



REPORT NO. CCDC-06-36
CCDC-06-16

DATE ISSUED: November 22, 2006

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Council President and City Council
Docket of November 28, 2006

ORIGINATING DEPT.: Centre City Development Corporation

SUBJECT: MONARCH SCHOOL (north side of Cedar Street between the
Rail Corridor and Pacific Highway) – Acquisition/Disposition of
Property at 808 West Cedar Street for Continued Operation and
Future Expansion of Monarch School and Basic Concept/
Schematic Drawings and Centre City Coastal Development Permit
for Monarch’s Redevelopment of the Site - Little Italy
Redevelopment District of the Centre City Redevelopment Project
– **JOINT PUBLIC HEARING**

COUNCIL DISTRICT(S): District 2

REFERENCE: None

STAFF CONTACT: Barbara A. Kaiser, Vice President-Real Estate Operations,
619-533-7118
Brad Richter, Principal Planner, 619-533-7115

REQUESTED ACTION: Approval of the Agreement for Purchase and Sale between the Redevelopment Agency (“Agency”) and W. Gordon Menzie (“Owner”) for the acquisition of 808 West Cedar Street (the “Site,” see “Site Map” Exhibit A), the existing location of Monarch School; approval of a Disposition Agreement between the Agency and Monarch School Project, a California nonprofit public benefit corporation (“Monarch”) for the Agency’s sale of the Site to Monarch for continued operation and planned future expansion; and approval of the Basic Concept/Schematic Drawings and Centre City Coastal Development Permit for Monarch’s redevelopment of the Site.

STAFF RECOMMENDATION:

That the Redevelopment Agency:

1. Adopt a resolution certifying that the Agency has reviewed and considered information in the Environmental Impact Report and the Secondary Study with respect to the acquisition and disposition of the Site and the potential redevelopment and expansion of Monarch School at 808 West Cedar Street.

2. Adopt a resolution approving the Agreement for Purchase and Sale to acquire 808 West Cedar Street.
3. Adopt a resolution approving the sale of 808 West Cedar Street to Monarch School Project pursuant to the terms of the Disposition Agreement.
4. Adopt a resolution approving the Basic Concept/Schematic Drawings for the planned future redevelopment and expansion of Monarch School.

And, that the City Council:

1. Adopt a resolution that the City Council has reviewed and considered information in the Environmental Impact Report and the Secondary Study with respect to the acquisition and disposition of the Site and the potential redevelopment and expansion of Monarch School at 808 West Cedar Street.
2. Adopt a resolution approving the sale of 808 West Cedar Street to Monarch School Project pursuant to the terms of the Disposition Agreement.
3. Adopt a resolution approving the Centre City Coastal Development Permit for the planned future redevelopment and expansion of Monarch School.

SUMMARY: Monarch is a school for homeless and disadvantaged children whose operations are funded by the San Diego County Office of Education ("COE") and by the Monarch School Project, a 501 (c) (3) non-profit entity supporting the Monarch School. Monarch brought 48 children from its previous leased site at Market and 14th streets to its current leased location at 808 W. Cedar Street five years ago. Since then Monarch's enrollment has grown to an average of 100-125 students in a broad range of ages, challenging the existing facility's capacity. The proposed actions would provide a permanent home for Monarch School with the opportunity for redevelopment of the Site with a new building to serve a student population ranging from approximately 250 to 300 students. Acquisition of the Site by the Agency would cost an estimated \$4.56 million, \$1.25 million provided by an Advance of Funds by Monarch School and \$3.31 million of Agency funds. The Agency would convey the Site to Monarch for a purchase price evidenced by the \$1.25 million Advance. Redevelopment of the Site would occur when Monarch had raised the estimated \$11 million required to construct the improvements which are the subject of the Basic Concept/Schematic Drawings and Centre City Coastal Development Permit.

