Walk and Shop:
Pedestrian Improvements and Investments in Economic Development in City Heights

CENTER FOR URBAN ECONOMICS AND DESIGN
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I. INTRODUCTION

The City Heights CDC received funds from the California Endowment to contract with the Center for Urban Economics and Design at UCSD to develop a financing strategy for pedestrian oriented public infrastructure as a means of achieving enhanced walkability and the resulting health benefits within City Heights.

Numerous studies have demonstrated that walkable communities are more desirable to a growing segment of our society. As a result, these communities have experienced increased property values. Research has established a “walkability premium” for land values in the range of 4% to 15%. In other words, walkability can be an effective economic development strategy in communities where strategic investments are made toward capturing the value of the added benefits.

In this context, walkability is defined as the degree to which an area within walking distance of a property encourages walking trips from the property to destinations at which you can satisfy most of your everyday needs (i.e., schools, work, shopping and recreation). Two fundamental characteristics of walkability are 1) a neighborhood serving destination point and 2) a pedestrian-friendly environment which connects to the neighborhood destination point.

Those communities that provide a comfortable walking environment connecting to destination places experience higher property values and are attractive to existing as well as future residents. In addition to the property value enhancement, improved walkability contributes to a better quality of life for low and moderate income families by improving access to their day to day needs and by decreasing their cost of living by reducing the portion of their family income devoted to transportation.

II. STUDY METHODOLOGY

The fundamental premise of this study is that walkability is enhanced by improved “accessibility” to destination businesses. Accessibility is measured by the number of attractor (destination businesses) within a certain distance of the user. Another key factor is that the destination businesses must provide the types of services and products that are desirable to the potential customer base within walking distance of the business. This requires detailed knowledge of the business environment and consumer base.

There are three primary components to this study. The first component consists of a neighborhood assessment consisting of a demographic analysis of the residential and commercial sectors of the City Heights community. This assessment consists of a comprehensive geographic information systems (GIS) analysis of resident demographics and existing business profiles (types, location, size and customer base). A unique feature of this analysis is that it involved census block data as opposed to the traditional analysis using census tract information. The GIS analysis was supplemented by interceptor interviews and focus studies. The purpose of the interviews and focus groups was to obtain on the ground information which would provide a context for analysis and use of the GIS analysis. The result of this analysis is a multi-level understanding of the capacity of each destination site to access new capital for infrastructure development and an in-depth understanding of the new market potential for destination businesses based on improvements.

1. This study focuses on destination businesses as attractors as a strategy for economic development. Other attractors include schools, churches, recreational facilities and public space.
Potential investment areas for pedestrian improvements were developed by identifying existing attractor sites, utilizing data from the neighborhood assessment, identifying existing community initiatives, and measuring the investment area’s accessibility.²

The second component focuses on pedestrian infrastructure design elements. The design of walkable places using simple accouterments creates a sense of place that has the potential to increase neighborhood consumer traffic for local businesses. It can also serve as a catalyst to recruit new locally serving businesses. Professors and students from the Woodbury School of Architecture developed design elements for the pedestrian infrastructure improvements. They focused on six elements 1) trees 2) benches 3) street corner pop-outs 4) crosswalk paintings 5) new street paving and 6) parklets. These design elements reflect the community’s character and make up and are intended to enhance the “place making” nature of pedestrian infrastructure improvements.

Through this place making design exercise, six potential thematic districts were identified based upon the geographical proximity, common architectural characteristics and thematic business types within each area. The districts are described below:

The Mercado District: The Mercado District covers the commercial district on University Avenue from Interstate 805 to Interstate 15. This area is dominated by Mexican themed businesses, restaurants, and curio shops. A high concentration of Mexican Americans live in close proximity to the district and constitute a natural consumer base.

The Historic District: This district is located along University Avenue from Interstate 15 to 43rd Street. This area is the historical center of City Heights. The former City Hall, a movie theatre, former bank and super market are a few remnants of the area’s past.

Health Clinic/Cultural District: This area is comprised of the 43rd Street and Fairmount Ave between El Cajon Blvd and University Avenue. The highest concentration of medical and social service organizations are located within this corridor. It also has the highest concentration of employees.

Gateway District: This corridor runs along Euclid Avenue from El Cajon Blvd north to the Talmadge residential neighborhood. This corridor forms a natural link between the Talmadge neighborhood and the businesses along El Cajon Blvd.

The Tower District: This area is located at the intersection of Euclid Avenue and University Avenue and is dominated by the historical Tower building and Egyptian style architecture. The architectural style of the buildings creates an opportunity for a cohesive design.

54th Street and University Avenue Commercial Cluster: Located at the intersection of 54th Street and University Avenue this commercial node sits adjacent to highest density residential area within City Heights.

For each district customized design features are recommended and projected costs are identified. The projected costs range from $391,000 in the Tower District to $13 million in the Health Clinic/Cultural District. The districts and the surrounding areas represent a “New Economic Geography” which if enhanced in a sequential manner has the potential to support local businesses, enhance the shopping experiences for residents and visitors alike and establish the City Heights commercial districts as a regional destination point. The complete design strategy is set forth in the appendix.
The **third** component is the investment strategy. This strategy is based on the value proposition that the improvement of access by community residents to desired retail services and products (“destination businesses”) will result in increased property values for property owners, improved retail sales for business owners and an improved quality of life for residents. This value proposition will be realized through targeted strategic public, philanthropic and private investments in pedestrian infrastructure and small businesses (See attached Investment Strategy).

### Recommendations

1. **Implement a pedestrian infrastructure education campaign.**
   
   a) Work with residents and businesses in identified pedestrian districts to clarify pedestrian infrastructure design elements and locations.
   b) Establish working affiliations with existing or new resident/businesses in the designated destinations sites based on study data or opportunity.
   c) Facilitate resident/business strategy development efforts based on study data and design discussions.
   d) Engage local non-profits and business associations in coordinated effort and mutual problem solving and needs assessment.
   e) Introduce comprehensive campaign efforts to area planning groups and remains of PAC and other identified stakeholders.

2. **Implement recommended funding advocacy efforts for priority pedestrian districts.**
   
   a) Pursue the development of a campaign for the establishment of community facilities district financing to complement existing public funding in identified priority pedestrian districts.
   b) Implement an education and engagement campaign with the existing business improvement districts for support of BID financing of agreed upon pedestrian improvements within targeted areas in commercial districts.
   c) Coordinate community development block grant funding to support pedestrian improvement financing in targeted pedestrian districts.
   d) SANDAG funding should be pursued for “Little Saigon” planning efforts and capital improvements for Mid-City BRT Stations.
   e) Monitor redevelopment replacement legislation and obtain planning funds to support transit/pedestrian oriented planning efforts for the area adjacent to the Mid-City BRT stations.

