



DATE ISSUED: October 5, 2005 REPORT NO. CCDC-05-24
CCDC-05-10

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Honorable Mayor and Members of the City Council
Docket of October 11, 2005

SUBJECT: Proposed Owner Participation Agreement with Pinnacle
International Development, Inc. - Block Bounded by Island Avenue
and 14th, 15th and J Streets -**JOINT PUBLIC HEARING**- East
Village Redevelopment District of the Expansion Sub Area of the
Centre City Redevelopment Project

REFERENCE: Site Map
Owner Participation Agreement
Summary Required by Section 33433 of the State
Community Redevelopment Law
Memorandum by Keyser Marston and Associates, Inc. dated
September 21, 2005
Basic Concept/Schematic Drawings dated May 11 & May 18, 2005
including at L.1.1 and L.1.2 the Landscape Concept Plan for
Park Improvements dated May 18, 2005
Environmental Secondary Study

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

SUMMARY

Issue - Should the Redevelopment Agency:

1. Adopt a resolution certifying that the Agency has reviewed and considered information contained in the Master Environmental Impact Report for the Centre City Redevelopment Project, the Subsequent Environmental Impact Report to the MEIR for the Proposed Ballpark and Ancillary Development Projects, and Associated Plan Amendments, and the Secondary Study with respect to the Owner Participation Agreement between the Agency and Pinnacle International Development, Inc. for the development of the block bounded by Island Avenue and 14th, 15th and J streets; and making certain findings and determinations regarding environmental impacts of the development; and

2. Adopt a resolution approving the sale of certain property located on a portion of the block bounded by Island Avenue and 14th, 15th and J streets in the Centre City Redevelopment Project area to Pinnacle International Development, Inc.; approving the Owner Participation Agreement; and making certain findings with respect to such sale; and
3. Adopt a resolution approving the Basic Concept/Schematic Drawings with respect to the construction of a mixed use project containing approximately 619 residential condominium units and approximately 22,000 square feet of retail space within the Centre City Redevelopment Project area by Pinnacle International Development, Inc., subject to certain conditions; and
4. Adopt a resolution approving the Landscape Concept Plan for Park Improvements dated May 18, 2005 with respect to the construction of a public park within the Centre City Redevelopment Project area?

And, should the City Council:

1. Adopt a resolution certifying that the City Council has reviewed and considered information contained in the Master Environmental Impact Report for the Centre City Redevelopment Project, the Subsequent Environmental Impact Report to the MEIR for the Proposed Ballpark and Ancillary Development Projects, and Associated Plan Amendments, and the Secondary Study with respect to the Owner Participation Agreement between the Agency and Pinnacle International Development, Inc. for the development of the block bounded by Island Avenue and 14th, 15th and J streets; and making certain findings and determinations regarding environmental impacts of the development; and
2. Adopt a resolution approving the sale of certain property located on a portion of the block bounded by Island Avenue and 14th, 15th and J streets in the Centre City Redevelopment Project area to Pinnacle International Development, Inc.; approving the Owner Participation Agreement; and making certain findings with respect to such sale?

Staff Recommendation- It is recommended that the City Council and Redevelopment Agency adopt the resolutions as provided above certifying that the Secondary Study and MEIR/SEIR have been reviewed and considered and approving the Owner Participation Agreement; and that Redevelopment Agency adopt the resolutions approving the Basic Concept/Schematic Drawings for the Site and the Landscape Concept Plan for the Park Improvements.

Centre City Development Corporation Recommendation- On May 25, 2005, the Corporation Board of Directors voted 5 in favor (Sadler, LeSar, Johnson, Dillon, McNeely) and 1 opposed (Raffesberger) to approve the staff recommendation.

Centre City Advisory Committee ("CCAC")/Project Area Committee ("PAC") Recommendation - On May 18, 2005, the CCAC voted 14 in favor, 1 opposed and 3 recused and the PAC voted 14 in favor, 1 opposed and 1 recused to approve the staff recommendation, with the request that the Developer examine the feasibility of a fourth level of below-grade parking and report its analysis to the CCAC at a future meeting.

