

STAFF REPORT*CITY OF OCEANSIDE*

DATE: August 31, 2011

TO: Honorable Mayor and City Council Members

FROM: Property Management Division, Economic and Community Development Department

SUBJECT: **RECOMMENDATION FOR THE SELECTION OF A DEVELOPER FOR THE DEVELOPMENT OF EL CORAZON**

SYNOPSIS

Staff recommends approval of the selection of The Sudberry Properties/Soccer Field of Dreams as the developer of El Corazon, and authorization for staff to negotiate an exclusive negotiating agreement with the developer.

BACKGROUND

In 1994, the City of Oceanside acquired the approximate 465-acre former sand mining site which is situated south of Mesa Drive, east of El Camino Real, west of Rancho del Oro Drive and north of Oceanside Boulevard. The site contains varied topography and primarily consists of undeveloped vacant land. There are some uses currently on the site including a green waste composting facility, reclamation activities within a remnant mine tailings pond, and a senior center that opened in June of 2009.

In 1995, the City Council directed staff to develop a long-range Vision Plan to guide the development of the site. Subsequently, the City Council established the El Corazon Planning Committee ("ECPC") in 2003 to continue the future planning of El Corazon. As a result of ECPC's efforts, the City Council accepted the El Corazon Land Use Master Plan ("Master Plan") in 2005 and also formed a new committee, the El Corazon Oversight Committee ("ECOC") to oversee the process of preparing the specific plan in conformity with the Master Plan. Through the work of the ECOC and City staff the El Corazon Specific Plan ("Specific Plan") was drafted in 2007.

The Specific Plan and the corresponding Environmental Impact Report ("EIR") propose a wide range of both active and passive park activities, natural open space and habitat, civic service uses, commercial land uses including hotel, office and retail developments, and a vertical mixed-use 300 residential unit alternative. The Specific Plan and the EIR were presented to the Planning Commission on April 20, 2009. The Planning Commission recommended that the City Council certify the EIR with a 7-0 vote and also



recommended adoption of the Specific Plan with the residential alternative with a 7-0 vote.

The development of the Master Plan and the Specific Plan for El Corazon had substantial public involvement and input. Additionally, the EIR process for El Corazon involved significant public feedback. Numerous public meetings were held and requests for citizen input were distributed to find out what the public wanted to see developed at El Corazon.

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 the development of the various developable areas described in the 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.

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. In order to move forward 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. As a result of this need for significant public financing, together with the current economic downturn, staff looked at an RFP that would separate the development of the commercial areas of El Corazon from the development of the non-commercial areas.

To achieve the objective of developing El Corazon in accordance with the Specific Plan, in a timely manner with the least public cost, staff decided to move forward with the issuance of a RFP to three full service development companies interested in developing the commercial areas of El Corazon with an option to develop the non-commercial areas of El Corazon. The qualified commercial development companies selected to participate in the RFP process were Stirling Development, LLC; Sudberry Properties; and The Corky McMillan Real Estate Group (collectively the "Commercial Developers").

The Commercial Developers were asked to submit a detailed proposal in response to the RFP. Although the RFP was for the overall commercial development only, the Commercial Developers were instructed that they could also submit a response to the RFP which incorporates the development of other areas of El Corazon (e.g., recreational, civic, habitat). The RFP was sent to the Commercial Developers in January 2011 with the proposals due March 15, 2011.

Prior to the March 15th closing date, one of the Commercial Developers, The Corky McMillan Real Estate Group, informed the City that they would not be submitting a proposal in response to the RFP. Prior to the closing date the City did receive a proposal from Stirling Development, LLC and The Sudberry Properties/Soccer Field of Dreams ("Sudberry"). Copies of the proposals are available for review at the City Manager's Office.

ANALYSIS

A committee comprised of City staff and an outside consultant analyzed the proposals submitted by the developers and conducted interviews with the developers, and unanimously concluded that Sudberry will be recommended as the developer for El Corazon.

