



THE CITY OF SAN DIEGO

Redevelopment Agency's Report

DATE ISSUED: November 27, 2008 REPORT NO. RA-08-33
RTC-08-169

ATTENTION: Honorable Chair and Members of the Redevelopment Agency,
Council President and City Council,
Docket of December 2, 2008

SUBJECT: Third Implementation Agreement to Disposition and Development
Agreement for the CentrePoint Project within the Crossroads
Redevelopment Project Area

REFERENCE: Executive Director's Summary Sheet No. RA-08-09; Executive Director's
Summary Sheet No. RA-07-19; Executive Director's Report No. RA-06-
08; Report to City Council No. RTC-06-019; Executive Director's Report
No. RA-05-33; Executive Director's Report No. RA-05-23.

REQUESTED REDEVELOPMENT AGENCY ACTIONS:

1. Should the Redevelopment Agency approve and authorize the Executive Director or Designee to execute the Third Implementation Agreement to the Disposition and Development Agreement ("DDA") with CentrePoint, LLC for the proposed CentrePoint Project?
2. Should the Redevelopment Agency approve the revised basic concept and schematic drawings for the CentrePoint Project?
3. Should the Redevelopment Agency amend the FY 2009 Agency Budget for the Crossroads Redevelopment Project Area to accept a Developer Deposit of \$50,000 for costs related to the Third Implementation Agreement?

REQUESTED CITY COUNCIL ACTIONS:

1. Should the City Council consent to the Redevelopment Agency entering into the Third Implementation Agreement to the DDA with CentrePoint, LLC and Associated Actions for the proposed CentrePoint Project?

STAFF RECOMMENDATION TO REDEVELOPMENT AGENCY:

1. Approve and authorize the Executive Director or Designee to execute the Third Implementation Agreement to the DDA with CentrePoint, LLC for the proposed CentrePoint Project.
2. Approve the revised basic concept and schematic drawings for the CentrePoint Project.

3. Amend the FY 2009 Agency Budget for the Crossroads Redevelopment Project Area to accept a Developer Deposit of \$50,000 for costs related to the Third Implementation Agreement.

STAFF RECOMMENDATION TO CITY COUNCIL:

1. Consent to the Redevelopment Agency entering into the Third Implementation Agreement to the DDA with CentrePoint, LLC for the proposed CentrePoint Project.

SUMMARY:

On April 23, 2008, the Agency authorized the Executive Director or Designee to execute a Second Implementation Agreement with the Developer in order to revise the Schedule of Performance ("SOP") (see Attachment 1). On June 12, 2007, the Agency authorized the Executive Director or Designee to execute a First Implementation Agreement with CentrePoint LLC in order to revise the SOP. On April 4, 2006, the Agency authorized the Executive Director or Designee to execute a DDA with CentrePoint LLC. The DDA provides for the Developer to finance the project with a combination of conventional financing and developer equity. The Agency's financial contribution to the project will not exceed \$5,245,000, plus interest for the 47 affordable for-sale residential units.

The currently approved project is a pedestrian-oriented mixed-use project that incorporates 312 for-sale residential dwelling units consisting of 97 townhouses, 204 residential wrap units (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. The project occupies a 8.93-acre site bounded by El Cajon Blvd. to the north, Art St. to the east, Seminole Dr. and Stanley Ave. to the south, and 63rd St. to the west (see Attachments 2 and 3).

On July 17, 2008, CentrePoint LLC ("Developer/Owner") submitted a letter requesting that the Agency amend the DDA to change the project from a for-sale residential project to a for-rent residential project, assign the DDA and approve the sale of the site to Trammell Crow South California Development, Inc. a Delaware corporation. Since negotiations began with the Developer/Owner they have sequentially requested to extend all existing deadlines in the current SOP by 6-months in order to allow additional time for the proposed Developer/Owner. All of these requests must be approved by the Agency Board and are addressed by this proposed Third Implementation Agreement to the Disposition and Development Agreement ("3rd Agreement") (see Attachment 4).

