



MEMO

Date: August 30, 2013

To: City of San Diego City Council

From: Tim Sullivan, Chair of the Board

Re: ULI San Diego/Tijuana White Paper – Using the Proven Tools of Civic San Diego to create Complete Communities

Our White Paper was prepared for former Mayor Bob Filner in June 2013 at his request to give him unbiased input on how the tools of Civic San Diego could be used to assist with the revitalization and investment of neighborhoods outside of Downtown. It was written as an informational piece and not meant in any way to advocate for the existence or not of Civic San Diego. We stand by the recommendations that we made for how to use Civic San Diego tools in the neighborhoods.

USING THE PROVEN TOOLS OF CIVIC SAN DIEGO TO CREATE COMPLETE COMMUNITIES

JUNE 21, 2013

THIS WHITE PAPER WAS DEVELOPED AT
THE REQUEST OF MAYOR BOB FILNER





June 20, 2013

The Honorable Bob Filner
Mayor of San Diego
202 C Street
San Diego, CA 92101

Dear Mayor Filner,

On behalf of the ULI Advisory Committee, I am pleased to present our recommendations for how to use the proven and successful implementation tools of Civic San Diego (formerly CCDC) to increase neighborhood engagement and investment. A team of ULI members met three times over the course of the last three months to develop these recommendations. Our focus became to avoid duplication with other city functions and departments. Our overall strategy can be summarized as follows:

- 1 The Geography for Civic San Diego should be former Redevelopment Project Areas and CDBG eligible communities. This comprises the majority of areas where market forces alone are unlikely to result in investment and revitalization.
- 2 The Role of Civic San Diego should be the City's transactional entity for community development in these targeted areas, including: NMTC, CDBG, grant application and management, parking district funds, management of consulting contracts for specific plans for villages and corridors, design review, CIP prioritization, affordable housing, grant programs (facade improvement programs for example), special projects, and an ombudsmen for selected public projects and private investments as they go through the approval process. Additional roles could be management of planning, CEQA, and development review only in Downtown – they could serve as an ombudsman/facilitator elsewhere.
- 3 Civic San Diego could be a member of a planning and development working group that reports to the Mayor with Planning, DSD, Public Works/Transportation, Housing Commission, and Mayor's Chief of Staff and Policy Team that meets together with Mayor every two weeks, chaired by the Chief of Staff or his deputy, or by the Planning Director.
- 4 Civic San Diego should also have the responsibility of developing a more inclusive community engagement strategy for projects and plans within their geography.

The attached White Paper is a more thorough analysis of these recommendations. We hope that this strategy will be of service to you and your team. Please feel free to contact me with any questions that you may have.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Tony Pauker', written over a horizontal line.

Tony Pauker
Chairman of the Board
619.247.3720

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STATEMENT OF PURPOSE

The purpose of this white paper is to outline how the Centre City Development Corporation (CCDC) and its successor agency, Civic San Diego model could be expanded to focus on urban and underserved neighborhoods that are unlikely to realize investment based on market forces alone. This model has proved effective to guide the revitalization of a declining Downtown into one of the West's most vibrant 24-hour cities. This was done with the involvement and buy-in of residents, businesses, and investors. A similar process could benefit other underserved neighborhoods.

In San Diego, we have very diverse communities, each having its own specific needs. What is needed and the optimal approach to achieve it will be different in San Ysidro from what is needed and the optimal approach for the College Area, Normal Heights, Encanto, Linda Vista, or Southeast San Diego. For example, a transit-oriented development (TOD) approach may work for one area, but would not be appropriate in an area where economic investment is most needed.

We have the opportunity to create in Civic San Diego an entity that can be a resource to all such communities and customize it to their needs. This goal may be best summarized as creating “complete communities.” The national organization Reconnecting America defines complete communities as “places where people can live, work, move, and thrive in a healthier, more equitable, and more economically competitive way.”

WHY CIVIC SAN DIEGO

Thirty Seven years ago the Centre City Development Corporation was established to help revitalization of Downtown San Diego. A major reason a separate public benefit corporation was created was to advocate long-term planning and solutions that maximize community benefit while insulating the communities from short-term political whims. This was coupled with tax increment financing that allowing for significant financial investment in Downtown.

Civic San Diego’s structure, a non-profit public benefit corporation wholly owned by the City of San Diego, has provided it with an entrepreneurial “can do” culture that finds creative solutions to community revitalization challenges. That same structure has insulated the organization and its implementation of long term projects from political influences and delays caused by changes in the City’s elected leadership. Civic San Diego has demonstrated its ability to act as a highly effective “bridge” between the public and private sectors for collaboration of resources, talent and expertise to positively transform neighborhoods. The background and expertise of its staff brings a unique skill set and talent to the formation of highly effective public-private partnerships that attract private investment to neglected communities, enhance the public realm, create quality public parks and open space, ensure high quality architecture and design, promote job creation, and generate revenues for the city.

CIVIC SD ECOSYSTEM MODEL



It created a “one-stop shop” where planning decisions, community engagement, infrastructure financing, economic development tools, and neighborhood promotion provided a process in which there was a clear set of goals for the community and a process of certainty for investors.

