



THE CITY OF SAN DIEGO  
**Redevelopment Agency's Report**

DATE ISSUED: April 8, 2009

REPORT NO.: RA-09-04

ATTENTION: Honorable Chair and Members of the Redevelopment Agency  
Docket of April 14, 2009

SUBJECT: Purchase of City-Owned Parcels along Interstate 15 (I-15) within City Heights  
Redevelopment Project Area

REQUESTED ACTION:

1. Should the Redevelopment Agency approve and enter into a Real Estate Purchase and Sale Agreement with the City of San Diego to purchase two parcels within the City Heights Redevelopment Project Area, designated as Assessor's Parcel Numbers 447-202-31 (Parcel 31) and 447-202-32 (Parcel 32)?
2. Should the Redevelopment Agency authorize the City Comptroller to transfer the \$1,383,550 from the Agency's tax increment funds for the City Heights Redevelopment Project Area to the City (Fund 38978 State Route 209 & 274 Cooperative Agreement with the State) as full payment for the real estate purchase of Parcels 31 and 32?

STAFF RECOMMENDATION TO THE REDEVELOPMENT AGENCY:

1. Approve and authorize the Executive Director, or designee, to enter into the two Real Estate Purchase and Sale Agreements with the City of San Diego to purchase Parcel 31 and Parcel 32 within the City Heights Redevelopment Project Area.
2. Authorize the City Comptroller to transfer the \$1,383,550 from the Agency's tax increment funds for the City Heights Redevelopment Project Area to the City (Fund 38978 State Route 209 & 274 Cooperative Agreement with the State) as full payment for the real estate purchase.

SUMMARY:

On May 16, 2001, the City Council approved entering into a Cooperative Agreement with the State of California (CALTRANS) to transfer State Routes (SR) 209 and 274 to the City of San Diego and for the City to receive seven excess parcels in the I-15/40<sup>th</sup> Street construction zone. If sold, the proceeds from the seven parcels (then valued at \$2.5 million in the aggregate), along with an \$8,156,000 lump sum cash payment, were to be used to bring the above-mentioned streets up to City

standards. Specifically, per the Council resolution, the sales proceeds from the seven parcels and the \$8,156,000 cash payment were to be deposited into an infrastructure fund to maintain SR 209 and SR 274.

Two of the seven parcels were previously conveyed to the Redevelopment Agency. The first of those two parcels was developed for the Regional Transportation Center (RTC), at the southeast corner of I-15 and El Cajon Boulevard. The second parcel was developed for the Metro Career Center and Metro Villas Project at the northwest corner of I-15 and University Avenue.

The five remaining parcels are currently under City ownership, and are located along El Cajon Boulevard and University Avenue (see Attachment 1 Vicinity Map). These parcels range in size from approximately 8,600 to 25,000 square feet and are currently vacant property. Each of the parcels is located at either on-ramps to or off-ramps from I-15, which are highly visible, corner locations. These parcels are strategically located along El Cajon Boulevard and University Avenue and offer attractive opportunities for future redevelopment.

Real Estate Assets and Agency staff have been in discussions and negotiations about the Agency purchasing the five remaining parcels. Real Estate Purchase and Sale Agreements have been prepared for two of the five parcels, designated herein as Parcels 31 and 32 (Attachment 1 Vicinity Map). The proposed Real Estate Purchase and Sale Agreements for the two parcels (Attachments 2 and 3) are now being presented for Agency consideration. Listed below are the two parcels totaling approximately 20,650 square feet and the proposed, not to exceed, purchase price.

Parcel	Location	Price	Approx. Size	Price/SqFt
			Sq. Ft.	
APN 447-202-32	El Cajon Blvd./40 <sup>th</sup>	\$807,618	12,054	\$67.00
APN 447-202-31	El Cajon Blvd./40 <sup>th</sup>	\$575,932	8,596	\$67.00
Total		\$1,383,550	20,650	

The prices were negotiated by Agency and City Real Estate Assets staff based upon fair market value appraisals, including an appraisal of Parcels 31 and 32, dated May 24, 2007, prepared by Lipman Stevens & Carpenter, Inc. which yielded a price per square foot of \$90 and an appraisal of a comparable neighboring vacant property, dated September 19, 2007 prepared by Anderson & Brabrant, Inc. which yielded a price per square foot of \$70. The final purchase prices for Parcel 31 and 32 reflect a negotiated discount for known environmental conditions and anticipated environmental remediation costs identified through property and hazardous substance due diligence, including the Phase I Environmental Site Assessment dated April 11, 2008, and the Surface Activities (Phase II) Assessment dated June 18, 2008, both prepared by SCS Engineers.

The site and environmental due diligence commissioned by Agency and City staff, reflects best practices in acquiring property for redevelopment purposes. Upon the close of the individual property escrows and the Agency taking ownership of the parcels, Agency staff will begin the planning for the redevelopment of these parcels. To accommodate the future merger and redevelopment of the two parcels, the City will need to vacate a publicly-dedicated alley that bisects these parcels and is presently being used for occasional vehicular access to adjacent properties. Sections 900 and 901 of the City Heights Redevelopment Plan require the City to aid and cooperate with the Agency in

carrying out the Redevelopment Plan and to take all actions necessary to fulfill the purposes of the Redevelopment Plan, including the institution and completion of proceedings for vacating streets and alleys within the Project Area. In order to vacate the publicly-dedicated alley, a future City Council action will be required.

The Agency's acquisition of Parcels 31 and 32 is targeted to close simultaneously within ten days after opening of the escrows, which in turn will occur within three business days after the Real Estate Purchase and Sale Agreements have been executed. It is anticipated that the City will deposit the purchase price proceeds into an existing infrastructure fund that supports CIP 52-274.0 (Balboa Avenue) and CIP 52-209.0 (Rosecrans Avenue). The Real Estate Purchase and Sale Agreements, however, do not require the City to designate or use the purchase price proceeds in any particular manner.

Additional due diligence and environmental investigations are needed for the three remaining I-15 parcels. Upon completion of further due diligence investigations for the remaining three parcels, their respective purchase and sale agreements will be prepared and brought to the Agency and City Council for consideration.

Environmental Analysis: 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).

**FISCAL CONSIDERATIONS:**

Funds from the Agency's City Heights Redevelopment Project Area totaling \$1,383,550 are available and will be used to purchase the two parcels.

**PREVIOUS AGENCY and/or COUNCIL ACTIONS:**

On May 16, 2001, the City Council approved entering into a Cooperative Agreement with the State of California to transfer State Routes 209 and 274 to the City of San Diego and for the City to receive seven excess parcels in the I-15/40<sup>th</sup> Street construction zone.

**COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:**

On April 14, 2008, the City Heights Project Area Committee (PAC) voted 10-4-1 to recommend the Agency to proceed with the purchase of the two parcels located on the north side of El Cajon Boulevard and 40<sup>th</sup> Street, following the completion of new appraisals. On June 9, 2008, the City Heights Project PAC voted 7-3-0 to recommend the purchase the two subject parcels.

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

- Attachments:
1. Vicinity Map
  2. Real Estate Purchase and Sale Agreement NW Corner of El Cajon Boulevard/40<sup>th</sup> Street (APN 447-202-31)
  3. Real Estate Purchase and Sale Agreement NW Quadrant El Cajon Boulevard/40<sup>th</sup> Street (APN 447-202-32)