



THE CITY OF SAN DIEGO
Redevelopment Agency's Report

DATE ISSUED: March 29, 2006 REPORT NO. RA-06-12

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of April 4, 2006

SUBJECT: First Implementation Agreement to the Owner Participation Agreement
with the Constellation Property Group Hancock, L.P. for Stella at Five
Points – North Bay Redevelopment Area

REFERENCE: Executive Director Report No. RA-05-22

REQUESTED ACTION:

Should the Redevelopment Agency authorize the Executive Director or designee to execute the First Implementation Agreement to the Owner Participation Agreement between the Redevelopment Agency and Constellation Property Group Hancock, L.P. for Stella at Five Points?

STAFF RECOMMENDATION:

That the Redevelopment Agency authorize the Executive Director or designee to execute the First Implementation Agreement to the Owner Participation Agreement between the Redevelopment Agency and Constellation Property Group Hancock, L.P. for Stella at Five Points.

SUMMARY:

BACKGROUND

On June 21, 2005, Constellation Property Group Hancock, L.P. (Developer) and the Redevelopment Agency of the City of San Diego (Agency) entered into an Owner Participation Agreement (OPA) for the construction of 13 affordable two-bedroom housing units as part of an 86-unit residential for-sale project located at 2015 Hancock Street. The affordable component equates to 15 percent of the total units within the project. This exceeds the City's minimum inclusionary housing requirement of 10 percent and meets the Agency's inclusionary housing requirement of 15 percent.

As stipulated in the existing OPA, the affordable two-bedroom units will be offered for sale at a price that is affordable to families earning less than 100 percent area median income (AMI). The sales price will be set by the San Diego Housing Commission at the time of sale. Currently, a family would qualify for 100 percent AMI if they make a combined salary of less than \$63,400 per year, assuming a household of four people. According to the existing OPA, the affordable units will be price-restricted for at least 55 years, and will comply with all applicable City and the Housing Commission policies and restrictions. Further, this 55-year term exceeds the State's requirement of 45 years by including an additional ten years to the affordability restriction.

The existing OPA provides a subsidy of \$1,690,000 in exchange for the construction of 13 affordable two-bedroom units at 100 percent AMI. This equates to an average subsidy of \$130,000 per affordable housing unit. Furthermore, according to the existing OPA, Agency funding will be dispersed only upon completion of construction. The developer will also enter into an affordable housing monitoring agreement to ensure that the affordable units are meeting the requirements set forth in the OPA.

DISCUSSION

The proposed project went before the City Council on November 29, 2005 for approval of the entitlements associated with the project. After public testimony and Council discussion, the Council voted to continue the item to a later date in order to address a number of issues that were raised in relation to the project. As a result of the issues that were raised, Constellation Property Group is proposing a redesigned project resulting in the loss of one unit. The project was processed through the City's Affordable Housing Expedite Program. The First Implementation Agreement to the OPA is scheduled to be heard concurrently with the entitlements requested as part of the project that are before the City Council for a decision. Based upon the revised Schedule of Performance, the project is expected to be completed July 2007.

The First Implementation Agreement to the existing OPA includes minor revisions and updates to the documents included therein. Primarily, the documents reflect the reduction in the amount of units from 86 to 85 units and a new site plan and legal description to reflect the change to the design of the structure as well as the additional easement allowance granted by the Metropolitan Transit Services Board on the north side of the project site. Further, the OPA attachments have been updated to reflect the current schedule and cost estimates. The attachments also include more detailed information in relation to the method of financing, schedule of performance, agreement affecting real property as well as the City's equal opportunity contracting developer requirements to ensure that the development will be in compliance with the most current requirements. Further, a marketing plan has been added as an attachment in order to ensure that the affordable units meet the Agency's affirmative marketing requirements. As part of this action, there are no changes proposed in relation to the number or size of affordable units, amount of Agency assistance or to the level of affordability of the price-restricted units.

The approval and development of this 85-unit residential project within the Midway-Pacific Highway Corridor will be a major catalyst in promoting and attracting public and private

investment into the area surrounding Washington Street and Hancock Street. The provision of new market rate and affordable housing in close proximity to the Washington Street trolley station will implement a primary tenet of the North Bay Redevelopment Five-Year Implementation Plan that calls for promoting and enhancing diverse housing opportunities by improving housing stock and expanding affordable housing opportunities within the Project Area. Housing goals included in the Five-Year Plan, call for the construction of 987 net increase units including 148 affordable housing units.

Furthermore, the Five-Year Plan encourages the construction of open space, parks and sidewalk improvements to enhance the Project Area for residents. The proposed project will underground existing overhead utilities, construct new sidewalks as well as improve Metropolitan Transit Services (MTS) right-of-way land that will include a pedestrian promenade and enhanced landscaping. This area will be open to the public and will create the first link in a pedestrian corridor that will ultimately connect to the trolley station, which is within one quarter mile of the project site.

ALTERNATIVES

1. Do not approve the First Implementation Agreement to the Owner Participation Agreement between the Agency and the Developer.
2. Recommend changes to the proposed First Implementation Agreement to the Owner Participation Agreement between the Agency and the Developer.

FISCAL CONSIDERATIONS:

Funding for this action was approved by the Redevelopment Agency on June 21, 2005 by Resolution R-03936.

PREVIOUS AGENCY AND/OR COMMITTEE ACTION:

On June 21, 2005, the Redevelopment Agency entered into an Owner Participation Agreement with Constellation Property Group Hancock LLP for the development of Stella at Five Points.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

On June 1, 2005 the North Bay Project Area Committee (PAC) voted 13-0-2 to approve the Constellation Property Group Hancock, L.P. for the development of Stella at Five Points Owner Participation Agreement with a \$1,690,000 subsidy. On February 8, 2006 the Developer returned to the North Bay PAC as an informational item and presented the proposed changes to the project. The project was presented by staff at the March 1, 2006 PAC meeting to update the members that the Developer and Agency agreed to retain the original terms of the OPA that the PAC had approved on June 1, 2005.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

The managing members of Stella at Five Points are the Constellation Property Group Hancock, L.P., which includes the Constellation Property Group Holdings L.P. and Constellation Property

Management Incorporated (Eugene Marchese, President and Stephen Scotchmer, Vice President). The architect of record is Marchese + Partners and Patrick Martin is the attorney for the Constellation Property Group.

Respectfully submitted,

Maureen Ostrye
Acting Deputy Director
Redevelopment Agency

James T. Waring, Deputy Chief
Land Use and Economic Development

WARING/LG/lgr

Attachments: 1. Site Plan and Concept Plan
2. Proposed First Implementation Agreement
3. Owner Participation Agreement dated June 21, 2005