



THE CITY OF SAN DIEGO

Redevelopment Agency's Report

DATE ISSUED: September 24, 2003 REPORT NO. RA-03-31

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

SUBJECT: Exclusive Negotiating Agreement with Western Pacific Housing for a
Mixed-Use Project in North Park Redevelopment Project

SUMMARY:

Issue - Should the Redevelopment Agency Enter into an Exclusive Negotiating Agreement (ENA) with Western Pacific Housing?

Executive Director's Recommendation –

Approve the ENA with Western Pacific Housing; and

Amend the North Park Project Area Budget for Fiscal Year 2004 to Accept a Deposit of \$40,000 from Western Pacific Housing and Authorize the Appropriation and Expenditure of Said Funds for the Project.

Fiscal Impact – Upon approval of an ENA, Western Pacific Housing will pay the Redevelopment Agency \$40,000 to cover staff costs and consultant fees for negotiating and preparing a Disposition and Development Agreement (DDA).

Environmental Impact – No environmental review is required to enter into an ENA. Complete environmental review will be conducted at the time a DDA is submitted to the Redevelopment Agency/City Council for consideration and when the project submits for City entitlements.

BACKGROUND:

Western Pacific Housing (WPH), is a member of the D.R. Horton family of companies, one of the nation's largest homebuilding companies. WPH is currently developing an urban infill housing project (Union Square) in the East Village area of Downtown San Diego. WPH is proposing to develop a mixed-use project in the North Park Redevelopment Project Area and has requested an ENA as the first step towards potentially entering into a Disposition and Development Agreement (DDA) with the Redevelopment Agency.

DISCUSSION:

WPH is proposing to develop a mixed-use project in the North Park Redevelopment Project Area on a 89,600 square foot site bounded by 30th Street to the west, Lincoln Avenue to the north and Ohio Street to the east (see Attachment 1). The site is currently occupied by Rite-Aid and Weber's Bakery. WPH is proposing to demolish the existing buildings and develop a mixed-use project with 224 for-sale condominium homes, 18,500 square feet of commercial, retail, live-work space and a minimum of 375 parking stalls. Open space and recreational facilities will be provided on-site for resident owners. The project is being designed with 7 different floor plans ranging in size from 900 to 1,100 square feet. The estimated total project value is approximately \$61 million.

The ENA (see Attachment 2) negotiation period is 120 days following the approval of this action, with up to 2 additional periods of 30 days each (60 days total). During the ENA period, the Agency shall not negotiate, discuss, or otherwise communicate with any person or entity, other than WPH, regarding the development of the proposed project site. During the ENA period, Agency staff and WPH will negotiate the terms of a Disposition and Development Agreement (DDA).

WPH is under contract and in escrow with the property owner and has submitted their development plans to the Development Services Department for review. WPH has requested Agency involvement to assist with possible site acquisition, public improvements and gap financing for a portion of the units to be affordable. Specifically, WPH is proposing 10% of the units or 23 units to be affordable at 100% of Area Median Income (AMI). This affordability level meets the minimum inclusionary housing requirement.

Developer Obligations

As stated in the ENA, during the Exclusive Negotiating Period the Developer shall use its good faith efforts to:

- Maximize the number of affordable housing units within the project and provide these units at the lowest affordability levels;
- Within thirty (30) days following the execution of the 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;

- Within thirty (30) days following the execution of the Agreement by the Agency, the Developer shall provide to the Agency Executive Director or designee a reasonable cost pro forma demonstrating the economic gap of the project, 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;

- Within thirty (30) days following the execution of the Agreement by the Agency, the Developer shall provide to the Agency Executive Director or designee, a detailed explanation of the assistance and associated costs specifically being asked of the Agency.

- Within forty-five (45) days following the execution of the 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;

- Within forty-five (45) days following the execution of the 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;

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

- Within sixty (60) days following the execution of the 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;

- Within sixty (60) days following the execution of the 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;

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

- Developer shall make reasonable efforts to acquire all of the parcels and leasehold interests within the Site and will provide evidence, including an appraisal and correspondence with the property owner and/or tenants, of such efforts to the Agency.

Agency Obligations

As stated in the ENA, during the Exclusive Negotiating Period the Agency shall use its good faith efforts to:

- 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;

- Respond on a timely basis on all submittals by Developer made pursuant to Section 3 (Developer Obligations);

- 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

- 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.

Owner Participation

An owner participation letter was sent to the affected property owner on August 27, 2003, informing them of the proposed project. Included with the letter was a copy of the Rules Governing Participation by Property Owners and Preference for Businesses to Re-enter in the North Park Redevelopment Project,” and a property owner statement of interest questionnaire. The questionnaire solicits input from the current owner such as their interest in selling the property to the Redevelopment Agency or interest in submitting a competing proposal. The statement of interest questionnaire is due back by September 26, 2003 and the response to that questionnaire will be presented to the Agency on September 30, 2003.

WPH has met with the North Park community numerous times on the proposed project. Most recently, the North Park Redevelopment Project Area Committee (PAC) discussed the ENA on September 9, 2003 and recommended 12-0-0 that the Redevelopment Agency enter into an ENA

with WPH. The PAC also mentioned that as part of the negotiations, the developer should be strongly encouraged to provide affordable housing instead of paying in-lieu fees and that Agency staff incorporate existing City/Agency housing policies into the DDA. On July 15, 2003, the Greater North Park Community Planning Committee voted 13-1-0 to accept the project with landscaping, building façade colorations provisions and to ensure that the detailing shown in the renderings/drawings are included in the final design.

WPH has an aggressive development schedule. WPH has submitted its development plans to the Development Services Department for review and hopes to begin construction in the Spring of 2004. Completion is scheduled for late 2005.

Respectfully submitted,

Todd Hooks

Deputy Executive Director

HOOKS / JRD

Approved:

Hank Cunningham
Assistant Executive Director

Attachments:

1. Site Map
2. Exclusive Negotiating Agreement (ENA) between the Redevelopment Agency of the City of San Diego and Western Pacific Housing