

**Centre City
Development
Corporation**

DATE ISSUED: April 25, 2007 REPORT NO: CCDC-07-16

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of May 1, 2007

ORIGINATING DEPT.: Centre City Development Corporation

SUBJECT: Exclusive Negotiation Agreement with Related/CityLink
Investment – Seventh & Market Site (bounded by Market Street
and Seventh, Eighth and Island avenues) -- East Village
Redevelopment District of the Expansion Sub Area of the Centre
City Redevelopment Project

COUNCIL DISTRICT: Two (2)

REFERENCE: None

STAFF CONTACT: John W. Collum, Senior Project Manager (619.533.7124)

REQUESTED ACTION – That the Redevelopment Agency of the City of San Diego (“Agency”) approve a proposed Exclusive Negotiation Agreement (“ENA”) with Related/CityLink Investment (“Developer”) to negotiate a Disposition and Development Agreement (“DDA”) for the Agency’s sale to the Developer of a 55,000 square-foot site (“Site”) bounded by Seventh Avenue (west), Market Street (north), Eighth Avenue (east) and Island Avenue (south), for the Developer’s construction of a mixed-use project that would include residential (including affordable housing), commercial and public uses.

STAFF RECOMMENDATION – That the Agency approve a proposed ENA with the Developer to negotiate a DDA for the Agency’s sale to the Developer of the Site bounded by Seventh Avenue (west), Market Street (north), Eighth Avenue (east) and Island Avenue (south), for the Developer’s construction of a mixed-use project that would include residential (including affordable housing), commercial and public uses.

SUMMARY

On May 1, 2006, the Centre City Development Corporation (“CCDC”), acting on behalf of the Agency, issued a Request for Qualifications and Proposals (“RFQ/P”) seeking to identify a qualified development team to design and construct a mixed-use project on the Agency-owned, 55,000 square-foot (“SF”) Site, located on the block bounded by Seventh Avenue on the west, Market Street on the north, Eighth Avenue on the east, and Island Avenue on the south. The

Clermont Hotel, a SRO hotel designated as a local historical landmark by the San Diego Historical Resources Board (“HRB”), is located to the south and west of the Site on the only privately-owned parcel located on the block. The project would be an opportunity to use a site previously approved for a stand-alone public parking facility with limited ground floor retail, for development of a larger mixed-use development that would include a public parking facility and other public benefits, including affordable housing, a police storefront, a cultural use and/or performance art space celebrating downtown’s African-American heritage, a public plaza and public art, along with other private residential and commercial uses.

Following an exhaustive review of seven proposals submitted in response to the RFQ/P by a Review Committee, CCDC staff and the CCDC Board’s Real Estate and Budget/Finance & Administration Joint Committee (“Joint Committee”), the Developer was recommended to enter into a proposed ENA with the Agency to negotiate terms of a DDA to design and construct a mixed-use project on the Site based upon the Developer’s RFQ/P proposal.

The proposed ENA consists of language addressing the essential terms typically placed within such an agreement, including that the Agency and Developer will negotiate in good faith to prepare a DDA concerning the acquisition and development of the Site; the negotiation period will last for 180 days, with an optional 90-day extension; the Developer will submit a refundable, \$100,000 good faith deposit and a non-refundable, \$50,000 negotiation deposit related to negotiating and preparing the proposed ENA and DDA; the mixed-use project will be based upon the proposal submitted by the Developer in response to the RFQ/P and recommended by CCDC; and other typical ENA language.

FISCAL CONSIDERATIONS – None with this action. The proposed ENA requires that the Developer submit a \$100,000 good faith deposit to CCDC/Agency that would be returned to the Developer upon termination of the ENA if the Developer has negotiated diligently and in good faith. It also requires that the Developer submit a non-refundable, \$50,000 negotiation deposit related to negotiating and preparing the proposed ENA and DDA. Interest accrued from both deposits would be retained by the Agency. In accordance with the terms of the ENA, the purchase price and other terms of payment payable by the Developer to the Agency will be negotiated as part of and incorporated into the DDA.

