

**Centre City
Development
Corporation**

DATE ISSUED: April 18, 2007 REPORT NO: CCDC-07-11

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of April 24, 2007

ORIGINATING DEPT: Centre City Development Corporation

SUBJECT: 14th Street and Island Avenue Park and Pinnacle Development
(14th Street between J Street and Island Avenue) – Second
Implementation Agreement to Owner Participation Agreement
with Pinnacle Bayside Development US L.P. -- East Village
Redevelopment District of the Expansion Sub Area of the Centre
City Redevelopment Project Area

COUNCIL DISTRICT: 2

REFERENCE: None

STAFF CONTACT: John W. Collum, Senior Project Manager, 619.533.7124
Pamela Hamilton, Consultant

REQUESTED ACTION:

Approval of a proposed Second Implementation Agreement with Pinnacle Bayside Development US L.P., assignee of Pinnacle International Development Inc. for the 14th Street and Island Avenue Park and Pinnacle Development located on the block bounded by Island Avenue and 14th, 15th, and J streets in the East Village Redevelopment District.

STAFF RECOMMENDATION:

That the Redevelopment Agency of the City of San Diego (“Agency”):

- Adopt a Resolution approving the proposed Second Implementation Agreement to the Owner Participation Agreement (“OPA”) with Pinnacle Bayside Development US L.P., for the 14th Street and Island Avenue Park and Pinnacle Development, to revise the Scope of Development and to provide for recordation of a Second Amendment to the Grant Deed and Agreement Affecting Real Property; and
- Authorize the Executive Director, or designee, to sign all documents necessary and appropriate to carry out and implement the OPA as amended by the Second Implementation Agreement and to administer the Agency’s obligations, responsibilities and duties to be performed under said OPA.

SUMMARY:

The OPA with Pinnacle International Development, Inc., assigned to Pinnacle Bayside Development US L.P., provides for the development of an East Village super block as a contributor to a neighborhood center, providing residential high-rise condominiums with ground-floor commercial space and a public park. The OPA requires that a "Corner Commercial Structure and Patio" be constructed by the Developer at the corner of 14th and Island for a food and beverage-related use to complement the park use. The Agency entered into a First Implementation Agreement to the OPA in August 2006 which permitted the Developer to construct the Corner Commercial Structure (but not the Patio) in advance of the park and to use the Corner Commercial Structure on an interim basis as a residential sales office. The Second Implementation Agreement permits the Patio's construction concurrently with construction of the Corner Commercial Structure, with protections to the Agency that the advance construction of the Patio will not compromise the design and construction of the Park or cause any added expense to the Agency.

FISCAL CONSIDERATIONS:

To the extent there are financial obligations imposed by the Second Implementation Agreement, they are Developer financial obligations. There would be no fiscal impact to the Agency.

CENTRE CITY DEVELOPMENT CORPORATION RECOMMENDATION:

On March 28, 2007, the Centre City Development Corporation ("CCDC") Board voted unanimously in favor of the staff recommendation.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

None.

BACKGROUND

The OPA, the First Implementation Agreement, and the proposed Second Implementation Agreement advance the Visions and Goals of the Downtown Community Plan, the Objectives of the Centre City Redevelopment Project, and the East Village Focus Plan by:

- Providing open space for existing and future downtown residents;
- Creating parks to provide catalysts for new development;
- Developing a comprehensive open-space system that provides a diverse range of outdoor opportunities for residents, workers, and visitors;
- Providing public open space within walking distance of all residents and employees;
- Facilitating the development of mixed-use neighborhoods, with open spaces, services, and retail within convenient walking distance of residents, to maximize opportunities for walking; and
- Providing parks and community facilities to complement the development of residential neighborhoods.

The OPA provides for a neighborhood public park and a private development on the 120,000 SF super block bounded by Island Avenue and 14th, 15th, and J Streets, implementing the neighborhood center concept in a location designated in the Downtown Community Plan. The

private development to be constructed consists of (1) two towers of 619 high-rise residential condominiums and approximately 20,000 SF of ground-floor commercial-retail space, easterly of the park, and (2) a Corner Commercial Structure including joint-use public restrooms and a Patio at the corner of 14th Street and Island Avenue. The Park to be constructed lies within the perpetual Park Easement which was recorded concurrently with the sale of an Agency-owned parcel to the Developer.

