

The Journal of  
**SAN DIEGO HISTORY**

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**SPRING/SUMMER 2025**

VOLUME 71

NUMBER 1

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Published since 1955 by the  
San Diego Historical Society  
(San Diego History Center)  
1649 El Prado, Suite 3, Balboa Park  
San Diego, California 92101  
ISSN 0022-4383





**THE 2006 SAN DIEGO  
DOWNTOWN COMMUNITY PLAN, C-3,  
AND LAND VALUE CAPTURE:  
A PARTICIPANT'S PERSPECTIVE**  
NICO CALAVITA

In 2006, the City of San Diego approved a plan for its downtown that drastically increased the land use densities allowed. The civic organization C-3 pointed out that granting higher densities, a public action, would increase land values and that through land value capture (LVC) the city should capture some of those value increases for public benefit<sup>1</sup> From the perspective of a participant in debates over planning, this article shows how C-3 and other organizations were able to shape the political discourse in ways that led to a Bonus Benefit Program for open space acquisition that developers could opt into for additional densities.

**THE CENTER CITY  
DEVELOPMENT CORPORATION**

In the 1950s and 1960s, downtown San Diego deteriorated badly as freeway construction led to the decentralization of commercial activities. Mission Valley in particular—located only a few miles north of downtown and easily accessible by car with ample free parking—experienced

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(Opposite page) Opening day of Horton Plaza, 1985.  
© SDHC #1998\_47-780.



Freeway clover-leaf interchange in Mission Valley, n.d.

© UT #84\_32107.1.

substantial retail growth. Downtown landowners and businessmen fought back by forming San Diegans Inc., an organization dedicated to revitalizing downtown and remaking it as a strong administrative, financial, cultural, commercial, and entertainment center for the city and the region. Their efforts led to the creation of the Center City Development Corporation (CCDC) in 1975, a public-purpose corporation established to manage downtown redevelopment for the San Diego Redevelopment Agency, a body directed by the city council.

Under state redevelopment law to ameliorate blight, CCDC was able to use the power of eminent domain to buy private property, tear down dilapidated structures, provide the site with new infrastructure, assemble parcels, and sell or lease the land to private developers at a discount for new development under the authority and final approval of the San Diego Redevelopment Agency. The financing mechanism was tax increment financing (TIF). With TIF under California law at the time, the property tax revenues from base-year assessed

valuation in the district continued to flow to the city, the county, school districts, and special districts. Meanwhile, the incremental growth in assessed values, and therefore property tax revenue from economic regeneration (including new development, restoration of existing buildings, and general market growth over time), went to the Redevelopment Agency. This increase in tax revenue is known as tax increment. The more successful an area in growing property values, such as through high intensity buildings or other strategies, the more dollars can be reinvested.

Among CCDC's responsibilities were "to serve as the link between the public and private sectors and to stimulate and facilitate private investment and development of San Diego's central core."<sup>2</sup> The CCDC was very successful in attracting private investment downtown, initially with office buildings. Later development included the Horton Plaza Shopping Center in 1985, the revitalization of the adjacent Gaslamp Quarter and Historic District (the commercial and civic center of the city around 1900), hotels (made possible by a new convention center on the San Diego Bay), Petco Park, and over time, residential development in various subdistricts.

Residential development was initially more difficult and required large subsidies and suburban-style townhomes to attract buyers. At the turn of the century, however, the synergetic power of all these new developments, plus a burgeoning return-to-the-center movement, led to increasing demand for housing downtown and the first unsubsidized luxury condo tower, the Meridian. Redevelopment had been wildly successful, but CCDC was slow in realizing it.

### THE NEED FOR A PARADIGM SHIFT

Downtown San Diego was a national financial center, containing the headquarters of three of the ten largest savings & loans (S&L) corporations. When the S&L crisis occurred in the late 1980s, these institutions and major downtown employers collapsed. Downtown's business community, led by the commercial shopping center developer Ernie Hahn, revisited downtown's development strategy and concluded that it should pivot towards more market rate and mixed-income housing given its central regional location, access to jobs, waterfront location, and proximity to major cultural destinations like Balboa Park.