Founded in 1948, the Trammell Crow Company ("TCC") is one of the nation's leading developers and investors in real estate. It has developed or acquired over 500 million square feet of buildings with a value exceeding \$50 billion. As of June 30th, 2008, TCC had over \$9.9 billion of projects in process or in its pipeline. TCC is a real estate development and investment firm dedicated to the fundamental principle of building value. At the heart of building value is a commitment to create the right product in the right market for their clients while supporting quality economic growth for the community. TCC has clients in approximately 30 major cities throughout the U.S. and Canada. The California Redevelopment Agency ("CRA") recognized

TCC for the Irwindale Business Center because of the value their development provided the City of Irwindale, including the elimination of blight, increased revenue, employment opportunities and high architectural design. TCC is a wholly owned subsidiary of CB Richard Ellis Group, Inc (“CBRE”).

Key Agreement Revisions and Additions:

The following reflect key changes in the terms of the proposed Third Implementation Agreement (see Attachment 4):

- New Developer proposes a pedestrian-oriented mixed-use project that incorporates 312 rental units consisting of 68 townhouses, 244 residential wrap units (47 affordable) and 7,468 square feet of live/work flex space (e.g. 10 bays), and approximately 3,861 square feet of retail/commercial space (see Attachment 5). Off-street parking spaces (610) will be contained in surface lots and in an above grade parking structure. The currently approved project includes a pedestrian-oriented mixed-use project that incorporates 312 for-sale units consisting of 97 townhouses, 204 residential flats (47 affordable) and 11 live/work units, and approximately 4,000 square feet of retail space. Off-street parking spaces (610) will be contained in surface lots, tuck under garages and in an above grade parking structure
- The 3rd Agreement proposes to extend the deadline within the SOP for all items six months (6) other than the completion of demolition for the remaining building. However, the Executive Director has the authority to extend these dates up to three months (3) total.
- The 3rd Agreement proposes to extend the deadline within the SOP or completion of demolition for the remaining building three months (3).
- The 3rd Agreement proposes to reduce the Agency’s financial contribution to the project from \$5,245,000 to \$4,969,000. The reduction is based on a revised proforma submitted by the Developer for the project and reviewed by the Agency’s economist, Keyser Marston Associated (KMA). The Agency’s unit subsidy has decreased from approximately \$111,600 to \$105,700 (see Attachment 6).
- The 3rd Agreement proposes to reduce the Agency’s interest rate of payment for the Developers loan to the Agency from seven percent (7%) to five and one-half percent (5½%).
- The 3rd Agreement proposes to reduce the income restriction level for the 47 affordable rental units from 100% Average Median Income (“AMI”) to 65% AMI. This revision is based on the project becoming a for-rent rather than a for-sale. The revised income level is consistent with the City’s inclusionary housing ordinance and California Community Redevelopment Law.
- The 3rd Agreement proposes recording a 55-year income restriction against the affordable for-rent units. The current DDA requires the income restriction against the affordable for-sale units be in perpetuity
- The 3rd Agreement proposes a Payment In Lieu Of Property Taxes provision (“PILOT”). This provision was not in the current DDA because the project was a for-sale residential project. With the proposed project becoming for-rent, this provision will ensure the preservation of future property based revenue if the property is purchased by a property tax exempt entity.
- The 3rd Agreement proposes language to define the purpose of the irrevocable letter of credit, incorporate the revised basic concept and schematic drawings and incorporate the relocation of a cell tower.

- The 3rd Agreement proposes amendments to several of the DDA's attachments because the project will be for-rent.

FISCAL CONSIDERATIONS:

The revised total project cost is approximately \$96 million, and the project is projected to generate approximately \$960,000 per year in new gross property tax increment per year, after the completion of the project in 2012. Total Agency financial contribution to the project will not exceed \$4,969,000, plus interest for the 47 affordable for-rent units. The Developer has provided the Agency with a Good Faith deposit of \$100,000 as a security for the performance of their obligations under the DDA and this deposit will be retained.

The Agency's contribution of \$4,969,000 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 for-rent units. Simple interest on the outstanding balance of the total Agency obligation will accrue at a rate of 5½-percent per year and does not accrue until the project is Complete which is a defined term within the DDA. Extending the proposed SOP does not increase the Agency's interest expense.

With a total project cost of approximately \$96 million, the construction of this project is estimated to result in the creation of seventy-six (76) full-time equivalent jobs over a two year period and after completion twenty (20) full-time equivalent long term jobs.

