



THE CITY OF SAN DIEGO

Redevelopment Agency's Report

DATE ISSUED: April 9, 2008 REPORT NUMBER: RA-08- 07

ATTENTION: Chair and Members of the Redevelopment Agency
Docket of April 15, 2008

SUBJECT: Redevelopment Agency Organization and Structure

REQUESTED ACTION: Provide direction as to a recommended structure for Agency general management and administrative services (including the Mayor's role in the Agency), and management and implementation services for the eleven-redevelopment project areas, currently provided by the Redevelopment Division of the City Planning & Community Investment Department ("CPCI").

STAFF RECOMMENDATION: It is recommended that the Redevelopment Agency direct staff to prepare necessary documents for Agency consideration to:

- 1) implement the "Agency-Employee Model" organizational structure outlined in this report; and
- 2) establish that the Mayor and the Agency appoint the Agency Executive Director; the Executive Director report to the Mayor on an operational basis; and that the Executive Director could be removed by the Mayor or a 2/3 majority vote of the Agency Board; and
- 3) establish that the Mayor or the Mayor's designee, serve in an "Ex-Officio" capacity on the Agency Board providing policy recommendations and input as part of the Board discussions and/or provide reports for Agency review and consideration; and
- 4) establish that the City provide a technical review committee to the Agency.

(Note: The FY2009 Agency Budget is currently being developed based upon the existing "City Division" structure. It is understood that the FY2009 Agency Budget will require an amendment in concert with the implementation of this recommendation.)

SUMMARY: The City has studied and considered the structure of the governance of Redevelopment Agency activities managed by the City's Redevelopment Division for over two years to improve the City's redevelopment practices. Previous studies have identified concerns regarding strategic planning, staffing, contracting, and decision-making under the existing structure. Since adoption of the Strong-Mayor form of government, the long-term role of the Mayor in the City's redevelopment activities has not been resolved. There has not been a decision made as to a permanent structure for delivery of redevelopment services.

BACKGROUND:

Pursuant to the Agency Bylaws (modified November 15, 2005), the City Council members are the Board Members of the Redevelopment Agency, and the Agency Executive Director or Directors is to be the Mayor or such person or persons as may be designated by the Agency. The Agency currently has designated the Mayor as the Executive Director through June 30, 2008.

Currently, the Agency has no direct employees. The following contractual agreements provide for Agency administrative functions and redevelopment implementation activities.

Redevelopment Division of City Planning & Community Investment

The Agency contracts with the City to provide a redevelopment staff and other services as needed. The City's Redevelopment Division of City Planning & Community Investment ("CPCI") serves as the redevelopment staff. The Division implements redevelopment activities within eleven-redevelopment project areas (Barrio Logan, City Heights, College Community, College Grove, Crossroads, Linda Vista, Grantville, Naval Training Center, North Bay, North Park and San Ysidro), and provides overall management and administrative services (including oversight and coordination with Centre City Development Corporation and Southeastern Economic Development Corporation). The Redevelopment Division FY2008 administrative budget included 28 full time equivalent positions.

In addition, the Agency/City contract specifies that the City will provide services such as accounting, investment, purchasing, legal, and/or other services required by the Agency. City departments charge the Agency for the provision of these services through service level agreements and direct job order accounting. In addition, the Agency's annual budget includes the payment of "General Government Services" for other City administrative overhead expenses. The Division and the City's redevelopment corporations share the General Governmental Services expense charged by the City.

Centre City Development Corporation ("CCDC")

The Agency has an operating agreement CCDC to provide certain staff services and advice for the implementation of redevelopment projects in the Centre City area that includes two redevelopment project areas (Centre City and Horton). The City is the sole member of CCDC and created the corporation for the specific and primary purpose of providing redevelopment services downtown. The CCDC FY2008 administrative budget includes 55 full time equivalent positions.

Southeastern Economic Development Corporation (“SEDC”)

The Agency has an operating agreement with Southeastern Economic Development Corporation (“SEDC”) to provide certain staff services and advice for the implementation of economic and redevelopment projects within a described geographic area that includes four redevelopment project areas (Central Imperial, Gateway Center West, Mount Hope and Southcrest). SEDC’s geographic area of responsibility is larger than the boundaries of the redevelopment project area, due to the SEDC’s economic development focus. The City is the sole member of SEDC and created the corporation for the specific and primary purpose of providing economic and redevelopment services in these areas. The SEDC FY2008 administrative budget includes 14.5 full time equivalent positions.

HISTORY

In May 2005, the City Manager’s FY 2006 budget included a recommendation that the City administrative portion of redevelopment transfer to an agency outside of the City, thereby reducing City staff workforce and eliminating this line item in the City’s budget.

In response to the City Manager’s budget recommendation, Council members Atkins and Young requested that the Council direct the City Manager to work with the City Council, through the Council Committee for Public Safety and Neighborhood Services (“PS&NS”), to guide a planning process for Redevelopment and Economic Development. The process was to include participation and input from a range of stakeholders. The goal was to develop a mission-focused plan for the restructure of the City Redevelopment and Economic Development functions. Implementation of this new structure was to occur in January 2006 together with other Proposition F triggered organizational changes.

