



## THE CITY OF SAN DIEGO

DATE ISSUED: November 22, 2006 REPORT NO. RA-06-52

ATTENTION: Land Use and Housing Committee  
Agenda of November 29, 2006

SUBJECT: Redevelopment Restructuring

REFERENCE: CMR 05-160 dated July 15, 2005; City Attorney Report RC-2005-22 dated August 4, 2005; LU&H Report No. 05-107 dated September 16, 2005; IBA Report No. 06-31 dated July 27, 2006.

### SUMMARY

For over a year, the Redevelopment Agency has been reviewing various proposals regarding its organizational structure. As part of this effort, the Agency contracted with the consultant team of Clarion Associates and Waronzof Associates to analyze the current operation and management and to provide a recommendation on best practices for the Agency's Redevelopment Division. The Focused Study of Redevelopment Practices (Focused Study), distributed in July, provided an analysis of two specific projects managed by the Redevelopment Division – the Metro Center Project in City Heights and the Las Americas Project in San Ysidro. Although the initial analysis was focused on these two projects, the consultant team researched a wide range of documents and interviewed a broad range of real estate and finance professionals, community representatives, non-profit and for-profit developers, outside agency representatives and staff of various City departments, in order to learn about the overall operation and management of the Redevelopment Division. The Focused Study provided insight on the history and current operation of the Division as well as a number of recommendations for future administration and policy initiatives. At the time, the consultant team was not asked to undertake any analysis of the Agency structure. Their recommendations on best management practices could be applied regardless of final decisions made on the Agency's structure.

As a follow up to the Focused Study of Redevelopment Practices, the consultant team was asked to prepare an analysis of the administrative structures of redevelopment agencies for seven of the largest cities in California. The team compared the different structures to each other and to four potential structures being considered for San Diego. The potential structures to be analyzed included: 1) Retain the Redevelopment Division within the City structure with enhancements - identify and recommend improvements to the existing structure; 2) Establish an Independent City Agency with a separate board - transfer City staff from the City to an agency structure outside the City structure; 3) Establish a Redevelopment Commission – similar to an independent agency, but with additional authority relating to community development; and 4) Establish a non-profit corporation in the CCDC, SEDC model.

### **Redevelopment Agency**

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Community and Economic Development



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The San Diego Redevelopment Agency Restructuring Options Report and the Focused Study Report are attached.

### Best Management Practices

In conjunction with the Focused Study analysis, the Redevelopment Division has instituted or begun instituting many of the best management practices recommended in the report.

- The newly restructured City Planning and Community Investment Department has strengthened the links and coordination between land use planning and redevelopment activities
- The Redevelopment Division has begun a more proactive approach toward the selection and implementation of redevelopment projects through the issuance of Requests for Qualifications (RFQ's) / Request for Proposals (RFP's) for specific projects in the Barrio Logan, Crossroads and Linda Vista Redevelopment Project Areas
- After a multi-year lapse, Redevelopment Division staff have resumed attending outside technical training courses and professional conferences
- More Project Area Committee (PAC) meeting materials are being translated into Spanish
- The web site for the Redevelopment Agency has been expanded to include significantly more information and more timely information about individual project areas, PAC and Agency meetings and specific projects and programs
- The Agency has established and publicized set program guidelines, funding priorities, underwriting criteria and standard review procedures for its Collaborative Affordable Housing Program
- The Redevelopment Division has begun standardizing its files kept for projects and documents and has also begun scanning hard copy documents in order to establish standardized electronic files

Consideration has been given to instituting numerous other recommendations from the Focused Study report, such as:

- Hire more technically specialized staff to strengthen the agency's level of expertise in architectural design review and financial analysis
- Establish an underwriting review committee, comprised of senior Agency and City staff
- Similar to the Collaborative Affordable Housing Program, establish and publicize set program guidelines, funding priorities, underwriting criteria and standard review procedures for commercial and non-affordable housing projects
- Further improve public outreach and education on redevelopment agency projects, programs and activities

The Agency is expected to soon hire a new Deputy Executive Director. With the arrival of this key person, additional best management practices may be pursued.

### Agency Structure Recommendations

The Restructuring Options Report provides numerous examples of different redevelopment agency structures from ten cities in California, with more in depth analysis and comparison of seven of those redevelopment agency structures. As stated, four alternative options were considered for San Diego's Redevelopment Agency structure.

The consultants do not provide a recommendation for or against any one structure, but do note that other studies have concluded that the relative success or failure of individual redevelopment agencies do not appear to relate as closely to specific administrative structures as to other factors affecting performance. The Mayor recommends that the Agency consider two different options for its future administrative structure for discussion at the Committee workshop.

**OPTION ONE – REORGANIZATION UNDER EXISTING STRUCTURE** – This option would permanently establish the Mayor as the Agency Executive Director, retain Redevelopment Division staff within the City and continue to pursue additional best management practices for improvement of the Division's administrative operation and project implementation activities.

**OPTION TWO – ESTABLISH REDEVELOPMENT COMMISSION** – This alternative option would result in the creation of a new seven member redevelopment commission made up of six City Council appointees and the chair, who would be the Mayor's Deputy Chief Operating Officer for Land Use and Economic Development as well as the Agency Executive Director. The Commission would be expected to be a panel of experts and would be authorized to make decisions on redevelopment projects allowed by-right and contracts under a certain threshold amount. The Redevelopment Agency (City Council) would make decisions on redevelopment projects requiring discretionary approvals and contracts above the threshold amount, with recommendations from the Commission.

The Director of the City Planning and Community Investment Department would be the Assistant Executive Director and would also continue to oversee City Planning functions. Staff to the Agency could either remain within the City or be removed to be independent of the City's civil service system. Under this system the Commission would enter into a Memorandum of Understanding with the City to allow for City Planning to provide planning services to the Agency.

This option would remove some direct authority from the City Council, but would provide an opportunity to provide additional technical expertise to the Agency review process, such as the underwriting review panel described earlier in this report.

We are not asking for action at this time, but are presenting the reports and two options for the Land Use and Housing Committee to consider whether they wish to refine either of these options or other options that the members may suggest and determine what additional information and analysis would be needed before a final alternative can be decided.

Respectfully submitted,

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Attachment: 1. San Diego Redevelopment Agency Restructuring Options Report  
2. Focused Study of Redevelopment Practices Report