ENVIRONMENTAL IMPACT:

This project is covered under Mitigated Negative Declaration, Number 74816 CentrePoint and the Crossroads Program Environmental Impact Report SCH No.200207/002. The project is adequately addressed in the environmental documents and there is no change in circumstance, additional information, or project changes to warrant additional environmental review, per CEQA Guidelines Sections 15162.

PREVIOUS AGENCY and/or CITY COUNCIL ACTIONS:

- On April 23, 2008, the Agency authorized the Executive Director or designee to execute a Second Implementation Agreement with the Developer in order to revise the SOP.
- On June 12, 2007, the Agency authorized the Executive Director or designee to execute a First Implementation Agreement with CentrePoint LLC in order to revise the SOP.
- On April 4, 2006, the Agency authorized the Executive Director or designee to execute a DDA with CentrePoint LLC.
- On January 26, 2006 the Planning Commission approved the entitlements for the proposed project on consent 4-1.

KEY STAKEHOLDERS:

Development Team -

<u>ROLE</u>	<u>FIRM/CONTACT</u>	<u>OWNERSHIP</u>
Current Developer	CentrePoint, LLC Contact: David Kieffer	The two managing members of CentrePoint, LLC are Douglas Wilson Development (Douglas P. Wilson, President and CEO) and LB El Cajon, a Lehman Brothers Entity (Harry Bruni, Managing Director)
Proposed Developer	Trammell Crow Company Contacts: Dave Drake & Damon Austin	Trammell Crow Company is a wholly owned subsidiary of CBRE a public traded company.
Architect	KTGY Group Contact:	James Thomas, CEO Tricia Esser, CFO
Civil Engineer	Project Design Consultants Contact: Armando Urquidez	Managing Principals: Greg Shields, Bill Dick and Rex Plummer
Planning & Community Consultant	MetroPlan LLC Contact: Rich Miller	Rich Miller

HOUSING IMPACT:

Fifteen percent (15%) of the 312 units, or 47 units, will be affordable. This amount of affordable units complies with the Redevelopment Agency’s project area-wide inclusionary requirement of 15%. The Agency will record 55-year rent restrictions against 27 one- and 20 two-bedroom affordable rental units for households with annual incomes at 65% of AMI. Under the current DDA the annual income level is 100% AMI. The number of one- and two-bedroom affordable units is proportionate to the number of one-and two-bedroom units within the project.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS:

- On October 23, 2008, the Crossroads Project Area Committee (“PAC”) reviewed and discussed the 3rd Implementation Agreement and voted 10-1-1 to recommend that the Agency transfer the DDA as revised and for the Agency to retain authority to review future owners of the project.
- On February 28, 2008, the Crossroads PAC reviewed and discussed the 2nd Implementation Agreement and voted 10-0-1 to recommend that the Agency enter into the agreement.
- On April 26, 2007, the Crossroads PAC reviewed and discussed the 1st Implementation Agreement and voted 8-0-1 to recommend that the Agency enter into the agreement.
- On September 13, 2005 the Eastern Area Planning Committee voted 11-0 to recommend approval of the currently entitled project and related actions regarding a for-sale project.

- On December 8, 2005, the Crossroads PAC reviewed and discussed the terms of the currently approved DDA and voted 10-0-1 to recommend that the Agency enter into a DDA regarding a for-sale project.

ALTERNATIVE:

Withhold approval of the sale of the site, do not approve the assignment of the DDA and deny the revisions to the business plan as proposed by the Developer and/or Trammell Crow South California Development, Inc. a Delaware corporation.

Respectfully submitted,

Janice L. Weinrick
Deputy Executive Director
Redevelopment Agency /
Assistant Director
City Planning & Community Investment

Approved: William Anderson
Assistant Executive Director
Redevelopment Agency /
Deputy Chief Operating Officer
Executive Director of City Planning and
Development

WEINRICK/TWR

- Attachments:
1. Executed Disposition and Development Agreement to CentrePoint Project, 1st Implementation Agreement and 2nd Implementation Agreement.
[Limited Distribution: Copies are available at the City Clerks Office]
 2. Redevelopment Project Area Map for Crossroads
 3. Location Map for CentrePoint Project (Gardens)
 4. Third Implementation Agreement to CentrePoint Project (Gardens)
 5. Revised basic concept and schematic drawings for CentrePoint Gardens
 6. Financial pro forma for CentrePoint Gardens by Keyser Marston Associates