



The City of San Diego

Staff Report

DATE ISSUED: July 15, 2019

TO: City Council

FROM: Real Estate Assets Department

SUBJECT: Amendments to the Lease for 7950, 8048 – 8050 Othello Avenue, San Diego, CA between Calico, LLC, Catitude, LLC and the City of San Diego

Primary Contact: Karen Johnson Phone: (619) 236-6191

Secondary Contact: Cybele Thompson Phone: (619) 236-6145

Council District(s): 6

OVERVIEW:

The proposed Second Amendment increases the initial lease term from ten to fifteen years, grants the City a third five (5) – year renewal option, replaces the original Exhibit E Work Letter with Exhibit E-1 Design Agreement and inserts Attachment 1 to Exhibit E-1 describing in greater detail the design and scope of work of the tenant improvements required for a Fire/Rescue fleet repair and maintenance facility.

PROPOSED ACTIONS:

1. An Ordinance authorizing the Mayor, or designee, to enter into the Second Amendment to the Lease for 7950, 8048-8050 Othello Avenue, San Diego, CA between Calico, LLC, Catitude, LLC and the City of San Diego; and
2. An Ordinance authorizing the Chief Financial Officer to expend an amount not to exceed \$811,286 from CIP # P20000, Kearny Mesa Repair Facility, Fund 400676, Fleet Services CIP for the purpose of executing the design agreement; and
3. An Ordinance authorizing the Mayor, or designee to enter into an amendment to the Lease for 7950, 8048-8050 Othello Avenue, San Diego, CA between Calico, LLC, Catitude, LLC and the City of San Diego for a contract for the construction of the tenant improvements based on an agreed upon design plan in an amount not to exceed the amount in CIP # P20000, contingent upon the adoption of the Annual Appropriation Ordinance for the applicable fiscal year, and contingent upon the Chief Financial Officer furnishing one or more certificates certifying that funds necessary for the expenditure are, or will be, on deposit with the City Treasurer, and such contract on terms and conditions deemed reasonable and in the City's best interest by the Mayor or his designee.
4. An Ordinance authorizing the Chief Financial Officer to expend an amount not to exceed the amount in the CIP # P20000, Kearny Mesa Repair Facility, Fleet Services CIP, for the purpose of construction of the tenant improvements project, contingent upon the adoption of the Annual Appropriation Ordinance for the applicable fiscal year and contingent upon the Chief Financial Officer furnishing one or more certificates certifying that funds necessary for expenditure are, or will be, on deposit with the City Treasurer.
5. Declaring that the Second Amendment to the Lease for 7950, 8048 – 8050 Othello Avenue San Diego, CA between Calico, LLC, Catitude, LLC and the City of San Diego is categorically exempt from the California Environmental Quality Act (CEQA), pursuant to State CEQA Guidelines Section 15301 (Existing Facilities) which consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use;
6. Declaring that the Council of the City of San Diego has determined that an exception to the exemption as set forth in CEQA Guidelines Section 15300.2 does not apply.

DISCUSSION OF ITEM:

The Fleet Operations Department operates a facility at 8323 Miramar Place, for the repair and maintenance of the Fire-Rescue Department's fire apparatus and support vehicles (Fire fleet), the Environmental Services Department's refuse packer fleet (Refuse fleet) as well as all City-wide road call services. The facility is only 20,880 square feet on a 2.98-acre parcel with an insufficient number of bays and space to service both fleets simultaneously. Located in a heavily congested traffic area, the additional drive time has the potential to affect the Fire fleet's timely response to prevent loss of life and property in the event of a fire or other major catastrophe.

To address these concerns and CST Fleet Services extensive fleet analysis and operations review findings, the decision was made to separate the repair and maintenance facilities for the Fire and Refuse fleets. The property at 7950, 8048-8050 Othello Avenue is a 5.88 - acre parcel with 79,733 square feet of space located in three buildings, is one mile from the Fire-Rescue Logistics Facility and centrally located in Kearny Mesa, less half a mile off of SR163.

After City Council approval (O #20815), an initial 10-year lease, with two (2) five (5) – year renewal options and a first right of refusal to purchase the property, was executed and commenced on October 1, 2017.

The projected cost of the initial design to convert the warehouse space into a repair/maintenance facility that could accommodate the Fire fleet's vehicles, came in higher than expected. After reviewing, the Fleet Operations Department began working with another architecture firm and the Landlord to define alternative options that would still accommodate the requirement and offer the best value for the City.

