

**SANTEE SCHOOL DISTRICT
SPECIAL MEETING
OF THE BOARD OF EDUCATION**

September 22, 2008
MINUTES

Douglas E. Giles
Educational Resource Center
9619 Cuyamaca Street
Santee, California

A. OPENING PROCEDURES

1. Call to Order and Welcome
President Bartholomew called the meeting to order at 7:00 p.m.
Members present:
 Dianne El-Hajj, President
 Cathy Abel, Vice President
 Dustin Burns, Clerk
 Barbara Ryan, Member
Members absent: Allen Carlisle, Member
Staff present:
 Dr. Lisbeth Johnson, Superintendent and Secretary to the Board
 Bill Clark, Assistant Superintendent, Business Services
 Minnie Malin, Director, Human Resources
 Linda Vail, Executive Assistant and Recording Secretary

B. PUBLIC COMMUNICATION

There were no public comments.

C. PROPERTY WORKSHOP

Bill Clark introduced Jim Whalen from Whalen and Associates, who provided a presentation to the Board about their conceptual idea of a development proposal for the Santee School site on Mission Gorge Road. They recently met with City of Santee administration, Keith Till and Gary Halbert, regarding their proposal. A draft proposed timeline was shared and distributed but has not been shared with the City of Santee.

The site design is approximately a 140,000 foot shopping center and not a mall. Ground lease and negotiations began today and Mr. Whalen said that they hoped to complete the ground lease terms by February. The commercial market is better than the residential market at this time. They hope to complete lease agreements by July. Prospective tenants are already being talked to. The timeline indicates site design completion by the end of this year and accessing the major tenants by the middle of next year. The final site plan, CEQUA, and City entitlement is projected during July. Mr. Whalen does not expect an EIR unless someone challenges the project.

Member Ryan asked the projected time to open the doors of the tenants' businesses. Mr. Whalen said construction would begin in February of 2010 and it would be about a year from the time the project construction starts until the tenants opened their doors.

California Environmental Quality Act is designed to allow decision makers such as members of public entities to respond to issues such as traffic, noise, and environmental impact. The City of Santee would distribute a letter that informs the public that the District plans to implement a new development. People have 30 days to challenge the decisions after the CEQUA process. There could be citizens who oppose the development because of their opinions about environmental issues.

President Bartholomew asked when the City weighs in on the zoning. Mr. Whalen said Haagen Company and the City are beginning the discussions about zoning now.

Chris Fahey and Andy Natker from Haagen Company, presented information to the Board about the history of their company. Each of them has been with Haagen Company for 15 to 20 years and they have been involved with many retail developments and shopping centers. Mr. Natker formerly served as the economic developer for the City of Los Angeles under Tom Bradley and Mr. Natker has been successfully doing these types of projects for many years.

Mr. Fahey and Mr. Natker presented a first draft of the types of prospective tenants: a dinner house restaurant, drug store, supermarkets not represented in town yet, and two sporting goods stores. They also showed two

drive-through businesses, like Quiznos and Starbucks. They created two plans in order to have a variety of plans to discuss with prospective tenants about access.

Santee is limited to types of tenants and users based on what the city has already. The shallowness of the site makes the development somewhat challenging. There is a 28% grade difference and a good size hill that has to be taken out which impacts the investment. There are not many users who want a clipped corner, which is in one of the draft designs. Retailers like to face the main street and don't like having their cash registers at the corner of the building.

These drafts will be used to start conversations with prospective tenants. They asked if the Board's interest was to maximize the income or aesthetics. The City of Santee prefers revenue from sales tax and a market or drug store shopping center lends itself to repeat customers three four times per week. There is still uncertainty about what architectural design the City will approve.

Mr. Fahey said the developers will be trying to use the signal in their design because there needs to be a place for people to turn in easily and quickly off of Mission Gorge Road. There is residential behind the property which will require sensitivity for noise factors.

At the time construction takes place, anchor tenants would be identified, a lease would be signed, and a payment made. They would expect 75% to 80% occupancy at that time. Haagen will be looking at long term commitment leases for stability.

