



THE CITY OF SAN DIEGO
Redevelopment Agency's Report

DATE ISSUED: January 21, 2004 REPORT NO. RA-04-03

ATTENTION: Chair and Members of the Redevelopment Agency Board
Docket of January 27, 2004

SUBJECT: Exclusive Negotiating Agreement with Barratt American, Inc., and
Horseshoe Cove Investments, LLC for the proposed College Center
Project – Crossroads Redevelopment Project Area

SUMMARY

Issue – Should the Redevelopment Agency authorize the Executive Director to enter into an Exclusive Negotiating Agreement (ENA) with the Barratt American, Inc., and Horseshoe Cove Investments, LLC for the proposed College Center Project?

Executive Director's Recommendation –

1. Redevelopment Agency approve an ENA with the Barratt American and Horseshoe Cove Investments for the proposed College Center Project;
2. Amend the Fiscal Year 2004 Agency Budget for the Crossroads Redevelopment Project Area to accept a Developer Deposit of \$40,000.

Fiscal Impact – The \$40,000 Barratt American and Horseshoe Cove Investments deposit will pay for staff time, outside consultants and attorney's fees to negotiate and prepare a draft Disposition and Development Agreement (DDA).

Environmental Impact – This action does not require an environmental review. The execution of a DDA by the Agency shall be subject to compliance with the California Environmental Quality Act [CEQA], California Public Resources Code section 2100 et seq., as amended, and including any successor statutes and regulations. The Developer agrees to provide all necessary assistance to the Agency, and shall be responsible for all costs associated with carrying out the obligations under CEQA.

BACKGROUND

The Report to City Council prepared for the adoption of the Crossroads Redevelopment Project Area acknowledged that the existing commercial development located along the southern side of the 6300 block of El Cajon Blvd was physically and economically blighted. "The College Center at 63rd Street is struggling with crippling vacancies of over 50% (July 2002) – having lost a primary anchor". The residential development, apartment complexes and a duplex, along the southern side of the subject block (Art Street and Seminole Drive) are developed on narrow lots with little off-street parking, open space, landscaping or architectural features. It should be noted the subject property is subject to the Central Urbanized Planned District, which was adopted on October 2, 2000, and the Mid-City Communities Plan, which was adopted on August 4, 1998.

DISCUSSION

On September 12, 2003 the Developer invited three nationally recognized architectural firms to present designs for the transformation of a dilapidated and nearly vacant 10.6-acre College Center in order to transfer this urban neighborhood into approximately 400 homes and provide opportunities for retail shops (see Attachment 1). ADD Inc. of San Francisco competed against KTG Y of Irvine and Carrier Johnson of San Diego, presenting plans for "activating the street environment." On October 23, 2003 the Developer selected Carrier Johnson, a 26-year-old urban design and architectural firm to create a revitalization plan for the College Center. The Developer and Architect have had meetings with the Eastern Area Planning Committee and the Rolando Neighborhood Association.

The proposed College Center project would consist of 400 to 440 market rate for sale townhouses, condominiums and residential flats; and up to 20,000 square feet of retail space and approximately 840 to 920 off-street parking spaces within surface lots, tuck under, individual garages and a subterranean parking garage. Barratt American and Horseshoe Cove Investments are in escrow to secure title to thirteen (9.3-acres) of the nineteen subject parcels. The Developer has requested potential Agency assistance in the following areas: property acquisition, lease acquisition, relocation assistance, public improvements and gap financing. The specific form and amount of Agency activities will be negotiated during the ENA period. If a DDA for this project is successfully negotiated, it may include provisions for the Agency acquisition of property, including a process for acquiring property by eminent domain. Approval of the DDA does not authorize the Agency to use eminent domain.

In the terms of affordable housing, the Developer is currently considering requesting a waiver of the inclusionary housing requirement or paying an in-lieu fee. Given the City and State redevelopment law affordable housing requirements, Agency staff will pursue the inclusion of an appropriate proportion of affordable for sale units.

