Centre City
Development
Corporation

DATE ISSUED: May 27, 2008 **REPORT NO.** PC-08-002

ATTENTION: **Planning Commission, Agenda of June 5, 2008**

SUBJECT: **777 BEECH** - CENTRE CITY DEVELOPMENT PERMIT 2006-19/ MAP WAIVER 349046. PROCESS 5

OWNER/ APPLICANT: Peter Janopaul for JSD1 and JSD2

SUMMARY

Issue – Should the Planning Commission recommend to the City Council/Redevelopment Agency approval of the 777 Beech project in the Downtown Community Plan area?

Staff Recommendation: **Recommend** to the City Council/Redevelopment Agency **approval** of Centre City Development Permit 2006-19 and Map Waiver 349046 for the 777 Beech project.

Community Planning Group Recommendation: On October 10, 2007, the Centre City Advisory Committee (CCAC) voted 19-1 to recommend overall project approval to the City Council/ Redevelopment Agency. On November 14, 2007, the CCAC also voted 18-0 to recommend approval of the Map Waiver, as this element of the project had not been presented the month before.

Centre City Development Corporation (CCDC) Recommendation: On October 17, 2007, the CCDC Board voted 4-0 to recommend to the City Council/Redevelopment Agency approval of the project.

Historical Resources Board (HRB) Recommendation: On September 27, 2007 the HRB voted 5-1 to find that the current project design meets the U. S. Secretary of the Interior's Standards for new construction adjacent to the historic El Cortez Hotel building.

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. The project has been found to be in compliance with those planning and environmental documents; therefore, no further environmental review is

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required for the project under CEQA. A copy of the Environmental Secondary Study is attached for the Commission's reference.

Fiscal Impact Statement: None.

Code Enforcement Impact: None.

Housing Impact Statement: The Downtown Community Plan calls for the provision of a range of housing opportunities suitable for urban environments and provides for a Maximum Floor Area Ratio (FAR) on the site of 8.0, with a Minimum FAR of 5.0 (the Plan does not provide density restrictions in dwelling units/acre), with which the project's proposed 6.6 FAR complies. There are no dwelling units on the site currently, and the project will comply with the Affordable Inclusionary Housing Ordinance by paying the allowable in-lieu fee.

BACKGROUND

The proposed project is located on the block bounded by Ash and Beech streets and 7th and 8th avenues which contains the historic El Cortez Hotel building. The El Cortez Hotel building was built in 1927 on the southern two-thirds of the block. Several two-story Victorian houses were located on separate lots on the northern one-third of the block. In the 1940's the entire block was consolidated into a single ownership and in the 1950's a swimming pool and a 8-9 story hotel annex building, called the "Caribbean Wing," was constructed on the northern portion of the block. Numerous modifications and additions were also made to the El Cortez Hotel building, including additions of an exterior glass elevator and Sky Room. The Hotel closed in 1978 and the block changed ownerships over the subsequent years. Over this period, several redevelopment plans were discussed for this block and for the adjoining three blocks between 7th and 9th avenues, and Ash and Cedar streets, which for some time were under one ownership. These redevelopment plans proved infeasible for one reason or another.

In 1990 the City's HRB designated the El Cortez Hotel building Historic Site No. 269, and while the designation was applied to the entire block through its legal description, the designation resolution states "the area specifically designated being the exterior of the building." At the time of this designation, the Caribbean Wing remained on the northern portion of the block. In 2002, the El Cortez Hotel was listed on the National Register of Historic Places (after rehabilitation was completed and the Caribbean Wing removed).

The El Cortez Hotel block was purchased by J. Peter Block Companies in 1997 and serious discussions commenced with CCDC regarding the redevelopment of the block, which was viewed as a catalyst for redevelopment and rejuvenation of the Cortez Hill neighborhood. An early version of the redevelopment plan of the block included a proposal for Pete's Yard, which consisted of single-story retail space along Beech Street. In 1998 the Redevelopment Agency

and the owner entered into a Rehabilitation Loan Agreement which provided a $5.85 million rehabilitation loan. The subsequent rehabilitation of the block included the restoration of the El Cortez Hotel building to its period of significance, being the year of construction in 1927, including the removal of some of the signature modifications made in the 1950's including the Sky Room and exterior glass elevator. The demolition of the Caribbean Wing building on the north end of the block also occurred at this time.

The owner has discussed potential redevelopment plans for the north side of the block since his company purchased the block. Since then, the owner has proposed a variety of development projects ranging from high-rise towers and mid-rise buildings (although the 2006 submittal for a 7-8 story building was the first official application to CCDC). In February 2003, the owner presented a high-rise scheme to the Projects Committee of the CCDC Board as well as the Centre City Advisory Committee (CCAC) Pre-Design Subcommittee. Both review committees commented that the proposal was too tall for the block and requested that any proposed development be lower in scale.

