

DUPLICATE ORIGINAL

Second Implementation Plan  
Fiscal Years 2003-2007

Naval Training Center  
Redevelopment Project Area

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The Redevelopment Agency of the City of San Diego

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## **A. Introduction**

This Second Implementation Plan ("Plan") is being prepared and adopted pursuant to California Community Redevelopment Law (Health & Safety Code Sec. 33490). This Plan identifies project activities scheduled for the next five years in the Naval Training Center Redevelopment Project Area ("Project Area") including very low, low and moderate-income housing activities.

The NTC Redevelopment Project is located within the Peninsula Community Planning Area of the City of San Diego. It is located 2.5 miles northwest of downtown San Diego near the northernmost point of San Diego Bay and directly west of the San Diego International Airport (Lindbergh Field).

The Naval Training Center ("NTC") Redevelopment Project was adopted to eliminate conditions of blight in the Project Area by new construction, revitalization and upgrading of commercial, office and public properties and facilities within and surrounding the Project Area.

The Navy officially ceased operations at the base in April 1997. The NTC Redevelopment Project Area was adopted in May 1997. In June 2000, the Agency entered into a Disposition and Development Agreement with the McMillin Companies, which had been selected as master developer the prior year, to complete the redevelopment of NTC in accordance with NTC Reuse Plan, approved by the City Council in October 1998. The portion of the Project Area that McMillin is redeveloping has been named "Liberty Station."

The Naval Training Center is planned as a pedestrian-oriented, mixed-use community with acreage devoted to residential, educational, and recreational areas including a 9-hole golf course, office and commercial/retail space, hotel properties, and an area encompassing civic uses, art and culture. To the east of the main base, across the boat channel (on Camp Nimitz), plans include hotel property, a Metropolitan Wastewater Department laboratory and a Regional Public Safety Training Institute ("PSTI"). The Naval Training Center Historic District, comprised of 52 buildings on approximately 55 acres, has been placed on the National Register of Historic Places. After rehabilitation, the Historic Core at NTC will be adaptively reused to include office space, retail space, the golf course and a 26 building, 300,000 square foot Civic, Arts and Cultural Center. The buildings in the Civic, Arts and Cultural Center will be rehabilitated and managed by the NTC Foundation, a non-profit organization established for purpose of rehabilitating and operating the Civic, Arts and Cultural Center at NTC.

The City's Metropolitan Wastewater Department and San Diego State University will construct water quality laboratories on approximately 9 acres of Camp Nimitz. The Regional Public Safety Training Institute, a joint powers authority among the San

Diego Fire and Police Departments, San Diego Community College District and San Diego County Sheriffs Department, will develop a fire and life safety training academy on approximately 25 acres of property on Camp Nimitz. The Navy in a public-private venture with Lincoln-Clark Development is building 500 units of military family housing in the southwestern section of the Project Area on property retained by the federal government.

## **B. Description of Project Blighting Conditions**

California Redevelopment Law (H&SC Sec. 33492) contains provisions authorizing the establishment of a redevelopment project area within the boundaries of a military base closed pursuant to the actions of the Federal Defense Base Closure and Realignment Commission. Pursuant to these provisions, the definition of blight was expanded to address the unique conditions encountered by local communities in redeveloping former military bases.

The Redevelopment Plan adopted by the City Council in May 1997 described the conditions of blight that exist in the Project Area as the following: 1) buildings in which it is unsafe for people to live or work; 2) factors that prevent or hinder the economically viable reuse of buildings or areas; 3) adjacent or nearby uses that are incompatible with each other; 4) properties currently served by infrastructure that does not meet existing adopted utility or community infrastructure standards; and 5) land that contains materials or facilities that will have to be removed to allow development.

