



THE CITY OF SAN DIEGO

Redevelopment Agency's Report

DATE ISSUED:

August 4, 2004

REPORT NO. RA-04-19

ATTENTION:

Honorable Chair and Members of the Redevelopment Agency
Docket of August 9, 2004

SUBJECT:

Entering into an Exclusive Negotiating Agreement with Pacwest
Enterprises, LLC. for the development of Mixed-Use Housing on Voltaire
Street within the North Bay Redevelopment Project Area.

SUMMARY:

Issues: Should the Redevelopment Agency enter into an Exclusive Negotiating Agreement (ENA) with Pacwest Enterprises, LLC, for the development of mixed-use housing on Voltaire Street?

Executive Director's Recommendation: That the Redevelopment Agency enter into an ENA with Pacwest Enterprises, LLC.

Other Recommendations: On June 2, 2004, the North Bay Project Area Committee (PAC) voted (7-5-4) to recommend the Pacwest proposal to the Agency Board.

Fiscal Impact: During the ENA period, staff would evaluate what Agency assistance, if any, is needed for the project. Upon successful completion of negotiations, staff would bring an Owner Participation Agreement to the Agency Board for review and approval.

Environmental Impact – This action is not a “project” and is therefore exempt from the California Environmental Quality Act (CEQA) pursuant to the State CEQA Guidelines, Section 15060 (c) (3).

BACKGROUND:

The North Bay Redevelopment Project Area includes part of the Voltaire Street Commercial District. Voltaire is an important street for neighborhood-serving businesses, and serves as a connector from the Peninsula community to the ocean. The district is challenged by traffic congestion, several blighted or vacant properties, lack of parking, and the lack of streetscape amenities. Despite these problems, Voltaire remains a charming, promising neighborhood with an unmet demand for additional housing and retail.

In July 2003, Agency staff received a proposal from Voltaire Partners, LLC to build mixed-use housing on Voltaire Street, between San Clemente and Catalina. Voltaire Partners LLC owns part of the block, and was seeking Agency assistance with land assembly.

Staff followed the standard Owner Participation Process by notifying all affected property owners. Official notice was sent out on August 1, 2003. In accordance with the Redevelopment Agency's "Rules for Owner Participation," each affected property owner was given 30 days to indicate whether or not they wished to participate in the redevelopment of the area and, if so, would they like to submit their own competing proposal.

Two additional property owners submitted proposals as a result of the Owner Participation Process: Pacwest Enterprises and the Fernandes Family Trust. A total of three proposals were received for consideration.

DISCUSSION:

Attachment 1 shows the block on Voltaire Street where all three proposals would be located. The three proposals would redevelop the block as follows:

- **Voltaire Partners, LLC** would build 55 housing units, including 8 affordable units, 17,500 square feet of retail space, and 139 parking spaces. This proposal would be built on Parcels A, C, and E. Voltaire Partners currently owns only the parcels marked "C."
- **Pacwest Enterprises, LLC** would build 23 housing units, including three affordable units, 4,570 square feet of retail space, and 54 parking spaces. This proposal would be built on Parcels D and E. Pacwest Enterprises currently owns only Parcel D.
- **Fernandes Family Trust** would rehabilitate and re-tenant the existing grocery building on their own property (Parcel B). In Phase II of their proposal, the owners would create a mixed-use commercial development.

The Fernandes Family Trust proposal does not conflict with the other two proposals; it is consistent with the Redevelopment goals of the area; and therefore it can be pursued as a separate, stand-alone project. Staff will continue to work with the Fernandes Family Trust to move their proposal forward.

The two remaining proposals – i.e., Voltaire Partners and Pacwest Enterprises – are not mutually exclusive; and they could be built side-by-side on the same block. However, both proposals are seeking to purchase Parcel E at the corner of Voltaire and San Clemente (see Attachment 1). This property has a willing seller, so the Agency's role would be merely to help facilitate a voluntary transaction.

In evaluating the two proposals, staff noted that both projects have capable, experienced developers; a realistic budget and project schedule; high-quality architectural design; appropriate

density for the surrounding neighborhood; high-quality construction; and an effective mix of market-rate and affordable housing (13%-15% affordable).

The proposals were discussed in a series of public meetings through the North Bay PAC (from December 2003 to June 2004). In general, most community members were positive towards both Voltaire Partners and Pacwest Enterprises. Community members felt that any project in the area should address the following issues:

- Traffic impacts (and mitigations) on Voltaire Street;
- Affordable Housing (number of units, level of affordability, etc.);
- Architectural Design (making Voltaire more pedestrian-oriented); and
- Streetscape enhancements for Voltaire Street

The public meetings culminated on June 2, 2004, when the North Bay PAC voted to recommend the Pacwest proposal. Many community members felt more comfortable with Pacwest being able to address their concerns. Based on community input from the PAC, as well as staff's analysis of the two proposals, staff is recommending an Exclusive Negotiating Agreement (ENA) with Pacwest Enterprises.

Pacwest's proposal is shown in the rendering in Attachment 2. The mixed-use project would include 23 housing units; 4,570 square feet of retail on Voltaire Street; and 54 underground parking spaces. The housing would be three- and four-bedroom apartments, designed in a townhouse configuration. Of the 23 units, three units would be three-bedroom affordable apartments, with the exact level of affordability to be determined during the ENA period.

Pacwest's project is envisioned as a market-rate project, with no subsidy required. Pacwest is seeking an ENA with the Agency because: (1) Agency assistance is needed to complete land assembly with a willing seller; and (2) there is an opportunity to have Pacwest, at the same time that they build their project, install decorative streetlights on Voltaire Street. This would advance the Agency's goal to enhance Voltaire as a pedestrian-oriented neighborhood.

The proposed ENA (see Attachment 3) would have a term of 180 days. During the ENA period, the Agency would:

1. Evaluate the Pacwest proposal in greater detail;
2. Identify any project issues (e.g., financing, entitlements, etc.);
3. Determine what Agency assistance (if any) is appropriate for the project; and
4. Negotiate and draft an Owner Participation Agreement (OPA) for the development of this Project.

In addition, staff and Pacwest Enterprises would seek to resolve several community issues (e.g., traffic, affordable housing, etc.) that were raised during the PAC meetings, as noted above.

Upon completion of the ENA period, staff would return to the Agency Board to present a proposed OPA for the Agency's review and approval. Under the current anticipated timeline,

staff would present an OPA to the Agency Board in February 2005; the project would be ready to start construction in April 2005; and the project would be complete in early 2007.

Respectfully submitted,

Debra Fischle-Faulk
Deputy Executive Director

Approved: Hank Cunningham
Assistant Executive Director,
Redevelopment Agency

Attachments: 1) Voltaire Mixed-Use Project Site Plan
2) Pacwest Project Renderings
3) Pacwest Enterprises ENA