When an area is developed, the need for public facilities—such as schools, parks, libraries, and fire stations—increases. While in the past governments would pay for those facilities with general and special tax revenues from property taxes, after Proposition 13 that capability was severely curtailed. Proposition 13 was the result of a “taxpayer revolt” that limited the taxation of real estate. Such drastic curtailing of government's taxing authority at the local level constrained the sources of revenue available to localities to pay for infrastructure and public facilities. The result was a search for sources of financing (i.e., fees and taxes that do not rely on ad valorem taxes constrained by Proposition 13. Beginning in the 1980s, San Diego and other California municipalities used development impact fees (DIFs) throughout California for urbanized areas. Benefit assessment and community facility special district financing was applied to greenfield development in the city's Planned Urbanizing Areas. DIFs were not applied in Downtown San Diego at that time to encourage reinvestment there and because it had TIF as a mechanism.



Downtown San Diego with Community Concourse at C Street and Civic Theatre on right, 1965. © SDHC #92\_18835-2035.

In a situation in which a semi-public agency such as CCDC was providing incentives to developers to build downtown, some argued that it did not make sense to charge DIFs, especially if little residential development was taking place. Others took the position that DIFs should be calibrated, even if ultimately subsidized by tax increment, to provide more economic discipline in infrastructure and public facility standards, design, and engineering. Once it became clear that developers no longer needed incentives because downtown had become a desirable place to live, shop, and do business, it then became essential for developers to build public facilities; otherwise, the quality of life downtown would degrade, making it less attractive for development.

Land and real estate economists generally consider impact fees as affecting land or property acquisition value. The higher the fees, the less a developer is willing to pay for a parcel of land and its existing improvements, if any, to undertake a given development program. There is less flexibility to adjust if impact fees increase after a developer has already purchased the property. If the amount a developer is willing to pay for real estate falls too much, and no subsidy mechanism exists (such as tax increment), the existing property owner may not have the incentive to sell the property for its redevelopment. A paradigm shift was necessary, but after many years of subsidizing development, CCDC was not ready to shift to an approach that would require development to pay for the costs of growth. The first example of CCDC's reluctance was related to affordable housing.

State redevelopment law required that twenty percent of all tax-increment funds be spent on housing for low- and moderate-income individuals and families. It also stated that fifteen percent of all residential units developed in a redevelopment area were to be affordable to very low-, low-, and moderate-income buyers. CCDC had amply met state law requirements in the 1980s and 1990s. However, with the market-rate condo boom that was shaping up in the early 2000s, the number of market-rate units was growing so fast that CCDC was unable to build enough low- and moderate-income units to meet the mandated minimum of fifteen percent of subsidized units.

In 2001, when the city of San Diego was considering an inclusionary housing (IH) ordinance that required developers to provide ten percent of housing affordable to households at sixty-five percent of area median income,

or pay in-lieu-fees, CCDC opposed the application of the IH ordinance to downtown. CCDC argued that it was currently meeting existing requirements and that the city should not interfere. While true at the time, it was clear that with market rate housing surging, the fifteen percent requirement for low- and moderate-income housing would not be met in the future. However, the real reason for CCDC's opposition to the IH ordinance was that developers predicted the new requirements would be so costly that development would come to a halt, a prospect that terrified CCDC.

That IH would slow down development was unlikely, especially because the IH in-lieu-fees were to be phased in over a three-year period, giving time for the land market to adjust to the new requirements. In fact, the developers' doomsday prediction never materialized. Development continued undeterred after the city council approved IH in a 2002 measure that included downtown.

### THE DOWNTOWN COMMUNITY PLAN

The most egregious example of CCDC's inability to change course was the update of the Downtown Community Plan. A draft was released in June 2005 and the plan finally adopted in February 2006. The Downtown Community Plan proposed tripling the existing population and housing units and more than doubling its non-residential space. In a March 1, 2006, *Voice of San Diego* article, CCDC chair Jennifer LeSar, in trying to justify the staggering increases, was quoted as saying: "By taking the density downtown, we are helping preserve our rural lands and our single family neighborhoods."<sup>3</sup> C-3, a sixty-year-old civic organization dedicated to good

planning and design in the San Diego region, had some influence on this linkage between regional open space land preservation and urbanization in targeted areas.<sup>4</sup> It also raised this linkage in its *Toward Permanent Paradise* program in the early 1990s.

The environmental impact report (EIR) was released in the Spring of 2005. In a letter commenting on the EIR dated September 12, 2005, C-3 pointed out that it was not against such densification of downtown, but that it felt strongly that all impacts should be measured and necessary mitigation measures identified.<sup>5</sup> That was true for transportation impacts and especially so for public services and housing. Additionally, the letter stated that “the EIR goes to great lengths not to evaluate those impacts, because it is said to be ‘outside the scope of the EIR.’ For example, there is no reference in the EIR to the required number of parks that the proposed population of 90,000 demands.”<sup>6</sup> As we shall see, the parks issue was probably the most controversial throughout the approval process, partially resolved only a few weeks before the February approval.

