NEWS RELEASE
COUNCILMEMBER MARTI EMERALD

Date: April 19, 2011

For Immediate Release

Contact: Don Mullen
Phone: 619-236-7178
E-mail: dmullen@sandiego.gov

Councilmember Emerald Releases Redevelopment Agency Restructuring Plan

Councilmember Marti Emerald today announced a plan to comprehensively reorganize the San Diego Redevelopment Agency (Agency). In a memo to the Redevelopment *Ad Hoc* Committee, Emerald calls for all of the City's seventeen redevelopment project areas to come under the administration of a re-structured Centre City Development Corporation which would be renamed the San Diego Development Corporation (SDDC).

According to Emerald, the purpose of consolidating these organizations is to improve transparency, efficiency and effectiveness. "Right now, with three separate organizations managing redevelopment, there are a lot of overlapping and duplicated costs," she said. "Putting them all under one umbrella can save the Agency precious dollars that can be put into projects." Emerald stated, "CCDC has demonstrated a high level of success in redeveloping our downtown, and I want to leverage that success into more effective project implementation citywide using their model."

Another aspect of Emerald's reorganization plan is to increase efficiency by transferring redevelopment affordable housing funds to the San Diego Housing Commission, and to increase the amount of funds set aside for affordable housing from the current legal minimum of twenty percent to 35 percent. "Right now," according to Emerald, "CCDC, SEDC, the Redevelopment Department, and the Housing Commission each separately undertake affordable housing projects, often without the leverage that could be provided through combined financial resources." She added, "Numerous routine administrative functions are duplicated among the four organizations."

Under Emerald's plan, the Mayor would be restored to the Redevelopment Agency Board as an ex-officio member. The "Strong Mayor" City Charter amendment removed the Mayor from the City Council and Agency Board in 2005.

The plan will be discussed by the Redevelopment Agency's *Ad Hoc* Committee on Monday, April 25, 2011 at 9:00 .am.

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City Of San Diego
COUNCILMEMBER MARTI EMERALD
DISTRICT SEVEN

M E M O R A N D U M

DATE: **April 19, 2011** **Reference: M-11-04-01**

TO: **Redevelopment Agency *Ad Hoc* Committee**

FROM: **Councilmember Marti Emerald**

SUBJECT: **Redevelopment Agency Reorganization**

The State Budget and the Governor's Proposal to Eliminate Redevelopment Agencies

Governor Brown's proposal to eliminate redevelopment agencies (RDAs) and allocate part of their revenues to the State budget has stimulated local and statewide debate among elected officials, redevelopment professionals, the media, and the general public about the value and importance of redevelopment. Without going into the details of this debate, my own conclusion is threefold:

1. As a budgetary matter, eliminating RDAs would provide only a small, short-term financial contribution to the State's budget shortfall. The State's financial crisis has resulted from the structure of the State's revenue sources, and it therefore demands a comprehensive structural solution, not short-term measures.

2. RDAs around the State have engaged in numerous abuses, and as a result the public is suspicious about redevelopment. While San Diego has not been among the worst abusers, and while revisions to State law should be considered, we can best avoid further abuses locally by greater accountability and transparency.

3. The broad powers under the California Health and Safety Code granted to RDAs to eliminate blight are essential to revitalizing some of our oldest neighborhoods.

The Governor's proposal is no longer on the table as a budgetary matter. While the proposal may be reconsidered by the legislature, we as the Board of the San Diego Redevelopment Agency have an obligation to move ahead on reorganizing the Agency to improve its effectiveness, efficiency, accountability, and transparency. Just as many of our redevelopment projects have been models of success for other agencies around the state and the country, I would like San Diego to be a model of how redevelopment is administered.