This focus and financial capacity of CCDC resulted in unprecedented investment that has been praised across the nation. Since the elimination of Redevelopment, Civic San Diego has become the successor agency to CCDC. Today, Civic San Diego is built on a successful 38-year performance that incorporates the proven ability to expedite City priorities for neighborhood revitalization. It is the entrepreneurial partner capable of orchestrating creative plans; securing funding sources, including statewide and national funds; and streamlining implementation processes in order to improve the economic and social well-being with a better-built environment citywide in San Diego.

Civic San Diego has the ability to leverage funding sources such as those identified in Section _ *Financing Mechanism*. Civic San Diego is capable of securing special funding sources that would attract and retain businesses, such as New Market Tax Credits, Health Food and Urban Farming Initiatives, Child Care Funding Programs, Arts and Cultural Funding Programs, Safe Routes to Schools Funding, and a number of other sources. While not as powerful as tax increment financing, these sources could help fill a current and future budget gap.

Civic San Diego has the ability to assist neighborhoods—and by extension the City Council and Mayor—in creating a business improvement district to maintain the newly created public realm. Civic San Diego is determined to perpetuate the prosperity that Downtown San Diego has seen during the era of redevelopment and extend it to the rest of the San Diego in a new era without the Redevelopment Agency. Civic San Diego has the creativity, experience, and proven track record so critical to successful underwriting from these financing sources for the benefit of the City of San Diego and its disadvantaged neighborhoods. Without the funding from Redevelopment, it is necessary to have a central entity capable of sifting through the changes in state policies and procedures; pairing the need with the correct funding sources.

Civic San Diego, like its predecessor CCDC, has used its proven entrepreneurial and organizational abilities to create opportunity and attract investment while serving the community as a public benefit organization with independently validated pro forma analysis on each project it approves. Civic San Diego’s proven success is attributable to the following factors:

- The ability to assemble parcels for commercial/mixed-use development and affordable housing; the City is limited to only public facilities projects. Civic San Diego can swiftly seize site acquisition opportunities as they arise.

- Act with Foresight– in a proactive position with long-range planning in mind– not reactive policy.
- A design review process that both has specific goals and is aimed at enhancing the public realm and public space.
- A streamlined process for consultant contracting and permitting approvals.
- Direct access to principals of Civic San Diego for the community and investors, improving the process.
- Access to economic and community development funding that cannot be secured or effectively used by the City (NMTC, public/private investment funds, philanthropic sources, EB-5, land value recapture, grants, CFDs, JPAs, IFDs, etc.).
- The ability to form creative public/private partnerships with extremely efficient and successful processes, legal documents, and a track record in negotiating needed community benefits.
- Ensure balancing the needs of the private sector and benefit for the surrounding neighborhood through independent analysis, quantifying and validating the public benefit associated with each project approval where a public subsidy or financing is provided;
- More nimble and flexible than the City due to its unique structure;
- Its role as a bridge between the public and private sectors.
- Excellent relationships with local and regional partners (County of San Diego, Veterans Affairs, San Diego Housing Commission, San Diego Regional Economic Development Corporation, San Diego Regional Chamber of Commerce, San Diego Workforce Partnership, Local Initiatives Support Corporation, Price Charities, Jacobs Foundation, San Diego Foundation, Environmental Health Coalition, Port of San Diego, San Diego County Regional Airport Authority, SANDAG, MTS, and local, regional, and national developers, etc.).
- A proven track record of advancing catalytic public improvement and public/private partnership projects that attract private investment.
- Acquire and assemble key parcels for engaging in public/private partnerships with competitively selected development teams for target uses appropriate to specific neighborhood needs. (As a public, nonprofit entity, Civic San Diego has minimal land carry costs because its properties are exempt from property taxes during the site assembly process.)

HOW TO MAKE IT WORK

The three key techniques CCDC and Civic San Diego have used to clearly define shared neighborhood goals and standards that will also encourage and stimulate neighborhood investment are Community Engagement, Specific Plans, and Financing.

Community Engagement: the key to transparency and creation of a shared goal that benefits all participants.

To create complete communities, a more comprehensive approach needs to be developed to encourage and obtain input and a corresponding buy-in from the community on the specific planning process. This requires commitment that is focused on inclusiveness, education and collaboration to achieve a balanced result.

Any program that seeks to bring investment to the City's neighborhoods must have community engagement. This includes not only local residents, but also businesses and outside developers, financiers and investors so that a clear set of goals and expectations is formed. CCDC—and, in turn, CSD—was the entity that helped foster this dialogue. Neighborhoods will be looking for leadership to assist them in filling the void left by dissolution of Redevelopment, and this will require collaboration and innovation to ensure that they continue to thrive economically. CSD can position itself now to be an integral part of the team as an asset to each neighborhood.

For example, the affordable housing mission components of a “realigned” CSD will be implemented in a largely new context. Neighborhoods and targeted areas outside the Downtown will have very different needs, interests, processes, and constraints. While CCDC may have ultimately engaged the Downtown effectively, the outlying neighborhoods will present a different challenge. CSD will not be operating from the established legal, policy, and program authority of Redevelopment. And many neighborhoods are far from the somewhat “blank canvas” that the Downtown was when redevelopment began. Success at a neighborhood scale will be based largely on collaboratively determining and satisfying the neighborhood's needs as part of the creation of an acceptable specific plan. A carefully devised engagement and educational program must give CSD the time to meet with community members, to listen and understand the new context, and to jointly establish the necessary standards to facilitate ongoing development within each neighborhood.

Specific Plans: a tool for economic development and prosperity through a transparent process.

