

RESOLUTION NUMBER R- 299044

ADOPTED ON MAR 30 2004

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO CERTIFYING THAT THE COUNCIL HAS REVIEWED AND CONSIDERED INFORMATION CONTAINED IN THE MASTER ENVIRONMENTAL IMPACT REPORT ("MEIR") FOR THE CENTRE CITY REDEVELOPMENT PROJECT, THE SUBSEQUENT ENVIRONMENTAL IMPACT REPORT TO THE MEIR FOR THE PROPOSED BALLPARK AND ANCILLARY DEVELOPMENT PROJECTS, AND ASSOCIATED PLAN AMENDMENTS, AND THE SUPPLEMENT TO THE MEIR WITH RESPECT TO THE PROPOSED DISPOSITION AND DEVELOPMENT AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO AND GRH, LLC; APPROVING THE SUPPLEMENT TO THE MEIR; ADOPTING A MITIGATION, MONITORING AND REPORTING PROGRAM; ADOPTING A STATEMENT OF OVERRIDING CONSIDERATIONS AND FINDINGS PURSUANT THERETO; AND MAKING CERTAIN FINDINGS AND DETERMINATIONS REGARDING ENVIRONMENTAL IMPACTS OF THE DEVELOPMENT PURSUANT THERETO

WHEREAS, the Redevelopment Agency of the City of San Diego [Agency] is engaged in activities necessary to carry out and implement the Redevelopment Plan for the Centre City Redevelopment Project; and

WHEREAS, the Agency has previously prepared, and the Agency, by Resolution No. 2081, and the Council of the City of San Diego [Council], by Resolution No. 279875, have certified the Final MEIR for the Centre City Redevelopment Project; and

WHEREAS, the Agency has also previously prepared, and the Agency, by Resolution No. R-03058, and the City Council by Resolution No. R-292363, have certified the Final Subsequent Environmental Impact Report to the MEIR for the proposed Ballpark and Ancillary Development Projects; and Associated Plan Amendments (referred to herein as the "SEIR,") (referred to collectively with the MEIR as the ("MEIR/SEIR") for the Centre City Redevelopment Project; and

WHEREAS, the Council proposes to approve a Disposition and Development Agreement [DDA] between the Agency and GRH, LLC ([Developer] for the development of a mixed use commercial development, including, but not limited to, a 334- room, full-service hotel [Project] on the northeast corner of Fifth Avenue and "J" Street within the Gaslamp Quarter Sub Area of the Centre City Redevelopment Project area; and

WHEREAS, the sale of the real property and development of the Project on the real property pursuant to the provisions of the proposed DDA between the Agency and the Developer is a redevelopment implementation activity whose environmental impacts are assessed in the MEIR/SEIR; and

WHEREAS, the Agency was designated as the lead agency to prepare a Supplement to the Master Environmental Impact Report [Supplement to MEIR] to assess the environmental impacts which may result from the Project; and

WHEREAS, the Centre City Development Corporation, Inc., acting on behalf of the Agency, has prepared a Supplement to the MEIR in accordance with the California Environmental Quality Act of 1970 ("CEQA"), as amended, and state and local regulations and guidelines adopted pursuant thereto, and such Supplement to the MEIR assesses the environmental impacts of the development of the real property pursuant to the DDA; and

WHEREAS, duly noticed public hearings were held by the Agency and Council with respect to the Supplement to the MEIR at which all interested persons and organizations were given an opportunity to be heard; and

WHEREAS, the Final Supplement to the MEIR, relating to the proposed DDA and responding to the concerns raised during the environmental review period and the public hearing, has been prepared pursuant to CEQA and said guidelines and regulations; and

WHEREAS, the Council has considered the environmental effects of the proposed development as shown in the MEIR/SEIR and the Final Supplement to the MEIR; NOW THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego as follows:

1. The Council hereby certifies that the Final Supplement to the MEIR with respect to the sale and development of the real property pursuant to the DDA has been prepared and completed in compliance with the CEQA Act of 1970, as amended, and state and local regulations and guidelines adopted pursuant thereto.