3. **Implement Small Business Investment Strategy.**
   
   a) Develop and implement a “Local Buy and Sell Program” to facilitate the delivery of products and services by local businesses to the existing consumer market.
   b) Conduct a consumer needs and preferences survey targeting existing residents, local employees and outside consumers.
   c) Establish a small business intermediary program to facilitate the delivery of existing small business financing resources to existing businesses.
   d) Conduct business needs survey to identify technical assistance, marketing and financing needs of existing small businesses within City Heights.
   e) Explore the potential of the cooperative business model as a strategy to provide more affordable delivery of products and services within the City Heights community.
   f) Conduct supplemental research and analysis of the informal economy to develop strategies for integrating the informal economy with the traditional neighborhood business sector.
III. WALKABILITY INVESTMENT STRATEGY

Why focus on walkability as an investment strategy for City Heights? Numerous studies have demonstrated that walkable communities are more desirable to a growing segment of our society and as a result have experienced increased property values. Research has established a “walkability premium” for land values in the range of 4 to 15%. In other words “walkability” can be an effective economic development strategy where strategic investments are made to capture the value creating nature of walkability.

In this context, walkability is defined as the degree to which an area within walking distance of a property encourages walking trips from the property to destinations at which you can satisfy most of your everyday needs (i.e. schools, work, shopping and recreation). Two fundamental characteristics of walkability are 1) a neighborhood serving destination point and 2) a pedestrian-friendly environment which connects to the neighborhood destination point.

Those communities that provide a comfortable walking environment connecting to destination places experience higher property values and are attractive to existing as well as future residents. In addition to the property value enhancement, improved walkability contributes to a better quality of life for low and moderate income families by improving access to their day to day needs and by decreasing their cost of living by reducing the portion of their family income devoted to transportation.

The proposed investment strategy focuses on placed based pedestrian infrastructure investments and targeted small business investments. The fundamental investment principles are:

1. The investment strategy must be based on a holistic approach.
   Pedestrian infrastructure improvements alone are not enough to tap into the value creating impact of walkability. A critical component of the strategy must include the creation and/or enhancement of a neighborhood serving commercial district/center within walking distance\(^3\) which provides the services and products desired by neighborhood’s residents, workers, and businesses. The pedestrian environment must be safe, accessible and provide an easy connection to the desired destination point. Public spaces also contribute to pedestrian activity and encourage social interaction.

2. Investments must be concentrated within targeted areas.
   The investments must be coordinated and targeted within specific designated areas consistent with walkability principles. These investments may include public infrastructure improvements (i.e. sidewalk/road improvements, bike lanes, parking configuration and pedestrian safety improvements), mixed use development and strategic investments in small businesses.

3. Strategic leveraging of public and private resources.
   The investment strategy must involve the strategic leveraging of public, private and philanthropic resources. No one source can be relied upon. To date revitalization efforts in City Heights have been primarily accomplished with public and philanthropic resources. However, a successful and sustainable revitalization strategy must be market-based and neighborhood oriented. This can be accomplished by identifying the unmet needs of the community residents and businesses, providing the critical public assets, infrastructure and supportive public polices, and creating the financial resources necessary to support the business community in delivering the needed products and services.

3. This study defined walking distance as ¼ mile in radial distance.
4. The investment strategy must articulate a value proposition which creates a competitive advantage for the neighborhood.

In this climate of limited resources a successful investment strategy must articulate a value proposition which is unique and appeals to the goals of the potential stakeholders. For the purposes of this project, we have categorized our stakeholders into the following categories:

- Neighborhood residents.
- Neighborhood businesses.
- Property owners
- Public investors. (city, state, and federal)
- Private investors. (financial institutions – with a primary emphasis on CRA motivated investors)
- Philanthropic investors.

The primary emphasis of our investment strategy is on the community’s residents and existing businesses. The residents and businesses are our ultimate consumers and target market. Understanding their consumer demands and their community dynamics is fundamental to crafting a neighborhood specific investment strategy. Additionally, their support politically and financially will be an essential ingredient to the implementation of the investment strategy. Increasing resident access to essential products and services, increasing jobs and entrepreneurial opportunities for residents, as well as, increasing sales for existing business are key objectives of the investment strategy.

Map 1. City Heights

City Heights is centrally located with easy access to major regional job centers such as Downtown San Diego and Mission Valley.

Legend

- Major regional job centers
- City Heights
Walk and Shop

IV. THE CITY HEIGHTS MARKET: AN OVERVIEW

Demographics

The City Heights community is centrally located in the San Diego metropolitan area. It is bounded to the south by Mission Valley, to the north by Martin Luther King Freeway (State Route 94), between Interstate 15 and 805 on the west and 54th Street on the east. It is home to over 74,000 people. It is centrally located with easy access to major regional job centers such as Downtown San Diego and Mission Valley (see Map 1 below). Based on its population, City Heights would constitute the ninth largest city within San Diego County. It is also the most culturally diverse community within San Diego County. Fifty-eight percent of its population is Latino. It also has a significant Asian population. Sixteen percent of its population is Asian as compared with 10.6% for the County. There is also a sizable immigrant community as City Heights has become a gateway for new immigrants. There are over 30 languages spoken within the community and its cultural diversity is reflected in its business community by an array of ethnic restaurants and small businesses.

While City Heights has a dense and culturally diverse population, it is primarily a low income community. The median family income average in City Heights was $34,439 in 2011 as compared to $74,900 for the county during the same time period. However, given the large concentrated population, there is significant purchasing power within the community. It has been estimated that there is approximately $173 million of buying power per square mile. Household expenditures in the retail categories of food, clothing and general merchandise represent approximately 52% of all household expenditures.

In addition, there is a higher median income population just north of El Cajon Blvd. A recent Metro Edge study by LISC found that 23% of the households within the trade area had incomes over $50,000. This study found that there is a higher concentration of middle and upper income households per square mile as compared to the City of San Diego.

City Heights has experienced a higher unemployment rate than the County-wide average. City Heights residents are primarily employed in the services, construction and production/transportation related industries. They are underrepresented in the professional occupations such as finance, science and management.

The City Heights population is relatively young. 32% of its population is under 18 years old and the median age is 28.3 years old. Compared to the surrounding planning areas, City Heights has the highest family household density and the highest population density.

A significant portion of the City Heights population is transit dependent. 8% of the population utilizes the public transit system and 80% of this population is low income. Geographically, City Heights is a very walkable community and has a relatively high Walk Score. It is important to note that this pedestrian emphasis is one of necessity as walking is a primary means by which City Heights residents conduct their trips for day to day necessities.

The Phase I report contains detailed demographic information on the City Heights community and forms the basis of our target area analysis.
IV. THE CITY HEIGHTS MARKET

Business Community

The City Heights business community is primarily located along the El Cajon Blvd and University Avenue corridors. The retail component consists of mix of convenience, destination and ethnic retail businesses. The businesses are primarily neighborhood serving business located within older storefront buildings. Our analysis focuses primarily on the El Cajon Blvd corridor between the I-15 and Euclid Avenue and the University Avenue corridor between the I-15 and 54th Street. There are two business improvement districts which cover the El Cajon Blvd and University Ave commercial corridors.

