

DATE ISSUED: November 24, 2004

REPORT NO. CCDC-04-36
CCDC-04-22

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Honorable Mayor and Members of the City Council
Docket of November 30, 2004

SUBJECT: East Village Square--"Right Field" Development (DiamondView Tower)--Located on the Block bounded by 9th and 10th avenues, J and K streets--Disposition and Development Agreement/Design Review/Comprehensive Sign Plan--EastVillage District of the Expansion Sub Area of the Centre City Redevelopment Project – **JOINT PUBLIC HEARING**

REFERENCE: Site Map
Disposition and Development Agreement
Basic Concept/Schematic Drawings
Comprehensive Sign Plan
Summary Provided Pursuant to Section 33433 of California
Community Redevelopment Law
Estimate of Re-use Value by Keyser Marston Associates

STAFF CONTACT: Pamela M. Hamilton, Senior Vice President
Brad Richter, Principal Planner

SUMMARY

Issue - Should the Redevelopment Agency:

1. Approve the Disposition and Development Agreement ("DDA") with East Village Square LLC and authorize the Executive Director to execute the DDA and related documents necessary to implement the DDA; and
2. Grant Design Review approval of the Basic Concept/Schematic Drawings?

And, should the City Council:

1. Approve the DDA with East Village Square LLC; and
2. Approve the Comprehensive Sign Plan for the Right Field Development?

Staff Recommendation - That the Redevelopment Agency:

1. Approve the DDA with East Village Square LLC and authorize the Executive Director to execute the DDA and related documents necessary to implement the DDA; and
2. Grant Design Review approval of the Basic Concept/Schematic Drawings.

And, the City Council:

1. Approve the DDA with East Village Square LLC; and
2. Approve the Comprehensive Sign Plan for the Right Field Development subject to conditions.

Centre City Development Corporation Recommendation - At its meeting of September 22, 2004, the CCDC Board of Directors voted unanimously to recommend approval of the DDA, the Basic Concept/Schematic Drawings and the Comprehensive Sign Plan (Sadler, Johnson, Dillon and Rafflesberger in Favor; Vilaplana Recused; LeSar and McNeely Absent).

Centre City Advisory Committee ("CCAC") Recommendation - On August 11, 2004, the CCAC voted 18 in Favor and 3 Recused and the PAC voted 17 in Favor and 2 Recused to support the staff recommendation.

Planning Commission Recommendation - On October 21, 2004, the Planning Commission held a public hearing on the sign plan and recommended approval of the plan based on the building's location within the Sports/Entertainment District and subject to the condition that all high-rise signs utilize the same illumination method.

Other Recommendations - The Preservation Advisory Group ("PAG"), created as a result of the 1999 Settlement Agreement executed between the City, Agency, CCDC, Padres/JMI, and historic preservation groups, reviewed the proposal for compliance with the Sports/Entertainment District Design Guidelines. The PAG supported the design of the building and its incorporation of the brick, metal, and concrete materials consistent with the guidelines.

The East Village Association's Land Use Committee reviewed the project and expressed support for the office uses and the project's overall design.

Fiscal Impact - The Disposition and Development Agreement provides for a purchase price for the 50,000 SF Site of \$12 million. The Fourth Ballpark and

Redevelopment Project Implementation Agreement to the Memorandum of Understanding ("MOU") between the City, Agency, CCDC, and Padres L.P. acknowledges that Padres L.P. paid or will pay no less than \$22,750,000 for Land Acquisition Costs for the Ballpark Project pursuant to the MOU and Implementation Agreements. The Fourth Implementation Agreement provides a "credit" to Padres L.P. or its assignees of up to \$22,750,000 toward the purchase price of the four East Village Square development sites. Padres L.P. and Cisterra Partners, LLC ("Cisterra") have entered into a Purchase and Sale Agreement providing for Cisterra's position as an Assignee under the proposed DDA and providing for Cisterra's use of \$12 million as a credit against the \$12 million purchase price for this Site. Therefore, there will be no cash proceeds from the Agency's sale of the Site to Cisterra. The Developer will pay \$50,592 to the Agency as pro-rata reimbursement of costs incurred by the Agency when the Agency acquired certain underlying fee interests in the streets adjacent to the Site from the Heirs of Alonzo Horton and Others; the underlying fee interests in the streets adjacent to the Site are part of the fee interests to be transferred by the Agency to the Developer.

