



THE CITY OF SAN DIEGO
Redevelopment Agency's Report

DATE ISSUED: September 24, 2003 REPORT NO. RA-03-30

ATTENTION: Chair and Members of the Redevelopment Agency
Docket of September 30, 2003

SUBJECT: Exclusive Negotiating Agreement for the northwest corner of Montezuma Road and Campanile Drive – College Community Redevelopment Project Area

SUMMARY

Issue – Should the Redevelopment Agency authorize the Executive Director to enter into an Exclusive Negotiating Agreement (ENA) for 180 days with Mr. Williams, N. Dorinda Guzman and Gangi Development for the proposed Gateway Village Apartments Project?

Executive Director's Recommendation –

1. The Redevelopment Agency approve the ENA with Mr. Williams, N. Dorinda Guzman and Gangi Development for the proposed Gateway Village Apartments Project;
2. Amend the Fiscal Year 2003 Agency Budget for the College Community Redevelopment Project Area to accept a Developer Deposit of \$40,000.

Fiscal Impact – The \$40,000 developer deposit will cover staff time, outside consultant costs and attorney's fees to process the ENA.

BACKGROUND

The College Community Redevelopment Project (CCRP) Area was adopted by City Council on November 30, 1993. Two primary objectives of the CCRP are to expand on the community's supply of housing and mitigate traffic and parking congestion. The College Community Redevelopment Plan, Master Project Plan (MPP) and Core Sub-Area Design Manual identify the increase of housing that is attractive to students and near the university campus as a way to address both of these objectives.

On January 13th, 2003, Redevelopment Agency (Agency) staff initiated an Owner Participation (OP) process in response to the SDSU Foundation's (Foundation) written request for an ENA to develop their proposed Aztec Inn Project at the northwest corner of Montezuma Road and Campanile Drive within the CCRP. In accordance with redevelopment law, the Agency mailed Statement of Interest Questionnaires (SOIQ) to all three (3) property owners within the footprint of the proposed Aztec Inn Project. Attachment 1 illustrates the footprint of the two proposals. The SOIQ was sent to solicit the property owner's intent to either participate in or submit a competing proposal to the Aztec Inn Project.

An Owner Participation Application/Submittal package was included with the January 13th letter. Property owners who indicated an interest in submitting a competing proposal were given until March 10th (the deadline was subsequently extended to April 10th) to complete the application and return it to the Agency. The package included all relevant College Community Redevelopment documents (i.e., CCRP Plan, Master Project Plan, Core Sub-Area Design Manual, and CCRP Owner Participation Rules).

In response to the January 13th request, two project proposals, the Aztec Inn and the Gateway Village Apartments projects were received. Both proposals were analyzed and evaluated based upon the following factors: extent to which the proposed project furthers the goals of the CCRP Plan/Project Area, extent to which the project conforms to the Master Project Plan and Core Sub-Area Design Manual, type of project being proposed; ability of the proposed developer to finance the project; economic feasibility of the proposed project; and the current site control of the proposed developer. A complete list of the evaluation criteria used by staff is provided as Attachment 2 to this report.

On May 1st, 2003, Agency staff convened the final phase of the OP evaluation process. An interview panel consisting of staff from three City departments and the chairs of the CCRP Area (PAC) and College Area Community Council (CACC) interviewed the two OP respondent teams, seeking further information to determine which project best satisfied the evaluation criteria. After the interviews, the six-member panel recommended the proposed Gateway Village Project by a vote of 5 to 1.

On July 8th, 2003 the College Community Redevelopment Project Area Committee (PAC) was given a presentation on both proposals and was asked to endorse staff's recommendation that the Agency enter into an ENA for the Gateway Village Apartments. The PAC did not endorse staff's recommendation but rather voted 6 in favor ((Buck, Elliott, Boggus, Trovaten, Wollitz, Frisco) and 5 opposed (Webber, Laub, Prinz, Olonan, Parsons) to recommend approval of the Aztec Inn project for an ENA.