A Specific Plan created in partnership with the community sets clear goals and ground rules which provide a long term road map for investment that includes measureable goals. The plan includes needed infrastructure and other benefits for the neighborhood tied to develop, as well as mutually agreed upon design standards appropriate to each specific planning area. The certainty of process associated with this approach is key to obtaining private sector investment.

A Specific Plan is a regulatory tool for a localized area and is a separately adopted implementation document. A Specific Plan focuses on the unique qualities of a defined area by customizing the land use planning process and development regulations to that area. The area in question would be much smaller than is addressed in a typical Community Plan.

Public involvement in the Specific Plan process is required and helps define the community's vision of future growth and development. Innovative and creative Specific Plans can help communities avoid monotonous development and can create livable, sustainable neighborhoods.

A Specific Plan is intended to be used as a tool by developers, property owners, City staff, and decision makers, providing clear policies, development standards, and a vision that guides land use decisions and design, and defines infrastructure improvements, financing mechanisms, and economic development activities in the project area. A Specific Plan should remove constraints to efficient development and encourage desirable patterns of activity, land uses, and development types. A Program EIR is typically adopted to fulfill a City's CEQA requirements and provides for an expedited entitlement process. More specifically, a Specific Plan with such an EIR can help drive investment due to the certainty of process it creates, while outlining goals and expectations that residents, businesses, and developers can all embrace.

Specific Plans differ from Community Plans in that they allow for specific and potentially significant changes to target issues that may be appropriate for a neighborhood. This may include increases in density near transit, less emphasis on vehicles and more emphasis on walking and biking, provision for reduced

minimum parking regulations than the City standard, allowances for shared parking opportunities to reduce the cost of unneeded parking, and possibly even provisions for maximum parking regulations. Such flexibility can help focus the proper type of investment in an area. This flexibility is not normally addressed by a Community Plan or zoning.

By comparison, Community Plans address a particular geographic region or community within the overall planning area of a General Plan and are not a regulatory document. Rather they intend to define community character without specific development guidelines. Community Plans are used to refine the policies of a General Plan for specific communities, but their focus is not on implementation. A Community Plan update process will often involve more time and cost than preparation of a Specific Plan, and then each subsequent project often requires an extensive discretionary review process and separate CEQA documentation.

There can be disadvantages to a Specific Plan process. The preparation of a Specific Plan can be a lengthy and potentially costly process, and incorporating the plan into the daily planning process requires careful attention, particularly when the plan establishes regulations unique to that area. While one of the attributes of using a Specific Plan is improved certainty for development, Specific Plans can be amended and are subject to change over time.

The major benefits of CSD preparing Specific Plans and Program EIRs for the targeted neighborhoods is that the staff and Board have years of expertise in implementing complex mixed-use urban development, as well as in-depth knowledge of development pro formas, debt and equity underwriting, project delivery methods, and management of the former RDA-owned properties located in the targeted Specific Plan areas, and staff have built trusted relationships with the Foundations and major property owners in the targeted areas.

Receiving authority to prepare Specific Plans and process entitlements and permits is critical to raising equity and debt through a public/private investment fund. Having control of that process provides the fund's potential lenders and financial partners with the certainty that the properties within the Specific Plan area will increase in value through greater density and more flexible zoning combined with a predictable and certain permitting process. Without CSD having that authority, the fund's financial partners will not have confidence that properties acquired and assembled by the fund will provide the investors with their desired return on their investments or funds for reinvestment.

Financing Mechanisms: the capital that enables investment in infrastructure and public spaces, and the inducement that attracts the private sector to focus on a particular location

Tax increment financing once provided the capital engine that drove much of downtown investment. Now that we no longer have Redevelopment as a major financing tool, there are a whole host of new and existing mechanism that are being explored to sustain organization like Civic San Diego. To carry out the continued work of reinvesting in our communities, new financing mechanism must be identified and put in place which will enable infrastructure revitalization and a continuation of the creation of much needed affordable housing, previously so reliant on tax increment from redevelopment throughout the City.

With the dissolution of Redevelopment and its ability to harness tax increment, a new system for financing of infrastructure and development must be created. While the loss of tax increment is significant, there are some tools that can continue to be used and new ones that will need policy in order to be enacted. The following list of strategies contains a broad mix of policies and procedures, and financing sources and mechanisms. The financing sources and mechanisms include some appropriate only for public improvements and others that are incentives for private development.

Civic San Diego will be the entrepreneurial partner that will identify and secure the diverse mix of public and private funding sources for all facets of a Specific Plan's development. While the aggregate dollars available from available financing sources is less than could be generated by tax increment, there are still many viable options, including grants, special districts, forgivable loans, bonds, state infrastructure bank funds, cap-and-trade funding for sustainable communities, development impact fees, and other sources for planning, design, and infrastructure improvements (parks and open space, streets and sidewalks, bike lanes, medians, and fire/life safety components). Special financing, credit enhancement mechanisms, grants, and philanthropic foundations can provide bridge, gap, mezzanine, or subordinated debt for mixed-use development.

The financing mechanisms available to Civic San Diego fall under the following categories.

State Legislation. Some forms of financing will be driven by or impeded due to legislation at the State level, including the following:

Legislation That Requires Interagency Cooperation/Coordination. Our region could accomplish much more if our various public agencies worked to identify shared interests and expedite implementation of mutually desired projects.