## **C. Specific Goals and Objectives of the Agency for the Project Area**

The NTC Redevelopment Plan proposes to eliminate conditions of blight in the Project Area caused by the base closure with new construction, rehabilitation and infrastructure improvements as well as by coordinating various public projects proposed for the area. In general, the goals and objectives for the Project Area outlined in the Redevelopment Plan are: 1) to eliminate and prevent the spread of blight and deterioration and conserve, rehabilitate and redevelop the Project Area; 2) to improve, promote and preserve the positive neighborhood characteristics in the surrounding communities; 3) to improve, support and promote the growth and vitality of the Project Area's business environment, and address the commercial, service and employment needs of the Project Area; 4) to increase parking, enhance the quality of mobility and improve transportation facilities which support the vitality, safety and viability of the Naval Training Center; 5) to expand and improve park and recreation facility options, green belts and open space opportunities as well as enhance the environmental habitat at the base; 6) to enhance infrastructure facilities; 7) to provide a full range of employment opportunities and public facilities; 8) preserve and rehabilitate cultural resources; and 9) to promote the Naval Training Center's historic district.

#### **D. Specific Projects and Expenditures Proposed to be Made During the Next Five Years**

Pursuant to the DDA, the master developer is responsible for the redevelopment of the majority of the property at NTC, including onsite and offsite infrastructure improvements with total estimated cost of \$62.4 million. In addition, the master developer is required to pay for property maintenance and Agency expenses related to the administration of the Project Area up to \$4.2 million, post payment and performance bonds totaling \$24 million for rehabilitation of the buildings in the Historic Core, \$8.0 million for renovation of the buildings in the Education Core, \$14.778 million for park improvements and additional bonds to ensure completion of all building and infrastructure improvements.

It is anticipated that the Project Area will commence generating tax increment revenue in FY 2003. Annual gross tax increment revenue for the next five years is estimated at \$10,000 in FY 2003, \$468,000 in FY 2004, \$1.5 million in FY 2005, \$3.05 million in FY 2006 and \$3.3 million in FY 2007. The total amount of gross tax increment revenue for this period is estimated at \$8.3 million. The Agency anticipates issuing tax allocation bonds in FY 2005 to provide funding for additional infrastructure improvements, shoreline improvements and rehabilitation of historic buildings.

Other revenue sources include, but are not limited to, loans, grants, Mello-Roos Bond proceeds, and Transient Occupancy Taxes (TOT). In May 2002 the City Council approved a resolution of intention to establish a Community Facilities District (Mello-Roos) at Liberty Station. If the City Council approves the formation of the Community Facilities District, total bond issuance is estimated to be approximately \$25.6 million based on current interest rates, with net proceeds of approximately \$20.8 million for the acquisition of the offsite transportation improvements totaling \$6.0 million and an onsite 46-acre regional park totaling \$14.8 million. The master developer will fund the remaining \$41.6 million in onsite infrastructure improvements with conventional bank loans.

Transient Occupancy Taxes are not expected to be generated by the Project Area during this five-year period, since hotel development will most likely occur at the end of the period.

Twenty percent (20%) of the annual tax increment revenue will be set-aside in the NTC Low/Mod Housing Fund for the development of housing for low and moderate-income individuals and families. In accordance with the statutory pass-through formula stipulated in AB 1290, additional shares of tax increment are to be distributed to the following local taxing entities: 1) County of San Diego, 2) San Diego Unified School District, 3) San Diego Community College District, 4) San Diego County Office of Education, 5) City of San Diego and 6) San Diego County Water Authority.

The development projects identified in this Plan are dependent upon attracting qualified developers and obtaining the funds to finance the projects. In its role of master developer, McMillin has developed a marketing plan to attract financially qualified tenants to occupy office/research and development, retail, and commercial buildings and hotel sites at Liberty Station. Rehabilitation of the historic buildings within the Civic, Arts and Cultural Center ("CACC") is the responsibility of the NTC Foundation, which was established March 2000. The Foundation is in the process of developing a business plan for building rehabilitation and management of the CACC.

