

DATE ISSUED: October 10, 2001 REPORT NO. 01-205

ATTENTION: Honorable Mayor and City Council
Docket of October 16, 2001

SUBJECT: Proposed Disposition and Development Agreement with Chuey's on Main Street Corporation - Barrio Logan Redevelopment Project Area.

REFERENCE: Report No. RA-00-15

SUMMARY

Issue(s) - Should the City Council consent to the Redevelopment Agency (Agency) entering into a Disposition and Development Agreement (DDA) with Chuey's on Main Street Corporation (Developer) for the development of Chuey's #1 Restaurant (Project) at 1901 Main Street (Site) in the Barrio Logan Redevelopment Project Area?

City Manager's Recommendations- 1) Recommend that the City Council consent to the Redevelopment Agency entering into a Disposition and Development Agreement with Chuey's on Main Street Corporation; 2) Recommend that the City Council state for the record that the Final Environmental Impact Report prepared for the Barrio Logan Redevelopment Plan DEP No. 90-0133 has been reviewed and considered prior to approving the Project.

Community Planning Group Recommendation - On September 19, 2001 the Barrio Logan Project Area Committee (PAC) voted 7-1 in favor of recommending approval of the Project.

Environmental Impact - The Final Environmental Impact Report for the Barrio Logan Redevelopment Plan (DEP No. 90-133) was completed in April 1991. Additional environmental review may be necessary at the time the City issues the discretionary permits.

Fiscal Impact - - In May of 1994 the Redevelopment Agency and the City Council approved the financing package for the land acquisition for the Crosby Street Widening Project which included the Site located at 1901 Main Street (approximately \$850,000). Currently the Site is occupied by a vacant building and, because owned by the City, it is not generating any tax increment or lease revenues to the Agency and/or City. Based on the Reuse Analysis the current value of the site is estimated at \$750,000 if allowed to be used for industrial uses. The Agency is also proposing to sell the Site for \$400,000, provided the Developer performs according to the terms of the DDA (which includes operating a restaurant for a minimum of 10 years). Once built, it is estimated that the Project will generate \$174,985 in tax increment to the Agency and \$528,000 in sales tax to the City over 30 years.

Code Enforcement Impact - None with this action.

Housing Affordability Impact - None with this action.

BACKGROUND

The Barrio Logan Redevelopment Project Area was adopted in 1991 for the purpose of alleviating conditions of blight in the Barrio Logan Community. Also in 1991, the City of San Diego added the Crosby Street Widening Project to the CIP Budget. As a result of Crosby Street widening activities, the parcel at the southwest corner of Crosby and Main was purchased in its entirety because a partial taking of the property would have resulted in an acquisition price almost as high as the entire value of the property. This 39,615 square foot property, often referred to as the "Trolley Site," is currently unused with one vacant industrial building located on-site.

On August 16, 2000, the Redevelopment Agency approved an Exclusive Negotiating Agreement (ENA) with Garcia/Collins, Inc. to develop property at 1901 Main Street. Over the past year the Agency has been actively negotiating a Disposition and Development Agreement.

DISCUSSION

The proposed project is located in the Barrio Logan Redevelopment Project Area north of the Coronado Bay Bridge right-of-way. It is generally bounded by Crosby Street on the northwest, Main Street on the northeast, the San Diego Trolley-SanYsidro South Line on the southwest, and an adjoining industrial property on the southeast. The Chuey's Restaurant project proposes to expand an existing industrial warehouse of approximately 8,750 square feet of gross space. The site plan contains a building footprint of approximately 13,125 square feet of lease-able space with the balance of the site, 26,425 square feet, dedicated to landscaping and on-site parking. The Project is intended to preserve and expand a long-term business, and maintain community-serving retail and job opportunities in the Project Area. With the exception of the existing building, all other buildings that previously existed on the site have been demolished to allow for

the widening of Crosby Street.

The proposed Project will implement a portion of the Redevelopment Plan for the Barrio Logan Redevelopment Project Area by allowing the realization of the Mercado District, as identified in the Plan. Chuey's Restaurant, which has been a key fixture in the Barrio Logan Community for over 40 years, had strong support from the community.

The proposed DDA anticipates that the Agency will acquire the 1901 Main Street site from the City and transfer ownership to the Developer. Under the DDA, the site will be transferred to the Developer for a purchase price of \$400,000. The terms of the transaction requires a down payment of \$15,000 with the balance, \$385,000 to be in the form of a note secured by a deed of trust on the property. The terms of the deed call for an annual interest rate of 6 percent, simple interest, no payment obligations during the first 5 years, principal and interest payments to commence in the sixth year, with the balance due and payable at the end of the tenth year. The Site is to be transferred to the Developer within six months of the execution of the DDA by the Agency, provided the Developer has obtained discretionary approvals and financing, and other conditions precedent (to be performed by Agency and the Developer) have been fulfilled.

The Development Schedule, Section 3 in the DDA, anticipates the project to be completed within 29 months. However, due to circumstances which may displace Chuey's Restaurant from Barrio Logan in July of 2001, the Developer is motivated to complete the project much sooner.

Additional terms of the DDA place the following requirements on the Developer:

1. Prepare and submit environmental studies required by the City's Planning and Development Review Departments;
2. Prepare and submit an Equal Opportunity Program acceptable to the City;
3. Prior to Agency's conveyance of the Site to Developer, Developer must demonstrate and secure Project financing;
4. Construct a Project of approximately 15,500 square feet of building with associated site improvements;
5. Complete the project within 29 months of execution of the DDA by the Developer; and
6. Operate a restaurant at the Site for a minimum of 10 years.

ALTERNATIVES

A. Recommend approval with modifications;

B. Recommend denial. This alternative would delay redevelopment of the Site and might jeopardize Chuey's Restaurant's continued presence in the Barrio Logan Project Area.

Respectfully submitted,

Hank Cunningham
Community and Economic Development Director

Approved: Bruce Herring
Deputy City Manager

Note: The attachments are not available in electronic format. A copy is available for review in the Office of the City Clerk.

ATTACHMENTS:

1. Basic Concept Drawings
2. Summary Report
3. Reuse Analysis
4. Disposition and Development Agreement