Problems with our Current Redevelopment Agency Structure

The San Diego Redevelopment Agency has been criticized by the public for these alleged abuses: adopting redevelopment project areas that are not truly blighted; continuing the life of the downtown redevelopment project area after blight has been eliminated for the purpose of enhancing revenue to the City; using the tool of redevelopment to build high-end projects that do not benefit the low-income residents for whom eliminating blight is intended; selecting preferred developers, rather than the most qualified, for redevelopment projects; failing to use redevelopment as a job-creation tool; inappropriately transferring funds among redevelopment project areas; failing to repay Agency debts to the City; failing to develop a sufficient number of affordable housing units; and conflicts of interest and excessive salaries at the Southeastern Economic Development Corporation (SEDC) and the Centre City Development Corporation (CCDC). There is room for debate on each of these criticisms. However, the public's concerns, plus my own observation of problems noted below, belie the argument that, "We should not fix what isn't broken."

Beyond the above specific criticisms, the San Diego Redevelopment Agency suffers from these problems:

Limited effectiveness - The eleven project areas administered by the City Redevelopment Department are limited in effective implementation by a lack of financing expertise, by an inability to recruit qualified personnel and to provide training, and by a lack of capacity to manage development processes. SEDC lacks the capacity to manage discretionary development review processes. Both City Redevelopment and SEDC have limited financial resources.

Lack of efficiency because of duplicated activities - CCDC and SEDC each have their own legal counsel, management, meeting process, office space, community outreach, and other costs that are paid for separately. While cooperating in some respects, CCDC, SEDC, the Redevelopment Department, and the Housing Commission each separately undertake affordable housing projects, often without the leverage that could be provided through combined financial resources. Numerous routine administrative functions are duplicated among the four organizations.

Lack of accountability and unclear policy guidance – Expertise on redevelopment is held in the City Attorney's Office, the Redevelopment Department, SEDC, and CCDC, which all have a fiduciary duty respectively to the City or the nonprofit corporations. Given that the San Diego Redevelopment Agency is legally separate from the City and from the two nonprofit corporations, the subject matter expertise vested in organizations with a potential conflict of interest results in the Agency Board members having no assurance that the information and advice we receive from these sources reflects the best interest of the Agency as opposed to that of the City or the nonprofit corporations. Agency staffing is provided by the Mayor or the Mayor's designee serving as the Agency Executive Director, and the Mayor's duty to the City and not to the Agency opens the door to a direct conflict of interest. The same conflict of interest may apply to the City Attorney's Office, despite legal protocols that attempt to minimize any conflicts.

Lack of transparency – The Agency's complicated organization structure, with its contract arrangements with the City and with the two nonprofit corporations, plus a lack of clarity about what decisions are final at the nonprofit board level versus the Agency Board level, make it difficult for members of the public to understand the Agency decision process and who is responsible for what. There are gray areas in the application of the Brown Act and the Public Records Act to the nonprofit corporations. Finally, it is difficult for the public to easily access information about Agency actions.

Despite these problems, the San Diego Redevelopment Agency has numerous strengths. First, San Diego benefits from a dedicated staff with a clear commitment to revitalizing neighborhoods. Second, we have a generally effective community outreach process, with project review both by community planning groups and by elected project area committees (PACs) that in San Diego provide input far beyond the limited amount mandated by law. Third, a noteworthy asset provided by CCDC is its ability to move projects through the development review process. As the downtown redevelopment area has matured, CCDC has been able to rely primarily on this discretionary permit review assistance as a primary development incentive rather than on redevelopment subsidies. Businesses have particularly noted the value of the CCDC Board of Directors in providing preliminary reviews and advice on project design.

San Diego Redevelopment Agency Reorganization

In my opinion, the problems above are a direct result of the Agency's organization structure. Having reviewed the alternatives presented in the Independent Budget Analyst's comprehensive report and the reports from the Housing Commission, SEDC, CCDC, and the City Attorney, I hereby propose the below changes to the San Diego Redevelopment Agency organization structure. My goals, as stated above, are to improve the Agency's effectiveness, efficiency, accountability, and transparency, while continuing and taking advantage of San Diego's strengths and successes.

