



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: February 25, 2014 REPORT NO: 14-021
ATTENTION: Honorable Chair and Members of the City Council
Docket of March 11, 2014
SUBJECT: Rehabilitation Loan Agreement for the Silverado Ballroom Building,
City Heights
REFERENCE: None

This item is being presented to the City Council acting in its capacity as the board of the local redevelopment successor agency to the Redevelopment Agency of, the City of San Diego, solely in its capacity as the designated successor agency of the Redevelopment Agency of the City of San Diego, a former public body, corporate and politic ("Successor Agency").

REQUESTED ACTION: That the Successor Agency:

- 1) Approve the Rehabilitation Loan Agreement with Lotus Equity Group, LLC for the Silverado Ballroom Building Project.
- 2) Authorize the Mayor or designee to execute the Rehabilitation Loan Agreement and all exhibits thereto requiring the Successor Agency's signature and to execute any additional documents and take all actions as may be reasonably necessary to implement the purposes of the Rehabilitation Loan Agreement.
- 3) Approve the Basic Concept Drawings for the Silverado Ballroom Building Project.
- 4) Authorize the City Chief Financial Officer, as delegated, to appropriate, encumber, and expend up to \$1,379,358 pursuant to the Rehabilitation Loan Agreement associated with the Silverado Ballroom Building Project from the Successor Agency's Unexpended City Heights Series 2010 B Taxable Bond proceeds in Fund 400695.
- 5) Determine that this activity [Rehabilitation Loan Agreement] and associated construction project has been reviewed in accordance with CEQA and the City's Land Development Code and is exempt from CEQA pursuant to State CEQA Guidelines Sections 15301 (Existing Facilities) and 15331 (Historical Resource Restoration/Rehabilitation).

STAFF RECOMMENDATION:

Approve the requested actions.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

The proposed Silverado Ballroom Building Rehabilitation Project ("Project"), is a legacy project between the current property owner and the former Redevelopment Agency of the City of San Diego, a public body, corporate and politic ("Former RDA"). In August 2011, the current property owner and former RDA entered into a Rehabilitation Loan Agreement regarding the

Project. The Rehabilitation Loan Agreement was never fully executed due to the dissolution of redevelopment pursuant to AB 1x26 and the invalidation by the State Department of Finance (DOF) of the Cooperation Agreement. However, the Successor Agency recently received its Finding of Completion, and the Project is now approved pursuant to the Recognized Obligation Payment Schedule (“ROPS”) 13-14 B (January-June 2014). The Successor Agency is now permitted to spend unexpended City Heights Redevelopment Project Area bond proceeds for this Project, subject to the Rehabilitation Loan Agreement being approved by the Successor Agency, Oversight Board and State DOF.

The City Heights Redevelopment Plan identified various redevelopment priorities, including preservation and enhancement of historically and architecturally significant resources. The City Heights Fourth Implementation Plan (2009-2014), supported the identification and preservation of historical objects, buildings, architectural style, and neighborhood context, wherever possible; more specifically, it identified the designation and restoration of historic structures, including the Silverado Ballroom Building.

The Silverado Ballroom Building was constructed in 1931/1932 in the Art Deco/Moderne style and is part of a collection of three Art Deco buildings (Silverado Ballroom, Euclid Tower, Egyptian Garage) at the intersection of Euclid and University Avenues located in City Heights (Attachment A - Site Map). Throughout the early-mid 20th century, the ballroom on the second floor became a popular venue for dance classes and ballroom dancing.

The Former RDA restored the Euclid Tower, another historic Art Deco building located across the street from the Silverado Ballroom Building. The restoration and rehabilitation of the Silverado Ballroom Building will add to the community’s vision of reviving this unique Art Deco intersection in City Heights.

Lotus Equity Group (“Owner”) has proposed a complete historical rehabilitation of the Silverado Ballroom Building. The proposed scope of work includes: rehabilitation of the exterior of the building and the ballroom located on the second floor; vanilla shell tenant improvements on the first floor; installation of an elevator for Americans with Disabilities Act (ADA) accessibility; new paving and hardscape; and structural, mechanical, and electrical upgrades (Attachment B - Basic Concept Drawings). Rehabilitation of the building is expected to increase the commercial life of the building by approximately 50 years and restore a historically significant building.

The Silverado Ballroom Building sits on a 6,106 square-foot site and contains approximately 5,750 square feet of commercial space on the first floor and approximately 5,750 square feet of office and ballroom space on the second floor. Although the building is structurally in good condition, exterior improvements and upgrades are needed. The ballroom is currently in disrepair and unavailable for use. The Owner has invested approximately \$135,000 over the past several years to replace the roof and bring the building into compliance with the City of San Diego’s Unreinforced Masonry (URM) Ordinance; this investment is in addition to the Owner’s expense, as presented in Attachment C - Project Budget.