Key examples include MTS, Port, SANDAG, San Diego Unified School District, etc. Separate political structures and competing mandates are in place, and there is little to no incentive for cooperation and compromise.

Prevailing Wage. It must be understood that prevailing wage rules make urban in-fill projects challenging; relief in urban infill locations would allow limited funding for infrastructure to go further.

Infrastructure Financing Districts. Legislation needs to require county participation in funding these districts; otherwise, they have little value to local government.

Statewide Community Infrastructure Program (SCIP). Allow local governments to offer a tool like the Statewide Community Infrastructure Program, a financing program that enables developers to pay most impact fees and finance public improvements through an acquisition agreement with the State via tax-exempt bond issuance proceeds, thereby deferring upfront costs to payments over 30 years through an increased property tax assessment. In many ways, this functions like a CFD, but reduces issuance costs that are prohibitive for a small-scale bond issuance.

1033 Tax-Deferred Exchange. This mechanism provides more flexibility in reinvesting the proceeds and allows the owner to avoid capital-gains taxes. This power should be given back to the localities if it would be beneficial for land assembly needed to implement plans.

Business Improvement Districts/Property-Based Improvement Districts/Assessment Districts. Any legislative improvements would be welcome that make it easier to adopt CFDs, Special Assessment Districts, and/or PBIDs in urban communities.

Proposed SB1 Sustainable Communities Investment Act. This bill would authorize certain public entities of a Sustainable Communities Investment Area, to carry out the Community Redevelopment Law in a specified manner.

Financing/Public Improvements. Tools that can drive local investment and the decisions for how to do these are largely based at the local level. They include the following:

Public/Private Investment Fund. Creation of a Public/Private Investment Fund with equity and debt provided by the City, SANDAG, philanthropic foundations, and private investment sources can provide funds for site

acquisition, planning, infrastructure improvements, and affordable housing. Many examples of this structure exist across the country.

Business Improvement Districts/Property-Based Improvement Districts/Assessment Districts. All of these mechanisms allow communities to “tax” themselves above the 1 percent level in order to deliver additional services and/or facilities.

Community Facilities Districts (CFDs). The value of CFDs is that they represent a truly new revenue source to a geographic area, not a shuffling of a revenue stream as proposed under Redevelopment or some of its proposed reincarnations. The increased tax burden has a negative effect on residual land value. To counteract this and incentivize landowners to elect to annex into a district, the landowner/developer must benefit (e.g., through a density bonus or expedited process).

California State Infrastructure Bank.

Community Development Block Grant (CDBG) Program. CDBG funds provide infrastructure funding.

Grants. Planning and capital grants can be obtained for urban planning studies, community infrastructure design and improvements, transit-oriented development, and community facilities.

Development Incentives. Incentives can spur investment with little or no direct costs, but rather through inducements to attractive investment.

Parking Standards. Parking requirements can be reduced for multifamily housing, and certainly for multifamily housing in TODs and mixed-use projects.

Development Impact Fees (DIF). DIF can be paid at certificate of occupancy or CFD can be imposed on the project to recoup these costs over 25 to 30 years, as is quite common for school fees in San Diego County.

New Market Tax Credits. The low-interest forgivable loan program provides gap financing to for-profit and nonprofit entities located in, or providing goods and services to, low-income communities, resulting in job creation for residents.

EB-5. This federal program, which provides financing through a certified Regional Center, attracts private investment for job-creating projects by offering a pathway to U.S. citizenship.

Tax abatement zones. An increase in property tax can be abated for X years for both businesses and homeowners who construct new buildings or rehabilitate or renovate their properties.

Affordable Housing Financing. Affordable housing opportunities can be implemented and financed in underserved areas in the following ways:

Subsidy Capital Equals Affordable Housing. Two renowned affordable housing policy experts were independently asked how housing policies and programs should be reshaped to be more effective. Each said, in essence, “We don’t need to do much different except find a lot more capital.” This underscores **the greatest loss to CSD with the demise of Redevelopment: the loss of public capital.** Most of the “capabilities list” above is about public capital or the use of it. Two initiatives could address the affordable housing capital need:

Property Tax Increment Setaside. One initiative is essentially the restoration of the property tax increment setaside for affordable housing. Cities such as San Francisco have already voted to reallocate a portion of the tax increment now coming to the general fund—to affordable housing. The former Low-Moderate Income Housing Setaside under Redevelopment had wide support even as Redevelopment was ending. Given the highly leveraged success of this program—measured in terms of housing needs served as well as economic impact—it is good public policy to restore this support for affordable housing. Certainly, it can also be refocused, and in comparison with the Redevelopment program, the benefits now could flow to the broader community as well.

Housing Trust Fund. The second initiative is the City’s Housing Trust Fund. Highly successful for over 20 years and nationally recognized, this Housing Commission-administered program has been ignored and progressively defunded over the years as a result of lack of political will. Restoring this program to the funding levels originally ordained would provide a major resource for affordable housing and accompanying economic development benefits.

Low Income Housing Tax Credit (LIHTC). Local capital for affordable housing will be increasingly important in attracting other capital, such as proposed state housing funds, the traditional sources such as the Low Income Housing Tax Credit (LIHTC), and other private capital. Currently, the LIHTC program remains the only financing engine of affordable housing in California, and it is not enough to fill the loss of Redevelopment. The time is right for

establishing San Diego's own equity fund where local businesses can invest in local projects. A leadership role in this for CSD would make sense.

