

*STAFF REPORT**CITY OF OCEANSIDE*

DATE: February 23, 2011

TO: Honorable Mayor and City Councilmembers

FROM: Neighborhood Services Department and
Economic and Community Development – Property Management Division

SUBJECT: **APPROVAL TO ISSUE A REQUEST FOR PROPOSALS FOR THE
SALE, LEASE OR OTHER DISPOSITION OF THE SUNSHINE BROOKS
THEATER WITH THE CONDITION THAT IT CONTINUE TO BE USED
AS A COMMUNITY THEATER**

SYNOPSIS

Staff recommends that the City Council approve the issuance of a Request for Proposals for the sale, lease or other disposition of the Sunshine Brooks Theater with the condition that it continue to be used as a community theater.

BACKGROUND

In January 2005, the City entered into a management and operation use agreement with New Vision Theatre Company (NVT) for a term of five years. The agreement was a collaborative effort between the City and NVT to operate and maintain a community theater open to the general public. Throughout the five-year term, NVT met all of the goals and objectives set forth in the agreement and made efforts to recruit volunteers and coordinate with other agencies such as the Oceanside Cultural Arts Foundation (OCAF) and the Surf Museum. The City of Oceanside provided support to NVT through a no-rent contract, paid utilities, and provided deferred maintenance assistance on a case-by-case basis. On March 24, 2010, the City received a request to extend the agreement for an additional five-year term.

On June 23, 2010, the City entered into a one-year property use agreement with NVT for the theater at 217 N. Coast Highway and a vacant commercial space at 219 N. Coast Highway with lease rent on the commercial space only (herein, collectively referred to as Sunshine Brooks Theater (SBT)). In light of the City's priority to generate revenues, staff recommended that a Request for Proposals (RFP) be issued within a year of this action to explore revenue-generating alternatives for use of SBT. Many interested parties have contacted the City for use of the SBT; a request has also been received for the opportunity to purchase SBT.

ANALYSIS

SBT is approximately 11,200 square feet combined; 10,000 square feet of theater and 1,200 square feet of commercial space. The City Council may authorize a RFP for the property use only, or may include in the RFP a request for terms to purchase the property. There are currently no deed restrictions that would prevent SBT from being declared as surplus property and sold at a fair market value. Declaring SBT as surplus will require the City to first offer the property to other agencies for the benefit of the public.

Request for Proposals for Property Use Agreement

A property use option for the theater would allow the City to continue to negotiate and control more specific goals, uses, and term limits of SBT into the future, while collecting revenues through rents and potential other fees such as a theater renovation surcharge on tickets. A property use agreement would also continue the City's obligation to maintain the building structure as necessary for an unknown cost to the City.

Request for Proposals for Purchase

A sale of SBT would provide for immediate revenue at full market price without the City financing the sale, and a deed restriction requiring continued use of the property for community theater may be a contingency of the sale. A sale would also cease any future building maintenance expenses. However, a sale of SBT would eliminate the City's option to lease the spaces for unknown on-going revenues into the future.

FISCAL IMPACT

The sale of the properties could potentially result in total one-time revenue of between \$1,500,000 and \$2,500,000 based on the current market. A property use agreement would result in a minimum of \$14,400 annually from the 219 N. Coast Highway unit, with the potential for additional revenue through rents on the 10,000 square-foot theater property at 217 N. Coast Highway and other assessments that can be negotiated.

COMMISSION OR COMMITTEE REPORT

This item was scheduled for the February 7, 2011 Arts Commission meeting; however, the meeting was cancelled. The Parks & Recreation Commission voted on the item at its regularly scheduled meeting on Thursday, February 10, 2011.

CITY ATTORNEY'S ANALYSIS

An RFP should be reviewed by the City Attorney and approved as to form.

RECOMMENDATION

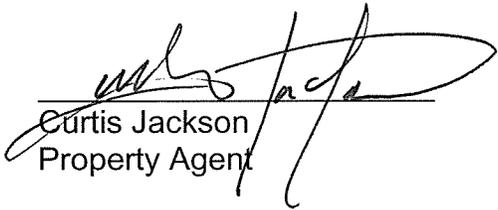
Staff recommends that the City Council approve the issuance of a Request for Proposals for the sale, lease or other disposition of the Sunshine Brooks Theater with the condition that it continue to be used as a community theater.

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