



THE CITY OF SAN DIEGO

## Redevelopment Agency's Report

DATE ISSUED: November 7, 2007 REPORT NO.: RA-07-31

ATTENTION: Honorable Chair and Members of the Redevelopment Agency  
Docket of November 13, 2007

SUBJECT: First Implementation Agreement to the Disposition and  
Development Agreement, City Heights Square – Office and Retail  
Project

REFERENCE: Staff Report Nos. RA-04-26, RA-05-10, CMR-05-094

### REQUESTED ACTION:

Should the Redevelopment Agency authorize the Executive Director or designee, to approve and enter into a First Implementation Agreement with Price Charities (formerly San Diego Revitalization Corporation) for the City Heights Square project?

### STAFF RECOMMENDATION TO THE REDEVELOPMENT AGENCY:

Authorize the Executive Director or designee, to enter into the First Implementation Agreement with Price Charities for the City Heights Square project.

### SUMMARY:

The Disposition and Development Agreement (DDA) with San Diego Revitalization Corporation (SDRC) for the proposed City Heights Square office and retail project was approved by the Redevelopment Agency on May 3, 2005 (see Attachment First Implementation Agreement to Disposition and Development Agreement, Exhibit "D"). The proposed project is located on an approximate 1.4 acre site along University Avenue and bordered by 43<sup>rd</sup> Street to the west and Fairmount Avenue to the east and is within the City Heights Redevelopment Project Area. The approved project, valued at approximately \$32.3 million, consists of a four story 90,000 square foot building with ground floor retail, 3 levels of office space and 267 surface and underground parking spaces. This project is part of a larger 2.7 acre mixed-use master planned project consisting of a recently completed affordable senior housing project, the proposed La

Maestra Family medical clinic, an approximate 5,300 square foot park and all covered by a single Planned Development Permit entitlement.

Under the existing terms of the DDA, SDRC has agreed to loan the Redevelopment Agency \$3.5 million for site acquisition and site preparation costs. The Redevelopment Agency has acquired two parcels located at the corner of University and Fairmount Avenues, which is currently occupied by Jack-in-the-Box restaurant, and is proposed to demolish the existing building, remediate any soil contamination and sell the cleared property to SDRC for \$850,000. The \$850,000 purchase price would be applied as a credit against the SDRC loan, leaving up to \$2.65 million available in the form of a loan to the Agency to be used for any site remediation and preparation costs. These two properties have not been conveyed to SDRC since all the required conditions of the DDA have not yet been met and they are not yet ready to proceed with the construction of the project.

A First Implementation Agreement to Disposition and Development Agreement (see Attachment First Implementation Agreement to Disposition and Development Agreement) has been prepared in light of the corporate name change of the developer, expired and upcoming deadlines imposed in the Schedule of Performance, the status of the project, and the Agency's desire to amend the DDA and its attachments to incorporate specific language of the Loan Agreement that may otherwise expire is being brought forward for Agency consideration. The proposed key changes to the existing DDA are as follows:

1. Change the official corporate name of San Diego Revitalization Corporation (SDRC) to Price Charities. Aside from the name change, the Developer still represents that the formation documents and corporate information remain unchanged and that Price Charities assumes all rights, interests, liabilities and obligations of SDRC under the DDA.
2. Extend the Closing Date as noted in the Schedule of Performance (Attachment No. 4 of the DDA) from not later than June 1, 2007 to not later than June 1, 2009. The Developer is requesting the extension due to real estate market and financial reasons and will be seeking an amendment to the Planned Development Permit (PDP) that would permit the replacement of the currently approved office/retail component with multi-family residential/retail uses. The proposed residential project is anticipated to include between 80 to 100 residential units with ground floor retail. A community plan amendment will be required due to the new use and higher residential density currently allowed in the approved PDP.
3. Amend Section 209 Conditions Precedent to Close of Escrow of the DDA and the Method of Financing, requiring the Developer, at its sole cost, to obtain a Fair Market Value appraisal of the Acquisition Parcel, no later than 90 days prior to the Close of Escrow and pay for an update of the Agency's Summary Report Pertaining to the Sale of Real Property dated April 12, 2005, pursuant to California Health and Safety Code Section 33433. The prior Summary Report,