Since the initial direction from PS&NS, other City Council committees reviewed and discussed this topic. A number of community and stakeholder workshops and meetings took place. The complexity and scope of the process grew. The reorganization study was refined to focus on potential options regarding organizational structures for delivering redevelopment services to the eleven project areas staffed by the Redevelopment Division of CPCI.

As part of this effort, the Agency contracted with the consultant team of Clarion Associates and Waronzof Associates to analyze the operation and management of the San Diego’s Redevelopment Division as organized at the time. Later, Clarion Associates was contracted to prepare a study of governance options and associated advantages and disadvantages. Clarion’s governance findings were gleaned from seven case studies of redevelopment structures in the cities of Chula Vista, Los Angeles, Long Beach, Oakland, Sacramento, San Francisco and San Jose.

The following provides a chronology of many of the studies and reports that have been prepared and meetings that have taken place regarding redevelopment organizational issues during the past two and a half years:

- July 2005 PS&NS approved a draft work plan to accomplish a public process toward better management and implementation of the City managed redevelopment function.
- Sept 2005 PS&NS received a report by the Community & Economic Department that included summaries, issues and options relating to the following three restructure options:
- Enhancement of the then existing Agency structure;
 - Creation of an independent corporation; or
 - Merge with the Housing Commission.
- Sept 2005 The City Attorney presented a report to the Council Committee on Mayor-Council Transition relating to the Mayor's role in the operation of the City Redevelopment Agency and Redevelopment Agency board voting procedures.
- Sept/Oct 2005 Community workshops were held regarding redevelopment restructuring. Clarion and Waronzof were hired to review the operations of the Redevelopment Division, suggest "best practices" to improve the business practices of the Division and conduct case studies on the Metro Center Project in City Heights and the Las Americas Project in San Ysidro.
- Jan 2006 Proposition F Charter Amendment for Strong Mayor became effective.
- Feb 2006 Clarion and Waronzof completed the "Focused Study of Redevelopment Practices and Case Study Evaluation."
- March 2006 The Council Committee on Land Use & Housing ("LU&H") discussed redevelopment in relation to the strong mayor form of governance.
- April 2006 Councilmember Madaffer requested that the Office of Independent Budget Analyst ("IBA") provide a feasibility report on alternative structures for redevelopment outside of the City department structure.

- July 2006 The Clarion and Waronzof March 2006 “Best Management Practices & Recommendations for Action” report was received by the Redevelopment Agency.
- Aug 2006 The July 2006 IBA report was presented to LU&H.
- Sept 2006 The City Planning & Community Investment Department (“CPCI”) was formed to merge and create a collaborative team consisting of Planning, Economic Development and Redevelopment. A new Division of Urban Form (urban design, historic resources, and parks and open space planning) was added to CPCI.
- Nov 2006 LU&H received a presentation regarding the best practice measures that had been implemented. Clarion Associates presented the “Focused Study of Redevelopment Practices and the Restructuring Options Report” to LU&H.
- Feb 2007 The new Agency Deputy Executive Director was hired to manage the Redevelopment Division of CPCI and serve as Assistant Director of CPCI.
- April 2007 Redevelopment and Economic Development divisions of CPCI moved to office space in Civic Center Plaza in closer proximity to City Hall and the balance of the CPCI team.
- Nov 2007 LU&H discussed restructure options and made the following recommendations:
1. That a discussion be docketed for the December 4, 2007 Agency meeting relating to policy issues regarding restructuring the Agency. This would be a companion item to the reappointment of the Mayor as interim Agency Executive Director to be docketed for the same meeting.
 2. That the Mayor, as Agency Executive Director, bring a proposal before the Agency in January 2008 to restructure the Agency by establishing a new Redevelopment Commission or other independent Agency model, including hiring redevelopment staff independent of the City’s civil service system or not;
 3. To provide detailed comparative analyses relating to both the fiscal and public accountability aspects of the restructuring proposal.
 4. That the Agency hire an independent Agency Executive Director.

Dec 2007 The Agency designated the Mayor as the Agency Executive Director through June 30, 2008.

Dec 2007 LU&H Committee Consultant Elyse Lowe presented a summary of the LU&H recommendation to the Agency. The Agency directed the Agency Executive Director to return to the Agency with more information on the costs and benefits, of a potential new Agency structure and a comparison to the current structure.

DISCUSSION

Structural Options

Much has transpired since the initial discussions in 2005 relating to the City Manager's budget proposal. Today, the choices relating to a structure for the general management and administrative services of the Agency and management of the eleven-redevelopment project areas can be distilled to one of the following two choices.

Option 1

***Initiate a redevelopment administrative structure enabling the Agency the ability to hire and manage staff in a more effective and efficient manner outside of the City civil service system;
or,***

Option 2

Continue providing an Agency staff through a contract with the City.

Considerations

Six primary considerations were applied to the two options:

- o ***Staffing Flexibility***
- o ***Contracting Process***
- o ***Decision-Making and Accountability to the Public***
- o ***Management Efficiency and Cost***
- o ***Integration with Planning Policy***
- o ***Role of the Mayor***

The following provides a brief summary of the six primary considerations of the current study and provides insight as to why alternative organizational structures are still being considered. Each of these considerations will be revisited as the alternative structures and models are discussed later in this report.

