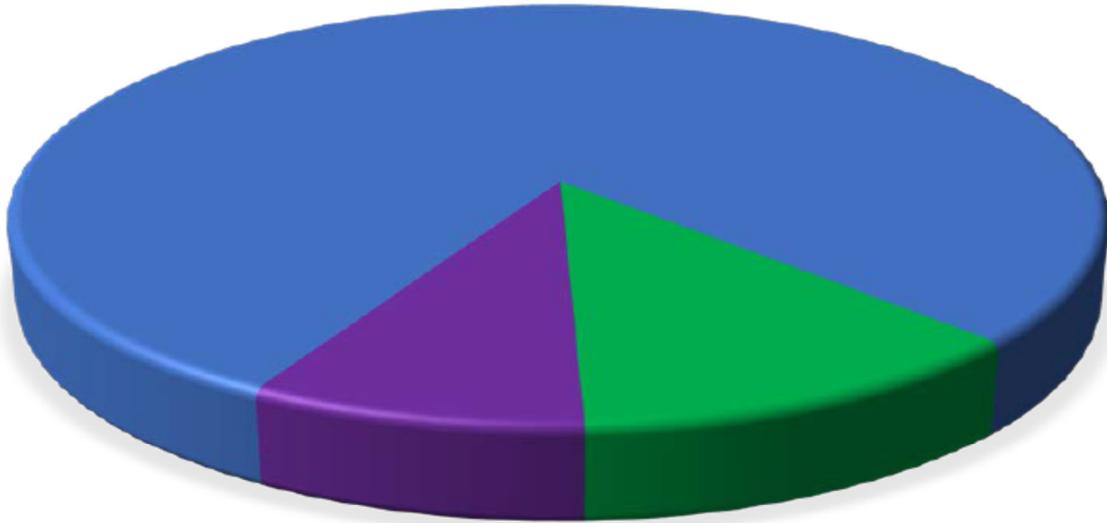
Long Term Plan – Beyond FY19

- Construction management oversight of tenant improvements at 101 Ash Street
- Project management and relocation coordination of employees at the 15+ locations employees from Executive Complex were relocated to, COB and CCP to 101 Ash Street
- Implement City's goal to own the facilities it occupies, versus leasing them whenever possible
- Work with Public Utilities Department and Public Works in advance of their 06/30/22 lease expiration at 525 B Street, to relocate PUD to Kearny Mesa, closer to their division headquarters and to potentially relocate Public Works employees into a facility south of I-8, which is closer to where a majority of the employees live

- Plan for future City occupancy costs in owned and leased space with clearly defined objectives for numbers of full-time employees
- Centralize City functions throughout San Diego where geographically compatible with other City departments and customers who require access to those City departments.
- City to issue RFP for property management
- Review existing hold over leases and negotiate new leases if cost efficient or needed
- Relocate SDPD Traffic Division and the newly formed Neighborhood Policing Division to the site formerly known as the Chargers Training Facility. Estimates for purchasing a new site for the Neighborhood Policing Division came in at approximately \$10 Million, and the cost of building a new Traffic Division Facility on its current location was estimated at \$25 Million. A 2017 appraisal valued the training facility at \$27.3 Million. It is more cost effective for the City to retain the facility and utilize it for SDPD's needs than to sell it and incur the costs of accommodating the SDPD's needs at other locations.

**CITY OCCUPIED PROPERTIES
LEASED VS. OWNED VS. LEASED TO OWN COMPARISON**

Owned 79.2%



Leased to Own 8.7%

Leased 12.1%

	<u>OWNED</u>	<u>LEASED</u>	<u>LEASED TO OWN</u>
Number of Employees	8579	1314	937
% of Total Employees	79.2%	12.1%	8.7%

Leased and Owned City Occupied Properties

DEPARTMENT	LOCATION	HEADCOUNT
ADA Compliance and Accessibility	CCP	5
Boards and Commissions	CCP	6
City Attorney	CCP	405
City Attorney – Family Justice	1122 Broadway	9
City Auditor	600 B Street	22
City Clerk	CAB	57
City Council and Staff	CAB	90
City Treasurer	CCP	79
	CAB	35
	Plaza Hall	25
	20 th and B	10
Commission for Arts and Culture	CCP	7
Communications	CCP	6
	CAB	24
Council Administration	CCP	9
Debt Management	CAB	22
Department of Finance	CAB	107
Development Services	COB	450
	9601 Ridgehaven Ct.	100
Docket Office	CAB	3
Economic Development	CCP	59
Environmental Services	8353 Miramar Place	202
	5180 Convoy St.	108
	9601 Ridgehaven Ct.	122
Ethics Commission	450 B Street	6
Fire Department	SDCCU Stadium	20
	20 th and B	27
	3850 Kearny Villa Rd.	79
	3870 Kearny Villa Rd.	16
	3034 Governor Dr.	4
	2580 Kincaid Rd.	28
	6135 Imperial Ave.	4
	4285 Spruance Rd.	6
	50 City Owned Fire Stations	860
	10 City Owned Lifeguard Stat	108
	600 B Street	32
17701 San Pasqual Valley Rd	6	
Homeland Security	9601 Ridgehaven Ct.	17
Human Resources	CCP	25
Independent Budget Analyst	CAB	10

Leased and Owned City Occupied Properties (Con't)

