For many years, City Heights property owners have suffered from a combination of negative publicity and zoning actions that have tremendously devalued their properties. Some other issues that have led to the devaluation of properties include:

- The long abandoned Interstate 15 scar which sat dormant for 25 years;
- The destruction of the adjacent neighborhoods by high density and poorly design multi-unit housing with no corresponding infrastructure;
- And the worst crime stats in the county set this community on a downward spiral in the 1980's and early 1990's.

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- The opening of the Mid-City Police Division station in the mid-1990s signaled a significant new approach to public investment by the City of San Diego. Envisioned in 1993 as an ongoing deterrent to crime, the funding and development of the station at the old Von's site at Fairmount triggered a chain of events that fundamentally altered land use patterns for the better. The introduction of hundreds of new law enforcement employees in the community, coupled with the ingress and egress of Police vehicles created a safety zone in an area that used to be "ground zero" for criminal activity.
- The prioritization of the City Heights community by Sol Price has demonstrated the incredible contributions that this altruistic businessman can make in a community. Sol Price, beginning with Fed Mart and later the Price Clubs, re-invented the retail business in the U.S. Sam Walton, founder of Wal-Mart learned much of his craft from Sol Price. In the 1990s, Price formed Price Charities and adopted the City Heights community as the place to leave his mark. Price Charities, a non-profit development corporation, has amassed significant land holdings in the heart of the district and developed the largest single construction project in the District's nearly 100-year history.

Price Charities has re-built the previous downtown of old East San Diego with a new library, a high-rise business and office complex and a series of well-designed affordable housing units to create a dynamic urban setting. Price Charities provided $5.25 million to open a state of the art-library in 1998 at the corner of Fairmount and Wightman. This 15,000 square foot facility is equipped with an internet technology center,
William Jones' City Heights Retail Village

(Continued...Page 1)

reading rooms and meeting rooms.

Currently, the San Diego Revitalization Corporation/Price Charities is building 116 new town homes and a six-story office building in the heart of City Heights at the corner of Fairmount and University. The total cost of this project, the largest ever built in City Heights, is over $44 million dollars. The office space will be rented to public and nonprofit organizations providing services to the City Heights community; current tenants include Children's Hospital Pediatric Urgent Care Center, which will operate a Head Start Facility.

Price Charities' ambitious plans to re-build City Heights is led by former San Diego City Manager Jack McGrory. Price Charities has other grand proposals to spread this commercial and neighborhood revitalization throughout the district with projects planned for Interstate 15 and University, Fairmount and Myrtle and at the old Albertson's site.

- William Jones and his company City Link, proved that major corporate retailers could succeed and thrive in a dense urban setting. City Heights Retail Village, the development built by Jones at the corner of University and Fairmount, is a 108,706 square foot shopping center anchored by a 66,000 square foot Albertson's. Other major corporate tenants attracted to City Heights by Jones include Washington Mutual Bank, Blockbuster Video, Denny's, McDonalds, a Magic Johnson Starbucks, Subway, Kragen Auto Parts, Cingular Wireless, Papa John's Pizza, Panda Express, Radio Shack, Dani Salon, Nationwide Insurance and a Scripps Health/Children's Wellness Center. The development was financed by a $14.5 million loan from Teachers Insurance and Annuity Association. Jones' development has dramatically beautified the district as well as altered the perception of business viability in the area.

- The development of the Kassab family's Chevron Station at the corner of Int. 15 and University, as well as other developments planned by the family along Fairmount has continued this significant input of private capital in this district. The demolition of old, architecturally insignificant buildings by the Kassab family are in line with the continuation of private capital investment in the core area of this district.

- The Atiya family, after their relocation from their location on University for the new Price Charities Business Complex, has re-built their White Cross Pharmacy in a new site on Fairmount. This architecturally significant building continues the process of the revitalization and re-building of City Heights.

- Asian-American property owners and businesses had previously been the pioneers in this area, investing their capital in City Heights at a time when the community had been shunned by other developers. It was this business community who invested in the late 1980s and early 1990s and demonstrated that good, profitable businesses could be created in City Heights and tap into the pent up demand for goods and services in the surrounding community. Along University Avenue and El Cajon Boulevard, Asian-American business owners have kept this commercial district viable when other areas of the community were in decline.

- And of course, what of the long-term property
(Continued...Page 2)

owners who set the foundation for this revitalization effort? They are the ones who stuck it out through good times and bad to finally reap the rewards of their patience. Those sole proprietors, owner, operators, family trusts and others never lost faith in this community, waiting many years for the inevitable turnaround.

