



## **Item #6**

DATE ISSUED: April 17, 2008

ATTENTION: Real Estate and Budget/Finance and Administration Joint Committee Meeting of April 23, 2008

SUBJECT: Seventh & Market Mixed-Use Project (Site bounded by Market Street and Seventh, Eighth and Island avenues) – Disposition and Development Agreement and Design Review -- East Village Redevelopment District of the Expansion Sub Area of the Centre City Redevelopment Project

STAFF CONTACT: John W. Collum, Senior Project Manager

**REQUESTED ACTION:** That the Real Estate and Budget/Finance and Administration Joint Committee (“Joint Committee”) recommend that the Centre City Development Corporation (“Corporation”) recommend that the Redevelopment Agency of the City of San Diego (“Agency”) and the City Council of the City of San Diego (“City Council”) approve the proposed Disposition and Development Agreement (“DDA”) and Basic Concept/Schematic Drawings (“Drawings”) for the proposed Seventh & Market Project, a 41-story, mixed-use project containing residential (including affordable), commercial and public uses (“Project”).

**STAFF RECOMMENDATION:** That the Joint Committee recommend that the Corporation recommend that the Agency and City Council approve the proposed DDA between the Agency and 7<sup>th</sup> & Market Development, LLC, and the Drawings for the Project.

**SUMMARY:** On March 26, 2007, the joint venture partners of The Related Companies, L.P. and CityLink Investment Corporation were selected as the development team for the Project. An Exclusive Negotiation Agreement (“ENA”) between the Agency and a joint venture comprised of Related California Urban Housing, LLC and CityLink Investment Corporation, was subsequently approved and fully executed on June 4, 2007, in order for the two parties to negotiate a DDA for development of the Project.

In accordance with the ENA, the Developer has formed an entity comprised of the members of the original joint venture of Related and CityLink, or entities owned and controlled by the two members and/or principals thereof. The entity is known as “7<sup>th</sup> & Market Development, LLC.” Corporation staff, on behalf of the Agency, and 7<sup>th</sup> & Market Development, LLC (“Developer”) have negotiated a DDA that provides the essential terms and conditions under which the Agency would sell its 55,175-SF site (“Property”) to the Developer, and the Developer would design and construct the Project. The DDA includes Drawings that include a 41-story (453-foot-high) mixed-use development with four levels of below-grade private parking (547 valet-parked stalls) and seven levels of above-grade public parking (630 self-park stalls). The Project design also consists of 364 residential units (including 73 affordable), approximately 18,800 square feet

(“SF”) of retail space, a 224-room hotel with a restaurant/bar and meeting spaces, a 370-SF police bicycle storage area, public restrooms, an approximately 9,000-SF cultural use space, and a public plaza located at the southeast corner of Seventh and Market.

FISCAL CONSIDERATIONS: The Agency will receive certain considerations from the Developer as part of the sale and development of the Property as detailed in the “DDA Essential Terms and Conditions” section of this report. The Agency will be responsible for the following outlays:

- Agency Loan of \$10,400,000 to Developer to assist with Affordable Housing development costs; funds derived from Developer proceeds from Property sale;
- Agency set-aside of \$500,000 to assist with remediation costs, if necessary, under the terms of the DDA; and
- Agency to finance Developer’s construction of the Public Parking facility, with an estimated cost of \$32,900,000; funds derived from Developer proceeds from Property sale, tax-exempt Parking Revenue Bonds, and/or other Agency funds.

OTHER RECOMMENDATIONS: On October 17, 2007, the Corporation received a status update of the Project’s DDA negotiations between the Developer and Corporation staff, and a presentation on the Project’s preliminary design review. The Corporation provided staff direction on several DDA and design issues to be considered as negotiations continued between the Developer and the Corporation. The Corporation expressed overall support for the Project design, recommending that the collaborative effort continue and recommended that a unique and exciting design be created for the cultural center and that the design of the tower’s top be creative and attractive consistent with the intent of the original proposal design.

The Corporation received another status update of the Project’s DDA negotiations and proposed deal terms at its Joint Committee meeting of February 13, 2008. Several Joint Committee members asked clarification questions, to which staff responded. No action was taken in anticipation that the Project would be brought back to the Joint Committee at a future date for further discussion.

On April 3, 2008, the East Village Association Board reviewed the Project and voted unanimously in favor of the Project.

CENTRE CITY ADVISORY COMMITTEE RECOMMENDATION: On April 16, 2008, the Centre City Advisory Committee reviewed the proposed DDA and Drawings and voted unanimously to support the Staff Recommendation. The Project Area Committee voted 19 in favor with 2 recusals in support of the Staff Recommendation.

BACKGROUND:

The proposed Project advances the Goals and Policies of the San Diego Downtown Community Plan (“Community Plan”) and the Objectives of the Redevelopment Plan for the Centre City Redevelopment Project by:

- Providing a range of housing opportunities suitable for the urban environment and

- accommodating a diverse population;
- Encouraging a diverse mix of housing opportunities within residential projects;
- Expanding the supply of affordable rental housing;
- Strengthening the economic base of downtown through the installation of needed public improvements, including transit and parking facilities, to stimulate new commercial, residential, employment and economic growth, and to improve the circulation of people and vehicles;
- Siting and designing new parking structures to accommodate parking needs from multiple land uses to the extent possible and allow shared parking where possible;
- Guiding the East Village neighborhood Ballpark sub-district's evolution into a multi-use district with a regional entertainment and cultural focus;
- Maintaining the prominence of PETCO Park while reinforcing the evolving high-intensity Market Street corridor; and
- In new development, encouraging use of Sustainable Development principles such as eco-roofs, roof gardens, landscaped courtyards, grass filter strips, permeable pavement, and rainwater systems, to reduce surface runoff volumes and pollutants as well as reduce heat-island effects.

The ENA set forth that the Agency and Developer would negotiate a DDA for the Agency's sale of its 55,175-SF property located in the Ballpark sub-district of the East Village neighborhood. The Developer would then be required to construct a mixed-use project consistent with the proposal it submitted as part of the Seventh & Market Request for Qualifications/Proposals ("RFQ/P"). The Developer's proposal included the numerous public benefits requested in the RFQ/P, including public parking, affordable housing, a police storefront, a cultural use and/or performance art space celebrating downtown's African-American heritage, a public plaza and public art. The Developer would also submit Drawings of the Project that would be subject to design review and approval as part of the DDA.

Subsequent to execution of the ENA on June 4, 2007, Corporation staff and the Developer have conducted bi-monthly meetings covering various topics in preparation for preliminary design review and final DDA negotiations. The Developer submitted preliminary Drawings and a revised pro forma on October 5, 2007 based upon the meeting discussions. The drawings and pro forma were the basis for the Corporation's Preliminary Design Review at its October 17, 2007 meeting, during which staff also provided a status report on DDA negotiations. The Developer submitted final Drawings on April 2, 2008, and a revised pro forma (based upon the final Drawings) on February 26, 2008, both of which are the basis for the essential terms and conditions embodied within the proposed DDA. The Developer signed the DDA on April 4, 2008.

## DISCUSSION

The Project site is a 55,175 SF site bounded by Seventh Avenue on the west, Market Street on the north, Eighth Avenue on the east, and Island Avenue on the south. The site is currently occupied by a surface-parking lot owned by the Agency and managed by the Corporation. The remainder of the block contains the privately-owned Clermont Hotel, a SRO hotel which was

designated as a local historical landmark by the San Diego Historical Resources Board in 2001. The Clermont Hotel is located on a 5,000 SF parcel to the south and west of the site. A site map is attached (Attachment A). Low-rise commercial buildings and the Alta high-rise condominiums are located to the west of the Project site. A surface parking lot and low-rise commercial/residential buildings are located to the north across Market Street. The Mark high-rise condominiums are located to the east, and the proposed Cosmopolitan Square high-rise mixed-use project is proposed to be built on the full block to the south.

The Project site is within the Employment/Residential Mixed-Use land use district, which accommodates a variety of uses and allows the mixed-use project as proposed. The Project proposes a 41-story, 453-foot tall mixed-use building containing 364 residential units (including 73 affordable), approximately 18,800 SF of ground-floor retail space, a 224-room hotel, a 370 SF police bicycle storage area, public restrooms, an approximately 9,000 SF cultural use space, and a public plaza at Seventh and Market. The project also provides four levels of below-grade parking including 547 valet-parked stalls for private uses and seven levels of above-grade public parking containing 630 self-parked stalls.

