



DATE ISSUED: September 8, 2004

REPORT NO. CCDC-04-33  
CCDC-04-18

ATTENTION: Honorable Mayor and Members of the City Council  
Chair and Members of the Redevelopment Agency  
Docket of September 14, 2004

SUBJECT: Island-Market Centre Project - Owner Participation Agreement,  
Disposition and Development Agreement and Design Review  
Approval with Oak Shelter Systems, LLC - (Full block bounded by  
13<sup>th</sup>, 14<sup>th</sup>, and Market streets and Island Avenue) - East Village  
Redevelopment District of the Expansion Sub Area of the Centre City  
Redevelopment Project - **Joint Public Hearing**

REFERENCE: RFQ/P Site, Site Map, Disposition and Development Agreement,  
Owner Participation Agreement, Development Site Footprints,  
Existing Land Uses, KMA Financial Analysis, Subsidy Comparisons,  
Estimate of Re-Use Value, Letters of Support, Developer Biography,  
Secondary Study, Basic Concept/Schematic Drawings

STAFF CONTACT: Dale Royal, Senior Project Manager  
Brad Richter, Principal Planner

## SUMMARY

Issue - Should the Redevelopment Agency:

1. Certify that the Master Environmental Impact Report ("MEIR"), the Final Subsequent Environmental Impact Report to the MEIR ("SEIR"), and the Final Supplement to the MEIR and Environmental Impact Secondary Study, with respect to the Disposition and Development Agreement ("DDA") and Owner Participation Agreement ("OPA") with Oak Shelter Systems, LLC ("Developer") have been considered and reviewed;
2. Approve the DDA between the Agency and the Developer to develop a mixed-use condominium and retail project ("North Block") on the northern 40,000 square feet of the subject block, and authorize the Executive Director, or designee, to sign all documents necessary and appropriate to carry out and implement the Agreement and to administer the Agency's obligations, responsibilities and duties to be performed under said Agreement;

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3. Approve the OPA with Developer to develop a mixed-use apartment and church project ("South Block") on the southern 20,000 square feet of the subject block, and authorize the Executive Director, or designee, to sign all documents necessary and appropriate to carry out and implement the Agreement and to administer the Agency's obligations, responsibilities and duties to be performed under said Agreement;
4. Grant design review approval of the Basic Concept/Schematic Drawings for both projects, subject to the conditions contained in the Scope of Development attached to the OPA and DDA; and
5. Authorize the appropriation and expenditure of Centre City Low and Moderate Income Housing Funds up to \$3,600,000 for the Island-Market Centre North Block Project?

And, should the City Council:

1. Certify that the MEIR/SEIR, and the Final Supplement to the MEIR and the Environmental Secondary Study, with respect to the DDA with Developer have been considered and reviewed; and
2. Approve the DDA between the Agency and the Developer for the Island-Market Centre North Block project?

#### Staff Recommendation

That the Redevelopment Agency approve:

1. The certification that the MEIR, the SEIR, and the Final Supplement to the MEIR and Environmental Impact Secondary Study, with respect to the DDA and OPA with Developer have been considered and reviewed;
2. The DDA between the Agency and the Developer for the Island-Market Centre North Block project, and authorize the Executive Director, or designee, to sign all documents necessary and appropriate to carry out and implement the Agreement and to administer the Agency's obligations, responsibilities and duties to be performed under said Agreement;
3. The OPA between the Agency and the Developer to develop the Island-Market Centre South Block project, and authorize the Executive Director, or

designee, to sign all documents necessary and appropriate to carry out and implement the Agreement and to administer the Agency's obligations, responsibilities and duties to be performed under said Agreement;

4. Grant design review approval of the Basic Concept/Schematic Drawings for both projects, subject to the conditions contained in the Scope of Development attached to the OPA and DDA; and
5. Appropriation and expenditure of Centre City Low and Moderate Income Housing Funds up to \$3,600,000 for the Island-Market Centre North Block Project.

