

Benefactor steps in to help San Diego entice developers to remake downtown's Civic Center



San Diego's Civic Center includes the City Administration Building at 202 C St., the City Operations Building at 1222 First Ave., the 3,000-seat Civic Theatre, the Civic Center Plaza office tower, the Golden Hall event venue, a public plaza and a parking garage. The complex extends to the recently acquired 101 Ash St. building. (K.C. Alfred/The San Diego Union-Tribune)

By Jennifer Van Grove

A prominent philanthropic organization has cut a \$303,000 check to hire an outside consultant to help San Diego sidestep repeat failure as it seeks to secure developer interest in remaking the city's Civic Center real estate.

On Tuesday, the Prebys Foundation and the Downtown San Diego Partnership announced that they've hired Philadelphia-based real estate consulting and urban planning firm U3 Advisors to come up with a big-picture vision for the six downtown blocks that the city intends to once again market for sale or lease later this year.

The firm's work, overseen by the Downtown Partnership at the Prebys Foundation's expense, is

meant to help the city fill in the blanks of its forthcoming solicitation. If successful, the final product will drum up interest from prospective buyers keen on refashioning the central downtown blocks.

“We are firm believers that when you reach out to the private sector market, if you don’t really have a vision for what you want, you either will get a very lukewarm response, no response or a hodgepodge of responses,” Omar Blaik, CEO of U3 Advisors, told the Union-Tribune. “We think this is an amazing opportunity for San Diego, for its citizens to redefine the downtown. And that’s the aspiration ... that we can work with all of the great stakeholders ... to actually put together a vision that, at the same time, we can underwrite from a real estate point of view.”

The effort brings back to the surface Mayor Todd Gloria’s push for a “once-in-a-generation” transformation of San Diego’s municipal core. The idea is to not only offload the city’s deteriorating buildings and underused land, but to find a private development team to create a new hub of activity and hundreds of homes in the city’s core. The land transaction would then help fund the construction or purchase of a brand-new City Hall facility to house the city’s downtown workforce.

In May, San Diego at Gloria’s behest offered for sale or lease the four blocks commonly known as the Civic Center — bounded by A Street and C Street to the north and south, and First Avenue and Third Avenue to the east and west — and a fifth block at 101 Ash St. The civic complex includes the City Administration Building (aka City Hall), the recently acquired Civic Center Plaza office tower, Golden Hall, a public plaza, parking garage and the 3,000-seat Civic Theatre.

But the Civic Center Revitalization solicitation, as it was called, failed to attract developer interest, save for two parties interested in the Ash Street tower.

The lack of interest was due in part to California’s Surplus Land Act, which regulates how municipal agencies offload excess land and prioritizes the production of housing for low-income families. At a minimum, interested developers were required to set aside 25 percent of proposed units as affordable units, meaning deed-restricted for families making 80 percent or less of the area median income.

In recent weeks, the city has telegraphed its intent to try again.

The timing is contingent, however, on two key decisions. The city must first decide whether it wants to continue negotiating with the developer proposing to convert 101 Ash into apartments. It must also determine whether it wants to build an all-new City Hall complex or buy an existing property. The latter choice will see the city either retain the City Operations Building block at 1222 First Ave. for a future skyscraper or free up that land for sale or lease.

In the interim, U3 Advisors will craft creative concepts for the municipal blocks that retain their civic nature.

“The deliverable in our mind is a pitch book about the vision. And the idea would be the beginning of putting the six blocks back on the market through a request-for-proposal process,” Blaik said.

“We have (done) almost \$4 billion worth of transactions on behalf of mission-based institutions. So we know how to turn the vision into an RFP and then negotiate and get a developer on board. But for now, I think the main focus is really the vision. Is there a vision that passes the litmus test of financing it with a partnership with the private sector?”

The blocks, he said, lend themselves to a mix of uses, including housing, new public spaces, the arts and even academic instruction or research.

To come up with a vision, Blaik and a handful of his staffers will open up the manifesto drafted by a volunteer group of nearly two dozen local leaders and stakeholders organized by Gloria. The document from the Civic Center Revitalization Committee implores prospective developers to create iconic buildings and celebrated public spaces.

The consultant firm’s initial work will start in May and wrap up in August to remain in lockstep with the mayor’s timeline.

Well known for its charitable donations to the arts, the San Diego-based Prebys Foundation’s involvement centers around its strong desire to preserve in some fashion the Civic Theatre, as the fate of the county’s largest performing arts venue hangs in the balance.

The venue, opened in 1962, was meant to be the center of civic pride, showcasing the then-emerging city as a major entertainment center. But the cost to renovate or replace the theater is substantial — estimated by the operator at \$125 million to \$500 million — and the city did not, in the initial solicitation, require prospective bidders to keep the venue in place.

This go around, the Prebys Foundation would like to see a unifying vision that makes the theater a priority, as it can enliven new public spaces and future development, Grant Oliphant, CEO of the nonprofit, told the Union-Tribune.

The nonprofit’s aim is also much grander in scope.

“When we started looking at this project and heard about the lack of responses on the initial (solicitation), it really did strike us that every city in America right now is struggling with this question, post pandemic, of what a downtown is for,” Oliphant said. “And, magically, San Diego is in this position of getting to answer that question with a major project in the heart of downtown.”

The organization selected U3 Advisors for its past work on public projects and approached the Downtown Partnership to oversee the consultant’s work. The charitable foundation awarded the Downtown Partnership a grant of \$303,000 — \$300,000 for the consultant work and \$3,000 for administration costs.

The Downtown Partnership will connect the consultant firm with downtown stakeholders and facilitate public outreach, said Betsy Brennan, CEO of the Downtown Partnership.

“(U3 Advisors) is not going to just do a vision. They’re going to do an urban redevelopment plan for those six blocks,” she said. “It’s something that, frankly, a lot of development teams ask for.”

The mayor is also on board with U3 Advisors’ commission.

“This next step will help pave the way to creating a civic center that works for all San Diegans and is reflective of our world-class downtown,” Gloria said in a statement.

In the fall, San Diego will return to the market with the expert-crafted vision in hand and at least one other advantage. Having satisfied the requirements of the Surplus Land Act, the city can lower substantially the affordable housing requirement for five of the blocks, meaning prospective bidders will need to set aside 15 percent (instead of 25 percent) of residential units for low-income families. The city also now has more latitude when it comes to selecting a winning bidder, meaning it can pick the project it likes the best.

The higher affordable housing requirement likely made redevelopment projects too difficult to finance. At the time, San Diego City Council members also imposed an additional restriction, requiring that some of the residential units be deed-restricted for people making 30 percent or less of the area median income, which includes housing for homeless people.

“(The first solicitation) failed because there were too many constraints put on the project such that no reasonable approach would be feasible,” said real estate analyst Gary London, a principal of local firm London Moeder Advisors.

London believes that, with fewer constraints, a project of scale that simultaneously catalyzes redevelopment of the entire downtown core is achievable.