Housing Impact – The proposed Project would provide a variety of housing opportunities, ranging from low-, moderate-, and market-rate rental units, as well as luxury for-sale units. Affordable units targeting households within 40, 50 and 110 percent of area median income (“AMI”) (total of 73 units), as well as above-affordable units targeting households earning up to 200 percent of AMI (total of 37 units), are included within the rental residential component of the Project, and are designed to be scattered throughout the podium-wrap and mid-tower portions of the building and not simply isolated in one area within the Project. Details of how the affordable and above-affordable units are allocated amongst the AMI income categories and bedroom counts are included in the “DDA Essential Terms and Conditions” section below.

Project Budget and Financing – The Developer’s estimated total development costs of the Project is approximately \$409,671,000 (including land, direct, indirect and financing costs). The Developer has utilized the services of Turner Construction, a general contractor, to review and advise them on the design and associated costs of the Project. The Developer proposes to finance the Project with a combination of private and public sources as follows:

<b>Sources of Funds</b>	
<b>1. <u>Private Sources of Funds</u></b>	
Bonds for 80/20 and Retail	\$103,891,000
Tax Credits	\$6,160,000
Construction Loan	\$174,118,000
Developer Equity	<u>\$62,228,000</u>
<b>Total Private Sources of Funds</b>	<b>\$346,397,000</b>
<b>2. <u>Public Sources of Funds</u></b>	
Land Sale/Parking Bond Proceeds	\$32,874,000
Agency Loan	\$10,400,000
State of California Prop 1C Funds	<u>\$20,000,000</u>
<b>Total Public Sources of Funds</b>	<b>\$63,274,000</b>
<b>3. <u>Total Sources of Funds (Rounded)</u></b>	<b>\$409,671,000</b>

Keyser Marston Associates (“KMA”), economic consultants to the Agency, concluded that the Project’s development costs fall within industry standards for a project of this type. KMA has also provided financial feasibility analysis on various components of the Project, including the effective land payment to the Agency, profit participation, private development costs, valuation of private components, overall net cost to Agency, Public Parking costs, and overall project budget. Attachment B provides a comparison of these various aspects between the Developer’s proposal (March 19, 2007) and the proposed DDA (April 2008), as well as KMA’s analysis comments.

KMA has prepared a Summary Report in accordance with Section 33433 of the California Community Redevelopment Law in order to inform the Agency and the public about the transaction. As such, KMA has determined that the consideration is not less than the fair market value at its highest and best use.

DDA Essential Terms and Conditions – The essential terms and conditions of the DDA are summarized below:

*Disposition of the Property*

- Agency to sell Property to Developer, and Developer to pay the Agency the following at Close of Escrow:
  - Purchase Price: \$16,400,000
  - FAR Payment Bonus Program: \$ 827,625
  - Transfer of Development Rights (“TDR”) Program\*: \$ 2,167,000 (69,500 GFA)
  - \* see formulas below or \$ 2,917,000 (94,500 GFA)

- Prior to Agency's execution of DDA, Developer to deliver to Agency a nonrefundable deposit of \$250,000 (not applicable to Purchase Price and FAR/TDR payments)
- Agency to lend Developer \$10,400,000 as gap assistance to pay for a portion of the Affordable Housing development costs; average per unit subsidy for 73 affordable units is \$142,466; loan terms include:
  - 1% simple interest Years 1 – 20; 3% simple interest Years 21-55
  - Residual receipts repayment based upon 80/20 split (Agency/Developer)
  - 55-year term (any remaining balance due and payable in Year 55)
- Agency to share in Profit or Upside Participation through payments made by Developer under formulas provided in the DDA for condominiums, converted condominiums, market-rate rental residential/retail, and hotel uses; participation details are shown in Attachment B
- Agency to convey Property and all existing improvements to Developer in an "as is" condition

#### *Site Remediation*

- Developer to be responsible for managing, coordinating and implementing remediation of the Property as part of the Project construction
- Payment of remediation costs to be as follows:
  - With the Agency's cooperation, Developer to maximize reimbursement of remediation costs from the Chevron Settlement Agreement and State of California Orphan Site Cleanup Account ("OSCA") Grant—both previously secured by the Agency for the Property remediation
  - Developer to pay next \$3,000,000 of remediation costs beyond the reimbursement noted above
  - If the Developer has incurred and documented \$3,000,000 in remediation costs beyond the reimbursement noted above, the Agency will pay to Developer up to \$500,000 set aside at the Close of Escrow to assist with remediation costs
  - Any remediation costs beyond the \$500,000 set aside by Agency and other sources noted above are the responsibility of the Developer.

#### *Development of the Property*

- Developer to develop the Property in accordance with the Scope of Development attached to the DDA, and generally described in the various sections of the staff report
- Developer to achieve at least LEED Silver level certification for Project
- Developer to prepare and submit Drawings for development of the Property, for review and approval by the Agency as part of the DDA; the Drawings to conform to the "Public Parking Design Specifications," a set of criteria attached to the DDA which governs the design of the Project's Public Parking
- Developer to incorporate Universal Design Checklist components into the affordable housing units as feasible
- Developer to design Project to meet the necessary requirements to achieve Eco-Roof and Affordable Housing FAR bonuses in accordance with the Centre City Planned District Ordinance ("PDO") and the DDA's Scope of Development

*Transfer of Development Rights*

- For purposes of developing the Property as described within the Scope of Development, Developer to obtain the transfer of approximately 94,500 SF of gross floor area (GFA) through the PDO's TDR Program as follows:
  - First 25,000 SF transfer from the adjacent Clermont Hotel property to accommodate the Project's hotel use
  - If Developer is unable to obtain the 25,000 SF transfer from the Clermont property by the date required within the DDA's Schedule of Performance, then Developer is obligated to obtain transfer of 25,000 SF from Agency-owned park property
  - Remaining 69,500 SF transfer to come from Agency-owned park property to accommodate hotel, condominium, and rental residential/retail uses
  - Exact amount of square footage to be obtained by Developer from the Agency to be based upon the GFA Developer needs to construct the Project as depicted in final construction drawings
  - Consideration payable by Developer to Agency for any TDR to be calculated based upon the following values per land use:
    - \$30 per SF for hotel use;
    - \$40 per SF for condominium use; and
    - \$25 per SF for rental residential/retail use.

*Affordable Housing*

- Developer to build and covenant affordable housing units as part of the overall Project as follows:
  - Affordable units shall be restricted by Developer for rental to and occupancy by Low-Income and Moderate-Income Households at an affordable rent for 99 years; the Project includes a minimum of 73 affordable units, or in any event no less than 20 percent of all residential units, allocated as follows:

Allocation of Affordable Units					
% of AMI	# of Units per Bedroom Count				% of Affordable Units
	Studios	One-BR	Two-BR	Total	
40 %	3	4	2	9	12 %
50 %	17	23	8	48	66 %
110 %	5	8	3	16	22 %
Total Affordable Units	25	35	13	73	100%

- In addition to the affordable units noted above, Developer to build and covenant a minimum of 37 rental residential units, but no less than 10 percent of all residential units, restricted for rental to and occupancy by households earning up to 200 percent of area median income for 99 years. The units are allocated as follows:

Allocation of Above-Affordable Units				
200 % of AMI	# of Units per Bedroom Count			
	Studios	One-BR	Two-BR	Total
	13	18	6	37
% of Above-Affordable Units	35 %	49 %	16 %	100 %

*Public Parking*

- Developer to construct Public Parking to be owned by Agency and at Agency’s expense
- Public Parking Parcel to include a minimum of 630 public parking spaces, public bicycle and motorcycle spaces, a parking operator’s office, two public restrooms, and a police bicycle storage facility (restrooms and police bicycle storage to be paid for by Developer)
- Current estimate provided by the Developer for the total Public Parking is \$32,900,000, which is based upon February 22, 2008 draft of Drawings from Developer, and two DDA attachments: Public Parking Design Specifications and Public Parking Cost Allocation Principles (both developed and collectively-agreed upon by Corporation staff, Corporation parking and cost estimation consultants, Developer, and Developer parking consultant)
- Guaranteed Public Parking cost to be determined at 80 percent complete construction drawings.