FISCAL CONSIDERATIONS: Funds are available to meet the Agency's obligations with respect to the acquisition and disposition of the Site in the FY 2006/2007 Budget for Areawide Land Acquisition for Educational Facilities.

CENTRE CITY DEVELOPMENT CORPORATION RECOMMENDATION: On October 25, 2006, the Corporation Board of Directors voted unanimously to approve the staff recommendation.

BACKGROUND

Ownership and redevelopment of the Site by Monarch would advance the Visions and Goals of the Centre City Community Plan and the Objectives of the Centre City Redevelopment Project by implementing these objectives:

1. Providing expanded educational facilities; and
2. Enhancing a ceremonial street (Cedar Street) which lies immediately to the east of the County Administration Center.

DEVELOPMENT TEAM

ROLE/FIRM	CONTACT	OWNED BY
Owner of the Site: W. Gordon Menzie	W. Gordon Menzie	W. Gordon Menzie
Purchaser of the Site/ Developer: Monarch School Project	Scott McPherson David Boatwright	501 (c) (3) non-profit organization with current Board members John Rosicky, Julie Dillon, Bennet Greenwald, Denise Bowman, Tom Blair, David Boatwright, Bryant Burke, Michelle Candland, Sarita Fuentes, Nancy Hemry, Maruta Gardner (ex-officio), Claudette Inge (ex-officio), Sam Jeppson, Brian Luscomb, Brian Malk, Judy McDonald, Jim McMillan, Scott McPherson, Mariaelena Ochoa, Steven Przesmicki (ex-officio), Ralph Rubio, Michael Stone, Hal Tilbury, and Robert Traylor
Architect: Davy Architecture	Eric Davy Jennifer Robinson	Eric Davy Jennifer Robinson

DISCUSSION

Scope of the Project and Project Benefits - The purpose of the proposed transaction is to secure a permanent home for Monarch School, a school for homeless and disadvantaged children operated by the County Office of Education in leased premises at 808 W. Cedar Street. The school is supported by a nonprofit organization (Monarch School Project) which supplements the County's programming, equipment and facilities. This nonprofit organization has for years been seeking an expansion location, or an adequately-sized single permanent location, to provide for the increased numbers of students (and range of ages) in the program. After many visits to CCDC Committees over several years, with various alternatives presented, direction was

provided to negotiate in good faith with the Owner of the existing leased premises to see if Monarch's existing location could be acquired. The concept is that the Site would be acquired by the Agency and sold to Monarch who would lease the premises to COE; the school would stay in its existing configuration until the funds for a new and larger building could be raised by Monarch; at that time, the school would move temporarily and the Site would be redeveloped by Monarch; the new premises would be leased by Monarch to COE; and the school would move back into its larger, permanent home. All funds of Monarch School Project go back into the school's programming, equipment and facilities.

Project Budget and Financing – The purchase price for the Site is \$325.00 per square foot based on the size of the Site determined by an ALTA survey, less a \$250,000 deduction from the purchase price for on-site soils contamination which will be remediated by Monarch when the Site is redeveloped. The negotiated purchase price represents the “as is” fair market value for the Site. The ALTA survey has not yet been completed; a Site size of 14,800 SF has been assumed. Of the estimated purchase price of \$4.56 million, Monarch is providing an Advance of Funds of \$1.25 million (from a private donor) to the Agency, requiring the Agency to provide approximately \$3.31 million at close of escrow. The reduction in Monarch’s purchase price to \$1.25 million (from the \$1.5 million being provided by the private donor) is in recognition of Monarch’s assuming 100% of the obligation to remediate the Site of soils contamination when the Site is redeveloped, at an estimated cost of \$250,000. The Disposition Agreement provides that, as between Monarch and the Agency, Monarch assumes sole responsibility for Site conditions, and Monarch and its successors and assigns, indemnifies and holds the Agency harmless with respect to any contamination on, in or under the Site, the existence of any faults or potentially active faults, and the development or use of the Site.