And, that the City Council approve:

1. The certification that the MEIR/SEIR, and the Final Supplement to the MEIR and the Environmental Secondary Study, with respect to the DDA with Developer have been considered and reviewed; and
2. The DDA between the Agency and the Developer for the Island-Market Centre North Block project.

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Centre City Development Corporation Recommendation - On August 18, 2004, the Centre City Development Corporation ("CCDC") Board voted unanimously (6-0) to approve the project.

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Centre City Advisory Committee ("CCAC") Recommendation - On June 16, 2004, the Centre City Advisory Committee voted 19-0 to recommend approval of the project.

Other Recommendations - On July 22, 2004, the Affordable Housing Notice of Funding Availability ("NOFA") Executive Loan Committee voted 3-0 to recommend approval of the project.

On July 12, 2004, the Affordable Housing NOFA Collaborative Review Committee voted 4-0 to recommend approval of the project.

On May 6, 2004, the East Village Association voted in favor of the project after reviewing the proposed design and scope.

On December 9, 2003, the Agency approved an Exclusive Negotiation Agreement ("ENA") with the Developer to negotiate the terms of a development agreement.

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On November 21, 2003, the Historical Resources Board voted 5-0 to receive and file a study of potentially historic buildings on the block, which concludes that none of the structures on the block are eligible for historical designation.

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Fiscal Impact - The proposed project requires up to \$5,900,000 in Redevelopment Agency ("Agency") funds to acquire and assemble a 40,000 square-foot site. To date, the Agency has expended a total of \$2,300,000 of low- and moderate-income housing funds for acquisition and relocation costs of 10,000 square feet of the site. It is estimated that an additional \$3,600,000 in Agency funds would be needed to assemble the remaining 30,000 square feet for the project. Funds are available in the Centre City Low and Moderate Income Housing Funds set-aside for the Affordable Housing NOFA program.

## BACKGROUND

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

- expanding and improving the supply of low- and moderate-income housing with a combination of rental and for-sale units with long-term affordability restrictions;
- adding diversity to the range of housing opportunities with the inclusion of two- and three-bedroom units intended to attract households with children;
- facilitating an economically and socially balanced population; and
- involving the community in the revitalization effort through owner participation of the American Baptist Convention in the South Block project.

In 1999, CCDC on behalf of the Agency, purchased a 10,000 square-foot site in downtown's East Village neighborhood located at the southeast corner of 13<sup>th</sup> and Market streets. In May 2002, CCDC issued a Request for Qualifications and Proposals ("RFQ/P") seeking a qualified development team to develop affordable for-sale, multi-family housing on the site. The RFQ/P included the Agency-owned parcel and provided the opportunity to include four other privately-owned parcels for a potential 25,000 square-foot development site. A map of the parcels included in the RFQ/P is attached as Exhibit A-RFQ/P Site.

CCDC received three proposals in response to the RFQ/P. In April 2003, following the RFQ/P selection process, the Agency entered into an ENA with Developer to negotiate the terms of a development agreement. The Developer proposed a full-block, mixed-use

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development with a combination of market-rate and affordable, for-sale and rental housing on the block bounded by 13<sup>th</sup>, 14<sup>th</sup>, and Market streets and Island Avenue. In December 2003, the Agency entered into a second ENA to allow staff and the Developer more time to refine the design and conclude negotiations.

A site map is attached as Exhibit B-Proposed Development Site. A map illustrating current property owners and uses is attached as Exhibit C-Existing Land Uses.

The Developer has control of 20,000 square feet at the southern end of the block. The property owner, American Baptist Convention (“Church”), has agreed to enter into a long-term lease agreement with the Developer to redevelop its property while retaining ownership. The Developer is requesting Agency assistance to acquire and assemble the balance of the block, which includes two Agency-owned parcels (10,000 square feet) and seven privately-owned parcels (30,000 square feet) for a total of 40,000 square feet.

