Grantville Redevelopment Project Area

Draft Preliminary Report

January 19, 2005

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Introduction

The City of San Diego City Council ("City Council") adopted Resolution No. R-147378, on May 6, 1958, creating the San Diego Redevelopment Agency ("Agency") for the purpose of pursuing redevelopment activities in the City pursuant to California Community Redevelopment Law, Health and Safety Code Section 33000 et seq. ("CRL"). The Agency is authorized by the City Council to implement redevelopment plans within designated redevelopment project areas throughout the City.

On March 30, 2004 the City Council designated the Grantville Redevelopment Survey Area by Resolution Number 299047. From that survey area, proposed Project Area boundaries were selected for further study and analysis.

The boundaries of the proposed Grantville Redevelopment Project ("Project Area" or "Project") are as shown on the Redevelopment Plan Map, attached hereto as Exhibit 1. The area proposed for inclusion in the Project is 990-acres in the eastern portion of the City of San Diego ("City") encompassing part of the area designated under the authority of the Navajo Community Plan and the Tierrasanta Community Plan.

Background – The Community Plans

The City of San Diego has adopted a series of community plans to guide future land use throughout the City. Territory with the proposed Grantville Project Area lies within two such community plans. The community plans provide background on the history, conditions and future plans for the areas they cover. The following discussion highlights pertinent portions of Navajo Community Plan and the Tierrasanta Community Plan that are relevant to the Grantville Project Area.

THE NAVAJO COMMUNITY PLAN

The Navajo Community Plan ("NCP") was adopted in 1982 and was intended to regulate development until 2000. It is anticipated the plan will need to be amended to address its expiration, possible re-use development near the Grantville trolley station, and to accommodate restoration and potential reuses along the San Diego River. Since 1927, sand and gravel extraction activities have been taking place over a 420 acre site on both sides of the river.

The NCP Area is located in the easterly portion of the City. It includes the communities of Allied Gardens, Del Cerro, Grantville, and San Carlos. The NCP Area is bounded on the north by Mission Gorge Road, on the east by the cities of

El Cajon and La Mesa, on the south by Interstate 8 and on the west by the San Diego River channel. The NCP area consists of approximately 8,000 acres and is developed primarily as a single-family community with approximately 37.5% or 2,924 acres of the developable land devoted to that use, with commercial and industrial uses comprising approximately 9% or 700 acres of the NCP area (NCP, page 9). The majority of these commercial and industrial uses are found in the Grantville Community and comprise the majority of the proposed 990-acre Grantville Redevelopment Project Area.

Objectives

The Navajo Community Plan established objectives to guide the growth and revitalization of the Navajo area. The formulation and adoption of a community plan is only the first step in a two-step process. The second and equally important step is the implementation of the objectives and recommendations of the Community Plan. Some of the objectives contained in the Navajo Community Plan that are relevant to the proposed redevelopment Project Area include:

Transportation

- Address substandard level of service for vehicle movement along Mission Gorge Road.

- Complete the extension of the Mission Valley Light Rail Transit Lane.

Commercial Revitalization

- Continue the ongoing efforts to revitalize the commercial areas along Mission Gorge and Waring Roads.

- Promote interest and commitment by local businesses and the community-at-large in the revitalization and retention of commercial areas of the community.

Industrial Revitalization

- Ensure that the appearance and character of industrial uses are compatible with the character of the surrounding commercial and residential areas.

- Develop a circulation network that will provide for less congested access to the Grantville industrial area.

San Diego River Revitalization

- Continue the ongoing process to complete San Diego River Master Plan.

- Ensure that future development along the San Diego River is designed to minimize impacts to this sensitive resource.

Economic Restructuring and Reinvestment

- To enhance Grantville's commercial corridors as neighborhood and community oriented shopping and employment centers.

- To improve accessibility of employment centers within and outside the community.

In addition, to the objectives contained in the NCP the following specific issues were identified.

Utilities

Undergrounding of electrical distribution lines and telephone lines along major streets is jointly financed by the City and SDG&E. Priorities for undergrounding are based upon amount of traffic, congestion of wires, and major scenic routes. The plan recommends continuation of the undergrounding of overhead lines, and recommends that guidelines be established for the timely removal of utility poles once underground facilities are in place.

Parking

As a result of historical development patterns, changing uses and current parking needs, the Grantville community faces problems with the quantity, location and safety of its existing parking supply. Many of the older, predominantly commercial and industrial areas were developed with parking standards that were appropriate for the early twentieth-century, but do not meet current demands. Furthermore, the existing parking supply of many projects is found to have inadequate configuration for its location and is unsuited to the needs of current usage.

Circulation

The area has been impacted by residential development that does not have adequate access to and from the Navajo Community. Mission Gorge Road was not adequately upgraded to handle the traffic volumes from the residential communities that use it as access to Interstate 8. Traffic congestion along the Mission Gorge commercial corridor is further impacted by high-density commercial uses on parcels that were intended for lower-density industrial uses. The deficient design and layout of commercial and industrial parcels along the Mission Gorge corridor further restricts traffic circulation.

Residents of the community wish to preserve the single-family character of their neighborhoods, as well as retain a high level of neighborhood/commercial serving retail. In addition, residents are concerned with relieving traffic congestion and the deteriorating conditions along the Mission Gorge and Waring Road corridors. To address these and other concerns several community planning efforts have taken place and are discussed in the following sections.

Community Plan Implementation Overlay Zone (CIPOZ)

Revitalization of the commercial/industrial corridor is an issue the City attempted to address in 1989, by adoption of the Community Plan Implementation Overlay Zone ("CIPOZ") as an amendment to the existing Navajo Community Plan. There are three CIPOZ categories (commercial, industrial, and residential) that regulate design standards, such as building height, roof treatments, streetscape, building setbacks, parking and other criteria.

Mission Valley East Light Rail Transit Project

In 2002, the NCP was amended to coordinate the Circulation Element with development of the Grantville trolley station. The completion of the trolley extension through Grantville is likely to bring re-use proposals for property located near the station. This activity may also require a community plan amendment to implement.

San Diego River Master Plan

The City of San Diego's River Task Force is developing a Master Plan for the San Diego River and surrounding areas of up to one-half mile on each side, extending from the mouth of the River to the City limit adjoining the City of Santee. The Master Plan will address recreational opportunities, wildlife habitat conservation, and restoration. Implementation of the San Diego River Master Plan may require updates or amendments to affected community plans including those relevant to the Grantville area.

THE TIERRASANTA COMMUNITY PLAN

Approximately 130 acres of sand and gravel operations fall under the jurisdiction of the Tierrasanta Community Plan ("TCP") (TCP, page 54), which was adopted in 1982. The sand and gravel processing area is isolated from the Tierrasanta community at its southeastern corner and can only be accessed from Mission Gorge Road. The Tierrasanta Community Plan designates the site as open space that should be acquired by the City for inclusion in the Mission Trails Regional Park, once extraction operations have ceased and any other use of the Tierrasanta portion of the site would require an amendment to the Tierrasanta Community Plan (TCP, page 56, #9).

It is anticipated that the Open Space Element of the Tierrasanta Community Plan may need to be amended at the conclusion of extraction activities, if there are not available funds to acquire this site for open space purposes. The Open Space Element states, "Designated open space areas which are not to be acquired by the City should be allowed to apply the adjacent residential density for development purposes" (TCP, page 55, #2).

Next Steps

Pursuant to CRL Section 33344.5, this document is the Preliminary Report for the Grantville Redevelopment Project ("Report"). Its primary objective is to provide information to assist taxing agencies in assessing the potential impacts of the Plan. The taxing agencies are governmental agencies that levied a property tax on all or any portion of the property located within the boundaries of the Project Area within the last fiscal year. With approval of this Report, along with the draft Plan, the Agency will invite consultations with affected taxing agencies as to the scope and nature of the proposed Plan. Following these consultations, the Agency will incorporate comments into the Agency's Report to City Council. The Report to City Council and final Plan will be considered by the Agency and City Council at a joint public hearing tentatively scheduled for mid-2005.

Contents of this Report

This Report contains the following sections:

Section A: The Reasons for Selection of the Project Area

Section B: A Description of Blighting Conditions Existing in the Project Area

Section C: A Determination as to Whether the Project Area is Predominately Urbanized

Section D: A Preliminary Assessment of the Proposed Method of Financing, Including an Assessment of the Economic Feasibility of the Project and the Reasons for the Provision of Tax Increment Revenue

Section E: A Description of the Projects Proposed by the Agency, and How Those Proposed Projects Will Improve and Alleviate Blight

Section
A

Reasons for Selection of the Project Area

If adopted, the Grantville Redevelopment Plan will establish the 990-acre Grantville Redevelopment Project Area. The Project Area is comprised of three contiguous subareas. In accordance with CRL Section 33320.1 all of the subareas proposed to be included in the Grantville Project Area are blighted.

The boundaries of the proposed Project are as shown on the Redevelopment Plan Map and mirror the legal description, attached hereto as Exhibit A. The area proposed for inclusion in the Project is approximately 990-acres in the north eastern portion of the City. The Project Area is primarily within the Navajo Community Plan (82%) as well as the Tierrasanta (18%) and College Area Community Plans (less than 1%).

The Project Area, located along the San Diego River, was originally developed for agricultural uses to serve the Spanish mission across the river. In 1887 plans were developed for a townsite which included military housing. It was from this anticipated military housing that Grantville received its name in honor of President Ulysses Grant. Significant military housing was never developed on the Grantville side of the San Diego River and so modern-day Mission Gorge Road was originally developed with industrial uses including sand and gravel extraction in the early 1900's. Over time commercial uses intensified along Mission Gorge Road to serve residential development that began in the early 1950's. Mission Gorge Road was never adequately improved to service the traffic volumes created by the development of residential communities in Allied Gardens and San Carlos and the commercial development that followed.

Many of the industrial properties in the Project Area were constructed prior to the development of current zoning regulations and modern market demands for industrial uses. This had led to proliferation of substandard industrial properties, which has attracted marginal and unsafe industrial uses. Many industrial sites in the Project Area cannot safely accommodate modern delivery vehicles which must either park in traffic lanes to unload cargo or make excessive or dangerous maneuvers to enter small properties. Industrial uses include; salvage and outdoor storage operations near the San Diego River, outdoor manufacturing and vehicle repair, along with sand and gravel extraction operations. Multiple sites were observed using temporary plastic tarp structures to accommodate ongoing outdoor production as well as steel storage containers being used as permanent manufacturing areas with several users having gone so far as to physically attach the storage container to the building thereby creating an unsafe work environment at several sites.

The largest and earliest industrial use in the Project Area is the sand and gravel extraction operation. Since 1927 extractive operations have been taking place along the San Diego River. The sand and gravel pit area covers 420 acres in the Project Area and is regulated by a Conditional Use Permit until 2033. At the conclusion of extraction activities, various remediation activities will likely need to take place before the sand and gravel area can be redeveloped for other uses. Some of the extraction areas are designated for open space and will require environmental restoration to achieve this purpose. Currently the City is engaged in a Master planning process to determine the disposition of large portions of this site. Many of the original extraction areas are the site of salvage operations, outdoor materials storage and heavy manufacturing activities along the San Diego River. At this time no significant funding has been identified to implement post extraction activities.

Other industrial development along Mission Gorge Place and Fairmont Avenue compete with commercial uses along Mission Gorge Road for space. Over time commercial development has pushed many original industrial uses to other areas and created an unsightly and inefficient mixture of commercial and industrial users. Industrial uses on or near the Mission Gorge corridor include; light manufacturing, auto repair and storage (indoor and outdoor).

Commercial uses (office and retail), which traditionally bring in higher revenue for property owners have not only crowded out some industrial users in the competition for space, but have restricted revenue from both uses because the modern market views industrial and neighborhood serving commercial as a miss-match that attracts second tier users. As more second tier industrial and commercial users have entered the Grantville market, properties continue to generate lower revenues compared to similar markets. This perpetuates the substandard market by attracting more substandard users, continuing the downward spiral of the Project Area. Neither commercial nor industrial uses can mass enough property to create modern development nodes that attract high end users to the Project Area. Instead the Project Area is viewed as a second tier location and based on field observation, this lack of return on investment has lead many property owners to limit investment in upgrades of their properties, further exacerbating the problem.

Commercial uses in the Project Area are further impaired by the small and poorly configured lots particularly along Mission Gorge Road, obsolete design and the age of existing structures. Approximately 62% of the commercial buildings were constructed over 30 years ago and 79% of industrial buildings are over 30 years old (see, Table B-3). Many of the commercial buildings surveyed also suffer from obsolete design, further restricting their ability to attract top tier users. Having older and obsolete buildings, many of which suffered from deferred maintenance on shallow/narrow lots in a haphazardly incoherent theme has left the Project Area visually blighted.

The older, visually unattractive area does not invite shoppers. The size of parcels and age of buildings does not appeal to national chain stores. Developers find it more economically sensible to locate stores where successful retail centers are established. Today's market trends call for regional and neighborhood commercial centers like those in Mission Valley, La Mesa and Kearny Mesa, all of which are less than 1-3 miles away.

As stated in the City of San Diego General Plan, strip development characterizes the older commercial areas of the City. Because these areas were developed prior to the current zoning regulations, market trends and urban development patterns, the problems associated with older commercial strips are a combination of insufficient parking and traffic congestion. In the past, the tendency was to regard all property fronting major streets as commercial. When traffic was lighter and moving more slowly, patrons were enticed to stop and shop because getting on and off the major street was not too difficult. To quote the General Plan, "This type of commercial development now is inefficient for everyone concerned. It means inconvenience for the shopper, poor business for the merchant, and poor investment on the average for the landowners. Massed shopping areas are always preferable" (General Plan, Pg 278).

In the 1960's and 1970's, city planners developed a scheme of designing "commercial nodes," which are concentrations of businesses, usually at major intersections, that have neighborhood or even regional appeal. Due to shifting traffic patterns and increased competition outside of the proposed Project Area, many commercial properties are inadequate to meet current commercial requirements. To meet the demand for commercial space in the Project Area many commercial businesses must contend with inadequate parking, storage and other facilities. There is an abundance of commercial uses in the Project Area affected by these substandard conditions.

Generally, it is believed by city staff, and realtors that were interviewed, that businesses locate along Mission Gorge because lease rates are lower. Lower lease rates enable new businesses to start up with less capital. A trade off, however, is that this area offers fewer amenities to attract patrons – often leaving business owners with undersized units that because of age, and lack of appeal to shoppers, do not generate adequate sales to pay for improvements or even basic maintenance. Lease rates are lower because of the area's deteriorated condition, small lot and building size, lack of amenities such as parking, landscaping, loading, storage, disabled accessibility, lighting, and up-graded electrical amperage. As a "catch-22," businesses locate because it is less expensive, and it is less expensive because it lacks amenities and is deteriorated. Lower lease rates then fail to provide enough capital to improve the properties, and the area remains unchanged.

Due to the small size of the lots in the Project Area, modern development is not likely to take place without reparcelization. The amenities required for modern development include adequate landscaping, access, vehicle circulation, loading, parking, and trash enclosures, all of which cannot be accommodated on many Project Area parcels. Without the revenues and tools that redevelopment offers the Project Area will continue to struggle economically.

Also affecting commercial and industrial structures, the Uniform Building Code has evolved over time making buildings structurally safer and improving mechanical systems. It is beyond the scope of this report to review all of the changes in the UBC. However, some of the major changes that affect the Project Area structures include:

- Tying units to foundations
- Replacing electrical fuses with switches
- Upgrading amperage to accommodate modern appliances/machinery
- Electrical wiring upgrades such as the use of Romex and the retiring of knob and tube wiring
- Replacing galvanized piping with copper and PVC piping for plumbing
- Installation of better drainage and other back flow devices
- Structural improvements such as larger sized lumber for joists and headers and the tying of roofs to framing to improve structural integrity
- One-hour fire walls and doors
- Required number of exits
- Reinforced masonry

All of these and many other improvements have significantly improved the safety of, and desirability of commercial and industrial buildings. Over time, upgrades on older structures are made to meet current standards. However, the financial and physical challenges faced by business owners have affected their ability to upgrade property. This leads to nonstructural and structural damage, as well as properties that still have their original inadequate systems. And finally, as previously discussed, these obsolete conditions leave the commercial and industrial areas less desirable to business tenants.

Since its inception, the Agency has targeted its efforts to mitigate blight within its existing redevelopment project areas. To further address blight and revitalize portions of the San Diego community outside of existing redevelopment project area boundaries, the Agency seeks to establish the Grantville Project Area to accommodate the needs of modern commercial and industrial users, correct public infrastructure deficiencies, and enhance business development within the Project Area.

The Project Area also has a unique use that is a major regional employer; Kaiser Permanente Hospital. Kaiser's landholding represent nearly a quarter of the entire assessed value of the Project Area. While Kaiser's buildings appear modern from the outside there are significant structural issues that must be addressed with respect to earthquake safety. The Zion Avenue site, which is the largest of all Kaiser's holdings as well as the region's emergency room facility, will need to undergo a significant earthquake retro-fit per California state law. The site already must use temporary storage buildings and containers in the parking lot to attempt accommodate current uses and an expensive earthquake retro-fit project may require Kaiser to look at alternatives outside of the Project Area, affecting the region's access to emergency health care.

In addition, if Kaiser relocated this facility to another area what would become of the existing hospital site? A building this large with its specialty uses is likely to remain vacant for a long period of time because there are few users for a building this large and converting it to an alternative use could be cost prohibitive. If this site were to remain vacant for a long period of time the effects on the surrounding retail businesses could be fatal, which would further perpetuate existing blighting conditions in the Project Area. The hospital site on Zion Avenue is one of several large uses by Kaiser within 1-mile area. Because these sites are not directly connected, employees and patrons often times must travel by vehicle back and forth through the Mission Gorge corridor further adding to excessive traffic volumes, which adversely affect surrounding residences just outside of the Project Area.

Traffic along the Mission Gorge corridor is not only adversely affected by density of surrounding development and disconnected uses, but inadequate physical road conditions along Mission Gorge Road also contribute to unsafe travel volumes. The Interstate 8 interchange at Mission Gorge and Fairmont Avenue is severely under capacity, which leads to bottle neck conditions throughout the day. Field studies observed multiple unsafe traffic maneuvers at this interchange on several occasions.

The presence of these cumulative factors in the Grantville area are the reasons the Agency seeks to apply the extraordinary tools provided to redevelopment project areas by the California Community Redevelopment Law.

In the following sections, the objectives of the Plan are discussed in greater detail. Section B provides a description of the physical and economic blighting conditions present in the Project Area. A determination that the Project Area is predominantly urbanized is presented in Section C. The economic feasibility of the Plan is analyzed in Section D. Finally, Section E summarizes the projects to be undertaken by the Plan, identifying how the proposed projects will mitigate blight in the Project Area.

Section

B

A Description of Blighting Conditions Existing in the Project Area

This Section describes and documents the persistent blighting conditions that exist within the Project Area. Blight is defined by CRL Section 33030 and 33031 (Appendix B).

