



THE CITY OF SAN DIEGO
Redevelopment Agency's Report

DATE ISSUED: June 1, 2005 REPORT NO. RA-05-21

ATTENTION: Chair and Members of the Redevelopment Agency
 Docket of June 7, 2005

SUBJECT: Resolution of Necessity to Acquire four (4) Properties/five (5) legal
 Parcels in the City Heights Redevelopment Project Area – City Heights
 Square Project

REFERENCE: Executive Director's Reports No. RA-05-11 and No. RA-05-10
 City Council Manager's Reports No. CMR-05-095 and CMR-05-094

SUMMARY

Issues – Should the Redevelopment Agency initiate condemnation proceedings by adoption of the Resolution of Necessity to acquire in fee Assessor Parcel Numbers 471-452-01, owned by Ms. Melody S. Nobel; 471-452-04, owned by Ms. Guadalupe Z. Paz; 471-452-05, owned by Mr. Akram Atiya; and 471-452-27 & 30, owned by Ms. Gloria D. McColl (Tenant – Jack-in-the-Box) for the City Heights Square Project in the City Heights Redevelopment Project Area?

Executive Director's Recommendation – The Redevelopment Agency should initiate condemnation proceedings through adoption of the Resolution of Necessity to acquire in fee the following parcels for the City Heights Square Project in the City Heights Redevelopment Project:

ASSESSORS PARCEL NUMBER (APN)	PROPERTY OWNER
471-452-01 – 4091-4093 N. 43 rd Street	Melody S. Nobel
471-452-04 – 4077 N. 43 rd Street	Guadalupe Z. Paz
471-452-05 – 4073 N. 43 rd Street	Akram Atiya
471-452-27 & 30 – 4332 University Avenue	Gloria D. McColl (Tenant – Jack-in-the-Box)

Other Recommendations – On May 3, 2005 the Redevelopment Agency approved the following actions regarding the City Heights Square Senior Housing Project:

- 1) Certified that the Mitigated Negative Declaration (No.40960) has been completed in compliance with the California Environmental Quality Act (CEQA) and State CEQA

Guidelines and stated for the record that they had been reviewed and considered prior to approving the actions. (Attachment 2)

- 2) Approved the Basic Concept Drawings.
- 3) Authorized the expenditure of funds for the City Heights Square Senior Housing Project in an amount not-to-exceed \$7,105,000 from the Centre City Project Area as an Agency Contribution Agreement for the project.
- 4) Authorized the Executive Director or designee to execute a Disposition and Development Agreement with City Heights Square, L.P. for the City Heights Square Senior Housing project.
- 5) Authorized the Executive Director or designee to execute two (2) Purchase and Sale Agreements with San Diego Revitalization Corporation for acquisition of parcels in the project site. (Attachment 4)
- 6) Authorized the Executive Director or designee to make contingent offers for acquisition of properties for the City Heights Square Senior Housing Project.
- 7) Approved findings of benefit for the use of Centre City housing set-aside bond funds outside of the Centre City project area.

On May 3, 2005 the Council of the City of San Diego approved the following actions regarding the City Heights Square Senior Housing Project:

- 1) Certified that the Mitigated Negative Declaration (No. 40960) had been prepared in compliance with CEQA and State CEQA Guidelines and stated for the record that the MND had been reviewed and considered prior to approving any of the actions.
- 2) Consented to the Redevelopment Agency entering into the Disposition and Development Agreement for the City Heights Square Senior Housing project.
- 3) Approved findings of benefit for the use of Centre City housing set-aside bond funds outside of the Centre City project area.