DEVELOPMENT TEAM

<b>ROLE/FIRM</b>	<b>CONTACT</b>	<b>OWNED BY (All Private Firms)</b>
<b>Oak Shelter Systems</b> Developer	Wilmer Cooks Nancy Calverley	Wilmer Cooks, Nancy Calverley, Martin Weinstein, and Tovik Lieberman
<b>Highland Partnership, Inc.</b> General Contractor	Ian Gill	Ian Gill David Gardner
<b>Taylor Frager</b> General Contractor	Jim Frager	Jack Taylor, Terry Gilland, and Jim Frager
<b>Allegis Development</b> Construction Manager	Kip Howard	Kip Howard
<b>Santos Prescott and Associates</b> Design Architect	Adele Naude Santos Bruce Prescott	Adele Naude Santos
<b>Joseph Wong Design Associates</b> Executive Architect	Joseph Wong	Joseph Wong
<b>Ryness Company Southern California</b> Sales and Product Design	Don Anderson	Gary Ryness Ed Monce
<b>Inner City Baptist Church</b> Property Owner (South Block)	Pastor James Hubbard	American Baptist Convention

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For more information about the Development Team, refer to Exhibit H-Developer Biography.

## DISCUSSION

Scope of the Project - The Developer is proposing a full block (60,000 square feet) mixed-use development with a combination of market-rate and affordable, for-sale and rental housing, retail space, and a new church with multi-purpose center on the block bounded by 13<sup>th</sup>, 14<sup>th</sup>, and Market streets and Island Avenue.

The proposed project is divided into two independent sections that would be governed by separate development agreements and permits:

- (1) North Block (Condominiums/Retail) - a mixed-use project on the northern 40,000 square feet of the block containing approximately 164 condominiums with a combination of market-rate and affordable units, 8,000 square feet of retail space, and three levels of underground parking. The project includes a 13-story tower and 4-story buildings. The proposed sales prices range from \$180,000 to the mid-\$500,000's. A total of 33 condominiums (20%) would be price-restricted to be affordable to moderate income buyers for 45 years.
- (2) South Block (Apartments/Church) - a mixed-use project on the southern 20,000 square feet of the block containing approximately 48 apartments with a combination of market-rate and affordable units, a 10,150 square-foot church with multi-purpose center, and three levels of underground parking. The project includes 4-story buildings. The proposed monthly rents range from \$861 to about \$1,850. A total of nine apartments (19%) would be rent-restricted to be affordable to low- and moderate-income tenants for 55 years.

The DDA would govern the North Block, while the OPA would govern the South Block. The two development sites are illustrated on Exhibit D-Development Site Footprints.

Residential Project Summary -

Type of housing	For-Sale Condominiums (North Block)	Rental Apartments (South Block)	Total
Total number of units	164 units	48 units	212 units
Number of bedrooms/unit	43 one-bedroom 113 two-bedroom <u>8 three-bedroom</u> 164 condominiums	4 one-bedroom 42 two-bedroom <u>2 three-bedroom</u> 48 apartments	47 one-bedroom 155 two-bedroom <u>10 three-bedroom</u> 212 units
Affordable Units	22 one-bedroom 7 two-bedroom <u>4 three-bedroom</u> 33 condominiums	3 one-bedroom 6 two-bedroom <u>0 three-bedroom</u> 9 apartments	25 one-bedroom 13 two-bedroom <u>4 three-bedroom</u> 42 units
Income Restrictions	17 @ 100% AMI <u>16 @ 120% AMI</u> 33 condominiums	5 @ 65% AMI 2 @ 80% AMI <u>2 @ 120% AMI</u> 9 apartments	7 low income <u>35 moderate income</u> 42 affordable units
Unit Sizes	1br - 650 - 945sf 2br - 950 - 1,400sf 3br - 1,125-1,375sf	1br - 750sf 2br - 875-985sf 3br - 1,265 - 1,400sf	Total Average: Condo - 1,062sf Rental - 931sf
Sales Prices/Rents	\$180,000 to \$560,000	\$861 to \$1,850 per month	Range includes units with affordability restrictions
Land Area	40,000sf	20,000sf	60,000sf
Parking	307 spaces (1.9 spaces per unit)	98 spaces (1.8 spaces per unit)	405 spaces (1.9 spaces per unit)
Project Density	179 units/acre	105 units/acre	154 units per acre
Density of surrounding blocks (in units/acre)	N/A	N/A	222 units per acre
Number of units forecast for site/block	133 units	67 units	200 units
Number of units demolished	10 dwelling units + parolee program	None	10 units total
Rent/unit price of demolished units	\$900 per month	N/A	\$900 per month