Disposition of Property – The Agency’s acquisition of the Site from the Owner in an “as-is” condition would be a back-to-back escrow with the Agency’s conveyance of the Site to Monarch in an “as-is” condition for a sales price of \$1.25 million, pre-paid by Monarch by its Advance of Funds.

Participation by the Agency – \$3.31 million of Agency funds would be blended with \$1.25 million of Monarch funds to meet the \$4.56 million purchase price for the Site.

Proposed Schedule of Performance – With Agency/Council approval of the Agreement for Purchase and Sale with the Owner, the Disposition Agreement with Monarch and the Basic Concept/Schematic Drawings and Centre City Coastal Development Permit, Monarch will resume its major capital campaign to raise an anticipated \$11 million to redevelop the Site. All future on-site and off-site costs of redeveloping the Site, including the remediation of soils contamination, are Monarch's sole responsibility.

The terms of the proposed business transaction between the Agency and the Owner, and the Agency and Monarch, can be summarized as follows.

1. The Agreement for Purchase and Sale with the Owner and the Disposition Agreement with Monarch are being considered concurrently by the Agency and the City as they are inter-dependent. The Owner has executed and submitted the Agreement for Purchase and

Sale to CCDC. Monarch has executed and submitted the Disposition Agreement to CCDC, together with the \$1.25 million Advance of Funds.

2. There are certain identified due diligence issues in the Agreement for Purchase and Sale. Prior to crafting the final Agreement, the Agency completed (1) a seismic investigation of the Site which determined that the Site is subject to a “potentially active” fault; the City has accepted the seismic report and the Site can be developed without setbacks or special construction considerations; (2) a soils investigation that determined the Site has contamination that must be remediated with any redevelopment of the Site, and (3) inquiry with respect to the proposed architectural plans for the new building that determined that a no-build easement will be required from the adjacent property owner to the east, the Metropolitan Transit Development Board (“MTDB”), so that the City will be able to issue a building permit with unprotected openings (windows and doors) on that side of the building; such openings are necessary for the utility of the Site for Monarch’s purposes.
4. If the “due diligence” contingencies in the Agreement for Purchase and Sale (those mentioned above, but, in addition, the Agency has the sole discretion to determine all matters that it may deem relevant to its acquisition of the Site) are not met or waived by the Agency (in its sole discretion) and the Agency does not acquire the Site, then the Disposition Agreement automatically terminates.
5. The Disposition Agreement provides that there is no further obligation of the Agency and Monarch to one another, and Monarch’s \$1.25 million Advance of Funds is returned to Monarch, if (1) the Agency has not executed the Agreement for Purchase and Sale and the Disposition Agreement within 90 days of the execution and submission of the agreements by the Owner and Monarch, respectively, or (2) if the Agency does not acquire the Site. If the Agency returns the \$1.25 million to Monarch then any interest earned on the Advance is paid to Monarch.
5. Any interest earned on Monarch’s \$1.25 million Advance of Funds while in possession of the Agency or while in escrow would be distributed at Close of Escrow as follows: (1) first, (to the extent interest earnings are available) to Monarch in an amount equal to the compensation paid by Monarch to MTDB for the no-build easement, and (2) the balance (if any) to the Agency.
6. The Agency is being asked to approve the Basic Concept/Schematic Drawings and the Council to approve the Centre City Coastal Development Permit for the redevelopment of the Site concurrently with approving the Agreement for Purchase and Sale with the Owner and the Disposition Agreement with Monarch. If Monarch’s initial fund-raising fell short and the Permits expired, Monarch would be required to submit a new Permit application meeting the requirements of the Scope of Development of the Disposition Agreement for City/Agency approval when ready to redevelop. Monarch is not required to redevelop the Site unless it receives third-party donations which equal or exceed one hundred per cent (100%) of the estimated costs and expenses to be incurred in connection with the redevelopment of the Site, including relocating the school to temporary facilities,

redeveloping the Site in accordance with plans approved by the Agency, and moving the school back into the larger facilities.