So is everything rosy and on an upswing? Of course not. These are all very bright and very significant signs, however there is still a tremendous problem of blighted properties and rundown businesses, dirty and broke sidewalks, gutters filled with litter, no pedestrian lighting east of Int. 15, narrow sidewalks in the densest area of the City, and a hopscotch of development that lacks continuity. A visitor from outside the area is still stunned by the blight, even in light of the massive redevelopment that has occurred over the past five years.

How will this be changed or how will this revitalization process be accelerated? Only through the concerted efforts of the commercial property owners organized in their own corporation with an adequate budget which funds enhanced services. This is the intent of this newsletter and the beginning of this discussion on creating a body, which promotes mutual self-interests.

Property Owners as a Force

In general, the commercial property owners in City Heights have never been organized in an ongoing organization or entity. Whereas the City Heights Business Improvement Association sought to develop and represent the business community, property owners, due to their lack of a business license in the City of San Diego, were disenfranchised from this effort.

In early 2002, Price Charities gave a grant to the Business Improvement District Council of San Diego to investigate and possibly form a property owner funded improvement district for the business community. The Business Improvement District Council, after a competitive bidding process, hired New City America to conduct a survey and work with area property owners on possible formation of the district. New City America is a local company that has formed 22 similar districts statewide. New City America personnel have also been integrally involved in the revitalization effort of City Heights since the early 1990s.

Overview of the District

The new property owner funded district, would be similar to other commercial district property assessment districts in the City of San Diego. Examples of newly formed Property Improvement Districts can be seen in Downtown’s Gaslamp District, Little Italy and most recently in Sherman Heights east of Downtown. In each of these areas, property owners voted to establish an enhanced services district to fund special services over and above those services provided by the City’s general fund. Each of the districts mentioned above, generate over $200,000 annually through special property tax assessments, to fund those special services. The revenues, once collected by the County, are then transferred through the City to a non-profit corporation of property owners so they can control their appropriation to fund the special services. These assessment revenues fund programs that include sidewalk and gutter cleaning, special pedestrian lighting, beautification, and creation of programs that promote order in the community.
graffiti abatement and property owner advocacy.

The district is envisioned to encompass over 4 million square feet of land and includes all parcels, both public and private, roughly in the following area:

- On University Avenue from 805 to 2 blocks east of Euclid;
- On Euclid from University to Polk;
- On Fairmount from Myrtle to Orange;
- On 43rd Street from Polk to Wightman;
- On Marlborough from University to Polk;
- And along various other side streets that represent extensions of the City Heights business district.

The purpose of this new assessment district would be to fund special services in this commercial district. The services to be funded have been mentioned previously. A new corporation of property owners paying into the district would be established to oversee the administration of the district and promote and advocate on behalf of the property owners. This is crucial as the City moves forward on new redevelopment plans for the area. Property owner involvement in the pre-formation and post-establishment phases of the district will determine the success and results of the district.

Why Form the New District?

Thus far, we have addressed what the district is, but not addressed the question why? Why would someone want to pay more money to clean up and revitalize a district? Shouldn’t the City be doing that?

Good questions, and these questions are asked everywhere by property owners throughout the country. They say: I am already paying taxes, those taxes should be spent on cleaning up the district!

It all depends what you want. What you see is what you get. The services that you are currently receiving are currently meeting City standards. So if you like the way the commercial corridors look, then the Property Improvement District is probably not for you.

The fact is that this area has recently received a massive infusion of public dollars in the form of the completed Int. 15 freeway, landscaped bridges, Teralta Park, new schools, a new library and a new Police Division headquarters. Cities and public agencies will normally invest in capital improvements such as new sidewalks, new trees, new streetlights, etc. – that is their role. However, the maintenance of those capital improvements is normally dependent upon the property owners who have benefited from the installation of those capital improvements.

For example, simply because the City constructs new sidewalks and plants street trees does not mean the sidewalks will be regularly swept and the tree maintained and watered. The City’s maintenance responsibilities normally end at the curb.

Aitya Family’s new pharmacy on Fairmount.
Abandoned furniture in alley off of University Avenue.

(Continued... Page 4)

If a community wants trees, they have to make sure they do not die. If you want new sidewalks, you need to make sure they are swept regularly. If you want new trash cans, you need to make sure that they are emptied as needed.

That is the purpose of this new property improvement district — to maintain the existing and new infrastructure in the public rights of way. We can all talk until we are blue in the face about what the City should be doing. However, if you want your business district to excel and compete effectively with other well-managed and better capitalized districts, then extra funds will be needed.

If every parcel owner: private, non-profit and public, contributes annually to fund the enhanced services provided by the improvement district, then the costs will be spread equitably and will be less than if each property owner did it themselves. The idea is to see the City Heights business district as a product, that is, something to be improved, marketed and sold to a target audience. Though it has multiple property owners, each parcel owner shares in the image of the areas public rights of way. Everyone benefits if they are cleaned regularly, if they are without graffiti and if they are beautified.

