

City of San Diego
SMALL BUSINESS ADVISORY BOARD
ANNUAL OUTREACH MEETING
MEETING MINUTES

February 7, 2003
City Heights Community Development Corporation
4283 El Cajon Boulevard, San Diego, CA 92105

| Board Members Present | Board Members Absent |
|--|-----------------------------|
| Badi Badiozamani Kurt Chilcott Scott Cummins Jim Hill Jesse Navarro Judy Preston Warren Simon Richard Sims Spencer Skeen Chi Tran | George Chandler |

| City Staff |
|---|
| Councilmember Toni Atkins, Council District 3 Steven Bal, Office of Small Business Meredith Dibden Brown, Office of Small Business Lynette Jones, Office of Small Business Jeff Kavar, Economic Development Division Jim Lobue, Economic Development Division Elyse Olson, Councilmember Madaffer's Office, Council District 7 Stephen Russell, Council District 3 Marcia Samuels, Neighborhood Code Compliance Kevin Sullivan, Planning Department Janet Wood, Office of Small Business Robert Young, Mayor Murphy's Office |

Introduction

The meeting was called to order at 8:15 a.m. by Acting Chair Jim Hill. The call to order determined that there was a quorum. Introductions were made, including the introduction of the newly appointed Board members Scott Cummins and Judy Preston. Jim also welcomed Councilmember Toni Atkins to the outreach meeting. He cited the North Park Theater as one of the projects that Councilmember Atkins has worked on, dating back to when she worked for prior Councilmember Chris Kehoe.

Jay Powell of the City Heights CDC welcomed everyone to City Heights. He also thanked Councilmember Atkins for her support. He added that he appreciates the partnership that they have with the SBAB in working through the City Heights Business Association on business, employment, and economic development.

Welcome and Opening Remarks: Councilmember Toni Atkins, Council District 3

Councilmember Toni Atkins stated that she appreciated the invitation to the SBAB meeting, noting that she is the Mayor's appointment and liaison to the SBAB. She commented that small businesses make up the bulk of businesses in San Diego, especially in the older communities and the City of Villages wouldn't exist without small businesses. The SBAB is an incredible asset to the City, in terms of business infrastructure. Small businesses have been struggling with obstacles such as the economy, the State budget, and legislative bills which impact small business. The SBAB and the Mayor and Council need to continue to have a dialogue and the Mayor and City Council need to champion the SBAB.

Councilmember Atkins observed that there are some big issues coming up, including the issues involving the Development Services Department. The attendees providing testimony about the problems that they have encountered with the City and with Development Services; that they need to feel free to speak about their issues. We can only make it better if they speak. For those that have concerns that they may say something that comes back to haunt them, they should contact the District Three office, even if the business isn't located there. Her job as a liaison is to represent small business. She announced that Robert Young from Mayor Murphy's Office was in attendance at today's meeting. There are a couple of businesses in her Council District that are having a very difficult time obtaining permits and that is unacceptable. The City should have a positive attitude of how to help businesses, especially small businesses, since they have carried the bulk for the economy, including Council District Three.

Councilmember Atkins stated that over one year ago, she spoke with the City Manager about the importance of having an ombuds position in the Office of Small Business, that would be proactive and have a high level of visibility, including the ability to directly speak to department directors on issues. The ombuds person is really important to make things happen for small businesses and the Office of Small Business is the link to the SBAB. The Business Improvement District Council has also been an incredible resource for small businesses to make their voices heard and the City also has a strong Mayor in Mayor Murphy.

We need to find ways to talk about small business and also celebrate businesses that are opening, to help the City Council understand the challenges facing businesses. Councilmember Atkins concluded her remarks by thanking those small business owners in attendance for taking time out of their schedule to make their presentations. She also thanked the SBAB members for their commitment.

Small Business Advisory Services: Lynette Jones, Office of Small Business

Lynette Jones thanked everyone in attendance for coming to the outreach meeting. She said that it has been a pleasure and an honor to serve in her capacity as Manager of Business Advocacy/Ombuds Services for the past year and listed several of her tasks, including sponsoring workshops for business development and serving as liaison to the SBAB.