7. The Grant Deed restriction placed on the Site when the Agency conveys the Site to Monarch will require that the Site be used continuously to operate a school for disadvantaged children operating pursuant to an agreement with the San Diego County Superintendent of Schools or other educational governmental entity, with the ability to locate ancillary uses within the Site which contribute to the school's programming objectives and which are approved by the Agency in its sole discretion. This language is to recognize that the existing site includes the Cabo Café which is operated by Rubio's to provide job training to students. Cabo Café is being pre-approved by the Agency as meeting the school's programming objectives in the existing and redeveloped facilities. The Basic Concept/Schematic Drawings to be approved by the Agency locate Cabo Café on the Cedar Street frontage.
8. At such time as Monarch were ready to redevelop, Monarch would submit for Agency approval its evidence of financing, including (1) a copy of the contract between the general contractor and Monarch for the development and construction of all of the on-site and off-site improvements which are the subject of the approved Development Permit, certified by Monarch to be a true and correct copy, (2) evidence satisfactory to the Agency that Monarch has received all of the building permits for the planned improvements (or that such permits are ready for issuance except for the payment of fees), (3) evidence satisfactory to the Agency of the availability of third-party donations sufficient and legally committed to cover the costs to develop and construct the improvements as provided in (1), and (4) evidence satisfactory to the Agency that Monarch has funds or funding sources identified for the relocation of the school to temporary facilities and the move-in and start-up costs to reestablish and continue operation of the school in the redeveloped facilities.
9. The Schedule of Performance in the Disposition Agreement tracks with the schedule for conveyance of the Site in the Agreement for Purchase and Sale. The Agreement for Purchase and Sale provides a 150-day due diligence period (commencing with the Agency's execution of the Agreement), and a 30-day Close of Escrow thereafter. The length of the due diligence period is to assure the Agency that the no-build easement can be secured from MTDB and that there are no other Code issues inherent in the Schematic Drawings for redevelopment of the Site, and that Monarch has met its conditions precedent for the Agency's conveyance of the Site.
10. Prior to the Agency's conveyance of the Site to Monarch, Monarch must submit for Agency approval (1) a lease executed between Monarch and COE providing for COE's lease of the redeveloped Site. Such lease shall provide for an Effectiveness Date no later than October 31, 2008, a Commencement Date no later than October 31, 2010, and an Initial Term of ten (10) years; (2) the no-build easement from MTDB required for Monarch's redevelopment of the Site in accordance with plans approved by the Agency; and (3) progressively more detailed plans and drawings for redevelopment of the Site in accordance with the Schedule of Performance. While Monarch is not required to

redevelop the Site unless it receives third-party donations to cover all estimated costs, Monarch's meeting these conditions precedent to the Agency's acquisition and conveyance of the Site evidences Monarch's due diligence in moving forward toward redevelopment of the Site with larger facilities.