Recap of the OPA, as Amended by the First Implementation Agreement, as it Relates to the Development of the Park

- The Developer must construct the Corner Commercial Structure, joint-use public restrooms and Patio at the corner of 14th and Island concurrently with the construction of the Park. These are private improvements maintained by the Developer or the Developer's successors. The First Implementation Agreement provides the Developer the option of constructing the Corner Commercial Structure in advance of the Park and using it on an interim basis as a residential sales office. If the Developer exercises the option for early construction of the Corner Commercial Structure, the Developer must also advance construction of the adjacent new off-site public improvements (curbs, gutters, sidewalks, street trees). However, the Developer is not allowed to construct the Patio of the Corner Commercial Structure until the interior of the Structure is constructed for a food and beverage-related use, which shall be timed to coincide with completion of the park improvements. The interim use of the Corner Commercial Structure must be discontinued, the interior must be reconfigured for a food and beverage-related use, and a new certificate of occupancy must be issued prior to the Park's completion. Upon completion of the Park, the restrooms within the structure must be open to the general public daily at least from 6 AM to 9 PM.
- The approximately 56,000 SF Park Easement will be designed and constructed as a public park at Agency expense. The Park Easement must be open to the public during the same hours required by the City's downtown park curfew ordinance (the current ordinance provides for parks to be open to the public daily from 6 A.M. to midnight).
- If, within 36 months of the Agency's execution of the OPA (a date which is October 13, 2008), the Developer has met the permitting and financing requirements for, and commences construction on, the parking structure beneath a portion of the Park Easement, the Developer would also construct the park improvements on the Park Easement and the Agency would reimburse the Developer for the Developer's actual, reasonable third-party costs for the construction of the park improvements (not any portion of the costs attributable to the Developer's design and construction of the parking structure nor shall the Developer or Developer affiliate be paid any contractor fee or for general conditions associated with the park improvements). If the Developer does not proceed as described within 36 months, there will be no garage within the Park Easement and the Agency would construct the park improvements. Park-related costs include the curbs, gutters, sidewalks and street trees immediately adjacent to the Park Easement.

- The maintenance, repair and replacement of the park improvements will be provided in perpetuity by the Developer or the Developer's successors (and a Capitalized Maintenance Credit will be calculated and paid to the Developer by the Agency concurrently with the recordation of the Park Maintenance Standards, which will be based on the Final Construction Drawings and Specifications for the park improvements).
- The Agency is provided up to 36 months from the date the Agency conveyed a portion of the Site to the Developer (a date which is October 31, 2008) to determine whether the maintenance, repair and replacement of the park improvements will be the obligation of the Homeowner's Association or a community facilities district or similar mechanism with special taxes or assessments levied solely on the owners of the Site.
- The Landscape Concept Plan for Park Improvements dated May 18, 2005 was approved by the Agency with the OPA on October 12, 2005 and served as the basis for subsequent community workshops on the design of the park and of the Corner Commercial Structure, joint-use public restrooms and Patio. The Schematic Drawings for the Park were recommended for approval by the CCDC Board on June 28, 2006, and approved by the Agency on July 25, 2006.

DEVELOPMENT TEAM

ROLE/FIRM	CONTACT	OWNED BY
Developer/Construction Manager Pinnacle Bayside Development US L.P.	Michael DeCotiis	Michael DeCotiis (Sole Member and Manager) (Privately Owned)
General Contractor Pinnacle International Development, Inc.	Apriano Meola	Michael DeCotiis (President) (Privately Owned)
Architect Perkins and Company	John Perkins	John Perkins John I. Perkins III (Privately Owned)
Landscape Architect Spurlock Poirier	Marty Poirier	Andy Spurlock Marty Poirier (Privately Owned)

DISCUSSION

Scope of the Project – Since approval of the First Implementation Agreement and the Schematic Drawings for the Park, the Developer has moved forward with plans for the Corner Commercial Structure for use as a residential sales office, including developing construction drawings, obtaining permits, and constructing the building. The Developer has also submitted its off-site, public improvement drawings to the City for review (for which the permit is pending). At the same time, the Developer, through its landscape architect, has been developing the Schematic Drawings for the Park into Design Development drawings, which have been submitted to CCDC. CCDC staff is reviewing the drawings for conformance with the OPA and Schematic Drawings

for the Park. The Park plan from the approved Schematic Drawings is attached and illustrates the relationship between the Corner Commercial Structure, Patio and Park Easements.

With refinement of the park design through the Design Development drawings, and the anticipated opening of the residential sales studio, the Developer has decided that constructing the Patio for use as part of the studio would enhance the customer experience. The Developer has conferred with its landscape architect and determined that the construction of the Patio at this time is in conformance with the approved Schematic Drawings for the Park and would not compromise progress on the remaining drawing phases of the project. The landscape architect, Spurlock Poirier, has indicated that the constructed Patio will assist the firm in providing a more seamless design treatment between the private (Patio) and public (Park) improvements as it moves into the construction drawing phase of the Park. Therefore, the Developer has requested that it be permitted to construct the Patio at this time, which would require that a Second Implementation Agreement for the OPA be approved.