DEPARTMENT	LOCATION	HEADCOUNT
Internal Operations / Fleet	2740 Caminito Chollas	77
	8323 Miramar Pl.	60
	3775 Morena Blvd.	26
	3940 Federal Blvd.	22
Information Technology	CCP	76
	20 th and B	44
Library	Central Library	174
	34 City Owned Branches	499
	721 San Pasqual St.	20
Mayoral Staff	CAB	42
Parks and Recreation	Admin Building, Balboa Park	45
	Balboa Park Club	15
	Palisades Building	30
	Pershing Yard	15
	CAB	45
	Rose Canyon Operations Yard	25
	20 th and B	10
	Mt. Hope Cemetery	8
	Torrey Pines Golf Course	10
	Balboa Park Golf Course	10
	Kate Sessions (Balboa Park N)	8
	War Memorial, Balboa Park	10
	57 City Owned Recreation Centers	228
	411 Raven St.	12
Performance and Analytics	CAB	13
Personnel	CCP	86
Planning	9485 Aero Dr.	64
	1222 First Ave.	7
Police	4008 Federal Blvd.	8
	4275 Eastgate Mall	147
	9225 Aero Dr.	106
	13396 Salmon River Rd.	83
	7222 Skyline Dr.	121
	5215 Gaines St.	127
	1401 Broadway	795
	1120 27 th St.	96
	4310 Landis St.	138
	2501 Imperial Ave.	190
	12592 El Camino Real	48
	10440 Black Mountain Rd.	171
	4141 Kearny Villa Rd.	13
	4002 Federal Blvd.	33
	9265 Aero Dr.	153
	4020 Murphy Canyon Rd.	82
	1122 Broadway	25
3554 Ruffin Rd.	159	
4705 Ruffin Rd.	18	

Leased and Owned City Occupied Properties (Con't)

DEPARTMENT	LOCATION	HEADCOUNT
Public Utilities	5510 – 5550 Kiowa Dr.	177
	2797 Caminito Chollas	278
	2393 Kinkaid Rd.	56
	5240 Convoy St.	45
	10710 Scripps Lake Dr.	21
	9150 – 9192 Topaz Way	504
	9191 Kearny Villa Ct.	60
	5655 Kearny Villa Rd.	35
	4949 Eastgate Mall	40
	1902 Gatchell Rd.	72
	2411 Dairy Mart Rd.	72
	12375 Moreno Ave., Lakeside	51
	10745 Roselle St.	10
	4077 N Harbour Dr.	10
	3550 E Harbour Dr., National City	10
	1500 Wueste Rd., Chula Vista	15
	525 B Street	148
	Public Works	9485 Aero Dr.
9573 Chesapeake Dr.		215
525 B Street		492
Public Works – Facilities Services	20 th and B	230
Purchasing and Contracting	CCP	49
	CAB	9
	2773 Caminito Chollas	21
Real Estate Assets	CCP	32
	SDCCU Stadium	2
	Montgomery-Gibbs Airfield and Brown Field	22
Risk Management	CCP	80
Special Events	CCP	6
Sustainability	CCP	7
	9601 Ridgehaven Ct.	23
Transportation and Storm Water	Caminito Chollas	445
	8050 Othello Ave.	75
	9370 Chesapeake Dr.	100
	TOTAL	10,830

Notes:

- CCP is a 20-year lease to own agreement, commencing on 03/13/15 through 05/31/35
- Personnel numbers have been provided by the individual departments and are subject to change

VALUATION DIVISION

The Valuation Division is responsible for real estate appraisals and financial analyses. The Division assists senior management in the formulation of asset strategies, policies and tools for real estate acquisitions, dispositions, rent adjustments, and land-use decisions.

The Valuation Division provides the following services to READ and other client departments.

- Performs and reviews real estate appraisals on City-owned and other assigned properties
- Contracts with independent appraisers to provide appraisal services as needed
- Analyzes leased fee/leasehold interests for sale versus hold decisions
- Researches and analyzes land use and development regulations
- Analyzes highest and best use and market value
- Reviews and verifies consultant appraisals and recommends resolutions
- Provides consultations and oversight in consideration of assets for disposition
- Analyzes and compares valuation opinions prepared for the City and others involved in arbitration or litigation and ensures compliance with California Code of Civil Procedure in matters of eminent domain valuation
- Provides annual valuations for the Comprehensive Annual Financial Report (CAFR)
- Provides valuations for various financings including the following: Housing and Urban Development, lease revenue bonds and Facility Benefit Assessments (Mello-Roos) and ensures consistency with the Appraisal Standards for Land Secured Financings established by the California Debt and Investment Advisory Commission in addition to the Uniform Standards of Professional Appraisal Practice (USPAP)
- Professionally interacts with City staff, including the Mayor, City Council, other independent city agencies, tenants and the public
- Provides expertise and consultation on a formal and informal basis to City management and others on real estate valuation, highest and best use, litigation, and arbitration issues
- Presents findings to and responds to a wide range of inquiries, criticism and concerns from diverse individuals and audiences with varying levels of real estate valuation knowledge

The Valuation team requires appraisers with a high degree of advanced, professional-level training, knowledge, and experience. Both Valuation team members are State Certified General Appraisers, and The Principal Appraiser holds the highest level professional appraisal designation, the MAI (the MAI designation is awarded by the Appraisal Institute and represents

the designee has met thorough requirements to be a real estate appraiser). The Supervising Property Specialist holds the AI-GRS designation (a review designation also conferred by the Appraisal Institute) Together the Valuation team has over 69 years of combined private, financial and governmental sector experience.

