



THE CITY OF SAN DIEGO

DATE ISSUED: October 21, 2009

REPORT NO.: RA-09-29

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of October 27, 2009

SUBJECT: Revise the Replacement Housing Plan for CentrePoint Project and Terminate the CentrePoint Disposition and Development Agreement with CentrePoint LLC, within the Crossroads Redevelopment Project Area.

REFERENCE: Report to the Agency RA-05-33, dated November 22, 2005; Report to the Agency and Council RA-06-08 & RTC-06-09, dated March 29, 2006; Report to the Agency RA-07-09, dated June 6, 2007; Report to the Agency RA-08-09, dated April 9, 2008; Report to the Agency and Council RA-08-33 & RTC-08-08-169, dated November 27, 2008.

REQUESTED REDEVELOPMENT AGENCY ACTIONS:

1. Approve the revised Replacement Housing Plan for the CentrePoint Project.
2. Approve the Termination Agreement with CentrePoint LLC regarding the CentrePoint Disposition and Development Agreement (DDA) and First Implementation Agreement, Second Implementation Agreement, Third Implementation Agreement.
3. Authorize the Executive Director, or designee, to execute the Termination Agreement with CentrePoint LLC and La Jolla Bank FSB.

STAFF RECOMMENDATION TO REDEVELOPMENT AGENCY:

1. Approve the revised Replacement Housing Plan for the CentrePoint Project.
2. Approve the Termination Agreement with CentrePoint LLC regarding the CentrePoint Disposition and Development Agreement (DDA) and First Implementation Agreement, Second Implementation Agreement, Third Implementation Agreement.
3. Authorize the Executive Director, or designee, to execute the Termination Agreement with CentrePoint LLC and La Jolla Bank FSB.



Redevelopment Agency

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City Planning & Community Investment



SUMMARY:

The proposed CentrePoint project (“Project”) is a pedestrian-oriented mixed-use project that would incorporate 312 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 would result in a gain of both market rate and affordable housing. The Project occupies a 8.93-acre site (“Site”) bounded by El Cajon Boulevard to the north, Art Street to the east, Seminole Drive and Stanley Avenue to the south, and 63rd Street to the west (see Attachments 1 and 2).

On November 29, 2005, the Redevelopment Agency approved the Replacement Housing Plan for the CentrePoint project which required the Redevelopment Agency to replace two moderate income household units with two moderate income units (comprising a total of four bedrooms) within the Project and to replace the remaining seven very-low and low income residential units within the Auburn Park Project, located within the City Heights Redevelopment Project Area.

On April 4, 2006, the Redevelopment Agency authorized the Executive Director or Designee to execute a Disposition and Development Agreement (“DDA”) (see Attachment 3, Exhibit A) by which CentrePoint LLC agreed to provide the Redevelopment Agency with a good faith deposit of \$100,000 as a security for the performance of its obligations under the DDA. The DDA provides for CentrePoint LLC to finance the project with a combination of conventional financing and developer equity.

On June 12, 2007, the Redevelopment Agency authorized the Executive Director or Designee to execute a First Implementation Agreement (see Attachment 3, Exhibit A) with CentrePoint LLC in order to revise the Schedule of Performance (“SOP”).

On April 23, 2008, the Redevelopment Agency authorized the Executive Director or Designee to execute a Second Implementation Agreement (see Attachment 3, Exhibit A) with CentrePoint LLC in order to revise the SOP.

On December 8, 2008, the Redevelopment Agency authorized the Executive Director or Designee to execute a Third Implementation Agreement (see Attachment, Exhibit A) with CentrePoint LLC in order to revise the SOP. The Third Implementation Agreement reduced the Redevelopment Agency’s financial contribution to the Project from \$5,245,000 to \$4,969,000, plus interest for the production of 47 affordable rental residential units. It also required CentrePoint LLC to obtain the issuance of an irrevocable letter of credit (“LOC”) in the amount of \$260,000 in the Redevelopment Agency’s favor to assist in securing the construction of two replacement affordable units for occupancy by moderate income households. The LOC would enable the Redevelopment Agency to fulfill the outstanding portion of the Redevelopment Agency’s replacement housing obligation arising as a result of the demolition of nine residential units on the Site which occurred in June 2007. Pursuant to California Community Redevelopment Law (“CCRL”), the affordable units demolished need to be replaced within four (4) years of their removal or June 2011.

On August 4, 2009, CentrePoint LLC submitted a letter (see Attachment 4) requesting that the Redevelopment Agency terminate the DDA and agreeing to forfeit the \$100,000 DDA good faith deposit to the Redevelopment Agency and execute a security instrument recorded against the Site to ensure the construction of two replacement affordable units on the Site. In the letter CentrePoint LLC indicates that due to the deteriorating condition of the economy and the constrained lending market for real estate projects, the CentrePoint LLC will be unable to implement the Project as contemplated by the DDA, and the CentrePoint LLC is actively seeking a potential buyer of the property.

Because of the present economic circumstances, Redevelopment Agency staff recommends termination of the DDA upon mutually agreeable terms and conditions namely the Termination Agreement and Mutual General Release Regarding Disposition and Development Agreement (“Termination Agreement”) (see Attachment 3). These conditions include the Redevelopment Agency’s retention of the \$100,000 good faith deposit including interest and the recording of instrument(s) against the Site to ensure the future construction an affordable unit or units comprising a total of four bedrooms on the Site which will comply with CCRL regulations.