The recommendation to select Sudberry is based on:

- Their development plan having less deviation from the Specific Plan
- Sudberry's extensive direct retail and office development experience
- The use of developer equity and less dependence on public financing
- The desire to develop the temporary athletic fields as soon as possible together with a partner who operates the internationally recognized "Surf Cup" soccer tournaments interested in utilizing El Corazon as soon as the fields are ready

The proposals were evaluated by a diverse cross section of City staff representing various disciplines and expertise, comprised of Michelle Skaggs-Lawrence, Deputy City Manager; Jane McVey, Economic & Community Development Director; Teri Ferro, Financial Services Director; George Buell, Development Services Director; Scott Smith, City Engineer; Jerry Hittleman, City Planner; Tarquin Preziosi, Supervising Deputy City Attorney; Douglas Eddow, Real Estate Manager; Eileen Turk, Parks & Recreation Division Manager; Megan Crooks, Management Analyst; and Tracy Bohlen, Economic Development Coordinator. Additionally, the proposals were also evaluated by an outside development and financial consultant, Keyser Marston Associates (collectively referred to as "Committee").

The review of the proposals and the responses to the developer interview questions examined and analyzed such areas as compliance with the El Corazon Specific Plan; development experience and expertise relative to the development proposed; the type of development proposed including the type of business relationship with the City, the proposed development schedule, and the financing for the development; and, the proposed development and public use of the recreational components of El Corazon. The analysis reflects the collaborative review, examination, and discussions by the

Committee. A summary is set forth below with a more detail comparison provided in Attachment 1.

El Corazon Specific Plan

This area of the review and analysis by the Committee focused on how each developer's proposal deviated from the Specific Plan. Sudberry's focused on a mix of commercial, visitor and entertainment uses in addition to the recreational uses. Sudberry indicated that other than a possible residential housing option, the only other deviation from the Specific Plan is that the temporary athletic fields and parking, which will at some point in the future become permanent fields, are not located in the exact location as shown on the Specific Plan.

Another area of Specific Plan compliance looked at the need to acquire a portion of El Corazon in fee rather than a ground lease. Sudberry indicated that their preference would be to acquire some of the commercial development land in fee in order to make the project more attractive to major retail users. However, Sudberry said they would agree to a ground lease, although it would make negotiating with major users significantly more difficult.

Development Experience

This area of the analysis by the Committee looked at the developer's expertise and experience in the development of real estate relative to the uses proposed in the Specific Plan. Sudberry has developed over 3,492,000 SF of retail space in addition to office/industrial space. Sudberry also indicated ongoing relationships with retail major users such as Lowe's, Albertson's, Ralph's and Home Depot. Additionally, Sudberry has been involved with a number of public private partnerships including the City of San Marcos, the City of Santee and the City of San Diego.

Proposed Development Financing and Schedule

This portion of the analysis examined the developer's financing plan for the development of El Corazon and any financial participation by the City. Sudberry's position, assuming that a graded pad is provided for the temporary athletic fields and the ground lease is initially provided rent free, is that they will obtain cash equity from investors and obtain a loan to develop the temporary athletic fields. The development of the commercial areas will be done by a private debt/equity financial arrangement, some funds through corporate sponsorships, and no public financing would be required for the recreational or commercial components.

Each developer's proposed development schedule for El Corazon was also examined and analyzed by the Committee. Sudberry said that the temporary athletic fields will be developed as soon as possible. As for the commercial areas, they will be developed as the market returns. The take-down of the commercial areas will be phased with the developer holding options on the subsequent phases to be exercised when a prior

phase is developed. The balance of the recreational areas will be developed as interest and/or funding provides but nothing specific was identified at this time.

Development and Use of Recreational Areas

This area of the analysis focused on the development of the recreational areas of El Corazon. Sudberry would look for investors to provide equity needed to develop the temporary athletic fields. Once Sudberry secures the necessary equity and financing they would get started immediately on the development of the temporary athletic fields. Further, Sudberry's recreational partner, the Soccer Field of Dreams, who is affiliated with the internationally recognized "Surf Cup" Soccer tournaments, currently operates a similar facility, which generates significant revenue to the local economy.

