

# MEMORANDUM



Date: April 9, 1985

To: City Manager

From: Development Team

Subject: STAFF RESPONSE TO U.L.I. AND U.I.G. REPORTS

The City of Santa Ana is scheduled to receive the final U.L.I. and U.I.G. reports this week. Both groups provided staff with the opportunity to review the final reports in draft form for the past month.

We believe that the U.L.I. and U.I.G. reports offer some extremely innovative concepts for possible future implementation. The only major point of conflict with these studies is the overriding issue of the pace of development that will be pursued in the downtown area. The U.L.I. report recommended that the City recognize its role as the premiere urban village of Orange County and that we proceed slowly in order to formulate a clear consensus for future change in the downtown. It was their belief that new development efforts should be initiated more slowly so that existing space could be fully absorbed and that new space should only be brought on line to meet actual demand. It is the Development Team's consensus opinion that the City of Santa Ana has a unique window of opportunity to quickly create a revitalized urban core for the City. We believe that we must proceed rapidly to assist in the creation of a wave of new development which will create the momentum that will help the City develop a true urban center for Orange County during the next 10 years. If we proceed slowly and only develop for actual need, the space will simply be developed in other strongly desirable locations in the most dynamic county in the entire United States. While we have a serious gap in our perceptions for the timing of the future development in downtown Santa Ana, we are in almost total agreement with U.L.I. on the course for specific developments. In order to direct our comments to coincide with the format of the U.L.I. and U.I.G. reports, we will list our comments using the same headings. The first heading in the U.L.I. report is "Summary of Recommendations".

## SUMMARY OF RECOMMENDATIONS

The U.L.I. report recommends a primary concentration on making dramatic improvements in downtown retailing. We concur with this recommendation and are directing our downtown implementation efforts to include over 400,000 square feet of new retail development within the next two to three-year period. The new retail development will include approximately 140,000 square feet in the A-8 site (Festival Market Center); 60,000 square feet in the Carley Capital Patnership's A-2 site development; and approximately 120,000 square feet in the URBATEC A-10 site (Neighborhood Shopping Center). In addition, we anticipate over 100,000 square feet of new retail development in the A-11 development site, located at First and Main Streets, for which we are currently soliciting proposals. Also, as recommended in both the U.L.I. and U.I.G. reports, we are actively promoting restaurant oriented retail along the Second Street Mall and Birch Park area.

The U.L.I.'s second major recommendation involved the expansion of the representation of those involved in determining the future of the downtown. They recommended larger involvement in the decision making process by the people of Santa Ana, particularly, the minority elements of the community. We are in full accord with this recommendation.

In mid-1984, the City Council established the Downtown Development Commission for the sole purpose of establishing better communications with the downtown business community. In addition, the City Council enacted the enabling ordinance to establish the Downtown Business Improvement District to assist local merchants and property owners in the promotion of the predominately minority oriented retail core. Just in the last year, the Redevelopment Agency's downtown program thrust has shifted toward working with owner participants on several major projects, including the Festival Market Center on the A-8 development site. In addition, over 40% of the Redevelopment Agency assisted major commercial loans in the downtown were made to minority business owners.

Both the U.L.I. and U.I.G. reports recommended the creation of a direct link from the downtown to the Civic Center and recommended various approaches on the development of the A-2 site, as a key to the linkage. In addition, the U.L.I. report recommended that the City and the Redevelopment Agency rethink its plans for a 32-story building, combining a new City Hall, hotel and office uses. We are in complete agreement with the U.I.G. and U.L.I. recommendations for the need of a direct link between the downtown and Civic Center. We also agree that it would be inappropriate from a financial and design standpoint to incorporate a new City Hall, hotel and office development into a single structure. The U.L.I. report recommended that the City include hotel, office and retail uses on the A-2 site, either in phases or all at one time, depending on market demand. The report recommended a high-rise office tower, containing 200,000 to 240,000 square feet of office space at the west end of the site; approximately 40,000 square feet of street oriented retail along Fourth Street and a five-story, 250-room hotel and conference center along Fourth Street. In addition, the U.I.G. report recommended that the historic buildings on the east side of the site, fronting on Broadway, should be retained and incorporated into the public and hotel entrance to the project. They also recommended that the parking structure for the complex be located along Fifth Street. Based on the Carley Capital Partnership market studies, we will be able to execute a development agreement in May, 1985 for a one-phase project to include a high-rise office tower, containing approximately 240,000 square feet of office space at the west end of the site; approximately 60,000 square feet of street oriented retail along Fourth Street and a five-story, 225-room hotel with a two-level conference center. In addition, it appears that we will be able to preserve the historic buildings at the east end of the site, fronting on Broadway.