FY18 Accomplishments

- The Valuation Division participated in more than 76 valuation projects in FY18, providing individual valuations of 146 properties during the year. The types of properties appraised include office and industrial buildings, vacant commercial and residential land, open space and environmentally sensitive properties. Valuations were also conducted on special purpose properties, such as airport property, agricultural land, recreational properties, and telecommunication locations.
- Valuations to recommend compensation for the acquisition of property rights needed in conjunction with the City’s capital improvement program (street widening, water and sewer easements, etc.).
- Provided opinions of value to establish minimum prices for sales of surplus City property.
- Established market rental rates for rent adjustments on City leased properties.
- Provided real estate litigation support and consulting services to other City departments.
- Authorized and reviewed appraisals performed by independent appraisers.

All appraisals performed for City use conform to the Uniform Standards of Professional Appraisal Practice

- Increased the number of in-house appraisals conducted for properties leased to non-profit entities, thus reducing the cost to the department for independent appraisals.
- Continued use of more cost-effective methods to arrive at equitable “nominal” value conclusions for the acquisition and sale of minor property rights which may not justify the time and expense of conducting a formal appraisal. An example of this is the valuation of uneconomic remnant parcels for potential sale.
- As of the end of FY18 there were 38 active files for valuation projects of 74 properties that were carried into FY19.
- Estimated Appraisal Assignments by Client in FY 2018

Client	No. Assignments
READ Acquisitions	20
READ Asset Management	15
READ Dispositions	21
Public Utilities Department	33
Public Works Department	20
Office of the City Comptroller	17
Parks and Recreation	5
Debt Management	5
Other	10
TOTAL	146

FY19 Action Plan

- Continue to accommodate increased valuation requests over FY17 due to the increase in the number of appraisals and acquisitions resulting from an expansion of Capital Improvement Projects by the Public Works and Public Utilities Departments.
- Continue the progress started in FY15 to streamline the process to request, track, and complete valuation services. Each valuation request is tracked from the date of request, to the date of assignment to an appraiser to the date of completion and delivery of the appraisal to the requester. This has created greater efficiencies as well as cost savings for READ and other City departments.
- Expand the City's list of approved appraisers resulting in a greater number of qualified independent appraisers. The intent is to decrease delivery time and increase flexibility.

Long Term Plan – Beyond FY19

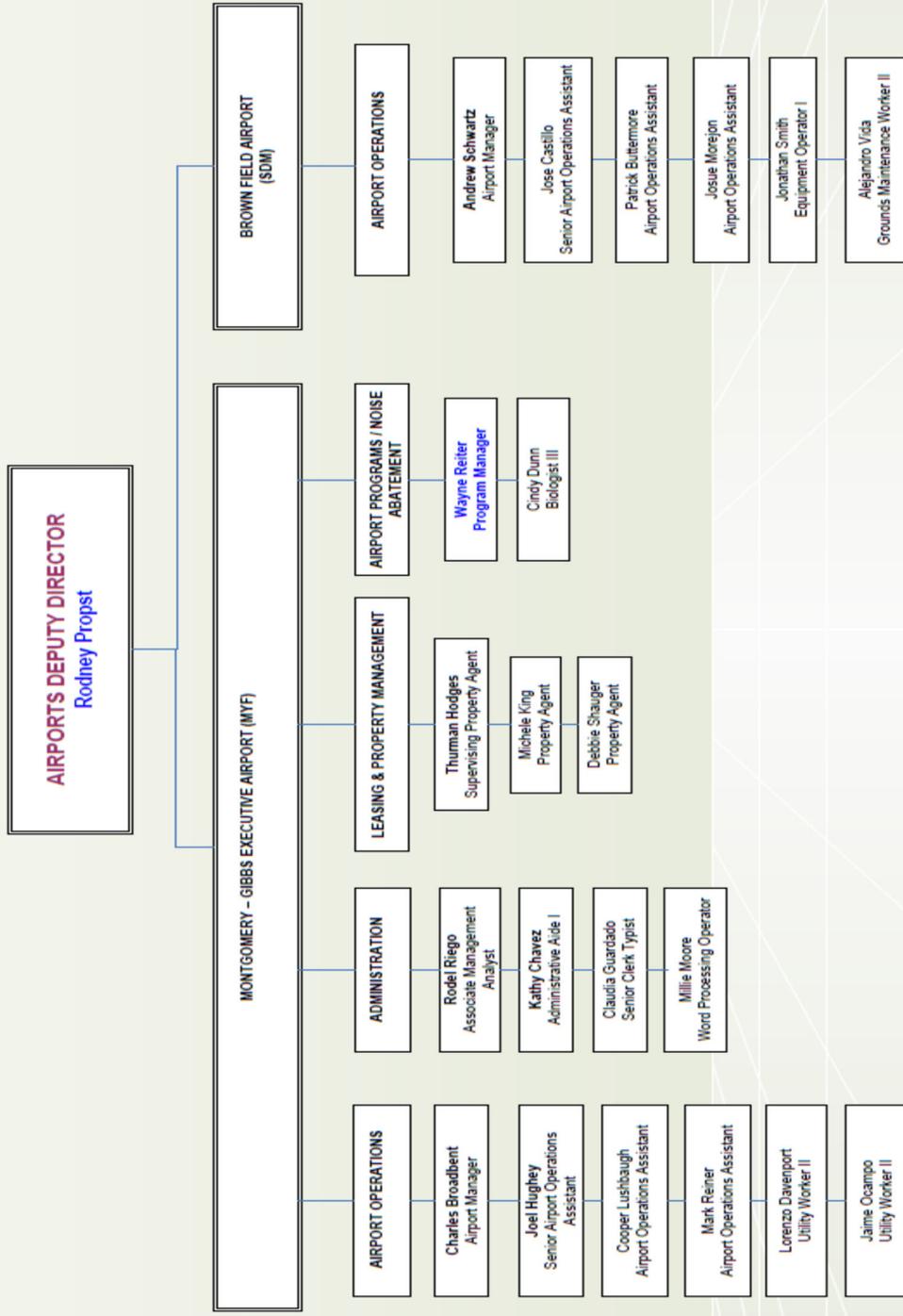
- Continue to support the Asset Management Division in negotiating new and extended leases.
- Continue to support the Acquisitions and Dispositions Divisions in efficiently responding to appraisal requests.
- Continue to provide excellent customer service to other City departments.

