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Mayor Gloria Recommends Midway Rising to Redevelop Sports Arena Property

LONG-AWAITED PROJECT WILL DELIVER MUCH-NEEDED HOUSING, NEW ARENA AND REVITALIZATION OF MIDWAY DISTRICT

SAN DIEGO – Delivering on his commitment to put forward a project that complies with state law and prioritizes the production of affordable housing, Mayor Todd Gloria announced today that he is recommending the Midway Rising team for the redevelopment of the Sports Arena property.

“I’m excited to announce that I am recommending an exclusive negotiation agreement with Midway Rising to redevelop the Sports Arena property,” Mayor Todd Gloria said. “After a transparent process in accordance with state regulations, I am confident Midway Rising will deliver on my vision of creating thousands of new affordable and middle-income homes, good-paying local jobs, and a new world-class arena and entertainment district. This project represents big city energy and I look forward to getting this done for the Midway community and our city.”

About the Project

The Midway Rising project will create:

- A total of 4,250 new homes (2,000 affordable, 250 middle-income, and 2,000 market rate);
- A new 450,000 square foot arena with capacity for 14,500-16,500 people;
- A 200-room hotel and 250,000 square feet of retail; and
- More than 11 acres of park and open space along with a 9.4-acre public plaza.

The Midway Rising team is comprised of three key partners. Chelsea Investment Corporation, as the affordable housing partner, specializes in the creation and preservation of affordable housing. Chelsea has developed over 65 projects in San Diego County and more than 120 affordable communities throughout Southern California including: special needs housing, senior housing and mixed-use development at a cost of more than \$3 billion.

Zephyr, as the market-rate housing partner, has experience with residential, mixed-use and hospitality development, which has resulted in more than \$1 billion worth of mixed-use developments. Chelsea and Zephyr have experience partnering with each other on a series of housing redevelopment projects over the past 15 years.

Legends, as the arena partner, brings more than 13 years of experience specializing in sports and entertainment organizations and venues around the globe. Collectively, it has more than \$30 billion in project development experience including new arena development. Legends was founded as a joint venture of the New York Yankees and Dallas Cowboys ownership teams and most recently the \$60 billion investment company, Sixth Street Partners, has taken on a majority interest to expand its growth. Legends worked with AECOM to build the \$5 billion SoFi Stadium in Los Angeles, which recently hosted the Super Bowl and will be the home of WWE Wrestlemania this year.

The Process

In 2021, the City received notice from the California Department of Housing and Community Development (HCD) that a proposal by the previous administration to redevelop the Sports Arena was likely in violation of the Surplus Land Act (SLA). Mayor Gloria immediately restarted the redevelopment process in order to fully comply with state law. Over the past year, the City worked closely with HCD in issuing a Notice of Availability in compliance with the SLA, moving the five respondents through the statutory 90-day good faith negotiating period, and ultimately shortlisting the respondents down to three teams in May 2022.

Although the SLA requires the City to provide priority to the respondent proposing the highest number of affordable units, the City conducted due diligence on the shortlisted teams to ensure it was picking the right partner by engaging JLL, a world leader in real estate services, to analyze the financial submittals of the teams. JLL's team included experts from its Public Institutions, Affordable Housing and Sports & Entertainment practices. JLL and the City issued a Request for Information in late June to solicit a detailed financial model from each team in order to determine the financial reasonableness of each proposer to deliver the proposed project. JLL and the City conducted a working session with each team and followed up with individual questions throughout the course of review.

In parallel to JLL's financial analysis being conducted, City staff asked each team to identify representative projects for them to visit. With the City's focus under the NOA on affordable housing and redevelopment of the Sports Arena, each team identified an affordable housing and a stadium arena project they delivered or were in the process of delivering. During these visits, staff were able to see the quality of each project, meet with the teams, and address operational and structural questions.

“After completing the financial and operational due diligence, it was clear that Midway Rising is not only the team providing the highest number of affordable housing units, but they are also the best partner for the City moving forward,” said Penny Maus, Director of Real Estate and Airport Management. “We’d like to acknowledge all the teams that showed interest in the redevelopment of the Sports Arena site and appreciate their commitment to the process and the concepts they brought forward.”

As such, and before finalizing its recommendation, staff verified references for the primary partners of Midway Rising (Zephyr, Chelsea and Legends) that could speak to their ability to deliver a project

successfully. Staff then again met with HCD who was pleased that the City was recommending the team providing the highest number of affordable units, in concurrence with the SLA.

Next Steps

Jay Goldstone, the City of San Diego's Chief Operating Officer, and Penny Maus, director of the City's Department of Real Estate and Airport Management, will present this recommendation to the City Council's Land Use and Housing Committee in a special meeting on Thursday, Sept. 8. The item is expected to be considered at a meeting of the full City Council on Tuesday, Sept. 13. To be as open and transparent as possible and provide ample time for public review, the City will release all supporting documents no later than Friday, Aug 26.

The Sports Arena redevelopment area encompasses approximately 48 acres in the Midway-Pacific Highway Community area. For more information on the Midway Rising project, visit midwayrising.info.

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