

DATE ISSUED: March 19, 2003

REPORT NO. RA-03-09
CMR-03-034

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Honorable Mayor and Members of the City Council
Agenda of March 25, 2003

SUBJECT: Crossroads Redevelopment Project

SUMMARY:

Issues: Should the Redevelopment Agency/City Council take actions concerning the Crossroads Redevelopment Project?

March 25, 2003 meeting:

Redevelopment Agency:

- 1) Approve and adopt the Owner Participation Rules.
- 2) Approve and adopt resolution submitting to the City Council the Report to City Council and the Proposed Redevelopment Plan for the Crossroads Redevelopment Project.

City Council:

- 1) Approve modifications to the Crossroad PAC Procedures, regarding PAC terms.
- 2) Approve and adopt resolution finding that the expenditure of low and moderate income funds outside the Crossroads Project Area will benefit the Project Area.

Redevelopment Agency and City Council:

- 1) Hold a public hearing to take testimony on the proposed adoption of the Crossroads Redevelopment Plan.
- 2) Adjourn the joint meeting to April 8, 2003.

April 8, 2003 meeting:

Redevelopment Agency:

- 1) Consider any written objections submitted regarding adoption of the Crossroads Redevelopment Plan.
- 2) Consider adoption of a resolution certifying the Final Environmental Impact Report for the Crossroads Redevelopment Project.

- a) Consider adoption of a Statement of Overriding Considerations for the Crossroads Redevelopment Project.
- b) Consider adoption of the Mitigation Monitoring and Reporting Program for the Crossroads Redevelopment Project.
- 3) Consider adoption of a resolution approving the Crossroads Redevelopment Plan
- 4) Approve and adopt resolution finding that the expenditure of low and moderate income funds Five-Year Implementation Plan outside the Crossroads Project Area will benefit the Project Area.

City Council:

- 1) Consider any written objections submitted regarding adoption of the Crossroads Redevelopment Plan.
- 2) Consider adoption of a resolution certifying the Final Environmental Impact Report for the Crossroads Redevelopment Project.
 - a) Consider adoption of a Statement of Overriding Considerations for the Crossroads Redevelopment Project.
 - b) Consider adoption of the Mitigation Monitoring and Reporting Program for the Crossroads Redevelopment Project.
- 3) Approve and adopt resolution finding that the expenditure of low and moderate income funds outside the Crossroads Project Area will benefit the Project Area.
- 4) Consider introduction of an Ordinance to approve and adopt the Crossroads Redevelopment Plan.

Executive Director/City Manager's Recommendation: Approve and adopt the above recommendations.

Planning Commission Recommendation: On January 30, 2003, the Planning Commission adopted a Resolution determining that the draft Crossroads Redevelopment Plan and implementation activities described therein are in conformity with the General Plan of the City, pursuant to Government Code Section 65402. The Planning Commission added additional language to the draft Crossroads Redevelopment Plan for clarification and recommended approval of the Plan. A copy of the Planning Commission resolution is included in Attachment 2 (Report to Council tab, Section H.).

Crossroads Project Area Committee (PAC) Recommendation: The Crossroads PAC is scheduled to make a recommendation on the Crossroads Redevelopment Project at their March 13, 2003 meeting. The results of the hearing will be reported orally at the City Council/Redevelopment Agency hearing.

Community Planning Group Recommendations: The City Heights Community Planning Group, College Area Community Council and Eastern Area Community Planning Committee have reviewed the Draft Redevelopment Plan and the Draft Environmental Impact Report (Attachment 3.).

Environmental Impact: An Environmental Impact Report (EIR) has been prepared. (Attachment 2, EIR tab.) The EIR was prepared in accordance with the California Environmental Quality Act (CEQA), the CEQA Guidelines, and California Community Redevelopment Law guidelines. The Redevelopment Plan for the Crossroads Redevelopment Project will be implemented in accordance with the California Community Redevelopment Law (CRL), California Health & Safety Code Section 33000, et. seg. The Crossroads Redevelopment Project Area encompasses approximately 1,031 acres.

