



DATE ISSUED: April 21, 2004

REPORT NO. CCDC-04-19

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of April 27, 2004

SUBJECT: Resolution of Necessity to Acquire One Parcel in the Gaslamp
Quarter Sub Area of the Centre City Redevelopment Project -
Renaissance Hotel Project

REFERENCE: None.

STAFF CONTACT: David N. Allsbrook, Manager-Contracting and Public Works

SUMMARY

Staff Recommendation - That the Redevelopment Agency initiate condemnation proceedings to acquire Assessor Parcel Number 535-084-05 owned by Mr. Ahmad Mesdaq for the Renaissance Hotel Project

Centre City Development Corporation Recommendation - On April 21, 2004, the Corporation is scheduled to consider the recommendation to initiate eminent domain proceedings to acquire this parcel. The Corporation's recommendation will be reported at the Redevelopment Agency meeting scheduled for April 27, 2004.

Other Recommendations - None.

Fiscal Impact - Funds are available in the Fiscal Year 2004 Gaslamp Quarter Sub Area Budget for property acquisition.

BACKGROUND

The Renaissance Hotel Project advances the Visions and Goals of the Centre City Community Plan and the Objectives of the Centre City Redevelopment Project by:

- developing a strong financial/commercial core surrounded by mixed-use neighborhoods;
- providing property tax increment and Transient Occupancy Tax (TOT) funding for the Ballpark and related infrastructure improvements through the addition of new hotel rooms;

- making Centre City an urban resort where downtown residents and workers mingle with visitors from greater San Diego and share the unique advantages of a great urban center;
- promoting the growth and vitality of Centre City as the primary business, educational, cultural and entertainment magnet; and
- eliminate blight through the demolition and development of underutilized properties.

On March 30, 2004, the City Council and Redevelopment Agency approved the Disposition and Development Agreement (DDA) with GRH, LLC for a 334-room Renaissance Hotel located on a portion of the block bounded by Fifth Avenue, Sixth Avenue, Island Avenue and J Street. The Developer controls 35,000 square feet of the project site and requested assistance from the Redevelopment Agency to acquire the property necessary to complete the land assembly of the site.

On April 1, 2004, the Corporation, on behalf of the Redevelopment Agency made an offer to purchase to Mr. Ahmad Mesdaq, the owner of the property described above. This offer has not been accepted, therefore it is recommended that condemnation proceedings be initiated to acquire fee interest in the parcel.

ASSESSORS PARCEL NUMBER (APN)	PROPERTY OWNER
535-084-05	Mr. Ahmad Mesdaq

PUBLIC USE

The Project is for a public use, redevelopment pursuant to Health and Safety Code sections 33000, *et seq.* In *Berman v. Parker* (1954) 348 U.S. 26, a unanimous United States Supreme Court upheld the use of eminent domain for redevelopment purposes. The court determined redevelopment to be a public purpose for which Congress could exercise its police power and its power of eminent domain, even as to properties within a redevelopment area that were, themselves, not blighted.

Consequently, even assuming that the 5,000 square foot subject property is not specifically blighted, the acquisition is for a public use. Its presence in the redevelopment area is sufficient. The subject property will be combined with neighboring, blighted properties to form the 40,000 square foot site necessary for the Project.

FINDINGS

The following findings have been made:

1. Does the public interest and necessity require the project? Yes.

The proposed action for condemnation of this parcel included within the Gaslamp Quarter Sub Area of the Centre City Redevelopment Project is in conformity with the adopted Redevelopment Plan. The assemblage of property interests and the elimination of blighting conditions will improve the neighborhood and the quality of life for residents, visitors, property owners and tenants of this area, consistent with the goals of redevelopment.

When assembled with the 5,000 square foot subject property, the development and construction of a full-service hotel in the Gaslamp Quarter will assist in the elimination of blight and the under-utilization of 35,000 square feet of land currently used as a parking lot. The completion of the Gaslamp Renaissance Hotel within the "J" Street corridor will contribute to the link between the Gaslamp Quarter and the Ballpark District, as well as provide additional hotel rooms for the successful operation of the San Diego Convention Center. The development and construction of the hotel will provide approximately 450 person years of employment during construction and approximately 295 permanent jobs under completion.

The Project is also necessary to meet and keep pace with the current and growing demand for hotel lodging facilities. The completion of the Phase II expansion of the Convention Center generated a need for lodging facilities in proximity to the Convention Center. In addition, with its location in Gaslamp Quarter and proximity to Petco Park, the Project is well located to meet hotel room demand generated from non-convention related uses. Analysis conducted by consultant KMA has concluded that during 2004 through 2006, downtown San Diego will need to add an estimated 745 full-service hotel rooms. The 334-room Renaissance Hotel Project will satisfy a portion of this demand.

2. Is the proposed project planned or located in a manner that will be the most compatible with the greatest public good and least private injury? Yes.

The Renaissance Hotel Project is consistent with the Gaslamp Quarter Planned District Ordinance, the Centre City Redevelopment Plan and implements CCDC's Five-Year Strategic Plan. The Project will eliminate blight through the demolition of underutilized properties. The assembled site provides for a full service hotel offering amenities such as business centers, health clubs, a variety of restaurants, and banquet/conference rooms. The

proposed hotel is compatible with the surrounding uses within the Gaslamp Quarter and complements the scale and historic quality of the area.