On May 3, 2005 the Redevelopment Agency of the City of San Diego approved the following actions regarding the City Heights Square Office and Retail Project:

- 1) Certified that the Mitigated Negative Declaration (No. 40960) had been completed in compliance with the California Environmental Quality Act (CEQA) and State CEQA Guidelines and stated for the record that they had been reviewed and considered prior to approving the actions.
- 2) Approved the Basic Concept Drawings.
- 3) Amended the Redevelopment Agency budget for the City Heights Project Area and authorized the Executive Director or designee to accept and expend funds for the City Heights Square Office and Retail Project as follows: \$3,500,000 advance from San Diego Revitalization Corporation for Agency acquisition, relocation, demolition and site remediation costs.
- 4) Authorized the Executive Director or designee to execute a Disposition and Development Agreement with San Diego Revitalization Corporation for the City Heights Square Office and Retail project.
- 5) Authorized the Executive Director or designee to execute a Purchase and Sale Agreement with San Diego Revitalization Corporation for acquisition of a park site on 43rd Street.
- 6) Authorized the Executive Director or designee to make contingent offers for acquisition of properties for the City Heights Square Office and Retail Project.

The City Heights Project Area Committee (PAC) voted on May 9, 2005 to recommend that the Redevelopment Agency initiate condemnation proceedings, if necessary, for the City Heights Square project. On April 27, 2005 the PAC voted to recommend approval of two Disposition and Development Agreements for the City Heights Square project (City Heights Square Office and Retail with San Diego Revitalization and City Heights Square Senior Housing with City Heights Square, LP.

On February 7, 2005 the City Heights Area Planning Committee (CHAPC) voted to recommend approval of the planned development permit and associated entitlements for the project. On May 2, 2005, the CHAPC voted to recommend approval of the DDA for the City Heights Square Senior Housing project and voted against the recommendation to approve the DDA for the City Heights Square Office and Retail project. The CHAPC is scheduled to review the proposed condemnation actions required for this project on June 6, 2005 and their recommendation will be reported at the Agency Resolution of Necessity hearing.

Fiscal Impact –

- 1) City Heights Square Senior Housing parcels: Funds in the amount of up to \$7,105,000 have been approved for this project and are available in the Low and Moderate Income Housing Fund Bonds for the Centre City Project Area.
- 2) City Heights Square Office and Retail parcels: Funds in the amount of up to \$3,500,000 have been approved for this project as part of the Disposition and Development Agreement. The funds will come from developer advances.

BACKGROUND

This project is a master-planned joint-use project consisting of two (2) parts of a master plan. The majority of the proposed project site is the former location of an Albertson's grocery store. When the City Heights Urban Village Retail Center was completed in 2001, a new expanded Albertson's grocery store opened in the new center, and the old store was closed on the current project site. San Diego Revitalization Corporation (SDRC) acquired the property, cleared the site and began master planning the grocery property as well as the majority of the remainder of the block bounded by University Avenue, Fairmount Avenue, Polk Avenue and 43rd Street. SDRC established a working partnership with Chelsea Investment Corporation and Senior Community Centers for the planning and development of a senior housing project and also established a working partnership with La Maestra Family Clinic for the planning and development of a new community clinic/office/retail building. Together the four organizations have collaborated to develop a master plan for most of the block. The entire master plan area is currently being processed by the City for entitlements as a single Planned Development Permit project.

The Agency has assisted this master planning effort and on May 3, 2005, entered into a DDA with City Heights Square, L.P., a partnership of Chelsea Service Corporation and Senior Community Centers for the development of an affordable senior housing project; and a separate DDA with San Diego Revitalization Corporation. The proposed new La Maestra Clinic/Office/Retail development is expected to proceed without direct Agency assistance.

The City Heights Square Project advances the visions and goals of the City Heights Redevelopment Project Third Implementation Plan (FY 2005-2009) by:

- Supporting the development of high quality, transit oriented, mixed-use commercial, residential, office and public use projects near transportation nodes;
- Developing a strong financial/commercial core surrounded by mixed-use neighborhoods;
- Supporting commercial development, business establishment, creative design and cultural events that reflect a diverse population;
- Working with the community to identify potential pocket park sites and develop passive and recreational opportunities;
- Adopting Universal Design principles to ensure a comprehensive design to enable people of all abilities;
- Developing high Quality Mixed-Use Development at locations such as Fairmount and University Avenues;
- Attracting quality health care facilities to serve all segments of the community;
- Identifying potential pocket park sites and developing passive and recreational opportunities;
- Supporting a balance of housing types such as small family, senior, large family, attached, and detached housing both rented and owned;
- Reducing visible physical blight;
- Supporting the creation of adequate parking and shared use parking; and
- Combining and effectively integrating infrastructure improvement projects, including utility under-grounding, with private improvements and new private development projects.