CENTRE CITY DEVELOPMENT CORPORATION RECOMMENDATION – On March 28, 2007, the CCDC Board, by a 6-0 vote, voted to support the staff recommendation.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS – On April 18, 2007, the Centre City Advisory Committee (“CCAC”), by a 20-0 vote with one member recused, and the Project Area Committee (“PAC”), by an 18-0 vote with one member recused, voted to support the staff recommendation.

Prior to release of the RFQ/P in May 2006, CCDC staff conducted community outreach meetings with stakeholders from the areas around the Site to solicit input on what should be included in the RFQ/P’s Scope of Desired Development. Meetings were held with the Gaslamp Quarter Association’s Land Use and Planning Committee on February 14, 2006, and with the CCAC

Gaslamp and East Village Subcommittees, the East Village Association and representatives from several other East Village stakeholder groups on March 2, 2006. The community input revealed various interesting ideas for uses, designs and operations of a potential mixed-use project on the Site. Many of these ideas were incorporated into the RFQ/P scope.

BACKGROUND

The development of the Site with the proposed mixed-use project would advance the Goals and Policies of the San Diego Downtown Community Plan ("Community Plan") and the Objectives of the Redevelopment Plan for the Centre City Redevelopment Project by:

- Providing a range of housing opportunities suitable for the urban environment and accommodating a diverse population;
- Encouraging a diverse mix of housing opportunities within residential projects;
- Creating affordable home ownership opportunities for moderate-income buyers;
- Strengthening the economic base of downtown through the installation of needed public improvements, including transit and parking facilities, to stimulate new commercial, residential, employment and economic growth, and to improve the circulation of people and vehicles;
- Siting and designing new parking structures to accommodate parking needs from multiple land uses to the extent possible and allow shared parking where possible;
- Ensuring that all parking structures maximize the potential for subterranean parking and incorporate other uses at higher floors where feasible;
- Guiding the Ballpark District's evolution into a multi-use district with a regional entertainment and cultural focus;
- Maintaining the prominence of PETCO Park while reinforcing the evolving high-intensity Market Street corridor; and
- In new development, encouraging use of Sustainable Development principles such as eco-roofs, roof gardens, landscaped courtyards, grass filter strips, permeable pavement, and rainwater systems, to reduce surface runoff volumes and pollutants as well as reduce heat-island effects.

On May 1, 2006, CCDC staff issued the RFQ/P for the Site, which indicated that CCDC was seeking to select a qualified development team to plan, design, permit and construct a high density, mixed-use project that would assist CCDC and the Agency meet a critical need for public parking, new housing (including affordable), police and cultural facilities, and other important public benefits within a model development strategically located in the East Village and Gaslamp areas. Within the RFQ/P, a Scope of Desired Development was established which included land use and development guidelines for prospective development teams to use as concepts were created. The following is a summary of the scope:

RFQ/P Scope	
Public Parking	<ul style="list-style-type: none"> • Minimum 650 spaces
Housing (total units)	<ul style="list-style-type: none"> • Minimum 250 units • rental, for-sale or combination
Affordable	<ul style="list-style-type: none"> • At least 20% of all housing units
Above-affordable (120-200% AMI)	<ul style="list-style-type: none"> • 10% of all housing units
Commercial/Ground Floor Spaces	<ul style="list-style-type: none"> • Active commercial uses along Market Street ground floor frontage • Commercial, live-work and/or residential along Seventh, Eighth and Island ground floor frontages
Public/Cultural Uses	
Police Storefront	<ul style="list-style-type: none"> • Minimum 1,250 SF
Cultural Use/Performance Art Space	<ul style="list-style-type: none"> • 3,000 – 5,000 SF • Celebrate African-American heritage • Operated by one or more qualified non-profits
Public Plaza	<ul style="list-style-type: none"> • Minimum 500 SF, preferably at northwest corner of Site
Public Art	<ul style="list-style-type: none"> • Integrated into project design
Other Recommended Uses	
	<ul style="list-style-type: none"> • Artist studio space • Child day care • Educational classrooms • Hotel, especially budget and moderately-priced hotels • Incubator space for start-up businesses • Indoor recreation/fitness facility • Medical clinic/offices/facility • Office space for design, technology, advertising, marketing, consulting and related companies

Regarding overall qualifications, the RFQ/P indicated that “any development team selected to participate with the Agency must demonstrate the experience, resources and expertise needed to design and develop a successful project. Past development experience, especially with similar type projects, and project design will be critical in evaluating the RFQ/P responses. Current financial capacity or access to funding sources and the ability to complete the project in a timely manner will also be important factors in considering the most qualified RFQ/P responses.”