Other Recommendations - On April 22, 2005, the East Village Association (EVA), by its Land Use Committee, endorsed the project as presented, with the preference expressed that the development provide one parking space per bedroom. The EVA Land Use Committee, and the East Village Community Action Network (EV CAN) which also received a presentation of the proposed development and expressed its support, discussed numerous aspects of the park design and support for community participation in the park's final design.

Fiscal Impact- The proposed terms of the Owner Participation Agreement ("OPA") provide for a cost/revenue-neutral outcome for the Redevelopment Agency. The Agency would fund its financial obligations related to the public park from the proceeds of the sale of the 30,000 SF Agency-owned parcel ("Agency Sales Parcel") to the Developer.

Alternatives to the OPA to provide a public park in this location would be (a) provide only a 30,000 SF park where the Community Plan Update designates a 60,000 SF park, or (b) purchase 30,000 SF of the Participating Parcel at an estimated purchase price of \$9 million. The OPA provides both a 57,000 SF park and the funds to design and construct the park improvements, and obligates the Developer or the Developer's successors in interest to maintain the park. The OPA requires that the privately-owned commercial structure immediately adjacent to the park be a food and beverage-related retail use and provide joint-use public restrooms open to the general public daily from at least 6 A.M. to 9 P.M.

The Agency Sales Parcel contains an earthquake fault and a storm drain no-build easement that bisect the property. The fair market value of the Sales Parcel has been determined to be \$5,045,000 by the Agency's consultants, Keyser Marston and Associates.

BACKGROUND

The development which is the subject of the proposed OPA advances the Visions and Goals of the Centre City Community Plan and the Objectives of the Centre City Redevelopment Project as enumerated in the Agency’s July 2004 - June 2009 Implementation Plan, as follows:

- creative implementation of catalyst projects which spur reinvestment on surrounding blocks;
- creation of parks to provide catalysts for new development, create residential amenities and provide adequate public facilities for the area; and
- the creation of public open spaces for active public use.

DEVELOPMENT TEAM

ROLE/FIRM	CONTACT	OWNED BY
Current Property Owner Southwest Diversified Holdings, LLC	Daren Weckerly, Manager	Weckerly Family Members (Privately Owned)
Developer/Purchaser Pinnacle International Development, Inc.	Michael DeCotiis	Michael DeCotiis, President (Privately Owned)
Developer/Construction Manager Pinnacle International Development, Inc.	Michael DeCotiis	Michael DeCotiis, President (Privately Owned)
General Contractor Pinnacle International Development, Inc.	Michael DeCotiis	Michael DeCotiis, President (Privately Owned)
Architect Perkins and Company	John Perkins	John Perkins John I. Perkins III (Privately Owned)
Landscape Architect Spurlock Poirier	Marty Poirier	Andy Spurlock Marty Poirier (Privately Owned)

BUSINESS TERMS OF THE PROPOSED OPA

The objective of the proposed OPA is to provide a neighborhood public park and a private development implementing the “neighborhood center” concept in a location proposed for such uses by the proposed Community Plan Update. The development

required by the OPA is consistent with the existing Community Plan and Centre City Planned District Ordinance. The proposed OPA provides as follows:

