

RESOLUTION NUMBER R- 310730

DATE OF FINAL PASSAGE OCT 19 2016

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO MAKING CERTAIN FINDINGS, AND APPROVING THE DISPOSITION AND DEVELOPMENT AGREEMENT, RELATED TO THE SEVENTH AND MARKET AFFORDABLE HOUSING PROJECT WITHIN THE CENTRE CITY REDEVELOPMENT PROJECT AREA.

WHEREAS, from its formation in 1958 until its elimination on February 1, 2012, the Redevelopment Agency of the City of San Diego (Former RDA) administered the implementation of various redevelopment projects, programs, and activities within designated redevelopment project areas throughout the City of San Diego (City); and

WHEREAS, the Former RDA dissolved as of February 1, 2012, in accordance with a deadline for elimination of all redevelopment agencies throughout California set forth in Assembly Bill x1 26 (AB 26), as modified by the California Supreme Court in *California Redevelopment Assn. v. Matosantos*, 53 Cal.4th 231 (2011); and

WHEREAS, pursuant to Resolution R-307238 adopted by the City Council effective January 12, 2012, the City, solely in its capacity as the designated successor agency to the Former RDA (Successor Agency), elected to serve as the successor agency to the Former RDA, and the City also elected to serve as housing successor to the Former RDA in order to retain housing assets and assume housing responsibilities; and

WHEREAS, at the time of the Former RDA's dissolution on February 1, 2012, the Successor Agency became vested with all of the Former RDA's authority, rights, powers, duties, and obligations under the California Community Redevelopment Law and, by operation of law, received all assets, properties, contracts, leases, books and records, buildings, and equipment of the Former RDA; and

WHEREAS, the Successor Agency is winding down the Former RDA's operations in accordance with AB 26, enacted on June 28, 2011, Assembly Bill 1484, enacted on June 27, 2012, and subsequent related legislation; and

WHEREAS, the Successor Agency transferred the Former RDA's affordable housing assets (Housing Assets) to the City as housing successor on or about January 28, 2013, based on the approval by the Oversight Board and the California Department of Finance (DOF) of the City's comprehensive list of housing assets in accordance with California Health and Safety Code (Code) section 34181(c); and

WHEREAS, one of the Housing Assets in the City's ownership consists of approximately 55,000 square feet of real property located at the block bounded by Seventh Avenue on the west, Market Street on the north, Eighth Avenue on the east, and Island Avenue on the south, in downtown San Diego within the Centre City Redevelopment Project Area (Property); and

WHEREAS, the Oversight Board and the DOF approved the list of housing assets based on the express representation that the City would cause the Property (as well as other "mixed-use" assets) to be developed with a combination of affordable housing units and other potential uses, consistent with Code section 34176(f); and

WHEREAS, the City as housing successor created a new, separate fund, known as the Low and Moderate Income Housing Asset Fund (Housing Asset Fund), for purposes of depositing any encumbered funds related to the Housing Assets and retaining any revenues generated from the Housing Assets in the future, as required by Code section 34176(d); and

WHEREAS, Code sections 34176(d) and 34176.1(a) obligate the City to expend all monies in the Housing Asset Fund for specified affordable housing purposes; and

WHEREAS, Civic San Diego (Civic SD) administers affordable housing projects and implements housing functions on behalf of the City as housing successor; and

WHEREAS, Civic SD, acting on behalf of the City, has negotiated a Disposition and Development Agreement (Agreement) with Cisterra 7th & Market, LLC, a California limited liability company (Developer), related to the Property, and a copy of the Agreement is included as Attachment C to Staff Report No. CSD-16-17 dated September 8, 2016 (Staff Report); and

WHEREAS, the Agreement requires the City to convey fee title ownership of the Property to Developer in exchange for Developer's payment of the purchase price of \$20,000,000 to the City for deposit into the Housing Asset Fund, and further requires Developer to develop the Property with a variety of uses (Project), including: 218 residential units; a Ritz-Carlton hotel or other hotel of reasonably comparable quality, reputation, and creditworthiness, with approximately 153 "keys"; approximately 156,000 square feet of commercial office space; approximately 40,000 square feet of retail space, including a Whole Foods Market or other grocery store of reasonably comparable quality, reputation, and creditworthiness; approximately 6,000 square feet of privately-owned, publicly-accessible outdoor open space; and a parking garage with three above-ground levels with approximately 225 parking spaces available to the general public and five subterranean levels with approximately 662 parking spaces; and

WHEREAS, the Project also will encompass the rehabilitation of the historic Clermont Hotel building located on a parcel consisting of approximately 5,000 square feet adjacent to the Property, and this building will continue to be operated as a single room occupancy hotel and will include a new Black History Museum on the ground level; and

WHEREAS, the 218 residential units in the Project will consist of 34 affordable rental units, 125 market-rate rental units, and 59 market-rate for-sale units; and