The business sector has a substantial number of small businesses with 2 to 4 employees. Forty-seven percent (47%) of the total business in City Heights fit in this category. Eight-seven percent (87%) of City Heights businesses reported less than $1 million in annual sales revenue (see Figure 2).  

Two ethnic retail clusters were identified along University Avenue and El Cajon Blvd. The Latino retail cluster coincides with the concentration of Latino population. The second observed cluster relates to Asian businesses. The Asian business cluster is located on El Cajon Blvd. between Fairmount and Euclid Avenues. Again this business cluster also coincides with the concentration of Asian population in the residential area adjacent to the business cluster. The El Cajon Business Improvement Association and the Little Saigon Foundation are studying the potential for enhancing this business cluster and developing a “Little Saigon” business cluster.

There are several ethnic supermarkets within City Heights that are significant attractors to customers from outside the area. These supermarkets have the potential to act as significant anchors to a place based pedestrian infrastructure strategy. These markets have been identified and have been used to establish potential investment target areas (see Map 2).

Map 2. City Heights Businesses: Grocery Stores and Supermarkets

These supermarkets have the potential to act as significant anchors to a place based pedestrian infrastructure strategy. These markets have been identified and have been used to establish potential investment target areas.
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Over 2,000 businesses have been identified within City Heights and eighty-seven percent (87%) of them qualify as small businesses under the Community Reinvestment Act (CRA). Despite this significant pool of small businesses only 322 CRA small business loans have been originated in City Heights. Ninety-seven percent (97%) of these loans were under $100,000. In fact, the average small business loan in City Heights was $8,000. This is to be compared with the San Diego County average of $14,875 for small business loans within low and moderate income communities.

The largest employer group is the school industry. The San Diego Unified School District and Community College District have a significant presence in City Heights. There are approximately 1,700 employees employed in City Heights through the school districts.

There are two other interesting observations made with respect to the City Heights business community. First, a significant number of businesses are located outside of the University Avenue and El Cajon Blvd commercial corridors. Many of these businesses are located within the residential areas of City Heights and potentially represent a significant home based business industry (see Map 3).

Second, there appears to be a significant informal economy functioning within the City Heights community. This sector includes food carts, garage sales, day laborers and other informal commercial ventures. Although, the scope of this study did not include the study and analysis of this sector it was verified through interviews with community agencies and resident interviews. The presence of this “informal sector” is consistent with other low and moderate income communities, particularly with significant immigrant populations. These informal commercial ventures can be developed into pedestrian “attractors” if properly integrated into the traditional commercial district and can contribute to an area’s sense of place.

The Phase I report provides detailed information on the business environment and includes illustrative maps.
Overall market trends are favorable to an emphasis on walkability in the San Diego region. These trends include the fact that the region is built out, land use policies are in place which favor pedestrian oriented urban infill development, and there is a growing consumer demand for walkable communities.

City of San Diego General Plan

The City of San Diego’s General Plan is based on a “City of Villages” strategy. This strategy focuses future growth into mixed use activity centers that are pedestrian oriented districts linked to an improved regional transit system. It emphasizes redevelopment, infill, and the focusing of growth into compact, mixed use, walkable villages.

Recognizing that one size does not fit all communities, the General Plan establishes five “village types”. Most relevant to City Heights, the village types include “Neighborhood Village Centers” and “Transit Corridors”. Neighborhood Village Centers are locally oriented mixed use commercial and residential districts. Transit corridors are commercial corridors comprised of a variety of small businesses, restaurants, and homes served by higher frequency transit services.

The University Avenue and El Cajon Blvd corridors qualify as transit corridors as both commercial corridors are served by a public bus system. El Cajon Blvd is the future corridor for a bus rapid transit system connecting to downtown San Diego. Additionally, bus rapid transit (BRT) Stations are planned at the intersections of the I-15 freeway and University Avenue and El Cajon Blvd. These future nodes have the potential to be developed into transit and pedestrian oriented “Neighborhood Village Centers”.

San Diego Regional Community Plan

The San Diego Association of Governments (SANDAG) is the San Diego County regional planning body and is responsible for the preparation of the San Diego Regional Comprehensive Plan (RCP). The RCP is based upon smart growth planning principles which encourage infill development within pedestrian friendly neighborhoods. The
RCP also is based upon the concept of integrating land use with transportation planning. In an effort to better coordinate the region’s land use and transportation policies the plan includes a Smart Growth Opportunities Map (See attached SANDAG Smart Growth Opportunities Map -- Mid-City and East County Subregion). This map identifies areas within the region that are conducive to transit and pedestrian oriented development. The City Heights commercial corridors along El Cajon Blvd and University Ave are identified on the map as prime candidates for transit/ pedestrian oriented developments.

City Heights Community Plan and Zoning

Community plan policies for the City Heights community are contained within the Mid-City Community Plan. The Land Use element of the plan encourages new commercial and mixed-use development along the University Ave and El Cajon Blvd corridors. The plan envisions higher density mixed-use nodes at the intersections of the I-15 and University Ave and at El Cajon Blvd. The Plan also identifies the University and El Cajon Blvd nodes at the intersection with I-15 as potential transit oriented town centers. Higher density development is intended to be focused along the transportation corridors.

The zoning for the City Heights community is governed by the Central Urbanized Area Planned District Ordinance. The existing zoning for the El Cajon Blvd and University Avenue is intended to support mixed use development with pedestrian orientation with medium and high residential use. Additionally, the area contains commercially zoned areas which are designed to support community serving commercial uses, retail uses, and limited industrial use.

The El Cajon Blvd BRT site is zoned CU-2-4 which provides for pedestrian oriented high residential density. This zone allows for mixed use of heavy commercial and some industrial use in combination with residential use. The El Cajon Blvd corridor is zoned CU-2-3 which is intended to accommodate development with a pedestrian orientation and mix of commercial and medium density residential. There is a 50 foot height limitation along the corridor.

The University Avenue BRT site is zoned CU-2-3 which will allow development with a pedestrian orientation and mix of commercial and medium density residential. The University Avenue corridor is zoned CC 5-4 This zone allows a mix of heavy commercial and limited industrial and residential uses and is intended to accommodate development with a pedestrian orientation. The University Avenue corridor is subject to a 100 foot height limit.

The Fairmount Corridor between University Ave and Orange Avenue is zoned CU-2-3 allowing development with a pedestrian orientation and mix of commercial and medium density residential. From Orange Avenue to El Cajon Blvd, Fairmount Avenue is zoned CU -2-4 which provides for pedestrian oriented high residential density and allows for a mixed use of heavy commercial and limited industrial uses.