Project Budget & Financing - The Developer proposes to finance construction with a combination of conventional financing and private equity.

Site Acquisition

Sources of Funds		Uses of Funds	
Developer Equity	\$3,000,000	Acquisition Parcels	\$6,100,000
Agency Non-NOFA Funds	\$2,300,000	Agency Parcels	\$2,300,000
Agency NOFA Funds	\$3,600,000	Relocation	\$ 500,000
Total	\$8,900,000	Total	\$8,900,000

North Block Project

Sources of Funds		Uses of Funds	
Construction Loan	\$47,000,000	Construction Costs	\$40,845,000
Developer Equity	\$ 8,854,000	Indirect Costs	\$11,692,000
Total	\$55,854,000	Financing Costs	\$ 3,317,000
		Total	\$55,854,000

South Block Project

Sources of Funds		Uses of Funds	
Construction Loan	\$5,000,000	Construction Costs	\$9,259,000
Developer Equity	\$6,774,000	Indirect Costs	\$1,980,000
Total	\$11,774,000	Financing Costs	\$ 435,000
		Relocation	\$ 100,000
		Total	\$11,774,000

KMA analyzed the North Block and South Block project budgets and verified that the proposed development costs and revenues are within industry standards. A copy of the analysis is attached as Exhibit E-KMA Financial Analysis. KMA concludes that the Developer's financing plan is feasible, despite a return on investment that is sub-par compared to typical residential developments.

California Community Redevelopment Law Section 33433 requires that prior to selling or leasing property, the Agency must estimate the fair market value of the interest to be conveyed at its highest and best use. KMA reviewed the proposed development and concludes that:

- The estimated fair market value of the Site at its highest and best use is \$8,400,000.



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- The estimated fair re-use value of the interest to be conveyed is \$3,000,000.
- The estimated value of the compensation to be received by the Agency is \$3,000,000.

The re-use value was analyzed utilizing both the income approach and analysis of transactions for comparable Type I condominium developments in East Village. KMA concludes that the residual land value for the Site is \$3,000,000, or approximately \$18,000 per unit. The Developer's Purchase Price reflects the residual land value. A copy of the analysis is attached as Exhibit I-Estimate of Re-use Value.

Disposition of Property - North Block - The DDA provides that the Agency assist with the assembly of the Site. The Agency previously purchased two parcels which would be required for the project. Additionally, seven privately-owned parcels would need to be acquired in order to assemble the property required for the project. This may require the Agency to use its power of eminent domain to assist with land assembly. Both the property already owned by the Agency and the property which may be acquired by the Agency would be sold to the Developer pursuant to the terms of the DDA for a purchase price of \$3,000,000.

South Block - The Church would retain ownership and enter into a long-term lease agreement with the Developer to build the proposed project.

Participation by Agency - North Block - To date, the Agency has expended a total of \$2,300,000 for acquisition and relocation costs related to the Agency Parcels. It is estimated that an additional \$3,600,000 would be needed to assemble the Acquisition Parcels for the proposed project. This includes acquisition, relocation, remediation, and soft costs such as legal and consultant expenses.

South Block - No Agency financial participation is required. The Developer is proposing to secure private financing to build the project without public subsidy.