AIRPORTS DIVISION

The Airports Division is responsible for operating the City's two General Aviation airports, Montgomery-Gibbs Executive Airport (MYF) and Brown Field Municipal Airport (SDM) (MYF and SDM are the Federal Aviation Administration (FAA)'s designator), within the City of San Diego. General Aviation includes all aviation activities except scheduled airline and military flights, although Brown Field accommodates a sizeable number of military operations. The two airports support a significant portion of the San Diego region's total annual flight operations, and can accommodate a variety of General Aviation aircraft. Aviation lessees include: Fixed Base Operators (FBOs) that provide fuel, aircraft maintenance, and aircraft storage facilities; flight schools; San Diego Fire-Rescue helicopter operations; San Diego Police Air Support Unit (ABLE); emergency medical transport operations and several hundred individual aircraft owners. The majority of the Airports Division's revenues are derived from non-aviation lessees that include: a hotel, business-park, restaurants, Fire Station 43, City Field Engineering, San Diego Police Department Eastern Division and Traffic Division, office space tenants and other individual lessees. Airport staff has the responsibility of maintaining the airports in conformance with Federal Aviation Administration (FAA) regulations and Grant Assurances, as well as, administering the various leases.

The Airports Division's mission is: "To develop, operate, and maintain Montgomery-Gibbs Executive Airport and Brown Field Municipal Airport as world class General Aviation Reliever Airports, providing access to the National Air Transportation System in a safe, efficient, economically self-sufficient, environmentally sensitive, and professional manner."

Montgomery-Gibbs Executive Airport is one of the busiest General Aviation airports in the San Diego region and Brown Field Airport has the longest available civilian runway in the region.



Staffing and Responsibilities

The Airports Division is composed of a team of 22.00 full-time employees and managed by the Airports Deputy Director under the direction of the READ Director.

Administrative staff is responsible for financial and budget analysis, payroll, purchasing, planning, project management, noise mitigation, community relations, property management, environmental compliance, and lease negotiations.

Operations and maintenance staff ensure the airports are operated safely and efficiently in accordance with local, state, and federal regulations.

AIRPORT PROPERTY MANAGEMENT

Airports Division staff is responsible for over 185 aviation and non-aviation leases and agreements at Montgomery-Gibbs Executive and Brown Field Municipal Airports. Revenue generated by the leases and agreements account for the vast majority of income for the Airports budget. Staff negotiates and manages major aviation and non-aviation lease and development projects – FBO, general aviation, commercial, retail, restaurant, office, public safety, governmental and hotel. Staff also recommends the negotiating position and suitable terms for lease and development agreements to the READ Director.

Lease Negotiation

Prospective leases at Airports are assigned to the Airport's property agent to negotiate, manage, or finalize. The leases on airport property are either aviation, such as an FBO, or non-aviation commercial leases, such as an office, industrial, or commercial tenant. When negotiating a lease, the property agent reviews the proposed term, investment, rent, insurance and development proposal, and in the case of an existing lease renewal, any additional rent.

New prospective tenants are vetted through a financial analysis, background investigation and business reference checks. Negotiated terms of proposed new leases may go before the City's Land Use and Housing (LU&H) Committee and/or the Airports Advisory Committee (AAC) to obtain feedback on the proposed lease, which may include a proposed use, development plan, or area to be leased. Either committee may recommend changes and modifications to the proposed lease. After the proposal has received initial approval, the City Attorney's office reviews and approves. Once the prospective tenant has signed the lease document, it is forwarded to City Council for consideration.

Lease Management

During its term, the lease is managed by the property agent, who is responsible for tenant compliance with the lease terms. The property agent meets routinely with the tenants during the year to inspect the property and build customer rapport. During the term of the lease, the property agent applies any required rental increases, monitors development requirements, adjusts insurance levels when appropriate, and assures the tenant is in conformance.

Lease Valuation

The valuation of leases or property, either for rent adjustments or negotiation of a new lease, is contracted through READ's Valuation Division. Airport staff may conduct informal rent surveys or industry comparisons to assure up-to-date rent values.

BROWN FIELD DEVELOPMENT

The Metropolitan Airpark Project (MAP) is a proposed development of approximately 331 acres of Brown Field over a 20-year period, which will create new aviation facilities, aviation industrial, industrial and commercial uses, while satisfying intermediate and long-term aviation needs at Brown Field airport and the San Diego region. On October 23, 2018, the City Council approved 59 Ground Lease/Right of Entry License



Agreements and Agreement for Offset of Rent with Metropolitan Airpark, LLC, agreement to provide access easement with the United States of America and Metropolitan Airpark, LLC, and exchange of easements with the United States of America covering the associated project. MAP is currently under environmental review, as required under the National Environmental Policy Act (NEPA), and is in the process of obtaining various permits related to groundbreaking, which is set to occur in 2019.