Both the U.L.I. and U.I.G. reports recommended that the Redevelopment Agency concentrate on Hispanic oriented festival like retail and social uses on the street's eastern section. In addition, they advocated having a neighborhood shopping center, including a market and drug store between First and Fourth Streets, approximately in the proposed location of the A-10 development site. We are in complete agreement with this recommendation and should be in a position to offer an Owner Participation Agreement for the development of a Spanish oriented Festival Market Center on the A-8 site in June, 1985.

The U.L.I. study recommended that the City and the Redevelopment Agency promote a specialty restaurant location, utilizing the existing Second Street Mall, and promote West Fourth Street for the development of speciality shops to support the Civic Center area. We agree with both of these concepts and are actively promoting uses compatible with this direction. The U.L.I. report recommends the development of a shuttle system which would connect various points in the downtown and the new transportation center on Santa Ana Boulevard. Due to the recent discontinuance of the "Quick Trip" service by O.C.T.D., this suggestion will be reviewed on a long-range basis. The U.L.I. report also suggested that the City assume financing responsibility for the Third Street Garage and that current assessments paid by downtown property owners be redirected for common improvement and marketing purposes. We are investigating the feasibility of this course of action. Due to the increasing demand for parking spaces in the structure, it may be more feasible to raise monthly rates to the point where they can cover current assessments paid by the property owners as well as the on-going operation of the structure. The current rate of \$15.00 per month per space is substantially below the other parking facilities in the area.

The U.L.I. report recommended that the Redevelopment Agency exercise care and prudence in redevelopment projects by carefully screening developers and projects so that only those proposals that are consistent with the community-wide vision for downtown would be accepted. We fully concur with this recommendation and will ensure that all future development sites are offered on a Request for Proposal basis. All proposals will be objectively rated on the developer's related experience with similar projects, financial capacity and success in working in complex urban environments.

We agree with the U.L.I. recommendations that cultural, entertainment and sport facilities should be encouraged. We believe that our current major cultural thrust for the rehabilitation of the Santa Ana High School Auditorium, the lease of the Templo Calvario for the Pacific Symphony and the purchase of the Yost Theater for a joint program with Santa Ana College represent a very aggressive initial program for cultural and entertainment development. In addition, we are working very hard for the development of a major

sports/entertainment arena in the downtown which would have enormous supporting capability for the downtown business community. The site selection for this facility will be made on the need for minimum business dislocation, impact on housing, traffic conflict and maximum spin-off benefit for downtown restaurant and other retail activities.

It was mentioned in the U.L.I. report that, until a new City Hall is built, we should consider locating offices in the downtown area in upper floors of existing buildings in an effort to support and encourage retail growth, foster community identity and provide a positive example. We agree wholeheartedly with this recommendation and are implementing this course of action throughout the downtown.

In conclusion, the U.L.I. panel encouraged an active debate on the issues it raises and the recommendations it offers. Staff will ensure that the U.L.I. and U.I.G. recommendations and guidelines receive the widest possible community circulation together with opportunities for input and discussion.

#### FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

We are in total agreement with the major sections of the U.L.I. report with the following exceptions:

The U.L.I. report recommended that we consider the removal or modification of several Fourth Street kiosks. The kiosks, which were designed by the U.I.G. Report Director, Mr. Rex Lotery, AIA, were meant to create retail and pedestrian activity on Fourth Street in conjunction with the anchor developments of the A-2 site and A-8 Festival Market Center. We believe that the kiosks, Mercado and Paseo plan should be implemented and tested prior to any major changes. It is impossible to judge their success or failure until they are brought on line in May, 1985. As stated previously in the summary, we disagree with the U.L.I.'s contention that major office and hotel development should be deferred until current space is absorbed and a predictable occupancy level for a proposed hotel is assured. We believe that it is more practical for us to rely on the developers' market studies, perceptions and willingness to assume the necessary risk to build major office, hotel, retail and commercial facilities.