The environmental issue areas addressed in the EIR are: Land Use; Traffic/Circulation; Air Quality; Noise; Landform/Visual Quality; Geology/Soils; Cultural Resources; Hydrology/Water Quality; Hazards and Hazardous Materials, Biological Resources; Public Services and Utilities, Population and Housing and Paleontological Resources. A summary of the environmental impacts and mitigation measures is provided in Table ES-1 of the EIR. Significant project-level impacts have been identified for Noise; Geology/Soils; Cultural Resources; Hydrology/Water Quality; Hazards and Hazardous Materials, Biological Resources; Population and Housing and Paleontological Resources. These significant impacts can be reduced to a level less than significant with the implementation of 22 identified mitigation measures. Based on the data and conclusions of the EIR, the Redevelopment Project will result in significant project-specific and cumulative impacts to Traffic/Circulation and Air Quality, which cannot be fully mitigated. The City Council and Redevelopment Agency will be asked to adopt a “Statement of Overriding Considerations” pursuant to Sections 15093 and 15126(b) of the CEQA Guidelines in order to approve the Redevelopment Project. The project alternatives are discussed in Section 7.0 of the EIR. (Attachment 2, EIR tab.)

Fiscal Impact: Approval of these actions will commit property tax increment revenue derived from the Project Area over its thirty (30) year life for the repayment of debt incurred for the public and private improvements within the Crossroads Redevelopment Project Area. Tax increment payments are authorized for up to forty-five (45) years for the repayment of bonded indebtedness. The fiscal impacts of the Plan are discussed in the Report to Council (Attachment 2, Report to Council tab, Section E.).

Code Enforcement: Subsequent to Redevelopment Plan adoption, available funds derived from the Project Area may be applied to enhancing structures by eliminating health and safety code violations, which contribute to blight in the project area.

Housing Affordability Impact: California Redevelopment Law requires that 20% of the funds derived from redevelopment tax increment be set aside to insure that low and moderate income residents have access to safe, decent, and affordable housing. The 20% set-aside may be used to implement any low and moderate income housing agreements that are approved by the City Council/ Redevelopment Agency.

BACKGROUND:

Activities to explore the feasibility of the proposed Redevelopment Plan for the Crossroads Redevelopment Project Area (“Project Area”) began in September 25, 2001 with the adoption of the

survey area. On February 7, 2002 the Planning Commission selected the preliminary boundaries for the Project Area and adopted the Preliminary Plan. On April 2, 2002, the City Council selected the preliminary boundaries, adopted the Preliminary Plan and the PAC Election Procedures. On June 19, 2002 the City Council ratified the results of the Crossroads Redevelopment PAC Election of May 15, and May 29, 2002. On September 24, 2002, the Redevelopment Agency authorized the transmittal of the Preliminary Report and Redevelopment Plan for the proposed Crossroads Redevelopment Project. On January 30, 2003, the Planning Commission adopted a Resolution determining that the draft Crossroads Redevelopment Plan and implementation activities described therein are in conformity with the General Plan of the City, pursuant to Government Code Section 65402.

The proposed boundaries of the Crossroads Project Area focus on the commercial corridors of El Cajon Boulevard, University Avenue, College Avenue and 54th Street. The area includes adjoining multi-family residential zones and to a limited degree some single family residential parcels. The area either connects with or is in proximity to the Agency's existing City Heights, College Grove and College Area Redevelopment Project Areas, as well as the redevelopment project areas of the City of Lemon Grove and La Mesa. The goal of the project is to address blighting conditions that exist along these corridors and to have a positive impact on the adjoining single-family neighborhoods. New development and rehabilitation activities should assure that the impacts of new development on the single family neighborhoods are minimized with the creation of buffer zones that will make the single family neighborhoods safer and more attractive.

