



TASK 2: CASE STUDY  
EVALUATIONS

# FOCUSED STUDY OF REDEVELOPMENT PRACTICES

SAN DIEGO, CALIFORNIA



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## INTRODUCTION

The Redevelopment Agency of the City of San Diego ("Agency" or "SDRA") is currently evaluating its organizational structure and is considering alternative approaches to enhancing its administration and implementation of redevelopment activities. As part of this evaluation, the Agency retained the consultant team of Clarion Associates and Waronzof Associates to prepare a focused study and analysis of the Agency's management practices and lessons learned from two redevelopment projects - Metro Center and Las Americas. In particular, the study focuses on internal project management practices, Agency coordination with City departments and with other stakeholders, the Agency's project selection process, and the Agency's public participation and outreach efforts for the two case study projects. This focused study is intended to be used by the Agency as part of its evaluation of overall administrative practices and organizational structure.

## APPROACH

This Task 2 report synthesizes Agency information collected in our background review of the two case study project files, as well as additional information we gathered during an intensive series of interviews with Agency staff, City staff, PAC and neighborhood leaders, project developer representatives, project lessees, project financial consultants, project attorneys, and project architects. The consultant team conducted the interviews during December 2005.

The primary purpose of this Task 2 report is to communicate the consultants' findings regarding key issues affecting the Agency's performance and effectiveness, both generally and specific to one or both case study projects. A second purpose is to determine which Agency issues should be the focus of Task 3, where the consultants will recommend best management practices targeted to the areas of relative weakness identified in this report.

In reading this material, it is important to keep in mind the following points:

**First, this step is intended to narrow the remaining study effort to focus on patterns of Agency behavior and performance, and on areas of strength and weaknesses, that deserve further study.** All case study efforts are fact-intensive – they uncover a myriad of details about what was done well and poorly – and those facts are documented in this Task 2 report to the maximum extent possible, given the narrow focus of this study. However, not all facts are equally important, and not all merit further study. Some facts reflect areas of strong or weak performance that were apparently not repeated. Other facts may reflect an event that was particularly sensitive, painful, or disappointing to a small group of stakeholders or individuals, but that did not reflect or represent

widespread beliefs about Agency policies or actions. The purpose of this focused study is not to follow up on every fact uncovered in the case studies, but to identify patterns of behavior and performance – issues that occur repeatedly, or that appear to reflect a policy or practice of the SDRA – that could be improved (or in the case of strengths, that should be continued).

**Second, the case studies were rated based on their performance against (1) the redevelopment goals adopted in the redevelopment plans for the project areas where they are located; (2) the community planning goals adopted in the applicable community area plans; and (3) the Definitions of Success drafted for this study (See “Defining Success” below).** Those benchmarks were chosen in order to have relatively fixed and objective benchmarks, and to reduce the amount of subjectivity in the case studies. However, the fact that a case study project does not score high (or as high as some might expect) against these benchmarks does not mean that it is not “successful.” Case study scores do not – and should not – measure the subjective popularity of a given project, since those judgments tend to vary over time. It appears clear, for example, that the Las Americas retail outlet center may be more popular than its case study scores might indicate. We believe that these differences should not be addressed by trying to revise scores to match subjective attitudes towards each project after the fact. Instead, they should be addressed by reviewing and revising the adopted local project area goals and the Definitions of Success to ensure that they accurately reflect the types of outcomes that are desired.

After a discussion of the Definitions of Success benchmarks central to our case study evaluations, and a brief overview of each case study project, the remainder of this report presents our findings. We have organized these findings into seven substantive topics that track each benchmark measure included in the Definitions of Success.

## DEFINING SUCCESS

### **Economic and Community Development Department -- Mission Statement**

"With an emphasis on urban core neighborhoods and low and moderate income residents, the Community and Economic Development Department improves the quality of life and ensures a healthy economy for all San Diegans through job development, business development, neighborhood revitalization, public improvements, redevelopment, social services, and revenue enhancement."

### **San Diego Redevelopment Agency -- Motto**

"Revitalizing Neighborhoods and Improving Economic Conditions in San Diego."

### **Why Define "Success"?**

Defining "success" in plain English is important because it provides a gauge for measuring Agency performance. Although broadly worded, the definitions of success presented here are precise enough to provide 'big picture' benchmarks for evaluating the Agency's achievements in terms of project specific impacts and overall Agency effectiveness and efficiency. The definitions of success established for this project during Task 1 become the foundation of our project scorecards and our assessments of project performance in this Task 2 (Case Studies) and Task 3 (Comparisons to Best Practices).

### **Basis of Definition**

Success should be measured in relation to Agency goals, expectations of the public and other redevelopment participants, and requirements under California redevelopment law. Because the Agency does not have its own mission statement, "success" should be judged based in part on the extent to which the Agency helps achieve the mission of its parent department, the Economic and Community Development Department, stated above. "Success" for each of the two redevelopment projects (Las Americas and Metro Center) also should be evaluated based on the goals identified in the San Ysidro and City Heights Redevelopment Plans, respectively. Finally, "success" should include those objectives identified by the Agency for purposes of this study of redevelopment practices.

### **The Two Dimensions of Success**

Success should be measured both in terms of (1) its impact on the Quality of Life for the people and businesses of San Diego, and (2) whether the Agency Operations are effective and efficient.

## QUALITY OF LIFE (ECONOMIC AND PHYSICAL IMPACTS)

**Remove Blight:** *Projects should address both the physical and economic causes of blight, as defined in California statutes.*

**For Example:** by reducing the number of dilapidated buildings; reducing the number of incompatible adjacent uses that discourage investment in key parcels; consolidating small/irregular parcels into developable sites or providing parking needed to make a site economically viable; assembling land that is otherwise improperly utilized due to scattered ownership or tax delinquencies; increasing commercial occupancy rates; and reducing crime rates.

**Improve Economic and Physical Conditions:** *Projects should result in substantial economic development for the City and raise the quality of its physical environment, as authorized by California law.*

**For Example:** by creating jobs with "living" wages and good benefits, made available to residents of the community, at a reasonable cost per job created; increasing sales and property taxes in the project area; and spurring new private-sector development projects, investments, and renovations of existing properties surrounding the project.

**Revitalize Neighborhoods:** *Redevelopment agency activities should revitalize neighborhoods and provide an environment for the social, economic, and psychological growth of well-being of the city's residents, as authorized by California redevelopment law.*

**For Example:** by funding projects to increase the number and range of affordable housing; partnering with other housing providers including NGOs, local government agencies, and private developers to support their affordable housing programs; increasing the variety of commercial tenants to provide missing neighborhood services; expanding economic opportunities for the jobless and underemployed residents; providing public recreation or gathering places; and funding restoration and modernization of aging public capital facilities such as streets or water/sewer infrastructure.

## **AGENCY OPERATIONS (EFFECTIVENESS AND EFFICIENCY)**

**Case for Agency Involvement:** *Projects should be selected and prioritized through a process that respects the wishes of the public while ensuring that redevelopment funds are used efficiently and maximize the likelihood of success in achieving Quality of Life goals.*

**For Example:** by ensuring that projects meet all pertinent legal and local requirements; conducting a transparent review, prioritization, and selection process based on objective criteria; and selecting only those projects that actually need public assistance to achieve Quality of Life goals.

**Advance Community and Redevelopment Goals:** *Selected projects should advance redevelopment planning goals for the project area, and should respect and be consistent with adopted community planning goals.*

**For Example:** by ensuring that projects clearly address identified Agency planning objectives and community goals, and reflect the desires of the affected community; and conducting an inclusive and transparent review, prioritization, and selection process based on criteria that include advancement of and consistency with planning goals.

**Regulatory Compliance:** *Projects and Agency actions must comply with all relevant redevelopment law and local regulatory requirements.*

**For Example:** by preparing all appropriate reports justifying Agency actions such as for acquiring property; seeking required approvals from other City or other governmental agencies for environmental, safety, and code requirements; meeting the letter and the spirit of pertinent community participation requirements; and ensuring that projects receiving public funding are monitored for compliance with all financial covenants.

**Timing of Project Approval and Completion:** *Projects should be reviewed, approved, and completed in the least possible time consistent with requirements of California law and an effective public involvement process.*

**For Example:** by streamlining required procedures and beginning those processes as early as possible; maximizing the quality of public input meetings without adding unnecessary meetings; ensuring close coordination between all city and Agency staff required to implement approved projects; and establishing a robust project tracking system to gauge project status and progress.

**Sound Management Practices:** *The Agency should leverage staff, financial, and technical resources efficiently and effectively from project design through implementation and monitoring.*

**For Example:** by considering the costs of both direct investment and staff time when calculating project costs; conducting a thorough financial and market feasibility analysis for each project; performing a periodic, formal evaluation of each project against appropriate benchmarks; leveraging scarce agency resources through coordination with other economic development initiatives; by thoughtfully employing and managing consultant resources; and following "best practice" management techniques for vetting, implementing, and monitoring projects.

**Public Participation and Communication:** *The Agency should ensure that its procedures and communications allow and encourage participation by all members of the public; that the Agency conveys clear, consistent, and accurate messages to the public throughout project selection, design, and implementation; and that the Agency's procedures allow meaningful incorporation of reasonable public desires into project design and prioritization.*

**For Example:** by including a broad range of individuals and public perspectives; making an extra effort to find spokespersons for under-represented interests; refining its communications to focus on key messages of greatest interest to the target audience; and ensuring that project goals and priorities are clear and consistent with community values.

**Coordination with Other Agencies and Project Participants:** *The Agency should ensure projects proceed expeditiously and efficiently by working effectively with all other relevant agencies and project participants.*

**For Example:** by ensuring that internal communications and workflows between the Agency and other divisions of City government are clearly defined and efficient; delegating authority or responsibility for completing project tasks to the best positioned or most capable parties; and establishing effective project monitoring systems to ensure that critical tasks are not neglected.

## OVERVIEW OF CASE STUDY PROJECTS

### **Metro Center Case Study – City Heights Redevelopment Project Area**

Metro Center is a mixed-use commercial and affordable housing project located on University Avenue, one of the major arterials in City Heights. The project includes 82,700 square feet of office space (including a community center and a job training center), 120 units of affordable housing, and a 489-space, above-ground parking structure.

The high-profile project involved some of the most prominent community groups and politicians in San Diego – the San Diego Revitalization Corporation (SDRC), San Diego Interfaith Housing Corporation (SDIHC), the San Diego Workforce Partnership (SDWP) and then-Councilmember (now Deputy Mayor) Toni Atkins.

The project site had been the focus of Agency attention since the late 1990s, when the Agency worked closely with a Councilmember's office to plan for the City's ultimate acquisition of several CalTrans parcels adjacent to the State Route 15 Freeway. As part of the State's reconstruction of Route 15 through the Mid-City community, the City had already negotiated several significant community benefits, including acquisition of several vacated parcels that subsequently became part of the Metro Center site, and development of Teralta Park and a transit plaza/center adjacent to the case study project site.