Development of the hotel requires the assemblage of the 35,000 square foot parcel already owned by the proposed developer with the 5,000 square foot subject parcel. Design alternatives for the hotel, without the 5,000 square foot subject parcel, were examined. It was determined that the full 40,000 square foot site is necessary for the Project to be successful.

A full-service hotel requires a full-size lobby with greeting areas and appropriate flow between foot traffic and vehicular traffic. The developer has assembled the first 35,000 square feet needed for the site. All relevant CCDC and Agency rules and guidelines have been followed for the planning and design of the Project. Mr. Mesdaq, owner of the 5,000 square foot corner parcel proposed to be included within the Project, was provided with an opportunity to participate in the redevelopment planning process, by participating in the design of the current project or proposing an alternative project. Mr. Mesdaq failed to respond within the time periods prescribed by CCDC's rules.

The Project site is located in the Gaslamp Quarter at Fifth Avenue and J Street. In accordance with CCDC's urban design standards, a hotel in this location should have its principal pedestrian entrance on Fifth Avenue with vehicular ingress/egress on Sixth Avenue or J Street. The approved design of the hotel, which requires acquisition of the 5,000 square foot subject parcel, was deemed the most appropriate for a full-service hotel in the Gaslamp Quarter. The ground floor design includes:

- The principal pedestrian entrance on Fifth Avenue. This main entrance would be the first impression for pedestrians and represents a critical front door to the Gaslamp Quarter.
- The valet drop-off area on J Street. Vehicular access along Fifth Avenue would not be appropriate, and a valet drop-off on Sixth Avenue would segregate it from the lobby.
- The entrance for the parking garage on Sixth Avenue. This is the most appropriate location in terms of circulation patterns in the Gaslamp Quarter.
- An appropriately sized lobby fronting Fifth Avenue. The proposed lobby links all of the vital parts of the hotel's public areas, i.e., the registration desk, the lobby bar (open air, contiguous with the lobby registration and greeting area, at the corner of Fifth Avenue and J Street), the valet drop-off entrance, an independently owned

restaurant(along Fifth-Avenue),a Marriottmanaged restaurant(along J Street), and access to the second floor event space.

- An independent signature restaurant on the northern Fifth Avenue frontage. Located directly north of the lobby is a signature restaurant, which is proposed to be independently owned and operated. This restaurant is viewed as an important co-marking and image-setting tool for the hotel.
- A second restaurant, managed by Marriott, on J Street. This restaurant provides 24-hour room service to the hotel guests, an important feature for full-service, four-star hotels.

The 5,000 square feet subject parcel is currently used for the Havana Cigar and Coffee Lounge business. Continuation of the business at the current corner location is not feasible with the current hotel design. The business is entitled to relocation assistance benefits to assist in relocating to a new, comparable location.

Design of the project around the 5,000 square foot subject parcel was examined and deemed inadequate. The 35,000 square foot site is L-shaped around the 5,000 square foot, which is at the corner of Fifth Avenue and J Street. The reduced area would limit the hotel to 237 guest rooms. A four-star, full-service hotel in an urban setting will typically require a minimum of 300 rooms. This L-design would render the parking garage inefficient, more expensive to shore, and unable to support the required 119 parking spaces for a 237 room hotel. The design would also reduce the hotel lobby area from an attractive, contiguous corner layout connecting the pedestrian entrances, the registration areas, the lobby bar/greeting area, and the valet drop off areas, to either an L-shaped hallway with no lobby bar or greeting area or lobby area separated from the valet drop off by along corridor (if the lobby area replaced the area designate for a signature restaurant along Fifth Avenue).

Consequently, the greatest public good requires that the hotel be designed in a manner appropriate for a four-star, full service hotel. This includes achieving a 334 guest rooms, appropriate parking to support such rooms, providing a corner lobby area of sufficient size and design to achieve both an aesthetically pleasing entrance and an efficient flow of pedestrian and vehicular traffic to the hotel. This result cannot be achieved without the 5,000 square foot corner parcel.

The project has been designed with the least private injury because it complies with the Gaslamp Quarter Planned District Ordinance, the

Centre City Redevelopment Plan and implements CCDC's Five-Year Strategic Plan. The property owner of the 5,000 square foot parcel, Ahmad Mesdaq, will be adversely impacted by the project. However, Mr. Mesdaq will be compensated for the acquisition of this parcel by payments for the fair market value of the land, loss of goodwill (if any) to the business, and relocation assistance according to law. Mr. Mesdaq was provided with an opportunity to participate in the redevelopment of his property in conjunction with the neighboring 35,000 square foot site, or to propose an alternative redevelopment proposal but failed to do so within the time limits prescribed.

3. Is the property interest(s) sought to be acquired necessary for the proposed project? Yes.

As discussed in section 2, above, the acquisition and consolidation of the parcel(s) is necessary to facilitate the development of the Project. The hotel design requires the use of the 5,000 square foot corner parcel.

4. An offer to purchase the property was made to the property owner of record by the Agency, in accordance with Government Code section 7267.2(a).

A written offer to purchase the property pursuant to Government Code section 7267.2(a) dated April 1, 2004 was provided to Mr. Mesdaq.

SUMMARY/CONCLUSION

There is no conflict of interest known to me regarding any Agency or Corporation officer or employee regarding this action. _____