BACKGROUND

On November 3, 1998, San Diego voters approved the MOU concerning a Ballpark District, Construction of a Baseball Park, and a Redevelopment Project within the East Village area of San Diego. Included in the MOU were provisions for an Outfield Park and ancillary development within the Ballpark. One of the ancillary developments, East Village Square ("EVS") consists of the three city blocks located immediately north of the ballpark outfield, between J and K streets, 7th and 10th Avenues. East Village Square has always been conceived as an integral, mixed-use component of the Ballpark Project, centered on the Outfield Park open space.

Between April and August 2003, City and Agency staff negotiated with the Padres and its Master Developer, JMI Realty Inc. ("JMI") to refine the EVS development proposal and resolve other issues. On August 13, 2003, the Fourth Ballpark and Redevelopment Project Implementation Agreement was signed, addressing financial issues and basic design and development parameters.

On December 2, 2003, the City Council approved the East Village Square Master Plan establishing specific mass, bulk, and design parameters for the two development blocks framing the Outfield Park (and providing for the rehabilitation of the Schieffer Building and Candy Factory historic structures adjacent to the Park). The Master Plan established maximum heights for building bases and towers, as well as maximum square foot allowances for each block. In addition, design guidelines were established to guide the

future development of the blocks to ensure that they complimented the surrounding Ballpark District, including the numerous historic warehouse structures.

The proposed construction of a mixed-use project with office uses on this “Right Field Block” advances the following Visions and Goals of the Centre City Community Plan and Objectives of the Centre City Redevelopment Project:

1. Centre City should be a focal point of large scale office development.
2. Develop a strong financial/commercial core surrounded by mixed-use neighborhoods.
3. Further the draft policies of the Community Plan Update by creating neighborhood centers containing a mixture of uses and facilitating office and employment uses.

DEVELOPMENT TEAM/PRINCIPALS

FIRM / ROLE	CONTACT	OWNERSHIP
Property Owner: Redevelopment Agency	Pamela Hamilton, CCDC	Redevelopment Agency of the City of San Diego
Developer: East Village Square LLC of which Padres L.P. is the sole member and Padres, Inc. is the manager	Charles Black, President, East Village Square LLC	Padres, Inc. [a Delaware corporation wholly owned by John J. Moores]; John J. Moores; Jennifer Ann Moores Trust; Warner Baseball, Inc. [a corporation owned by Tom Warner]; Glenn Doshay (Privately-owned)
Permitted Assignee: Cisterra Partners LLC	Jason Wood, Director of Development	Steven L. Black and Todd J. Anson, sole and controlling members (Privately-owned)

Architect: Carrier Johnson	Barbara Jetzer Frank Wolden	Gordon Carrier Michael Johnson (Privately-owned)
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DISCUSSION OF THE PROPOSED DEVELOPMENT

The proposed DiamondView project consists of a 3-15 story, 232-foot tall mixed-use development consisting of approximately 247,000 square feet of office space, 75,000 square feet of retail space, and 320 parking spaces. The project is located on the 50,000 square foot site within the block bounded by 9th and 10th avenues, J and K streets (the historic Candy Factory building is not a part of this project). The Site is located in the Sports/Entertainment District which allows a wide variety of commercial and residential uses. The development also lies within the Ballpark Protection Overlay Zone which governs lighting and noise impacts from the Ballpark and limits project lighting that may affect Ballpark operations.

The following is the project data:

Amount of Office	249,624 square feet
Amount of Retail	75,273 square feet
Amount of Parking	322 spaces (3 levels underground)
Land Area*	50,000 square feet

*In addition to the Agency's conveyance of the Site, the City of San Diego will provide a Subterranean Parking Easement beneath a portion of Outfield Park as illustrated on the Site Map, consistent with the Master Plan. This Easement permits the expansion of the below grade parking structure beyond the property boundary of the Site.

Housing Impact - The proposed project does not contain housing units but rather provides employment uses in a mixed-use project creating an important component of office space in this neighborhood. The provision of employment uses in East Village meets the goal of the Community Plan by providing additional opportunities for residents to work close to their homes instead of commuting out of the neighborhood. The provision of additional employment opportunities downtown creates a proper jobs-housing balance and increases the amenities that attract residents into the high-density, mixed-use community of Centre City.

