Centre City Development Corporation

DATE ISSUED: July 7, 2004 REPORT NO. CCDC-04-26

ATTENTION: Chair and Members of the Redevelopment Agency
Docket of July 13, 2004

SUBJECT: Redevelopment Agency Requests for Information

REFERENCE: None

STAFF CONTACT: Janice L. Weinrick, Vice President - Real Estate Operations

SUMMARY

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE AGENCY.

BACKGROUND

On March 23, 2004, the Council/Agency approved the 8th Amendment to the Centre City Redevelopment Plan extending the Agency's power to use eminent domain within the boundaries of the Centre City Redevelopment Project. During the course of the discussions, the following "Council Directives" were initiated by Councilmembers Zucchet, Atkins and Maienschein for CCDC to return with reports on:

A. reinstating Centre City Development Impact Fees,
B. Council participation in design review, and
C. better ways to provide both public capital improvements as well as ways to subsidize operating expenses.

The following report responds to each of these items.

A. Development Impact Fees (DIF)

CCDC staff and consultants are working with Charlene Gabriel, Facilities Financing Manager - San Diego Planning Department, toward Council consideration of a Centre City Public Facilities Financing Plan (PFFP) for parks and public facilities. The primary financial sources are anticipated to be tax increment and Development Impact Fees (DIF's).

The anticipated schedule for consideration of the PFFP and establishment of DIF's is as follows:

ACTION	DATE
Preparation of public facilities needs, cost estimates, "nexus" estimates of financial obligation attributed to each type of anticipated development, alternative fee structures considering other funding sources, and financial pro formas to test the development economics, including all public permits and fees.	June and July 2004
CCDC Board Joint Budget-Finance/Planning Committees forum with the downtown development community to review activities to be financed through DIF's, proposed DIF structure and economic impact analysis.	August 4, 2004
Preparation of Draft PFFP and DIF structure	August 5-31, 2004
CCDC Board Joint Budget-Finance/Planning Committees consideration and recommendations of the draft PFFP, proposed DIF structure and economic impact analysis	September 8, 2004
Centre City Advisory Committee consideration and recommendations of the draft PFFP, proposed DIF structure and economic impact analysis	September 15, 2004
CCDC Board consideration and recommendation of the draft PFFP, proposed DIF structure and economic impact analysis	September 22, 2004
Land Use and Housing consideration and recommendation of the draft PFFP, proposed DIF structure and economic impact analysis	October 2004
Council consideration and approval of PFFP and DIF structure	October 2004
Fees go into affect (60 days from Council action)	December 2004

The following provides background on DIF's and the City process:

California Government Code Section 66000-66008 provides for the exaction of monetary fees by local agencies in connection with approval of development projects for the purpose of defraying all or a portion of the capital cost of public facilities relating to the proposed development project. The types of public facility categories eligible to be funded by DIF include: transportation (e.g., signal lights, curbs and pedestrian ramps, Americans with Disabilities Act upgrades, and road widening), libraries, public safety facilities (fire stations, police substations) and parks and recreation (parks and community centers).

Impact fees are a popular tool to provide necessary public facilities for new development. They have long been used within Planned Urbanizing Communities where there are no existing public facilities. New development cannot be burdened with paying for the existing development's share of infrastructure needs, but can serve as an important partial source for public facilities financing.

Impact of future development upon the infrastructure is assessed, and a fee system developed and imposed on developers to mitigate the impact of new development. DIF's are collected at the time of building permit issuance. Funds collected are deposited in a special interest bearing account and can only be used for identified facilities serving the community in which they were collected.

The method engaged to determine the fee structure involves the following steps:

1. analysis of the present and projected development;
2. determine community facility deficits resulting from the present and projected development;
3. prepare reasonable estimates of the cost of providing the facilities (the total includes an annual administrative fee paid to the City for the actual cost of managing the fund, currently about 8%);
4. determine fee structure by assessing the extent or degree to which the different categories of development (residential vs. commercial) generate demand for, or receive benefit from, the various public facilities; and
5. prorate the estimated costs over the existing and projected development.

In August 1987, the City Council adopted fee structures for the urbanized communities. At the same time, the City Council waived the collection of said fees with respect to certain types of projects within Enterprise Zones and provided a blanket waiver within redevelopment areas, with the exception of the Southeast San Diego Community Plan Area where fees would be waived on a case-by-case basis through developer agreements with the Redevelopment Agency.

It was assumed that public facilities would be financed with tax increment funds within the redevelopment areas. That was certainly the case for Centre City, as the 1987 fee structure of $400 per single-family or multi-family residential unit and $66 per square-foot of commercial/industrial space was limited to specific transportation improvements such as reconfiguring several major streets, street widenings and upgrades, storm drains and new traffic signals. All other public facilities needs have been funded with tax increment resulting from private development.