1. The Agency owns the westerly 30,000 SF of the super block bounded by Island Avenue and 14th, 15th, and J streets (the "Agency Sales Parcel"). Pinnacle International Development, Inc. ("the Developer") has an agreement to purchase the other 90,000 SF of the super block (the "Participating Parcel") no later than October 31, 2005.
2. Concurrently with the Developer's purchase of the Participating Parcel, the Agency would sell its 30,000 SF parcel to the Developer at fair market value in the amount of \$5,045,000 (together the Participating Parcel and Agency Sales Parcel are the "Site"). The Developer would concurrently record a perpetual Park Easement over the westerly 30,000 SF of the Participating Parcel and most of the Agency Sales Parcel (excluding approximately 3,000 SF at the corner of 14th and Island), resulting in a perpetual Park Easement area of approximately 57,000 SF.
3. The Developer would construct a commercial structure, joint use public restrooms and patio at the corner of 14th and Island. The commercial structure, including its patio, is required to be a food and beverage-related retail use. The joint-use public restrooms must be open to the general public daily at least from 6 A.M. to 9 P.M.
4. The approximately 57,000 SF Park Easement would be designed and constructed as a public park at Agency expense. The Park Easement must be open to the public during the same hours required by the City's downtown park curfew ordinance (the current ordinance provides for parks to be open to the public daily from 6 A.M. to midnight).
5. If, within 36 months of the Agency's execution of the OPA, the Developer has met the permitting and financing requirements for, and commences construction on, the parking structure beneath a portion of the Park Easement, the Developer would also construct the park improvements on the Park Easement and the Agency would reimburse the Developer for the Developer's actual, reasonable third-party costs for the construction of the park improvements (not any portion of the costs attributable to the Developer's design and construction of the parking structure). If the Developer does not proceed as described within 36 months, there will be no garage within the Park Easement and the Agency would construct the park improvements. Park-related costs include the curbs, gutters, sidewalks and street trees immediately adjacent to the Park Easement.
6. The Developer is required to construct and complete the commercial structure, the joint-use public restrooms and patio at the corner of 14th and Island on a schedule coordinated with the completion of the park improvements.

7. Concurrently with the conveyance of the Agency Sales Parcel to the Developer, and the Developer's recordation of the perpetual Park Easement, the Developer would record a Park Maintenance Agreement on the Site providing for the maintenance, repair and replacement of the park improvements in perpetuity by the Developer or the Developer's successors in interest. Park Maintenance Standards would be determined by the Agency based on the Final Construction Drawings and Specifications for the park improvements. The recorded Park Maintenance Agreement would be amended to include the Park Maintenance Standards with the Agency's payment to the Developer of a component of a Capitalized Maintenance Credit based on the capitalized value of the costs of maintenance, repair and replacement reserves for the park improvements.
8. The Grant Deed for the conveyance of the Agency Sales Parcel to the Developer, and an Agreement Affecting Real Property recorded concurrently on the Participating Parcel, provide for the maintenance, repair and replacement of the joint-use public restrooms in perpetuity by the Developer or the Developer's successors in interest. Public Restrooms Maintenance Standards would be determined by the Agency based on the Final Construction Drawings and Specifications for the joint use public restrooms. The Grant Deed and Agreement Affecting Real Property would be amended to include the Public Restrooms Maintenance Standards with the Agency's payment to the Developer of a component of a Capitalized Maintenance Credit based on one-half of the capitalized value of the costs of maintenance and repair (but not replacement reserves) of the joint use public restrooms.
9. The Landscape Concept Plan for Park Improvements dated May 18, 2005 is presented for Agency approval to serve as the basis for community workshops. Basic Concept/Schematic Drawings for the park improvements would be developed with neighborhood participation in these community workshops and under the guidance and direction of CCDC. The Basic Concept/Schematic Drawings would be submitted to the Agency for approval and authorization to proceed prior to development of more detailed drawings and specifications for the park improvements.
10. The Basic Concept/Schematic Drawings for the commercial structure, joint use public restrooms and patio at the corner of 14th and Island will be developed concurrently with those of the park improvements to provide an appropriate interface of the building and patio with the park. As necessary, the Agency and Developer would adjust the edge of the Park Easement at the corner of 14th and Island to accommodate the final design of the park improvements and of the commercial building, joint use public restrooms and patio which will be privately constructed and owned by the Developer.
11. All commercial space in the development (including the commercial structure, the joint use public restrooms and patio at the corner of 14th and Island) will either (a) be owned by a single entity, or (b) if owned by multiple owners, be subject to

use, design and operating regulations, guidelines and restrictions to be administered by and among those multiple owners. All of the covenants regarding the corner commercial structure, the joint use public restrooms and patio would be Developer obligations assumed by either the single successor owner or jointly by the successor multiple owners.