WHEREAS, the 34 affordable rental units in the Project will include 24 units restricted to households earning 65 percent or less of area median income and 10 units restricted to households earning 110 percent or less of area median income, as specified in 55-year affordability covenants recorded against the Property; and

WHEREAS, consistent with the California Environmental Quality Act (CEQA), the environmental impacts related to development projects in the San Diego Downtown Community Plan area have been evaluated in the Final Environmental Impact Report for the San Diego Downtown Community Plan, Centre City Planned District Ordinance, and Tenth Amendment to the Redevelopment Plan for the Centre City Redevelopment Project (Downtown FEIR), certified by the Former RDA and the City Council on March 14, 2016 (Resolutions R-04001 and R-301265, respectively), and subsequent addenda to the Downtown FEIR certified by the Former RDA on August 3, 2007 (Resolution R-04193), April 21, 2010 (Resolution R-04510), and August 3, 2010 (Resolution R-04544), and by the City Council on February 12, 2014 (Resolution R-308724) and July 14, 2014 (Resolution R-309115); and

WHEREAS, certain environmental effects related to development projects in the San Diego Downtown Community Plan area also have been evaluated in the Final Supplemental Environmental Impact Report for the Downtown San Diego Mobility Plan certified by the City Council on June 21, 2016 (Resolution R-310561), and in the Final Environmental Impact Report for the City's Climate Action Plan (CAP FEIR) certified by the City Council on December 15, 2015 (Resolution R-310176), and the addendum to the CAP FEIR certified by the City Council on July 12, 2016 (Resolution R-310595); and

WHEREAS, the Downtown FEIR, the CAP FEIR, and the related environmental documents described above (collectively, Certified CEQA Documents) are the most recent and

comprehensive environmental documents pertaining to the Project, and the Downtown FEIR and the CAP FEIR are Program Environmental Impact Reports prepared in accordance with CEQA Guidelines section 15168; and

WHEREAS, Civic SD, on behalf of the City, has prepared the Downtown 15168 Consistency Evaluation for the Project dated August 26, 2016 (Consistency Evaluation), in accordance with CEQA and related state and local guidelines, and a copy of the Consistency Evaluation is included as Attachment E to the Staff Report and is incorporated fully into this Resolution by this reference; and

WHEREAS, the Consistency Evaluation sets forth findings that the Project is within the scope of the development program analyzed in the Certified CEQA Documents and will not result in new or increased environmental effects compared to what already has been evaluated in the Certified CEQA Documents; and

WHEREAS, the Agreement provides that the City will convey fee title ownership of the Property to Developer for the purchase price of \$20,000,000 pursuant to the Grant Deed included as Attachment No. 6 to the Agreement and that Developer will comply with certain covenants and restrictions regarding the development of the Project and the use of the Property pursuant to the Agreement Affecting Real Property included as Attachment No. 7 to the Agreement; and

WHEREAS, in accordance with Code section 33433(a)(1), the City Council held a public hearing on OCT 18 2016, 2016, to consider the approval of the Agreement after publishing notice of the public hearing as specified in California Government Code section 6066; and

WHEREAS, in accordance with Code section 33433(a)(2), Civic SD administered the preparation of the "Summary Report Pertaining to the Proposed Conveyance of Certain Real Property Interest within the Redevelopment Project Area" dated August 2016 (Summary

Report), which is included as Attachment D to the Staff Report and is incorporated fully into this Resolution by this reference; and

WHEREAS, the City has made copies of the Agreement, the Summary Report, and the Certified CEQA Documents available for public inspection and copying no later than the time of the first publication of the notice of the public hearing; and

WHEREAS, the City Council has considered the information in the Summary Report, which contains a summary describing and specifying all of the following:

- (i) The costs to be incurred by the City under the Agreement; and
- (ii) The estimated value of the Property to be conveyed by the City to Developer, determined at the highest and best use permitted under the Redevelopment Plan for the Centre City Redevelopment Project, as amended (Redevelopment Plan); and
- (iii) The estimated value of the Property, determined at the use and with the conditions, covenants, and development costs required by the Agreement; and
- (iv) The purchase price for the Property under the Agreement, along with an explanation as to why the purchase price is less than the fair market value of the Property, determined at the highest and best use consistent with the Redevelopment Plan; and
- (v) An explanation of why the City's sale of the Property in accordance with the Agreement will assist in the elimination of blight, with reference to all supporting facts and materials relied upon in making this explanation; and

WHEREAS, among other information, the Summary Report discloses that the estimated costs to be incurred by the City under the Agreement will be \$6,700,000, that the estimated fair market value of the Property at its highest and best use is \$28,050,000, and that the estimated fair

reuse value of the Property, taking into account the conditions, covenants, and development costs required by the Agreement, is \$20,000,000; and

WHEREAS, the City Council believes that the Agreement is in the best interests of the City and the health, safety, morals and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local law and requirements; and

WHEREAS, the City Council has considered any written evidence and/or testimony received in support of or in opposition to the Agreement, as well as the entire record prepared by City and Civic SD staff; NOW, THEREFORE,

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

1. The Council finds and determines that all recitals set forth in this Resolution are true and correct and fully incorporated herein by this reference.