Under the proposed district, all property owners would be obligated to pay into an annual assessment district for the purpose of funding these enhanced services that would benefit real property owners in the district. This district, and its managing corporation would allow property owners to directly participate in the redevelopment process in City Heights. Issues that will affect property owners in the next few years include the following:

- How do the City's proposed City of Villages which is included in the new City Strategic Plan impact commercial properties in City Heights?
- How does the expanding school district serve as a mechanism for increasing the educational level of community's children as well as serve as a force in eliminating blight in the district?
- How do City Heights businesses and residents create effective transportation linkages between the University Avenue/Int. 15 transit station and the Trolley at Qualcomm Stadium?
- How do private property owners work with the City Redevelopment Agency and the new tax increment generated in this district to improve the infrastructure along the commercial corridors?
- How do property owners become an effective voice to the City Council on major land use issues that will impact the Mid City area for years to come?

These are just a few reasons why it makes sense to organize now. The Price Charities funded contract with New City America provides a golden opportunity to capitalize on all of the positive developments of recent years.

Survey of Property Owners

As mentioned earlier, New City America conducted a survey of property owners in early 2002. The survey was mailed out twice in order to maximize the opportunity for response to the district. The results were revealing in the amount of property owners who responded. Normally, surveys are responded to by 5 - 10% of the target audience, City Heights property owners responded in much higher numbers.

The survey sought to gauge the support for the concept of an assessment district to fund the enhanced services discussed earlier in this newsletter. Now that the survey results are in, the challenge of New City America and the Assessment Engineer is to create a plan that simultaneously generates enough assessments to fund the services necessary in the district, as well as make them affordable for the majority of those parcel owners paying into the district. The survey results
Old charm of western end of the district.

(Continued...Page 5)

demonstrate significant support for moving ahead with the district. The district statistics, as of July 10th are as follows:

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<tr>
<th>Property Variable</th>
<th>TOTAL RESPONSE</th>
<th>YES IN CONCEPT</th>
<th>NO IN CONCEPT</th>
<th>NO OPINION IN CONCEPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lot Size</td>
<td>1,627,181</td>
<td>1,363,809</td>
<td>183,880</td>
<td>79,492</td>
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<tr>
<td></td>
<td>100%</td>
<td>84%</td>
<td>11%</td>
<td>5%</td>
</tr>
<tr>
<td>Building Square Feet</td>
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<td>327,679</td>
<td>92,127</td>
<td>37,692</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>72%</td>
<td>20%</td>
<td>8%</td>
</tr>
<tr>
<td>Linear Frontage</td>
<td>13,456</td>
<td>10,772</td>
<td>1,764</td>
<td>920</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>80%</td>
<td>13%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Percentage responses based upon those who responded to survey

How Long will the Process to Form a District Take?

Since much of the preliminary work has been done thus far, and there appears to be substantial support for the concept of the district, the following represents a preliminary time line for district establishment.

AUGUST:
Call a meeting of those interested in working on the Property Improvement District Task Force. Review the type, frequency and costs of services. At the second meeting, come to some sort of agreement regarding costs and overall service plan. New City America mails out “property verification forms” to verify the data on each parcel in the district.

SEPTEMBER:
Initiate a petition drive among property owners to demonstrate to the City that there is support with moving ahead on district formation. Get 30% of weighted property owners to endorse plan and annual costs. Bring completed petition drive to City to trigger Proposition 218 mail ballot proceeding.

OCTOBER:
Resolution by City Council to hold public hearing on the formation of the district. City Clerk mails ballots out. Property owners have at least 45 days to return their ballots before the conclusion of the public hearing.

DECEMBER:
Public hearing held. Weighted returned votes determine if district is formed. Based upon survey results and strong support among the weighted property owners in the district, the district is formed. City does

Trash near University and Euclid
(Continued...Page 6)

manual bill for last half of fiscal year 2002-03 (January – June).
Seek other grant funds to fund new non-profit management corporation.

JANUARY 2003:
A new non-profit, public benefit corporation is formed and an interim Board of Directors is self-appointed. Sign agreement with City to administer district. Wait for midyear billings to arrive to begin to fund special services in district.

FEBRUARY:
First funding of new district services. Hire interim staff to oversee contractor for the providing of enhanced services. Consolidate interim Board.

Next Steps

The next few months will be very full in working on the budget and services plan. We encourage all interested property owners to be involved in this process.

This is a golden opportunity, one that might not be repeated, to permanently bring improvements to this significant business community. For so long, the property owners who have invested in this community, have been left out of the process. To achieve the desired results will add a little to your annual property tax bill, however it costs something to get anything in life. An honest debate is in store on the future of this business district. Be involved and let's work to make this an attractive, clean, safe and significant business district in the heart of the old East San Diego.