During this process, it became apparent the cost of the improvements would be more than the \$6.5 million originally anticipated. With that in mind, the City has negotiated a Second Amendment to the Lease, with an extension of the original lease term from 10 to 15 years and added a third five (5) – year renewal option. Should the City decide to exercise all the renewal options, this change guarantees the City control of the property for thirty (30) years instead of twenty (20), amortizing the cost of the improvements over a longer period of time and making it more likely the City will have the option to purchase the property during the City's occupancy. The Second Amendment also deletes the original Exhibit E "Work Letter" and replaces it with Exhibit E-1 "Design Agreement" and Attachment 1 to Exhibit E-1 describing in greater detail the design and scope of work of the tenant improvements required for a Fire/Rescue fleet repair and maintenance facility.

Furthermore, this action authorizes the expenditure of an amount not to exceed \$812,000 for the design of the Kearny Mesa Repair Facility. This will facilitate the design of the facility and provide the ability to finalize the construction cost of the project. This final construction cost will be appropriated via the future adoption of the Annual Appropriation Ordinance.

Additionally, once the design is complete; this action will give the Mayor the authorization for the execution and delivery of a contract between Calico, LLC, Catitude, LLC and the City of San Diego for the future construction phase, based on the approved design. This authorization capability is similar to the current authority provided for all CIP construction contracts for agreements under \$30,000,000. However, proceeding with the construction of this project will still require Council to authorize the construction costs in the CIP # P2000 project, via the adoption of the Annual Appropriation Ordinance.

In addition, this Ordinance will authorize the Chief Financial Officer to expend construction funds once Council has appropriated funding with the adoption of the Annual Appropriation Ordinance.

It is important to note that this facility has actively and continuously been used since February 2018. The Transportation and Storm Water Department was moved into the office space when they were relocated out of Executive Complex, the warehouse space is being used to store the City's property that was removed from the 141,888 square feet of office space the City occupied at Executive Complex plus the basement storage units, the executive office furniture from 101 Ash Street that is too large to reuse in that building, storage of modular furniture from 101 Ash that will be reused in the building and even as a training facility for the San Diego Police Department's bomb sniffing canine unit.

City Strategic Plan Goal(s)/Objective(s):

Goal #1: Provide high quality public service

Objective #4: Ensure equipment and technology are in place so that employees can achieve high quality public service

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

Objective #1: Protect lives, property, and the environment through timely and effective response in all communities

Objective #3: Invest in quality infrastructure

Fiscal Considerations:

This action authorizes the expenditure of an amount not to exceed \$811,286 from CIP # P20000, Kearny Mesa Repair Facility, Fund 400676, Fleet Services CIP for the purpose of executing the design agreement. The amendment does not have an operational fiscal impact for FY20 rent as the base rental payments have not changed and were appropriately budgeted in the FY20 Non-Discretionary Budget process. Any additional charges will be reviewed and incorporated through standard budget process. Construction of the facility improvements will be authorized via Mayoral action, and the budget in the Appropriation Ordinance of the applicable fiscal year.

Charter Section 225 Disclosure of Business Interests:

Calico, LLC:

Deborah A. Ness	Escondido, CA
Christine Hawthorne Perreault	Idyllwild, CA
James T. Hawthorne	Escondido, CA

Catitude, LLC:

Tee K. Ness & Deborah A. Ness,	
Co-Trustees of the Ness Family Trust	Escondido, CA
David Ness	Escondido, CA
Carly Thomas	Escondido, CA
Michael Ness	Escondido, CA

Environmental Impact:

This activity is categorically exempt from CEQA pursuant to State CEQA Guidelines Section 15301 (Existing Facilities).

Equal Opportunity Contracting Information (if applicable):

N/A

Previous Council and/or Committee Actions:

This item was originally passed on April 18, 2017 via Ordinance # 20815 and amended on August 7, 2018.

This current action will be heard at Active Transportation and Infrastructure Committee prior to Council.

Key Stakeholders and Community Outreach Efforts:

Fire/, Rescue, Fleet Operations and Environmental Services Departments

Cybele L. Thompson, RPA, FMA, CCIM, LEED, AP

Director, Real Estate Assets Department

Jeff Sturak

Deputy Chief Operating Officer, Internal Operations