FY18 Accomplishments

- Completed annual Fire Life & Safety hangar Inspections of all leaseholds to ensure both airports are in compliance with all applicable Airport Rules & Regulations.
- Executed 50 private hangar leases with 15-year terms with MTF Flattop and Marigold tenants.
- Negotiated and executed lease for the development/redevelopment of a 9.4-acre parcel (National Air College Leasehold) at Montgomery-Gibbs Executive Airport for a Fixed Based Operator.
- Negotiated and executed a lease of a 9.87-acre parcel for a Helicopter Fixed Based Operator (Corporate Helicopters) at Montgomery-Gibbs Executive Airport.
- Negotiated a lease with San Diego Community College District for a 3-year lease to allow continued occupancy of the existing leasehold.
- Executed a new lease with the FAA to provide for the continued occupancy and use of the Control Tower facilities at Brown Field Municipal Airport.
- Finalized the exchange of easements at Brown Field Municipal Airport between the City and federal government to allow for the phased development of 331 acres.
- Negotiated 59 lease/Right of Entry Agreements with Metropolitan Air Park to provide for the phased development of 331 acres at Brown Field Airport.
- Commenced Master Plan Environmental Impact Report for Brown Field Airport and Montgomery-Gibbs Executive Airport.
- Completed rehabilitation of SDM's Runway 8L-26R.
- Completed modernization of the Air Terminal building at MYF.
- Completed modernization of the Airport main conference room at MYF.
- Developed minimum insurance requirements for Airport leases based on industry standards.

FY19 Action Plan

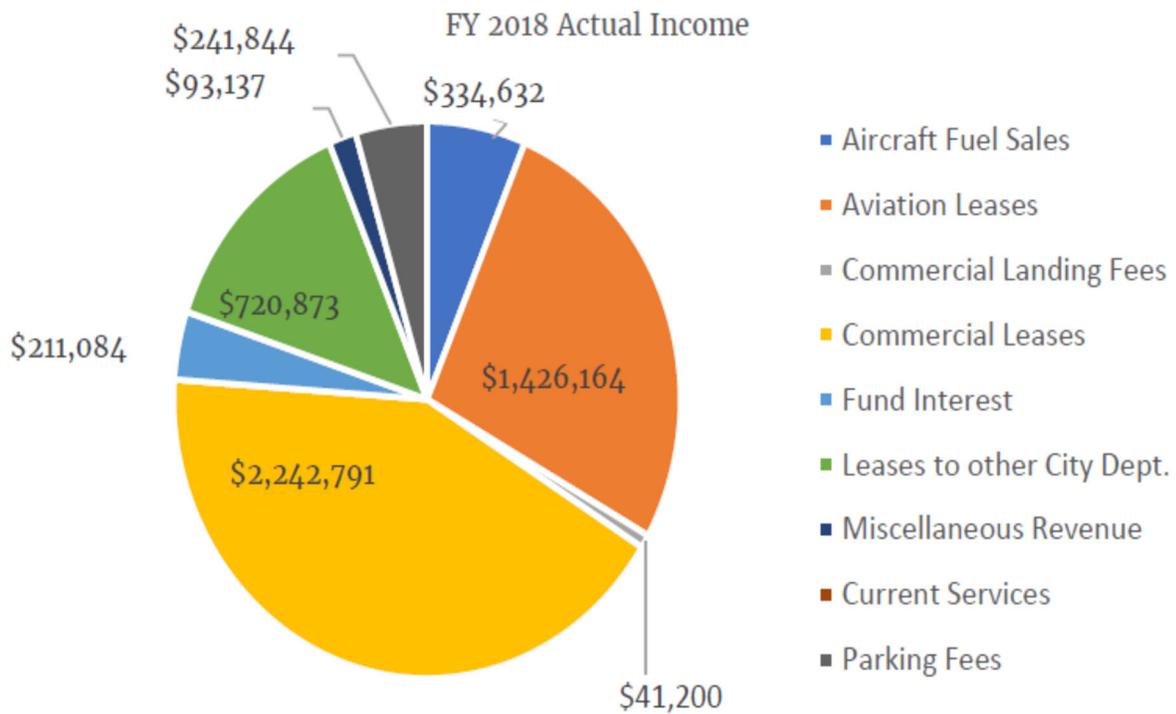
- Ensure City Airports are operated safely and efficiently.
- Ensure the Airports comply with all applicable federal, state, and local regulations as access portals to the National Air Transportation System.
- Ensure the City's airports are financially self-sufficient, maximize aviation uses, and invest in Airports infrastructure.
- Create a climate in which airport businesses and local businesses can thrive and contribute to a resilient and economically prosperous City.

- Be customer focused and responsive to citizen's concerns, particularly noise and safety concerns.
- Be extraordinary stewards of Airports property, especially environmentally unique and sensitive habitat.
- Retain and recruit qualified professionals, well versed in airport management and provide recurrent training to maintain a high level of competency.
- Modernize the exterior of the Air Terminal building at Brown Field.
- Negotiate a Lease Amendment with 8110 Aero Drive Holdings (Four Points by Sheraton) to recapture approximately 10 acres of land from the existing lease for development of aeronautical uses.
- Complete annual Fire Life & Safety hanger Inspections of all leaseholds to ensure both airports follow all applicable Airport Rules & Regulations.
- Issue a Request for Proposal (RFP) and negotiate a lease for the redevelopment of a 24-acre parcel at Montgomery-Gibbs Executive Airport (Gibbs Leasehold) for a Fixed Based Operator.
- Negotiate an MOU with San Diego Fire Department for the development of a 43,560 square foot parcel for its helicopter operations.
- Negotiate a new lease for the continued operation of restaurant/bar at Brown Field with Billie A. Brown-Sciliano and Vincent J. Sciliano.
- Negotiate a new lease for office space at Montgomery-Gibbs Executive Airport terminal building with San Diego Air Tours.
- Negotiate a new lease of 12,000 square feet of land and a hangar with Sorbi.
- Negotiate a new lease with 94th Aero Squadron restaurant at MYF.
- Negotiate a new lease with Customs and Border Protection for office space at Brown Field.
- Negotiate a new lease for a maintenance hangar with Advance Aircraft Service.
- Complete project management training for property agents and obtain certifications.
- Negotiate 49 new leases with MYF Flattop and Marigold tenants.
- Negotiate 41 new month-to-month hangar and tiedown leases at MYF Lot 8A.
- Develop a Strategic Plan for the real estate program at Airports Division.

