

**CITY OF SAN DIEGO
SMALL BUSINESS ADVISORY BOARD
MEETING MINUTES**

February 6, 2004

Point Loma Hervey Branch Library
3701 Voltaire Street
San Diego, CA 92107

BOARD MEMBERS PRESENT	BOARD MEMBERS ABSENT
Badi Badiozamani George Chandler, Chair Kurt Chilcott Jesse Navarro Judy Preston Warren Simon Richard Sims Spencer Skeen Chi Tran	Faith Bautista Scott Cummins

CITY STAFF
Councilmember Michael Zucchet, District 2 Steven Bal, Office of Small Business Kelly Broughton, Development Services Department Art DeBolt, Development Services Department Meredith Dibden Brown, Office of Small Business Debra Fischle-Faulk, Community and Economic Development Department Gary Halbert, Development Services Department Isam Hasenin, Development Services Department Robb Hurt, San Diego Police Department Lynette Jones, Office of Small Business Jeff Kavar, Economic Development Division Tony Khalil, Neighborhood Code Compliance Department Ron Lacey, Councilmember Lewis' Office, District 4 Don Mullen, Councilmember Zucchet's Office, District 2 Elyse Olson, Councilmember Madaffer's Office, District 7 Patrick Schott, Councilmember Inzunza's Office, District 8 Janet Wood, Office of Small Business

OTHERS PRESENT

Dana Ansell, Darcini Engineering
Ken Clark, Small Business Development and International Trade Center –
Southwestern College
Ramsey Green, San Diego Regional Chamber of Commerce
Rick Hernandez, San Diego Gas and Electric
Scott Kessler, Business Improvement District Council
Robin Kole, Urban Body Gym
Joe Mannino, North Bay Association
Hank Matthews, Bankers Hill Financial
Penny McGuire, San Diego Gas and Electric
Paul Olarsch, Vien Dong Fu
Greg Paquette, Mini Cab Company
Tiffany Sherer, Promote La Jolla
Mike Sloan, MAAC Project
Marc Takenaga, New England Financial
Nicholas Tran, Vien Dong Fu
Jay Turner, North Park Main Street
Gale Walker, Children of the Rainbow Child Care Center
Don Wiggins, San Diego Gas and Electric

Introductions

- Mr. George Chandler called the meeting to order at 8:55 a.m. A quorum was present. SBAB members introduced themselves, citing their affiliations. Mr. Chandler thanked them for their service and the work they have performed for the small business community.
- Mr. Chandler welcomed those present at the SBAB's Annual Business Outreach Meeting. He stated that the SBAB has one annual outreach meeting in the community each year to provide those in the community with an opportunity to address the SBAB on issues concerning the small business community.
- The SBAB was established by a municipal ordinance in 1982 to identify and to resolve issues impacting small businesses in the city of San Diego. They have received strong support from the Mayor and City Council, City Manager, and from the Office of Small Business. He also acknowledged the department liaisons that have served the SBAB.
- The SBAB and the Office of Small Business are unique in the U.S., as there are no other known municipalities that have such a board or an office dedicated to small business.
- An example of the City Council's strong support for the SBAB is the participation of Councilmember Michael Zucchet of District Two at today's meeting. Mr. Chandler asked everyone to welcome Councilmember Zucchet.

Welcome and Opening Remarks: Councilmember Michael Zucchet, District Two

- Councilmember Zucchet welcomed everyone to the new Point Loma Hervey Branch Library.

- Thanked everyone who helped organize the SBAB Annual Outreach Meeting, citing volunteer Board members and the Office of Small Business. He provided recognition to SBAB members for their time and effort in advocating small businesses in San Diego.
- Eight of the seventeen business improvement districts (BID's) are within his Council District. They pay much attention to small businesses through the BID's and in general. He cited his involvement eight years ago as a City Council representative in forming the Discover Pacific Beach BID. He noted that prior to joining his Council staff, Mr. Don Mullen served as the Executive Director of the College Area BID and was also a long time business owner in Pacific Beach and is a strong advocate for small businesses.
- BID's and small business in general serve as a catalyst for redevelopment and revitalization in the older, established communities of San Diego.
- Thanked the SBAB and the staff from the Development Services Department (DSD) for their work and effort in improving the relationship between DSD and the small business community.
- Mr. Chandler thanked Councilmember Zucchet for his comments and attending today's meeting.
- Mr. Kurt Chilcott echoed the comments of Councilmember Zucchet toward the efforts made by DSD, citing the technical assistance they have provided to the BID Council and the BID's on the permit issues. It will provide a network of people that are informed about the system and how it works. Mr. Chandler also acknowledged the efforts of DSD made within the past year, adding that the SBAB receives an excellent progress report every month.