Study Approach and Methodology

Several data sources were utilized to quantify existing conditions in the Project Area. A complete listing is included as Appendix C. An important data source for evaluating the existence and prevalence of conditions that characterize blight in the Project Area was the field survey conducted by Rosenow Spevacek Group, Inc., consultants to the Agency, in October and November 2004. The survey documented existing physical and economic conditions of each parcel in the Project Area. Both physical and economic indicators were observed during the field survey, including inadequate parking and access, defective/substandard design, inadequate lot size, deterioration and dilapidation, flooding, impaired investments, substandard building materials, faulty additions, incompatible uses, substandard traffic circulation and unsafe traffic conditions.

General Description of Project Area

The following section provides a narrative description of the overall Project Area and includes photographs which highlight blighting conditions that exist. The description begins with the Mission Gorge commercial corridor, followed by the Allied Gardens commercial and Adobe Falls visitor service areas. The third section reviews the industrial portions of the Project Area with a separate discussion of the industrial uses along the San Diego River including sand and gravel extraction operations.

COMMERCIAL CORRIDORS

Mission Gorge Road

A substantial number of commuters from Allied Gardens and other residential neighborhoods in the Navajo Community use Mission Gorge Road as their main access point to and from the community. This high volume of traffic presents retail opportunities for the commercial businesses in Grantville. The demand for neighborhood serving commercial uses has stimulated commercial growth along Mission Gorge Road from Interstate 8 to Zion Avenue. There are no known residential uses directly in the Project Area, but along the eastern boundary of the Project Area just off Mission Gorge Road there are some high density residential uses that provide a limited pedestrian commercial base to the Mission Gorge commercial corridor ("commercial corridor" or "corridor"). Directly off Mission Gorge along Interstate 8 and Fairmont Avenue are industrial uses. The western edge of the corridor is formed by San Diego River ending near Zion Avenue. Along Zion Avenue at the northeast corner of the commercial corridor is Kaiser Hospital, the largest building and employer in the area. As discussed in the Introduction of this Report, the Navajo Community Plan stresses the importance of revitalizing the commercial uses along Mission Gorge Road in order to provide neighborhood commercial development and employment for local residents.

The commitment to revitalization is such that the Navajo Community Plan was amended in 1989 to address deteriorating conditions along the commercial corridor through the creation of the Community Plan Implementation Overlay Zone ("CIPOZ"). The decline in conditions cited in the 1989 amendment included poor traffic circulation, incompatible uses, over signage, and other visual impairments (NCP, Pg 28). This corridor is still plagued by the same problems which appear to have worsened due to the fragmented visual appearance of commercial and industrial users being side-by-side through out this portion of the Project Area. Much of Mission Gorge Road is designated mixed use, which allows both residential and commercial development along the street.

Competition from commercial users in this formerly industrial zone has created a situation that limits the overall economic viability of the commercial corridor. Area demographics indicate a marketplace for commercial users, however, because of the mix of industrial and commercial uses the physical appearance of the corridor and its immediate surroundings have deteriorated, which has in-effect created a second tier commercial market. Given the demographics of surrounding residential uses it appears that a better, community serving, commercial market could be supported if physical constraints could be eliminated. Most of the commercial corridor was originally developed for industrial uses and later with commercial infill to meet demands from new residential development in Allied Gardens. Many commercial infill projects were developed with little consideration for aesthetics as well as parking. Prior to 1986, commercial uses did not require any off-street parking. This deficiency still affects the area. Due to heavier traffic loads, the change in automobile use patterns and full development of the area, parking is a significant problem particularly along the commercial corridor.

The deteriorated conditions and lack of parking and other amenities has led to marginal uses populating the area, making it less attractive to local shoppers. This has opened the area to a niche market of auto related uses in former industrial buildings. The Mission Gorge area is known as a location where vehicle repair businesses can operate with lower land/lease costs compared to other areas in the City of San Diego. Low lease rates for industrial uses are also related to the deteriorated condition of many buildings in the Project Area because reinvestment and improvement is not taking place.. Auto repair is taking place outdoors rather than in enclosed bays, which are required for newer auto repair shops. Auto sales businesses are a growing use along the commercial corridor, but unfortunately the narrow lot configurations along Mission Gorge Road do not make auto sales a good fit in terms of site configuration and access.

Thirty three (33) auto related businesses are located along Mission Gorge Road with a total of 65 in the entire Project Area. These include used car sales and repair shops. Many of these establishments use mobile commercial buildings for sales, circumventing property taxes by not improving the parcels. Some shops perform repairs outdoors with hazardous material residue being left on outdoor repair surfaces, which eventually drain to the groundwater or San Diego River. Safety concerns from outdoor auto repair and chemical storage have resulted in code compliance investigations because of hazardous materials not being disposed of properly. Many repair shops have outgrown their facilities, as demonstrated in the pictures that accompany this section. Cars are parked in fire lanes on the properties causing hazardous conditions. This exacerbates the already crowded traffic conditions along Mission Gorge Road and negatively affects on-street parking for customers and employees of surrounding businesses.

Generally retail offerings along the corridor represent a good cross section of stores allowing shoppers to meet their daily needs in the immediate area. This being said, because prime shopping is located within a 5 to 10 minute drive of the Project Area, shoppers are enticed to leave the Project Area to make some of their purchases elsewhere.

Parcelization of the commercial corridor occurred when smaller lots were the norm. Stand-alone commercial buildings or small strip malls were built with inadequate or no amenities such as parking, loading areas or landscaping as now required by development standards. The corridor suffers from an acute parking problem; 54% of properties suffer from inadequate vehicle access, 48% suffer from inadequate parking and 42% of parcels do not have on-street parking. Lack of parking is another factor that reduces lease revenue and therefore discourages property owners from improving their property. Delaying property maintenance and improvements perpetuates physical deterioration and discourages some shoppers from making their purchases in the Projects Area.

Because of the size of lots, businesses quickly out-grow their facilities, begin to operate outside of their buildings, and often use public streets for storage. There are repeated instances of this in the Project Area such as: such delivery trucks blocking streets or access to parking lots to make deliveries; substandard additions to buildings to accommodate storage and business expansion; in several instance, it was noted that storage areas were constructed in parking lots further impacting the existing shortage of parking in the area.

Outdoor displays of goods and excessive signage per zoning code are very common along Mission Gorge Road. Zoning does not permit storing of merchandise outside and restricts outside sales. Many businesses have excessive outdoor signage that was not only unsightly, but unsafe because the signage is constructed and placed in a matter that blocks sight views for driving and may encourage unsafe traffic maneuvers, such as going into the pedestrian path or street before the driver has an adequate line of sight to judge traffic conditions.

The following are pictures representative of the Mission Gorge commercial corridor.

Parcel Number – 461 320 06
Used car lots and repair shops are a common use along Mission Gorge Road. These uses are an inefficient use of the narrow commercial properties and cause circulation congestion.

Parcel Number – 461 210 12
Outdoor vehicle repair shop with outdoor hydraulic lift along Mission Gorge Road does not reflect modern development standards and detracts from surrounding commercial uses.

Parcel – 461 210 11
Industrial uses surround the Mission Gorge commercial corridor and in several cases visually impair surrounding commercial properties.

Parcel 458-521-15

This property cannot accommodate the multiple businesses on the same site. The rental car agency parks cars back to back, which does not leave adequate area for customers of the other businesses.

Parcel – 461 320 05

This addition appears to be in the public right-of-way and demonstrates how most commercial businesses in the Project Area do not have adequate area to expand.

Parcel Number – 461 320 03
Unsightly outdoor storage and retail display along Mission Gorge Road.

Parcel Number – 458 522 09
Vehicle repair area for used car dealership on Mission Gorge Road. Vehicles regularly use alley for parking, limiting access through the area. The repair operation has also created a small salvage area to store damage parts that is less than 100 feet from the Mission Gorge Road. All vehicles are serviced in outdoor bays with commercial trash container and debris encroaching on the alley.

Parcel Number – 458 510 32
Delivery vehicle stopped in driveway to make delivery to neighboring property, thereby restricting access to the property.

Parcel Number – 461 220 11
Outdoor display area in the parking area. Also excessive window signage in violation of city code, which is unattractive to passers by.

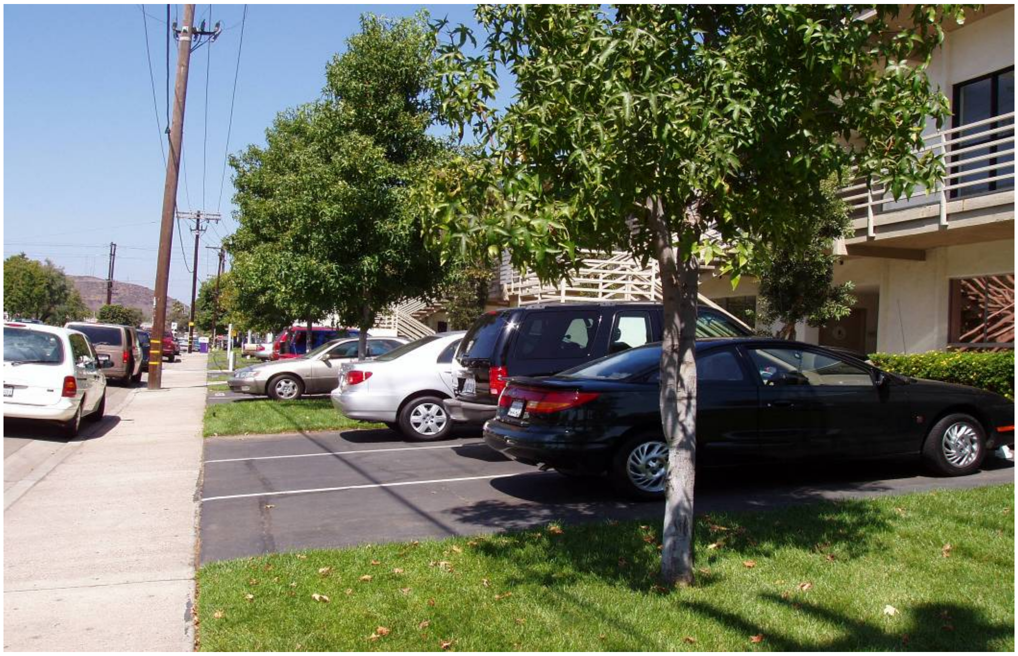
Parcel Number – 458 522 19
Inadequate parking for delivery vehicles results in blocking of ingress and egress for other vehicles and discourages pedestrian access because delivery vans must use sidewalk for parking.

Parcel Number – 461 220 45
Due to parking shortages in many portions of the Project Area, property owners have installed signage restricting parking.

Parcel Number – 458 343 27
Inadequate storage and staging area causes shifting uses in parking lots and reduces that amount of parking available to patrons.

Parcel Number – 458 522 20

This former apartment building represents a transitional use in the area from residential to office use Transitional uses have marginal functionality in most cases because the building and site were designed for a different use. Transitional buildings often suffer from deferred maintenance because these properties are usually viewed as second tier properties and maintained accordingly.



Parcel Number – 461 220 49

Lack of on-site parking creates over parked streets impairing drivers' ability to safely access a site in their vehicle due to poor sight lines.

Parcel Number – 461 320 25

Poor traffic circulation causes drivers to make unsafe manures such as making turns before there is adequate lane capacity to accommodate the vehicle. This leads to both lanes being blocked.

Parcel Number – 458 510 27
Poor traffic circulation also causes drivers to use alleys as a through-traffic corridor as evidenced by this tanker truck using an alley to access the gas station. This is a very tight turn and several large vehicles were observed having to back out into traffic to reattempt the turn, blocking traffic behind them.

Allied Gardens Commercial

The southeast corner of Zion Avenue and Waring Road contains a strip commercial center with a grocery store as an anchor, along with a bank and video store together comprising the entire southeast block. The development has physical deterioration, incompatible uses and inadequate available floor area to accommodate expansion of the Albertson's grocery store. Expansion of the grocery store floor area is important in ensuring the grocery store remains in the community. If the grocery store were to relocate the resulting vacancy could cause serious economic hardship to the surrounding businesses as well as represent a significant loss of service to the surrounding residential community.

Many of the commercial facades along this section of Waring Road are beginning to age and suffer from deferred maintenance. Incompatible uses include the outdoor recreational vehicle repair facility behind the gas station near the southeast corner of Orcutt Avenue and Waring Road. To compensate for a lack of space several businesses have tried to expand store spaces by creating service and storage areas in the rear of commercial buildings with substandard materials. At the southwest corner of Orcutt Avenue and Waring Road a parcel has set vacant for several years and detracts from the area visually as well as economically.

To the northwest of the Waring Road neighborhood commercial area are park, recreation, religious and school facilities along Glenroy Street. Most of the facilities are older and therefore suffering from deferred maintenance, such as peeling paint and rust. Also, included in this area is a vacant parcel at the southwest corner of Zion Avenue and Glenroy Street. To guard against further decline a redevelopment program is needed to upgrade community-serving facilities.

The following are several pictures representative of the Allied Gardens commercial area.

Parcel Number – 458 290 13
Survey data showed no less than ten recreational vehicles in the commercial center parking at any one time awaiting repairs. Outdoor repair activities such as this are incompatible with surrounding commercial and residential uses.

Parcel Number – 458 290 11
The picture above shows a metal storage container that has been physically attached to the grocery store building through the providing of electricity as well as affixing the container to the asphalt of the parking lot.

Parcel Number – 458 492 15
The back alley fronting Waring Road on the westside reveals several back end expansions of the service areas to accommodate growth with several of the structures containing substandard building materials for a commercial area such as exposed plywood and corrugated metal.

Parcel Number – 458 290 13
The recreational vehicle repair facility includes a metal storage container and tarp covered area as permanent fixtures, which is illegal per the zoning code.

Parcel Number – 458 290 07
Several businesses were using banner signage as permanent signage, which detracts from the visual appearance of the area and is in violation of zoning regulations.

Parcel Number – 458 492 14
Successive additions and updated equipment requiring more electricity has lead to a proliferation of exposed wiring for this property to accommodate these changes.

Parcel Number – 458 484 05
This vacant parcel detracts from one of the main entryways to the Allied Gardens community.

Adobe Falls – Visitor Serving

Just off Waring Road as it intersects with Interstate 8 is a visitor serving area along Adobe Falls Road which includes three hotels and two restaurants. One of the restaurants was converted to a nightclub, but was unsuccessful and is currently boarded up. The other restaurant appears successful, but has a poorly constructed addition, with visually unattractive outdoor storage. The three hotels are of midrange quality and do not show outward appearances of physical deterioration although the long-term economic viability of all three is unsure at this time.

Below are several pictures that represent the conditions along Adobe Falls Road.

Parcel Number – 462 440 21

This vacant parcel is a construction staging area for the San Diego Trolley eastern extension. Construction debris and storage detracts from the neighboring hotel to the right of the picture.

Parcel Number – 462 440 23
This abandoned hotel restaurant (Howard Johnson's) was most recently an unsuccessful night club. There is some concern that this could be an indicator of the long-term financial viability of the hotel, because a large hotel should be able to support a restaurant.

Parcel Number – 462 440 19
Restaurant has poorly constructed addition with outdoor storage of building materials and debris in the rear.

INDUSTRIAL AREAS

This section describes the industrial areas of Fairmount Avenue and Mission Gorge Place. Industrial uses along and off of Mission Gorge Road, north of Old Cliffs Road will also be discussed with the sand and gravel extraction operations along the San Diego River.

Fairmont Avenue

The Fairmont Avenue industrial area extends from Mission Gorge Road to the south to Friars Road to the north. Lots on the eastern side of the street are generally smaller than the lots on the western side, which have some modern industrial and office developments.

Overall many industrial uses in the Fairmont Avenue industrial area do not have adequate sized parcel to accommodate their operations. This is usually related to inadequate lot size to accommodate the building and related use. Many car repair and sales businesses in the Project Area, particularly along Fairmont Avenue and nearby Mission Gorge Road, are on parcels so small that they do not have enough space to store cars waiting to be repaired or picked-up by owners. Because of this, shop owners park cars along the main street and on streets in the adjoining commercial areas. This adds to the already congested street conditions in the Project Area and often violates parking regulations.

Narrow streets contribute to the impacted situation, because when cars line the streets they are less safe for traffic and pedestrians. The streets are not wide enough for two-way traffic and parking on both sides of the street. The lack of off-street parking is evidenced by the signage in parking lots restricting parking and in some instances requiring a permit.

In several circumstances the buildings on the eastern side of Fairmont Avenue were single-family homes that have been adapted for business use with minor façade changes. Other parcels lack lot depth, requiring the use of sidewalks for parking and deliveries. These properties can only support small marginal businesses due to lack of parking. There is often no loading area, so that trucks must block parking spaces or park in the street for deliveries. Often times the sidewalk is used for parking and deliveries, which causes safety problems for pedestrians trying to share the same sidewalk space. The lack of parking and adequate pedestrian pathways is a sign of the general obsolescence of many of the industrial buildings.

Older residential structures converted to industrial and commercial use also suffer from hazardous materials contamination such as lead paint and asbestos. Commercial and industrial operations are high-impact uses that are likely to disturb these substances, more so than residential occupation for which the structure was originally intended. Residential units that were converted to industrial and commercial uses in a substandard manner are some of the oldest and most deteriorated in the Project Area. The visible lack of maintenance for industrial and commercial properties suggests a likely probability of damaged lead based paint and asbestos for many properties in the Project Area.

Prior to 1980 many household and commercial use paints contained lead with the amount of lead in paint being higher the older the date of paint manufacture. Lead is a highly toxic metal that was used for many years in products found in and around homes. Lead may cause a range of health effects, from behavioral problems and learning disabilities to seizures and death. Research suggests that two primary sources of lead exposure likely to be found in the Project Area are:

- deteriorating lead-based paint; and
- lead contaminated dust

Lead is released when the paint is damaged and peeling. Children are the most affected by lead exposure. Because lead can affect children at low levels of exposure. 10 milligrams per deciliter is considered lead poisoning and has a detrimental affect on child. Children 6 years old and under are most at risk, because their bodies are growing quickly. The commercial zoning along Mission Gorge Road allows for mixed-use, multi-family development. If multi-family housing is developed, occupants will be adjacent to these toxic properties.

Asbestos is another hazardous material found in older buildings. Asbestos can be located in textured ceilings, linoleum, pipefittings and plaster. This material is inert unless it is disturbed by deterioration or other means. The deteriorated condition of older industrial and commercial properties points to the probability that asbestos has been disturbed, causing hazard conditions.