Long Term Plan – Beyond FY19

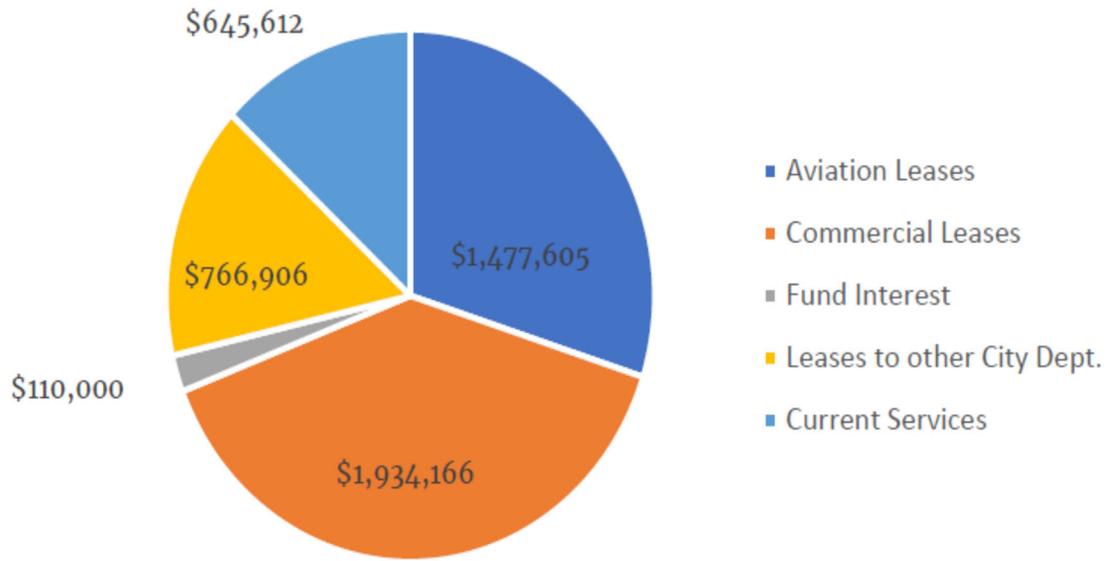
- Implement Airport Master Plan Alternatives for MYF and SDM.
- Eliminate month-to-month private hangar holdover leases MYF Flattop and Marigold tenants.
- Provide project management oversight of the redevelopment of the CrownAir leasehold.
- Provide project management oversight of the development of the Helicopter FBO.
- Provide project management oversight of the redevelopment of the Coast Air Center leasehold.
- Provide project management oversight of the development of 207 acres at Brown Field.
- Terminate the lease with AERO-ABRE, oversee the environmental remediation and recover possession of the property.
- Implement strategic plan.

Revenue Source	FY18 Projected	FY18 Actual	FY19 Projected
Aircraft Fuel Sales	\$ 306,659	\$ 334,632	See Note
Aviation Leases	\$ 1,793,101	\$ 1,426,164	\$ 1,477,605
Commercial Landing Fees	\$ 50,000	\$ 41,200	See Note
Commercial Leases	\$ 1,934,574	\$ 2,242,791	\$ 1,934,166
Fund Interest	\$ 110,000	\$ 211,084	\$ 110,000
Leases to other City Dept.	\$ 895,653	\$ 720,873	\$ 766,906
Miscellaneous Revenue	\$ 105,310	\$ 93,137	See Note
Current Services			\$ 645,612
Parking Fees	\$ 176,251	\$ 241,844	See Note
Total Revenue	\$ 5,731,548	\$ 5,311,725	\$ 4,934,289



Note: For FY 2019 Aircraft Fuel Sales, Commercial Landing Fees, and Miscellaneous Revenue have been accounted for in "Current Service"

FY 2019 Projected Income



PETCO PARK

PETCO Park is a 40,162 seat, state-of-the-art Baseball Park, situated on 17.25 acres in the East Village area of downtown San Diego. The San Diego Padres (Padres) provide all day-to-day, on-site management, operations and marketing functions for the ballpark facility in accordance with the Joint Use and Management Agreement (JUMA) between the City of San Diego and the Padres. During the term of the contract, which expires in December 2033, the City owns 70% of the facility with the Padres owning the remaining 30%. Upon the expiration of the JUMA, the City will retain 100% ownership of the ballpark. For lease revenue bond refunding purposes, in February 2015, the City's ownership portion of PETCO was appraised at \$539 million.

Based upon the JUMA, the amount the Padres pay for rent is recalculated and increased every five years, which is due for an increase in 2019. The Padres have been paying \$622,991 in rent annually over the past five years which is expected to increase to \$676,582 pending release of the 2018 year-end Consumer Price Index. The Padres retain all revenues generated by baseball operations. Revenue from all non-baseball events held at PETCO is split 70% to the Padres and 30% to the City. The City pays 70% of the ballpark operating expenses subject to a cap adjusted upward annually by the CPI. The actual expenses currently paid by the City are approximately \$4.7 million which, due to the cap, represents approximately 35% of the actual expenses.