### **Floor Area Ratios (FARs) Increases and Land Values**

The C-3 September letter also regretted that the EIR had not addressed the impact of the proposed plan on real estate values, especially in the neighborhoods surrounding downtown. At issue here was floor area ratios (FARs), which measure the intensity of development on a lot. A FAR of ten would allow a ten-story building that covers the entire lot area or a twenty-story building that covers half of the lot area. The C-3 letter pointed out that “the proposed increases of base maximum and minimum

FARs in the redevelopment project area has caused massive real estate speculation, causing land prices to jump from \$300 per sq. ft. in 2004 to over \$500 per sq. ft. in 2005.”<sup>7</sup> Such an increase was based on the expectation that the proposed increase of two FARs over the previous plan would be approved.

The letter was pointing out something that planners in the US have not paid much attention to in the past: that public actions—such as plan changes—can increase the value of land, sometimes considerably, as happened downtown. The landowners downtown had done nothing to increase the value of that land. The increase was the result of the expectation that the proposed plan would be approved with huge density increases. Deleterious consequences of high land values can be many, including making the cost of housing much higher, and in the case of downtown, making affordable housing practically impossible. Extra entitlement doesn’t necessarily generate higher land values if the market can’t support them, but at the time, downtown was booming.

It should be mentioned that property values had been increasing even before the 2005 draft of the Downtown Community Plan, in large part the result of public efforts, especially CCDC’s subsidizing private development through TIF and other sources of financing to the tune of \$870 million, creating a positive investment climate.<sup>8</sup> In the eyes of some, it would be only fair to recapture some of those increases in land value created by the public for community benefits, such as more affordable housing or parkland. This approach—known as land value capture (LVC) or public benefit zoning—is widely used in other parts of the world but has been utilized in the US only recently.<sup>9</sup>

While certain public actions increase the value of land, other land use planning actions can decrease land values, namely imposing requirements such as development impact fees, inclusionary housing, and commercial linkage fees. By making development more expensive for the developer, these requirements, also known as exactions, will generally lead to lower land prices. For example, a study prepared by Keyser Marston Associates, Inc. (2019) found that “a number of California cities have adopted inclusionary requirements that were projected to generate reductions in residual land values as high as minus 30%.”<sup>10</sup> Exactions, then, should lead to the partial flattening of the increase in the land values curve generated by public actions. While minus 30 percent seems like an outlier and could lead to the withdrawal of land from the market, the point is that market analysis is needed to create supportable IH requirements. Given my expertise in comparative planning and research on LVC, I was uniquely positioned to weigh in on the issue of how densification and incentives would affect the feasibility of the plan and the provision of public facilities, and to call for capturing at least a portion of the increases in land values for public benefit.<sup>11</sup>

### **PROBLEMS WITH THE INCENTIVES AND TRANSFER OF DEVELOPMENT RIGHTS PROGRAMS**

The Downtown Plan proposed minimum, base maximum, and maximum FAR limits that varied depending on location. The minimum was a FAR of two at the fringes of downtown, and a maximum of twelve at its core. A project could earn additional FARs beyond the base maximum through a variety of bonus programs, including:



Downtown looking west from 9th and B Streets, 1980. M. Jordan Photo Collection. © SDHC #80\_8963.

affordable housing; urban open space; three-bedroom units; eco-roofs; green building; employment uses; and public parking. The bonus FAR varied from one to five depending on location.

In addition, a transfer of development rights (TDR) program was established to facilitate the creation of new public parks or open space. TDR works this way: it would be unconstitutional for properties designated as parkland to be given no development rights, when a nearby parcel would receive high-density designations. The city could buy the land, but at very high cost. With TDR, development rights from areas that need to be preserved (“sending” sites) are transferred to sites where the development rights can be used (“receiving” sites). The developers of the receiving sites will want the additional development rights badly enough to pay the owners of the sending sites for them, creating a development rights market if the market supports the additional density and its associated marginal increase in development costs on the receiving site. Two TDR programs were proposed: one for parks, and one for historic resources. For historic resources, eligible sending and receiving sites were to be located on the same block.

To work, both the incentive and TDR programs were based on the assumption that developers would need additional FARs to make their development work. Only then would they pay for additional development rights from the owners of eligible “sending” sites, or incur additional costs to provide green roofs or affordable housing. The city proposing to provide—for free—two FARs seemed to be counterintuitive, counterproductive, and unexplainable.