Advocacy Services and Acknowledgements: Lynette Jones, Office of Small Business

- Ms. Jones thanked everyone for attending today's SBAB Annual Outreach Meeting, including the City's economic development partners and representatives from the City Council Offices.
- Acknowledged the sponsors of the refreshments for today's meeting, citing the following local merchants from Council District Two: Starbucks, Stumps Apple Market, and Vons.
- Provided information on the responsibilities of her position, which is located within the Community and Economic Development Department, noting that she is involved with outreach and communication on the services and programs the City offers to the small business community.
- She facilitates two different series of small business training seminars in collaboration with economic development partners, the Small Business Development and International Trade Center and San Diego Gas and Electric.
- Encouraged those providing testimony to share their experiences, both positive and negative. The feedback will assist the City in improving the services they provide to the small business community.

Public Testimony

Mr. Jay Turner of North Park Main Street presented the following testimony:

- The heavy criticism he has had towards DSD has been decreasing, citing the assistance from Ms. Terry Marshall of DSD as the main reason for the decrease.
- There are still problems with permitting, such as contradictory decision-making. He requested more attention to consistency in permitting, particularly with inspectors and that there is a way of understanding the process.
- There are still people that are in the permitting process that will not testify, due to fear of retribution.
- Mr. Kelly Broughton of DSD spoke that they are trying to work on all the issues, including inspections. He added that they welcome the comments.
- Mr. Ric Sims reported that the Technical Assistance Committee (TAC) is working on the issues that were cited by the speaker. There are committees and actions underway to address the issues; there has been extensive discussion on the issue of retribution by DSD's senior management and by TAC of which there is a clear understanding that it will not occur. It is important to communicate to the small business community that if they are not willing to come forward and identify problem areas, then it will be hard for the City to deliver quality service. Progress is being made, but it will take time to change systems. DSD is almost too ambitious in their efforts to change. It may take up to eighteen months to see some real consistency in DSD's services.

Mr. Scott Kessler of the Business Improvement District Council (BIDC) presented the following testimony:

- Worked on TAC with Mr. Sims and commented there is a noticeable improvement in DSD's services within the past year. The Small Business Action Plan has top DSD management assigned to each of the 45 goals.
- He was asked by Mr. Barry Schultz, CEO of San Diego Capital Collaborative to raise the issue concerning the increase in new development and the displacement of established locally owned retail businesses by retail chains. They feel there is a public policy needed to include locally owned neighborhood serving small businesses in new development, especially in redevelopment areas, rather than the current market trend which is displacing a large number of locally owned small business retailers with national franchises. He stated that financing is easier to obtain for a long-term lease for a franchise than it is for a locally owned business. There is a need for national franchises, but it shouldn't be 100 percent of the new retail spaces coming in.
- Mr. Badi Badiozamani stated that he supports assistance for small businesses, but does not support government protection. The speaker responded that it is really a lender issue, because the small business owner doesn't qualify under the criteria, but the national chains do meet the criteria.
- Mr. Chilcott commented that it is about mixed use lending and how can they ensure and promote that local small businesses have an opportunity to be included in the new developments. He added that it could either be a financing or a developer issue. One of the challenges of the older urban areas is that as they become successful, the rents go up, which displaces the local merchants and the national franchises come into the community. It is an issue that needs to be

recognized and addressed. They need to find ways to make the local businesses competitive in those markets, so they can increase their ability to compete.

- Mr. Sims asked 1.) What is the nature of the opportunity, e.g. how many business opportunities are available in the geographic locations? and 2.) What is being done to enhance the ability of those local businesses to increase their ability to compete as business owners? He stated that the local businesses need to have a business model to compete with the national franchises.
- Mr. Chandler stated that he would like to meet with the speaker sometime to discuss the issue, because of the interesting issues that were raised.