She wants to enhance the opportunities for small business by serving as a voice to the City's regulatory departments and divisions for small business. She is looking at ways to educate the small business community in terms of training and other business development resources. In the long-term, she hopes that there will be more incentives made available to the small business community. In the short-term, she is working to implement processes to streamline permitting and for addressing code enforcement issues.

She provided examples of situations where she has been able to assist small businesses. She has been involved in coordinating meetings for small businesses that have more challenging zoning, permitting, and regulatory matters. For example, if a business is going to expand its operations, it may trigger the need for a discretionary use permit. This would require several reviews by various divisions within the Development Services Department. She has been able to work with the project managers in the higher levels of the Department to streamline the process, i.e., to coordinate a meeting with the business owner and Development Services decision-makers to discuss the project timeframe, the anticipated project costs, and learn what the difficult obstacles are. At these early assistance meetings, she has been able to streamline some of the expenses that may be on the list as general cost and expenses. Other businesses that are in the midst of the permitting process may run into issues, such as ADA or code enforcement. She has worked with the representatives of the code enforcement department and others to identify positive solutions, and to streamline the process(es). She tries to provide information to the small business owner upfront, so that they can make informed decisions about whether they want to proceed with the process.

She said that today's outreach meeting is very important to the SBAB, because they want to hear the concerns of the small business community. She added that they would also like to hear about success stories that business owners have experienced.

Lynette also mentioned that businesses in the City Heights community have sponsored the refreshments for the outreach meeting. Albertson's sponsored the bagels and danish; Denny's sponsored the orange juice; and Starbucks sponsored the coffee.

Public Testimony

Jim Hill stated that the SBAB is gathering information from the outreach meeting, identify the issues and

form task forces comprised of members and City staff to address the issues. The task force(s) will report back to the SBAB with their recommendations.

First Speaker: Spoke on the difficulty of obtaining a permit to address the lack of parking surrounding the Community Technology Center. San Diego State University (SDSU) Foundation bought the facility as a means of creating both profit and nonprofit activities that would relate to the community. The goal was to have adequate parking before the facility was completely built-out. The parking ramp was supposed to have been completed one year ago. Development Services Department staff told the Foundation that the parking ramp is permissible in this zone, but it's not possible, given the transparency laws. After the permit was kicked back several times, SDSU Foundation was informed that they have to go through a process four to obtain a variance and then go back to the City Council. It may be another year before they have the parking ramp.

Second Speaker: Addressed the board on the plan review process and its affect upon small businesses. She stated that her business is now celebrating its 30th year in San Diego, 27 years in Downtown and 3 years in North Park. She spoke on the difficulties she experienced with Development Services when relocating her pre-existing business from Downtown to a pre-existing building in North Park.

She spent six hours over a two-week period being sent from cubicle to cubicle. After speaking with about 10 different City employees, she came to understand that she needed to get a permit from change in use or change in occupancy rating where no construction was involved. There was no form, no outlined process, no overview, no list of fees and requirements for change in use on the display racks on the floors in Development Services and Planning Department. Neither the receptionist nor the staff of business permits nor plan checkers themselves could provide her with such documents.

It took four months and many time consuming trips to the City to sort out the permitting process for a business property where there were no construction issues and the seismic and fire issues were all in order from the beginning. Those four months when she couldn't open her doors nearly ruined her business. She went on to say that negotiating a bureaucratic labyrinth which employees at all levels issued conflicting information about policies and procedures is what made it take so long. She needed regular and repeated intervention by Jay Turner of North Park Main Street to keep her process moving forward and to keep her business from going under.

Midway through the review process, North Park Main Street put her in contact with a senior structural engineer who examined and approved the seismic and fire issues and then sent her on to plan check, without attaching any memos regarding his determinations and overview of the plan. So the first plan checker asked for a host of documents not even relevant to the change in use permit, including hazardous material records, applications for building electrical, plumbing, etc. with an architect's stamp required for a pre-existing building whose architects have been deceased for decades. She contacted Jay Turner and was referred to a higher level structural plan check division. After semantic haggling over definitions of space usage, she was sent back to plan check, again without any notations of the overview of what had already been determined by senior staff. She asked the second plan checker if they knew that the purpose of her review was for change in use. He replied that they did not know how to review change in use, so he reviewed the plans like he reviews all other construction plans. She paid over \$300 for an expedited plan check only to learn on the morning of the scheduled day of completion that the plan check division hadn't looked at the plans yet. She walked her plans to several offices just

to get it done. Since adaptive re-use of existing buildings is an efficient cost effective way to revitalize inner city business districts. It would serve us to organize, define and streamline the plan check process.