In a letter to the Planning Commission dated October 27, 2005, C-3 pointed out that “the proposed increase of base maximum FARs in the plan area has caused massive real estate speculation” and that developers were

pushing “to see this plan approved as soon as possible so that they can enjoy this added value—value created by government action without a quid pro quo!” The letter continued: “Although we support high density downtown, we do not support giving away value that rightly belongs to the community. High FARs are no longer needed as a development incentive. We believe that FARs in the current (1992) Plan should remain intact with Bonus FARs granted in return for needed community amenities, affordable housing and transfers of density from other sites for historic preservation...”<sup>12</sup>

In my personal letter to the Planning Commission dated November 22, I expanded on those themes:

The plan proposes a system of TDRs and FAR incentives to provide parks, preserve historic sites and have developers build inclusionary units on site. ...But the incentive for builders to buy development rights is directly related to how much they can build by right. If their Base Maximum FAR is high, there would not be as much incentive to buy development rights or to utilize bonus FARs as there would be if development rights were left at the (lower) levels of the 1992 Centre Community Plan. CCDC, presumably to help meet population targets, has proposed higher levels of base maximum FARs, for free... .If the plan is adopted as proposed, it would entitle property owners to huge windfalls in property values and we the taxpayers would get nothing in return.<sup>13</sup>

C-3 continued to send letters to the city through the end of 2005 (see Appendix 1: Citizens Coordinate for Century 3 – Statements on Policies and Projects)



Aerial view of downtown San Diego, 1987. © SDHC #1998\_047-897.

about those issues and the inadequacies of the EIR, and objecting to the push to approve the plan quickly.

I gave a C-3 breakfast Dialogue PowerPoint Presentation on January 26, 2006, titled “Downtown Community Plan.” I discussed the history of CCDC and its successes, but also its inability to change from its culture of incentivizing development to making development pay for its costs, outlining all the characteristics of the plan that reflected such a culture. These included the inadequacies of the EIR to address mitigation alternatives, including the unwillingness to establish DIFs for a branch library or police station, and not considering increasing the 20 percent of TIF to a higher percentage for more affordable—including transitional—housing (as a few redevelopment agencies in the state had done).

### **NANCY GRAHAM’S TALK TO DEVELOPERS AND LANDOWNERS**

By January 2006, criticisms of the plan and the EIR were receiving increasing attention from city officials, council members, and the press. Especially troublesome was the problem of land prices skyrocketing because of the proposed density increases. High land prices would make acquisition of land for parks and other public facilities problematic, and the FAR and incentive programs more difficult to implement.

These criticisms led CCDC to reconsider the proposed FAR increases. At a January 2006 meeting with downtown landowners and developers, Nancy Graham, the Executive Director of CCDC, shared the bad news:

There were some increases in the FAR proposed... but nobody had a right to them, they were just proposed, they weren’t passed, they were just proposed, and you all know that until anything is passed it doesn’t mean anything. So what the issue is now that out there, at the city level, the city... some folk at the city are of the opinion that we shouldn’t give anything away for free, OK, they don’t want to take away... [unintelligible] they want to have the same numbers, so they are not talking about reducing the amount of the intensity... they are just saying, wait a minute... these numbers down there, should be put in the bonus pool of the TDR, so you shouldn’t give it away for free... it should be part of... [unintelligible]. They are not trying to say shorter buildings, not as much development, they are saying: put into the pool and let everybody get it that way.

I don't know how it is going to play out; we can live with it either way, it is a policy decision at the city level. We will live and work with whatever you guys tell us to do. It is ultimately a policy decision by the city, on whether they want those FAR put into the pool or some people get them for free and some don't. It is a policy issue, a political issue. And we can do without it; and I don't think that it is going to make a huge difference one way or the other, by the way. If we do add the FAR automatically upfront, most of the time the ones who benefit from it the most, are the landowners who are selling the land, because the buyers... the developers buy based on the FAR that they are allowed to develop, to the extent that you add some, developers aren't getting it for free, they are paying the landowners for it, so the landowners are the ones who are pocketing most of the money on that transaction. We can find a way to make it work for the developer and if they are buying through the bonus, if they are getting it through the bonus they should be getting it cheaper than it is for what they are paying for the FARs. The city is worried about the standards issue... most of the time... some of you are landowners or who represent them I apologize; they are the ones making most of the money off it.<sup>14</sup>

What Nancy Graham laid bare was the connection between the granting of higher densities and land price increases and that those who benefit are the landowners rather than the developers. On the contrary, she pointed out, developers will suffer because they will have to pay more for the land. This is a connection that urban planners usually pay little attention to, let alone exploit.