In the Termination Agreement, the Parties acknowledge that CentrePoint LLC made the deposit, in the sum of \$100,000, with the Redevelopment Agency pursuant to the DDA. CentrePoint LLC will expressly waive and forfeit the right to receive a refund of all or any portion of the deposit or any accrued interest. In consideration for the Redevelopment Agency’s willingness to forgo the provision of a LOC relating to the construction of the two replacement units outside the Site, CentrePoint LLC and La Jolla Bank FSB will authorize the Redevelopment Agency to record and file an irrevocable Agreement Regarding Affordable Housing Restrictions (“ARAHR”) (see Attachment 3, Exhibit C) and a Subordination Agreement (see Attachment 3, Exhibit D) against the Site. The successful recordation of the ARAHR and the Subordination Agreement is expressly made as a condition precedent to the effectiveness of this Termination Agreement, for the Redevelopment Agency’s sole benefit. CentrePoint LLC is required to use its ongoing best faith efforts to obtain the signature of La Jolla Bank FSB on the Subordination Agreement; if such signature is not obtained, the Agency’s Executive Director or designee retains the option to declare the Termination Agreement null and void. Agency staff will provide a verbal report to the Agency’s board of directors regarding the status of signature of the Subordination Agreement. The ARAHR will set forth the continuing obligation of the owner of the Site to ensure the future construction of the four affordable bedrooms on the Site. The Subordination Agreement is the mechanism by which La Jolla Bank FSB subordinates its own deed of trust as CentrePoint LLC’s real estate secured lender to the Redevelopment Agency’s beneficial interest under the ARAHR. On September 17, 2009 La Jolla Bank FSB recorded a notice of default against the site and the sale of the site through non-judicial foreclosure may occur in January 2010 or later.

The adopted Replacement Housing Plan for the Project proposed the construction of two moderate income replacement units on the Site. The revised Replacement Housing Plan for the Project (see Attachment 5) proposes to provide the two moderate income replacement units outside of the Site, since the two moderate income units will not be replaced on Site by June 2011. The revised Replacement Housing Plan for the Project proposes to rehabilitate and occupy two two-bedroom units within the Village Green Apartment Project. The Village Green

Apartment Project is located within the Crossroads Redevelopment Project Area and is subject to an Owner Participation Agreement with the Agency. These two units are expected to be occupied by very-low or low income households by June 2011 and thus meet the four (4) year replacement rule, per CCRL regulations. If these two replacement units are not available within the Village Green Apartment Project by June 2011 the Redevelopment Agency will designate two units in another Redevelopment Agency affordable housing project, preferably within the Crossroads Redevelopment Project Area or nearby.

Recently, CentrePoint LLC removed all of the concrete rubble from the Site. The first and second floor of the remaining building have been boarded and secured and all remaining sign copy has been removed as well as the graffiti. In order to assure the Site is maintained into the future CentrePoint LLC has assigned an in-house employee to personally inspect the Site at least once a week and they will oversee and coordinate all work to address recurring problems with the Site. CentrePoint LLC has entered into a contract with a security company to patrol the Site on a daily basis several times per evening and immediately report any graffiti or breaches in the fencing to CentrePoint LLC's in-house employee. Overgrown weeds have been removed and vegetation has been cleared. Solar-powered lights will be installed to deter criminal activity on the Site in the evening and assist the police with their enforcement.

FISCAL CONSIDERATIONS:

CentrePoint LLC will forfeit the \$100,000 DDA good faith deposit to the Redevelopment Agency, including interest.

ENVIRONMENTAL REVIEW:

This action will terminate a proposed Project and thus is not a new "project" under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Section 15060(c)(3). Thus, this action is not subject to CEQA.

OTHER COUNCIL and/or COMMITTEE ACTIONS:

None

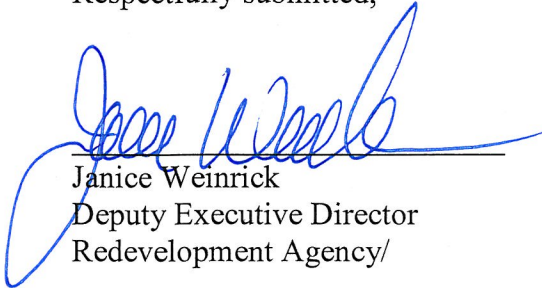
COMMUNITY PARTICIPATION & PUBLIC OUTREACH EFFORTS:

On June 25, 2009 the Crossroads Redevelopment Project Area Committee voted 7-0-1 to recommend that the Redevelopment Agency approve the revised Replacement Housing Plan for the CentrePoint project. On August 27, 2009, the Crossroads Redevelopment Project Area Committee voted 9-0-1 to recommend that the Redevelopment Agency terminate the Disposition and Development Agreement for the CentrePoint project per the proposed Termination Agreement and the recording of instrument(s) against the Site regarding affordable housing.

KEY STAKEHOLDERS and PROJECT IMPACTS:

Key stakeholders are the residents of the adjoining residential neighborhoods which are Rolando, Rolando Village and Rolando Park.

Respectfully submitted,



Janice Weinrick
Deputy Executive Director
Redevelopment Agency/



Approved: William Anderson
Assistant Executive Director
Redevelopment Agency/

- Attachments:
1. Redevelopment Project Area Map for Crossroads
 2. Location Map for the CentrePoint Project
 3. Termination Agreement and Mutual General Release Regarding Disposition and Development Agreement.
[Limited Distribution: Copies are available at the City Clerk's Office]
 4. Letter from CentrePoint LLC dated, August 4, 2009.
 5. Revised Replacement Housing Plan for the CentrePoint Project.
[Limited Distribution: Copies are available at the City Clerk's Office]