Both the Soccer Field of Dreams and the "Surf Cup" Soccer groups participated in the interview and said they are looking to expand its tournament and would utilize the fields as soon as they are built. The Soccer Field of Dreams also has a relationship with Oceanside soccer and explained that extensive thought has been given to the need for shared use, and that an operational plan will also be developed to address the use of the fields by the general public.

Conclusion Summary

The Committee's recommendation of Sudberry is based on the substantial compliance of their development plan for both the recreational and commercial components with the Specific Plan; the depth of their direct retail and office development experience especially in San Diego County; the use of developer equity with significantly less need for public financing for both the temporary athletic fields and for the commercial development; and the most compelling reason, which is the short time period in which they anticipate developing the temporary athletic fields and in finding an end user in the highly popular "Surf Cup" Soccer tournaments.

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 the 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 Economic Development Commission El Corazon Ad Hoc Committee (“Ad Hoc Committee”) comprised of the following members: Hugh LaBounty, George McNeil, Tyrone Mathews, Diane Nygaard, David Morris, Howard LaGrange, Man Lai Tam, and Jim Schroder, also reviewed and analyzed the proposals submitted by the developers. On July 26, 2011, the Ad Hoc Committee unanimously recommended The Sudberry Properties/Soccer Field of Dreams as the developer for El Corazon.

This item was also heard by the Economic Development Commission (“Commission”) at its August 9, 2011 meeting. The Commission also unanimously recommended the selection of The Sudberry Properties/Soccer Field of Dreams as the developer for El Corazon.

CITY ATTORNEY’S ANALYSIS

Does not apply.

RECOMMENDATION

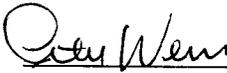
Staff recommends approval of the selection of The Sudberry Properties/Soccer Field of Dreams as the developer of El Corazon, and authorization for staff to negotiate an exclusive negotiating agreement with the developer.

PREPARED BY:



Douglas E. Eddow
Real Estate Manager

SUBMITTED BY:



Peter A. Weiss
City Manager

REVIEWED BY:

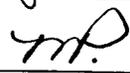
Michelle Skaggs Lawrence, Deputy City Manager



George Buell, Development Services Director



Margery Pierce, Housing & Neighborhood Services Director



Teri Ferro, Financial Services Director



Attachments:

Attachment 1: Comparative Analysis of Developers

EL CORAZON

RFP REVIEW and RECOMMENDATION

OBJECTIVE

An internal staff committee consisting of representatives from a diverse range of disciplines within the City was assembled to review the proposals submitted by Stirling Development, LLC and The Sudberry Properties/Soccer Field of Dreams. The Committee included individuals from the Engineering and Planning Divisions of the Development Services Department; the Economic Development and Property Management Divisions of the Economic and Community Development Department; the Parks and Recreation Division of the Neighborhood Services Department; the Financial Services Department; the City Attorney's Office; and the City Manager's Office. Additionally, the Committee was provided consultation by Paul Marra of the development and financial consulting firm of Keyser Marston Associates.

The Committee, along with Keyser Marston Associates, reviewed the proposals submitted by the two developers in response to the Request for Proposals and interviewed the two developers. Set forth below is a summary analysis of the developer proposals and their responses in the interviews. The review was divided into four major categories for the purpose of a comparative analysis. The comparative analysis provided is based upon a collaborative review by the Committee.

ANALYSIS

CATEGORY 1: COMPLIANCE WITH THE EL CORAZON SPECIFIC PLAN

This question addressed the developers proposed mix of uses, and any parts of the proposed development plan that deviates from the El Corazon Specific Plan and the reasons for any deviations.

STIRLING DEVELOPMENT – The mix of uses was focused on wellness and included a wellness center for Tri City Hospital, the San Diego Flower Market that would be open to the public with ancillary retail uses, and an R & D biotech office building. In addition, they discussed an action sports complex with skate boards and BMX facilities. They indicated that after an examination of the demographics, a determination was made that the uses set forth in the Specific Plan needed to be broader to enhance the market demand and economics of developing El Corazon which will require amending the Specific Plan.

