

DATE ISSUED: November 9, 2010

ATTENTION: Public Safety & Neighborhood Services Committee  
Docket of November 17, 2010

ORIGINATING DEPT.: Centre City Development Corporation

SUBJECT: Downtown Economic Development Programs

COUNCIL DISTRICT: 2

REFERENCE: None

STAFF CONTACT: Jeff Graham, Vice President – Redevelopment, 619-533-7181

**REQUESTED ACTION:** That the Public Safety & Neighborhood Services Committee (“Committee”) receives a presentation from Centre City Development Corporation (“Corporation”) staff on a draft strategy outline to advance the economic development goals and objectives provided in the 2006 Downtown Community Plan (“Community Plan”) and provides direction.

**STAFF RECOMMENDATION:** That the Committee receives a presentation from Corporation staff on a draft strategy outline to advance the economic development Visions and Goals of the Community Plan and the Goals of the Centre City Redevelopment Project and provides direction.

**SUMMARY:** In May 2010, the San Diego City Council (“City Council”) directed the Corporation to assume a more active role in downtown’s economic development and job creation activities. Staff has prepared a draft economic development strategy outline that is consistent with the economic development goals of the Downtown Community Plan and Centre City Redevelopment Project for the Committee’s consideration. Following direction from the Committee, Corporation staff proposes to seek assistance from a qualified economic development consultant to develop a more detailed strategy for implementation.

**FISCAL CONSIDERATIONS:** The approved Fiscal Year 2011 Centre City Project budget includes \$2,350,000 for economic development activities. Staff’s proposed breakdown of this budget line item is provided in the Discussion section of this report.

CENTRE CITY DEVELOPMENT CORPORATION RECOMMENDATION: On September 15, 2010, the Real Estate and Budget/Finance & Administration Joint Committee of the Corporation Board received a presentation by staff on the draft economic development strategy outline and provided staff with direction on specific components of the proposed plan.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Staff met with numerous stakeholder groups and economic development partners over the past several months to gain input to the strategy outline, including the following:

- Downtown San Diego Partnership
- San Diego Workforce Partnership
- Labor organizations
- City of San Diego Departments of Community Investment and Economic Development
- French-American Chamber of Commerce
- Business Incubator operators
- Downtown Residential Marketing Alliance
- San Diego Regional Chamber of Commerce
- Colleges and universities
- Local Initiatives Support Coalition (LISC)
- Downtown community and business associations
- San Diego Regional Economic Development Corporation
- Downtown Merchants Task Force

BACKGROUND:

This proposed outline for an economic development strategy advances the Visions and Goals of the Downtown Community Plan and the Objectives of the Centre City Redevelopment Project by:

- Proactively participating in downtown's economic development, in partnership with business and community groups,
- Establishing economic development priorities and undertaking targeted investments to facilitate expansion, retention and attraction of businesses that meet downtown's economic development objectives,
- Promoting development that furthers regional smart growth objectives, and
- Maintaining a balanced supply of different land uses.

In May 2010, the Agency, during the annual budget approval process, directed staff to prepare a plan for the Corporation to take a more proactive role in advancing downtown's economic development goals. The Committee Chairperson requested that the Corporation's draft strategy outline be presented to the Committee and City Council prior to commencing its implementation.

Downtown San Diego has had exceptional success in attracting new residential development over the past decade. While downtown is a strong regional employment center, the overall magnitude and concentration falls behind other North American downtowns. Downtown San Diego's private office market currently consists of approximately nine million square feet of space, representing the largest concentration of office space in the region. However, downtown does not dominate the regional market; downtown's share of the regional overall inventory has diminished from 23 percent in 1991 to about 15 percent in 2004.

Downtown faces a number of challenges in its efforts to draw tenants similar to those locating in San Diego's suburban submarkets. Bio-technology, pharmaceutical and high-tech tenants prefer to be located near major research institutions (such as UCSD) or have preference for campus-style settings. Therefore, this draft strategy seeks to identify those industries and tenants to target for a downtown high-rise environment. This strategy also acknowledges the Economic Prosperity and Equitable Development core values and strategies included in The City of San Diego General Plan Strategic Framework Element (R-297230).