On November 4th, 2003, Redevelopment Agency (Agency) staff initiated an Owner Participation process (notifications) in response to the Barratt American and Horseshoe Cove Investments written request for an Agency ENA to develop a College Center Project within the Crossroads Redevelopment Project Area. The Agency mailed information letters and Owner Participation Applications (see Attachment 2) to nineteen property owners (parcels); thirty two businesses;

and twenty eight dwelling units (residents) within the footprint of the proposed College Center Project. The purpose of this notification and application process is to solicit Property Owner and Occupants intent to either participate in or submit a competing proposal to the College Center Project. The Agency has received twelve (12) telephone inquiries and a single written response from a property owner and two (2) responses from businesses. All written responses indicated a willingness to participate. Staff will orally update the Agency regarding inquiries and responses.

The College Center project proposal was an informational agenda item before the Crossroads PAC on November 13, 2003. The Crossroads PAC will review and make a recommendation to the Agency regarding the proposed ENA request at their January 22, 2003 public meeting. The information/participation letters that the Agency distributed notified affected property owners and property occupants of the PAC meetings. The Crossroads PAC recommendation will be presented orally at the Agency meeting.

The Exclusive Negotiating Period shall terminate on the date that is one hundred twenty (120) days after the date of this Agreement. However, the Exclusive Negotiating Period may be extended by the mutual consent of the parties for up to two (2) additional periods of forty-five (45) days each. The Executive Director of Agency may grant each such extension for and on behalf of the Agency in his sole and absolute discretion. Prior to granting any such extension, the Executive Director of Agency shall determine in his sole and absolute discretion whether the Developer has obtained the necessary letters of intent and has performed all other obligations described in the Obligation of Developer portion of the ENA. If such an extension is granted, the Parties shall continue to negotiate a DDA with respect to the proposed development of the Project within the extended term.

The ENA (see Attachment 3) includes the following obligations:

Obligations of Agency:

- (a) Identify the necessary steps that will be undertaken once a DDA is entered into to process and cause the Site to accommodate the development of the Project consistent with the terms of a DDA;
- (b) 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;
- (c) Respond on a timely basis on all submittals by Developer made pursuant to Section 3 of the ENA;
- (d) Work with Developer to establish a reasonable time schedule for the completion of all necessary approvals and permits to implement the Project;
- (e) 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.

Throughout the Exclusive Negotiating Period, Agency staff shall be available to meet with the Developer to discuss the Project, the Site Plan and architectural renderings, and any other issues pertinent to the preparation of a DDA for the development of the Project.

Obligations of Developer:

(a) The Developer shall provide the Agency with a Letter of Intent (in form and substance reasonably acceptable to the Agency) executed by the Developer, indicating to the Agency's reasonable satisfaction that an institutional lender approved by the Agency has expressed interest in financing the acquisition, construction, and development of the Project by the Developer. Such Letter of Intent shall also outline the financial terms pursuant to which it would consider loaning money to the Project.

(b) The Developer shall provide to the Agency 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.

(c) The Developer shall, if applicable, provide an equity commitment acceptable to the Agency 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.

(d) The Developer shall deliver to the Agency a Site Plan and basic architectural renderings of the Project. 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, including signage, illustrating how the Project and its use integrate into the surroundings. Notwithstanding the above, no such Site Plan or architectural renderings shall be deemed final until approved by the Agency, pursuant to the DDA.

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

(f) Developer shall provide documentation to the Agency on its efforts to secure title to the site(s) (i.e., purchase and sale agreement; escrow etc.), and appraisals, and leases with tenants.

Upon approval of this Exclusive Negotiation Agreement by the Agency, the Developer shall submit a Developer Deposit in the amount of \$40,000 to ensure that the Developer will proceed diligently and in good faith to negotiate and perform all of the Developer's obligations under this Exclusive Negotiation Agreement. The Developer Deposit shall be used exclusively by the Agency to pay certain administrative costs and expenses (including but not limited to, financial analysis, special legal counsel, Redevelopment Division and City Attorney costs, and other special consultant services as required) incurred by the Agency relative to the negotiation and preparation of a DDA with the Developer following the execution of this Agreement and implementation of the various obligations of the Agency as set forth in Section 2 of this Agreement.

ALTERNATIVE(S)

The Redevelopment Agency not to enter into an ENA with the Barratt American, Inc., and Horseshoe Cove Investments, LLC or any other proposed developer.

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. Proposed College Center Project Map
2. College Center Owner Participation (OP) Notification Package
3. Agency/ Barratt American, Inc., and Horseshoe Cove Investments, LLC ENA for the College Center Project