



THE CITY OF SAN DIEGO
Redevelopment Agency's Report

DATE ISSUED: November 22, 2006

REPORT NO.: RA-06-49

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

SUBJECT: Exclusive Negotiation Agreement with City Heights Paseo, LLC
City Heights Redevelopment Project Area

REQUESTED ACTION:

Should the Redevelopment Agency authorize the Executive Director or designee, to enter into an Exclusive Negotiation Agreement with City Heights Paseo, LLC for a proposed mixed-use development?

STAFF RECOMMENDATION TO THE REDEVELOPMENT AGENCY:

Authorize the Executive Director or designee, to enter into an Exclusive Negotiation Agreement with City Heights Paseo, LLC for a proposed mixed-use development.

SUMMARY:

The City Heights Redevelopment Plan ("Plan") was adopted in May, 1992. The primary objective of the Plan is to improve the quality of life in the Project Area. The City Heights Redevelopment Project Third Implementation Plan ("Implementaion Plan") adopted by the Redevelopment Agency June 15, 2004, lists in its goals and Projects List for FY 2005-2009: "Central School Remainder Parcel (41st St. and University Ave.) - Create and support quality mixed-use facilities, which can include residential, commercial, office, education and public facilities."

The proposed project is the real property located on the north side of University Avenue just east of the State Route 15 ("SR-15") and includes Assessor Parcel Numbers ("APN") 454-762-13, 454-763-14, 454-763-15 and 454-763-16. APN 454-762-13 is a City owned parcel, which was acquired by the City from Caltrans on May 22, 2001, and is currently vacant. This site is part of Council District 3, Priority 3-5: "Acquiring I-15 Caltrans Parcels at El Cajon Boulevard and University Avenue, which calls for the transfer and planned use of seven excess parcels from the State to the City." Priority 3-5 identifies the Redevelopment Agency as responsible for developing the parcels. The Agency anticipates purchasing the parcel from the City, which will require later separate actions by the Agency and City Council. The proposed project is adjacent to: 1. University Avenue Mid-City Transit Gateways bridge decks project; 2. Central Elementary School, and; 3. Teralta Park, which spans SR-15. The Metro Career Center, home of

San Diego Workforce Partnership, and Metro Villas, a 120-unit low-income housing project are located on the west side of SR-15 along University Avenue.

The proposed action would replace an existing Exclusive Negotiating Agreement (“ENA”) with a new ENA. City Heights Paseo, LLC originally requested an ENA for the vacant City owned parcel and 4102-22 University Avenue in July, 2005. After receiving the development proposal the Agency notified the City Heights Project Area Committee (“PAC”) and initiated the required Owner Participation process by sending letters to all property owners in the development footprint on September 14, 2005. The owners of 4102-4122 University Avenue responded to the Owner Participation letter with a request to submit a competing proposal to remodel their existing building.

On February 10, 2006, a committee made up of City and Agency staff members as well as a member of the City Heights PAC, evaluated the two submitted proposals and recommended that the Agency enter into two agreements: 1. ENA with City Heights Paseo, LLC to develop the City owned parcel only; and 2. Owner Participation Agreement with the owners of 4102-4122 University Avenue to remodel and complete a “face-lift” on their property, subject to the owners obtaining a structural inspection of the property. On March 13, 2006, the City Heights PAC voted to support the recommendation of the evaluation committee. The Agency and City Heights Paseo, LLC entered into an ENA on July 12, 2006 for the vacant City owned parcel.

Shortly after the ENA was approved, the property owners of 4102-4122 University Avenue completed the full inspection of their property and determined the cost to remodel their property was excessive. They then decided to sell their property. Upon receiving this information, City Heights Paseo, LLC, at Agency staff’s request, put their ENA on hold in order for the Agency to be able to purchase these three parcels and include them in their project. Agency staff has successfully negotiated a fair market price for the property located at 4102-4122 University Avenue and will bring a Purchase Agreement to the Agency for consideration in November, 2006.

The current ENA is scheduled to expire December 24, 2006. The developer is requesting a new ENA that expands the proposed project footprint to include the original property and add the property located at 4102-4122 University Avenue. The developer is proposing a high quality mixed-use development with office condominiums, residential condominiums, retail development and possible school improvements.

The developer currently has a \$25,000 deposit for the existing ENA. To date, there have been no charges against this deposit. It is anticipated that the current developer deposit of \$25,000 will be applied toward the new ENA, if approved. The developer will be required to submit to the Agency financial information, cost pro formas, architectural elevations and a site plan of the project. The developer will also be responsible for the preparation of any required environmental documents and to negotiate in good faith to finalize a Disposition and Development Agreement. The ENA shall terminate one hundred twenty (120) days after the date of the Agreement, with the option to extend, by mutual consent of both parties, for up to two additional periods of forty-five (45) days.

FISCAL CONSIDERATIONS:

Action by the Redevelopment Agency at their June 20, 2006 meeting resulted in the increase to the City Heights Redevelopment Project budget in the amount of a \$25,000 for the developer deposit from City Heights Paseo, LLC. Staff is proposing to apply this deposit to the new ENA, if approved.

PREVIOUS AGENCY and/or COUNCIL ACTION:

The Redevelopment Agency authorized the Executive Director or designee to enter into an Exclusive Negotiation Agreement with City Heights Paseo, LLC at their June 20, 2006 meeting.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

On March 13, 2006, the City Heights PAC voted to recommend approval of an Exclusive Negotiation Agreement with City Heights Paseo, LLC for a proposed development on the City owned parcel.

On October 9, 2006, the City Heights PAC voted to recommend approval of a new Exclusive Negotiation Agreement with City Heights Paseo, LLC for a proposed development on the expanded project site.

Respectfully submitted,

Maureen Ostrye
Deputy Executive Director

Approved: William Anderson
Assistant Executive Director

Attachments: 1) Exclusive Negotiation Agreement