

DATE ISSUED: April 13, 2010

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of April 27, 2010

ORIGINATING DEPT.: Centre City Development Corporation

SUBJECT: Preliminary Actions in Preparation of a Proposed Amendment to
the Centre City Redevelopment Plan – Centre City Redevelopment
Project

COUNCIL DISTRICT(S): 2 & 8

REFERENCE: None

STAFF CONTACT: Frank J. Alessi, Executive Vice President & Chief Financial
Officer

REQUESTED ACTION: That the Redevelopment Agency (“Agency”) authorizes the Centre City Development Corporation (“Corporation”) to proceed with preparing documentation to update blighting conditions necessary for a proposed Amendment to the Centre City Redevelopment Plan (“Plan”) to increase the Tax Increment Limit “CAP” to facilitate the completion of eliminating blight in the Centre City Redevelopment Project (“Project Area”).

STAFF RECOMMENDATION: That the Agency authorizes the Corporation to proceed with preparing documentation to update blighting conditions necessary for a proposed Amendment to the Plan to increase the CAP to facilitate the completion of eliminating blight in the Project Area.

SUMMARY: In March of 2009, staff was directed to provide a report on the process of moving forward with an amendment to the Plan to increase the CAP. In May 2009, the City of San Diego’s (“City”) Budget Review Committee requested a report in 30 days. On May 26, 2009, a report was submitted that described the necessary steps to be taken and a time table. At this time, it is requested that staff be authorized to proceed with the documentation including the use of staff time and the appropriate consultants, necessary for a proposed Amendment to the Plan.

FISCAL CONSIDERATIONS: In addition to staff time, it is estimated that outside consultants and costs may be on the order of \$500,000. This will include engineering surveys, any necessary environmental analysis, economic analysis, special legal counsel, advertising for public hearing, and providing certain notices to all property owners within the Project Area.

CENTRE CITY DEVELOPMENT CORPORATION RECOMMENDATION: On January 27, 2010, the Centre City Development Corporation Board voted 6 to 0 (Directors Maas, Kilkenny, McNeely, Shaw, Oncina, and Relyea) in favor of amending the Plan.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

On January 20, 2010, the Centre City Advisory Committee voted 21-0 and the Project Area Committee voted 19-0 to approve the staff recommendation.

DISCUSSION: During the City Council (“Council”)/Agency meeting of March 10, 2009, staff was directed to provide a report on the process, of moving forward with an amendment to the Plan to increase the CAP to facilitate the completion of eliminating blight in the Project Area. Subsequently, at the May 7, 2009 Committee on Budget Finance of the City Council of the City of San Diego meeting, it was requested that a report be provided within 30 days.

Amendments to redevelopment plans may be implemented by taking the steps necessary as outlined in the California Community Redevelopment Law (CRL). These steps include public hearings of both the Council and the Agency, submitting a report to the Department of Finance (DOF) and the Department of Housing and Community Development (HCD). The content of such public hearings will include a Preliminary Report and a Report to Council (“Report”), both of which contain descriptions of the blight remaining in the Project Area, non-blighted areas, projects that will eliminate such blight and the relationship between the costs of such projects and the amount of the increase in the CAP. The entire process may take 12 to 18 months to implement.

Significant staff time, several consultants and other costs will be required to facilitate the information in preparing the Report for the blight findings including; economic analysis, special legal counsel, engineering surveys, any necessary environmental analysis, advertising for hearings, notices by certified mail to every property owner, resident and business in the Project Area. The amount of these costs is currently unknown; however, it is estimated that the cost for consultants may be \$500,000.

