Appendix I:

City of Del Mar
Optional Revenue Generating Proposal
to The Winston School

Including Affordable Housing Units

Dated December 20, 2018
• The City Council cannot make the finding to support the School’s proposal for a lease of $1.00 per year, which would be a gift of public funds. However, on page 2, three optional tools are listed that the School could exercise to reduce the annual lease payment.

• The City Council cannot make the finding to support the School’s proposal for a lease term of 99-years, plus two 25-year extensions.

• The City is open to changing the terms of the lease in the following manner:
  - The City Council is amenable to adding the option for a 25-year extension to the current term, therefore extending the term of the current contract from 2063 to 2088, which would be 70 remaining years versus 45 years currently, to help the School secure financing and to enable longer use of the facilities.
  - The City Council is willing to waive the redevelopment requirements identified in Section 3 – Commencement Date and Term of the current lease, including the redevelopment milestones.
  - The two proposed term changes above are in exchange for the following terms:
    - At the time of the agreement, the school shall provide to the City a performance bond for $1 million (or amount as determined by engineer’s estimate to be completed at School’s expense) for the estimated cost to demolish the existing buildings within the school’s leasehold area.
    - The School needs to provide within its leasehold area: a) sufficient off-street parking to meet its parking requirement per the Del Mar Municipal Code, b) an off-street loading/unloading area for buses, vans, etc. for students triggered when south parking lot is no longer available for use, and c) School needs to change how students arrive at the school (such as disallowing large buses in favor of small vans).
    - Section 2c of the current lease shall be amended to reflect that the City’s consultation with the School regarding the park master plan design is complete. The City will be proceeding with the park design based on what the community at-large wants. The City will include in the park design an open space turf area that can be used non-exclusively by the School. School will have non-exclusive use of the park area. The City will work cooperatively with the School on scheduling.
    - References to the non-exclusive parking area shall be removed.
- **Section 14 – Assignment and Subletting** will be removed from an amended lease. These amended lease terms are not transferable. Therefore, if the School is to assign or sublet their lease per the terms of the current lease, the redevelopment terms, lease payment term, and all other provisions remain in full effect.

**Revenue Recommendations**

- If the redevelopment requirement is waived, rent terms remain the same. The City Council offers the following options for the school to reduce the estimated annual payment that will be due in 2023:

  Estimated 2023 Lease Payment = $266,910.31  
  Current School leasehold area = 1.8 acres

**Options**

- Reduce square footage of School leasehold area to gain square footage that could be developed as part of the park, as determined by the City to be beneficial (e.g., square footage on the eastern or southern lease boundary). School needs to make a commitment to the City on this topic in 60-days with execution of lease.

  For example, 10% reduction of leasehold area = $26,691 lease reduction per year

- Build 28 public parking spaces for the community in addition to school required parking that would be available when school is in session. Requires a binding commitment and communication of intent at time of agreement. This option remains available until City has committed to building its required parking spaces.

  In-lieu parking fee rate = $1,200 per space per year
  28 x $1,200 = $33,600 lease reduction per year

- Build and manage affordable housing units. Units need to be affordable for duration of lease term. Incorporating housing units helps the City toward its affordable housing requirements. This option could provide housing for school faculty or staff. The school can keep the rent.

  Value of one affordable housing unit = $11,000-$12,000 lease reduction per year (based on extrapolation from "22 in 5" study).

  *Annual credits for these options would increase annually per the same methodology as the terms of the lease.*

- For whatever terms are agreed upon to proceed, including continuation of the current lease, the School will be required to provide a pro forma financial statement demonstrating financial capacity to meet the obligations.