▫ ***Staffing Flexibility***

The current structure employs City staff subject to the City's civil service rules and recruitment procedures. The overarching City processes and procedures hinder the Agency's ability to recruit for redevelopment focused positions and meet the timely needs of the Agency's work program. Redevelopment administration, programs and activities are funded through redevelopment project area property tax increment.

Redevelopment generally operates within this funding source without reliance on the City's General Fund. Even so, redevelopment staffing is generally confined to the City's hiring limits, position caps, freezes and other measures undertaken to address the General Fund issues. These restrictions potentially limit the Agency's ability to provide competitive salary, benefit packages, and recruit experienced professionals with valuable financial, entrepreneurial and redevelopment expertise.

▫ ***Contracting Process***

The existing City contracting procurement and contracting procedures can constrain the ability to hire needed consultants and professional services on a timely basis. An alternative Agency organizational structure could allow for the development of contracting policies and procedures specific to the types of professional services contracting required by the Redevelopment Agency. Increases in the smooth and efficient operation of the Agency could be realized. Contracting flexibility is important in bringing the Agency and community goals and objectives to fruition and responding to opportunities and challenges during economic cycles.

▫ ***Decision-Making and Accountability to the Public***

One question raised is if a separate board or commission of appointed persons with particular expertise would facilitate better decision-making relating to the eleven-redevelopment project areas served by the Redevelopment Division. The boards of directors of CCDC and SEDC vet projects and activities and formulate recommendations for Agency consideration. These boards can provide an added level of expertise to the review process. Complicated Agency transactions are reviewed and discussed at length through board committee structures and full board meetings. This process can provide additional opportunities for community participation in focused topical meetings, in a more casual setting than the formal structure of an Agency meeting. The bylaws of each corporation stipulate the categorical professional expertise that to be represented on the boards. CCDC and SEDC boards have manageable geographic areas in which they can become familiar with the community needs, desires and goals and objectives of the pertinent redevelopment plans.

The Redevelopment Division has no such professional board or committee within which to conduct this vetting process (excepting affordable housing projects reviewed by the Affordable Housing Collaborative Executive Loan Committee). Non-affordable housing projects and activities move directly from community group reviews to the Agency.

On the other hand, there has been strong concern raised that creating a separate board or commission would add another layer between the ultimate decision-makers, the City Council sitting as Agency, and the communities in which redevelopment is occurring, and extend the project review process rather than expedite it. The eleven-redevelopment project areas under the City's direct oversight are generally neighborhood redevelopment efforts, with long standing grassroots community participation. Many community leaders appreciate the ability to communicate directly with the district's elected officials and have expressed concern as to a new entity and how and who would serve on such boards.

▣ ***Management Efficiency and Cost***

Some argue that a separate corporation, commission, or redevelopment agency structure provides management that is more efficient because the structure is not internal to the larger city bureaucracy. Others argue that forming a separate management structure for redevelopment results in redundant overhead expenses, such as management, legal services, financial and budgeting services, etc., resulting in higher costs and less money for redevelopment projects. The City provides many of these services to SEDC and CCDC through City and Agency agreements, thereby increasing efficiencies

▣ ***Integration with Planning Policy***

Under State Law, redevelopment activities must be consistent with the general plans. Redevelopment is a tool to implement planning policies. The existing City Division structure reinforces this premise. Redevelopment is an important division within CPCI. Redevelopment staff is involved in both planning and implementation activities. The integration and collaboration of planning and redevelopment can continue under alternative structures informally and/or through formal agreements and policies.

Some City's struggle with the collaboration of the two disciplines in practice as redevelopment activities are sometimes perceived as driving planning policy rather than the other way around. The Agency corporations, Agency staff and planning staff are working toward updating

community plans and redevelopment plans in concert to avoid these potential conflicts.

▫ ***Role of the Mayor***

The voters approved Proposition F in November 2004 which provided for a Strong Mayor/Council form of City government and created an executive branch run by an elected official, the Mayor, and a legislative branch, the Council, to carry out the voters' will, as expressed through their elected representatives.

The Redevelopment Agency is technically a State agency activated by the local legislative body. The Mayor's role in redevelopment and relationship to the Agency was not addressed under Proposition F. The Mayor's role as Redevelopment Executive Director is currently at the Agency's will. This is in contrast to the Mayor's role as an independent executive serving at the will of the voters.

The Agency amended its bylaws on October 25, 2005 to designate the Mayor as the Executive Director of the Agency or such other persons as may be designated in lieu of the City Manager to reflect the changes in the Mayor's role resulting from the passage of Proposition F. Since January 1, 2006, the Agency has taken action on four occasions designating the Mayor as the Agency Executive Director for specific periods. The Mayor's current designation expires June 30, 2008.