*Cultural Use and/or Performance Art Space*

- Developer to construct a Cultural Use and/or Performance Art Space (“Cultural Use”) that will celebrate African-American heritage, including a focus on downtown San Diego and the surrounding area, at the northwest corner of Eighth and Island at Developer’s expense
- Cultural Use shall contain not less than 4,500 SF of gross area of covered space and operated by one or more qualified non-profit institutions on a rent-free basis (Drawings show approximately 9,000 SF of Cultural Use space)
- Developer to submit for review and approval a Cultural Use Plan and Budget that will include details on the proposed operator(s), space program and design, and budget.

*Public Art*

- Developer to provide on-site artwork for Project in accordance with City of San Diego Public Art Ordinance No. 0-19280, “Art in Private Development;” the ordinance requires artwork valued in an amount equal to 1 percent of the total building permit valuation (excluding residential and other non-applicable uses).

Schedule of Performance – The DDA will include a Schedule of Performance that will govern the timing of the various components of implementation of the DDA and development of the Project. The DDA will embody obligations for both the Developer and Agency to perform within the respective timeframes provided in the Schedule of Performance.

As the State of California Prop 1C funding (\$20 million) is an essential part of the Developer’s proposed financing for the project, and a determination as to whether the Project will receive the

funding may not be forthcoming until possibly June 2009, the Developer proposes to not move forward with production of the Project's Design Development and Construction Drawings until the Prop 1C funding or an alternative source is secured. The Developer would be provided two rounds to apply for Prop 1C funds, and each round includes two funding programs (Transit-oriented Development Housing and Infill Infrastructure Grant). The Developer has recently applied for both programs within the first round, and should be notified as to whether it has been awarded funding by June 2008 or earlier. Applications for the final round's two programs are anticipated to be due in Spring 2009, and notification of awards provided by June 2009 or earlier.

If the Developer is unsuccessful in securing Prop 1C funds through the two rounds, the proposed DDA and Schedule of Performance indicates that the Developer will be given four months to provide an alternative source of funding (or no later than October 31, 2009), and if provided, the Agency will have 60 days from that point to approve the alternative funding (or no later than December 31, 2009). If this occurs, it is likely that the Developer would not begin work on the drawings until early 2010. If so, 80 percent complete construction drawings, for purposes of obtaining building permits, would be anticipated in early 2011, and final permits issued in conjunction with the Property's Close of Escrow would be anticipated by late 2011. Project completion would be anticipated within 36-48 months thereafter.

For purposes of tracking the Project from the RFQ/P to the DDA, Attachment C provides a comparison of the development program including the following:

- RFQ/P guidelines (May 2006);
- Selected Developer's RFQ/P proposal dated March 19, 2007;
- Preliminary Design Review drawings (dated October 5, 2007) reviewed as part of the Corporation's October 17, 2007 meeting; and
- DDA Basic Concept/Schematic Drawings, submitted on April 2, 2008.

**DEVELOPMENT TEAM**

<b>ROLE</b>	<b>FIRM/CONTACT</b>	<b>OWNERSHIP</b>
Developer	7 <sup>th</sup> & Market Development, LLC, a Delaware limited liability company  Related: William Witte CityLink: William Jones	Related/7 <sup>th</sup> & Market Urban Housing, LLC (sole member is Related California Urban Housing, LLC, owned by The Related Companies, L.P. (Stephen Ross, Jeff Blau, Bruce Beal, Michael Brenner, owners) and The Nicholas Co., Inc. (William Witte, owner) (Privately Owned)  CityLink 7 <sup>th</sup> & Market, L.P. (sole general partner is CityLink Development, LLC) (Privately Owned)
Architect	Carrier Johnson: Gordon Carrier, Principal	Gordon Carrier and Michael Johnson (Privately Owned)

PROJECT DESCRIPTION

The following is a summary of the project:

Site Area	55,175 SF (partial block)
Maximum Floor Area Ratio (FAR) Permitted	6.00
Minimum FAR Required	3.50
Maximum Floor Area Ratio (FAR) Permitted w/Bonuses/TDR	10.00 + 2.1 (affordable housing bonus)
Proposed FAR	11.79
FAR Bonuses Proposed	Eco-Roofs – 1.00 FAR Payment – 1.00 Affordable Housing – 2.08 TDR Program – 1.71
Stories / Height	41 stories / 453 feet
Amount of Retail Space	18,763 SF
Amount of Office Space	NA
Type of Housing	Condominiums and Apartments
Total Number of Units / Total Residential Square Feet	364 units / 439,859 SF
Types of Units (For-sale Market Rate)	8 one-br (1,000 SF avg.) 55 two-br (1,404 SF avg.) 19 three-br (1,800 SF avg.)
Projected Sale Prices (For-sale Market Rate)	one-br = \$1,250,000 two-br = \$1,755,682 three-br = \$2,250,000
Types of Units (Rental Market Rate)	58 studios (625 SF avg.) 85 one-br (775 SF avg.) 29 two-br (1,125 SF avg.)
Projected Rental Rates (Rental Market Rate/Monthly)	studios = \$2,344 one-br = \$2,906 two-br = \$4,213
Types of Units (Rental Market Rate/Above-affordable Units @ 200% AMI)	13 studios (625 SF avg.) 18 one-br (775 SF avg.) 6 two-br (1,125 SF avg.)
Projected Rental Rates (Rental Market Rate/Above-affordable Units @ 200% AMI/Monthly)	studios = \$2,344 one-br = \$2,906 two-br = \$4,213
Number of Affordable Units (For-sale)	0
Projected Sale Prices (For-sale Affordable)	NA
Number of Affordable Units (Rental/Combination of 40%, 50% and 110% AMI)	25 studios (525 – 550 SF avg.) 35 one-br (650 – 700 SF avg.) 13 two-br (900 – 950 SF avg.)

Projected Rental Rates (Rental Affordable/ Combination of 40%, 50% and 110% AMI/Monthly)	studios = \$441-\$1,287 one-br = \$460-\$1,459 two-br = \$545-\$1,632
Number of Hotel Rooms	224
Projected Hotel Room Rate	\$315 avg. daily rate
Cultural Use Space Minimum required by DDA Proposed in Drawings	4,500 SF 9,030 SF
Police Bicycle Storage	370 SF
Number of Units Demolished	0
Parking (Private) Required Proposed Parking (Public)	443 spaces 547 spaces (valet-parked) 630 spaces
Assessor's Parcel Nos.	535-112-01 thru 03; 05 thru 11

DESIGN REVIEW

Overall, the proposed design includes a rich mix of building massing elements, fenestration, and materials that provides diversity and a high level of architectural design in this very large and complex project. The street level is highly activated around the block by retail, residential lobby, hotel lobby, and cultural uses that will provide pedestrian interest and benefit both the surrounding neighborhood and region. The following is a brief summary of the various building elements found in the project:

Building Base – The base of the building, typically 85 feet tall, has been segmented into various “buildings” to provide a variety of compatible forms. There are five main building facades within the project, creating a series of experiences around the block. The Market Street frontage exhibits two different masses anchoring the corners, separated by a recessed apartment entry characterized by an extension of the curtainwall system from the tower. The two masses complement each other in height and general color and design, but are differentiated by wall materials (metal panel vs. natural concrete), the size of the solid frame elements, the distribution of projecting balconies, and style of entry canopies. The Eighth Avenue building base is broken up with a recessed hotel lobby entry and exhibits large canvas awnings for the hotel.

The base takes on a different look at the upper-story public garage frontage along Seventh Avenue, where a series of projecting perforated metal screens with LED lighting accents are provided (vehicle headlights will be hidden by solid walls behind the metal screens). A large retail space, potentially a market, activates the Seventh Avenue ground-level frontage, which also includes the loading dock and driveway entrance to the underground private parking.

The Cultural Use lies at the corner of Island and Eighth avenues and provides a unique element by providing a series of creative stair elements and landscaped terraces. The Project's interior property line walls surrounding The Clermont Hotel have been designed to contain a series of

planted wall systems and varied building finishes (board formed concrete, perforated metal, and stained concrete), which will add interest to these otherwise blank walls.