PROPOSED DISPOSITION AND DEVELOPMENT AGREEMENT

The Disposition and Development Agreement provides for a purchase price for the 50,000 SF Site of \$12 million. As described in "Fiscal Impact", Padres L.P. and Cisterra have entered into a Purchase and Sale Agreement providing for Cisterra's position as an Assignee under the proposed DDA and providing for Cisterra's use of \$12 million as a credit against the purchase price for the Site. Keyser Marston Associates ("KMA"), financial advisor to the Agency, has completed an Estimate of Re-Use Value with respect to the proposed DDA. KMA has determined that the estimated fair re-use value of the Site is \$8,552,000, and the estimated fair market value of the Site at its highest and best use (for-sale condominiums) is \$15 million (compared to the purchase price of \$12 million). The underlying fee interests in the streets adjacent to the Site are part of the fee interests to be conveyed to the Developer by the Agency (see Site Map). Because the Agency purchased a portion of these underlying fee interests from the Heirs of Alonzo Horton and Others, the Developer will pay a pro-rata portion of those costs to the Agency in the amount of \$50,592.

While the DDA provides for an assignment of the DDA to Cisterra, East Village Square LLC (the "original Developer") is provided the right to cure any default by Cisterra and to complete the Developer's obligations pursuant to the DDA. Should Cisterra and East Village Square LLC each default under the terms of the DDA, there is no credit remaining or to be acknowledged by the Agency toward the purchase price of the Site and the Agency is free to convey the Site to any third party and to retain all proceeds of such sale.

The Site is burdened by several Developer obligations including purchasing the Site "as is" (and the parties acknowledge that the Agency has completed its soils remediation obligations pursuant to the Master Work Plan, the associated Property Mitigation Plans and the Cooperative Remediation Agreement, and No Further Action letters have been issued by the County Department of Environmental Health); accepting a Speaker Easement for the installation of speakers on the completed building for the benefit of Outfield Park (subject to CCDC design approval); and performing the obligations of the Parcel 4 Owner under the Declaration of Covenants, Conditions and Restrictions of the East Village Square Owner's Association ("CC&Rs"), including payment of a pro rata portion of the park maintenance charges for Outfield Park.

With respect to the obligations of the Parcel 4 Owner under the CC&Rs, no financial obligations of any kind are incurred by the Agency while the Site is owned by the Agency. Until conveyance of the Site by the Agency to the original Developer or its Assignee, Padres L.P. is responsible for the Parcel 4 Owner's obligations under the CC&Rs and will become responsible again if the DDA is terminated. The Council and Agency will consider the DDA concurrently with proposed revisions to the CC&Rs approved by the Council in 2000 (but not recorded). The CC&Rs have been revised to conform to the changes to EVS

and Outfield Park resulting from the Fourth Ballpark and Redevelopment Project Implementation Agreement and the Master Plan. The CC&Rs govern the formation and operation of an owner's association related to the Ballpark, Outfield Park and the Mixed Use Parcels of EVS.

It is anticipated that project financing will be secured and the Site conveyed by May, 2005, with completion by March, 2007. The DDA provides a Right of Entry to the Developer for an early-start on excavation and construction of the subterranean parking structure if permits are secured for this portion of the work. The Developer anticipates exercising the Right of Entry in February, 2005.

DESIGN REVIEW / COMPLIANCE WITH MASTER PLAN

The project encompasses the entire block with the exception of the historic Candy Factory, which was recently moved to the southwest corner of the block. The project provides a 2-4 story podium which consists of 4 distinct elements, or "buildings," each with individualized brick, concrete, and metal finishes and detailing. The entire project is wrapped with street level retail uses which will likely include retail spaces and restaurants, including sidewalk cafes fronting on the park. There are several areas of roof decks, including a terraced deck near the 9th Avenue office lobby entrance, and a "garden" deck and possible pool area associated with a health club located on the south end of the project above K Street. These areas provide opportunities for activity on the roofs and the provision of landscaping, helping to "extend" the park up into the building as recommended by the Master Plan.

The tower is comprised of a series of curtainwall window systems, utilizing three different colors of glass in off-setting planes, to create a layering of elements in the tower which provides a more interesting tower shape and articulation than typically found in high-rise office projects. The design, materials, and colors of the tower help the tower "recede" into the sky rather than dominate views that may distract from the Outfield Park or Ballpark. The tower also contains a series of balconies at the southwest corner that "interact" with the Ballpark and Outfield Park activities. A common activities room and roof deck are located at the top of the tower. The design of the tower has incorporated the rooftop penthouse structures to provide a complete, attractive design of the tower when viewed from all angles, including from surrounding developments.