I. Appoint an Agency Executive Director, Legal Counsel, and Finance Manager to work directly for the Agency Board, either as employees or as direct contractors. The Agency Board must have top-level personnel who are redevelopment experts and whose duty of loyalty is to the San Diego Redevelopment Agency.

II. Delegate implementation of all redevelopment to a revised and renamed CCDC. Revise the mission and bylaws of the Centre City Development Corporation to include implementation of all San Diego's redevelopment project areas, plus other development projects as assigned by the City, and change its name to the San Diego Development Corporation (SDDC); merge the Southeastern Economic Development Corporation and the City's Redevelopment Department into the revised SDDC; and require that the new SDDC adhere to the same Brown Act and Public Records Act standards as apply to public agencies. Given CCDC's noted success in implementing redevelopment downtown and in using its discretionary development review process, this transfer of function would enhance project implementation throughout the City's redevelopment project areas. A revised and expanded SDDC could also assist development projects as an economic development tool in parts of the City not designated as redevelopment project areas.

III. Transfer responsibility for Agency affordable housing requirements to the Housing Commission, and increase the minimum set-aside amount to 35%. The San Diego Agency's affordable housing activities should be consolidated in the Housing Commission, and the Agency's affordable housing set-aside funds should be transferred to and managed by the Housing Commission. Affordable housing planning and administration costs are now duplicated in CCDC, SEDC, and the City Redevelopment Department. Transferring the funds to the Housing Commission will result in a larger portion of the housing set-aside funds being used directly for housing. In addition, the Agency should phase in over three years an increase in the amount of housing set-aside funds to a minimum of 35% of tax increment revenues, or higher as may be called for in specific project area plans.

IV. Enhance the Mayor's role in redevelopment policy by including the Mayor as an *ex officio* member of the Agency Board and retaining the Mayor's authority to appoint the SDDC's Chief Executive Officer (CEO).

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Transition Issues

There are a number of details and a transition process that would need to be worked out with the above changes. Following is how I see certain elements of the transition:

- Regarding the new SDDC board, for the first year the current CCDC and SEDC boards should be merged. Then, a nine member board should replace them. Those nine members should be appointed to staggered two-year terms. Each City Council Member should appoint one member. Project area representation will be provided through the current project area committees and community planning groups.

- There would need to be a transition process for absorbing redevelopment personnel from SEDC and the City. SDDC would be directed to accept a transfer of any professional-level staff from SEDC and City Redevelopment who wish to transfer. It is anticipated that, at least initially, those personnel would continue to work on the same projects they were assigned to before the transfer. City non-professional staff members (primarily clerical) and professional staff members who opt not to transfer should be provided opportunities to transfer to positions within the City. City Redevelopment, CCDC, and SEDC personnel who now work primarily on affordable housing projects should be allowed to transfer to the Housing Commission.

- Routine Agency administration matters, such as docketing, budgeting, and reporting, can be handled through a contract with the City.

- There are highly qualified top level managers currently working for SEDC, CCDC, and the City. They should be encouraged to apply for the Agency Executive Director, Agency Finance Manager, and SDDC CEO positions.

- The Agency Board will review all approvals required by law (Disposition and Development Agreements, Owner Participation Agreements, eminent domain proceedings, etc.), and can determine through its operating agreement with SDDC what additional matters should be subject to Board review, appeal, etc.