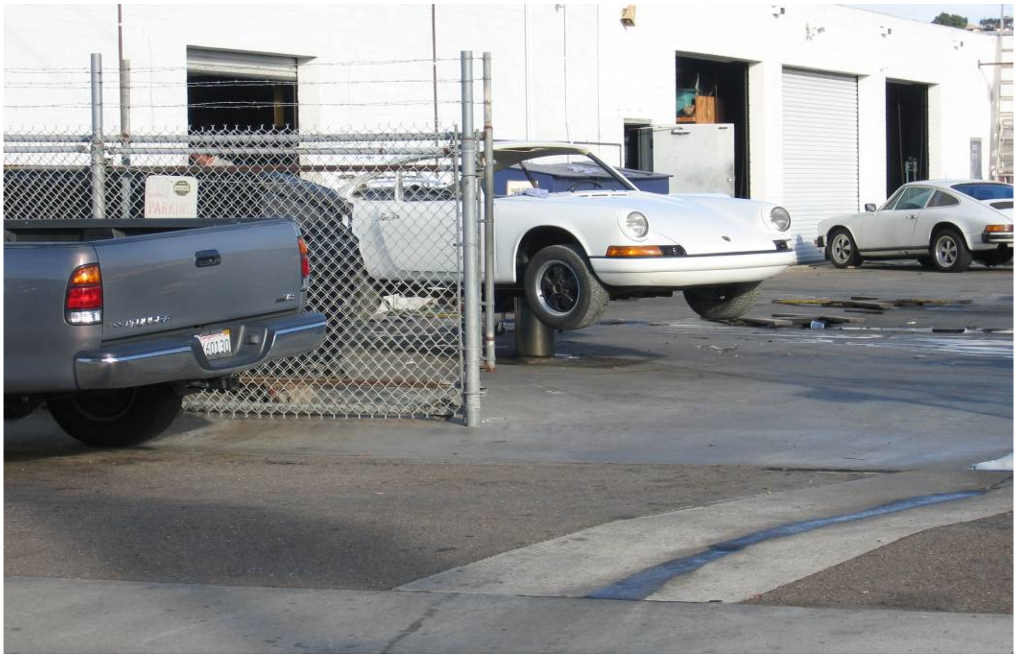
When viewing buildings along the Fairmont Avenue frontage from the street, many parcels show signs of deterioration, however, traveling the alleys of this area give a truer impression of the serious conditions. The eastern side of Fairmont Avenue contains several alleys that generally revealed more severe blighting conditions than views from the street frontage. Parcels have been overbuilt with substandard rear area additions to accommodate multiple-users, thereby creating increased parking demands where there is already an insufficient amount of spaces. Generally, these properties are not well maintained and therefore have a detrimental affect on the surrounding commercial district. These units have been built for income, have virtually no architectural features, little off-street parking, and inadequate access. Due to limited indoor areas, significant work takes place outside. The most common type of outdoor work is on cars with several shops have lifts outdoors for repairs.

To further accommodate outdoor repairs and production many businesses particularly on the west side of Fairmont Avenue (along the San Diego River) are using steel storage containers, which are designed for mobile storage as extensions to the existing building to perform work. Many outdoor repair and manufacturing businesses omit dust and debris into the environment some of which is toxic and in many portions of the Project Area washes into storm drains, which outlet directly to the San Diego River (and later the Pacific Ocean at the river's outflow) or onto nearby properties. During the RSG survey, staff observed multiple sites where debris and other by-products from the site's operations were going into storm drains or contaminating neighboring sites.

Survey staff also saw outdoor grinding and welding, which leave metal shavings. In addition, changing oil, anti-freeze, and other vehicle fluids without the proper catching equipment also leaves hazardous residues behind. This creates an unhealthy environment for employees and patrons, and resulting toxic runoff will affect neighboring communities.

Below are examples of conditions along the Fairmont Avenue corridor.

Parcel Number – 458 522 04
This property is suffering from physical deterioration due to lack of maintenance and excessive use. The single-family has been converted to a distributions center for a courier service through a series of substandard and poorly maintained additions.



Parcel Number – 461 160 05

This auto repair shop on Fairmont Avenue is typical of many auto repair businesses in the Project Area that have limited building space and must resort to outdoor repairs. Also, as with most properties, runoff from site is draining directly into the street and left untreated to drain into the San Diego River.

Parcel Number – 458 522 06
This single-family residential structure also suffers from incompatible industrial uses, substandard and deteriorating additions as well as a lack of storage area for trash and debris.

Parcel Number – 458 510 14
Lack of off-street parking, caused vehicles to be double parked in the public right-of-way creating an unsafe access and egress to the properties for cars and pedestrians.

Parcel Number – 458 510 30
Lack of on-site parking, causing vehicles to park in the public right-of-way creating an unsafe traffic condition by restricting traffic view sight lines for vehicles and pedestrians.

Parcel Number – 458 300 03
Outdoor refueling area on dirt lot next to San Diego River. Outdoor welding and storage of heavy equipment takes place at this site with runoff from welding debris, rusting equipment and refueling operations draining directly into the San Diego River or leaching into the soil and groundwater.

Parcel Number – 458 521 25
Outdoor vehicle repair area with industrial runoff including motor oil, transmission fluid and battery acid. Left-over parts from repairs (batteries engines blocks) are a significant source of contamination in the Project Area.

Parcel Number – 458-510-03
Gas station for commercial vehicles, which drains runoff directly into the San Diego River and takes access off side streets and alleys, negatively affecting surrounding traffic circulation as large vehicles travel these smaller streets.

Parcel Number – 458 150 10
Storm drains serving most of the Fairmont industrial area capture runoff and send it directly (untreated) into the San Diego River.

Parcel Number – 461-220-12
Area is prone to flooding and suffer from stagnant water after a storm.

Parcel Number – 461 160 01
Excessive lot coverage and unsafe storage of flammable materials in crowded conditions.

Parcel Number – 458 521 11
Outdoor auto body repair using canvas canopies without proper air ventilation equipment for painting in a residential structure converted to industrial use.

Parcel Number – 461 220 12
Poorly constructed addition with use of flammable materials in a confined working area.

Parcel Number – 458 300 04
Container storage units with ventilation fans and unpermitted electrical service have been converted to substandard work areas.

Parcel Number – 461 160 05
Multiple curb cuts servicing narrow parcels reduce on street parking. Inadequate parking is also negatively impacted by older site design where buildings were not set back adequately from the street. The result is unsafe vehicle and pedestrian traffic conditions. Also, the visual appearance is compromised by the large number of utility poles servicing the overall Project Area.

Mission Gorge Place

On the north side of Mission Gorge Road along Interstate 8 is another industrial portion of the Project Area, which extends to Waring Road at its eastern edge. Most businesses are along Mission Gorge Place, which turns into Alvarado Canyon Road in a semi-circular route. Alvarado Creek, a tributary of the San Diego River, runs through the middle of this industrial area. Industrial parcels are generally larger than those in the Fairmont Avenue industrial area and more modern.

On the northside of Mission Gorge Place are outdoor storage facilities and heavy manufacturing facilities, some of which face onto the Mission Gorge commercial corridor. Due to the lack of space industrial users have constructed a variety of substandard facilities to accommodate their space needs, these include; tractor trailers, steel storage containers, and abandoned houses being converted to storage, office, and manufacturing facilities, in addition to tent and plastic tarp facilities being constructed outside. As in the Fairmont Avenue industrial area, there are flooding problems from Alvarado Creek as well as untreated industrial runoff draining directly into the Creek which feeds the San Diego River.

Parking is at a premium with some users requiring permit parking. Parking is further impacted by outdoor manufacturing. Outdoor manufacturing causes employees and patrons to park on the street creating a congested street scene, which reduces traffic visibility and requires unsafe traffic maneuvers such as having to drive a vehicle out into traffic to look around parked vehicles on the street. This problem is particularly evident near the eastern portion of the Mission Gorge Place, where a Post Office takes access to Mission Gorge Place. The Post Office is also the most significant commercial use in this portion of the Project Area which draws a significant level of traffic volume onto Mission Gorge Place.

An extension of the light-rail San Diego Trolley is nearing completion with the Grantville station located on Alvarado Canyon Road. This portion of the trolley line is a raised overhead section that runs eastward along the San Diego River from Qualcomm Stadium, continuing east over Mission Gorge Road at the Interstate 8 interchange to the Grantville station before crossing southward over Interstate 8 and going to San Diego State University. Traditionally, light-rail stations are located near high-density residential, office, or retail uses. The Grantville station is located near medium-density industrial uses and is not expected to induce significant ridership from existing uses. If some industrial uses in this area could be relocated north of Old Cliffs Road along Mission Gorge Road, near the sand and gravel mining area, this may provide an opportunity to develop the area with higher-density uses to maximize utilization of the Grantville station. Also, several parcels used as staging areas for trolley construction will need significant work to either rehabilitate the buildings or prepare the lot for development.

The pictures that follow show some of the conditions in the Mission Gorge Place area.

Parcel Number – 461 330 33
Outdoor manufacturing and storage near a fire lane. Occupant's floor space is not large enough to accommodate manufacturing activities. Due to low vacancy rates it will be difficult for occupant to relocate to larger facility.

Parcel Number – 461 620 05
Many industrial occupants store material outside while conducting manufacturing activities inside the building. This situation makes production more complicated and leaves an unsightly appearance.

Parcel Number – 461 320 11
Outdoor vehicle repair with storage of salvaged vehicles and machinery on a dirt lot next to Alvarado Creek where site runoff drains to.

Parcel Number – 461 210 05
Most of Mission Gorge Place is subject to flooding conditions. This property shows where Alvarado Creek has overflowed its bank and left soil deposits on the property.

Parcel Number – 461 330 21
Inadequate on-site parking for neighboring properties requires permit parking to be instituted.

Parcel Number – 461 620 07
Lack of on-site parking leads to overcrowded on-street parking, this causes unsafe traffic conditions due to lack of visibility for vehicles accessing Mission Gorge Place from the Post Office.

Parcel Number – 461 330 32
This property and several others along in the Mission Gorge Place industrial area use substandard metal building materials in a confined manufacturing area.

Parcel Number – 461 330 23
This site uses substandard and unsightly canopies for outdoor manufacturing and storage.

SAN DIEGO RIVER INDUSTRIAL AREA

North Mission Gorge Road

The third industrial portion of the Project Area is along Mission Gorge Road starting at Old Cliffs Road and ending at Jackson Drive. Uses include manufacturing, heavy machinery repair, outdoor storage and vehicle salvage operations as well as limited commercial.

Most of the industrial uses along north Mission Gorge Road are on the northwest side of Mission Gorge Road and follow the path of the San Diego River. This portion of industrial development has no visible storm water or drainage capture system, which means storm water from these industrial sites flows directly into the San Diego River. Also, compounding this problem is the large number of outdoor storage, vehicle repair, and manufacturing sites that operate primarily on dirt lots. These facilities drain hazardous materials into the soil, which in-turn leaches into the ground water adjacent to the San Diego River. Many of these industrial sites suffer flood damage or closure of operations during rain events because they are either flooded or too muddy to conduct outdoor operations.

Industrial users operate a significant portion of their businesses from steel shipping containers or temporary buildings on an on-going basis, circumventing property taxes by not improving the parcels. Multiple sites were observed with steel shipping containers being structurally attached to other buildings. Several industrial uses are in buildings that are built of corrugated metal, a substandard material. These businesses are occupying what appear to be surplus WW II Quonset huts or have used corrugated metal to construct substandard additions. The buildings are deteriorated (to dilapidated) and not only affect employees' safety but also degrade the physical surroundings, which has lead to impaired investments through deferred maintenance.

In other portions of the Project Area, use of temporary buildings is done to maximize available space But in the north Mission Gorge area there appears to be sufficient space to build adequate sized structures but owners choose not to do so. This reputation of substandard buildings compounds the existing problem of deteriorated conditions because substandard users are drawn to the area and investment in higher-end development is not drawn to the northwest side of Mission Gorge Road. Industrial development along the northwest side of Mission Gorge Road is complicated by many sites being at or below the water level of the San Diego River.

The North Mission Gorge area also has three small commercial centers that exhibit a number of blighting conditions. These commercial properties on the east side of Mission Gorge Road are outdated, unattractive and display signs of physical deterioration. The uses of some of the commercial buildings are not typical neighborhood retail businesses, which indicate that businesses have not been successful. Several tenants are construction offices that appear to serve more of a storage purpose than an office or retail use, which detracts visually from other retailers. A church occupies the largest space in one commercial center, but appears to be closed most of the time, which limits consumer traffic to traditional retail uses in the strip center. These substandard commercial uses cause surrounding residents to drive out of the immediate area and further congest the Mission Gorge Commercial Corridor to satisfy their retail demands.

On the following pages are pictures showing the conditions in the North Mission Gorge area.

Parcel Number – 455 030 27
Outdoor storage/salvage on dirt lots pollutes the soil and visually detracts from the Project Area, thereby impairing property investments and improvements.

Parcel Number – 455 020 13
Outdoor salvage and manufacturing operations, such as this boat yard, comprise the majority of industrial uses in the north Mission Gorge area.

Parcel Number – 455 030 27
The unpaved roads of the north Mission Gorge area attract trash dumping, which visually detracts from surrounding properties. At this site a camper shell and other debris next to Mission Gorge Road are unsightly across the street from this modern industrial complex.

Parcel Number – 455 030 26
Flooding conditions are prevalent in this portion of the Project Area due to its proximity to the San Diego River. Properties to the right are primarily dirt lots for industrial storage that either drain or leach runoff directly into the river.

Parcel Number – 455 030 26
Substandard additions with metal storage containers attached to buildings, a violating of the building code. These additions have substandard electrical and ventilation, which present fire and health hazards to workers.

Parcel Number – 455 030 27
Substandard building materials such as corrugated metal flex during an earthquake or fire and compromised structural integrity of buildings and the safety of those working inside.

Parcel Number – 458 010 28
The combination of substandard addition and lack of maintenance for this residential structure converted to industrial use contributes to the negative physical appearance of the north Mission Gorge area.

Parcel Number – 458 010 27

This site includes outdoor manufacturing, canvas tarps to obscure outdoor storage and manufacturing. In addition, the site suffers from deferred maintenance.

Parcel Number – 455 030 27
Inadequate plumbing and sewer service to property, which is an unsafe and unhealthy condition from stagnant water and outdoor restroom facilities. This wood structure is connected to a corrugated metal structure (on the left) compromising the structural integrity of the entire building during a fire or earthquake. Private investment to bring in public infrastructure for sewer and correct building deficiencies may be cost prohibitive and further impairs investment for improvements to the property.

Sand and Gravel Extraction Area

The largest and earliest industrial use in the Project Area is the sand and gravel extraction operation along the San Diego River, which includes over 400 acres. Most extraction activities are currently taking place in the northeast corner of the Project Area, although most of the Project Area that fronts the San Diego River starting at Interstate 8 has been involved in extraction activities dating back to 1927. When the conditional use permit was issued by the County of San Diego for the sand and gravel pit area, very little was understood about post-extraction activities on these sites as well as the environmental remediation required for adjacent river areas.

Extraction industries by nature remove materials from a site thereby lowering elevation of the site or in many instances creating pits in the area that are expensive to backfill, and if they remain open collected water is typically toxic as it is saturated with mining residue. Fairmont Avenue is an example of an extraction site developed with structures. Many or of the sites are less than ten (10) feet above the water level of the San Diego River and subject to flooding. At the conclusion of extraction activities, soil infill activities will likely need to take place before the sand and gravel extraction areas can be redeveloped. However, such redevelopment would provide an opportunity to develop structures needed to relieve overcrowding in the Mission Gorge commercial corridor.

Extraction activities have also altered the course of the San Diego River and costly environment remediation will be necessary to restore the river ecosystem. This includes silt runoff from mining and ground water seepage of materials from the concrete mixing plant and surrounding operations. At the close of operations the concrete plant will need to be dismantled and the site cleared to accommodate development. Some of the extraction areas that are designated for open space will also require environmental restoration to achieve this purpose. Currently the City is engaged in a master planning process to determine the disposition of large portions of this site, but sufficient sources of funding have not been identified to remediate the existing conditions.

The following pictures show some of the conditions in the sand and gravel mining area.

Parcel Number – 455 030 26
Redevelopment of sand and gravel extraction sites will require significant earth infill to raise the site level above the water level of the San Diego River as well as funding for pollutant clean up.

Parcel Number – 455 040 24
Restoring this site for suitable development once operations cease at the concrete manufacturing facility site will be expensive, due to its sensitive environmental location and lack of infrastructure.

Parcel Number – 455 030 26
Construction of large earthen berms alter the course of the San Diego River and will be expensive to restore to a natural state.

Physical Blighting Conditions

The CRL describes physical conditions that cause blight. These physical conditions are assessed in terms of the health and safety of persons and the economic viability of development in an area. To make this assessment data from field surveys, code enforcement, police and other sources is evaluated to determine what conditions may be adversely affecting the health and safety of persons in an area. Usually these physical conditions trigger adverse economic conditions that can be measured through real estate transactions and business license data. Generally as economic returns from an area decline there is a corresponding lack of investment in physical upkeep of properties, further perpetuating physical blight. CRL requires that both physical and economic blighting conditions be present when establishing a project area.

Overall, 90% of all parcels in the Project Area suffer from one or more physical blighting conditions (Table B-1). The physical blighting conditions of the properties within the Project Area include deterioration and dilapidation, inadequate vehicle access, substandard building materials along with faulty additions, inadequate parking and loading, and obsolescence. The presence of these conditions reflect a lack of investment by property owners in maintaining their properties in good condition to assure the safety of persons who work in the area. Poor physical conditions place a burden on the community by reducing its ability to meet its goal of fostering vibrant neighborhoods.

Blighting conditions have had a serious impact on the economic viability of the Grantville Community. The Navajo Community Planning Group has articulated in the NCP that the Project Area is an important community resource for job growth, commercial services, revenue generation, and residential serving recreational uses. The local planning groups have expressed the need to relocate some industrial uses while still maintaining the areas job base. Light industrial parks would be an ideal alternative for the many auto related uses, screening them from the commercial corridor and nearby residential properties. Modern industrial parks would also give a springboard for new types of businesses in the Project Area and facilitate relocation of some industrial uses from the commercial area. Protecting open space and improved transportation systems are also priorities for local planning groups.

Table B-1 on the following page is summary of the blighting conditions observed during the field survey of the Project Area. There were 289 distinguishable properties among 355 parcels. Parcels or property uses not individually reflected in the table include; parking lots that were part of developments, condominium (commercial and industrial) that were part of a single property use and some vacant parcels.

TABLE B-1
SUMMARY OF PHYSICAL BLIGHTING CONDITIONS

Properties in the Project Area	Number of Properties					
Total number of properies surveyed	289					
Public property/Unknown property uses	26					
Total number of commercial use properties	116					
Total number of industrial use properties	147					
Physical Blighting Conditions	Industrial Parcels Surveyed with Blighting Condition	Percent of Industrial Parcels Surveyed with Blighting Condition	Commercial Parcels Surveyed with Blighting Condition	Percent of Commercial Parcels Surveyed with Blighting Condition	Total Parcels Surveyed with Blighting Conditions	Total Percent of Parcels Surveyed w/ Blighting Conditions
Deterioration and Dilapidation						
Lack of paint - faulty weather protection	28	19%	9	8%	41	14%
Exposed wiring	43	29%	27	23%	72	25%
Damaged exterior building materials	29	20%	12	10%	45	16%
Deteriorated wood eaves/overhangs/framing	15	10%	9	8%	26	9%
Defective Design						
Inadequate vehicle access	88	60%	52	45%	155	54%
Substandard exterior building materials	55	37%	19	16%	75	26%
Poorly constructed addition	35	24%	11	9%	46	16%
Inadequate pedestrian access	52	35%	11	9%	74	26%
Factors Inhibiting Economic Viability						
Inadequate parking on-site	73	50%	59	51%	138	48%
Inadequate loading facilities	34	23%	16	14%	50	17%
Excessive coverage/inadequate setbacks	24	16%	29	25%	53	18%
Outdoor storage or production	121	82%	57	49%	188	65%
Garbage/debris/stagnant water/combustible materials	104	71%	35	30%	151	52%
No off-site parking	64	44%	48	41%	120	42%
Total Number of Parcels Surveyed With at Least One Blighting Condition	138	94%	96	83%	259	90%

Source: Rosenow Spevacek Group, Inc. land use survey

Factors that Prevent or Substantially Hinder the Economically Viable Use of Buildings or Lots

CRL Section 33031(a)(2) describes physical conditions that cause blight to include "Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots. This condition can be caused by a substandard design, inadequate size given present standards and market conditions, lack of parking, or other similar factors."