Community Initiatives

In addition to the favorable regulatory environment, there are a number of significant community development initiatives within the community that are complimentary to this walkability initiative. SANDAG has identified University Ave. at the 15 freeway and El Cajon Blvd. at the I-15 freeway as sites for future BRT stations. The Mid City/SR-15 Bus Rapid Transit Station Area Planning Study was recently completed which focused on development scenarios around the BRT stations at University Avenue and El Cajon Blvd.
The El Cajon Business Improvement Association and the Little Saigon Foundation are studying the potential for developing a “Little Saigon” business cluster on El Cajon Blvd and have recently submitted a planning grant to SANDAG. The Price Foundation is in the process of developing the former Pearson Ford site at El Cajon Blvd and Fairmount Avenue. Additionally, the Price Foundation has taken an interest in the Fairmount Ave corridor between El Cajon Blvd and University Ave. Finally, LISC and the City Heights Community Development Corporation have identified the Colina Park neighborhood as a focus area for mobility improvements and the City has developed the Chollas Triangle Master Plan for the area around 54th and University Avenue which is adjacent to the Colina Park neighborhood.

**V. INVESTMENT METHODOLOGY**

The proposed investment methodology is based upon a value capture investment model. Under this model, value is created by unlocking and increasing the potential value of under-utilized assets through public sector interventions for the purpose of stimulating demand from the private sector. Traditionally, this approach focuses on land values and specified investments result in increased land values. For example, public investments in transit facilities have been demonstrated to result in increased property values for those properties within a quarter to half mile of the facilities.

Similarly, the goal of this investment strategy is to ignite the value creation potential of improving a community’s “walkability” through strategic public, philanthropic and private investments. For the purposes of this study the under utilized community assets include 1) the untapped consumer demand within the community; 2) under concentration of destination businesses and 3) potential development potential within the targeted areas.

**Value Proposition**

The value proposition proposed is that the improvement of the access by residents to desired retail services and products (“destination businesses”) will result in increased property values for property owners, improved retail sales for business owners and an improved quality of life for residents. This value proposition is achieved through enhancing the community’s walkability by improving the pedestrian experience in conjunction with improving the customer’s retail experience within the commercial district.

This value proposition is driven by addressing three fundamental questions:

1) Who are we trying to serve?
2) What products and services are we providing?
3) At what relative price point are we delivering the products and services?
Based on our neighborhood assessment the ultimate consumer base consists of three distinct categories:

1) The existing resident base which is culturally diverse with low to moderate incomes (primarily low income). The desired products and services for this segment are in the general retail categories of food, clothing and general merchandise. These services and products must be made “affordable” to this consumer base.

2) The existing employee base. It is estimated that the daytime population of City Heights increases by approximately 10,500 people based on reported employment of businesses located in City Heights. There is a significant employee base related to schools, the non-profit social sector and health services. This consumer group represents potentially a higher income group and should be targeted for patronage of the existing neighborhood serving businesses.

3) External customers. There are a number of attractor businesses within City Heights which attract outside consumers. These include specialty markets which cater to various ethnic groups. There are ethnic restaurants which also draw outside consumers. In addition, churches and other religious institutions draw from outside City Heights. These are all potential consumers for the community’s business districts.

There are two components to this investment model. First is the pedestrian infrastructure improvements that result in facilitating the safety, comfort and ease of reaching the destination businesses and creating a sense of place. Critical to this component is strategic “place making” improvements which activate public spaces within the commercial corridor, are consistent with an overall place making theme, and which establishes a unique neighborhood character to distinguish the area from others.

The second component involves investments in the small business environment in order to improve the delivery of products and services to the targeted consumer base and encourage the location of new businesses within the commercial district which provide services and products which are not currently available to the community’s consumer base.

Target Areas
A principle of the investment strategy is that investment must be strategically concentrated in target areas. Target areas were selected and prioritized according to the following methodology:

1. Identification of an “anchor attractor” business or community initiative. An anchor attractor is a business which qualifies as a) destination business or b) community initiative that involves a pedestrian oriented destination project.

2. An analysis of the market potential of the area within a quarter mile of the anchor by considering the following factors:
   a. Total population within the site
   b. Total destination businesses within the site
   c. Total site employee base
   d. Potential for expansion as measured by underutilized parcels
   e. Ratio of number of businesses to number of commercial parcels

3. An analysis of the “accessibility” factor in each target area. Accessibility is measured by the number of attractors divided by the business employees and population within the target area.

13. An anchor attractor is a business which qualifies as a) destination business or b) community initiative that involves a pedestrian oriented destination project.

14. Accessibility is measured by the number of attractors divided by the business employees and population within the target area.
The selected target areas are set forth in Map 4.

The priority target areas for the proposed investment strategy are Sites 2, 3, 4, 7 and 10. It should be noted that Site 6 was considered as a priority site but is not considered as part of this investment strategy due to the Little Saigon community initiative. It is recommended that the following proposed pedestrian infrastructure improvements and small business investment strategies should be implemented initially within the University Avenue and Fairmount Avenue commercial corridors within sites 3, 4, 7, and 10.

Map 4. Selected Target Areas

The priority target areas for the proposed investment strategy are Sites 2, 3, 4, 7 and 10. It should be noted that Site 6 was considered as a priority site but is not considered as part of this investment strategy due to the Little Saigon community initiative. It is recommended that the following proposed pedestrian infrastructure improvements and small business investment strategies should be implemented initially within the University Avenue and Fairmount Avenue commercial corridors within sites 3, 4, 7, and 10.

Map 5. Key Commercial Corridors

Clusters of retail-based destinations along key commercial corridors in City Heights.

The attached Phase III report contains the data and analysis of the site selection and priority process.
VI. PEDESTRIAN INFRASTRUCTURE IMPROVEMENTS

The proposed pedestrian infrastructure improvements consist of street corner pop-outs, street benches, street trees, cross-walk painting, parklets, and street paving. The proposed improvements will be strategically implemented within the targeted area consistent with a place making theme appropriate to the targeted area. (See Attachment – The Strategic Map of the New geography for City Heights) These improvements are proposed to be financed through public and philanthropic sources.

The proposed public financing strategy is based upon the framework within the City of San Diego’s Pedestrian Master Plan. The Master Plan categorizes pedestrian facilities by route type and recommends certain treatment levels for each route type. The plan includes a listing of financing sources with recommended sources applicable to the particular route type and treatment level.15

The pedestrian facilities within the City Heights target areas can be characterized as “corridor sidewalks” and are intended to support moderate density business and shopping districts with moderate pedestrian levels. “Corridor sidewalks” are recommended for Treatment 2 “Enhanced Improvements”. The proposed pedestrian improvements are consistent with this designation.

The primary recommended public financing sources for these improvements per the Master Plan are developer fees16, redevelopment tax increment financing, SANDAG financing programs and business improvement district funding. Below is analysis of each proposed financing source and recommendation.