#### DISCUSSION:

Since its inception in 1979, CCDC, on behalf of the Redevelopment Agency of the City of San Diego ("Agency"), has created more than 50,500 construction jobs and more than 26,000 permanent jobs in downtown through its managed program of implementing strategic public improvements to encourage private development of an intensity and type consistent with downtown's designated "Metropolitan Center" role, and capitalizing on downtown's transit accessibility and human capital. Such public improvements may include parking structures, downtown shuttles, streetscape improvements, utility undergrounding, park site acquisition, design and park improvements, etc. providing the necessary incentives for subsequent private sector development.

According to a recent study conducted by Inside Prospects, a business research firm, more than half of downtown's employment is concentrated in the government sector. A healthy Central Business District should be comprised of a more diverse mix of industry sectors, both public and private.

It is contemplated that the proposed draft economic development strategy outline, with the assistance of the consultants described herein, will lead to the following:

- a more detailed plan that will include annual employment growth targets, including a range of career opportunities,
- parking and other incentives and financial assistance packages available to offer target business clusters for location downtown, and
- job training and career planning.

The plan anticipates that the Corporation would take the lead role in developing and implementing a comprehensive downtown economic development strategy but will work in conjunction with key partners, each with their own valuable roles in various aspects of meeting the objectives. Staff does not recommend duplicating efforts already performed successfully by those partners but to collaborate and complement each of the partners' specializations. Some of those key partners identified include the Downtown San Diego Partnership, the San Diego Regional Economic Development Corporation, The City of San Diego Community Investment and Economic Development divisions, and the San Diego Workforce Partnership, to name a few.

While California Community Redevelopment Law (CRL) identifies economic development as a mission of redevelopment agencies, it provides only limited authorized uses of tax increment funds for the purpose of advancing economic development objectives. Staff and Agency Special Counsel will describe these limited legal purposes in its presentation and provide examples of economic development tools employed by redevelopment agencies of other cities in California.

Staff has identified the following five key goals and objectives in its draft economic development strategy outline:

1. New Business Attraction and Business Retention
2. Nurture Small Business Growth and Attraction
3. Creation of Quality Jobs
4. Improve Quality of Space
5. Promote Arts and Culture

To achieve these goals, the following tasks are proposed for consideration.

1. New Business Attraction and Business Retention
  - a. Through the Downtown San Diego Partnership's Commercial Marketing District (CMD), businesses to be targeted for location downtown include those businesses that are currently operating outside the City of San Diego ("City") or those within the City seeking to expand their current operations. The plan does not intend to target businesses already located and doing business within the City that are not seeking to expand their space in additional locations.
  - b. Potential businesses to be targeted include knowledge-based, creative arts and technologies, retail/restaurant, services, visitor-serving, educational, health care, renewal energy and information technology, among others. Staff recommends that an economic development consultant be engaged to assist with identifying those industries most suitable for location in downtown.
  - c. Support and nurture growth of organic downtown businesses by acquiring an existing building for the purposes of housing a business incubator which provides

the financial, legal, business and other professional resources necessary to support the innovation and ideas of local entrepreneurs.

- d. Through partnerships with employment training organizations such as the San Diego Workforce Partnership, provide education and training opportunities to City residents for career advancement and change.
  - e. Support the Downtown San Diego Partnership's creation of a CMD that focuses on attraction and retention of users of downtown office space.
  - f. Assemble an incentive package for use in attracting new business to downtown.
  - g. Create, in conjunction with partner organizations, a business ambassador position to act as a single point-of-contact for businesses seeking to locate downtown and those existing downtown businesses in navigating through the governmental processes and access incentive programs.
  - h. Develop promotional materials and actively pursue business relocation to downtown San Diego by attending targeted industry trade shows, conferences and working with business relocation consultants.
2. Nurture Business Growth and Expansion
    - a. Acquire an existing downtown building for the purposes of creating a unique business incubator which focuses on innovative clean-tech and renewable energy technologies. Those entrepreneurs that are successful will be encouraged to maintain a business presence downtown and create quality jobs.
    - b. The incubator is contemplated to provide onsite mentoring services including legal, financial, access to capital markets, business planning and other expert advice to provide the best chance for success.
3. Creation of Quality Jobs
    - a. Organize and provide funding for downtown-based job fairs, community employment outreach, apprenticeship programs and job/career training programs provided by partner organizations.
4. Improve Quality of Place
    - a. Continue to improve the physical environment of downtown San Diego for business and residents by creating more affordable housing, parks and open space, improving mobility, attracting K-12 schools, vocational and high education institutions, providing affordable public parking, offer incentives for sustainable development, and preserving historical assets.
5. Promote Arts and Culture
    - a. Continue to attract artists and the "creative class" through an arts and culture capital improvement program that provides financial assistance to locally-based cultural institutions to expand or improve their facilities.
    - b. Create live-work space for local artists.
    - c. Consider the marketing of a downtown Theatre District to attract more cultural visitors to downtown.
    - d. Create new cultural space when possible through public-private partnerships.