Third Speaker: Stated that some local contractors are disenfranchised, since they have not had equal opportunity to participate in the redevelopment of City Heights. The problem is that development prime contractors are going to organizations such as the Black Contractors Association or other multicultural contractor groups, and which are not representative of all contractors. Also, they are a dues charging organization whose primary responsibility is to its membership. For example, Black Contractors Association was awarded the contract to seek local participation for a construction project for the rebuilding of Albertson's at University and Fairmount Avenue. He spoke with Abdur-Rahim Hameed of the Black Contractors Association, and he was informed of the benefits of membership, starting with silver, gold, and platinum levels.

Councilmember Atkins stated to Jim Lobue that it has to be fair at a policy level and to look particularly at how area contractors are included. She asked if he has met with Stacey Stevenson of Equal Opportunity Contracting (EOC) to discuss how to marry the issues and approach it from a policy level, otherwise there is inequity. Jim stated that they have been working on the issue for almost the past year. A set of guidelines was approved in the past month or so, which will be used every time they negotiate a new redevelopment project with the builder.

Fourth Speaker: Said that she has experienced the frustration firsthand while walking business owners to Development Services and going from cubicle to cubicle. Many business owners will not speak about their experiences, because they are currently in the permit process and are fearful of retribution, because they want to obtain their permit. There is no incentive to Development Services to ease the process to make it simpler, faster, efficient, and cost effective. They need to look at how Development Services is evaluated and how they are based.

She spoke on the problems encountered in obtaining a permit for café seating. They went to the Land Use and Housing (LU&H) Committee two years ago and were assigned a City Attorney and Code Compliance Officer to get it worked out and then to bring it back. They were told it would take six months and \$4,000 to \$5,000 in fees to review it. Now they have been informed that they can't do all of what they want to have done and want the fees. It has now one and one-half years later, and they still do not have a legal permit. Development Services is now getting \$14,000 in fees from the Business Improvement District Council (BIDC). There has to be a better process, because many business owners are looking for second locations, but are not willing to look in San Diego, because of the current permit process.

Fifth Speaker: Stated that his presentation is about Development Services and accountability and financial overrun. He commented about the length of the permit process. About four months ago, they started an investigation of Development Services in their BID. They invited representatives from the City, BID's, and other community members. They started taking testimony and he will recap only part of it. He stated that many people are not present at the meeting to speak out about Development Services, because of fear of retribution, since they are in the permit process. He stated that some business owners are still stuck in the permitting process eight months after they started. He stated that small businesses can and do go bankrupt in San Diego, because of City neglect and lack of management.

He observed that there is no transfer of information internally within the Department. He said you get “the flavor of the day” at the desk. Furthermore, he said there are offices warring with each other. He said they have examples of staff from Development Services in the Kearny Mesa office shutting down things in North Park, because downtown offices started the process and they hate each other. He stated that staff from City offices have said that to them. He said they have examples of staff with histories of hostile interaction who haven’t been monitored and no action has been taken against them. He made three suggestions: 1.) Special consideration for developments in the built-out environment in the older districts, 2.) Monitoring of hostile employees and management styles that will put hostile employees on report, 3.) Train Development Services employees that their actions have economic impacts on small businesses in the City of San Diego. He stated that every decision should be monitored for its economic impact. When it is brought up to staff, they have stated that it is not their job to know.

Councilmember Atkins made several comments. She stated that it is not a good process to have the Council Office walk through individual Development Services divisions. She added that she will be talking to the City Manager today about the problem. She made several suggestions: 1.) The Development Services Department be geographic-based, because geographic areas sometimes have very different issues, 2.) Development Services have a team approach that deals specifically with small businesses, 3.) Hostile employees of Development Services should be reported in writing to the City Manager.