Developer Impact Fees

Developer impact fees are assessed by the City to offset public costs required to provide infrastructure supporting new development. Pedestrian facilities in the adjacent right of way may be funded through this mechanism as long as a nexus can be established with the project and the project pays for its fair share only.

Historically, developer impact fees have not been a very viable source of revenue for infrastructure improvements within urban communities. The added costs of development impact fees make many projects infeasible and therefore little new development has occurred. Additionally, the nexus requirement results in “uneven” improvements. The new development may provide enhanced pedestrian facilities in the adjacent right of ways but unless there is additional new development to carry the improvements along the “corridor” there is a loss of continuity and the improvements do not achieve the community place making necessary.

Recommendation:
For the above reasons developer fees are not recommended as a primary source of funding. Once the public improvements are implemented future private development will be viable and development impact fees can become a viable funding source.

16. These are statutorily imposed fees related to a new development’s impact.
VI. PEDESTRIAN INFRASTRUCTURE IMPROVEMENTS

SANDAG Financing Programs

SANDAG has a number of financing programs that support pedestrian infrastructure improvements. These include the Smart Growth Incentive Program, SANDAG Transportation Development Act Grants, and TRANSNET funds. These programs are highly competitive and may require matching funds. However, these funds are the best source for public funding for pedestrian improvements.

City Heights is currently a beneficiary of a Smart Growth Incentive Program grant ($400,000). This grant funded the Mid-City BRT station planning effort. The focus of this study is the planned BRT stations at the I-15 intersection with University Avenue and El Cajon Blvd.

This funding source is allocated in two year cycles and includes two categories of funding: Planning and Capital Improvements. The most recent application period closed on January 18, 2013. Eligible applicants are cities and the County of San Diego. Non-profits and community based organizations may partner with a city or County on an application. It is our understanding that an application is being prepared for the “Little Saigon” project area along El Cajon Blvd.

Recommendation:
Due to the competitive nature of the SANDAG programs, it is recommended that these programs should be targeted for larger scale place making projects. A pedestrian infrastructure improvement program focusing on the two BRT station areas would be especially appropriate for these funding programs. The Mid–City BRT Study has recommendations for pedestrian improvements for the area adjacent to the stations and would be appropriate for SANDAG capital improvement grants. Additionally, pedestrian improvements within a district plan (i.e. Historic District or Health Clinic/Cultural District) may also be competitive.

Community Development Block Grants

CDBG funds are federal funds that are allocated to the City and are available to low-income neighborhoods and can be used to fund pedestrian infrastructure improvements. This funding is subject to a competitive funding process and are allocated in accordance with San Diego City Council Policy 700-02. Funding is allocated on a Fiscal Year basis (July 1 through June 30) and funding priorities are based on the City’s 5 year Consolidated Plan and annual City Council priorities. These funds should be pursued on a strategic basis to fund pedestrian infrastructure improvements pursuant to one or more of the proposed pedestrian designed commercial districts. City Heights is an eligible community for these funds.

Recommendation:
CDBG funds should be used for pedestrian improvements in connection with place making themed commercial districts (Historic District and Health Clinic/Cultural District).
Walk and Shop

Redevelopment Tax Increment Funding (Boomerang Funds)

Historically, tax increment funding has been an excellent source of funding for public infrastructure improvements. Unfortunately, the state legislature has eliminated the redevelopment program and this source of funding is no longer available. However, the legislature is considering a replacement program. See below for discussion of two proposed programs that have a high probability of being implemented in the next couple of years.

As part of the redevelopment dissolution process, redevelopment agencies are required to return all unencumbered redevelopment funds. These funds are then reallocated to the taxing agencies. The City of San Diego will receive a portion of these reallocated property taxes. Additionally, as a result of the dissolution of the redevelopment agencies property taxes will no longer be diverted to the redevelopment agencies and will instead be reallocated to the taxing agencies including the City of San Diego. These reallocated tax funds are referred to as boomerang funds. Some Bay Area cities have allocated these funds to continue their economic development activities. This approach should be explored with the City of San Diego to capture that portion of the funds attributable to the former City Heights Redevelopment area.

Business Improvement Districts

There are two established business improvement districts within City Heights. The University Avenue Business Improvement District covers the University Avenue commercial district and the El Cajon Blvd Central Business Improvement District covers the El Cajon Blvd commercial district. Both of these improvement districts were established under the Parking and Business Improvement Area Law of 1989. The businesses within the improvement district assessment area pay a yearly assessment for use in planning, marketing and physical improvements. The types of improvements which may be financed include:

- Parking facilities
- Parks
- Fountains, benches, and trash receptacles
- Street lighting and
- Decorations

Additionally, the assessment revenues may be used for a variety of marketing activities that benefit the assessed businesses.

The purpose of the proposed pedestrian improvements is to specifically benefit the commercial district by facilitating pedestrian activity within the commercial district and to encourage increased retail sales. Participation by the business improvement districts should be encouraged. Successful implementation of pedestrian improvement program will require buy-in from and participation of the business community.

**Recommendation:**
It is recommended that an organizing strategy be developed and implemented to engage the business community in the pedestrian investment program. The BIDs should be one of the sources utilized to fund the proposed pedestrian improvements. This strategy can be combined and integrated with the recommendations for the small business investment program.
VI. PEDESTRIAN INFRASTRUCTURE IMPROVEMENTS

Assessment Districts

In addition to business improvement districts, there are a number of other types of assessment districts that can be formed to finance public improvements. A major impediment to the formation of new assessment districts is Proposition 218. The primary impacts of Proposition 218 are that it established a majority vote requirement for property owners to approve new assessments and strengthened the standard for determining “special benefits”.

Meeting the legal requirements of Prop 218 for property based assessment was made much more difficult as a result of the decision in Golden Hill Neighborhood Assn, Inc. City of San Diego, 199 Cal. App. 4th 416 (2011) This decision stated that property based assessments may only pay for “special benefits” to the assessed properties and not general benefits enjoyed by the general public. It went further and stated that essentially every improvement and activity provided by San Diego’s property based assessment districts result in some general benefit. The end result is that any new property-based assessment district must contain some non-assessment revenue contribution to pay for the general benefits.

Further complicating assessment district financing is Proposition 26. Prop 26 allows the city to impose new business based assessment without voter approval only if the program of improvements and activities to be funded by the assessment can be limited to benefits or services provided directly to the charged businesses and not others who are not charged. However, as noted above every improvement has some general benefit and therefore use of business based assessments will require additional funding to supplement the assessments.

Recommendation:
For the reasons cited above it is not recommended that the assessment district financing be pursued for this project.