Tower Design – The tower is characterized by two main massing elements, each characterized by multi-story metal panel frames containing infill curtainwall systems with differentiated mullion designs of different colors. The main tower incorporates the residential program and fronts on Market Street while the southern tower contains the hotel program and fronts towards Eighth Avenue. The two main towers are differentiated by differing metal colors and window mullion colors. The upper portion of the main tower exhibits a curtainwall system that is staggered at the top and incorporates a somewhat random pattern of spandrel, obscured and tinted vision glass, as well as mullion patterning, that will give it a unique architectural impression. This curtainwall system extends down into the base, providing a separation between various tower elements and accentuating the apartment lobby on Market Street and the hotel lobby on Eighth Avenue.

7<sup>th</sup>/Market Plaza – The corner of Seventh and Market is provided with the required minimum 500 square-foot Public Plaza that has been enlarged with an expanded public sidewalk area. The plaza serves the Public Parking facility and the open space area on top of the podium, and includes a glass elevator and interior stairway. The plaza has been designed with a unique paving pattern that also will contain a series of palm trees and movable seating elements, and the use of public art will be further explored in this area. The final design of this plaza and its components will be refined through the design development of the Project and be subject to Corporation staff approval.

Comments from Linda Sobuta, Consultant Architect – The Consultant Architect has indicated the cooperative evolution of the design over the past several months, and noted that additional study is appropriate in certain areas such as the Cultural Use, terraces, and plaza; the 7<sup>th</sup>/Market urban plaza; the curtainwall system detailing and its relationship to interior spaces; and, sustainability design measures. These refinements are typical as the project continues through later drawing development phases which will be monitored by staff (Attachment D).

#### FLOOR AREA RATIO (FAR) BONUSES / TRANSFER OF DEVELOPMENT RIGHTS (TDRS)

The Project is taking advantage of many of the programs in the PDO to increase its density. The Base FAR for this site is 6.0, and can be increased to 10.0 through a variety of FAR Bonus programs and TDRs, and further increased to 12.1 with the inclusion of affordable housing. In addition, the PDO exempts several areas from the FAR calculations, including the public parking garage, Cultural Use, police bicycle storage area, and the active commercial uses fronting on Market Street (a designated Commercial Street requiring such uses). The net FAR for the Project is 11.8, with the gross FAR (including exempted areas) reaching 17.2. The following is a summary of the FAR Bonus programs/TDRs being incorporated into the Project:

*Eco-Roofs* – 1.0 FAR is earned by developing at least 60% of the net roof area with landscaping.

*FAR Payment* – 1.0 FAR is earned through the purchase of gross floor area at a rate of \$15/square foot (resulting in a payment of \$827,625 to the Agency to be used in the purchase and development of public parks).

*Affordable Housing* – 2.08 FAR is earned through applying affordability restrictions on at least 10% of the residential units (the Project provides 20% of the units at affordable levels per the DDA as discussed earlier).

*TDRs* – 1.72 FAR is earned through the purchase of TDRs from the adjacent Clermont Hotel site which contains a designated historical resource and/or from one of the Agency's public park sites.

### PLANNED DEVELOPMENT PERMIT

The project is requesting three deviations from the typical PDO standards for the Project through a Planned Development Permit ("PDP"), which is a review process that allows flexibility from the strict application of the typical development regulations. The purpose of a PDP is to encourage imaginative and innovative planning and design while assuring that the development achieves the purpose and intent of the applicable land use plan. A PDP may be approved when the resulting design is determined to achieve a higher level of quality than strict adherence to the standard development regulations. The following are the three standards for which deviations are requested:

1. *Minimum Streetwall Height* – the PDO requires that projects contain a minimum 45-foot high streetwall along all street frontages. Exceptions are made for residential courtyard openings, public at-grade open spaces, and elevated residential open space areas (allows reduction in streetwall height to 30 feet). The project proposed a stepped open space/terrace area at the southeast corner of the property adjacent to the Cultural Use. These terraces adjoin a public stairway and will be generally open to the public in addition to being used for special events associated with the Cultural Use and possibly hotel, thus providing a public amenity and attractive design solution at this corner of the Project.

2. *Driveway Separation* – the PDO requires driveways to be no more than 30-feet wide and separated by at least 80 feet in order to minimize the amount of driveways which interrupt pedestrian flows and eliminate on-street parking. However, multiple driveways are required for this project to service the above-grade public/below-grade private parking facilities, as well as the loading dock area which services all uses within the Project. The driveways have been located away from intersections. On Eighth Avenue, the Public Parking facility requires three entrance/exit lanes which cannot be accommodated within the 30-foot maximum width. Therefore, either a single driveway 40-feet wide, or two driveways separated by approximately 8 feet, is necessary. Staff recommends either solution is viable, but is awaiting City staff review to see which solution is preferred. On Seventh Avenue, the driveways servicing the below-grade parking and loading zone are located 18 feet apart (it should be noted that recent amendments to the PDO have eliminated this separation requirement for loading zones); however, this project is

subject to the older regulations), which results in a larger uninterrupted retail space to the north which can accommodate larger users, such as a market.

3. *Maximum Tower Dimensions* – the PDO limits towers (those portions of the building above 85 feet) in this area to no more than 130 feet in an east–west direction and 200 feet in a north – south direction. Although the Project’s earlier designs met these parameters, Corporation staff requested slightly wider spaces in the final design of the Public Parking facility layout in order to make maneuvering into the spaces easier, which resulted in the adjustment of the structural columns. In order to provide an efficient and economical layout, these columns must be carried up into the tower, resulting in a slightly longer tower than typically permitted (208 vs. 200). This additional 8 feet is minimal and the tower has been designed into several distinct elements that avoid the appearance of an overbearing long façade.

These deviations can be approved through the PDP process when the following findings are made:

- (1) The proposed development will not adversely affect the applicable land use plan.*
- (2) The proposed development will not be detrimental to the public health, safety, and welfare.*
- (3) The proposed development will comply with the regulations of the Land Development Code.*
- (4) The proposed development, when considered as a whole, will be beneficial to the community.*
- (5) Any proposed deviations pursuant to Section 126.0602(b)(1) are appropriate for this location and will result in a more desirable project than would be achieved if designed in strict conformance with the development regulations of the applicable zone.*

The Project is consistent with the Community Plan and meets many of the adopted policies and goals as discussed earlier in the report. The Project provides public parking, a variety of residential units (affordable rental, market-rate rental and for-sale units), public open space, a cultural use, and commercial uses (hotel, retail) to serve both residents and tourists in a well-design project. The three deviations are minor adjustments to the development standards. The driveway separation provides for the most efficient and minimal amount of driveways to service the various uses within the Project; the greater tower length results in a more efficient structural system to maximize the number and utility of public parking spaces; and the lower streetwall allows a more attractive, active focal point for the unique Cultural Use and the surrounding neighborhood. Staff recommends that the findings can be made to support the three requests.

Environmental Review – The Centre City Redevelopment Project, in which this project is located, is covered by the 2006 Final Environmental Impact Report (FEIR), which is a program EIR under the California Environmental Quality Act (CEQA). Under the FEIR, an Environmental Secondary Study is prepared for all developments in the Centre City area in order to evaluate the project’s compliance with the Community Plan and PDO and, therefore, the findings and conclusions of the FEIR. A traffic study has been completed as required for larger projects under the FEIR, which found that the project would not require the installation of any future traffic improvements identified in the FEIR in order to mitigate traffic impacts from this project. In addition, a Water Demand study is being prepared for the Project in order to obtain a Water Supply Assessment (“WSA”) from the City’s Water Department. Upon receipt of the

WSA, the Secondary Study for this project will be completed, and it is anticipated that, due to the Project's compliance with the applicable planning and environmental documents, no further environmental review will be required for the Project under CEQA.

CONCLUSION

Staff recommends that the Joint Committee recommend that the Corporation recommend that the Agency and City Council approve the proposed DDA and Drawings for the Seventh & Market Project.