dated April 12, 2005 stated that the value of the property derived in the report was based upon the Project adhering to the Schedule of Performance which had a Closing Date of June 1, 2007. The extension of the Closing Date will require an update to Summary Report and related revenue and cost assumptions of the project. Therefore, the previously determined fair market value of the Acquisition Parcel of \$850,000 in the DDA may increase or decrease based upon a new Summary Report. The approval of a new Summary Report would be brought back to the Redevelopment Agency, at a noticed public hearing, for its consideration.

4. Amend the Grant Deed (of the Acquisition Parcel) and the Agreement Affecting Real Property (AARP) to include an existing provision in the Loan Agreement that the Grantee and Developer, respectively, shall not apply for any exemption or file any property tax assessment appeal based on a claim of exemption from tax with the County assessor. If in the event the Site is determined to be tax exempt or the assessed value of the Site is reduced as the result of any application for tax exemption or appeal, the Grantee and Developer are liable to the Agency for the lost revenue, with the payment being over time or a Developer option to pay a lump sum amount.
5. Amend Section 403, Obligation to Refrain from Discrimination and Section 404, Form of Nondiscrimination and Nonsegregation Clauses of the DDA to reflect recent changes in the California Redevelopment Law.

As noted above, concurrent with this First Implementation Agreement, Price Charities will be seeking a community plan amendment to rezone the subject site and allow for the development of a residential and retail mixed-use project instead of the current office and retail mixed-use project. It is anticipated that this change in land use will necessitate the preparation of a redevelopment plan amendment and a new DDA (along with other associated documents) with potentially different business/financial terms and schedule of performance. If that occurs, these documents would then be brought back to the Redevelopment Agency for its consideration. Irrespective of the proposed changes, the current two year old approved project and DDA necessitate updates and revisions. These recommended revisions have been discussed above.

This activity and the First Implementation Agreement of the existing DDA is located on the site of the City Heights Square Project No. 40960, and subject to the previously approved Mitigated Negative Declaration No. 40960. Any construction related activities shall be subject to the Mitigation Monitoring and Reporting Program (MMRP) for that project. Therefore, this activity is not a separate project for purposes of review under the California Environmental Quality Act [CEQA] pursuant to State CEQA Guidelines Section 15060(c)(3). Further, this activity does not involve a change in circumstances, project changes, or new information of substantial importance which would warrant any additional environmental review pursuant to CEQA Guidelines Section 15162."

FISCAL CONSIDERATIONS:

There are no revisions to the \$3.5 million Loan Agreement between the Developer and the Redevelopment Agency. To date, the Agency has borrowed approximately \$2.28 million for acquisition of the two parcels currently occupied by Jack-in-the-Box and the Agency's share of the cost for the park site. Per the terms of the Loan Agreement, the Agency will not begin making interest payments, until construction begins on the office/retail project.

PREVIOUS AGENCY and/or COUNCIL ACTIONS:

On May 3, 2005 the Redevelopment Agency approved and City Council consented to the Redevelopment Agency entering into the DDA with SDRC for the proposed project.

COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

On October 8, 2007, the City Heights Project Area Committee voted 15-0-0 to recommend approval of the First Implementation Agreement.

Respectfully submitted,

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Janice L. Weinrick  
Deputy Executive Director  
Redevelopment Agency

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Approved: William Anderson  
Assistant Executive Director  
Redevelopment Agency

Attachment: First Implementation Agreement to Disposition and Development Agreement (City Heights Square Office and Retail Project)  
PLEASE NOTE: Due to the size of the document, Exhibit "D" Disposition and Development Agreement is being distributed on a limited basis, but is available upon request and available at the City Clerk's Office.