It was noted that no staff from Development Services were present at the meeting. It was recommended that a senior level staff person from Development Services should regularly attend the SBAB meetings. It was suggested that Councilmember Atkins inform the City Manager that there still seems to be a sense of fear of retribution and there should be communication from the City Manager that there is zero tolerance for that type of behavior, which will give confidence to business owners, so that they can come forward with their issues. Councilmember Atkins stated a memo requesting a senior level staff person from Development Services to attend the SBAB meetings will be done today by 4:00 p.m. She will also discuss with the City Manager the issue of retribution, which she commented is a nebulous thing.

There should be some kind of process, either through the BIDC or through the Office of Small Business, where someone will feel comfortable to come forward and report what is happening with their permit and so it can be brought to the attention of the person in Development Services. She observed that Development Services has a favorable attitude toward new development and has a lack of understanding about redevelopment. There was also discussion on the land development and its impact upon businesses. Councilmember Atkins said they need to look at who is representing small businesses on the Land Development Code Committee. She added that perhaps they need more than one representative on the Committee. It was recognized that there needs to be a systematic change within the Development Services Department.

Sixth Speaker: He stated that Lynette Jones has been instrumental in enabling them to obtain their permit. He spoke on his problems in obtaining a permit. It was all about not fitting in “the box.” Lynette Jones was helpful in making the process a little more doable, by bringing together the appropriate City staff and officials from the regulatory agency.

Lynette Jones remarked that one of the issues she hears repeatedly is that when a large company wants

to start or expand their operations in San Diego, they are assigned a project manager who works with them and serves as the focal point for the entire project. She observed that small businesses are not assigned project managers. The documents that are submitted by small businesses are dispersed among many staff members, with no point person taking the lead.

Seventh Speaker: Spoke on issues concerning the Americans with Disabilities Act (ADA)/Title 24 (State code requirements) and unreinforced masonry (URM) and their impact within her BID. One man has been bringing lawsuits against building owners and business owners if the buildings are not compliant with the ADA and Title 24. He filed 72 lawsuits last year alone. Lawsuits are generally settled for \$50,000, but if they go to court, the costs are over \$150,000. She cited an example of one business owner who owns eight properties and was provided no warning or no opportunity to fix the problems. The business owner is asking for clarification on the basic requirements so lawsuits will not be filed against him on his other properties. She also spoke on URM, stating that there is no source of funding to assist people in paying for the seismic retrofits.

Eighth Speaker: Stated that she and her husband are in the process of opening a business. They are eight months into the process, adding that they thought when they started the process, that they would be open right now. She is fearful of retribution for telling her story, but because of the people she saw sitting in the room, she is able to say with confidence that they will make it through the process and that they will open their doors for business. When they found out from Development Services that they needed to do a major seismic retrofit for their building that would cost \$150,000, she spent a great deal of time speaking with Kurt Chilcott on financing alternatives. She added that they are financing their project with a \$1.3 million loan from the U.S. Small Business Administration. She stated that both Lynette Jones and Ana Maria Jaramillo have assisted her. Lynette has visited their building site, has read their business plan, and has heard about what they want to do. She has also called the plan checkers and their supervisor, contacted the County Health Department, and has researched financial assistance programs. There should be a method to get the small business owner to Lynette Jones. It has cost them about \$10,000 to \$15,000 per month to carry their building, while the process is going on and they have also lost revenues. They are a business that will be creating 15 to 20 new jobs. She concluded that they are about two weeks away from getting their permits and starting their construction.

Ninth Speaker: Stated that he has had a lot of successful relationships with City departments, citing several examples. The small business community and their advocates have forged models that have benefit for both the City and the small business community. He cited several examples of his relationship with Development Services. He mentioned the Adams Avenue Annexation Project as an example of a good experience with Development Services, with the caveat that they had help from Stephen Haase, Development Services Assistant Director working with Councilmember Chris Kehoe's Office. They were able to get a 10,000 square foot facility permitted within two months and built ten weeks later. He used it as an example of how things can work. He reported that their organization spent \$2,000 on architects and professional engineers developing a 7-page text document for commercial encroachment standards. They did get an estimate from Development Services that it would take about six months to process and cost about \$5,000 or \$6,000. They have now spent \$14,000 to have their 7-page document reviewed and have been informed it will cost another \$30,000 and go through second and third reviews.