The idea for the specific Metro Center project developed during early 2001, as two firms were unknowingly looking at the same parcel for two different projects. The SDRC had partnered with Toni Atkins to relocate the SDWP to the Mid-City region, and the City Heights Community Development Corporation (CHCDC) was developing preliminary plans for a transit-oriented development (TOD) affordable housing project. Realizing that there may be synergy between the two plans, the SDRA helped bring the two groups together to discuss a mixed-use project on the site. Ultimately, the SDIHC was brought in to partner with the CHCDC on the affordable housing portion of the project. The SDRC was to gain control of the site through its own efforts unless eminent domain was necessary. The SDRA was to assist in obtaining control of the property and facilitate community meetings and outside funding sources.

The project benefited from strong management by the SDRC, and even with the use of eminent domain on four hold-out parcels, the project was executed in a relatively smooth and timely manner – the entire project took less than four years to complete.

The most controversial aspect of the project concerned community participation in the project design and entitlement processes. There was some concern that the two primary community planning bodies – the City Heights Project Advisory Committee

(PAC) and the City Heights Area Planning Committee (APC) – did not have adequate community representation on its voting board during the project. There was also some concern that the project was not fully responsive to the community planning bodies.

In many respects, the project benefited from a “perfect storm” of circumstances: strong project leadership on both the non-profit and political sectors; an excellent blend of project expertise between principal firms; a significant amount of goodwill between the project principals and the community; and funds available from outside sources (most notably the San Diego Housing Commission [SDHC] and the SDRC) to help cover the costs of the project. Thus, the SDRA achieved significant leverage for its relatively modest role in this project.

### **Las Americas Case Study – San Ysidro Redevelopment Project Area**

The Las Americas project (originally named the International Gateway of the Americas) is a 67-acre mixed-use commercial project that was originally planned to include 630,000 square feet of retail space, a conference center, a federal transportation center, a hotel, and 30,000 square feet devoted to cultural/community uses. The project has received national acclaim due to the overwhelming success of the retail component, which continues to draw shoppers from all over the San Diego region as well as from Mexico, but the other components have suffered from repeated delays and setbacks.

One of the most interesting components of the development plan was to be the construction of a cross-border pedestrian bridge that would link the project with Tijuana's legendary commercial thoroughfare, Avenida Revolucion. The cross-border bridge requires Presidential approval from both Mexico and the United States, which has not yet been granted. A significant portion of the project's development (the hotel, conference center and office space) appears closely linked to approval of this permit.

The first phase, completed in November 2001 on parcel B/C, included 370,000 square feet of retail space. The balance of the retail space, plus construction of the remaining improvements, were to have followed. However, delays in processing the pedestrian bridge permit in the wake of post-9/11 security concerns forced a re-phasing and reprogramming of the project. In May of 2002, the Fourth Implementation Agreement was signed, allowing for the sub-phasing of the major retail parcel (Parcel A), and to include the possibility of a library onsite.

The library was to have been a major cultural resource in the community, and its inclusion within the project caused a significant amount of controversy. Many in the community wished to see the library located closer to the historical center of town. Lack of community consensus about the library's location combined with existing political rivalries to scuttle funding for the project; the library funding deadline of September 30, 2003 was not met.

The failed attempt to secure library funding triggered yet another shift in the project plans. It was clear to the SDRA that the community wished to see the project more integrated with the surrounding community, during 2004 SDRA and the project developer worked closely with the community to obtain approval for *Mi Puebla*, a residential pilot project. This pilot residential project would be linked with Las Americas through a series of corridors called "Pathways of Knowledge," which sought to better integrate the community's districts.

The SDRA also felt that a library on the site of the project represented the option with the highest feasibility. Responding to a shift in the marketplace, the SDRA negotiated a Fifth Implementation Agreement of the development agreement in November 2004, with the SDRA to gain control of one of the commercial outparcels (now called the "civic parcel") in exchange for permitting one of the Parcel A subparcels to change from retail to residential uses. The residential project is to include a maximum of 350 units, with a mix of market-rate and affordable housing.

At the same time, SDRA and the developer kept the planned second phase of the retail development on schedule. The project received design approval in the spring of 2004, with construction starting of the 189,000 square foot retail project in June of the same year.

The second phase of the retail project was completed in May of 2005. The ongoing negotiations relating to the cross-border bridge have stalled the final commercial phase of the project, including the hotel and conference center. If the negotiations fail, a third reprogramming of the remaining undeveloped land may be necessary.

The project's development agreements have been able to respond both to community and market pressures. The inclusion of the project in the *Mi Puebla* pilot program, along with continuing efforts to site a library at the project, will ultimately integrate the project with its community. The phasing of the commercial aspects of the project has changed to reflect the difficulties in obtaining the necessary entitlements for the cross-border bridge. Ultimately, the SDRA and the developer are working to ensure the profitability of the project as market and community demands change over time.

## EVALUATION OF CASE STUDY PROJECTS

The consultant team evaluated each of the case study projects in comparison to the success benchmarks described above. Before presenting the observations from the case study analysis, it is important to place these evaluations in context. The Clarion/Waronzof team studied only two redevelopment projects, and the two projects were self-selected by the Agency. However, it was difficult for the consultant team to assess the projects objectively and comprehensively due to the Agency's apparent lack of post-project quantitative assessments. We could find no evidence that the Agency regularly tracks project impacts or progress toward meeting goals. As a result, our case study evaluations are based primarily on the subjective views of project participants and related anecdotal evidence.

The Agency simply has not done a very good job explaining what it's doing, in large part because it does not know – it does not even collect the information required to make the post-project assessments. Given the Agency's typically reactive role in the redevelopment process, it would seem especially important to gauge the impacts and successes of projects once they are completed, so that the Agency can better plan and implement future projects.

The failure to document project impacts seems related to three factors: an apparent lack of an internal culture of evaluation; limited resources for conducting assessments; and a shortage of in-house expertise for conducting these assessments, especially financial analysis.

This lack of useful data hinders Agency effectiveness:

- It renders oversight from the City Council less effective for goal-setting and strategic direction.
- It leads to uninformed and likely suboptimal, decision-making across a whole range of issues, most importantly funding decisions and allocations of other scarce resources.
- It undercuts popular support for redevelopment projects and initiatives because the Agency cannot brag about its good work.

In this context, the following sections present our general observations about Agency management and operations, and our evaluation of the case study projects based on the Definitions of Success benchmarks established in Task 1.

## Evaluation of Quality of Life Benchmarks

### REMOVE BLIGHT, IMPROVE ECONOMIC AND PHYSICAL CONDITIONS, AND REVITALIZE NEIGHBORHOODS

In our Definitions of Success scorecard, we identify the following three key measures to determine how well the two case study projects succeeded in achieving “Quality of Life” goals:

**Remove Blight:** *Projects should address both the physical and economic causes of blight, as defined in California statutes.*

**Improve Economic and Physical Conditions:** *Projects should result in substantial economic development for the City and raise the quality of its physical environment, as authorized by California law.*

**Revitalize Neighborhoods:** *Redevelopment agency activities should revitalize neighborhoods and provide an environment for the social, economic, and psychological growth of well-being of the city's residents, as authorized by California redevelopment law.*

We first offer some general observations about the case study projects' success in meeting these quality of life benchmarks, and then present our observations and findings specifically related to each of the case study projects. Both sets of observations become the foundation for recommended refinements in Agency practices during Task 3 of this project.

#### General Observations about Quality of Life “Success”

- California redevelopment law is clear in stating that redevelopment agencies may only be involved in project areas formally determined to be “blighted,” as defined in Health and Safety Code Sections 33030 and 33031. A full discussion of the “blight” determination process in San Diego is beyond the scope of our analysis, as is an independent investigation of whether the subject sites and communities truly satisfy the statutory definitions of “blight.” Nonetheless, on their face, both of the projects we reviewed clearly seem to fall within the parameters of physical and economic blight established by California code.
- Both projects also seemed to have improved local economic and physical conditions in some key respects. However, the record in actually revitalizing neighborhoods is more mixed, and in some aspects projects were viewed to have deleterious impacts on the community – impacts that the Agency either ignored or viewed as inconsequential, but that at least some elements of the community felt were quite important (e.g., school overcrowding impacts from the Metro Center project).

- Related to the lack of objective, quantitative impact data is that the Agency is perceived to have a predisposition to the developer's side of the story, focusing on the immediate project outcomes, and not taking the time to understand the long-term impacts of a project or to hear the community's perspective.

**Ties to Definitions of Success**

The Definitions of Success scorecards included in Attachment A to this report address both the goals of redevelopment and the ways in which redevelopment projects are conducted. Each case study project received a scorecard comparing its performance to the Definitions of Success. A summary of the project scores in meeting the three Quality of Life benchmarks described above appears in the following table (1 = Poor; 5 = Excellent).

Definitions of Success	Scores	
	Metro Center	Las Americas
<b>Quality of Life: Project Impacts</b>		
Remove Blight?	5	5
Improve Economic and Physical Conditions?	4	4
Revitalize Neighborhoods?	4	2

**Observations from Metro Center**

Metro Center has generated substantial positive benefits to the community, with few harmful impacts:

- **Removing Blight:** The Metro Center project occupies a full city block, and filled in high-impact “gateway” lots on a major community thoroughfare. The mixed-use project delivered clear benefits to the residential and business communities, and unified management and ownership of 35 separately-owned lots for a more productive use.
- **Improving Economic and Physical Conditions:** The project's direct economic impact has been moderate, but the inclusion of a job-training center and business tenants should yield long-term community benefits. The new construction improves physical conditions at this high-profile site.
- **Revitalizing the Neighborhood:** There has been anecdotal evidence of additional private investment in surrounding residential neighborhood. The project integrates major infrastructure improvements and delivered tangible community resources.

**Observations from Las Americas**

The community benefits from the Las Americas project, while still significant, are more mixed:

- **Removing Blight:** The Las Americas project replaced a former truck stop considered to be a safety and environmental hazard (air quality). The new project is a regional destination that brings in outside retail spending from across

the Mexican border and elsewhere in the region. The project also unified management and ownership of many separately-owned lots, although most were vacant.

- **Improving Economic and Physical Conditions:** The project has proven to be a financial success without displacing local businesses, as some in the community originally feared. Future tax increment can be used to achieve other community goals. The project also provides many jobs for community residents, and the development itself is an attractive, well-designed center that replaced a former truck stop considered to be a safety and environmental hazard.
- **Revitalizing the Neighborhood:** The cost of redevelopment financing has absorbed most of the tax increment generated, dampening the "catalytic" effect of the project to date; also, the concentration of tax increment from only this one area drives up costs of capital market debt. The distance of this project from the traditional center of the San Ysidro community across the highway limits its positive impacts and potential for synergistic spin-offs. The proposed residential development adjacent to the retail center, while not yet implemented, could prove to be a revitalizing factor for the adjacent residential neighborhood and broader community.