In 2004 the owner processed a Tentative Map with the City for the conversion of the building into condominiums and the consolidation of the existing 12 lots on the block into two lots: Parcel 1, containing the El Cortez Hotel; and Parcel 2, containing an underground garage, the swimming pool, and an open deck area. The first condominiums were sold in late 2004.

In August 2005, the owner returned to the CCAC Pre-Design Subcommittee and presented preliminary plans for a 10-11 story building with 131 residential condominiums and 8,500 square feet of commercial space, which was well attended by the public (mostly, if not all, in opposition to the preliminary proposal). The Subcommittee members expressed concerns about the project's proximity (approximately 31 feet) to the El Cortez Hotel building, the building's interface with the surrounding sidewalks, and the building's unit mix (desire for larger units).

Attached to this report are the following reference materials that give additional background information:

1. Chronology of the El Cortez Hotel block.
2. Issues raised at public meetings or in previous correspondence to CCDC.

The 777 Beech project was originally submitted January 20, 2006 and deemed complete under the 1992 Centre City Community Plan and Planned District Ordinance (PDO), as the new Downtown Community Plan and PDO were not yet adopted (February and March 2006, respectively). Originally the application consisted of a 7-8 story building (approximate height of the first stepback of the adjacent El Cortez Hotel building) containing 84 residential condominiums and street-level retail uses, and exhibiting a contemporary architectural style. After reviews by the HRB's Design Assistance Subcommittee (DAS), the CCDC Board's Real

Estate Committee, and the CCAC Pre-Design Subcommittee, the project design went through numerous changes including variations on height, massing, and architectural style (traditional vs. modern). The Real Estate Committee encouraged the applicant to explore increased density as the original proposal contained a Floor Area Ratio (FAR) of 5.25, less than the 8-10 FAR permitted under the former PDO regulations, as well as a more modern architectural style.

Ultimately, the project was redesigned as modern building reaching up to 18-19 stories, the approximate height of the El Cortez Hotel building. However, the HRB found that this alternative did not meet the Secretary of Interior's Standards for new construction adjacent to the historic El Cortez Hotel building, which would require a Site Development Permit and the preparation of a Supplemental EIR. As a result, the applicant once again revised the plans, reducing the height and submitting an amended application that is designed to meet, and is being processed under, the 2006 Downtown Community Plan and Centre City PDO.

Typically the project would require a Centre City Development Permit issued by CCDC, Design Review approval by the CCDC Board, and a Process 3 Map Waiver, but due to the Agreement Affecting Real Property ("AARP" discussed below), the project approvals are elevated up to the City Council/Redevelopment Agency level. The AARP therefore provides for the fullest disclosure and review process for the project. This is appropriate given the historical significance of the El Cortez Hotel building which has served as an icon on Cortez Hill since its construction. Its unique orientation on the block, its long history for civic events, and the views from surrounding neighborhoods and from approaching aircraft warrant special consideration above other historic structures located within the densely developed Core downtown. The adjacency and size of new construction on the block must be evaluated given this unique context, and has been considered carefully by the various review bodies.

There have been approximately 20 public meetings before the HRB, CCAC, CCDC Board, and each of their various subcommittees on variations of this project over the past 18 months, starting in July 2006 and culminating in the CCDC Board recommendation for approval in October 2007. Most meetings have been well attended by the public, including homeowners within the El Cortez Hotel building and the surrounding neighborhood. Many have repeatedly spoken in opposition to the project, some arguing for no development on the site while others arguing for only low-rise, low-density development if any were to occur.

Background on the Agreement Affecting Real Property (AARP)

As part of the approval of the 1998 Rehabilitation Loan Agreement, an AARP was recorded on the block which specified the permitted land uses, including 85 residential apartment units, lobby space, the Don Room special events space, 4,000 square feet of neighborhood serving commercial space, and 104 parking spaces. AARPs are typically recorded on properties when

the Agency enters into such loan agreements, and the agreements typically "sunset" at the end of the Redevelopment Plan (in this case, 2025).