Private Capital. Private debt and equity capital for affordable housing are relatively abundant but still heavily dependent on subsidy capital, since on its own private capital seeking a return does not buy much affordability. CSD could play a key role in strengthening **Community Revitalization Act (CRA)** behavior by our financial institutions—not that they have performed poorly, but they have not been pressed to do enough. Absence of San Diego-based banks and lack of pressure by groups like the former Reinvestment Task Force have allowed the banks to do less than they should, especially for our neighborhoods. A program similar to the Bay Area's **Transit-Oriented Affordable Housing (TOAH) Fund**, a mostly private capital fund, would be a strong potential vehicle for private investment.

Land Value Recapture. Another capital-generating tool, land value recapture, has been practiced by CSD for some time in the Downtown for the benefit of affordable housing, and an increasing number of cities are using this tool. This sound public policy involves capturing value generated by public infrastructure investment and land use decisions, and applying that value to the creation of affordable housing.

The tools identified in the four preceding sections are intended to help facilitate a discussion on how to consolidate the administration of various assessment districts to provide additional resources for reinvestment in our communities; how to use the increment in property tax, on a per-parcel basis, to help development fund impact fees/infrastructure projects; and how to legislatively require regional coordination to leverage available resources for public improvements.

AREAS OF FOCUS FOR CREATING COMPLETE COMMUNITIES

Using the CCDC and Civic San Diego model many key successes have been realized over the past near four decades. The most notable and successful in driving investment in urban and underserved communities are described below.

Affordable Housing

San Diego is frequently noted as one of the least affordable cities in the State. This not only hurts local residents, but also retards investment and business location in the County. A key driver of redevelopment has been the provision of affordable housing. For decades, redevelopment agencies brought a range of tools and financing to ensure that at least 15 percent of the homes in target areas were affordable to lower-income families, seniors, veterans, and people living with disabilities. Over the years, CCDC/Civic San Diego demonstrated creativity and success in achieving balance in housing affordability and tenure in the Downtown.

Providing Civic San Diego with the tools and authorities to create a more predictable, expedited, and certain entitlement process combined with reduced/shared parking standards will reduce the cost of all housing, including the very important workforce housing.

Essentially, CCDC brought the following major ingredients necessary for affordable housing success—anywhere:

- a plan;
- a mandate ;
- policy drivers (e.g., inclusionary requirements);
- land/land assembly, including funding for land acquisition;
- public infrastructure financing and implementation;
- subsidy capital (also known as gap financing); and
- implementation skills (deal making).

With this tool kit, CCDC partnered with both market-rate and affordable developers, for-profit and nonprofit, to create a range of housing opportunities. The model was repeated many times, with slight variations and with a variety of different development teams. Thousands of units of all types were built—family, seniors, special-needs housing, transitional housing, new construction, rehabilitation/preservation, high-rise/mid-rise, condos, rentals, market rate, affordable, and so on. After some detours and challenges, CSD became very effective at balancing the

needs of the community, developers, environmentalists, and business to get things done—to improve the community. These efforts encouraged more people to live in Downtown and improved housing choices for existing residents while leveraging huge amounts of additional public and private capital to get the job done. As the outlying neighborhoods of the City densify in response to the need for additional housing, with the added cost of building vertically, it is critical that new mechanisms be developed to subsidize and finance the appropriate scale of affordable housing to fit the emerging neighborhood character, and no organization has more experience than CSD in facilitating a successful outcome on this challenge.

Civic San Diego’s creativity in its approach to affordable housing was recently demonstrated by its preparation of an Affordable Housing Master Plan that set forth clearly defined objectives and strategies for optimizing the continued production of affordable housing, particularly for those members of the population with special needs, with the precious limited financial and land resources remaining following the dissolution of redevelopment.

San Diego continues to host a strong affordable housing developer sector, skilled at creating green, sustainable, infill housing. Market-rate housing development has taken off, with thousands of new apartments under construction. CSD and its partners still know how to put these ingredients together and have had great success in providing housing affordable to all members of our community. The ingredient list does not change: we know what works and what to do. The challenge is reestablishing, refocusing, and using these proven tools for success.

Transit-Oriented Development

CSD has been able to promote developments near public transit to best serve residents who may wish to use it. TODs are not applicable for every neighborhood. But for the areas where it does apply, it is a proven development practice. All noteworthy forecasts predict that the bulk of real estate development for the next several decades will be higher-density, walkable urban places, and much of it served by rail transit. This trend is predicated on the following factors:

- TOD is socially, environmentally, and economically responsible.
- Residents are willing to pay a premium to live near transit stations rather than face long commutes in cars confronted by ever-increasing gasoline costs.
- Younger generations have nowhere near the affection for the automobile held by previous generations.
- Employers are now discovering that transit amenities can help attract and retain employees.

Transit stations are often located in areas where properties are controlled by many different owners; assembling parcels needed for significant development is a challenge because many of the property owners are hard to find. Site assembly is an important function that is best accomplished by a public nonprofit entity like CSD. CSD's structure provides it with the responsiveness required to act on site-acquisition opportunities for site assembly, has flexibility in its legal authorities to acquire sites for community development purposes, and has the expertise to negotiate innovative public/private partnerships for the sites' ultimate disposition to achieve Community Plan and Specific Plan objectives. It will be important to showcase TOD Opportunity Areas as a way to develop an enhanced community engagement process and to build trust that what is planned will actually get built.