## Evaluation of Agency Operations Benchmarks

### THE CASE FOR AGENCY INVOLVEMENT AND ADVANCEMENT OF COMMUNITY AND REDEVELOPMENT PLANNING GOALS

In our Definitions of Success scorecard, we identify several key measures to determine how effectively and efficiently the Agency operates. The first two measures concern the Agency's project selection process:

**Case for Agency Involvement:** *Projects should be selected and prioritized through a process that respects the wishes of the public while ensuring that redevelopment funds are used efficiently and maximize the likelihood of success in achieving Quality of Life goals.*

**Advancement of Community and Redevelopment Planning Goals:** *Selected projects should advance redevelopment planning goals for the project area, and should respect and be consistent with adopted community planning goals.*

These two factors are closely related and are both included on our "Case for Agency Involvement" scorecard, but the importance of ensuring that projects are directly achieving identified community and broader redevelopment goals is so paramount that we present this latter factor as a separate issue in our Definitions of Success scorecard.

We first offer some general observations about how well the Agency performs in relation to these first two agency operation benchmarks, and then present our

observations and findings specifically related to each of the case study projects. Both sets of observations become the foundation for recommended refinements in Agency operation and management practices during Task 3 of this project.

### General Observations about Project Selection and Prioritization

- As explained more fully elsewhere in this report in the discussion of “Sound Management Practices,” the Agency is widely perceived to be more “reactive” than “proactive” in nature. That is, the Agency tends to encourage redevelopment more by supporting projects brought to its attention rather than by initiating projects themselves. Neither the “reactive” or “proactive” approach is inherently superior or a more appropriate model for a redevelopment agency to follow – each has its strengths and weaknesses. However, as practiced, the Agency’s typically “reactive” role limits its potential to target efforts and resources to the most blighted sites and/or most worthy projects. San Diego’s relatively narrow designations of project areas may help direct redevelopment efforts to more deserving areas, though this focus is undercut by:
  - A lack of specific, measurable community goals – existing goals are vague and generic, if numerous; and
  - The absence of clear priorities for how projects are selected for support, or how resources are allocated, thereby compounding the Agency’s “reactive” posture to choosing projects.

Along with the apparent lack of an overarching set of priorities, it is not clear what policies, procedures, or standards guide the selection of projects, which in turn leads community groups and other redevelopment actors to question whether particular privately-sponsored projects are necessarily the best vehicles for achieving identified community goals. Also unclear is how identified community goals can be translated into actionable plans if no project is first advanced by a private developer.

- Similarly, the Agency does not appear to have in place clear methods or standards for vetting projects proposed for Agency support and funding, beyond checks to ensure compliance with relevant redevelopment and municipal regulations.
- The lack of clear project selection and vetting criteria leaves the Agency open to charges – raised by many individuals we interviewed – that its project selection is guided more by politics than by inherent project quality. The political issue takes two forms:
  - Selecting projects that Agency management believes will please the City Council (particularly the local Councilmember), even in the absence of clear direction from the Council as a whole (which of course serves as the Agency’s Board of Directors).

- o Yielding to pressures from either the Council or the private developer to approve project elements that might not be in the Agency's or the community's best interests because, lacking clear standards, the Agency has no real grounds for resisting.
- In the end, the Agency appears to be well justified in its project selection and approvals, at least based on the two case projects we reviewed in detail, as well as more anecdotal evidence regarding other Agency projects. However, the lack of transparency and the failure to establish clear methods and standards for selecting and vetting projects undermines the Agency's credibility and support.

### **General Observations about the Case for Agency Involvement**

- We evaluate the “case for Agency involvement” based on four factors:
  - o Whether the project site is blighted and is having a blighting influence on the surrounding community;
  - o Whether the project would advance community and broader redevelopment goals;
  - o Whether the immediate community and other constituencies support the project; and
  - o The extent to which agency involvement would be required to ensure project success and would be appropriate relative to anticipated project benefits.
- In general, we found that the two case study projects were more oriented toward achieving citywide goals than local community goals, and thus the projects seemed to gain less (or more mixed) support in the immediate area than among broader constituencies.
- Community benefits from Agency projects generally have been quite high, but sometimes these benefits are secured at a high price relative to the catalytic effects currently achieved within the community.
- When the Agency becomes involved in a specific project relatively late (i.e., when the project is presented to the Agency as relatively fixed in scope, versus when the Agency is directly involved in the shaping of the project from scratch), it suggests that the project might well have succeeded without Agency support, albeit perhaps on a smaller scale and at greater cost to the developer – thereby calling into question the need for Agency involvement at all.
- On a more positive note, when the Agency does play a more reactive role, it implies greater leverage of Agency resources, as the project sponsors have already committed significant staff and financial resources of their own before SDRA even gets involved. However, as we heard during our interviews, this leverage is often undercut by the Agency's inability, and perhaps unwillingness, to push developers during negotiations. As a result, in such cases, SDRA may not derive as great a level of benefits for the community, the City, and the Agency as it could if it negotiated more knowledgeably and aggressively from the start.

- o The “inability” to negotiate owes to a shortage of technically-trained staff, particularly with a private-sector background. As a result, staff typically cannot recognize where the developer’s “breaking point” is. See the related discussion under “Sound Management Practices” below.
- o The “unwillingness” to negotiate aggressively seems to stem from overly cautious direction from senior management – perhaps for fear of killing the deal or offending politically-connected participants, or even perceived political pressure from the City Council. See, again, the related discussion under “Sound Management Practices” below.

**Ties to Definitions of Success**

The Definitions of Success scorecards included in Attachment A to this report address both the goals of redevelopment and the ways in which redevelopment projects are conducted. Each case study project received a scorecard comparing its performance to the Definitions of Success. A summary of the project scores in meeting the first two of the Agency Operations benchmarks described above appears in the following table.

Definitions of Success	Scores	
Agency Operations: Efficiency and Effectiveness	Metro Center	Las Americas
<b>Case for Agency Involvement (Prioritization and Selection)</b>	<b>4</b>	<b>3</b>
<b>Advancement of Redevelopment and Community Planning Goals</b>	<b>5</b>	<b>4</b>

**Observations from Metro Center**

- In general, we found a very compelling case for Agency involvement in the Metro Center project as an opportunity to redevelop an important, somewhat blighted site with good leverage of private and community resources.
  - o **Blight:** The subject site was an underutilized site at a prominent location, whose redevelopment was hindered by separate ownership of its 35 lots. Nonetheless, the site itself was not uniformly or substantially physically deteriorated, and nor was it particularly blighting on the surrounding community. But as a gateway site along major commercial corridor, it provided an outstanding opportunity for positive, synergistic impacts in the community. Moreover, there was sustained disinvestment in the immediate area due to the length of Cal-Trans work, and the residential neighborhood surrounding the project exhibited a strong degree of blight.
  - o **Community and Redevelopment Goals:** The project clearly addresses several recognized community goals including delivering needed affordable housing, diversifying the housing stock, and providing a “one-stop” job training and career counseling center convenient to the community. Siting the Workforce Partnership in City Heights advanced a citywide goal to offer

job training services in a more central location easily reached by transit, although it certainly provides significant local benefits for unemployed and underemployed Mid-City residents as well. The affordable housing component of the project similarly advanced citywide housing and transit-oriented development goals, but met with a more mixed reception in the immediate community as many residents voiced concern over potential school crowding impacts.

- o **Community and Other Support:** There was no organized opposition to the project from outside the community, and the project did address important City goals. However, the local community was divided over some aspects of the projects, particularly the continued concentration of the affordable housing in this area, and the project's impact on already overcrowded local schools.
- o **Extent of RDA Involvement Required and Appropriate:** The Agency's relatively late entry into the project meant that local non-profits did most of the "heavy lifting," thereby yielding good leverage for the Agency's resources. The Agency's eminent domain powers were ultimately required for only a few parcels, and its threat helped facilitate transfers of some others, including the instrumental first purchase of the McDonald's site. The Agency also succeeded in negotiating mandatory community outreach and the employment of local hires/contracts for the project's construction phase. While the Agency's participation was necessary to the financing and construction of the affordable housing component, the office component portion of the Metro Center project likely could have succeeded in some form even without the Agency's participation, since the office building required no Agency participation in acquisition or financing.

### Observations from Las Americas

- Relative to Metro Center, we found the case for Agency participation in Las Americas to be moderate, and somewhat less compelling, which represented an effective use of a blighted, underutilized site, but has conferred only limited community-serving public benefits to date.
- o **Blight:** The subject site was an underutilized, contaminated site at a prominent location, whose redevelopment was hindered by multiple ownership of its lots. Moreover, as an international gateway site along a major commercial corridor, it provided an outstanding opportunity for positive, synergistic impacts in the area, although not in the existing community center, which lies across the highway to the east. Nonetheless, the project produced many temporary construction jobs as well as permanent retail jobs for the community – due in part to a strong "local hiring" requirement in the development agreement.
- o **Community and Redevelopment Goals:** The project's retail development addresses just one of many community goals, and after 10 years, the development has yet to deliver on several promises for community facilities

(library, cultural center, and international pedestrian bridge). Moreover, the inability to bond TIF revenues hinders potential financing of other redevelopment projects. Nonetheless, the magnitude and success of the project, and the high profile and high-quality design of this innovative cross-border retailing concept, has improved the community's image, although these probably are more important to the City than to local residents and businesses. Similarly, the regional shopping center generates substantial sales tax revenues that contribute more to the City's tax base than to the local community through property taxes (TIF). At the local level, while the project was ultimately welcomed by most community leaders, local desires for more immediate central San Ysidro revitalization were put on hold while the Agency devoted its energies to the more ambitious Las Americas opportunity in hand.

- o **Community and Other Support:** There was no known organized opposition to the project from outside the community, and the project did address important City goals. However, the local community and its political representation were divided over the library, thereby killing or indefinitely postponing an important project component. Concerns by the local businesses over lost sales ultimately proved unfounded, and they now seem to support the development, as do other community groups.
- o **Extent of RDA Involvement Required and Appropriate:** The developer's early and sustained willingness to advance and finance the project on his own before receiving direct Agency support guaranteed at least some leverage for the Agency's resources. However, the complexity of the development has absorbed a considerable amount of staff time, while the project's costs have limited the availability of tax-increment revenues for other purposes.

The Agency's eminent domain powers were ultimately not used, but its threat likely helped facilitate transfers of some parcels. On the other hand, the project likely could have succeeded in some form even without the Agency's participation, though perhaps on a smaller scale.

## REGULATORY COMPLIANCE

**Regulatory Compliance:** *Projects and Agency actions must comply with all relevant redevelopment law and local regulatory requirements.*

### General Observations about the Agency's Regulatory Compliance Performance

The case study projects do not provide meaningful insight regarding the Agency's land acquisition and relocation efforts through the use of eminent domain—arguably, the most rigorously regulated aspect of California redevelopment law. However, based on interviewees' general comments, San Diego's City government, viewed in its totality, seems to have erected unusually difficult barriers that inhibit the Agency's ability to easily consult with outside legal counsel regarding regulatory compliance, as well as strategic decisions. Most aspects of this regulatory framework are beyond the Agency's

direct control, and thus should not properly reflect on the Agency's performance. Nonetheless, these issues affect the Agency's ability to plan and implement projects, and must be considered in any discussion of how the Agency should be organized and empowered.

