ITEM NO. 20

STAFF REPORT

CITY OF OCEANSIDE

DATE: December 8, 2010

TO: Honorable Mayor and City Councilmembers

FROM: Economic and Community Development Department

SUBJECT: **AUTHORIZATION TO ISSUE A REQUEST FOR PROPOSALS FOR THE DEVELOPMENT OF THE COMMERCIAL AREAS OF THE EL CORAZON SPECIFIC PLAN**

SYNOPSIS

Staff recommends that the City Council authorize the issuance of a Request for Proposals to develop the commercial areas of the El Corazon Specific Plan.

BACKGROUND

In September of 2009, the City of Oceanside issued a Request for Qualifications ("RFQ") to the general public to solicit statements of qualifications from parties interested in partaking in the development of the various developable areas described in the 465-acre El Corazon Specific Plan. The RFQ process was designed to solicit a response from a wide range of interested parties such as master developers, a variety of commercial developers, and recreational developer and operators.

The City received statements of qualifications from a number of parties interested in the commercial development, development of the hotel sites, the operation and development of some of the recreational areas, and providing development consultation. As part of the overall selection process, upon a review and analysis of the statements of qualifications submitted, the qualified party would then be selected to participate in the subsequent Request for Proposals ("RFP") phase.

ANALYSIS

Upon review and analysis of the statement of qualifications in response to the RFQ, staff also looked at any request for public financing to help develop El Corazon. To proceed with the development of the overall project so as to include development other than the commercial areas, it was determined that significant public financing was needed. This need for significant public financing together with current economic constraints, one RFP option is to identify full-service development companies to whom

an RFP would be issued for only the development of the commercial areas of El Corazon.

In order to achieve the objective of developing El Corazon in accordance with the El Corazon Specific Plan, in a timely manner with the least public cost, a determination was made to move forward with the issuance of a RFP to three full service development companies interested in developing the commercial areas of El Corazon. The qualified commercial development companies selected to participate in the RFP process are Stirling Development, LLC; Sudberry Properties; and The Corky McMillan Real Estate Group (collectively the "Commercial Developers").

The Commercial Developers will be asked to submit a detailed proposal in response to the RFP. Although the RFP is for the overall commercial development only, the Commercial Developers can submit a response to the RFP which incorporates the development of other areas of El Corazon (e.g., recreational, civic, habitat). A copy of the RFP is attached as part of this staff report.

The RFP will be advertised and sent to the Commercial Developers sometime in January 2011. There will be a 90-day period in which the Commercial Developers can submit proposal in response to the RFP to develop El Corazon in accordance with the Specific Plan. The RFP proposal will need to include such items as:

- A description of the commercial and other development proposed, including such items as a proposed: development schedule; development proforma; financing plan; and construction schedule.
- Relevant experience with the public sector and/or government entity setting forth such items as: prior similar projects; party to an exclusive negotiating agreement or similar contractual obligation; preparation of documents for California Environmental Quality Act or other similar review process; leases or other similar property rights other than fee simple ownership.
- Financial qualifications and history, including: a description of the financial capabilities to develop the project proposed; history of past developments; and prior experience involving financing for public-private arrangement.
- A brief description of any litigation history associated with the development and/or operation related to a real estate transaction or development application process.

Upon expiration of the 90-day period in which to submit an RFP proposal, staff will evaluate the RFP proposals to determine the completeness. Thereafter, those RFP proposals that are deemed complete will be evaluated by staff. Additional information may be requested and could include interviews. Staff will then select one of the Commercial Developers to enter into an Exclusive Negotiating Agreement ("ENA"), which would eventually lead to a Development and Disposition Agreement or similar

arrangement for the development of the commercial components of El Corazon. The ENA and other agreement will be brought before the City Council for its approval.

FISCAL IMPACT

At this time, there is no fiscal impact to the General Fund. As the City moves forward with the subsequent steps in selecting and entering into an agreement with a commercial developer, additional funds may be needed, at which time staff will request the requisite funding.