The plan also provides for the establishment of annual employment creation and retention goals for downtown. Staff has engaged the consulting division of the San Diego Association of Governments (SANDAG) to create a customized employment forecasting model, which estimates the total number of Full Time Equivalent (FTE) construction and long-term positions created through each new public improvement project, private development, and public-private partnership project. Staff proposes to include a new section on all future Corporation staff reports that identifies the estimated number jobs to be created by the proposed project or economic development program. Quarterly monitoring reports will be produced which compare year-to-date progress with the annual employment goals.

Current Corporation staff does not possess the expertise in creating economic development programs. Therefore, staff proposes the Corporation retain the services of an economic development consultant with a successful track record in creating effective economic development programs and strategies to attract business and generate employment within major metropolitan areas. Additionally, the Corporation FY 12 budget would include a new staff position for a senior level economic development staff member to coordinate and implement the economic development programs and work with the Corporation partner organizations.

Staff's presentation to the Corporation's Committee included a proposed retail attraction program based on the recommendations of the Downtown Retail Study prepared by Economics Research Associates in 2008. That study recommended a downtown-wide retail attraction program that focused on improving the quality of downtown retail and creating an environment that promotes the success of existing downtown merchants. The Committee directed staff to eliminate the retail attraction portion from the overall economic development strategy based on its skepticism that such programs have achieved much success, particularly in a challenging economy.

The Centre City Project Fiscal Year 2011 budget includes \$2,350,000 for economic development related activities. Based on the strategy outline described herein, staff estimates the following breakdown of the appropriated funds as follows:

	<u>FY '11 Budget</u>
	<u>Proposed Breakdown</u>
Business incubator	\$1,720,000
Economic development strategy consultant	150,000
Business marketing / attraction / advertising	480,000
<b>Total Economic Development Budget</b>	<b><u>\$2,350,000</u></b>

Environmental Impact – This activity is not a “project” for purposes of the California Environmental Quality Act (CEQA) because it does not fit within the definition of a “project” set forth in Public Resources Code Section 21065 or State CEQA Guidelines Section 15378. Thus, this activity is not subject to CEQA pursuant to State CEQA Guidelines Section 15060(c)(3).

CONCLUSION:

Corporation staff has prepared a draft economic development strategy outline, at the request of the City Council, for the Committee’s consideration and seeks direction. The outline provides direction for increasing employment opportunities, attracting new businesses, and creating a balanced sustainable community in downtown San Diego.

Respectfully submitted,

Concurred by:

  
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Jeff W. Graham  
Vice President – Redevelopment

  
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Frank J. Alessi  
Executive Vice President & Chief Financial Officer

  
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# Downtown Economic Development Strategy Outline

Meeting of the  
Public Safety & Neighborhood Services Committee  
of the San Diego City Council

November 17, 2010

# Downtown Economic Development Background

- Accomplishments

- 50,570+ new construction jobs created
- 26,000+ new permanent jobs created

Source: SANDAG

- Major Business Groups

- Government 52.1%
- Transport, Telecom, Utilities 10.9%
- Services: Business, Personal 9.7%
- Retail Trade 6.1%
- Finance, Insurance, Real Estate 5.5%
- Legal, Law Offices 5.3%