The total Agency subsidy for the full-block project would be \$5,900,000.

	North Block (Condominiums)	South Block (Apartments)
Agency subsidy requested	\$5,900,000	None
Number of affordable units proposed	33	9
Number of bedrooms	48	15
Subsidy per unit requested	\$178,787	None
Subsidy per bedroom requested	\$122,916	None

The North Block project would include 33 price-restricted condominiums, which equates to a subsidy of about \$179,000 per affordable unit or \$123,000 per bedroom. The South Block project includes nine rent-restricted apartments financed privately without Agency financial assistance. The subsidy level is higher than most other projects funded with the Agency's Low and Moderate Income Housing Fund because the project has higher costs associated with for-sale housing utilizing concrete construction. All other recent projects have been wood-frame or rental housing. For lack of any appropriate local comparisons, Keyser Marston Associates ("KMA"), economic consultants to the Agency, provided a survey of eight recently approved affordable for-sale housing projects in Los Angeles and Orange Counties. Subsidies generally range from \$67,000 to \$179,000 per unit. The proposed project falls within this range. The survey is attached as Exhibit G-Subsidy Comparisons.

Proposed Schedule of Performance -

Action	Proposed Date
Agency/City Council consideration of DDA/OPA and design review	September 14, 2004
Agency completion of appraisal and phase one environmental study	November 2004
Agency completion of agreements to acquire parcels for North Block project or obtain resolution of necessity	March 2005
Developer submittal of 50% complete construction drawings to Agency	April 2005

Action	ProposedDate
Agency completion of acquisition and relocation	July 2005
Developer submittal of 100% complete drawings to Agency	October 2005
Closing date and conveyance of land to Developer	November 2005
Start of construction	December 2005
Completion of construction	Mid-2007

Project Benefits - The proposed project would eliminate blight through the demolition of underutilized properties. The project provides for a mixed-use development offering affordable rental and home ownership opportunities, commercial and retail employment space, and a house of worship. The proposed development is compatible with the surrounding uses within the East Village and is consistent with the East Village Focus Plan, Centre City Planned District Ordinance (“PDO”), Centre City Redevelopment Plan, CCDC’s Five-Year Implementation Plan, and it promotes a jobs-housing balance.

Essential Terms and Conditions - A draft of the proposed DDA and OPA are attached as Exhibit J and K. The following is a summary of essential terms and conditions.

DDA (North Block project):

- The Agency shall initiate real property negotiations to purchase seven parcels of land measuring a combined 30,000 square feet (Parcel Nos. 3, 4, 5, 9, 10, 11, and 12 on Exhibit B-Site Map) to be combined with the Agency’s 10,000 square-foot property (Parcel Nos. 1 and 2 on Exhibit B) to assemble a Site with a total of nine parcels measuring 40,000 square feet.
- The Agency’s estimate of total acquisition cost for the Site is \$8,500,000, plus a contingency of \$400,000 for a total acquisition budget of \$8,900,000.
- The Developer shall purchase the Site from the Agency for \$3,000,000. The Developer will advance these funds to the Agency for its use in acquiring the Site.
- The Agency will be responsible for the balance of potentially \$5,900,000 required to assemble the Site. If the contingency fund of \$400,000 is required, the Agency will advance these funds, however, the Developer will reimburse the Agency from condominium sales proceeds.