As we shall see, clarifying such causality made it possible for some of the increases in land value to be recaptured for parkland and open space. Graham alludes to this when she mentions that "the city is worried about the standards issue." I assume that she is referring to the fact that, according to city standards, parkland would be inadequate downtown as many observers, in addition to C-3, were pointing out, especially Planning Commissioner Carolyn Chase.

### **THE FEBRUARY 28, 2006**

#### **C-3 LETTER TO CITY COUNCIL**

In a four-page letter to the city council dated February 28, 2006, C-3 identified major areas of concern, which I will address in turn.

#### **Infrastructure, Public Facilities, and Amenities**

C-3 criticized CCDC for not taking responsibility for the transportation problems that the implementation of the plan would generate. According to C-3, it was only as a result of "pressure from the Planning Commission and the City Attorney's Office that CCDC has committed to provide fair-share funding through Development Impact Fees (DIF) or similar mechanisms" for transportation-related costs. C-3 contended that development should also "pay for the proposed freeway covers, for transitional housing, a police station, the downtown's fair share of library facilities costs and other amenities. Let's not forget that in other areas of the city, such as University City, developers have paid, and continue to pay, for all community-wide costs of growth, including the cost of the freeway interchange of Nobel Drive and I-805."<sup>15</sup> Why not

in downtown? C-3 also made a pitch for arts and culture. “As in other downtowns, developers should provide art works with their developments.”<sup>16</sup>

### **Parks and Recreation**

C-3 also addressed the question of whether existing standards for park acreage should apply downtown:

Park acreage is far below the acceptable standard for a residential population of 90,000 not to mention the downtown worker, tourist, and others. Many of the areas shown on the plan update as parkland either are not available to the public at all times or no parkland at all. The recreational element of the general plan recommends 2.8 acres of parkland for every 1,000 residents including neighborhood and community parks, according to a letter from Deborah Sharpe of the City’s Parks and Recreation Department commenting on the EIR.<sup>17</sup> The projected population of 89,100 in 2030 would justify nearly 250 acres of parkland, while the plan identifies only 76.88 acres. This is well below the recommended standard. Given the proposed tripling of population, the ratio of existing and proposed parkland to resident will be reduced with the proposed downtown community plan.

While an argument has been made [that] the park standards (local, community and regional) should not apply to downtown, it is important to remember that downtown parks will be used by far more than the resident population and that currently large park acreage deficiencies exist in the communities surrounding downtown.<sup>18</sup>

### **Affordable Housing**

This section reiterates points made before by C-3, including how proposed increased densities have led to skyrocketing land costs “...making [it] necessary to develop high-rises that require building technologies—so-called Type I construction—that makes [sic] housing construction extremely expensive. As a result, existing low-rise affordable housing will disappear... and no housing, especially rental, affordable to low and moderate-income families who work downtown, will be produced through the market.”<sup>19</sup>

### **Historic Preservation Rehabilitation**

Again, C-3 pointed out how the proposed TDR system for historic preservation would have little chance of success if TDRs were to be given for free. Accordingly, the letter recommended “[l]ower base maximum FARs to make the TDR program feasible not only for parks, but also for affordable housing and historic preservation. Otherwise, DIFs for parks and recreation must be increased.”

The letter also pointed out the following:

TDRs and FAR incentives, however, are insufficient to ensure that public facilities and infrastructure will be provided to meet the needs of a growing downtown. CCDC has funded those needs in the past but it has now become clear that new development should pay its fair share, as it does in other parts of the city, especially in urbanizing communities. The recent establishment of impact fees for park and fire stations, is a good beginning, unfortunately too little, too late. The proposed DIFs for transportation facilities are welcomed, but they should be enacted for all public facility needs generated by new development.