- The City's current triggering of CEQA reporting requirements at the DDA stage, when project plans are typically very conceptual, appears to disproportionately burden the timing and costs of redevelopment project processing in San Diego compared to other California cities with which we are familiar.<sup>1</sup>
- The City also makes site control or ownership a precondition for processing discretionary land use permits. This often forces an applicant to wait until after the DDA is executed, and preliminary CEQA approval is granted, to begin a separate process for discretionary approvals. Considerable time delay results from the applicant's inability to concurrently process the DDA with discretionary permits. (NB: The Metro Center developer team got around this problem by literally knocking on doors to get owners' permission to allow the developer to represent them in the land use approval process.)
- In a post-*Kelo* climate of high suspicion towards the use of eminent domain for redevelopment purposes, the Agency is regarded as having used this tool in a judicious way. In fact, the Real Estate Assets Department reported that in the City's history, the City has never condemned an owner-occupied home for redevelopment.
- Pursuant to City Council Resolution No. 292185, the Agency is responsible for (1) publicizing the opportunity to serve on the project area committee, (2) noticing PAC meetings and hearings, and conducting annual elections. The Agency appears to be meeting its obligations diligently. In the most recent City Heights PAC election, the Agency mailed approximately 28,000 election notices and project area maps to all resident-owner occupants, property owners, tenants, businesses, and community organizations. The mailings were printed in English and Spanish.
- Resolution No. 292185 designates four seats (out of 20) on the PAC for residential tenants.<sup>2</sup> Given the influx of immigrants in the City Heights community, designating 20% of the seats for tenants may be insufficient to create a committee that is proportionately representative of the City Heights resident population, which is likely comprised of more than 20% resident tenants. The proof of eligibility requirements contained in Section 701 may also present a

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<sup>1</sup> We do not offer an opinion whether the City's interpretation is correct or consistent with other California municipal CEQA practice. This discussion is intended simply to report a concern or issue raised by several different stakeholders interviewed. Accordingly, the City might consider further research on this question of CEQA applicability to a redevelopment project DDA, including majority practice among other California cities.

<sup>2</sup> An additional four (4) seats on the PAC are reserved for residential property owners. Together, therefore, City Heights residents have access to eight (8) reserved PAC seats, or 40% of the total committee seats.

barrier to recent immigrant participation on the PACs if the newcomers do not have the qualifying identity documents.

### Ties to Definitions of Success

A summary of the project scores in meeting the Regulatory Compliance benchmark described above appears in the following table.

Definitions of Success	Scores	
	Metro Center	Las Americas
<b>Agency Operations: Efficiency and Effectiveness</b>		
Comply with Redevelopment and Municipal Requirements?	5	4

Overall, the Agency appears to be complying with all relevant redevelopment laws and governmental regulations. Beyond that, in the case of Las Americas, the Agency is seeking a rare development permit to construct a one-of-a-kind footbridge across an international border. Overall, we found that the Agency achieved good success with Regulatory Compliance in the subject case studies, as discussed below.

### Observations from Metro Center

- As a former City Manager, the lead SDRC project manager for Metro Center knew what to do and, more importantly, who to go to in order to get things done. The result was a seamless process with respect to regulatory compliance. Partnering with developers who have strong positive relationships with City staff, and who understand how to comply with city and state regulations, can significantly improve regulatory compliance.
- The developer acquired the land and relocated the tenants through private negotiations (but for a very few hold-out parcels) before signing the DDA. The use of eminent domain should be avoided whenever possible because private parties are far less regulated than City agencies. Private negotiation dramatically reduces the cost and time of compliance and can preserve public relations.
  - Private negotiation avoids public outcry over constitutional protection of private property.
  - Buying land through private negotiations before a project is officially announced typically is less expensive. Once owners become aware that their land is required for a redevelopment project, they will often hold out for a higher price.
  - Expeditious land assembly in advance of signing the DDA enables the developer to gain control of the site and commence discretionary approvals under San Diego law.
  - With legal and policy constraints on the City's ability to pay for relocating illegal immigrants displaced by condemnation, private acquisition can foster

better community relations as the private developer can pay the relocation costs and avoid charges that the city is uprooting immigrant neighborhoods without adequate compensation.

- The developer took positive steps to build consensus for the design of the Metro Center by convening, with the Agency's backing, a joint design review board composed of members of the City Heights PAC and the City Heights Area Planning Committee.

### Lessons Learned: Las Americas

- The proposed pedestrian bridge would be the first-ever privately funded port of entry in the United States. The Agency is the applicant for a "Presidential Permit" to construct this bridge, and is pursuing approvals from the Mexican and United States governments. Although the application has been denied three times, the Agency is still diligently pursuing the permit. The denials appear to be based on border security issues beyond the control of the Agency, which has wisely structured the implementation of the DDA so that the denial of the Presidential Permit does not impede the development of other project components.
- Other, less ambitious phases of Las Americas' construction appear to have taken substantially longer to develop. For example, securing the permits necessary to grade and pave a surface parking area took almost two years. Some delays result from the fact that redevelopment projects are not really "expedited" through DSD. (Several types of applications other than redevelopment receive an expedited review by DSD staff, as discussed below.)
- There appeared to be significant conflict between DSD, City Council, and the development team relating to the permitting process early in the project. The Agency can be faulted for failing to mediate these disputes and diligently monitor regulatory compliance at certain junctures of project construction.

## TIMING OF PROJECT APPROVAL AND COMPLETION

**Timing of Project Approval and Completion:** *Projects should be reviewed, approved, and completed in the least possible time consistent with requirements of California law and an effective public involvement process.*

Discussions about project timing should be based on realistic expectations. Redevelopment projects (with or without the involvement of a public agency) are inherently more time-consuming than most new development, and typically involve multiple parties and multiple sources of funding. Because of the high likelihood that unexpected challenges will appear along the way, many redevelopment projects do not lend themselves to strict timetables, and guarantees of completion by a certain date should not be expected. The focus of our inquiry is therefore on sources of delay that can be foreseen and avoided – and not on every type of delay that occurs.

### General Observations about Timing of Project Approval and Completion

During our staff and stakeholder interviews, the consultants heard uniform dissatisfaction about the timing of redevelopment project approvals generally. Sources of delay most often identified included:

- ***Much of the community frustration with the timing of redevelopment projects seems misplaced and is more properly an issue with the Department of Development Services, over with the Agency has only limited control.***
  - We understand that due to an informal policy, DSD does not expedite processing of land use/zoning entitlements for redevelopment projects, unless the project is an affordable housing project or includes sustainable buildings.
  - While some staffing vacancies have recently been filled at DSD, City budget constraints still leave the department sorely understaffed relative to project workload. (It is not uncommon for a single DSD project manager to handle 60 different projects at one time.) Consequently, a redevelopment project – unless it qualifies for expedited processing – becomes just one of many different projects a DSD staff person must juggle.
  - Complaints about time delays attributable to inconsistent code interpretation and code administration among DSD staff are common. This type of delay is especially frustrating to applicants. The addition of a new “liaison” staff person in the Planning Department, whose job consists primarily of facilitating DSD and Agency interactions during project review, should help with this concern about inconsistent interpretations.
  - Some Agency project managers include DSD project managers in early conceptual review of a redevelopment project (even as early as the ENA stage), which seems to improve inter-agency coordination and expedite projects. In the same vein, some Agency managers encourage or require developer participation in DSD’s voluntary “kick-off meetings” and/or “preliminary review,” which fosters more realistic applicant expectations about project processing and timing.
- ***Time required to meet the minimum legal and process requirements for City acquisition of real property, and to complete statutory procedures for eminent domain and tenant/occupant relocation.***
  - Involving the City’s Real Estate Assets Department triggers significant legal procedures and safeguards. Consequently, it can take the Agency as long as one year to acquire property for a redevelopment project, working through the Assets Department. This includes time to complete the title work, appraisals, and owner negotiations; Council approvals; relocate owners/tenants; and take possession of the property.<sup>3</sup> Because of this

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<sup>3</sup>This discussion is not intended to disparage the Real Assets Department’s substantive work. We understand that the Department is very successful at negotiating acquisitions for the city and, particularly, in

significant time delay, the Real Estate Assets Department often advises developers to complete any property acquisition itself, whenever possible. While a developer can offer owners incentives for quick possession, for example, the Real Estate Assets Department cannot. To its credit, the Agency reported that it tries to retain outside consultants to conduct property acquisition whenever possible, to save time.

- **Timing and degree of CEQA compliance during the early stages of a project—particularly City CEQA requirements at the DDA stage.**
  - After the DDA is executed and the project continues to take final form and shape, the City sometimes requires refinements or even re-submittal of the original MND to better match the project's final form and likely impacts. While not strictly an Agency issue, the Agency nonetheless needs to do more to facilitate an unwieldy, inefficient process.
  - While CEQA compliance in our two case study projects did not consume inordinate amounts of time, stakeholders expressed general frustration with inconsistent CEQA interpretations as applied to redevelopment projects by the City's environmental staff (a division within the DSD). To date, the Agency appears to have made little progress in mediating or facilitating developer interactions with environmental review planners at DSD. The conflict can be exacerbated by overlapping layers of city personnel, since different CEQA compliance staff persons are often assigned to different projects within the same redevelopment project area. When this occurs, it is difficult for Agency project managers to build relationships with the same environmental reviewer over time. Agency project managers find themselves constantly dealing with new and different faces, with each new face bringing its own unique interpretation and management style to the table. These factors tend to increase the risk of inconsistent CEQA interpretations and application over time.
- **Two rounds of public input/review when there is both a PAC in place and a community planning group.**
  - Having two rounds of public review before both a PAC and a separate community planning committee takes more time, may be redundant in some cases, or may result in inconsistencies between the two groups' reviews, which then takes additional time to resolve.
- **Poor communications among City staff, Agency staff, and project applicants regarding realistic process expectations.**
  - Managing applicant expectations is especially difficult when the Agency does not involve DSD from the start of a project. In addition to the lost opportunity to educate applicants about city procedures early on, DSD staff

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relocating property owners and providing adequate benefits. The focus of the point above is the length of time it takes the Assets Department to do its job – a situation that may be attributable in large part to intractable legal requirements.

can feel “closed out” of the deal and with no vested interest in the project status or progress.

**Ties to Definitions of Success**

A summary of the project scores in meeting the Project Timing (Approval and Completion) benchmark described above appears in the following table.