One of the covenants of the AARP is that, "Owner, its successors and assigns, shall use the Property only for the development permitted and the uses specified in the Loan Agreement and this Agreement, namely, 85 residential apartment units, lobby space, the Don Room special events space, 4,000 square feet of neighborhood-serving commercial space, a total of 104 parking spaces in the parking garages beneath the El Cortez Hotel building and the former Annex building and in the tower basement, with landscaping and amenities, all in accordance with plans meeting the Secretary of Interior's Standards for National Register properties." This covenant and many others of the AARP remain in effect until "June 30, 2025, which is the date on which the effectiveness of the Redevelopment Plan expires." However, because of the specific use provisions of the AARP, a new covenant agreement between the Agency and Lot 2 owner would be required in the event the proposed project would be approved for this applicant. Although the AARP states in Paragraph 5 that the covenants and restrictions "shall remain in effect until June 30, 2025," the AARP does *not* say that any further development is prohibited until that time. Such agreement would also contain appropriate indemnifications and hold harmless provisions in favor of CCDC, the Agency and the City regarding this matter as well as pending and any future related litigation since it is currently unclear who would be the signatories to such an agreement. The Redevelopment Agency/City Council may approve the 777 Beech project if it so chooses provided that the Lot 2 agreement referred to above is entered into.

It should be noted that in 2004 the Agency agreed to amend the AARP to replace the term "residential apartment units" with the term "residential units," thereby allowing the sale of the units as condominiums. The Agency's loan was subsequently repaid in full, the Amendment to the AARP was recorded, and the residential units were converted to condominiums and sold.

DEVELOPMENT TEAM / OWNERSHIP DISCLOSURE

ROLE/FIRM	CONTACT	OWNED BY
Property Owner/Developer: JSD1, LLC and JSD2, LLC	Michael Zucchet; Peter Janopaul	Sole Ownership: Peter Janopaul
Architect: Safdie Rabines Architects	Taal Safdie	Privately Owned: Taal Safdie, Ricardo Rabines

PROJECT DESCRIPTION

The following is a summary of the project:

Site Area	20,000 sq. ft. (one-third block)
Maximum Floor Area Ratio (FAR) Permitted Minimum FAR Required Proposed	8.0 5.0 6.6
FAR Bonuses Proposed	None
Stories / Height	5-12/13 / 58-138/150 feet
Amount of Retail/Commercial Space	14,746 sq. ft.
Amount of Office Space	N/A
Type of Housing	Condominiums
Total Number of Units / Total Residential Sq. Ft.	78 / 117,336 sq. ft.
Types of Units (sizes)	8 Studios (571 sq. ft.) 6 1-br (636 sq. ft.) 56 2-br (1,001-1,389 sq. ft.) 8 3-br (1,664 – 2,445 sq. ft.)
Projected Sale Prices	Market Rate
Number of Units Demolished	0
Inclusionary Housing Ordinance Compliance/ Number of Affordable Units	Payment of In-Lieu Fee 0
Parking Required Proposed	 81 for new building (1.0 spaces/unit plus guest spaces at 1/30 units) 88 for new building (1.1 space/unit) 3 guest spaces 53 replacement for El Cortez 144 total
Assessor's Parcel Nos.	534-032-03

DISCUSSION

The project is located on a 20,000 square foot site along the south side of Beech Street between 7th and 8th avenues. The surrounding land uses include the 15-story El Cortez Hotel building to the south; the 4-story Quality Suites motel to the west; a 9-story condominium building to the northwest; the 4-5 story Heritage apartment complexes to the north and east; and the 20-story Discovery condominium project to the northeast. Other recent developments in the neighborhood include the recently constructed 20-story Cortez Blu tower at the southeast corner of 8th Avenue and Ash Street; the 20-story Aria condominium tower under construction at the

northeast corner of 9th Avenue and Ash Street; and, the 6-story Aloft at Cortez Hill condominium project along the south side of Date Avenue between 8th and 9th avenues.

The 777 Beech project includes 78 residential condominiums, approximately 14,746 square feet of retail/commercial space; and, 144 parking spaces in a 12-13 story building (average height 144 feet tall) designed with a modern architectural vocabulary. Fifty-three of the parking spaces will be reserved for use by the adjacent El Cortez owners per an existing Parking Agreement. The project is designed to fully comply with 2006 Centre City PDO and is being processed under this ordinance (all previous designs were being reviewed in compliance with the 1992 PDO).

Architectural Design

The proposed building is comprised of three main elements, including a 5-story mass along 7th Avenue; a 7-story mass along Beech Street; and, a central curving 12-story tower within the Beech Street mass. The building is characterized at the street level by a series of different uses including entrances to the residential lobby and up to six commercial spaces. Given the challenging slope conditions of the site, the architects have successfully activated and provided an attractive ground level experience for pedestrians. The building provides a stepped mass, exhibiting a central tower element along Beech Street which is flanked by a 5-story element along 7th Avenue and a 7-story element along 8th Avenue. The tower element exhibits large projecting balconies on Floors 9-12, which extend out 24 feet from the tower. The project also proposes a pool on the sixth level along 7th Avenue, and a common terrace on the eighth level adjacent to 8th Avenue. The building materials consist of painted exposed concrete floor slabs infilled with a metal storefront system of a lightly tinted glass; glass balcony guardrails, and metal fins.

