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Financing downtown infrastructure

By Hal Sadler

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On Dec. 7, the San Diego City Council will consider the implementation of a new public facilities financing plan and the addition of development impact fees that would be applied to future residential and commercial projects constructed in downtown San Diego. The City Council should adopt this critical plan, along with these new fees, as they would fund seven new parks on 10-plus acres and two new fire stations to serve downtown's growing population.

Over the past 10 years, downtown has seen a dramatic rise in the number of people choosing to live and work here. Today's residential population is estimated at 27,500. Based on estimates in the draft Centre City Community Plan, that number is expected to grow to more than 80,000 by 2030. Additionally, the downtown business population is anticipated to swell from 85,000 to 165,000 during this same time period. Downtown will soon celebrate the 5,000th condo buyer in the current wave of new development.

The Centre City Development Corporation has facilitated the development of many needed public facilities (such as water, sewer, storm drains, lighting, signalization, sidewalks and parks) with property tax increment and developer-financed public improvements. Due to downtown's rapidly growing population, however, these sources alone won't be enough to meet the increasing demands for additional public safety and open space. The city's current financial situation limits its ability to pay for new public infrastructure and amenities.

As proposed, the fees would be assessed at roughly \$4,000 per unit for new residential developments and \$2 per square foot for new commercial projects. CCDC has proposed that the development impact fees and tax increment funds be blended, allowing the fire stations to be built within five years and the parks within 10 years. Based on estimated land acquisition and development costs, collectively, the new park and fire station projects are anticipated to cost \$253 million, with \$162 million to be paid from new development impact fees and \$91



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million to be covered with tax increment dollars.

Less than four months ago, the City Council directed CCDC to develop the new development impact fee structure for downtown projects. This has been a very open and interactive process from our first community workshop in August to the series of board and Centre City Advisory Committee meetings where the methodologies and component parts were discussed in detail. The CCDC board has worked extremely hard to bring forward a fair and equitable program that will assist in the funding of needed public facilities. Downtown's development community recognized the need for the fees and has worked with CCDC to assure a realistic plan was fashioned with some guarantee that the parks and fire stations would happen as they have been proposed.

The process included the preparation of a list of public facility needs, cost estimates and financial proformas to test the economics. We believe we have brought forward a fair and equitable program backed by support from the community and developers.

After careful and thoughtful public review and dialogue, CCDC is recommending that the City Council:

- **Approve the proposed public facilities financing plan and development impact fee schedule;**
- **Establish that the collection of fees will not apply to pre-January 30, 2005, redevelopment agency development agreements;**
- **Set July 1, 2005, as the effectiveness date for collection of fees;**
- **Ensure that fees will not be collected from projects with building permit applications deemed complete on or before July 1, 2005; and**
- **Approve the proposed reimbursement agreement.**

Downtown's nearly 30-year redevelopment program has been a tremendous success, as evidenced by the many cranes in the sky, the thousands of new residents discovering the benefits of urban living and the new businesses that have signed leases for the new office and retail space now under construction. It's been a long, steady process bringing downtown back from a once-blighted area people avoided, to what is today viewed as a model of successful redevelopment.

Nobody likes paying fees, but this carefully crafted program is considered worthy of support. Downtown has grown to a point where the increasing demands and desires of the



community for important amenities and public safety services must be shared by both the public and private sectors. New parks and fire stations will ultimately help current and future generations enjoy a more beautiful and safer San Diego.

■ Sadler is chairman of the board of directors of the Centre City Development Corporation.

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