<u>Lot Size</u>

Small parcel sizes in the commercial and industrial sections of the Project Area hinder their capacity to be rehabilitated and redeveloped. Table B-2 depicts the lot sizes in the Project Area, showing that 47% of commercial properties are less than one-half acre and 42% of industrial properties are less than one-half acre. A conservative current market standard for neighborhood commercial development requires at least a two-acre site and industrial development generally requires a five-acre site for light manufacturing. Only 17% of commercial properties and 13% of industrial properties in the Project Area meet the modern size criterion. Inadequate lot size compounds redevelopment of the Project Area because these lots typically have older structures that have not been maintained and attract uses that cannot afford to invest in the property, and expand business operations outside of the existing structures to maximize use of the site. These outdoor uses violate zoning codes, and frequently are a safety hazard as shown in photographs earlier in Section B of this Report.

TABLE B-2

COMMERCIAL AND INDUSTRIAL PROPERTY SIZES

Commercial Parcels Size	Number of Parcels	Percentage of Parcels
Less than or equal to 2,500 square feet	1	1%
Between 2,501 and 5,000 square feet	0	0%
Between 5,001 and 10,000 square feet	21	18%
Between 10,001 square feet and one-half acre	33	28%
Between one-half acre and one acre	22	19%
Between one and two acres	18	16%
Between two and five acres	13	11%
Between five and ten acres	6	5%
Over ten acres	2	1%
Commercial Totals	116	100%
Industrial Parcels Size	**Number of Parcels**	**Percentage of Parcels**
Less than or equal to 2,500 square feet	0	0%
Between 2,501 and 5,000 square feet	3	2%
Between 5,001 and 10,000 square feet	30	20%
Between 10,001 square feet and one-half acre	30	20%
Between one-half acre and one acre	23	16%
Between one and two acres	21	14%
Between two and five acres	21	14%
Between five and ten acres	9	6%
Between ten and twenty acres	4	3%
Over twenty acres	6	4%
Industrial Totals	147	100%

Source: San Diego County Assessor Rolls

Notes: One acre equals 43,560 square feet.

Inadequate Parking

Prior to 1986 there was no requirement for off-street parking in the commercial areas of the Project Area. A total of 138 surveyed properties (48%) have inadequate parking. It is likely that many more do not meet current parking code requirements. Also, 120 surveyed properties (42%) have no off street parking.

The lack of parking hinders the economically viable use of these commercial and industrial properties. When businesses do have on-site parking, this parking is often difficult to access due to narrow driveways that allow only one car to enter/exit at a time. Portions of the commercial corridor prohibit on-street parking, further exacerbating the limited parking available to local businesses. Because the vast majority of the parcels in the Project Area are fully developed and there is little opportunity or incentive for businesses to provide additional parking, no significant "new" parking can be anticipated without the assistance of redevelopment. The photographs below depict these conditions.

Parcel Number – 461 320 02

Lack of adequate on street parking creates crowded on site conditions for this rental car operation, which shares the property with an auto repair facility.

Parcel Number – 461 160 04
Inadequate parking is also caused by small parcel sizes. Here vehicles and outdoor tire displays congest the front of this building making it an unsafe area for pedestrians to walk and vehicles to access the property.

Parcel Number – 461 320 04
Lack of parking causes vehicles to be crowded into the corridor between these repair facilities, which causes an unsafe traffic and fire situation.

<u>Inadequate Loading</u>

Fifty (50) properties surveyed are impacted by inferior loading facilities, or about 13% of commercial properties and 23% of industrial properties. Inadequate loading presents a traffic hazard and suggests that the building is not being used in accordance with its original design. Insufficient loading areas result in trucks unloading in the right-of-way, impeding access to businesses, restricting traffic flow, and creating hazardous traffic conditions. Trucks often park on sidewalks to make deliveries putting pedestrians at risk and causing damage to the sidewalk because of the truck's weight. The following pictures provide some examples of inadequate loading in the Project Area.

Parcel Number – 461 320 03
Narrow entry ways, which restrict property access are further impaired by delivery vehicles which often block traffic and fire lanes to make deliveries.

Parcel Number – 456 160 09
The parking places in front of this business have been removed to incorporate a permanent loading area that is stripped out with paint.

Outdoor Storage

Outdoor storage is a common problem throughout the Project Area for both commercial and industrial properties. Commercial properties often use outdoor storage for excess materials, trash and other items. Unscreened dumpsters are also very prevalent in the Project Area. The presence of outdoor storage is an indicator that the existing building stock provides inadequate building space for modern business activity. When outdoor storage areas and trash containers are unscreened, as in the Project Area, it contributes to the declining appearance of an area. 82% of industrial parcels and 49% of commercial parcels either had outdoor storage and or outdoor production. Many properties had storage containers or outdoor production taking place in parking lots exacerbating the existing lack of parking in the Project Area. To further accommodate outdoor repairs and production many businesses are using steel storage containers, which are designed for mobile storage, as extensions to the existing building to perform work. The pictures below provide examples of the outdoor storage problem in the Project Area.

Parcel Number – 461 160 08
This glass and screen installation company has outdoor storage of its materials, where broken glass can also create a hazardous condition Further, this activity detracts from the overall appearance of the area and reduces on-site parking for employees and customers.

Parcel Number – 458 521 26
This industrial parcel is only 50 feet wide, which is too narrow for modern manufacturing needs. To compensate for the lack of building area the business is using steel containers for storage which reduce on-site parking.

While inadequate loading, parking and storage are generally related to small lot size, these deficiencies are also indicative of older properties. Table B-3 presents a summary of age, land area and building size information for properties in the Project Area. As previously stated 62% of commercial structures and 79% of industrial structures were constructed over 30 years ago.

TABLE B-3

AGE, LAND AREA AND BUILDING AREA OF PROPERTIES

Year Constructed/ Development Type	Age in Years	Parcels		Land Area		Building Area	
		No.	%	Acres	%	Sq. Ft.	%
Commercial							
Before 1956	50+	5	5%	1.6	1.0%	9,140	0.7%
1956 - 1965	40 - 49	20	20%	34.7	22%	139,648	11%
1966 - 1975	30 - 39	38	37%	48.0	31%	394,762	32%
1976 - 1985	20 - 29	20	20%	35.7	23%	342,421	27%
1986 - 1995	10 - 19	9	9%	19.3	12%	220,045	18%
1996 - Present	0 - 9	10	10%	17.6	11%	142,252	11%
SUBTOTAL		102	100%	156.9	100%	1,248,268	100.0%
Industrial							
Before 1956	50+	26	22%	105.2	44%	110,032	6%
1956 - 1965	40 - 49	33	28%	24.6	10%	208,658	11%
1966 - 1975	30 - 39	35	29%	37.2	16%	411,831	21%
1976 - 1985	20 - 29	17	14%	55.5	23%	952,255	48%
1986 - 1995	10 - 19	7	6%	14.1	6%	281,505	14%
1996 - Present	0 - 9	2	2%	0.5	0%	10,260	1%
SUBTOTAL		120	100%	237.0	100%	1,974,541	100%
Miscellaneous Uses		67		464.0		110,065	
TOTAL		289		857.9		3,332,874	

Source: San Diego County Assessor Rolls and RSG land use survey

Notes: Approximately 40% of buildings' ages were estimated based on the land use survey performed by RSG.

Miscellaneous Uses includes publicly owned parcels (146+ acres), vacant lots and parking lot areas that are part of developments

Obsolescence

The deficiencies associated with many older properties are often referred to as obsolescence. Obsolescence is the result of a combination of blight factors, including the age of a structure, lack of maintenance, and a lack of desirable amenities such as parking and tenant improvements that occur as contemporary market standards evolve. For these reasons, obsolescence results in factors that substantially hinder the economically viable use of buildings and lots. This condition often occurs as competing newer, more efficiently designed buildings or developments emerge. The appeal of obsolete buildings diminishes as market conditions and consumer preferences change causing substandard uses to fill the void. In the case of the Project Area substandard industrial uses such as manufacturing along with auto repair and salvage are attracted to Project Area. These uses in-turn detract from surrounding commercial properties. The following pictures depict sample obsolescent properties.

Parcel Number – 461 200 02
Narrow access between multiple businesses is an obsolete and unsafe design that would not meet current development standards.

Parcel Number – 461 320 23
Obsolete industrial building with substandard corrugated metal building material.

Parcel Number – 458-521-17
The lack of lot area, deterioration along with lack of parking and loading all contribute to the obsolescence demonstrated by this building. It appears to be vacant, thereby establishing the negative economic affect of obsolescence.

Industrial development standards have changed significantly since the 1950's and 1960's when over 40% of the industrial properties in the Project Area were developed. Modern industrial developments offer larger floor and lot sizes along with amenities such as landscaping, on-site parking and adequate loading areas for larger delivery vehicles. Industrial uses without adequate area often negatively affect surrounding properties through competition for on-street parking and on-street deliveries that restrict access to surrounding properties. Small lot size also restricts the property owner's ability to add needed amenities

Predominately, the industrial properties in the Project Area represent the older style of development that is very utilitarian, offering limited or no amenities. Modern industrial buildings often use concrete tilt-up walls that can withstand the physical demands associated with industrial uses. The Project Area has multiple examples of commercial, office and residential structures converted to industrial use. Most of these buildings are of wood frame construction and wear down prematurely from the high-demands of industrial usage. Other inadequacies of older structures built for other uses include insufficient electrical supply, storage, and indoor manufacturing area.

Excessive Coverage

Zoning at the time of initial development of much of the Project Area required smaller setbacks and less parking of both commercial and industrial developments than is required for modern developments. The lack of adequate set-backs between buildings, properties, and uses gives the Project Area the appearance of being excessively and haphazardly developed. Complicating this problem are industrial buildings which lack adequate floor space for inside manufacturing and storage. These operations often overflow outside and increase the coverage of already inadequate sites. Further contributing to excessive coverage problem is the lack of parking and landscaping that makes properties appear that much more congested. Sixty-eight (68) parcels were considered by RSG surveyors to have excessive coverage. A sample of this condition is shown in the next photograph.

Parcel Number – 458 521 22
This building footprint nearly covers this entire parcel, leaving inadequate area for deliveries and parking.

Inadequate Vehicle Access

At the time of development of much of the Project Area a style of development that is different from today prevailed. Principally it did not provide driveways that were adequate to accommodate two-way traffic. 204 parcels or 58% of the parcels in the Project Area exhibited inadequate vehicle access condition. In some instances the only access to parking is at the rear of buildings through the alley.

Parcel Number – 458 522 11
An auto body shop with alley only access to its property uses the alley for long-term parking and not as a service entrance. This practice result in the alley being too congested for other vehicle access.

Inadequate Landscaping

Landscaping is required by the City of San Diego for the commercial and industrial zoning codes present in the Project Area. Many properties lack any landscaping or areas designated for landscaping are often paved for additional parking and/or used for storage and outdoor manufacturing. Most of the properties in the Project Area that lack landscaping are considered legal non-conforming in this regard, because they were built prior to the current zoning that required landscaping. Not only is landscaping visually pleasing, but it serves as a natural buffer between buildings and uses, such as commercial to industrial.

Parcel Number – 458 522 18
This property on Vandever Avenue lacks adequate landscaping in the front and uses the sidewalk area for drying carpets because of excess debris storage in the rear of the property. The overall effect detracts from the visual appearance of the business as well as surrounding properties in addition to inhibiting vehicle and pedestrian access to the property.

Buildings Unsafe/Unhealthy to Live or Work In

The CRL Section 33031(a)(1) identifies several blighting conditions that denote a building that is unsafe or unhealthy for persons to live or work. These include the following: serious code violations, deterioration or dilapidation, and defective design or physical conditions, faulty or inadequate utilities, or other similar factors. Substandard building materials, faulty additions, and inadequate vehicle access are other factors of defective design.

Code Enforcement Violations

Violations of local or state building codes are a blighting condition identified under CRL Section 33031(a), which characterizes buildings in which it is unsafe or unhealthy for persons to live or work. Buildings and structures that do not meet current uniform building requirements, or other local codes mandated to ensure human health and safety, pose a threat to the workers, patrons, and residents of an area.

Because of the size of the City, code enforcement efforts are, for the most part, limited to complaint generated enforcement. The majority of complaints come from property owners or tenants who observe potential violations in their neighborhoods. However, since code violations are primarily investigated only if a complaint is filed or observed by City staff, many violations go unnoticed and the true number of building and other code violations is likely to be much greater than those reported. The following is a list of code violations observed by City staff in the Project Area:

- Add-ons/Non-permitted buildings
  - Deterioration of buildings
  - Metal and plywood sheds

- Auto repair/painting
  - Oil run-off
  - Outdoor lifts
  - Outdoor painting
  - Under tarp structures

- Canopy structures
  - Used as an accessory structure
  - Used as a temporary building

- Encroachments into the Right-of-Way
  - Dumpster in the alley
  - Storage containers in the alley
  - Table, benches and chairs on the sidewalk

- Fencing
  - Barbed wire
  - Disrepair
  - Electrical wiring attached to the fence
  - Material
  - Razor wire

- Outdoor display
  - Tires

- Outdoor manufacturing
  - Metal

- Outdoor sales
  - Produce sold outdoors

- Outdoor storage
  - Chemicals and chemical drums
  - Hazardous material
  - Unscreened

- Signs
  - Banners
  - Excessive signage
  - Signs placed in the public right-of-way

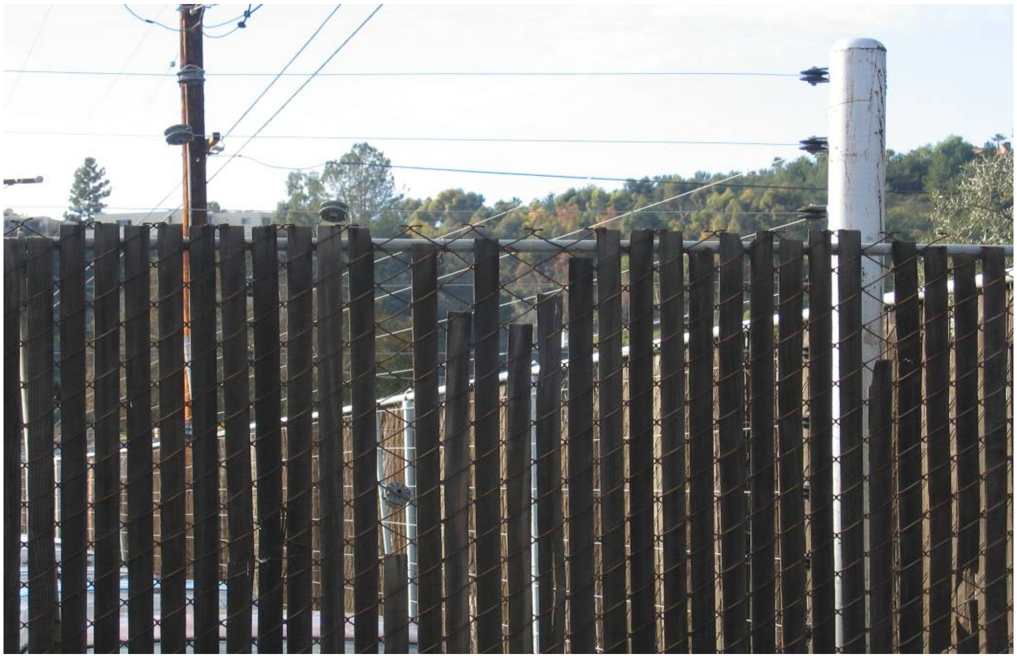
- Trailers/Storage bins
  - In the public right-of-way
  - Storage on private property for years
  - Used for manufacturing or office space

Table B-4 depicts all code violations in the Project Area (and perhaps some properties just adjacent) over the previous three-years (January 1, 2002 thru November 30, 2004). Many of the violations listed below such as signage, encroachment, storage, and structural violations are reflected in the above observations from City staff during the field study.

TABLE B-4
CODE ENFORCEMENT VIOLATIONS

Type of Violation	2002	2003	2004
Signage Violation	5	2	2
Trash	-	10	-
Parking	3	1	3
Noise/Air Quality	2	2	2
Miscellaneous	4	1	1
Encroachment Violation	1	-	-
Storage Violation	-	4	4
Structural Deficiency	2	1	0
Commercial Disable Violation 1/	2	6	1
Total	19	27	13

Sources: City of San Diego Code Compliance Department
1/ This is a handicapped violation.



Parcel Number – 458 510 03
This car storage facility has electrified fencing, which is a violation of the City's zoning code.

Parcel Number – 461 190 04
This commercial property on Mission Gorge Road displays excessive signage on the building and the public right-of-way, which are both a violation of the zoning code as well as being visually detracting.

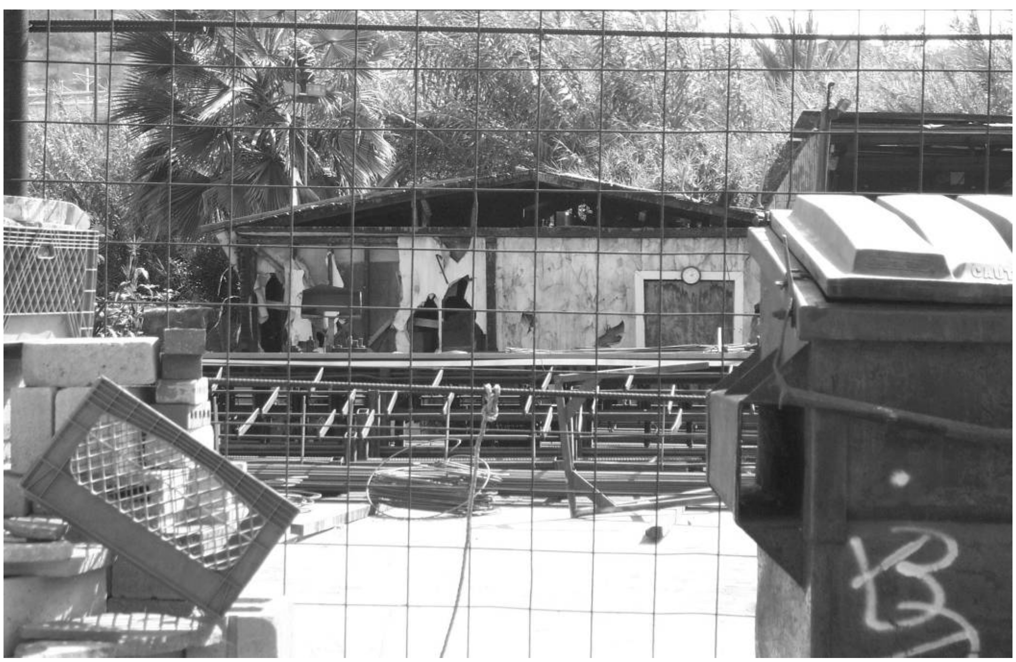
Dilapidation and Deterioration

During the field survey, the safety and condition of buildings in the Project Area were assessed using Section 17920.3 of the California Health and Safety Code. This code section provides conditions that characterize a building as substandard, unsafe, and unhealthy. Accordingly, a substandard building is one that exhibits any of the following conditions to an extent that it presents safety or property hazards:

- General dilapidation or improper maintenance;
- Wiring which does not conform to building codes and is in poor condition;
- Deteriorated, crumbling or loose plaster;
- Deteriorated or ineffective waterproofing of exterior wall coverings, including lack of paint or weather stripping;
- Broken or rotted, split or buckled exterior wall coverings or roof coverings;
- Construction materials not up to code which have not been property maintained and are in poor condition;
- Those premises on which an accumulation of weeds, vegetation, junk, dead organic matter, debris, garbage, stagnant water or similar materials or conditions which constitute a safety hazard;
- Any building or portion thereof which is determined to be an unsafe building due to inadequate maintenance, in accordance with the Uniform Building Code; and
- Buildings or portions thereof occupied for commercial and industrial purposes, which were not designed or intended to be used for such occupancies.