The proposed building was designed to avoid unnecessary visual impacts to the historic El Cortez Hotel building, including the provision of a courtyard that extends from 7th Avenue to 8th Avenue that separates the two structures. The resulting dimensions of the proposed building are 40 feet from the El Cortez Hotel tower and 31 feet from the single story "Don Room." The height of the proposed building was specifically kept at a height equivalent to the "shoulders" of the El Cortez Hotel building, so that it would not compete with the iconic historic building and would preserve views of the upper floors and historic sign from the Laurel Street bridge entering Balboa Park. Additionally, the modern architecture provides a contrast to, rather than mimics, the architecture of the historic building.

The architectural massing and treatments, materials, and colors provide for an attractive, unique building that will contribute to the downtown environment. In addition, the modern architecture, height and mass of the project provide an interesting contrast to, without detracting from, the adjacent historic El Cortez Hotel building and have been well received by strong majorities of the various review bodies to date.

Map Waiver

In order to sell the residential units, as well as the commercial spaces, to individual owners, a Map Waiver is required of the development. The Map Waiver provides for up to 78 residential condominiums and six commercial condominiums. When the Map Waiver was presented to the CCAC in November 2007, (a month after the CCAC voted 19-1 to support all other elements of the project) there was some discussion and controversy over how many commercial units were being proposed. CCDC staff had reported there would be six commercial condominiums, although the developer had recently requested of the City's Development Services Department an increase to nine units in order to provide the maximum flexibility in the future. However, the applicant has revised the request to six commercial units which was reported to the CCAC. It should be noted that the number of commercial condominium units does not dictate the final configuration of the commercial spaces. For instance, all the commercial space can be covered by one condominium unit and subsequently be broken into any number of tenant spaces by the owner through the tenant improvement building permit process. The location and overall amount of the commercial space in the project has remained essentially the same for some time. Because the Map Waiver does not change the project except for the ability to sell individual ownerships of the residential and commercial units, it is recommended that it be approved with the development.

The City's Development Services Department (DSD) has processed the Map Waiver application, concurrently with CCDC's processing of the development permit, pursuant to Section 125.0122 of the Municipal Code of the City of San Diego and Subdivision Map Act Section 66428, and has recommended that the Map Waiver be approved subject to the list of conditions included as Attachment C to this report.

Consistency with Adopted Plans

As mentioned earlier, the final revised project is being reviewed under the 2006 Downtown Community Plan and PDO. The project complies with all of the PDO development regulations, including balconies on at least 50% of the units, common indoor and outdoor open space (including pet open space), and increased parking and guest parking requirements. While the Community Plan acknowledges that the Cortez Hill neighborhood would experience little change due to the large amount of redevelopment activity over the past nine years, it anticipates mid-sized buildings with more slender profiles than in the Core area. Also, the 2006 Community Plan and PDO kept in place the long-standing Base FAR limit of 8.0.

The 1993 Cortez Focus Plan is the adopted neighborhood plan for this area, but is now somewhat outdated as it served as the blueprint for redevelopment of the hill and lower Cortez area before significant redevelopment of the hill occurred, beginning in the late 1990's. At the time of its adoption, however, the Plan expected the development of low- to mid-rise infill developments on

Cortez Hill. The El Cortez Hotel block was anticipated to be redeveloped with the rehabilitation of the historic building to its original appearance and, also, the conversion/adaptive reuse of the former 8-9 story Caribbean Wing for housing.

CONCLUSION

The project is consistent with the Downtown Community Plan and Centre City PDO, and has gone through a long review process that has resulted in many different iterations, with the current design being supported by the CCAC and CCDC Board. In addition, it has been found to be consistent with the Secretary of Interior Standards for new construction adjacent to the historic El Cortez Hotel building. Therefore, staff recommends that the Commission recommend to the City Council/Redevelopment Agency the approval of the 777 Beech project, including Centre City Development Permit 2006-19 and Map Waiver 349046.

Respectfully submitted,

Brad Richter
CCDC Manager of Current Planning

Attachments: A – Background Information including Chronology of the El Cortez Hotel Block and Issues Raised at Public Meetings or in Correspondence
B – Draft Centre City Development Permit 2006-19
C – Conditions of Approval for Map Waiver 349046
D – Environmental Secondary Study
E – Map Waiver 349046 Drawings
F – Project Basic Concept Schematic Drawings
G – Correspondence Received by the Public

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