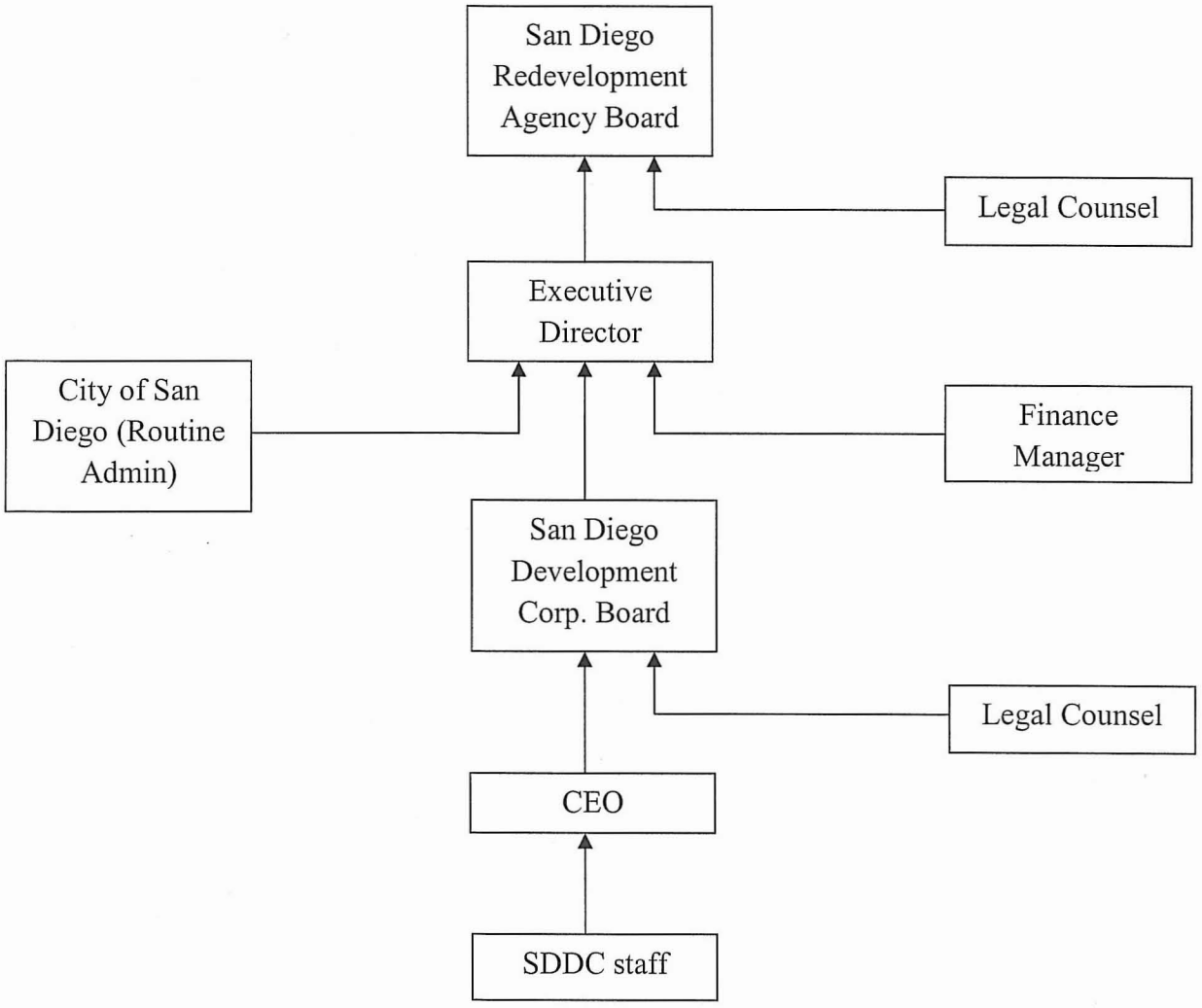
Community Dialogue

I hope that the above serves as a starting point in a community-wide dialogue on how best to implement and manage redevelopment in San Diego. I encourage that this proposal be reviewed and considered, not just by the *Ad Hoc* Committee members and RDA and City personnel, but also by the Community Planning Chairs, the PACs, the business community, affordable housing developers, and all others who are stakeholders in San Diego's future.