Mr. Dana Ansell presented the following testimony:

- Stated that he has been pulling permits for over 20 years and that he has been impressed with DSD for about the past five months, stating that on his current project, the staff has been competent and very informative. He acknowledged Mr. Bob Hargrove of DSD for his assistance.
- They did a project for Pec's Bar about 1 ½ years ago. They pulled over five permits for the project and it took over one year to obtain a permit to do a 600 square foot setback. They spent \$180,000 before the deck was built.
- Based upon past experiences, things being requested by staff were a little bit off. He cited an example of when pulling the permit, after the plans were already designed and midway through the plan check, they were notified by staff that the setback is not 10 feet, but 22 feet. There was no accountability on the City's part for all the costs and engineering. He added that although 10 feet doesn't seem like much, when located on a slope, it almost tripled the cost of the project. If it had stayed at 10 feet, it should be a matter of common sense to make a variance, because there was no impact upon the community.
- They did all the grading improvements which cost almost \$250,000 to do. The first day they started working, an inspector showed up (uncalled) and demanded to see permits. The inspector wanted to see a permit for grading. They didn't have any permits for grading. He asked the inspector if they had pulled up the private project information on the computer, where he had his cell phone number listed and he could have called him about it. It cost \$2,000 to be shut down for one hour. The next day, another inspector came asking for a permit, which upset him. If professionals would pull up the information, they would come prepared. If there is an obvious violation, then the inspectors should stop the project. On the third day, another inspector shows up, so he called everyone he could get his hands on. After that he was left alone.
- The project was completed and the landscape inspector came out. She was able to do inspections once per week on Mondays. There was a correction for less than \$10. She came back to start looking for additional problems. He told the inspector that they agreed to take care of one thing, which was to put up the rain gauge. He has run into many problems with inspectors and this project was the worst case. He stated that it is his understanding that the inspectors job is to ensure the work is done within the standards of the industry and not to find fault with the project.
- Has never experienced any retaliation from the City. He has five senior engineers who no longer will pull permits from the City of San Diego.

Mr. Greg Paquette of Mini Cab Co. presented the following testimony:

- There is misinformation by City departments that cost businesses thousands of dollars. A one hour conversation with a regulatory specialist in November 2001 brought him to the situation where he is today. However, during that time he spent approximately \$200,000 and two years of his time, based upon mistakes and misinformation.
- Has been operating his low speed vehicles (LSV) business for two years now. They have been operating at about a 25 to 35 percent increase since they started their business.
- The Metropolitan Transit Development Board's (MTDB) Ordinance 11 is very specific concerning timelines to ensure a fair and balanced approach for all applicants. At the meeting on September 18, 2003, it was agreed on how the permits were to be disbursed. They were informed that within 30 days, all five applicants would receive a letter explaining the specific requirements that are needed to obtain the permit, e.g., having proper registration of the vehicle, having proof of registration of the vehicle, and verifying the registration was correct. Once those requirements were met, the applicants had 90 days to have the vehicle inspected and into operation. He cited that Ordinance 11, Section 1.13, Section A, Paragraph 8 states that if the operator, once approved for the permits is not operating within 90 days, they would face suspension and/or revocation of the said permits. He believes that the window of opportunity has passed, adding that the 90 day window expired on January 14 or 15, 2004, depending upon when the applicant received the letter from MTDB. As of today, there are no other operators beside Mini Cab Co.
- With no other operators, it impacts his business in a number of ways. He applied for more than seven permits, but was in a situation that MTDB would accept only seven, because there were four other operators who originally were going to receive seven permits each. He does want and need more permits to increase his operations, citing that he met with the San Diego Padres to discuss transportation needs with the new ballpark opening this year in downtown. He also commented on expanding the area of operations from downtown to Hillcrest. He is unsure of why the decision was made to limit the operations to the current area, suggesting that it may be caused by the speed of the LSVs which can travel up to 25 mph, whereas the speed limit is 25 or 30 mph. Per the Federal regulations, LSVs can travel on streets of 35 mph or less. In addition, he spoke with a consultant hired by the Park and Recreation Department who informed him that they want to slow the traffic down to 20 or 25 mph on Sixth Avenue.
- Mr. Chandler stated that a letter was sent to the Mayor and Council, supporting the LSV operations and on increasing the area of operation and the number of permits.

Ms. Robin Kole of Urban Body Gym presented the following testimony:

- Stated that at last year's Annual Outreach Meeting, she had spoken on the difficulties faced in getting the permits for their site.
- Her business, which is located in North Park, has now been in operation for 6 months, with 16 employees and 700 members.
- They had problems with inspectors almost immediately, adding that there is a lack of communication between them. They were running out of money and their Small Business

Administration (SBA) loan commitment was about to expire. It took 1 ½ years from start to finish to complete the project.