Source: Inside Prospects, Inc. 2010

# San Diego

## Economic Development Lead Organizations

Agency/Organization	Responsibilities/Limitations
San Diego Regional EDC	Regional business attraction/retention Not downtown focused
San Diego Downtown Partnership	Downtown PBID, business advocacy, office-focused business attraction Limited financial resources
City of San Diego <ul style="list-style-type: none"><li>• Economic Development</li><li>• Community Investment</li></ul>	City-wide PBID oversight, limited business incentive programs, Resource Center, small business community workshops Limited financial resources Not downtown focused

# Anticipated CCDC Partners in Economic Development

- San Diego Downtown Partnership
- San Diego Regional Economic Development Corporation
- City of San Diego
  - Community Investment
  - Economic Development
- Business Incubator operators
- Downtown Residential Marketing Alliance
- San Diego Regional Chamber of Commerce
- San Diego Workforce Partnership
- Gaslamp Quarter Association
- Little Italy Association
- East Village Association
- LISC and non-profits
- Labor organizations
- Colleges and Universities
- Other business and merchant groups

# Provisions in CRL for Economic Development Activities

- Limited authority for direct involvement
- Property acquisition / lease
- Rehabilitation loans
- Financing facilities or equipment of industrial or manufacturing facilities
- Sublease of space for business incubators
- Assistance to tenants for tenant improvements
- Financial support of job fairs or community activity related to redevelopment
- Require developers/owner participants to donate funding to job training
- Require developer/owner participants to meet certain job criteria
- Hire consultants for business/retail attraction and preparation of marketing plans
- Cannot provide direct operating subsidies

# Downtown Economic Development Goals and Objectives

## 1. New Business Attraction and Business Retention

- Businesses outside City
- Expanding businesses inside City
- Professionals
- Creative and Knowledge-based industries (software, new media, etc.)
- Retail / restaurant
- Services
- Visitor-serving
- Education
- Health Care / medical
- Renewal energy
- Information technology

## 2. Nurture local business growth and expansion

- Support local entrepreneurship

## 3. Creation of Quality Jobs

- Improve access to education, skills training

## 4. Improve Quality of Place

## 5. Promote Arts & Culture

# 1. Business Attraction / Retention

- **Downtown Partnership Commercial Marketing District (CMD)**
  - Puma study
  - Retain recruiters for commercial businesses
- Assemble incentive package (“toolbox”)
  - Enterprise Zone
  - Empowerment Zone
  - Public Parking
  - Small business loans
  - Façade improvement program
- Business ambassadors
  - Single point of contact
  - Liaison with public and private sectors
- Downtown Redevelopment Marketing (national/regional)
  - Update downtown promotional video
  - Targeted industry conferences
  - Advertising
  - [www.sandiegodowntown.org](http://www.sandiegodowntown.org)
  - Social media

# CMD

## Business Attraction and Retention Program

- A proactive response to enhance the competitive profile of the downtown office market within the San Diego regional market and beyond
- Managed by the Downtown Partnership, this program will provide a variety of services and marketing products to support property owners, brokers, and other real estate professionals in their efforts to attract, retain and grow tenants within downtown office buildings

# Annual Budget

## Estimated Assessment and Budget:

Assessment per Square Foot = \$0.035

Total Square Footage in CMD = 12,000,000

Total Annual Budget = \$400,000

# Budget Details

- **Business Retention and Recruitment**
  - Data acquisition and maintenance
  - Research to identify prime recruitment segments
  - Develop/implement business retention strategy
- **Image and Marketing**
  - Website: Redesign "Doing Business" section of website, update with new data
  - Design printable market report
  - Launch Business Attraction Program e-newsletter
  - Develop online interactive map
  - Develop Business Attraction Program/State of Downtown event
  - Media Relations
- **Economic Development Leadership and Policy**
  - Investigate and implement parking management, incentives and other policy initiatives.
- **Operations**
  - Director (salary and benefits)
  - Research Manager (salary and benefits)
  - DSDP Operating Overhead and Office Support

# Geographic Boundaries: Zones of Benefit

- For service provision, budgeting and benefit apportionment purposes, the CMD will include the five zones included within the PBID boundaries: Core/Columbia, Cortez, East Village, Gaslamp Quarter, and Marina
- This district will constitute a new zone within the existing PBID boundaries, zone 6 the CMD Zone. The parcels included in the new CMD Zone include parcels over 50,000 SF