Definitions of Success	Scores	
Agency Operations: Efficiency and Effectiveness	Metro Center	Las Americas
Expeditious Project Timing (Approval and Completion)?	5	4

In addition, the following timeline comparison not only compares the length of each case study project, but also helps in determining any systemic deficiencies in the execution of particular project elements. There is nothing to indicate from the project timeline analysis that the SDRA itself is not adequately addressing specific phases within the development lifecycle. While both projects have experienced delays, they are either common to redevelopment practice - the necessary use of eminent domain at Metro Center - or largely out of the control of the redevelopment project team, as is the case with the Presidential Permit at Las Americas.

When comparing the right hand columns of the table, which measure both the elapsed timeline of the project in months (“Total”) and the amount of work performed expressed in months of effort (“Months of Effort”), we can infer how the SDRA was able to leverage its resources to accomplish key redevelopment tasks. For example, in Las Americas, we see that project conception and negotiation phase (the “DDA Phase”) had a low elapsed time to worked performed ratio. This reflects positively on SDRA’s management of this phase of the project.

Ultimately, the comparison confirms what we heard from stakeholders about each project. Metro Center was an excellent and efficient use of SDRA resources with minimal delays, while the SDRA has devoted significant time to the rephasing and reprogramming of the Las Americas project over time.

**CASE STUDY TIME COMPARISON  
By Task, In Months**

	<i>Project Conception</i>	<i>Developer Selection</i>	<i>Entitlements</i>	<i>Acquisition</i>	<i>Construction</i>	<i>Total*</i>	<i>Months of Effort**</i>
City Heights Metro Center	14	0	7	18	21	42	60
San Ysidro Las Americas							
DDA Phase	36	10	10	48	0	48	104
Parcel B/C	N/A	N/A	7	N/A	11	18	18
Parcel A-1	N/A	N/A	8	N/A	11	19	19
Parcel A-3	N/A	N/A	12	N/A	N/A	12	12
Civic Parcel	N/A	N/A	12	N/A	N/A	12	12
Parcel D	N/A	N/A	N/A	N/A	N/A	0	0
Parcel E-1 through E-4	N/A	N/A	81	N/A	N/A	12	81
Average	25	5	20	33	11	20	38

\* Total is typically much shorter than total of individual tasks due to overlapping periods.

\*\* Sum of time in all tasks

Note: Figures in red indicate task delay that caused delay in overall progress of project

**Observations from Metro Center**

- The strong political backing from City Council member Toni Atkins for the Metro Center development and developer was instrumental in this project's successful timing. Atkins brought the developer to the Agency, facilitated the MOU and development agreements, and pushed CCDC and other City agencies to get Metro Center completed in time.
- The successful and expeditious timing of Metro Center was greatly enhanced by the actions and significant financial participation of the master developer, the San Diego Revitalization Corporation (SDRC). SDRC loaned the Agency the money to acquire and make related relocation payments on a portion of the Metro Center property used for the housing component. SDRC also acquired and made the necessary relocation payments on the remainder of the Project property itself – saving substantial time by avoiding condemnation and relocation proceedings. SDRC also loaned money to the Agency that the Agency then loaned to CHCDC (the residential developer) to finance construction of the housing.

- Timeliness of the Metro Center project was attributable in large part to that strong project management team at SDRC. The SDRC was often the instigator of innovative practices that speeded up the project review and approval process.
  - SDRC suggested and then organized a joint design review subcommittee, comprised of members from both the PAC and the City Heights Area Community Planning Committee, to successfully streamline the community/public review process.
  - SDRC also convened weekly project team meetings attended by Agency project managers as well as the developer's partners and consultants. These meetings kept lines of communication open between all project participants, ensuring that the Agency was abreast of project issues and concerns.
- Project approval was expedited by bundling all redevelopment plan and discretionary zoning approvals in one package for final City action in a single review process (i.e., plan development (PUD) permit applications, request for street/alley vacations, environmental review).

### Observations from Las Americas

- The retail outlet center component required a creative financing package, which took time and considerable staff and developer focus and energy to pull together. When the idea for Las Americas first surfaced, a redevelopment project area in San Ysidro did not exist. The timing success for the retail center was attributable primarily to a seasoned and highly motivated developer, solid and consistent City Council support, and strong leadership and skilled project management at the Agency. The Agency approved the San Ysidro redevelopment project area, redevelopment plan, and an Exclusive Negotiating Agreement with the developer all in about two years.
- Both a PAC and community planning group had to review and approve the project area plan and project plans. Despite the difficulties in navigating two different public review groups, the project developer and Agency succeeded—primarily by logging a considerable amount of public meeting time—in winning backing from both groups without any significant project delay.
- Much of the initial project timing success can be attributed to the Agency project manager, and productive relationships between the Agency, the Agency's consultants, DSD management, and the developer team. The retail center approval process went relatively smoothly because of the high caliber of team members and staff involved at every step.
- DSD processing of later phase permits has taken relatively longer to process. For example, approval of graded surface parking lot apparently has taken two years due to a DSD mid-stream correction about what types of permits were needed. The required grading and conditional use permits applications were submitted and processed concurrently; however, with the CUP already in hand,

the applicant had to wait an additional two weeks for the geotechnical reviewer at DSD to finish his grading permit review.

- In a later phase of Las Americas, when the library subdivision application was submitted, the City Council office stepped in to expedite processing by directly contacting department heads.
- However, in the 10 years since the developer first floated the idea for Las Americas to the community and City, the public benefit components of the project – i.e., the proposed pedestrian bridge, civic use, and library – have not yet been completed.

## SOUND MANAGEMENT PRACTICES

**Sound Management Practices:** *The Agency should leverage staff, financial, and technical resources efficiently and effectively from project design through implementation and monitoring.*

Much of the information gathered about sound management practices at the Agency is focused, by necessity, at a more general level than the narrower context of the two case study projects. While there are lessons to be learned from the two case studies about specific project management practices and approaches, much of what makes management practices “sound” flows from agency-wide policies and administration. Accordingly, more so than any other benchmark of success, the evaluation of general Agency management practices summarized below focuses on issues beyond the narrow confines of the two case study projects.

### General Observations about Management Practices

The General Observations offered below focus on the following subject matters:

1. Levels of Staffing and Workload
  2. Staff Skills and Training
  3. Agency Leadership
  4. Use of Consultants
  5. Record Keeping, Project Tracking, and Knowledge Sharing.
- **Levels of Staffing and Workload.** The overall impression is that the Agency (Redevelopment Division) is understaffed relative to the demands and workload associated with serving 16 active redevelopment project areas.
    - Although SDRA is a self-funding enterprise, Agency staffing is subject to the City’s civil service regulations and hiring policies. Thus, when the City’s budget crisis erupted in 2001, the Agency—like all other City departments—was subject to a hiring freeze. Staffing levels at the Agency hit a low point from 2001-2004, when the Agency lost eight key staff members.
    - Agency staff is really City of San Diego personnel on loan to the Agency. Thus, in addition to being subject to the City’s hiring and discretionary spending freezes, the City’s hiring procedures prevent the Agency from

- advertising vacancies in appropriate professional publications as they occur. Rather the City's process requires advertising for vacant positions by opening a list that may last for one year to 18 months. The positions are always listed in the Community Development Specialist series, which are not redevelopment-specific. It takes three or four months for the City's Personnel Department to certify a list of eligible candidates, and then only candidates on the list may be interviewed for vacant positions.
- o There are currently 28 staff positions at SDRA assigned to oversee and service the ten redevelopment areas under the Redevelopment Division's jurisdiction. Five of those 28 positions are shared with other divisions of the Community and Economic Development Department. In comparison, CCDC has 48 staff positions assigned to oversee and service the two central San Diego project areas under its jurisdiction, including Downtown.
  - o The Agency reports a return to near "normal" staffing levels with the recent hires of two project managers, two project manager assistants, and one intern. While it appears to be the norm for each Project Area Manager to have at least one assistant project manager, neither the San Ysidro nor Barrio Logan Project Managers have assistant project managers to support them.
  - o Currently, the Redevelopment Division does not have a permanent Deputy Director. The acting Deputy Director holds two senior management positions – that of the Deputy Director as well as that of Project Coordinator. This is a strain on Agency effectiveness, not to mention the subject personnel.
- **Staff Skills and Training.** Critical, specialized skill sets commonly found in a redevelopment agency are missing from Agency staff. At the same time, due to City policy and budget constraints on staffing and training, funding for Agency staff training at all levels has been nonexistent for nearly five years. Several of the current project managers came to their jobs recently, with no specific redevelopment training, and had to learn on the job. This combination has hobbled the Agency from marshaling or building the array of technical skills necessary to most effectively manage, process, and monitor complex real estate transactions.
    - o Agency staff lacks necessary skill sets to negotiate and facilitate complex real estate transactions – in particular, real estate development, transaction, and finance/economic skills. These skills are crucial not only for staff to participate knowledgably in developer negotiations, but also so staff can initiate new redevelopment projects, and more effectively supervise and monitor outside consultant resources.
    - o The Agency recognizes the lack of staff training as an area of weakness that they intend to address. After a City-imposed moratorium during the last five years, Agency management hopes to begin sending staff to professional training and conferences again this year. The Agency also intends to reinstate its past practice of hosting guest lecturers drawn from the ranks of its consultants and other City departments and agencies, including CCDC.

- **Agency Leadership.** There appears to be a dearth of strong, competent, and inspiring executive leadership at the Agency, in particular since the year 2000. The combination of weak leadership at the top, and the above-noted understaffing, missing skill sets, and lack of staff training in recent years, has cornered the Agency into a more “reactive” than “proactive” mode in terms of “getting redevelopment done.” As one interviewee summed up in regard to the work staff did on a recent project: “[Agency staff] did the workmanlike things that needed to be done, but they didn't really move the ball.”
  - A “reactive” stance can be attributed at least in part to inadequate staffing levels and lack of experience and depth among the ranks of Agency staff. However, leadership direction and clear vision, or lack thereof, at the highest levels (from the Mayor/City Manager's office, to the City Council offices, to the Department and Division heads) is more often the root cause.
  - To be fair, in some areas Agency project managers are taking a more proactive stance in soliciting specific redevelopment. For example, in the City Heights project area, the Agency will soon be issuing three RFPs for major projects along the Highway 15 corridor. All these projects will be significant “catalytic” sites involving multiple parcels and significant acreage, and all may involve the Agency's use of eminent domain.
  
- **Use of Consultants.** The Agency uses outside consultants for advice and guidance on developer negotiations, critical financial decisions, and legal and statutory compliance. The effective use of outside consultants requires the Agency to vigilantly supervise and monitor them.
  - Several of the consultants interviewed for this report stated that the Agency often brings them into the project too late in the process to add as much value as they might. Many of these consultants believe that project developers typically ask for and get too much from Agency staff, and staff does not know how or when to push back.
  - Treatment and consideration of outside consultant resources seems to vary from one Agency project manager to another. Some managers treat a consultant's work as just one more piece of paper to “check off” their list, and make it clear that they do not want the consultant to second-guess the deal at hand.
  - The ability to monitor outside consultants and to use them to the Agency's best advantage requires skill sets within the Agency that may be lacking. Many interviewees, including the consultants themselves, warned that it is dangerous for the Agency to rely too heavily on outside consultants to fill this internal knowledge gap.
  - The Agency saves time during project review by using standing contracts with legal and financial consultants.