11. The Disposition Agreement addresses Monarch's acquisition of the MTDB no-build easement. While MTDB must authorize the no-build easement prior to the Agency's acquisition of the Site, MTDB has indicated that it likely will not want to record the easement until Monarch is ready to pull the building permit for the new building. The Disposition Agreement provides for a Monarch/MTDB escrow which would be opened prior to the close of the Owner/Agency and Agency/Monarch escrows which would hold the easement document and Monarch's payment to MTDB; that escrow would close and the easement would be recorded just prior to the issuance of Monarch's building permit by the City. The appraisal is underway of the value of the no-build easement; this appraisal will determine the price to be paid by Monarch to MTDB. The amount of compensation is expected to be "nominal."
12. The Disposition Agreement and Grant Deed prohibit Monarch from placing any encumbrance to secure indebtedness on the Site through the effectiveness date of the Centre City Redevelopment Plan, which is May 11, 2033.
13. Until such time as Monarch receives a Release of Construction Covenants from the Agency, meaning that Monarch will have continuously operated a school for disadvantaged children on the Site and (potentially) relocated the school to temporary facilities and then moved the school back into the larger facilities on the Site, the Agency will have the right to exercise the "Right of Reentry" with respect to the Site. If Monarch were to cease school operations or fail to commence construction as required by the Agreement (once sufficient funds had been received through its capital campaign) or, after commencing construction, to abandon or substantially suspend redevelopment of the Site, for a period of 3 months after a notice of default, or if Monarch suspended school operations or failed to complete construction of the Project and move-in and reestablish operation of the school for a period of 9 months after a notice of default, or if Monarch attempted to assign or assigned the Agreement or transferred the Site or changed its ownership status or failed to provide its evidence of financing (once sufficient funds had been received through its capital campaign) or placed an encumbrance on the Site or did not devote the Site to the specified uses or continuously operate a school for disadvantaged children on the Site, in temporary facilities or in the redeveloped facilities, and Monarch did not cure these defaults within 3 months after a notice of default, then the Agency would have the right to reenter and take possession of the Site and improvements and to terminate and revest in the Agency the fee interest in the Site. Such cure periods are subject to force majeure. Once Monarch had completed redevelopment of the Site, having continuously operated the school on the Site, then in temporary facilities, and then moving the school back into the larger facilities, and following the Agency's issuance of its Release of Construction Covenants to which Monarch would then be entitled, the Agency would no longer have the right to exercise the Right of Reentry.

14. The Grant Deed provides that if Monarch were to assign the Agreement or sell the Site in violation of the Agreement and the Grant Deed, the Agency would be entitled to the excess amount of consideration received by Monarch above the purchase price paid by Monarch to acquire the Site. This provision of the Grant Deed runs through the effectiveness date of the Centre City Redevelopment Plan, which is May 11, 2033.
15. The Grant Deed restriction that the Site be used to continuously operate a school for disadvantaged children runs through the effectiveness date of the Centre City Redevelopment Plan, which is May 11, 2033.

PROJECT DESCRIPTION

The following is a summary of the project:

Site Area	14,800 sq. ft. (quarter block)
Maximum Floor Area Ratio (FAR) Permitted	4.0
Minimum FAR Required	N/A
Proposed FAR	2.5
FAR Bonuses Proposed	N/A
Stories / Height	3-4 stories / 46-52.5 feet
Amount of Restaurant Space	1,535 sq. ft.
Amount of School Space	31,500 sq. ft.
Type of Housing	N/A
Total Number of Units / Total Residential Square Feet	N/A
Types of Units (sizes)	N/A
Projected Sale Prices (or Rental Rates)	N/A
Number of Units Demolished	N/A
Inclusionary Housing Ordinance Compliance/ Number of Affordable Units	N/A
Parking Required	32 spaces
Proposed	8 spaces restaurant <u>32 spaces school</u> 40 total
Assessor's Parcel Nos.	533-311-07, -08

The project is located on an approximately 14,800 square foot site in the Little Italy District along the north side of W. Cedar Street between Pacific Highway and California Street (railroad/Trolley tracks). The neighborhood is currently characterized by a variety of low- to mid-rise commercial buildings, with newer residential projects located to the east along Kettner Boulevard and India Street. The Site is surrounded by a fast food restaurant and the County Administration Building with its parking lots (future park) to the west; a two-story motel to the north; the railroad tracks and the five- to six-story Camden Tuscany residential project to the east, and a private club and fast-food restaurant to the south. The Site lies along the key

pedestrian east-west street through Little Italy connecting to the historic County Administration Building property and the bay.

