



THE CITY OF SAN DIEGO
Redevelopment Agency's Report

DATE ISSUED: June 20, 2007 REPORT NO. RA-07-19

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of June 26, 2007

SUBJECT: Proposed First Implementation Agreement to the Disposition and
Development Agreement (DDA) with CentrePoint LLC for the CentrePoint
Project

REFERENCE: Executive Director Report No. RA-06-08, RA-05-33 and RA-05-23.

REQUESTED ACTION:

1. Should the Redevelopment Agency authorize the Executive Director or designee, to execute a First Implementation Agreement to the Disposition and Development Agreement ("DDA") between the Redevelopment Agency of the City of San Diego (the "Agency") and CentrePoint, LLC ("Developer") for the CentrePoint Project?
2. Should the Redevelopment Agency accept the Developers deposit of \$50,000 and amend the Fiscal Year 2007 Redevelopment Agency Budget for the Crossroads Project Area and authorize expenditure of funds in an amount not to exceed \$50,000 for costs related to the CentrePoint DDA?

STAFF RECOMMENDATION:

1. Authorize the Executive Director or designee, to execute the First Implementation Agreement to the DDA between the Agency and Developer for the CentrePoint Project.
2. Authorize the Redevelopment Agency accept the Developers deposit of \$50,000 and amend the Fiscal Year 2007 Redevelopment Agency Budget for the Crossroads Project Area and authorize expenditure of funds in an amount not to exceed \$50,000 for costs related to the CentrePoint DDA.

SUMMARY:

On April 4, 2006 the Redevelopment Agency approved a Disposition and Development Agreement with CentrePoint LLC for the development of a mixed-use development project within the Crossroads Redevelopment Project Area.

The approved project (Attachment 1) is a pedestrian-oriented mixed-use project that incorporates 312 for-sale residential dwelling units consisting of 97 townhouses, 204 residential flats (47 affordable) and 11 live/work units, and approximately 4,000 square feet of retail space. This project is within the Mid-City Communities Plan, Eastern Planning Area and will result in a gain of both market rate and affordable for-sale housing product. The CentrePoint project will occupy an 8.93-acre site bounded by El Cajon Boulevard (6300 block) to the north, Art Street to the east, Seminole Drive and Stanley Avenue to the south, and 63rd Street to the west (Attachment 1).

The site is currently occupied by 131,000 square feet of commercial space, 10,000 square feet of office space, a stand alone restaurant and a nine unit apartment building. The Developer has successfully negotiated leasehold amendments with all of the commercial tenants following Agency executing the DDA.

The total project cost is approximately \$110 million, and the project is projected to generate approximately \$900,000 in new gross tax increment per year, after the completion of the project in 2010. Total Redevelopment Agency financial contribution to the project will not exceed \$5,245,000, plus interest for the 47 affordable units. The Agency subsidy reflects the Developer's willingness to absorb a portion of the housing affordability gap.

On March 12, 2007 the Developer requested that the Agency's Executive Director or designee modify the DDA's Schedule of Performance ("SOP") to extend several submittal provisions. Section 310 of the DDA (Attachment 2, Exhibit A) authorizes the Agency's Executive Director or designee to grant extension(s) within the SOP for up to 150 days total. Since several of the revisions requested for the SOP exceeded 150 day each, the Agency's Executive Director or designee does not have the authority to grant the requested extensions. Therefore, the extension of time the Developer has requested must be approved by the Agency Board per a First Implementation Agreement (Attachment 2).

The Developer has requested to extend or revise several deadlines within the Schedule of Performance which are included in the executed DDA. The following is a brief list of those items and revisions:

- Extend the contingency end date from 12 months after the execution of the Agreement to 24 months after the execution.
- Extend the submission of 50% complete construction drawings and specifications from no later than 5 months after the execution the Agreement to 20 months after the execution.
- Extend the submission of final construction drawings and specifications from no later than 8 months after the execution of the Agreement to 23 months after the execution.
- Reduce the commencement of demolition from within 30 days after the contingency end date to within 14 months after the execution of the Agreement.
- Revise the commencement of the construction of the residential wrap units from within 10 months after the contingency end date to within 3 months after the contingency end date.
- Extend the completion of the construction of the residential wrap units from within 18 months after commencement of construction to within 24 months after commencement of

construction.

- Revise the submission of the affordable housing marketing plan from at least 90 days prior to commencing sales to 6 months prior to commencing sales.