Respectfully submitted,

Concurred by:

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John W. Collum, AICP  
Senior Project Manager

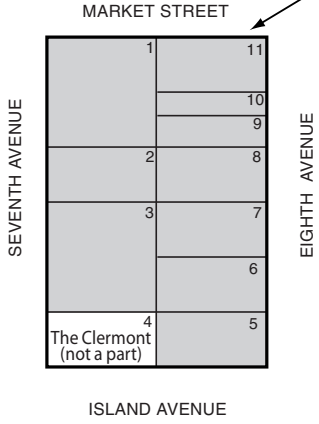
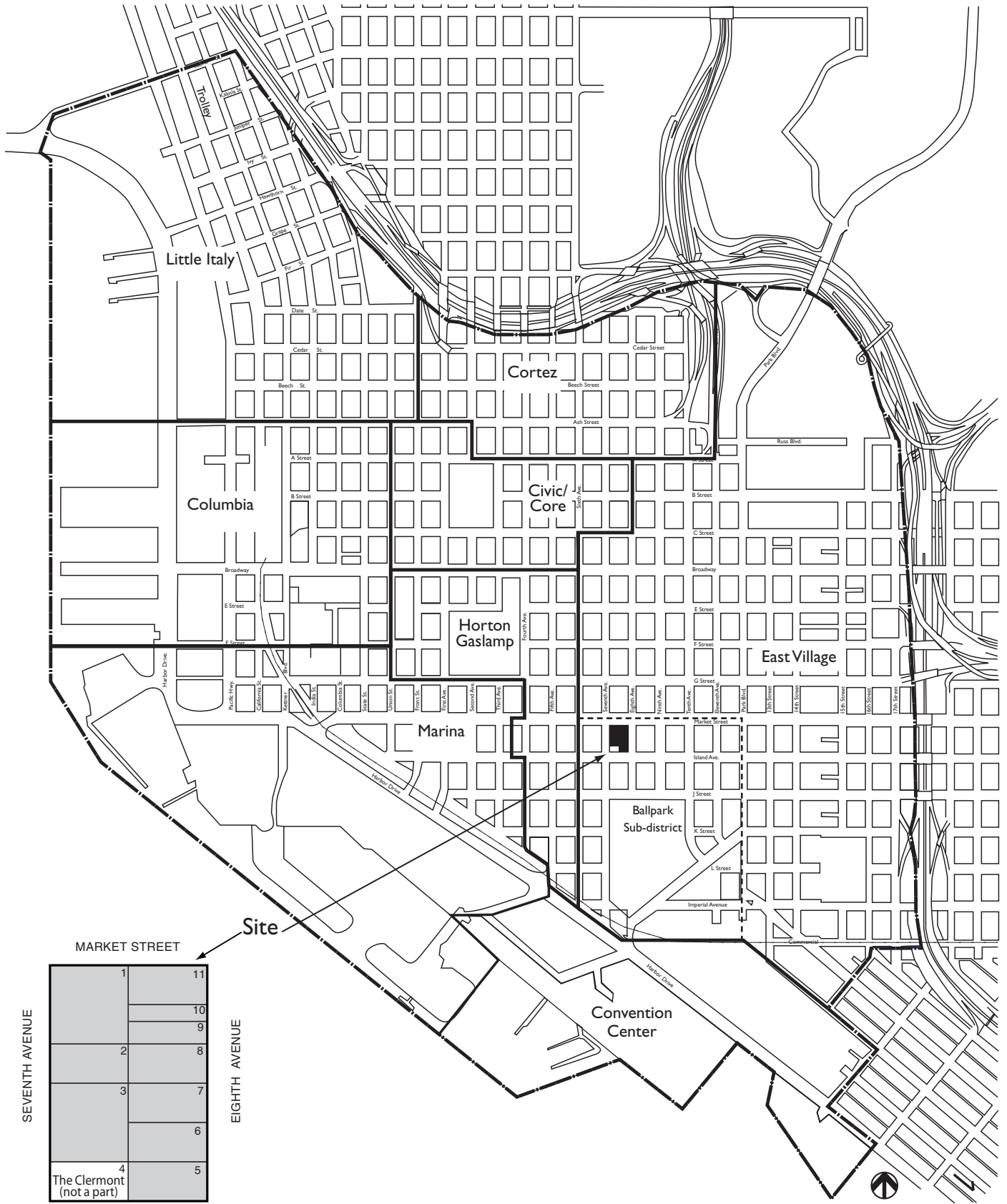
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Barbara A. Kaiser  
Vice President, Real Estate Operations

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Brad Richter  
Manager of Current Planning

Attachments:   A – Site Map  
                  B – Financial Feasibility Analysis Comparison  
                  C – Development Program Comparison  
                  D – Consultant Architect Memo  
                  E – Area Map  
                  Basic Concept/Schematic Drawings



**SEVENTH & MARKET MIXED-USE PROJECT**  
Site Map

**Related/CityLink**

**Financial Feasibility Analysis Comparison  
Seventh & Market**

**Centre City Development Corporation**

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**Keyser Marston Associates, Inc.**

**April 17, 2008**

**ATTACHMENT B**

TABLE 1

**EFFECTIVE LAND PAYMENT TO AGENCY  
SEVENTH & MARKET  
CENTRE CITY DEVELOPMENT CORPORATION**

	RELATED/CITYLINK	
	MARCH 2007	APRIL 2008
<b>I. Proposed Land Payment</b>	\$16,400,000	\$16,400,000
<b>II. Agency Contributions</b>		
(Less) Agency Loan	(\$10,400,000)	(\$10,400,000)
Add: Net Present Value of \$10.4 M Loan Repayment	<u>TBD</u>	<u>\$1,771,000</u> (1)
Total Agency Contributions	(\$10,400,000)	(\$8,629,000)
<b>III. Net Land Payment</b>	<b>\$6,000,000</b>	<b>\$7,771,000</b>
<b>IV. Adjustments</b>		
Add: Purchase of 1.0 FAR (FAR Payment Bonus Program)	\$825,000	\$827,625
Add: Purchase of TDR GFA (PDO TDR Program)	<u>\$0</u>	<u>\$2,167,000</u> (2)
<b>Total Adjustments</b>	\$825,000	\$2,994,625
<b>V. Effective Land Payment to Agency (Rounded)</b>	<b>\$6,825,000</b>	<b>\$10,766,000</b>
<b>VI. Upside Participation to Agency</b>		
Market-rate Condominium Sales	<ul style="list-style-type: none"> <li>5% of net profit, above 20% margin</li> </ul>	<ul style="list-style-type: none"> <li>5% of gross revenues, equal to 12% increase in sales price of \$1,250/SF (\$1,400/SF)</li> </ul>
Market-rate Rentals	<ul style="list-style-type: none"> <li>5% of net income, above 7% rental yield</li> </ul>	<ul style="list-style-type: none"> <li>5% of net income, above 7% rental yield</li> </ul>
Hotel	<ul style="list-style-type: none"> <li>5% of net income, above 12% hotel yield</li> </ul>	<ul style="list-style-type: none"> <li>5% of net income, above 11% hotel yield</li> </ul>
Condominium Conversions (Eligible for conversion in Year 16)	<ul style="list-style-type: none"> <li>10% of net proceeds</li> </ul>	<ul style="list-style-type: none"> <li>5% of gross sales price</li> </ul>

(1) Reflects net present value of repayment of 55-year loan from Agency to Developer; discounted at 8.0%.

(2) Reflects 1st Option to purchase 25,000 GFA from the adjacent property owner. If unsuccessful, the purchase of TDR GFA will increase to \$2,917,000 for 94,500 SF GFA.