Parking

Parking is often the greatest cost and impediment to new development. This includes parking for new buildings, but also public street parking that is costly and occupies significant public land solely for the benefit of storing cars—often at no cost to those using the parking. Innovative shared parking is important to a TOD and can stimulate greater densities using lower actual parking ratios but achieving higher effective ones. Many developers avoid the cost and complexity of mixing three or more uses vertically in a single structure because of onerous parking requirements that often result in the construction of more parking spaces to accommodate periods of peak demand—spaces that lie fallow and unoccupied at most other times. ULI over many years has advocated for and become the leading authority on the appropriate ratios of shared parking for each component in a mixed-use project. The Institute's regularly published and updated manuals have become the standard adopted by many municipalities all over the country. Because shared parking enables the construction of less-costly spaces, there is a corresponding enhancement to project feasibility, with no loss of function.

Civic San Diego's proposal to construct underground shared parking, preferably located under a future public park or plaza, would create a common pool of shared spaces for buildings located around the site. Shared parking also creates greater efficiencies in terms of floor plate size, layouts, ramp design, and retaining wall length and cost, resulting in a smaller average size per space, including circulation, than parking located under each individual building with space lost due to building cores. Shared parking also activates the public plaza or park, encourages social activities and community bonding. Shared parking is being used widely in downtown Portland, Oregon, and other cities to encourage mixed-use, transit-oriented development, reducing housing costs by providing only the number of stalls necessary and sharing

them with daytime uses when residential use is reduced. The shared parking can be financed using municipal bonds or conventional debt, with debt service covered by in-lieu fees paid by each building benefitting from the parking. A specified portion of stalls should also be dedicated for a car-share operator, like Car2Go, for those residents, workers, or customers not requiring full-time use of a vehicle.

THE NEXT STEPS

As has been described above, Civic San Diego has a proven track record in the Downtown area. CSD's tool kit can be expanded or modified to address the needs of other urban neighborhoods or areas in need of investment. To do so successfully the following steps should be considered.

Improving the Development Process

- Design public infrastructure to a level of detail qualifying it for various governmental funding streams, including grants and infrastructure loans;
- Provide a streamlined, predictable, and transparent entitlement process through Civic San Diego for proposed projects located within the Specific Plan boundaries, a process that has proved successful in downtown since 1992 and that supports the authentic character of each neighborhood;
- Periodically review the Specific Plan, measure outcomes, and process amendments as necessary based on that review and changing priorities of the community;
- Detailed design guidelines for private development and the public realm;
- An updated community plan reflecting the comprehensive vision of residents and business owners;
- A Planned District Ordinance (Specific Plan or Transit Overlay) that provides detailed land use regulations that encourage flexibility in land uses, are relatively easy to interpret, and encourage density;
- Density bonus programs that encourage the incorporation of community benefits within projects (affordable housing, family residential units, grocers, public parking, public open space, arts/cultural/community space, child care facilities, etc.) or provide an opportunity to purchase density with revenues dedicated to specific public improvements;
- Programmatic EIR for the Specific Plan area;
- Streamlined entitlement and permitting process that is fair, transparent, predictable, certain, and removed from political influences;
- Opportunities and incentives for share parking opportunities;
- Updated traffic demand standards specific to TOD;

- Investment in safe and well-designed public spaces (public investment attracts private investment);
- Investment in streetscapes, the pedestrian experience, and bicycle infrastructure;
- Ability and expertise to create and enter into innovative public/private partnerships;
- A collaborative high-performance team approach to staff evaluation of projects (negotiation lead, finance team, planners, contracts manager, public works professionals);
- Limited geographic areas of a high priority for community development that allow staff to focus their time and expertise;
- Frequent and comprehensive community engagement that is inclusive of a diversity of community and stakeholder groups;
- Active relationship building and collaboration with partner public agencies (San Diego Housing Commission, SANDAG, County of San Diego, Veterans Administration, HUD, MTS, etc.) and private partners (Regional EDC, Chamber of Commerce, San Diego Workforce Partnership, Corporation for Supportive Housing, Regional Continuum of Care, business associations, labor organizations, Environmental Health Coalition, Center for Policy Initiatives, etc.).

Creating Opportunity Areas

San Diego has many wonderfully distinct neighborhoods and communities. In order for these neighborhoods to thrive, each requires detailed attention because they come with their own set of stakeholders, partners, issues, and opportunities. Many of these neighborhoods have projects or initiatives that have stalled or are caught in a never-ending planning or implementation cycle. CSD, with its track record as an implementer, is poised to be able to assist the communities that are ready to implement the plans they have envisioned. The key to implementing Opportunity Areas is through the Specific Plans.

Opportunity Area Pilots

The Civic San Diego realignment process could begin with one or two pilot areas. Using currently available resources it will allow Civic San Diego to get important feedback, refine the process and establish early successes before implementing city wide.

Community Supported Potential Pilot Areas

1. Village at Market and Euclid (second-busiest intermodal transit center in the region and MTS system);
2. City Heights Transit Corridor and Pilot Village along El Cajon Boulevard;
3. San Ysidro Pilot Village and link to Virginia Avenue (busiest intermodal transit center in the region and MTS system and busiest international border crossing in the world);
4. Mid-City bus rapid transit route (North Park and City Heights); and
5. Logan Heights transit corridor.