- Cited several projects that are stalled in DSD. She stated that inspectors do not understand the repercussions they create. She stated that the projects take too long and cost too much. Most small business owners use their life savings for their project and do not have other projects to support them. She stated that inspectors do not understand the repercussions of their actions.
- Commended Mr. Joe Harris of DSD for his assistance on the project. Commended Ms. Lynette Jones for assisting them through the entire process.
- Ms. Kole relayed a disturbing comment that she heard at DSD last year, e.g. that small businesses expect DSD to do their work for them. She submitted that after having gone through the process, DSD does have to do the work for small businesses.
- Closed by saying that DSD is about development and should be about services. She applauds the changes that have been made and feels that there is still a ways to go and is supportive of everyone's help.
- Ms. Preston asked 1.) If the permit costs were what she expected it would be? and 2.) Does she have a permit that was filed? Ms. Kole replied that it was much more than they expected and they had filed the permit in October 2003. The City came out and notified her that the existing service was already 10 inch. She had already paid \$12,000 in permits and requested a refund of \$6,000 of the \$12,000 to upgrade the water service. The City records on the building were basically non-existent, but she hopes the refund will come through.

Mr. Paul Olarsch and Mr. Nicholas Tran of Vien Dong Fu presented the following testimony:

- They are small business owners that are attempting to open up a supermarket in a redevelopment area on El Cajon Boulevard, World Food Market.
- Recently, they have had a lot of communication with Ms. Jones of the Office of Small Business, Ms. Marshall of DSD, and Ms. Elyse Olson of Councilmember Jim Madaffer's Office (District Seven), all of whom have helped them with their project.
- Their situation is that plans were submitted in November 2003 for their supermarket. At each step along the way when they received correction(s), they would submit the correction(s) and then something very new which was not previously brought up is presented to them. They then submit the correction, thinking that it will help them obtain their construction permit, but then they receive another correction notice. They are all major charges. On February 1, 2004, they received a very large correction, which could cost them another month, for redesign and submittal.
- Spending \$25,000 per month in rent and they're not open. After they receive the construction permits, they will still have 8 to 10 weeks of construction. They had expected that after they submitted the plans, they would receive the corrections, submit the corrections, and then their plans would be approved for the construction permits. Approximately \$800,000 has already been invested into the project.

- The tone of the communication with DSD has been we will educate you on why this (meaning the corrections) has to happen, but there will be no resolution.
- DSD wants them to redevelop the block, including sidewalks and entrances. He stated these are landowner responsibilities, adding that he doesn't expect the City to be involved with landowner responsibilities.
- Some of the hired engineers have worked on the project for 4 or 5 months without being paid. Each time they come back, they charge an additional fee for resubmitting the changes. Many of the engineers no longer want to work with them, because they haven't been paid.
- If the same problems persist, they may have to close down before they actually open up, because they cannot afford to pay the project costs any longer.
- Mr. Chilcott commented that DSD has identified small businesses as one of their customer segments that they focus on which is a positive step. They require a different approach and a different type of service than homeowners and large developers, etc. DSD needs to specialize in their approach and services to the small businesses. Staff from Community and Economic Development (CED), including the Redevelopment Division, could assist Ms. Jones in promoting redevelopment activities. They should expand the network and the education and the advocacy and not to put the entire burden on Ms. Jones.
- Ms. Jones stated that collaborative efforts have been in place with Redevelopment staff project managers and with Ms. Marshall of DSD, who is serving as the small business liaison. They are working together on projects in City Heights, adding that DSD can increase their assistance, by ensuring that staff is made aware of Ms. Jones role.
- Mr. Chandler suggested having weekly meetings, consisting of key staff from DSD and from Economic Development to address issues. Mr. Badiozamani requested that representatives from DSD, Economic Development, and Redevelopment be invited to attend the next SBAB meeting on March 5 to discuss the topic in further detail.
- Mr. Kessler suggested that there be a redress list that every new applicant should receive, with any complaints or issues and that they are notified (at least a couple of times) when they're going through the process. Key staff could get together to discuss those complaints or issues in a monthly meeting. Mr. Spencer Skeen agreed with it and stated that the SBAB may want to recommend that. He added that either the right person for small business needs to be in DSD or the small business owners need to be informed that there are advocates for them outside DSD that they can contact when they have a problem.
- Mr. Chandler recommended that the March 5 meeting be used to follow-up and address issues that were brought up at today's meeting.
- Mr. Sims stated that he appreciates the idea of the ombuds person. The whole issue is the reformation of the system, because there aren't enough staff to walk each individual through the process. Once the systems are established, there needs to be a process, which is currently being worked on. They need to help people to identify the choke points of why they're not getting through the process.