On July 7th, 2003 the College Area Community Council (CACC) invited both teams (Williams/Guzman & SDSUF) to present their proposals to the council. The CACC passed a motion to recommend the Agency enter into an Exclusive Negotiating Agreement (ENA) with the Foundation for the Aztec Inn project. The motion passed with 11 in favor, 4 opposed, and 2 abstentions.

DISCUSSION

Both the Aztec Inn and the Gateway Village Apartments are similar developments in many respects. Both are proposed for the 3 parcels at the northwest corner of Montezuma Road and Campanile Drive. Both are four-story, approximately 50,000 square foot buildings built atop a

72-75 space subterranean parking garage. Development costs as well as intended construction dates are also very similar. Both projects propose a large fountain at the corner to serve as a landmark/gateway entrance to the SDSU campus. At the time of the initial selection panel interviews, only the development team for the Gateway Village Apartments owned one of the three parcels. Since that time, both development teams each own 1 parcel.

The principal reason for staff's recommendation of the Gateway Village Apartments versus the Aztec Inn is the use of each proposal. The Gateway Village Apartments is proposed as a 52-unit apartment building with 10% of the units set-aside for very-low income residents. The Aztec Inn is a 74-room lodging facility. The northwest corner of Montezuma Road and Campanile Drive is within the Residential District of the Core Sub-Area. Therefore, a residential project more closely conforms to the intent of the Core Sub-Area Design Manual. Further, by expanding on the community's supply of housing, the two primary objectives of the CCRP (increase in housing and mitigation of traffic and parking) are addressed.

Another reason staff recommends the Gateway Village Apartments is that it would generate more tax-increment for the CCRP. 100% of the value of Gateway Village Apartments would be assessed for property tax purposes. Aztec Inn, because of its use as an elder hostel to the university, would be largely exempt from property taxes, although Aztec Inn would generate some Transient Occupancy Tax.

For additional information regarding each of the proposed developments, Attachment 3 (Gateway Village Apartments) and Attachment 4 (Aztec Inn) have been provided.

An ENA has been signed by both development teams. Each of the two ENAs are essentially identical and contain the same obligations for the Agency as well as the Developer. These obligations are listed below. A signed copy of the Gateway Village Apartments ENA is provided as attachment 5. A signed copy of the Aztec Inn ENA is provided as attachment 6.

Obligations of Agency:

- (a) Work with the Developer to evaluate the Project cost pro forma for the purpose of determining what, if any, Agency financial assistance is needed to make the Project economically feasible;
- (b) Respond on a timely basis on all submittals by Developer made pursuant to Section 3;
- (c) Work with Developer to establish a reasonable time schedule for the negotiation of a DDA and the completion of all necessary approvals and permits to implement the Project; and
- (d) Notify any and all other proposers that during the Exclusive Negotiating Period, the Agency and its staff, consultants and/or agents shall not negotiate, discuss, or otherwise communicate with any person or entity, other than the Developer, regarding a DDA for the development of the Project. However, if less than the entire Site will be required for the Project as contemplated by the Parties during the Exclusive Negotiating Period, the Agency shall be permitted to negotiate and/or discuss the development of that portion of the Site not required for the Project with potential third party developers.

Obligations of Developer:

(a) Within thirty (30) days following the execution of this Agreement by the Agency, the Developer shall provide the Agency with a letter from its financial institution (in a form and substance reasonably acceptable to the Agency Executive Director or designee), outlining that financial institution's intent to provide the financing resources necessary for the acquisition, construction, and development of the Project by the Developer [Financing Letter];

(b) Within thirty (30) days following the execution of this Agreement by the Agency, the Developer shall provide to the Agency Executive Director or designee a reasonable cost pro forma, a reasonable table describing the sources and uses of funds and cash flow projections and distributions concerning the Project, and a narrative describing the fundamental economics of the Project, all in form and substance acceptable to the Agency Executive Director or designee;

