



THE CITY OF SAN DIEGO  
Redevelopment Agency's Report

DATE ISSUED: June 15, 2005 REPORT NO. RA-05-23

ATTENTION: Chair and Members of the Redevelopment Agency  
Docket of June 21, 2005

SUBJECT: Exclusive Negotiating Agreement with Centrepoint, LLC for the proposed  
Centrepoint 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 Centrepoint, LLC for the proposed Centrepoint Project?

Executive Director's Recommendation –

1. Redevelopment Agency approve an ENA with the Centrepoint, LLC for the proposed Centrepoint Project;
2. Amend the Fiscal Year 2005 Agency Budget for the Crossroads Redevelopment Project Area to accept a Developer Deposit of \$65,000.

Fiscal Impact – The \$65,000 Centrepoint, LLC deposit will pay for, 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. If a DDA is executed by the Agency it 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 63<sup>rd</sup> 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.

The managing member of Centrepont, LLC is Douglas Wilson Development, LLC. Douglas Wilson Companies was founded in 1989 and is well respected for its urban neighborhood developments. The development team includes KTG Group (architects), Wallace Roberts & Todd (landscape architects), Project Design Consultants (civil engineers) and MetroPlan (planning).

On January 27, 2004 the Agency entered into an ENA with Barratt American, Inc and Horseshoe Cove Investments, LLC for a similar mixed-use development that included this property and five additional parcels that the applicant did not control. The applicant allowed the previous ENA to expire on August 25, 2004.

## DISCUSSION

The proposed Centrepont Project would consist of 300 market rate for sale townhouses, condominiums and residential flats; and up to 6,500 square feet of live/work space and approximately 620 off-street parking spaces within surface lots, tuck under, individual garages and an above grade parking garage. Centrepont, LLC purchased the 8.93-acres subject site on January 2005. (See Attachment 1 to this report for a copy of (a) the Proposed Project Plat Map and (b) the Proposed Project Site Plan). The Developer has requested potential Agency assistance in the following areas: lease acquisition, relocation assistance and gap financing for affordable for-sale residential units. 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 leases by eminent domain. Approval of this action or a subsequent DDA does not authorize the Agency to use eminent domain.

In the terms of affordable housing, the Developer is evaluating providing 10% to 15% affordable (80% to 120% Area Median Income) for sale housing units. Given the City Council’s declaring a state of emergency due to the shortage of affordable housing and California Community Redevelopment Law (CRL) 15% affordable housing inclusionary requirement, Agency staff will pursue the inclusion of 15% affordable for sale units on site. The developer will be submitting an application under the Agency’s affordable housing Notice of Funding Availability (NOFA) program for affordable housing financial assistance.

On March 25, 2005, Redevelopment Agency (Agency) staff initiated an Owner Participation

process (notifications) in response to the Centrepoint, LLC written request for an Agency ENA to develop the Centrepoint Project within the Crossroads Redevelopment Project Area. The Agency mailed information letters and Owner Participation Applications (see Attachment 2) to twelve businesses and seven residences within the footprint of the proposed Project. The purpose of the notification and application process is to solicit Property Owners' and Occupants' intent to either participate in or submit a competing proposal to the Centrepoint Project. At the time of preparing this report, the Agency staff has received three (3) telephone inquiries and two (2) written responses. The written responses are from two residential tenants who desire to re-enter at the same location or re-enter at a different location within the Project Area. Staff will orally update the Agency regarding additional inquiries and responses to the owner participation process.

The Centrepoint Project proposal was an informational agenda item presented to the Crossroads PAC on March 14, 2005. The Crossroads PAC will review and may offer a recommendation to the Agency regarding the proposed ENA request at their May 26, 2005 public meeting. The participation letters that the Agency distributed notified affected property owners and property occupants of the May 26, 2005 PAC meeting and PAC meeting schedule. 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 the Agreement. However, the Exclusive Negotiating Period may be extended by the mutual consent of the parties for up to two (2) additional periods of sixty (60) days each. The Executive Director of the Agency or designee may grant each extension on behalf of the Agency. The granting of an extension will be subject to the Developer obtaining the necessary letters of intent and performing all other obligations required in the ENA. If such an extension is granted, the Parties will continue to negotiate a DDA with respect to the proposed development of the Project within the extended term.

The ENA (Attachment 3) includes the following obligations:

#### Agency Obligations

(a) Work with Developer to review and process an application under the Agency's affordable housing Notice of Funding Availability (NOFA) program for affordable housing financial assistance.

(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 the Developer made pursuant to 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 interested parties that during the Exclusive Negotiating Period, the Agency will not negotiate, discuss, or otherwise communicate with any person or entity, other than the Developer, regarding a DDA for the development of the Project.

## Developer Obligations

(a) The Developer will provide the Agency with a Letter of Intent, indicating that an institutional lender approved by the Agency has expressed interest in financing the acquisition, construction, and development of the Project.

(b) The Developer will provide a reasonable cost pro forma and 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.

(c) The Developer is required, if applicable, to provide an equity commitment that identifies the source of equity in an amount sufficient to provide for the acquisition of the Site and for the necessary construction and take-out loans required for the development of the Project.

(d) The Developer will provide a Site Plan and basic architectural renderings of the Project that include a well defined architectural concept for the Project addressing the urban design issues related to the Project's use and location.

(e) The Developer will be responsible for the preparation, and all associated costs, of any required environmental documents.

(f) Developer will provide documentation on its efforts to secure title to the Site.

(g) Developer will submit an application under the Agency's affordable housing NOFA program for affordable housing financial assistance.

## CONCLUSION

A Developer Deposit in the amount of \$65,000 is required to be provided to the Agency to pay administrative costs and expenses incurred by the Agency in the negotiation and preparation of a DDA including financial analysis, special legal counsel, real estate appraisal/acquisition services, staff and City Attorney costs, and other special consultant services as required.

It is requested that the Agency, approve an ENA with the Centrepoint, LLC for the proposed Centrepoint Project and amend the Fiscal Year 2005 Agency Budget for the Crossroads Redevelopment Project Area to accept a Developer Deposit of \$65,000.

## ALTERNATIVE

Do not enter into an ENA between the Redevelopment Agency and Centrepoint, LLC or any other proposed developer.

Respectfully submitted,

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Debra Fischle-Faulk  
Deputy Executive Director

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Approved: Hank Cunningham  
Assistant Executive Director

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Attachments:

1. (a) Proposed Centrepoint Project Plat Map

(b) Proposed Centrepoint Project Site Plan

2. Centrepoint Owner Participation Notification Package
3. Centrepoint, LLC ENA for the Centrepoint Project