



THE CITY OF SAN DIEGO

Redevelopment Agency's Report

DATE ISSUED: September 19, 2007

REPORT NO.: RA-07-27

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of September 25, 2007

SUBJECT: Exclusive Negotiating Agreement with City Heights Paseo, LLC
("Developer") City Heights Redevelopment Project Area

REFERENCE: Staff Report Nos. RA-06-20, RA-06-49, RA-07-09

REQUESTED ACTION:

1. Should the Redevelopment Agency authorize the Executive Director or designee, to enter into an Exclusive Negotiating Agreement with City Heights Paseo, LLC for a proposed mixed-use development?
2. Should the Redevelopment Agency amend the Fiscal Year 2008 Agency Budget for the City Heights Redevelopment Project Area to accept and authorize the expenditure of a Developer Deposit in the amount of \$25,000?

STAFF RECOMMENDATION TO THE REDEVELOPMENT AGENCY:

1. Authorize the Executive Director or designee, to enter into an Exclusive Negotiating Agreement with City Heights Paseo, LLC for a proposed mixed-use development.
2. Amend the Fiscal Year 2008 Redevelopment Agency Budget for the City Heights Redevelopment Project Area to accept and authorize the expenditure of a Developer Deposit in the amount of \$25,000.

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 ("Implementation 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 includes real property located on the north side of University Avenue just east of the State Route 15 ("SR-15") and includes four parcels, three of which are owned by the Redevelopment Agency. The fourth parcel is a City owned parcel, which was acquired by the

City from Caltrans on May 22, 2001, and is currently vacant (proposed site shown in Attachment #1). 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 the second Exclusive Negotiating Agreement (“ENA”) that expired July 9, 2007 with a new third ENA. The Agency and Developer have been in active negotiations for this project but need additional time to reach agreement for the site.

The following is a list of actions pertaining to the prior and proposed ENA’s with City Heights Paseo LLC:

First ENA with City Heights Paseo, LLC

- Owner Participation Process was conducted for the project site
- 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
 2. Owner Participation Agreement with the owners of 4102-4122 University Avenue to remodel and complete a “face-lift” on their 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.
- Property owners of 4102-4122 University Avenue completed a full inspection of their property and determined the cost to remodel their property was excessive. They decided to sell their property.
- City Heights Paseo, LLC, at Agency staff’s request, put their ENA on hold in order for the Agency to purchase the three parcels (4102-4112 University Ave.) and include them in their project.

Second ENA with City Heights Paseo, LLC

- The second ENA was approved by the Agency board and executed on December 12, 2006.
- ENA included City owned vacant land and the property located at 4102-4122 University Avenue.

- Developer began conversations with Central School to acquire property to include in the development site. An agreement could not be reached and the developer is no longer pursuing this option.
- Purchase and Sale Agreement was approved by the Agency at the February 27, 2007 meeting for the properties located at 4102-4112 University Ave. The property was subsequently purchased for \$2.15 million in March 2007 and is currently under Agency ownership.
- Second ENA expired July 9, 2007

Proposed Third ENA with City Heights Paseo, LLC

- Will allow the Agency and developer to negotiate on the specified site to include the City owned vacant and Agency owned parcels located at 4102-4122 University Ave.
- The developer is proposing a high quality mixed-use development with residential condominiums, and retail development.
- The ENA will require the developer to provide a \$25,000 developer deposit.
- 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 ninety (90) days after the execution of the Agreement, with the option to extend, by mutual consent of both parties, for up to forty-five (45) days.

FISCAL CONSIDERATIONS:

This action will result in the increase of \$25,000 to the Redevelopment Agency budget for the City Heights Redevelopment Project Area. The \$25,000 developer deposit will be utilized for economic feasibility studies and other project-related costs.

PREVIOUS AGENCY and/or COUNCIL ACTION:

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

The Redevelopment Agency authorized the Executive Director or designee to enter into the second Exclusive Negotiating Agreement with City Heights Paseo, LLC at their November 28, 2006 meeting.

The Redevelopment Agency authorized a Purchase and Sale Agreement with the property owners at 4102-4122 University Avenue at the February 27, 2007 meeting.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

On March 13, 2006, the City Heights PAC voted to recommend approval of an Exclusive Negotiating 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 Negotiating Agreement with City Heights Paseo, LLC for a proposed development on the expanded project site and recommended approval of the purchase and sale agreement for the property at 4102-4122 University Avenue.

The Project Area Committee will provide a recommendation regarding the third ENA with City Heights Paseo, LLC at the August 13, 2007 meeting. The vote is not available at this time and will be reported at the Agency meeting on September 11, 2007.

Respectfully submitted,

Janice L. Weinrick
Deputy Executive Director,
Redevelopment Agency

Approved: William Anderson
Assistant Executive Director,
Redevelopment Agency

Attachments: 1) Location Map
2) Exclusive Negotiating Agreement between the Redevelopment Agency and
City Heights LLC