Attachments: Current & Proposed Redevelopment Organizational Charts

ME:mj

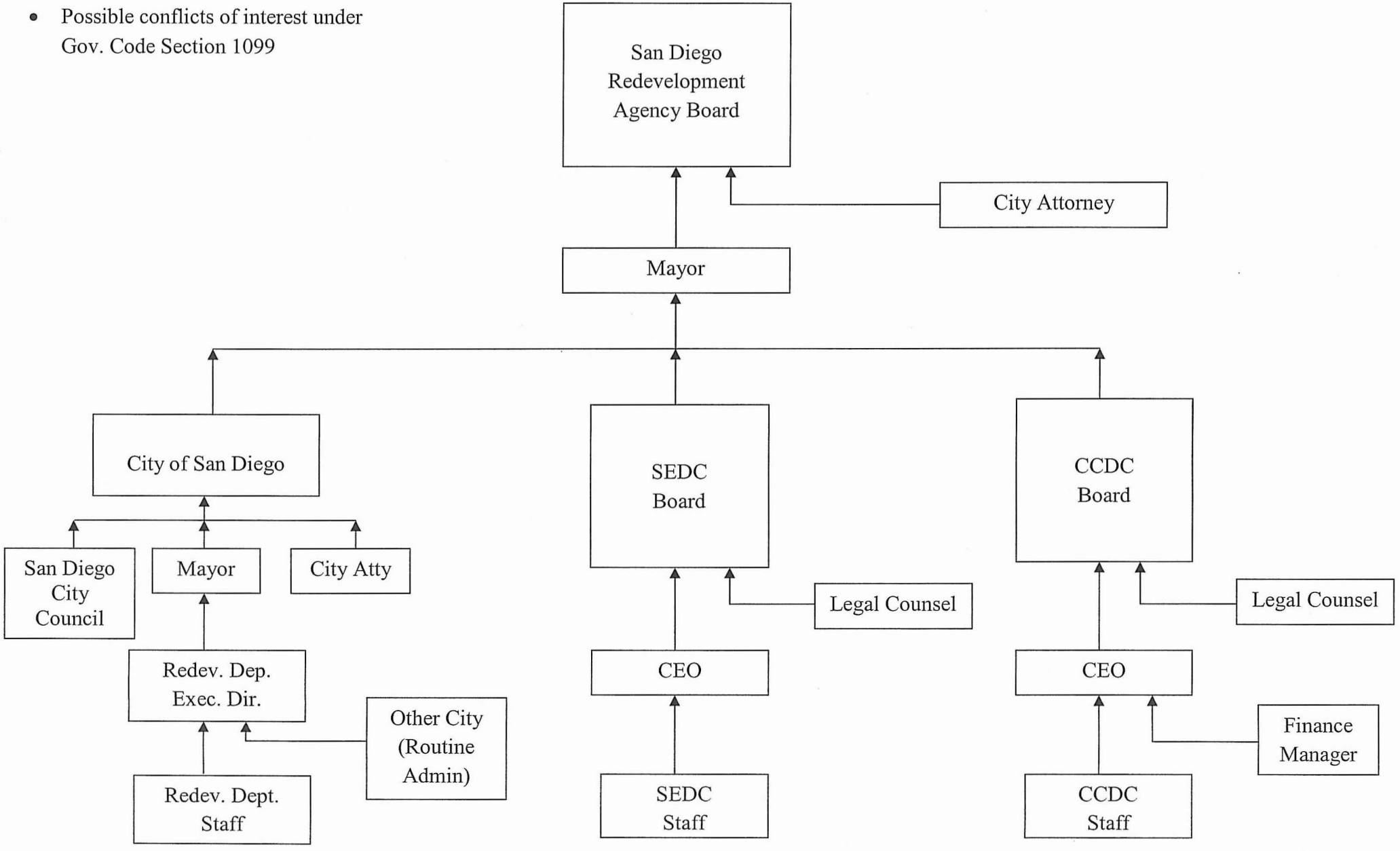
Proposed Redevelopment Structure



Notes:

- SDDC Board is appointed by the City Council
- SDDC CEO is appointed by the Mayor
- Mayor is ex officio member of Agency Board

Notes:

- Mayor appoints CCDC and SEDC Boards
- Mayor appoints CCDC and SEDC CEOs and Redev. Dept. Deputy Exec. Dir.
- Possible conflicts of interest under Gov. Code Section 1099

Current Redevelopment Structure