- If total acquisition costs exceed \$8,900,000, the Developer will be responsible for any increased cost.
- The Developer may also pay a Contingent Payment based upon a Schedule of Proposed Initial Sales Prices. The Agency shall receive 50% of the sales price above the threshold for each Market Rate unit, if the actual sales price is above 115% of the price in the Schedule. This excludes the Affordable For-Sale Units.
- If the Developer funds acquisition costs in excess of \$8,900,000, then the threshold for the Contingent Payment will be adjusted to reflect the percentage difference between \$8,900,000 and the actual acquisition and relocation costs, (e.g., a 10% increase in acquisition cost would mean the threshold is increased from 115% to 116.15% or  $115\% \times 10\% = 116.15\%$ ).
- The Agency will be responsible for any potential relocation claims or costs related to existing residents or businesses on the Site.
- The Developer will clear the Site of all structures and coordinate with the Agency for remediation of hazardous substances, if any, on the Site. The Agency will assume the cost responsibility for excavating and disposing of any contaminated soil.
- The Agency intends that clean-up of the Site will occur in accordance with the Polanco Redevelopment Act, which allows the Agency to recoup its clean-up costs from the property owners of contaminated parcels. If the Agency is unable to fully recoup its clean-up costs from the property owners, the Agency would assume the cost responsibility for those unreimbursed costs.
- Thirty-three of the for-sale units shall be restricted to provide affordable sales prices as follows:

Unit Type	Income Restriction (HUD 2004)	Price Restriction
10 One-Bedroom	@100% AMI (\$50,700 for 2 persons)	\$180,000
12 One-Bedroom	@120% AMI (\$55,770 for 2 persons)	\$180,000
6 Two-Bedroom	@100% AMI (\$57,050 for 3 persons)	\$199,000
1 Two-Bedroom	@120% AMI (\$62,760 for 3 persons)	\$199,000
1 Three-Bedroom	@100% AMI (\$63,400 for 4 persons)	\$217,000
3 Three-Bedroom	@120% AMI (\$69,740 for 4 persons)	\$217,000

- The Agency will record covenants against the Property to restrict the income and affordability restrictions for 45 years on the 33 affordable units.

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- The Agency will record a “silent second” loan on each affordable unit in the amount of the difference between the market-rate price and the affordable price.
- The Developers shall be responsible for the cost of developing the Project, including any off-site or on-site improvements required by the City, without any costs to the Agency.

OPA (South Block project):

- Nine of the rental units shall be restricted to provide affordable rents as follows:

<u>Unit Type</u>	<u>Income Restriction (HUD 2004)</u>	<u>Rental Restriction</u>
1 One-Bedroom	@65% AMI (\$35,600 for 2 persons)	\$861/month
1 One-Bedroom	@80% AMI (\$40,560 for 2 persons)	\$985/month
1 One-Bedroom	@120% AMI (\$55,770 for 2 persons)	\$1,365/month
4 Two-Bedroom	@65% AMI (\$40,050 for 3 persons)	\$965/month
1 Two-Bedroom	@80 AMI (\$45,640 for 3 persons)	\$1,105/month
1 Two-Bedroom	@120% AMI (\$62,755 for 3 persons)	\$1,533/month

- The Agency will record covenants against the Property to restrict the income and affordability restrictions for 55 years on the nine affordable rental units.
- The Developers shall be responsible for the cost of developing the Project, including any off-site or on-site improvements required by the City, without any costs to the Agency.

## PROJECT ANALYSIS AND IMPACT ASSESSMENT

Housing Impact - The project would provide market-rate and affordable, for-sale and rental housing in a range of unit sizes and prices that will expand low- and moderate-income home ownership and workforce housing opportunities within downtown San Diego. About 20% of the project’s condominiums and apartments would have affordability restrictions.

The proposed project would provide:

- 212 residential units, including 42 affordable units (33 for-sale and 9 rental);
- Price-restricted condominiums with sales prices starting as low as \$180,000;
- Rent-restricted apartments with rents starting as low as \$830;
- Long-term affordability on condominiums (45 years) and apartments (55 years);
- Family housing opportunities with two- and three-bedroom units; and
- High-density housing located adjacent to public transit lines.

CCDC staff received letters of support for the project from the San Diego Regional Chamber of Commerce and Associated Realtors, a downtown real estate firm, see Exhibit F-Letters of Support.

