

## City, developer finalize negotiation terms for sports arena site

By Jennifer Van Grove

The city of San Diego and development team Midway Rising have cemented an agreement to negotiate the lease and redevelopment of the city's 48-acre sports arena site in the Midway District.

Monday, the parties executed what's known as an exclusive negotiation agreement, or ENA. The milestone solidifies the pairing, and starts the clock on a two-year period that requires the developer to produce important material at set dates and not deviate too far from its winning bid.

"The city executing the ENA with Midway Rising formalizes our partnership and mutual commitment to redeveloping the sports arena site," said Penny Maus, who heads San Diego's real estate department and is in charge of negotiating the final deal on behalf of the city. "This project will be pivotal in revitalizing the Midway District and creating over 4,000 new homes for San Diegans, which are desperately needed across multiple income levels."

In September, San Diego City Council members selected Midway Rising from a field of three competitors to redo its property at 3220, 3240, 3250 and 3500 Sports Arena Blvd. Midway Rising includes market-rate housing developer Zephyr, sports-and-entertainment venue operator Legends and affordable-housing builder Chelsea Investment Corp. The group's plan calls for 4,250 apartment homes, a new 16,000-seat arena, a 200-room hotel, and 20 acres of plaza and park space.

The signed agreement calls for a two-year window, ending on Dec. 4, 2024, to finalize lease terms and arrive at a development deal, with City Council required to receive progress reports on a quarterly basis. The mayor, however, has the ability extend the agreement for two, one-year terms. Both parties can also walk away from the deal at any time.

Most notably, the contract memorializes commitments that were key to Midway Rising's selection.

For instance, the final development plan, per the contract, must "substantially conform" to what was proposed during the real estate competition, and contain at least 2,000 affordable residential units, meaning units that are deed-restricted for families making 80 percent or less of the area median income.

The non-negotiable provision is designed to maintain the integrity of the city's selection process, which adhered to California's Surplus Land Act and assigned priority to Midway Rising's bid because it included the highest number of affordable residential units. The state-mandated process was criticized for its singular focus, with some council members concerned that the developer would alter project components after selection.

The contract also stipulates that Chelsea, Legends and Zephyr cannot assign the agreement to other parties without the city's approval. The clause is designed to ensure that the city will be doing business with the same parties that it vetted during the selection process. The vetting process also came under fire for being too abbreviated. Members of the public also feared a conflict of interest as Zephyr CEO Brad Termini was a substantial donor to Mayor Todd Gloria's election campaign.

Otherwise, the negotiation agreement contains a handful of deadlines for Midway Rising, which produce a plan for soliciting community input by March 3. The developer is also tasked with completing its on-site due diligence work, submitting its financing plan and identifying funding sources by July 31. A project description, with sufficient detail to allow the city to start the state-required environmental review, is due on October 29.

"The Midway Rising team is excited to have reached this important milestone, which reiterates our commitment to deliver several thousand new homes, including 2,000 on-site affordable units," said Legends executive Shelby Jordan, who is also Midway Rising's project director. "Our team is actively working on a robust engagement plan that will help develop our community benefits program for the project."

The contact also requires the developer to pay a refundable \$100,000 deposit, a \$70,000 nonrefundable negotiation payment to cover staff time and a \$5,000 licensing fee for access to the properties.

On Dec. 12, Maus will return to City Council for her first quarterly progress report. The city is also providing updates on its website, at [Sandiego.gov/real-estate-and-airport-management](https://www.sandiegouniontribune.com/business/story/2022-12-08/san-diego-developer-sports-arena-site).