DISCUSSION:

In February 2002, the Planning Commission set the boundaries for the proposed Crossroads Redevelopment Project. Subsequent to that action, the Project Area Committee was formed, consultations with affected taxing entities have occurred, and the Preliminary and Final Report to the City Council, Redevelopment Plan, and Final EIR have been completed. The establishment of the Redevelopment Project affords the community and Redevelopment Agency a tool by which to remove economic and physical blighting conditions and implement the community plans. The two key powers allowed under CRL are the ability to acquire private property with just compensation by eminent domain and the ability to use tax increment financing. The Crossroads Redevelopment Plan excludes single-family zone and community plan designated property within the Project Area from eminent domain and the ability to acquire private property by eminent domain is in effect for only the first 12 years after adoption. The effectiveness of the Plan is 30 years after it is adopted. Tax increment can be collected for a total of 45 years in order to repay outstanding debt that has been issued during the first 20-30 years of the Plan. Twenty percent of the tax increment revenue generated must be set aside for low and moderate-income housing. Over the 30 years of the Plan and 45 years to collect tax increment, the estimated tax increment projected to the Agency (including 20 percent housing set-aside) is approximately \$712 million. This breaks into the following components: \$142 million for housing, \$240 million in taxing entity payments, and \$329 million to non-housing projects. The total amount of bonded indebtedness that can be outstanding at anyone time is \$100 million, adjusted by CPI.

The Agency will receive tax increment payments from the San Diego County Auditor and Controller subsequent to Plan adoption in accordance with Sections 33607.5 (a) (1) 4 (b) and 33676 (a), (1) of CRL. As the Plan will be adopted after January 1, 1994, the Agency shall pay to the affected taxing

entities an amount equal to twenty-five (25) percent of the tax increment received by the Agency after the amount required to be on deposit in the Low and Moderate Income Housing Fund has been deducted.

The objectives of the Redevelopment Plan (Attachment 2, Redevelopment Plan tab, Section 110.) primarily focus upon the elimination of blight, enhancement of economic growth, improvement of infrastructure, expansion of employment opportunities, expansion of recreational opportunities, preservation and expansion of housing stock, retention and expansion of existing neighborhood supporting businesses within the Crossroads area.

In addition to utilizing the traditional tools of redevelopment, activities within the Project Area will also be implemented through other economic development tools (i.e., business improvement districts, facade improvement programs, etc.) and resources. The business representative members of the Crossroads PAC will provide guidance with regard to implementing these activities.

Report to the City Council

When the Agency submits the proposed Redevelopment Plan to the City Council for the joint public hearing required by the CRL, the Agency must also submit a 14-part report on the Redevelopment Plan, entitled the Report to the City Council. The purpose of this Report to City Council is to provide in one document all information, documentation, and evidence regarding the Project Area to assist the City Council in its consideration of the proposed Redevelopment Plan and in making various findings and determinations that are legally required to adopt the Redevelopment Plan. This Report to the City Council has been prepared in accordance with all requirements of Section 33352 of the CRL and includes: the reasons for selection of the Project Area; a description of proposed projects and programs and how these projects and programs will improve or alleviate blighting conditions identified in the Report; a description of, and a map showing, the physical and economic conditions existing in the Project Area; an implementation plan describing how specific projects and programs will alleviate or improve blighting conditions; the method of financing; the Project's method of relocation; an analysis of the Preliminary Plan for the Project; the report and recommendation of the Planning Commission on the Redevelopment Plan; a record of Project Area Committee process; the EIR; the report of the county fiscal officer; a neighborhood impact report; and an analysis of the county fiscal officer's report and a summary of consultations with affected taxing agencies.

Blight

An analysis of the 1,031-acre Project Area boundaries was conducted prior to the Planning Commission's January, 2003 action to insure conformity with the current statutory requirements of blight. The Final Report to the City Council for the Crossroads Redevelopment Project (Attachment 2, Report to Council tab, Section B.) discusses the conditions of blight that are prevalent within the Project Area and explains why redevelopment of the Project Area cannot be expected to be accomplished by private enterprise acting alone. The Report to the City Council (along with the Redevelopment Plan) provides the legal basis for adoption of a redevelopment project.