Community Facilities Districts

Community Facilities Districts (“CFD”) is a financing tool created through state legislation which empowers local agencies to create special districts for the funding of community services or capital infrastructure improvements. It is a special tax on properties to fund identified capital infrastructure improvements. The advantage this financing tool has is that it does not require a finding of “special benefit”. Similar to assessment districts, a vote is required to establish a CFD. However, the required vote is not limited to property owners within the proposed district but is subject to vote of all registered voters in the proposed district.

Another positive feature of this financing tool is that it is flexible in establishing the benefit area and the benefit area can be expanded through annexation. Based on the assumption that concentrated pedestrian improvements within a targeted area can positively affect property values within a quarter mile of the improvements CFD’s can be created to coincide with the proposed target areas or districts suggested in this study. Specifically, CFD’s should be explored for Target Areas 2, 3, 4, 7 and 10.

There is a limitation on the amount of the assessment that may be imposed through a CFD. This limitation is commonly referred to as the “two percent” rule. This rule states that the total annual tax levy on a home cannot exceed two percent of the home
purchase price. Currently, the state ad valorem tax is one percent, therefore, there is only a one percent value that may be assessed through the CFD.

A preliminary assessment of the potential assessment available for a combined assessment district encompassing 7 of the target areas was performed and is attached (City Heights Seven Site Combined Assessment Calculations Report). An analysis of the assessment potential for each individual Target Area was also conducted and is contained in the City Heights Site Assessment Report. When compared to the potential cost of the recommended pedestrian improvements within the proposed districts it appears that this is a valid potential financing mechanism.

This financing mechanism has been traditionally utilized in connection with ‘green field development. Due to the voter requirement this financing mechanism has not been used in urban areas. However, it was successfully utilized in the City of Los Angeles where there was a large number of renters which supported the CFD.

The establishment of CFD’s within City Heights will require a major education and organizing campaign. Voters will have to be educated on the specific improvements to be funded and the specific benefits which will accrue as a result of the assessment. These types of campaigns are very sophisticated and strategic. However, it presents a major opportunity to implement a strategic community organizing campaign. Funding for this organizing effort could come from philanthropic sources.

**Recommendation:**
Pursue an organizing effort for the formation of a potential community facility districts. Initial candidate areas are Target areas 2, 3, 4, 7 and 10 to facilitate pedestrian improvements within the University Ave Historic District, the potential Health Clinic/Cultural District and BRT areas.

**City Capital Improvement Program**

Annually the City of San Diego allocates a portion of the general fund budget to transportation capital projects, including pedestrian-related facilities, street lighting and traffic calming. While this is not typically viewed as a source of funding for pedestrian infrastructure, public infrastructure deficits are a significant obstacle to private investment in urban communities like City Heights. The City is currently evaluating its CIP program and in particular its community input process for establishing CIP priorities in each neighborhood. Prioritizing and aligning CIP funds to support the target area investments in this plan is critical to the success of the program.

The City has established an Infrastructure Committee which is currently evaluating the CIP process. This committee’s work should be monitored and input provided to insure that the CIP program is aligned with this investment program.

**Recommendation:**
Monitor committee efforts and provide input to ensure that CIP process is consistent with City Heights priority and Walkability Investment Strategy.
The Jobs, Housing, and Neighborhood Act

Another major effort to revamp the City’s public infrastructure and funding process is the Jobs, Housing and Neighborhood Act. This effort is being supported in part by the San Diego Chamber of Commerce. This proposed process would represent a major structural change in the City’s public infrastructure process. As proposed this process may favor large regional infrastructure projects over neighborhood infrastructure needs. This Act should be monitored to insure that City Heights and other urban neighborhood interests are properly represented.

**Recommendation:**
Monitor committee efforts and provide input to ensure that CIP process is consistent with City Heights priority and Walkability Investment Strategy.

Sustainable Communities Investment Authority

Negotiations are ongoing at the State legislature to develop a replacement for the redevelopment agency structure. One proposal which passed both the Senate and the Assembly last year was the SB 1156 which provided for the establishment of Sustainable Communities Investment Authorities. Unfortunately, the bill was vetoed by the Governor but has been reintroduced in this legislative session. The primary appeal of this legislation is that it authorizes tax increment financing.

Key features of the bill are:

- It establishes authority for local jurisdictions to create Sustainable Communities Investment Authorities.
- Sustainable Communities Investment Areas are created which consist of transit priority areas. Transit priority areas include high quality transit corridors.
- Requires the preparation of a Sustainable Communities Investment Plan which shall include:
  - Statement of principle goals and objectives of the plan
  - How it will contribute to more efficient transportation, reduced housing/transportation costs for residents, improved public health, and reduction of energy costs.
- Provides for tax increment financing
- Provides for bond financing authority

City Heights is strategically positioned to take advantage of this legislation should it pass. The two BRT stations are located within a transit priority area. SANDAG has already commenced planning for the stations and city has prepared the Mid-City BRT plan which could ideally be implemented through the Sustainable Communities Investment Authority. Implementation of a transit oriented development area with major pedestrian facilities around the BRT stations would attract private investment to the area.

It is important to note that many of the proposed legislation addressing future redevelopment prioritizes transit priority projects within transit priority areas. A “transit priority” project is a mixed use project located within a half mile of a major transit stop or high quality transit corridor. A “high quality transit corridor” is a corridor with a fixed route bus service with service no longer than 15 minutes during peak periods.
The University Avenue and El Cajon Blvd corridors can qualify as high quality transit corridors.

**Recommendation:**
It is recommended that this legislation be tracked and if adopted planning funds should be sought from philanthropic sources and SANDAG to prepare a Sustainable Communities Investment Plan for the BRT stations and University Avenue and El Cajon Blvd corridors.

**Infrastructure Financing Districts**

Under existing legislation (Government Code sections 53395 et seq) cities and counties can create Infrastructure Financing Districts (IFDs) to pay for regional scale public works. IFDs can divert property tax increment revenues for 30 years to finance highways, transit, water systems, sewer projects, flood control, child care facilities, libraries, parks, and solid waste facilities. IFDs can’t pay for maintenance, repairs, operating costs, and services.

Unlike redevelopment, the property in an IFD doesn’t have to be blighted. IFDs and redevelopment agencies’ project areas can’t overlap. Forming an IFD is cumbersome and formation requires a super majority vote of registered voters of the district.

State legislation is pending to modify formation procedures, voters approval and potential uses. The pending legislation broadens the potential types of facilities which can be financed through IFDs to include transit priority projects and other projects consistent with a sustainable communities strategy. A major feature of this potential mechanism is the reintroduction of tax increment financing.

**Recommendation:**
This legislation should also be monitored for purposes of providing financing for the transit and pedestrian improvements around the proposed BRT stations and throughout the University Avenue and El Cajon Blvd corridors.