Selection Process – The RFQ/P indicated that CCDC intends to select and recommend a development team/project concept to the Agency for exclusive negotiations based upon the following criteria categories: proposal and development team characteristics, financial resources and financing, and conceptual project planning/design/architecture. The Agency would ultimately enter into an ENA with the selected development team to negotiate the terms of a DDA that would establish specific deal terms and the final conceptual design of the project.

CCDC received proposals from seven development teams in response to the RFQ/P. To review and evaluate the proposals, CCDC staff convened a seven-member Review Committee including representatives from CCDC staff and key outside stakeholders from the City of San Diego Commission for Arts and Culture staff, the East Village and Gaslamp communities, the Centre City Advisory Committee and the San Diego business community. The Review Committee “short-listed” four development teams to be interviewed. Based upon the interviews and its evaluation using the RFQ/P Selection Criteria, the Review Committee determined the top three teams.

The top three teams presented their project concepts to the Joint Committee on October 11 and November 8, 2006. At the November 8th meeting, the Joint Committee determined the top two teams (Related/CityLink Investment and The Robert Green Company) and directed CCDC staff to develop an overall written evaluation summarizing its findings relative to the two proposals and how they compare to the RFQ/P selection criteria.

At the March 26, 2007 Joint Committee meeting, CCDC staff recommended that the Developer’s (Related/CityLink Investment) team/project concept is the stronger of the two finalists based upon an overall evaluation in accordance with the RFQ/P selection criteria. The Developer’s team/project concept was found to be stronger than the other finalist in its past experience in developing similar high-density projects in urban redevelopment areas, as well as its ability to secure project funding. The evaluation determined that the Developer’s concept executed the desired public parking and cultural use space better than the other finalist. A representative sampling of the project concept plans and illustrations from the Developer’s RFQ/P submittal is attached.

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The Joint Committee voted to recommend to the CCDC Board and Agency that the Developer enter into an ENA with the Agency to negotiate terms of a DDA to design and construct a mixed-use project on the Site based upon its RFQ/P proposal. On March 28, 2007, the CCDC Board voted to recommend to the Agency that it approve a proposed ENA with the Developer to negotiate a DDA for the Agency's sale to the Developer of the Site for the construction of a mixed-use project that would include residential (including affordable housing), commercial and public uses.

DEVELOPMENT TEAM

ROLE/FIRM	CONTACT	OWNED BY
Developer: Related/ CityLink Investment	Related: Bill Witte, Managing Partner, Related California CityLink Investment: William Jones, President	Related: The Related Companies, L.P. (Privately Owned) Stephen Ross Jeff Blau Bruce Beal Michael Brenner Related California Urban Housing, LLC (Privately Owned) The Related Companies, L.P. The Nicholas Co., Inc. (William Witte, owner) CityLink Investment: (Privately Owned) William D. Jones
Architect: Carrier Johnson	Gordon Carrier, Principal	Gordon Carrier and Michael Johnson (Privately Owned)

The Developer is a joint venture comprised of Related California Urban Housing, LLC, a California limited liability company and whose parent company is The Related Companies, L.P., and CityLink Investment Corporation, a California corporation. During the DDA negotiation period, the Developer plans to form an entity comprised of both members of the joint venture to develop the Site.

DISCUSSION

Scope of the Project – The Developer’s proposal is a high density, high-rise, mixed-use development that would include all the elements that were included within the RFQ/P’s Scope of Desired Development. The following is a breakdown of the Developer’s proposed uses:

Related/CityLink Proposed Uses	Related/CityLink Proposed Amounts
Public Parking	650 spaces
Housing (total units)	418 units
affordable	84 units (20%)
above-affordable (120-200% AMI)	42 units (10%)
Commercial/Ground Floor Spaces	22,000 SF
Police Storefront	1,250 SF
Cultural Use/Performance Art Space	6,000 SF
Public Plaza	500+ SF
Hotel	220 rooms

The proposed housing uses would consist of both rental and for-sale units. Private parking would be provided within an underground parking garage, while the public parking would be provided within a separate above-ground parking garage. At this point, the purpose of the ENA is to set forth terms for negotiating a DDA. The DDA negotiations will determine the final details of the project uses, Project Budget and Financing, Disposition of Property, Participation by Agency, and Proposed Schedule of Performance. Once negotiations are complete, CCDC will return to the Agency and City Council with a proposed DDA containing the final project’s details and request approval of the DDA.