Responsibilities

The Ballpark Administrator's primary responsibility is representing the City's interests in all matters relating to the operations of PETCO Park as governed by the JUMA. Duties include:

- Facilitates all financial obligations of the City created under the JUMA
- Manages City contracts for landscape operations surrounding PETCO (outside of park boundaries) and security for the 26-seat City Suite
- Reviews the annual Capital Expenses incurred by the Padres to insure they do not diminish the aesthetics of PETCO or create a taxable situation for the bonds
- Oversees non-baseball special events on City's behalf
- Participates in civic organizations as City's representative for ballpark issues, such as the Event Transportation Management Plan and SDPD homeless and security issues surrounding PETCO Park

FY18 Accomplishments

- Successfully hosted the Metallica Concert and Monster Jam and Supercross dirt events.
- Installation of the Sullivan Solar Power system which is the largest solar power system in Major League Baseball and generates 330 kilowatts of solar power, enough to power the entire Padres front office and help the City reach Climate Action Plan goals.
- Generated approximately 1.67 million in Special Event revenue which is an increase of nearly 30% from last year.
- Installation of the backstop netting extension which was required across MLB to increase safety to participants.

FY19 Action Plan

- Continue working with Padres Sales and Marketing staff to stimulate additional special events to increase revenue.
- Installation of a new permanent concert stage in the Outfield Park to increase special event activity and revenue and support the overall goal of increasing concerts within the Ballpark.
- Installation of safety bollards surrounding the Ballpark which will result in the park receiving Safety Act Certification.
- Retrofitting of the Ballpark's structural steel to increase esthetics and longevity to the life of the park.

Long Term Plan – Beyond FY19

- Continue support of the Padres Green Initiative plan goals which is to utilize as many available and appropriate resources as possible in an effort to operate the ballpark in an environmental friendly manner.
- Increase annual Special Event Revenue by at least 5% per year. Potential areas of increased revenue include:
 - Increased Convention Center coordination with large conventions for events in PETCO Park.
 - Continue to explore opportunities to host other types of sporting events.
 - Work with the Padres, as necessary, to further establish an on-going performance and music related entertainment program.

- Continue to support the “More Than a Ballpark” goals of stimulating local business growth and development.
- Replace the palm trees in the medians along Park Blvd with Medjool Date Palms that are not at-risk to disease. In conjunction with replacement of existing palms, re-design the medians to be drought tolerant in furtherance of the City’s Climate Action Plan. All tree replacements and/or removals will be performed in consultation with the City’s arborist.
- Continue to improve the PETCO Park City web page to include additional documents and information.
- Explore working with City Departments and Caltrans for the addition of LED lights under the I-5 overpass at Imperial Avenue to improve pedestrian safety.

SDCCU STADIUM

SDCCU Stadium is a 70,500 seat outdoor stadium that plays host to a variety of large scale events. San Diego State University (SDSU) Division 1 NCAA Football is played here as is the Annual Holiday Bowl. Other events include, major religious gatherings and major concerts. The stadium hosted 26 major stadium events in FY17 and over 200 event days in the Stadium parking lot. Nearly two million attendees pass through the Stadium annually.

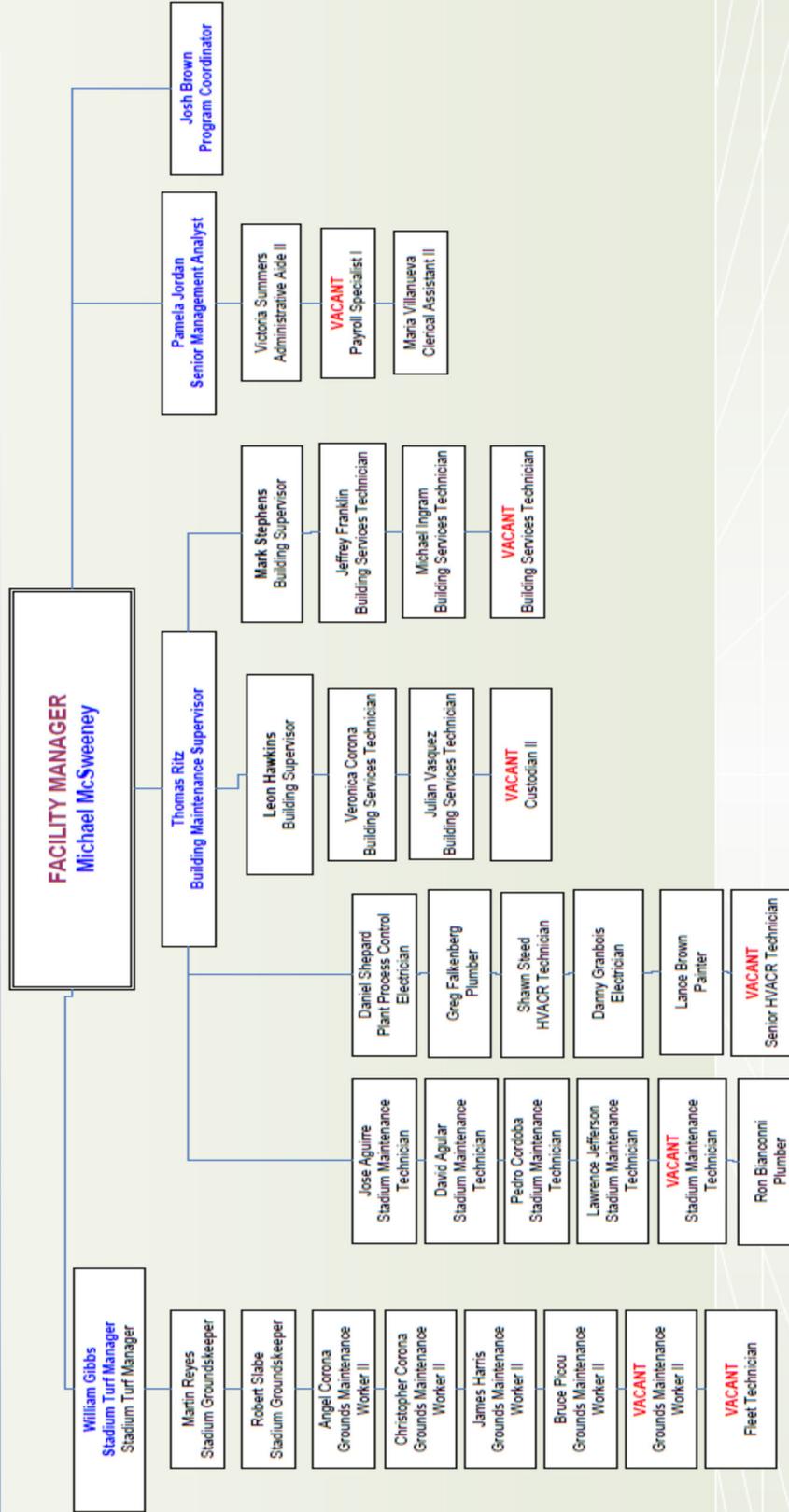
In November 2018, voters approved Measure G which allowed for the potential sale of this site to San Diego State University (SDSU). The City of San Diego is currently in negotiations with SDSU to accomplish this sale as soon as possible.