- o With the current lack of redevelopment expertise in the City Attorney's office, the Agency is wisely relying more on outside counsel to help broker redevelopment deals.
- **Record-Keeping, Project Tracking, and Knowledge Sharing.**
  - o The managerial flexibility exhibited at the Agency can be a positive force to address the unique challenges of redevelopment project design and implementation. However, the Agency's equally idiosyncratic and flexible approach to project recordkeeping and tracking can become a liability when project managers are replaced, when multiple parties or approvals need to be closely tracked to ensure coordination, or when post-project evaluation is desired.
  - o There is no "shared" or systematic method of tracking specific project progress or the status of active projects at the Agency.
  - o There appears to be only informal sharing of information regarding successful approaches among Agency project managers. While some project managers have developed reputations as efficient and effective project implementers, it is not clear that this information is being shared with other project managers who might benefit from sharing of techniques.
  - o The Agency staff meets bi-monthly only. At each staff meeting, a different project manager will report on the status of his or her project area. Rarely are "big picture" issues aired and discussed.
  - o Agency managers do not meet regularly with their counterparts at the CCDC or SEDC.
  - o While the Agency usually tracks the number of jobs created by a redevelopment project, there is no post-project analysis or audit protocol at this time.

**Ties to the Definitions of Success**

A summary of the project scores in meeting the Sound Management Practices benchmark described above appears in the following table.

Definitions of Success	Scores	
Agency Operations: Efficiency and Effectiveness	Metro Center	Las Americas
Sound Management Practices Followed?	<b>5</b>	<b>4</b>

Generally, the two case study projects exhibited strong project management practices, in large part attributable to the hands-on participation by seasoned, well-financed, and well-connected developers in both cases. Metro Center was particularly successful, with significant City backing and assistance, in leveraging available SDRC funding and state housing tax credits. For Las Americas, the Agency

timely employed strong legal and financial consultants to pull the complicated DDA together. The Agency also included in the Las Americas DDA a clause to capture upside profit – a provision that should reap benefits in the wake of the center's success.

However, there is no evidence with either case study of periodic or after-project evaluation of the projects' "success" against specified benchmarks. In addition, project managers for the Metro Center overlooked the possibility of SDRC selling the office building, and therefore did not participate in the original leasing agreement with Workforce Partnership to ensure the latter's long-term tenancy. At Las Americas, five rounds of project plan amendments suggest some inflexibility in original project programming; however, the Agency admirably remains at the table after more than 10 years, and is still negotiating public benefit concessions from new owners.

### Observations from Metro Center

- A team of highly skilled real estate, housing, and finance professionals made this project proceed smoothly and without major incident – especially regarding the housing finance side. The project proponents did an exemplary job in leveraging state tax credits and other funding sources for the affordable housing. Most of this expertise, however, sat on the developers' side of the table, rather than the Agency's side. With SDRC serving as the project manager lead, the Agency primarily played more of a support and facilitator role, although the Agency did play a more direct role in facilitating the developer's negotiated purchase of the McDonald's property—the first purchase for the project.
  - Other than the Agency's standard reliance on Keyser Marston to perform a relatively perfunctory financial review, most of the technical expertise instrumental to the residential financing deal came from the SDHC, CHCDC, and the developers' consultants.
  - The Agency relied extensively on SDHC's considerable expertise in underwriting the residential component's financing package. While the resulting deals were quite solid and certainly defensible, the underwriting slanted more in the Commission's favor than the Agency's. Agency staff did not appear to have either the expertise to conduct, oversee, or manage the project financial underwriting process, or the expertise or skills to counter financing points during the developer negotiations.
- The Agency successfully negotiated compensation for the financial blow caused by a non-profit business owner renting office space to a non-profit corporation (i.e., no property or sales tax would be generated from the office building). SDRC agreed to an "in-lieu" payment of \$150,000 annually to help make up the tax shortfall. Although an important "win" for the Agency, it is questionable how transferable this practice may be, unless the non-profit property owner and/or tenant has deep pockets and is in good financial shape (like SDRC was).

- On other hand, the Agency failed to participate in the SDRC lease agreement with the San Diego Workforce Partnership to protect its interest in assuring Workforce Partnership's tenancy for a long term of years. The "one-stop" career education and counseling center occupancy was a critical and driving force behind the City's and Agency's support of Metro Center and participation in the project. The Agency did not foresee SDRC's sale of the office building so quickly after project completion, which may put the Workforce Partnership's long-term tenancy at risk.
- The Metro Center project managers kept a detailed project timeline to track project status and anticipate critical application deadlines. This is a good practice that all Agency project managers should consistently implement. In this case, a timeline and close project tracking were absolutely necessary to ensure meeting a multitude of hard deadlines. However, it appears there was no centralized Agency calendar for tracking and scheduling Metro Center process points and key dates, nor did Agency staff share the timeline with other participating city agencies.
- There was only one staff status report in the Metro Center documentation shared with the consultants; it is unclear whether staff status reports are a regular practice among Agency staff, or if this was a one-time event.

### **Observations from the Las Americas Project**

- The first project in a redevelopment project area is usually the most difficult to implement, and Las Americas was no exception. These first, ground-breaking projects, where the goal is to create a catalyst for further investment, typically require more effort, more Agency risk-taking, and more public money up front. Most observers feel that the retail center at Las Americas succeeded in this measure. In this regard, some compared Las Americas to the Urban Village project in City Heights.
- The Agency's project management team made strategic and leveraged use of outside consultants (Keyser Marston and Bruce Balmer) early in the life of the project to complete a very complicated, multi-layered deal.
- The Agency made good strategic choice to focus its efforts on local/city and on-site issues, and allow other project participants with more knowledge and/or resources to tackle the international issues. Project approach was set up so that the developer became the linchpin between these parallel efforts. The Agency wisely negotiated the project so that each element (i.e., the retail center, the pedestrian border crossing, the civic space/library), while related to each other and concurrently processed, could stand alone. Thus, if one piece (e.g., the bridge) stalled or failed, the other piece (e.g., the retail center) could go forward without delay.
- There was a change in project manager in 2001 after Phase I was completed, and before Phase II began. This transition went smoothly, with no evident project

delays or disruptions, except that as a result of the transition, the San Ysidro project area lost its assistant project manager.

- The Agency project manager hosted weekly meetings with the developer team as the original financing was being structured, the DDA negotiated, and land assembled, helping to keep everyone on the same page and on track.
- The Agency successfully negotiated several key public benefit clauses into the DDA: (1) A local hire requirement; and (2) provisions requiring Agency recapture of upside profit.
- Agency and project developer have negotiated five amendments to the project plan, suggesting there may not have been enough flexibility in the original project programming to respond to market shifts or other external factors. However, after 10 years since the Las Americas idea was first suggested, the Agency is still at the table with the current owner/developer, and still succeeding in negotiating public benefits (e.g., newest library/civic parcel provisions, 20% inclusionary housing in the proposed residential component).

## PUBLIC PARTICIPATION AND COMMUNICATION

**Public Participation and Communication:** *The Agency should ensure that its procedures and communications allow and encourage participation by all members of the public; that the Agency conveys clear, consistent, and accurate messages to the public throughout project selection, design, and implementation; and that the Agency's procedures allow meaningful incorporation of reasonable public desires into project design and prioritization.*

Across the country, communities struggle with the challenge of engaging members of the public in community planning and policy-making. The challenges stem from, among other things, an increasingly disengaged population, exceedingly busy with the daily tasks of work, school, and caring for each other. The challenges also stem from a growing ethnic and cultural diversity in our communities—particularly in the nation's largest urban centers. The participation tools that may have worked well for a more homogeneous public audience twenty years ago often fail to cross the significant cultural and language divides that exist in our cities today.

Both case study projects took place in racially-diverse communities in San Diego with large immigrant populations that do not speak English as a first language. Aside from the language barriers, there may also be cultural barriers to fully engaging members of the public unfamiliar with democratic values and institutions, and for whom the concepts of “redevelopment”, “tax increment”, and community-based public participation are especially foreign. In these types of communities, as mentioned above, public participation and communication is especially challenging.

With respect to project selection, it is important to keep the Agency's budgetary constraints in mind when considering Project Area Committee (PAC) complaints. In

several San Diego project areas, there is not enough tax increment revenue for the Agency to pursue objectives identified by the PAC on its own initiative. The Agency is (somewhat) dependent on developer-initiated and developer-financed projects that may not be the type of projects identified as priorities in the redevelopment or community area plan. This was true of the City Heights project area at the time that Metro Center was initiated, and especially true in the San Ysidro Redevelopment Area, which was formed in response to the developer's interest in building a gateway mall.

Below, we first offer some general observations about the Agency's performance in meeting the public participation and communication benchmark, and then present our observations and findings specifically related to each of the case study projects. Both sets of observations become the foundation for recommended refinements in Agency practices during Task 3 of this project.

### **General Observations about the Agency's Public Participation and Communication Practices**

While the consultants tried to limit their inquiry to the two case study projects, it was inevitable that interviewees would share concerns and comments about the Agency's public participation and communication practices apart from the Agency's specific actions in the two case study projects. These comments and concerns are important to share with the Agency, and become another foundation for recommended refinements in Agency practice. Following these general observations, we present our observations and findings specifically related to the two case study projects.

- Many PAC members and other stakeholders feel that the Agency's outreach is perfunctory and superficial because the Agency has no legal obligation to continue a PAC that has outlived its initial three-year statutory life.<sup>4</sup> In some cases, the PAC members feel vulnerable to dissolution for failure to support projects favored by the Agency or City Council. Over time, community members are less likely to volunteer and invest their valuable time in a group that they perceive has no real influence, sustainability, or independence.
- Generally, project managers in the City Heights Project Area have formed strong relationships with PAC members. Criticisms from PAC members towards the Agency are directed more at the City Council and Agency policymakers than specific project managers. Though the Agency does not formally evaluate PAC procedures or governance, it does remain in close contact with PAC leaders. To this end, the Agency's current acting Deputy Director conducts monthly meetings with PAC chairs, which helps keep the lines of communication open.
- The format of PAC meetings may be intimidating to non-English speaking members of the community, or to anyone uncomfortable with public-speaking.

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<sup>4</sup> California Redevelopment law requires the creation of the PAC with the formation of the project area, and whenever eminent domain powers will be used. The statutorily required life of the PAC is only three years; thereafter, the Agency may extend the PAC's life on an annual basis or disband the PAC at its discretion.

For example, in order to give comments, members of the public typically must speak out loud, and in English, in front of the PAC and other members of the public.

**Ties to Definitions of Success**

A summary of the project scores in meeting the Public Participation and Communication benchmark described above appears in the following table.