TABLE 2

**FINANCIAL ANALYSIS - PRIVATE DEVELOPMENT COSTS  
SEVENTH & MARKET  
CENTRE CITY DEVELOPMENT CORPORATION**

		RELATED/CITYLINK	
		MARCH 2007	APRIL 2008
<b>I. PRIVATE DEVELOPMENT COSTS - PER DEVELOPER</b>			
<b>A. Development Costs</b>			
Direct Costs	\$226,148,000	\$369 Per SF GBA	\$269,835,000 \$377 Per SF GBA
Indirect Costs	\$47,207,000	21% of Directs	\$57,916,000 22% of Directs
Financing Costs	<u>\$25,600,000</u>	11% of Directs	<u>\$28,601,000</u> 11% of Directs
Total Development Costs	\$298,955,000	\$487 Per SF GBA	\$356,352,000 \$500 Per SF GBA
<b>II. PRIVATE DEVELOPMENT COSTS - KMA COMMENTS</b>			
<b>A. Development Costs</b>	<ul style="list-style-type: none"> <li>Overall, total development costs seem reasonable</li> </ul>	<ul style="list-style-type: none"> <li>Overall, total development costs seem reasonable</li> <li>Increase in development costs due to cost estimates provided by Turner Construction to reflect the specific development program of the project</li> <li>The development will be LEED Silver certified</li> </ul>	

TABLE 3

**FINANCIAL ANALYSIS - VALUATION OF PRIVATE COMPONENTS  
SEVENTH & MARKET  
CENTRE CITY DEVELOPMENT CORPORATION**

	RELATED/CITYLINK	
	MARCH 2007	APRIL 2008
<b>I. VALUATION</b> (Net of sales cost/target profit)		
<b>A. Residential - For-Sale</b>		
1. Developer	\$76,319,000      \$708 /SF	\$114,702,000      \$960 /SF
2. KMA Comments	<ul style="list-style-type: none"> <li>• 102 units (including affordable units)</li> <li>• Condominium sales prices appear reasonable</li> <li>• Developer profit target is high (18% of gross sales proceeds)</li> </ul>	<ul style="list-style-type: none"> <li>• 82 units (all market-rate units)</li> <li>• Condominium sales prices appear aggressive</li> <li>• Developer profit target is reasonable (16% of gross sales proceeds)</li> </ul>
<b>B. Residential - Rental</b>		
1. Developer	\$86,287,000      \$417 /SF	\$90,250,000      \$426 /SF
2. KMA Comments	<ul style="list-style-type: none"> <li>• 316 units (including affordable units)</li> <li>• Affordable housing financed with tax-exempt bonds</li> <li>• Market rent projection is aggressive (210 units at an average of \$3.50/SF/month)</li> </ul>	<ul style="list-style-type: none"> <li>• 282 units (including affordable units)</li> <li>• Affordable housing financed with tax-exempt bonds</li> <li>• Market rent projection is aggressive (210 units at an average of \$3.75/SF/month)</li> </ul>
<b>C. Commercial Uses</b>		
1. Developer	\$9,417,000      \$562 /SF	\$13,641,000      \$765 /SF
2. KMA Comments	<ul style="list-style-type: none"> <li>• Developer return target is aggressively low</li> <li>• Cultural space is provided at zero rent</li> </ul>	<ul style="list-style-type: none"> <li>• Developer return target is aggressively low</li> <li>• Cultural space is provided at zero rent</li> </ul>
<b>D. Hotel</b>		
1. Developer	\$132,932,000      \$604,000 /Room	\$112,344,000      \$502,000 /Room
2. KMA Comments	<ul style="list-style-type: none"> <li>• Stabilized revenue assumptions are extremely aggressive</li> </ul>	<ul style="list-style-type: none"> <li>• Stabilized revenue assumptions seem reasonable</li> </ul>

**OVERALL NET COST TO AGENCY AFTER PUBLIC PARKING GARAGE COSTS  
SEVENTH & MARKET  
CENTRE CITY DEVELOPMENT CORPORATION**

	RELATED/CITYLINK	
	MARCH 2007	APRIL 2008
<b>I. PUBLIC PARKING GARAGE - 630 PUBLIC PARKING SPACES</b>		
<b>A. Public Parking Garage Cost Estimates</b>		
Development Costs	\$26,207,000	\$32,874,000
Land Cost	\$0	\$0
<b>Total Cost</b>	\$26,207,000	\$32,874,000
<b>B. Public Parking Garage Sources of Funds</b>		
1. <u>Upfront Payments</u>		
Environmental Remediation	Included below	Included below
Agency Gap Financing		
Subtotal - Upfront Payments		
2. Agency Takeout Financing (At Completion)		
<b>Total Sources</b>	(\$26,207,000)	(\$32,874,000)
<b>C. Net Cost to Agency</b>		
Effective Land Payment to Agency (1)	\$6,825,000	\$10,766,000
(Less) Total Cost of Public Parking Garage	<u>(\$26,207,000)</u>	<u>(\$32,874,000)</u>
<b>Overall Net Cost to Agency</b>	<b>(\$19,382,000) (2)</b>	<b>(\$22,108,000) (2)</b>

(1) See Table 1.

(2) Plus Agency upside participation as illustrated in Table 1.

TABLE 5

**FINANCIAL ANALYSIS - PUBLIC PARKING GARAGE COSTS  
SEVENTH & MARKET  
CENTRE CITY DEVELOPMENT CORPORATION**

	RELATED/CITYLINK			
	MARCH 2007		APRIL 2008	
<b>I. PUBLIC PARKING GARAGE COSTS - PER DEVELOPER</b>				
<b>A. Development Costs</b>				
Direct Costs	\$21,974,000	\$80 Per SF Parking	\$29,552,000	\$109 Per SF Parking
Indirect Costs	\$3,833,000	17% of Directs	\$3,242,000	11% of Directs
Financing Costs	<u>\$400,000</u>	2% of Directs	<u>\$81,000</u>	0% of Directs
Total Development Costs	\$26,207,000	\$95 Per SF Parking	\$32,875,000	\$122 Per SF Parking
<b>II. PUBLIC PARKING GARAGE COSTS - KMA COMMENTS</b>				
<b>A. Development Costs</b>	<ul style="list-style-type: none"> <li>Reflects development of public parking on 7 levels above-grade</li> <li>Per-SF construction costs appear reasonable</li> <li>Developer would not incur financing costs if CCDC disburses funds during construction</li> </ul>		<ul style="list-style-type: none"> <li>Reflects development of public parking on 7 levels above-grade</li> <li>In process of review, based upon the DDA's "Public Parking Cost Allocation Principles" Attachment</li> <li>Developer would not incur financing costs if CCDC disburses funds during construction</li> </ul>	