Staff supports extending or revising the submittal deadlines of the Schedule of Performance items (Attachment 2, Exhibit B) due to the size and complexity of the development and support the demolition activity which is currently taking place on the Site.

Separate from the proposed First Implementation Agreement to the DDA, the Developer has informed staff that they have entered into a 90 to 120 day agreement with JPI Multifamily Investments L.P. (“JPIMI”) for the potential sale and purchase of the property and the transfer of the DDA. JPIMI is a Delaware limited partnership that was established to develop high-end luxury apartments, condominiums and student housing communities either within JPIMI or through partnerships with third parties. JPIMI and its subsidiaries perform certain construction, development, management and administrative services. JPIMI is the largest U.S. apartment investment company with \$2.9 billion of assets and over two-hundred apartment communities across twenty-six states and Canada exceeding \$46.6 billion in value.

Further, the Developer has also advised staff that JPIMI may desire to change the proposed project from a for-sale to a rental residential development. JPIMI has raised the possibility of developing rental housing for college students on the site. According to the approved DDA, if the Developer intends to sell the site or seeks to assign or transfer the DDA, the DDA requires prior Agency Board approval.

At this time, the Developer is not seeking permission, but merely informing the Agency of the potential sale. If during the 90 to 120 day period, the Developer and JPIMI agree to terms of the sale of the property and assignment or transfer of the approved DDA, (including JPIMI committing to develop the site consistent with the approved DDA), this issue will be brought back to the Agency for its consideration. In addition, if JPIMI proposes to develop the project, with Agency assistance, and the project is not consistent with the approved DDA, then they will be required to negotiate a new agreement with the Agency, and that agreement will be brought to the Agency for its consideration. If an agreement is not reached, the Developer will still be obligated under the approved DDA, unless said agreement is terminated by the parties (e.g., Agency and Developer).

During the next 90 to 120 days, staff will be conducting due diligence on JPIMI as a development and financial partner and working with the Developer and JPIMI on the potential sale and implications to the approved DDA.

FISCAL CONSIDERATIONS:

Under the approved, DDA the Agency’s contribution of \$5,245,000 will be in the form of a Developer advance/loan which will be repaid from the Crossroads Redevelopment Project Area’s Low and Moderate Income Housing Fund to subsidize 47 affordable units. This requirement will be subordinate to any future Agency bond payment obligation. The Agency will have the option to make additional payments or repay the outstanding balance in full without a

prepayment penalty. The Agency will also use reasonable efforts to issue and sell bonds for the Crossroads Redevelopment Project to repay the obligation. The Developer has provided the Agency with a deposit of \$100,000 as security to ensure their performance under the DDA. The Developer has agreed to deposit \$50,000 with the Agency at this time, to pay for all reasonable administrative and consultants costs that may be incurred by the Agency as a result of Developer's consideration of selling, assigning or transferring the Site and/or the Agreement.

PREVIOUS AGENCY, and/or COMMITTEE ACTION:

- On April 4, 2006 the Redevelopment Agency authorized the Executive Director or designee to execute the Disposition and Development Agreement with CentrePoint LLC.
- On January 26, 2006 the Planning Commission approved the entitlements for the project on consent 4-1.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS:

- On April 26, 2007, the Crossroads Project Area Committee ("PAC") discussed the First Implementation Agreement and voted 8-0-1 to recommend that the Agency enter into the First Implementation Agreement.
- On September 13, 2005 the Eastern Area Planning Committee voted 11-0 to recommend approval of the project's entitlements and related actions.
- On December 8, 2005, the Crossroads PAC reviewed the terms of the proposed DDA and voted 10-0-1 to recommend that the Agency enter into a DDA.

KEYSTAKEHOLDERS and PROJECTED IMPACTS:

The City of San Diego, as Lead Agency, has prepared Mitigated Negative Declaration (MND) No. 42-2126 in compliance with the California Environmental Quality Act (CEQA) and State CEQA Guidelines for the proposed project.

Respectfully submitted,

Janice L. Weinrick
Deputy Executive Director
Redevelopment Agency

William Anderson
Assistant Executive Director
Redevelopment Agency

WEINRICK/TWR

Attachments: 1. CentrePoint Site Plan

2. First Implementation Agreement to Disposition and Development Agreement (CentrePoint Project), Exhibit “A” Disposition and Development Agreement, Exhibit “B” Amended Schedule of Performance (SOP).