Definitions of Success	Scores	
Agency Operations: Efficiency and Effectiveness	Metro Center	Las Americas
Effective Community Participation?	<b>3</b>	<b>2</b>

**Observations from Metro Center**

- Members of both the City Heights PAC and the City Heights Area Planning Committee (“CHAPC”) complain that the Agency did not consult with them at the initiation of the Metro Center project. Regardless of the project’s ultimate success or community support, this fact tends to temper the enthusiasm these groups have for the project. These complaints underscore feelings of disenfranchisement among some PAC members. To the extent the Agency pursues projects that have not been vetted or endorsed by the PAC during the project’s early phases, it will discourage and dampen the PAC’s participation in the design and development of future redevelopment projects. Excluding either the PAC or CHAPC from early decision-making points may also foster public sentiment that the real decisions about project selection and priorities are made behind closed doors, are politically-driven, and/or cater purely to the wishes of developers (albeit non-profit community developers in this case).
- Although members of the City Heights Area Planning Committee did not at first support the affordable housing component of the Metro Center project, other members of the City Heights community did, in fact, turn out in large numbers to show support for this element of the project. (This “turn-around” in public sentiment was largely attributable to CHCDC’s successful effort to “pack the PAC” at the June 2002 meeting to approve the DDA.) At the Planning Committee meeting following the “packed” PAC meeting, the CHAPC did vote to recommend approval of the DDA and associated agreements for the entire project, including the housing. As seen in this case study, while the support from the PAC is important, the will of the PAC is not always representative of the needs or desires of the greater community. Support from members of the public outside the formal PAC or planning committee organizations may justify Agency pursuit of a project disfavored by the PAC or planning committee.
- The interviews suggest that immigrants from East Asia, Africa (especially Somalia), and Latin America constitute a large segment of the City Heights population. However, the Agency did not utilize translators at meetings, or provide

translations of public communications made in English about the Metro Center project. Given the City Heights community's diversity, the Agency may have been insensitive in failing to provide translation services for languages other than English that are most common in the community.

### **Observations from Las Americas**

- The community and business groups in San Ysidro were often (and in some cases continue to be) deeply divided over redevelopment activities at the Las Americas site. Arguably, the loss of state grant funding for the library component of the Las Americas project is, in part, attributable to the Agency's failure to bridge these community divisions. While public controversy and debate over project selection is often unavoidable and even healthy, hostility between community factions will make it difficult, if not impossible, for the Agency to successfully advance redevelopment projects in the future.
- The community-based organization Casa Familiar took the initiative and conducted an evaluation of the dueling library sites (i.e., the school district site vs. a Las Americas site). No one at the City or Agency suggested this to Casa Familiar, nor volunteered to do this valuable study. The Agency did not participate in Casa Familiar's presentations of the study results, and so lost an opportunity to weigh in on the public discussion at a critical juncture.
- Active community groups, such as Casa Familiar, have been able to successfully mobilize Latino members of the San Ysidro community to support and oppose the Agency's redevelopment activities. They do so by organizing community meetings, publishing a community newsletter (written in English and Spanish), and sharing information with other community leaders. The Agency was able to initially pitch and gain wide support for the Las Americas project by employing many of these types of public communication and outreach tools, and by working collaboratively with the various community-based groups. However, momentum on this front seems to have waned over the long life of the project.
- Members of the San Ysidro community generally feel remote from and neglected by the City of San Diego. Appearances by Agency staff at monthly meetings of the planning group and business association may be insufficient outreach to strengthen and sustain community support for future Agency activities in this project area. In particular, given the community's sensitivity about being the City's de facto "dumping ground" for public housing, more regular Agency attendance at community events is especially important in San Ysidro in order to assess and evaluate the cumulative social impacts of its redevelopment efforts in this geographically isolated part of the City.

## COORDINATION WITH OTHER AGENCIES AND PROJECT PARTICIPANTS

**Coordination with Other Agencies and Project Participants:** *The Agency should ensure projects proceed expeditiously and efficiently by working effectively with all other relevant agencies and project participants.*

The San Diego Redevelopment Agency is not the only City agency or department implementing redevelopment projects. Agency staff specializes in crafting, negotiating, documenting, and obtaining approval for redevelopment projects, as well as in assembling land and arranging financing for those projects. In contrast, DSD staff specializes in reviewing specific development applications for zoning, environmental, and code compliance, while the Planning Department ensures a redevelopment project is consistent with the City's General Plan and with specific community plans. Other City departments contribute yet other skills. Most redevelopment projects require a combination of these skills and agency actions; accordingly, there have been several efforts over the years to coordinate these specialties to avoid overlaps and to promote smooth project flow. The observations from our evaluation of the two case study projects, together with our general observations, provide a good overview of Agency strengths and weaknesses in this important area.

### General Observations about Coordination with Other Agencies and Project Participants

- **SDRA Service Agreements with Other Agencies.** Particularly in the face of project area staffing shortages, the Agency does not hesitate to use the services of other City agencies, even if the service comes at a charge. In August 2004, the Agency reported that the value of service agreements between the Agency and other City departments/agencies for FY 2005 was \$1,139,186 covering service agreements with the: (1) City Attorney; (2) City Auditor (for bond-related services); (3) Financial services/treasurer (for bond-related services); (4) Planning Department; and (5) DSD.
  - **Different Project Management Boundaries in Different Agencies.** Across the three closely related City departments/divisions – Planning, Development Services, and Redevelopment – there is no common approach to how project management area boundaries are drawn and how project managers are assigned to each area. The Agency has its “redevelopment project areas”, which may not always align with the boundaries of any single Planning “community planning area” or with the geographical assignment of a single DSD project manager. Agency project managers typically must coordinate with more than one counterpart in the Planning Department and, possibly, more than one counterpart at DSD. As the number of “cooks in the kitchen” increases, the opportunities for miscommunications and working at cross-purposes increase, thus necessitating greater coordination efforts from everybody involved.

- **Agency Cooperation with DSD.** The Agency's relationship and coordination with DSD staff was the target of much discussion with the stakeholder interviewees. Some interviewees believe the relationship and level of cooperation has improved in recent years, while others find DSD overly technical and obstructionist in its approach to redevelopment review.
  - DSD staff greatly appreciates when Agency project managers invite DSD staff to participate in redevelopment project review, especially at early conceptual stages. DSD staff believes they add significant value to the redevelopment process by establishing realistic developer expectations about City entitlements and processing at the front end of the project.
  - Use of the voluntary "preliminary review" step offered by DSD appears to be an excellent vehicle for flagging any potential regulatory compliance issue and for managing applicant expectations regarding project processing and CEQA compliance.
  - DSD staff also appreciates Agency project managers who consistently keep them "in the loop" about pending negotiations, agreements, and project proposals. Some Agency project managers have also taken the initiative to introduce DSD staff to new project developers and to include DSD staff in regular Agency status meetings with a project development team.
  - The new "liaison" position in the Planning Department was specifically created in 2001 to improve communications between Planning, DSD, and the Agency, and to better ensure planning goals were reflected in redevelopment activities. The liaison spends a majority of the time facilitating Agency and DSD interaction, with the balance of the time mediating and resolving conflicts between applicants and City staff, particularly over DSD staff interpretations. The liaison believes DSD staff is becoming more understanding of the unique challenges involved with Agency redevelopment projects, and that Agency staff is more cognizant and sensitive to DSD staff workloads in making demands on their time.
- **Agency Cooperation with the City Attorney Office.** A deputy city attorney occupies office space within the Agency for two hours one day a week, and is available to Agency staff during that time to answer questions and provide direction.
  - The only downside is that, currently, there are no deputy city attorneys with more than six months of direct redevelopment experience. In such circumstances, the Agency prefers to use outside counsel, and must repeatedly seek City permission to do so.

**Ties to Definitions of Success**

A summary of the project scores in meeting the Coordination with Other Agencies and Project Participants benchmark described above appears in the following table.

Definitions of Success	Scores	
	Metro Center	Las Americas
Agency Operations: Efficiency and Effectiveness		
Coordinate Effectively with other Agencies and Project Participants?	4	3

**Observations from Metro Center**

- The Agency and DSD project managers shared responsibilities for facilitating the Metro Center, driven by the project's fast track time frame. DSD project management staff stated this relationship worked smoothly because of the Agency's very collaborative and respectful treatment of DSD staff.
- The developer, SDRC, worked directly with the Development Services project manager, and the process apparently went very smoothly. The Agency facilitated with DSD only when necessary. DSD staff facilitated community input addressing project design issues.
- The Agency and project team had a bad experience with the City Attorney's office on this project. The assigned staff attorney got sick, and because there were no other staff attorneys with the necessary redevelopment expertise, nothing got done and project progress stalled. The Agency ultimately got permission to hire outside counsel to move the project forward.
- The developer team for Metro Center conducted a preliminary review with DSD staff; however, SDRA apparently presented the project as a *fait accompli* and did not provide DSD staff a real opportunity to advise or influence the project concept – which was especially problematic given community concerns with the affordable housing component and potential for school overcrowding.
  - Since Metro Center, DSD has asked for – and received – opportunities to intervene earlier with proposed redevelopment projects.
- The Agency and developer team worked with Public Works to address vacating an alley, including all utility easements. The developer had to hire a utility consultant to work with Public Works and the municipal water/electric companies. The developer did not have a single point of contact at the Public Works Department.
- Once in construction, the project ran into conflicts with the City on utilities and roads. For example, workers uncovered a broken water main near the perimeter of the project site, but the City would not fix it. The project stalled until the project workers finally just reburied the broken line. This delay cost the project some time and money.

### Observations from Las Americas

- The Agency project manager, DSD Director, developer, and City Council all pressured DSD staff to issue permits for the first phases of Las Americas as quickly as possible. While not a particularly collaborative approach to the Agency's relationship with DSD, the developer certainly got fast results.
- The Las Americas permit process strained DSD's ability to effectively review project plans and monitor construction approvals. The developer allegedly submitted incomplete applications for approvals/permits in both 2000 and 2001. Nonetheless, staff were told by management to "super, super expedite" processing to complete approval within 3-5 days, rather than the "normal" expedited process, which typically takes at least 1 week or the normal processing time (unexpedited) of 4 weeks. In addition, there was a dispute whether the developer started framing construction without the proper permits; DSD issued a stop work order while the dispute was resolved.

## SUMMARY OF CONCLUSIONS AND FOCUS AREAS FOR REMAINING WORK

In order to focus the remaining study effort to provide the most benefit to the Agency, we have applied the following criteria:

- In which operational areas related to the Definitions of Success does the Agency consistently score (relatively) low, and where do the case studies suggest that improvements are possible; and
- On which topics did stakeholders most commonly express dissatisfaction or view as ripe for improvement.

Our investigations have revealed that the Agency has many successes to its credit, both at the project and at the operational levels. The Agency scored above average to excellent in the majority of evaluation factors we considered, spanning a broad range of substantive and functional areas. Among the Agency's strongest areas: focusing efforts on blighted areas and improving local economic and physical conditions; advancing community goals; following sound management practices to get projects completed expeditiously; and leveraging scarce Agency staff and financial resources to maximum effect.