The Mayor's role in redevelopment and relationship to the Agency exists with any structure currently under study. The Mayor is elected to serve as the chief executive of the City. Redevelopment plays a vital role in the implementation of the City's General Plan, provision of affordable housing, development of balance communities, safe neighborhoods, job growth and the economic strength of the City. The Charter Review Committee noted: "In principle, the Committee indicated that the Mayor is the only policymaker elected by the whole City and should not be left out of the redevelopment process."

The Agency bylaws provide that the Mayor have veto powers, within certain limits, over actions approved by the Agency. Language included within the Agency bylaws (Article 3, Section 4) states:

"During the period that San Diego Charter sections 275, 280, and 285 are in effect (Strong Mayor form of governance), the Mayor shall have veto powers over actions approved by the members in accordance with the procedures set forth in those sections with the following exception: The Mayor's veto power shall not extend to matters that are exclusively

within the purview of the members such as the selection, removal and duties of the Agency officers, members, and personnel under Article II of the bylaws of the Agency.”

The Agency could amend the Agency bylaws to provide that the Mayor and the Agency Board appoint the Executive Director; the Executive Director report to the Mayor on an operational basis; and that the Executive Director could be removed by the Mayor or a 2/3 majority vote of the Agency Board. In addition, the bylaws could establish that the Mayor or the Mayor’s designee, serve in an “Ex-Officio” capacity on the Agency Board. This would provide the Mayor a structure to provide policy recommendations and input as part of the Board discussions and/or provide reports for the Agency review and consideration.

San Diego is the only Redevelopment Agency, of the almost 400 active California redevelopment agencies, where the Executive Director is an existing elected official within the same municipality. Most cities in California have a Council/Manager form of governance. City Managers often serve the dual role of Agency Executive Director in smaller cities or those with limited redevelopment activity. Professional Executive Directors are generally hired in cities with a Strong-Mayor form of governance and those with more active redevelopment programs.

Some consider it critical that the Agency Board hire an Executive Director accountable to the Mayor and the Agency Board. The Executive Director would serve as the chief administrator of the Agency overseeing all Agency activities, day-to-day operations, and the Agency operating agreements with the two existing corporations. Consideration would need to be given as to the role of the Mayor in the hiring of and reporting structure for the Executive Director.

Review of Organizational Structures

Option 1

Initiate a redevelopment administrative structure enabling the Agency the ability to hire and manage staff in a more effective and efficient manner outside of the City civil service system

Corporation/commission and direct Agency governance models are believed to attract experienced redevelopment professionals through competitive compensation packages, streamlined hiring processes, and private sector management practices. These models have the ability to adjust staffing and consultant services in response to workload, need and demand; and the capacity to react and move swiftly to capture development opportunities. These special purpose organizations are often perceived as working outside

the normal confines of government. The following briefly describes the potential structure if implemented at the City of San Diego.

Commission Model (not recommended at this time)

Under a commission model, the Agency could relinquish most of its power to the Commission, but retain oversight. The Mayor could appoint the Commission board members, subject to confirmation by the Agency, as is the current practice with other City entities. Commission members would serve without compensation and review and recommend actions related to all redevelopment activities (including those managed by CCDC and SEDC if such authority was desired by the Agency). The Commission board would hire an Executive Director who in turn would hire staff, all of whom would be employees of the Commission. The Commission would be responsible for the overall management and reporting requirements of the Agency. The Commission could also enter into agreements with the City for provision of services as currently provided by such contracts. Alternatively, the Agency could delegate that responsibility to the Commission. Depending on the nuances of the structure, certain items would come to the City Council as Agency companion items, while other types of agreements would go before the Commission only.

This is the most complicated model inasmuch as there are already two corporations managing project areas that would also fall under the Commission's authority. The levels of review, especially concerning corporation projects and activities would increase. The public could have strong concern for the power of redevelopment being delegated to a body other than the officials elected by the voters of San Diego. The actual cost of this model has not been detailed, as it would require the greatest increase in staff to administer the organization and the highest potential for disconnect from the integration of redevelopment and planning.

501 (c) (3) Corporation Model (not recommended at this time)

The corporation model is already in place in Centre City and Southeastern San Diego. CCDC and SEDC are 501(c)(3) corporations. The City Council could create a corporation with the expressed purpose of managing the administrative functions of the Agency and redevelopment in the eleven-redevelopment project areas that are currently managed by the City Redevelopment Division. The Agency could then enter into an agreement with the Corporation to manage redevelopment administration and project area management. As with the other corporations, the Mayor could appoint the board of directors, subject to confirmation by the Council/Agency. Corporation Board members would serve without compensation. The corporation board would hire a President-Chief Executive Officer who in turn would hire staff. The corporation would make recommendations to the Redevelopment Agency and have the

power to take actions relating to redevelopment planning and implementation.

As with the other redevelopment corporations, the new corporation would enter into a contract or agreement with the City to provide planning, engineering, legal, and other services as prudent.

Agency-Employee Model (recommended structural model)

California Community Redevelopment Law provides that “An Agency may select, appoint, and employ such permanent and temporary officers, agents, counsel and employees as it requires.” The Agency could amend its’ contract with the City to delete the “provision of a redevelopment staff”, and hire staff as Agency employees. The Agency would continue to contract with the City for services such as accounting, planning, engineering, legal, and other services that would contribute to the smooth and efficient operation of the Agency and to avoid undue duplication of effort. These are the same types of services provided to the corporations through contracts with the City. This would set the framework for the ongoing integration of the Agency and City departments.

