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DATE: June 20, 2007

TO: Chairman and Members of the Community Development Commission

FROM: Economic Development and Redevelopment Department

SUBJECT: **AUTHORIZING STAFF TO NEGOTIATE A LOAN AGREEMENT AND LEASE AGREEMENT WITH THE CALIFORNIA SURF MUSEUM TO RELOCATE THEM FROM 223 NORTH COAST HIGHWAY TO 312-314 PIER VIEW WAY**

**SYNOPSIS**

Staff is requesting authorization from the Community Development Commission to negotiate a property lease agreement and a loan agreement with the California Surf Museum to relocate them from 223 North Coast Highway to 312-314 Pier View Way.

**BACKGROUND**

The California Surf Museum (CSM), founded in 1986, in Encinitas, later relocated to Pacific Beach and in 1992 moved into a building located on Pacific Street at the head of the Oceanside Pier. In 1995, the Museum needed additional space so the City leased a 2,000-square-foot building located on 223 North Coast Highway to the CSM.

Over the 15 years in Oceanside, the CSM has acquired additional surf memorabilia, historical records and photos and held bigger events. Approximately 1,000 students visit the museum on field trips each year to learn the history of surfing. Now additional space is needed to house the permanent collection of over 2,000 pieces including 125 surfboards. Support for CSM has grown with over 1,000 members and 20,000 local and worldwide visitors each year and is in the process of receiving recognition as the official "California Surf Museum" by the State Legislature.

The Museum's mission statement is "*to preserve the lifestyle sport of surfing by chronicling its art, culture and heritage for the education and enjoyment of future generations*". The dedication to this mission has allowed the museum to continue to grow, however, the current location is not large enough to exhibit a more complete image of surfing and the cultural impact it has left on popular culture.

**ANALYSIS**

In 2006, City Council directed staff to work with the California Surf Museum to find a larger more suitable location. Staff is recommending that the California Surf Museum be relocated to 312-314 Pier View Way (previously the Playgirl). The building is

approximately 6,000 square feet and will have room for staging exhibits, storage, a library, a larger gift shop, and revolving display areas, allowing the CSM to hold bigger events with varied themes.

Staff is completing the interior demolition of the building and some minor improvements, to get the building ready for tenant improvements; regardless of who occupies the building, these improvements need to be done. This work includes the removal of the asbestos roof material and the removal of interior non-bearing walls.

The California Surf Museum (CSM) is working on final plans, specifications and cost estimates for tenant improvements and façade enhancements to determine the amount needed to construct the improvements. To help fund the tenant improvements and façade enhancements, a loan to the CSM would be negotiated that would accrue interest, but be forgiven on an annual basis, over a period of five years, similar to the loan that was approved for the Star Theatre several years ago. Preliminary estimates for the tenant improvements, façade enhancements and relocation costs are between \$400,000 and \$500,000; however, staff would bring these cost estimates back to the Community Development Commission for consideration at a future meeting,

In addition, staff would bring back a lease agreement for the Community Development Commission to consider. The lease agreement is anticipated to be for a five-year term with one-year extensions that would be requested by the Surf Museum 90-days before the lease is set to expire and could be terminated with written notice six months prior to the desired end date. The lease agreement will also describe the specific milestones that would be expected of the CSM for the forgiveness of the loan.

Staff is requesting authorization to negotiate a lease agreement and a loan agreement to move the California Surf Museum to 312-314 Pier View Way.

### **FISCAL IMPACT**

The Playgirl Club property, 312-314 Pier View Way, was acquired by the Redevelopment Agency on May 28, 2002, at a cost of \$700,000 for property acquisition and \$800,000 in relocation settlement costs. The proposed rental rate would be approximately \$100 per month and the CSM would be responsible for payment of all utilities and maintenance of the facility including sidewalk and window cleaning.

An estimated loan amount up to a maximum of \$500,000 will be needed for the demolition, renovation and façade enhancements to the Playgirl building. At this time, it is proposed that the CDC would provide a loan that would accrue simple interest at the rate of 7 percent per year. The proposed loan amount and interest would be forgiven annually over a five-year period based on an analysis of the activities completed and milestones reached by the CSM. The proposed loan structure is similar to what was done for the Star Theatre when that facility underwent renovation several years ago.

**CITY ATTORNEY ANALYSIS**

Does not apply.

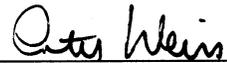
**RECOMMENDATION**

Staff is requesting authorization from the Community Development Commission to negotiate a property lease agreement and a loan agreement with the California Surf Museum to relocate them from 223 North Coast Highway to 312-314 Pier View Way.

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