In February and March, 2005 the Agency had the subject properties appraised by independent fee appraisers. The appraisals were received and reviewed by staff. On May 9, 2005 offers based on the full fair market value of the appraisals were made to:

- 1) Ms. Melody Nobel, the owner of Assessor's Parcel Number 471-452-01. This offer has not been accepted; therefore, it is recommended that condemnation proceedings be initiated to acquire fee interest in the parcel.
- 2) Ms. Guadalupe Z. Paz, the owner of Assessor's Parcel Number 471-452-04. This offer has not been accepted; therefore, it is recommended that condemnation proceedings be initiated to acquire fee interest in the parcel.
- 3) Mr. Akram Atiya, the owner of Assessor's Parcel Number 471-452-05. This offer has not been accepted; therefore, it is recommended that condemnation proceedings be initiated to acquire fee interest in the parcel.
- 4) Ms. Gloria D. McColl, the owner of Assessor's Parcel Number 471-452-27 & 30. This offer has not been accepted; therefore, it is recommended that condemnation proceedings be initiated to acquire fee interest in the parcel.

DISCUSSION

California Eminent Domain Law requires the adoption of a Resolution of Necessity by a TWO-THIRDS VOTE of all members of the governing body to initiate condemnation proceedings. Further, the law requires that the Agency make the following findings:

- 1) The public interest and necessity require the proposed project.

- 2) The proposed project is planned or located in the manner that will be most compatible with the greatest public good and least private injury.
- 3) The property described in the Resolution is necessary for the proposed project.
- 4) That the offer required by Section 7267.2 of the Government Code has been made to the owner(s) of record. (Section 1245.230 C.C.P.)

This Report, the accompanying Resolution of Necessity, the Notices of Intent and oral and documentary testimony and evidence produced at the hearing allow the Agency's governing board to affirmatively make these findings in connection with these proceedings.

The master plan area totals 2.7 acres and the proposed office/retail project would sit on approximately 1.4 acres. It would include a four story 90,000 square foot building, fronting on University Avenue, with retail and commercial uses primarily occupying the first floor and offices occupying the upper three floors. A total of 267 surface and underground parking spaces would serve the office /retail building. Distinctive design features of the project include small scale retail shops fronting on University Avenue, a decorative tower feature on top of the building at the corner of University and Fairmount Avenues and a vine covered decorative trellis structure fronting 43rd Street. Also included in the City Heights Square master plan development is a 5,348 square foot pocket park to be located between the office/retail building and the senior housing development on 43rd Street. The project is fully accessible and incorporates ADA Universal Design features.

This project, along with its accompanying developments in the master planned block, are considered a complementary phase of the City Heights Urban Village. The significant scale and active mixed uses of the new development would further solidify the Urban Village area as the commercial and civic center of the City Heights community.

Project Implementation

The City Heights Square project is expected to be developed in phases, with all four separate components – office/retail project, senior housing project, clinic/office/retail project and pocket park – being developed separately. SDRC, Chelsea Investment Corporation, Senior Community Centers and La Maestra Community Clinic have entered into a partnership agreement whereby they share proportionately in design, planning and engineering expenses. They are also entering into separate agreements for the disposition of land between SDRC and the other parties. The Agency has reviewed these agreements and has confirmed that they are in conformance with the DDA's for both the office/retail project and the senior housing project. Keyser Marston Associates has determined that the property sale prices are within the range of fair market prices and that the other development costs are verified, legitimate costs and estimates.

ALTERNATIVE

Do not approve the DDA, purchase and sale agreement, and related actions. This alternative would not allow the office/retail project or the proposed pocket park to proceed.

Respectfully submitted,

Debra Fischle-Faulk
Deputy Executive Director

Approved: Hank Cunningham
Assistant Executive Director

CUNNINGHAM/RHK