



CITY COUNCIL AGENDA REPORT

MEETING DATE: May 17, 2011

ITEM NUMBER: CC-6

SUBJECT: BALEARIC COMMUNITY CENTER LEASE AMENDMENT #1

DATE: APRIL 29, 2011

FROM: ADMINISTRATIVE SERVICES/RECREATION DIVISION

PRESENTATION BY: DONNA THERIAULT, MANAGEMENT ANALYST

FOR FURTHER INFORMATION CONTACT: Donna Theriault, Management Analyst 714-754-5636

RECOMMENDATION:

Staff recommends that the City Council approve the proposed Amendment #1 to the Balearic Community Center Lease Agreement (Attachment 1) with the Newport Mesa Unified School District which waives the lease agreement payment for Fiscal Year 2010-2011, and authorize the Mayor and the City Clerk to sign the Amendment.

BACKGROUND:

The City currently leases the Balearic Community Center (BCC) from the Newport Mesa Unified School District (District), and has utilized the Balearic Community Center for the past 30 years. The BCC facility is owned by the District and was formerly used as an educational facility by the District. The City utilizes the BCC to conduct recreation programs including Day Camp, Summer Recreation on Campus for Kids program, Teen programs, contract classes, and the Early Childhood Program. The City provides all maintenance of the fields and janitorial services for the restrooms which are used by youth groups who utilize the fields for soccer and football games and practices. The City also offers the BCC for rental to community groups, non-profit groups, and to the public for parties and special events in the evenings and on the weekends.

On October 7, 2008, City Council approved a new lease Agreement with the District for the continued use of the BCC for an initial term of five (5) years, expiring June 30, 2013, with an option of three (3) additional term extensions of five (5) years each.

ANALYSIS:

Under the current Lease Agreement, the City pays the District an annual lease payment of \$67,145 with an annual increase based on the U.S. Consumer Price Index, All Urban Consumers (CPI-U). Due to a negative CPI, there was no increase to the rent payment for FY 2009-2010, and the City paid the District the lease payment amount of \$67,145.

In March 2010, due to the City's budget shortfall, the City and the District verbally agreed to waive the lease payment for FY 2010-2011. The District recently approved the lease payment waiver for FY 2010-2011 and provided City staff with Amendment #1 to formally document the waiver. District staff stated that if the City approves Amendment #1 then

they will likely propose a second amendment similar to Amendment #1 waiving the lease payment for FY 2011-2012. If the Council approves Amendment #1 and the District provides a second amendment to document the second lease payment waiver, staff will bring that to the Council for approval.

The proposed Amendment #1 requires the City to pay the waived lease payment in June 2013, and to extend the Lease Agreement by 1 year through June 30, 2014. The lease payment amount due in 2013 will be adjusted by the March CPI.

ALTERNATIVES CONSIDERED:

The City Council could choose to pay the Lease payment for this fiscal year 2010-2011, not approve Amendment #1 and not extend the Agreement. The City Council could also choose to provide the District with the required six-month notice to terminate the Lease Agreement in which case the City may be required to vacate the premises. Staff would then need to seek an alternative location for the recreation programs currently offered at the BCC.

FISCAL REVIEW:

The lease payment of \$67,145 is not in the approved 2010-2011 operating budget. Should City Council choose to not approve Amendment #1 and to pay the lease payment to the District, a budget adjustment would be required.

LEGAL REVIEW:

The City Attorney has reviewed the document and approved it as to form.

CONCLUSION:

The City has been leasing the Balearic Community Center from the Newport Mesa Unified School District for recreation programs and community activities for over 30 years. The City requested a lease payment waiver for FY 2010-2011. The District has provided Lease Amendment #1 documenting the terms of the lease payment waiver. The waived lease payment will be adjusted by the March CPI and due to the District in June 2013. Staff recommends City Council approve the proposed Lease Agreement Amendment #1.

DONNA THERIAULT
Management Analyst

TAMARA S. LETOURNEAU
Interim Administrative Services Director

DISTRIBUTION: Chief Executive Officer
City Attorney
City Clerk
Staff

ATTACHMENTS: 1 [Lease Agreement Amendment #1](#)