The proposed ENA consists of language addressing essential terms that are typically placed within such an agreement, including that the Agency and Developer will negotiate in good faith to prepare a DDA concerning the acquisition and development of the Site; the negotiation period will last for 180 days, with an optional 90-day extension; the Developer will submit a refundable, \$100,000 good faith deposit and a non-refundable, \$50,000 negotiation deposit related to negotiating and preparing the proposed ENA and DDA; the mixed-use project will be based upon the proposal submitted by the Developer in response to the RFQ/P and recommended by CCDC; and other typical ENA language.

The ENA also indicates that its approval does not provide any approval by the Agency of the project proposed by the Developer. The Developer's RFQ/P proposal will serve as the basis for negotiating a DDA concerning the acquisition and development of the Site, as well as for CCDC's collaboration with the Developer to refine the project's final design and architecture, which will be depicted within conceptual/schematic drawings that will be attached to the DDA. The proposed ENA is attached, and its essential terms are included in a separate attached summary.

Project Benefits – Approval of the proposed ENA will provide CCDC, serving as the Agency's agent, with the ability to negotiate the terms under which the Site would be sold by the Agency to the Developer. The DDA that would be negotiated would specify the parameters and design of the project to be constructed on the Site, which would include all of the public benefits originally recommended within the RFQ/P. These public benefits, combined with private elements of the project, would create a model mixed-use project that would assist CCDC and the Agency in meeting a critical need for public parking, new housing (including affordable), police and cultural facilities, and other important public benefits strategically located in the East Village and Gaslamp areas.

PROJECT ANALYSIS AND IMPACT ASSESSMENT

Housing Impact – Consistent with the RFQ/P vision for the Site, the project would provide market-rate, affordable and above-affordable (or workforce) housing within the same development, which in this case, maximizes the density allowed for the Site. The Developer's proposal adds to these opportunities the choices of both rental and for-sale housing. The RFQ/P and Developer's proposal includes that 20 percent of all housing units in the project be priced for households meeting affordable income levels as mandated by the California Department of Housing and Community Development, while an additional 10 percent of all housing units are priced for households meeting "above-affordable" income levels (120-200 percent of area median income). The mix of market-rate and affordable housing on the Site fulfills the Community Plan's goals for the inclusion of mixed-income housing within the same development site as well as vertically-scattered throughout the proposed project's design.

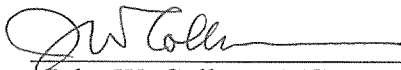
Environmental Impact – This activity is not a "project" and is therefore not subject to the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15060(c)(3). This determination is predicated on Section 15004 of the Guidelines, which provides direction to lead agencies on the appropriate timing for environmental review. Construction activities related to the future development of the Site will require additional review under the provisions of CEQA.

CONCLUSION

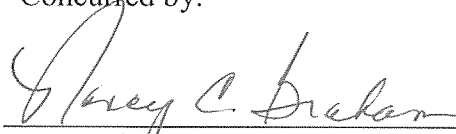
Approval of the proposed ENA will provide CCDC, serving as the Agency's agent, with the ability to negotiate the terms under which the Site would be sold to and developed by the Developer. The DDA to be negotiated is expected to produce a model mixed-use project that would assist CCDC and the Agency in meeting a critical need for public parking, new housing (including affordable), police and cultural facilities, and other important public benefits. Staff recommends that the Agency approve the proposed ENA with the Developer.

Respectfully submitted,

Concurred by:



John W. Collum, AICP
Senior Project Manager



Nancy Graham
President

Attachment(s):

- A – Project Concept Plans/Illustrations from the Related/CityLink Investment RFQ/P Submittal
- B – Exclusive Negotiation Agreement (including Site Map)
- C – Exclusive Negotiation Agreement Essential Terms Summary