These alternative models have the following potential attributes and shortcomings relating to the six primary considerations:

□ ***Staff Flexibility***

The Commission, Corporation, and Agency-Employee models all provide an increase in staffing flexibility. Positions and titles could be developed specific to the duties and functional requirements of the Agency. The ability to recruit and hire in a timely fashion with a tailored process will attract more applicants that are qualified.

Redevelopment is a “niche” profession. Redevelopment is an entrepreneurial and creative business. Individuals with experience in real estate, land economics and private sector project management are more likely to be attracted to a job with a redevelopment agency than a city division. The Agency would also have a greater likelihood of attracting public sector redevelopment professionals from other cities looking to move-up in the redevelopment field.

Creation of a commission or corporation or hiring agency staff does not guarantee the ability to hire seasoned redevelopment professionals but will position the Agency to focus and control recruitment and selection processes.

All three models (commission, corporation and Agency-employee) present challenges relating to how they would affect the current City division staff.

It is uncertain how many employees would desire to remain with the City in lieu of resigning from the City to join the new structural model. All appropriate personnel procedures would need to be explored and followed. Approximately 35% of the positions within the Redevelopment Division are classified/represented. Currently the Agency Deputy Executive Director is the only unclassified/unrepresented position in the Agency budget. Approximately 93% of the current employees are vested in all or some parts of the City's benefit program. The ability for Agency employees to remain in the San Diego City Employee's Retirement System ("SDCERS") and the ability for the Agency to become a member of the California Public Employee's Retirement System ("CALPERS") are underway. Agency membership in SDCERS or CALPERS would provide the current Redevelopment Division employees with a comparable retirement benefit program.

The reorganization of the Redevelopment Agency would not be subject to "managed competition", according to the City Attorney's office and City Labor Relations. The attorney noted that if anything, the Agency hiring of its own staff would be akin to "contracting in". Labor Relations expressed that any restructure would have some meet and confer implications. Once the Agency provides direction as to a course of action the City and the labor organizations will meet and confer over the impacts of any recommended structural changes.

□ ***Contracting Process***

The Commission, Corporation, and Agency-Employee models could have greater contracting flexibility by developing contracting policies and procedures tailored for the type of professional services contracting needed by the Agency. Oftentimes consultants are needed for specific project analysis. It is cost effective to hire consultants with subject matter expertise on an "on-call" basis rather than to attempt to hire staff for every discipline needed.

The Agency will realize greater success with an aggressive public information campaign and host Agency wide programs, in collaboration with the redevelopment corporations and City departments and divisions, to highlight the positive attributes of investing and developing with the City's Redevelopment project areas. Our goal is to make San Diego redevelopment areas the preferred place to do business in San Diego. The ability to engage professional marketing consultants to provide specific graphic materials will enhance our efforts and results.

□ ***Decision-Making and Accountability to the Public***

Commission or Corporation Models

A commission or board populated by appointees chosen for their technical expertise could enhance decision-making through their expertise, but would add another step and time to the decision-making process.

While the Commission and Corporation models have merit, the creation of another layer or buffer between the public and the elected officials was a frequent concern expressed at the public meetings held in 2005. The Mayor and City Council have made great strides in ensuring an open, transparent public process. The commission and corporation models would create boards of appointees to oversee redevelopment instead of the Mayor and Council. Although a public review process would continue, the formation of such a corporation could be perceived as erosion of the transparent public process.

Clarion's research and subsequent conversations with other cities that have these structures, such as Los Angeles, San Jose, and Portland, indicates that it is not uncommon for special purpose redevelopment organizations to operate at odds with other city objectives and departments, sometimes creating their own duplicative functions and divisions, particularly at neighborhood level redevelopment efforts, versus downtown redevelopment efforts. These conflicts ultimately are resolved at the Mayoral or Council level through their oversight, but sometimes after instituting redundant review processes that can diminish the original intent for a special purpose board or commission. A commission or corporation board would add another step and time to the decision-making process but could enhance decision-making through their expertise.

Agency-Employee Model

The Agency-Employee Model would not create an added layer of governance. The Agency would have direct involvement and authority over redevelopment activities and direct dialog with the public. It is recommended that a five- to seven-member technically based advisory committee be created to advise Agency staff on transactions and other related redevelopment issues. The committee would be comprised of appropriate senior City executive staff and private sector individuals (non-compensated) to further enhance the decision-making without diminishing the relationship between the Agency and the communities. The committee members would be appointed by the Mayor and confirmed by the City Council as with other City boards and committees.

□ ***Management Efficiency and Cost***

The Commission, Corporation, and Agency-Employee models would create new management structures and titles. Any increase in overhead cost could be offset by faster management decision-making and efficiencies making the investment worthwhile. Reduction or elimination of some of the current charges by City departments is possible.