**Next Steps**

*Implement a pedestrian infrastructure education campaign initially focused in target Areas 2, 3, 4, 7, and 10.*

- a. Work with residents and businesses in identified pedestrian districts to clarify pedestrian infrastructure design elements and locations.
- b. Establish working affiliations with existing or new resident/businesses in the designated destinations sites based on study data or opportunity.
- c. Facilitate resident/business strategy development efforts based on study data and design discussions
- d. Engage local non-profits and business associations in coordinated effort and mutual problem solving and needs assessment.
- e. Introduce comprehensive campaign efforts to area planning groups and remains of PAC and other identified stakeholders.

*Implement recommended funding advocacy efforts for priority pedestrian districts.*

- f. Pursue the development of a campaign for the establishment of community facilities district financing to complement existing public funding in identified priority pedestrian districts.
VII. SMALL BUSINESS INVESTMENT STRATEGY

87% percent of the businesses within City Heights are small businesses as defined by the Community Reinvestment Act. Many of these businesses are “mom and pop” operations which are drawn to City Heights based on the low rents and the culturally diverse consumer base. These businesses are primarily neighborhood serving businesses. The focus of the small business investment strategy is to improve the delivery of products and services to the targeted customer base and improve the commercial districts “accessibility factor”. The “accessibility factor” is measured by the number of attractors (in this case destination businesses) within walkability distance of the local residents. Our research has determined that in general the most highly walkable areas, as identified by people in various areas throughout San Diego, have an average ratio of destination businesses per 1000 people of 20 or more. The analysis of the 10 target sites within City Heights revealed that the average number of destination businesses per 1000 people was 10, half the ratio found in other walkable San Diego communities. This finding suggests that there are not enough destination businesses within City Heights to serve its customer base.

A recent LISC MetroEdge study of City Heights found that there was an adjusted retail float of approximately $32 million. This unmet retail need was in the categories of clothing, general merchandise, electronics and appliances, building materials/gardening equipment and supply and furniture and home furnishings. The results of our intercept interviews and focus groups confirmed that residents shopped outside the City Heights area, particularly for clothing and general merchandise. Other key findings were that despite the positive contribution of the ethnic markets and restaurants in the community there was a lack of markets with traditional general merchandise and a limited choice of American food opportunities.

The specific goals of the small business investment component are:

1. Increase the attractor qualities of existing businesses and increase sales to local residents.
2. Increase the number of destination businesses within the targeted areas and expand the shopping opportunities within the commercial districts.
3. Improve the retail mix by attracting neighborhood serving businesses which provide products and services which are not currently available in City Heights.
Philosophical Approach

Due to the unique cultural diversity and income levels of the consumer base in City Heights traditional approaches to retail marketing has not successfully tapped into the full buying power of the City Heights consumer base. An analysis of the consumer expenditures for the City Heights community reveals that the community consumer expenditures are approximately 60% of the county-wide average of household expenditures. This relatively low expenditure level presents a red flag for private investors.

While the community’s relatively lower household income level is a factor there are a number of other factors which are contributors. Based on focus group input there is a disconnect between the residents and the existing business community. Existing residents are not the focal point of the business community’s marketing efforts and the marketing efforts are not as effective in reaching the culturally diverse community. Additionally, many residents express a discomfort with shopping at local stores and there is a perception that the local stores do not carry the basic products desired by the community.

Another opportunity which exists to increase the local consumer expenditures in City Heights is to target the daytime employee consumer base. It is estimated that the daytime population of City Heights increases by approximately 10,500 people based on reported employment of businesses located in City Heights. There is a significant employee base related to schools, the non-profit social sector and health services. This consumer group represents potentially a higher income group and should be targeted for patronage of the existing neighborhood serving businesses.

The proposed investment strategy is centered on serving the existing community which requires a consumer focused approach that targets the unique consumer segments which exist in City Heights. Previous efforts focused on “revitalization/redevelopment” efforts which were ultimately based upon traditional marketing values and approaches. The goal of these efforts was to transform the market as opposed to serving the existing market.

The recommended strategy is based upon a “Shared Value” approach which focuses on the connection between societal needs (in this case community needs) and economic needs. This approach recognizes that the social context of the market along with economic factors which must be considered in the marketing and sales of products and services.

The Shared Value approach requires the development of a distinctive value proposition that meets the specific needs of the targeted consumers. This requires an analysis of the business value chain (set of activities involved in creating, producing, selling, delivering and supporting its products and services) in order to identify opportunities and methods to better serve the consumer while at the same time improving the economic value to the business. For example, an ethnic market may want to explore the value of adding a few traditional products to its product offerings to attract those customers who are reluctant to shop at the market due to the lack of those products.

Implementation of the recommended strategy is based on the development of “Hybrid Value Chains”. This concept involves establishing collaborations between the private sector and mission driven organizations in the delivery of products and services to a specific consumer base. This approach combines the business sector’s expertise with the social sector’s community knowledge and social network to improve the delivery of products and services.  

22. This approach is based upon the concept of “shared value” developed by Michael E. Porter’s Competitive Advantage: Creating and Sustaining Superior Performance. 2008.

23. A number of focus groups cited the lack of everyday items as a reason for not shopping at the local ethnic market.
products and services to the community. The need for such collaborations is underscored by the findings of the California Financial Opportunities Roundtable. This study identified a disconnect between capital resources and impact investment opportunities and recommends that new intermediaries be developed to facilitate the connections between capital resources and investment opportunities. This disconnect was expressed in our financial sources working group. One of their conclusions was that the lack of capital resources was not the problem in City Heights but the lack of an intermediary infrastructure to connect existing financial resources with opportunities in City Heights was a major impediment to financial investments in the City Heights businesses.

Strategies

Local Buy and Sell Program

The primary goal of the proposed Local Buy and Sell Program is the strengthening of the City Heights local economy (increasing the number of local economic transactions). Growing the local economy will make the community a more attractive investment for the private sector. This requires strategies which will increase the sales of the local business community while expanding the products and services which are available and affordable to City Heights consumers.

Locally owned businesses within communities with an active “buy local” campaign run by a local business/citizen alliance saw revenues grow by 7.25% in 2011 vs. 2.6% without an such an approach. In addition, the buy local initiatives have a multiplier effect of three times the effect of non-local business. Buy Local Programs are a developing trend nationally and even locally. “Small Business Saturday” is an example of a “Buy Local” initiative in support of local small businesses. These activities encourage local consumers to patronage their local small businesses.

The typical Local Buy Program is in essence a marketing campaign for local businesses. The proposed Local Buy and Sell Program involves a reverse marketing component which involves the “marketing” of the City Heights consumer base to the business community. The increased sales result from an improved alignment between the unique consumer base and the available products and services provided by the business community. By educating the business community on the local consumer market it can better target its goods and services to community.

The first step in developing a local buy and sell program is identifying the parameters of the local economy. Baseline information is included in the The Neighborhood Assessment Data Reports. The Report includes detailed demographic information for each of the target areas. It includes an ESRI Tapestry Segmentation Profile for each target area and includes a detail breakdown of the composition of the business base.

