



Memorandum

DATE ISSUED: April 19, 2006 Report No. 06-004

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of April 25, 2006

SUBJECT: Approval of an Exclusive Negotiating Agreement with Imperial Avenue
Partners, LLC for the Development of Certain Real Property Located
Along Imperial Avenue between 61st – 63rd Streets

REFERENCE: None

REQUESTED ACTION:

Should the Redevelopment Agency of the City of San Diego (the "Agency") enter into an Exclusive Negotiating Agreement (the "ENA") with Imperial Avenue Partners, LLC (the "Developer") for the development of certain real property located along Imperial Avenue between 61st – 63rd Streets.

STAFF RECOMMENDATION TO THE REDEVELOPMENT AGENCY:

That the Agency authorizes the Executive Director or his/her designee to execute the ENA between the Agency and the Developer for the development of certain real property located along Imperial Avenue between 61st – 63rd Streets.

SUMMARY

BACKGROUND

In April 2005, the SEDC Board of Directors approved the Imperial Avenue Master Plan (Master Plan). The Master Plan was prepared to guide development along Imperial Avenue between 47th Street and Euclid Avenue and 61st – 69th Streets.

The primary recommendations identify Imperial Avenue as a major residential corridor and divide this portion of the corridor into three distinct sub-areas. The Imperial Avenue Partners, LLC., would like to begin development in the Encantada Plaza Sub-Area (61st – 63rd Streets). The subject site is comprised of approximately 4.8 acres. The developer is proposing a development that closely follows the Master Plan. Specifically, they are proposing approximately 174 town homes and condominiums and approximately 8,000 – 10,000 square feet of retail space.

DISCUSSION

The development team doing business as the Imperial Avenue Partners, LLC., consist of two entities, K-RML, Inc., and S&Y Capital Group.

K-RML, Inc., is a certified small business enterprise who will be responsible for the overall development of the project.

Principal Romik Kesian has over 25 years of experience in large multiple building development and construction management. Prior to forming K-RML, Inc., Romik Kesian was Sr. Vice President of Jones Lang LaSalle in San Diego. As Regional Director for Special Projects with the Los Angeles Unified School District, he managed the land acquisition, entitlement, design and construction of 14 schools. He managed a staff of 20 professionals with a budget in excess of one billion dollars. He assisted with the Bond Program for the District as well as coordinated with all state and district agencies. He has extensive experience in ground-up development in all real estate sectors as well as in all aspects of land development.

S&Y Capital Group will be responsible for raising the capital necessary for the development.

Brian Masterman is president of S&Y Capital Group and has over 18 years experience in commercial and real estate experience focused on land-related investment, development, entitlements, consulting and dispositions.

L. William Huck is chairman of S&Y Capital Group, a Stone & Youngberg affiliate that structures and invests in California real estate projects. He is also Managing Director of Stone & Youngberg, a privately owned investment bank that has underwritten more bond issues (715+) in California over the last 5 years than any other firm. Since 1981, he has assisted more than 100 different California public agencies on capital improvement projects including redevelopment, Mello-Roos, and assessment district bonds with total funding requirements of several billion dollars.

The Business Transaction

Developer Obligations

- The Developer shall provide a letter of intent from an institutional lender who has expressed an interest in financing the construction and development.
- The Developer shall provide a reasonable cost pro forma.
- The Developer shall fund the necessary land acquisition.
- The Developer shall provide a good faith deposit in the amount of \$50,000 dollars to be utilized to pay certain administrative cost and other related expenses.
- The Developer shall provide basic concept drawings of the development.

Agency Obligations

- The Agency will perform the necessary activities related to amendments to the Southeast Community Plan, the Central Imperial Redevelopment Plan, and the Southeastern San Diego Planned District Ordinance.
- The Agency will work with the Developer to expedite all necessary city approvals and entitlements.
- The Agency will prepare the necessary environmental documents.
- During the exclusive negotiating period, the Agency shall not negotiate, discuss or communicate with any person other than the Developer regarding this site.
- The Agency may assist the Developer in assembling the land necessary for the development.

Information Request

During the February 8, 2006, meeting of the SEDC Projects and Development Committee, the Committee Chair requested information clarifying the legality of limiting or restricting the sale of residential units exclusively to persons or families residing in the SEDC area of influence. Special Agency Counsel has prepared a response that is included as Attachment No. 2.

ALTERNATIVE

Do not approve the ENA. This alternative would not allow the project to proceed and would prevent an opportunity to provide for-sale moderate-income single family residential units at affordable sale prices and retail/commercial use.

FISCAL CONSIDERATION:

None with this action.

PREVIOUS AGENCY ACTION:

None.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

This project location (61st – 63rd Streets) is part of the Imperial Avenue Corridor Master Plan discussion. Community members, property owners, and merchants were convened to discuss the development concepts for the Imperial Avenue Corridor Master Plan.

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CONCLUSION

The development proposed under this ENA represents the first phase in the implementation of the Imperial Avenue Master Plan for the segment of the Corridor located between 61st – 69th Streets.

Submitted/Approved by
Carolyn Y. Smith
President

CYS:kk

Attachment(s) No. 1 - Exclusive Negotiating Agreement with Imperial Avenue Partners, LLC
No. 2 - Letter from Special Agency Counsel