

DATE ISSUED: July 3, 2002

REPORT NO: RA-02-14
CMR: 02151

ATTENTION: Mayor and Members of the City Council
Chair and Members of the Redevelopment Agency
Docket of July 9, 2002

SUBJECT: Transfer of Property in Barrio Logan to the Redevelopment Agency

REFERENCE: Manager's Reports No's RA-01-784, RA-01-785, RA-01,787 dated
November 21, 2000; RA-2368 dated March 29, 1994

SUMMARY:

Issue(s) –

For the Council: Should the City Council approve the transfer of City owned property known as 1901 Main Street (APN538-670-27,36), 1031 Cesar E. Chavez Parkway (Crosby Street) (APN538-510-28), 1911 Newton Ave.(APN538-671-01), 917 Cesar E. Chavez Parkway (Crosby Street)(APN538-270-18) to the Redevelopment Agency for purposes of eliminating blight in the Barrio Logan Redevelopment Project Area?

For the Agency: Should the Agency authorize the Executive Director to accept the transfer of City-owned property known as 1901 Main Street(APN538-670-27,36), 1031 Cesar E. Chavez Parkway (Crosby Street) (APN538-510-28), 1911 Newton Ave.(APN538-671-01), 917 Cesar E. Chavez Parkway (Crosby Street)(APN538-270-18) to the Redevelopment Agency for purposes of eliminating blight in the Barrio Logan Redevelopment Project Area?

City Manager's Recommendations-

For the Council: That the City Council approve the transfer of City owned property known as 1901 Main Street (APN538-670-27,36), 1031 Cesar E. Chavez Parkway (Crosby Street) (APN538-51-28), 1911 Newton Ave.(APN538-671-01), 917 Cesar E. Chavez Parkway (Crosby Street)(APN538-270-18) to the Redevelopment Agency.

For the Agency: That the Agency authorize the Executive Director to accept property ownership of property known as 1901 Main Street (APN538-670-27,36), 1031 Cesar E. Chavez Parkway (Crosby Street)(APN538-51-28),1911 Newton Ave.(APN538-671-01), 917 Cesar E. Chavez Parkway (Crosby Street)(APN538-270-18), and assume the value of 1,199,000 as debt to the City, to be paid from tax increment, property sales proceeds, or other appropriate and available funds within the Barrio Logan Redevelopment Project Area.

Environmental Impact – The City Council and Redevelopment Agency certified the Final Master Environmental Impact Report for the Barrio Logan Redevelopment Project (adopted May 7, 1991) by Council Resolution No. R-277880 and the Secondary Study (prepared by Butler Roach for the Mercado project dated November, 1992) for these projects with approval of the DDA with Mercado Alliance LLC by Council Resolution No. R-294285, R-294286, and R-294287 on November 21, 2000 and with Chuey’s On Main Street Corporation by Council Resolution No. R-295585 on October 9, 2001.

Fiscal Impact - The appraised value of the property has been established at \$1,199,000, which will be recorded as debt of the Agency. According to the terms of the Chueys on Main Street Corporation Disposition and Development Agreement, \$385,000 will be paid to the Agency for the purchase of the land over a 10 years period beginning 30 days after the conveyance of land for the development of the project. Interest at 6 percent will begin accruing immediately after conveyance and payments will begin 5 years after conveyance. These funds will be applied to the total debt owed to the City, as they are collected. Should payments be made in accordance with the amortization schedule for the \$385,000, a total of principal and interest of \$652,473.08 should be collected after 10 years. The remaining \$546,526.92 is to be paid to the City as soon from tax increment, or other appropriate and available funds within the Barrio Logan Redevelopment Project Area. The funds, as received will be used to reimburse the Transnet fund. Should the Transnet program not be extended beyond 2008, future payments shall be made to the Capital Outlay fund.