2. The Council hereby further certifies that the MEIR/SEIR and Final Supplement to the MEIR were presented to the members of the Council and that the information contained in the MEIR/SEIR and the Final Supplement to the MEIR has been reviewed and considered by the members of the Council.

3. The Council hereby further certifies that the Final Supplement to the MEIR (as with the MEIR/SEIR for the Centre City Redevelopment Project) represents the Council's independent judgment and analysis.

4. The Council hereby finds and determines that:

a. The Project will not result in significant environmental effects in certain respects identified in the Final Supplement to the MEIR, as described in the Candidate Findings Final Supplement to the Final MEIR For the Renaissance

Hotel (SCH No. 2002041099) (including the Statement of Overriding Considerations set forth therein) attached hereto as Attachment A and incorporated herein by this reference;

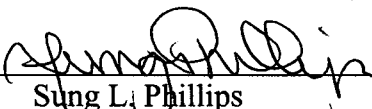
b. Changes or alterations have been required in, or incorporated into, the Project which avoid or substantially lessen certain significant environmental effects of the Project identified in the Final Supplement to the MEIR as described in Section 1 of Attachment A;

c. With respect to significant environmental effects of the Project, which cannot be avoided or substantially lessened, specific economic, social, or other considerations make infeasible the mitigation measures or project alternatives identified in the Final Supplement to the MEIR, as described in Section 2 and Section 3 of Attachment A; and

d. The significant environmental effects of the Project, which cannot be avoided are acceptable due to overriding concerns as described in Attachment A.

5. That activity-specific Mitigation Monitoring and Reporting Program, with respect to the proposed Project, in the form of Table ES-1 in the Final Supplement to the MEIR on file in the office of the City Clerk as Document No. RD-299044, is hereby approved and adopted to monitor and ensure that the mitigation measures identified will be instituted.

APPROVED: CASEY GWINN, General Counsel

By:   
Sung L. Phillips  
Deputy General Counsel

SLP:mm  
03/16/04  
Or.Dept: CCDC  
Audit Cert:N/A  
R-2004-974

**CANDIDATE FINDINGS  
FINAL SUPPLEMENT TO THE FINAL MEIR  
FOR THE  
RENAISSANCE HOTEL  
(SCH No. 2002041099)**

The California Environmental Quality Act (CEQA) requires that no public agency shall approve or carry out a project for which a final Environmental Impact Report (EIR) has been certified which identifies one or more significant effects on the environment that would occur if the project is approved or carried out unless both of the following occur:

- a) The public agency makes one or more of the following findings with respect to each significant effect, accompanied by a brief explanation of the rationale for each finding (Section 21081 of CEQA and Section 15091 of the State CEQA Guidelines):
  - 1. Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant effects on the environment as identified in the final EIR.
  - 2. Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been, or can and should be, adopted by such other agency.
  - 3. Specific economic, legal, social, technological, or other considerations, including provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or project alternatives identified in the final EIR.
- b) With respect to significant effects which were subject to a finding under paragraph (3), the public agency finds that specific overriding economic, legal, social, technological, or other benefits of the project outweigh the significant effects on the environment.

CEQA also requires the findings made pursuant to Section 15091 shall be supported by substantial evidence in the record (Section 15091[b] of the State CEQA Guidelines). Under CEQA, substantial evidence means enough relevant information and reasonable inferences from this information that a fair argument can be made to support a conclusion, even though other conclusions might also be reached. Substantial evidence shall include

facts, reasonable assumptions predicated upon facts, and expert opinion supported by facts (Section 15384 of the State CEQA Guidelines).

CEQA further requires the decision-making agency to balance, as applicable, the economic, legal, social, technological, or other benefits of a proposed project against its unavoidable environmental effects when determining whether to approve the project. If the specific economic, legal, social, technological, or other benefits of a proposed project outweigh the unavoidable adverse environmental effects, the adverse environmental effects may be considered "acceptable" (Section 15093[a] of the State CEQA Guidelines).