#### LAND USE AND URBAN DESIGN

We think that the U.L.I. and U.I.G. reports did a particularly strong job in dealing with the question of land use and urban development. Their major emphasis dealt with the suggestion to tie the downtown and civic center areas together. We are in total agreement with the findings contained in the reports with minor exceptions.

Both reports recommended that the proposed development for the A-2 site include both public and private office space supporting commercial and retail uses and a hotel with conference facilities.

The proposed agreement with Carley Capital Partners contains all of these elements and will be designed to provide pedestrian linkages between the downtown, Civic Center and the recently completed O.C.T.D. Transportation Center. Carley will be unable to develop an entrance to the hotel on Broadway. They believe that the preservation of the existing historical buildings should receive the highest priority and that the window provided by the removal of the Broadway Theater will not provide adequate frontage for hotel development.

The U.L.I. study recommended that a clearly stated facade improvement guideline program, including an enforceable sign control ordinance, should be instituted. We think that such an effort is of strong importance and that the Downtown Development Commission and Housing and Community Development Agency will develop such a program as soon as possible. We agree with U.L.I.'s recommendation that to the widest extent possible, historic structurally sound buildings should be maintained. Since the U.L.I. and U.I.G. studies took place in November, we have successfully promoted the establishment of a Federal Historic District for the downtown area. Buildings, such as the Corday Hotel and Pacific Electric Building, which were specifically mentioned in the U.L.I. report, will be preserved within the downtown area.

We cannot concur with the U.L.I.'s suggestion that we land-bank properties in the downtown area and south of the new transportation center for a large, open-air complex which would include a new swap meet, soccer field and other recreational facilities. We believe that this recommendation by the U.L.I. and U.I.G. panels reflected an unrealistic estimation of the land values in this area. It would be impossible for the City or its Redevelopment Agency to finance the acquisition of such a large site at the \$9 to \$15 price range which currently exists for even the most under-utilized property in this area. In addition, the U.L.I. recommendations do not parallel the City's established goals of promoting this area for foreign trade and major new commercial developments.

The U.L.I. recommendations that the new neighborhood commercial center be shifted to the west is not feasible because of the Redevelopment Agency's current contract for the development of the A-10 site. The development of the A-16 site is currently being planned with the maximum amount of community input now that McLean Cadillac has decided to relocate outside of the downtown area. We concur with the reports' recommendation that strong pedestrian traffic going west to the Second Street Mall and north to Fourth Street is imperative. The U.L.I. panel strongly recommended that the Redevelopment Agency encourage additional in-fill housing on the eastern portion of the downtown area. With this in mind, we will be recommending a major housing development for the A-9 site to the Redevelopment Agency for approval at its May, 1985 meeting.

The U.L.I. recommended very strongly that businesses, which must be displaced through the redevelopment process, be given adequate

relocation assistance, financial help and assistance in finding new locations. Litigation on condemnation proceedings should be avoided whenever possible since it not only ties up the property but also creates a bad image for the Agency. We agree wholeheartedly with this approach to the redevelopment process and are pleased that less than 5% of our acquisitions have involved condemnation. We strictly adhere to all state and federal requirements regarding the acquisition and relocation process.

The U.L.I. panel recommended that we revise our priorities, timeframes and qualifications so that they represent a current assessment of all identified projects. The Redevelopment Agency, through the Downtown Development Commission, plans to review all of its projected efforts on an annual basis with the maximum amount of public review and input. The U.L.I. recommended that, to expedite the construction of as many projects as possible, the developers who are awarded economically sound projects should also be required to develop marginally feasible projects. We do not believe that this approach is sound and would result in more development. The Santa Ana downtown market is not downtown San Francisco or Los Angeles and cannot stand the weight of unrealistic requirements at this time. To date, we have not attracted major developers who have the capability of developing a variety of different uses, such as major commercial combined with residential. We believe that it would be a serious mistake to try to force any developer to build a type of product with which he or she has little or no experience. As was previously mentioned, we are committed to selecting developers on a project by project basis which have the highest level of experience and financial capacity.