Mr. Natker said there are several current Santee businesses that are looking to relocate in the city, to a more modern location, and some seeking drive-through potential. There is also discussion about a neighborhood community center which could take up to 8 store fronts.

Santee is a "one store city". As partners, Haagan Company wants to place some of the things the Board may want but they have to be cognizant of the market. Businesses have different requirements, i.e., in order to get a Nordstrom's you would have to pay for the land and the building. Mr. Natker said the developer pays the up front costs, such as the architect.

The key is to develop a center that will last the test of time. This is very good real estate and they want this to be a quality high end project. Some businesses that are being looked at are:

- In and Out Burger
- Sports Chalet
- Walgreens (relocated)
- Rite-Aid
- Outback
- Stater Brothers
- Quiznos
- Maybe another Albertsons
- Marshalls.

President Bartholomew asked if the City had concerns that may stop the project. Mr. Natker responded that parking on the site will limit the returns on the investment and the amount of retail on the site. The City, and probably the tenants, may have concerns about parking on the road.

Member Burns asked about constructing a parking structure on the site. Mr. Natker said that it is cost prohibitive at \$300,000 to \$400,000 per parking space.

Mr. Natker said this project would probably be an investment of \$35M-\$50M. The timeline for project completion in 2010 is good because of the current market.

President Bartholomew asked what the City's main interests are for Santee. He is more interested in having a ground lease because "long term value" is in the Board's interest. This ties in to having the right tenants who stay long term.

Member El-Hajj said she is concerned about the timing for the Board's long term objective to infill some of the funding. She asked if this timeframe would fill that objective. Bill Clark suggested the Board may wish to

consider a longer process for ball field replacement. Member Ryan said she believes we need to stick with the ball field construction schedule already approved. President Bartholomew said he would like to get the ball fields moved since the City has agreed. Bill Clark said that in terms of the debt we are incurring for construction, this timeline is good and fits in with financing.

Member Ryan said she wants a nice looking development. The Board has cross purposes with the City and the Board would want to put in tenants that would generate as much rent, and also sales tax, as possible.

Mr. Natker assured the Board that Haagen Company has core values and would not allow undesirable businesses as tenants.

The Board gave direction to Haagen Company to move forward with a plan with the interests of the Board as follows:

- Maximize the revenue,
- Make it aesthetically pleasing,
- Lease to only appropriate businesses, and
- Provide long-term secure value so the District's investment and revenue is assured and lucrative.

President Bartholomew said long term value was very important. Member Burns agreed but wants the Board to focus most of their time on educational concerns and not on real estate issues. The Board needs to trust that District Administration and the developer working together will do that. Mr. Natker said the District is their partner and they will keep the Board informed if there are changes.

President Bartholomew said says just getting to this point with the City has been challenging. The City is now opening up and it is very important that the Board has a very good sense of what the City's interests are as well. Mr. Whalen said he is glad they can take the responsibility to negotiate with the City. The less contact the Board has with the City is probably best and he feels comfortable involving administration in any negotiations. He said, at the end of the day, the City approves this project.

Mr. Whalen asked what needs to occur between the Board and City. Member Ryan said if there is any business the Board needs to do with the City, the Board has quarterly meetings with two City and two Board representatives. The Board president and vice president serve as the Board's representatives. If there is direction needed from the Board, all five of the Board members need to be briefed. If there is a need for Board and City Council member communication, Mr. Whalen could bring the information to the Board and an item could be placed on the agenda for the Board/City meeting.

Member Burns said that there was a public perception before that the District could not get the modernization plan started without selling this property and that is not the case. He wished to stress that the Board receive ongoing briefings and he would like to have a timeline for continual communication.

Items placed on the chart for discussion notes as discussed above included:

1. Levels
2. Long Term Value
3. Tenant Fit
4. Timing
5. Coordination with Other District Priorities
6. City School Board Relations

D. ADJOURNMENT

The September 22, 2008, special meeting was adjourned at 9:15 p.m.

Dustin Burns, Clerk

Lisbeth A. Johnson, Ed.D, Secretary