In December 1998, the City Council adopted a resolution approving the Linda Vista Public Facilities Financing Plan and further resolved to rescind any then existing policies relating to DIF waivers in the Linda Vista Community Plan area and other redevelopment project areas with the exception of Barrio Logan and Centre City.

Any DIF structure is considered based upon a PFFP and is subject to a public hearing process with final approval authority by the City Council.

B. Centre City Design Review

Redevelopment Agency Resolution No. 536 (adopted 3/18/80) established CCDC as the "Design Review Board for Centre City redevelopment projects," and Resolution No. 2130 (adopted 8/11/92) reaffirmed CCDC as the Design Review Board for projects within the current CCDC boundary. The Agency designated the CCDC Board as the design review authority for projects containing over 50 dwelling units and/or 100,000 square feet of area. Projects below that threshold receive staff design review and CCDC President approval. Any project involving an Agency development agreement includes design review approval by the Board and Agency.

Design review is based on compliance with the following plans and ordinances: the Centre City Community Plan; the applicable Marina, Gaslamp Quarter, or Centre City Planned District Ordinance (PDO), (often called the "zoning code"); and design guidelines from any applicable neighborhood Focus Plan or adopted Master Plan.

Prior to submitting an application for a Centre City Development Permit, staff meets with the developer/architect to explain design regulations, requirements and process. Preliminary sketches are reviewed and staff provides feedback on design elements necessary for an expedient review. Staff encourages applicants to meet with the relevant neighborhood group to provide early advisory input. After staff determines the project is well-resolved and ready for submittal, the design application must include schematic drawings, colored exterior renderings, materials sample board, statistical data, and optional models.

Projects receive a systematic and balanced evaluation. The application is first presented to the Centre City Advisory Committee (CCAC) Pre-design Committee. It then proceeds to the CCDC Projects Committee, the full CCAC (advisory, acting as the community planning group for Centre City), and finally to the full Board. Depending on the number of revisions required, this process takes 8-12 weeks. The Mayor and City Council receive prior agendas for all of these public meetings, and receive full CCDC Board meeting packets. A Centre City Development Permit is issued after all of the above approvals are obtained, and the City Development Services Preliminary Review is complete. Applicants then submit to the City for building permits, and CCDC staff monitors subsequent drawings (Design Development and Construction Drawings) to be in "substantial conformance" with the approved design, form, materials and colors.

In addition to regular manager briefings and Council office staff briefings held at CCDC regarding projects in the pipeline, CCDC staff has enhanced the current design review process to ensure that Council offices are notified of all public design review meetings

starting with the most preliminary review and meets with District 2 staff on a bi-weekly schedule to review new development permit submittals. CCDC staff is continuing to work with District 2 toward any further changes in the design review process to be incorporated as part of the governance of the Centre City Community Plan.

C. Better Ways to Provide Both Public Capital Improvements, as well as Ways to Subsidize Operating Expenses

The assessment of need for public facilities is a critical component of the Centre City Community Plan Update process. Input has already been solicited and received from police, fire, library and the schools as part of the environmental review process. This same information is being utilized in establishing DIF assessments. A basic principle in establishing a redevelopment program is that tax increment funds will be used to provide necessary infrastructure to set the stage for private development. CCDC has utilized tax increment to acquire land and develop parks, increase sewer and water capacity, improve sidewalks and transit corridors, create public amenities and open space, and assist in the funding of public buildings such as courts and libraries.

Although California Redevelopment Law does not allow the funding of operational costs of public safety and services, CCDC has a history of working with these agencies to meet their needs and assist in increasing their effectiveness in the delivery of services to downtown.

CCDC is currently working with the fire department assessing facility needs and preferred locations. CCDC has had a close working relationship with the police department and has assisted in locating 'storefront' stations and start-up funding for the Homeless Outreach Team, Downtown Ambassadors and Clean & Safe as a means to address crime issues and provide law enforcement with more community support and manpower.

CCDC has had a long working relationship with the City School Districts and Community College Districts at every level to assist in expanding and improving downtown facilities including Washington Elementary, Garfield Alternative High School and San Diego City College. In addition, staff continues to work with the numerous downtown private, charter and County schools and public and private colleges. These partnerships have been very successful and CCDC will continue these efforts and support to expand downtown educational opportunities.

The nature of the mix of uses downtown provides opportunities for public meeting space that would not exist in other areas of the City. There are a number of public buildings (offices and libraries), private and public schools and private companies providing community meeting space that would otherwise be built and operated as community centers. There are also a number of private and non-profit athletic facilities and

programs that also serve the community's needs without the added cost of constructing typical community centers.

On June 16, 2004, the City Council Rules Committee was scheduled to discuss if there are ways to utilize tax increment funds for operational expenses, but for lack of a quorum, the item was continued to their meeting of July 30, 2004.