Commission and Corporation Models

Formation of a Commission or Corporation would create the greatest need for a greater number of staff in order to conduct the business of the entity as well as the Agency. Positions such as President, Vice President, Chief Financial Officer, contract administrator, human resources manager, benefits manager, corporate or commission counsel and perhaps others would be necessary to manage and run the entity and business of the Agency. The creation of the entity, appointment of a formal board of directors and board training would take time and reflect greater “start-up” costs. The Commission and Corporation models are not recommended at this time.

Agency-Employee Model

The Agency-Employee Model would require the addition of a human resources professional and most likely an accounting professional coordinating benefit plans, payroll and potentially contracting. These positions would be in addition to two new positions that will be requested to enhance the current staffing levels in 2009. Increased “start-up” costs could be offset as the new governance results in a more effective and efficient operation, resulting in greater tax increment generation.

□ ***Integration with Planning and Land Use Policies***

There is some risk that the Commission, Corporation, and Agency-Employee models could develop conflicts overtime with Planning and other city policies and departments; whereby, redevelopment projects drive land use and community planning policy through the amendment process, rather than redevelopment projects implementing adopted land use and community planning policies. Sometimes this results in redundant services and positions in the redevelopment organization that also exists in the City. Integration, however, can be clarified, maintained and strengthened through operating agreements between the Agency, Commission or Board, and the City. The Agency can enter into agreements for provision of services such as planning and urban design, financial management, and auditor through service agreement in order to avoid duplication and maintain stronger links between the Redevelopment entity and City departments. No organizational structure on its own will force collaboration. It is the management and culture of the organization that will result in collaboration and integration.

□ **Role of Mayor**

Commission or Corporation Model

The Mayor would appointment the Commission or Board members, subject to confirmation by the Council. The Mayor could continue as the Executive Director or the Agency could consider amending the Agency bylaws to provide the Mayor a role in the hiring and appointment of a professional Executive Director and provide that the Mayor or the Mayor's designee, serve in an "Ex-Officio" capacity on the Agency Board. The Mayor could provide policy recommendations and input as part of the Board discussions and/or provide reports for the Agency review and consideration.

Agency-Employee Model

The Agency would amend the Agency bylaws to provide that the Mayor and the Agency Board appoint the Executive Director; the Executive Director report to the Mayor on an operational basis; and that the Executive Director could be removed by the Mayor or a 2/3 majority vote of the Agency Board. In addition, the bylaws would establish that the Mayor or the Mayor's designee, serve in an "Ex-Officio" capacity on the Agency Board. This would provide the Mayor a structure to provide policy recommendations and input as part of the Board discussions and/or provide reports for the Agency review and consideration.

The Agency/City agreement would provide for the City to provide a technical advisory committee to assist the Agency on project review.

Option 2

Continue providing an Agency staff through a contract with the City.

The Redevelopment Division of the City Planning & Community Investment department currently serves as the staff to the Agency through an agreement between the City and the Agency.

The Redevelopment Division has instituted a number of best management practices brought forward in conjunction with the Clarion Focused Study and more are underway to improve reporting, accountability, and increase project management and project area performance, professional knowledge and growth.

There have been a considerable number of changes in staffing since February. Some individuals have left the Redevelopment team due to retirement, job change or other life circumstances. Strategic hires and promotions are strengthening the team with a diversity of skill sets and experience. Changes in staffing and management responsibilities have

occurred to match skill sets with assignments and provide staff with a challenging and rewarding work environment.

The Redevelopment Division has been working with the City personnel department attempting to redefine job titles, announcements, qualifications and experience levels to be specific to redevelopment to attract individuals with appropriate skill sets, aptitude and attitude to strengthen and enhance the team. There is little latitude within the civil service process to make such changes. To date the number of qualified candidates has been limited, resulting in the need to initiate the City's recruitment process twice in less than 12 months. The second process is still underway. The process does not enhance the ability of the Agency to adjust to staffing needs in an efficient manner or tailor positions to meet Agency needs.

There are currently a number of vacant positions within the Redevelopment Division. These positions have not been filled in light of the uncertainty of the organizational structure. In fairness to the applicants, offers of employment have not been extended inasmuch as the future structure of the organization is unknown. Unfortunately, the vacancies have affected our overall success in some of the project areas. The division has continued to work with the City personnel department to open a recruit process and develop an "eligibility list" for the vacant project management positions. This recruitment is underway while the reorganization is under study to enable the division to be poised to fill vacancy as soon as a structural model is selected by the Agency.

Staff members at all levels are participating in professional training made available through the California Redevelopment Association and Urban Land Institute. Collaboration between project managers on problem solving and bi-weekly project updates has enhanced the collegial atmosphere of the team. A number of the team members recently participated in an intensive 3-Day Charrette Training course and increased their skills conducting effective results based community participation processes. Individuals representing the various disciplines of CPCI participated resulting in increasing the collective strength and bond of the department.

The Redevelopment Division has already seen positive results from the collaboration with the other disciplines of CPCI at the earliest stages of looking at new development opportunities and redevelopment activities. Developer solicitation and proposal review and analysis processes and practices have been refined through this collaboration.