Deterioration and dilapidation is also an indicator of buildings that are unsafe or unhealthy for persons to live or work, as identified under CRL Section 33031(a)(1). It is one of the most common physical blighting conditions found in the Project Area. Evidence of dilapidation and deterioration in the Project Area includes structures with damaged exterior building materials (16%), deteriorated paint or weather proofing (14%), deteriorated eaves or wood rot (9%), and exposed wiring (25%). The level of building deterioration ranges from minor deferred maintenance to, in a few severe cases, those that are in need of demolition. The older age of many of the structures, combined with deferred maintenance, are contributory factors to their current state. Review of Table B-1 indicates deterioration existing in the Project Area. The photographs below depict these conditions.

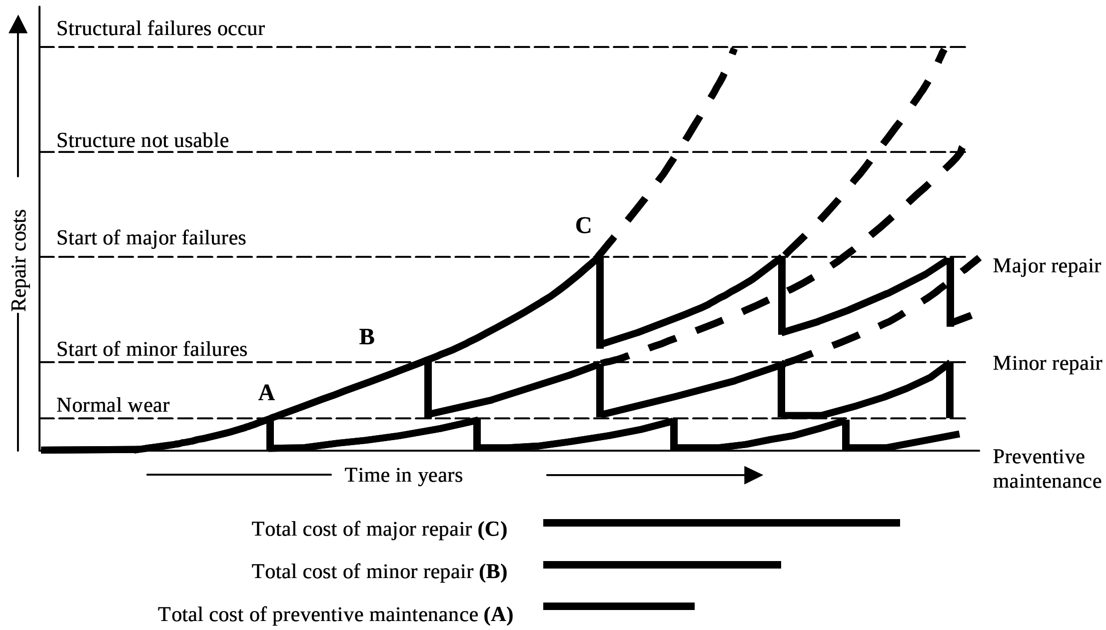
Parcel Number – 458 522 03
This residential building has been converted to a construction office and storage area through a series of substandard additions that have fallen into disrepair.



Parcel Number – 461 320 11
This dilapidated residential structure has been converted to and industrial storage facility for steel manufacturing.

As stated in the book How Buildings Learn, What Happens After They're Built (Stewart Brand), a lack of maintenance results in buildings becoming unusable, with a threat of structure failure. Brand states that due "to deterioration and obsolescence, a building's capital value (and the rent it can charge) about halves by twenty years after construction. Most buildings you can expect to completely refurbish from eleven to twenty-five years after construction. The rule of thumb about abandonment is simple...if repairs will cost half of the value of the building, don't bother."

As demonstrated in the figure below, if regular maintenance is not done, first minor, and then major failures will result over time. As the cost of renovating the building goes up exponentially over the years, structural failure occurs and the building cannot be recovered. Because property owners may fear that they will not realize a return on an investment in rehabilitation, buildings are often neglected. Poor building conditions indicate limited reinvestment in the building stock through renovation and rehabilitation, and reflect a weak environment for private sector development or redevelopment.



PREVENTIVE MAINTENANCE (bottom line) not only costs markedly less in aggregate than repairing building failures, it reduces human wear and tear. A building whose systems are always breaking or threatening to break is depressing to the occupants, and that brings on another dimension of expense. This diagram is adapted from *Preventive Maintenance of Buildings* (New York: Van Nostrand Reinhold, 1991), p.3.

Substandard Building Materials and Faulty Additions

There are several examples of substandard building materials in the proposed Project Area. corrugated metal sheeting is a primary example and is not a permitted building material according to the City code. The corrugated metal readily deteriorates from the weather. The results of the field survey indicate at least 75 incidences of substandard building materials and 46 buildings with faulty additions. Faulty additions appear to not meet current uniform building code standards. This is due to a variety of reasons such as flawed roof lines or inadequate heights or poor quality building practices. Pictures of examples follow.

Parcel Number – 461 160 01
This is a rear view of a building (to the right) that has constructed a series of additions using wood, corrugated metal and stucco creating a substandard addition that occupies most of the property.

Parcel Number – 461 320 05
This manufacturing business on Mission Gorge Road has a metal storage container occupying three parking spaces that is illegally attached to the front of the building.

Irregular Shaped and Inadequate Sized Lots

Parcels must be large enough to accommodate the primary structure and development standards imposed by the City (i.e. required setbacks, parking, and circulation space). As provided by Table B-5, review of County records indicates that 59 properties (20%) in the Project Area are of irregular form, shape and under multiple ownership, with another 163 parcels (54%) inadequate in size. This significant number of parcels is a barrier to development because without lot consolidation, they will be difficult or impossible to reuse.

TABLE B-5
PROPERTIES OF IRREGULAR SIZE

Parcel Type	Parcels	
	No.	%
Parcels of irregular shape	59	20%
Parcels less than one-acre in size.	163	54%

Source: MetroScan/San Diego County Assessor Rolls.
Note: 289 properties were studied.

Incompatible Adjacent Uses

Incompatible adjacent uses where commercial properties are directly adjacent to industrial properties were noted on 45 properties within the Project Area. This number represents only the situations where both uses are in the proposed Project Area. Many other incompatible uses exist on the eastside of Mission Gorge where commercial development is adjacent to residential properties without any buffer but the residential units are not included in the Project Area, so it was not counted as an incompatible use even though the circumstances are present for it to be considered such.

It is more difficult to quantify incompatible uses that are both commercial properties yet one negatively affects the other. Auto related uses that spill out onto the street and shared parking lots are the primary example of this.

From a public facilities standpoint the industrial uses surrounding the new trolley station represent an incompatible adjacent use, because these industrial developments are not large enough to generate a significant ridership, and their presence limits use by residents that would most likely use the trolley services.

Economic Conditions that Cause Blight

The CRL requires that for an area to qualify for inclusion into a redevelopment project area, it must not only exhibit conditions of physical blight, but also must contain and suffer from economic blight.

To accurately represent existing economic conditions, the Project Area has been analyzed and information has been gathered from the City, County, and private sources to document the deteriorating economic conditions of the Project Area. The following describes economic blighting conditions that contribute to lack of proper utilization of Project Area properties.

Impaired Real Estate Investments

Industrial Lease Rates

Realtors familiar with the industrial properties in the Project Area, cited a number of different problems that act in concert to impede economic success. For example, when the area developed, the standards for industrial development allowed for smaller lot sizes than would be permitted today and reduced set-backs from other properties. Most realtors also noted that the age of many commercial structures renders them obsolete in today's market. Some of the deficiencies mentioned were:

- Small building size;
- Lack of parking on and off-street;
- Lack of access to industrial sites;
- Lack of other amenities or inadequate amenities such as loading and storage;
- Low ceilings heights, which restricts indoor operations and leads to outdoor manufacturing and/or storage;
- Inadequate physical structures, such as wood frame buildings being used for industrial production; and
- Lack of adequate utilities servicing properties.

The overall lack of amenities offered by a majority of industrial properties in the Project Area has created a lower tier market according to realtors. Most realtors graded the Grantville industrial market as a Class B or C (with Class A being the highest ranking). This lower ranking as previously mentioned attracts substandard uses, such as outdoor auto repair and salvage, which further diminishes the image of the Project Area and the rents landowners are able to charge.

Realtors surmise that the types of industrial businesses locating in the Project Area are looking for lower rents. Table B-6 shows a gross lease rate of $.80 per square foot monthly lease rate compared to surrounding areas that have lease rates at $.10 - $.25 per square foot higher. These lower lease rates generally do not attract new higher end industrial uses and the lower rents result in little net income to reinvest in buildings to improve their condition.

TABLE B-6
LEASE RATE COMPARISON FALL 2004

Areas	Industrial	Office	Retail
Grantville/Mission Gorge	$0.80	$1.43	$2.03
Airport/Sports Arena	$0.90	$2.30	$2.15
Kearny Mesa	$1.00	$1.80	$1.70
Mission Valley	$0.75	$2.00	$2.75
Miramar	$0.90	$1.70	$1.80
San Diego County Market Average	$0.96	$1.92	$1.85

Source: CB Richard Ellis, Grubb & Ellis, Various Broker Interviews.

Commercial Lease Rates

In discussing the proposed Project Area with realtors familiar with the commercial properties in the area, a number of different problems were cited that act in concert to impede economic success. For example, when the Project Area developed, the standards, as stated before, allowed smaller lot sizes than would be permitted today and no off-street parking. Commercial development was an afterthought that was inserted into what was originally developed as a small-scale industrial area. Also noted is the age of many commercial structures, which render them obsolete in today's market. Some of the deficiencies mentioned were:

- Small building size;
- Close proximity to uses (industrial) that detract from the physical appearance of commercial structures.
- Lack of streetscape improvements in the public right-of-way;
- Lack of parking on and off-street;
- Lack of proper access to site;
- Lack of amenities or inadequate amenities such as landscaping, loading and storage; and
- Lack of adequate utilities servicing properties.

Several realtors stated that the cost of land in the area is too high to be supported by the low lease rates that the existing buildings bring, making turnover and improvement of buildings unlikely. Generally, commercial developers are looking for 2 to 3-acre parcels for new development, which is available in only 14% of commercial parcels. Competition is also strong from other commercial nodes in close proximity to the Project Area (e.g., Mission Valley, Kearny Mesa and centers in La Mesa). Compounding this is the overriding image that the Project Area is not desirable.

Realtors believe that more brand name stores would like to locate along Mission Gorge Road, but there are few adequate sites because the parcels are too small. Other retailers stated that there appears to be a lack of cohesiveness along the Mission Gorge corridor, and the Project Area lacked a synergy that would attract higher-end retailers. The Project Area's lack of identity and negative perception cause shoppers to leave the Project Area and go to Kearny Mesa, La Mesa, and/or Mission Valley.

An adequate revenue stream is necessary to enable property owners to perform routine maintenance on their complexes. Again, without funding for repairs deferred maintenance issues become health and safety concerns. This is especially true for older buildings. Table B-6 shows retail lease rates for the Project Area are mid- to high-range when compared to those of the surrounding markets, suggesting that there is a good market for retail uses. However, if the physical constraints present in the project area are not addressed the potential expansion of this marketplace will not be realized. Office lease rates are between $.27 - $.87 per square foot lower than surrounding markets.

<u>Hazardous Materials</u>

During the environmental review phase of the redevelopment adoption process for the Project Area a review of environmental databases was performed. That search yielded 16 properties of environmental concern in the Project Area and 20 more just outside (within 1,000 feet) of the Project Area. Contributing to these conditions are some of the storage practices for chemicals and debris observed during the field survey. 52% of properties were found to have signs of garbage, debris, stagnant water and/or combustible materials on site. The following depicts some of the storage practices observed in the Project Area.

Parcel Number – 461 320 03
Chemical storage shed off Mission Gorge Road using substandard building materials for a commercial area and occupying a parking space.

Parcel Number – 461 320 20
Outdoor storage is unsightly as well as dangerous, These hazardous waste containers are being stored outside the fenced area along Mission Gorge Road.

Crime

A high crime rate that constitutes a serious threat to public safety and welfare is a condition of economic blight. In order to assess the impact of crime within the Project Area, information regarding the incidence of violent and other serious property crime reported by the City of San Diego Police Department was analyzed.

The Federal Bureau of Investigation (FBI) Crime Index is a nationally standardized system that enables comparison of the number of crimes reported by jurisdictions across the country. The Index includes four violent offenses (willful homicide, forcible rape, robbery, and aggravated assault) and three types of property crimes (burglary, larceny theft, and motor vehicle theft). The offenses included in the FBI Index were selected due to their serious nature and/or volume, as well as the probability that these crimes will be reported to the police. Crime Rates in Table B-7 were computed by occurrence per 1,000 population using current California Department of Finance population estimates by the City of San Diego Police Department.

The regional crime rate based on the FBI Index crimes incorporates both local jurisdictions and unincorporated areas in the County of San Diego. Like most jurisdictions across the nation, crime in the San Diego region has dropped significantly. The 2003 San Diego countrywide crime rate based upon the FBI Index is 37.4 crimes per 1,000 population (SANDAG). The crime rate 2003 for the Cities of La Mesa, Lemon Grove and San Diego are 41.85, 39.24 and 44.19 respectively. The crime rate in the census tracts representing the Project Area is 51.2 per 1,000 or over 37% higher than the county average and 16% higher than the City of San Diego.

The information provided by the City of San Diego for the census tracts (CT) that overlay the proposed Project Area is for calendar year 2003. 2004 data is not available from the state of California or FBI at this time. Thus, the table below uses data from the 2003 calendar year for all jurisdictions. The CT data covers a larger portion of the community than is proposed to be included in the Project Area. The crime rates vary significantly among the different census tracts, with many CT's having greater crime rates than the comparison cities of La Mesa, Lemon Grove and the entire City of San Diego. The census tract overall totals are substantially higher in the categories of rape, larceny/theft and motor vehicle theft.

TABLE B-7

2003 FBI CRIME INDEX RATES PER 1,000 PERSONS FOR FEDERAL CENSUS TRACTS WHICH OVERLAY THE PROJECT AREA, THE CITY OF SAN DIEGO AND SELECTED LOCAL JURISDICTIONS

Census Tract/City	Murder	Rape	Robbery	Aggravated Assault	Burglary	Larceny/ Theft	Motor Vehicle Theft
2003 Crime Rates							
95.09 (Grantville)	0.00	0.61	1.82	6.06	12.13	43.06	25.17
96.02 (Grantville)	0.00	0.27	0.54	3.51	4.60	14.33	2.97
96.03 (Grantville)	0.00	0.22	1.12	2.68	9.60	49.13	24.34
96.04 (Grantville)	0.00	1.24	1.24	3.42	8.40	22.40	16.80
97.03 (Grantville)	0.00	0.00	0.58	2.61	4.64	6.66	4.35
97.05 (Grantville)	0.00	0.00	0.61	1.82	6.06	15.76	8.49
Total for CT's	0.00	0.39	0.99	3.35	7.57	25.22	13.69
2003 Crime Rates							
La Mesa	0.04	0.22	1.20	1.69	6.52	22.10	10.09
Lemon Grove	0.00	0.16	2.01	3.63	9.35	14.54	9.55
San Diego	0.05	0.33	1.34	4.33	6.64	21.16	10.33

Sources: City of San Diego Police Department and SANDAG - Crime in the San Diego Region Annual 2003 (Table A.3)

Note: Comparison crime rates are for calendar year 2000, which is the latest data available from the FBI.

When crime-related acts involve behaviors such as drug sales, vandalism, and disturbing the peace, these incidents result in classification as Part II offenses. Although not standardized nationally (because penal code guidelines differ from state to state), Part II offenses constitute a significant part of the workload of law enforcement and the other criminal justice system components, such as prosecution and court services. Also, the types of behaviors characterized as Part II offenses often heighten citizens' feelings of being at risk in their communities. A more balanced picture of crime and the scope of resources utilized by the justice system would include the number and types of calls for service as well as an accounting of the offenses classified as Part II crimes. Additional factors that may affect the number and types of crimes reported include the willingness of citizens to report crimes to the police, cultural differences of community populations, and varying strategies and targeting policies of individual law enforcement agencies.

Homeless Population

There is a significant homeless population in the Project Area. The San Diego Police Department arrested 162 people in sweeps along the San Diego River during a 4-week period in the summer of 2004. These are usually not just homeless, but criminals with arrests on their records and often time outstanding warrants. Activities of the homeless by the river include theft, drug use and assault. The auto salvage and storage areas along the river provide cover for these individuals. A visible homeless population makes the commercial district less desirable to patrons, further affecting its economic viability.

These types of crime can negatively impact existing Project Area businesses, discouraging business investment and patronage. Crime represents an additional cost in conducting, retaining, and attracting businesses to the Project Area.

Infrastructure Deficiencies in the Project Area

Section 33030 of the CRL states that a blighted area may be one that is characterized by one or more conditions of both physical and economic blight and in addition, characterized by the existence of inadequate public improvements, parking facilities, or utilities.

Section E of this Report details the programs and infrastructure projects proposed for the Project Area. The main commercial corridors are all affected by heavy traffic.

Traffic

Existing daily traffic volumes describes the number of cars in thousands that travel along road segments. The Project Area has a significant number of street segments that exceed desirable daily traffic volumes according to the City's Traffic Impact Study Manual and are therefore considered congested. According to the Environmental Impact Report prepared for the plan adoption process, the following segments are congested: Mission Gorge Road, Friars Road, Zion Avenue.

Traffic signals assign the right-of-way to vehicles, pedestrians in the intersection and increases traffic handling capacity of an intersection. Intersection conditions are measured by a concept called "level of service" (LOS) which is a qualitative measure describing operating conditions within a traffic stream and their perception by the motorists. Intersections are ranked "A" to "F" with "F" being the worst service level and "A" being the best conditions. There are several intersections that are ranked "C" or "F" they are: (1) Fairmont Avenue at the Eastbound Interstate 8 off ramp; (2) Mission Gorge Road between Twain Avenue and Mission Gorge Place; (3) Mission Gorge Road between Twain Avenue and Vandever Avenue; and (4) Mission Gorge Road between Friars Road and Zion Avenue. These intersections are considered congested and thus undesirable. Contributing to the high volume of traffic along Mission Gorge Road is the residential cross-thru traffic that must use the Mission Gorge Road commercial corridor to access residential communities.

square feet of new industrial space will be constructed coming on the assessment rolls at an average $125 per square foot.