Ms. Gale Walker of Children of the Rainbow Child Care Center presented the following testimony:

- Expressed appreciation to Ms. Jones of the Office of Small Business and Mr. Ken Clark of the Small Business Development and International Trade Center for their assistance on helping her obtain the conditional use permit (CUP), received in July 2003 and the financing for her project.
- Concern was the misinformation provided to her by DSD, stating that the CUP for that particular property was OK for her to operate. She was ready to close escrow when she was notified that she needed to obtain another CUP.
- Disturbed about the length of the time and the different comments received from different City departments. What disturbed her most is that it was held about 2 or 3 months in the Transportation Division. She was requested to attend a meeting with her architect, but the person assigned to the project didn't even show up.
- She has a contract with the U.S. Department of Education to provide child care services in her particular community. DSD staff drilled her extensively about how she will serve the families in her neighborhood and requested that she present her contract, which she complied with. She was concerned about comments made by some staff members. She was told that "No mother would walk down the street and take her child to child care." She stated that cultural competency comes into play, since the staff members making the comments are working in neighborhoods that they are unfamiliar with.
- Some of the fees have been returned back to her. She currently has her public improvement permit. She is horrified about obtaining the development permit, based upon the experiences of the contractors and engineers. She stated that Ms. Jones brought in Ms. Marshall of DSD to assist her in the process.
- She contacted Mr. Clark who referred her to Ms. Jones for assistance. She suggested that Ms. Jones be assigned to small businesses when they start the permit process.

Ramsey Green, San Diego Regional Chamber of Commerce

Mr. Green introduced himself and spoke on his role in Public Policy within the San Diego Regional Chamber of Commerce, focusing upon their efforts for small businesses:

- The Chamber represents approximately 3,000 businesses in the San Diego region and about 80 percent of them are small businesses. About 25 percent of all employees in the San Diego region work for a company that is a member of the Chamber of Commerce.
- Last year, they recognized that small businesses needed a voice on issues such as legislation and other large scale State and local issues. They started a Small Business Advocacy Committee which meets once per month. It is comprised of Chamber members, including their Chair, Vice-Chair, and numerous representatives. He commented that Ms. Jones is a member of this Committee. They are looking for Committee members who are members of the Chamber. They are also looking for people who are interested in networking.
- The Small Business Advocacy Committee reviews, discusses, and issues recommendations to support or not support major issues such as the State budget bond. The action items then move

forward for review, discussion, and action to the Public Policy Committee, which is also comprised of Chamber members. Then it gets sent to their Board of Directors and it becomes the official policy that those in the Public Policy Division lobby for.

- They take the abstract issues that are in the news and ensure that businesses are made aware of them and how they can impact their business.
- The Chamber supported DSD in raising user fees this past summer, with the caveat that they hired additional staff and provided a timeline for hiring them.

Lt. Robb Hurt, San Diego Police Department/Vice Operations

Mr. Hurt introduced himself and his role within the San Diego Police Department (SDPD).

- Serving as the Police Department liaison to the SBAB. Offered that if there are any concerns or needs having to do with the SDPD, to call him directly.
- Mr. Sims asked about the status of the False Alarm Ordinance. Lt. Hurt stated that 99.9 percent of the alarms they respond to are false alarms. The SDPD is on the verge of a philosophical change in direction in that they may or may not be responding to false alarms anymore, without verified support from security cameras or security guards. They are in the middle of a change at SDPD and many of the philosophies and decisions that were made a few months ago are now being reviewed. Chief Lansdowne has stated that the SDPD will continue to respond to alarms. There may or may not be another presentation to the Chief's Executive Committee.
- Mr. Badiozamani commented that the SBAB and False Alarm Task Force have spent many years and much effort crafting the proposed False Alarm Ordinance and to see all the work go in vain would be totally unfair. He requested that Lt. Hurt convey that information to the Chief and to bring the understanding back to focus and to have the SBAB involved in the issue again. Lt. Hurt stated that he appreciates the time and effort that was spent on the Ordinance.
- Other Police-regulated issues, including the Massage and Holistic Health Practitioners Ordinances, General Divisions and Second Hand Dealers, and the Entertainment Ordinance are all in various pending stages.

Approval of Minutes

The minutes of December 5, 2003 were voted upon and unanimously approved.

Meeting Adjournment

- The meeting was adjourned at 10:40 a.m.