SUDBERRY/SOCCER FIELD OF DREAMS –The mix of uses focused on commercial, visitor and entertainment uses in addition to the recreational uses. They indicated that the only deviation from the Specific Plan is that the temporary athletic fields and parking, which will at some point in the future become permanent fields, are not located in the exact location as shown on the Specific Plan.

This question addressed whether there was a need to acquire some of the real property in fee and asked if the developer would still be interested in developing El Corazon if only a ground lease of the commercial space was available.

STIRLING DEVELOPMENT – Indicated that it would be necessary to look at a fee acquisition if such would be in the best long-term interest of the development of El Corazon. They also stated that individual users may require fee land. The developer asked that the City be flexible regarding this requirement.

SUDBERRY/SOCCER FIELD OF DREAMS – Indicated that the preference would be to acquire some of the commercial development land in fee in order to make the project more attractive to major retail users. They would agree to a ground lease, however, it would make negotiating with major users significantly more difficult.

CATEGORY 2: DEVELOPMENT EXPERIENCE APPLICABLE TO EL CORAZON

This question requested the square footage of retail, office and/or hotel buildings actually developed, and to describe relationships with brokers, tenants and users.

STIRLING DEVELOPMENT – Significant land development acreage was referenced, however, no specific actual square footage of retail, office and/or hotel buildings developed was provided. Indicated relationships with a number of major retail tenants who have located to their land development projects in Foothill Ranch and Victorville, such as Regal Theatres, Oakley, WalMart, and Dr. Pepper/Snapple.

SUDBERRY/SOCCERFIELD OF DREAMS – Referenced over 30 development projects in San Diego County, having built 3,492,000 SF of retail space in addition to office/industrial space. Have ongoing relationships with retail major users such as Lowe's, Albertson's, Ralph's and Home Depot.

This question asked to describe their experience in the development of public property or private property with significant public interest and relationships with the public sector.

STIRLING DEVELOPMENT – Referenced working with the City of Oceanside in putting together a community facilities district for their Ocean Ranch development project. Also, indicated partnering with the City of Victorville through a master development agreement to develop their 8,500 acre Victorville project.

SUDBERRY/SOCCERFIELD OF DREAMS – Referenced working on a number of public private partnerships including the City of San Marcos in the development of their civic center, working with the City of Santee on a project in their redevelopment area, and currently working on Lowe's center in National City and Fresh and Easy center in Imperial Beach, and with the City of San Diego in the development of recreational centers.

CATEGORY 3: PROPOSED DEVELOPMENT OF EL CORAZON

This question asked to describe the type of legal arrangement the developer is proposing with the City (e.g., landlord/tenant, joint venture partner, equity partner, etc.).

STIRLING DEVELOPMENT – Proposed a joint venture arrangement between an entity controlled by Stirling Development and the City of Oceanside for the entire development of El Corazon, an operating agreement for recreational components, and some vertical development to be developed by end users.

SUDBERRY/SOCCER FIELD OF DREAMS – Proposed to ground lease the recreational facilities that are to be operated by a third party, such as the Soccer Field of Dreams. Looking to either ground lease and/or acquire fee simple certain portions of the commercial areas.

This question asked to describe the primary source of financing that will be used to develop both the non-commercial and commercial components of the development plan (e.g., private, public, equity, etc) and if public financing is needed, to describe the magnitude of the public financing needed.

STIRLING DEVELOPMENT – Will need to obtain public financing for the development of El Corazon, primarily for infrastructure. Also, indicated that community facilities district or general obligation bond financing may need to be used for the development of the common areas, as well as the potential for corporate sponsorships to generate funds.

SUDBERRY/SOCCER FIELD OF DREAMS – Assuming that a graded pad is provided for the temporary athletic fields and the ground lease is initially provided rent free, will obtain cash equity from investors and obtain a loan to develop the temporary athletic fields. The development of the commercial areas will be done by a private debt/equity financial arrangement, some funds through corporate sponsorships, and no public financing required for the recreational or commercial components.

This question asked to describe the phasing and land “take-down” process; how soon a portion of the project would get developed; what benefit the City would derive as each phase is developed; and a description of the short-term and long-term benefits that the City will receive.