The Site lies within the Coastal Zone, which generally lies west of California Street (north of Ash Street), and west of Kettner Boulevard (south of Ash Street). Although the new Downtown Community Plan and Centre City Planned District Ordinance (“PDO”) were adopted in March 2006, they will not be effective within the Coastal Zone until the State Coastal Commission approves and certifies the plans as amendments to the City’s Local Coastal Program. Proposed developments within the Coastal Zone therefore continue to be reviewed under the previous Community Plan and PDO.

Under these planning documents, the Site is located within the Commercial Office district (which allows a wide variety of commercial and residential uses) and has a permitted Floor Area Ratio (FAR) of 4.0 with a height limit of 85 feet. These relatively low FAR and height limits are a result of the Site’s location within the Pacific Highway - County Administration Center Design Overlay Zone, where new developments on the east side of Pacific Highway are limited in size and height so that they do not visually impact the historic County Administration Center (see discussion later in this report). For information purposes, the new Downtown Community Plan and Centre City PDO identify the zoning for this site as Mixed Use, which would continue to accommodate a wide variety of commercial and residential land uses, and which does not change the basic development standards for this type of commercial development.

While most downtown commercial projects did not require on-site parking under the PDO, there are parking requirements within the Coastal Zone. These parking requirements resulted from the North Embarcadero Visionary Plan process and subsequent review and approval by the Coastal Commission. The parking requirement for restaurants is 5 spaces/1,000 square feet and, while the PDO did not have parking requirements for schools, staff has proposed the following parking for school use: 2 spaces/1,000 square feet of office space (similar to commercial office space requirements) and 1 space/classroom. This results in 8 spaces for the restaurant; 6 for the school offices; and 18 spaces for the classrooms, for a total of 32 spaces. The project provides 40 spaces, 11 of which are tandem but which staff supports as they are controlled by and for school staff.

DESIGN ANALYSIS

The Site lies within the Pacific Highway - County Administration Center Design Overlay Zone which has established Design Guidelines which are attached to this report. The goal of this overlay zone is to create a unified architectural district that creates a visually consistent “frame” around the historic County Administration Building. New buildings should emphasize compatibility of form, materials and colors without attempting to mimic or replicate the historic building. The three- to four-story, 46-52-foot tall structure has been designed to complement, but not replicate, the historic County Administration Building consistent with these design standards.

The building has been set back 15 feet consistent with the design standards and PDO to provide a wider view corridor down Cedar Street, and to provide for an enhanced pedestrian experience which includes a double row of Jacaranda trees. The building architecture uses a variety of light

colored brick, metal, architectural concrete block, and plaster materials to create a rhythm of vertically proportioned components, a strong cornice line, and street level glazing and activities including a restaurant and sidewalk café zone. The school also proposes a roof deck on the front (south) portion of the building. The result is an attractive building which complements the neighborhood.

As the Site is bounded by other private properties on the west, north and east sides, the applicants have addressed design limitations associated with these constraints to avoid the appearance of blank walls. Along the east property line, the Site abuts a small strip of land owned by MTDB, which is utilized in conjunction with the California Street right-of-way for the Trolley and railroad tracks and a one-way street. MTDB will be required to record a no-build easement over its property to allow the school building to contain windows and doors along this frontage. This is important because this elevation is highly visible from the neighborhood. To the west of the project lies the Jack-in-the-Box restaurant, which may not be redeveloped for some time. Because the school's western elevation will therefore remain highly visible for some time from Pacific Highway, the architects have continued the architectural patterning from the main Cedar Street elevation to create visual interest through a change of materials. The northern property line wall is less visible, but still has provided some architectural detailing through two recessed alcoves which can contain windows.

COASTAL DEVELOPMENT PERMIT

The project's location also requires the approval of a Coastal Development Permit. The following findings must be made in order to approve the Coastal Development Permit:

1. The proposed coastal development will not encroach upon any existing physical accessway that is legally used by the public or any proposed public accessway identified in a Local Coastal Program land use plan; and the proposed coastal development will enhance and protect public views to and along the ocean and other scenic coastal areas as specified in the Local Coastal Program land use plan.