Inclusionary Housing - The project would comply with the City's Inclusionary Housing Ordinance by providing 10% of the for-sale units affordable to persons earning 100% of area median income and 10% of the rental units affordable to persons earning 65% of area median income. Specifically, 17 of the project's condominiums and five of the apartments would meet the affordability requirements for the City's Inclusionary Housing Ordinance. The proportion of affordable two-bedroom condominiums is slightly less than the 10% requirement, but staff feels the Developer has adequately compensated for that by providing more than the required total number of affordable units in the project.

North Block:

For-Sale Units	Total Units	Inclusionary 10% Requirement	Proposed Inclusionary Units
One-Bedroom	43	4	10
Two-Bedroom	113	11	6
Three-Bedroom	8	1	1
Total	164	16	17

South Block:

Rental Units	Total Units	Inclusionary 10% Requirement	Proposed Inclusionary Units
One-Bedroom	4	0	1
Two-Bedroom	42	4	4
Three-Bedroom	2	0	0
Total	48	4	5

Affordable Housing NOFA Funding Priorities - The project ranks in the top tier of NOFA funding priorities, which calls for the development of small family housing units defined as one- and two-bedroom units. A total of 155 of the 212 units are two-bedroom units. In response to comments about the need to accommodate families with children, the Developer has included a total of 10 three-bedroom units in the project.

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Equal Opportunity - The Developer has agreed to comply with CCDC's Equal Opportunity Policy. The Developer has hired Multi-Cultural Contractor's Group, an independent management consulting firm, to prepare its Equal Opportunity Outreach Plan. Staff has received a draft of the plan for review and comment.

Owner Participation - In May 2002, CCDC sent notices to all private property owners on the block to invite them to submit a redevelopment proposal in response to the RFQ/P and to notify them of opportunities available under the Agency's "Rules Governing Participation by Property Owners and Preference for Businesses to Re-enter in the Centre City Redevelopment Project" (the "Owner Participation Rules"). The Developer's proposal provides for owner participation by the Church, owner of Parcel 13. The Church notified CCDC that it intends to enter into a long-term lease agreement with the Developer to redevelop its property while retaining ownership. One other property owner submitted a proposal: Bennett Trust, former owner of Parcels 10, 11, and 12, submitted a proposal in response to the RFQ/P as part of a development team called Market Street Partners. The team proposed to redevelop the three Bennett Trust parcels (15,000 square feet) and the RFQ/P Site (25,000 square feet) for a total potential development site of 40,000 square feet. The proposal was not selected in the RFQ/P process. The properties have since been sold to two private parties. The new owners, Hon LLP and LaFornara, were aware at the time of purchase that the Agency had entered into an ENA with the Developer to negotiate the terms of a development agreement, which may include their property.

Environmental Impact - Under the 1992 Environmental Impact Report ("EIR") and Final Subsequent Environmental Impact Report ("SEIR"), an Environmental Secondary Study is prepared for all developments in the Centre City area in order to evaluate the project's compliance with the Community Plan and PDO and, therefore, the findings and conclusions of the EIR and SEIR. Unless the project is found to be out of compliance with those planning documents, no further environmental review is required. A Secondary Study has been prepared which determined that the project is consistent with the Community Plan and PDO and, therefore, will not have any impacts not previously reviewed in the EIR and SEIR, see Exhibit L-Secondary Study.

Due Diligence - In January 2004, CCDC completed a fault investigation of the Site, which found no evidence of earthquake faults. Upon approval of the DDA, CCDC will complete further due diligence including a phase one environmental study.

Replacement Housing Plan - The proposed project will result in the removal of 10 dwelling units on the site, which are currently available for occupancy by low- and moderate-income persons. On January 21, 2004, the Agency approved a Replacement Housing Plan for the proposed project. The Plan identifies that all of the units would be replaced by units on-site or in other downtown affordable housing developments.