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 blighting conditions in the Barrio Logan Community. In 1991, the City of San Diego added the Crosby Street Widening Project to the CIP budget. The Crosby Street Widening Project was a part of the preliminary infra-structural improvements necessary to accommodate the development of the Mercado District, which now consists of two pipeline projects, the Mercado Commercial Center, and Chuey’s Numero Uno Restaurant. As a result of Crosby

Street widening activities, three parcels located on Cesar E. Chavez Parkway (Crosby Street) were acquired, and are awaiting transfer to the Redevelopment Agency for conveyance to two developers that have separate Council approved Disposition and Development Agreements that include these parcels. In addition, a fourth parcel located in the Mercado District, but not currently a part of a formal agreement, is being recommended for transfer to initiate a future project.

The first of these properties is 1901 Main Street, which includes two parcels located at the southwest corner of Crosby and Main and 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 property. Funds were advanced from the City to cover \$702,363 in acquisition costs beyond those originally budgeted for the Crosby Street widening project. This 39,615 square foot property, often referred to as the "Trolley Site" is currently vacant with one abandoned industrial building on-site. A Chuey's Numero Uno Restaurant is planned to be developed at this site. The development timeline for this project is on schedule and currently expected to begin construction in July 2002. For the Agency to comply with the terms of the Disposition and Development Agreement, the Property must be conveyed to the developer prior to the date of the initiation of construction.

The following two parcels, known as 1911 Newton and 1031 Crosby Street (Cesar E. Chavez Parkway), were also acquired for the purposes of the Crosby Street Widening Project. Both are included together with those parcels that will be conveyed to the developer of the Mercado Commercial Center whose Disposition and Development agreement was approved on November 21, 2000. The value of 1911 Newton, a 10,554 s.f parcel is placed at \$211,000. The value of 1031 Crosby, a 1,040 s.f. parcel is placed at \$21,000.

The final parcel is a 2,004 s.f. parcel known as 917 Crosby Street which was recently subject to negotiations in an Exclusive Negotiation Agreement with the San Diego Community College District to expand the existing Cesar Chavez Community College. Alone, 917 Crosby is too small to develop. As an addition to neighboring parcels, this site may have additional value. There have been other proposals for the development of this site, so there are no doubts that this parcel will eventually be used in a project that will be beneficial to the Barrio Logan Community, in terms of assisting in revitalization efforts and the elimination of blighting conditions.

DISCUSSION:

The proposed projects will implement a portion of the Redevelopment Plan for the Barrio Logan Redevelopment Project by allowing the realization of the Mercado District, as identified in the Barrio Logan Redevelopment Plan. In order to help achieve the revitalization of Barrio Logan, The Redevelopment Agency entered into the following agreements that relate directly to the proposed land transfer:

The Mercado Commercial Center: Two parcels need to be transferred to the Redevelopment

Agency to complete the site assembly for the Mercado Commercial Center: 1911 Newton Ave. (538-671-01), 1031 Crosby Street (538-510-28). On November 21, 2000 a Disposition and Development Agreement with Mercado Alliance was approved. The acquisition of all the parcels associated with this development, with the exception of 1911 Newton and 1031 Cesar E. Chavez Parkway (Crosby Street) were accomplished using a HUD Section 108 loan for \$7.2 million, a HUD Economic Initiative Grant for \$720,000 and a HUD Urban Development Action Grant for \$875,000. Both 1911 Newton and 1031 Cesar E. Chavez Parkway (Crosby Street) were acquired using Transnet or Proposition "A" funds, as per Resolution R-283635 adopted on March 29, 1994. The total sum of funds used for these two acquisitions was \$463,417.55. A current appraisal for 1911 Newton has be set at \$211,000. A current appraisal for 1031 Cesar E. Chavez Parkway (Crosby Street) has been set at \$21,000.

Chuey's Numero Uno Restaurant: On October 16, 2001, the Council approved the Disposition and Development Agreement with Chuey's on Main Street Corporation. Under the terms of the Development and Disposition Agreement (DDA), the Agency intends to convey the property known as 1901 Main Street to the Chueys on Main Street Corporation, which will in turn construct approximately 15,5000 square feet of restaurant space, including 26,425 square feet of on-site parking.