## 1. HISTORIC RESOURCES

Impact: Significant impacts to historic resources, specifically the demolition of the Greenbaum Market Building - a contributing resource to the Gaslamp Quarter National Register Historic District; and the Manos Produce Building - a contributing resource to the locally designated Asian/Pacific Thematic Historic District.

Finding: To partially mitigate impacts to the historic resources, the following measures shall be implemented as conditions of the Gaslamp Quarter Special Permit/Site Development Permit:

- Representative architectural elements of the Manos and Greenbaum Buildings shall be replicated and incorporated into the facade of the proposed activity, in accordance with direction from the Design Assistance Subcommittee of the City of San Diego Historical Resources Board (HRB). Specifically, the reconstructed facades of the two historical buildings will have a significant offset from the face of new construction, and the metal awning of the Greenbaum Building shall be replicated on both street facades of that building.
- Historic American Building Survey (HABS) documentation shall be prepared on both the Manos and Greenbaum Buildings prior to demolition. These HABS reports, consisting of written description and history, measured drawings and photographs shall be prepared in accordance with the Secretary of the Interior's Standards and Guidelines for Architectural and Engineering Documentation: HABS/HAER Standards, 1990. Photo documentation of both historic structures shall include professional quality 35mm black and white photographs, 4X6 standard format, taken of all four elevations and closeups of selected architectural elements. Copies of the HABS report shall be sent to the HRB, CCDC, South Coastal Information Center, the California Room of the Public Library and the San Diego Historical Society.
- A photographic exhibit and a historical narrative, including historical photographs, shall be prepared and permanently displayed within the new

hotel in an area easily accessible for public viewing and walking tours. The display shall inform viewers of the former historical buildings and the history of the site and area, including history pertaining to the Asian Pacific community, the former Produce District and Gaslamp Quarter.

- Usable historical bricks from the demolition of the rear portion of the Manos Building shall be made available to the Asian Pacific Collaborative for reuse at other locations, to the extent that such bricks are not used in the historical display.
- Special Asian Pacific Historical District sidewalk pavers shall be included in front of the reconstructed Manos Building facade. Banners, plaques and other decorative elements calling attention to the history of the site and area shall also be encouraged.

## 2. INFEASIBILITY OF ADDITIONAL MITIGATION

There are no additional feasible mitigation measures presented in the Final Supplement to the Final MEIR (hereinafter referred to as the EIR), which have not been incorporated as part of the project.

## 3. INFEASIBILITY OF PROJECT ALTERNATIVES

### a) No Project Alternative

The No Project Alternative would eliminate anticipated significant historical resource impacts associated with implementation of the proposed activity. Implementation of the No Project Alternative would result in no changes to existing conditions, or to the Greenbaum or Manos historic buildings. The activity site would remain in its present state. However, the No Project Alternative would not achieve any of the proposed activity objectives, such as providing a site for a 334-room hotel in the southern Gaslamp Quarter, or any of the adopted Redevelopment Plan objectives for this portion of the Gaslamp Quarter Sub Area. Therefore, the No Project Alternative is rejected as a feasible alternative under CEQA.

Finding: This alternative would not result in the rehabilitation of the resources and would not arrest the ongoing deterioration of the historic structures. This alternative would not meet the stated objective of the project, the construction of 334-hotel rooms. The proposed hotel project would meet some of the Redevelopment Objectives for Centre City, such as:

- provides amenities, commerce and services necessary to support a vibrant urban downtown (Community Plan 1992),

- elimination of social and economic blight and inadequate or deteriorated public improvements (Redevelopment Plan 1992),
- benefit the surrounding area, including the Gaslamp Quarter, the Convention Center and the Ballpark/Entertainment District.

This alternative would not avoid significant direct and cumulative impacts to historic resources in the long term.

b) Construct the Hotel at an Alternate Site Location

Another alternative would be to select a different site in the Gaslamp Quarter on which to construct the proposed 334-room hotel. Implementation of this alternative would allow for the Manos Produce Company Building and the Greenbaum Market Building to be retained at their present locations and would, therefore, reduce the significant cultural resources impacts that are identified for the proposed activity.