Participation by Agency – The OPA provided for the Agency's sale of a 30,000 SF parcel on the 120,000 SF super block bounded by Island Avenue and 14th, 15th, and J Streets to the Developer who was the owner of 90,000 SF of the super block. The Developer's purchase price for the Sales Parcel was \$5,045,000. Concurrently with its purchase of the Sales Parcel on October 31, 2005, the Developer recorded a Park Easement on 56,000 SF of the super block. The Agency will use the funds received from the sale of the 30,000 SF parcel to the Developer to fund the design and construction of the Park Improvements within the Park Easement and to provide a capitalized "Maintenance Credit" to the Developer. The Developer and its successors and assigns are responsible for maintenance of the Park Improvements and Park Easement in perpetuity. The OPA requires the Developer to construct and maintain a "Corner Commercial Structure, joint-use public restrooms and Patio at the corner of 14th and Island (not within the Park Easement) to complement the Park use."

Discussion of the Proposed Second Implementation Agreement

The Scope of Development of the OPA, as amended by the First Implementation Agreement, is further amended by the Second Implementation Agreement to delete the following sentence in the last paragraph to Section 10:

"The patio of the Corner Commercial Structure shall not be constructed until the interior of the Corner Commercial Structure is constructed for the food and beverage-related use; such interior and patio construction shall be timed to coincide with completion of the Park Improvements,"

The deleted sentence in the last paragraph to Section 10 referenced immediately above, is replaced with the following language:

"The patio of the Corner Commercial Structure may be constructed concurrently with construction of the Corner Commercial Structure and its interim use as a sales office; provided, however, that Developer, at its sole cost, shall demolish, reconfigure, or otherwise make any change or alteration, and reconstruct the patio, as deemed necessary by the Agency in its sole

discretion, to complement and be most compatible with the Park Improvements constructed in accordance with the Final Construction Drawings approved by the Agency. Such patio reconstruction work by the Developer shall be timed to coincide with completion of the Park Improvements. Any design or construction costs of the Park Improvements which are increased costs because the Developer constructed the patio in advance of the Park Improvements shall be costs of the Developer and not costs to which the Developer is entitled to reimbursement by the Agency as provided by Section IV of Attachment No. 2, Method of Financing."

The Second Implementation Agreement also provides for the recordation of a Second Amendment to the Grant Deed and a Second Amendment to the Agreement Affecting Real Property to bring those documents into conformance with the OPA, as amended by the Second Implementation Agreement.

Project Benefits – The OPA provided the opportunity for the Agency to exchange its ownership of a 30,000 SF parcel which was traversed by an earthquake fault (valued at \$5,045,000) for the Developer's design, construction, and perpetual maintenance of a 56,000 SF public park in a location designated for park use in the Downtown Community Plan. The private development which is required by the OPA provides "eyes on the park" by residents of the two residential towers and customers of the neighborhood-serving retail in the base of the towers, along with a food and beverage-related use in a single-story commercial structure at the higher elevation corner of the Park, providing joint-use public restrooms which must be open to the general public from 6 AM to 9 PM daily and an outdoor patio overlooking the park."

PROJECT ANALYSIS AND IMPACT ASSESSMENT


Environmental Impact – The Agency certified, on October 11, 2005, by Resolution No. 03959 that the Agency had reviewed and considered information in the Master Environmental Impact Report (MEIR) for the Centre City Redevelopment Project, the Subsequent Environmental Impact Report (SEIR) to the MEIR for the Proposed Ballpark and Ancillary Development Projects, and Associated Plan Amendments, and the Environmental Secondary Study with respect to the OPA between the Agency and Pinnacle International Development, Inc. for the development of the block bounded by Island Avenue and 14th, 15th and J streets. The Environmental Secondary Study found that the development which is the subject of the OPA is consistent with the Community Plan and Centre City Planned District Ordinance and, therefore, will not have any impacts not previously reviewed in the MEIR and SEIR. The OPA anticipated construction of the Patio as part of the overall development of the block. No further environmental review is required.

CONCLUSION

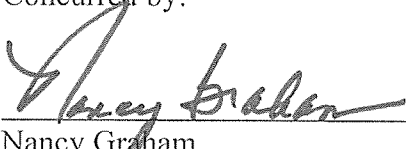
This report requests that the Agency approve the proposed Second Implementation Agreement to permit the construction of the Patio concurrently with construction of the Corner Commercial Structure, with protections that the advance construction of the Patio will not compromise the design and construction of the Park nor cause any added expense to the Agency.

Respectfully submitted,

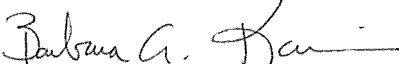
Concurred by:



John W. Collum
Senior Project Manager



Nancy Graham
President



Pamela Hamilton
Consultant

Attachment: A – Proposed Second Implementation Agreement
B – Park Plan from the Approved Schematic Drawings