STIRLING DEVELOPMENT – Indicated that the recreational component is the key to making the commercial work and will look to phase the recreational development based on interest but nothing specific was provided. They stated that they would develop the sports event complex within 24 to 48 months. The commercial development will then get phased depending on the market. The City will get both short-term and long-term benefits from the public using the recreational components through indirect revenue and long-term benefits from the retailers that would thrive as a result of the recreational uses, and by participating in the leasing revenue of the commercial development.

SUDBERRY/SOCCER FIELD OF DREAMS – The temporary athletic fields for the Surf Cup will be developed as soon as possible. Thereafter, the commercial areas will be developed when the market is ready. The take-down of the commercial areas will be phased with the developer holding options on the subsequent phases to be exercised when a prior phase is developed. The balance of the recreational areas will be developed as interest and/or funding provides but nothing specific was provided. The City will get short-term indirect benefits from the use of the temporary athletic fields and long-term benefits from the commercial development.

CATEGORY 4: RECREATIONAL COMPONENT OF EL CORAZON

The developers were asked what financial risk that they, as the commercial developer, would be willing to take in return for a financial contribution by the city (e.g., “free” land) to develop portions of the recreational component.

STIRLING DEVELOPMENT – Indicated that the land value still requires additional equity to develop the project; however, they did not indicate any use of developer equity to assist in the finance and/or development of the recreational components of the project. The developer does have expertise, mostly industrial; access to financing; and relationships with brokers and users.

SUDBERRY/SOCCER FIELD OF DREAMS – Will look for investors to provide equity needed to develop the temporary athletic fields.

The developers were also asked to describe, in more detail, their recreational partners’ involvement in the development, operation and financial commitment of the recreational development proposed. Additionally, as to the operation of the recreational components of the proposed development by third parties, they were asked to describe how access by the general public be addressed.

STIRLING DEVELOPMENT – Set forth a number of recreational partners interested in signing letters of intent to develop and use portions of the recreational areas of El Corazon. At this time, they have not prepared an economic proforma to determine the financial commitments needed from their recreational partners. Additionally, the operational aspects of the use of the recreational components of the proposed development have not yet been examined.

SUDBERRY/SOCCER FIELD OF DREAMS – The recreational partner, Soccer Field of Dreams is affiliated with an organization, “Surf Cup” Soccer that is currently operating a similar facility which generates significant revenue. “Surf Cup” Soccer participated in the interview. Sudberry also has a relationship with Oceanside Soccer. Sudberry is prepared to get started immediately on the development of the temporary athletic fields once they have secured the necessary equity and financing. In conjunction with their recreational partner, extensive thought has been given to the need for shared use, and that an operational plan will be developed to address the use of the fields by the general public. They mentioned that they had analyzed the number of fields (20) and the need to rotate fields to allow down time and avoid overuse.

CONCLUSION

Upon analysis of the proposals submitted by the developers together with the responses by the developer to the interview questions, as categorized above, the Committee unanimously concluded that Sudberry/Soccer Field of Dreams be recommended as the commercial developer of El Corazon.

The Committee determined that the Sudberry/Field of Dreams development plan for El Corazon had less deviation from the El Corazon Specific Plan. This coupled with Sudberry Properties' extensive direct experience in developing retail and office, their extensive relationships with retail users, and significant experience in retail development in San Diego County fit more in line with what was expected for the development of El Corazon per the Specific Plan.

Additionally, although requiring that the City provide a graded pad for the temporary athletic fields, Sudberry/Soccer Field of Dreams indicated and set forth a financing plan which required less in the way of public financing. Further, Sudberry/Soccer Field of Dreams also indicated that they would be putting equity into the development of the temporary athletic fields in order to help finance the project as well as the development of the commercial component.

Notwithstanding the above, the most compelling reason in selecting Sudberry/Soccer Field of Dreams was the inclusion of a local recreational partner with the experience in developing and operating the recreational component that is proposed as part of their development plan for El Corazon. This relationship coupled with the commitment to develop a portion of the recreational component of El Corazon in a relatively short period of time made Sudberry/Soccer Field of Dreams the unanimous choice of the Committee to be recommended as the developer of El Corazon.