Finding: CCDC has reviewed possible available sites within an approximately three- to four-block radius from the proposed activity site, and has found no available alternative sites of sufficient size to accommodate the proposed activity. All existing vacant or underutilized sites of 40,000 square feet or more, south of Island Avenue and within three blocks of Fifth Avenue either already have hotels on them, have hotels approved on them, have been sold to another developer to allow development of a hotel, are approved for other types of development, or contain designated historic resources, and thus would incur cultural resources impacts similar to the proposed activity. Therefore, this alternative has been rejected as infeasible because there is no alternative site that could meet the primary activity objective of providing a site for 334 hotel rooms in the vicinity of the southern Gaslamp Quarter, while also avoiding significant cultural resource impacts.

c) Development of a Residential Project Leaving the Historic Structures in Place

Keyser Marston Associates (KMA) and Joseph Wong Design Associates (JWDA) also examined the feasibility of an alternative that would use the site for residential (condominium) uses, while still retaining the historic warehouses in place. The alternative multifamily residential development scenario shares many of the same building footprint restrictions faced by the reduced-footprint hotel alternative. The irregular garage configuration dictates the number of parking stalls, and the number of condominium units that could be built on the site. With 88 parking stalls, the alternative residential scenario identified by KMA and JWDA would comprise 59 condominium units, with an average unit size of approximately 800 SF.



Finding: For the residential scenario, KMA projected development costs at approximately \$25.55 million; and a gross sales value of \$26.6 million. Annual retail revenues for this alternative were calculated at \$1.03 million. Annual net operating income for the residential scenario was estimated at \$1.03 million. Using Return on Investing (ROI) targets of 12 percent for the residences, and 11.5 percent for restaurant and retail uses, the residual land value for the residential alternative was calculated at \$58,000 per unit, or \$86 per SF of land. This value is substantially lower than the average of \$131 per SF that developers are currently paying for comparable residential sites, and much lower than the peak of \$242 per SF. KMA concluded that the potential returns on the residential development alternative, relative to projected costs, indicate that it is economically infeasible. Since this alternative would not be economically feasible, it does not represent a feasible alternative under CEQA.

d) Reduced Hotel Footprint, Leaving Historic Structures in Place

A reduced hotel footprint was also considered, which would leave the existing historic structures in place and build the proposed hotel around them. The two historic structures, the Manos Produce Company Building, located at 442 Sixth Avenue, and the Greenbaum Market Building, located at 528 J Street, comprise two crucial portions of the site for the proposed hotel design. Construction of the hotel while leaving the two structures in place would significantly reduce the proposed number of hotel rooms by 137 rooms leaving 197 rooms; reduce the size of the restaurant kitchen; impact the parking garage entrance/exit on Sixth Avenue; and, eliminate three retail spaces on the ground floor. Additionally, this alternative would reduce the size of the grand ballroom and number of meeting rooms on the second floor, reduce the size of the Sixth Avenue outdoor patio on the third floor, and impact the size of the below-grade parking garage, which could not be constructed underneath the historic structures if they were to be maintained above.

Finding: The economic feasibility of this alternative was evaluated by KMA in a July 2003 report that has been included in the EIR as Appendix G. KMA's report concluded that retention of the historic warehouses would reduce the number of hotel rooms that could be developed on the site to 197, which is substantially below the 300-500 rooms that represent a full-service hotel. The resultant project would be characterized as a limited-service hotel.

KMA worked with JWDA to define an alternative limited-service hotel concept, resulting in a plan for 166,000 SF Gross Building Area (GBA), inclusive of the two 5,000 SF historic warehouses. The limited-service 10-story hotel would consist of 197 rooms, eight meeting rooms, a 4,377 SF

restaurant, with a two-level subterranean garage with a parking capacity for 87 vehicles.