- *Inflation:* An annual 2% cost inflation rate has been assumed.

Over the 45-year period within which the Agency may collect tax increment revenue, the forecast estimates that the Project Area could generate approximately $779 million of gross tax increment revenue. Of this amount, 20%, or $155 million would be deposited into the Agency's Housing Fund. The remaining 80%, or $623 million would be available to the Agency's Non-Housing Fund.

Statutory Payments

Pursuant to CRL Section 33607.5, the Agency is required to share a portion (projected to be approximately $270 million) of its Non-Housing Fund revenues with affected taxing agencies ("Statutory Payments"). These Statutory Payments would start in the first fiscal year the Agency receives tax increment revenue from the Project Area (assumed to be fiscal year 2006-07).

According to CRL Section 33607.5, affected taxing agencies are paid three tiers of Statutory Payments. The first tier equals 25% of the Project Area's annual non-housing tax increment revenue and begins in the first year the Agency receives tax increment and continuing through the last fiscal year. The second tier begins in the eleventh year of payments and continues through the last fiscal year the Agency receives tax increment revenue. The second tier equals 21% of the Project Area's annual non-housing tax increment revenue exceeding amounts in the tenth year of payments. The third tier commences in the thirty-first year of payments and continues through the last fiscal year the Agency receives tax increment revenue. The third tier equals 14% of the Project Area's annual non-housing tax increment revenue exceeding amounts in the thirtieth year of payments. In total, the Agency will share approximately 43% of its Non-Housing Fund revenues with affected taxing agencies.

The actual amount of Statutory Payments will vary based on the amount of tax increment revenue annually collected by the Agency. A forecast of Statutory Payments is provided on Table D-1. Should actual tax increment revenues exceed or fall below these projections, actual Statutory Payments would be higher or lower.

Each affected taxing agency is entitled to their respective share of the Statutory Payment. All agencies receive their share of the Statutory Payments, except for the City. According to CRL Section 33607.5, the City is only entitled to its share of the first 25% of the Statutory Payments if it so elects. The following is a preliminary list of affected taxing agencies in the Project Area:

- County of San Diego
- San Diego Unified School District

Parcel Number – 461 320 21
The eastbound Interstate 8 exit to Mission Gorge Road has a dangerous merge with Alvarado Canyon Road to the left. As vehicles are exiting the freeway on the right, vehicles on the left are merging across four lanes of traffic at the busy Mission Gorge Road/Fairmont Avenue Intersection to make a left turn.

<u>Flood Control</u>

The Project Area suffers from flooding due not only to its location near Alvarado Creek and the San Diego River, but also a lack of proper infrastructure. The area lacks necessary storm drain infrastructure to hold back floodwaters as well as contain, and send for treatment, urban runoff from industrial portions of the Project Area. The following page depicts the after effects of a flood event on Mission Gorge Place, where stranded drivers needed to be rescued when their vehicles got stuck in flooded streets. Even when rescues are not required, City work crews must spend extra maintenance time to clean up mud and other debris which cause a burden on the community.

Parcel Number – 461 210 05
This is the remaining debris after City work crews cleaned mud and debris form the street with a tractor.

Community Facilities and Open Space

As the San Diego River Master Plan is completed there will be a framework for the inclusion of more open space in the Project Area. Unfortunately without additional funding most of this master plan will not be realized.

Needed for Effective Redevelopment

CRL Section 33321 states that a project area need not be restricted to buildings and properties that are detrimental to the public health safety or welfare, but may consist of an area in which such conditions predominate and injuriously affect the entire area. A project area may include lands, buildings or improvements which are not detrimental to the public health, safety or welfare, but whose inclusion is found necessary for the effective redevelopment of the area. Areas cannot be included for the sole purpose of obtaining the allocation of tax increment revenue but must have substantial justification that they are necessary for effective redevelopment.

This Report documents that in the Project Area there are parcels that do not exhibit blighting conditions but that they are interspersed with parcels that are blighted and necessitate inclusion in the Project Area. The number of and severity of blighted parcels in the Project Area negatively affects the non-blighted parcels because of their appearance and proximity. The Project Area is perceived as uninviting by businesses because of the age, condition, and design of buildings, as well as small lot sizes. In addition, there are certain types of blighting conditions that cannot be directly linked to a particular parcel such as substandard traffic conditions which is a cumulative factor.

According to the Section 33333.2 of the CRL, a redevelopment project area can incur debt for 20 years with the option of amending the project to incur debt for 10 additional years (which enables it to finance projects). Given the overall condition of the Project Area and the economic status of both industrial and commercial property owners, it is clear that many of the parcels that do not exhibit blighting conditions now will do so over the life of the Project Area if nearby blighted parcels are not addressed. For example, if the Kaiser Hospital site on Zion Avenue were vacated because legally mandated seismic improvements could not be made, the resulting economic effect of such a large vacancy would be severe to the local real estate market. Also, it will be difficult to make significant improvements within the Project Area without Agency assistance given the long-term financial issues facing the city, state and federal governments.

To spur economic development efforts non-blighted parcels should be included in the Project Area because the small parcel sizes further confounds revitalizing the area. Should the Agency wish to assist new businesses to locate in the Project Area, parcel consolidation may be necessary if all of the parcels in a section are not included in the Project Area it would severely impede the process and compromise the Agency's success.

If only parcels that exhibited blighting conditions were included, the Project Area would be piecemeal, making the Project Area difficult to administer. The intention of the Agency is to offer rehabilitation programs that will assist property owners in curing health and safety issues and improving the appearance of the area. When one property is included in the Project Area, making it eligible for financial incentives to upgrade their property, and the adjacent parcel is not, owners will perceive it as unjust.

Physical and Economic Burden on Community

The issues below cause such burden to the community that it constitutes a serious physical and economic burden on the community, which cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment.

- The size of parcels do not generally allow for increased parking or the enlarging of buildings. For properties to meet current market standards reparcelization may be required.

- Extractive mining site along San Diego requires on-going monitoring and expensive environmental remediation upon completion of extraction activities.

- Lower commercial and industrial lease rates impact the ability of owners to make regular repairs and upgrades (such as electrical amperage, handicapped accessibility, lighting and façade improvement). Without periodic maintenance buildings become deteriorated or even dilapidated. Higher maintenance costs are associated with older buildings. Buildings that are not upgraded as market needs change become less desirable to tenants, for two reasons: 1) the structure does not meet current market standards; and 2) the costs associated with providing the necessary upgrades.

- The cost to combine parcels or teardown existing buildings for new development is not economically feasible for private development.

- Cost of lead based paint and asbestos removal increases rehabilitation costs.

- The higher crime rates require more calls for service.

- Response-based Code Enforcement is unable to address all of the health and safety code violations that exist in the Project Area.

- Traffic in the area is at capacity at several intersections: road and signal upgrades are needed.

Section

C

A Determination as to Whether the Project Area is Predominantly Urbanized

CRL Section 33344.5(c) requires that this Report include a description of the following conditions with respect to the Project Area, which is sufficiently detailed for a determination as to whether the Project Area is predominately urbanized:

(1) The total number of acres within the Project Area:

- 990 acres.

(2) The total number of acres that is characterized by the conditions of blight described in paragraph (4) of subdivision (a) of CRL Section 33031 (i.e. the existence of subdivided lots of irregular form and shape and inadequate size for proper usefulness and development that are under multiple ownership):

- Although the Project Area includes subdivided lots that meet this definition, the lots are developed with urban uses, or are an integral part of an area that is predominately urbanized, therefore, this definition is not necessary to the determination that the Project Area is predominately urbanized as defined by CRL Section 33320.1.

(3) The total number of acres in agricultural use. "Agricultural use" shall have the same meaning as that term defined in subdivision (b) of Section 51201 of the Government Code.

- None

(4) The total number of acres that is an integral part of an area that is predominately urbanized.

- 990 acres

(5) The percent of property within the Project Area that is predominately urbanized.

- 100%

(6) A map of the Project Area that identifies the property described in items (2), (3), and (4) and the property not developed for urban use.

- A map of the Project Area is included as Exhibit 1 of this report.

The proposed Project Area meets the definition of predominately urbanized because all territory within the Project Area is or has been developed with urban uses including mining operations, or any parcels that are not developed are immediately adjacent to parcels that are or have been developed with urban uses, making them an integral part of an urbanized area.

The proposed Project Area contains a 420-acre sand and gravel extraction area. All of this area is currently in use for extraction activities, a cement mixing plant, machine storage/salvage, or industrial repair and manufacturing activities, except for a 66.85-acre parcel. This privately owned parcel (455-020-11), a former extraction location, is limited to flood control activities and was included in the Project Area to implement future restoration projects for the San Diego River.

The are approximately 135-acres of vacant land in the Project Area. Of this approximately 117-acres are part of the San Diego River and nearly 13-acres are open space, leaving approximately 5-acres of other vacant land in the Project Area. Even if all of the vacant land in the Project Area were not considered urbanized, the 135-acres would represent less than 14% of the entire 990-acre Project Area.

Section

D

A Preliminary Assessment of the Proposed Method of Financing, Including an Assessment of the Economic Feasibility of the Project and the Reasons for the Provision of Tax Increment Revenue

Redevelopment of the Project Area is proposed to be financed with a combination of resources including:

- Financial assistance from the City, State of California, and/or Federal Government;
- Tax increment revenue;
- Bonded debt;
- Proceeds from the lease or sale of Agency-owned property;
- Loans from private financial institutions; and
- Any other legally available source.

The more typical sources of redevelopment financing that may be employed through Plan implementation are described below.

Financial Assistance from the City, State of California, and/or Federal Government

The Agency may obtain loans and advances from the City for planning, construction, and operating capital for project administration until such time that sufficient tax increment revenue is generated to repay loans and provide other means of operating capital. The City may also defer payments on Agency loans for capital projects to benefit the Agency's cash flow. Such assistance is anticipated to be employed to meet short-term cash flow needs. However, the City's General Fund cannot carry extensive levels of Agency debt at the risk of threatening the City's ability to fund its municipal obligations and services.

As available, other appropriate state and federal funds (such as Gas Tax Funds and Federal Community Development Block Grants) will be used to pay the costs of project implementation. The Agency and City will also pursue other available grants and loans, and may issue bonds for the purpose of funding improvements, or provide in-kind assistance.

Tax Increment Revenue

The Agency may use property tax increment revenue as provided by CRL Section 33670, and is authorized in the Plan to employ tax increment revenue financing to underwrite project costs. Tax increment revenue may only be used to pay indebtedness incurred by the Agency. Indebtedness includes principal and interest on loans, monies advanced, or debt (whether funded, refunded, assumed, or otherwise) incurred by the Agency to finance or refinance, in whole or in part, redevelopment activities.

Tax increment revenues are distributed to address an array of obligations. As required by CRL Section 33334.2, 20% of project tax increment revenue is deposited into the Agency's Housing Fund for the purposes of increasing, improving, and preserving the community's supply of very low, low and moderate-income housing.

The remaining 80% of project tax increment revenue will be used to pay taxing entity obligations, debt service costs, and other program expenditures including infrastructure, capital facility, and economic development programs within the Project Area.

The Plan includes specific time limits on the collection of tax increment revenue as required by the CRL. As stated in the Plan, the Agency may collect tax increment revenue for a period of 45 years following adoption of the ordinance adopting the Plan. Assuming the Plan is adopted during fiscal year 2004-05, the Agency would receive Project Area tax increment revenue through fiscal year 2049-50.

Bonded Debt

As provided by the Plan, the Agency has the capacity to issue bonds and/or notes for any of its corporate purposes, payable in whole or in part from tax increment revenue. Many redevelopment agencies throughout the state employ bond financing as an integral component of their overall redevelopment financing program.

The Plan permits the Agency the ability to incur debt during the first 20 years of the Plan, and establishes a $100 million limit on the amount of bonded debt principal which may be outstanding at any one time, adjusted by the consumer price index.

Lease or Sale of Agency-Owned Property

The Agency may sell, lease, or otherwise encumber its property holdings to pay the costs of Project implementation.

Participation in Development

If the Agency enters into agreements with property owners, tenants, and/or other developers that provide for revenues to be paid or repaid to the Agency, such revenues may be used to pay for project implementation costs.

Other Available Sources

Any other loans, grants, or financial assistance from the federal government, or any other public or private source will be utilized as available and appropriate. The Agency will also consider use of the powers provided by Chapter 8 of the CRL (Redevelopment Construction Loans) to provide construction funds for appropriate projects. Where feasible and appropriate, the Agency may use assessment district and/or Mello-Roos bond financing to pay for the costs of public infrastructure, facilities, and operations.

Projected Tax Increment Revenues

Tax increment revenue is anticipated as the primary source of project funding. Table D-1 presents a preliminary forecast of this revenue.

The projections are based upon the following assumptions:

1. <u>Base Year Value:</u> The San Diego County Auditor Controller indicates in its 2004-05 Base Year Report (dated November 22, 2004) a total 2004-05 base year value of $339,494,220.

2. <u>Annual Growth Trend:</u> The projections assume an annual 3.5% growth rate to reflect both the inflationary increase (maximum of 2% annually) and potential growth due to resale of property that is subject to reassessment based on the market value reflected by the sales price.

3. <u>New Development:</u> Assumptions regarding potential value increases caused by new development are as follows:

    - *Housing:* The projections assume that 134 new residential units will be constructed over the next 30 years with an average per unit value of $375,000.

    - *Commercial:* The projections assume that 500,000 square feet of commercial space will be rehabilitated over the next 30 years causing a $55 per square foot increase in value. It is also assumed that 302,460 square feet of new commercial space will be constructed coming on the assessment rolls at an average $150 per square foot.

    - *Industrial:* The projections assume that 500,000 square feet of industrial space will be rehabilitated over the next 30 years causing a $30 per square foot increase in value. It is also assumed that over 6.0 million

- San Diego Community College District
- San Diego County Office of Education
- City of San Diego
- San Diego County Water Authority
- Educational Revenue Augmentation Fund

Bonding Capacity

A bonding capacity analysis is presented in Table D-2. The analysis assumes that the Agency leverages the non-housing funds that will be available (net of statutory pass through payments). Bond assumptions include: 6% interest rate; 2% cost of issuance; 10% reserve fund requirement; necessary debt service coverage factor of 1.25; and a 5% interest earnings on the reserve fund. This analysis is meant to be illustrative and actual bonds that can be issued will depend on market conditions at the time of issuance. The analysis indicates a bonding capacity of approximately $67 million and total debt service of over $145 million. It is anticipated that bonds will periodically be issued to assist with implementation activities.

Economic Feasibility Analysis

Section E of this Report includes a preliminary list of potential economic development and infrastructure projects and programs proposed by the Agency. Table D-3 presents an illustrative cash flow based on the tax increment revenue projections presented on Table D-1, net bond proceeds based on the bond analysis presented on Table D-2, and the following assumptions related to project costs:

- ***Economic Development Programs:*** The analysis assumes that the Agency will assist with the rehabilitation of 1.0 million square feet of commercial and industrial space over the next 30 years by providing an average of $12.50 per square foot of assistance. Agency assistance is envisioned to help facilitate private participation. To this end the analysis assumes that the Agency will provide private investors various forms of assistance to assemble approximately 78 acres of commercial and industrial property within the Project Area. Administrative costs associated with these programs are included based on a 10% overhead cost. Total costs for these programs over the next 45 years are estimated to be nearly $284 million.
- ***Infrastructure Programs:*** The analysis assumes that in addition to the economic development program, which will involve some forms of public infrastructure enhancement, another $21 million will be allocated specifically to other infrastructure improvements.
- ***Housing Programs:*** The analysis assumes that the Agency will use all housing set-aside funds to assist with the rehabilitation and new construction

of affordable housing both within the Project Area and outside of the Project Area. These funds could be used for qualified projects and programs to benefit the residential neighborhoods near the Project Area.

- ***Cost Inflation:*** A 2% annual cost inflation rate is assumed.

Although the Agency may not be able to fund every infrastructure improvement needed in the Project Area, nor help every property and business owner rehabilitate their property, formation of the Project Area is economically viable as evidenced in the analysis presented in Table D-3. Sufficient revenue is anticipated to enable the Agency to make substantial investment in eliminating the conditions of blight documented in Section B of this Report.

Table D-3 shows the potential for having $5.2 million of the $434 million of net tax increment and net bond proceeds left at the time the Agency can no longer collect tax increment. Because the Agency will lose its ability to incur debt in 20 years from Plan adoption, and because the Agency is only entitled to collect tax increment to the extent that debt exists, it is feasible that this $5.2 million of tax increment generated in the last few year of the Plan may not be able to be preserved for project implementation activities. The analysis assumes that in the 20th year, the Agency maximizes its debt position in order to maximize the amount of tax increment that it will be eligible to receive over the remaining 25 years it is allowed to collect tax increment. Overall, the Agency should be able to expend over $429 million on debt service and various programs.

Reasons for the Provisions of Tax Increment

The provision of tax increment revenue must be included in the Plan because other sources are not available or are insufficient to finance the costs of redeveloping the Project Area. Utilization of tax increment revenue financing will provide the resources to develop a consistent and directed approach to activities and programs needed to eliminate blight, provide for the improvement of infrastructure, and aid in the expansion of the Project Area's economic base. When adverse conditions are not addressed, the resulting physical and financial impacts imposed by these conditions will exacerbate existing blighting conditions. It will cause serious economic hardships and undue disruption of the lives and activities of people working in the Project Area and its surrounds.

The City does not currently have or expect to have the available financial resources to fund the magnitude of improvements necessary to reverse the adverse conditions present in the Project Area.

Financing programs available to the City, such as assessment districts, may not be workable for the type and amount of improvements required. Assessment districts impose a financial burden that area businesses and potential developers may be unable to bear. As indicated by the blighting conditions, which can be found throughout the Project Area, property owners do not have the resources to maintain their properties, much less rehabilitate them. In instances where reparcelization needs to occur, the Agency's powers and financing will be necessary. Therefore, it cannot be reasonably expected that private enterprise acting alone would have the means to accomplish redevelopment of the Project Area. Without the provision of tax increment revenue financing, sufficient revenue would not be available to fund the needed programs and improvements.