PROJECT DESCRIPTION OF PRIVATE DEVELOPMENT

The following is a summary of the project:

Type of housing (condo / rental)	Condominiums
Total number of units / total square feet	619/716,868 sq. ft.
Land Area (i.e., full block, half block, or number of square feet)	119,478 (full super-block)
Project density (in units / acre)	226 du/ac
Number of units demolished	0
Number of bedrooms / unit (and unit size)	317 1-bedrooms (745 avg. sq.ft.) 302 2-bedrooms (857 avg. sq.ft.)
Commercial Retail (excluding building at the corner of Island Avenue and 14th Street)	19,395 sq. ft. (net)
Parking	750 spaces (1.2/unit; 0.8/br) 50 spaces (retail/visitors)
Stories / Height	4–31/39 stories / 45-370/430 feet
Floor Area Ratio / Permitted	6.0 / 6.0
Project Sales Prices / Target Market	Market Rate Young professionals, empty nesters, downtown workers
Inclusionary Housing Compliance	Payment of In-lieu Fee

REQUIRED SCOPE OF DEVELOPMENT OF OPA

The Site is an approximately 120,000 SF “super block” located between Island Avenue and 14th, 15th, and J streets, in the center of a proposed East Village Neighborhood Center as defined in the draft Community Plan Update (“Draft CPU”). The proposed scope of development combines 30,000 SF of Agency-owned land on the west edge of the block with the other 90,000 SF to create a neighborhood park (via a perpetual Park Easement) of approximately 57,000 SF on the westerly half of the block adjacent to a mixed-use, high-density development primarily located on the easterly half of the block. See the Landscape Plan, sheets L1.1 and L1.2 in the Basic Concept/Schematic Drawings. The non-park development would use the Site’s entire 6.0 FAR.

The westerly half of the Site is traversed by a documented fault and a storm drain no-build easement which constrains its independent development potential. The proposed park is primarily open lawn area for flexible use, with a children’s play area and tree grove. Actual design of the park will be subject to additional community participation.A

2,000+ GSF commercial building (including joint-use public restrooms) and an “overlook patio” would be constructed at the northwest corner of the Site at 14th and Island (where the Draft CPU illustrates a park-related building). This structure is ideally suited to a café use, with transparency and its patio/terrace facing south and east, providing “eyes on the park” security. The joint-use public restrooms would be accessible and visible from the park. The east edge of the park features a 10 foot wide mid-block public walkway and a carefully designed transition between the park and the semi-private terrace of the mixed-use development on the Site. All development on the Site (including the Park Easement) is to be constructed and maintained by the Developer or its successors pursuant to the business terms of the proposed OPA. The private development could be constructed in two phases. If so, the first phase would include the park improvements, all of the public improvements around the super block and all of the private development on the block, excepting the parking garage, base and the residential tower on the southerly portion of the block (the second phase).

The easterly 60,000 SF portion of the Site would contain approximately 717,000 GSF of development above grade. Approximately 20,000 GSF of ground-floor commercial would be provided, wrapping street edges on Island Avenue, 15th and J streets and turning the corner to engage the park. The ground floor encloses a private amenity courtyard which faces the park. The building base is 45-80 ft. tall with two residential towers above. The two towers, 31 and 39 stories tall, exhibit distinct architectural treatments and orientations that ensure good morning sun access into the park. The residential unit count is 619 units. The buildings’ design fully complies with the current Centre City Planned District Ordinance (PDO), and is consistent with the proposed design requirements in the Draft CPU.

Three levels of underground parking are proposed on the easterly half of the super block and extending under the southeasterly park area to the City-approved fault setback. Any required penetrations from the garage into the Park Easement would be minimal. Minimum planting/soil depths within the Park Easement would be required for the at-grade installation of grass, shrubs and trees. A parking ratio of 1.2 spaces/residential unit is proposed (approximately 750 spaces), plus 50 spaces for commercial and visitor/service use. All parking is accessed via a ramp entry at the mid-block of 15th Street, ensuring that building frontages and corners are reserved for active commercial uses, and that park edges remain at grade and fully accessible to the public.