The project does not encroach on any public accessway and provides a widened view corridor towards the bay consistent with adopted plans.

2. The proposed coastal development will not adversely affect environmentally sensitive lands.

The project is located on a previously developed site and will not impact any such lands.

3. The proposed coastal development is in conformity with the certified Local Coastal Program land use plan and complies with all regulations of the certified Implementation Program.

The project is consistent with the previous Community Plan and PDO which are the certified Local Coastal Program, complies with all applicable standards including the public view corridor requirements, and does not interfere with any public accessways.

Streetscape Design - The Centre City Streetscape Manual requires the project to install Little Italy paving along Cedar Street, consisting of 2 x 2 foot scoring pattern, and install a double row of Jacaranda trees.

Consistency with Plans - The project is consistent with the Community Plan and PDO, including the Pacific Highway - County Administration Center Design Overlay Zone and the Coastal Zone requirements. The project provides on-site parking for the school and restaurant.

It should be noted that when the Real Estate Committee discussed the request from Monarch that the Agency provide assistance in securing a site for the expansion of its school facilities in April 2005, the San Diego County Regional Airport Authority had just released its Draft San Diego County Airport Land Use Compatibility Plan (ALUCP). The Draft Plan established policies for land uses surrounding Lindbergh Field and created “compatibility zones” which created limitations on land uses, densities, and building heights depending on the proximity to the airport and noise and safety factors. The Site was located in Compatibility Zone C in the Draft Plan, which included lands subject to 65 CNEL noise levels and which were located directly adjacent to the “approach paths” of aircraft landing at Lindbergh Field. Under the Draft Plan, schools were a prohibited land use in this zone. Although the Draft Plan could not and did not regulate or restrict existing land uses, the Draft Plan stated that expansion of existing nonconforming uses would only be permitted in extraordinary circumstances.

The Draft Plan became extremely controversial and was withdrawn by the Airport Authority. Since then, an advisory group consisting of agencies and stakeholders called the Airport Land Use Compatibility Plan Technical Advisory Group (“ATAG”) has been formed, including CCDC as a member. Discussions have just commenced on a new proposed draft plan for San Diego International Airport (SDIA) – Lindbergh Field, and there is a growing consensus among ATAG members that existing schools and other facilities should be allowed to expand in any existing nonconforming location. However, there is much work to be done on the plan. Approval of the Centre City Coastal Development Permit now would “grandfather” Monarch’s redevelopment of the Site, although expiration of the Permit (three years from its approval) could be an issue depending on the outcome of the planning process being conducted by the Airport Authority.

Environmental Impact - Under the 2006 Environmental Impact Report (“EIR”), an Environmental Secondary Study is prepared for all developments in the Centre City area in order to evaluate the project’s compliance with the Downtown Community Plan and Centre City Planned District Ordinance and, therefore, the findings and conclusions of the EIR. Unless the project is found to be out of compliance with those planning documents, no further environmental review is required.

CONCLUSION

Approval of the recommended actions would provide a permanent home for Monarch School with the potential of the Site's redevelopment to accommodate a larger number of students in a broader range of ages. Monarch is anxious to achieve these approvals at the earliest opportunity to enable them to resume an aggressive capital campaign toward redevelopment of the Site.

Respectfully submitted,

Concurred by:

Barbara A. Kaiser
Vice President-Real Estate Operations

Nancy C. Graham
President

Brad Richter
Principal Planner

Attachment(s): Exhibit A - Site Map
 Agreement for Purchase and Sale
 Disposition Agreement
 33433 Report
 Keyser Marston Estimate of Re-Use Value (11/3/06)
 Basic Concept/Schematic Drawings
 Centre City Development Permit
 Design Guidelines for the Pacific Highway- County Administration Center
 Design Overlay Zone
 Secondary Study of Environmental Impacts
 Article on Monarch School: San Diego Magazine, August 24, 2006