C-3 then made a pitch for having TIF utilized for facilities that “development cannot be charged for, such as to meet unfunded central library costs, to meet existing park deficits, to mitigate the impact of freight trains... or any other amenity that would make downtown a great place to live and work. In addition the 20% TIF affordable housing set aside could be increased, as several cities and counties in California have already done. Utilizing both TIFs and DIFs would mark a truly public-private partnership at this stage of the redevelopment process and ensure a high quality of life in a burgeoning downtown.”<sup>20</sup>

### **APPROVAL OF THE DOWNTOWN COMMUNITY PLAN**

The San Diego City Council approved the Downtown Community Plan after a seven-hour hearing on February 28. As reported by *Voice of San Diego* writer Evan McLaughlin, the plan was “repeatedly challenged by a parade of critics, including council members who ultimately voted to approve it. These criticisms resulted in several compromises in the Centre City Development Corporation’s proposal.”<sup>21</sup>

Most importantly, Kevin Faulconer, the city council member representing downtown, announced that the idea of giving developers density rights for free had been scrapped and that a program that would sell FARs, the FAR Incentive and Bonus Payment Program, would be established to fund parks and open space. One reason for the change, Faulconer mentioned, was that it was discovered that TIFs and DIFs would not be sufficient.<sup>22</sup> The plan was approved by a six to two vote.<sup>23</sup>

### **THE FAR INCENTIVE AND BONUS PAYMENT PROGRAM**

With the FAR Incentive and Bonus Payment Program, builders wishing to build above and beyond the levels allowed in the 1992 plan could do so at a cost of \$15 per square foot.<sup>24</sup> CCDC approved this FAR bonus program in May 2007. The report included a statement that “Over time, the benefit could include up to 4 million square feet of development generating up to about \$97,000,000 for parks and public facilities contained in the downtown plan.”<sup>25</sup>

In 2011, the state of California eliminated redevelopment agencies—and with them TIF—increasing the need to identify additional funding sources in redevelopment areas. In downtown San Diego, the elimination of TIF funding for the implementation of the open space system especially worried city officials. In 2012, Civic San Diego (CCDC’s successor organization) proposed—and the city council approved—an amendment to the FAR Incentive and Bonus Payment Program to expand the area where FARs could be purchased, as well as an increase of about 50 percent in the number of FARs that could be purchased through the program to help implement the open space and park system downtown.

By 2016, the fifteen dollar fee had increased to \$17.50 per square foot based on the increases in the Consumer Price Index for San Diego. By that same year, the amount collected—approximately ten million dollars—was being utilized to finance a number of park and open space projects in downtown San Diego.<sup>26</sup> Councilmember Jim Madaffer had predicted disaster during the hearing because he declared the plan would penalize developers and stifle development.<sup>27</sup> This did not happen, and the

additional development cost was not going to be borne by the developer, but by the landowner, through lower land prices.

## CONCLUSIONS

C-3's website states that the sixty-year-old organization is "dedicated to preserving and improving our region's built and natural environments. Our objective is to influence critical policy, planning, and design through education, empowerment, and advocacy."<sup>28</sup> C-3 did exactly that in trying to influence the San Diego Downtown Community Plan in the mid-2000s. For example, in the January 10 letter, it reminded CCDC that C-3 "is a staunch supporter of downtown redevelopment and has been since the creation of CCDC in 1975." It then went on to praise CCDC for the renaissance of downtown, and that it agreed "with the goals and most policies of the update, but the goals of the plan, especially those related to public amenities, services, infrastructure and economic diversity, will not be achieved in concurrence with development, if at all."<sup>29</sup> C-3 said yes to densification, then, but with the appropriate infrastructure, public facilities, and amenities.

As we have seen, CCDC's reluctance to have development pay its own way had to do with its inability to affect a paradigm shift in its culture, to move from subsidizing and encouraging development to make it pay for its costs. That inability to switch course was especially grave given the amount of growth proposed in the new plan. Without having development contribute to the public realm, downtown's quality of life was certain to deteriorate, eventually leading to the loss of its attractiveness.

C-3 is a voluntary organization. It does not rely on paid staff as does—for example—SPUR (San Francisco Planning and Urban Research Association), a similar organization in the San Francisco Bay area, but on the expertise of its members. My expertise in land-use planning—not only its physical, but also political-economic aspects—was particularly appropriate in the context of downtown. It is in downtown that the intensity and potential influence of development is at its highest in the region, making landowners and developers particularly politically motivated actors. The intensity of the development proposed and insufficient implementation mechanisms can be attributed, at least in part, to the power of the downtown development industry at the time.

I had been, and continue to be, interested in the ways public benefits can be gained through the planning system.<sup>30</sup> Being a member of C-3 and sharing its goal of improving the built environment in downtown, it was only natural that I would contribute to C-3's positions on the plan. C-3's most important contribution was to show that CCDC's density bonuses and TDRs—their approach to get public benefits from development—would not work if FARs were granted for free and that DIFs and TIF needed to be increased to maintain downtown's quality of life in the face of massive growth. It was the existing and projected park deficit that especially worried C-3 (since DIFs for parks had been established only a few years earlier, "too little, too late," as C-3 wrote in a letter).