KMA prepared a financial pro forma for each development scenario, addressing total development costs, stabilized net operating income, the ROI and the resulting residual land value supported by the development scenario. For the limited-service hotel scenario, KMA projected development costs at approximately \$40 million; and an annual net operating income at \$3.85 million, plus \$0.5 million for restaurant and retail space. Using an ROI target of 12 percent, KMA calculated that the residual land value of this alternative would be a negative \$3.9 million, or negative \$20,000 per room. In other words, this scenario would require contribution of free land, plus a \$3.9 million subsidy in order to be feasible. Therefore, this alternative is not economically feasible, and does not represent a feasible alternative under CEQA.

Although this alternative would reduce the cultural resources impact identified for the proposed project, it has been rejected due to economic infeasibility.

E. Relocation of Historic Structures Off-Site

Another alternative would involve the relocation of the historic structures to another site. In most cases, the relocation option is only available to wood-frame structures. The existing historic buildings are constructed of unreinforced masonry and would be extremely difficult to move. An alternative would be to dismantle them entirely and reconstruct them at the new location in accordance with modern building codes.

Finding: There are no environmental benefits of dismantling and reconstructing these buildings at a new location. The historic integrity of these buildings is not in their particular architectural style or appearance, but rather in their status as remnants of a former warehouse district. Their reconstruction in another location would cause the loss of that historic integrity, and would not achieve historic preservation objectives. See the discussion in Section 3.2.4 of the EIR, and in Appendices C and D. Therefore, this alternative has been rejected because it would not avoid or substantially reduce the significant cultural resources impact identified for the proposed activity.

F. Incorporation of Historic Structures into the Proposed Project

An analysis of the feasibility of incorporating the two existing historic buildings into the design of the hotel was prepared by Beame Architectural Partnership (letter of August 2, 2001; Appendix F of the EIR). Incorporation

of the buildings would significantly reduce the cultural resources impact identified for the proposed activity.

Finding: The analysis examined how the new hotel design would be affected by the presence of the existing historic buildings and concluded that incorporation of the buildings would not be feasible, except for some ground level facade features. The buildings would conflict with construction of the two subterranean parking levels, the kitchen and loading dock, the hotel ballroom, and associated meeting rooms. The existing historic Greenbaum Market Building would be located below 120 guest rooms, and it would not be feasible, from a structural standpoint, to construct a new 12-story building while retaining the existing historic building below (see Burkett and Wong letter of August 31, 2001, in Appendix E of the EIR). Therefore, this alternative has been rejected due to engineering infeasibility.

#### 4. CUMULATIVE EFFECTS

Impact: The proposed project would contribute to the cumulative effects associated with the loss of historic resources.

Finding: The proposed project would demolish two existing historic structures and construct a 334-room full service hotel. It has been determined that neither incorporation of the buildings into the proposed project, nor relocation of the buildings to other locations within the Gaslamp Quarter are feasible.

Therefore, the proposed activity, and the associated direct loss of two historically significant buildings, would contribute incrementally to the decline of the historic quality of the Gaslamp Quarter. At least two other historic Gaslamp Quarter buildings, the former T.M. Cobb Warehouses, were demolished approximately 10 years ago to allow construction of the Hilton Hotel/Bridgeworks. Historical impacts of the proposed activity are considered cumulative relative to the previous demolition of the T.M. Cobb Warehouses. CEQA and the MEIR require mitigation measures that would reduce, but not fully mitigate, the cumulative impacts within the Redevelopment Plan area. These include replicating elements of the historic building facades in their current locations and incorporating it within the design of the new hotel, and documentation of both buildings to HABS standards.

## **Statement of Overriding Considerations for the Renaissance Hotel Project**

The California Environmental Quality Act (CEQA) and State CEQA Guidelines (Section 15093) mandate the following:

- (a) CEQA requires the decision-making agency to balance the economic, legal, social, technological, or other benefits of the Renaissance Hotel Project against its unavoidable environmental risks when determining whether to approve the project. If the benefits of the Renaissance Hotel Project outweigh the unavoidable adverse environmental effects, the adverse environmental effects may be considered acceptable.
- (b) When the lead agency's approval of a project will result in the occurrence of significant effects which are identified in the final EIR but are not avoided or substantially lessened, the agency shall state in writing the specific overriding economic, legal, social, technological, or other benefits of the project which outweigh the significant effects on the environment and the reasons to support its action based on the final EIR and/or other information in the record.
- (c) If an agency makes a statement of overriding considerations, the statement should be included in the record of the project approval and should be mentioned in the notice of determination.