The Redevelopment Division is also enhancing the channels of communication and collaboration with the Agency's two independent corporations SEDC and CCDC. The Agency and the corporations are currently working together on such things as standardization of processes,

loan criteria, documentation, and budget formatting. The collaboration began with the Affordable Housing Collaborative. Efforts have expanded into many other areas to increase the success of redevelopment.

The Redevelopment Division team is playing a very active role in each of the Community Plan updates that contain redevelopment project areas. All of the disciplines represented in CPCI are teaming together to work with the communities to result in realistic, feasible and achievable community plans. All participants are expanding their knowledge and understanding through this approach. This type of collaboration will continue as with the adoption of plans implementation of activities.

The Redevelopment Division is stabilizing after a number of years of structural change and leadership. The Division is making strides and coming together as a strong team. Clarion Associates noted that studies of agencies have concluded that the relative success or failure of individual redevelopment agencies does not appear to relate as closely to specific governance structures as it does to other factors affecting performance.

Continuation of the existing structure as a City departmental division has following potential attributes and shortcomings relating to the six primary considerations:

▣ ***Staffing Flexibility***

Redevelopment Division staffing would continue to be subject to the Civil Service process and City budgeting policies and hiring practices. The current structure has the least flexibility. The current City recruitment process has not resulted in a strong pool of qualified/experienced candidates. The process is slow and it is difficult to interest people from outside the City government to apply for positions. Hiring and staffing will continue to be a huge challenge for the Redevelopment Division under the current structure.

▣ ***Contracting Process***

The City contracting and procurement policies and procedures provide an extremely thorough, structured process. The process does not provide the opportunity to react to the needs of the Agency in light of the type of consulting services required and “on-call” nature of the Agency’s needs. The Agency could choose to establish Agency procedures, even under the existing structure. Therefore, it may be possible to establish a process that is more flexible but unlikely as flexible as the alternative operating structures.

□ ***Decision-Making and Accountability to the Public***

Under the current structure, the City Council sitting as the Agency would continue to have direct decision-making authority on redevelopment projects and issues within the eleven-redevelopment project areas. As with the Agency-Employee Model, the creation of a five- to seven-member technically based advisory committee to advise Agency staff on transactions and other related redevelopment issues is recommended. The committee would be comprised of appropriate senior City executive staff and private sector individuals to future enhance decision-making without diminishing the relationship between the Agency and the communities.

□ ***Management Efficiency and Cost***

The current staffing level is inadequate for effective management of the operations of the Redevelopment Agency. A minimum of two new positions will be necessary in Fiscal Year 2009 to manage the operations efficiently. City general service charges and charges from other City departments or divisions will likely continue to increase with continuation of the existing structure. Overhead costs for office space, office equipment, and communication systems will also remain constant and grow, as staff increases with the growth and success in the redevelopment project areas.

□ ***Integration with Planning and Land Use Policies***

The current structure integrates redevelopment with other divisions of CPCI, primarily, Community Planning, Urban Design and Parks Planning. CPCI integrates planning with implementation tools, such as redevelopment and economic development. Through this integration, redevelopment's role is to implement community planning policies in redevelopment project areas, including the provision of public facilities, which is a major issue in the eleven-redevelopment project areas under the Redevelopment Division's management. The Redevelopment Division, within CPCI, is also in the same business group as DSD and Real Estate Assets. This relationship contributes to more strategic management, decision-making and conflict resolution.

□ ***Role of the Mayor***

Under the current structure, the Mayor serves as the Executive Director of the Redevelopment Agency subject to appointment by the Agency. He is also head of the Executive Branch of the City and its departments. Holding both roles, and maintaining redevelopment management within the City structure, directly involves the Mayor's position and his designees in redevelopment decision-making in San Diego. The Mayor, as Redevelopment Agency Executive Director, is still subject to the

Redevelopment Agency’s policies, direction, and contracting commitments, as approved by the Agency Board (Council). Under the current structure, the Mayor’s role in Redevelopment needs a more permanent commitment rather than the current process of periodically continuing the agreement to designate the Mayor’s position as Executive Director.

Operational Consideration Comparison Summary

The following table provides a synopsis of the advantages and challenges of the Agency-Employee Model and the current City Division structure.

Operational Consideration	Agency Employee Structure	Current City Division Structure
<p>Staffing Flexibility</p>	<p>Advantage Ability to create Agency recruitment procedures & processes, tailor job recruitments & requirements to meet Agency needs. Ability to adjust staffing needs with market conditions.</p>	<p>Challenge City & civil service process Perception of City financial & pension system effects recruitment</p>
<p>Contracting Process</p>	<p>Advantage Customized contracting policy to meet Agency needs.</p>	<p>Challenge The City’s processes are time consuming, formulaic & process driven.</p>
<p>Decision Making & Public Accountability</p>	<p>Advantage Transparent organization No board or commission stands between the community & elected officials. Add a technical advisory committee.</p>	<p>Advantage Transparent organization No board or commission stands between the community & elected officials. Add a technical advisory committee.</p>
<p>Management Efficiency & Cost</p>	<p>Advantage Advance an entrepreneurial private sector culture. Performance enhancing consultant services. Potential for Agency to participate in SDCERS or CALPERS. The addition of a technical advisory committee. Challenge The addition of a paid Executive Director & Human Resources manager will increase costs.</p>	<p>Advantage No disruption to status of City employment. The addition of a technical advisory committee Challenge The addition of an assistant deputy director & a support staff position will increase costs. Recruitment & retention of staff.</p>

