



Southeastern
Economic
Development
Corporation

Memorandum

Date Issued: July 23, 2010 Item No. 9b - Report No. 10-028

Meeting of: July 28, 2010

To: Chair and Members of the Board of Directors

From: Brian L. Trotier, Acting President/CEO

Subject: *Approval of an Exclusive Negotiating Agreement with St. Stephens Valencia Business Park, LLC for the Development of the Valencia Business Park – Lots 2-7*

Reference: June 23, 2010 Consideration of Recommendation to Commence Negotiating an Exclusive Negotiating Agreement with St. Stephen's Valencia Business Park Development

October 16, 2008 Approval of Motion and Direction by SEDC Board of Directors to Re-Issue an RFP for the development of Lots 2-7 in Valencia Business Park

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SUMMARY

Recommendation - That the Southeastern Economic Development Corporation's (SEDC) Board of Directors recommends to the Redevelopment Agency of the City of San Diego approval of an Exclusive Negotiating Agreement (ENA) with St. Stephens Valencia Business Park, LLC, (Developer) for property located at the Valencia Business Park – Lots 2-7.

Fiscal Impact – None with this action.

BACKGROUND

In February of 2010, SEDC issued a Request for Proposals (RFP) for the development of Lots 2-7 containing approximately 4.33 acres (Site) in Valencia Business Park (VBP) which is located on the north side of Imperial Avenue at the intersection with Valencia Parkway. SEDC on behalf of the Redevelopment Agency of the City of San Diego (Agency) acquired Valencia Business Park (formerly known as the Potter Tract) in 1996 and used tax increment along with a HUD Section 108 loan to bring the site out of the flood plain and complete various public improvements necessary for future development.

DISCUSSION

St. Stephens is proposing a joint venture with Dudley Ventures. The subject proposal indicates the project will be built in two (2) phases. Phase I will consist of some 31,500 +/- square feet of neighborhood serving retail space which would be sold or leased to entities specifically pledging to offer employment

opportunities to local residents. Phase II will consist of some 99,000 +/- square feet of office space, community convention/meeting space, and a comprehensive health center plus a parking structure for approximately 150 cars. This proposal will require re-zoning of the Site and there is no guarantee the City or HUD will approve such a request.

The Business Transaction

Agency Obligations

- The Agency will be the lead agency in environmental matters as required by the California Environmental Quality Act (CEQA). The Agency will provide all necessary data relative to the Site. However, the Developer, and not the Agency, will be responsible for compliance with NEPA should any of the Developer's financing for development of the Property require compliance with NEPA.
- The Agency shall cooperate fully in providing the Developer with appropriate information and assistance.
- The Agency will take an active role in assisting the selected Developer in working with the City to obtain entitlements and land use approvals for the Property. The Agency's role will be that of a facilitator in the process.
- The Agency agrees to negotiate with the developer in good faith.

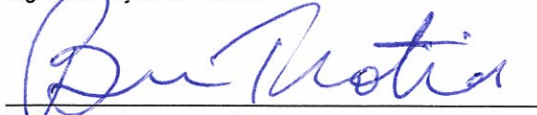
Developer Obligations

- The Developer shall purchase the Property from the Agency for a purchase price as stated in the DDA. The sale will occur after the Developer has satisfactory evidence of committed financing for the development of the Property as contemplated by the DDA, zoning approval, entitlements and permits, and satisfied other conditions precedent to the closing on the Property as specified in the DDA.
- The Developer will design and construct the private improvements on the Property, at its own cost and expense, in accordance with a Schedule of Performance to be negotiated as part of the DDA and in accordance with the Scope of Development as part of the DDA and the plans and specifications prepared by the Developer and approved by the Agency.
- The Developer will design and construct a development project on the Property that assures compliance with all conditions required by the U.S. Department of Housing and Urban Development in connection with the Agency's initial acquisition of the Property.
- The Developer will design and construct all on-site infrastructure improvements on the property and develop a plan for financing the cost of infrastructure improvements.

- The Developer will secure all necessary planning, zoning and other entitlement and permit approvals for the proposed development as contemplated by the DDA at its own cost and expense.
- The Developer, working through the City of San Diego and SEDC, will prepare, or pay the costs to have prepared, all required environmental analysis documents in accordance with the California Environmental Quality Act (CEQA) of 1970, and the National Environmental Policy Act (“NEPA”) if required, at its own cost and expense. The Agency will have approval rights of all draft environmental documents.
- The Developer will be responsible for marketing and leasing the Property and generating tax revenues to the Agency through each phase of development.
- The Developer will conduct a series of public outreach meetings (minimum of two) prior to finalizing the site plan and executing the DDA. Such meetings to be held at the sole cost of the Developer.
- The Developer shall have 60 days from the signing of this Agreement to provide to the Agency with the following information, satisfactory to the Agency:
 - (1) A preliminary conceptual site plan showing building layout and dimensions, parking, landscaping, and access, which shall be subject to changes with the approval of the Agency, which such approval shall not be unreasonably withheld.
 - (2) Cost estimates and project data for the proposal in sufficient detail to permit adequate financial analysis by the Agency.
 - (3) A detailed financial plan, including:
 - a. The approach for securing construction financing.
 - b. The approach for securing long-term financing.
 - c. Financial pro forma and project budget.
- The Developer agrees to negotiate with the Agency in good faith.

CONCLUSION

The proposed development at Valencia Business Park meets a number of goals outlined in the Strategic Plan. In addition, the proposed development could offer an opportunity for a highly visible, catalyst development with significant job creation.



Submitted/Approved by
Brian L. Trotier
Acting President/CEO

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Attachment: Draft Exclusive Negotiating Agreement to be Distributed Under Separate Cover