### **Significant Impacts**

Based upon the analysis contained in the Final Supplement to the Final Master Environmental Impact Report (MEIR) prepared for the Renaissance Hotel, implementation of the project would result in significant, unmitigated impacts to historical resources (direct and cumulative).

Mitigation measures would partially mitigate direct and cumulative impacts to historical resources associated with the project. These include the preparation and submission of an Historic American Building Survey (HABS) of the two historic structures (the Greenbaum and Manos Buildings) in accordance with the Secretary of the Interior's Standards, replication of the facades and architectural elements, and incorporation of these features into the architectural design of the new building. These mitigation measures would partially mitigate direct and cumulative impacts to historical resources, but not to below a level of significance.

The environmental goals, objectives and recommendations of the Progress Guide and General Plan and Centre City Community Plan include preservation of historical resources.

Because the project would result in significant direct and cumulative impacts to historical resources, the project would not be consistent with these land use plans as they relate to the preservation of historical sites. The mitigation measures discussed above would partially mitigate the direct impacts to historic resources, but not to below a level of significance.

The decisionmaker in approving the various discretionary actions that are the subject of the EIR for the Renaissance Hotel, having considered the information contained in the EIR, having reviewed and considered the public testimony and record, finds that the following factors support approval of the project despite the project's significant, unmitigated impacts to historical resources (direct and cumulative).

Pursuant to CEQA and the CEQA Guidelines, the decisionmakers having reviewed and considered the information contained in the EIR, the appendices to the EIR and the administrative record, finds that specific overriding economic, legal, social, technological, or other benefits of the proposed hotel project outweigh any and all significant effects that the project will have on the environment, and that, on balance, the remaining significant effects are found acceptable given these overriding considerations.

### **Project Benefits**

The unmitigable impacts of the project have been considered by the decisionmakers along with the beneficial effects of the proposed project. The project would result in beneficial effects to the City and the surrounding area in a number of ways. Project benefits include:

- The proposed project would create a substantial number of construction jobs and permanent jobs. It is estimated the development and construction of the hotel will provide approximately 450 person years of employment during construction and approximately 295 permanent jobs upon completion.
- The proposed project would generate significant new revenues with an emphasis on sales tax, tax increment and Transient Occupancy Tax (TOT) revenues. It is estimated the hotel will generate, upon stabilization, approximately \$2 million yearly in TOT tax (based on a 10.75% rate); \$700,000 in property tax and tax increment, and \$750,000 in sales tax. (Anthony Capuano, Vice President Hotel Development, Marriott 2004).
- The project includes high quality architectural design and materials. The project meets the design regulations stated in the Gaslamp Quarter Planned District Ordinance and would complement the scale and historic quality of the area.
- The construction of a hotel project adding 334 rooms on this site would help to implement the Visions and Goals of the Centre City Community Plan and

Objectives by providing property tax increment for redevelopment purposes and TOT funding for the Ballpark and related infrastructure improvements.

- The proposed hotel would contribute to implement the goal of the Centre City Community Plan to make Centre City an urban resort where downtown residents and workers mingle with visitors from Greater San Diego and all the world to share the unique advantages of a great urban center.
- The proposed hotel project would bring visitors to the Gaslamp Quarter who will stimulate business by eating in restaurants and using area services and shopping in downtown stores.
- The proposed hotel would implement the adopted land use designation for the site, and it is consistent with the zoning.

For these reasons, on balance, the decisionmaker finds there are economic, social and other considerations resulting from the project that serve to override and outweigh the project's unavoidable effects, and thus, the adverse unavoidable effects are considered acceptable.