# CMD Formation Schedule

Submit final Engineer's Report Amendment to the City	September 16, 2010
Receive approval of petition from the City	September 16, 2010
Begin petition collection	September 17, 2010
Update stakeholders/petition-signing meeting (tentative)	September 20, 2010
Host informational open house (tentative)	September 23, 2010
End petition collection	September 24, 2010
City validates petitions	September 28, 2010
City Council adopts Resolution of Intention and sets date of public meeting and public hearing (minimum 45 days required prior to public hearing)	October 11, 2010
Notice and ballots prepared and issued	October 20, 2010
Noticed Public Hearing by City Council (formal vote), tabulation of ballots and Resolution of Formation adopted	November 29, 2010
Assessment Report sent to County of San Diego	December 6, 2010
<b>BEGIN AMENDED PBID ASSESSMENT IN 2010</b>	<b>December 13, 2010</b>

# 1. Business Attraction / Retention

- Downtown Partnership Commercial Marketing District (CMD)
  - Puma study
  - Retain recruiters for commercial businesses
- **Assemble incentive package (“toolbox”)**
  - **Enterprise Zone**
  - **Empowerment Zone**
  - **Public Parking**
  - **Small business loans**
  - **Façade improvement program**
- **Business ambassadors**
  - **Single point of contact**
  - **Liaison with public and private sectors**
- **Downtown Redevelopment Marketing (national/regional)**
  - **Update downtown promotional video**
  - **Targeted industry conferences**
  - **Advertising**
  - **[www.sandiegodowntown.org](http://www.sandiegodowntown.org)**
  - **Social media**

## 2. Nurture Business Growth & Expansion

- Entrepreneurship / Business Incubators
  - Site acquisition
  - Identify target industries
  - Partnering with operator, universities, corporations
  - Grow downtown employment and nurture new successful businesses
  - Onsite mentoring in legal, finance, business planning, venture capital, marketing, etc.

# 3. Creation of Quality Jobs

- Strategies
  - Job Fairs / Community Outreach
    - “Subs for Subs”
  - Job Training
    - Vocational
    - Apprenticeships
    - Career development

# 4. Improve Quality of Place

- Affordable housing near employment and transit
- Quality parks and open space
- Workability / bikeways
  - Traffic calming / green streets
  - Sharrows / bike racks
- Quality and diverse education / schools
- Green requirements / incentives
- Affordable public parking
- Preservation of historic assets

# 5. Promote Arts & Culture

- Strategies
  - Capital improvement program
  - Historic rehabilitation
  - Affordable artist live-work space
  - Theatre District marketing
  - Event sponsorship
  - Public art elements in parks and public spaces
  - Cultural space in public-private partnerships

# Employment Metrics

- Employment multipliers
- Measure jobs produced to date
- Include employment generation in project staff reports
  - Public improvements
  - Private developments
  - Public-private partnerships
- Benchmarks and goal-setting
- Annual reporting and strategy adjustment

# FY'11 Economic Development Budget

Activity	Estimated Cost
<b>Business incubator *</b>	\$1,720,000
<b>Economic development strategy consultant</b>	150,000
<b>Business marketing / attraction / advertising</b>	
New downtown marketing video	200,000
Redesign business attraction website	100,000
Marketing and collateral materials	60,000
Targeted advertising program (local, regional, national)	50,000
Targeted trade shows / professional conferences	30,000
Downtown CMD formation	10,000
Residential market data	30,000
<b>TOTAL BUDGET</b>	<b>\$2,350,000</b>

\* Balance of business incubator funds included in Land Acquisition budget line item

Arts & Cultural Capital Improvement Program = \$600,000

# Next Steps

- Retain economic development consultant
  - Prepare strategy and research of targeted industries
  - Implement strategy in collaboration with partners
- Create economic development staff position and recruit for position
  - Process budget amendment
- Acquire site for business incubator
  - Perform tenant improvements
  - Establish operating structure
- Work with the Downtown San Diego Partnership in implementing the CMD