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Design Analysis - The drawings are attached as Exhibit M-Basic Concept/Schematic Drawings. The Island Market North Block project consists of a 13-story tower along Market Street, with 4-story buildings running along 13<sup>th</sup> and 14<sup>th</sup> streets. The tower is 125-feet tall–200-feet wide. The tower provides a tall, two-story retail space along Market Street, designed with a large glass storefront system and ceramic tile accents. The tower's upper floors exhibit a unique design; three vertical bays topped with recessed penthouse spaces, an asymmetric layout of projecting balconies, varying parapet heights, and signature community room at the top two floors at the northwest corner. Materials include concrete and stucco walls, of various textures and colors, with woven wire balcony railings.

The 4-story buildings to the south of the tower exhibit stucco surfaces with projecting angled bay windows and balconies. Individual unit entrances are provided at the street level stoops. The project also provides a second community room facing landscaped interior courtyards that are accessible directly from 13<sup>th</sup> Street. The two-level below-grade parking garage is accessed from a driveway on 14<sup>th</sup> Street.

The key design issue that staff has worked with the applicant on is the mass of the tower. Under the PDO, no building stepbacks are required since the building does not exceed 125 feet in height. (For taller projects, towers must be stepped back 25 feet above a 80-100 foot high base, with the upper 25% of the tower reduced in size to provide an articulated top). However, the PDO does require a varied, articulated top to buildings less than 125 feet tall. While no stepbacks are required, the mass of the building could have visual impacts if not designed very carefully. Based on the current design, with the use of the varied building elements, use of different materials and colors, layout of balconies, and articulation of the top of the tower, staff feels that the architects have adequately addressed this issue.

The Island-Market South Block project consists of a series of 4-story apartment buildings, with the church building located at the southeast corner of the block. The stacked apartment units, due to their grade level and different type of construction, will provide a somewhat different appearance than the condominium project to the north. The project provides a lobby entrance on 13<sup>th</sup>, but not individual unit entrances at the street. Along Island Avenue, the first story consists of a below-grade multi-purpose center for the church. Generous windows are provided for this space within the first level above the sidewalk. Small planters will be located in the sidewalk to provide a buffer from pedestrians for this space. The bay windows and balconies above have been grouped together to provide a different facade than those on the north portion of 13<sup>th</sup> and 14<sup>th</sup> streets. The corner at 14<sup>th</sup> Street and Island Avenue is dominated by the simple white forms of the 45 square-foot tall church building, which defines a recessed corner with planters and bench. The primary church entrance is mid-block on Island. The church transitions back into apartments along 14<sup>th</sup> Street, which also contains the driveway entrance to two levels of below-grade parking for this south project.



Mayor and City Council  
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The key design issue for this project was the proper amount of differentiation from the North Block project. The architects wish to maintain the appearance of related uses and functions between the two projects, however, employ different colors and bay shapes to distinguish them. Staff believes they have provided sufficient articulation to the facades to achieve more of a fine-grain, non full-block development pattern common to East Village.

### SUMMARY/CONCLUSION

The proposed project represents an opportunity to increase the supply of market-rate and affordable housing in downtown and continue the revitalization of East Village. The project would provide home ownership and rental housing opportunities for a wide range of income levels, including units reserved for low- and moderate-income persons. The proposed unit mix of predominantly two-bedroom units provides options for families with children and ranks the project in the top tier of NOFA funding priorities.

Respectfully submitted,

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Dale Royal  
Senior Project Manager

Approved: Peter J. Hall, President

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Brad Richter  
Principal Planner

#### Attachment(s):

Exhibit A-RFQ/P Site  
Exhibit B-Proposed Development Site  
Exhibit C-Existing Land Uses  
Exhibit D-Development Site Footprints  
Exhibit E-KMA Financial Analysis  
Exhibit F-Letters of Support  
Exhibit G-Subsidy Comparisons  
Exhibit H - Developer Biography  
Exhibit I-Estimate of Re-use Value  
Exhibit J - Disposition and Development Agreement  
Exhibit K - Owner Participation Agreement  
Exhibit L-Secondary Study  
Exhibit M - Basic Concept/Schematic