TABLE D-1

TAX INCREMENT PROJECTIONS

GRANTVILLE REDEVELOPMENT PROJECT AREA

Plan Year	Incmt Year	Year	ASSESSED VALUE: Secured & Unsecured 3.5%	New Development	Total	Incremental	Gross Est. Increment 1%	Housing Set-Aside 20%	Gross Non-Housing Revenue	STATUTORY PAYMENTS: First Tier Payments 25%	Second Tier Payments 21%	Third Tier Payments 14%	Total Statutory Payments	Net Non-Housing Revenue
Base Year		2004-05	339,494,220		339,494,220									
1		2005-06	351,376,518		351,376,518									
2	1	2006-07	363,674,696	33,827,081	397,501,777	46,125,259	461,253	92,251	369,002	92,251			92,251	276,752
3	2	2007-08	411,414,339	34,518,652	445,932,991	94,556,474	945,565	189,113	756,452	189,113			189,113	567,339
4	3	2008-09	461,540,646	35,224,506	496,765,152	145,388,634	1,453,886	290,777	1,163,109	290,777			290,777	872,332
5	4	2009-10	514,151,932	35,944,940	550,096,872	198,720,355	1,987,204	397,441	1,589,763	397,441			397,441	1,192,322
6	5	2010-11	569,350,263	36,680,262	606,030,525	254,654,007	2,546,540	509,308	2,037,232	509,308			509,308	1,527,924
7	6	2011-12	627,241,593	25,886,492	653,128,086	301,751,568	3,017,516	603,503	2,414,013	603,503			603,503	1,810,509
8	7	2012-13	675,987,569	26,421,645	702,409,214	351,032,696	3,510,327	702,065	2,808,262	702,065			702,065	2,106,196
9	8	2013-14	726,993,536	26,968,024	753,961,560	402,585,043	4,025,850	805,170	3,220,680	805,170			805,170	2,415,510
10	9	2014-15	780,350,215	27,525,869	807,876,084	456,499,566	4,564,996	912,999	3,651,997	912,999			912,999	2,738,997
11	10	2015-16	836,151,747	28,095,425	864,247,172	512,870,654	5,128,707	1,025,741	4,102,965	1,025,741			1,025,741	3,077,224
12	11	2016-17	894,495,823	28,676,944	923,172,766	571,796,249	5,717,962	1,143,592	4,574,370	1,143,592	98,995		1,242,587	3,331,782
13	12	2017-18	955,483,813	29,270,681	984,754,494	633,377,976	6,333,780	1,266,756	5,067,024	1,266,756	202,452		1,469,208	3,597,816
14	13	2018-19	1,019,220,901	29,876,899	1,049,097,800	697,721,282	6,977,213	1,395,443	5,581,770	1,395,443	310,549		1,705,992	3,875,779
15	14	2019-20	1,085,816,223	30,495,865	1,116,312,088	764,935,570	7,649,356	1,529,871	6,119,485	1,529,871	423,469		1,953,340	4,166,144
16	15	2020-21	1,155,383,011	31,127,853	1,186,510,864	835,134,346	8,351,343	1,670,269	6,681,075	1,670,269	541,403		2,211,672	4,469,403
17	16	2021-22	1,228,038,744	31,773,144	1,259,811,888	908,435,370	9,084,354	1,816,871	7,267,483	1,816,871	664,549		2,481,419	4,786,063
18	17	2022-23	1,303,905,304	32,432,022	1,336,337,326	984,960,809	9,849,608	1,969,922	7,879,686	1,969,922	793,111		2,763,033	5,116,653
19	18	2023-24	1,383,109,133	33,104,780	1,416,213,913	1,064,837,395	10,648,374	2,129,675	8,518,699	2,129,675	927,304		3,056,979	5,461,720
20	19	2024-25	1,465,781,400	33,791,717	1,499,573,117	1,148,196,599	11,481,966	2,296,393	9,185,573	2,296,393	1,067,348		3,363,741	5,821,832
21	20	2025-26	1,552,058,176	34,493,138	1,586,551,314	1,235,174,797	12,351,748	2,470,350	9,881,398	2,470,350	1,213,471		3,683,821	6,197,578
22	21	2026-27	1,642,080,610	35,209,355	1,677,289,965	1,325,913,448	13,259,134	2,651,827	10,607,308	2,651,827	1,365,912		4,017,739	6,589,569
23	22	2027-28	1,735,995,114	35,940,687	1,771,935,801	1,420,559,283	14,205,593	2,841,119	11,364,474	2,841,119	1,524,917		4,366,035	6,998,439
24	23	2028-29	1,833,953,554	36,687,460	1,870,641,014	1,519,264,496	15,192,645	3,038,529	12,154,116	3,038,529	1,690,742		4,729,271	7,424,845
25	24	2029-30	1,936,113,449	37,450,007	1,973,563,456	1,622,186,938	16,221,869	3,244,374	12,977,496	3,244,374	1,863,651		5,108,025	7,869,470
26	25	2030-31	2,042,638,177	38,228,669	2,080,866,846	1,729,490,328	17,294,903	3,458,981	13,835,923	3,458,981	2,043,921		5,502,902	8,333,021
27	26	2031-32	2,153,697,186	35,926,205	2,189,623,390	1,838,246,873	18,382,469	3,676,494	14,705,975	3,676,494	2,226,632		5,903,126	8,802,849
28	27	2032-33	2,266,260,209	36,676,197	2,302,936,406	1,951,559,888	19,515,599	3,903,120	15,612,479	3,903,120	2,416,998		6,320,118	9,292,361
29	28	2033-34	2,383,539,180	37,442,133	2,420,981,314	2,069,604,796	20,696,048	4,139,210	16,556,838	4,139,210	2,615,313		6,754,523	9,802,315
30	29	2034-35	2,505,715,660	38,224,361	2,543,940,020	2,192,563,503	21,925,635	4,385,127	17,540,508	4,385,127	2,821,884		7,207,011	10,333,497
31	30	2035-36	2,632,977,921	39,023,234	2,672,001,155	2,320,624,637	23,206,246	4,641,249	18,564,997	4,641,249	3,037,027		7,678,276	10,886,721
32	31	2036-37	2,765,521,195	36,191,083	2,801,712,278	2,450,335,760	24,503,358	4,900,672	19,602,686	4,900,672	3,254,941	145,276	8,300,889	11,301,797
33	32	2037-38	2,899,772,208	36,914,904	2,936,687,112	2,585,310,594	25,853,106	5,170,621	20,682,485	5,170,621	3,481,699	296,448	8,948,769	11,733,716
34	33	2038-39	3,039,471,161	37,653,202	3,077,124,363	2,725,747,846	27,257,478	5,451,496	21,805,983	5,451,496	3,717,634	453,738	9,622,867	12,183,115
35	34	2039-40	3,184,823,716	38,406,266	3,223,229,983	2,871,853,465	28,718,535	5,743,707	22,974,828	5,743,707	3,963,091	617,376	10,324,174	12,650,653
36	35	2040-41	3,336,043,032	39,174,392	3,375,217,424	3,023,840,906	30,238,409	6,047,682	24,190,727	6,047,682	4,218,430	787,602	11,053,714	13,137,013
37	36	2041-42	3,493,350,034	39,957,880	3,533,307,913	3,181,931,396	31,819,314	6,363,863	25,455,451	6,363,863	4,484,022	964,664	11,812,548	13,642,903
38	37	2042-43	3,656,973,690	40,757,037	3,697,730,727	3,346,354,210	33,463,542	6,692,708	26,770,834	6,692,708	4,760,252	1,148,817	12,601,778	14,169,056
39	38	2043-44	3,827,151,303	41,572,178	3,868,723,481	3,517,346,963	35,173,470	7,034,694	28,138,776	7,034,694	5,047,520	1,340,329	13,422,543	14,716,233
40	39	2044-45	4,004,128,803	42,403,622	4,046,532,424	3,695,155,906	36,951,559	7,390,312	29,561,247	7,390,312	5,346,239	1,539,475	14,276,026	15,285,221
41	40	2045-46	4,188,161,059	43,251,694	4,231,412,753	3,880,036,235	38,800,362	7,760,072	31,040,290	7,760,072	5,656,838	1,746,541	15,163,452	15,876,838
42	41	2046-47	4,379,512,199	0	4,379,512,199	4,028,135,682	40,281,357	8,056,271	32,225,085	8,056,271	5,905,645	1,912,412	15,874,329	16,350,756
43	42	2047-48	4,532,795,126	0	4,532,795,126	4,181,418,609	41,814,186	8,362,837	33,451,349	8,362,837	6,163,161	2,084,089	16,610,087	16,841,262
44	43	2048-49	4,691,442,956	0	4,691,442,956	4,340,066,438	43,400,664	8,680,133	34,720,532	8,680,133	6,429,689	2,261,775	17,371,597	17,348,935
45	44	2049-50	4,855,643,459	0	4,855,643,459	4,504,266,941	45,042,669	9,008,534	36,034,136	9,008,534	6,705,546	2,445,679	18,159,759	17,874,377
		TOTALS				77,930,569,792	779,305,698	155,861,140	623,444,558	155,861,140	96,984,356	17,744,223	270,589,718	352,854,840

Source: Rosenow Spevacek Group, Inc.

Notes: * Base Year Value obtained from San Diego County base year report.

TABLE D-2
BONDING CAPACITY ANALYSIS NON-HOUSING & HOUSING FUNDS
GRANTVILLE REDEVELOPMENT PROJECT

Year	Fiscal Year	Net Tax Increment	Debt Issued	Issuance Costs	Reserve Fund	Net Proceeds	Bond Debt Service	Total Bond Debt Service	Coverage Ratio	Interest on Reserves	Surplus Resources
			6%	2%	10%				1.25	5%	
BASE YEAR	2004-05										-
1	2005-06	0	0	0	0	0	0	0	0.00	0	0
2	2006-07	276,752						0	0.00	0	276,752
3	2007-08	567,339	6,247,459	124,949	624,746	5,497,764	453,871	453,871	1.25	31,237	144,705
4	2008-09	872,332						453,871	1.92	31,237	449,698
5	2009-10	1,192,322	7,382,028	147,641	738,203	6,496,185	536,296	990,167	1.20	68,147	270,302
6	2010-11	1,527,924						990,167	1.54	68,147	605,904
7	2011-12	1,810,509	7,397,957	147,959	739,796	6,510,202	537,454	1,527,621	1.19	105,137	388,026
8	2012-13	2,106,196						1,527,621	1.38	105,137	683,712
9	2013-14	2,415,510	7,254,024	145,080	725,402	6,383,541	526,997	2,054,618	1.18	141,407	502,300
10	2014-15	2,738,997						2,054,618	1.33	227,857	912,237
11	2015-16	3,077,224	7,867,023	157,340	786,702	6,922,981	571,531	2,626,149	1.17	180,742	631,818
12	2016-17	3,331,782		0	0	0		2,626,149	1.27	180,742	886,376
13	2017-18	3,597,816		0	0	0		2,626,149	1.37	180,742	1,152,409
14	2018-19	3,875,779	9,422,939	188,459	942,294	8,292,186	684,566	3,310,715	1.17	227,857	792,921
15	2019-20	4,166,144				0		3,310,715	1.26	227,857	1,083,287
16	2020-21	4,469,403	0			0		3,310,715	1.35	227,857	1,386,545
17	2021-22	4,786,063	10,496,935	209,939	1,049,694	9,237,303	782,993	4,093,708	1.17	280,342	972,697
18	2022-23	5,116,653		0	0	0		4,093,708	1.25	280,342	1,303,287
19	2023-24	5,461,720		0	0	0	0	4,093,708	1.33	280,342	1,648,354
20 (20-Yr. Term)	2024-25	5,821,832	11,393,221	227,864	1,139,322	10,026,034	891,254	4,984,962	1.17	337,308	1,174,178
21	2025-26	6,197,578		0	0	0		4,984,962	1.24	337,308	1,549,924
22	2026-27	6,589,569		0	0	0		4,984,962	1.32	337,308	1,941,914
23	2027-28	6,998,439		0	0	0		4,984,962	1.40	337,308	2,350,784
24	2028-29	7,424,845		0	0	0		4,984,962	1.49	337,308	2,777,191
25	2029-30	7,869,470		0	0	0		4,984,962	1.58	337,308	3,221,816
26	2030-31	8,333,021		0	0	0		4,984,962	1.67	337,308	3,685,367
27	2031-32	8,802,849		0	0	0		4,984,962	1.77	337,308	4,155,195
28	2032-33	9,292,361		0	0	0		4,984,962	1.86	337,308	4,644,707
29	2033-34	9,802,315		0	0	0		4,984,962	1.97	337,308	5,154,661
30	2034-35	10,333,497						4,984,962	2.07	337,308	5,685,843
31	2035-36	10,886,721						4,984,962	2.18	337,308	6,239,067
32	2036-37	11,301,797						4,984,962	2.27	337,308	6,654,142
33	2037-38	11,733,716						4,531,091	2.59	337,308	7,539,933
34	2038-39	12,183,115						4,531,091	2.69	337,308	7,989,332
35	2039-40	12,650,653						3,994,795	3.17	337,308	8,993,166
36	2040-41	13,137,013						3,994,795	3.29	337,308	9,479,526
37	2041-42	13,642,903						3,457,341	3.95	337,308	10,522,869
38	2042-43	14,169,056						3,457,341	4.10	337,308	11,049,022
39	2043-44	14,716,233						2,930,344	5.02	337,308	12,123,196
40	2044-45	15,285,221						2,930,344	5.22	337,308	12,692,185
41	2045-46	15,876,838						2,358,814	6.73	337,308	13,855,333
42	2046-47	16,350,756						2,358,814	6.93	337,308	14,329,251
43	2047-48	16,841,262						2,358,814	7.14	337,308	14,819,756
44	2048-49	17,348,935						1,674,247	10.36	337,308	16,011,995
45	2049-50	17,874,377						1,674,247	10.68	337,308	16,537,437
TOTALS		352,854,840	67,461,586	1,349,232	6,746,159	59,366,196	4,984,962	145,200,857		11,615,139	219,269,122
										NPV@6% =	$32,463,503

TOTAL BONDING CAPACITY:
$67 million

FUNDS REMAINING:
$219 million ($32 mil NPV)
(includes funds available after debt service and interest on reserve funds)

TABLE D-3
SUMMARY OF ANNUAL REVENUE AND COSTS - CASH FLOW
GRANTVILLE REDEVELOPMENT PROJECT AREA

		REVENUE				COSTS						
		Net Tax Inrement	Housing Set-Aside	Net Bond Proceeds	Total Revenue	Debt Svc	Economic Development Programs	Infrastructure Programs	Housing Programs	Project Costs	Annual Revenue less Costs	Annual Cumulative Fund Balance
Bs Yr	2004-05	0		-	0	0	0	0		-	0	0
1	2005-06	0		-	0	0	0	204,000		204,000	-204,000	-204,000
2	2006-07	276,752	92,251	-	369,002	0	476,850	551,412	92,251	1,120,513	-751,510	-955,510
3	2007-08	144,705	189,113	5,497,764	5,831,582	453,871	486,387	562,440	189,113	1,237,940	4,139,770	3,184,260
4	2008-09	449,698	290,777	-	740,475	453,871	496,115	573,689	290,777	1,360,581	-1,073,977	2,110,283
5	2009-10	270,302	397,441	6,496,185	7,163,928	990,167	11,740,059	585,163	397,441	12,722,663	-6,548,902	-4,438,619
6	2010-11	605,904	509,308	-	1,115,212	990,167	516,158	596,866	509,308	1,622,332	-1,497,287	-5,935,906
7	2011-12	388,026	603,503	6,510,202	7,501,731	1,527,621	526,481	608,803	603,503	1,738,787	4,235,323	-1,700,584
8	2012-13	683,712	702,065	-	1,385,778	1,527,621	537,011	620,979	702,065	1,860,055	-2,001,898	-3,702,482
9	2013-14	502,300	805,170	6,383,541	7,691,011	2,054,618	12,707,818	633,399	805,170	14,146,387	-8,509,994	-12,212,476
10	2014-15	912,237	912,999	-	1,825,236	2,054,618	558,706	646,067	912,999	2,117,772	-2,347,154	-14,559,630
11	2015-16	631,818	1,025,741	6,922,981	8,580,540	2,626,149	569,880	658,988	1,025,741	2,254,610	3,699,782	-10,859,848
12	2016-17	886,376	1,143,592	-	2,029,969	2,626,149	581,277	672,168	1,143,592	2,397,038	-2,993,218	-13,853,066
13	2017-18	1,152,409	1,266,756	-	2,419,165	2,626,149	592,903	685,612	1,266,756	2,545,271	-2,752,254	-16,605,320
14	2018-19	792,921	1,395,443	8,292,186	10,480,549	3,310,715	14,030,458	699,324	1,395,443	16,125,224	-8,955,389	-25,560,709
15	2019-20	1,083,287	1,529,871	-	2,613,158	3,310,715	616,856	713,310	1,529,871	2,860,038	-3,557,595	-29,118,304
16	2020-21	1,386,545	1,670,269	-	3,056,814	3,310,715	629,193	727,576	1,670,269	3,027,039	-3,280,939	-32,399,243
17	2021-22	972,697	1,816,871	9,237,303	12,026,871	4,093,708	14,889,234	742,128	1,816,871	17,448,232	-9,515,069	-41,914,312
18	2022-23	1,303,287	1,969,922	-	3,273,209	4,093,708	654,613	756,971	1,969,922	3,381,505	-4,202,004	-46,116,316
19	2023-24	1,648,354	2,129,675	-	3,778,029	4,093,708	667,705	772,110	2,129,675	3,569,490	-3,885,169	-50,001,485
20	2024-25	1,174,178	2,296,393	10,026,034	13,496,605	4,984,962	19,968,656	787,552	2,296,393	23,052,602	-14,540,959	-64,542,444
21	2025-26	1,549,924	2,470,350	-	4,020,273	4,984,962	694,680	803,303	2,470,350	3,968,333	-4,933,022	-69,475,466
22	2026-27	1,941,914	2,651,827	-	4,593,741	4,984,962	708,574	819,369	2,651,827	4,179,770	-4,570,991	-74,046,457
23	2027-28	2,350,784	2,841,119	-	5,191,903	4,984,962	722,745	835,757	2,841,119	4,399,621	-4,192,680	-78,239,137
24	2028-29	2,777,191	3,038,529	-	5,815,720	4,984,962	737,200	852,472	3,038,529	4,628,201	-3,797,443	-82,036,581
25	2029-30	3,221,816	3,244,374	-	6,466,190	4,984,962	751,944	869,521	3,244,374	4,865,839	-3,384,612	-85,421,192
26	2030-31	3,685,367	3,458,981	-	7,144,347	4,984,962	766,983	886,912	3,458,981	5,112,876	-2,953,491	-88,374,683
27	2031-32	4,155,195	3,676,494	-	7,831,689	4,984,962	782,323	904,650	3,676,494	5,363,467	-2,516,740	-90,891,423
28	2032-33	4,644,707	3,903,120	-	8,547,827	4,984,962	797,969	922,743	3,903,120	5,623,832	-2,060,967	-92,952,391
29	2033-34	5,154,661	4,139,210	-	9,293,871	4,984,962	813,929	941,198	4,139,210	5,894,336	-1,585,428	-94,537,818
30	2034-35	5,685,843	4,385,127	-	10,070,970	4,984,962	830,207	960,022	4,385,127	6,175,356	-1,089,349	-95,627,167
31	2035-36	6,239,067	4,641,249		10,880,316	4,984,962	846,812	979,222	4,641,249	6,467,283	-571,929	-96,199,096
32	2036-37	6,654,142	4,900,672		11,554,814	4,984,962	0	998,807	4,900,672	5,899,478	670,374	-95,528,722
33	2037-38	7,539,933	5,170,621		12,710,554	4,531,091	0	1,018,783	5,170,621	6,189,404	1,990,059	-93,538,663
34	2038-39	7,989,332	5,451,496		13,440,828	4,531,091	0	1,039,158	5,451,496	6,490,654	2,419,083	-91,119,580
35	2039-40	8,993,166	5,743,707		14,736,873	3,994,795	0	1,059,941	5,743,707	6,803,648	3,938,430	-87,181,150
36	2040-41	9,479,526	6,047,682		15,527,208	3,994,795	0	1,081,140	6,047,682	7,128,822	4,403,591	-82,777,559
37	2041-42	10,522,869	6,363,863		16,886,732	3,457,341	0	1,102,763	6,363,863	7,466,626	5,962,765	-76,814,794
38	2042-43	11,049,022	6,692,708		17,741,731	3,457,341	0	1,124,818	6,692,708	7,817,527	6,466,863	-70,347,931
39	2043-44	12,123,196	7,034,694		19,157,890	2,930,344	0	1,147,315	7,034,694	8,182,009	8,045,537	-62,302,394
40	2044-45	12,692,185	7,390,312		20,082,497	2,930,344	0	1,170,261	7,390,312	8,560,573	8,591,579	-53,710,815
41	2045-46	13,855,333	7,760,072		21,615,405	2,358,814	0	1,193,666	7,760,072	8,953,739	10,302,853	-43,407,962
42	2046-47	14,329,251	8,056,271		22,385,522	2,358,814	0	1,217,540	8,056,271	9,273,811	10,752,897	-32,655,065
43	2047-48	14,819,756	8,362,837		23,182,593	2,358,814	0	1,241,890	8,362,837	9,604,728	11,219,052	-21,436,013
44	2048-49	16,011,995	8,680,133		24,692,128	1,674,247	0	1,266,728	8,680,133	9,946,861	13,071,020	-8,364,993
45	2049-50	16,537,437	9,008,534		25,545,971	1,674,247	0	1,292,063	9,008,534	10,300,597	13,571,127	5,206,134
		219,269,122		59,366,196	434,496,457	145,200,857	89,699,728	38,528,599	155,861,140	284,089,466	5,206,134	

Section

E

A Description of the Projects Proposed by the Agency, and How those Proposed Projects Will Improve and Alleviate Blight

Grantville's existing land-uses and the presence of surrounding residential communities suggest that redevelopment projects and programs should be used to improve Grantville's appeal as an employment center within the greater community of San Diego. It is also recommended that the area be promoted for community serving retail. It is also feasible that a portion of the Project Area could be residentially developed particularly near the new trolley station.