The approximately 120,000-SF super block does not have a consistent east-west property line. The proposed redevelopment of the entire super block brings the property line visually into alignment on J Street by setting the development back approximately seven feet from its property line so that the Park Easement and balance of the Site are visually aligned. On Island Avenue, the Park Easement protrudes approximately seven feet into what would otherwise be perceived as the public right of way, providing a view of the park from the corner of 15th and Island.

DESIGN REVIEW ANALYSIS

The project has been designed in close consultation with staff as the project involves a public park within a future Neighborhood Center envisioned in the Draft CPU. As described above, the allowed density over the entire super block has been shifted over to the easterly half of the block to accommodate the creation of the public park.

The podium contains generous, tall ground-level retail spaces with condominium units on the floors above. The podium has been broken into four distinct buildings, each with its own design features, height, and material palette consistent with the desire to create an interesting pedestrian experience and fine grain development. Building materials for the podium include brick, stone, sandblasted concrete, metal siding, and clear glass.

The towers are also distinct through the use of varying heights (31 and 39 stories), shape, facade fenestration, and concrete and glass colors. The towers were designed to avoid the "twin tower" concept that will no longer be permitted under the Draft CPU and Planned District Ordinance, yet they complement each other in design. The relatively narrow towers have been situated to avoid shadows onto the park and to maximize privacy between, and views from, each tower.

One of the key design issues has been the relationship of the building and courtyard edge to the public park site. Staff and the CCAC Pre-Design Subcommittee stressed the importance of this transition area, and the project architect and landscape architect have responded accordingly by avoiding a stark border between the two elements. The edge between the public park and private open space varies, with each jutting into the other in the middle of the block. The private open space is only 2.5 feet above the park level so that the landscaping and open space can transition up into the development. In addition, the retail spaces along the streets turn towards, and front onto, the park space with storefronts and potential entrances (food uses in these corner spaces could provide limited outdoor seating areas facing the park).

The park concept design is preliminary (and will be the subject of a public input process). It is anticipated that the park will provide a children's play area and flexible lawn area and that adjacent private uses will be enhancements to the park the retail spaces which wrap from Island and J streets into the park as described above, and the commercial lease space (including the joint-use public restrooms and patio) at the northwest corner of 14th and Island (the high point of the Site to provide an overlook for the park).

ENVIRONMENTAL IMPACT

Under the 1992 Master Environmental Impact Report (MEIR) and 1999 Final Subsequent Environmental Impact Report (SEIR), an Environmental Secondary Study is prepared for all development in the Centre City area in order to evaluate a project's compliance with the Community Plan and applicable Planned District Ordinance and, therefore, the findings and conclusions of the MEIR and SEIR. Unless the Project is

found to be out of compliance with those planning documents, no further environmental review is required.

An Environmental Secondary Study has been prepared which has found that the development which is the subject of the OPA is consistent with the Community Plan and Centre City Planned District Ordinance and, therefore, will not have any impacts not previously reviewed in the MEIR and SEIR.

SUMMARY/CONCLUSION

It is recommended that the Redevelopment Agency and City Council approve the proposed Owner Participation Agreement, and that the Agency approve the Basic Concept/ Schematic Drawings for the Site and the Landscape Concept Plan for Park Improvements dated May 18, 2005 to provide for the development of approximately 619 residential condominium units, approximately 22,000 square feet of retail space, and the design, development and maintenance of a public park on the block bounded by Island Avenue and 14th, 15th and J streets in the Centre City Redevelopment Project area.

Respectfully submitted,

Pamela M. Hamilton
Senior Vice President

Approved: Peter J. Hall
President

Brad Richter
Principal Planner

Attachments: Site Map
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