DIFs for parks were not raised, but the city came up with the FAR Incentive and Bonus Payment Program solution. Such an approach was fair in that it was likely to affect landowners, not developers, because the price of

land would decline over a period of a few years to reflect the cost of fifteen dollars per square foot, as Nancy Graham hinted at in her comments and as economic analyses have shown.

In addition, eliminating the free FARs had made the bonus program more likely to be used by developers. According to a 2012 Civic San Diego document, the bonus programs “Have been attractive to developers and have been successful in increasing densities and have resulted in the provision of public amenities and benefits.”<sup>31</sup> It is doubtful that the FAR Incentive and Bonus Payment Program would have happened, and that the bonus program would have become successful, without the well-reasoned, fair, technically sound, insistent, and consistent contribution and advocacy of C-3.

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**NICO CALAVITA** IS PROFESSOR EMERITUS IN THE GRADUATE PROGRAM IN CITY PLANNING AT SAN DIEGO STATE UNIVERSITY. HIS AREAS OF INTEREST INCLUDE INCLUSIONARY HOUSING AND LAND VALUE CAPTURE. HE WAS RECIPIENT OF THE 2016 MARILYN-GITTELL ACTIVIST--SCHOLAR AWARD OF THE URBAN AFFAIRS ASSOCIATION. IN ADDITION TO ACADEMIC ARTICLES, OVER THE YEARS HE HAS PUBLISHED MORE THAN TWO DOZEN OP-EDS IN THE *SAN DIEGO UNION*, THE *LOS ANGELES TIMES* AND THE *SAN FRANCISCO CHRONICLE* IN SUPPORT OF PLANNING IN GENERAL AND AFFORDABLE HOUSING IN PARTICULAR. HE SERVED ON A NUMBER CITY OF SAN DIEGO COMMITTEES, INCLUDING THE HOUSING TRUST FUND BOARD OF TRUSTEES.

### **APPENDIX: CITIZENS COORDINATE FOR CENTURY 3 – STATEMENTS ON POLICIES AND PROJECTS<sup>32</sup>**

**9-12-05:** C-3 Comments to CCDC on the Draft EIR for the San Diego Downtown Community Plan detailing several areas that C-3 considers deficient esp. as regards private & public transportation and parking. 2 pg. Details.

**10-5-05:** C-3 Letter to CCDC Board regarding the Downtown Community Plan Update, the Planned District Ordinance and the EIR expressing concern about the push to approve the Plan while the City lacks an elected Mayor and two vacant Council seats. Some details about continued concerns with specifics in the draft Plan. 2 pg. Details.

**10-27-05:** C-3 Letter to the SD Planning Commission detailing continuing concerns about many aspects of the Downtown CP Update, PDO and EIR, and asking what the rush is to get it through the approval process (see letter of 10-5-05, above). 3 pg. Details.

**11-10-05:** C-3 Letter to Planning Commission re Downtown Community Plan Update, the Planned District Ordinance and the EIR, expressing objections to the closing of public testimony at last meeting despite new documents passed out at the time of the meeting, without time to read and fully consider the content. C-3 urges delay in action, to ensure Council has all information including resolution(s) of unresolved issues of the previous meeting. 1 pg. Details.

**11-25-05:** C-3 cover letter to Mr. Don Bauder, SD Reader, sent along with a copy of C-3's communication to the Planning Commission on 10-27-05.

**1-4-06:** C-3 Letter to 3d District Council member regarding Downtown Community Plan Update, Planned District Ordinance and EIR thanking Councilmember Toni Atkins for her continued leadership and advocacy, and for delaying docketing of proposals to enable more time to address unresolved issues and their potential long-term impacts. 1 pg.

**1-10-06:** C-3 Letter to Planning Commission requesting a process to ensure infrastructure & public amenities availability concurrent with need arising from new development projects. 1 pg. Details.

**2-3-06:** C-3 letter acknowledging request from 3rd District Council Office for copies of 5 letters re the Downtown Community Plan Update written to CCDC and Planning Commission. 1 pg.

**2-28-06:** C-3 Letter to City Council detailing elements which C-3 considers essential to a process which assures availability of infrastructure and public amenities concurrent with need arising from new development. 5 pg. Details.

