

DATE ISSUED: February 20, 2002

REPORT NO. 02-038

ATTENTION: Honorable Mayor and City Council
Agenda of February 25, 2002.

SUBJECT: Issuance of Request for Qualifications - Midway Area/North Bay Redevelopment Area

SUMMARY

Issues - Should the City Manager issue a Request for Qualifications (“RFQ”) for private development partners to assist in the redevelopment of City owned property in the Midway Area/North Bay Redevelopment Area.

Manager’s Recommendation - Authorize issuance of a Request for Qualifications.

Other Recommendations - On February 6, 2002, the Rules, Finance and Intergovernmental Relations Committee voted unanimously (5-0) to approve the City Manager’s recommendation to issue a Request for Qualifications for private development partners to assist in redevelopment of City owned property in the Midway Area/North Bay Redevelopment Area; and to direct staff to include the Planning Department in their collaborative efforts to make sure the Villages concepts are carried forward; and request that the Midway Planning Group, North Bay Project Area Committee (PAC), and North Bay Business Improvement District are all very involved in the process.

In addition, Rules Committee voted to direct staff to work with the PAC, the Port District, and the Peninsula Community Planning Board on developing a joint Redevelopment Agency and Port Request for Qualifications/Proposals for the area at America’s Cup Harbor (roughly bounded by the corner of Scott and Shelter Island Drive, south from Point Loma Seafood, and east from Red Sails) and return to the Rules Committee in 90 days with that item. This is an unrelated project and will be managed separately by Community and Economic Development Department.

Fiscal Impact - None with this action.

BACKGROUND

The City owns approximately 95 acres of property in the Midway area within and adjacent to the North Bay Redevelopment Area (see Attachment “A”). The City’s property is encumbered with a total of 14 ground leases (see Attachment “B”). The uses on the City owned properties include multi-family residential, office, retail, entertainment and light industrial. Currently the annual

return on the City's 95 acres is \$2.37 million in lease revenue. It is estimated that market returns should be in the range of \$6-10 million per year at minimum. Many of the improvements on the various properties are outdated and in need of substantial upgrade. However, the term remaining on many of the leases is not sufficient to amortize the cost of reinvestment. These factors make this property an excellent candidate for a comprehensive redevelopment project.

DISCUSSION

The Midway Area has been a cornerstone of redevelopment efforts since it was included in the project area of the North Bay Redevelopment Plan ("North Bay Plan") adopted in 1998. Since the adoption, very few new tax increment generating projects have been developed and no single project has come forth to provide momentum for future redevelopment efforts. To facilitate implementation of the North Bay Plan, the City Manager is seeking authorization to issue an RFQ seeking a single qualified developer or multiple developers to form a public/private partnership for the comprehensive redevelopment of the area. Rather than continue to ground lease or sell the City-owned land, City staff recommends pursuing a joint venture concept. This will result in an enhanced revenue stream and long-term ownership of dramatically improved assets. The City would contribute land equity to the joint venture and the development partner would contribute cash equity and development expertise. The powers of the Redevelopment Agency will be utilized to assemble parcels of sufficient size to obtain viable end users.

Michael Conlon of EDAW Inc. has been retained to assist in the preparation, selection and implementation of the LOI. EDAW has provided examples of other LOIs for City staff to model. It is Mr. Conlon's opinion that there will be substantial interest both from local and national developers interested in partnering with the City. The objective of the RFQ will be to identify the best qualified development partners for each potential land use type, then develop a business strategy and a phasing plan to implement individual projects consistent with the North Bay Plan. City staff will seek input from both the Midway Planning Group as well as the North Bay Project Area Committee as these plans are developed.

The Midway area has been identified in the Strategic Framework Element of the General Plan as a potential Pilot Village. Any new development proposal will take into consideration the goals of the City of Villages growth strategy, which encourages high quality infill development that enhances existing neighborhoods. There are a number of planning issues, including the results from the Bay-to-Bay link feasibility study which will need to be considered as the proposals are developed. Real Estate Assets, Redevelopment, Planning and Development Services staff will be working collaboratively through these issues with our development partners to create and implement a comprehensive strategy which maximizes the potential of these strategically located City assets.

Respectfully submitted,

William T. Griffith Approved: Bruce Herring
Real Estate Assets Director Deputy City Manager

GRIFFITH/CEH-sd

Note: The attachments are not available in electronic format. Copies of the attachments are available for review in the office of the City Clerk.

Attachments: [1. Midway Area City Ownership Map](#)
[2. Midway Area Lease Summary](#)