## **1. Five Year Project Schedule**

### **• FY 2003 Work Program**

- Convey boat channel from Navy to City of San Diego
- Create a marketing plan and open Visitor Information Center
- NTC Foundation fund raising for and leasing of Civic, Arts and Cultural Center
- Commence on-site infrastructure improvements
- Widen Rosecrans Street by one lane (east side)
- Commence first phases of residential and office development
- Commence construction of MWWD ocean monitoring laboratory on Camp Nimitz
- Complete model homes and commence first phase of home sales
- Issue Phase I of Mello-Roos Bonds
- Record maps for Mixed-use/Historic Core, hotel and park
- Begin construction of San Diego State University's water quality laboratory
- Commence leasing town homes at the military family housing development ("The Village at NTC")
- Continue to monitor the Homeless Assistance Agreement
- Develop programs for use of the Low/Mod housing set-aside funds
- Convey buildings in Education Area to educational institutions for renovation and adaptive reuse
- Issue Request for Qualifications for Building 83 in the Education Area
- Approve the General Development Plan for NTC Park
- Complete demolition

### **• FY 2004 Work Program**

- Continue marketing office, retail and commercial areas
- Complete Rosecrans/Lytton and Rosecrans/Nimitz intersection improvements
- Complete planning and site development permit for the PSTI
- Continue infrastructure improvements that facilitate building lease opportunities
- NTC Foundation opens Phase I of Civic, Arts and Cultural Center

- Commence rehabilitation of buildings in Mixed-use Area
  - Complete residential and office construction
  - Complete Phase I improvements to the MWWD parcel, which includes construction of a two story laboratory, landscape improvements, parking lot construction, creation of a private driveway, utility improvements and improvements to Kincaid Road
  - Complete construction of a water quality laboratory by San Diego State University to be shared with the U.S. Geological Survey
  - Complete construction of boat dock, undergrounding of steam lines and design and construction of Esplanade
  - Begin NTC Park construction
  - Complete Harbor Drive street improvements
  - Complete Laning/Cushing signal improvements
  - Continue to monitor the Homeless Assistance Agreement
  - Completion and full leasing of The Village at NTC
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- **FY 2005 Work Program**
    - Issue tax allocation bonds for shoreline improvements, building rehabilitation and additional infrastructure
    - Complete NTC Park construction
    - Complete off-site traffic improvements
    - Issue Phase II of Mello-Roos Bonds
    - Continue Mixed-use Area marketing and rehabilitation
    - Continue rehabilitation and marketing of Civic, Arts & Cultural Center
    - Implement plan for Low/Mod Housing Fund
    - Complete design, building permits and commence construction of PSTI facility
    - Complete infrastructure improvements
  - **FY 2006 Work Program**
    - Commence hotel development
    - Continue marketing and rehabilitation of buildings in Mixed-use Area
    - Continue construction of PSTI facility
    - Continue rehabilitation and marketing of Civic, Arts & Cultural Center
    - Implement plan for Low/Mod Housing Fund
  - **FY 2007 Work Program**
    - NTC Foundation opens Phase II of Civic, Arts & Cultural Center
    - Continue construction of PSTI facility
    - Complete hotel construction
    - Implement plan for Low/Mod Housing Fund

**E. Explanation of How the Goals and Objectives, Projects and Expenditures will Eliminate Project Blighting Conditions**

The Redevelopment Plan formulated for the Project Area proposes to eliminate blighting conditions through the development of a pedestrian-oriented, mixed-use community with acreage devoted to residential, educational, institutional and recreational areas including a 9-hole golf course, office and commercial/retail space, hotel properties, and an area encompassing civic uses, art and culture.

**F. Explanation of How the Goals and Objectives, Projects and Expenditures will Implement Project Housing Requirements**

**1. Goals and Objectives**

California Community Redevelopment Law requires that not less than twenty percent (20%) of all tax increment revenue generated by the project be used for the purpose of increasing the community's supply of very low, low and moderate-income housing. Additionally, affordable dwelling units shall remain affordable for not less than the period of land use controls established in the project plan. The on-going goal of the Redevelopment Project is to develop housing in compliance with current legislation and available Project resources.

Under California Redevelopment Law, the 20% housing set-aside can be spent for projects outside of the Project Area if the finding is made that doing so is beneficial to the Project Area as a whole. The NTC Reuse Plan includes a Homeless Assistance component, which is required under federal law. The Project Area's Homeless Assistance component consists of an agreement entered into by the City and seven homeless services providers whereby the City agreed to provide \$7.5 million for transitional housing programs off the base. Potential sources of funding identified in the agreement are housing set-aside revenue from the Centre City and NTC Redevelopment Project Areas, District 2 Community Development Block Grant funds, and City of San Diego Housing Trust Fund. To date approximately \$4.0 million has been provided by housing set-aside funds from the Centre City Redevelopment Project Area and North Bay Redevelopment Project Area.