<p>Integration with Planning</p>	<p>Advantages Management structure is currently operating with a focus on integration & collaboration. Agency/City agreements will continue collaboration.</p> <p>Challenge Agency employees could be perceived as outside of the City structure.</p>	<p>Advantages Management structure is currently operating with a focus on integration & collaboration. Prioritization & joint funding of community plan updates is reinforcement. Agency/City agreements will continue collaboration.</p>
<p>Role of the Mayor</p>	<p>Advantage Amended Agency bylaws would establish that the Mayor and Agency appoint the Executive Director; the Mayor or designee participate as an Ex-Officio Agency Board member; the Executive Director would operationally report to the Mayor; and the Executive Director could be removed by the Mayor or a 2/3-majority vote of the Agency Board. The City would provide a technical review committee to the Agency.</p>	<p>Advantage The redevelopment staff would continue to be a division of a department under the Mayor's administration.</p> <p>Challenge The Mayor's role as Agency Executive Director would be at the pleasure of the Agency members.</p>

Financial Consideration

The primary components of the operation of the redevelopment agency are:

- **Salaries and Benefits** – (Costs fluctuate as staff increases or decreases)
 - Personnel
 - Retirement and health benefit plans

- **Overhead** (Costs fluctuate as staff increases or decreases)
 - Office space, equipment, supplies, utilities
 - Training
 - Communications hardware and service
 - City general governmental services budget
 - City services

- **Direct Project Expenses** (Costs fluctuate on project area needs and availability of tax increment to fund projects)
 - Public improvements, community enhancements

- Opportunity site land acquisition
- Affordable housing development loans
- Consultants
 - Transactional/Land Economics
 - Special Legal Counsel
 - Appraisal
 - Property Management
 - Public Outreach

Financial Consideration Comparison Summary

The following table provides a synopsis of the advantages and challenges of the Agency-Employee Model and the current City division structure.

Financial Consideration	Agency Employee Structure	Current City Division Structure
Salaries	<p style="text-align: center;">Staffing changes +4 Add: Executive Director Assistant Deputy Director Clerical Assistant II Human Resources Manager Accountant</p> <p style="text-align: center;">Delete: Deputy Executive Director</p>	<p style="text-align: center;">Staffing changes +2 Add Assistant Deputy Director Clerical Assistant II</p>
Fringe Benefits	<p>Participation in SDCERS or CALPERS is currently under review Benefit costs will increase with additional staff.</p>	<p>Current staff participates in SDCERS. Benefit costs will increase with additional staff.</p>
Overhead	<p>Overhead will increase proportionally with addition of new employees who need space, fixtures, equipment, training and supplies.</p>	<p>Overhead will increase proportionally with the addition of new employees who need space, fixtures, equipment, training and supplies.</p>
Project Expenses	<p>Project area needs & availability of area property tax increment drive the level of project activity and related expenses. Greater public & private sector activity results in greater improvement to the area and greater tax increment revenue generated for reinvestment in the community.</p>	<p>Project area needs & availability of area property tax increment drive the level of project activity and related expenses. Greater public & private sector activity results in greater improvement to the area and greater tax increment revenue generated for reinvestment in the community.</p>

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The City employees of the Redevelopment Division of the City Planning and Community Investment Department will be directly impacted by the direction taken on this issue. In the event the Agency adopts the "Agency Employee" model, it is assumed that many of the affected City employees would accept offers to move to the "new" Agency and effectively terminate their employment with the City. Conversely other affected City employees would request the City to relocate them to other positions within the City, thus potentially requiring a significant relocation process under Civil Service rules to be administered by the Personnel Department. It is the absolute desire of the Executive Director for affected City employees to not be adversely impacted as a result of any action taken.

The proposed reorganization will benefit the public and the Agency through operational improvements associated with the transition of personnel recruitment and business management processes from a civil service to a private sector management model.

CONCLUSION

The implementation of the "Redevelopment Agency Model" as a new organizational structure and the provision of a technical advisory committee will increase the effectiveness of the administrative functions and the management of redevelopment programs currently managed by the Redevelopment Division of the CPCI department of the City.

The voters elect the Mayor to serve as the chief executive of the City. Redevelopment plays a vital role in the implementation of the City's General Plan, provision of affordable housing, development of balance communities, safe neighborhoods, job growth and the City's economic strength. The Mayor should have a strong role in shaping policies and implementing redevelopment activities.

The Mayor and the Agency Board would have active roles in Redevelopment through amendments to the of the Agency bylaws to establish that the Mayor and Agency appoint the Agency Executive Director; the Executive Director report to the Mayor on an operational basis; the removal of the Executive Director by the Mayor or a 2/3 majority vote of the Agency Board; and the Mayor or the Mayor's designee, to serve on the Agency Board in an "Ex-Officio" capacity.

Respectfully Submitted,

Concurred by:

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