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Council Meeting: November 14, 1989

Santa Monica, California

TO: Mayor and City Council

FROM: City Staff

SUBJECT: Recommendation to Authorize the City Manager to Negotiate and Execute a Lease Agreement with Windward School for Use of City-owned Property

INTRODUCTION

This report recommends that the City of Santa Monica negotiate and execute a new thirty-year lease agreement with Windward School for the use of City property adjacent to the Charnock well fields in West Los Angeles. The proposed provisions of the new lease will allow Windward School to construct a gymnasium on City property, will increase lease payments, and will provide the City of Santa Monica access to the recreational facilities located on the property leased by Windward School.

BACKGROUND

The City owns approximately seven acres of land in West Los Angeles on which are located various City water wells. The property is occupied by a number of small buildings which house several water wells, a power sub-station, sand-settling basin, water treatment facility and operations control room.

In August 1982, the City Council authorized the City Manager to execute a lease to allow Windward School to utilize 55,733 square feet of unused land for recreational purposes. The benefit to

6-AA
NOV 14 1989

the City was the reduction of maintenance costs and the generation of monthly income. The main provisions of the existing lease are as follows:

1. Annual rental fee based on the City's property tax bill, currently \$15,000 per year.
2. No permanent structures are allowed.
3. Lessee must maintain the site.
4. Lessee may use the property for recreational activities (soccer, baseball, basketball and tennis).

New Lease Discussions

Recently, Windward School approached the City to discuss the construction of a gymnasium on a portion of the leased property. Since there is currently no provision in the existing lease for the building of such a structure, City staff advised Windward School that permission would need to be granted by the City Council to negotiate a new contract. Windward School was also advised that staff would recommend to the Council that lease payments on land associated with the gymnasium (11,000 sq. ft.) be based on rental value of the property and not on property taxes billed. The remaining 44,733 square feet lease amount would be based on the property tax since the land will continue to be used for recreational activities with no permanent structures. After discussions between staff and the Windward School, the following major provisions were tentatively agreed upon.

1. Windward School may construct a gymnasium on the Charnock Well property. Upon termination of the lease, the City will assume ownership of the gymnasium.
2. Windward School's lease payment will increase from \$1,250 to \$3,000 per month, with a 7% escalation clause each year thereafter.
3. Windward School will allow the City to use all the recreational facilities, including the gymnasium, located at the Charnock property. Staff has determined that the cost to the City of leasing a gym of comparable size would be at least \$50 per hour. The City is anticipating using the Windward School gym for 31 hours a week which translates into a value to the City of approximately \$6,000 per month.
4. Windward School will provide on-site full time security staff. (Staff believes this will be advantageous to the City since the site contains several water facilities which produce the majority of well water for the City.)

BUDGET/FINANCIAL IMPACT

Approval of this lease is expected to generate \$10,500 in net additional revenue in FY 1989-90 for revenue account number 25-500-671-00000-0235-1000 (assuming contract is signed by January 1, 1989). The net additional revenue in the account for the succeeding fiscal year is anticipated to be \$22,260.