The following provides a general outline of the steps necessary to amend the Plan:

- The Council and Agency would hold a Joint Public hearing with the Council adopting an ordinance and the Agency adopting a resolution on the amendment to the Plan.
- Within 45 days prior to the public hearing, the Agency staff notifies the DOF and HCD of the public hearing and the proposed amendment. The notice to the State of California (“State”) will include a report containing:
 - A map of the Project Area identifying blighted and non-blighted areas
 - A description of the blight
 - A description of the project or programs that will eliminate the blight
 - A description of how these projects or programs will improve the conditions of blight

- Reasons why the projects or programs cannot be done without an increase of the CAP
- The method of financing the projects or programs
- An amendment to the Five-Year Implementation Plan in place
- If the area contains low- or moderate-income housing, a neighborhood impact report is required.
- The report to the State allows them to understand how the amendment may affect the State's general fund.
- Within 21 days, the DOF or HCD may send their comments for potential legal action
- The ordinance to be adopted by the Council will contain findings that:
 - Significant blight exists
 - The blight cannot be eliminated without additional debt and the increase of the CAP
- A Preliminary Report will be prepared to justify the proposed amendment and forwarded to all of the taxing entities no later than 90 days before the date of the public hearing
- In addition, a report to the Council will be prepared containing the following information:
 - Remaining blight within the Project Area
 - Portion of the Project Area no longer blighted
 - Projects needed to eliminate the blight
 - Relationship between the costs of the projects and the amount of the CAP increase

The Project Area, created in 1976 and 1982, consisted of the Marina, Columbia and Gaslamp sub-areas, which was subsequently merged and expanded to include the Expansion sub-area in 1992 now known as the Project Area. In general, the goals and objectives of the Project Area are in accord with the Centre City Community Plan which sets the vision for the future form of the Downtown San Diego Community. Despite the progress that has been made in the elimination of blight, significant portions of the Project Area include areas and buildings that show signs of disinvestment and neglect, un-reinforced buildings, underutilized lots, contaminated soils, crime, incompatible land use and the existence of homeless camps. In addition, infrastructure is lacking and public improvements such as streets and sidewalks are in various levels of disrepair.

The goals and objectives for eliminating these blighting elements include:

- Providing neighborhood/community-based facilities such as parks, plazas, commercial recreational uses, open spaces, recreational centers, and other community facilities serving the needs of the entire downtown
- Expand and improve the supply of low- and moderate-income housing
- Install needed public improvements, such as parking, transit facilities, traffic signals, streetlights and sidewalks
- Provide strong physical linkages to create attractive vehicular and pedestrian connections between major downtown activities and the waterfront including green streets, medians, and other gateway street improvements
- Provide appropriately sized parcels to encourage development
- Provide for a socially balanced community by providing for jobs and housing for persons of varying social, economic, and ethnic groups

To address this blight and the goals and policies of the Community Plan, many objectives are currently being implemented such as parks and open space, fire stations and public infrastructure. However, the costs of implementing these objectives far exceed the remaining tax increment allowed to be received under the current Plan after providing for debt service, tax sharing agreement and other obligations. The current projections anticipate that after providing for debt service on existing bonds, payment to taxing entities, and other obligations, there will be approximately \$275 million of tax increment to produce low- and moderate-income housing units and \$386 million of tax increment for all other redevelopment activities to meet the visions and goals of the Community Plan. The tax increment will cease to be available far sooner than the life of the Plan. Therefore, it is recommended that the gathering of data and the financial analysis begin to proceed for the implementation of a Plan amendment.

Environmental Impact:

This activity is not a "project" under the definition set forth in CEQA Guidelines Section 15378. Therefore, pursuant to CEQA Guidelines Section 15060(c)(3), the activity is not subject to CEQA.

CONCLUSION: Amendments to the Plan may be implemented pursuant to CRL. To address the blight and implement the goals and policies of the Community Plan in the time frame originally contemplated, it is proposed that an amendment to the Plan to increase the CAP be proposed in the near future.

The Plan has limited resources to implement the goals and policies of the 2006 Downtown Community Plan during the Project Area's timeline with the current limitation on the CAP of tax increment. Therefore, it is recommended that the Corporation proceed at this time with preliminary actions in preparation of a proposed Plan amendment.

Respectfully submitted,



Frank J. Alessi
Executive Vice President &
Chief Financial Officer