The Project Area exhibits conditions of both physical and economic blight as defined by CRL. These conditions include:

Physical Blight:

- Factors that substantially hinder the economically viable use of buildings:
 - *Inadequate size*: 89% of commercial parcels are less than 1 acre which is substantially smaller than current marketplace requirements.
 - *Inadequate parking*: 35% of commercial and residential parcels lack adequate parking.
 - *Inferior loading*: 33% of commercial parcels have inadequate or no loading area
 - *Outdoor storage/trash/debris*: 32% of parcels utilize outdoors for storage or outdoor placement of trash/debris.
- Buildings that are unsafe/unhealthy to live and work in
 - *Code enforcement violations*: Over the last five years, in excess of 600 building code violations have been reported in the vicinity of the Project Area, of which approximately 350 have been serious violations such as unpermitted construction, structural deficiencies and hazards, and occupying unpermitted structures.
 - *Dilapidation and deterioration*: 32% of parcels have damaged building materials; 22% of parcels have deteriorated roofs; 35% have deteriorated wood components; 6% have exterior exposed wiring.
 - *Inadequate vehicle access*: 28% of parcels have inferior access.
 - *Substandard building materials and faulty additions*: 5% - 6% of parcels exhibit these conditions.
- Lots of irregular form and shape and inadequate size for property usefulness that are in multiple ownership.
 - 24% of commercial parcels are nonrectangular lots of less than 1-acre.
- Forty-four parcels have incompatible uses when compared to adjoining land use.

Economic Blight

- Abnormally high business vacancies, low lease rates or high turnover rates:
 - *Low lease rates*: According to local real estate professionals, lease rates along the commercial corridors are \$1.25 - \$2.00 triple net for neighborhood shopping centers compared to \$2.50 - \$3.00 in Mission Valley area, and the lease rates for stand alone uses are \$.75 - \$.90 psf. Residential lease rates are 20 – 30% lower than surrounding cities (La Mesa and Lemon Grove) and the City of San Diego for similar properties.
 - *High business vacancies*: Two shopping centers in the Project Area were over 50% vacant at the time of the survey.
 - *High turnover rates*: Based on limited data that was available, it appears that many tenants have less than 3 years of tenancy.
- A high crime rate that constitutes a serious threat to public safety
 - The Project Area generally has 20% higher crime rates per one thousand population than San Diego County.
 - Real estate professionals state that the area’s image is not desirable due to higher crime rates, nuisance crimes, and the presence of a homeless population.

Draft Redevelopment Plan

The Redevelopment Plan is essentially a legal document (rather than a “plan”) that sets forth the Agency's goals, powers, duties, and obligations to implement the redevelopment program within the

Project Area. This is underscored by the language in Section 100.4 of the Plan which describes the Redevelopment Plan as presenting a process and framework within which specific redevelopment activities will be presented, priorities for specific projects will be established.

Generally, the Redevelopment Plan provides a framework which allows the Agency to: 1) fund property rehabilitation programs; 2) provide for affordable housing opportunities in conjunction with the City's Housing Element; 3) construct public facility and infrastructure improvements (attached as Exhibit 3 to the Redevelopment Plan); 4) acquire property for sale or lease within the Project Area; 5) collect tax increment revenue to fund rehabilitation programs, public improvements, and other Agency activities; and 6) sell bonds to fund, in whole or in part, rehabilitation programs, public improvements, and other Agency activities.

The Draft Redevelopment Plan was submitted to the Planning Commission at the workshop meeting of November 21, 2002. A Revised Draft Redevelopment Plan was submitted to the Planning Commission at public hearing on January 30, 2003. Certain changes were made to the original draft to address issues raised by the community planning groups, Crossroads Project Area Committee and Planning Commission. In response to concerns raised by Planning Commissions at the workshop meeting, a section was added to the Redevelopment Plan to set goals with regards to improving circulation, public transportation systems, increase parking and improve bike lanes (Attachment B, Redevelopment Plan tab, Section 520) . Additionally, a section has been included in the Redevelopment Plan to describe community participation. (Attachment B, Redevelopment Plan tab, Section 480.)

The Redevelopment Plan presents a set of tools that will be available to address blight conditions that exist and to assist with implementation of the Community Plans that cover the area. The projects and programs envisioned for the area currently include: economic development programs, infrastructure improvements and housing programs. Concurrent with adoption of the Redevelopment Plan, the Agency will adopt the first five-year implementation plan for the area. Implementation activities will be determined on an annual basis through the Agency's annual budget and work programs, as required by law. Activities will largely depend on the level of available funding, market conditions, and property owner, business and developer interest in participation in rehabilitation and new development.