He reported that they had to go through a permit process, as mandated by the sign code, for hanging the Super Bowl banners. The BID's do not pull permits anymore, because they can't work with

Development Services. The sign code says a \$75 permit fee and a 3-page application were needed for design review of banner design. They got a deal with the NFL to put up 1500 banners around the City. They went to Development Services with their application and \$75 and were informed that they need a permit application for every BID that is hanging the banners. He added that they informed the staff that it is only for design review and that the design is the same for all 1500 banners. Staff stated they need a permit from each BID, explaining that is how their computers are set up. Therefore, instead of paying \$75, Development Services wanted \$1600. He cited it as an example of arbitrary and capricious decision-making, and may be a reaction to a \$14,000 outstanding bill that their organization currently has with Development Services. They informed Development Services to contact the Mayor's Office, because they were not going to pay the \$1600 and they can explain to the Super Bowl Host Committee why they can't do this. He added that Development Services contact the Host Committee and got them to agree to pay the \$1600. He said that he called the Host Committee and he asked why they should pay the \$1600. The Host Committee stated that they have ongoing relationships with staff at Development Services and cannot afford to upset the relationships.

City Heights Redevelopment Activities Presentation: Jim Lobue, Community and Economic Development, City of San Diego and Wendy Hope, City Heights Community Development Corporation

Jim Lobue provided an overview of the accomplishments that have been made in City Heights over many years. City Heights is one of 15 redevelopment project areas in the City of San Diego. It was formed in 1992 and is comprised of almost 2,000 acres, thus making it the largest redevelopment project area in the City. There are two main tools that Redevelopment State Law authorizes a municipality to do: 1.) Reorganize the property tax structure so that a portion of property taxes that everyone pays within the redevelopment area goes to the redevelopment agency and they can be used specifically within that area to do projects and 2.) Power of eminent domain, which enables a government entity to take private property for public use. In redevelopment, it can be used to buy private property and turn around and then enter into a deal with another private party and do a private project such as a shopping center or for housing. He stated that in 10 years they have purchased maybe 100 parcels.

Jim mentioned some of the catalyst projects for redevelopment in City Heights, noting that the Urban Village has been recognized by the California Redevelopment Association for top project in the State for community revitalization. Other catalyst projects include the Regional Transportation Center. The focus now is on the Interstate 15 corridor, which will include open space, including a park (built by Caltrans), public art, transit amenities, and kiosks and small buildings for commercial use on top of the bridge over the freeway. He noted that the Metro Career Center (the Workforce Partnership's regional job training center) is relocating to City Heights and Councilmember Atkins was instrumental in the relocation. The groundbreaking for the Metro Career Center is February 22, 2003 at 10:00 a.m., and it is located adjacent to Interstate 15. Four new elementary schools will be built within the next three years in City Heights.

Wendy Hope reported on the demographics of City Heights, citing that 80,000 residents live in the community. She also observed the diversity of the community, noting that over 30 languages are spoken. She stated that although they are diverse, economically they are often poor. The major area of redevelopment on University Avenue is where the poorest of the poor are located. The median income

in City Heights at \$24,000 is less than half of what the median income in San Diego. Also, unemployment is about three times higher than what is in San Diego. She observed that 22 percent of Mid-City residents find employment in tourism and hospitality job clusters. Wendy stated that housing and employment are the primary concerns of City Heights residents. She added that access to major and efficient transportation is essential to the community.

Wendy stated that many of the community residents are renters. Although City Heights is one of the affordable communities for housing, prices are going up and it is a concern for the community. The City Heights CDC is making efforts to maintain affordable housing for the residents. Their newest housing project is at Hollywood Park and Ridgeview. The project will utilize solar panels that will help residents reduce their energy costs. An additional benefit is that five maintenance people are now qualified to install solar housing and do piping on other projects.

She stated that the mixed-use project and the Metro Career Center will be a tremendous asset to the community. It will help address the problem of affordable housing and also help address the issue of unemployment. The CDC will try to make certain that the residents will access the Metro Career Center to increase their job skills and get more high tech jobs.

Approval of Minutes

The minutes of the December 6, 2002 meeting were voted upon and unanimously approved.

Meeting Adjournment

The meeting was adjourned at 10:45 a.m.