Staffing and Responsibilities

SDCCU Stadium is an asset contained within READ. The SDCCU Stadium budget includes 37.00 full time employees. The Stadium Manager reports to the Director of READ.

Administrative staff is responsible for all booking activities, contract administration, accounts payable, budget planning and administration, payroll, event coordination, purchasing and event information and all marketing activities.

Operations staff clean and maintain the stadium, schedule outside service providers for Stadium operations, create and maintain all playing surfaces (both Stadium playing field and practice field turf) and performs all peripheral landscaping duties. Operations staff also works at all major Stadium events to ensure that the 50 year old Stadium performs at peak efficiency during events and to respond to any mechanical breakdown or issue with the field that may occur.



Major Revenue Sources / Management

The Stadium outsources management of two of its largest revenue sources. Food and beverage operations are exclusively provided by Delaware North Sportservice. Ace Parking operates all parking activity at the 122-acre stadium parking lot. Those contracts are administered from the Stadium Administration office.

Delaware North Sportservice generates gross food and beverage sales of \$16 million. The stadium’s net revenue from those sales is \$2.5 million. Stadium staff and key management personnel from Delaware North Sportservice communicate on a daily basis to maintain control in efficiencies, maintenance, and new business development and adherence to alcohol management policies at events.

Parking at the Stadium generated net revenues of \$886,750. Ace Parking coordinates all parking activities on site for the Stadium and plays a vital role in event traffic planning and interfacing with the Police Department to help coordinate street traffic.

Ace Parking has a Site Supervisor for day to day operations that operates from their Downtown office, but has during events upwards of 50 people, including senior management from the corporate office.

A summary of SDCCU Stadium’s event revenue data for FY18 actual versus FY19 projections is contained below.

SDCCU STADIUM

EVENT REVENUE DATA		
<u>Revenue Accounts</u>	<u>FY 18 Actuals</u>	<u>FY 19 Projections</u>
Aztecs	\$860,194	\$728,955
Special Events	\$3,543,426	\$2,915,231
Other	\$482,425	\$468,554
Office Space	\$96,328	\$102,312
TOTALS	\$4,982,373	\$4,215,052

FY18 Accomplishments

The Stadium hosted 22 events in the building during FY18. The Stadium parking lot generated over 200 event days, and the Practice Field, a 188,000 sq. ft. turfed space, hosts 2 Full time tenants is the practice area for the San Diego Fleet and is home to 5-6 concerts annually.

- FY18 Revenues exceeded projections by \$3 million dollars. High revenue events such as concerts and soccer events were major impacts.
- The Coldplay concert was broadcast live by Univision to 13 countries.
- Worked with the San Diego Bowl Association to bring the Navy vs. Notre Dame game to San Diego in 2018.
- Signed an agreement with Fox Sports Properties to sell advertising space within the stadium. This added unbudgeted revenue to the stadium's revenue budget.
- Created another new revenue stream with an agreement with the San Diego Bowl Association to sell suites to all events.

FY19 Action Plan

SDCCU Stadium has several repair and maintenance items planned for FY 19 to address basic safety and functionality of the stadium, some of which have already been completed as follows:

COMPLETED

- A partial re-asphalting project of 30 tons of asphalt to key areas of the Parking lot.
- Major seat repair project to the Field level seating area. This extends the life of the seating level.

STILL TO BE COMPLETED

- Repair expansion joints to prevent leaks and further structural damage.
- Repair of the Emergency Lighting system.

CONCLUSION

Due to the size and uniqueness of the City's real estate holdings, the City is presented with a unique opportunity to maximize the value of its properties and provide for their highest and best use to serve the citizens of San Diego. Look for the FY20 PMP to be released shortly and, as a reminder, the link below is now live on the READ webpage with a pdf of this PMP, details of City owned land and leases and City property for sale:

<https://www.sandiego.gov/real-estate-assets>

READ looks forward to answering any comments or questions related to the FY19 PMP and to continue offering a transparent real estate portfolio management process which remains interested in public feedback.