The Neighborhood Assessment data should be supplemented with consumer surveys targeting each of the three consumer segments within the target areas. The purpose of these surveys is to provide ground level information on the needs and preferences of the consumer groups and information on their current consumer activities in the target areas. The target area neighborhood assessment information and the results of the consumer surveys will form the basis upon which the Local Buy and Sell Program can be implemented.
Walk and Shop

It is recommended that this initial effort be targeted within the University Avenue and Fairmount Avenue corridors. The consumer market area would include Target areas 2, 3, 4, 7 and 10. These target areas are consistent with the target areas for the pedestrian improvements.

A collaborative steering committee should be created to oversee the development and implementation of the Local Buy and Sell Program. Participants should include representatives from the City Heights Business Improvement District, City Heights Community Development Corporation, and key non-profit stakeholders particularly those which represent the various cultural groups within each target area.

Resources for the development and implementation of Buy Local Campaigns can be found at the American Independent Business Alliance (www.amiba.net) and the Business Alliance for Local Living Economies (www.livingeconomies.org).

Small Business Intermediary Program

The California Financial Opportunities Roundtable28 identified the following major impediments to the deployment of capital to California communities:

1. A mismatch between capital sources and small business needs.
2. Misconceptions on the quality or returns available from investments in under-served markets.
3. Lack of information on quality investment opportunities in under-served markets.

Under-served markets such as City Heights do not fit the standard profile for standard investments. There is a disconnect between the available financial resources and the investment opportunities within under-served markets. The existence of this disconnect was echoed during the City Heights financial sources working group discussion.29 It was stated during the workshop that lack of capital was not the impediment to investment in City Heights but making the connections with the businesses in the community who could utilize the capital resources was the main problem.

The City Heights CDC is currently operating a small business support program. This program could be expanded into a small business intermediary program. The CDC would act as the intermediary between City Heights small businesses and financial intermediaries such as ACCION, the Small Business CDC and the various city sponsored and bank sponsored small business financial programs. The CDC would provide specialized retail assistance to City Heights small businesses focusing on marketing, access to small business financing and the provision of technical services.

A small business needs assessment should be conducted within the targeted areas for the pedestrian improvements. The programs and activities of the small business intermediary program would be developed based upon the needs assessment results. Potential activities could include:

1. Facilitation of crowd funding for small business investments.

This is a developing financing tool which involves the collective cooperation of people who network and pool their money and/or other resources together, usually via the internet, to support efforts initiated by other people or organizations. ACCION


29. Attendees included representatives from Small Business Community Development Corporation, ACCION, and Citi Bank.
recently announced that they were a sponsoring organization for KIVA, a crowd-funding platform for micro business enterprises.

2. **Sponsor creation of a Small Business Investment Consortium.**

There are specialized niches of small business lending involving micro-enterprise lending, small business programs through CDFIs, traditional bank lending and philanthropic lending programs. There are a number of organizations which provide such services within the City Heights community. The CDC could sponsor the development of a consortium of these various lenders to function as a one stop shop for small business financing within the targeted areas of City Heights.

3. **Provision of technical services to small businesses to assist with identifying and submitting applications for small business financing.**

Under the small business intermediary program the CDC would develop working relationships with the small businesses within City Heights (prioritizing those located within the priority target areas) and utilize its market knowledge and community network to facilitate the delivery of financial resources on behalf of the financial providers. Examples of this collaborative model is described in A New Alliance for Global Change.30

**Cooperatives**

Access to affordable products and services is an essential element for the residents and businesses of City Heights. The cooperative model should be explored as a potential vehicle to facilitate the delivery of affordable services and products to City Heights residents and businesses. A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs through a jointly owned and democratically controlled enterprise. The cooperative model can be utilized to gain more control of the pricing of services or products resulting in a better value proposition for its members.

There are three common cooperative models: consumer, business and worker cooperatives. Consumer cooperatives are organized by consumers who want to achieve better prices or quality in the goods and services they purchase. Common consumer cooperatives include food coops, energy buying cooperatives and health care coops. Business cooperatives are formed by small business enterprises to cut expenses and gain market advantages through joint purchases and marketing. A worker cooperative is a democratically managed business that is owned and controlled by its workers.

Recently the cooperative model has gained renewed interest as a potential vehicle for economic development within low income communities. The City of Richmond, California has adopted the worker cooperative initiative to promote the growth of cooperative businesses to create jobs within its low income neighborhoods. This cooperative initiative has been championed by the City’s mayor after a visit she took to Mondragon, Spain. The City recently announced its first cooperative business, Liberty Ship Café.31

In the City of Cleveland the Evergreen Cooperatives was launched in 2008 by a coalition of Cleveland based institutions Cleveland Foundation, the Cleveland Clinic, Case Western reserve University and the City of Cleveland. The Cleveland cooperatives initiative is focused on six low income neighborhoods in Cleveland known as the Greater University Circle. To date the initiative has established three worker cooperative business: Evergreen Laundry, Evergreen Energy Solutions and Green City Growers. It has become a model for other cities.32

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Another interesting use of the cooperative model is the Village to Village network in Boston. This program uses the cooperative model to coordinate access to affordable services (i.e. transportation, health/wellness programs, home repairs and social and educational services) for the elderly population. A major sponsor of this network is NCB Capital Impact.

The cooperative model may be utilized in a number of ways for City Heights. A producer cooperative could be established for a small business cluster (i.e. restaurants) within City to provide access to joint purchases of affordable supplies and engage in joint marketing activities. A consumer coop could be established to provide residents with access to more affordable healthy food options and other household products and services.

Another potential option for the cooperative model would focus on the existing micro-enterprises which exist with City Heights informal economy. This cooperative could be used as a vehicle to integrate this informal economy into the City Heights formal economy. The current regulatory environment presents a significant barrier to these types of micro-enterprises yet these enterprises play a significant role in culturally diverse communities such as City Heights. These micro-enterprises can also be used strategically as a means to attract additional pedestrian activity within the commercial districts.

The National Cooperative Business Association (www.ncba.coop) and the California Center for Cooperative Development (www.cccd.coop) are good resource sites for the cooperative model.

**Recommended Next Steps:**

Implement Small Business Investment Strategy

- Develop and implement a “Local Buy and Sell Program” to facilitate the delivery of products and services by local businesses to the existing consumer market.
- Conduct a consumer needs and preferences survey targeting existing residents, local employees and outside consumers.
- Establish a small business intermediary program to facilitate the delivery of existing small business financing resources to existing businesses.
- Conduct business needs survey to identify technical assistance, marketing and financing needs of existing small businesses within City Heights.
- Explore the potential of the cooperative business model as a strategy to provide more affordable to facilitate the delivery of products and services within the City Heights community.
- Conduct supplemental research and analysis of the informal economy to develop strategies for integrating informal economy enterprises with the traditional neighborhood business sector.