The U.L.I. report recommended that we convene periodic workshops with sources of debt financing, such as mortgage bankers and syndicators to provide information on private financing to property owners. The City, through its Economic Development Corporation, is establishing a program for work shops and a better flow of information between lending institutions and the community.

In the above comments, we refer continuously to both the U.L.I. and U.I.G. reports. The following comments are directed to suggestions contained within the U.I.G. report, which were not incorporated or enlarged upon in the U.L.I. panel findings. The U.I.G. report is principally summarized in the recommendations and opportunity sections consisting of page 20 through page 23. We agree wholeheartedly with all of the recommendations and opportunities contained in the U.I.G. report with the sole exception of the relocation of the swap meet to the east Fourth Street area and the development of recreation facilities such as soccer fields and an amusement park as an interim use and land-banking effort. We fully agree with the concepts promulgated in the remaining 15 key recommendations and opportunities presented in the U.I.G. report. The concept plan contained in pages 24 through 41 received our enthusiastic concurrence with only four minor exceptions, as follows:

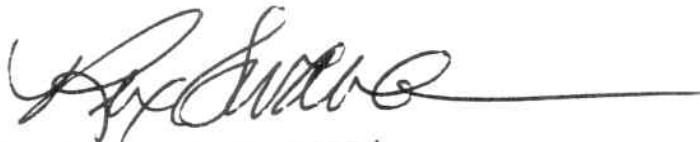
1. We believe it is no longer necessary to promote the pedestrian bridge between the Civic Center and Sasser Park. If a pedestrian bridge is to be developed, we believe it should link the Carley Project with a new parking structure fronting City Hall to the South.
2. We believe that the 21-story office tower proposed by the Carley Partnership in their A-2 site development is more suitable than the 10 to 12-story tower recommended by the U.L.I. report. The 20,000+ square foot floors, dictated by the U.I.G. report, would result in an extremely bulky design, isolated from its parking structure by the proposed hotel and conference center configuration. The hotel and conference center development, as proposed on Broadway, would necessitate the demolition of the historic Knights of Pythias building and would present extreme functional and design problems.
3. We concur with the U.I.G. recommendation to develop the four-plex cinema theater fronting on the Paseo. However, theater development requirements may necessitate that it be built on Fourth Street.
4. The U.I.G. recommended that the A-9 site should not be utilized for residential development. We believe that 400,000+ square feet of new retail development scheduled for the downtown, within the next two to three years period, represents the maximum possible absorption for retail uses. In addition, we fully concur with the U.I.G.'s proposed concept for a Zocalo on the A-17 development site, immediately adjacent to the Mercado and Festival Market Center. This Zocalo development, if successful, would continue to add substantial amounts of new retail to the downtown area. There simply is not any logical predictability to the need for continuous retail development along the Fourth Street corridor.

The excellent design options and comments offered in the U.I.G. study are far too numerous to mention. However, several of the more outstanding ones do deserve comment. As previously mentioned, the Zocalo development is an exciting concept which we plan to fully pursue. The First and Main Streets gateway concept, Second Street restaurant row concept and Civic Center linkage concept provide excellent directions for the downtown redevelopment program.

#### IN CONCLUSION

The Development Team feels that the U.L.I. and U.I.G. panels did an excellent job in analyzing the current status of the Downtown Redevelopment Project and defining several exciting concepts for our future efforts. It is remarkable that, in such a major undertaking as a project area in the midst of rapid development, so few areas of

diversion of thought existed. There are a few points of disagreement, the majority of which are contained in contractual agreements which prevent any modification of our plans at the present time. The U.L.I. panel fully understood our contractual obligations but pursued our suggestion that, during the free-wheeling thought provoking process they were to undertake, these contractual requirements should be set aside. We are very grateful for the effort that they made on behalf of the City of Santa Ana and the Economic Development Program. We look forward to open discussions on these recommendations and the successful implementation of many of their suggestions in the years to come.



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