



THE CITY OF SAN DIEGO
Redevelopment Agency's Report

DATE ISSUED: September 14, 2005

REPORT NO. RA-05-29
CMR-05-173

ATTENTION: Mayor and Members of the City Council
Chair and Members of the Redevelopment Agency
Docket of September 20, 2005

SUBJECT: Negotiations for a Sixth Implementation Agreement to the DDA –
Las Americas Project

REFERENCE: Manager's Reports No.'s CMR 04-233/RA-04-41, dated November 10, 2004; CMR 02-110/RA-02-08, dated May 22, 2002; RA-01-08, dated June 13, 2001; CMR 01-035, dated February 21, 2001; CMR 00-247, dated November 12, 2000; RA-00-19, dated November 15, 2000; RA-00-03, dated February 16, 2000; RA-98-4, dated May 6, 1998; and RA-97-8, dated July 11, 1997.

SUMMARY

Issue(s)-

For the Council: Should the Council authorize the City Manager to enter into negotiations with International Gateway - East, LLC for the development of a franchise agreement and submittal of a Presidential Permit application for purposes of implementing the River Pedestrian Bridge?

For the Agency: Should the Agency authorize the Executive Director to enter into negotiations with International Gateway - East, LLC for the development of a Sixth Implementation Agreement to the DDA and related documents, all for purposes of implementing the Residences at Las Americas and River Pedestrian Bridge?

Manager's Recommendation –

That the City Council authorize the City Manager, or designee, to enter into negotiations with International Gateway - East, LLC for the development of a franchise agreement and submittal of a Presidential Permit application for purposes of implementing the River Pedestrian Bridge.

Executive Director's Recommendation –

That the Agency authorize the Executive Director, or designee, to enter into negotiations with International Gateway - East, LLC for the development of a Sixth Implementation

Agreement to the DDA and related documents for purposes of implementing the Residences at Las Americas and River Pedestrian Bridge.

Environmental - This activity is covered under SCH No. 98031064 (International Gateway of the Americas Project, EIR certified April 2, 1996, and MND certified May 12, 1998). The activity is adequately addressed in the environmental documents and there is no change in circumstance, additional information, or project changes to warrant additional environmental review. Because the prior environmental documents adequately covered this activity as part of the previously approved project, the activity is not a separate project for purposes of CEQA review per CEQA Guidelines Section §15060(c)(3) and 15378(c). The proposed housing development on DDA Parcel A-3 will go through an environmental review process and will require future discretionary approvals from the Council and Agency.

Code Enforcement Impact - None with this action.

Housing Affordability Impact – None with this action.

BACKGROUND

On May 12, 1998 the Redevelopment Agency and LandGrant Development entered into a Disposition and Development Agreement (DDA) to develop Las Americas, a 1.4 million square foot mixed-use project consisting of retail, office, hotel, and transit center on a 67 acre site in the San Ysidro Redevelopment Project Area, adjacent to the former commercial border crossing at Virginia Avenue. (See Attachment 1 for Project Site Map). The project has a value of approximately \$280 million and would generate an estimated 2,200 permanent and 3,400 construction jobs, \$1.6 million in annual sales tax revenue, \$900,000 in annual tax increment revenue. The project also proposes to link San Diego to Tijuana via a new river pedestrian bridge that would celebrate our two cities and cultures.

The Developer opened the first phase (Phase 1A) of Las Americas in November of 2001, consisting of 370,000 square feet of retail shops and restaurants (Parcel B/C). The project received national and international attention both for its architectural design and impact on the border area. More recently, the second phase (Phase 1B1) of the retail component opened its doors in May of 2005. Phase 1B1 consists of 189,000 square feet of higher-end retail space developed on the western portion of the Las Americas site.

In November of 2004, the City Council and Redevelopment Agency approved the Fifth Implementation Agreement and other actions necessary to carry out the project as contemplated in the Las Americas DDA. Some of the related actions included approval of a change in the Scope of Development to allow housing, called Residences at Las Americas, on the west end of the project site and authorization for the City Manger to continue to pursue and secure a Residential Permit for the Las Americas Bridge. The Fifth Implementation Agreement also facilitated the conveyance of the “Civic Parcel” to the City for a new public facility.

With respect to Residences at Las Americas, Agency and Developer agreed under the Fifth Implementation Agreement to pursue government approvals (ie re-zoning, amendment to any development permit) to develop Parcel A-3 with up to 350 residential condominiums or

apartments and related improvements. The project schedule, financing, and unit affordability are outstanding issues to be negotiated.

With respect to the River Pedestrian Bridge (the Bridge), the City of San Diego confirmed, by execution of the Las Americas DDA, the goal of achieving certain benefits for San Diego and Tijuana such as increased tourism, economic development, revitalization of San Ysidro and Tijuana's so-called "red-light district," and relief of traffic congestion at the existing San Ysidro/Tijuana Port of Entry. The City of San Diego, with the help of LandGrant Development, applied for a Presidential Permit with the U.S. State Department in 1999 for purposes of implementing the Bridge, a pedestrian-only bridge that will include a new port of entry and inspection facilities for both U.S. and Mexican governments. The City of San Diego subsequently revised and resubmitted the Presidential Permit application for review and approval in 2001. The 2001 Presidential Permit application lacked sufficient information necessary for approval, according to the U.S. State Department. This fact coupled with shifts in Federal policies and priorities following the events of "9/11" have resulted in the need to revise and resubmit the City's application for a Presidential Permit.

Agency staff agree it is necessary to initiate negotiations with Developer for purposes of developing a Sixth Implementation Agreement to facilitate the implementation of the Bridge and housing development, in keeping with the goals as set forth in the Las America DDA.

DISCUSSION

Redevelopment staff is requesting authorization to continue to pursue and secure a Presidential Permit for the Las Americas River Pedestrian Bridge and to negotiate with International Gateway - East, LLC a Sixth Implementation Agreement to the DDA, franchise agreement, and related documents for development of Residences at Las Americas and River Pedestrian Bridge as contemplated in the Las Americas DDA. It is anticipated that Agency staff will return to the Council/Agency at a future date for authorization to execute a Sixth Implementation Agreement, franchise agreement, and related documents.

Residences at Las Americas. The Developer has proposed a for-sale 300-unit condominium development on DDA Parcel A-3, a vacant seven-acre site at the west end of the Las Americas site, on Camino de la Plaza Boulevard, west of Sipes Lane. The Las Americas housing component is part of San Ysidro's designated Pilot Village, *Mi Pueblo*, and is proposed to provide 20% of all units at affordable prices. The project consists of four-story mid-rise housing with two four-level parking structures. The project also includes amenities such as courtyards, recreation areas, and park space.

The negotiations for the Sixth Implementation Agreement will include site design, schedule, financing, affordable units, and sale of the residential units. The Developer, Agency staff, and Planning Department staff have met on several occasions to discuss a site design for this housing development. Public input has also been sought for the residential component. (See Attachment 2)

River Pedestrian Bridge. Before expending more time and resources in developing and

submitting a Presidential Permit application to the U.S. State Department, the Developer, a Virginia-based company, has requested confirmation that the City of San Diego will continue as a partner and advocate for the Bridge.

In recent months, the Developer and Agency staff have engaged in discussions for the implementation of the Bridge in a post-9/11 climate. Developer has assembled a team of consultants including Gibson Gonzalez Associates, Mitrisin and Associates, Awbrey Cook McGill Architects, and Structural Engineering Associates. This consultant team is experienced in assisting other municipalities in acquiring Presidential Permits and implementing cross-border bridge projects along the U.S.-Mexico border.

Since the original Bridge proposal was included in the 1998 DDA (See Attachment 3), there have been shifts in planning, scope, and feasibility analyses related to the implementation of the Bridge. As a result, the following issues will be included in the Bridge negotiations:

- 1) Changes to Schedule of Performance – The Fifth Implementation Agreement allowed for an extended timeframe, which expired in June 30, 2005, for the Developer to secure a Presidential Permit on the City's behalf.
- 2) Bridge tolls - Instead of one operator collecting all tolls and splitting "excess revenues" one-third to the US and two-thirds to Tijuana, each operator will charge a one-way toll and the US operator will transfer all US "excess revenues" (after operating expenses, maintenance reserves, debt service on loans to finance construction and a 30% return on equity) to the City for the benefit of the San Ysidro community and indicate current projections of "excess revenues" based on updated operating proforma;
- 3) Bridge financing – The Developer will finance the construction of the US-side of the Bridge, without cost or liability to the City or Agency;
- 4) Franchise Agreement - The term of the franchise agreement will be 25 years with the right to a 25-year extension; and
- 5) Parcel E – It is anticipated that the Developer will have to convey a portion of DDA Parcel E to the Federal Government for Homeland Security, GSA, etc., and that the Federal Government will want unrestricted rights should the parcel no longer be needed for the purposes intended by the DDA.

As in the past, the City of San Diego will be the applicant for the Presidential Permit. The Developer and consultant team will act as the City's agents in following up with U.S. government agencies before, during, and after the application review period. The Developer will cover the costs associated with the Presidential Permit application including, but not limited to, technical studies, consultant fees, attorney fees, and travel and lodging.

ALTERNATIVE

Do not approve this action. This would disable Developer's ability to acquire construction financing for the housing and Bridge components of the Las Americas Project and potentially delay development of the remainder of the project.

Respectfully submitted,

Maureen Ostrye
Deputy Executive Director,
Redevelopment Agency /
Acting Deputy Director,
and Economic Development Department

Approved: Debra Fischle-Faulk
Assistant Executive Director,
Redevelopment Agency / Acting
Director, Community and Economic Community
Development Department

Approved: Ellie Oppenheim
Deputy City Manager

FISCHLE-FAULK/RC

- ATTACHMENT(S):
1. Project Site Map
 2. Residences at Las Americas Site Plan
 3. DDA River Pedestrian Bridge Term Sheet