INSURANCE REQUIREMENTS

Does not apply at this time.

COMMISSION OR COMMITTEE REPORT

The RFQ analysis and review together with the RFP selection process was submitted to and approved by the El Corazon Oversight Committee who was the predecessor in interest to the newly formed El Corazon Commission.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff recommends that the City Council authorize the issuance of a Request for Proposals to develop the commercial areas of the El Corazon Specific Plan.

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EL CORAZON

REQUEST FOR PROPOSALS

I. OBJECTIVE

The City of Oceanside, in order to achieve its objective of developing El Corazon in accordance with the El Corazon Specific Plan, with the least public cost, issues this Request for Proposals ("RFP") to three pre-qualified development companies. The RFP is directed to the commercial developers for the development of the commercial areas of the project and not as the master developer of El Corazon. However, the commercial developers are encouraged to submit a proposal that incorporates the development of portions of the individual recreational facilities and/or a proposed joint venture or other partnership arrangement with a recreational operator.

After receipt of responses to the RFP, review thereof, and selection of a commercial developer, the City would enter into an Exclusive Negotiating Agreement with the selected commercial developer. The Exclusive Negotiating Agreement would eventually lead to a Development and Disposition Agreement for the development and long-term lease of the commercial components of El Corazon and non-commercial areas, if applicable.

The RFP is put forth with the following understanding:

(a) The developer would be responding as a commercial developer for the development of the commercial areas of El Corazon.

(b) The commercial developer would have the opportunity and is encouraged to partner with Request for Qualification respondents who were interested in portions of the project other than the commercial development, or work with other entities interested in the development of the non-commercial components of El Corazon (e.g., recreational facilities, civic service facilities, habitat areas).

(c) The commercial developer would need to set forth the proposed development, including phasing, if applicable; the proposed development and construction schedule; and the proposed financing structure for the development for the project.

(d) The proposed commercial development and use of El Corazon will need to be consistent with the parameters of the El Corazon Specific Plan, including the core development goals set forth therein.

**** Please be advised that any commercial development entity, company and/or individual or combination thereof submitting a RFP Response does so with the express understanding that the City of Oceanside reserves the right to select certain entities, companies, and/or individuals, or a combination thereof, which includes, but is not limited to selecting members of different teams, who the City believes would best serve the overall development and intent of the El Corazon project. Further, notwithstanding the issuance of this RFP and the receipt of responses thereto, the City also reserves the right to pursue other development options related to El Corazon and/or to reject all RFP Responses.***

II. SUBMISSION REQUIREMENTS

The RFP Response Packages must follow the format outlined below and all requested information must be supplied:

1. Commercial Development Description:

(a) A detailed development proposal for the commercial development and the applicable non-commercial development of El Corazon. The detailed development information should describe what is proposed to be developed; how the project will be developed (e.g., phases of development); how the project will be financed (together with any conditions associated therewith); and how the specific uses in the El Corazon Specific Plan will be addressed. The development information to be provided will need to include:

i. Project Description – A description of the proposed development which should include items such as proposed land uses; approximate square footage by type (i.e., retail, office, hospitality); and the type of users envisioned.

ii. Development Schedule – An overall proposed development schedule setting forth the anticipated time periods needed to negotiate an Exclusive Negotiating Agreement and a Disposition Agreement; approval of any further entitlements to execute the development; period of time to obtain financing; expected time period to secure tenants with a letter of intent or execute leases; development phasing of the project; construction of the project; and any conditions associated therewith in order to complete the development of the project; a description of what and how phases and/or portions of the project will be financed and developed; a description of typical milestones or threshold events; a description of the ramifications and/or consequences for the failure to meet milestones or threshold events (e.g., penalties, termination options, etc).

ii. Development Proforma – A project development cost spreadsheet, which shall include, but not be limited to: setting forth specific line items costs (such as soft costs, hard costs, financing costs, contingency costs, etc.) in sufficient detail; a schedule as to when said costs are anticipated to occur; development phasing (where applicable); the development assumptions together with the rationale associated therewith; and the anticipated or project return on investment or internal rate of return.