Opportunity Area Pilot Process

Here is our recommendation for Pilot process:

- One or two key transit corridors located in underserved urban communities are identified as pilot projects for revitalization, such as the Market/Euclid/Imperial corridors, the future mid-City bus rapid transit route along El Cajon Boulevard, or the San Ysidro proposed multimodal center and adjacent commercial corridors, etc. The pilot areas can be identified through cooperative efforts of City staff, SANDAG, CSD, and the communities.
- In collaboration with the respective Community Plan updates being prepared by the City, and based on applicable plans previously prepared for the communities, CSD proposes to prepare finer-grain Specific Plans in the targeted transit corridors that focus on providing the unique zoning, design standards, incentives, and increased intensity/scale that are critical elements of successful transit-oriented villages.
- Land value recapture opportunities are provided within the Specific Plan by offering density bonuses in exchange for including desired community benefits in new development projects (i.e., three- or four-bedroom family units, public open space, public parking, grocers, arts/cultural space, etc.) or paying a fee for additional density that may fund community benefits or necessary infrastructure.
- A Programmatic Environmental Impact Report is prepared that considers all the elements contained in the Specific Plan.
- Form code and design guidelines are prepared that allow mixed-use development and emphasize high-quality architectural design, public open spaces, diversity in housing options, and pedestrians, bicycles, and transit rather than vehicles.

- Extensive and continuing engagement takes place with community stakeholder groups during the Specific Planning process and as projects seek entitlements and permits.
- The Public Facilities Financing Plan (PFFP) is updated so that it is based on the projected increased development permitted within the Community Plan and Specific Plan, thereby establishing appropriate development impact fees that provide a funding source for infrastructure, parks and open space, and other public facilities. Also, the gap in infrastructure funding that will require public subsidy and financing from leveraged government sources is identified.

Suggested Ways to Collaborate

In order for Civic San Diego to implement the strategies within this White Paper, the following assistance from the City will be needed:

- Access to economic and community development funding that cannot be secured effectively by a municipal jurisdiction, i.e. NMTC, public/private investment fund, philanthropic sources.
- Streamlined planning and permitting authority allowing the ability to react to market opportunities, as demonstrated by Downtown’s successful revitalization
- Expedited implementation of neighborhood priorities.
- Increased ability to coordinate and leverage public/private and philanthropic resources.
- Leadership role by Mayor to identify goals for our communities.

Recommended Implementation Actions are the following:

- a. Amendment to Consulting Agreement to include targeted TOD villages and economic opportunity areas in environmental justice communities, as defined in the General Plan.
 - i. Enhanced urban design, planning, and permitting authority on a limited basis to support community development efforts in targeted TOD and investment areas, which includes the ability to adopt urban standards where necessary.
 - ii. Authority for CSD to prepare Specific Plans and Program EIRs.
 - iii. Ability to work closely with Development Services, complementing the City’s planning department.
 - iv. Authority to perform public works projects in the targeted investment areas.

- v. Work closely with CIP department to complement the CIP functions.
 - vi. Maintain direct accountability to Mayor and Council
- b. An amendment to the Municipal Code that provides CSD with similar design review, entitlement, and permitting authorities as it had in Downtown with the targeted Specific Plan areas.
 - c. Funding.
 - i. Financing to prepare programmatic EIR and Specific Plans to allow permitting similar to the streamlined process Downtown.
 - ii. Allocation of CDBG funds repaid to City from Successor Agency for community investment.
 - iii. Community engagement and communications.
 - d. Continued cross-departmental cooperation with City departments and interagency collaboration, i.e. CalTrans, SANDAG, Housing Commission, MTS, School Districts, GSA, DSD, Planning, and E&CP.
 - e. Similar to what is being done in other major California cities, a pledge that reinvestment of tax increment funds generated from the dissolution of Redevelopment will go to these same targeted neighborhoods.
 - f. Support and approval by the City of Civic San Diego's Affordable Housing Master Plan that will provide critical funding for affordable housing and housing for the homeless in urban neighborhoods throughout the City.
 - g. Priority processing and approvals of programmatic environmental reports to support the targeted Specific Plans.
 - h. Facilitation of the "meet and confer" process, if deemed necessary by the City Attorney's office.
 - i. Assessment of the City's surplus properties for use for possible redevelopment purposes, with sale proceeds dedicated to infrastructure improvements located in the targeted urban neighborhoods, or for affordable housing purposes.
 - j. Civic San Diego has a strong track record of producing results, but its ability to effectively implement its mission has been weakened with the loss of staff. In terms any new Civic San Diego mission responsibilities, the commitment to adequate staffing should be commensurate with the role. It would be a major mistake to create expectations and not have the agency staffed in such a way as to allow any real chance for success.
 - k. A leadership role in setting goals for affordable housing and reducing homelessness. The Downtown, by way of Redevelopment, had an affordable housing plan and mandate—context for an affordable housing mission. The City as a whole and its neighborhoods do not. The Housing Element contains useful

information, but has no real implementation component and, more important, is not supported by mandate or political will. If CSD is simply charged with “doing affordable housing,” little will be accomplished. The Mayor has an important role in boldly identifying a goal for our balanced communities and communicating how San Diego benefits from getting the homeless off the streets and providing safe, stable homes affordable for all.