The Site adjoins the historic Candy Factory structure, which is not a part of this project and which will be the subject of a future DDA. The exposed north and east walls of the Candy Factory, visible over the lower podiums of the office project, will be addressed as part of this future review (there will likely be coordination between the two sites in the design solution of these walls).

Staff has worked with the project architect over several months, and additional input has been received from the CCAC Pre-Design Subcommittee, the Preservation Advisory Group, the East Village Association, and the architects of the Ballpark (Antoine Predock and HOK Architects). The result is a project that complies with the East Village Square Master Plan and its design guidelines. The development presents a nearly full-block project that appears as multiple buildings, provides landscaped roof decks and an interesting pedestrian experience around its entire perimeter.

COMPREHENSIVE SIGN PLAN

The Ballpark Protection Overlay Zone in which the project is located requires that a comprehensive sign plan be prepared for the East Village Square project. Currently, the status of all the retail spaces within EVS has not been resolved as to ownership and the extent to which leasing and operations will be coordinated. Therefore, the retail sign component of the sign plan is being deferred in order to coordinate all of the retail signs around Outfield Park, and within EVS, as one Comprehensive Sign Plan. However, the DiamondView Tower proposal does include a comprehensive sign plan for the office and overall building identity signs at this time, in order that potential leases can be finalized with the knowledge of the sign parameters for the tenants. Under the Overlay Zone, the current and future sign programs must be reviewed and approved by the City Council.

The proposed sign plan includes signs at the top of the tower as well as signs on the upper floors of the podium. Under the Centre City Planned District Ordinance ("PDO"), high-rise signs are restricted far more than high-rise signs in the remainder of the City. These stricter regulations were established in order to create an attractive downtown skyline which would be defined by well-designed high-rise buildings exhibiting significant architectural quality, rather than by a series of lighted signs identifying major businesses and corporations. The Centre City PDO permits, by right, high-rise buildings to have two signs on the tower, but the signs are limited to 100 square feet each and must be on opposing sides of the building. The DiamondView Tower proposal provides for three signs up to 150 square feet each, with the cumulative total not to exceed 400 square feet (double the amount allowed by the PDO). As this project is within the Sports/Entertainment District and is located adjacent to the Ballpark, staff believes that additional, and larger, signs are warranted. The Omni Hotel obtained approval of a comprehensive sign plan that allowed similar increases in area and placement of signs, while ensuring that the signs complimented the building and were consistent with the neighborhood. Staff has worked with the Developer to design the proposed signs in appropriate locations with reasonable size limits, and recommends that the sign program be approved, subject to the condition that all three high-rise signs utilize the same method of illumination for consistency.

ENVIRONMENTAL REVIEW

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Because the building sizes and envelopes proposed in the East Village Square Master Plan were different from those analyzed in the Final Subsequent Environmental Impact Report to the Final Master Environmental Impact Report for the Centre City Redevelopment Project and Addressing the Centre City Community Plan and Related Documents for the Proposed Ballpark and Ancillary Development Projects, and Associated Plan Amendments (FSEIR), an Addendum to the FSEIR was prepared and certified on December 2, 2003 by the City Council/Redevelopment Agency at the time the Master Plan was adopted. As the proposed development is consistent with the Master Plan, no further environmental review or certification is required.

SUMMARY/CONCLUSION

Based on the above discussion, it is recommended that the Redevelopment Agency and City Council approve the Disposition and Development Agreement with East Village Square LLC for the Right Field Development, that the Agency approve the Basic Concept/Schematics Drawings and that the City Council approve the Comprehensive Sign Plan, inasmuch as the proposed development and the business terms of the DDA meet the requirements of the Memorandum of Understanding and East Village Square Master Plan.

Respectfully submitted,

Concurred by:

Pamela M. Hamilton
Senior Vice President

Peter J. Hall
President

Brad Richter
Principal Planner

Attachments:

Site Map
Disposition and Development Agreement
Basic Concept/Schematic Drawings
Comprehensive Sign Plan
Summary Provided Pursuant to Section 33433 of California
Community Redevelopment Law
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