Originally identified as the Piepenkotter Parcel, this former 43,750 square foot lot, consisting of parcels 538-670-27-00 and 538-670-36-00 was acquired through Eminent Domain for the purposes of the Crosby Street Widening Project, through an action that was finalized on December 13, 1995. A total of \$2,052,850.00 was paid to the previous owners for property acquisition and business relocation funded through Proposition "A" funds per Resolution R-286291, adopted 09/11/95. Of the acquired parcels, 4,135 square feet were used in the widening project, which reduced the parcel to it's existing 39,615 square foot size. In 1993, the established property value was \$86,835 land value and \$466,011 for improvements. A recent appraisal placed the total value at \$927,000.

Future Project Site: The last remnant property in Barrio Logan that was acquired for the purposes of the Crosby Street Widening Project is 917 Cesar E. Chavez Parkway (Crosby Street) (538-270-18). The Redevelopment Agency has entertained various proposals for the potential use of the property in and around this parcel including the Exclusive Negotiating Agreement with the Community College District dated August 1, 2000. This site has been identified as an important component of the Mercado District. The BECA Study in 1987 analyzed the use of this site and its benefits to the Barrio Logan Community. When the Mercado and Chuey's are finalized, some complimentary uses at this site will be explored. A transfer at this time would be recommended to initiate the development process. This parcel was originally acquired for \$156,800. A current appraisal of 917 Main Street has been set at \$40,000.

The total cost of acquiring these properties with Proposition “A” funds for the purposes of the Crosby Street Widening Project was \$2,673,067.55. The land to be transferred to the Agency has a total appraised value of \$1,199,000. Because two of these intended uses will not solely be used for transportation purposes, the funds used to acquire these parcels must be reimbursed to the Transnet Fund, at current market value. The use of 917 Crosby has not been established yet, so repayment is not yet necessary at this time. Nonetheless, transfer to the Redevelopment Agency is recommended to expedite any future actions related to this parcel.

Because of the limited revenues available to the Barrio Logan Redevelopment Project Area, and future revenues are expected to be minimal, it is not expected that these debts to the agency will be paid within the expected life of the Transnet Program or 2008. The Capital Improvement Program (CIP) budget however, will be reimbursed thereafter. Using these parcels for transportation related purposes will not only be infeasible because these uses are not substantial tax-increment generators and are not consistent with Barrio Logan’s Redevelopment Plan. Although these projects are not solely for transportation use, they have incorporated more parking spaces than required by land development code to provide additional benefit to the project area, which currently experiences parking shortages in the surrounding area. If the parcels are not developed in accordance to the redevelopment plan, and in a use that will eventually provide the foremost tax generating use to the City of San Diego, they will continue to sit idle. This would neither accomplish the goals of removing blight in Barrio Logan or generating future revenues to the City of San Diego. These parcels have not contributed to the tax-increment fund and have been sitting idle, and imposing a blight on the neighborhood since 1994.

In order to implement the Disposition and Development Agreements already approved by Council and convey the site to the developers, the current City owned property must be transferred to the Redevelopment Agency. With the approval of these agreements, the City has already, in essence agreed to convey these parcels for their approved uses. Delaying further, could jeopardize the Redevelopment Agency’s ability to carry-out any future redevelopment activity in Barrio Logan. In addition, the transfer of this property to the Agency would create a source of new tax-increment revenue, contribute to create employment opportunities for local residents, and to continue the completion of the Barrio Logan Redevelopment Plan. The Agency is recommending that these aforementioned properties be transferred to the Agency, with the appraised value of the land recorded as debt of the Agency to be paid as soon as funding is available from repayment amounts agreed upon in the respective Disposition and Development Agreements, and from tax increment revenue when produced by these projects.

ALTERNATIVES

A. Do not approve, which would affect Chuey’s Restaurant from continued location and operation in the Barrio Logan community. This action would also not only prolong, but potentially prevent the removal of blight from the Barrio Logan Community.

Respectfully submitted,

Todd Hooks
Deputy Executive Director/
of Redevelopment Agency/
Deputy Director Redevelopment

Approved: Hank Cunningham
Assistant Executive Director of
Redevelopment Agency/Director
Community and Economic
Development

Approved: Bruce Herring
Deputy City Manager

CUNNINGHAM/BH

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

ATTACHMENTS: 1. Exhibit A: AP2875 Appraisal
2. Exhibit B: Parcel information/Property Descriptions