2. Consistent with the analysis contained in the Consistency Evaluation, the environmental effects of the Project were adequately addressed in the Certified CEQA Documents, and the Project is within the scope of the development program described therein.

3. The Council adopts the following findings, as set forth at pages 5 and 6 of the Consistency Evaluation, with respect to the environmental effects of the Project:

(a) No substantial changes are proposed in the Centre City Redevelopment Project, or with respect to the circumstances under which the Centre City Redevelopment Project is to be undertaken as a result of the Project, which will require important or major revisions in the Certified CEQA Documents; and

(b) No new information of substantial importance to the Centre City Redevelopment Project has become available, which was not known or could not have been known at the time the Certified CEQA Documents were certified as complete, and which shows

that the Project will have any significant effects not discussed previously in the Certified CEQA Documents, or that any significant effects previously examined will be substantially more severe than shown in the Certified CEQA Documents, or that any mitigation measures or alternatives previously found not to be feasible or not previously considered would substantially reduce or lessen any significant effects on the environment; and

(c) No negative declaration, subsequent environmental impact report, or supplement or further addendum to the Downtown FEIR or the CAP FEIR is necessary or required; and

(d) The development of the Project will have no significant effect on the environment, except as identified and considered in the Certified CEQA Documents, and no new or additional project-specific mitigation measures are required in connection with development of the Project; and

(e) The Project will not have any new effects that were not adequately covered in the Certified CEQA Documents, and therefore, the Project is within the scope of the development program approved under the Certified CEQA Documents.

4. Pursuant to CEQA Guidelines sections 15162 and 15168, the Council determines that no further environmental documentation is required to address the potential environmental effects of the Project.

5. The City Clerk, or designee, is directed to file a Notice of Determination with the Clerk of the Board of Supervisors for the County of San Diego regarding the Project.

6. The Council has received and heard any and all oral and written objections relating to the proposed Agreement, and all such oral and written objections are overruled.



7. The Council finds that the consideration to be received by the City for the sale of the Property is not less than fair reuse value at the use and with the covenants, conditions, and development costs required by the Agreement.

8. The Council finds that the sale of the Property and the development of the Project in accordance with the Agreement will assist in the elimination of blight in the Centre City Redevelopment Project Area, and is consistent with the Redevelopment Plan and the most recent five-year implementation plan adopted pursuant to Code section 33490.

9. The Council finds that the sale of the Property and the development of the Project in accordance with the Agreement will assist in providing housing for low-income or moderate-income persons.

10. The Council approves the sale of the Property in accordance with the Agreement.

11. The Council approves the Agreement, including all attachments and exhibits thereto.

12. The Mayor, or designee, is authorized and directed to execute the Agreement, including all attachments and exhibits thereto requiring the City's signature. A copy of the Agreement, when fully executed, shall be placed on file with the City Clerk as Document No. RR- 310730.

13. The Mayor, or designee, is authorized and directed to sign all documents necessary and appropriate to carry out and implement the Agreement and to administer the City's obligations, responsibilities, and duties to be performed under the Agreement, including all attachments and exhibits thereto.

14. The Chief Financial Officer, as delegated, is authorized to accept all funds comprising Developer's payment of the purchase price for the Property under the Agreement and to deposit such funds into the City's Low and Moderate Income Housing Asset Fund.

APPROVED: JAN I. GOLDSMITH, City Attorney

By Kevin Reisch  
Kevin Reisch  
Chief Deputy City Attorney

KJR:nja  
08/30/16  
Or.Dept: Civic San Diego  
Doc. No.: 1343096  
Comp. R-2017-69

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of OCT 18 2016.

ELIZABETH S. MALAND  
City Clerk

By: [Signature]  
Deputy City Clerk

Approved: 10/19/16  
(date)

[Signature]  
KEVIN L. FAULCONER, Mayor

Vetoed: \_\_\_\_\_  
(date)

\_\_\_\_\_  
KEVIN L. FAULCONER, Mayor

Passed by the Council of The City of San Diego on OCT 18 2016, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Sherri Lightner	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lorie Zapf	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Todd Gloria	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Myrtle Cole	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mark Kersey	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Cate	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scott Sherman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
David Alvarez	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marti Emerald	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Date of final passage OCT 19 2016


(Please note: When a resolution is approved by the Mayor, the date of final passage is the date the approved resolution was returned to the Office of the City Clerk.)

AUTHENTICATED BY:

(Seal)

KEVIN L. FAULCONER  
Mayor of The City of San Diego, California.

ELIZABETH S. MALAND  
City Clerk of The City of San Diego, California.

By , Deputy

Office of the City Clerk, San Diego, California

Resolution Number R- 310730