The Owner’s original intent was to make minor improvements to the Silverado Ballroom Building. However, in light of the building’s historical significance, the Owner has proposed a

complete historical rehabilitation. Upon completion of the rehabilitation of the building, the first floor will continue to serve as commercial space, and the second floor ballroom will once again become available to the general public as an art/dance and martial arts studio, meeting/event room, and hall space for special occasions. The Owner has been patiently waiting to proceed with the Project, but had to place it on hold while the Successor Agency worked through receiving its Finding of Completion and receiving approval by the State DOF to spend bond proceeds on the Project.

The project is currently being reviewed by the Development Services Department and will be permitted to obtain a ministerial building permit upon approval of the building plans. These plans have already been reviewed for compliance with the U.S. Secretary of the Interior's Standards for Rehabilitation and approved by the City of San Diego's Historical Resources staff. Following completion of the Project, the Owner will be required to submit a nomination for local historic designation.

Conditions of the Rehabilitation Loan Agreement:

A ten-year deed restriction will be imposed as a condition to the Successor Agency's loan. The deed restriction will require that there be no change in ownership of the property during the 10 year period following the completion of the rehabilitation, otherwise the loan will be considered in default and the Promissory Note will become due immediately. Commencing with the first year following construction, ten percent (10%) of the loan will be forgiven each year. At the end of ten years, the loan will be forgiven. An Agreement Affecting Real Property (AARP), included within the Rehabilitation Loan Agreement, will also be recorded as a condition to the loan through the year 2033, (the term of the former City Heights Redevelopment Plan). The covenants in the AARP include, the use of the ballroom as a ballroom/meeting hall, maintenance of the building improvements by the Owner, and availability of the ballroom for rent/lease to the general public at rent/lease rates comparable to other similar establishments located within the boundaries of the former City Heights Redevelopment Project Area.

The schedule for the Project is as follows:

- March 2014 Oversight Board Consideration
- April 2014 State DOF Consideration
- July 2014 Begin Construction
- September 2015 Complete Construction
- October 2015 Begin Historic Designation Process

FISCAL CONSIDERATIONS:

Total Project cost is \$1,473,300. The sources of funding for the Project include the proposed Successor Agency loan of \$1,379,358 and the Owner's financial contribution of \$93,942. The Owner's \$93,942 investment in the Project includes a combination of debt and cash including a \$81,000 loan from the City of San Diego's Small Business Loan Program. This loan will require a trust deed subordinate to the Successor Agency. This loan was approved as a matching loan to the proposed Successor Agency's loan. The property does not have any loans against it secured by deeds of trust. The proposed Agreement does not allow encumbrances except for the purpose of securing loans to be used for financing the Owners' contribution. The Owners' contribution will fund engineering/architectural fees, permit fees, and a funding control agent which is needed

to get the Project constructed. Prevailing wage has been factored into the cost estimate and all improvements will be completed in compliance with the U.S. Secretary of the Interior's Standards for Rehabilitation.

The State DOF has approved the expenditure of former City Heights Redevelopment Project Area bond proceeds for this project with the approval of Line Item #564 on ROPS 13-14 B (January – June 2014). There will be no impact to the City of San Diego's General Fund. The Project costs and proposed rehabilitation are presented in the proposed in the Agreement. See Attachment D - Rehabilitation Loan Agreement.

If approved by the Successor Agency, the Agreement will be submitted to the Oversight Board and to the State DOF, for their respective consideration.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (if applicable)

This Agreement is subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Sections 22.2701 through 22.2702) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517)

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:

The Project was previously presented to and approved by the City Council and Former RDA, in August 2011, but the agreement was ultimately denied by the State DOF.

COMMUNITY PARTICIPATION AND OUTREACH EFFORTS:

The City Heights Community Planning Committee on November 4, 2013 recommended approval of expending former City Heights Redevelopment Project Area bonds proceeds for this project, with a vote of 15/1/0, chair not voting. The former City Heights Redevelopment Project Area, recommended approval of the prior rehabilitation loan agreement on February 14, 2011, with a 8-1-0 vote.

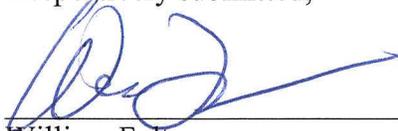
KEY STAKEHOLDERS AND PROJECTED IMPACTS

ROLE	OWNERSHIP	FIRM/CONTACT
Owner	Lotus Equity Group Members: David Chau, Ngo Chau, Xen Chau, Khiem Chau, Dan Chau, Tom Chau, Louie Chau, and Chinn Sellers 4029 Euclid Ave San Diego, CA 92105	David Chau, Operating Manager
Project Architect	Richard Bundy	Richard Bundy 3780 Ibis Street San Diego, 92103
General Contractor	TBD	TBD

The complete rehabilitation of the building will fulfill longstanding goals and objectives of the City Heights community to restore an Art Deco district; preserve and maintain a valuable

community asset located in a key corner of the City Heights community; serve as a catalyst for further enhancement in the immediate commercial area; and create temporary and permanent jobs.

Respectively submitted,



William Fulton
Director
Planning, Neighborhoods & Economic
Development Department



Ron Villa
Deputy Chief Operating Officer
Neighborhood Services

Attachments(s): A -Site Map
 B -Basic Concept Drawings
 C -Project Budget
 D -Rehabilitation Loan Agreement