Many of the commercial properties in the proposed Project Area are adversely affected by deteriorated and unattractive industrial uses that are intermixed with commercial uses. Many of commercial offerings are small businesses that do not have regional appeal and it will be important to better integrate commercial and industrial uses in the Project Area so the surrounding residential community does not lose needed retail offerings.

Possible scenarios to strengthen the commercial areas include: (1) creating commercial nodes within the area and encouraging mixed use development; (2) establishing light industrial parks in underdeveloped areas to both promote business technology start-up and relocate manufacturing and auto related uses away from the Mission Gorge Road commercial corridor; and (3) taking advantage of the close proximity to the Grantville light rail station for the development of housing. Agency sponsored commercial rehabilitation programs and participation in new development projects would also upgrade the commercial areas making them more desirable to nearby residents and patrons.

Industrial uses in the Project Area are competing with commercial uses for space. The result of which has been a difficult mixture of unrelated uses that eliminates synergistic uses. Observations from the field study suggests several possible options to maintain industrial uses for the long term including: (1) relocating industrial uses to underutilized areas of the Project Area; (2) and the pursuit of clean technology employers for new industrial development such as biotechnology. These programs along with the tools of redevelopment will rejuvenate properties and allow businesses to flourish.

One key infrastructure need identified through field studies and community input is traffic flow improvement in the Project Area. The Project Area contains several overburdened streets that must also be traveled to access Interstate 8. The traffic affects both businesses and residential neighborhoods by adding drive time for commuters and deterring patrons from the area. The Project Area lacks adequate flood control measures along Alvarado Creek and the San Diego River. Also, urban runoff from industrial uses directly into the San Diego River must be addressed to improve water quality.

The Agency will encourage the following proposed projects to alleviate and prevent the reoccurrence of blighting conditions throughout the Project Area. The Agency proposes to implement redevelopment activities envisioned in the Plan through commercial, industrial and residential revitalization activities. These projects include: (1) economic development programs; (2) very low, low and moderate income and market rate housing programs where appropriate; and (3) public infrastructure improvements.

Economic Development Programs

Agency staff will pursue the redevelopment and revitalization of nonconforming, vacant, or underutilized properties through marketing and encouragement of private sector investment. The initial focus may be the development of new industrial properties to provide nearby relocation options for industrial uses that are out of place along or near commercial uses on the southern end of Mission Gorge Road. Portions of the existing sand and gravel extraction operations lend themselves to industrial development. For example, the grouping of auto repair uses in one area could create synergistic marketing opportunities and provide an overall positive benefit for these uses. In addition, industrial relocation from the southern end of Mission Gorge Road would create opportunities for expansion of neighborhood serving commercial uses.

This effort could include the implementation of a commercial rehabilitation program in the form of grants and/or low interest rate loans to eligible businesses. This would involve upgrading outdated facades, enhancing utilities and enlarging commercial space to better meet current market demands. This could include the provision of public parking lots to alleviate street congestion and enhance the desirability of commercial strips. The program would also assist property owners and businesses in replacing deteriorated signs that do not meet City codes. The Agency may assist in developing light industrial parks to provide start up opportunities for clean industrial uses such as scientific research and development. The Agency may also participate in mixed use development near Mission Gorge between Interstate 8 and Friars Road. Finally, the Agency may assist in infrastructure improvements to support rehabilitation programs.

To support the economic development and commercial rehabilitation programs, the Agency proposes a proactive business expansion and retention program that would assist in the retention of existing businesses, and encourage appropriate new businesses to locate within the boundaries of the Project Area. This program would market the area to prospective businesses, while also assisting existing businesses to remain in the area or to expand by offering technical assistance. By marketing an array of redevelopment tools, including commercial rehabilitation, land assembly, acquisition and site preparation activities, this program would provide incentives for businesses to remain as well as relocate to the Project Area.

Low and Moderate Income and Market Rate Housing Programs

The Agency is required to set aside no less than 20% of the tax increment revenue generated by the Project into a special Low and Moderate Income Housing Fund. These funds are to be used to increase, improve, and preserve the supply of low and moderate income housing in the community. In the Project Area some existing commercial zones along Mission Gorge Road allow for mixed-use development, which could accommodate these funds. The Agency will strive to produce needed additional units with tax increment revenues. The Agency may also have the opportunity to assist in the provision of market rate housing using Non-Housing funds. It is proposed that the Agency take steps to allow Low and Moderate Income Housing Funds to be used both inside of and outside of the Project Area.

The industrial and commercial portions of the Project Area have properties that are significantly deteriorated creating unsafe conditions for their occupants as well as an unsightly appearance. The longer these conditions continue the more likely they will affect the value of surrounding homes on the outside edges of the Project Area.

The housing program could assist very low, low and moderate-income persons in nearby neighborhoods to rehabilitate their property. Further, the housing program may include one or more of the following components: (1) a multi-family residential rehabilitation loan program; (2) a residential rehabilitation grant program; (3) a residential acquisition and rehabilitation program; (4) property acquisition assistance for qualified first-time homebuyers; (5) assistance in the construction of new residential dwelling units; (6) development of multi-family rental housing; and (7) development of senior and special needs housing.

Public Infrastructure and Facility Improvements

The Agency has identified a number of public improvement projects that would mitigate the deficiencies in the existing infrastructure system. Through public investment in infrastructure, the Agency hopes to stimulate private sector activity in the Project Area. This generally includes: traffic circulation and street reconstruction, streetscape improvements, signalization upgrades, drainage, public facility and park improvements.

This area is impacted by high-density commercial and industrial sections, the Kaiser Hospital site, and traffic from surrounding residential uses which use Mission Gorge and Friars Roads as access points to and from the community. The Navajo Community Plan update is needed to provide a vision for a functioning multi-modal transportation system that connects to the larger regional system and a sensible traffic plan that enhances neighborhood quality and cohesiveness. However, the proposed Project Area has a significant number of street segments that exceed desirable daily traffic volumes and are therefore considered congested. Congestion or “level of service” in key intersections near or within the Project Area is ranked “C” or “F” with “F” being the worst. Impacted intersections, starting with the most congested by level of service, are: (1) Fairmont Avenue at the Eastbound Interstate

8 off ramp; (2) Mission Gorge Road between Twain Avenue and Mission Gorge Place; (3) Mission Gorge Road between Twain Avenue and Vandever Avenue; and (4) Mission Gorge Road between Friars Road and Zion Avenue. These four sections of roadway represent the bulk of traffic capacity in the Project Area and are projected to worsen if improvements are not made. Additional road development is also restricted by the San Diego River and existing development and may require the extraordinary tools provided by in CRL as well as tax increment funding to realize improvements.

Proposed programs would improve traffic circulation by widening street and turn lanes at key intersections and other circulation upgrades for the majority of streets in the Project Area. It is anticipated that this, along with the other suggested programs, will improve the economic conditions in the Project Area through relief of congestion and enhanced visual appearance. Streetscape improvements would include upgrades in the lighting system, and the installation of sidewalks and landscaping in the public right-of-way. Signalization improvements may interconnect traffic signals along thoroughfares for better traffic flow, and include installation of new or upgraded traffic signals at major Project Area intersections.

Upgraded traffic circulation, would allow increased access for emergency vehicles and improved traffic flow for Project Area patrons and residents. Street lighting and other streetscape improvements would improve the overall appeal of the area, thus increasing the public's perception of safety. Streetscape improvements would also improve the overall quality of the physical environment and encourage private sector investment. By implementing these and other projects to abate the blighting conditions affecting the Project Area, the public sector will signal its confidence in the area and provide a catalyst for private investment.

Project/Program Costs

A listing of potential projects that the Agency may undertake includes:

- I-8/Fairmont/Mission Gorge intersection, alignment and road improvements
- Alvarado Creek improvements to address flooding problems
- Transit related improvements particularly in the vicinity of the Grantville Trolley Station
- Storm drain improvements and run-off treatment
- Commercial rehabilitation
- Residential rehabilitation in the vicinity of the Project Area
- Post extraction restoration and related activities
- Environmental restoration particularly in area of Alvarado Creek and San Diego River
- Park and recreation improvements including hiking trails
- Community serving public facilities including library and senior center
- Street lights throughout the area
- Undergrounding of utilities
- Update of related Community Plans

- Affordable Housing

Table D-3 illustrates a possible cash flow scenario based upon tax increment projections also presented in Section D (Table D-1). Economic development programs will assist in rehabilitating existing commercial and industrial buildings where appropriate, relocation of industrial uses to more appropriate areas, developing additional commercial/industrial projects and the infrastructure improvements necessary to support the projects. The tax increment revenue projections show $779 million will be available to assist in projects. The CRL requires that 20% of gross tax increment be used to provide and improve very low, low and moderate-income housing. Revenue projections estimate this amount to be about $155 million. In addition, Non-housing funds can be used to supply market rate housing. The Infrastructure Mitigation Measures based upon the Community Plans and the City's capital improvement needs are estimated to cost $57 million. It is likely that the costs most directly related to the Project Area will be borne by the Agency and that this money will act as a means to obtain additional funding.

Appendix

A

Prior Planning Documents

The following planning documents will be available through the City upon request:

- Navajo Community Plan
- Tierrasanta Communities Plan

Appendix

B

CRL Section 33030 and 33031

The CRL sets forth specific parameters that define blight. According to CRL Section 33030, a blighted area contains both of the following:

1. An area that is predominantly urbanized and is an area in which the combination of physical and economic blighting conditions is so prevalent and substantial that it causes "a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical and economic burden on the community, which cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment" (CRL Section 33030(b)(1)).

2. An area that is characterized by either physical blight and economic blight or the "existence of subdivided lots of irregular form and shape and inadequate size for proper usefulness and development that are in multiple ownership" (CRL Sections 33030(b)(2) and 33031(a)(4)).

Provided that other conditions of physical and economic blight are present, a blighted area may also be one that is characterized by the existence of inadequate public improvements, parking facilities, and utilities.

The characteristics of both physical and economic blight, as defined above, are present throughout the Project Area. The characteristics of physical blight include deteriorated and dilapidated structures, lots/buildings suffering from defective design, substandard design, and lots of inadequate size, and incompatible uses. The characteristics of economic blight include low lease rates, depreciated property values, impaired investments, low per capita retail sales tax, and crime, all of which are indicative of declining market conditions. These blighting conditions are detrimental to surrounding uses and the community.

CRL Section 33031(a) describes the following physical conditions that constitute blight:

1. Lots/buildings in which it is unsafe or unhealthy for persons to live or work; examples of these conditions include:

    a. Dilapidated and deteriorated buildings.

    b. Lots/buildings suffering from defective design or physical construction.

    c. Lots/buildings suffering from faulty or inadequate utilities.

    d. Serious building code violations.

2. Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots; examples of these conditions include:

   a. Lots/buildings suffering from substandard design.

   b. Lots/buildings of inadequate size, given present standards and market conditions.

   c. Lack of available parking.

3. Adjacent or nearby uses that are incompatible with each other and which prevent the economic development of those parcels or other portions of the project area.

4. The existence of subdivided lots of irregular form and shape, inadequate size for proper usefulness and development, and that are in multiple ownership.

ECONOMIC BLIGHT

CRL Section 33031(b) describes the following economic conditions that constitute blight:

1. Depreciated or stagnant property values or impaired investments. This condition includes the presence of hazardous waste.

2. Stagnant or declining market conditions; examples of this include:

   a. Abnormally high business vacancies.
   b. Abnormally low lease rates.
   c. High turnover rates.
   d. Abandoned buildings.
   e. Excessive vacant lots within an area developed for urban uses and served by utilities.

3. A lack of necessary commercial facilities such as those normally found in neighborhoods including grocery stores, drug stores, and banks and other lending institutions.

4. Residential overcrowding or an excess of bars, liquor stores, or other businesses that cater exclusively to adults that has led to problems of public safety and welfare.

5. A high crime rate that constitutes a serious threat to the public safety and welfare.

Provided that other conditions of physical and economic blight are present, a blighted area may also be one that is characterized by the existence of inadequate public improvements, parking facilities, and utilities.

Appendix C

Data Source List

1. Land use survey performed by Rosenow Spevecek Group, Inc. (October and November 2004).

2. Parcel maps and assessed value data provided by the San Diego Assessors Office (2004).

3. Draft Program Environmental Impact Report, BRG Consulting, Inc. (October, 2004).

4. California Health and Safety Code including Sections 17920.3, 33030 and 33031.

5. Crime in the San Diego Region Annual Report 2003, San Diego Association of Governments (SANDAG)

6. Navajo Community Plan, City of San Diego Planning Department (1989).

7. Tierrasanta Community Plan, City of San Diego Planning Department (1982).

8. Data from the City of San Diego

    a. Code enforcement violations
    b. Infrastructure deficiencies
    c. Crime statistics

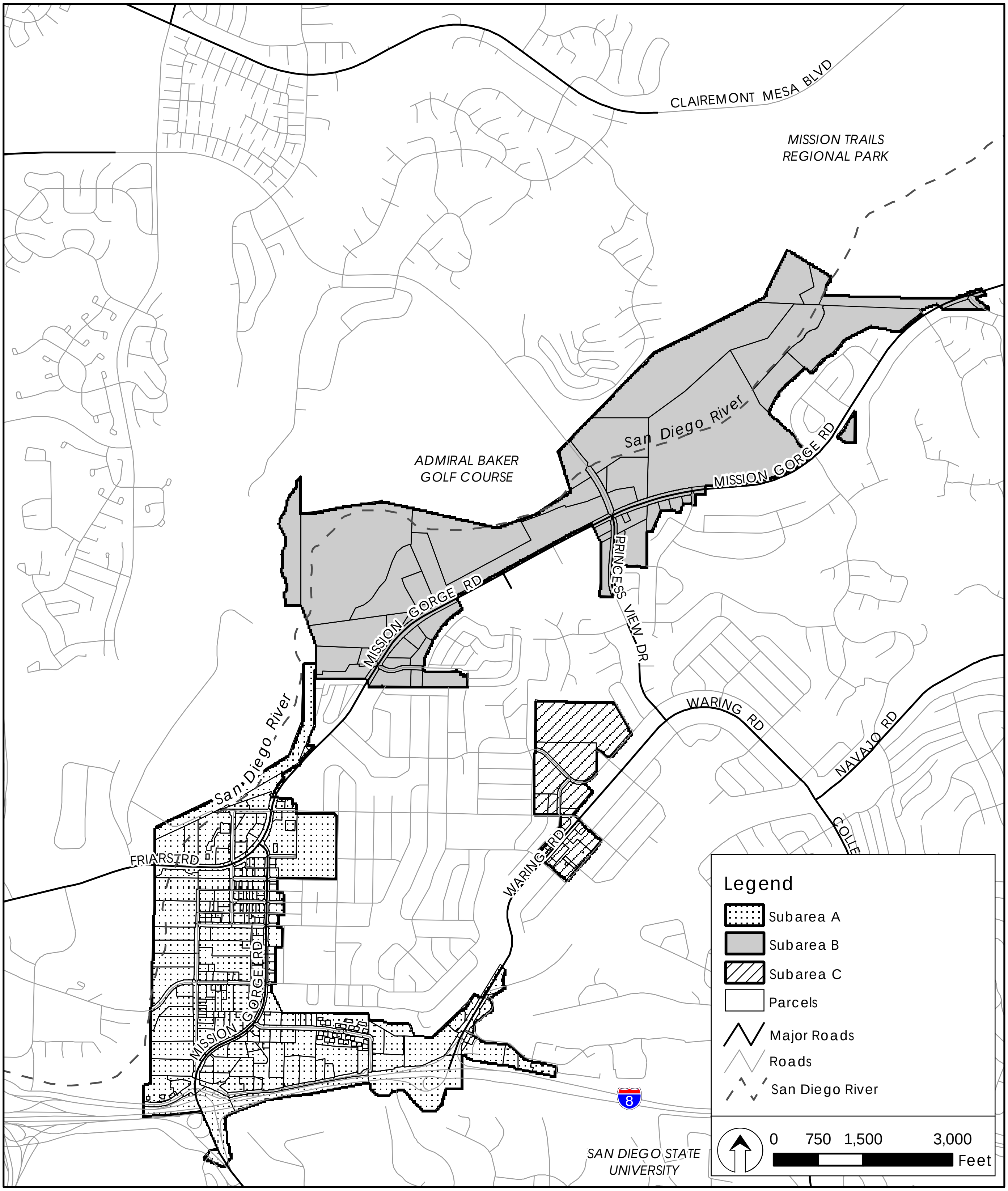
9. How Buildings Learn, What Happens After They're Built. Stewart Brand, Penguin Books, (1994).

10. Local realtors and shopping center managers provided information, vacancy rates and lease rates (2003 and 2004).

11. Environmental Protection Agency web site article, Lead in Paint, Dust and Soil.

12. Progress Guide and General Plan. City of San Diego (1989).

13. Riccio, R. "Street Crime Strategies: The Changing Schemata of Streetwalkers." Environment and Behavior: 555-569. (July 1992).



SOURCE: SanGIS and BRG Consulting, Inc., 2004

11/3/04

Grantville Redevelopment
Project Area Map

EXHIBIT

1