**2. Low and Moderate Income Housing Fund**

- Amounts Available to Housing Fund

Housing set-aside funds from the Project Area are projected to be generated beginning in FY 2003. For the next five years housing set-aside funds will total approximately \$1.67 million based on the following annual amounts: \$2,000 in FY 2003, \$94,000 in FY 2004, \$300,000 in FY 2005, \$600,000 in FY 2006 and \$670,00 in FY 2007.

- Projected Housing Units and Funds Expended

Housing set-aside funds will be used offsite on a two for one basis pursuant to California Redevelopment Law (H&SC Sec. 33413(b)(2)(A)(ii)). Based on a total of 849 residential units to be developed in the Project Area, and the two-for-one requirement, the Project will be responsible for providing 255 low and moderate-income housing units. Based upon the development schedules for the Project Area, it is anticipated that the 849 residential units to be developed in the Project Area will be completed by the end of FY 2005. The actual number may increase or decrease based upon market conditions.

Assuming funding of \$50,000 per affordable unit, approximately 20 units could be developed by FY 2007 using housing set-aside funds. The units could be phased in as the housing set-aside is received. Based on the housing set-aside projections, two units could be built in FY 2005, six units built in FY 2006 and twelve units built in FY 2007. The actual amount of housing set-aside funds will depend on market conditions and be determined as specific projects are pursued. The Agency will work with the City's Housing Commission and developers to leverage the housing set-aside funds in order to optimize the number of affordable units provided.

### **3. Agency Developed and Project Area Housing**

The Implementation Plan is required by California Redevelopment Law to provide an estimate of the number of new and rehabilitated dwelling units to be developed in the Project Area and the number of units for very low, low and moderate-income households to be developed in order to meet inclusionary housing requirements. The inclusionary housing requirements state that: Fifteen percent (15%) of all new or rehabilitated dwelling units developed by public or private entities other than the Agency, in a redevelopment project area should be affordable to low and moderate-income households of which, forty percent (40%) shall be available at affordable housing cost to very low income households and thirty percent (30%) of all new and rehabilitated dwelling units developed by an Agency shall be affordable for low and moderate-income households and not less than fifty percent (50%) shall be affordable for very low income households.

The Agency is not expected to develop units itself but will assist private entities and other public agencies with the development of housing. The Agency will comply with the fifteen percent requirement; however, the units will not be developed onsite so the Agency will comply with providing housing on a two for one basis.

- **Housing Unit Estimates for the Next Ten Years and Life of Plan**

As presented in the Report, 349 market-rate and 500 military family housing units are projected to be developed over the next ten years and are expected to be the only housing units developed on the base.

- Housing Unit Estimates for Very Low, Low and Moderate-Income Households for the Next Ten Years and Life of Plan

Assuming that the 849 total housing units projected for the area are developed with Agency involvement, 255 units would be required to meet the two for one threshold for very low, low and moderate-income households. It is projected that these housing unit numbers for very low, low and moderate-income households would be achieved based upon the forecasted tax increment revenue. The actual number of units developed will depend on market conditions and be determined as specific projects are pursued. The housing set-aside funds that accrue to the Agency will be expended on anticipated residential projects. If the housing requirements are not met, the project length can be extended.

- Number of Very Low, Low and Moderate-Income Units Already Developed

No units have been developed or assisted since the Redevelopment Plan was adopted. The Agency is working with the Housing Commission to establish an affordable housing program for the use of the NTC housing set-aside funds.

- Number of Agency Developed Units

As stated above, the Agency is not expected to develop units itself but will assist private entities and other public agencies with the development of housing.

- Number of Agency Developed Very Low, Low and Moderate-Income Units

As stated above, the Agency is not expected to develop units itself but will assist private entities and other public agencies with the development of housing.

#### **4. Replacement of Dwelling Units Destroyed or Removed**

Currently, there are no dwelling units in existence on the base. It is not expected that there will be any removal of dwelling units on the base. Any units removed or destroyed will be replaced to the extent required by California Community Redevelopment Law.