TABLE 6

**PROJECT BUDGET  
SEVENTH & MARKET  
CENTRE CITY DEVELOPMENT CORPORATION**

	<b>MARKET-RATE CONDOMINIUM (4)</b>	<b>APARTMENTS/ RETAIL</b>	<b>HOTEL</b>	<b>TOTAL PRIVATE USES</b>	<b>PUBLIC PARKING*</b>	<b>GRAND TOTAL</b>
<b>I. Direct Costs (1)(2)</b>						
Off-Site Improvements	\$168,442	\$168,001	\$168,442	\$504,884	\$0	\$504,884
On-Site Improvements	\$168,442	\$168,001	\$168,442	\$504,884	\$0	\$504,884
Remediation	\$1,080,000	\$840,000	\$1,118,088	\$3,038,088	\$0	\$3,038,088
Parking	\$7,251,018	\$14,111,289	\$3,006,521	\$24,368,829	\$27,630,257	\$51,999,086
Shell Construction	\$60,203,463	\$80,031,823	\$73,378,277	\$213,613,563	\$0	\$213,613,563
Shell Construction-Police	\$42,204	\$0	\$0	\$42,204	\$0	\$42,204
Shell Construction-Cult. Space	\$3,355,037	\$0	\$0	\$3,355,037	\$0	\$3,355,037
Tenant Improvements	\$0	\$891,250	\$625,000	\$1,516,250	\$0	\$1,516,250
Tenant Improvements-Police	\$22,200	\$0	\$0	\$22,200	\$0	\$22,200
Tenant Improvements-Cult. Space	\$541,800	\$0	\$0	\$541,800	\$0	\$541,800
Amenities/FF&E	\$2,168,850	\$2,156,350	\$1,356,350	\$5,681,550	\$0	\$5,681,550
Contingency	\$5,025,647	\$6,655,982	\$4,963,796	\$16,645,425	\$1,921,868	\$18,567,293
<b>Total Direct Costs</b>	<b>\$80,027,102</b>	<b>\$105,022,695</b>	<b>\$84,784,916</b>	<b>\$269,834,713</b>	<b>\$29,552,125</b>	<b>\$299,386,838</b>
<b>II. Indirect Costs</b>						
Architecture & Engineering	\$4,595,615	\$3,467,701	\$5,229,437	\$13,292,753	\$808,720	\$14,101,473
Permits & Fees	\$1,435,000	\$2,800,000	\$1,575,000	\$5,810,000	\$250,000	\$6,060,000
Legal & Accounting	\$783,000	\$652,000	\$783,333	\$2,218,333	\$140,000	\$2,358,333
Taxes & Insurance	\$5,890,669	\$2,999,796	\$2,409,736	\$11,300,201	\$833,477	\$12,133,678
Developer Fee (3)	\$3,571,689	\$3,573,726	\$3,630,475	\$10,775,890	\$993,340	\$11,769,230
Marketing/Sales/Lease-Up	\$5,987,500	\$2,076,488	\$2,255,000	\$10,318,988	\$100,000	\$10,418,988
Contingency	\$1,600,615	\$1,265,463	\$1,333,333	\$4,199,411	\$116,283	\$4,315,694
<b>Total Indirect Costs</b>	<b>\$23,864,088</b>	<b>\$16,835,174</b>	<b>\$17,216,314</b>	<b>\$57,915,576</b>	<b>\$3,241,820</b>	<b>\$61,157,396</b>
<b>III. Financing Costs</b>						
Loan Fees	\$1,900,424	\$1,000,660	\$1,499,577	\$4,400,661	\$80,541	\$4,481,202
Interest During Construction	\$7,158,089	\$6,327,322	\$6,885,007	\$20,370,418	\$0	\$20,370,418
HOA Dues on Unsold Units	\$275,520	\$0	\$0	\$275,520	\$0	\$275,520
Operating Lease-Up/Reserves	\$0	\$1,669,083	\$1,215,001	\$2,884,084	\$0	\$2,884,084
TCAC/Syndication Fees	\$0	\$670,801	\$0	\$670,801	\$0	\$670,801
<b>Total Financing Costs</b>	<b>\$9,334,033</b>	<b>\$9,667,866</b>	<b>\$9,599,585</b>	<b>\$28,601,484</b>	<b>\$80,541</b>	<b>\$28,682,025</b>
<b>IV. Total Development Costs - Excl. Land</b>	<b>\$113,225,223</b>	<b>\$131,525,735</b>	<b>\$111,600,815</b>	<b>\$356,351,773</b>	<b>\$32,874,486</b>	<b>\$389,226,259</b>
<b>V. Acquisition Costs (5)</b>	<b>\$8,359,168</b>	<b>\$5,801,904</b>	<b>\$6,283,552</b>	<b>\$20,444,624</b>	<b>\$0</b>	<b>\$20,444,624</b>
<b>VI. Total Development Costs - Incl. Land Or Say (Rounded)</b>	<b>\$121,584,391 \$121,584,000</b>	<b>\$137,327,639 \$137,328,000</b>	<b>\$117,884,367 \$117,884,000</b>	<b>\$376,796,397 \$376,796,000</b>	<b>\$32,874,486 \$32,874,000</b>	<b>\$409,670,883 \$409,671,000</b>

(1) Assumes payment of prevailing wages.

(2) Includes pro rata share of construction management.

(3) Reflects developer fee, general administration, and office and messenger costs.

(4) Where applicable, reflects residential for-sale, police storage, and cultural space components.

(5) Reflects purchase of 1.0 FAR (\$827,625), TDR GFA (\$2,917,000), purchase price (\$16,400,000), and ENA/DDA deposits (\$300,000).

**\*Note: The public parking development costs are pending review from CCDC and are subject to modification.**

## DEVELOPMENT PROGRAM COMPARISON

<b>Scope of Development</b>	<b>RFQ/P Guidelines</b>	<b>Selected Developer RFQ/P Proposal March 19, 2007 (ENA)</b>	<b>Preliminary Design Review Drawings October 5, 2007</b>	<b>DDA Basic Concept/ Schematic Drawings April 2, 2008</b>
Public Parking	Minimum 650 spaces	650 spaces	637 spaces	630 spaces
Housing				
Total Units	Minimum 250 units	418 units	330 units	364 units
Affordable	20% of all units	20% (84 units)	20% (66 units)	20% (73 units)
For-sale affordable	None (up to developer)	20 units	0 units	0 units
Affordable three-br	None (up to developer)	6 units	0 units	0 units
Above-affordable (120-200% AMI)	10% of all units	10% (42 units)	10% (33 units)	10% (37 units)
Police Storefront w/ public restrooms	1,250 SF	1,250 SF	1,000 SF + two public restrooms (M, W)	370 SF Police Bicycle Storage + two 70 SF public restrooms (M, W)
Cultural Use	3,000 – 5,000 SF	6,000 SF	8,545 SF	9,030 SF (DDA requires min. 4,500 SF)
Public Plaza	Minimum 500 SF	500 SF +	500 SF +	571 SF
Hotel	None	220 rooms	183 rooms	224 rooms
Net FAR	None	10.6	10.36	11.79



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415 546 0400 T  
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March 28, 2008

Centre City Development Corporation  
225 Broadway, Suite 1100  
San Diego, CA 92101

Attn: John Collum, Senior Project Manager  
Brad Richter, Manager of Current Planning

Re: Urban Design & Preliminary Architectural Review:  
7<sup>th</sup> and Market Mixed Use Development

Development Team:  
The Related Companies  
CityLink Investment Corporation

Architect:  
Carrier Johnson

Centre City  
Development Corp.

APR 02 2008

Orig. To: *BRAD*  
Copy To:

Gentlemen:

At your request and in my role as an Architectural and Urban Design Consultant to the Centre City Development Corporation (CCDC), I have met periodically for almost a year with CCDC staff, the Architectural Team and the project sponsor to review the project design and its relationship to both the immediate neighborhood and the larger urban context. My review of the most recent project drawings incorporates staff comments from our joint working sessions with the design team. The process has benefited from frequent interaction and a spirit of collaboration that has advanced the design significantly between meetings. The following narrative provides a design update for the 7<sup>th</sup> & Market Mixed-use Development.

### Urban Design

The project is located between 7<sup>th</sup> and 8<sup>th</sup> Avenues and is bounded by Market Street on the North and Island Avenue on the South. This ambitious mixed-use project will occupy an important site in the City that is convenient to both the ballpark district and the downtown. The project site occupies most of the block, except for the Clermont Hotel parcel at 7<sup>th</sup> and Island.

The 7<sup>th</sup> and Market project is one of many new developments to the north of the ballpark in a rapidly redeveloping area that includes many nearby sites. Most of the neighboring residents will experience the building at the sidewalk level. Although the project will 'top out' at a height of 461 feet, the design recognizes the equal importance of visual interest in the pedestrian realm and maximizes active edges while keeping required vehicular curb cuts to a minimum. This will result in an attractive, consistent and active streetscape.

The Architects have carefully considered the way that pedestrians will move through the district and the site. At the ground level, a mix of uses will provide amenities for the surrounding neighborhood including retail, restaurants and meeting spaces. In addition, the design team has created an interesting new public open space atop the podium. This feature will activate the public realm at street level in a novel way: it will be possible for pedestrians to access the podium rooftop open space via elevator and stair access at the corners of 8<sup>th</sup> and Island and 7<sup>th</sup> and Market. This accessible terrace will provide a new vantage point from which to experience and view both city and distant vistas.

A prominent feature of the design is a multi-purpose space located at 8<sup>th</sup> Avenue and Island Avenue. While the program for this space has not been firmly established, it is currently envisioned as a cultural use venue that can accommodate a great variety of cultural and community gatherings and events in conjunction with an array of south-facing outdoor terraces. Two distinctive design features associated with this facility include a highly expressive stairway and a glass elevator tower that provide links to multiple, stepped rooftop terraces, ultimately providing access to public portions of an eco-roof open space atop the podium. As mentioned earlier, this elevator/stair core makes it possible to access the roof, cross to the diagonally opposite corner and descend to the other public plaza at the corner of 7<sup>th</sup> and Market. Both of these street corners will provide a small plaza to promote the use of outdoor seating areas immediately adjacent to active retail and cultural uses.

## **Architectural Design**

The sidewalk level design maximizes active frontages by featuring a variety of uses. These include the two primary entry lobbies (one to the hotel on 8<sup>th</sup> Avenue and the other to residential apartments on Market Street), extensive retail frontages, restaurants and the cultural space. These ground level uses will enliven the pedestrian realm both day and night. To achieve this goal the width of loading and parking entries have been kept to the absolute minimum.