However, focusing on opportunities for improvement, two themes came through most strongly: the Agency's "reactive" as opposed to "proactive" approach to redevelopment, and the Agency's general ineffectiveness in encouraging broad-based community participation in the redevelopment process. The two seem related. The Agency's lack of initiative in formulating and executing project-area redevelopment plans seems at least partly borne of the failure to administer a community relations plan that can incorporate and prioritize meaningful input from the community. Rather, major Agency projects seem to arise from powerful non-profit groups or private developers with specific agendas, whose interests may not coincide with the more broadly defined goals of the community.

This is not to say that the Agency's made poor choices in selecting its projects, or that the projects were poorly conceived, or do not confer significant community benefits. To the contrary, the projects we reviewed in detail, as well as many others we were made aware of, exhibit a remarkable degree of success in all of these areas. However, they do not seem to reflect a redevelopment process that empowers the community to act as an effective partner. Nor can they be said to fulfill a systematic or strategic approach to community revitalization within each project area.

In turn, the cautious approach to project area administration and management by Agency staff seems to be a remnant of a prior executive management regime, marked by a lack of strong leadership at the senior management level and a combination of inadequate staffing levels and insufficient training. These management shortcomings left staff without a clear vision of where the Agency is headed and how to get there.

The staffing problems limit the Agency's ability to interact effectively with project stakeholders (negotiating), other City staff and departments (facilitating), and outside consultants and counsel (managing). Finally, these problems are compounded by a lack of consistent Agency-wide procedures and standards for how staff should perform, especially since the Agency has the ability to define its mission through the generation of TIF. This is particularly evident regarding project selection and vetting procedures, which can have a significant impact on long-term Agency effectiveness.

Accordingly, we believe that the remaining work in Task 3: "Comparing Performance to Identified Best Practices," should focus on seeking answers to the following questions.

### **Project Selection and Prioritization / Tie to Community Planning Objectives**

There seems to be a widespread perception in the community that the Agency does not have a formal, organized process for selecting projects or any objective criteria for screening selected projects. Instead, many stakeholders believe the Agency's decisions are largely political or, in many cases, arbitrary or haphazard. Accordingly, in Task 3, we will focus on answering the following questions:

- How might the Agency structure and rationalize its project selection and prioritization process to make it as transparent as possible?
- How might the Agency structure and rationalize its project selection and prioritization process to ensure that decisions regarding Agency participation in particular projects are compelling?
- How can the Agency best assure that the projects it selects will confer real community benefits, without straining or over-committing Agency resources?
- What tools, processes or criteria should the Agency use to better coordinate redevelopment activities and projects with local, community planning goals?

### **Public Participation and Communication**

There is almost universal concern from stakeholders that the Agency does not aggressively solicit community input in the project-level redevelopment process. Many stakeholders believe that the PACs and community planning groups are consulted only

as required by regulation, and other community groups and interests are rarely consulted at all:

- Are there improvements to the way the PACs are structured or consulted that might improve relations between the PAC and the Agency?
- What other public involvement mechanisms can the Agency use to supplement the PAC structure to obtain meaningful, broad-based public involvement?
- At what planning or project stages should the Agency reach out to consult the public regarding potential redevelopment projects?
- What tools and resources are available for the Agency to conduct pro-active public communications efforts to educate the public in general about the role of redevelopment and local redevelopment successes (in addition to their project-specific public involvement efforts)?

### **Agency Leadership, Staffing, and Training**

The Agency has suffered, to an unfortunate degree, from turnover at its most senior ranks. This has been compounded by the City's recent political turmoil, which has deprived the Agency of both a consistent vision and strong advocates. Compounding the lack of consistent political direction, the Agency is subject to the City's hiring and discretionary spending freezes and to arcane City hiring procedures. These administrative City procedures and policies significantly restrict the Agency's ability to adequately hire and train staff.

- What internal operation or management changes might the Agency adopt to enable a more efficient and effective approach to redevelopment in San Diego?
- Is the Agency under-staffed relative to its workload, compared to redevelopment agencies in other large California cities?
- What hiring criteria should the Agency employ to address concerns about missing skill sets among staff?
- What can the Agency do to improve internal communications between management and in-line staff?

### **Sound Management Practices**

The management turnover and staff shortages have taken their toll on the Agency's ability to execute its mandate and to effectively administrate its day-to-day operations. A long-standing lack of Agency-wide policies, procedures, and standards for project and project-area management has compounded the problems:

- Are there efficient systems the Agency might employ to ensure project management continuity; for example, through a centralized project management system with standardized recordkeeping and information-sharing techniques?
- Are there management or accounting practices the Agency can employ to regularly evaluate whether completed projects achieve their stated objectives and estimated impacts (including blight reduction, economic development, job creation, and tax base strengthening) over time?
- What concrete steps might the Agency consider to improve relations and coordination with other city agencies that have a significant role in redevelopment project approval and oversight, such as the Department of Development Services or City Attorney's office?
- What best practices – including practices suggested by the case study projects – might improve the timing of redevelopment project review and approval in San Diego?

## ADDENDUM A: CASE STUDY PROJECT SCORECARDS

### METRO CENTER – Definitions of Success Scorecard

Definition	Score	Comments
<b>1. Quality of Life: Project Impacts</b>		
Remove Blight?	5	Filled in "Gateway" lots on major community thoroughfare. Mixed use project delivered benefits to the residential and business communities.
Improve Economic and Physical Conditions?	4	Project has moderate economic impact with the inclusion of a job training center and business tenants. New buildings improve physical conditions at high profile site.
Revitalize Neighborhoods?	4	Evidence of additional private investment in surrounding residential neighborhood. Project integrates major infrastructure improvements and delivered tangible community resources.
<b>2. Agency Operations: Efficiency and Effectiveness</b>		
Compelling Case for Agency Involvement?	4	Strong case for Agency involvement to redevelop blighted site with good leverage of private and community resources. Case for blight at project site not as strong; capable private project team already familiar with neighborhood reduces need for RDA involvement.
Advance Community and Redevelopment Planning Goals?	5	Addressed several community goals including delivering needed affordable housing and diversifying the housing stock. RDA staff also effective in facilitating public/private partnership by identifying and developing key relationships.
Comply with Redevelopment and Municipal Requirements?	5	Project complied with applicable regulations.
Effective Community Participation?	3	Project initiated by community-based non-profits. No early input from the CHAPC and PAC. Ends-oriented outreach effort by developer "packed the PAC" to support housing component. No Agency outreach beyond PAC and CHAPC; no outreach or facilitation to engage non-English speaking population.
Sound Management Practices Followed?	4	SDRC was project management lead; Agency facilitated where needed. Good leveraging of available SDRC funding and housing tax credits. Failed to marshal consultant or other resources and participate in office leasing agreement to safeguard Workforce Partnership tenancy. No periodic or after-project evaluation of "success" against specified benchmarks.
Expeditious Project Timing (Approval and Completion)?	5	Expeditious timing attributable to strong City Council and Agency leadership support and highly-motivated, well-funded lead developer. Weekly progress meetings between Agency and team help keep communication channels open and project on fast track. Applicant accomplishes majority of acquisition and relocation without Agency involvement--a significant time-saver. Joint PAC/CHAPC design committee expedites review. All discretionary permits processed concurrently with DDA saves significant time.
Coordinate Effectively with other Agencies and Project Participants?	4	Applicant works directly with DSD; preliminary review occurred. DSD project manager successfully shepherds application through discretionary review. However, DSD and planning not included in concept review. Lack of skilled backup in city attorney office slows process down -- Agency ultimately uses outside counsel. Developer conflicts with city utilities/public works during plan review and construction. No centralized or shared system of project tracking among city project participants.
<b>3. Overall Score</b>	<b>4</b>	<b>Project significantly advances planning goals and strategically leverages non-Agency funds. Highly effective project management -- ambitious target deadlines met. Goal of ensuring meaningful and broad public participation only partially successful.</b>
<b>Scale:</b>		
Excellent / Highly effective	5	
Good	4	
Average	3	
Fair	2	
Poor / Detrimental	1	

## ADDENDUM A: CASE STUDY PROJECT SCORECARDS

### LAS AMERICAS – Definitions of Success Scorecards

Definition	Score	Comments
<b>1. Quality of Life: Project Impacts</b>		
Remove Blight?	5	Former truck stop was considered a safety and environmental hazard. New project is a regional destination that brings in outside retail spending.
Improve Economic and Physical Conditions?	4	Project is a financial success without displacing local businesses. Future tax increment can be used to achieve other community goals. Replaced vacant lot with job-producing project.
Revitalize Neighborhoods?	2	Cost of redevelopment financing absorbing most tax increment generated, dampening the "catalytic" effect of the project. In addition, concentration of tax increment drives up cost of capital market debt.
<b>2. Agency Operations: Efficiency and Effectiveness</b>		
Compelling Case for Agency Involvement?	3	Developer gained control of site--RDA assistance in acquisition not needed. RDA help in getting ambitious first redevelopment area project "off the ground." Potential for development without RDA likely, but at smaller scale.
Advance Community and Redevelopment Planning Goals?	4	Effective use of blighted, underutilized site, but little community-serving public benefits delivered to date.
Comply with Redevelopment and Municipal Requirements?	4	Complied with regulations; diligently pursued unique Presidential Permit. Developer-initiated negotiations avoided use of eminent domain. DSD states developer started framing work without proper DSD construction permits, resulting in stop work order.
Effective Community Participation?	2	Project concept gained support of key community and business groups. Agency utilized bilingual staff and encouraged regular community contact. Setback in community relations with divide over library -- lost opportunity for significant state funding. Agency not fully able to bridge community divisions -- loss of some key-player backing.
Sound Management Practices Followed?	4	Excellent management practices get original deal done and keeps construction on track. Project area staff transition goes smoothly, but staff reduction stretches Agency resources thinner. No periodic or after-project evaluation of "success" against specified benchmarks. Five plan amendments suggest inflexibility in original project programming; however, after 10 years, Agency still at table getting public benefit concessions from new owners.
Expeditious Project Timing (Approval and Completion)?	4	Attributable to experienced and motivated developer and experienced Agency project management. Strong push from City Council and department heads ensures very expedited DSD review for first two Las Americas phases. Permitting for later phases experiences relatively greater delay. Public benefit project components -- i.e., bridge, civic space, library -- still not completed after 10 years.
Coordinate Effectively with other Agencies and Project Participants?	3	Weekly developer team meetings ensure effective coordination. City Council office and Agency Project Manager push DSD hard, but DSD not included in concept planning and early negotiations. DSD staff resentful about pressure to "super expedite" developer applications, which DSD says were often incomplete. Agency loses vocal community and political champions for pedestrian bridge over time.
<b>3. Overall Score</b>	<b>3</b>	<b>Project vision superior, but several key project components still not implemented after nearly 10 years. Community relations have suffered over course of project life.</b>

Scale:

Excellent / Highly effective

5

Good

4

Average

3

Fair

2

Poor / Detrimental

1