(c) Within forty-five (45) days following the execution of this Agreement by the Agency, the Developer shall submit to the City of San Diego's Development Services Department an application for a Comprehensive Preliminary Review;

(d) Within sixty (60) days following the execution of this Agreement by the Agency, the Developer shall provide to the agency a temporary relocation plan and a permanent relocation plan for all the parcels within the Site;

(e) Within forty-five (45) days following the execution of this Agreement by the Agency, the Developer shall deliver to the Agency a proposal addressing the Project's proposed traffic circulation, parking, and design standards;

(f) Within sixty (60) days following the execution of this Agreement by the Agency, the Developer shall provide an equity commitment acceptable to the Agency Executive Director or designee in a manner specifically identifying the sources of such equity. Such equity commitment shall be in an amount sufficient to provide for the acquisition of the Site and qualify for the necessary construction and take-out loans as will be required for the development of the Project. Moreover such commitment may also be in the form of letters of intent from investors of adequate credit-worthiness setting forth their intent to invest the equity that shall be required for this Project;

(g) Within sixty (60) days following the execution of this Agreement by the Agency, the Developer shall submit to the Agency a Site Plan and basic architectural renderings of the Project acceptable to the Agency Executive Director or designee. The Site Plan and basic architectural renderings shall include a well defined architectural concept for the Project addressing the urban design and development quality issues related to the Project's use and location. In addition, the Site Plan and architectural renderings shall identify building design features, illustrating how the Project and its use integrate into the surroundings;

(h) Developer shall work diligently with the Agency, the Seventh District Council Office, College Area Community Council, and the College Community Project Area Committee on the development of the Project. Consideration of the property's urban design and functional considerations in accordance with the College Community Master Project Plan shall be incorporated into the Project design and development to ensure that the Project will fit into the neighborhood and enhance the Site and its surrounding residential and commercial properties;

(i) During the period of this Agreement, the Developer shall make presentations to the College Community Project Area Committee and College Area Community Council (including any subcommittees created for review of the Project). These groups may provide recommendations to the Developer and the Agency on various aspects of the design. The Developer shall consider each recommendation;

(j) The Developer shall be responsible for the preparation, including all associated costs, of any environmental documents required pursuant to Section 8 of this Agreement;

(k) Developer shall make reasonable efforts to acquire all of the parcels within the Site and will provide evidence, including an appraisal and correspondence with the property owner, of such efforts to the Agency; and

(l) Developer shall work with Agency staff, staff of the City of San Diego's Arts and Culture Commission and the Project Area Committee to design and develop the public art element of the project identified in the Core Sub-Area Design Manual.

SUMMARY

With approval of the Gateway Village Apartments ENA, Agency staff will commence negotiations and return to the Agency for execution of a disposition and development agreement.

The Gateway Village Apartments ENA signed by the Williams team and the Aztec Inn ENA signed by the Foundation have both been provided. This was done because staff's recommendation is for the Gateway Village Apartments Project and the community's recommendation is for the Aztec Inn. The Agency can choose to enter into an ENA for either project, or not enter into an ENA at all. By providing signed copies of both ENAs, it will not be necessary to bring this issue to the Agency again until the disposition and development agreement has been prepared and ready for consideration.

ALTERNATIVE(S)

The Redevelopment Agency to enter into an ENA with the SDSU Foundation for their proposed Aztec Inn Project.

The Redevelopment Agency not to enter into an ENA for any proposed project at the corner of Montezuma Road and Campanile Drive at this time.

Respectfully submitted,

Todd G. Hooks
Deputy Executive Director,
Redevelopment Agency

Approved: Hank Cunningham
Assistant Executive Director,
Redevelopment Agency

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Attachment(s):

1. Owner Participation Evaluation Criteria
2. Sitemap
3. Summary of Gateway Village Apartments proposal
4. Summary of Aztec Inn proposal
5. Gateway Village Apartments ENA
6. Aztec Inn ENA