## NOTES

- <sup>1</sup> C-3 is a sixty-year-old civic organization dedicated to good planning and design in the San Diego region. C-3 has recently evolved its role to "Creating Civic Community."
- <sup>2</sup> Centre City Development Corporation, *Urban Design Program: Centre City San Diego* (San Diego, 1983), 61.
- <sup>3</sup> Evan McLaughlin, "Middle Ground Found Downtown," *Voice of San Diego*, March 1, 2006.
- <sup>4</sup> C-3 has recently evolved its role to "Creating Civic Community."
- <sup>5</sup> The letter was signed by Bruce H. Warren, President of C-3. Much of its content, however, was the product of Nico Calavita, a C-3 member at the time. This will be true of the other C-3 letters mentioned later. While I did write other letters commenting on the downtown plan with my signature, I chose to work with C-3 in certain cases because the repute of C-3 would provide more weight to my concerns, criticisms, and recommendations. This was not unusual, as other C-3 members have sought and still are seeking the support of, or choose to work with, C-3 to pursue the organization's mission "to address the highest standards of environmental quality in both the built and natural environment." C-3, letter to CCDC, September 12, 2005. C-3 does not rely on consultants or paid staff, but on the expertise of its members.
- <sup>6</sup> C-3, letter to CCDC, September 12, 2005.
- <sup>7</sup> Ibid.
- <sup>8</sup> Centre City Development Corporation, "Downtown Today: A Publication of Centre City Development Corporation-San Diego, CA," 2005.
- <sup>9</sup> Nico Calavita, "Development Obligations in the US," in *Public Infrastructure, Private Finance: Development Obligations and Responsibilities*, ed. Demetrio Munoz Gulen & Erwin Van Der Krabben (New York: Routledge, 2019).
- <sup>10</sup> Keyser Marston Associates, "Proposed Amendments to the City of San Diego Inclusionary Affordable Housing Ordinance: Economic Feasibility Analysis," (San Diego: City of San Diego Housing Commission, June 27, 2019).

- <sup>11</sup> Nico Calavita and Alan Mallach, eds., *Inclusionary Housing in International Perspective: Affordable Housing, Social Inclusion, and Land Value Recapture* (Cambridge, MA: Lincoln Institute, 2010).
- <sup>12</sup> C-3, letter to SD Planning Commission, October 27, 2005.
- <sup>13</sup> Nico Calavita, letter to Planning Commission, November 22, 2005.
- <sup>14</sup> Nancy Graham, remarks to downtown landowners and developers, c. January 2006. Audio recording in possession of author. The January recording date is an estimate based on the unfolding of events at the time.
- <sup>15</sup> C-3, letter to CCDC, February 28, 2006.
- <sup>16</sup> Ibid.
- <sup>17</sup> Recently, the city has eliminated acreage-based standards and replaced them with a point system based on amenities provided in existing parks, a reflection of the city's difficulties in buying land and a greater priority given to the enhancement and utilization of existing park land and facilities.
- <sup>18</sup> C-3, letter to CCDC, February 28, 2006.
- <sup>19</sup> Ibid.
- <sup>20</sup> Ibid.
- <sup>21</sup> Evan McLaughlin, "Middle Ground Found Downtown," *Voice of San Diego*, March 1, 2006.
- <sup>22</sup> The details of this program, to be described in the next section, were approved in 2007.
- <sup>23</sup> McLaughlin, "Middle Ground."
- <sup>24</sup> The \$15 figure was based on an economic analysis prepared by Keyser Marston Associates. The study had found that the value of an FAR was as high as \$30 per square foot. In a meeting of Mayor Jerry Sanders and Kevin Faulconer with developers the fee was reduced to \$15.
- <sup>25</sup> Center City Development Corporation, Floor Area Ratio Bonus Payment Program, May 16, 2007.
- <sup>26</sup> Civic San Diego, "Proposed Allocation of Development Impact Fee Funds for Fiscal Year 2017/18," September 9, 2016.
- <sup>27</sup> McLaughlin, "Middle Ground."
- <sup>28</sup> C-3, "About Us." <https://www.c3sandiego.org/page-1816500>
- <sup>29</sup> C-3, letter to Planning Commission, January 10, 2006.
- <sup>30</sup> Calavita, "Development Obligations."

- <sup>31</sup> Civic San Diego, "Proposal to Amend the Downtown Community Plan to Expand the Existing FAR Payment Bonus Program," Report No. PC-17-046, April 5, 2012, 12.
- <sup>32</sup> These "statements" are extracted from a much longer document that summarized all C-3 statements, now in the hands of the San Diego Historical Society Archives. That important reference was prepared by Judy Swink.