iii. Financial Plan – A financing plan, which shall include, but not be limited to the following: the proposed amount of financing needed for the development of the project (pertinent to each phase, if applicable); a description of the type of financing (e.g., equity, debt, gap) needed to develop the project and any costs associated therewith (e.g., broker fees, lender fees, attorney fees, etc.); a projected source of funds for equity and debt (also any mezzanine financing, as appropriate, and construction financing); a description of any developer contributions (e.g., equity, lease rent credits, etc.); a description of the anticipated repayment obligations, amortization periods, etc. pertaining to the satisfaction of debt or other financial arrangements; any financing contingencies; and the anticipated financing time periods, overall and by phase of development, if applicable.

iv. Construction Schedule – A construction schedule (similar to Microsoft Project format) setting forth specific line items necessary for the completion of construction of the project (e.g., specific application and approvals, the development of improvement plans, development of grading plans, development of construction plans, obtaining of permits, inspections, grading, off-site improvements, on-site improvements, shell building, tenant improvements, etc.) including a breakdown by construction phasing (if applicable); any construction contingencies, etc.; and any other items as set forth in the Development Schedule above which are related to the construction of the project or any phase thereof.

(b) If there is a non-commercial component associated with the development of the commercial areas, also provide a detailed site plan, development and/or operational plan for the applicable non-commercial development and/or use of El Corazon that is of interest. If applicable, the items set forth in subsection (a) above will also need to be addressed and provided.

2. Relevant Experience:

A description of similar projects completed by the individual, company or entity that comprise the commercial developer, which clearly demonstrates the requisite expertise in the applicable development, operation and/or use of that particular portion of the El Corazon that is of interest, should be provided. Relevant similar projects should distinguish between the projects of the individuals, company or entity that comprise the commercial developer, if applicable. If there is a non-commercial component, relevant project experience should also be provided for this component. Similar project experience should also include, but not be limited to the following:

(a) Prior projects involving the process of using public sector and/or government owned or controlled real property. This would include projects requiring public sector and/or governmental commissions and/or community related advisory group approvals, in addition to the typical jurisdictional and public sector and/or governmental approvals.

(b) A direct party to an Exclusive Negotiation Agreement, Memorandum of Understanding, Development and Disposition Agreement or other similar contractual obligation with the public sector and/or governmental entity for a similar project.

(c) Preparation of applications and related documents pertaining to the California Environmental Quality Act or other similar or comparable environmental review process for a similar project.

(d) A similar project as a lessee, sublessee or party to a long-term ground lease or similar real property right or interest other than by fee simple ownership, preferably with a public sector and/or governmental agency.

(e) Any prior projects involving a partnership, joint venture or other similar real property contractual relationship with a public sector and/or governmental entity.

3. Development and/or Operating Qualifications:

Please include a detailed description of the individual, company or team's profile, including the range of capabilities and services as it relates to the particular aspect of El Corazon that said party is seeking such qualification. The profile should include references for similar projects and a contact person or persons together with applicable contact information.

4. Financial Qualifications and History:

Please include a description of the individual, company and/or entity that is part of the commercial developer team, financial capabilities to develop and/or operate its particular area of qualification or expertise. Financial capabilities also include relevant experience in the financing of significant infrastructure improvements similar to those required for the development of El Corazon. Relevant financial qualifications should also include, but not be limited to the following information:

(a) Audited financial statements or similar financial information of the applicable individual, company or team, which reflects a financial capacity to undertaken the development and/or use proposed. Said information will be held in strict confidence and not available for public review.

(b) References from financial institutions or other sources of funding together with contact names and relevant information.

(c) History of past developments and or projects and the financing involved.

(d) Prior experience or projects involving the financing for public-private partnerships or other similar arrangements.

(e) Prior experience or projects involving improvement districts, community facilities districts or other similar financing mechanisms.

5. Litigation History: