



## MEMORANDUM

Date Issued: March 30, 2005 SEDC Report No. 05-004

Meeting of April 5, 2005

To: Chair and Members of the Redevelopment Agency

From: Carolyn Y. Smith, President

Subject: Termination of the Disposition and Development Agreement between Roseau Development Company, LLC and the Redevelopment Agency

Reference: Approval of the First Implementation Agreement between Roseau Development Company, LLC and the Redevelopment Agency – September 14, 2004

Approval of the Disposition and Development Agreement Between Roseau Development Company, LLC and the Redevelopment Agency of the City of San Diego – March 19, 2002

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### SUMMARY

Staff Recommendation – That the Redevelopment Agency of the City of San Diego (Agency) terminates the Disposition and Development Agreement (DDA) between Roseau Development Company, LLC (Roseau) and the Agency.

Other Recommendations – On February 23, 2005, the SEDC Board of Directors voted to recommend Agency termination of the DDA with Roseau.

### BACKGROUND

In 1996, the Southeastern Economic Development Corporation (SEDC) on behalf of the Agency acquired a 14.7 acre site formerly known as the Potter Tract. The site is located within the Central Imperial Redevelopment Project Area, in the Valencia Park

Neighborhood of the southeastern San Diego community. The property is bound by the Metropolitan Transit District's East Trolley Line to the south, and north by Imperial Avenue. The property's western boundary is 54<sup>th</sup> Street, and the eastern boundary is Pitta Street. Las Chollas Creek is aligned along the southern boundary of the site and the majority of the site is within the 100-year floodplain of the creek system.

In 1999, SEDC began a three year process to subdivide the 14.7 gross acre site into seven industrial lots (Lots 1-7), raise the site out of the floodplain, improve Las Chollas Creek and provide the necessary infrastructure improvements. The resulting 8 net acres is known as the Valencia Business Park. In 1999, the Agency entered into a Cooperation Agreement with the United States Postal Service for the sale and development of one 3-acre lot located on the western portion of the site (Lot 1). The new Encanto Post Office opened in January 2005. In 2002, the Agency approved a DDA with Roseau for the construction of three industrial buildings on Lots 2-7.

## **DISCUSSION**

In September 2004, the Agency approved the First Implementation Agreement which amended the Schedule of Performance established in the DDA that modified the project's performance schedule. On December 30, 2004, Mr. Smith of Roseau was notified of Roseau's failure to comply with the specific performance timeframes established in the Amended Schedule Performance, Attachment No. 1 of the First Implementation Agreement and that such failure constituted a default of the DDA.

On February 2, 2005, a Notice of Default and Termination was sent to Mr. Smith regarding his failure to submit the following:

1. Evidence of payment to the City of San Diego of all outstanding permitting fees relating to the development of the project.
2. The requisite Final Construction Drawings and Landscaping and Finish Grading Plans for Phase 1 and Phase II of the project.

The notice also specifically provided that in the event that Roseau failed to cure these two matters on or before March 3, 2005, SEDC would recommend termination of the DDA by the Agency. As of March 15, 2005, Roseau has not cured either of the two outstanding matters.

**CONCLUSION**

SEDC has expended approximately \$6.6 million to prepare the site for development. Approximately \$3.2 million of these funds from a Section 108 Loan, which in accordance with the requirements of the Office of Housing and Urban Development (HUD) require very specific employment goals. The lack of performance by Roseau has hindered the Agency/SEDC's ability to generate the employment contemplated in the agreement with HUD and the DDA. In addition, the delayed development has resulted in a delay in the collection of tax increment by the Agency since the site is in Agency ownership and off the county tax assessment roll.

Upon termination of the DDA, SEDC on the behalf of the Agency will issue a Request for Qualifications to secure a new developer.

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Submitted/Approved by  
Carolyn Y. Smith  
President

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