¹Housing Element page HE-136: In addition to existing programs, the City should also consider the development of an Equitable Urban Reinvestment Program, centered around Transit Village Development Districts. In accordance with CA Government Code section 65460, the City could prepare a Transit Village Plan for all land located within one-half mile of a transit station. These plans would support implementation of the City of Villages concept around transit stations, focusing on intensifying appropriate land uses, promoting connections between jobs and housing, and addressing infrastructure needs. A Transit Village Plan would be developed in a similar manner to Community Plan Updates. However, the focus would be limited to the areas around transit stations and would include a series of short- and long-term implementation actions. Transit Village adoption could include such components as: concurrent adoption of a Master EIR; parking reductions; the use of form-based codes; and focused and leveraged funding sources. The San Francisco Bay Area’s program entitled the Bay Area Transit-Oriented Affordable Housing Fund (TOAH) serves as an example of a successful model for which San Diego’s Equitable Urban Reinvestment Program could follow.

APPENDIX

Executive Summary

In September 2012, Urban Land Institute (ULI) San Diego–Tijuana conducted a Global Forum, in partnership with the Aspen Institute, on the Culture of Innovation and discovered that an Innovation Economy + Art/Culture + Education + Real Estate Development = A Powerful Formula for Great City Building in the 21st Century. San Diego is well on its way toward aligning with this economic development strategy, but how do we leverage what we have to more fully position ourselves to compete in the new world that is emerging?

This economic strategy is coming to the forefront at an opportune time, which is characterized by tremendous global change. The global economic recession has been the major catalyst, but climate change and demographics also are playing significant roles. Every aspect of society will need to be rethought in order to respond to these major changes. These design changes will greatly affect how we interact with and build our cities. This formula focused on catalyzing innovation is also a big business development tool for both the private and public sectors—a strategy that our leaders can use to build alignment with constituents. This kind of a strategy requires an educated workforce, access to venture capital, and great city amenities, which innovative companies and employees want from the city they call home. Cities that want to incorporate the creation of innovation hubs into their strategy need to understand what their own unique attributes are and how they can use them to develop or enhance economic sectors within their economy. The values of the residents must be incorporated into a vision that the private and public sectors can prosper from, and then leadership must step up to implement that vision. Without leadership and alignment from both the private and public sectors, this bold, collaborative strategy will fall short.

In January 2013, Mayor Filner was sworn into office, and in his State of the City address stated, “We have an opportunity in San Diego to create a truly great international city, a city that respects and empowers its people, a city that protects and enhances their quality of life, and a city that promotes good-paying jobs and a healthy economy for all residents.” This approach can be implemented by the creation of Complete Communities (defined below) using the unique and proven skill set held by Civic San Diego (CSD). It is also complementary to the Mayor’s other initiative to create the Neighborhoods First Strategy.

In February 2013, ULI San Diego–Tijuana was asked by Mayor Bob Filner, at its quarterly Advisory Board Meeting, to come up with ideas for how to reorganize the city’s planning and development services departments so that the focus was more on creating healthy, sustainable, and complete communities. The idea that emerged

from a subgroup within the ULI Advisory Board was to explore how the newly organized CSD could leverage its talent, creative culture, and entrepreneurial spirit to advance economic development, neighborhood investment and revitalization, and urban planning and permitting to assist the Mayor in realizing his vision. The subgroup discussed the unique attributes that fall under the umbrella of CSD and decided to pull together a team of ULI members, CSD staff and board, and city official representatives to explore the subject. Staff members from City Council Districts 3, 4, 8, and 9 attended one or both of the workshops, as did Mayor Filner’s Chief of Staff Allen Jones. This White Paper outlines the ideas from the two workshops that were conducted in April 2012.

Urban Land Institute White Paper Team

ULI Members

Bill Anderson	AECOM
Evan Becker	Former Chair of San Diego Housing Federation
Deborah Bossmeyer	Stewart Title
Eric Crockett	
Ian Gill	Highland Partnership
Jeff Graham	Civic San Diego
Scott Johnson	Civic San Diego
Stacey Lankford Pennington	SLP Urban Planning
Mary Lydon	ULI San Diego–Tijuana
Nancy Lytle	Civic San Diego
Mary Pampuch	Lankford & Associates
Tony Pauker	City Ventures
Andrew Phillips	Civic San Diego
Brad Richter	Civic San Diego
Barry Schultz	Stutz Artiano Shinoff & Holtz, APC
Mike Stepner	New School of Architecture
Mark Steele	MW Steele Group
Claudia Tedford	CItyPlace Planning
Frank Wolden	New School of Architecture
Mike Yanicelli	Alliance Residential Company

Civic San Diego Board

Rich Geisler
 Donna Jones
 Carlos Vasquez

Urban Land Institute

The Urban Land Institute is an international organization that provides leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. For more than 75 years, ULI, with an international membership of nearly 30,000, has been widely recognized as the top advocate for encouraging and fostering high standards of land use planning and real estate development.

The ULI San Diego–Tijuana District Council was established in 1997 and has 550 members representing a wide spectrum of real estate disciplines. They include architects, engineers, developers, builders, planners, lenders, brokers, accountants, attorneys, academics, and students. As the go-to land use organization for real estate issues in the region, ULI San Diego–Tijuana facilitates the open exchange of ideas among industry leaders, practitioners, and policy makers. The District Council sponsors several monthly educational forums focused on land use issues, policies, people, and projects.