The Revised Draft of the Crossroads Redevelopment Project Area Map (Attachment B, Redevelopment Plan tab, Exhibit No. 1.) has had nine residential parcels removed which were adjacent to or near Euclid Avenue (western edge of project area) because those parcels are incorporated as part of the City Heights Redevelopment Project Area.

Eminent Domain

The Redevelopment Plan provides a 12-year authority for the Agency to acquire property through the use of eminent domain except on single-family dwelling units located in areas zoned and designated in the community plan for single-family residential use, and on other, primarily residential properties so designated on the map attached as Exhibit No. 1 to the Redevelopment Plan (Attachment B, Redevelopment Plan tab). Eminent domain is a tool of last resort that can only be exercised after required legal notices and procedures have been followed. To use this tool, the Agency must first offer

to purchase the property based on an appraisal of the property at its highest and best use. The inclusion of eminent domain authority in the Plan was discussed in great detail by the PAC. The PAC, at their meeting of December 12, 2002 approved the eminent domain provisions that are included in the draft Plan. Specific use of this tool is not currently contemplated, however, failure to include this authorization could negatively curtail the Agency's ability to assist projects in the future. Section 480.2 of the draft Plan requires the PAC to review and comment on any use of eminent domain prior to the Agency's use of such authority. Occupants of any property acquired by the Agency must be paid relocation payments as required by State law.

Owner Participation Rules

The CRL requires that property owners must be extended a reasonable opportunity to participate in the redevelopment of project area properties, and persons engaged in business in the area within the Project Area must be extended reasonable preferences to reenter in business within the Project Area if they meet the requirements prescribed by the Redevelopment Plan. Although not required by the CRL, it is reasonable to include the business preferences rules in the same set of rules addressing owner participation. "Persons engaged in business" refers to operators of businesses or business tenants.

The Owner Participation Rules provide the guidelines for property owners, operators of businesses and business tenants to take part in proposed development in the Project Area. In the event the Agency wishes to rehabilitate, redevelop, or develop a property in the Project Area, or a property owner, business operator or business tenant wishes to participate in the redevelopment process, the Owner Participation Rules outline the procedures to be followed to ensure that the rights of the participant in the redevelopment process are preserved, and the goals stated in the Redevelopment Plan are achieved. The PAC, at their meeting of January 23, 2003 approved the Owner Participation Rules. (Attachment B, Owner Participaiton Rules tab.)

CONCLUSION:

Contingent upon the actions of the City Council and the Agency, staff will proceed with the Plan adoption process by requesting resolutions of the Council and Agency, respectively and respond to written objections received from affected property owners and taxing entities as required. If no objections to the Plan are received during the Joint Public Meeting, the Council and Agency may initiate Plan adoption at that time by approving the first reading of the ordinance to adopt the Crossroads Redevelopment Plan. The second reading of the ordinance, which completes the adoption process, then follows two weeks later.

ALTERNATIVES:

1. Do not adopt the proposed Redevelopment Plan, Five-Year Implementation Plan, Owner Participation Rules and other documents.
2. Recommend changes to the proposed Redevelopment Plan, Five-Year Implementation Plan, and Owner Participation Rules.

Respectfully Submitted,

Todd Hooks
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Redevelopment Agency

Hank Cunningham
Assistant Executive Director
Redevelopment Agency/Director,
Community and Economic Development

Approved: Bruce A. Herring
Deputy City Manager

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NOTE: The attachments are not available in electronic format. A copy is available for review in the Office of the City Clerk.

ATTACHMENTS:

1. Crossroads Project Area Map.
2. Final Report to the City Council for the Crossroads Redevelopment Project.
3. Community Planning Group Letters.

NOTE: Due to the size of Attachment 2 there was a limited distribution. However, since February 21, 2003, a copy of Attachment 2 has been available for review in the City Clerk's Office, Redevelopment Agency's Office and the City's College/Rolando Service Center.