The project includes a public parking garage and a private parking garage. Parking access to the two garages has been dispersed as a means of minimizing traffic impacts on any one street. In addition the width of the entries has been kept to the minimum dimension required for vehicular access. Resident, hotel and retail parking is accessed from 7<sup>th</sup> Avenue and is located entirely below grade. The seven story public parking garage is accessed from 8<sup>th</sup> Avenue and begins on the second level. It is 'embedded' in the podium, screened by active uses along Market Street and 8<sup>th</sup> Avenue. On the 7<sup>th</sup> Avenue frontage, the Architects have taken the design challenge of screening the above grade parking and turned it into an opportunity by creating a highly expressive visual screen of folded perforated metal panels accented with horizontal strips of LED lighting. Concrete perimeter stem walls will screen the vehicle headlights. The design of this screen will be one of the more dramatic features of the design.

## **Aesthetics: Building Elements, Exterior Design and Materials from Street to Tower Top**

The design team has brought imaginative flourishes to the building exterior. Since the initial submission to CCDC several prominent features of the design have remained constant throughout the design process including the following:

- A pedestrian friendly environment that maximizes active uses at grade with generous glazing at the retail, lobbies and hotel public areas.
- An 8-story podium to the north of the Clermont Hotel that gradually steps down to the corner of 8<sup>th</sup> and Island. The first floor of the podium is generally dedicated to active uses, but also includes parking access to the two garages (below grade residential garage and above grade public garage). Residential uses that buffer the podium parking generally follow a loft vocabulary along Market Street and 8<sup>th</sup> Avenue, while the 7<sup>th</sup> Avenue podium facade is adorned with an elaborate 3-dimensional array of perforated metal panels that elegantly screen the public garage.
- An active and attractive open space atop the podium that serves residents in dedicated areas and the general public in commonly accessible areas. Elevator and stair access at the 7<sup>th</sup> & Market and 8<sup>th</sup> & Island corners is an invitation for people to visit the rooftop.
- A mid-tower shaft with a multistory gridded frame expression, consisting generally of a 4-story expression at the bottom and top with a 2-story expression for the floors in between. This larger 2-story module gives the main tower openings a more elegant vertical proportion and a refined scale appropriate to the overall project.
- An expressive variegated glass curtain wall tower top extends downward in the form of a family of broad reveals that are set back from the face of the concrete frames. These elements interlock with the family of gridded frames on all four sides of the tower, giving a more vertical expression to the overall massing and creating a larger scale on the facades. While the ultimate arrangement of curtain wall elements including vision glass, spandrel glass and obscure glass will need to consider the layout of the interior spaces, this somewhat random pattern of the mullions and glass treatments must be preserved in the final design. Additional study of this curtain wall feature will be required as the design drawings progress and should address issues such as the operability of windows, the visual impact of party walls and the testing of the visual transition between curtain wall at the residential floors and the curtain wall at the mechanical penthouse enclosure.

The massing and urban design strategy is based upon sound design fundamentals: maximize transparency at the street level, maintain the street wall to the podium height of approximately 85 feet, and carefully knit the tower and the podium together so that they appear to be integrally related elements and not a stack of objects.

### **Summary**

The broad mix of uses will make this building a crossroads for San Diego residents and visitors alike. Since the beginning of the process, there has been a great exchange of ideas about the potential of the design to positively influence the public realm. Creative concepts have been brought to the table and debated among the CCDC Staff, Developer, and Design team. As the project design has been developed there has been an editing process that has brought the different features into greater harmony. The project team has designed a building that is

oriented to a lifestyle that reflects the best of urban living, particularly in San Diego. To the extent possible, the design team should explore environmentally sensitive design strategies.

### **Recommendations**

Over time the current design has evolved by building upon both the ideas in the initial submission and the comments and observations exchanged in meetings with the project team, CCDC representatives and the design review consultant. The following design recommendations reflect comments made by various parties in the team meeting and in response to the submitted documents:

- The corner of 8<sup>th</sup> and Island will be one of the most animated parts of the project and offers great promise as one of the most distinctive features of both the building and the neighborhood. This design of this feature could benefit from simplification, but should not abandon the exuberance and sculptural qualities presented in early design sketches. A careful editing should provide a range of options for people to enjoy the outdoors.
- Corner plazas planned for the corners of 7<sup>th</sup> and Market and 8<sup>th</sup> and Island, should have distinctive designs. The landscape and streetscape design needs to limit the options and pursue a direction. These two outdoor spaces should be studied in some greater detail so that the anticipated activities – sitting at a table while people are making their way to the elevators and stairs – are not in conflict.
- The units should be studied relative to the curtain wall to determine the visual impacts of party walls and solids behind the glass, while maintaining the design goal of a distinctive form against the skyline.
- A list of potential sustainability measures that can be achieved should be assembled and implemented. Ideally this should be early in the design so that these features are integral with the design.
- If possible a general 3D model of the project massing should be made to evaluate views to and from the project. It would also be good to try to simulate the exterior palette of materials and proposed colors as they will appear in natural light.

A great deal of thoroughness, creativity and imagination has been brought to the table and as a consequence the design should continue to develop in more detail as the design progresses to subsequent phases.

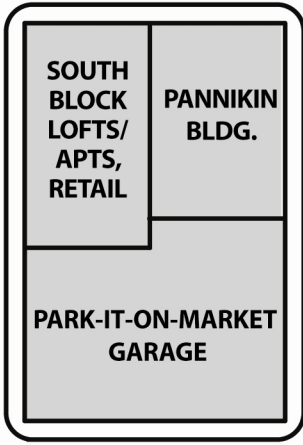
Sincerely,



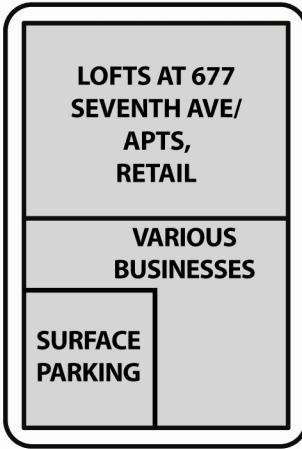
Linda A. Sobuta, FAIA  
SMWM

G ST.

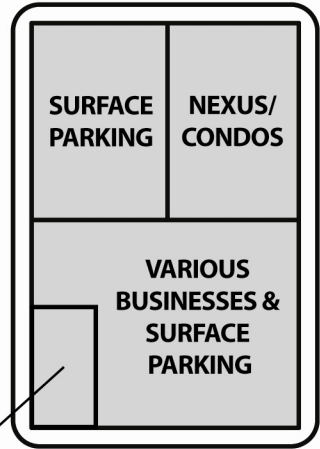
SIXTH AVE.



SEVENTH AVE.



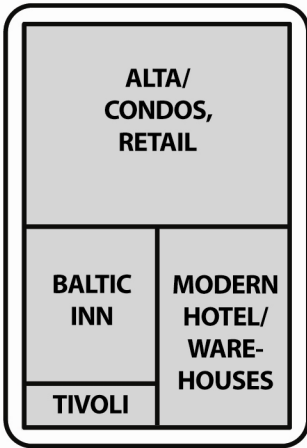
EIGHTH AVE.



NINTH AVE.

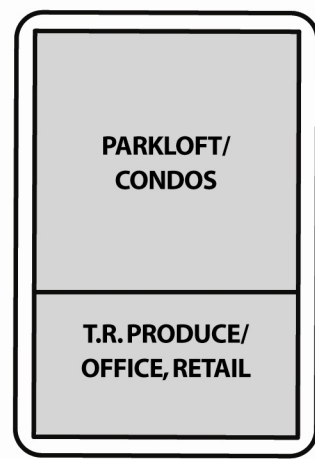
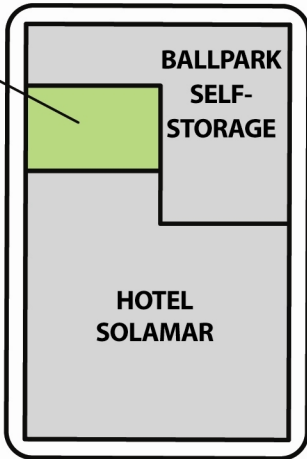
BARRY HOTEL

MARKET ST.



ISLAND AVE.

6TH AVENUE OFFICES (future)



J ST.

\*Owned by Redevelopment Agency

# ATTACHMENT E SEVENTH & MARKET

Area Map